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BUSINESS IN CAMEROON

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Outages ENEO's director-general explains the situation



Cocoa: Time to boost
processing



Eurobond refinancing proves
successful

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Yasmine Bahri-Domon,



\$350 per capita, per year...

All countries in the world are currently facing similar major challenges - security, health, and environmental challenges which can only be overcome if all nations facing them act together, in solidarity. Regardless of how many billions of dollars or euros rich countries' central banks produce, none of these three issues can be solved as long as globalization operates solely on a survival of the fittest basis, an environment that fosters the growth of inequalities. There is a need for new rules, fairer rules for all of us.

To finance health, education, security, infrastructure, and administration, a European government spends on average \$6,000 to \$7,000 per capita every year. Meanwhile, an African country, to do the same and more sometimes, barely spends \$350 per capita.

Truth is that when it comes to taxation, all 54 African economies are much like baskets with holes in them. Monies flow

in and out of them unchecked. According to the Tax Justice Network's experts, every year, tax evasion costs Africa more than \$23 billion. In his book, *The Hidden Wealth of Nations*, Gabriel Zucman estimates that international tax evasion and illicit financial flows cost African countries about 40% of their GDP.

Recently, European countries have been strongly denouncing GAFAs' tax arrangements, which cause them to lose several billions of dollars in revenue each year. However, Africa has been suffering this unfair situation, on a far worse level for decades, because of international trade's lax rules which allow, via false invoicing, more than \$88 billion to be stolen, yearly (UNCTAD study).

How then could African leaders, with such meager resources, tackle issues like terrorism, pandemics, or help their country adapt to climate change?



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MONTHLY STATISTICS

XAF2,647 billion

As of December 31, 2020, Cameroon's domestic debt was XAF2,647 billion, according to the National Sinking Fund CAA. This volume is up by XAF300 billion compared with the XAF2,297 billion the country recorded at end-2019.

Sources close to the case explain that this rise in the volume of the country's domestic debt was due to the inclusion of over 3 months old outstanding debts owed to state suppliers and also to the rise in the number of fundraising operations Cameroon carried out on the BEAC's public securities market.

38%

During the 2020-2021 cotton season, which will be concluded in the next few days, Cameroon Cotton Development Corporation (SODECOTON) is expected to reach a new record production of 350,000 tons. This production will be up by over 20,000 tons compared to the 328,000 tons it produced in the previous season, according to internal sources.

As usual, most of the fiber from this seed cotton will be exported to Asian countries, notably China. Indeed, by purchasing about 38% of Cameroonian cotton yearly, the Middle Kingdom is, for many years now, the main destination for the cotton produced in Cameroon, reveals Mohamadou Bayero Bounou, SODECOTON's director-general.

4 million

The Cocoa Development Company (SODECAO) is currently planning the distribution of 4 million high-yield cocoa seedlings to farmers, official sources reveal. According to SODECAO, the seedlings can produce 1,000 to 2,000 kilograms of cocoa per hectare and are resistant to insect attacks that usually destroy plantations.

The distribution of the seedlings will help regenerate aging plantations or even facilitate the creation of new cocoa plantations in the country's production areas. That way, within two years, the national production will rise to meet increasing demand from the processors that recently entered the national market.

109

In 2020, 109 incidents were recorded on the Cameroonian railway network. This was revealed on April 14, 2021, during the joint special meeting of the Interministerial Committee on Railway Infrastructure (COMIFER) and the Passenger Transport Committee (CTV).

The number of incidents is higher than the 91 yearly average recorded between 2018 and 2020 (274 recorded in the 3 years).

The transport authorities provided no details on the reason for such a hike in the number of incidents recorded that year. But, it was revealed that because of those incidents, CAMRAIL wasted 274 operating hours (about 12 days) in the exploitation of passenger and freight trains.

COMPANY OF THE MONTH

SONARA ACCOUNTS FOR 79% OF PUBLIC CORPORATIONS' EXTERNAL DEBT WITH XAF359 BILLION OWED TO OIL TRADERS (CAA)



As of December 31, 2020, public companies' external debt was XAF452.5 billion according to the national sinking fund CAA. The Same source informs that that debt was owed by four companies, namely, Société nationale de raffinage (Sonara), Cameroon Airlines Corporation (Camair Co), Aéroports du Cameroun (ADC), and the Port Authority of Douala (PAD).

State-owned refinery Sonara was owing XAF359 billion, representing 79.3% of the overall public companies' external debt at the time. According to the CAA, SONARA's external debt was owed to foreign traders, and year on year, it is down by XAF12 billion. In 2016, the figure was XAF25.1 billion, XAF33.3 billion in 2017, and XAF52.4 billion in 2018. However, at end-2019, it rose substantially to XAF371 billion.

As for state-owned airlines Camair Co which has been experiencing cashflow problems since its creation in 2011, its external debt was XAF61.6 billion at end-2020, according to the CAA. This is probably the debt Camair Co owes its technical partners. Indeed, in September 2020, the Ministry of Economy published a technical note on Cameroon's cooperation with Germany revealing that Lufthansa Technik (which was, till 2014, in charge of the maintenance of Camair Co's planes) was claiming over €2 million (close to XAF1.3 billion) of unpaid bills. «The case has been brought before courts,» the note informed.

For the PAD, which is in charge of the management of the Port of Douala, its external debt was XAF18.7 billion at end-December 2020. Meanwhile,

ADC's external debt was XAF13 billion at the time.

Even though those external debts are not guaranteed by the government, they are also a threat to the country's budgetary balance. Indeed, as the CAA informs in its March 2021 report on the public debt, since the indebted companies are owned by the state and they have strategic economic and social impacts, the government could be obliged to step in to bail them out when the said companies are unable to fulfill their commitments. Hence the term «contingent and implicit government liabilities» is used to refer to those debts, it adds.

Brice R. Mbodiam



COCOA INVESTMENTS ABOUND IN THE PROCESSING SEGMENT

Last year, Cameroon missed its target of producing 600,000 tons of cocoa beans as provided for in the cocoa-coffee recovery plan. It only managed to reach 257,151 tons. As well, the country was not able to process half of the production forecasted by both the government and the sector's players. But the investment flow in the processing segment in recent years gives hope that things are going to get better for the cocoa industry in Cameroon.

While Cameroon used to process only about 25% of its production a few years ago, the rate is now gradually approaching 40% thanks to

the installation of new grinders and the increase in capacity of older processors. The production of chocolate and byproducts is also going well. In addition to small-scale processors, which are making their way on the local market, big investments are planned to boost competition with the giant Chococam (Chocolateries et confiseries du Cameroun). This local dealer of South African Tiger Brand recorded a 3% increase in turnover in 2018 thanks to higher demand for chocolate.

"Processing of smaller quantities for the domestic market, predominantly done by Chococam, a subsidiary

of South Africa's Tiger Brands, will also likely increase owing to thriving domestic demand," Fitch Solutions, a subsidiary of Fitch Group, said in a note on Cameroon's cocoa industry issued on March 18, 2019.

Fitch Solutions believes that demand for chocolate and other cocoa products in the country will gradually increase. According to the company's estimates, the figure will reach 63,000 tons in 2023, compared to only 53,000 tons in 2019, making an increase of 10,000 tons in four years.

Brice R. Mbodiam

Atlantic Group steps in the cocoa sector with a 48,000 tons processing unit in Kribi



On December 12, 2020, Atlantic Cocoa, the first company to win a contract to set up a plant in the industrial port zone of Kribi, in the southern region of Cameroon, shipped its first produce to the international market. This unit for processing cocoa beans into semi-finished products (mass, butter, and oil cakes), with a capacity of 48,000 tons expandable to 64,000 tons, launched its activities a few months before its first export.

The more-than-CFA30 billion investment made by Ivorian billionaire Kone Dossongui was backed up to CFA7.2 billion by the Development Bank of Central African States (BDEAC). The related financing agreement was concluded on September 17, 2018, in Douala. Negotiated by JMJ Africa, a Cameroonian firm specializing in

supporting investors, this package helped complete the financing of this project, in which the local subsidiary of BGFI Bank has also taken a significant share.

Thanks to Atlantic Cocoa, Kone Dossongui, who already has assets in banking and insurance, is positioning himself in the industrial sector in Cameroon. Atlantic Cocoa also contributes to Cameroon's ambition to boost local processing of cocoa, in line with its plan to revive the cocoa and coffee sectors.

Indeed, the Cameroonian government's midterm ambition is to have the country processing 50% of the local production. Over the last five years, Cameroon produced an average of 200,000 tons a year but was only able to process about 25% of that output. The situation exposes producers to the consequences of

price volatility on the international market.

Atlantic Cocoa unit is part of a vast agro-industrial project worth CFA50 billion, which also includes "the development of industrial plantations, including agricultural centers of excellence in the cocoa production basins in Cameroon, on 25,000 hectares," Georges Wilson, Managing Director of Atlantic Cocoa, said during the signing of the deal with the Development Bank of Central African States.

The regional financial institution says the agreement with Atlantic Cocoa fits its 2017-22 strategic plan in the way that it will help diversify the Cameroonian economy and reduce the country's dependence on oil revenues.

BRM

Cocoa beans trader Emmanuel Neossi enters the processing segment with Neo Industry

Neo Industry, the cocoa processing plant located in Kekem, West region, processed a total of 4,286 tons of beans during the 2019-20 season. According to the National Cocoa and Coffee Board (NCCB), this volume is far below the unit's installed capacity - 32,000 tons.

The plant, promoted by the local beans trader Emmanuel Neossi,

benefited from a financial contribution of CFA13 billion from SCB Cameroon, a local subsidiary of the Moroccan banking group Attijariwafa. Officially inaugurated on April 26, 2019, the Neo Industry unit was fully equipped by German Buhler, the number one supplier of solutions and machinery to the worldwide cocoa and chocolate industry.

Emmanuel Neossi says his cocoa processing unit will create about 750 indirect jobs. In addition to the tax and customs facilities offered by the Cameroonian government, this project received, in June 2016, direct public funding of CFA1.2 billion, as part of the Agropoles project, implemented by the Ministry of Economy, Planning and Land Management (Minepat).

Sic Cacaos invests CFA5bln to bring its processing capacity to 50,000 tons



In 2019, Cameroon processed nearly 32% of the national cocoa production (264,000 tons). According to the National Cocoa and Coffee Board (NCCB), the good performance was

driven by Société Industrielle des cacaos (Sic Cacaos), a subsidiary of the Swiss Barry Callebaut, whose processed volumes reached 56,000 tons over the period, up about 9.6% YoY.

This increase in processed volumes from Sic Cacaos is the fruit of an investment of CFA5 billion, which has enabled the company to acquire a roaster and a lot of equipment. Leveraging these acquisitions, the local dealer of Barry Callebaut ramped up its bean processing capacity from 32,000 tons to 50,000 tons per year. With this strategy, the NCCB points out, Sic Cacaos became the leading buyer of beans in Cameroon in 2019, with 22.2% of the market share, outstripping for the first time Telcar Cocoa, the local trader of US Cargill, which held 19.9% of the market share. Of the 84,480 tons of cocoa intended for processing in 2019, 58,608 tons or 69.4% were purchased by Sic Cacaos.

Chocolate maker Cocoa Valley eyes the Cameroonian market, promising to raise the price of a kg of beans to CFA3,000

Cameroonian Serge Ngassa, promoter of the chocolate factory Cocoa Valley, based in Haute-Savoie in France, was granted an audience on February 1, 2021, in Yaoundé, by the Trade Minister, Luc Magloire Mbarga Atangana. «This chocolate maker of Cameroonian nationality intends to implement in Cameroon, from June 2021, a new processing unit in finished and semi-finished products,» says the Trade Ministry.

While production capacities of the projected factory have not been disclosed yet, according to Michael Ndoping, Managing Director of the

National Cocoa and Coffee Board, its installation could push the price per kg of cocoa “from CFA1,000 to CFA3,000”. In this framework, the costs of production factors should be reduced to incentivize farmers. Despite this optimistic projection, it is worth noting that many cocoa processing units are already operating in the country, and none of them caused such a spike in the price of cocoa beans.

Cocoa Valley currently has more than 25 different types of chocolate bars it sells in starred restaurants across Europe (France, Belgium, and

Switzerland). Over there, the bars sell for €2.50, or CFA2,640 but, “if we process locally,” says Serge Ngassa, “we can sell them for €3.5”.

To achieve his goal, the chocolate maker plans to leverage his know-how to train young people and showcase the exceptional quality of the Cameroonian bean. For now, the cost of the investment has not yet been disclosed.

Serges Ngassa has plantations in Cameroon, notably in the Sanki Valley (West Cameroon) and in Ayos, in the Central region.

Plantations du Haut Penja, Cameroon’s leading banana producers now makes chocolate as well

Plantations du Haut Penja (PHP), a local subsidiary of the French agribusiness group Compagnie fruitière de Marseille, has set up cocoa plantations in the country covering 150 hectares. This banana producer has also set up a bean processing unit in

the town of Njombé, located in the Littoral region.

While both the amount of the investment and the capacities of this agro-industrial unit are yet to be revealed, inside sources said the plant locally

produces chocolate bars under the brand «ateliers des cinq volcans».

The product, exclusively meant to be exported to Europe, allows PHP not only to diversify its activities but also and above all to boost the local processing segment.

Éric Mansuy

“THE ELECTRICITY TRANSMISSION NETWORK SUFFERS FROM UNDERINVESTMENT”

Since the beginning of this year, Cameroon has again been experiencing power outages, despite the construction of two new dams in the country in 2012. In this interview, we discuss the situation with the director-general of ENEO, Cameroon's power utility. Here, the executive mainly talks about the financial imbalance in the power sector, which is due to several debts among operators, and the poor quality of the power transmission network, which has collapsed several times in 2021.

An interview by Aboudi Ottou

Business in Cameroon: According to our sources, a few weeks ago, BGFI Cameroon was mandated to arrange the restructuring of the debt Eneo owes Kribi Power Development Corporation (KPDC) and Dibamba Power Development Corporation (DPDC) for supplying it CFA83 billion of power. Could you tell us more about this?

Éric Mansuy: At the end of 2020, we signed some agreements to clear this debt, within a reasonable period

of 48 months. Eneo is taking all the necessary steps to implement these agreements.

Also, it seems that KPDC and DPDC are effectively in discussion with some banks to arrange a debt restructuring. They are the ones who mandated a local bank to this end.

BC: When do you expect this operation to be completed?

EM: Discussions are still at an early stage and key prerequisites must be

met before this operation is completed. It must be coherent with other ongoing operations to consolidate finances in the sector.

BC: You also owe huge sums to fuel suppliers like Tradex (the State company specialized in the distribution of finished oil products).

How do you intend to solve that?

EM: We effectively have a residual debt we owe Tradex but it can only be paid under a total clearance of



"Since the end of 2020, we informed the State about the energy deficit in the northern regions, a situation due to poor hydrology in the Benoue basin."

debts in the sector. Discussions in this regard are ongoing with the State.

BC: Still concerning fuel purchases, the minister of water and energy recently informed that the Head of State gave instructions for a weekly transfer of CFA1 billion to be made to Eneo, to support the demand of thermal plants located in the North. Where does this money come from?

EM: Fuel costs and power purchases are supported by the sector. Consumers pay part through charged prices and the rest is subsidized by the State (through a tariff compensation), in line with a policy that it introduced in 2009 to stabilize the prices of electricity used by residential customers. The Eneo only collects these monies and redistributes them to the various operators of the sector. That's why it is crucial that this tariff compensation is fixed at the beginning of the fiscal year and that it be paid regularly every year; Especially, given that both fuel and power suppliers demand to be paid on time.

Since the end of 2020, we informed the State about the energy deficit in the northern regions, a situation due to poor hydrology in the Benoue basin. The additional cost of fuel (ed. note: to run thermal plants) is estimated at CFA3 billion monthly. We have asked the State to help us, by assuming, without delay, these costs which will, anyway, be accounted for in 2021's tariff compensation.

Unfortunately, the only response we were given was a reminder of the President's commitment to have Eneo get a payment of CFA1 billion per week. This amount covers unpaid electricity bills of the States and its various arms, not the consumption

needs of 2021. It is not something new and does not respond to the emergency regarding the adequate supply of power to the people of the North.

BC: What about Gas du Cameroun (GDC), another fuel supplier which was recently demanding that you settle some debts you owe it?

EM: Tensions were calmed and the issue is being settled amicably (ed. note: a final agreement was signed between both parties on April 16, 2021, and Eneo should pay its partner CFA2.7 billion within the 30 days following the agreement's signing).

BC: What about what you owe State companies like the Electricity Development Corporation (EDC) or Société Nationale de Transport de l'Electricité (Sonatrel)?

EM: We are working closely with the State, notably with the Prime Minister and the Ministry of Finance, to keep track of and find ways to clear the sector's debt. Since December 2019 (when the Prime Minister organized a roundtable gathering actors of the sector), our goal has been to make sure that the sector's largest consumers (especially public debtors) pay their electricity bills in time so that we can also pay those we owe, public or private, every month.

BC: The Caisse Autonome d'Amortissement (CAA) has estimated what the State owes Eneo at CFA40.1 billion as of the end of 2020. Have you already completed the certification process for the public debt? How much is it?

EM: What you said earlier is indeed true. The State still owes the Eneo about CF40 billion and this seriously

impairs its operations and development capacities.

BC: Besides the CFA45 billion it paid you in the middle of 2020, the State was supposed to pay you around 32 billion more, which is part of what it owes you. Have you received this amount already?

EM: Talks are underway and should be concluded soon, in line with the government's strong will to normalize the power sector.

BC: At the beginning of 2020, Alucam and Eneo signed a debt assumption agreement covering outstanding debts as of December 31, 2019. How much progress was made by the Cameroonian State and Alucam regarding the clearance of this debt?

EM: The assumption of Alucam's debt by the State is going smoothly. This, however, does not change the fact that Alucam is going through serious difficulties, as invoices have stopped being paid since mid-2020, with rare exceptions. Its debt consequently keeps swelling and this affects Eneo's ability to pay other operators in the sector (ed. note: in mid-April 2021, the minister of finance signed the document officially sanctioning the State's decision to assume this debt, which is over CFA50 billion).

BC: After transferring the transmission network to Sonatrel, Eneo asked the State for compensation of CFA40 billion. What is this money for?

EM: Only a few people know about this but the truth is that since the privatization, huge sums were pumped into the transmission segment, notably since 2005: new transmission lines and source stations were erected, the transmission network was



"Our goal has been to make sure that the sector's largest consumers pay their electricity bills in time so that we can also pay those we owe, public or private, every month."

reinforced, a new modern network control center connected to the optical fiber was installed, etc. This figure is the value of these unamortized investments which form the basis for Eneo's right to compensation. We would like to make it clear that this is not a claim, but the application of the provisions of the general regulations of the sector and of our concession contract (which provides for the principle of compensation of the operator in the event of early termination of a concession). The calculation methods are strictly defined and discussions are underway with the State. It seems that there is already

a consensus on certain points. We hope that the final aspects will be completed rapidly.

BC: Given the poor state of the transmission network transferred to Sonatrel, some people think Eneo's demand is not justified. What is your answer to that?

EM: The current state of the transmission network must be assessed, considering its age, and circumstances that arose after the enactment of Law n°2011/22 of December 14, 2011, regulating the power sector. Since 2012, Eneo is no longer allowed to make investments in this area, and

as a result, the electricity transmission network suffers from underinvestment. This could explain both the congestion and the increase in major incidents. Still, in 2012, we submitted a master plan, covering the 2012-2025 period, where we listed all the new investments needed in the transmission segment.

It has been years now since Sonatrel took over the operation of the transmission network and we have always provided support in serious situations that could hurt the sector (such as the BRGM substation fire in 2020).



PUBLIC MANAGEMENT

Cameroon launches a CFAF65 bln project to develop the pork, beef, and fish industries



April 22, 20221, in Yaoundé, the Cameroonian Minister of Livestock, Fisheries, and Animal Industries, Dr. Taïga, presided over the official launch of the Livestock and Fish Farming Value Chain Development Project (PDCVEP). The CFAF65 billion project will be funded by a CFAF55 billion loan from the African Development Bank (AfDB) and by the Government of Cameroon, to the tune of CFAF10 billion.

«The PDCVEP is aimed at boosting competitiveness and hygiene in the beef, pork, and fish production segments over the next five years. It will also improve producers' income and create new jobs in the beneficiary segments,» we learn. To achieve these goals, 15 million grass seed straws, 1,000 frozen embryos (for the production of 500 calves), cattle semen, and high-yielding piglets will be produced and

distributed. In the framework of that project, animal farmers will also be trained on artificial insemination techniques and cattle fattening while over 350 young people will be supported in the development of animal farming businesses through credit facilitation.

According to the AfDB's findings, the poultry, beef, pork, and fish sectors are among the major sectors on which the country's growth should be based. However, the institution explains, the genetic performance of the cattle and pig breeds used is still mediocre. To increase these performances, the PDCVEP will take measures to improve the genetic inputs and feeds used.

Minister of Decentralization and Local Development, Georges Elanga Obam (photo) recently expressed his concerns over the management of the

proceeds of the special garbage removal tax collected by decentralized territorial authorities. In a letter dated April 16, 2021, the official reminded mayors of the requirement to publish a specific accounting result detailing the management of those proceeds. In the correspondence, Georges Elanga Obam warns mayors that institutions like the Supreme State Audit or the Audit Bench of the Supreme Court may audit the management of those financial resources.

Introduced in 2019, the garbage removal tax represents 0.5% of the taxable base of all imported goods, except for duty-free imports provided for in Article 276 of the Customs Code of the Economic and Monetary Community of Central Africa (CEMAC).

This tax, which is paid to the decentralized territorial authorities, is used to finance the collection of household waste in Cameroon. «Thanks to this model, 17 Cameroonian cities have a professional garbage collection service,» indicated HYSACAM, the main operator in the garbage collection industry. This year, the tax is expected to be XAF4 billion, based on the forecasted XAF804.7 billion customs revenues.

Ultimately, the three beneficiary sectors can help meet the production objectives of the livestock and fish farming sub-sector. Fact is, the farmers active in the three beneficiary segments account for over 45% of the livestock and fishing sub-sector. Therefore, the AfDB believes that its financial support will likely help achieve the 9.3% growth rate assigned to this sub-sector in Cameroon.

MINDDEVEL expresses concerns over the management of garbage removal tax proceeds

Minister of Decentralization and Local Development, Georges Elanga Obam (photo) recently expressed his concerns over the management of the proceeds of the special garbage removal tax collected by decentralized territorial authorities. In a letter dated April 16, 2021, the official reminded mayors of the requirement to publish a specific accounting result detailing the management of those proceeds.

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Customs authorities announce the seizure of a large quantity of smuggled medical products in the Southwest

On the night of April 20 to 21, 2021, agents of the Idenau Customs Commercial Brigade, Southwest Cameroon, seized an important quantity of medical products smuggled to the country from Nigeria, sources close to the case informs. Consisting of more than 30,000 HIV and syphilis test kits, and many other

products, the shipment had no import documents and was hidden in a boat carrying people and goods, according to customs sources.

According to officials and economic operators, the porous 1,500 km border between Cameroon and Nigeria has facilitated the development of an intense smuggling activity between the

two countries, in the three northern regions, the northwest and southwest regions notably. Coupled with illicit trade, this phenomenon causes about XAF200 billion of revenue shortfall for Cameroon (companies and the state) every year, per official estimates.

Cameroon moves to develop industrial fishing along its dams to reduce imports

On April 15, 2021, the Minister of Livestock, Fisheries and Animal Industries, Dr. Taiga, held a consultation meeting with Théodore Nsangou, General Manager of state-owned electricity distribution company Electricity Development Corporation (EDC). According to reliable sources, this meeting aimed to discuss the development of industrial fishing along the Lom Pangar dam to meet the country's needs and reduce imports. The sources explain that the development of fishing activities in the 6 billion cubic waters of the Lom Pangar dam is just a first step because the same project will later be implemented in the waters of all the dams in operation in the country. Officially, since its impoundment in 2015, over 6,000 fishermen have been active in the waters of the Lom Pangar Dam. Those fishermen mostly supply fish distribution networks outside the country while Cameroon still imports over XAF100 billion worth of frozen fish every year.



The project currently planned will therefore boost local fish production, and contribute to the implementation of Cameroon's import-substitution policy. The country started implementing the policy this year to improve the local industry and reduce its dependence on foreign products, food products notably. According to the Minister of

Livestock, Fisheries, and Animal Industries, Cameroon produced close to 335,000 tons of fish in 2019. That year, the demand was 600,000 tons, representing an over 160,000 tons gap. The country now intends to fill such gaps by developing industrial fishing along the various dams in operation (Lom Pangar, Bamendji, Mbakaou, etc.).

Cameroon to set up three funds to support companies in their post-COVID-19 recovery efforts

The Cameroonian Ministry of the Economy recently issued a call for expression of interests to recruit a partner (a bank or microfinance institution) for the creation of economic recovery funds geared towards the productive sector. According to the Ministry, the selected partner will support the government in the crea-

tion of three funding windows to help companies recover from the coronavirus crisis.

The funding windows will be endowed with XAF7 billion. Specifically, the fund created for very small companies and enterprises will be endowed with XAF2 billion. A XAF1 billion fund will be created for start-ups and innovative

companies while a XAF4 billion guarantee will be established for medium enterprises.

Officially, the XAF7 billion for these windows comes from the XAF10 billion provided to the Ministry of Economy in the framework of the XAF150 billion COVID-19 solidarity fund.

FEICOM grants XAF7.7 bln financial assistance to 22 communes

Local development council FEICOM (Special Council Support Fund For Mutual Assistance) announced that its financial assistance committee recently granted XAF7.7 billion to 21 communes and one urban community. The funds will be used to carry out projects in the education, health, and infrastructure sectors, we learn. «The important portion of the fun-

dings [XAF5.3 billion or 69% of the announced financing] consecrated to sales equipment and infrastructure demonstrates municipal authorities' commitment to making their regions wealth, job and growth development hubs,» comments Philippe Camille Akoa, FEICOM's director-general, in a release published at the end of the council's meeting.

According to the FEICOM, the projects funded are answering the needs expressed by residents of the beneficiary municipalities. They are also in line with the government's priorities contained in the 2020-2030 National Development Strategy (SND30), it adds.

CAMWATER estimates monthly losses to water frauds at XAF1 bln



On April 15, 2021, on the government media CRTV, national water utility CAMWATER estimated its monthly losses to water frauds at XAF1 billion. «In Yaoundé alone, fraudsters who are connected to our facilities and have faulty meters cause a XAF600 million loss monthly. The monthly losses we record [due to those frauds] in the whole country is about XAF1 billion,» the company reveals. This means that

CAMWATER records XAF12 billion losses annually to frauds. The company adds that to put an end to these practices, it intends to enhance the security at its facilities and switch to smart meters. With the conventional meters currently used by CAMWATER, the readings and the bills are always disputed by clients. However, with the smart meters, the consumptions will be read electroni-

cally while disputes will be reduced. For the time being, in urban areas, 77% of the households have access to drinking water against 45% in rural areas, according to the National Institute of Statistics (INS). On April 30, 2018, CAMWATER took over the drinking water production and distribution, which was devolved to the Cameroon Water Company (CDE) since 2008.

COMIFAC: Council of Ministers expresses its concerns over the regional institution's poor financial situation



On April 15, 2021, the Council of Ministers of the Central African Forests Commission (COMIFAC) held a videoconference under the chairmanship of the Cameroonian Minister of Forests and Wildlife, Jules Doret Ndongo. According to official sources, one of the main items on the agenda was the poor financial situation of this sub-regional organization (whose membership includes countries such as Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic

of Congo, Gabon, Equatorial Guinea, and Rwanda).

The communiqué issued at the end of the meeting states that the council expressed its concerns over the COMIFAC's financial situation and urged «*the ministers to submit this long-standing issue to the national decision-making bodies.*» It adds that during the meeting, Rwanda, CAR, and Chad promised to take measures for the «*forthcoming payment of their contributions.*»

In the Central African region, the

payment of statutory contributions necessary for the operation of sub-regional organizations is a real problem. Even the CEMAC Commission is affected. For instance, at end-2020, Daniel Ona Ondo (President of the CEMAC Commission) estimated the community integration tax arrears owed by CEMAC countries at about XAF80 billion. This situation generally affects the operations of those community institutions whose effectiveness is questioned by many experts.

BEAC to build a new branch in Limbé

In the framework of its program to renew its facilities and extend its network in Cameroon, the Bank of Central African States (BEAC) will build a new branch in Limbé, in the Southwest.

In that regard, the central bank recently published a tender notice to recruit a contractor that will carry out «*geotechnical and topographic surveys*

on the site where the new BEAC branch will be built in Limbe.»

This is the third real estate project the BEAC is launching in Cameroon within just 12 months. On September 29, 2020, the central bank had laid the foundation stone of the Ebolowa branch, in the Southern region. Before that, in June 2020, it recruited Bureau Veritas to monitor the construction of

its national directorate for Cameroon. According to internal sources at the central bank, the recent investments, both in Cameroon and in other CEMAC countries, are aimed at bringing the BEAC services closer to economic operators but also improving the central bank's employees' working environment.

Cameroon signs 3-year XAF413 bln framework agreement with the ITFC



On April 12, 2021, the International Islamic Trade Finance Corporation (ITFC), through its CEO Hani Salem Sonbol, signed a three-year financing agreement with Cameroon, represented by the Minister of Economy Alamine Ousmane Mey. According to the press release issued by the ITFC, the agreement amounts to \$750 million or XAF413.3 billion.

Specifically, over the three years covered by the agreement, ITFC (a subsidiary of the Islamic Development Bank -IsDB) will provide \$250 million (about XAF138 billion) to Cameroon every year for the acquisition of medical equipment and consumables as well as the importation of commodities in strategic sectors like mining and energy.

Thanks to this financial assistance, the supply of fuel and other white oils that Cameroon has been importing since the May 31, 2019, fire outbreak at its refinery SONARA is guaranteed. Also, through that three-year agreement, ITFC will extend its support to

Cameroonian SMEs and the private sector by notably opening credit lines via local banks and financial institutions.

The same agreement «enshrines Cameroon's membership to ITFC's flagship program, the Arab-Africa Trade Bridges (AATB) program, which aims to facilitate trade and investment flows between Arab and African regions,» we learn.

Over XAF313 billion undisbursed loans

«The three-year renewal of our cooperation framework is a sign of the good and strong cooperation between Cameroon and ITFC, and of the continued goodwill to implement a successful planning strategy in the country. The US \$750 Million financing will help the Cameroonian government consolidate its economic recovery efforts in the specific context of the fight against the COVID-19 pandemic,» commented Minister Alamine Ousmane Mey.

However, the loan agreement is being signed while some of the previous loans agreed by the IsDB for Cameroon are yet to be disbursed. Indeed, as of December 31, 2020, the volume of loans committed by the IsDB to Cameroon but yet to be disbursed was XAF313.8 billion while the outstanding loans owed by the country towards this financial partner was XAF206.9 billion, according to the national sinking fund CAA. The said committed but undisbursed loans include agreements signed in 2010 (for the construction of the Sangmelima-Djoum road for instance).

Overall, the new loan agreement will boost the country's public. According to the CAA, as of December 31, 2020, the country's debt was XAF10,334 billion (46.9% of GDP). Therefore, the CAA, the African Development Bank (AfDB), and several international financial partners estimate that the country is at high risk of debt distress.



ECONOMY

CRTV inks professional soccer championship broadcasting rights deal with FECAFOOT

State-owned media CRTV and the Cameroonian Football Federation (FECAFOOT) recently signed a broadcasting rights agreement concerning professional soccer championships in Cameroon. According to our sources, the cost of these rights is about XAF100 million. A FECAFOOT authorized source told us that the cost is confidential, so he could not disclose the exact amount. But, the source explains that

the championships concerned are the 2020-2021 editions of the «*Super League*», «*Elite One*» and «*Elite 2*». «*Currently, it is an experimental contract. But next year, a fully-fledged agreement will be negotiated once helpful data is gathered,*» our source added. Through the agreement, CRTV commits to broadcasting the soccer tournaments organized by FECAFOOT. Meanwhile, the other TV channels

interested in broadcasting those matches must negotiate with CRTV. This could generate additional revenues for the state-owned media. Indeed, according to the Commission for the Rehabilitation of Public Enterprises in Cameroon (CTR), CRTV's financial situation is deteriorating. From XAF7.31 billion in 2018, the media's debt rose to XAF8.12 billion in 2019, the CTR explains.

Cameroon enters the top 3 of Dangote Cement's most dynamic subsidiaries

In 2020, Cameroon was the Nigerian cement group Dangote's third most dynamic subsidiary in Africa. This was revealed in the group's recently published 2020 activity report. According to the report, out of the 3.5 million tons of cement sold in the Cameroonian market in 2020, 1.3 million tons (38% of the sales) were sold by Dangote Cameroon. This performance, which is up by 17.2% year-on-year, was due to the numerous construction projects, notably those initiated in the framework of

the African Nations Championship, held in the country this year. In the top 3, Cameroon comes behind Senegal (2nd most dynamic subsidiary). Indeed, out of 7 million tons of cement sold in Senegal, Dangote Senegal sold 1.59 million tons (23% of the overall local sales), up 7.5% year-on-year. Over the said period, Dangote Ethiopia has been the most dynamic subsidiary claiming 28% (2.1 million tons) of the 7.6 million tons of cement sold in the domestic market. Compared with its

performance in 2019, the subsidiary's 2020 sales were up by 8.7%. In 2020, Dangote's fourth most dynamic subsidiary was in Tanzania, with 1.1 million tons of cement sold (18%) out of 5.6 million tons sold in the domestic market during the period reviewed. Dangote Zambia closed the top 5 with 773 kilotons (29% of overall sales) sold out of the 2.7 million tons of cement sold in the domestic market. The subsidiary's performance was down by 21% year-over-year.

Cameroon recorded 0.7% GDP growth in 2020 (INS)

The National Institute of Statistics (INS) recently published a note informing that Cameroon's 2020 growth was 0.7%, down from the 3.7% growth recorded in 2019.

According to the INS, this performance recorded despite the coronavirus pandemic was spurred by the secondary sector (3.4%), which contributed 0.9% point to growth. In that sector, growth was driven by the building and public works segment, agri-food industries, and crude oil and gas extraction (1.3%).

«The primary sector, whose annual growth in 2020 remained positive

(1.1%), also contributed sufficiently to the resilience of the economy by contributing 0.2 points to growth, mainly thanks to food crops,» it adds.

The institute explains that the tertiary sector has been the most affected by the pandemic. Its impacts are noticeable in almost all the segments, notably, the trade (-0.9%), transport and storage (-2.4%), hotels and restaurants (-16.3%). With such results, the tertiary sector was contracted by 0.8% contributing -0.4% to GDP in 2020.

The growth estimate published by the INS is contrary to the

figures forecasted or estimated by notable institutions like the African Development Bank (ADB), the International Monetary Fund (IMF), the World Bank, and even the Cameroonian Ministry of Economy, which supervises the INS. So far, the forecasts of these institutions are pointing towards a recession (-2.6%) for Cameroon in 2020 due to the coronavirus pandemic.

Meanwhile, to defend its data, INS has always reminded us that it is the only agency habilitated to provide several economic data and statistics in Cameroon.

CEMAC: BEAC revises the 2021 growth projection to 1.9%

On April 13, the BEAC Monetary Policy committee revised its 2021 growth forecast for CEMAC countries from 2.8% to 1.9%. The new projection is lower than the 3% growth forecasted in October 2020 by the International Monetary Fund (IMF) for the CEMAC region.

The monetary policy committee's cautious outlook is due to the new waves of the coronavirus and the multiplication of COVID-19 mutants. The BEAC nevertheless thinks that this year, the pandemic will have a lesser impact on the sub-regional economy than it did in 2020. In 2020, the pandemic forced the region into recession (-2.4% growth) but this year, the region's economy is forecasted to grow by 4% year-on-year.

According to the BEAC, such economic recovery will be due to the



dynamism in various sectors like agriculture, industrial activities, construction, and trade services as

well as a rise in investments (thanks to the structural reforms initiated by governments).



FINANCE

Bange Bank Cameroon to open 10% of its capital to local investors



Bange Bank Cameroon (Bange CMR SA), which obtained its operating license on November 10, 2020, is currently planning to open 10% (XAF1 billion) of its capital to Cameroonian investors, authorized sources inform. Our sources add that local investors were reluctant at the beginning of the project but they are showing an increasing yet modest interest now. Once the 10% stake is successfully sold to national investors, Bange CMR SA will effectively start operations with the construction of two branches in Yaoundé and Douala, the two main cities in Cameroon. Specifically, the equatorial Guinean banking group's subsidiary will build its main agency in Douala while

the Yaoundé branch will be incorporated into the parent company Banco nacional de Guinea Ecuatorial (Bange).

To quickly penetrate the highly competitive Cameroonian banking market, Bange CMR SA (the first subsidiary ever established by an Equatorial Guinean company) intends to focus on providing medium-term loans (repayable within 3 years) mainly. Medium-term loans are better suited at helping companies develop their operations, unlike short-term credits usually provided by most of the banks operating in the CEMAC region (according to some bankers, the preponderance of short-term credits in the region is due to

the nature of deposits, which are mostly overnight deposits). Bange CMR SA also intends to focus on leasing. That financial mechanism, which consists of financing companies' equipment acquisitions, presents great yet underexploited potential in Cameroon. Indeed, despite the sharp increase in the volume of financing obtained by companies under that mechanism (between 2009 and 2016, the volume almost tripled from XAF45 billion to XAF125billion, according to the IFC), it is still largely below the potential of the Cameroonian market, estimated by the leasing association of Cameroon (CAMLEASE) to be XAF400 billion.

Eurobond REPCAM 9.5% 19 nov 2025 becomes attractive days after refinancing announcement



Since the announcement of the choice of Rothschild & Co as the lead arranger of Cameroon's second Eurobond operation, the quality of REPCAM 9.5% 19 Nov 2025 (code name of the country's first Eurobond that the second operation should refinance) has improved significantly. About ten days ago, REPCAM 9.5% 19 Nov 2025 was offered at 109.3% of its face value but as of April 12, 2021, the asking price was about 110.27% of the bond's value. This is indicative of rising demand from investors. Also, there is a yield drop for investors who will make new offers, agreeing to a 6.8% interest rate on their investment in this Eurobond, against an initial 8.8% interest rate (after the cross-currency swap). This is good news for Cameroon, which will benefit twice in the announced refinancing operation. First, the country will extend the Eurobond amortization deadlines scheduled for 2023-2025. The

yearly amortization rate over the said period is XAF150 billion, but with the current economic environment, it could be difficult for the country to fulfill its commitment. Hence the first benefit of the refinancing operation.

The second benefit is that Cameroon could capitalize on the current favorable market conditions in international capital markets to reduce the interest rate on this Eurobond. Therefore, the country is avoiding a possible debt default but, it also refinances the Eurobond at a cost significantly lower than the initial 9.75% interest rate.

Despite the positive market receptions, public opinion is divided over the operation. Some people believe that the government is increasing the country's debt level as the public debt has already reached 46.9% of GDP at end-December 2020 (according to the national sinking fund CAA).

However, refinancing previous loans has become a normal practice in the international capital market. For instance, the Institute of International Finance estimates that by 2030, Sub-sahara African countries will need hundreds of billion dollars to amortize their debts and they should find those liquidities.

Citing documents from the Presidency of Cameroon, local media Ecomatin reveals that the country plans to conclude the refinancing operation by end-June 2021. Till then, there will probably be no fundamental changes in Cameroon's issuer profile.

Also, rating agency Moody's recently upgraded Cameroon's outlook from negative to stable. At least two African countries with similar outlooks, or even less, recently made a killing on the international capital market. Therefore, the outlooks are positive for Cameroon.

Cameroon : Outstanding bank loans rose by XAF43.6 bln MoM in Feb 2021 (BEAC)

From XAF3,912.4 billion in January 2021, the volume of outstanding bank loans in the Cameroonian banking sector rose to XAF3,956.3 billion in February 2021, according to figures compiled by the Bank of Central African States. This performance, which is up by XAF43.6 billion month-on-month, demonstrates the recovery of economic activities in the country after the recession recorded in 2020 due to the coronavirus pandemic. Obviously, despite the threat of a second wave of the coronavirus pandemic, economic agents are intent on capitalizing on all the opportunities available to revive the country's economy. The said opportunities include the credit lines opened by various financial institutions and banks to help companies recover from the health crisis. For instance, on September 1, 2020, BGFI Cameroon set up a XAF10 billion credit line for local economic



operators. Also, in November 2020, Société Générale and the European Investment Bank (EIB) signed an agreement to set up a XAF10 billion credit line (managed by Société Générale) to provide flexible financial assistance to local SMEs affected by the coronavirus pandemic. At the time, when praising the initiative, Minister of SMEs Achille Bassilekin III indicated that it would boost Cameroonian SMEs amid the global recession caused by the health crisis.

Apart from credit lines, since January

2021, economic agents are increasingly resorting to bank loans. A proof of this fact is the exponential rise in demands during the BEAC's weekly liquidity injection operations since January 2021.

The demand is so high that it now exceeds the XAF250 billion offered by the BEAC during those operations. According to the central bank, most of the liquidity is captured by commercial banks operating in Cameroon, presented as an economic powerhouse in the CEMAC region.

Cameroon: Medium and long-term credits constituted over 51% of loans granted by commercial banks in Feb 2021 (BEAC)

In February 2021, commercial banks operating in Cameroon granted XAF82.3 billion of long-term loans (repayable over 80 months on average) to economic operators, according to data compiled by the Bank of Central African States (BEAC). This volume is just 2.08% of the overall loans granted during the period under review. Over the reviewed period, the said bank mostly granted medium-term loans (repayable over 42 months

on average). According to the same source, the medium-term loans granted by the credit institutions were 49% of the overall loans they granted during the period.

Overall, both long-term and medium-term loans constituted over 51% of the loans granted by commercial banks in February 2021. For financial analysts, this is good news for the local economy because those two types of loans are more appropriate to boost the develop-

ment of companies, which are the main wealth creators.

This data also confirm the economic revival announced for this year (after the recession experienced in 2020) despite the second wave of the coronavirus pandemic, which is the main factor that will prevent the achievement of the optimistic economic forecasts of the government and international financial partners.

Top 5 of the local banks with the highest outstanding bank loans at end-Feb 2021

As at end-February 2021, the volume of outstanding loans granted by the 15 banks operating in Cameroon was XAF3,956.3 billion, according to data from the Bank of Central African States (BEAC). A little over 64.2% (XAF2,541 billion) of those loans were granted by five banks.

With XAF704.7 billion, Afriland First Bank holds the top spot. During the period under review, the bank recorded an XAF18 billion month-over-month rise in its outstanding credits.

The second bank in that top 5 was Société Générale with a XAF678.8 billion outstanding loan, down by XAF1.8 billion compared with its January 2021 performance.

BICEC, recently acquired by the Moroccan group Banque Centrale Populaire, was the third with an outstanding loan stock of XAF472.7 billion, up by about XAF5 billion month-on-month. The fourth bank is SCB, a subsidiary of Moroccan banking group Attijariwafa, and the fifth was Commercial Bank of Cameroon (CBC).

During the period under review, SCB's outstanding loans were XAF360.7 billion, down by XAF6.2 billion compared with the January 2021 figure. With XAF324.2 billion of outstanding loans at the end of February 2021, CBC's performance on this market was stable month-on-month.

This month-on-month comparison does not provide a clear picture of the various changes that occurred in the sector.

First, the volume of outstanding loans does not give a complete overview of the volume of credits granted by Cameroonian banks to the economy. For instance, the indicator does not provide information on the new credits granted during the period, nor does it indicate the volume of bad debts or the loan loss provisions. It does not even detail the off-balance-sheet commitments.

Also, a year-to-year comparison of the performance provides an accurate idea of the changes that occurred. For instance, till December 2020, Société

Général Cameroon was the leading bank in terms of outstanding loans. In addition, even though the volume of credits granted to the economy by Banque Atlantique Cameroon as of end-February 2021 was just XAF322.4 billion, it is the bank whose outstanding loans rose the most over 12 months (up by XAF98 billion). Afriland First Bank is just the second with a XAF94 billion year-to-year rise in its outstanding loans.

Nevertheless, the 2021 financial year has started with optimistic indicators in the Cameroonian banking sector. The XAF43.6 billion rise in the volume of outstanding loans between January 2021 and February 2021 is a good performance compared with the XAF19 billion drop recorded over the same period in 2020.

Those performances confirm the economic revival forecasted by the Cameroonian government and international partners, after the recession (-2.6% growth) recorded in 2020 due to the coronavirus pandemic.

Cameroon: Tax directorate authorizes MTN as a tax declaration and payment medium

Taxpayers under the divisional tax centers can now declare and pay their taxes via MTN Cameroon. This is the information recently provided by the Directorate General of Taxes (DGI), which adds that this will facilitate tax declaration and payment for the said taxpayers.

MTN is the second mobile operator (after Orange Cameroon) to be declared a tax payment means. With

both Orange and MTN Cameroon, some 20 million subscribers can declare and pay their taxes if they are required to by law.

The introduction of electronic tax payment methods is one of the provisions of the 2021 finance law. The said law also introduces electronic receipts, therefore suppressing manual receipts that usually facilitate various frauds.

The law also forbids tax payments using cash. The only payment methods authorized apart from MTN and Orange Cameroon's mobile money services are bank transfers. All those measures were initiated to avoid misappropriations because some tax officials eagerly divert the taxes when they are paid in cash.



AGRIBUSINESS

Continued climate change will greatly affect the agriculture sector in Cameroon, the EU delegation believes



In a note published yesterday, April 22, the European Union Delegation to Cameroon expressed its concerns about the impacts of climate change in Cameroon.

«In Cameroon, the average temperature has increased by over 1°C since 1930 and rainfall has dropped by 2.9 mm since 1960. Should things continue like this, most vulnerable sectors, like

agriculture, will be greatly affected,» the EU delegation wrote.

The same source adds that the northern region, which is facing low rainfall and erosion, is the most affected. The delegation explains that to facilitate response to these challenges, it is supporting several initiatives in the northern region. These include «RESINOC» (started in 2020), which aims to

promote climate-smart agriculture, agroforestry, natural regeneration, and tree planting, as well as diversify food and income sources to mitigate climate change risks.

RESINOC is expected to improve the livelihoods of residents of the beneficiary region through a harmonious landscape and natural ecosystem management.

Cameroon loses 40 to 50% of its cocoa seedlings to climate change every year (SODECAO)

Cameroon loses 40 to 50% of its cocoa seedlings in nursery plants every year because of climate change due to which dry seasons are increasingly longer. This was revealed by Jean Claude Akouafane, director-general of the Cocoa Development Company (SODECAO), during the inauguration, on April 13, 2021, of SODECAO's watering device in Ebolowa, in the

South.

The executive explained that thanks to the watering device, its nursery plants located in Ebolowa would increase its production to 200,000 seedlings, against 125,000 currently. Meanwhile, recently, SODECAO indicated that it was planning to distribute 4 million high-yield cocoa seedlings to renew aging farms and

expand some of the existing ones.

The end goal of this campaign is to boost national production.

According to actors in the cocoa sector, the age of the plantations and the producers, the poor quality of plant materials as well as difficult access to seedlings are the problems hindering the increase in national cocoa production.

Cameroon: Close to 2.7 mln people are food insecure (Government)

Close to 2.7 million people are food insecure in Cameroon, according to Minister of Agriculture and Rural Development Gabriel Mbairobé. The official revealed the figure on April 15, 2021, in Yaoundé, while presenting the results of the application of the «Harmonized Framework for Identification and Analysis of Areas at Risk of and Populations Affected by Food and Nutrition Insecurity» in March 2021.

This statistics is down despite the on-

going socio-political crisis in the two anglophone regions, Boko Haram's exactions, and the floods in part of the Northern regions. Indeed, in its May 2018 country brief, the World Food Program (WFP) disclosed that in Cameroon, 3.8 million people were facing food insecurity.

«During the current period, from March to May 2021, the food situation can be described as good in 11 departments classified as in minimal stage, and relatively acceptable in 33

departments classified as stressed. However, we note that 14 departments are in crisis stage in the Northwest, Southwest, Centre, and Littoral regions,» the official said.

According to Gabriel Mbairobé, the results presented on April 15, 2021, are a tool to analyze and diagnose food security and nutrition situation in the country. Its fundamental objective is to honestly identify the vulnerable population and offer the most appropriate responses.

ITFC inks XAF64 bln interest-free agreement to support SODECOTON's agricultural inputs purchase

On April 12, 2021, the International Islamic Trade Finance Corporation (ITFC) signed two financing agreements with Cameroon, through the Minister of Economy Alamine Ousmane Mey, according to a release published by the corporation. One of the said agreements is an interest-free (Murabaha) €98 million (XAF64.3 billion) agreement to facilitate the purchase of agricultural inputs for state-owned cotton producer SODECOTON.

«(...) We are committed to working closely with our partners and to supporting the country in its efforts to develop important sectors such as agriculture, especially cotton, which is a major export commodity,» commented Hani Salem Sonbol, ITFC CEO. *«ITFC financing to date has enabled the country to achieve a record production of 328,454 tons of seed cotton collected in 2019/2020, of which 115,000 tons of cotton lint were*

exported despite the COVID-19 pandemic,» the ITFC indicates in the release.

The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB), which is a long-standing financial partner to SODECOTON. Every year, IsDB provides financial support to help the state-owned cotton company purchase agricultural inputs and cotton seeds from producers. Initially, the yearly support was capped at XAF13 billion but in the 2017-2018 cotton season, the support was increased after tough negotiations between the IsDB and the Cameroonian government. Since the 2017-2018 campaign, that yearly support is now XAF65 billion, and thanks to it, SODECOTON can effectively purchase the cotton seeds produced by the about 250,000 producers it oversees. It also shields the cotton company from the sometimes

prohibitive interest rates on loans provided by the local banks SODECOTON used to solicit for its funding needs when the IsDB's yearly financial support was still capped at XAF13 billion. It is worth reminding that in its recent report on state-owned companies' 2019 performance, the Technical Commission for the Rehabilitation of Enterprises in the Public and Para-public sectors (CTR) ranked SODECOTON in the top 5 of the promising state-owned companies out of the 50 public corporations reviewed (Ed.note: SNH was not reviewed). The CTR explains that the public corporations ranked as promising are those which recorded positive operating results and net profit, and also generated dividends as of December 31, 2019 (Ed.note: SODECOTON recorded XAF3 billion of net profit in 2019).



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ENEO ends long-standing dispute with GDC with XAF2.7 bln settlement agreement



In a notice published yesterday, April 19, Victoria Oil & Gas (VOG), announces that a settlement agreement was reached with electric utility ENEO concerning its long-standing case with Gaz du Cameroun S.A. («GDC»). «On 16 April 2021, GDC signed a settlement agreement with Eneo which will result in the payment of the gross amount to GDC, within 30 days of the signing, of approximately 2.74 billion FCFA (Central African CFA franc: circa US\$5 million). This settlement relates to the Take-or-Pay invoices for October, November, and December 2019 plus associated interest (...) The payment to GDC will represent full and final settlement for all amounts invoiced to Eneo,» VOG writes.

«We are very pleased to have settled another legacy issue without recourse to time-consuming and expensive litigation or arbitration, as such legal

costs have been crippling the company in recent years. Arbitration would be under Cameroonian law and could take several years,» commented Roy Kelly, VOG CEO.

Recently, during an interview with Business in Cameroon, ENEO CEO Eric Mansuy indicated that his company's dispute with GDC was being settled amicably. However, he provided no additional details.

The dispute came to public attention with a note published on July 3, 2020, by VOG. In the note, VOG announced the termination of its gas supply contract [for operations at the 50MW Logbaba power plant] with electric utility Eneo. The British oil and gas operator also threatened to take legal action if the electricity producer did not pay the XAF9.3 billion in unpaid bills it was still owing by end of June 2020. Meanwhile, for

most of the stated period, GDC never supplied ENEO.

«It should first be noted that this dispute is not about invoices, but about the conditions for gas supply resumption and electricity production at the Logbaba site. This is what the dispute is all about,» Eric Mansuy explained during an interview at the time.

«Let me tell you, generally, in the electricity sector, disputes are settled amicably, with public authorities' assistance usually. Gaz du Cameroun's approach, in this case, is in stark contrast with the usual practices because we must all ensure that the sector is developed,» said Eric Mansuy. The April 16, 2021, agreement shows that Eric Mansuy succeeded in bringing GDC management to the negotiating table.

Cameroon assumes ALUCAM's over XAF50 bln debt to ENEO



Last weekend, Minister of Finance Louis Paul Motazé signed a document establishing the assumption of aluminum producer ALUCAM's debt, owed to electric utility ENEO, by the government of Cameroon, a source close to the case reveals.

In early 2020, ALUCAM and ENEO signed a contract computing the aluminum producer's overall debt by December 31, 2019, to XAF40 billion. However, according to the source, the decision signed by Minister Motaze includes the XAF40 billion debt and also the unpaid bills accumulated by ALUCAM since mid-2020. As a matter of fact, in a recent interview with Business in Cameroon, ENEO's CEO, Eric Mansuy, revealed that ALUCAM was experiencing cash flow problems because, since mid-2020, it seldom pays its electricity bills.

The volume of the debt accumulated is not revealed but, according to sources close to the case, the

aluminum producers' monthly electricity bill averages XAF2 billion. This means that within six months, the company would have accumulated XAF12 billion unpaid electricity bills (if to consider that it paid no bills during the period). Overall, ALUCAM's unpaid electricity bills assumed by the government of Cameroon will surely exceed XAF50 billion.

Fiscal balance concerns

Apart from providing additional cash to ENEO, the effective payment of this debt will restore financial equilibrium in the electricity sector in Cameroon. However, this debt assumption will reinforce international financial partners and rating agencies' concerns about the threat constituted by public corporations' debts on the country's budget balance.

ALUCAM has been facing cash flow problems since December 2014, when its strategic partner Rio Tinto divested from it by selling (in 2015)

the 46.7% stakes it had in ALUCAM to the government of Cameroon, which became then the sole shareholder. Since then, Cameroon has been trying to attract a new investor for the aluminum producer whose performances are continually declining. Indeed, according to the Bank of Central African States (BEAC), between 2017 and 2020, ALUCAM's exports had dropped by half, going from 80,000 tons (in 2017) to just 49,000 (in 2020). The same source revealed that the downward trend observed in those exports was already established since 2010.

Nevertheless, with the drop in production recorded comes a substantial reduction of the company's electricity consumption, which went from 200 MW to 130MW nowadays. Therefore, the electricity bill is reduced compared to what it could have been if ALUCAM's production was at its peak.

Electricity regulator ARSEL warns ENEO for various shortcomings and regulatory violations

Last April 13, Electricity Sector Regulatory Agency (ARSEL) issued a warning to electric utility ENEO for its «numerous shortcomings.»

«During the joint visit carried out by ARSEL and ENEO to check the electric installation of some of your company's clients who contacted the ARSEL to dispute the adjustment invoices sent to them, numerous shortcomings and abuses were identified,» wrote Jean Pascal Nkou, Director-General of ARSEL, to Éric Mansuy, ENEO's CEO. In the letter, ENEO is accused of not complying with the public electricity distribution service law, which defines the actions that can be considered as fraudulent acts. The electric utility is also suspected of entrusting the implementation of non-technical losses mitigation operations to unauthorized personnel and not involving bailiffs, technical experts, judicial police officers, or even its sworn agents. Also, ARSEL found out that ENEO does not use master meters as required by Article 13 paragraph 3 of the above-mentioned law, which lists the equipment and methods to be used when a client is suspected of using electricity illegally or the metering device is believed to be defective. Also, the regulator indicates that ENEO suspended electricity supply to the clients suspected of indulging in fraudulent acts even though the matter has been referred to the ARSEL Conciliation Board. For ARSEL, this suspension violates Article 9.2.4 regulating public electricity distribution in Cameroon.

Indeed, the aforementioned article states that once the disputed case is referred to ARSEL, ENEO will not suspend electricity supply till the conciliation procedure is completed.

«We also noticed that some of your clients who are supplied by metering instrument lawfully installed outside their compounds or offices are accused of indulging in fraudulent acts and fined. This violates Article 13 of the above-mentioned law that states that it can be considered a fraudulent act any action aimed at fraudulently using electricity, skewing the computing of electricity metering equipment, or even tampering with the seals,» Jean Pascal Nkou wrote.

He reminds that the above-mentioned installations were removed from the list of wrongdoings and fraudulent acts during the discussions held in Douala from September 20 to 26, 2020, to regulate the non-technical losses mitigation operations. He added that after those meetings, several notices were sent to ENEO to cancel the fines imposed on the concerned clients but to no avail.

Non-compliance with commitments

Jean Pascal Nkou accuses ENEO's CEO of not complying with the commitments he took during the videoconference consultation held on February 24, 2021, to discuss non-technical losses. During the videoconference, ENEO's CEO promised to send three briefing notes to his staff to regulate the non-technical losses mitigation operations.

The first briefing was to decree the cancelation of fines once an ARSEL/ ENEO check finds out that the clients committed no fraud. The second briefing note was to inform the staff that parallel circuits are normalized, therefore, the fines imposed on clients with such circuits should be voided. The third note was to remind ENEO staff that clients should not be dis-

connected once they refer the dispute to ARSEL or ENEO unless the electric installations pointed out present an obvious threat to residents and their properties.

«Pursuant to the provisions of Article 97 of Law No. 2011/022 of December 14, 2011, regulating the electricity sector, you are ordered to address the shortcomings and abuse pointed out and send me copies of the briefing notes issued in that regard, without prejudice to financial and administrative sanctions that may go as far as suspending the non-technical losses mitigation operations,» Jean Pascal Nkou concludes.

Fraud kingpins

ENEO is yet to answer those accusations but in February 2021, Éric Mansuy declared that 200 fraud kingpins suspected of fraudulently operating electricity networks were arrested in 2020. Eighty (80) ENEO staff were also fired for facilitating those acts.

At the time, Éric Mansuy explained that each of the arrested kingpins was suspected of operating a network that illegally supplies electricity to about a hundred households, meaning all the 200 fraud kingpins were illegally supplying electricity to about 20,000 households.

By arresting those fraud kingpins, ENEO believes that it mitigated significant non-technical losses on its distribution network currently constituted of 11 452 kilometers of 5.5 to 30 kilovolts lines and 11,158 kilometers of 220 to 380 kilovolts lines. Indeed, as ENEO reveals, frauds on the Cameroonian electricity network affect the financial stability in the sector. Officially, the electricity sector loses about XAF60 billion yearly to various frauds.



LEADER OF THE MONTH

AT 39, SERGE HERVÉ BOYOGUENO BECOMES THE FIRST DG OF NATIONAL MINING CORPORATION SONAMINES

On April 14, 2021, the 11 members of the board of Directors of the National Mining Corporation (SONAMINES) were appointed through a presidential decree. Two days later, the said board met in Yaoundé to appoint the first managers that will oversee the management of that corporation established in late 2020. As director-general, the board appointed 39-year old mining engineer Serge Hervé Boyogueno who was, since 2017, head of the mines department at the Ministry of Mines, Industry and Technological Development (MINMIDT). He will be assisted by Fru Jonathan (appointed deputy director-general of SONAMINES), a civil administrator who was previously the secretary-general of the MINMIDT. The management team will be supervised by Blaise Moussa Blaise who is appointed Chairman of the Board of Directors. He was previously Director of General Affairs at the Ministry of Public Service and Administrative Reform. Established on December 14, 2020, through a presidential decree, SONAMINES is a publicly owned company, with the state as its sole shareholder. However, the founding decree states that «SONAMINES' shareholding may be open to other public or private entities.» The statutes of this new public company will determine its capital and the capital participation terms and conditions. The main mission of this public company is to develop and promote



the mining sector and to manage the governments' stakes in that sector. Its operating fields do not however include hydrocarbons, which are the responsibility of the National Hydrocarbons Corporation (SNH), and quarries, which are managed by the communes per the General Code of the Decentralized Territorial Authorities. SONAMINES, which is placed under the supervision of the Ministry in charge of mines, was established to address the problems identified in the Cameroonian mining sector. Despite Cameroon's world-class diamond, iron, limestone, gold, nickel, cobalt, rare earth, and bauxite deposits, the mining sector contributes roughly 1% of the country's GDP. Moreover, only 40% of the national mining potential has been

explored to date. Therefore, when inaugurating the new management team on April 16, 2021, Minister of Mines Gabriel Dodo Ndoke instructed them to resolutely get to work. In collaboration with other competent administrations and agencies, the new company will review Cameroon's mining indices, explore and exploit mineral substances, ensure the implementation of measures relating to the restoration, closure, and renovation of mining site as well as take a shareholding in companies operating in the mineral substances exploration, exploitation, marketing, treatment or processing. The corporation may do so by contributing capital or by buying shares.

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