

FISCAL REGIME OF THE STATE AND PUBLIC ENTITIES

COLLECTION “ESSENTIALS
OF THE REFORM”



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Foreword

The President of the Republic of Cameroon, His Excellency Paul Biya, in enacting law no. 2018/012 of 11 July 2018 relating to the Fiscal Regime of the State and other Public Entities, makes a strong commitment to his fellow citizens, with respect to the modernization of public finance management and attainment of the development goals of the Nation. The amendment of the 2007 Fiscal Regime of the State seeks to adapt Cameroon's financial legislation to the CEMAC public finance management harmonized framework enshrined in the 19 December 2011 directives. By integrating these directives into its legal corpus, Cameroon pegs to international standards in public finance management. This ambition is supported mainly by the rebalancing of powers in budgetary matters, strengthening of performance-based management, accountability and transparency.

The provisions of the Fiscal Regime of the State and other public entities relate to the type, content, presentation, preparation and adoption of finance laws, as well as the execution and control of the budget. The

innovative spirit of this law hovers around binding issues on the part of the Government, notably the consolidation of the budget policy, easing the understanding of the budget, involvement of the citizens in the budget process, steering of public policies, control of public finances and increased role of actors in budget execution. All these measures shall guarantee an efficient control of the public expenditure chain in our various public entities and efficient securing of State revenue, in order to further place Cameroon on the path of development.



**THE MINISTER
OF FINANCE,
LOUIS PAUL
MOTAZE**

Consolidate the medium term budget policy



Each year, the Government shall establish a medium term budgetary framework which fixes, in accordance with realistic economic assumptions, the trend over a minimum period of three years, the following:

- all expenditure and revenue of public entities, including the contributions from international donors;
- financing need or capacity of public entities resulting there of;
- financing elements as well as the overall financial indebtedness level of public entities.



SECTION 10 (1)

Budget policy refers to the use of the State budget (Revenue, expenditure, deficit) to influence the economic outlook. It should be prepared in accordance with the requirements of convergence of international as well as regional economic and financial policies, such as to guarantee the sustainability of public finances and pre-empt excessive deficits.

Medium term budget framework of the State

Henceforth, each year, the Government shall prepare a medium term budget policy which is consistent with the convergence criteria of CEMAC zone. This Medium Term Budget Policy is defined through the Medium Term Budget Framework (MTBF) and Medium Term Expenditure Frameworks (MTEF). The MTBF records, on the basis of realistic macro-economic assumptions, the trend over a period of three years, all revenue and expenditure of public entities as well as the financing capacity or need thereof. The MTEF is the document which breaks down, based on the MTBF and for all public entities, the bulk expenditure per type, function and per ministry or institution. These medium term framework documents should be prepared by the Government before the 1st July, prior to the Budget Guideline Debate (BGD). They shall be made public.

SECTION 10

Organization of an annual Budget Guideline Debate (BGD) in Parliament

Prior to the budget session, Parliament is bound to organize a debate on macro-economic and budget framework documents as well as an ongoing budget execution report: this is called the Budget Guideline Debate (BGD). The institution of a BGD, in addition to associating Parliament in the preparation of the finance law, strengthens the legal scope of programming instruments. The BGD enables the Parliament to give its opinion on ongoing budget management and forecasts of the State financing capacities for the future. The finance law thereof shall conform to the first year of the medium term framework which shall be closed finally after this debate.

SECTION 11

Sustainability of budget policies

The current amendment of the Fiscal Regime of the State makes the preparation of a budget policy a legal obligation which guarantees the sustainability of all public finances. The budget policy thus prepared shall help pre-empt all excessive deficits and consider the requirements of convergence of international and regional economic and financial policies resulting from conventions signed by the Republic of Cameroon.

SECTION 9



CLARIFICATION

CONVERGENCE REQUIREMENTS

Within CEMAC, the sustainability of public finance is based on the respect by member States of retained multilateral convergence criteria which may guarantee sub-regional financial, economic and monetary sustainability.

- **Reference budget balance:** its target is fixed at -1.5 % GDP, thereby authorizing a minimum deficit in public finance management.
- **Indebtedness:** the ceiling of the indebtedness rate stands at 70 % GDP.
- **Domestic and external payment arrears:** this criteria supposes the non-accumulation of payment arrears on current management and the clearing of the stock of existing payment arrears.
- **Inflation:** The annual average of the inflation rate should be less than or equal to 3 %.

Easing the understanding of the budget

One of the goals of the new law relating to the Fiscal Regime of the State is to help Parliament to better assess the financial position of the State in general and budget deficit in particular. To this effect, certain categories of budget operations have been broken down into liquid resources and expenses.

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The State budget shall determine, for a financial year, the nature, amount and assignment of revenue and expenditure as well as the resulting budgetary balance and the terms and conditions of its financing. It shall be adopted into a finance law.

SECTION 23

”

Improvement of the presentation of State budget revenue and expenditure

The constant need to improve the clarity of the State's budget is also reflected by a more streamlined and summarized listing of economic classification headings of budget operations. The new classification per item which materializes this option has the advantage of being clear and comprehensible. Notwithstanding, as concerns expenditure, this classification is indicative due to the prevailing fungibility of appropriations within the programme.

A better spectrum of budget deficit and correlative indebtedness

In view to ensure a budget presentation which clearly brings out revenue and expenditure forecasts as well as the financing capacity and need of the State, the law separates budget revenue and expenditure from liquid resources and charges. In the category of cash operations, we may include operations linked to debt management, its redemption or repayment as well as the collection of proceeds from the disposal of assets. The same applies to movements in the State's cash resources and management of funds deposited by Treasury correspondents. The incorporation of these operations into the category of budget revenue and expenditure provided for by the former Fiscal Regime had the short-coming of less clarity of information on budget deficit and means of its financing.



CLARIFICATION

IMPROVING THE QUALITY OF BUDGET DOCUMENTS

Attached to the finance law, appendices are provided for a better understanding of the budget policy. There are explanatory appendices which show per programme, the amount of appropriations presented per item for the year concerned and indicatively for the following two years. These appendices are supported by annual performance project for each programme.

Associating the citizens to the budget process

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For the purpose of transparency and objectivity, the public shall be regularly informed on the major stages of budgetary procedures as well as their economic, social and financial stakes.

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SECTION 4 (9)

Control of public action by the people is strengthened following the institutionalization of the obligation to publish information on the major stages of the budget procedure, their social, economic and financial stakes as laid down in the code of transparency and good governance.

Systematic publication of budgetary information

Given that the citizen is at the centre of public action, he shall henceforth be informed of the preparation and execution of public policies spelt out in the finance law, through the publication of quarterly reports on budget execution, opinions decisions and reports of the Audit jurisdiction as well as its specific decisions.

SECTION 4 (9)

Publicity of the Budget Guideline Debate

The Budget Guideline Debate which Parliament shall organize each year, to examine medium term framework documents, macro-economic situation and budget execution report on the current financial year shall be held in a non-voting public session. The citizen may henceforth follow up these debates and be better informed of the country's budget situation. He therefore has additional elements to enable him exercise citizen control in a timely and informed manner.

SECTION 11 (2)

Better informed parliamentarians

Three major moments crystallize information to parliament. During the preparation of the budget, it is informed about the elements of the macroeconomic and budgetary framework that underpin it. During the examination of the Finance bill, explanatory annexes are provided in order to better inform it on budgetary policy options. During the execution, it must be notified of all changes to budgetary authorizations.



CLARIFICATION

MORE REGULAR APPOINTMENTS WITH THE PUBLIC

The public shall be constantly informed of the main resolutions from the budget process. It is the same with the amendments thereto. In this respect, the budget calendar, macroeconomic and budgetary framework, voted finance law and budget execution reports shall be made public. A calendar for the publication of information on public finances shall be released prior to the beginning of the financial year.

Steering public policies



The programme head manager be appointed by the competent sector Minister. The appointment instrument shall stipulate the conditions under which the powers of the authorizing officer have been delegated to him as well as the terms and conditions of management of the programme. The Minister in charge of Finance shall be informed of this instrument.



SECTION 69 (1)

The current Fiscal Regime of the State and other Public Entities is in line with the Government's option for a performance-based management of public action by conferring a legal status to the principal actor who is the programme manager in the steering of public policies.

Status of the programme manager

The programme manager shall be appointed by the Minister in charge through an instrument which lays down the conditions in which the jurisdictions of the authorizing officer have been delegated to him as well as the terms and conditions of the management of the programme. This instrument shall be forwarded to the Minister in charge of Finance.

SECTION 69 (1)

Missions of the programme manager

The law provides for the missions and prerogatives of the programme manager, notably those relating to the formulation of the programme in the Annual Performance Project and assignment of resources as well as the organization of management dialogue and preparation of the Annual Performance Report (APR). The programme manager may modify the distribution of appropriations within his programme in accordance with the limits set by law. He shall also ensure compliance to internal control and management control mechanisms.

SECTION 69 (2 & 3)

A new performance-based steering system: management control

Following the advent of the programme budget in 2007, management control was established by Circular of the Prime Minister to serve as a support to the steering of programmes. Its institutionalization by the 2018 Fiscal Regime strengthens this option of the Government. Its now legislative nature gives it more legitimacy. It is a steering system implemented within a ministry or public entity to improve the relationship between the resources (human, material and financial) committed and the results obtained in the execution of a given programme, on the basis of predefined objectives and following a strategic planning process. It is the responsibility of programme managers to ensure its implementation.

SECTION 69 (2)



CLARIFICATION

PROGRAMME MANAGER AND OFFICIALS OF TRANSVERSAL DEPARTMENTS

The role of transversal departments (in charge of planning, resources, follow-up, etc.) shall evolve from a situation where it often takes charge of the majority of budget management tasks to a support function to programme managers of the ministry. These Departments shall provide technical support to programme managers in the preparation of their programme budgets, as well as in the preparation of planning, follow-up and performance evaluation documents.

Strengthening the control of public finance

The law reinforces Parliamentary, jurisdictional and administrative control of public finance management and confirms the coexistence of three types of control.

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[1] Operations relating to the execution of finance laws shall be subject to a three-fold control: parliamentary, administrative and judicial.

[2] These controls may, depending on their conception or circumstances, be controls of regularity, opportunity or performance.

[3] They may be done a priori, in the course of the execution or a posteriori and are incumbent on authorizing officers, public accountants and all managers.

”

SECTION 83 (1)

Rationalizing administrative control

Administrative control has been reorganized in this law, in order to consider the requirements linked to performance steering in the implementation of programmes and accountability of authorizing officers. In this light, new control modalities have been instituted, notably the internal control, management control and audits, which seek to ensure a better mastery of risks and efficient steering of programmes. The corollary of the establishment of this institutional measure is the modulation of a priori controls by Financial Controllers and Public accountants on low risk expenses, under the conditions fixed for each ministry by the Minister in charge of finance.

SECTION 84

Strengthening parliamentary control

Parliamentary control is performed during the examination of the finance bill. It is done a priori during the Budget Guideline Debate and this is a major innovation. In addition to these levers, Parliament has other means of controlling the budget that have been strengthened by the new law, in particular, control over the movement of appropriations under management. In effect, transfer orders and transfer decrees issued by the Government must be immediately communicated to Parliament for its information. These various levers, combined with the investigative powers of the finance commissions and the assistance of the Audit Jurisdiction, constitute means of action at Parliament's disposal to exercise its control over the management of public finances effectively.

SECTION 85

Greater jurisdictional control

Jurisdictional control takes a new shape through the institution of an Audit Bench with greater powers to judge accounts of public accountants, management errors of authorizing officers and other public employees such as the Financial Controller, civil servant or employee of a public employee subject to such a control by the said jurisdiction.

In addition, the duty of the Audit Bench to assist Parliament grows in intensity through the certification by it in the place of a simple opinion which it formerly gave on accounts submitted for examination by it. At the request of the Government, it may inquiries and analysis on all budgetary, accounting and financial issues. In the discharge of its duties, the Audit Bench solicit assistance from the Audit Court of the Central African Economic and Monetary Community, in accordance with sub-regional treaties and conventions.

SECTION 86



CLARIFICATION

ASSISTANCE FROM THE AUDIT JURISDICTION TO PARLIAMENT

Parliament may rely on the Audit jurisdiction for the exercise of parliamentary control. To this end, the parliamentary commissions responsible for finance may request the Audit jurisdiction to carry out any inquiry into the management of the services or bodies they audit.

SECTION 85 (9)

Clarifying the role of budget execution actors

In addition to the Minister of Finance, who is responsible for making appropriations available to the principal Authorizing Officers and budgetary regulation, the law identifies the operational actors involved in State budget execution. These are authorizing officers, financial controllers and public accountants.

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State budget execution operations shall devolve on authorizing officers, financial controllers and public accounting officers.

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SECTION 64 (1)

The authorizing officer

The authorizing officer shall be any employee authorized to prescribe the execution of State budget and revenue in the name of the State. As concerns expenditure, there are three categories of authorizing officers: principal authorizing officers, secondary authorizing officers and delegated authorizing officers. Principal authorizing officers of the State budget shall be heads of Government departments or persons ranking as such and Senior Officials of constitutional institutions. Secondary authorizing officers shall be officials of State devolved services who receive expenditure authorizations from principal authorizing officers. Finally, delegated authorizing officers shall be officials appointed by principal or secondary authorizing officers for expressly defined matters.

SECTION 65

Financial Controller

The 2018 Fiscal Regime clearly identifies the financial controller as actor in the budget process, unlike in the past. Financial controller shall be appointed to principal authorizing authorizing and secondary officers placed at the helm of devolved services. The financial controller shall be charged with a priori controls which involves a prior endorsement of budgetary operations, proposal of budgetary instruments forwarded to him by the Minister in charge of finance. The Financial controller shall give his opinion on the sincere and sustainable nature of expenditure commitment plans.

SECTION 70

Public accountants

Public accountants shall be public employees exclusively charged with the collection, custody and handling of funds and values, keeping of accounts of the State and other public entities. The public accountant or any one duly appointed by him and acting under his control and direct responsibility shall have the exclusive right to pay State expenditure. All public revenue shall be collected by a public employee who is bound to take all necessary measures to collect regularly established revenue certificates.

SECTION 71



CLARIFICATION

SEPARATION OF FUNCTIONS

The functions of financial controller and public accountant may be combined. Notwithstanding, the duties of authorizing officer and public accountant are and remain separate and incompatible with respect to the execution of revenue and expenditure.



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