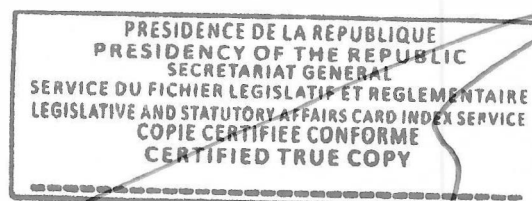


CIRCULAR No. 1/CAB/PRC OF 10 JULY 2020
relating to the preparation of the State budget for the
2021 financial year

THE PRESIDENT OF THE REPUBLIC

TO

- THE PRIME MINISTER, HEAD OF GOVERNMENT;
- ALL
 - MINISTERS OF STATE;
 - MINISTERS;
 - MINISTERS DELEGATE;
 - SECRETARIES OF STATE;
 - REGIONAL GOVERNORS,



This circular lays down the general budget policy guidelines as well as practical measures for drawing up the State budget for the 2021 financial year.

The preparation of the State budget for the 2021 financial year is a continuation of the implementation of the COVID-19 Pandemic Response Plan in order to mitigate its socio-economic impacts and facilitate post-health crisis recovery and the implementation of the initial reforms of the Nation's economic, social and cultural development policy underpinned by the National Development Strategy which operationalizes the second phase of the 2035 Development Vision.

Globally, the preparation of the State budget should aim to: (i) strengthen socio-economic prospects so as to build the country's resilience to exogenous shocks; and (ii) strengthen social cohesion and decentralization. It should trigger the implementation of the new National Development Strategy and consolidate the achievements of the Economic and Financial Programme (EFP) concluded with the International Monetary Fund (IMF), as well as those of the programmes implemented with other technical and financial partners to kick-start our economy following the slowdown in 2020 due to the coronavirus crisis.

Thus, special emphasis should be laid on the implementation of the COVID-19 Pandemic Response Plan to mitigate its adverse effects on the well-being of the population and Cameroon's economic fabric, the implementation of the national book and textbook policy, the effective start-up of universal health coverage (UHC), the implementation of the plan for the reconstruction of crisis-affected regions, particularly the North-West and South-West, and the organization of the Africa Cup of Nations (AFCON) 2022.

The preparation of the 2021 Budget should take into account the activities contained in the 2019-2021 Public Finance Management Global Reform Plan in order to strengthen the preparation, presentation, execution and monitoring and evaluation of the programme budget.

I. MACROECONOMIC CONTEXT

1. The State budget for the 2021 financial year is being prepared amid an international environment marked by great uncertainties regarding global supply and demand due to the coronavirus pandemic (COVID-19). The collapse of crude oil prices, volatile financial market and deteriorating terms of trade are some of the shocks that are expected to lead to economic recession in many countries.
2. According to the IMF, the global economy is expected to decline to -3% compared with an estimated growth rate of 2.9% in 2019. This contraction is due mainly to the economic consequences of the health crisis whose spread and related containment measures paralyze economic activity.
3. In advanced economies, where the pandemic is spreading rapidly and where tough response measures have been taken, economic activity is expected to decline by 6.1% in 2020, compared with an increase of 1.7% in 2019. In the United States, the increase in production costs and decrease in external demand is expected to worsen and undermine private investment prospects, reducing GDP growth to -5.9% as against +2.3% in 2019. In the Euro zone, confinement measures and the continued deterioration of the global environment would adversely affect domestic demand. In this context, economic activity in the zone is expected to decline by 7.5% in 2020 compared with 1.2% in 2019. In Japan, the decrease in external demand and the postponement of the Olympic Games due to the COVID-19 epidemic will affect the country's economic growth prospects which are expected to decline by 5.2% in 2020, as compared to +0.7% in 2019. In the United Kingdom, growth is expected to stand at -6.5% in 2020, down from 1.4% in 2019.

4. Emerging and developing countries which are also affected by the crisis will be faced with falling commodity prices and tougher global financial conditions. Overall, this group of countries should record a growth of 1.0% in 2020. All the major countries in this group, except China, which should experience a steady recovery (with an estimated rate of 1.2%), and India +1.9%, are expected to record negative growth rates. In sub-Saharan Africa, real GDP is expected to contract by 1.6% after a growth of 3.1% in 2019. CEMAC, whose economic situation had improved slightly in 2019 with growth estimated at 2.1%, is expected to slide into recession in 2020 due to the deterioration of the global context and the effects of the pandemic.
5. In 2021, almost all economies are expected to experience a gradual recovery due to a 5.8% rebound in the global economy. However, these projections remain conditional on many uncertainties, particularly the duration and scale of the pandemic as well as the effectiveness of response and economic support measures.
6. Based on this assumption of recovery, the group of advanced countries are expected to achieve a 4.5% growth rate, of which 4.7% in the United States, 4.7% in the Euro zone, 3% in Japan and 4% in the United Kingdom. Recovery would be stronger in the group of emerging and developing countries with growth rate of 6.6%, driven by China +9.2% and India +7.4%. Growth in sub-Saharan Africa is projected to recover to 4.1% and in the CEMAC sub-region to 5.1%.
7. Commodity prices on international markets have slumped amid a contraction in global demand due to the health crisis. Oil prices are expected to nose-dive from an average of USD 61.39 per barrel in 2019 to USD 35.61 per barrel in 2020 and USD 37.87 per barrel in 2021.
8. **At the national level**, besides the uncertainties inherent in the impacts of the COVID-19 pandemic on the economy, the context is still characterized by persistent socio-political and security crises and the implementation of the Economic and Financial Programme concluded with the IMF.
9. According to the growth outlook revised in April, economic growth is expected to decline for the first time in 30 years by 1.1% in 2020. The downturn would be visible in the oil and non-oil sectors. In the oil sector, hydrocarbon production would decline due to a significant drop in investment and a contraction in extraction activities to limit financial losses owing to falling crude oil prices. In the non-oil sector, COVID-19 would affect performance through: (i) the

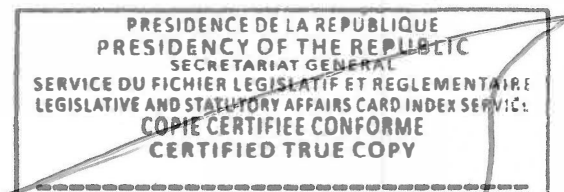
crowding out of some public expenditure in favour of health expenditure (especially that relating to the fight against COVID-19); (ii) the difficulties that various sectors (tourism, hotel, catering, trade and transport) would face; and (iii) the decline in external demand, especially in export agriculture and forestry. Furthermore, the postponement of several international events (case of CHAN 2020) would further affect economic activity, while disruptions in supply chains could lead to the collapse of many enterprises, resulting in job losses.

10. Regarding GDP utilization, private investment is expected to contract due to the deferment of corporate investment programmes. The same applies to public investment which is partly dependent on budget revenue which is expected to decline.
11. Exports are expected to witness a decline due to falling commodity prices caused by the decline in global demand and the disruption of supply chains. In addition, the potential drop in the inflow of foreign direct investments (FDIs), coupled with the uncertainties in some sectors, would also contribute to this decline.
12. Concerning prices, inflationary pressures could increase due to difficulties faced in supply of food, medicines and other pharmaceutical products, though it is hoped that such pressures will be mitigated by a reduction in domestic demand.
13. The economic and financial consequences of the COVID-19 pandemic can be mitigated through the various measures taken by the Government to support the national economy.
14. Like in all countries, the economic outlook remains dependent on the uncertainties regarding the scale and duration of the pandemic and on the expected outcomes of the economic support measures taken by the Government.
15. Thus, real GDP growth is projected at 3.1%, of which 3.3% for the non-oil sector and -1% for the oil sector in 2021, based on the assumption that the pandemic is brought under control, that economic activity gradually picks up again and that the price of oil stands at USD 37.87 per barrel. In the non-oil sector, growth would be driven mainly by the agropastoral sector. In addition, this sector is expected to benefit from the resumption of investment and improved electrical power supply.

16. Inflation is expected to comply with the Community standard by remaining below the 3% threshold. The overall budget deficit, including grants, should be below 4% of GDP and the current account deficit, including public transfers, about 3.5% of GDP.

II. POLICY OBJECTIVES

17. In 2021, the objective will be to restore economic growth in order to steer the country back on the path of emergence by containing the adverse effects of the COVID-19 pandemic through the structural transformation of the economy. The action levers should focus on recovery policies, particularly the modernization of agriculture and industrialization.
18. Concerning the modernization of agriculture, the improvement of production and promotion of the competitiveness of strategic agricultural sectors will be prioritized.
19. Regarding industrialization, emphasis will be laid on the processing of raw materials in order to enhance the value of our products and reduce the trade balance deficit.
20. As regards internal taxation, the new measures to be implemented during the 2021 financial year should help to optimize non-oil revenue while promoting a tax environment conducive to business development. They should also encourage household consumption, which is essential for economic growth.
21. To this end, the aim will be to:
- broaden the tax base;
 - secure revenue;
 - combat fraud and international tax evasion;
 - improve the business tax environment;
 - promote tax civic-mindedness and justice.
22. Regarding entry taxes, the priorities should be:
- the continuous implementation of a customs policy that encourages the industrialization of Cameroon as a prelude to the implementation of the African Continental Free Trade Area;
 - the definition and implementation of measures to support enterprises with a view to reviving the economy that has been disrupted by COVID-19;



- the continuation of efforts to rationalize and reduce tax expenditure;
 - the continuation of action to facilitate trade and reduce transit times for goods so as to enhance the competitiveness of our ports and airports through the optimal use of risk management techniques and modern inspection instruments;
 - the full coverage of the territory to better protect society and the environment against illicit cross-border trafficking;
 - the optimization of the mobilization of budgetary resources notably by identifying new sources of revenue, broadening the tax base, intensifying the fight against customs and trade fraud;
 - the revitalization of joint corporate listening and support frameworks.
- 23.** The 2021 Budget should also consolidate socio-economic and governance achievements. It should also ensure the implementation of decentralization, particularly the recommendations of the Major National Dialogue.
- 24. On the economic front,** the Government should ensure progress towards achieving the objectives of emergence through the structural transformation of the economy.
- 25.** To that end, it should:
- prepare a bill on the modernization of the economy, defining the programme orientation of Cameroon's National Development Strategy for the 2020-2030 period;
 - complete the commissioning of major first-generation projects;
 - ensure the maintenance of existing infrastructure;
 - pursue the implementation of the structural reforms initiated under the EFP in order to strengthen the competitiveness of our economy and its integration into global value chains;
 - enhance the effectiveness of the agricultural revolution;
 - strengthen energy infrastructure in order to meet the needs of industries and the population, notably by operationalizing hydroelectric dams and solar power plants to electrify rural areas;
 - implement the various pillars of the Industrialization Master Plan (IMP) in

a coordinated manner while enhancing the processing of local raw materials;

- promote regional integration, the free movement of goods and people, and intra-zone trade in the CEMAC and ECCAS zones;
- develop transport infrastructure to facilitate trade and open up production areas and, hence, ease market supply under the best possible conditions;
- support the development of the digital economy by densifying telecommunications network and infrastructure;
- accelerate the maturation of major second-generation development projects;
- improve the productivity and competitiveness of the Cameroonian economy by reducing the cost of factors of production and increasing the local supply of goods and services so as to improve the trade balance deficit (including rice, fish and cement, among other).

26. Continue to control inflation by:

- increasing the local supply of goods and food products;
- strengthening food packaging and distribution channels;
- promoting healthy competition through compliance with market rules;
- developing a food self-sufficiency policy by providing high-yielding farm inputs and seeds to producers and facilitation access to farm equipment and materials;
- adopting a package of measures to support the enterprises hit by the COVID-19 crisis. Such support measures could be fiscal (tax breaks and fees on moratorium on tax and some social contributions) and budgetary (subsidies to enterprises through a support fund intended to prevent their bankruptcy and closure, loss of jobs and the risks such enterprises could pose to financial stability);
- setting up a plan to support informal sector actors according to the field of activity, more effectively supervising farmers by setting up development cooperative societies in promising agricultural sectors;



- working in collaboration with national financial institutions and sub-regional institutions to activate monetary levers to supply the banking system with liquidity in order to facilitate access to credit by investors;
- pursuing the maturation and prioritization of major transformative projects of the national 2030 strategy by laying special emphasis on those that can promote agro-industrial development;
- pursuing the policy of national champions while promoting the values of economic patriotism.

27. Socially, the aim will be to:

- strengthen inclusive economic growth, particularly by creating jobs that can improve purchasing power;
- implement the recommendations of the Voluntary National Review Report on the implementation of the Sustainable Development Goals (SDGs), particularly regarding access to quality education and the implementation of the school books and textbooks accessibility and availability policy;
- combat exclusion, particularly through the better protection of people living with disabilities;
- improve access to drinking water and electrical power supply utilities;
- strengthen the healthcare system following the COVID-19 crisis, especially by improving the quality of healthcare and the health coverage system;
- facilitate the reintegration into the agro-pastoral sector by demobilized persons within the framework of the National Disarmament, Demobilization and Reintegration Committee (NDDRC);
- intensify civic education, bilingualism, multiculturalism and the promotion of living together;
- continue the implementation of the National Gender Policy Multisector Plan;
- continue to implement the policy on the improvement of the technical facilities of central and referral hospitals initiated a few years ago, while ensuring the equipping of some intermediate health facilities (FOSA);
- have a sufficient quantity and quality of health personnel notably by: (i) recruiting employees into the public health sub-sector, (ii) building the

- capacity of staff in case management, (iii) strengthening the presence of qualified community health workers, (iv) retaining health personnel at their work stations by making the most decentralization;
- develop health forecasting and surveillance to enable the country to better anticipate developments in a constantly changing globalized world;
- develop the local pharmaceutical industry by promoting traditional medicine and the national therapeutic heritage;
- finalize the Innovation Strategy and setup a National Innovation System (NIS);
- continue the implementation of universal health coverage (UHC) by defining concrete mechanisms for managing the most vulnerable populations;
- extend targeted social safety net programmes (cash or in-kind transfers, school canteens and practical training) to households and social components most affected by the COVID-19 pandemic, while taking into account the specific situation of internally displaced persons;
- improve youth employability by increasing technical and vocational training services tailored to local realities, building the capacity of informal sector workers in innovative techniques and technologies, and strengthening civic responsibility;
- extend the voluntary insurance system by promoting and expanding it to those yet not covered, particularly small farmers, stockbreeders and informal sector workers.

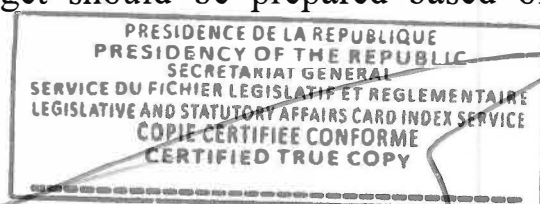
28. Regarding governance, the efforts already made should be intensified. As such, the ongoing improvement of transparency and the strengthening of public financial management should be pursued through the implementation of the following measures:

- reduction of public spending;
- optimum mobilization of non-oil revenue;
- improvement of planning and budgetary transparency;
- significant improvement in the quality of public expenditure and strengthening of tax revenue collection;
- intensification of the fight against corruption and the misuse of public funds;

- acceleration of the implementation of the public employee performance assessment system in all government services;
- improvement of budget transparency in order to better match expenditure incurred with the services and benefits provided;
- reduction of payment timeframes;
- improvement of the business environment (improvement of service quality and simplification of procedures), promotion of private investments and foreign direct investments;
- strengthening of dialogue with the private sector;
- acceleration of the maturation of public investment projects;
- promotion of public-private partnerships in infrastructure development;
- continuation of structural reforms, particularly within the framework of EFP implementation;
- optimization of the selection of priority public investment projects through the rigorous application of regulations on project maturation;
- enhancing efficiency in public financial management through the effective migration of RLAs to programme budgeting in order to align all public enterprises and establishments therewith;
- intensifying the fight against the misuse of public funds.

29. Against this backdrop, the 2021 Budget should be prepared based on the following assumptions:

- a real GDP growth rate of 3.2%;
- an inflation rate of less than 3%;
- an overall budget deficit, including grants, of 2.7% of GDP;
- a current account deficit, including public transfers, of 1.3% of GDP.



III. GENERAL BUDGET POLICY GUIDELINES

30. The budget policy objective for the 2021 financial year is to initiate the reduction of the overall budget deficit in order to progressively reduce it to a sustainable level in the medium term, after its degradation in 2020 due to the coronavirus shock. This objective will be achieved by improving the mobilization of internal non-oil revenue and better controlling and enhancing the efficiency of public expenditure. The reduction of non-priority spending

(while preserving social spending) and better prioritization of capital expenditure will help to pursue the implementation of investment projects.

31. Concerning revenue, the optimum mobilization of internal non-oil tax revenue continues to play an essential role in economic and social progress, while preserving our economic gains following the shocks induced by the COVID-19 pandemic during the 2020 financial year and the ensuing slowdown in global growth.

32. Tax revenue mobilization should be pursued by broadening the base, securing revenue and collection channels, and intensifying the fight against tax evasion and fraud. These measures should be concretized through the implementation of actions to:

- strengthen local taxation in order to ensure the optimum financing of decentralization;
- optimize the taxation of the informal sector by promoting traceable payment methods;
- further rationalize tax expenditure by eliminating exemptions considered to be ineffective;
- strengthen personal income tax, particularly concerning real estate income whose contribution to tax revenue is still low;
- overhaul taxation systems (revision of the turnover thresholds for VAT) in order to improve the performance and neutrality of VAT;
- strengthen environmental taxation in keeping with the international commitments made by our country;
- continue to seek innovative sources for broadening the tax base;
- modernize the methods used to collect some taxes and levies like the stamp duty on transport contracts and advertisement tax;
- continue to align legislation with the dematerialization of tax procedures;
- continue to strengthen monitoring instruments in some sectors with a high tax evasion potential;
- strengthen the legal framework for electronic payment;
- continue to strengthen collaboration between financial services;
- strengthen the tax regime for illicit financial flows;

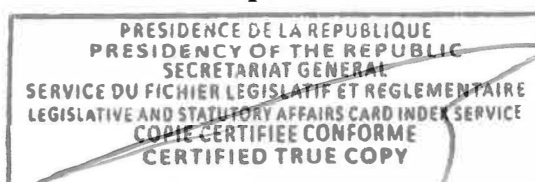
- strengthen the tax regime for the illegal exploitation of natural resources;
- continue to align our legislation with tax information exchange standards.

33. For its part, the improvement of the business tax environments should be translated into ambitious measures to simplify procedures and reduce the cost of tax discipline through the following measures:

- modernization of the regime of taxation of *ex gratia* transfers (inheritance and legacies);
- strengthening of education and tax assistance and promoting voluntary consent to tax;
- support for the revitalization of activities in sectors seriously affected by the health crisis;
- further simplification of SME tax obligations;
- continued densification of the network of tax treaties in order to improve the attractiveness of our territory.

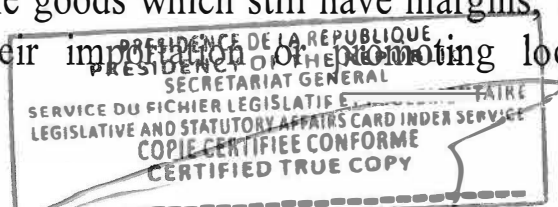
34. For customs revenue, optimal mobilization should be sought through:

- revitalization of surveillance and protection of the national economic space, in particular through consolidation of the achievements of the special illicit traffic control missions, surveillance of the territory and support to legitimate trade. In this regard, the Stop Illicit Trade Mission (HALCOMI) should resolutely be intensified to put an end to imports of counterfeit or smuggled goods into Cameroon. Likewise, the Special Customs Intervention Unit should be even more vigilant and vigorously proceed with systematic seizure of goods smuggled into the national territory and, in particular, illicit drugs which seriously damages peoples' health;
- improvement of the goods management system at the borders and control of the taxation infrastructure, through the following:
 - ✓ maximum use of the new functionalities offered by the new Cameroon Customs Information System (CAMCIS), specifically for the sorting and tallying of goods;
 - ✓ increased use of modern inspection instruments such as scanners and laboratories that need to be set up, as well as the use of risk



management techniques incorporated into the new CAMCIS application, which all customs offices must have;

- ✓ coordinated border management with neighbouring countries for better monitoring of goods, as well as mutual administrative cooperation for optimal flow of information between neighbouring States;
- ✓ the setting up of a value file which will take into account items relating to the transaction value and the overall foreign trade statistics;
- ✓ the setting up of an origin database which should serve as a reference framework in the implementation of preferential trade agreements such as the Economic Partnership Agreement (EPA) signed with the European Union and the African Continental Free Trade Area (ACFTA) concluded with the African Union;
- strengthening the system for collecting and securing tax and incidental tax revenue, in particular through:
 - ✓ the systematization of electronic payments which should extend to the payment of customs duties and taxes via "mobile money";
 - ✓ the permanent and effective monitoring of the budgetary coverage of customs operations carried out by public administrations or carried out within the framework of jointly funded public contracts for construction works on the infrastructure to host the CHAN and AFCON;
 - ✓ the systematic clearance of direct debit bids and surety bonds subscribed to customs within the prescribed deadlines;
- control and reduction of the tax expenditure package which is still high, particularly in terms of imports. This result should be obtained through:
 - ✓ a general audit of existing customs exemptions and the abolition of those which either have not produced the expected result or are an obstacle to local development of the production chains of some goods;
 - ✓ a systematic audit of the use of the customs facilities granted before any possible renewal;
- broadening of the tax base through a review of some tax rates and the taxation policy for some goods which still have margins, with a view to gradually reducing their importation or promoting local pre-export



processing. Particular emphasis should be laid on seeking autonomous resources to support decentralization;

- fine-tuning of post-clearance control techniques and foreign exchange regulation in order to limit the illegal foreign currency outflow and the attendant informal sector;
- strengthening the levers for promoting ethics and customs governance.

- 35. Regarding expenditure,** budgetary choices will continue to be guided by the search for greater socio-economic efficiency in spending and public service improvement through the allocation and efficient management of public funds.
- 36. Concerning budgetary consolidation,** and in view of reducing State domestic debt arrears, a quota of the budgetary appropriations from the overall package allocated to each government service should be devoted to the budgeting of outstanding arrears of previous years.
- 37.** This effort should also concern all public entities, in particular public establishments and regional and local authorities in the breakdown of the subsidy which will be granted to them, as well as on the expenditure to be budgeted from their equity resources.
- 38. Efforts to reduce government spending** should be pursued. To this end, special measures must be taken to rationalize the budgeting of some categories of expenditure.
- 39. With regard to personnel costs,** there is need to further streamline this category of expenditure, through:
- continued control of the workforce and payroll by relaunching the implementation of the SIGIPES 2 software package, in order to promote dematerialization of procedures, digitization of records and optimal management of the mapping of workstations;
 - introduction of biometrics in order to guarantee better control of effective presence at workstations and improve the quality of service to users;
 - optimum recruitments in the Public Service. Recruitments should be backed by relevant and financially sustainable plans. Redeployment and capacity building will therefore be given priority;



- regular monitoring of safeguard measures resulting from the Physical Headcount of State Personnel (COPPE), for better control of the payroll and pensions;
 - effective management of the State's payroll debt;
 - further rationalization of Committees and Commissions, and abolition of remuneration allocated to working groups.
- 40. As regards the purchase of goods and services,** the readjustment of budgetary entries will take into account the following rationalization measures:
- implementation of the new procedure for treating public water consumption;
 - reduction of resources to cover the travel of State personnel abroad;
 - operationalization of the official prices of rents contracted by the State and its entities;
 - fixing telephone consumption quotas per administration and per official.
- 41. The operating subsidy** granted to Public Establishments should be carefully evaluated, taking into account their real needs and the background to the execution of their previous budgets.
- 42.** For Public Establishments receiving assigned revenue, it is advisable to set a ceiling for the revenue dedicated to them, which is compatible with a level of their relevant expenditure, in order to promote rational use of public resources.
- 43. Special appropriation accounts** must comply with current legislation. To achieve this, the search for niches and the revitalization of their equity revenue collection is absolutely necessary since such is henceforth their only source of funding. To this end, appropriations from accounts which do not meet the criteria must be transferred to the budgetary heads of the relevant ministries, in order to facilitate execution of the said expenditure in accordance with their public utility.
- 44.** In order to promote better use of public resources, it will be appropriate to maintain the capping of revenue allocated to the beneficiary public establishments, taking into account their revenue potential and their real needs.
- 45.** In addition, the budgets of the special allocations accounts annexed to the finance bill shall result from a consistency between the revenue potential and

the relevant activities to be implemented during the year, in the permanent quest for improvement of our peoples' living conditions.

46. The management of public enterprises and establishments must comply with the new provisions contained in Laws Nos. 2017/10 and 2017/11 of 12 July 2017 to lay down the General Rules and Regulations Governing Public Establishments and the General Rules and Regulations Governing Public Enterprises, and through a strict implementation of Decrees Nos. 2019/320, 2019/321 and 2019/321 of 19 June 2019.
47. **With regard to investment expenditure**, the basic packages disclosed for budgetary discussions are indicative and subject to upward or downward adjustments, depending on the relevance of the projects and their maturity. Accordingly, in order to control the level of State overall commitment, the said packages will be capped into Commitment Authorization (CA), on the basis of research conducted by the Ministry in charge of investments.
48. Recurrent investment costs should be systematically assessed on the basis of the methodology proposed by the ministry in charge of investments, with a view to taking them into account in the State budget, as a priority.
49. Priority investment expenditure and all current commitments of government services should globally be taken into account in the budgets of the government services concerned, in order to avoid extra-budgetary expenditure.
50. Measures aimed at finding the true level of the public investment budget by extracting operating activities must be accentuated and extended to other sources of financing, including external financing (FINEX).
51. With regard to financing, indebtedness decisions must be taken in accordance with the National Indebtedness Strategy and the annual financing plan, in order to ensure public debt viability and public finance sustainability.
52. For the optimal management of indebtedness, all loan files of the State and its entities, public and private sector loan files guaranteed by the State or its entities, as well as requests for guarantees and retrocessions sent to the State, bond issues and all projects funded under the PPP model, must be submitted to the National Public Debt Committee (NPDC) for advice. Likewise, for the sake of transparency, all aggregates and external and internal debt operations as well as the guaranteed debts (outstanding amounts, drawings and debt service) of the said entities (the State and its entities) should be communicated infra-

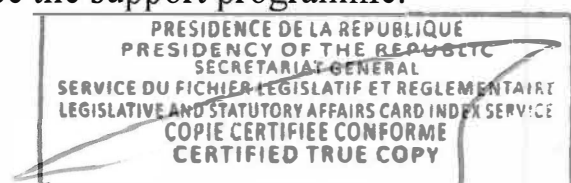
annually and annually, consolidated by the Minister of Finance through the National Public Debt Committee and the Autonomous Sinking Fund, for the control of contingent liabilities and public debt, in accordance with the 2014 Public Finance Statistics Manual.

- 53.** New commitment contracts should be signed in accordance with the guidelines of the national debt strategy aimed at reducing the rate of indebtedness, improving the portfolio quality in terms of costs and risks. Such new commitments should be only for projects included on the list of Government priority projects for the financial year. Non-concessional loans will be contracted only for projects with high financial and socioeconomic profitability, for which concessional financing is not available.
- 54.** The programming of disbursements on external funding should comply with a regulatory process ensuring better consistency between the programming of disbursements, the disbursement ceiling and the budget balance. Priority should be given to:
- projects likely to generate economic growth;
 - projects with a good capacity for absorbing resources having a strong impact on improving the peoples' living conditions.
- 55. Concerning domestic financing,** actions to develop the domestic debt market through the issue of government securities should continue through:
- the practice of a coherent debt policy with preference to the use of this mode of borrowing while safeguarding the interests of the State, in particular by switching between the costs of the various sources of financing;
 - strengthening of the repository for the issuing of government securities;
 - prioritization of bond issues to finance the budget and thus minimize interest rate and refinancing risks.
- 56.** The entire domestic debt of the State and its entities should be assessed and a settlement plan drawn up, with a view to systematically including them in the budgets of the entities concerned.
- 57.** A provision representing 2% of the amount of capital expenditure on ordinary domestic resources for 2021 should be constituted in head 95 "carry-over of appropriations" in order to cover the non-scheduled expenditure incurred for 2020 and guarantee proper execution of the projects concerned.

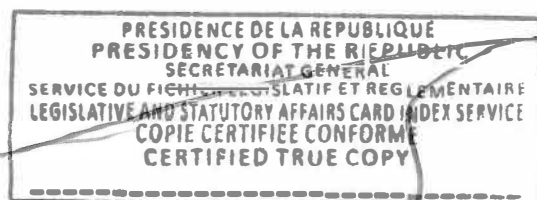
IV. PRACTICAL MEASURES FOR THE PREPARATION OF THE STATE BUDGET

58. The State budget for the 2021 financial year will be prepared in accordance with the principles laid down by the new fiscal regime of the State and other public entities, and in accordance with the provisions of the decree to establish the State budgetary calendar. To this end, the programme budgeting approach should be continued and consolidated, to allow for better transparency and efficient allocation of public resources. In this light:

- the budget programmes to which economic and social development objectives will be assigned, together with performance indicators, should stem from sector strategies backed by the National Development Strategy;
- as appropriations are specialized per programme, expenditure with the same objective should be grouped within the same programme. As such, all programmes should be accompanied by the earnings forecast chain, which establishes a close link between the resources allocated and the expected results;
- budgetary choices should to be directed towards activities that contribute to achieving expected results and towards a better use of budgetary allocations at the service of the effectiveness and efficiency of public action and especially for the accountability of budget chain actors;
- the costs of the programmes should be rigorously evaluated and broken down within the Medium-Term Expenditure Frameworks (MTEFs), up to the level of activities. Effort should be made at this level to distinguish expenditure falling within the reference lines from that inherent in the new measures;
- each new operation to be entered in the State budget for the 2021 financial year should be budgeted under Commitment Authorization (CA), broken down into Payment Appropriations (PA), taking into account the multi-annual programming enshrined in the Law to institute the Fiscal Regime of the State and providing for programming of CAs which may cover a period extending beyond three years;
- staff costs will be systematically allocated in the operational programmes, in order to reduce the support programme.



59. In order to improve the budgeting of some large-scale, cross-cutting and ad hoc public actions such as the organization of the “CHAN 2021” and “AFCON 2022”, the ministries in charge of finance and public investment should ensure the creation of specific budget heads; they should also take real needs into account exhaustively.
60. **With regard to gender promotion**, monitoring and evaluation indicators disaggregated by sex and age should to be elaborated and measured across all public administrations, in particular MINSANTE, MINEDUB, MINESEC, MINADER, MINEPIA, MINPROFF and MINAS. Accordingly, budget execution reports and programmes should henceforth take into account the progress made in promoting gender equality.
61. **Within the framework of compliance with the minimum level of Government’s social spending**, provision should be made in the State budget to take into account the coverage of at least 22500 households in terms of social safety nets.
62. **The measures taken to accelerate decentralization** should be stepped up. To this end, resources will be mobilized for the benefit of RLAs, in accordance with the relevant provisions of the law to institute the General Code of Decentralization and the related implementing instruments. Accordingly, the measures to support RLAs in mastering the new budgeting method for devolved resources as well as alignment of the budget calendar of RLAs with the State budget calendar and transition to the programme budget should be continued.
63. New multi-year commitment authorizations (MCAs) will be opened on the basis of the ceiling for multi-year commitments notified by the Prime Minister, Head of Government. The ceiling should take into account the sustainability of the medium-term budgetary framework of the issuing administration and the liabilities of the overall commitments of the said administration. An accounting based on the effective date of the said commitments should also be attached to the request for the opening of new MCAs.
64. Entering of investment subsidy appropriations as well as the counterpart funds for actual expenditure must be subject to the presentation of items of maturity of the investment operations to be executed.



65. With regard to investment subsidies, ensure effective implementation of budgeted appropriations during the previous financial year, for any new budgetary entry.
66. Externally funded public investment projects must be entered in compliance with the principles of maturation, planning, programming and budgeting.
67. In order to prevent over-indebtedness, concessional financing of development projects must be given priority.
68. The programming of disbursements from external funding should follow a regulatory process that guarantees better consistency between the programming of disbursements, the disbursement ceiling and the budget balance. Priority should be given to:
- projects likely to generate economic growth;
 - projects with a good capacity for absorbing resources having a strong impact on improving peoples' living conditions.
69. Besides, the disbursement plan for externally funded projects should be compatible with the Medium-Term Budgetary Framework (MTBF) available over the three-year period concerned.
70. Also, the ministerial allocations communicated through the Medium-Term Budgetary Framework should, as much as possible, take into account the actual needs arising from realistic FINEX projects disbursement plans.
71. The budgetary programmes to which economic and social development objectives will be assigned, together with performance indicators, should flow from sector strategies based on the National Development Strategy. Results evaluation frameworks should not only specify the deliverables of the activities, but also assess the changes in terms of impact or effects. Furthermore, the targets associated with such evaluation frameworks should be correlated with budgetary allocations.
72. Given that appropriations are specialized by programme, expenditure aiming at the same objective must be grouped within the same programme. As such, all programmes should be accompanied by the earnings forecast chain, which establishes a close link between the allocated resources and the expected results. Accordingly, government services should ensure that the activities under operational programmes are not listed under the support programmes.

73. In order to control the medium-term budgetary costs and the performance of public investment, the functional tranches of multi-year Commitment Authorizations (CAs) should imperatively take into account budgetary sustainability. In addition, the level of the CA must be determined in order to ensure functionality of the planned project after consumption of the CA. Consequently, the budgetary space available for new projects (AEP, FINEX and others) should be evaluated by deducting from the ministerial package, the funds needed for the continuation of the projects under implementation. Priority should also be given to the arrears of the previous years.
74. The operating and investment expenditures must be matched in the MTEFs. Likewise, the recurrent costs generated per capital expenditure must be assessed, programmed and budgeted.
75. All expenditure, including those relating to specific interventions (PLANUT, AFCON, SYTP, UHC, etc.) should be subject to medium-term programming and budgeting in the budget heads of the ministries concerned.
76. The projects entered in the first year of the MTEFs of public administrations and institutions, and then in the finance bill, should first appear in the Public Investment Projects Bank and have a maturity visa.
77. The extended conferences on budget programming and associated performance (EPC/AP) are forums for validating the adjusted medium-term expenditure frameworks of government services, which are required to attend the preparatory meeting for budget conferences.
78. **Concerning recurrent expenditure**, the payroll should be prepared taking into account only the staff actually in service.
79. The funding of State personnel training should be primarily intended for capacity building sessions provided by public entities responsible for training and retraining of State personnel. However, the funding could be directed to training institutions abroad, for specialized and/or advanced training needs.
80. Expenditure on goods and services should be reduced to what is strictly needed for the proper functioning of administrations, taking into account the recurrent costs generated in the implementation of public investment projects.
81. The recurrent expenditure of ministerial tenders boards will be directly charged to the budget of the ministry concerned. The same applies to expenditure

relating to the functioning of the special commissions of Public-Private Partnership Contracts, as well as payment of regulation charges.

82. Ministries and other public administrations will forward their operating expenditure on C2D financing, together with the earnings forecast chain, to the Ministry of Finance, for inclusion in the 2021 finance bill. The appropriations relating thereto should be broken down according to programmes, actions, projects and tasks with geographical locations.
83. To ensure a rational treatment of the rental expenses of public services, only current rents will be included in the budgets of the Ministry in charge of State property and the Ministry in charge of defence. Payment of arrears should be handled separately by the competent government services.
84. Regarding pensions, the relevant provision should take into account the deferred impact of the total liquidation of pensioners' dues upon retirement.
85. The expenses relating to the functioning of the Commissions for establishing the assessment and evaluation of expropriations for reasons of public utility should be budgeted by the Government services concerned by the said operation.
86. At the end of the State budget preparation process, all authorizing officers should present, for all the expenditure entered in the finance bill, a provisional commitment plan to serve as basis for preparation of the State cash flow plan.

Such are the major guidelines for preparation of the finance bill for the 2021 financial year, to enable our country achieve its growth objectives and inclusive and sustainable development.

The Prime Minister, Head of Government, the Minister of Finance and the Minister of Economy, Planning and Regional Development are responsible, each in his own sphere, for the strict implementation of these directives to which I attach the utmost importance.

Yaounde, 10 JULY 2020

PRESIDENCE DE LA REPUBLIQUE
PRESIDENCY OF THE REPUBLIC
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SERVICE DU FICHIER LEGISLATIF ET REGLEMENTAIRE
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PAUL BIYA
PRESIDENT OF THE REPUBLIC