CAMEROON NATIONAL ECONOMIC AND FINANCIAL COMMITTEE
GENERAL SECRETARIAT

REPORT ON CURRENCY, CREDIT AND THE FUNCTIONING OF THE FINANCIAL SYSTEM

Year 2020

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Acronyms and Abbreviations

AFB	Afriland First Bank
AFD	French Development Agency
AIBE	Other Eligible Banking Institution
ANEMCAM	National Association for Microfinance Institutions in Cameroon
APE	Economic Partnership Agreement
APECCAM	Professional Association for Credit Institutions in Cameroon
APU	Public Administration
ASAC	Association for Insurance Companies in Cameroon
BAC	Banque Atlantique Cameroun
BAD	African Development Bank
BCE	European Central Bank (ECB)
BCM	Money Creating Bank (MCB)
BDEAC	Development Bank of Central African States
BEAC	Banque des Etats de l'Afrique Centrale Bank of Central African States
BGFI	Banque Gabonaise et Française Internationale
BIC	Credit Information Bureau
BICEC	Banque Internationale du Cameroun pour l'Epargne et le Crédit
BID	Islamic Development Bank (IDB)
BTA	Assimilable Treasury Bonds
BTP	Building and public works
BVMAC	Central African Stock Exchange
C2D	Debt Reduction and Development Contract
CAF	Freight Insurance Cost
CAMPOST	Cameroon Postal Services
CAN	African Cup of Nations
CAS	Special Allocation Account
CASEMF	Framework for the Analysis and Monitoring of Microfinance Institutions
CBC	Commercial Bank - Cameroun
CBF	Cameroon Business Forum
CCN	National Clearing House
CCR	Regional Clearing House
CEA	Economic Commission for Africa
CEMAC	Communauté Economique et Monétaire d'Afrique Centrale Economic and Monetary Community of Central Africa
CICA-RE	Joint Reinsurance Company of the Member States of the Inter-African Conference on Insurance Markets
CIMA	Inter-African Conference on Insurance Markets
CIP	Payment Incident Board
CMF	Financial Markets Commission
CNC	National Credit Council (NCC)
CNDP	National Public Debt Committee
CNEF	National Economic and Financial Committee
COBAC	Central African Banking Commission
COVID-19	Coronavirus Desease 2019
CPM	Monetary Policy Committee

CRCT	Securities Settlement and Custody Unit
CREMF	Risks Board for Microfinance Institutions
DAB	Automated Teller Machine
DAE	Directorate of Economic Affairs
DAT	Term Deposit
DAV	Sight Deposit
DN	National Directorate
DNA	Directorate of Insurance
DSCE	Growth and Employment Strategy Paper
DSX	Douala Stock Exchange
DTS	Special Drawing Rights (SDR)
EDC	Electricity Development Corporation
EMF	Microfinance Institution (MFI)
EUROSTAT	European Statistics Office
F CFA	Franc of Financial Cooperation in Central Africa
FAGACE	African Guarantee and Economic Cooperation Fund
FDSE	Electricity Sector Development Fund
FEC	Extended Credit Facility (ECF)
FIBANE	National Banking File for Enterprises
FIP	Payment Incident Board
FIPI	Irregular Payment Instruments File
FMI	International Monetary Fund
FOB	Free On Board
FRCB	Regional Database for Bank Accounts and Clients
GAB	Automated Teller Machine
GICAM	Cameroon Employers Association
GIMAC	Interbank Electronic Banking Network for Central Africa
GUCE	Single Window for Foreign Trade Operations
IARDT	Fire, Accident, General Risks and Transport
IDA	Direct Compensation to Policy holders
IDE	Foreign Direct Investment
IFC	End of Career Allowance
INS	National Institute of Statistics
IRPP	Personal Income Tax
ITIE	Extractive Industries Transparency Initiative
MINADER	Ministry of Agriculture and Rural Development
MINEPIA	Ministry of Livestock, Fisheries and Animal Industries
MINFI	Ministry of Finance
MINFOF	Ministry of Forests and Wildlife
NFC-BANK	National Financial Credit Bank
OCDE	Organisation for Economic Co-operation and Development
OHADA	Organisation for the Harmonisation of Business Law in Africa
OICV	International Organisation of Securities Commissions
OPCVM	Fund for Collective Investment in Transferable Securities
OTA	Assimilable Treasury Bonds
OTZ	Zero Coupon Treasury Bonds
PACD/PME	Support Programme for the Creation and Development of SMEs processing and keeping local mass consumption products
PAR30	30-day portfolio at risk
PGRGFP	Comprehensive Plan for Public Finance Management Reforms
PIB	Gross Domestic Product (GDP)

PME	Small and Medium sized Enterprise
PNB	Net Banking Income
PNG	Government Net Position
PNT	Net Treasury Position
PNUD	United Nations Development Programme
PPFMMIC	Support Programme to the Microfinance Funding Project Through the Islamic Model in Cameroon
RBTR	Real Time Gross Settlement
SAFACAM	Société Africaine Forestière et Agricole du Cameroun
SCB	Société Commerciale de Banque
SCBC	Standard Chartered Bank Cameroon
SEMC	Société des Eaux Minérales du Cameroun
SENDs	Undisbursed committed balances
SGC	Société Générale Cameroun
SICAV	Sociétés d'Investissement à Capital Variable
SMAC	Monetary System in Central Africa
SMI	Interbank Monetary System of Central Africa
SMID	Douala Metropolitan Investment Company
SNFI	National Strategy for Inclusive Finance
SNH	National Hydrocarbons Company
SNI	National Investment Corporation
SOCAPALM	Société Camerounaise de Palmeraie
SONARA	National Refining Company
SONATREL	National Electricity Transmission Company
SPNF	Non-Financial Private Sector
SVT	Treasury Securities Specialists
SYGMA	Large Amounts Automated System
SYNDUSTRICAM	Cameroon Industrial Trade Union
SYSTAC	Central African E-clearing System
TCM	Minimum Lending Rate
TDM	Maximum Debit Rate
TEG	Annualized Percentage Rate (APR)
TIAO	Tender Interest Rates
TIMP	Weighted Average Interbank Rate
TIPP	Repurchase agreement interest rate
TISIP	Interest Rate on Spot Interventions
TISP	Interest Rate on Investment
TOFE	State Financial Transactions Tables
TP	Penalty rate
TPE	Very Small Enterprises
TVA	Value Added Tax (VAT)
UBA	United Bank for Africa
UBC	Union Bank of Cameroon
UE	European Union (EU)
UEMOA	West African Economic and Monetary Union
UMAC	Central African Monetary Union

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Executive Summary

During the year 2020, the Cameroonian financial system evolved in a context characterized, at the **international level**, by the Covid-19 crisis that affected almost the overall global economies. However, the massive intervention of the public authorities made it possible to mitigate the effects of the pandemic. The exceptional measures announced by the governments of advanced countries represent an estimated budgetary cost of 9% of GDP. Additional measures in various forms of liquidity support, including equity injections, assets purchases, loans granting and guarantees, amounted to 11% of GDP. In emerging markets and developing countries, the response remains significant, although smaller in scale, with a cost of around 3.5% of GDP as exceptional budgetary measures and 2% as liquidity support.

Thus, the global economy recorded a strong decline in 2020 (-3.5%), although less than initially forecasted (-4.9%), due to the deconfinement that began in many countries. Per zone and per country, the extent of the shock and the pace of recovery are contrasted. In the group of advanced countries, GDP is expected to contract by 4.7% in 2020 as against an increase by 1.7% in 2019. As a result, growth may vary per main country and is estimated at -3.5% in the US. In the group of emerging and developing countries, economic growth is -2.2%. Out of the main countries in that group, only China has a positive growth rate of 2.3%. The other three countries experienced a very significant recession (-8.0% in India, -3.1% in Russia, and -4.1% in Brazil).

In **sub-Saharan Africa**, growth is at -1.9% in 2020 down from 3.2% in 2019, due to contractions in Nigeria (-1.8% down from 2.2%) and South Africa (-7.0% down from 0.2%). These major export-dependent economies of the region are severely affected by the restrictions on economic activity caused by the global pandemic. In the **CEMAC region**, economic growth is estimated at -2.1% in 2020 down from 2.1% in 2019.

Global inflation is estimated at 0.7% in 2020 down from 1.4% in 2019 in the advanced countries. In the United States, the rate is 1.2% down from 1.8% in 2019. In the euro area, it is at 0.3% in 2020 down from 1.2%.

In terms of **international trade**, weighed down by numerous trade restrictions, trade tensions and production disruptions due to Covid-19, world trade (goods and services) has fallen by 8.5% in volume in 2020 according to the IMF.

At the **national level**, like most economies in the world, the Cameroonian economy has not escaped the effects of the Covid-19 pandemic. However, the extent of the crisis was not as great as anticipated. In fact, for an initial forecast of -2.6%, growth estimates are forecasting a rate of around 0.7% considering the growth rate resulting from the quarterly national accounts for 2020.

With regard to **inflation**, although below the community standard of 3% set by the CEMAC convergence criteria, household consumer prices in 2020 showed a trend similar to that of 2019, which represents an increase by 2.5%, thus contrasting with the one recorded in 2018 that stood at 1.1%. That increase is driven by higher prices for food and non-alcoholic beverages (+3.6% up from +2.9% in 2019) as well as "housing, water, gas, electricity and other fuels" (+3.0% up from +1.7% in 2019).

With regard to **public finances**, the deceleration of the economic activity at national level led to the following adjustments in the 2020 budget: (i) the adoption of an amending finance law following the adverse effects of the Covid-19 pandemic on budgetary revenues; (ii) the creation of a Special Appropriation Account (SAA) for the management of budgetary operations relating to the response to Covid-19; (iii) the temporary suspension of debt servicing under the G20 initiative in order to focus on the fight against the Covid-19 pandemic; (iv) exceptional disbursements from development partners in support of the financing of the global response plan against the coronavirus; (v) the signing of an ordinance raising the domestic debt ceiling in order to increase the issuance of government securities.

In the **external sector**, the terms of trade deteriorate by around 7% in 2020, up from 4.4% in 2019, as export prices fell more sharply than import prices. This situation is linked to the fall in the prices of the main products exported by Cameroon (notably primary products), due to the Covid-19 crisis that has affected external demand. In that regard, the government continued initiatives to improve the competitiveness of the economy. Those initiatives include the digitalization of procedures and of taxes and duties payment; the setting up of an information system for technical administrations (MINADER, MINEPIA, MINFOF) on the Single Window for Foreign Trade Operations (GUCE) platform; the improvement of the quality of agricultural inputs and farmers' capacity building, the modernization of SMEs, particularly in terms of digital skills, digitalization of processes and of visibility; the operationalization of the national directory for movable securities; the introduction of the electronic tax stamp for online formalities; the digitalization of the procedure for registering court decisions; the introduction of digital tax payment for large and medium-sized enterprises; the gradual abolition of intermediate checks on the transport of goods in transit and on conventional checkpoints; the digitalization of foreign trade operations, the joint handling of tax and land registration formalities for the transfer of property.

As regards the **monetary sector**, Cameroon main monetary aggregates increased, with the exception of net external assets: (i) money supply (+12.7%); (ii) domestic debt (+21.7%); (iii) net external assets (-0.3%). To limit the potential effects of the Covid-19 and the fall in crude oil prices on the economies of the sub-region on the one hand, and given the risk factors relating to the monetary and financial stability on the other hand, the Monetary Policy Committee (MPC) adopted sequentially since March 2020, two important series of measures aimed at guaranteeing bank liquidity and ensuring States funding. The first series, decided during the March 27th, 2020 ordinary session, was aimed at easing the conditions for refinancing credit institutions on the monetary market, while the second, adopted during the July 22nd, 2020 extraordinary session, was aimed at providing credit institutions with the stable resources they need to meet their medium- and long-term requirements, and impacting more directly the conditions for States funding on the public securities market.

In that environment, the **banking system** experienced an 8.3% increase in activity. On the assets side, the increase was largely due to the rise in cash and interbank transactions (+242.1

billion), customer transactions (+201.2 billion) and fixed assets (+111.7 billion). On the liabilities side, it resulted from the increase in operations with customers (+508.3 billion), and in Investment capital (+114.7 billion).

Net banking income (NBI) increased by 3.9% in 2020, up from 6.6% in 2019. That increase can be attributed to the improvement in margins on financial transactions (+31.0 billion), margins on customer transactions (+7.6 billion), and margins on leasing and simple rental (+2.4 billion). The current result decreased from 129.7 to 119.0 (-10.7 billion), following the increase in allocations to provisions (+32.0 billion) and the decrease in bad debt losses (-20.5 billion). In terms of credit portfolio losses, net outstanding loans rose sharply from 111.2 billion to 152.1 billion (+40.8 billion), thus increasing by 36.7%. The delinquency rate, that remains high, also increased from 15.4% to 16.6% (+1.2 points).

The banking network expanded slightly between 2019 and 2020, with the number of branches rising from 322 to 328. In terms of geographical coverage, the Littoral and Centre regions had the highest number of branches in 2020, with 118 and 82 branches respectively, which represent 61% of the total number of branches. The South-West and West regions have 30 and 29 branches respectively, while the North-West has 17 branches, the South and Far North having 15 and 13 branches respectively. The regions with the least number of branches are the North (9 branches), the East (8 branches) and Adamaua (7 branches).

Over the same period, banks continued to significantly expand their ATM networks, with the aim of modernizing and improving the quality of customer services. The number of ATMs rose from 720 in 2019 to 761 in 2020, thus increasing by 5.7%. The largest cities, namely Yaounde, Douala and Bafoussam, alone account for 73.3% of those ATMs.

In terms of access to banking services, the banking services coverage rate for the working population was 28.3% in 2020, down slightly from 28.4% in 2019. The coverage rate for the adult population improved slightly from 22.1% in 2019 to 22.2% in 2020. The density of the banking network fell to one branch per 100,000 inhabitants, as against 1.4 branches per 100,000 inhabitants from 2014 to 2019. Broadly speaking, the banking services coverage rate for the working population and that for the adult population were 45.7% and 36.5% respectively. The density of the banking network in the broad sense fell from 3.9 branches per 100,000 inhabitants in 2019 to 2.6 branches per 100,000 inhabitants in 2020.

Mobile money continued to grow significantly in 2020, in terms of volume and amount of transactions. In fact, data collected by the CNEF from licensed operators show that the amount of mobile money transactions rose from 9,271.4 billion in 2019 to 12,544.0 billion in 2020, thus increasing by 35.3%. The number of transactions followed the same trend over the same period, with a growth rate of 42.3% as compared to the 46.3% observed in 2019. The trend in the number of Mobile Money accounts opened exceeded 15 million (from 9,912,443 in 2019 to 15,649,570, thus increasing by 57.8%).

As for **financial institutions**, their activity was characterised by a 0.9% drop in the balance sheet total, following the contraction of to be deducted amounts of Investment capital (-20.3 billion). On the liabilities side, that drop is mainly explained by the decrease in equity capital

(-13.9 billion). On the other hand, between 2019 and 2020, the off-balance sheet activity of financial companies improved in all areas, with the exception of foreign currency transactions, whose amount is structurally nil, and transactions with correspondents, that fell slightly (0.1 billion). In fact, operations with customers, leasing commitments and other commitments increased by 38.2, 3.2 and 18.4 billion respectively.

In terms of portfolio default situation, the net outstanding loans of financial companies decreased by 3.6 billion, from 53.8 billion to 50.2 billion. However, the delinquency rate (60.4%) however remains very high as compared to other components of the banking sector.

As regards the **financial companies' network**, in 2020, the number of branches remained stable at 26. The Littoral and South regions were the most covered with 4 branches each, followed by the Centre and West regions with 3 branches each. Those four regions alone account for 53.8% of the financial companies' network.

In the **microfinance sector**, the number of operating licensed institutions increased from 411 in December 2019 to 415 in December 2020. They are divided into three categories: 342 operate in the first category, 70 in the second category, and 03 in the third category.

In terms of intermediation activity, deposits collected by MFIs rose from 518.1 billion as at the end of December 2019 to 624.8 billion as at the end of December 2020 (+106.7 billion), thus increasing by 20.6%. With 325.0 billion deposits, the second category takes first (52.0%), followed by the first category (48.0%). Category 3 MFIs are not allowed to collect customer deposits. The volume of loans granted by MFIs rose from 394.4 billion to 454.6 billion between December 2019 and December 2020 (+60.3 billion), thus increasing by 15.3%. As at December 31st, 2020, the second category is the one that granted most loans, with 245.6 billion, as against 208.0 billion for the first category. The third category had a total volume of loans of 1.04 billion. In all, 52.3% of the loans granted to customers were short-term, as compared to 34.1% for long-term and only 13.5% for medium-term. In terms of portfolio quality, the volume of outstanding loans increased by 43.2% from 73.2 billion to 104.9 billion (+31.7 billion). The delinquency rose from 18.6% as at December 31st, 2019 to 23.1% as at December 31st, 2020.

At the level of the **payment system and means**, the number of transactions carried out through SYSTAC in 2020 was 8,787,706 for an amount of 7,169.2 billion as against 6,123,444 transactions for an amount of 8,261.3 billion in 2019, thus increasing by 76% in number, but decreasing by 13.2% in amount. The number of payment incidents (rejections for insufficient funds, no funds or closed accounts) reduced by 5% in number and 4.2% in amount, from 15,992 incidents worth 47.4 billion in 2019 to 15,195 incidents worth 45.4 billion in 2020. With regard to SYGMA transactions, all participants in Cameroon exchanged 125,704 transactions for an amount of 46,508.0 billion, as against 120 101 transactions for an amount of 44 898.0 billion in 2019, thus increasing by 4.7% in number and 3.6% in amount.

The **insurance sector** was driven in 2019 by twenty-eight (28) licensed companies, seventeen (17) of which operate in the property and casualty branch and eleven (11) in life and capitalization. The distribution network is run by 101 General Agencies, 114 brokerage companies and 98 self-employed agents. For the 2019 financial year, insurance operations across all branches generated a 12.6 billion operating income net of reinsurance, as against 10.1 billion in 2018, thus increasing by 25.2%. That increase is mainly driven by the property and casualty branch. This business sector, that employs more than 5,000 people, achieved an overall turnover of 209.0 billion as against 207.3 billion in 2018, which represents an increase by 0.9%.

As for the **financial market**, it was characterized in 2020 by the ever-increasing development of the CEMAC treasury securities market and by a decline in market capitalization. In fact, the outstanding amount of Treasury securities reached 3,225.3 billion in 2020, as compared to 907.6 billion three years earlier. The financial market is now one of the main sources of funding for CEMAC countries. The stock exchange capitalization, on the other hand, fell by 5.7% from 31.7 billion at the end of 2019 to 29.9 billion in 2020.

I. OVERVIEW OF THE GLOBAL ECONOMIC ENVIRONMENT AND THE TREND IN THE CAMEROONIAN ECONOMY [1]

I.1. Gobal economic environment

I.1.1. Trend in the economic activity

After growing by 2.9% in 2019, the global economy, affected by the Covid-19 crisis, declined sharply (-3.5%) in 2020. Although the extent of the decline is less than initially predicted (-4.9%), due to the confinement waiver that began in many countries, the crisis affected almost the global economy. The decline in economic activity triggered by the Covid-19 pandemic is very different from previous economic recessions during which the service sector was less affected than the manufacturing sector. That is because social distancing measures have disrupted the activity in sectors that rely on people-to-people interactions, particularly in the transport, wholesale and retail trade, hotels, restaurants and leisure sectors, that have experienced greater contractions than the manufacturing sector.

However, the effects of the pandemic have been mitigated by massive government intervention. The exceptional measures announced by governments of advanced countries represent an estimated budgetary cost of 9% of GDP. Additional measures in various forms of liquidity support, including equity injections, assets purchases, loans and related guarantees, stood at 11% of GDP. In emerging and developing countries, although smaller in scale, the fightback remains considerable, costing around 3.5% of GDP in the form of extraordinary budgetary measures and 2% in the form of liquidity support.

Per region and country, the magnitude of the shock and the pace of recovery are mixed. In the group of advanced countries, GDP was expected to contract by 4.7% in 2020, as compared to an increase by 1.7% in 2019. Thus, major countries estimate growth at -3.5% in the United States.

In the group of emerging and developing countries, economic growth is at -2.2%. In the main countries of that group, growth rates are around 2.3% in China, -8.0% in India, -3.1% in Russia, and -4.1% in Brazil.

In sub-Saharan Africa, growth was at -1.9% in 2020 as compared to 3.2% in 2019, due to contractions in Nigeria (-1.8% down from 2.2%) and in South Africa (-7.0% down from 0.2%). Those major export-dependent economies of the region are severely affected by the restrictions on economic activity caused by the global pandemic. In the CEMAC zone, economic growth was estimated at -2.1% in 2020 as compared to 2.1% in 2019.

Inflation was estimated at 0.7% in 2020 down from 1.4% in 2019 in the advanced countries. In the United States, it was 1.2% down from 1.8% in 2019. In the euro zone, it was 0.3% in 2020 down from 1.2%.

In emerging and developing countries, inflation was estimated at 5.1% in 2020 as in 2019. In the main countries of the group, developments were mixed. In sub-Saharan Africa, inflation remained high at 10.8% up from 8.4% in 2019. Inflation was in double digits in Nigeria (+13.2% in 2020 up from 11.4% in 2019). In South Africa, it was 3.3% in 2020, up from

[1] Sources : BEAC, NIS, MINFI/DP, IMF, EUROSTAT.

4.1% in 2019. In the CEMAC zone, it declined from 2.1% in 2018 to 2.0% in 2019 and rose to 2.4% in 2020, driven by the increase in food prices.

Table 1.1: Trend in Global growth and inflation (%)

	2018	2019	2020*
Global Economy	3.6	2.9	-3.5
United States	2.9	2.3	-4.9
Euro zone	1.8	1.2	-7.2
Japan	1.4	0.7	-5.1
China	6.6	6.1	2.3
India	6.8	4.2	-8.0
Sub-Saharan Africa	3.3	3.1	-2.6
Nigeria	1.9	2.2	-1.8
South Africa	0.8	0.2	-7.0
CEMAC[1]	0.9	2.1	-2.1
Inflation (in %)			
Etats-Unis United States	2.1	1.8	1.2
Euro zone	1.5	1.2	0.3
Sub-Saharan Africa	8.3	8.4	10.8
Nigeria	12.1	11.4	13.2
South Africa	4.6	4.1	3.3
CEMAC[1]	2.1	2.0	2.4

Source: IMF (PEM, April 2020), BEAC * forecast

I.1.2. Trend in world trade and commodity prices

Weakened by numerous trade restrictions, trade tensions and production disruptions due to the Covid-19 pandemic, world trade (goods and services) fell by 8.5% in volume according to the IMF in 2020. Generally, commodity prices experienced contrasting developments. Per product, the trend in prices was as follows:

Crude oil: The annual average price of a barrel of Brent crude oil was USD 41.8, thus declining by 35.1% as compared to 2019. The main reason for this decline is the slowdown and shutdown in countries such as China, the United States and countries of the European Union. However, prices have started to recover since the fourth quarter of 2020, due to the resumption of activities in the above-mentioned countries and therefore the increase in demand.

Rubber: the rubber market was in decline. Prices fell by 8.5% in 2020 to EUR 45.9. That fall was due to lower demand, especially in China and the European Union countries (automobile sector).

Cotton: the average price of cotton continued to fall since 2018 to reach 71.9 $ct/ib in 2020, down by -7.7% as compared to 2019. That drop was due, on the one hand, to the consequences of the Covid-19 and, on the other hand, to trade tensions, in particular the sanctions imposed on China by the United States and some European countries.

Palm oil: The average price was $666.0 per ton, thus increasing by 27.1% as compared to 2019. That development was linked to the tightening of supply, partly due to climate change.

Robusta coffee: the price of robusta coffee averaged 68.8 cents/ib, down by 6.5% as compared to 2019. That decline was linked to the drop in demand worldwide, despite the increase in the harvest of the main producer (Vietnam) at the end of the year.

Cocoa: The price of **raw cocoa** rose by 2.1% to 2,518.5 cts/kg. That increase can be attributed to good harvests and a good cocoa season.

Table 1.2: Trend in average prices of the main products exported by Cameroon

	2018	2019 (1)	2020(2)	Variations (2) / (1) (%)
Raw cocoa (in cts/kg)	2,307.2	2,385.3	2,518.5	5.6
Arabica coffee (in cts/kg)	112.6	101.3	111.0	9.6
Robusta coffee (in cts/kg)	84.8	73.6	68.8	-6.5
Palm oïl ($/MT)	560.9	523.9	666.0	27.1
Rubber (in euro/kg)	46.0	50.2	45.9	-8.5
Cotton (in cts/ib)	91.4	77.9	71.9	-7.7
Crude Oil (in $/baril)	71.0	64.3	41.8	-35.1

Source : IMF - MINFI/DP

I.1.3. Global Economy Prospects

After the contraction in 2020, the world economy is expected to grow by 5.5% in 2021 and 4.2% in 2022. However, the strength of the expected recovery varies from one country to the other, depending on the severity of the health crisis, the extent of business disruptions in the country (which is based on the structure of the country' economy and the predominance of high-contact sectors). It also depends on the exposure to cross-border contamination effects, as well as the effectiveness of support measures to curb down persistent damages.

In the advanced countries, the United States and Japan are expected to return to end-2019 levels of activity in the second half of 2021, while in the United Kingdom and the euro area, activity is expected to remain below end-2019 levels until 2022. This wide divergence is largely explained by differences in government health responses and public attitudes to infection, the flexibility and adaptability of economic activity to mobility constraints, pre-existing trends and pre-crisis structural rigidities.

In emerging and developing countries, too, recovery trajectories are likely to diverge. The gap is expected to widen significantly among other countries and China, as China is experiencing a robust recovery thanks to effective containment measures, a vigorous public investment strategy and central bank liquidity provision. Within that group, the situation is expected to be particularly difficult for oil-exporting countries and tourist destinations, as the return to normal international travel will take time and the outlook for oil prices is bleak.

In the wake of the global recovery, growth in trade volumes is expected to reach around 8% in 2021, then slow to 6% in 2022. However, trade in services is expected to recover more slowly than trade in goods, as cross-border tourism and business travel will remain in decline until transmission declines across the board.

Even with the expected recovery in 2021-22, output gaps are not expected to close until after 2022. Given the persistence of negative output gaps, inflation is expected to remain sluggish in 2021-22. In advanced countries, inflation is generally expected to remain below central bank targets at 1.5%. In emerging and developing countries, inflation is expected to rise very slightly above 4%, thus remaining below the group's historical average.

I.2. Trend in the economic activity in Cameroon

I.2.1. Trend in the real sector

In 2020, the Cameroon economy, like most economies in the world, was not spared by the effects of the Covid-19 pandemic. However, the extent of the crisis was not as great as forecasted. Indeed, for an initial forecast of -2.6%, the growth estimates are based on a rate of around 0.7% considering the growth achievements from the 2020 quarterly national accounts.

In the oil sector, production, initially forecast at 24.9 million barrels for oil and 69.5 billion scf for gas, reached 26.6 million barrels and 70.9 billion scf respectively.

In the non-oil sector, the industry activity has been revived. In fact, some restrictive measures, namely those aimed at closing land borders, curbed down smuggling and informal imports of manufactured goods. That situation resulted in an increase in local demand and, indirectly, enabled local supply of agri-food products. Similarly, compliance with barrier measures such as hand washing, the usage of hydro-alcohol gels and of face masks have increased demand from the chemical industry.

In the construction sector, a drop in activity had been predicted, in relation to uncertainties over the financing of projects in the public sector and the drop in business and household income. On the contrary, the estimates reveal a strong growth in that branch, due to (i) the acceleration of work on the AFCON sites; (ii) the Nachtigal dam construction work; and (iii) the effervescence in civil construction. According to cement company officials, cement sales increased by 20% in 2020. That increase is believed to be due to increased retail sales, which account for 80% of total sales. Retail sales were mainly driven by increased household demand for cement. As a result of the pandemic, the investment behaviour of urban households appears to have changed. They preferred to invest in construction to the detriment of consumption. Information and telecommunication services, as well as financial services, benefited from the positive effects of the barrier measures. Their growth rates were 3.7% and 3.9% respectively.

On the other hand, the underperformance in the 'industrial and export agriculture' branch turned out to be less pronounced than initially projected. Products such as cotton and rubber even saw a significant increase in production.

It should be noted, however, that the "Restaurants and hotels", "Forestry and logging" and "Transport, storage and communication" branches were the hardest hit by the crisis, with growth rates estimated at -22%, -4.8% and -3.8% respectively.

On the demand side, although positive, the contribution of domestic demand to growth slowed down. In volume terms, growth in household consumption is slowing down, due to (i) the decline in the income of some categories of households, particularly agropastoral income, and the income of informal sector actors; (ii) job losses in the formal sector, due to technical leave and downsizing in some companies, particularly SMEs. The resurgence of inflationary pressure must also have contributed to the decline in households purchasing power. Conversely, government consumption increased, driven by the rise in operating expenses and social services, linked to the pandemic.

Investment increased by 2.9% in 2020 down from 8.1% in 2019. This deceleration is explained by the decline in public investment spending. In contrast, private investment increased, with the boom in household construction.

With the decline in world trade in goods in connection with the Covid-19 crisis, external demand has fallen. The volume of exports fell more sharply than that of imports. The fall in imports was due to the fall in purchases of capital goods, energy products, consumer goods, raw and semi-finished products.

I.2.2. Inflation

Although below the community standard of 3% set by the CEMAC convergence criteria, household consumer prices in 2020 showed a similar trend to that of 2019, thus representing an increase by 2.5%, that contrasts with the 1.1% rise recorded in 2018. Price developments in 2020 were driven by higher prices of food and non-alcoholic beverages (+3.6% up from +2.9% in 2019) as well as "housing, water, gas, electricity and other fuels" (+3.0% up from +1.7% in 2019). Food prices were driven by fruit, whose prices have soared significantly in recent years (+9.1% down from +10.0% in 2019), followed by vegetables (+8.5% up from +6.7% in 2019) and bread and cereals (+3.8% up from +1.7% in 2019). These inflationary pressures express a supply deficit in the face of ever-increasing demand. The supply side suffered from an unfavourable situation due to the Covid-19 health crisis on the one hand, and the security crisis that persists in some regions of the country on the other. In that context, consumer products, in particular rice, fresh fish, beef, bananas and crude oils, were quite volatile in 2020. Depending on the origin of the products, inflationary pressure on imported products accelerated and gained 0.2 percentage point compared to 2019, when it stood at 2.2%, while the evolution of prices of local products stabilised at 2.6%. Nevertheless, inflation is more internal than external.

Geographically, inflationary pressures increased in Bertoua, Buea, Maroua and Garoua. They eased in Ebolowa, Bamenda and Yaounde. however, they remained relatively stable in Bafoussam, Douala and Ngaoundere.

I.2.3. Public finances

The deceleration of national economic activity has led to the following changes in the 2020 budget: (i) the adoption of a rectifying finance law following the adverse effects of the Covid-19 pandemic on budgetary revenues; (ii) the creation of a Special Appropriation Account (CAS) for the management of budgetary operations relating to the response to Covid-19; (iii) the temporary suspension of debt servicing under the G20 initiative in order to focus on the fight against the Covid-19 pandemic; (iv) exceptional disbursements from development partners in support of the financing of the global response plan against the coronavirus; (v) the signing of an ordinance raising the domestic debt ceiling in order to increase the issuance of treasury securities.

I.2.3.1. Budgetary Revenue

At the end of 2020, budget total resources amounted to 5 045.4 billion, down by 90.7 billion as compared to the 2019 fiscal year. That decline can mainly be attributed to the underperformance of internal revenue. Indeed, the internal budgetary revenue collected amounted to 3 181.1 billion, down by 390.2 billion as compared to the 2019 fiscal year. That decrease was due to the decline in each of the main components (oil revenues, non-oil revenues and on-lending repayments).

Oil revenues amount to 428.2 billion, down by 156.3 billion as compared to the end of 2019, mainly due to the fall in world oil prices. They include 321.4 billion in (NHC) royalties and 106.8 billion in tax on oil companies.

Non-oil revenues fall from 2,932.7 billion in 2019 to 2,749.2 billion in 2020, which represents a decrease by183.4 billion, that can be attributed to the 207.7 billion drop in tax revenues. The trend and achievements in non-oil revenue sub-components are as follows:

- Taxes and duties revenues amounted to 1,852.8 billion, down by 94.4 billion as compared to the end of 2019. This decrease was mainly due to the decline in VAT (-123.2 billion) as well as registration and stamp duties (-17.3 billion). On the other hand, there was an increase in tax revenue on non-oil companies (+6.8 billion) and excise duties (+38.1 billion). Personal Income Tax (IRPP) and TSPP began to stabilize.
- Customs revenues amounted to 707.8 billion, down 113.3 billion. This decline can be attributed to a decrease in import duties (-44.2 billion) and import VAT (-74.2 billion). On the other hand, excise duty collections on imports increased by 4.6 billion and exit duties by 1 billion.
- Non-tax revenue increased by 24.3 billion to 188.7 billion. Other internal resources, solely made up of repayments of loans endorsed and retroceded to SODECOTON and SONARA, amounted to 3.6 billion.

Borrowing and subsidies are estimated at 1,864.4 billion as against 1,564.9 billion at the end of 2019, thus increasing by 299.5 billion. This increase was mainly due to the issuance of State-owned securities amounting to 768.7 billion. As regard State-owned securities in particular, their issuance mainly focused on Government Bonds (OTA) for 355.1 billion and Treasury Bills (BTA) for 413.7 billion. Repayments amounted to 50 billion for OTAs and 382.7 billion for BTAs.

Table 1.3: Trend in budgetay revenues (in billion CFAF)

RESOURCES SECTION	2019	2020	Variation	
			Absolute	**Relative (%)**
A- INTERNAL BUDGETAY REVENUE	**3,571.2**	**3,181.1**	**-390.1**	**-10.9**
I-Oil revenues	**584.5**	**428.2**	**-156.3**	**-26.7**
1- NHC Royalties	471.5	321.4	**-150.2**	**-31.8**
2- Company Tax on oil	113.0	106.8	**-6.2**	**-5.5**
II- Non-oil revenues	**2,932.7**	**2,749.2**	**-183.4**	**-6.3**
1- Tax revenues	**2,768.3**	**2,560.6**	**-207.7**	**-7.5**
a- Revenue from taxes and duties	**1,947.2**	**1,852.8**	**-94.4**	**-4.8**
dont –which –**Personal Income Tax**	303.9	304.0	0.1	0.0
- VAT	739,6	616.4	-123.2	-16.7
- Non-oil Company Tax	345,5	352.3	6.8	2.0
- Excise duties	207,4	245.5	38.1	18.4
- Registration fees and stamp duty	122,6	105.3	-17.3	-14.1
-TSPP	128,7	128.7	0.0	0.0
b- Customs revenue	**821,1**	**707.8**	**-113.3**	**-13.8**
of which - customs import duty	345.2	301.0	-44.2	-12.8
- Import VAT	394.1	319.9	-74.2	-18.8
- import Excise duty	33.8	38.4	4.6	13.8
- Exit fees	31.7	32.7	1.0	3.3
2- Non-tax revenues	**164.4**	**188.7**	**24.3**	**14.8**
III- Other internal revenue (Loan repayments)	**54.0**	**3.6**	**-50.4**	**-93.3**
B- BORROWINGS AND SUBSIDIES	**1,564.9**	**1,864.4**	**299.5**	**19.1**
- Project loans	772.2	449.5	-322.7	-41.8
- Subsidies	133.3	41.7	-91.6	-68.7
- IMF loans	0.0	268.3	268.3	-
- Budgetary supports	183.3	110.3	-73.0	-39.8
- Issuance of State-Owned securities	334.2	768.7	434.5	130.0
- Bank loans	37.1	180.4	143.3	386.3
- Other loans	104.8	45.4	-59.4	-56.7
TOTAL BUDGET RESOURCES	**5,136.1**	**5,045.4**	**-90.7**	**-1.8**

Source: MINFI/DP (Forecast Department) (TOFE December 2020)

I.2.3.2. Budgetary expenditure

For the whole of the 2020 financial year, total budgetary expenditure based on allocations amounted to 4,863.3 billion as compared to 5,386.5 billion in 2019, thus decreasing by 309 billion. That decrease was observed on all the main headings.

Current expenditure, excluding interest, fell by 26.8 billion down to 2,614.8 billion. Personnel expenditure increased by 33.2 billion up to 1,046.6 billion. Expenditure on goods and services increased by 50.5 billion to reach 945.1 billion. Expenditure on transfers and pensions decreased by 101.6 billion down to 623.1 billion.

Investment expenditure stood at 1,071.3 billion, down by 445.5 billion. Investment expenditure from own resources amounted to 575.7 billion, down by 75 billion. Investment expenditure from external financing amounted to 470 billion, down by 352.7 billion. Restructuring expenditure amounted to 25.6 billion, down by 17.8 billion.

The effective servicing of the public debt was 1,130.7 billion, down by 1.6 billion. The effective servicing of the external debt amounted to 541.8 billion as at the end of December 2020, including 221.5 billion in interest and 320.3 billion in principal. Domestic debt payments stood at 588.9 billion and included: 58.2 billion in interest; 313.2 billion in sinking fund; 98 billion in VAT credit reimbursements and 119.5 billion in arrears payments.

Table 1.4: Trend in public expenditure (in billion CFAF)

EXPENDITURE SECTION	2019	2020	Variation	
			Absolute	Relative (%)
I- Current expenditure*	**2,632.7**	**2,614.8**	**-17.9**	**-0.7**
Personnel expenses	1,013.4	1,046.6	33.2	3.3
Expenditure on Goods & Services	894.6	945.1	50.5	5.6
Transfers and pensions	724.7	623.1	-101.6	-14.0
II- Investment expenditure	**1,516.8**	**1,071.3**	**-445.5**	**-29.4**
From external funding	822.7	470.0	-352.7	-42.9
From own resources	650.7	575.7	-75.0	-11.5
Restructuring expenditure	43.4	25.6	-17.8	-41.0
III- Sundry expenditure to be regularized	**0.0**	**1.2**	**1.2**	
IV- On-lending	**104.8**	**45.4**	**-59.4**	**-56.7**
V- Public debt servicing	**1,132.2**	**1,130.7**	**-1.6**	**-0.1**
External debt	497.2	541.8	44.6	9.0
- Interest	176.9	221.5	44.6	25.2
- Principal	320.3	320.3	0.0	0.0
Domestic debt	635.0	588.9	-46.2	-7.3
of which - Interest	54.7	58.2	3.5	6.4
- repayment of the principal	163.1	313.2	150.1	92.0
- Reimbursement of VAT credits	66.0	98.0	32.0	48.5
- Domestic arrears	351.2	119.5	-231.8	-66.0
TOTAL BUDGET EXPENDITURE	**5,386.5**	**4,863.3**	**-523.2**	**-9.7**

Source: MINFI/DP (Forecasting Department) (TOFE December 2020) *excluding interest on debt

I.2.3.3. Budget balances and funding

At the end of the 2020 fiscal year, reflecting the revenues and subsidies mobilized and the expenditure (on an accrual basis) executed, the primary balance stood at -489.5 billion and the non-oil primary balance at -917.7 billion.

External funding flows recorded a positive balance of 387.4 billion. They result from new drawings on foreign loans amounting to 605.3 billion, made up of 449.5 billion in project loans, 110.3 billion in non-IMF programme loans, 45.4 billion in other loans, and the reimbursement of the principal of the external debt, which amounts to 221.5 billion.

With regard to domestic financing, the Treasury's Net Position vis-à-vis the banking system (PNT) deteriorated by 662.6 billion, reflecting an increase in the State's commitments to that sector.

I.2.3.4. Public debt

As at December 31st, 2020, the outstanding debt for the public sector was estimated at 10,334 billion, representing 46.9% of GDP. That outstanding debt increased by 5.6% year-on-year, mainly due to (i) budgetary support disbursed under the IMF Rapid Credit Facility (RCF) to help the country cope with the effects of Covid-19; (ii) the inclusion of new domestic debt agreements; and (iii) increased issuance of State-owned securities.

Public sector debt includes: (i) 9,411 billion direct and centrally guaranteed debt, representing 42.7% of GDP; (ii) and 922 billion debt of non-endorsed and listed public companies, representing 4.2% of GDP.

Public and publicly guaranteed debt was made up of (i) 99.7% of direct central government debt (ii) and 0.3% of debt endorsed by the State. The Central Government direct debt (including outstanding debts of more than three months) was up by 7.9% as compared to the end of 2019 and was made up of: (i) 71.8% foreign debt (ii) and 28.2% domestic debt. That combination is slightly different from that of 2019, which was 73.6% foreign debt and 26.4% domestic debt. As for the debt endorsed by the State, it fell by 24.5% as compared to the previous year and stood at 28 billion at the end of 2020. This fall is explained by the repayments made by the beneficiary companies and by the fact that the State did not grant any new guarantee during the year 2020.

Table 1.5: Outstanding public and publicly guaranteed debt (in billion CFAF)

	End of December 2018	End of December 2019	End of December 2020
Foreign debt	**5,651**	**6,398**	**6,736**
Multilateral	1,995	2,349	2,754
Bilateral	2,716	3,077	3,069
Commercial	941	972	913
Domestic debt	**1,719**	**2,297**	**2,647**
Domestic debt (excluding outstanding debt)	1,719	2,034	2,461
State-own Securities	440	706	1013
BEAC Consolidated borrowings	577	577	577
Structured debt	609	671	803
Unstructured debt	93	80	68
Outstanding payments of more than three months		264	186
Direct debt from central government	**7,370**	**8,695**	**9,383**
Endorsed debt	**46**	**37**	**28**
Direct and centrally guaranteed debt	**7,416**	**8,733**	**9,411**
Debt of public enterprises	**516**	**1053**	**922**
Total public debt (public sector)	**7,932**	**9,786**	**10,334**

Source: Autonomous Sinking Fund (ASF)

As at end of December 2020, committed undisbursed balances (SENDs) stood at 3,144.4 billion, thus representing a year-on-year decrease by 7.7%.

In 2020, debt servicing fell by 19.5% to 518 billion from 718.3 billion a year earlier. That change is mainly due to the debt relief obtained under the G20 initiative to combat Covid-19, for a total of 126.1 billion. Thus, foreign debt servicing fell by 30.8% to 359.9 billion, while domestic debt servicing increased by 9.9% to 217.7 billion. Thus, the ratio of debt servicing to budgetary revenue fell from 20.5% to 18.2%, while the ratio of foreign debt servicing to exports of goods and non-factor services fell from 11.5% to 9.9%.

I.2.4. Relationship with the rest of the world

I.2.4.1. Competitiveness and attractiveness

The first estimates made by the MINFI Forecasting Department place the effective exchange rate index at 98.04 in 2020, as compared to 103.79 in 2019, which represents a drop by

5.54%. That result reflects a loss of overall competitiveness of the Cameroonian economy in 2020. The loss is explained more by the appraisal of the CFA franc against the currencies of Cameroon various trading partners than by the inflation differential.

The terms of trade deteriorated further by around 7% in 2020, from 4.4% in 2019, as export prices fell more sharply than import prices. That situation is linked to the fall in the prices of the main products exported by Cameroon (especially primary products), due to the Covid-19 crisis that affected foreign demand.

However, the government went on with initiatives to improve the competitiveness of the economy. Those initiatives include the dematerialization of procedures and payments of taxes and duties; the creation of an information system for technical administrations (MINADER, MINEPIA, MINFOF) on the Single Window for Foreign Trade platform; the improvement of the quality of agricultural inputs and farmers' capacity building; the modernization of SMEs, particularly in terms of digital skills, digitalization of processes and digital visibility; the operationalization of the national directory of movable securities; the introduction of the electronic tax stamp for online formalities; the dematerialization of the procedure for registering court decisions; the introduction of remote tax payment for large and medium-sized enterprises; the gradual cancellation of intermediate checks on the transport of goods in transit and of conventional checkpoints; the dematerialization of foreign trade operations; the mutualization of tax and land registration formalities for property transfers.

I.2.4.2. Balance of payments

Based on initial estimates, the current account balance of the balance of payments was in deficit by 844.9 billion in 2020, thereby representing about 3.7% of GDP. Compared to 2019, the current account deficit is reduced by 147.1 billion, resulting on the one hand from the reduction in the deficits of the balance of goods and the balance of services, and, on the other hand, from a deterioration in the balance of primary income and the balance of secondary income.

The deficit in the balance of goods fell by 73.5 billion down to 358.2 billion, as a result of a larger fall in imports (-661.0 billion) than in exports (-587.5 billion). The services deficit fell by 142.7 billion down to 218.9 billion, mainly as a result of a reduction in the deficit in the 'transport' item, both in terms of passengers and freight.

On the other hand, the primary income balance deteriorated, with a deficit of 509 billion up from 493.8 billion in 2019, following a more pronounced drop in revenue (incoming revenue) than in expenditure (outgoing revenue).

The balance of secondary income remained in surplus but was on decline, from 295.1 billion in 2019 to 241.2 billion in 2020. This decline can mainly be attributed to that in remittances from the diaspora in the euro zone in connection with the Covid-19 pandemic, that had a very negative impact on jobs in that zone.

External funding fell by 591.9 billion down to 563.1 billion. That decline was observed in the non-bank private sector and the public administration. External funding of the non-banking private sector fell by 216.6 billion, following the decline in IDE flows (-195.1 billion) and portfolio investment (-45.3 billion). the external funding for public administration amounted to 420.5 billion, down by 452.6 billion. That decline was driven by net drawings (-356.1 billion) and project subsidies (-96.5 billion).

Ultimately, the overall balance of all foreign transactions in 2020 is in deficit by 272.3 billion as against a surplus of 155.7 billion in 2019.

Table 1.6: Overall balance of payments from 2018 to 2020

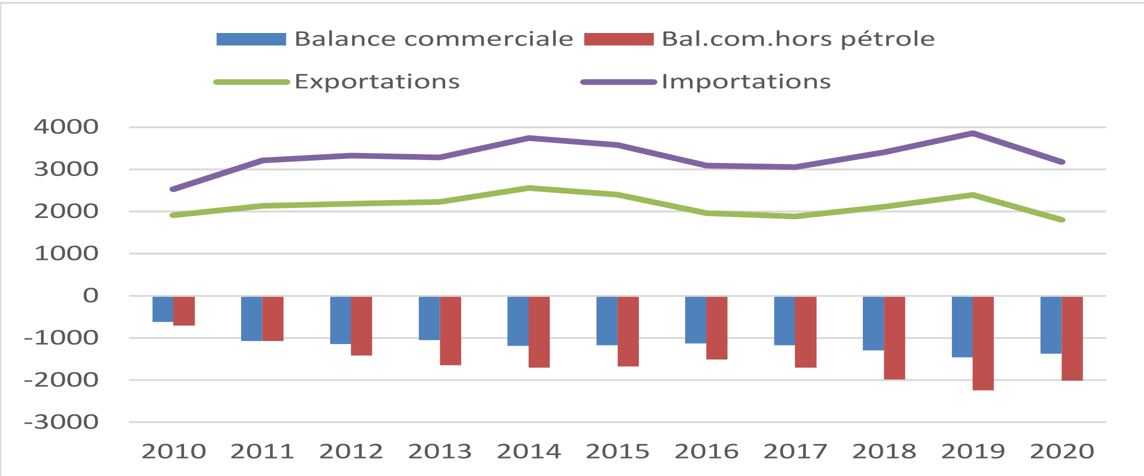
HEADINGS	2018	2019	2020*	Variations
	(a)	**(b)**	**(c)**	**(c) – (b)**
I- CURRENT BALANCE	**-777.6**	**-992**	**-844.9**	**147.1**
1- Goods Balance	-295	-431.6	-358.2	73.5
2- Services Balance	-324,3	-361.6	-218.9	142.7
3- Primary Income Balance	-410.8	-493.8	-509	-15.3
4- Secondary Income Balance	252.5	295	241.2	-53.8
II- FOREIGNFUNDING	**947.6**	**1,155**	**563.1**	**-591.9**
1- Non-banking private sector	**-102.2**	**416.5**	**199.9**	**-216.6**
(IDE) Foreign Direct Investment (FDI)	364.6	527.1	332.0	-195.1
Portfolio Investment and Derivative Financial Products	-16.1	71.8	26.5	-45.4
Net drawdowns (excluding FDI and FPI)	-450.7	-182.4	-158.6	23.8
2- Public administration	**990.2**	**873.1**	**420.5**	**-452.6**
Project grants (including C2D)	85.9	133.3	36,8	-96,5
Net drawdowns on bonds	0	0	0	0,0
Net drawdowns (excluding treasury bonds)	904.3	739.8	383,7	-356.1
3- Money-creating banks	**59.6**	**-134.6**	**-57.3**	**77.3**
III- ERRORS AND OMISSIONS	**-14.7**	**-7.2**	**9.5**	**16.7**
IV- OVERALL BALANCE	**155.4**	**155.7**	**-272.3**	**-428.1**

Source : MINFI, * Preliminary data

I.2.4.3. Foreign Trade

In 2020, the trade balance deficit stood at 1,375.billion[2], thus improving by 88.9 billion as compared to 2019. That improvement was the result of a larger decline in import expenditure than that in export expenditure.

Figure 1.1: Trend in the trade balance



Source: NIS

In fact, in 2020, import expenditure will amount to 3,178 billion, down by 17.6% as compared to 2019. That trend is linked to a contraction in purchases of hydrocarbons (-43%), cereals

[2] *That decline results from customs statistics for which exports are valued FOB and imports CIF.*

(-20%) including rice (-31%), machinery and mechanical or electrical appliances (-23%) and transport equipment (-19%). On the other hand, there is an increase in imports of pharmaceutical products (3% in amount and 17% in quantity) as compared to 2019, reflecting a stimulation of national demand in relation to the implementation of the national response strategy against the Covid-19 pandemic. Food products account for 24% of total import expenditure in 2020 and amount to 761 billion, down from 807.5 billion in 2019.

As regards exports, revenues amounted to 1,803 billion, down by 590 billion in absolute value and 24.6% in relative value as compared to 2019. That decline is resulted from the fall in export earnings of the main products, namely crude petroleum oils (-36%), liquefied natural gas (-30%), wood and wooden products (-9%) and raw cotton (-13%).

Exports remain very poorly diversified and mainly consist of primary products. The five main products contribute by 80% of the export earnings recorded in the year 2020. They are: crude petroleum oils (36%), raw cocoa beans (14%), liquefied natural gas (10%), wood and wooden products (14%) and raw cotton (6%).

The rate of imports coverage by exports fell by five percentage points as compared to 2019, down to 56.7%. Excluding crude oil, it stood at 36.6% down from 38.6% in 2019.

The Netherlands is Cameroon main customer in 2020 with 17.1% of exports. It is followed by Malaysia (7.8%), Italy (7.2%), Bangladesh (7.2%), Chad (7.0%) and France (6.8%). As regards of imports, China keeps the in first, with a weight of 17.6%. It is followed by France (8.7%), Belgium (5.6%), India (5.0%) and the United States (4.3%).

I.2.5. Monetary sector

Between 2019 and 2020, the Cameroon main monetary aggregates increased, with the exception of net foreign assets.

I.2.4.1. Trends in the counterparts of the money supply (M2)

The counterparts of the money supply (M2) in the CEMAC zone are mainly made up of (i) net foreign assets (that include the net foreign assets of BEAC and the net foreign position of credit institutions), and (ii) net domestic credit (made up of loans for the economic development and net receivables from the State).

Table 1.7: Trends in the counterparts of the money supply

	Dec-18	Dec-19	Dec-20	Variation in % (2020/2019)
	Amount in billion CFA francs)			
COUNTERPARTS OF THE MONEY SUPPLY	**5,954.80**	**6,539.3**	**7,437.7**	**13.7**
NET FOREIGN ASSETS	**2,072.70**	**2,370.8**	**2,363.3**	-0.3
BEAC net foreign assets	1,477.20	1,653.0	1,344.0	-18.7
of which Operating Account	1,948.20	2,079.7	2,072.6	-0.3
Net external assets of MCBs and AIBEs	595.5	717.8	1,019.3	42.0
Foreign commitments	307.9	393.5	338.9	-13.9
Foreign assets	903.4	1,111.3	1,358.2	22.2
DOMESTIC DEBT	**3,882.10**	**4,168.5**	**5,074.4**	**21.7**
Net receivables from the State	465.2	745.7	1,489.1	99.7
Loans for the economy	**3,416.90**	**3,422.8**	**3,585.3**	**4.8**

Source : BEAC

I.2.4.1.1. Net foreign assets of the monetary system

Year-on-year, the Cameroon net foreign assets fell by 0.3% to 2,363.3 billion in December 2020, as against 2,370.8 billion a year earlier. This situation is explained by the persistence of the current account deficit in the balance of payments, in a context of falling crude oil prices. That deficit was only partially offset by budget support disbursements, as the 2017-2020 Economic and Financial Programme concluded with the IMF ended in June 2020.

At the level of the Central Bank, net foreign assets recorded a decline of 18.7%, from 1,653 billion in December 2019 to 1,344 billion in December 2020. The net foreign assets of primary banks increased by 42%, from 717.8 billion in December 2019 to 1,019.3 billion in December 2020. Cameroon assets balance of the operating account declined by 0.3% to 2,072.6 billion as at end of December 2020. For the CEMAC as a whole, the coverage rate of demand commitments by foreign assets declined from 67.2% as at end of December 2019 to 64% as at end of December 2020.

I.2.4.1.2. Net domestic debt

Domestic debt increased by 21.7% from 4,168.5 billion in December 2019 to 5,074.4 billion in December 2020. That increase can be attributed to the simultaneous rise in loans for the economy and net receivables from the State.

a) Loans for the economic development

Loans for the economic development increased by 4.8%, with a 3,585.3 billion outstanding balance as at the end of December 2020, up from 3,422.8 billion a year earlier.

This evolution is mainly explained by the increase in the liabilities of non-financial public enterprises (+55.5%), and to a lesser extent, those of the private sector (+1.2%).

As at December 31st, 2020, the analysis of the balance of loans granted for the economic development shows that a large proportion of those loans are medium-term (47.6% of the overall loans), as compared to 24.2% and 2.3% for the short and long term respectively. On the other hand, during the same period, gross overdue loans represented 17% of total outstanding loans. With regard to the breakdown by branch of activity, it emerges that loans to the "Production of services for the community, social services and personal services", "Extractive industries" and "Manufacturing industries" branches experienced the greatest variations between December 2019 and December 2020, namely, +28.4%, +19% and +12.4% respectively. On the contrary, loans granted for the development of transport and telecommunications fell by 5.1%. As regards the trend in loans per beneficiary institutional sector, there was a clear increase in loans to public enterprises (+60.9%), public administration (+36.8%), individuals (+22.6%) and private enterprises (+3.5%). Over the same period, loans to sole proprietorships, private administrations and insurance companies decreased by 25%, 5.7% and 1.1% respectively.

b) Net receivables from the State

The government net debit position vis-a-vis the banking system increased from 745.7 billion as at December 31st, 2019 to 1,489.1 billion as at December 31st, 2020 (+99.7%). Similarly, the Net Government Position (NGP) vis-à-vis the banking system increased by 96.5%, from 743.2 billion to 1,460 billion over the same period. That trend is linked to the Government securities issued by the Treasury during the year, for a total of about 699.1 billion, as well as the disbursement of loans contracted by the State within the framework of agreements signed with some banks, for a total outstanding amount of 145.8 billion.

At the level of BEAC, consolidated debts on the Treasury amounted 577.4 billion as at December 31st, 2020. They have not changed since the statutory advance mechanism was abolished on December 31st, 2017, resulting in the consolidation of those debts into long-term debts. Treasury deposits and cash fell by 28.9% down to 325.5 billion as at the end of December 2020, from 457.7 billion as at the end of December 2019. Thus, the treasury net debtor position vis-a-vis BEAC increased to 251.4 billion.

I.2.4.2. Money supply components

The money supply increased by 12.7% from 5,416.4 billion in December 2019 to 6 106.7 billion in December 2020.

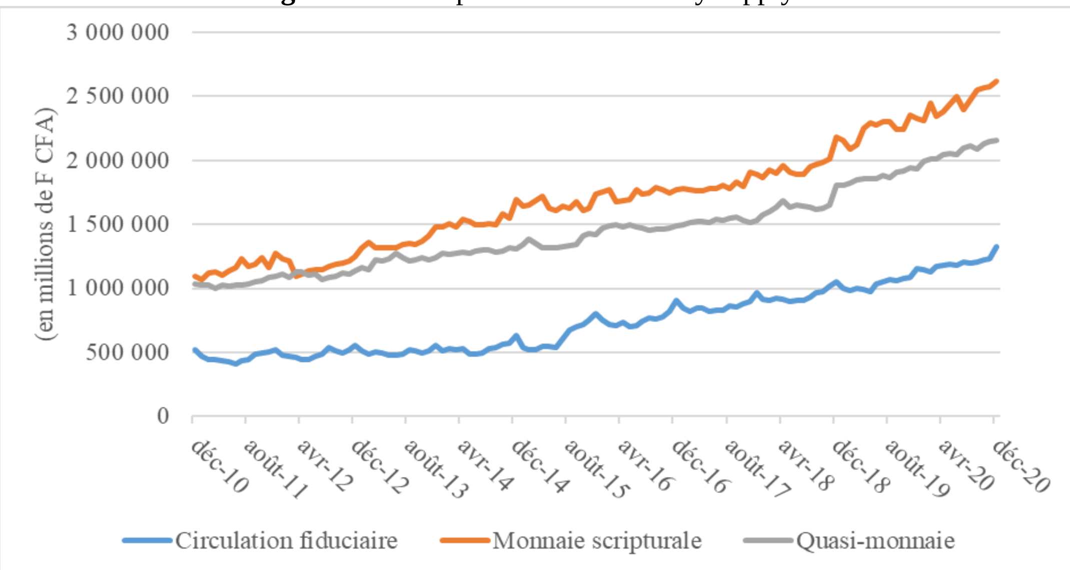
In terms of money supply (M2) components, bank deposits and currency in circulation increased by 12% and 12.5% respectively. Bank liquidity declined, with the ratio of bank reserves to deposits falling from 25.1% in December 2019 to 20.7% in December 2020.

Table 1.8: Trend in the money supply and its components

		(in billion CFA francs)		Variations (%)	
	Dec. 2018	Dec. 2019	Dec. 2020	(2019/2018)	(2020/2019)
Money supply (M2)	**5,043.1**	**5,416.4**	**6,106.7**	**7.4**	**12.7**
Fiduciary (Cash) circulation	1,056.3	1,151.4	1,330.8	9.0	15.6
Scriptural (book) currency	2,179.9	2 326,6	2,620.4	6.7	12.6
Quasi-currency	1,807.0	1,938.4	2,155.5	7.3	11.2

Source : BEAC

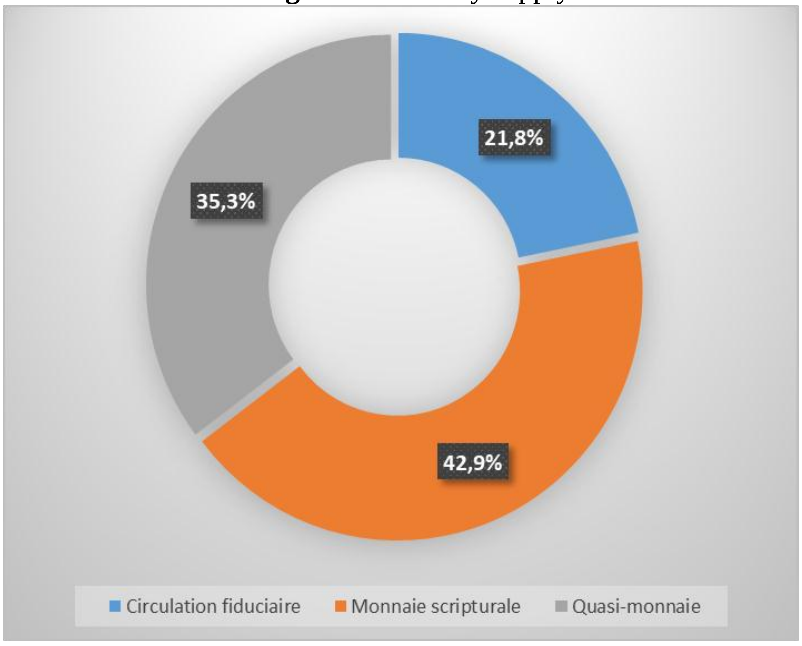
Figure 1.2: Components of the money supply



Source : BEAC

As regards the structure of the money supply, the relative share of deposits in the money supply declined slightly during the period under review, from 78.7% to 78.2%.

Figure 1.3: Money supply structure



Source : BEAC

I.2.6. Structural and institutional reforms

In view of improving its macroeconomic framework and laying the foundations for strong and sustainable growth in line with its development strategy, Cameroon has continued to implement structural and institutional reforms. Those reforms are mainly part of the implementation of: (i) Programmes with the IMF (Economic and Financial Programme (EFP), as well as with other Technical and Financial Partners such as the African Development Bank (ADB), the World Bank (WB), the European Union (EU), and the French Development Agency (AFD); and (ii) the Global Plan for Public Finance Management Reforms (PGRGFP); and (iii) the increase in economic performance in various areas.

With regard to the EFP, two reviews (fourth and fifth) were conducted in 2019, all of which were deemed successful. That led to the disbursement of 76.2 million and 76.1 million dollars under the Extended Credit Facility (ECF). For 2019, fourteen (14) structural benchmarks were targeted.

As at the end of September 2020, eight (8) of those benchmarks were achieved. They are: (i) the communication of the nature and volume of contingent liabilities in an annex to the finance law; (ii) the authorization of open tenders for LPG purchases, the validation of the necessary offsets for LPG fuel in commission and the regular transfer of cash surpluses from the CSPH to the Treasury ; (iii) the creation of a mechanism to identify the nature the NIC direct interventions data and reconcile such data in order to ensure their monthly regularization, in compliance with the various types of the expenditure; (iv) the preparation of the SENDs disbursement plan in line with the macro-budgetary objectives of the programme, after consultation with development partners; (v) the closure of all accounts for non-revenue generating entities (mainly public administrations such as sectoral ministries and public bodies) and the cessation of transfers of new budgetary credits to those accounts; (vi) the finalization of the implementation of the Treasury Single Account (TSA) through the closure of all public accounts eligible for the TSA in commercial banks, and through the consolidation of those in the Treasury and in BEAC; (vii) the quarterly payment of utility bills (ENEO, CAMWATER, CAMTEL, SONARA) on the basis of annual budget allocations; (viii) training in the resolution of banking-related disputes for judges practising in the commercial chambers of the main business centres.

Of the ten (10) structural benchmarks expected in 2020, five (5) were fully achieved by the end of September 2020. They are reforms aimed at: (i) expanding the single treasury account; (ii) revising and simplifying the existing fuel pricing structure; (iii) finalizing the securities database by capturing all securities held by banks; (iv) deciding on the business model of the SMEs bank; and (v) adopting, in consultation with COBAC and the IMF, resolution plans for the two banks in difficulty that minimize tax costs.

As for programmes with other technical and financial partners, they have made it possible to implement reforms relating to: (i) improving budget sustainability and the public finance management framework; (ii) strengthening governance and the competitiveness of the productive sectors; (iii) strengthening the strategic planning and management framework for public investment expenditure; (iv) strengthening the regulatory and institutional framework for steering the agropastoral sector; (v) improving social services and social welfare.

As regards the Global Public Finance Management Reform Plan (PGRGFP), it should be recalled that it is aimed, in the long run, at modernizing the public finance management system. It is oriented towards the alignment with standards and good practices in public finance management. It is based on: (i) the gradual closing of performance gaps in relation to international standards; (ii) the implementation of the provisions of laws and regulations incorporating CEMAC directives. The plan involves five axes: (i) strengthening budget preparation capacities and improving programme-based budgeting; (ii) strengthening fiscal compliance and budget resource mobilization capacities; (iii) strengthening budget execution control and management capacities; (iv) developing internal audits and verifications and external controls; and (v) setting up and strengthening Public Finance Management support functions.

In addition to the EFP and the PGRGFP, the government has continued to implement other reforms, namely in the areas of electricity, health and public enterprises management as well as the improvement of doing business, in view of improving the performance of its economy.

In the electricity sector, the President of the Republic signed on August 19th, 2020, a decree on the creation, organisation and functioning of the Electricity Sector Development Fund (FDSE). The presidential decree specifies that the fund shall be a "special allocation account intended for funding the electricity sector". The resources of the FDSE shall be made up of: (i) a levy of 1% of the annual turnover before tax for operators holding concessions, licences or other authorizations, (ii) a share of water rights paid to EDC (Electricity Development Corporation), (iii) resources from the state budget, (iv) a share of dividends from the State holdings in companies in the electricity sector, and (v) a share of the entry fee or renewal fee for operators' shares.

Besides, the Minister of Water and Energy signed with EDC on September 7th, 2020, the water storage concession agreement for electricity production in Cameroon. That agreement grants EDC exclusive rights for the management of water storage facilities and for the regulation of stored water. The concession agreement now allows EDC to collect from ENEO and future operators installed in the Sanaga basin, the water fee provided for by the law of December 14th, 2011.

In the health sector, the Prime Minister made public on June 17th, 2020, the identity of the beneficiary of the public-private partnership contract for the "financing, design, construction, operation, equipment and maintenance Project for the management system of the Universal Health Coverage in Cameroon". The said beneficiary is "NewTech Management Cameroon". The Universal Health Coverage project is aimed at guaranteeing equitable access to quality health care for all Cameroonians with reference to a defined healthcare package.

At a more global level, following the outbreak of Covid-19, the Government adopted and published Cameroon pandemic response as well as economic and social resilience strategy. The document outlines Cameroon Government response to the health crisis caused by the Covid-19 pandemic.

In the telecommunications sector, the restructuring of Cameron Telecommunications (CAMTEL) was continued in order to enable the company become more competitive. To that end, the State, as sole shareholder of the company, awarded it three concession conventions for fixed telephony, mobile telephony and transportation on March 12th, 2020.

Furthermore, it should be noted that on July 20th, 2020, the Parliament adopted Law No 2020/010 governing statistical activity. That law now sets out the basic principles for the production of official statistical data, ethical rules, the institutional framework for statistical production and the modalities for its coordination.

II. MONETARY SYSTEM

II.1. Beac monetary policy

II.1.1. Institutional framework

BEAC monetary policy is governed by an institutional framework that defines the modalities for its conception and implementation. That framework mainly focusses on three basic legal instruments: the convention of the Monetary Union of Central Africa (UMAC), the convention on monetary cooperation between the UMAC member states and France, and the BEAC Articles of Associations.

Article 21 of the convention creating the MUCA (UMAC) and Article 1 of BEAC Articles of Association stipulate that the BEAC monetary policy objective is to guarantee monetary stability. Monetary stability is expressed, internally, by a low inflation rate and, externally, by an adequate currency coverage. notwithstanding that objective, BEAC supports the general economic policies developed in the Member States of the Monetary Union. Thus, those two legal instruments clearly establish a hierarchy among the Central Bank objectives and enshrine the monetary stability objective as the ultimate objective of BEAC monetary policy.

box 1: BEAC institutional framework, strategy and monetary policy orientation

I. BEAC monetary policy implementation strategy

The monetary policy implementation strategy is based on (04) main pillars:

1. *a framework for analysing and determining, on a quarterly basis, the trend of the main key rate (TIAO), whose deviation from the reference interbank rate (TIPMxj - TIAO) will serve as an incentive for setting the amounts to be injected or withdrawn:*
   - *These volumes are derived from the weekly bank liquidity forecasting exercise;*
   - *In addition to the overall gap resulting from the FALB forecasting exercise, the weekly intervention volume is finally decided by the Money Market Committee (MMC) mainly on the basis of the forecast evolution of the interbank reference rate, by assessing its trend before and after a possible intervention by the Central Bank on the money market.*
2. *a corridor around the main market intervention rate, made up of two standing facilities, the 24-hour Marginal Lending Facility Rate (MLFR: as a ceiling rate) and the 24-hour Deposit Facility Rate (DFR: as a floor rate);*
3. *a symmetrical arrangement, in principle, of the ceiling and floor rates around the TIAO, in order to guarantee the same trading margin to all counterparts (whether lenders or borrowers) on the interbank segment*
4. a weekly steering mechanism for the interbank reference rate (TIPM7d a priori) around the TIAO and within the corridor made up of the "TFPM" and the "TFD":

In practice, the strategy involves weekly interventions under the main liquidity injection operation (LIIO), reinforced, where necessary, by fine-tuning operations (FTOs), particularly at the end of the period for the constitution of mandatory reserves. To that end, those interventions are based on a tender procedure for the entire issuance zone (regional tender) and a "multiple rate" auction technic. Thus, a participant who has not been served in the main operation or who has been served only partially, is offered another possibility at its initiative to meet its needs, provided that it has sufficient advance facilities: the marginal lending facility.

II . Monetary Policy Instruments

Monetary policy instruments here refer to the parameters controlled directly by BEAC (operational objectives) in order to act on other target parameters (ultimate objective of monetary policy). In other words, they are the means used by BEAC to steer inflation, the currency external cover ratio or the activity.

The BEAC monetary policy instruments are mainly open market operations, standing facilities, intraday advances, mandatory reserves and medium-term credit refinancing operations at the special counter.

a. ***Open market operations***

Open market operations play an important role in BEAC monetary policy for steering interest rates on the interbank market, managing bank liquidity and indicating its monetary policy orientation (Article 23 of Decision 03/CPM/2016 of May 4th, 2016). Open market operations are made up of (i) main liquidity injection operations, (ii) long-term liquidity injection operations, (iii) occasional fine-tuning operations and (iv) structural operations.

b. ***Standing facilities***

Standing facilities are BEAC intervention instruments at the initiative of counterparties. They are used to provide or withdraw liquidity on a day-to-day basis, to indicate the general orientations of monetary policy and to control overnight market rates. Standing facilities are conducted through bilateral procedures. There are of two types: the marginal lending facility and the deposit facility.

c. ***Overnight advances***

Overnight advances are loan facilities granted by BEAC to direct participants in exchanges on the Large Amounts Automated System (SYGMA), to enable them meet an occasional cash need during a trading day. They differ from standing facilities in that they are settled latest by the end of the trading day.

d. ***Mandatory reserves***

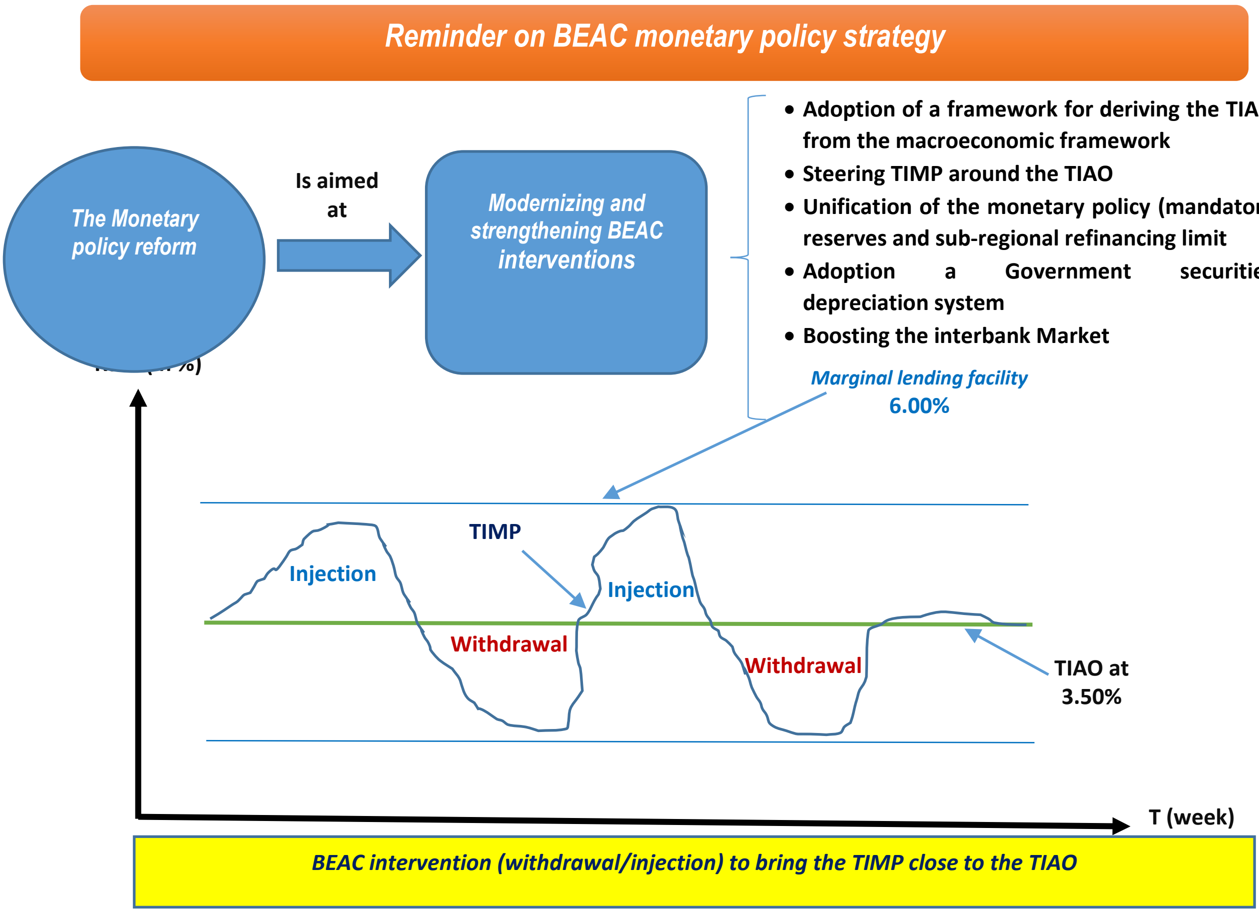
The mandatory reserves are constituted by commercial banks on a monthly average basis in remunerated mandatory reserve accounts opened for that purpose at BEAC National Directorates in accordance with the provisions of Decision No. 11/CPM/2017 on the modification of the method of constituting mandatory reserves within CEMAC.

e. ***Medium-term loans refinancing operations through the special counter***

BEAC has a special counter for the refinancing of medium-term loans with a maturity of more than 2 years and less than 7 years, intended for the refinancing of productive investments. Under the provisions of Article 3 of Decision No. 03/CPM/2016, the eligible counterparts for the refinancing through that special window are banks, financial institutions and the Development Bank of the Central African States (BDEAC).

Source *: BEAC*

Figure 2.1**: BEAC monetary policy strategy**



II.1.2. Implementation of the monetary policy

II.1.2.1. Operational framework for the monetary policy Implementation

Since June 2018, BEAC has implemented a new operational framework for its monetary policy. That framework includes: (i) a collateral management framework in terms of eligible assets categories and associated depreciations; (ii) instruments and modalities for intervention on various maturities;(iii) a methodology for setting the direction and volume of the intervention; (iv) mandatory reserves; and (v) a mechanism for data collection, analysis and animation of the currency market by the Central Bank.

In accordance with the guidelines set by the BEAC monetary policy decision-making body, national refinancing targets were abandoned in favour of a sub-regional limit for Central Bank intervention in order to establish a single monetary policy. That sub-regional limit is the main internal tool for steering the Central Bank interventions in the currency market.

II.1.2.2. Monetary policy guidelines in 2020

II.1.2.2.1. Macroeconomic framework in 2020

In 2020, the BEAC monetary policy was conducted taking into account a relatively weak international and regional economic situation, mainly marked by the pandemic caused by Covid-19.

Externally, 2020 was marked by sluggish economic activity against the backdrop of the Covid-19 health crisis, that forced many countries to restrict the movement of people and goods. As those countries reopened their economies at the end of the second quarter, the overall activity normalized more quickly than initially envisaged. Against that backdrop, the International Monetary Fund (IMF) estimated global growth at -3.5% in 2020 in its January 2021 update of the World Economic Outlook, which represents a more severe contraction than that induced by the global financial crisis of 2009. That decline is less severe than initially expected and reflects the stronger-than-expected recovery on average in all regions in the second half of 2020.

In that unfavorable international environment, coupled with the persistence of a number of monetary, financial and security vulnerabilities, the economic situation of the CEMAC countries deteriorated overall, both in terms of economic growth and macroeconomic accounts. The zone recorded a 2.1% contraction in real GDP (from a 2.1% growth in 2019), due to the poor performance of the oil sector (-4.2%) and the non-oil sector (-1.6%). Inflationary pressures increased, reflecting difficulties in supplying markets in a context of closed borders, and the inflation rate rose to 2.4% in 2020, as compared with 2% a year earlier. As a result of the substantial drop in oil revenues following the fall in prices in the second quarter, the budget balance on an accrual basis, including grants, has deteriorated significantly, dropping from -0.1% of GDP in 2019 to -2.9% of GDP in 2020. At the same time, the external deficit worsened from 3.5% to 5.4% of GDP over the same period. In terms of currency, the money supply increased by 10.7% at the end of December 2020, driven mainly by net receivables on the State (+42.5%) and loans to the economy (+5.1%). On the other hand, net foreign assets contracted by 29.6% as a result of the deterioration of the trade balance. Thus, the external coverage rate of the currency fell to 64% as compared to 67.1% a year earlier.

On the basis of all those developments on the one hand, and in a context still marked by the continued implementation of economic programmes concluded between the IMF and most of the CEMAC States on the other hand, the Monetary Policy Committee (MPC) has reoriented its monetary policy, with a gradual easing of monetary conditions in order to cope with the potential risks of the pandemic on the economy in general and the banking system in particular.

The monetary and lending targets set for the year 2020 are presented in the table below.

Table 2.1: Monetary and credit targets as at December 31st, 2020

AGGREGATES	Value
Money supply	
(Annual variations)	8,7 % - 10,7 %
Achievements	10,7 %
Loans to the economy	
(Annual variations)	1,6 % - 3,6%
Achievements	5,1 %
Currency cover rate (in %)	67,0 % - 69,0 %
Achievements	64,0 %

Source : BEAC

II.1.2.2.2. Monetary policy measures in 2020

In view of mitigating the potential effects of the Covid-19 and the fall in crude oil prices on the economies of the sub-region on the one hand, and given the risk factors weighing on monetary and financial stability on the other hand, the Monetary Policy Committee (MPC) adopted sequentially since March 2020, two important series of measures aimed at guaranteeing bank liquidity and ensuring States funding. The first series, decided at the ordinary session of March 27th, 2020, was aimed at easing the conditions for refinancing credit institutions on the money market, while the second, adopted at the extraordinary session of July 22nd 2020, was aimed at providing credit institutions with the stable resources they need to cover their medium- and long-term requirements, and more directly, impacting the conditions for States funding on Government securities market.

a) Measures to ease monetary conditions

The first series of measures taken by the CPM, intended for reassuring credit institutions in particular, and the productive sector in general, were as follows:

- **downward adjustment of the main reference interest rates.** to that end, the tender interest rate (TIAO) was adjusted downward by 25 basis points, from 3.50% to 3.25%. The marginal lending facility rate was adjusted downward by 100 basis points, from 6.00% to 5.00%;
- **upward adjustment to 500 billion the amount of liquidity to be injected into the money market.** The Central Bank thus adjusted upwards the amount of liquidity injections in the money market from 240 to 500 billion and committed itself to adjusting that amount upward if necessary;
- **widening of the range of private bills eligible as collateral for monetary policy operations**. The eligibility conditions for short-term private claims accepted as collateral for BEAC monetary policy operations have been eased;

- **downward adjustment of the depreciations applicable to public and private bills accepted as collateral for BEAC refinancing operations**. The Monetary Policy Committee agreed to adjust downward by 800 basis points the overall depreciations applicable to government securities accepted as collateral.

In addition to those accommodating measures, BEAC has i) eased the conditions for issuing Treasury securities (deadlines and issuance schedules), and ii) made available to BDEAC a line of 90 billion to fund public investment projects initiated by CEMAC member states, particularly as part of the response to Covid-19.

b) Measures aimed at sustaining money market liquidity and more directly impacting government funding conditions on the government securities market.

Those measures, adopted in addition to previous decisions, were as follows:

- **resumption of long term maturity liquidity injection operations**. To that effect, three long term maturity liquidity injection operations were organized;

- **setting up a programme of one-off and targeted repurchases of newly issued Government securities by CEMAC Member States**. A ceiling of 600 billion has been defined for that purpose, at a rate of 100 billion per State.

In addition to those measures, the MPC has continued to apply reserve requirements at 7.00% on demand liabilities and 4.5% on time liabilities throughout the year.

Box 2: BEAC interest rate policy

.As part of its monetary policy, the BEAC acts indirectly on the liquidity in circulation by influencing the interest rates charged by all the currency market players.

Since March 15th, 2015, that market has had four compartments: the central bank intervention compartment, the interbank compartment, the government securities compartment and the negotiable debt securities compartment.

A. BEAC intervention compartment rate

1. On the "A" counter :

The interventions carried out on this counter are mainly focused on the traditional monetary policy operations (main liquidity injection and absorption operations, marginal lending and deposit facilities, fine-tuning operations).

The main rates charged on the "A" window are the following:

- *the interest rate on tenders (TIAO). It is set by the Monetary Policy Committee taking into account the internal and external situation. It corresponds to BEAC main key rate ;*
- *the marginal lending facility rate (MLR), set by the Monetary Policy Committee;*
- *the marginal deposit facility rate (MDR), also set by the Monetary Policy Committee;*
- *the penalty rate (PR), borne by credit institutions in the event of serious breaches of banking regulations, credit distribution rules and, exceptionally, in the event of an eligible paper default. Like the other rates, it is set by the Monetary Policy Committee.*

2. On the "B" counter:

The B counter is reserved for the refinancing of medium-term loans for productive investment.

The initial interest rate for refinancing applied to this compartment is the BEAC main key rate (the TIAO). That initial interest rate may be revised downwards at the end of each semester if the average of the key rates applied over the past six months is lower than that rate. It may also be revised upwards under the same conditions, without exceeding the initial key interest rate.

B. Interbank compartment rates

Interbank market rates are completely free. They are determined by the law of supply and demand.

However, BEAC seeks to indirectly influence the trend of those rates by aligning the volumes of liquidity injections and withdrawals with the reference rate gap of the two compartments (TIAO - TIMP). In addition to those actions, the BEAC influence on those rates is exercised through the setting of the rates of the marginal* deposit and lending facilities, that constitute the floor (TFDM) and ceiling (TFPM) rates of the interbank compartment.

C. Rates applied by other compartments

They are freely set by other securities issuers

***The WIR is the weighted average interbank rate.*

Box 3: Mandatory reserves implementation procedures

: *The calculation and remuneration of mandatory reserves is as summarised below:*

I. *Calculation of mandatory reserve*

Mandatory reserves are calculated by applying regulatory coefficients to the deposits base of reporting institutions.

1) *Mandatory requirements base*

a- *Sight deposits, namely credit balances of sight credit accounts (residents and non-residents);*
b - *term deposits and savings, namely:*

- *special deposit accounts ;*
- *term deposit accounts (residents and non-residents): this heading includes term deposit accounts*

. *The deposit figures to be considered for the calculation of the regulatory level of mandatory reserves are those relating to the stock of deposits as at 10^{th}, 20^{th} and 30^{th} (or 31^{st}) of the reference month.*

Once the coefficients are applied to the average of the respective liabilities, the sum obtained makes it possible to determine the average minimum account balance to be kept by the reporting institutions for the period from month 11 th, to month 10^{th} +1.

2) *Mandatory reserves ratio*

The Monetary Policy Committee decided in 2016 to abandon the old system, which set coefficients per country group, taking into account the country's overall liquidity situation.

. *Under the new system, the MPC sets a threshold for the calculation of mandatory reserves as regards sight and term liabilities respectively. The level of mandatory reserves to be held by each credit institution is calculated on the basis of the base determined through the ten-monthly reports of liabilities of the month preceding the reporting period. It is calculated by applying the reserve requirement ratios in force to the respective portions of the sight and term deposits base above the threshold set by the MPC.*

On March 21st, 2018, the exemption band was abolished and the levels of the mandatory reserves coefficients were standardized and set as follows:

- *Coefficient for sight liabilities : 7 % ;*
- *Coefficient for term liabilities: 4.5%.*

II. *Remuneration of Mandatory Reserves and sanctions regime*

1) *Remuneration of mandatory reserves*

The BEAC Governor had been delegated the power to set and modify the remuneration rate of the mandatory reserves under the same conditions as the Bank intervention rates, but the Monetary Policy Committee is now vested with that power since its creation in 2007.

2) *Control of bank declarations*

*The Issuing Institute must also be able to ensure that the deposits declared by credit institutions are accurate. To that end, two types of controls are implemented***:**

- *Documentary checks, to reconcile the declarations with the monthly bank statements;*
- *on-the-spot checks, carried out periodically and unannounced, at the initiative of BEAC (Money Market Department) and/or of COBAC.*

3) *Sanctions regime*

Financial penalties may be applied to banks that have insufficient mandatory reserves or that report their outstanding deposits late or incorrectly.

Source : BEAC

II.2. Currency market trends

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In 2020, the currency market activity was characterized by a change in the main intervention rates of the Central Bank on the currency market, the resumption of liquidity withdrawal operations, the launching of three long-maturity liquidity injection operations, and a decrease in loans granted to credit institutions for refinancing by BEAC through liquidity injections.

II.2.1. Trends in BEAC interventions

II.2.1.1. Cash injections

During the period under review, liquidity injection operations under the new refinancing process in favour of credit institutions amounted to 3,073,063 million. Advances under the marginal overnight lending facility accounted for the bulk of the BEAC liquidity injection operations. Those loans can be summarized as follows:

- 965,243 million in main liquidity operations;
- 2,057,268 million in 24-hour marginal lending facilities;
- 0 million in intraday advances;
- 4,600 million in special counter operations;
- 45,952 million in long-term operations.

Table 2.2: Cash injections

Amounts in million CFAF - (End of month situation)								
	LIQUIDITY INJECTIONS TO CREDIT INSTITUTIONS							
	Advances at the penalty rate	Long term operations	Main liquidity injection operations	Marginal lending facility	Intraday advances	TOTAL	Special Counter	Interventions Grand Total
Jan.20		0	38,871	533,155	0	572,026	4,600	576,626
Feb-20		0	9,927	646,209	0	656,136	4,600	660,736
Mar. 20		0	0	822,402	0	822,402	4,600	827,002
Apr. 20		0	117,230	36,587	0	153,817	4,600	158,417
May 20		0	196,079	0	0	196,079	4,600	200,679
Jun.20		0	150,091	7,135	0	157,226	4,600	161,826
Jul. 20		0	193,431	530	0	193,961	4,600	198,561
Aug. 20		15,952	124,431	0	0	140,383	4,600	144,983
Sept. 20		15,000	60,741	11,000	0	86,741	4,600	91,341
Oct. 20		15,000	6,778	250	0	22,028	4,600	26,628
Nov. 20		0	7,008	0	0	7,008	4,600	11,608
Dec. 20		0	60,656	0	0	60,656	4,600	65,256

Source : BEAC

II.2.1.2. Cash withdrawals

During the period under review, the currency market recorded two liquidity-providing operations for a total amount of 70,000 million.

II.2.2. Interbank market

During the year 2020, the interbank segment recorded a considerable drop in activity. The total amount of transactions amounted to 1,064 billion as compared to 3,500 billion in 2019.

Those national and sub-regional operations were carried out at interest rates ranging from 2.75% to 6%, for terms of between one day and one year.

The average weighted interbank rate (AWIR) fell slightly in 2020, to between 3% and 4% overall, as compared to 4% and 5% for one-week transactions in 2019.

II.3. Payment system and means

Box 4 Regulatory framework for payment systems, means and incidents

The regulatory framework for operations relating to payment systems and means is mainly governed by Regulation 03/CEMAC/UMAC/CM of December 21st, 2016 on payment systems, means and incidents. The implementation of that new regulatory framework is justified by a number of shortcomings noted at the level of payment systems on the one hand, and the behaviour of the population vis-à-vis the banking system on the other hand. Those shortcomings include (i) the unsuitability of the payment systems in force within CEMAC member states to the constraints of efficiency, speed and security inherent to the participation in an open and globalized world economic system, (ii) the low rate of banking services coverage among the populations of CEMAC member states, (iii) the public distrust in cashless means of payment, in particular with regard to cheques, and the resulting disadvantages for all the related economic partners

(Moreover, it became essential to revise and amend some provisions of Regulation n°02/03/CEMAC/UMAC/CM of April 03rd 2003 relating to payment systems, means and incidents given the technological innovations and requirements imposed on the financial system. those innovations and requirements include (i) the opportunity and the need to enact fundamental rules intended for promoting and supervising the usage and development of modern cashless means of payment (transfer, direct debit, payment cards and electronic money); (ii) *the automation of payment systems and the introduction of biometric identification of reporting institutions customers in the Payment Incidents Board.*

II.3.1. Trend in Securities exchanged through SYSTAC

At the national level, in 2020, Cameroon participants exchanged 8,787,706 transactions for an amount of 7,169.2 billion as compared to 6,123,444 transactions and an amount of 8,261.3 billion in 2019, which represents an increase by 76% in terms of number, but a decrease by 13.2% in terms of amount.

Table 2.3: Trend in National Transactions

	2019		2020		Trend (%)	
	Number	**Amounts** (billion F CFA)	**Number**	**Amounts** (billion F CFA)	**Number**	**Amounts**
Transfers						
Ordered transfers	4,801,415	4,326.5	8,191,409	5,276.8	70.6	22.0
Rejects issued	6,581	5.7	6,737	8.6	2.4	50.2
Cancellations issued	534	1.4	162	0.9	-69.7	-38.0
Subtotal 1	**4,808,530**	**4,333.5**	**8,198,308**	**5,286.2**	**70.5**	**22.0**
Direct debits						
Presentation	9,335	1.4	12,007	1.9	28.6	34.4
Rejects	2,717	0.4	4,209	0.6	54.9	57.4
Cancellations issued	1	0.0001	2	0,00006	100	-56.8
Subtotal 2	**12,053**	**1,8**	**16,218**	**2.5**	**34.6**	**39.4**
Cheques						
Presented and represented	639,840	1,920.9	545,587	1,794.4	-14.7	-6.6
Rejects	23,181	84.1	22,380	85.0	-3.5	1.1
Cancellations issued	639,840	1,920.9	213	1.0	-100	-99.9
Subtotal 3	**1,302,861**	**3,926.0**	**568,180**	**1,880.5**	**-56.4**	**-52.1**
Total	**6,123,444**	**8,261.3**	**8,782,706**	**7,169.2**	**43.4**	**-13.2**

Source: NCC of Cameroon (January to December 2019 and 2020 periods)

At the sub-regional level, 14,111,063 transactions were exchanged in the system during the year 2020 for an amount of 14,230.6 billion as against 10,597,190 transactions the previous year for an amount of 13,366.1 billion, thus representig an increase by 33.2% in number and 6.5% in amount.

II.3.2. Payment incidents

Overall, the number of payment incidents (rejects due to insufficient funds, absence of funds or closed accounts) decreased by 5% in number and fell by 4.2% in amount, from 15,992 incidents worth 47.4 billion in 2019 to 15,195 in number and 45.4 billion in amount for the year 2020.

II.3.3. Values exchanged through SYGMA

In 2020, all Cameroon participants exchanged 125,704 transactions for an amount of 46,508.0 billion, as compared to 120,101 transactions and an of 44,898.0 billion in 2019, thus increasing by 4.7% in number and 3.6% in amount.

Table 2.4: Trend in SYGMA transactions

	2019		2020		Trend (%)	
	Number	**Amount** (in million)	**Number**	**Amount** (in million)	**Number**	**Amount**
January	7,894	2,698,657.6	11,723	5,170,672.2	48.5	91.6
February	6,659	2,407,177.7	8,835	3,975,379.2	32.7	65.1
March	7,704	3,578,601.7	10,084	4,293,940.3	30.9	20.0
April	7,566	3,257,695.1	10,178	3,681,941.5	34.5	13.0
May	8,581	3,502,951.6	8,149	3,216,931.3	-5.0	-8.2
June	9,087	3,729,025.2	10,910	3,968,704.5	20.1	6.4
July	10,806	3,514,656.3	11,166	3,966,300.0	3.3	12.8
August	10,582	3,454,488.5	10,082	3,270,634.1	-4.7	-5.3
September	13,825	4,100,208.2	10,343	3,518,187.7	-25.2	-14.2
October	13,754	4,398,048.1	10,999	3,515,878.8	-20.0	-20.1
November	11,606	4,952,929.9	10,910	3,726,459.9	-6.0	-24.8
December	12,037	5,303,518.9	12,325	4,202,822.5	2.4	-20.8
Total	**120,101**	**44,897,958.7**	**125,704**	**46,507,852.1**	**4.7**	**3.6**

Source: Cameroon NCC (January to December 2019 and 2020 periods)

Box 5: Organization of the CEMAC payment and settlement system

1. ***Operating Principles***

The CEMAC payment and settlement system is based on several principles, including

- *the system is considered a national mono-currency system;*
- *the system is said to be V-shaped because the information flows and the processing flows overlap. The central bank is both a clearing house and a settlement bank. The advantage of that type of configuration is that the central bank controls the entire payment chain: it has live information on the state of the market; it is able to take all useful measures in time to prevent a payment incident;*
- *transactions centralization of transactions: a shared order processing platform and a single settlement system;*
- *trade specialization ;*
- *digitalization ;*
- *Payments irrevocability ;*
- *live execution*

2. ***Participants and participation modes***

The participants in the System are commercial banks, public treasuries, financial institutions and the Central Bank.
The modes of participation in the System are as follows:
Direct participation: the participant has a settlement account and technical access to the system;
Indirect participation: the participant is known to the system. It has a settlement account but no direct technical access;
Sub-participation: the participant does not have a settlement account and is unknown to the System.
Direct or indirect participation is formalized through the signing of SYGMA and SYSTAC membership agreements between the participant and BEAC.

3. ***Transactions processed and processing deadlines***

The operations taken into account by the System include the issuance of payment orders, the transmission of information and the processing of information.

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Once the transaction is entered into the system, settlement deadlines are 24 hours for transfers and direct debits and 48 hours for cheques.

Source : BEAC

Box 6: Modernisation of payment systems and means of payment in CEMAC

Over the last decade, the BEAC has undertaken a vast project to modernize the payment systems and means within CEMAC, with the active participation of the banking sector and support from external partners, namely the Banque de France, the World Bank and the IMF.

In fact, in a context marked by the digitalization of all means of payment, the proper functioning and security of payment systems are becoming a priority for the Central Bank, particularly because of the vulnerabilities inherent to the processing automation and the acceleration of the settlement of financial transactions.

Furthermore, an effective, secure and efficient payment system is an asset for the conduct of the State economic and budgetary policy. In particular, it allows for:

- *contributing in monetary and financial stability*
- *improving the transmission system of monetary policy to the real economy;*
- *ensuring the speed and fluidity of financial and commercial transactions in the economy;*
- *accelerating and increasing the reliability of tax and customs revenue collection;*
  accelerate and increase the reliability of tax and customs revenue collection;
- *guaranteeing the confidence of economic agents in scriptural money, thus encouraging the boosting of the banking services coverage of the economy;*
- *accelerating and making more reliable the settlement of public expenditure, in particular the salaries of civil servants, that plays an important role in the redistribution of income among our populations.*

Three main payment systems are operational in the CEMAC zone. They are:

- *SYSTAC (Central African Teleclearing System);*
- *SYGMA (Large Amounts Automated System);*
- *CIP (Payment Incidents Board).*

SYSTAC is a secure, automated and fully digitalized Net Mass Payment System that handles large volume debit and credit transactions not urgent in nature and whose unit amount is less than 100 million CFA francs. The eligible securities are mainly cheques, transfers and direct debits. It is made up of :

- *a National Clearing Centre (NCC) installed in each National Directorate (ND) of BEAC for remote clearing of domestic flows;*
- *a Regional Clearing Centre (RCC) housed at BEAC Central Services dedicated to the remote clearing of cross-border transactions within CEMAC.*

That system uses a reliable and dedicated telecommunications infrastructure as a data transmission medium. For National Clearing, it is a network set up by the local Professional Associations for Credit Institutions, that consists in two redundant links (dedicated and radio) between the Participants' head offices and the National Directorate (ND) in their jurisdiction. The BEAC private network is used for the transmission of regional data to the RCC.

The SYGMA is a Live Gross Settlement System that allows for the instant, irrevocable and secure settlement of amounts equal to or greater than 100 million CFA francs, and lesser amounts in case of emergency.

It uses a reliable security infrastructure based on the certification of participants and their users in compliance with international security standards.

It is made up of:

- *a central platform located at BEAC Central Services, serving all participants within the CEMAC zone;*
- *a platform installed in each National Directorate (ND) of BEAC;*
- *a desk service platform installed at the National Office and the Douala Agency for direct participants;*
- *participants with platforms for trading.*

The CIP is a system for the prevention and repression of payment incidents involving cheques, bills of exchange and payment cards.

It collects, centralizes and disseminates information on payment incidents and irregular payment instruments; allows the monitoring of sanctions for banking and judicial prohibitions and ensures the reasonable preventive protection of economic actors against irregularity of payment instruments. It was launched on July 25th, 2016. To date, participants are cleaning up their customer files in order to feed the FRCB (Regional Database for Bank Accounts and Clients). Besides, they declare payment incidents and irregular instruments to enrich the Payment Incidents Board (FIP) and the Irregular Payment Instruments Database (FIPI) respectively.

Source : BEAC

III. FUNCTIONING OF THE FINANCIAL SYSTEM

III.1. Activity of credit and microfinance institutions

III.1.1. Situation of the banks

III.1.1.1. Banks' Activity[3]

As at December 31st, 2020, Afriland First Bank, SGC, BICEC and SCB remained the most important banks in the national banking system in terms of activity. In fact, as at that date, those four institutions accounted for 52.0% of the banking system total consolidated balance sheet, 54.3% of total loans and 54.5% of customer deposits.

The trend the banks' activity is traced from their consolidated balance sheets, off-balance sheet items and income statements for the years 2019 and 2020.

III.1.1.1.1. Balance sheet situation

Between December 31st, 2019 and December 31st, 2020, banks' balance sheet total increased by 8.3%. On the assets side, that increase is largely due to the rise in cash and interbank transactions (+242.1 billion), transactions with customers (+201.2 billion) and fixed assets (+111.7 billion). On the liabilities side, it is explained by the increase in transactions with customers (+ 508.3 billion), and in Investment capital (+ 114.7 billion).

With regard to the credit portfolio delinquency rate, (net doubtful debts) rose sharply from 111.2 to 152.1 billion (+40.9 billion), thus increasing by 36.7%. The gross delinquency rate, that remains high, also increased from 15.4% to 16.6% (+1.2 points).

Table 3.1: Trend in banks' consolidated balance sheet

	(in billion CFA francs)		Variation	
ASSETS	**2019**	**2020**	**Absolute (billion F CFA)**	**Relative (%)**
Amounts to be deducted from Investment capital	**127.1**	**130.5**	3.4	**2.7**
Fixed assets	**450.2**	**561.9**	**111.7**	**24.8**
of which financial assets	231.6	335.3	103.7	44.8
Transactions with customers	**3,242.5**	**3,443.7**	**201.2**	**6.2**
Long-term loans	102.4	87.4	-15	-14.6
Medium-term loans	1,612.1	1 860.3	248.2	15.4
Short-term loans	914.2	965.2	51	5.6
Net outstanding receivable	111.2	152.1	40.9	36.7
Customers' Accounts receivable	393.4	329.3	-64.1	-16.3
Other amounts due from customers	6.2	9.2	3	49.1
Unallocated amounts	75.3	9.5	-65.8	-87.4
Related debts	27.7	30.6	2.9	10.6
Miscellaneous transactions	**180.5**	**160.5**	**-20**	**-11.1**
Cash and interbank transactions	**2,472.1**	**2,714.2**	**242.1**	**9.8**
Of which investment and trading securities	**1,000.1**	**1,376.5**	**376.4**	**37.6**
Total Balance Sheet Assets Balance sheet total assets	**6,472.2**	**7,010.7**	**538.5**	**8.3**
	(in billionCFA francs)		**Variation**	

[3] *Between January 1st and December 31st, 2020, the 15 banks operating in Cameroon were: BICEC, CCA-BANK, SCB, Société Générale Cameroun, Standard Chartered Bank, Afriland First Bank, CBC, CITIBANK, ECOBANK, UBC, NFC-BANK, UBA, BAC, BGFI Bank and BC-PME.*

LIABILITIES	2019	2020	Absolute (in billion CFA francs)	Relative (%)
Investment capital	**718.3**	**833.0**	114.7	**16.0**
of which equity	565.3	696.9	131.6	23.3
transactions with customers	**4,890.5**	**5,398.8**	**508.3**	**10.4**
Special deposit accounts	375.8	434.1	58.3	15.5
Term deposit accounts	652.9	705.9	53	8.1
Current accounts payable	3,484.7	3,853.2	368.5	10.6
Other accounts payable	357.2	386.0	28.8	8.1
Related debts	20.0	19.5	-0.5	-2.4
Miscellaneous transactions	**306.9**	**288.4**	**-18.5**	**-6.0**
Treasury and interbank operations	**556.5**	**490.5**	**-66**	**-11.9**
Balance sheet total liabilities	**6,472.2**	**7,010.7**	**538.5**	**8.3**

Source : CERBER

As illustrated in the table above, the volume of securities held by commercial banks increased by 37.6% in 2020 down from 67.5% in 2019, reflecting continued interest in that direct financing method, despite weak economic activity.

On the liabilities side, equity and deposits collected by banks once again increased by 131.7 and 508.3 billion respectively, in a strictly accounting approach.

III.1.1.1.2. Hors-bilan Off-balance sheet

Following the strengthening of foreign exchange regulations within the CEMAC zone, the decline in foreign exchange transactions continued between the end of 2019 and the end of 2020. In fact, their volume fell from 100.5 to 45.0 billion (-55.2%).

Transactions with correspondents, leasing commitments, other commitments (money market commitments, commitments received from the State, securities transactions, etc.), and transactions with customers increased by 13.6%, 3.9%, 51.7% and 1.5%, as compared to decreases by 7.7%, 5.9% and increases by 33.3% and 12.3% respectively in 2019.

Table 3.2.: Consolidated off-balance sheet items of banks

Heading	(in billion CFA francs) 2019	2020	Year-on-year change in volume	Year-on-year change (in %)
Transactions with correspondents	**767.5**	**872.1**	**104.6**	**13.6**
Commitments ordered by correspondents	281.4	271.4	-10.0	-3.6
Commitments received from correspondents	486.1	600.7	114.6	23.6
Transactions with customers	**4,276.4**	**4,341.2**	**64.8**	**1.5**
Commitments ordered by customers	1,299.2	1,188.1	-111.1	-8.5
Commitments received from customers	2,977.2	3,153.1	175.9	5.9
Pledges	535.5	556.2	20.7	3.9
Guarantees received from customers	476.0	558.9	82.9	17.4
Securities managed on behalf of customers	144.9	197.3	52.4	36.2
Other securities received from customers	1,047.2	1,003.1	-44.2	-4.2
Leasing commitments	**74.2**	**77.1**	**2.9**	**3.9**
Outstanding lease payments	5.8	6.2	0.5	8.0
Commitments received from customers	67.2	68.9	1.8	2.6
Lease commitments given to customers	0.7	1.4	0.7	95.6
Accruals and deferred income	0.6	0.6	0.0	1.2
Foreign currency transactions	**100.5**	**45.0**	**-55.5**	**-55.2**
Foreign exchange spot transactions	7.5	9.5	2.0	26.1
Forward foreign exchange transactions	92.6	45.0	-47.5	-51.3
Foreign currency loans and borrowings	0.0	0.0	0.0	-
Report/deport	0.1	0.1	-0.1	-51.1
Foreign currency adjustment account	0.3	0.2	0.0	-12.3
Other commitments	**2,345.8**	**3,557.8**	**1,211.9**	**51.7**
Currency market commitments	65.7	85.6	19.9	30.3
Securities transactions	0.0	0.0	0.0	-
Commitments received from the State and specialized bodies	65.5	449.3	383.8	586.0
Doubtful commitments	447.3	677.6	230.3	51.5
Computer deferrals	1,767.3	2,345.3	577.9	32.7

Source : CERBER

III.1.1.1.3. Profit and loss account

Net banking income (NBI) increased by 3.9% in 2020, as compared to 6.6% in 2019. That increase can be attributed to the improvement in margins on financial transactions (+31.0 billion), margins on transactions with customers (+7.6 billion), and margins on leasing and rental transactions (+2.4 billion).

The current result decreased from 129.7 to 119.0 (-10.7 billion), due to the increase in allocations to provisions (+32.0 billion) and the decrease in bad debt losses (-20.5 billion).

Finally, with an exceptional result of -7.6 billion and an income tax of 26.4 billion, the banks' net result fell from 94.3 to 84.9 (-9.4 billion), thus decreasing by10% year-on-year.

Table 3.2: Trend in the consolidated income statement of banks

	(Amount in billion)			
	2019	**2020**	**Variation in volume**	**Variation in %**
Margins on cash transactions	**-0.5**	**- 4.1**	**-3.6**	**720.0**
Income from treasury transactions	11.1	10.24	-0.9	-7.7
Expenses on cash transactions	11.6	14.39	2.8	24.1
Margins on financial transactions	**50.7**	**81.7**	**31.0**	**61.1**
Income from permanent resources	54.3	84.9	30.6	56.4
Interest from permanent resources	3.6	3.2	-0.4	-11.1
Margins from customer transactions	**196.2**	**203.8**	**7.6**	**3.9**
Income from customer transactions	259.6	275.4	15.8	6.1
Expenses from customer transactions	63.5	71.6	8.1	12.8
Margins on leasing and rental transactions	**4.0**	**6.4**	**2.4**	**60.0**
Income from leasing and rental transactions	43.0	42.0	-1.0	-2.3
Expenses on leasing and rental transactions	39.0	35.7	-3.3	-8.5
Margin from miscellaneous transaction	**170.7**	**149.7**	**-21.0**	**-12.3**
Income from other transaction	5,354.4	1,409.7	-3,944.7	-73.7
Expenses on miscellaneous transaction	5,183.7	1,260.0	-3,923.7	-75.7
Net Banking Income	**421.1**	**437.4**	**16.3**	**3.9**
Gross Operating Result	**196.9**	**197.7**	**0.8**	**0.4**
Allocation to provisions	43.2	75.2	32.0	74.1
Losses on bad debts	24.1	3.6	-20.5	-85.1
Current Result	**129.7**	**119.0**	**-10.7**	**-8.2**
Exceptional result	**0.5**	**-7.6**	**-8.1**	**-1,620.0**
Intermediate result	**130.2**	**111.3**	**-18.9**	**-14.5**
Income tax	**35.9**	**26.4**	**-9.5**	**-26.5**
Net result	**94.3**	**84.9**	**-9.4**	**-10.0**

Source : CERBER

Finally, the main indicators of banks operating in Cameroon as at ending December 2020 are summarized in the following table:

Table 3.3: Banks' activity indicators in 2020

Banks	(en milliards F CFA) (in billion CFA francs)				
	Share capital	**Net Result**	**Total balance sheet**	**Deposits**	**Loans**
BICEC	49.1	-7.0	726.5	602.7	320.9
SCB	10.5	3.0	624.0	509.5	324.1
SGC	12.5	14.9	1,055.4	830.2	621.1
STD BK	10.0	1.3	224.3	168.8	93.1
AFBK	20.0	13.5	1,260.1	997.6	603.7
CBC	12.0	3.6	458.1	336.6	311.0
CITIBANK	10.0	4.3	151.7	112.2	63.3
ECOBANK	10.0	9.6	466.0	369.2	191.7
UBC	20.0	1.6	118.1	57.8	2.8
NFC-BANK	6.1	2.0	142.7	101.1	69.2
UBA	10.0	19.8	480.6	376.3	136.9
BAC	35.6	8.6	562.9	376.7	296.7
BGFIBANK	20.0	6.3	376.5	250.0	273.5
BC-PME	20.0	-0.4	32.8	8.6	14.0
CCA BANK	15.0	4.0	331.0	301.4	121.9
TOTAL	**260.9**	**84.9**	**7,010.7**	**5,398.8**	**3,443.7**

Source : CERBER

III.1.1.1.4. Situation with regard to the prudential standards

At the prudential level, according to the information declared by the 15 banks operating in Cameroon as at December 31st, 2020:

- In terms of solvency, 13 banks achieved a risk-weighted equity adequacy ratio greater than or equal to the minimum of 8%;
- As regards the coverage of fixed assets by permanent resources, 13 banks presented a ratio greater than or equal to the minimum of 100%;
- As regards the liquidity ratio, for 14 banks, cash at sight or at less than one month was greater than or equal to the regulatory minimum of 100% of the same term liabilities;
- With regard to compliance with the long-term transformation coefficient, 12 banks managed to finance at least 50% (regulatory threshold) of their assets with a residual maturity of more than five years with permanent resources;
- 13 banks kept the total of liabilities to their shareholders, directors and officers and employees below the regulatory limit of 15% of net equity.

Box 7: Prudential standards

Representation of the minimum capital*: Credit institutions must always have paid-up capital or an allocation of at least a sum fixed by the public authorities Decree. To that end, every credit institution must justify at all times that its net internal liabilities are equal to or greater than the required minimum.*

Net equity*: credit institutions must have substantial equity capital to ensure the continuity of their transactions and absorb losses in the event of liquidation. In addition to shareholders' equity, net equity includes other items defined by prudential regulations (financing and guarantee funds, net income, equity of consolidated subsidiaries, revaluation reserves, etc.) from which are deducted (i) equity securities, securities held for trading, and other assets and liabilities.) from which are deducted (i) equity securities, portfolio securities and subordinated loans held on reporting credit and microfinance institutions; (ii) the net commitments made directly or indirectly by a credit institution on a related party, when they exceed 5% of the net equity; (iii) the exceeding amount, in the event of exceeding the limits set for the participations of a credit institution in the capital of companies; (iv) the additional provisions recommended by COBAC General Secretariat.*

Risk Coverage*: Reporting credit institutions are required, under the conditions set out in this Regulation, to maintain at all times a ratio of at least 8%. between the amount of their net equity and the total credit risks they incur as a result of their operations*

Coverage of fixed assets by permanent resources*: credit institutions are required to keep a minimum ratio of 100% between their net equity and permanent resources on the one hand, and their tangible fixed assets on the other hand,*

Liquidity ratio*: Credit institutions must hold sufficient liquid assets to cover net cash outflows over a 30-day period. Each credit institution is required to keep at all times a minimum ratio of 100%, of cash to liquid assets of less than one month,*

Transformation ratio*: Credit institutions collect savings and provide liquidity to the economy as a whole through the transactions in balance sheets, managing illiquid and medium to long-term assets, while liabilities are more liquid and short-term. The transformation activity generates well-known risks, particularly interest rates risks and liquidity risks. Thus, all credit institutions are required to keep a minimum ratio of 50% between their resources with a maturity of more than 5 years and their utilizations and* commitments of the same term.

Source : COBAC

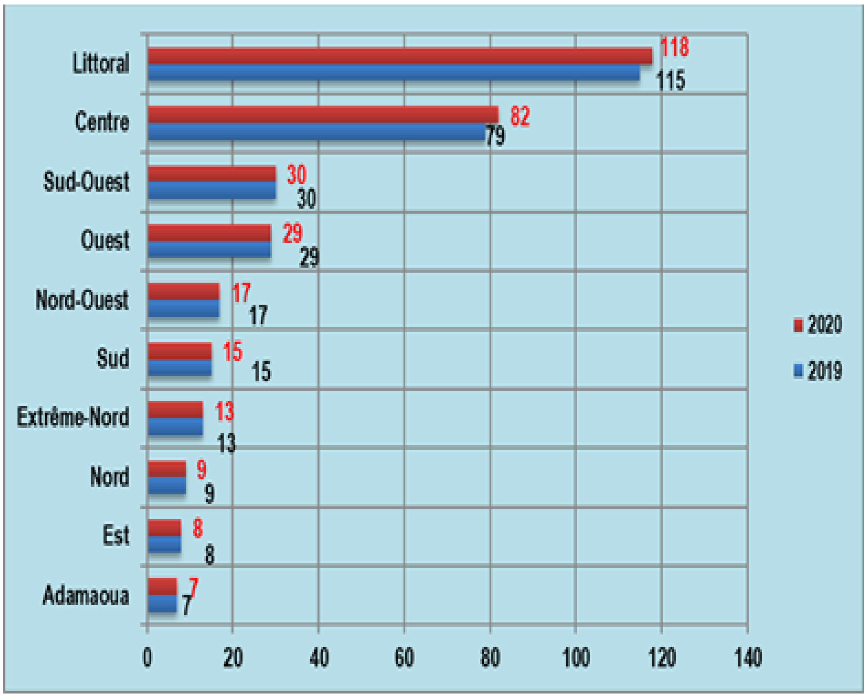
III.1.1.2. Banking network and banking Services coverage indicators

III.1.1.2.1. Branches and counters

The banking network expanded poorly between 2019 and 2020, with the number of branches rising from 322 to 328.

In terms of geographical coverage of the territory, the Littoral and Centre regions have the largest number of branches in 2020, with 118 and 82 branches respectively, thus representing 61% of the total. The South-West and West regions have 30 and 29 branches respectively, while the North-West has 17 branches. South and Far North regions have 15 and 13 branches respectively. The regions with the least number of branches are the North (9 branches), the East (8 branches) and Adamaua (7 branches).

Figure 3.1: Banking network per region in 2019 and 2020



Source : CERBER Statements

III.1.1.2.2. Banking services coverage rate

Since 2016, through the CIP-FIBANE-CASEMF platform, the National Economic and Financial Committee has been calculating a series of banking services coverage indicators, including the banking services coverage rates of the active population and the adult population, and the density of the banking network.

The banking services coverage rate is the ratio between the number of individuals with a bank account (individuals with more than one account being counted once), and the population (total population, adult population, active population, etc.).

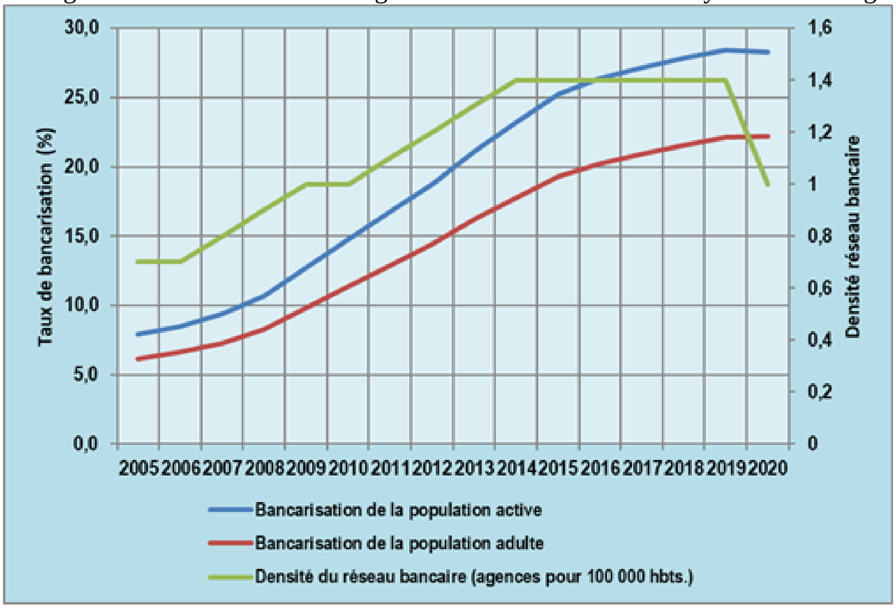
As regards the density of the banking network, it is the number of branches of banking institutions per 100,000 inhabitants.

Taking into account the Cameroon context, the CIP-FIBANE-CASEMF platform of the National Credit Council calculates those indicators in the strict sense (by limiting itself to bank accounts) and in the broad sense (by integrating the accounts held by financial institutions, CAMPOST and MFIs).

The NEFC successfully reconstituted a series of indicators of the population access to banking services on the basis of data reported by all credit institutions, all second- and third-category microfinance institutions, and some first-category institutions.

According to those data, although still low, the banking services coverage rate of the Cameroon population in the strict sense of the term has been increasing over the last fifteen years, as illustrated in the graph below.

Figure 3.2: Trend in the banking servicesrate and in the density of the banking network in the strict sense

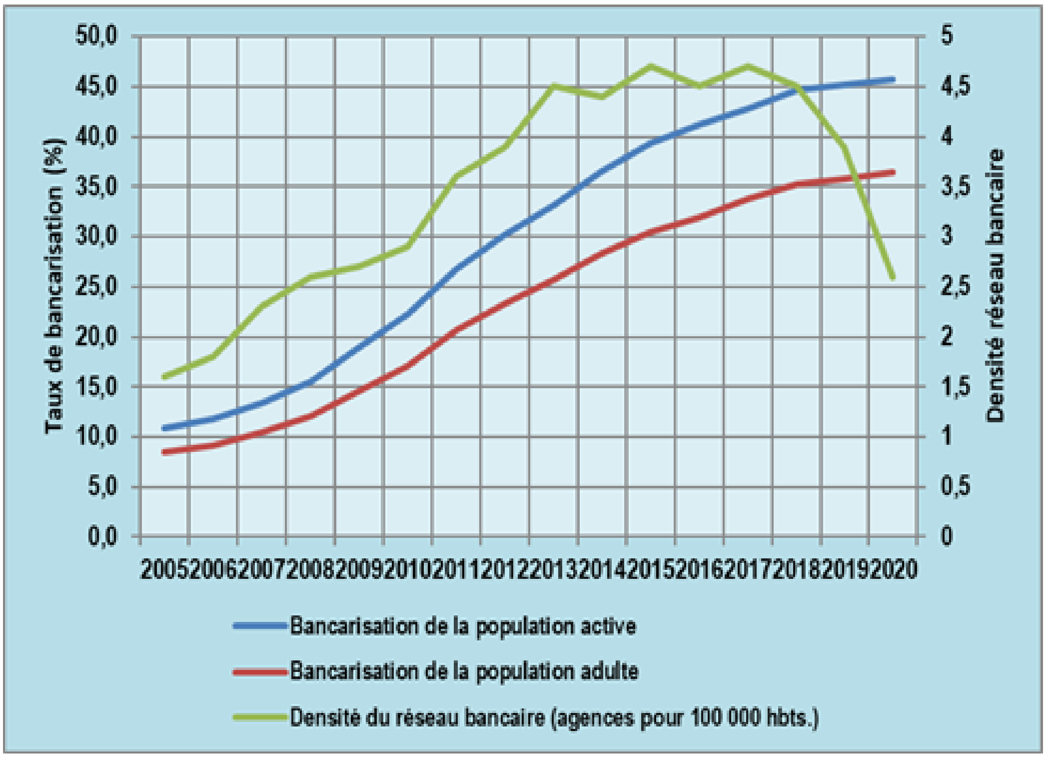


Source : NEFC

Over the past decade, the banking services coverage rate of the active population in the strict sense has improved significantly. It reached 28.3% in 2020, although slightly lower than in 2019 (28.4%). As compared to 2010, that represents an improvement of 13.5 percentage points over ten years, being an average of 1.4 percentage points per year over the period. That of the adult population has improved slightly, rising from 22.1% in 2019 to 22.2% in 2020, after 11.3% in 2010, thus representing an improvement of 10.9 points in ten years. The density of the banking network has fallen to one branch per 100,000 inhabitants in 2020 (due to the greater population growth as compared to the growth of branches), after stabilizing at 1.4 branches per 100,000 inhabitants from 2014 to 2019.

In the broad sense, those indicators have also evolved increasingly over the same period. Reflecting the reality of the Cameroon financial system in which microfinance institutions play an important role, the banking services coverage rates in the broad sense show much higher figures than in the strict sense.

Figure 3.3: Trend in the banking services coverage rate and in the density of the banking network in the broad sense



Source : NEFC

In fact, the banking services coverage rate in the broad sense of the term of the working population rose by an average of 2.3 points between 2010 and 2020. It reached 45.7% in 2020 as against 45.1% in 2019, from 22.3% in 2010, thus increasing by 23.4 points in 10 years. The banking services coverage rate in the broad sense of the term for the adult population rose from 17.1% in 2010 to 36.5% in 2020, thus representing an average annual growth rate of 1.9 points.

The density of the banking network in a broad sense fell significantly between 2019 and 2020, due to the closure of branches of some microfinance institutions in connection with the competition imposed by mobile money. The density of the banking network in the broad sense thus fell from 3.9 branches per 100,000 inhabitants in 2019 to 2.6 branches per 100,000 inhabitants in 2020.

Table 3.4: Banking Services Coverage Rate and density of the banking network

	Banking services coverage rate in the strict sense (Banks only)		
	Banking services coverage rate of the active population (%)	**Banking services coverage rate of the adult population (%)**	**Density of the banking network (Number of branches per 100,000 inhabitants)**
2010	14.8	11.3	1.0
2011	16.8	12.9	1.1
2012	18.8	14.4	1.2
2013	21.1	16.2	1.3
2014	23.2	17.7	1.4
2015	25.2	19.3	1.4

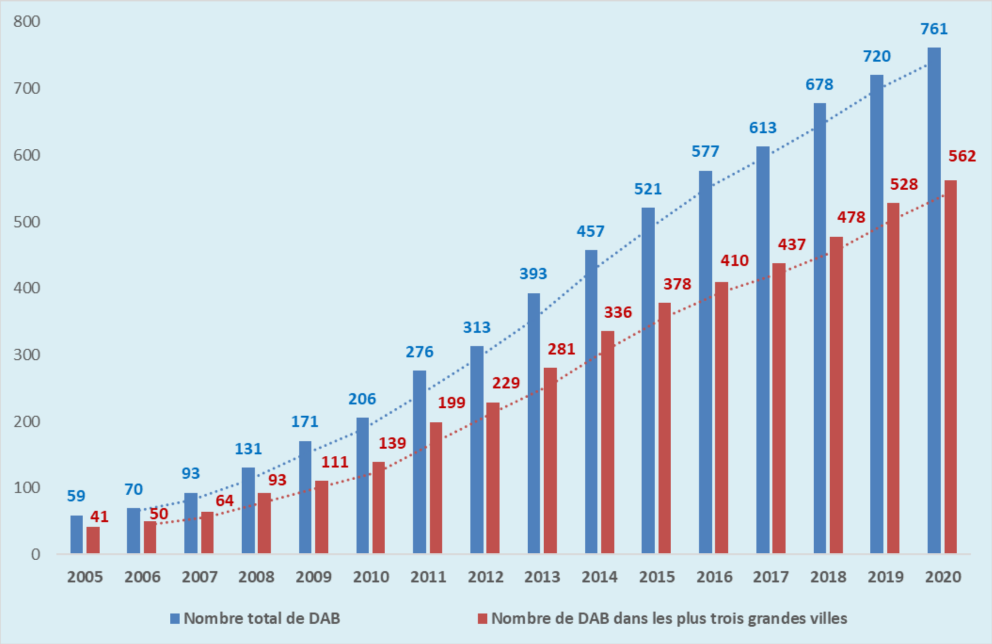
2016	26.3	20.2	1.4
2017	27.2	21.0	1.4
2018	27.8	21.5	1.4
2019	28.4	22.1	1.4
2020	28.3	22.2	1.0
	Banking services coverage rate in the broad sense (banks, financial institutions, CAMPOST, microfinance institutions)		
	Banking services coverage rate of the active population (%)	**Banking services coverage rate of the adult population (%)**	**Density of the banking network (Number of branches per 100,000 inhabitants)**
2010	22.3	17.1	2.9
2011	26.8	20.6	3.6
2012	30.2	23.4	3.9
2013	33.1	25.7	4.5
2014	36.5	28.3	4.4
2015	39.4	30.5	4.7
2016	41.2	32.0	4.5
2017	42.8	33.7	4.7
2018	44.6	35.2	4.5
2019	45.1	35.8	3.9
2020	45.7	36.5	2.6

Source : CNEF

III.1.1.2.3. Automated teller machines

Banks have continued to significantly expand their ATM networks, with the aim of modernizing and improving the quality of customer services. The number of ATMs increased from 720 in 2019 to 761 in 2020, which represents 5.7%. The largest cities, namely Yaounde, Douala and Bafoussam, alone, account for 73.3% of these ATMs.

Figure 3.4: Trend in the number of Automated Teller Machines (ATMs)



Source : NEFC, bank reportings

III.1.1.2.4. Trend in mobile money

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According to data collected by the National Economic and Financial Committee (NEFC), in Cameroon, mobile money continued to experience significant growth in 2020, in terms of the volume and value of transactions. Indeed, according to data collected from licensed operators (MTN (AFRILAND FIRST BANK), ORANGE (BICEC), NEXTTEL (UBA), and SG Cameroon (YUP)), the amount of Mobile Money transactions has increased significantly. It rose from 9,271.4 billion in 2019 to 12,544.0 billion in 2020, thus increasing by 35.3%. The number of transactions followed the same trend over the same period, with a growth rate of 42.3% as compared to 46.3% in 2019.

The number of Mobile Money accounts opened more than doubled, thus exceeding the 15 million target. In fact, it rose from 9,912,443 in 2019 to 15,649,570, thus increasing by 57.8%. That trend reflects not only the investment made by the old players (ORANGE and MTN) in enrolling customers, but also the rapid growth of new players, namely YUP, whose number of open accounts increased by 40.0% between 2019 and 2020.

As regards the infrastructure set up by the various operators, there was a more moderate increase than between 2018 and 2019, with the number of services points open increasing by 17.8% between 2019 and 2020 (a compared to 46.8% between 2018 and 2019), from 172,459 to 203,144. However, the service points activity rate remains relatively low (53.7%). Mobile money account activity fell by 13.9 percentage points between 2019 and 2020, from 68% to 54.1%.

Table 3.5: Mobile Money Statistics in Cameroon

	2018	2019	2020	Variation in volume (2020-2019)	Variation in %
Number of Mobile Money accounts opened	6,182,207	9,917,839	15,649,570	5,731,731	57.8
Number of active Mobile Money accounts	5,008,112	6,747,125	8,468,978	1,721,853	25.5
Number of Mobile Money service points opened	117,513	172,459	203,144	30,685	17.8
Number of functional Mobile Money service points	50,352	76,723	109,151	32,428	42.3
Amount of mobile phone transactions during the year (in million)	6,469,563	9,271,416	12,544,030	3,272,614	35.3
Number of mobile phone transactions during the year	574,795,599	840,901,461	1,070,273,783	229,372,322	27.3
Outstanding balance of Active Mobile Money accounts (in million)*	90,887	109,607	136,067	26,460	24.1

*Credit balance of Mobile Money accounts

Source: NEFC (MTN, ORANGE, NEXTTEL and YUP Reportings)

III.1.1.3. Number of bank staff

The number of bank staff in 2020 was 5 043, compared with 4 959 in 2019, an increase of 1.7%. This includes 37 expatriate managers, 1,401 national managers and 3,391 other national employees.

Table 3.6: Number of bank staff

Nature of information	2019	2020	Variation in volume
Expatriate senior staff	37	37	0
Other expatriate staff	2	3	1
Total expatriate staff	**39**	**40**	**1**
National senior staff	1,356	1,401	45
Other national staff	3,404	3,391	-13
Total national staff	**4,760**	**4,792**	**32**
Non-banking staffl	160	211	51
TOTAL STAFF	**4,959**	**5,043**	**84**

Source : CERBER

III.1.1.4. Trend in the Annualized Percentage Rate (APR) charged by banks

On average, the cost of loans granted by banks has globally decreased between 2019 and 2020 for all categories of customers, with the exception of public administrations.

In fact, the average APR of loans granted to SMEs during 2020 was 10.52% as compared to 11.09% in 2019, which represents a decrease by 0.57 points. That decrease can be attributed to the fall in the cost of most of the various types of loans granted to SMEs, including overdrafts (11.38% in 2019 as compared to 10.79% in 2020), bill discounts (20.72% in 2019 as compared to 16.32% in 2020), leasing (20.97% in 2019 as compared to15.26% in 2019), factoring (12.68% as compared to 8.86% in 2020), and guarantees (2.40% in 2019 as compared to 1.89% in 2020).

As regards individual customers, the average cost of their loans fell from 13.79% in 2019 to 13.66% in 2020, thus slightly decreasing by 0.13 percentage points, largely due to the lower cost of overdrafts (18.95% in 2019 as compared to 17.13% in 2020) and medium-term loans (13.03% in 2019 as compared to 12.70% in 2020).

With regard to legal entities other than SMEs and large companies (associations, CIGs, non-profit institutions, etc.), the cost of their loans has also decreased.

It fell from 7.10% in 2019 to 6.41% in 2020 due to the fall in the cost of overdrafts (-1.03 points) and guarantees (-2.13 points).

With the least expensive loans of all categories of bank customers, large companies saw the cost of their loans fall slightly in 2019 (-0.9 points). That slight fall is the result of the decreases noted in most of the various categories of loans granted to that clientele, with the exception of medium-term loans, whose average APR rose from 7.73% in 2019 to 12.15% in 2020.

Public administrations saw the cost of their loans rise between 2019 and 2020. The average APR of their loans rose from 7.64% in 2019 to 15.17% in 2020. That significant increase can mainly be attributed to the rise in the cost of cash loans, other than overdrafts (+11.35 points), overdrafts (+4.12 points), and guarantees (+0.47 points).

Large companies remain the category of bank customers with the lowest cost of loan, followed by legal entities other than SMEs and large companies (associations, CIGs, non-profit institutions, etc.).

Table 3.7: Annualized percentage rate charged by Banks in 2019 and 2020 (in %)

Categories	2019	2020
1. Loans to individuals	**13.79**	**13.66**
Consumer loans, other than overdraft	11.93	12.22
Overdrafts	18.95	17.13
Discounting of bills of exchange	18.96	-
Medium-term loans*.	13.03	12.70
Long-term loans*.	10.86	11,74
Real estate loans	11.79	11.75
Leasing	-	12.07
Securities	2.92	3.65
2. Loans to SMEs	**11.09**	**10.52**
Cash loans, other than overdraft	11.96	12.74
Overdrafts	11.38	10.79
Discounting of bills of exchange	20,72	16,32
Medium-term loans	12.08	14.98
Long-term loans	10.12	-
Leasing	20.97	15.26
Factoring	12.68	8.86
Securities	2.40	1.89
3. Loans to large companies	**6.46**	**5.56**
Cash loans, other than overdraft	6.44	6.14
Overdrafts	7.85	7.53
Discounting of bills of exchange	12.77	9.02
Medium-term loans	7.73	12.15
Long-term loans	7.92	-
Leasing	16.77	9.75
Factoring	6.80	5.34
Securities	2.12	1.65
4. Loans to legal entities other than SMEs and large enterprises	**7.10**	**6.41**
Consumer credit, other than overdraft	7.25	8.92
Overdrafts	14.51	13.48
Discounting of bills of exchange	19,17	-
Medium-term loans*.	6.92	8.85
Long-term loans*.	-	-
Real estate loans	-	-

Categories	2019	2020
Leasing	17.51	-
Securities	5.02	2.89
5. Loans to public administrations and decentralized local authorities	**7.64**	**15.17**
Cash loans, other than overdraft	4.37	15.72
Overdrafts	11.25	15.37
Medium-term loans	7.99	-
Long-term loans	-	-
Leasing	-	-
Securities	1.53	2.00

*Those are loans other than real estate loans

Source : NEFC

As regards the cost of loan per business sector, the education sector, the health and social welfare sector and the collective or personal activities sector bear the highest costs on the market. The average APR for their loans are respectively 15.18%, 14.34% and 12.53% in 2020.

Table 3.8: Annualized percentage rate charged by Banks per business sector (%)

Sectors of activity	2019	2020
Agriculture, hunting and forestry	6.80	6.57
Fishing, fish farming, aquaculture	6.61	6.71
Extractive activities	6.28	7.73
Manufacturing activities	7.56	7.45
Production and distribution of electricity, gas and water	6.95	6.72
Construction	7.51	7.74
Trade; repair of motor vehicles and household goods	8.24	6.94
Hotels and restaurants	9.82	8.37
Transport, transport support activities and communications	6.09	5.37
Financial activities	7.77	8.80
Real estate, rentals and business services	10.72	9.26
Public administration activities	13.09	7.54
Education	15.87	15.18
Health and social welfare activities	12.38	14.34
Activities of a collective or personal nature	8.85	12.53
Activities of households as employers of households personnel	11.29	10.72
Activities of extra-territorial organizations	6.50	6.48

Source : NEFC

Box 8: Calculating of the Annualized Percentage Rate (APR) and the Usury Rate

1. ***Usefulness and regulatory framework of the APR***

The APR allows for a comparison of the cost prices of loans for the consumer. For example, a loan A may appear to be more expensive than a loan B if only the nominal interest rates are compared. However, if the ancillary elements (e.g. application fees, insurance fees, collateral costs etc.) are more advantageous for A than for B, that may compensate for the difference in rates. In order to know the true cost of a loan and to be able to compare it with other competing offers, it is necessary to know the APR of each loan, as that rate incorporates everything that may be payable in addition to the interest.

That is why the Chairman of the Ministerial Committee of UMAC signed on October 02nd, 2012, two regulatory instruments in order to protect consumers and stimulate competition, especially in the context of the abolition in October 2008 of the Maximum Debit Rate (MDR). Those instruments are Regulation No. 01/CEMAC/UMAC/CM of October 02nd, 2012 on various provisions relating to the Annualized Percentage Rate and the publication of banking conditions, and Regulation No. 02/CEMAC/UMAC/CM of October 02nd, 2012 on the definition and repression of usury with in the CEMAC States.

In compliance with the provisions of those two regulations, the National Economic and Financial Committee calculates and publishes every six months the APR and the usury rate per category of transaction and per sector. In order to facilitate the monitoring of those indicators, the National Economic and Financial Committee has developed and made available to credit and microfinance institutions an application for calculating and archiving the APR and the usury rate.

2. ***Method of calculating the APR***

The method of calculating the APR varies according to whether the repayment is instalmental or non-instalmental. For non-instalmental loans, the APR corresponds to the annual nominal rate plus the percentage that the ancillary costs represent in the amount of the loan

: For instalmental loans, the APR is a rate proportional to the period rate, calculated using the following formula

$$\sum_{k=1}^{k=m} \frac{A_k}{(1+i)^{tk}} = \sum_{p=1}^{p=n} \frac{A_p}{(1+i)^{tp}}$$

- i: *the global effective rate,*
- k:, *the serial number of funds disbursement,*
- m:, *the serial number of the last disbursement,*
- A_k:, *the amount of the disbursement number k,*
- tk : *the time interval between the first disbursement and disbursement number k,*
- p:, *the serial number of a repayment instalment,*
- n :, *the serial number of the last instalment,*
- A_p:, *the amount of the number p instalment ,*
- tp : *the time interval between the first disbursement and the instalment number p*

The APR is therefore the interest rate i that equals the present value of the loan (capital borrowed minus the fees and commissions charged at the time the loan is disbursed) and the sum of future repayment flows (taking into account the duration of the loan and the monthly repayments).

3. ***The usury rate***

A usury loan is any loan or agreement hiding money lent, in any matter, at an Annualized Percentage Rate (APR) that exceeds, at the time it is lent, by more than one third, the Average Effective Rate charged during the previous six-month period by credit institutions for operations of the same nature involving similar risks.

The average APR for a C category of loans granted by k reporting institutions is calculated using the following weighted average formula:

$TEG_{M_C} = \sum_{i=1}^{k} m_C^i TEG_C^i / \sum m_C^i$ *; where the* m_C^i *represent the total amount of Category C loans granted by each reporting institution, and* TEG_C^i *is the average APR for loan category C calculated for each reporting institution.*

Since 2018, the APR are calculated by the credit institutions and tele-reported through an application developed by the NEFC.

Source : NEFC

III.1.2. Situation of financial institutions

Under Article 8 of COBAC Regulation R-2009/02 defining the categories of credit institutions, their legal status and authorized activities, credit institutions are licensed either as universal banks, specialized banks, financial institutions or financial companies.

The analysis of that provision shows that financial institutions are subdivided into two subgroups consisting of financial companies and specialized financial institutions (see Articles 11 and 12 of the Regulation above).

Financial companies are financial institutions that cannot receive funds from the public at sight and with a term of less than two years. They finance their activities by their own capital, by borrowing from other credit institutions, on the capital markets or by any other means not contrary to the law.

Specialised financial institutions are financial institutions that cannot receive funds from the public at sight and with a term of less than two years. They perform a public interest mission decided by the National Authority. The methods of financing their activities as well as related banking and non-banking operations are governed by their own laws and regulations, however, in compliance with the shared requirements of banking regulations.

Payment service providers are defined by Article 2 of Regulation No. 04/18/CEMAC/UMAC/COBAC of 21 December 21st, 2018 as any licensed institution providing payment services as a usual occupation.

Under that classification, Cameroon has six (06) financial institutions in 2020, namely:

- Alios Finance Cameroun (SOCCA);
- Crédit Foncier du Cameroun (CFC) ;
- PRO-PME Financement (PRO-PME);
- Société Camerounaise d'Equipement (SCE) ;
- Société de Recouvrement des Créances du Cameroun (SRC) ;
- Société Nationale d'Investissement (SNI);
- Wafacash.

III.1.2.1. Balance Sheet situation[4]

Between 2019 and 2020, the balance sheet total of financial institutions fell by 0.9% as a result of the contraction of to be deducted amounts from Investment capital (-20.3 billion).

On the liabilities side, that decrease is mainly explained by the decline of equity (-13.9 billion).

In terms of the portfolio default rate, net bad loans decreased by 3.6 billion from 53.8 to 50.2 billion. However, the delinquency rate (60.4%) remains very high as compared to other components of the banking sector.

[4] *Those statistics do not include SRC, Wafacash and SNI given the specific nature of their activities*

Table 3.9: Balance sheet of financial institutions

BALANCE SHEET	(in billion CFA francs)			
ASSETS	**2019**	**2020**	**Variation in volume (billion F CFA)**	**Variation in %.**
Amounts to be deducted from Investment capital	**32.0**	**11.7**	**-20.3**	**-63.4**
Fixed assets	**67.6**	**67.5**	**-0.1**	**-0.1**
of which financial assets	3.6	2.1	-1.5	-40.8
Customers' transactions	**135.9**	**139.5**	**3.6**	**2.6**
Long-term loans	52.9	61.4	8.5	16.1
Medium-term loans	16.8	18.7	1.9	11.6
Short-term loans	10.3	8.1	-2.2	-21.7
Net outstanding loans	53.8	50.2	-3.6	-6.7
Accounts receivable from customers	0.2	0.2	0.0	-4.5
Other amounts receivable from customers	0.0	0.1	0.0	14.6
Unallocated values	1.7	0.7	-1.0	-58.9
Related debts	0.1	0.1	0.0	-25.4
Miscellaneous transactions	**11.8**	**10.3**	**-1.6**	**-13.2**
Treasury and interbank transactions	**185.4**	**199.7**	**14.3**	**7.7**
Of which investment and trading securities	**0.0**	**0.0**	**0.0**	**-**
Balance sheet total assets	**432.7**	**428.7**	**-4.0**	**-0.9**
	(in billion CFA francs)			
LIABILITIES	**2019**	**2020**	**Variation in volume (billion F CFA)**	**Variation in %**
Investment capital	**327.2**	**313.2**	**-13.9**	**-4.3**
of which equity	295.6	281.6	-13.9	-4.7
Customer transactions	**53.0**	**56.4**	**3.5**	**6.5**
Special deposit accounts	24.2	25.8	1.6	6.5
Term deposit accounts	5.8	5.5	-0.4	-6.4
Current accounts payable	6.2	6.6	0.4	6.4
Other accounts payable	16.2	17.3	1.1	6.7
Related debts	0.5	1.3	0.8	146.5
Miscellaneous transactions	**32.5**	**37.7**	**5.2**	**16.0**
Treasury and interbank transactions	**20.1**	**21.4**	**1.3**	**6.2**
Total balance sheet liabilities	**432.7**	**428.7**	**-4.0**	**-0.9**

Source : CERBER

Between 2019 and 2020, the off-balance sheet activity of financial institutions improved in all areas, with the exception of foreign currency transactions, which are structurally nil, and transactions with correspondents, that fell slightly (0.1 billion). In fact, transactions with customers, leasing commitments and other commitments increased by 38.2, 3.2 and 18.4 billion respectively.

Table 3.10: Off-balance sheet items of financial institutions

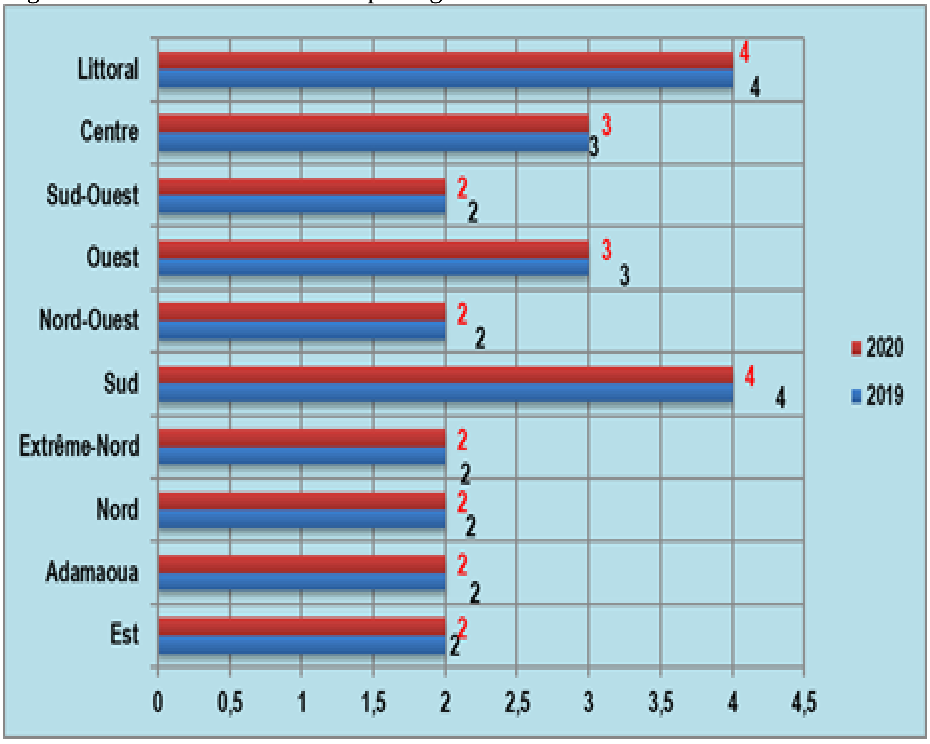
OFF-BALANCE SHEET	(in billion CFA francs)			
Item	**2019**	**2020**	**Year-on-year variation in volume**	**Year-on-year variation in %**
Transactions with correspondents	**11.7**	**11.6**	**-0.1**	**-1.2**
Commitments on behalf of correspondents	0.0	0.0	0.0	-
Commitments received from correspondents	11.7	11.6	-0.1	-1.2
Customer transactions	**321.2**	**359.4**	**38.2**	**11.9**
Commitments on behalf of customers	34.5	31.7	-2.8	-8.1
Commitments received from customers	286.8	327.8	41.0	14.3
Pledges	3.8	0.0	-3.8	-100.0
Securities received from customers	102.4	141.6	39.3	38.4
Securities managed on behalf of customers	0.0	0.0	0.0	-
Other securities received from customers	12.6	11.1	-1.5	-12.2
Leasing commitments	**52.1**	**55.3**	**3.2**	**6.1**
Outstanding lease payments	0.0	0.0	0.0	-
Commitments received from customers	49.1	52.7	3.6	7.3
Lease commitments to customers	2.9	2.5	-0.4	-14.0
Accruals and deferred income	0.0	0.0	0.0	-53.6
Foreign currency transactions	**0.0**	**0.0**	**0.0**	**-**
Foreign exchange spot transactions	0.0	0.0	0.0	-
Forward exchange transactions	0.0	0.0	0.0	-
Foreign currency loans and borrowings	0.0	0.0	0.0	-
Report/deport	0.0	0.0	0.0	-
Currency adjustment account	0.0	0.0	0.0	-
Other commitments	**330.3**	**348.7**	**18.4**	**5.6**
Money market liabilities	1.1	1.9	0.8	74.3
Securities transactions	0.0	0.0	0.0	-
Commitments received from the State and specialised bodies	0.0	0.0	0.0	-
Doubtful commitments	121.0	122.8	1.7	1.4
Computer deferrals	208.2	224.0	15.8	7.6

Source : CERBER

III.1.2.1. financial institutions Network

In 2020, the number of branches of financial institutions remained stable at 26. The Littoral and South regions are the most covered with 4 branches each, followed by the Centre and West regions with 3 branches each. Those four regions alone account for 53.8% of the financial institutions network.

Figure 3.5: Financial institutions per region in 2019 and 2020



Source : CERBER Reportings

III.1.2.2. Number of staff in financial institutions

The number of staff in financial institutions was 466 in 2020 as compared to 478 in 2019, thus representing a decrease by 2.5%. It is broken down as follows: one expatriate senior staff, 126 national senior staff and 282 other national employees.

Table 3.11: Number of staff in financial institutions

Type of information	2019	2020	Variation in volume
Expatriate senior staff	1	1	0
Other expatriate staff	0	0	0
Total expatriate staff	**1**	**1**	**0**
National senior staff	131	126	-5
Other national staff	288	282	-6
Total national staff	**419**	**408**	**-11**
Non-bank staff	58	57	-1
TOTAL NUMBER OF STAFF	**478**	**466**	**-12**

Source : CERBER Reportings

III.1.2.3. Trend in the Annualized Percentage Rate (APR) charged by financial institutions

In 2020, the cost of loans granted by financial institutions fell for most of the various categories of customers, except for legal entities other than SMEs and large companies. The biggest drop was noted in loans granted to individuals, with the average APR falling from 18.90% in 2019 to 11.41% in 2020 and thus dropping by 7.49 points.

For SMEs, the slight decrease (-0.71 points) results in particular from the decrease in the cost of cash loans, other than overdrafts, that fell from 20.20% in 2019 to 18.22% in 2019, and leasing, that fell from 18.52% in 2019 to 17.92% in 2020.

The cost of loans to Large Corporates also fell between 2019 and 2020, with the Annualized Percentage Rate (APR) falling from 12.66% to 11.92%, mainly due to the fall in the cost of their medium-term loans, leasing and non-overdraft cash loans.

In 2020, financial institutions did not grant any loan to public administrations.

Table 3.12: Annualized percentage rate per financial institutions in 2019 and 2020 (in %)

Categories	2019	2020
1. Loans to individuals	**18.90**	**11.41**
Consumer loan, other than overdraft	28.42	26.90
Overdrafts	-	-
Medium-term loans*	30.33	27.93
Long-term loans*.	-	25,86
Real estate loans	8.37	7.37
Leasing	-	7.96
Securities	-	11.20
2. Loans to SMEs	**18.17**	**17.46**
Cash loans, other than overdraft	20.20	18.22
Overdrafts	-	
Discounting of bills of exchange	-	
Medium-term loans	15.15	15.23
Long-term loans	9.55	10.20
Leasing	18.52	17.92
Factoring	-	
Securities	18,17	
3. Loans to large companies	**12.66**	**11.92**
Cash loans, other than overdraft	15.90	10.52
Overdrafts	-	-
Discounting of bills of exchange	-	-
Medium-term loans	10.36	9.58
Long-term loans	-	
Leasing	13.36	12.59
Factoring	-	-
Securities	12.66	-
4. Loans to legal persons other than SMEs and large companies	**13.21**	**18.19**
Consumer loans, other than overdraft	-	-
Overdrafts	-	-
Medium-term loans*	-	-
Long-term loans*.	-	-
Real estate loans	-	-
Leasing	-	-
Securities	13.21	18.19
5. Loans to public administrations and decentralised local authorities		
Cash loans, other than overdraft	-	-
Overdrafts	-	-
Medium-term loans	-	-
Long-term loans	-	-
Leasing	-	-
Securities	-	-

Source : NEFC

Per business sector, the most expensive loans in 2020 were those granted to households (27.49%), followed by transport, auxiliary transport activities and communications (20.62%), fishing, fish farming, aquaculture (18.48%), trade, repair of motor vehicles and household goods (16.07%).

The least expensive loans were those granted to individuals working in public administration (7.06%), followed by loans to workers in the electricity, gas as well as water production and distribution sector (8.62%), and the financial sector (8.91%).

Table 3.13: Annualized percentage rate charged by financial institutions per business sector (%)

Sectors of activity	2019	2020
Agriculture, hunting and forestry	15.94	15.25
Fishing, fish farming, aquaculture	14.83	18.48
Extractive activities	11.98	11.99
Manufacturing activties	17.56	13.56
Production and distribution of electricity, gas and water	9.36	8.62
Construction	19.91	17.69
Trade; repair of motor vehicles and household goods	18.42	17.73
Hotels and restaurants	19.08	16.07
Transport, transport support activities and communications	22.27	20.62
Financial activities	10.27	8.91
Real estate, rentals and business services	13.95	10.47
Public administration activities	9.09	7.06
Education	10.23	9.95
Health and social welfare activities	18.30	15.68
Activities of a collective or personal nature	9.25	9,32
Activities of households as employers of household personnel	32.07	27.49
Activities of extra-territorial organisations	13.6	15.24

Source : NEFC

III.1.3. Cost of mobilizing resources by credit institutions

Pursuant to the provisions of Order No. 000008 of January 23rd, 2013 establishing the modalities for calculating the average cost of banking resources, the General Secretariat of the National Economic and Financial Committee calculates and publishes the average cost of mobilizing resources incurred by credit institutions. It is calculated as a ratio of the costs incurred by the credit institutions to their resources.

During 2020, the average cost of funds for credit institutions was 1.57%, being 0.09 point higher than in 2019. For banks, that cost was 1.54% in 2020 as compared to 1.46% in 2019, thus increasing by 0.08 point. With regard to financial companies, that cost was 4.29% in 2020 as against 3.06% in 2019 and 3.14% in 2018, thus increasing by 1.23 points and thereby reflecting the difficulties encountered by financial companies as compared to banks, in terms of access to resources.

Table 3.14: Structure of the average cost of bank resources

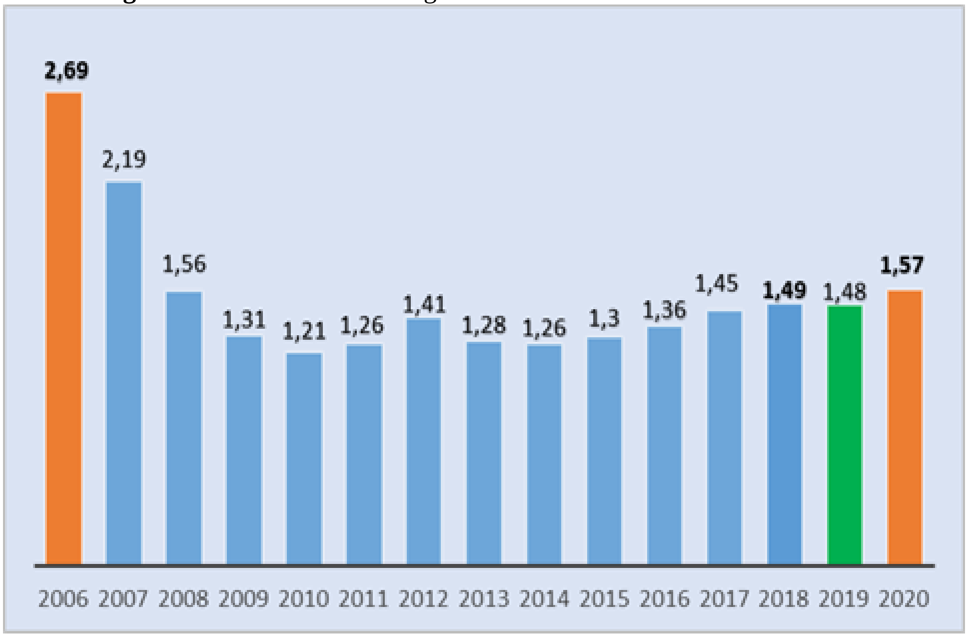
	(Amounts in billion)		Variation/ (%) /Differential
	2019	2020	
Resources from customer transactions	4,708.4	5,150.3	441.9
Resources from interbank transactions	501.3	527.4	26.1
Total resources	**5,209.7**	**5,677.7**	**468**
Expenses on customer transactions	64.3	73.2	8.9
Expenses on treasury and interbank transactions	12.9	16.1	3.2
Total expenses	**77.2**	**89.3**	**12.1**
Average cost of resources (%)	**1.48**	**1.57**	**0.09**

Source : NEFC

The increase in the average cost of bank resources in 2020 is mainly explained by the greater increase in expenses as compared to the increase in resources. Indeed, per component, resources on customer transactions increased by 9.4%, while those relating to interbank transactions increased by 5.2%. The total of these resources therefore increased by 9.0%, from 5,209.7 billion in 2019 to 5,677.7 billion in 2020. As regards expenses, those on customer transactions increased by 13.8%, and those on treasury and interbank transactions increased significantly (+24.8%). In total, credit institutions incurred expenses amounting to 89.3 billion in 2020, as compared to 77.2 billion in 2019, which represents an increase by 15.7%.

As illustrated in Figure 3.8, the cost of mobilizing bank resources fell from 2.69% to 1.21% between 2006 and 2010, before showing a bell-shaped trend over the period from 2011 to 2013 with a peak of 1.41% in 2012. Since 2014, the average cost of rmobilizing bank resources has been steadily increasing, despite the brief break in trend in 2019 (1.48% down from 1.49% in 2018).

Figure 3.6: Trend in the average cost of bank resources



Source : NEFC

III.1.4. Situation of microfinance institutions

III.1.4.1. Presentation of the microfinance sector

Under the provisions of Regulation No. 01/17/CEMAC/UMAC/COBAC of September 27th, 2017 on the Conditions for Exercising and Controlling the Microfinance Activity within CEMAC, microfinance institutions carry out their activities either independently for second and third category institutions, or in networks for first category institutions. The first category is for microfinance institutions that collect savings from their members and use it in lending transactions exclusively with their members. The second category is for institutions that collect savings and grant loans to third parties. The third category is for institutions that grant loans to third parties without carrying out the savings collection activity.

In accordance with the provisions of COBAC Regulation EMF-R 2017/01 of October 24th, 2017 on the Legal Statuses of Microfinance Institutions, Microfinance Institutions are licensed as first, second or third category microfinance institutions. First category Microfinance Institutions are exclusively incorporated as cooperative societies with a board of directors. Second category Microfinance Institutions are exclusively incorporated as public limited companies with a board of directors. Third category Microfinance Institutions are exclusively incorporated as public limited companies with a board of directors.

The major developments in the sector during the year 2020 were as follows:

- the launching of the MUFID network, made up of the former independent MFIs of the MC2 model
- the licensing, as category 2 MFIs, of 9 MFIs previously operating as independent category 1 MFIs.

III.1.4.1.1. Breakdown of MFIs per category

As at December 31st, 2020, Cameroon has 415 licensed MFIs broken down into three categories, as shown in the following table:

Table 3.15: Breakdown of Licensed MFIs per category

MFI CATEGORY	31/12/2019	31/12/2020	% of total	Variation
FIRST CATEGORY	361	342	82.4	-19
SECOND CATEGORY	47	70	16.9	23
THIRD CATEGORY	3	3	0.7	0
TOTAL MFIs	**411**	**415**	**100**	**4**

Source : NEFC, MINFI

- 342 licensed MFIs operate as first category MFIs (82.4%);
- 70 licensed MFIs operate as second category MFIs (16.9%);
- 3 licensed MFIs operate as third category MFIs (0.7%).

During the year 2020, 06 MFIs were registered in the NEFC[5] Special Registry, bringing to 292 the number MFIs registered in that registry.

Table 3.16: Breakdown of registered MFIs per category

MFI CATEGORY	31/12/2019	31/12/2020	% of total
FIRST CATEGORY	233	237	81,2
SECOND CATEGORY	51	53	18,1
THIRD CATEGORY	2	2	0,7
TOTAL	**286**	**292**	**100**

Source : NEFC

[5] *The absence of sanctions could be the reason for the reluctance of other MFIs to get registered in the NEFC Special Registry. The related draft legal instrument is still being examined by the Monetary Authority.*

Box 9: The various categories of microfinance institutions

Regulation 01/17/CEMAC/UMAC/COBAC of September 27th, 2017 on the conditions for exercising and controlling the microfinance activity within CEMAC defines microfinance as an activity carried out by entities that do not have the status of a bank or financial company as defined in the Annex to the Convention of January 17th,1992 to Harmonize Banking Regulations in the Central African States and that practice, on a regular basis, lending and/or savings collection operations and offer specific financial services to populations that are essentially on the fringe of the traditional banking circuit.

The Regulation classifies microfinance institutions into 3 categories

The first category is for microfinance institutions that collect savings from their members, which they use in lending operations exclusively to the said members.

The second category is for microfinance institutions that collect savings and grant loans to third parties.

The third category is for microfinance institutions that grant loans to third parties, without carrying out the activity of savings collection.

III.1.4.1.2. Geographical coverage

According to the available[6] data, the number of MFI branches increased from 1,670 to 1,713 (+43) between December 2019 and December 2020.

A total of 797 branches are located in rural areas in as at 2020, as compared to 786 as at December 2019, and 916 branches and counters are located in urban areas as compared to 884 in 2019.

Table 3.17: Distribution of MFI branches per area

MFI/ZONE	Urban areas		Rural Areas		Total		Urban areas % Total	Rural Areas % Total
	31/12/2019	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2020**	**31/12/2020**
FIRST CATEGORY	316	261	368	360	684	621	42,0	58,0
SECOND CATEGORY	561	648	418	437	979	1085	59,7	40,3
THIRD CATEGORY	7	7	0	0	7	7	100	0,0
TOTAL	**884**	**916**	**786**	**797**	**1670**	**1713**	**53,5**	**46,5**

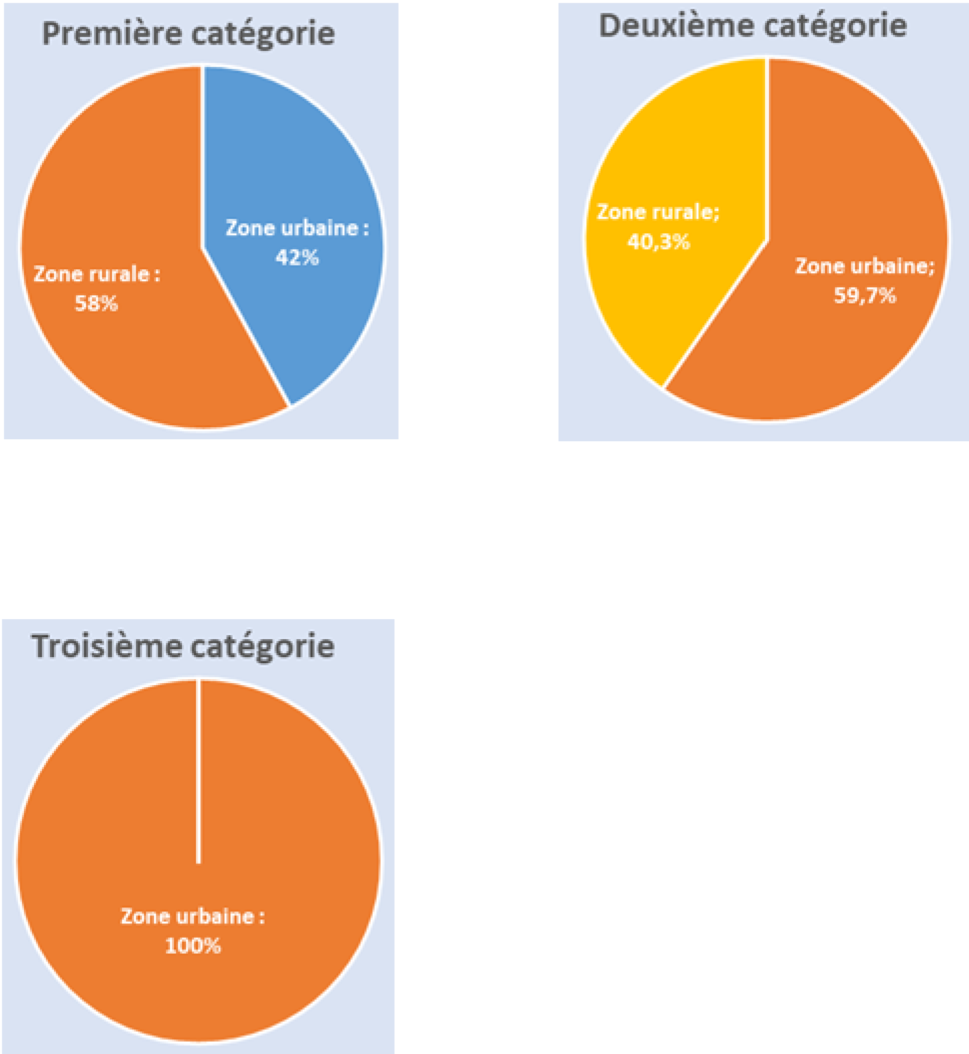
Source : NEFC

The presence of MFIs in urban and rural areas varies per category. In fact:

- 360 sales points of first category MFIs are based in rural areas, as compared to 261 in urban areas. That geographical distribution can particularly be noticed in the CAMCCUL network, where 50% of affiliates are based in rural areas;
- Second category MFIs operate more in urban areas, with 648 sales points in cities, as compared to 437 in rural areas;
- Third category MFIs sales points are only found in the main towns of the regions (Littoral, North and Far North), as illustrated in the following graph

[6] *The data used are as follows:*
- *for the first category, those reported by MFIsnetworks;*
- *for the second category, those of the 50 largest MFIs in terms of total assets, whose financial statements were collected on the spot;*
- *for the third category, those reported by the 3 active MFIs.*

Figure 3.7: Breakdown of licensed MFIs per area (rural and urban)



<u>Source :</u> NEFC

The Centre region remains the one with the highest number of branches (449 branches), followed by the Littoral region (391), and the West region (257). The regions with the least coverage are the Far North (81), South (74), North (62), East (59) and Adamaua (56).

First category MFIs are mainly represented in the Centre region (137 branches), Littoral region (111 branches), North-West region (110 branches) and West region (104 branches).

As regards the second category MFIs, their branches are also mainly located in the Centre, Littoral and West regions, with 312, 278, and 152 branches respectively.

Third category MFIs operate in the Littoral region (2 branches), Far North region (2 branches), North region (1 branch), Adamaua region (1 branch) and West region (1 branch).

Table 3.18: Breakdown of MFIs branches per region as at end December 2020

REGIONS	CE	SO	LIT	EA	WE	NW	SW	AD	NO	FN	TOTAL
FIRST CATEGORY	137	21	111	10	104	110	72	15	17	24	621
SECOND CATEGORY	312	53	278	49	152	50	52	40	44	55	1,085
THIRD CATEGORY	0	0	2	0	1	0	0	1	1	2	7
TOTAL	**449**	**74**	**391**	**59**	**257**	**160**	**124**	**56**	**62**	**81**	**1,713**

Source : NEFC

III.1.4.2. Financial intermediation

III.1.4.2.1. Evolution of the total balance sheet

Between December 2019 and December 2020, MFIs total balance sheet increased from 658.2 billion to 783.2 (+125.0) billion. That increase is due to the launching of the activities of a new network called RAINBOW (35.3 billion), and the increase in the total balance sheet of CAMCCUL (+20.9 billion), RECCUCAM (+11.1 billion), EXPRESS UNION (+13.2 billion) and FIRST TRUST (+5.8 billion).

The second category MFIs still have the highest balance sheet total in the sector (52.5%), followed by the first category MFIs (47.3%).

Table 3.19: Trend in MFIs total balance sheet (in billion CFA francs)

TOTAL BALANCE SHEET	31/12/2019	31/12/2020	% Total	Variation in volume	Variation in %
FIRST CATEGORY MFIs	322.2	370.8	47.4	48.7	15.1
SECOND CATEGORY MFIs	332.4	408.9	52.2	76.5	23.0
THIRD CATEGORY MFIs	3.7	3.4	0.4	-0.2	-5.8
TOTAL	**658.2**	**783.2**	**100**	**125.0**	**19.0**

Source : MFIs

III.1.4.2.2. Trend in deposits

The deposits collected by MFIs increased from 518.12 billion as at the end of December 2019 to 624.8 (+106.7) billion as at the end of December 2020, thus increasing by 20.6%.

With 325.0 billion deposits, second category MFIs take first (52.0%), followed by category 1 MFIs (48.0%). Third category MFIs are not allowed to collect customer deposits.

Table 3.20: Trend in MFIs' deposits (in billion CFA francs)

DEPOSITS	31/12/2019	31/12/2020	% Total	Variation in volume	Variation in %
FIRST CATEGORY	259.2	299.8	48.0	40.5	15.6
SECOND CATEGORY	258.9	325.0	52.0	66.2	25.6
TOTAL	**518.1**	**624.8**	**100**	**106.7**	**20.6**

Source : MFIs

As regards the breakdown per duration, 84.6% of the deposits collected by MFIs are short-term, as compared to 9.5% for medium-term deposits and 5.9% for long-term deposits.

Table 3.21: Trend in Deposits per Term (in billion CFAF)

DEPOSITS PER TERM	31/12/2019	31/12/2020	% Total	Variation in volume	Variation in %
LONG TERM	35.2	36.7	5.9	1.6	4.5
MEDIUM-TERM	45.3	59.4	9.5	14.1	31
SHORT-TERM	437.6	528.7	84.6	91.0	20.8
TOTAL	**518.1**	**624.8**	**100**	**106.7**	**20.6**

Source : MFIs

III.1.4.2.2. Trend in Loans

The volume of loans granted by MFIs rose from 394.4 to 454.6 (+60.3) billion between December 2019 and December 2020, thus increasing by 15.3%.

Aa at the end of December 2020, the second category MFIs are those that grants most of the loans, with 245.6 billion, as against 208.0 billion for the first category MFIs. The third category MFIs have a total loan volume of 1.0 billion.

Table 3.22: Trend in the loans granted by MFIs (in billion CFA francs)

LOANS	31/12/2019	31/12/2020	% Total	Variation in volume	Variation in %
FIRST CATEGORY MFIs	188.2	208.0	45.7	19.8	10.5
SECOND CATEGORY MFIs	205.1	245.6	54.0	40.5	19.8
THIRD CATEGORY MFIs	1.1	1.0	0.3	-0.04	-3.7
TOTAL	**394.4**	**454.6**	**100**	**60.3**	**15.3**

Source : MFIs

In all, 52.3% of the loans granted to customers are short-term loans, as compared to 34.1% for long-term loans and only 13.5% for medium-term loans.

Table 3.23: Trend in loans per term (in billion CFA francs)

LOANS PER TERM	31/12/2019	31/12/2020	% Total	Variation in volume	Variation in %
LONG-TERM	102.9	119.4	34.1	16.5	16.0
MEDIUM-TERM	40.3	47.3	13.5	7.0	17.3
SHORT-TERM	177.9	183.1	52.3	5.1	2.9
TOTAL	**321.1**	**349.7**	**100**	**28.6**	**8.9**

Source : MFI

In first category MFIs long term[7] loans represent 55.3% of all loans. In second category MFIs, short-term loans represent 74.7% of all loans (see Annex 5, Tables 14 and 15). The

[7]7 *Short-term loans: Loans with a term of up to 1 year*
Medium-term loans: Loans with a term between 1 and 3 years
Medium- term- loans: Loans with a term above 3 years

predominance of long-term loans in the first category comes from the CAMCCUL and RECCUCAM networks, whose loans are mainly long-term (70.7 and 21.1 billion respectively as at the end of December 2020).

In terms of portfolio quality, the volume of delinquent loans increased by 43.2% from 73.2 to 104.9 billion (+31.7). The delinquency rate thus increased from 18.6% as at December 21st, 2019 to 23.1% as at December 31st, 2020.

Table 3.24: Trend in delinquent loans (in billion CFA francs)

DELINQUENT LOANS	**31/12/2019**	**31/12/2020**	**% Total**	**Variation in volume**	**Variation in %**
FIRST CATEGORY MFIs	22.3	40.8	38.9	18.5	83.0
SECOND CATEGORY MFIs	50.5	63.5	60.5	13.0	26.0
THIRD CATEGORY MFIs	0.5	0.6	0.6	0.2	32.6
TOTAL	**73.2**	**104.9**	**100**	**31.7**	**43.2**

Source : MFIs

Third category MFIs have the highest delinquency rate (58.7%), followed by second category MFIs (25.8%). First category MFIs come last with a rate of 19.6%.

III.1.4.2.3. Transformation

In the first category, the loans/deposits ratio stood at 69.4% in 2020, as compared to 72.6% a year earlier (-3.2 points). In the second category, the said ratio fell from 79.2% to 75.6%, thus decreasing by 3.7 points.

The volume of resources collected from customers and members generally remained in surplus as compared to that of the loans granted.

Table 3.25: Trend of the loans/deposits ratio

CATEGORIES	**31/12/2019**			**31/12/2020**		
	DEPOSITS	**LOANS**	**LOANS/ DEPOSITS**	**DEPOSITS**	**LOANS**	**C LOANS / DEPOSITS**
FIRST CATEGORY	259.3	188.2	72.6%	299.8	208.0	69.4%
SECOND CATEGORY	258.9	205.1	79.2%	325.0	245.6	75.6%

Source : NEFC

Similarly, the ratio between long-term loans granted by MFIs and their short-term resources reveals that, generally, sight deposits are in excess over long and medium-term loans:

- In the first category, the ratio of long- and medium-term loans to sight deposits decreased from 42.3% to 40.9% (-1.4 percentage points) during the period under review;
- In the second category, it remains at around 19.7%, with a very slight decrease (-0.03 points).

Table 3.26: Trend in the ratio of long and medium term loans to sight deposits

CATEGORIES	31/12/2019			31/12/2020		
	Sight Deposits	**Long and Medium Term Loans**	**Long and Medium Term Loans/Sight Deposits**	**Sight Deposits**	**Long and Medium Term Loans**	**Long and Medium Term Loans/Sight Deposits**
FIRST CATEGORY	251.7	106.4	42.3%	294.6	120.5	40.9%
SECOND CATEGORY	185.9	36.7	19.7%	234.1	46.1	19.7%

Source : NEFC

III.1.4.2.3. Trend in the Annualized Percentage Rate (APR) charged by second category microfinance institutions

Thanks to the NEFC computer application for calculating the GER deployed among second category microfinance institutions, the cost of loans granted by MFIs has been measured reliably for the first time. Thus, more than 80% of the second category MFIs loan portfolio was covered by the NEFC in the first and second half of 2020.

As Compared to banks and financial companies, MFIs grant loans at very high rates to three types of customers: individuals, SMEs and legal entities other than SMEs and large companies (associations, CIGs, non-profit institutions, etc.). In fact, the average APR for loans granted to individuals (all categories combined) was 39.51% in 2020 as against an average nominal rate of 22.06%. That of overdrafts reached 55.31%, while that of consumer loans other than overdrafts, was 42.48%, as compared to 36.40% for medium-term loans. The least expensive loans granted by MFIs in the second category long-term loans with an APR of 18.17%, followed by real estate loans (25.11%) and discounting of bills of exchange (25.97%).

As for SMEs, the average APR charged on their loans was 32.55%. Although they are the category of MFI customers benefiting from the least expensive loans, SMEs apply more for short-term loans, the cost of which is still very high (36.22%). Those loans represent 70% of the loans granted to SMEs by second category MFIs. Discounting of bills of exchange was charged at 31.47% in 2020, as against 29.25% for overdrafts, 28.16% for medium-term loans and 23.58% for long-term loans.

Legal entities other than SMEs and large companies constitute the category of MFI customers whose loans are more expensive. In 2020, the average APR charged on their loans was 49.18%, with 63.15% for cash loans other than overdraft, 40.95% for medium-term loans and 26.99% for long-term loans.

Table 3.27: Annualized percentage rate charged on loans granted by second category MFIs per type of beneficiary

	Average nominal rates (%)	Average APR (%)
1. Individuals	**22.06**	**39.51**
Consumer loans, other than overdraft	20.83	42.48
Overdrafts	52.76	55.31
Discounting of bills of exchange	23.22	25.97
Medium-term loans*.	22.82	36.40
Long-term loans*.	13.06	18.17
Real estate loans	14.29	25.11
2.Small and medium-sized enterprises	**22.44**	**32.55**
Cash loans other than overdrafts, discounting of bills of exchange and factoring	23.06	36.22
Overdrafts	26.29	29.25
Discounting of bills of exchange	23.92	31.47
Medium-term loans	21.86	28.16
Long-term loans	18.26	23.58
3.Legal entities other than SMEs and Large Companies (GEs)	**32.73**	**49.18**
Cash loans, other than overdraft	41.45	63.15
Medium-term loans*.	25.16	40.95
Long-term loans*.	21.80	26.99
*This refers to loans other than mortgage loans		

Source: NEFC

Per business sector, households (average APR of 40.61%), customers of the trade, repair of motor vehicles and household goods sector (38.01%), as well as those of the agricultural, hunting and forestry sectors (37.76%), bear the highest costs.

The least expensive loans are granted to clients working in the financial activities sector (24.40%), the production and distribution of electricity, gas and water (28.80%), and, to some extent, those in the extractive sector (31.06%).

Tableau 3.1 :

Table 3.28: Annualized Percentage Rate (APR) charged on loans granted by second category MFIs per business sector

	Year 2020
Business sector	**Average APR(%)**
Agriculture, hunting and forestry	37.76
Fishing, fish farming, aquaculture	34.96
Mining and quarrying	31.06
Production activities	35.48
Production and distribution of electricity, gas and water	28.80
Construction	31.02
Trade; repair of motor vehicles and household goods	38.01
Hotels and restaurants	31.33
Transport, transport support activities and communications	31.38
Financial activities	24.40
Real estate, rentals and business services	35.42
Public administration activities	31.33
Education	33.80
Health and social welfare activities	33.32
Activities of a collective or personal nature	36.54
Activities of households as employers of household staff	40.61
Activities of extra-territorial organisations	32.78

Source : NEFC

III.1.4.3. Weight of the microfinance sector in the financial system

As at the end of December 2020, the total balance sheet Microfinance Institutions represented 11.2% of that of commercial banks. As for MFIs' deposits and loans, they represent respectively and identically 11.6% of banks' deposits and loans.

Tableau 3.2 :

Table 3.29: Comparison of banks and MFIs performances (amounts in billion CFA francs)

HEADINGS	31/12/2019	31/12/2020
MFIs Total balance sheet	658.2	783.2
Banks Total Balance Sheet	6,472.2	7,010.7
Total Balance Sheet (MFIs and Banks)	7,130.5	7,793.9
MFIs/Banks Total balance sheet (in %)	**10.2**	**11.2**
MFIs deposits	518.1	624.8
Banks Deposits	4,870.0	5,378.7
Total Deposits (MFIs and Banks)	5,388.1	6,003.5
MFIs/Bank deposits (%)	**10.6**	**11.6**
MFIs loans	394.4	454.6
Banks Loans	3,664.7	3,908.8
Total loans (MFIs and Banks)	4,059.0	4,363.5
MFIs/Bank loans (in %)	**10.8**	**11.6**

Source : MFIs, CERBER

As at December 31st, 2020, 2,451,881 accounts were opened in MFIs, as compared to 3,760,270 in commercial banks. During the year 2020, the number of accounts opened increased by 4.9% in the microfinance sector, and by 3.4% in the banking sector.

Table 3.30: Comparison of the number banks and MFIs accounts

Number of accounts opened	31/12/2019	31/12/2020	% Total	Variation in volume	Variation in %
Number of accounts in MFIs	2,336,783	2,451,881	39.5	115,098	4.9
Number of accounts in Banks	3,637,146	3,760,270	60.5	123,124	3.4
Total	**5,973,929**	**6,212,151**	**100**	**238,222**	**4.0**

Source : CIP-FIBANE-CASEMF Platform, CERBER

III.1.4.3. Trend in performance[8]

III.1.4.3.1. Social performance

Data from the Framework for the Analysis and Monitoring of Microfinance Institutions (CASEMF) show that all MFIs operating in Cameroon claim to be intended for serving the population excluded from the traditional banking sector, but the implementation of that intention was only effective among 44% of them in 2020.

[8] *The analysis of MFIs' performance is based on the information reported to the CIP-FIBANE-CASEMF platform. It is in line with the standards of the Consultative Group to Assist the Poor (CGAP), which serve as an international reference. (See Annex 6).*

74% use poverty and exclusion indicators to target their clients (low literacy, low income, insecure housing, lack of assets, geographical distance, number of family members, type of activity, physical disability), but less than 5% have branches in hard-to-reach areas. Similarly, the minimum amount required to open a savings account is more than CFAF 5,000 in 78% of institutions. Women represent more than half of the beneficiaries of loans in the books of only 2% of them, and in 41% of the institutions, depositors with a monthly savings level of less than 10,000 CFA francs represent less than 20% of all clients.

Customers or members access to non-financial services tailored to social needs is widespread in only 28% of institutions. Only 26% offer loans for community projects, and 11% have a special fund to respond to disasters or catastrophes in the communities within which they operate.

However, 89% of the institutions offer loans tailored to the needs of customers in the areas of education, housing, health, trade, agriculture, livestock and equipment. To that end, 60% define the loan repayment schedules jointly with the borrowers.

Besides, customers or members can meet a senior official in the event of a dispute in 70% of institutions, and 28% have a dedicated internal dispute resolution body.

Finally, 44% of the institutions have training/coaching programmes for small entrepreneurs, 74% have actions to facilitate their access to some services (health, education, electricity, justice, etc.), and 78% have adopted procedures to limit excessive interest rates and prevent over-indebtedness of clients/members.

III.1.4.3.2. Governance

The NEFC conducts quarterly assessments of the operational performance of MFIs. Due to the implementation of the Government Covid-19 pandemic response measures, that activity was only conducted in the fourth quarter of the 2020 financial year. Only 10 MFIs were assessed in 2020, as compared to 33 in 2019.

The scores obtained by the institutions evaluated reveal, as in 2019, that the factors that hamper the performance of MFIs in terms of governance are the weak capacity of shareholders to strengthen long-term resources when necessary, the scarcity or absence of relevant development plans, the non-compliance with organizational charts, and the absence of staff motivation and training policies. Furthermore, there is little risks coverage of by substantial insurance policies, and the rudimentary organization of archives management in the majority of institutions.

However, the main elements that support the operational performance of MFIs are the quality of the human resources they employ, the quality of their internal and external control systems, thanks to the supervision of the Supervisory Authority, and the relative soundness of their guarantees security devices.

Table 3.31: Average scores per criteria

ASSESSMENT CRITERIA	Rating -1.67 to 1.67	
	Average score 2019	**Average score 2020**
Capacity of shareholders to strengthen the Company long-term resources	-0.49	0.1
Regularity of meetings of social bodies	0.42	0.31
Effectiveness of the Board role	0.35	0.63
Strategic planning	0.28	-0.31
Compliance with the organization chart	0.63	0
Relevance of the organisation chart	0.35	0.84
Staff qualification	1.04	1.15
Staff training and motivation policies	-0.28	-0.84
Organization of internal and external control	0.7	0.73
Quality of the management of Accounting suspense	1.39	0.31
Quality of the information system	0.28	0.42
Quality of commitments management	0.35	0.42
Strength of the physical security device	0.77	0.84
Coverage of Operational risks by substantial insurance policies	0.21	0.1
Quality of the archive management system	0.28	-0.31

Source : CASEMF

As at the end of the 2020 financial year, the ranking of the best performing MFIs in terms of operational performance management remains unchanged as compared to 2019:

Table 3.32: Ranking of the 10 best performing MFIs as at the end of December 2020

	FIRST CATEGORY		**SECOND CATEGORY**	
N°	**MFIs**	**SCORE**	**MFIs**	**SCORES**
1	BAYELLE COOPERATIVE CREDIT UNION	11.7	ADVANS	22.5
2	CAISSE POPULAIRE DE LA DOUANE	10.9	FINANCIAL HOUSE	21.7
3	MC2 NJOMBE	10.02	PANAFRICAN	20.9
4	MC2 LOUM	9.2	FIRST TRUST SAVINGS AND LOANS	20.9
5	BAMENDA POLICE COOPERATIVE CREDIT UNION	9.1	FIGEC	20.9
6	MC2 NKONGSAMBA	9.2	MIGEC	16.7
7	BAFUNG COOPERATIVE CREDIT UNION	8.4	ACEP	15.9
8	MC2 FOTO	7.5	NOFIA	14.19
9	MC2 FOREKE	7.5	RURAL INVESTMENT CREDIT	13.36
10	MC2 BAFOUSSAM RURAL	7.5	EXPRESS UNION	13.4

Source : CASEMF

III.1.5. Reforms and Perspectives of the Banking and Microfinance System

III.1.5.1. Reforms and prospects for the banking system

III.1.5.1.1 Reforms of the banking system

III.1.5.1.1.1. Banking sector

In the banking sector, the year 2020, that witnessed a slowdown in activities due to the health crisis, was marked by the continuation of reforms in the financial sector provided for in the 2017-2020 Economic and Financial Programme (EFP) concluded on June 26th, 2017 between Cameroon and the International Monetary Fund (IMF).

With regard banks in difficulty, the implementation of the activities provided for in the restructuring plans continued in line with the timetable prescribed by COBAC. As for the

SMEs bank, it has started the implementation of its new business model adopted by the Board of Directors during its session of February 27th, 2020 and the implementation the objectives defined therein.

As regards the measures aimed at reducing the structurally high volume of bad debts, their implementation continued in line with the action plan drawn up under the 2017-2020 EFP. However, some planned activities, namely the seminar for bank managers on alternative disputes resolution mechanisms, or the evaluation seminar for judges trained in bank dispute resolution, could not be held because of the pandemic context.

Concerning the development of funding offers, a national workshop on Crowdfunding was held in February 2020 in order to raise awareness on that instrument among SMEs and project leaders. Furthermore, during that workshop, data was collected from the various stakeholders in order to propose recommendations for the development of a national crowdfunding policy.

III.1.5.1.1.2. Foreign exchange transactions and transfers

In terms of foreign exchange and transfers, the year 2020 was marked by the continued implementation of the reforms under Regulation No. 02/18/CEMAC/UMAC/CM of December 21st, 2018 on foreign exchange regulations within the CEMAC zone, and its 14 Instructions.

III.1.5.1.2. Perspectives of the banking system

During 2021, it is envisaged that the implementation of the reforms provided for in the EFP will continue. That is particularly the case for the finalisation of the restructuring of banks in difficulty, the implementation of the action plan for measures identified in the strategy for the recovery of bad debts, the implementation of the new business model of the SMEs bank, the continued implementation of the objectives of the Performance Contract between the State of Cameroon and the public bank.

Besides, actions to create awareness on the law to lay down some rules governing credit activity in the banking and microfinance sectors will be undertaken and activities relating to the development of a national policy on Crowdfunding in Cameroon will be launched within the Working Group created for that purpose.

III.1.5.2. Reforms and perspectives of the microfinance sector

III.1.5.2.1. Reforms of the microfinance sector

During the year 2020, some regulatory reforms were carried out. Those reforms, prompted by the negative effects of Covid-19 on the quality of the products and services offered by microfinance institutions to fund the economy, included:

- COBAC D-2020 /027 Decision of April 15th, 2020 on temporary derogations to some requirements of the regulations applied COBAC reporting institutions.
- COBAC D-2020/104 Decision of July 30th, 2020 on the adaptation of prudential regulations applicable to COBAC reporting Institutions.

Several circular letters from COBAC were also issued. With regard to the promotion of Islamic finance, the Support Programme to the Microfinance Funding Project Through the

Islamic Model (PPFMMIC) effectively started its activities and held its very first steering committee under the chairmanship of the Minister of Finance. That steering committee resulted, among other things, in the validation of the institutional and operational mechanism of the Programme and the installation of the coordinator and deputy coordinator of the Programme.

III.1.5.2.2. Perspectives of the microfinance sector

During the year 2021, the authorities in charge of supervision, control and management of the microfinance sector intend to continue the reforms undertaken, to strengthen the supervision, control and management of the microfinance sector in order to make it more consolidated and stable. Those actions are focused on:

- The continued dissemination to, and awareness raising of MFIs about the implementation of and compliance with the new regulatory framework that includes the creation of the Federation of Professional Associations of Microfinance Institutions of the CEMAC;
- The continued dissemination to, and awareness raising of MFIs about the Order on the allocation and management of the salary code to microfinance institutions;
- The continued work of the committee in charge of setting up a Guarantee and Refinancing Fund for MFIs;
- The improved monitoring of the impact of the Government microfinance support projects;
- The effective operationalization of the National Strategy for Inclusive Finance (NSIF) that will be based on the continued revision of the National Strategy for Inclusive Finance Paper taking into account research findings;
- The continued dissemination to, and awareness raising of MFIs about Regulation No. 01/17 CEMAC/UMAC/COBAC of September 27th, 2017 on the Conditions for Exercising and Supervising the Microfinance Activities Within the CEMAC Zone and the related 11 COBAC regulations;
- The continued training of trainers on microfinance, the preparation of a procedures manual for loan granting and recovery, etc.);
- The feeding and upgrading the Vigie microfinance database;
- The continued dissemination to, and awareness raising of MFIs about the NEFC computer platform.

III.2. Situation of the insurance sector

The year 2020 will have been marked, in the insurance sector in Cameroon by:

- The continued upgrading of the minimum share capital of insurance companies to five (05) billion in 2021;
- The continued public awareness campaign on the Direct Compensation Scheme (DCS) with a focus on social networks;
- The setting up of an inter-ministerial working group to carry out a global reflection on the insurance of administrative vehicles and defence and security forces and the

setting up of an administrative insurance certificate (Cf. Order n°00000763/MINFI of September 11th, 2020);

- The introduction of a dematerialized check of the authenticity of motor insurance attestations;
- The fight against capital evasion by monitoring compliance with the provisions on Community insurance and reinsurance sales;
- The monitoring of large-scale disasters;
- The delays in setting up the new reinsurance company on the one hand, and in revising the 1994 decree on motor third party liability insurance rates on the other hand.

Box 10: Glossary of the terms used in the insurance sector

Insurance: *A technique whose fundamental role is to protect assets and persons through the payment of financial benefits in the event of the occurrence of certain events, in return for a fee.*
Damage insurance or IARD insurance (Fire, Accident, Miscellaneous Risks): *Insurance whose purpose is to repair the consequences of a harmful event affecting the insured person's assets. They are subject to a fundamental principle known as the indemnity principle, according to which the insurer reimbursement may not in any case exceed the actual loss suffered by the insured.*
Personal insurance: *Insurance whose purpose is to pay lump-sum benefits in case of an event affecting the insured person. Those lump-sum benefits take the form of a capital or an annuity.*
Premium: *Contribution paid by the insured to the insurer in return for the insurance coverage provided.*
Premiums issued: *All contributions paid to the insurer by policyholders during a financial year (January 1st, - December 31st,); they constitute insurance company turnover.*
Earned premiums: *Sum of premiums written and changes in premium reserves.*
Provisions: *Sums of money set aside to cover the various debts of the insurer resulting from its contractual obligations towards the insured persons. The calculation of those provisions is regulated by the Insurance Code (Article 334).*
Provisions for current risks (PREC): *Provisions intended for the coverage of risks and general costs relating, for each of the contracts with premiums payable in advance, to the period between the inventory date and the next due date of the contract.*
Provisions for claims payable (PSAP): *Provisions to cover claims that have occurred prior to the year-end (December 31st,) but have not yet been paid.*
Technical provisions (TP): *Debts of the insurer appearing on the liabilities side of the balance sheet, which must be represented on the assets side of the balance sheet by equivalent values in investments, according to the standards imposed by the insurance code*

Mathematical provisions (MP): *Provisions relating exclusively to life insurance operations and made up of the sums that the insurer must set aside to meet its commitments to the insured person.*
Net financial income (NFI): *Difference between investment income and investment expenses.*
Claim: *The occurrence of the harmful event provided for and guaranteed in the contract.*
Claims paid: *Sums disbursed by the company during a financial year for the payment of claims, whatever their year of occurrence.*
Matured benefits: *Payments due for matured life insurance and capitalization contracts.*
Claims costs: *The sum of claims paid and the variation in claims reserves.*
Reinsurance: *A transaction whereby an insurance company (ceding or direct insurer) in turn, obtains insurance from another company (the reinsurer or cessionary) for all or part of the risks it has insured.*
Reinsurance balance: *balance of reinsurers' shares of expenses and premiums earned from reinsurers.*
Solvency margin: *Additional guarantee imposed by the insurance code (Article 337) intended for guaranteeing commitments to policyholders and dealing with the risks inherent in the insurance business.*
It corresponds globally to the company's own funds.
Regulated liabilities: *Those are gross technical provisions (TP) for recourse and reinsurance as well as privileged debts, covered by safe, liquid, profitable (or in accordance with the regulations), diversified assets.*

Source : DNA

III.2.1. Brief presentation of the Cameroonian insurance business sector

Due to CIMA regulations on the consolidation of insurance company statistics, data for the insurance sector in 2020 can only be available in the second half of 2021. Consequently, the information contained in the report is for 2019.

Thus, for the 2019 financial year, the Cameroonian insurance business sector is made up of twenty-eight (28) licensed companies, of which seventeen (17) are in the property and casualty branch and eleven (11) in life and capitalization branch. The distribution network is led by 101 General Agencies, 114 brokerage companies and 98 self-employed agents.

The insurance business sector, that employs more than 5,000 people, achieved an overall turnover of 209.0 billion as compared with 207.26 billion in 2018, which represents an increase by 0.9%.

Property and casualty issuances account for 67.5% of market share while life issuances account for 32.5%.

Motor insurance accounts for 21.5% of total market issuances.

In 2019, insurance companies built up technical (non-life) and mathematical (life) reserves for a cumulative amount of 362.3 billion, which represents an increase by 6.6% over the previous year.

Investments are mainly made up of bank deposits, real estate, bonds and other government

Net financial income generated from investments amounted to 11.3 billion as compared to 8.9 billion in 2018, thus increasing by 27.2%.

The amount of benefits paid to households and production units is growing steadily. In 2019, it was 96.9 billion as compared to 93.79 billion in 2018, thus increasing by of 3.3% as compared to the previous year.

Insurance intermediaries (general agents and brokers) contributed 43.3% of the turnover generated by all insurance companies, as compared to almost 43.0% in 2018. In return, they received 25.5 billion in commissions, which represents 12.2% of those issuances.

In 2019, the payroll of insurance companies in the market increased by 13.7% to 18.5 billion.

The cumulative stock of outstanding premiums as at December 31st, 2019 continues to grow and represents almost 16.0% of the non-life turnover achieved in 2019.

The loss ratio for the overall market increased to 55.2% from 52.0% in 2018.

The market penetration rate fell by 0.4 percentage points between 2018 and 2019. In the non-life sector, it rose from 39.4% to 40.3%, while in the life and pensions sector it fell from 30.7% to 28.2%.

Management expenses decreased by 89.8 million between 2018 and 2019 to 76.0 billion, representing 36.3% of issuance compared to 36.7% in 2018.

In 2019, the reinsurance balance remains in favour of reinsurers at 17.0 billion as compared to 20.2 billion in 2018.

Insurance transactions for all branches combined generated an operating result net of reinsurance of 12.63 billion as compared to 10.1 billion in 2018, thus increasing by 25.2%. That increase was mainly driven by the property and casualty branch.

As regards the financial situation of the sector, the portfolio of assets accepted as coverage for regulated commitments with regard to all branches combined stood at 447.3 billion in 2019, thus increasing by 11.0% over one year. It represents 111.8% of regulated liabilities.

Besides, the market showed as at December 31st, 2019 an available margin of 106.59 billion for a minimum required margin of 33.6 billion; which represents a coverage ratio of the minimum solvency margin of 317.3% as against 258.9% in 2018.

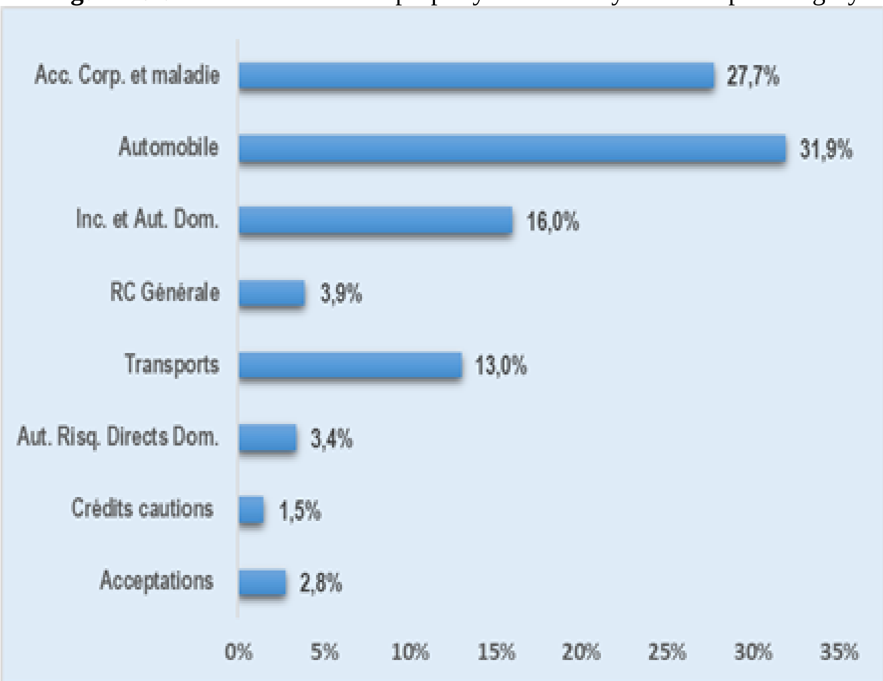
III.2.2. Property and casualty insurance

As in 2018, the Property and casualty branch consists of 17 companies.

III.2.2.1. Production

The turnover achieved by the property and casualty branch in 2019 amounts to 141.2 billion. It is down by 1.5% as compared to 2018. It is mainly driven by "Motor" and "Personal injury and health" insurance.

Figure 3.8: Breakdown of 2019 property and casualty turnover per category



Source : MINFI/DNA

Table 3.33: Breakdown of turnover by company from 2017 to 2019

COMPANIES	PREMIUMS ISSUED (in billion CFA francs)			MARKET SHARES (%)		
	2017	2018	2019	2017	2018	2019
ACTIVA	17.1	19.7	17.4	12.5	13.6	12.3
ALLIANZ	13.7	14.5	14.9	10.0	10.1	10.6
AREA	4.5	5.2	4.5	3.3	3.6	3.2
AGC	3.4	4.0	3.8	2.5	2.8	2.7
ATLANTIQUE	0.1	1.4	3.0	0.1	1.0	2.1
AXA	19.0	20.5	20.8	13.8	14.3	14.7
CHANAS	12.1	11.6	12.2	8.9	8.1	8.6

CPA	3.0	2.4	2.2	2.2	1.7	1.6
GMC	8.8	9.0	9.3	6.4	6.3	6.6
NSIA	7.2	8.8	10.3	5.3	6.1	7.3
PRO ASSUR	3.1	3.6	3.0	2.3	2.5	2.1
PRUBGI	3.2	3.3	3.0	2.3	2.3	2.1
ROYAL ONYX		0.5	1.6	-	0.4	1.2
SAAR	19.2	18.7	17.3	14.0	13.0	12.2
SAHAM	10.8	10.5	9.0	7.9	7.3	6.4
SAMARITAN				-	-	-
SUNU IARD	1.4	1.7	3.3	1.0	1.2	2.3
ZENITHE	10.4	8.2	5.7	7.6	5.7	4.0
P&C TOTAL	**137.1**	**143.4**	**141.2**	**100**	**100**	**100**

Source : MINFI/DNA

III.2.2.2. Financial Income

The net financial income from investments increased by 12.2% compared to 2018, from 5.0 billion in 2018 to 5.6 billion in 2019.

III.2.2.3. Claims expenses

The claims expenses increased in the property and casualty branch in 2019. It amounted to 65.2 billion as compared to 63.0 billion in 2018, thus increasing by 3.5%.

The trend over the past five (05) years of the claims expenses for the damage branch is presented in the table below:

Table 3.34: Trend in the claims expenses from 2017 to 2019

COMPANIES	2017	2018	2019	Variation
	(in million CFA francs)			(in %)
ACTIVA	433.9	233.8	-78.6	-133.6
ALLIANZ	2,653.6	2,561.3	3,406.3	33.0
AREA	120.1	134.5	154.2	14.7
AGC	114.4	226.3	107.5	-52.5
ATLANTIQUE	44.4	79.2	76.6	-3.3
AXA	671.2	606.6	744.2	22.7
CHANAS	606.3	445.9	573.9	28.7
CPA	170.5	148.9	160.5	7.8
GMC	268.9	264.6	270.7	2.3
NSIA	-13.8	-77.5	-4.7	-94.0
PRO ASSUR	118.8	144.2	178.4	23.7
PRUBGI	85.0	19.6	-0.8	-104.0
ROYAL ONXY		35.4	53.4	50.9
SAAR	-176.4	131.7	-46.9	-135.6
SAHAM	136.0	138.9	238.9	72.0
SAMARITAN				-
SUNU IARD	-0.1	41.1	51.6	25.5
ZENITHE	-81,0	-138.6	-281.4	103.1
P&C TOTAL	**5,151.8**	**4,995.7**	**5,603.8**	**12.2**

Source : MINFI/DNA

The loss ratio in the property and casualty branch was 45.8% in 2019, as compared to 44.1% in 2018 and 36.5% in 2017.

III.2.2.4. Management expenses

The management expenses also increased over the past five (05) years. In 2019, they amounted to 76.0 billion.

III.2.2.5. Reinsurance

In 2019, the property and casualty branch reduced its reinsurance balance deficit by 18.4% to -16.0 billion. The average premium sale rate for the property-casualty line was 29.4%.

Tableau 3.3 : Table 3.35: Reinsurance balances per company between 2017 and 2019

Companies	2 017	2 018	2 019
	(In million CFA francs)		
ACTIVA	-1,958.1	2,364.6	-1,132.8
ALLIANZ	2,603.3	-1,855.6	3,484.5
AREA	-504.9	-348.3	197.8
AGC	-306.1	-436.3	-272.4
ATLANTIQUE	-7.1	-140.4	-15.5
AXA	-6,360.1	-7,359.9	-6,868.1
CHANAS	-2,508.5	-3,240.0	-4,383.2
CPA	-784.9	-178.6	-100.5
GMC	-219.5	-258.1	-135.7
NSIA	-1,628.5	-913.7	-1,010.9
PRO ASSUR	-229.1	-426.5	89.9
PRUBGI	155.9	33.3	-221.3
ROYAL ONYX		207.4	-621.9
SAAR	-6,777.9	-2,527.5	-2,366.2
SAHAM	-1,657.7	-4,728.9	-1,458.2
SAMARITAN			
SUNU IARD	-38.1	-128.3	-194.9
ZENITHE	-1,011.0	293.5	-1,026.9
P&C TOTAL	**-21,232.4**	**-19,643.4**	**-16,036.3**

Source : MINFI/DNA

III.2.2.6. The Operating Income

The property and casualty branch generated an operating income net of reinsurance of 10.0 billion in 2019 as compared to 8.8 billion in 2018, thus increasing by 14.5%.

Table 3.36: Net operating income of the Property and Casualty branch between 2017 and 2019

COMPANIES	2017	2018	2019	Variation
	(In million CFA francs)			(In %)
ACTIVA	3,044.2	3,090.4	2,975.6	-3.7
ALLIANZ	3,046.1	-379.4	3,069.9	909.1
AREA	303.8	129.9	177.2	36.4
AGC	428.5	286.2	187.8	-34.4
ATLANTIQUE	-1.1	-285.0	-1.7	99.4
AXA	2,781.4	2,084.2	2,300.9	10.4
CHANAS	-382.6	-1,112.2	487.6	143.8
CPA	-34.0	0.7	90.0	12,007.5
GMC	643,7	446.0	131,4	-70.5
NSIA	-271.2	1,538.1	1,801.2	17.1
PRO ASSUR	533.4	882.1	-1,227.9	-239.2
PRUBGI	115.6	-842.7	-447.4	46.9
ROYAL ONXY		-578.3	-918.9	-58.9
SAAR	-482.8	102.9	1,364.6	1,226.1
SAHAM	410.9	340.8	129.0	-62.1
SAMARITAN				
SUNU IARD	-110.1	-494.7	115.8	123.4
ZENITHE	2,186.9	3,551.6	-200.4	-105.6
P&C TOTAL	**12,212.9**	**8,760.6**	**10,034.7**	**14.5**

Source : MINFI/DNA

III.2.2.7. Regulated commitments

In 2019, the property and casualty branch had regulated liabilities of 148.0 billion for assets admitted as coverage for 175.2 billion, thus representing a coverage rate of 118.3%.

Table 3.37: P&C companies' regulated commitments in 2019

Companies	Amount of regulated commitments	Amount of assets accepted as coverage	Coverage balance	Coverage rate
	(in million CFA francs)			(in %)
ACTIVA	18,501.5	18,992.8	491.3	102.7
ALLIANZ	22,223.5	28,263.9	6,040.4	127.2
AREA	6,016.7	6,751.9	735.2	112.2
AGC	3,106.5	4,993.8	1,887.3	160.8
ATLANTIQUE	1,347.1	2,612.9	1,265.8	194.0
AXA	15,950.0	20,030.5	4,080.4	125.6
CHANAS	12,821.0	14,041.5	1,220.6	109.5
CPA	3,720.8	3,761.1	40.4	101.1
GMC	10,548.8	10,829.6	280.8	102.7
NSIA	5,035.3	5,978.2	942.9	118.7
PRO ASSUR	5,332.5	9,404.8	4,072.3	176.4
PRUBGI	1,436.9	2,103.0	666.2	146.4
ROYAL ONXY	572.0	2,609.8	2,037.8	456.2
SAAR	22,585.3	24,887.3	2,302.0	110.2
SAHAM	7,835.0	8,071.5	236.5	103.0
SUNU IARD	3,954.0	4,475.9	521.9	113.2
ZENITHE	7,042.6	7,349.3	306.7	104.4
P&C TOTAL	**148,029.5**	**175,157.9**	**27,128.4**	**118.3**

Source : MINFI/DNA

III.2.2.8. The solvency margin

As in 2018, the solvency margin for all property and casualty insurance companies remains in surplus. It increased from 47.9 billion in 2018 to 55.7 billion in 2019. The solvency margin rate was 352.3% in 2019 as compared to 307.1% in 2018.

Table 3.38: Solvency margin for Property and casualty insurance companies in 2019

Companies	Available margin	Minimum margin	Margin balance	Margin rate
	(in million CFA francs)			**(in %)**
ACTIVA	7,168.2	1,739.06	5,428.6	412.1
ALLIANZ	9,559.0	1,922.8	7,636.2	497.1
AREA	3,561.9	629.5	2,932.3	565.8
AGC	3,457.4	696.9	2,760.5	496.1
ATLANTIQUE	2,065.7	560.4	1,505.4	368.6
AXA	7,296.2	3,051.8	4,244.4	239.1
CHANAS	7,588.2	2,861.9	4,726.3	265.1
CPA	1,962.0	412.8	1,549.2	475.3
GMC	4,575.2	1,453.9	3,121.3	314.7
NSIA	4,168.7	1,740.9	2,427.8	239.5
PRO ASSUR	4,498.6	508.7	3,989.9	884.4
PRUBGI	910.6	629.2	281.4	144.7
ROYAL ONXY	1,881.4	97.1	1,784.3	1,938.5
SAAR	9,178.6	3,194.3	5,984.4	287.4
SAHAM	4,328.1	901.5	3,426.6	480.1
SUNU IARD	1,722.1	619.6	1,102.4	277.9
ZENITHE	3,864.9	1,058.9	2,806.0	365.0
P&C TOTAL	**77,786.8**	**22,079.9**	**55,706.9**	**352.3**

Source : MINFI/DNA

III.2.3. Life insurance

In 2019, eleven (11) insurance companies were active in the life and capitalization branch.

III.2.3.1. Production

As regards insurance premiums for life and capitalization companies, they increased by 6.2%. They amounted to 67.8 billion in 2019, 50.6% of which came from group insurance.

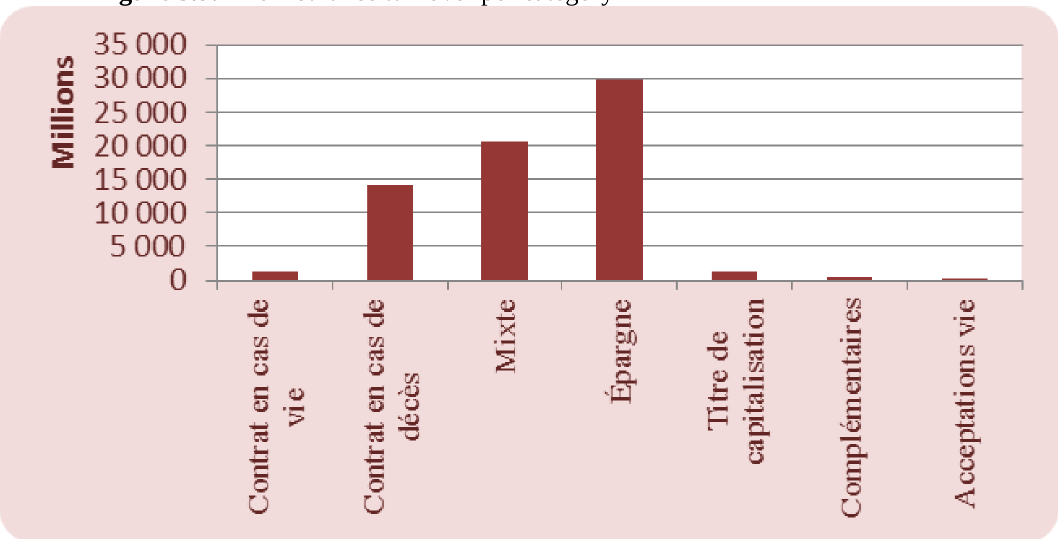
Table 3.39. Breakdown of turnover by company from 2017 to 2019

COMPANIES	PREMIUMS ISSUED (in million CFA francs)			MARKET SHARES (in %)		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
ACAM VIE	130.2	207.9	1,159.4	0.0	0.3	1.7
ACTIVA VIE	7,269.8	8,099.6	8,344.3	14.2	12.7	12.3
ALLIANZ VIE	1,7983.7	19,603.7	19,933.6	34.4	30.7	29.4
NSIA VIE	1,610.3	1,572.9	1,509.8	2.3	2.5	2.2
PRO ASSUR VIE	242.6	356.7	340.3	0.4	0.6	0.5
PRUBLI	11,222.0	12,830.1	13,619.1	19.0	20.1	20.1
SAAR VIE	3,898.2	4,354.0	4,515.0	7.0	6.8	6.7
SAHAM LIFE	3,441.1	3,647.2	3,320.0	6.0	5.7	4.9
SUNU VIE	11,750.4	9,082.9	10,787.7	16.8	14.2	15.9
WAFA VIE	2,479.9	4,155.2	4,308.8	0.0	6.5	6.4
LIFE TOTAL	60,028.2	63,910.0	67,838.0	**100**	**100**	**100**

Source : MINFI/DNA

Life and capitalization issuances represent 32.5% of the sector overall turnover. The activity in that branch is driven by "savings", " joint contracts" and " life policies".

Figure 3.9: Life insurance turnover per category



Source : MINFI/DNA

The distribution network for life insurance and capitalisation products is strongly driven by self-employed agents and the banking network.

In 2019, the mathematical provisions of the life and capitalization branch amounted to 235.7 billion as compared to 217.1 billion in 2018, thus increasing by 8.5%. Almost 62.0% of those mathematical provisions are related to savings contracts.

III.2.3.2. Financial income

In 2019, the life and capitalisation branch achieved net financial income of around 5.7 billion. They represented 8.4% of the issuances in that branch.

III.2.3.3. Service expenses

In 2019, the expenses matured for payment amounted to 38.0 billion, more than half of which was devoted to savings contracts. The service expense amounted to 50.9 billion.

Table 3.40: Service expenses per category of life insurance in 2019

CATEGORIES	Individual	Collective	Life acceptances	Overall
	(en million F CFA)			
Lifetime contract	0.0	1,154.3	0.0	1,154.3
Contract in case of death	330.2	3,680.5	0.0	4,010.7
Mixed	12,291.4	36.4	0.0	12,327.8
Savings	9,792.9	21,893.8	0.0	31,686.7
Capitalization security	1,412.4	0.0	0.0	1,412.4
Supplements	30.5	207.3	0.0	237.8
Life acceptances	0.0	0,0	54.7	54.7
TOTAL	**23,857.4**	**26,972.3**	**54.7**	**50,884.4**

Source : MINFI/DNA

The average loss ratio was 75.0% as compared to 72.5% in 2018.

III.2.3.4. Management expenses

In 2019, the management expenses for the life and capitalization branch was 19.1 billion, 55.8% of which was devoted to individual contracts. It represented 28.2% of the issuances of that branch as against 30.7% the previous year.

III.2.3.5. Reinsurance

3.3% of the premiums issued in 2019 in the life and capitalization branch were sold as reinsurance.

reinsurance balance for that branch was in deficit by 968.3 million and remains in favour of the reinsurers. Only savings showed a surplus reinsurance balance.

Table 3.41: Reinsurance balances per company in 2019

Companies	2 017	2 018	2 019
	(in million CFA francs)		
ACAM VIE	-0.5	-1,0	-11.4
ACTIVA VIE	-202.6	-82.1	-112.1
ALLIANZ VIE	474.9	603.2	-37.4
NSIA VIE	-59.5	-42.9	-86.4
PRO ASSUR VIE	-30.2	-66.8	-86.6
PRUBLI	-341.4	-445.7	-227.5
SAAR VIE	452.8	-53.3	-152.7
SAHAM LIFE	-145.0	-99.4	106.0
SUNU VIE	131.7	-323.4	-325.7
WAFA VIE	-16.0	-39.5	-34.8
LIFE-INSURANCE	**264.2**	**-550.8**	**-968.3**

Source : MINFI/DNA

III.2.3.6. Income

The life and capitalization branch achieved a net operating income of 2.6 billion in 2019 as compared to 1.3 billion in 2018.

Table 3.42: Income 2019

CATEGORIES	Individual	Collectives	Life acceptances	Overall
	(in million CFA francs)			
Life time contract	0.0	-116.5		-116.5
Contract in case of death	1,130.1	2,865.5		3,995.6
Mixed	1,218.3	-0.2		1,218.1
Savings	-1747,8	-667.2		-2,414.9
Capitalization security	-374.1	119.9		-254.2
Supplements	307.4	-194.9		112.5
Life acceptances			58.7	58.7
OVERALL	**534.0**	**2,006.7**	**58.7**	**2,599.3**

Source : MINFI/DNA

III.2.3.7. Regulated commitments

In 2019, the regulated commitments of the life and capitalization branch rose by 9.5% to 252.3 billion.

The assets accepted as coverage for those liabilities increased by 13.4% to 272.2 billion.

The assets held by life and capitalization insurance companies are mainly bank deposits (49.1%) followed by bonds and other government securities (20.0%).

Table 3.43: Regulated Commitments in the Insurance Companies Sector Between 2017 and 2019

Companies	2017	2018	2019
	(in %)		
ACAM VIE	218.8	105.3	169.7
ACTIVA VIE	100.2	100.2	102.6
ALLIANZ VIE	102.3	101.3	106.0
NSIA VIE	226.5	223.6	252.6
PRO ASSUR VIE	448.7	445.9	130.8
PRUBLI	119.9	119.6	118.0
SAAR VIE	94.4	96.1	112.7
SAHAM LIFE	106.4	96.0	98.3
SUNU VIE	98.5	100.7	100.7
WAFA VIE	115.5	100.1	120.6
OVERALL LIFE	**104.9**	**104.2**	**107.9**

Source : MINFI/DNA

III.2.3.8. The solvency margin

In 2019, the solvency margin of the life and capitalization branch was in surplus by 17.3 billion as compared to 5.7 billion in 2018.

Table 3.44: Solvency margin of general insurance companies in 2019

Companies	Available margin	Minimum margin	Balance of margin	Margin rate (in %)
	(in million CFA francs)			
ACAM VIE	1,753.8	62.2	1,691.6	2,820.7
ACTIVA VIE	2,522.2	1,363.0	1,159.2	185.1
ALLIANZ VIE	4,887.7	5,002.6	-115.0	97.7
NSIA VIE	2,279.2	64.6	2,214.6	3,528.1
PRO ASSUR VIE	1,061.8	41.0	1,020.9	2,592.5
PRUBLI	6,694.8	1,357.2	5,337.6	493.3
SAAR VIE	3,945.9	492.5	3,453.4	801.2
SAHAM LIFE	1,392.5	638.0	754.4	218.3
SUNU VIE	1,446.6	2,072.3	-625.7	69.8
WAFA VIE	2,826.7	419.6	2,407.2	673.7
OVERALL LIFE	**28,811.1**	**11,513.0**	**17,298.2**	**250.3**

Source : MINFI/DNA

III.2.4. Perspectives of the insurance sector

The following major actions are envisaged in the insurance sector in the year 2021:

- the completion of the Share holding arrangements for the new reinsurance company;
- the signing of the implementation decree setting up the Automobile Guarantee Fund;
- the supervision and monitoring of the automobile insurance digitization process;
- the completion of the signature process of the implementation instrument instituting a container rental insurance in Cameroon.

III.3. Financial market situation

III.3.1. BEAC open-end public securities market

Thanks to the reforms implemented since 2017, the CEMAC treasury securities market has developed considerably. Thus, the outstanding amount of those securities increased from 907.6 billion in 2017 to 3,225.3 billion in 2020. That market is now one of the main sources of funding for CEMAC countries. Indeed, the substantial sums raised in 2020, more than 1,000 billion, have made it possible to fund numerous infrastructure projects and to deal with unforeseen expenditure caused by the various consequences of the Covid-19 health crisis.

Despite that encouraging momentum, the treasury securities market has a significant improvement potential that should be optimized. The current reforms of the regulatory corpus of that market, undertaken by BEAC with the support of the International Monetary Fund (AFRITAC Centre), the World Bank and the African Development Bank, are part of that perspective, and are geared towards making that market perfectly liquid and turning it into the main means for domestic funding of public deficits and for management of the cash flow gaps of the States.

III.3.1.1. Primary market

The issuances of Treasury securities through auctions organized by t BEAC reached a record level in 2020, with 3,236.7 billion raised through 221 auctions, 149 of which were in the form of assimilable Treasury bills (BTAs) for 2,059.0 billion and 72 in the form of assimilable Treasury bonds (OTAs) for 1,177.8 billion.

The resources raised by Treasuries during the year were 13.7% higher than in 2019 and accounted for almost 30.7% of the total resources raised on the Treasury securities market since its launching in 201l. Issuances of medium- and long-term instruments (OTAs) are particularly strong, with a total amount of 1,177.8 billion raised in 2020, thus representing an increase by 41.7% as compared to issuances in 2019, that were valued at 831.2 billion.

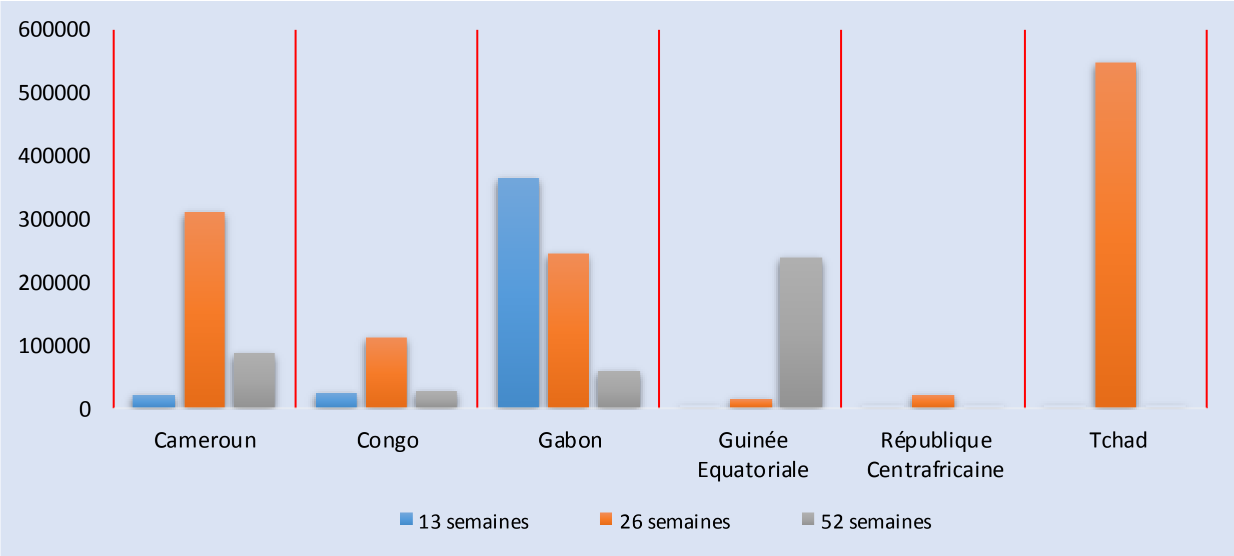
Despite the significant progress made in the medium- and long-term segment, issuance on the auctioned Treasury securities market remains concentrated mainly on short-dated instruments (Assimilable Treasury Bonds), which accounted for almost 63.6% of total activity during the period under review, as compared to 70.8% in 2019.

Table 3.45: Volume of issuances by auction of CEMAC treasury securities (in million CFAF)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Cumulative issuances since 2011
BTA (ATB)	**51,560**	**119,400**	**301,000**	**257,400**	**430,100**	**796,765**	**843,941**	**1,103,562**	**2,015,078**	**2,058,973**	**7,977,779**
Cameroon	50,000	110,000	126,000	145,000	125,150	174,170	173,355	217,000	403,010	413,918	**1,937,603**
Congo							23,700	50,910	218,112	161,715	**454,437**
Gabon			164,000	73,900	131,950	273,880	377,186	445,091	672,331	667,341	**2,805,679**
Equatorial Guinea					15,000	60,000	78,000	79,000	170,131	248,469	**650,600**
Central African Republic	1,560	9,400	11,000	11,000	16,000	19,000	23,000	9,500	19,000	19,000	**138,460**
Chad				27,500	142,000	269,715	168,700	302,061	532,494	548,530	**1,991,000**
OTA			**49,011**	**47,056**	**156,760**	**194,657**	**34,800**	**81,449**	**831,186**	**1,177,770**	**2,572,689**
Cameroon			23,511	10,000					240,205	360,713	**634,429**
Congo									123,500	390,975	**514,475**
Gabon			25,500	37,056	17,500	20,300	8,000	81,449	176,481	367,262	**733,548**
Equatorial Guinea									291,000		**291,000**
Central African Republic										15,808	**15,808**
Chad					139,260	174,357	26,800			43,012	**383,429**
Total	**51,560**	**119,400**	**350,011**	**304,456**	**586,860**	**991,422**	**878,741**	**1,185,011**	**2,846,264**	**3,236,743**	**10,550,468**

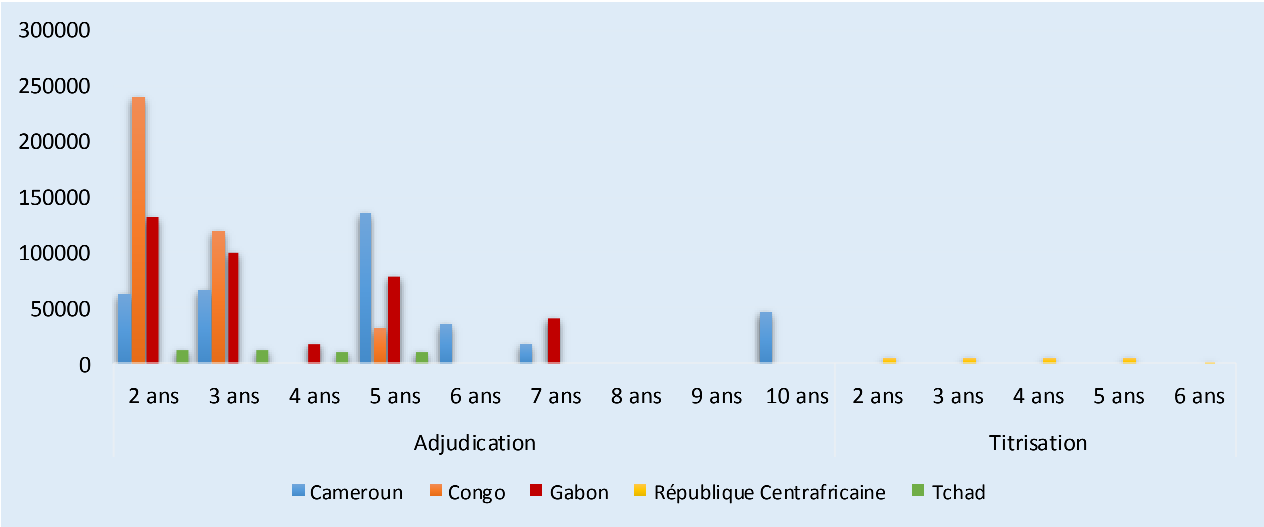
Source : CRCT

Figure 3.10: Issuance volumes per maturity of ATBs in 2020 (in million CFAF)



Source: CRCT

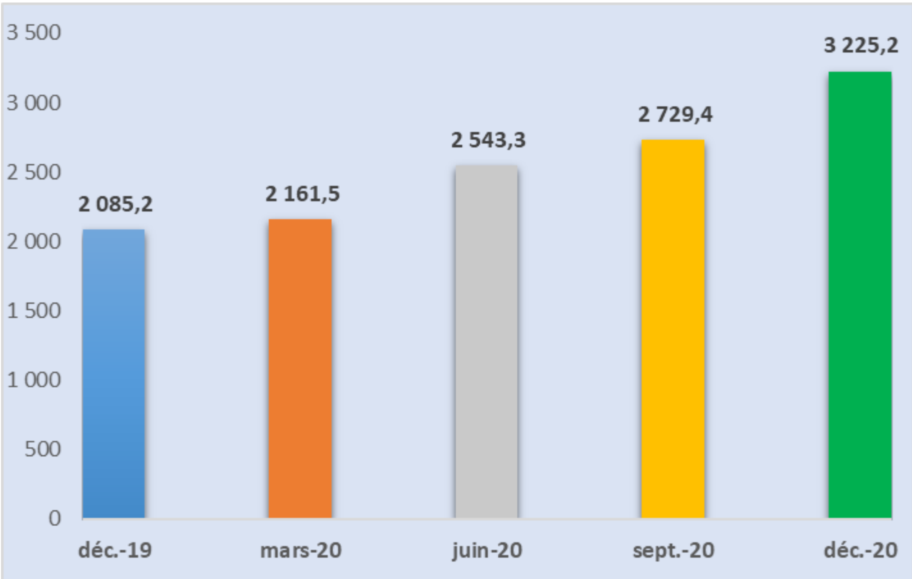
Figure 3.11: Issuance volumes per ATO maturity in 2020 (in million CFAF)

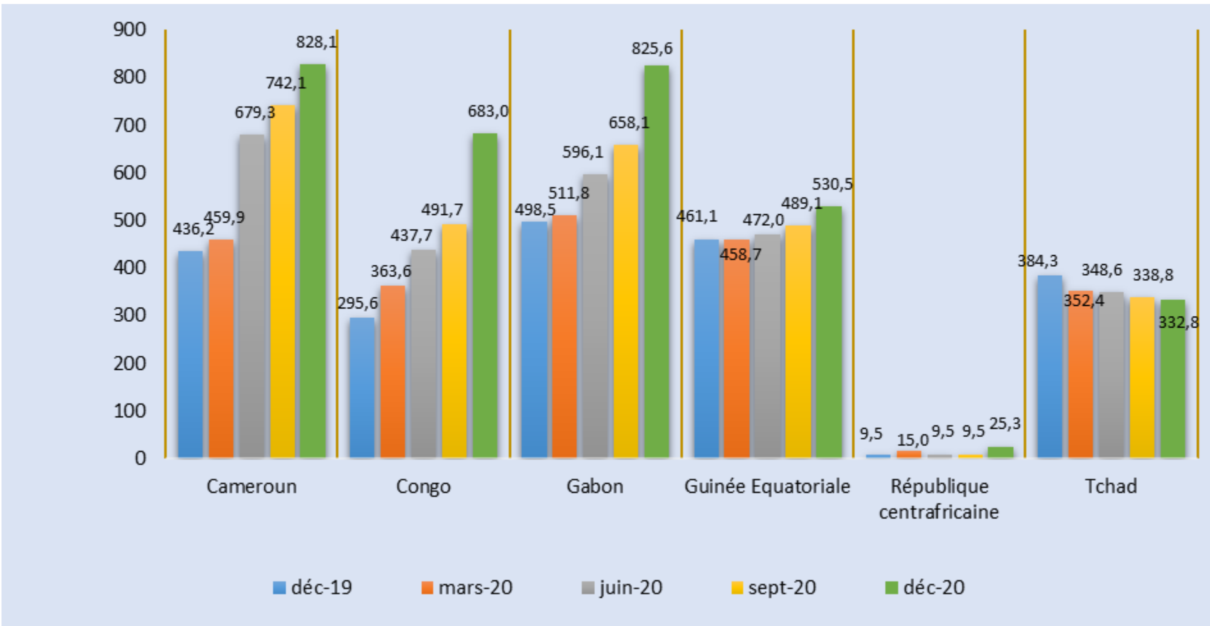


Source: CRCT

The outstanding debt on the Treasury securities market (BTA and OTA) of CEMAC Member States continued to increase. It has now exceeded the 3 000 billion target to reached 3,225.2 billion as at December 31st, 2020, up by 18.2% as compared to the situation as at the end of September 2020, and by 54.7% as compared to the same period a year earlier. The increase in the stock of Treasury securities has been observed for all issuing Treasuries.

Figure 3.12: Trend in outstanding CEMAC treasury securities between December 2019 and December 2020 (in billion CFAF)

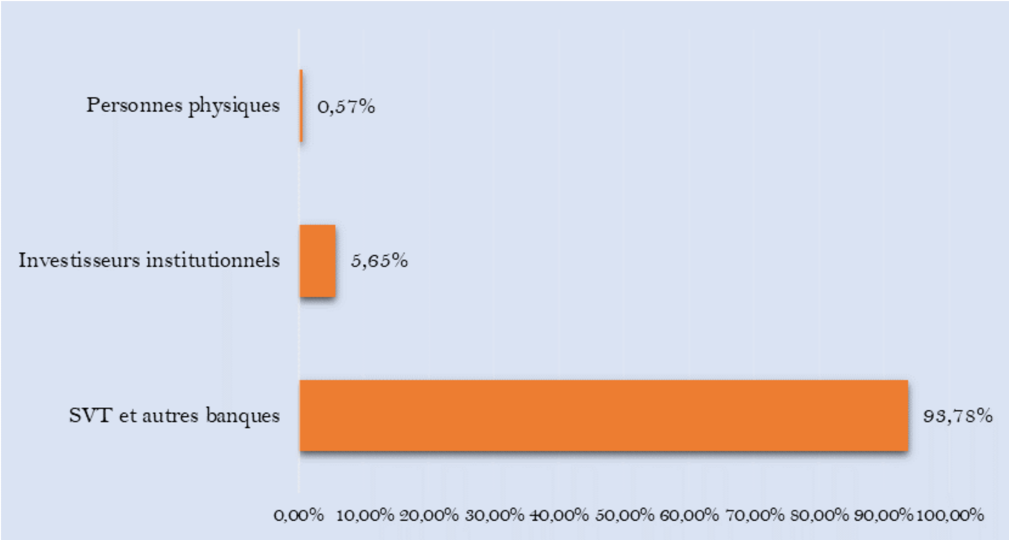




Source : CRCT

Outstanding securities with in the CEMAC zone remained mainly held by Primary Dealers (PDs) and other non PD banks, which account for 93.8% of outstanding Treasury securities as at the end of 2020. With barely 2% as at the end of December 2019, institutional investors and individuals will hold 6.2% of securities in circulation as at the end of December 2020.

Figure 3.13: Structure of holders of Treasury securities at December 31st, 2020



Source : CRCT

With more than half of all outstanding treasury securities within the CEMAC zone (54.3%), investors based in Cameroon are the most active in that market. The remaining securities are distributed among investors based in Gabon (13.0%), Congo (11.7%), Equatorial Guinea (10.5%), Chad (8.9%), and the Central African Republic (1.7%). Securities issued by Gabon and Congo remain the most exportable, as 66.8% and 63.3% of the respective outstanding amounts of those securities are held by investors outside those respective countries. Most of the outstanding securities issued by the treasuries of Cameroon (84.0%), Equatorial Guinea (61.6%) and Chad (62.7%) are held by investors based in those respective countries. In the Central African Republic, all government securities are held by local investors.

Table 3.46: Breakdown of outstanding Treasury securities per country of final holder at December 31st, 2020

Issuing countries	**Investor's country**						**Total**
	Cameroon	**Congo**	**Gabon**	**Equatorial Guinea**	**African Republic**	**Chad**	
Cameroon	695.3	63.8	38.7	0	6	24.3	**828.1**
Congo	318.7	250.7	80.9	11	1	20.7	**683.0**
Gabon	457.1	44.1	274	0	18.1	32.2	**825.6**
Equatorial Guinea	161.7	15	20	326.8	5	2	**530.5**
Central African Republic	0	0	0	0	25.3	0	**25.3**
Chad	117.5	3.5	5.2	0	0	206.6	**332.8**
Grand Total	**1 750,3**	**377,1**	**418,9**	**337,8**	**55,5**	**285,8**	**3 225,2**

Source : CRCT

The securities issued by public treasuries and maturing in 2020 have been regularly repaid by the States. The total amount of repayments by Treasuries during 2020 was 2,142.1 billion, divided into 1,959.9 billion for BTAs and 182.1 billion for OTAs. Those repayments are up on the amount recorded last year, which stood at 1,908.7 billion, of which 1,820.3 billion for BTAs and 88.4 billion for OTAs.

Table 3.47 Trend in repayments of Treasury securities (BTA and OTA) per issuing Treasury (2019-2020)

	2019 Cumulative repayments	Jan-March 2020	April-June 2020	July-Sept 2020	Oct-Dec 2020	2020 Cumulative repayments
	(Amounts in million CFAF)					
ATB	**1,820,264**	**520,855**	**440,211**	**531,824**	**467,105**	**1,959,995**
Cameroon	309,000	106,010	90,000	92,200	94,500	382,710
Congo	122,610	48,000	25,000	49,112	74,000	196,112
Gabon	657,472	169,050	162,000	182,152	137,525	650,727
Equatorial Guinea	114,000	63,000	24,000	70,000	25,131	182,131
Central African Republic	19,000		9,500	5,500	4,000	19,000
Chad	598,186	134,795	129,711	132,860	131,949	529,315
ATO	**88,400**	**70,882**	**27,449**	**58,760**	**25,000**	**182,091**
Gabon	26,600	40,882	27,449			68,331
Chad	61,800	30,000		58,760	25,000	113,760
Grand total	**1,908,668**	**591,737**	**467,660**	**590,584**	**492,105**	**2,142,086**

Source : CRCT

As a result of the increase in demand, the average cost of funds rose overall in 2020, averaging 6.29% as compared to 5.01% in 2019. Depending on the type of instrument, the weighted average interest rate on ABTs averaged 5.50% (as compared to4.91% a year earlier), above the TIAO rate of 3.50%. The average yield on ATOs rose to 7.83% from 5.56% the previous year.

Table 3.48: Trend in the cost of emissions per type of instrument and per issuer

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ATB	**2.72**	**2.57**	**2.31**	**2.53**	**2.99**	**3.56**	**4.81**	**4.69**	**4.91**	**5.20**
Cameroon	2.24	1.99	1.96	1.8	2.38	2.27	3.34	2.92	2.43	2.62
Congo							4.99	6.13	6.49	5.89
Gabon			1.74	2.77	3.26	4.26	5.18	4.06	3.44	4.16
Equatorial Guinea					1.47	3	6.83	8.1	9.12	7.96
Central African Republic	4.66	5.08	5.44	5.38	5.22	5.22	5.19	5.22	5.22	5.34
Chad				2.76	3.17	3.83	5.42	6.14	6.42	6.22
ATO			**4.18**	**4.86**	**4.37**	**4.36**	**4.51**	**5.74**	**5.56**	**7.83**
Cameroon			4.02	3.75					4.85	5.20
Congo									7.35	10.20
Gabon			4.5	5.42	4.97	4.76	4.53	5.74	5.72	8.31
Central African Republic										2.95
Chad					4.2	4.19	4.5			5.38
Overall average	**2.72**	**2.57**	**2.47**	**2.7**	**3.17**	**3.66**	**4.8**	**4.75**	**5.01**	**6.29**

Source : CRCT

III.3.1.2. Secondary market

Three categories of transactions are recorded on the secondary market for Treasury securities: (i) outright purchases and sales of securities; (ii) interbank repurchase agreements; and (iii) free transfers of securities, i.e. without cash consideration, among investors. Like the primary segment, the secondary market for government securities saw an increase in transactions during the year 2020. Indeed, 272 securities purchase/sale transactions were recorded in 2020, for a nominal amount of securities of 559.5 billion, exchanged at 559.8 billion. That represents a sharp increase as compared to 2019, when only 81 transactions were recorded for securities with a total nominal value of 275.7 billion, exchanged at 266.4 billion. Free transfers of securities also expanded during the period under review, with 708 transactions in securities with a face value of 1,387.3 billion in 2020, as compared to 182 transactions with a face value of 1,177.4 billion in 2018.

Interbank repurchase transactions decreased during 2020. A total of 102 operations were carried out during the period under review for a cumulative amount of 418.4 billion, as compared to 125 transactions in 2019 with a cumulative value of 1,085.1 billion.

Table 3.49: Summary of secondary market transactions for CEMAC treasury securities

Type of transaction	2019		2020	
	Number of transactions	**Nominal value** (in billion CFA francs)	**Number of transactions**	(in billion CFA francs)
Purchase and sale of securities (PDS)	81	275.7	272	559.5
Interbank repurchase transactions	125	1,085.2	102	418.4
Free transfer of securities (FTS)	182	1,177.5	708	1,387.3

Source : CRCT

Box 11: Main regulatory instruments governing the regional market for the issuance of public securities

The public securities market is governed by a number of regulatory instruments describing the technical procedures and regulations for issuing public securities within the CEMAC zone. They include:

- *The new Regulation 03/19/CEMAC/UMAC/CM on Treasury securities issued by CEMAC States*;
- *the General Regulation of December 23rd, 2010 of the Securities Settlement and Custody Unit (SSCU)*
- *Instruction N°03/CRCT/2010 of December 23rd, 2010 relating to the accounting-securities of account holders*;
- *Instruction N°04/CRCT/2010 of December 23rd, 2010 on tariff provisions relating to affiliation to the SSCU;*
- *Instruction N°02/CRCT/2010 of December 23rd, 2010 on the securities-accounting of the Securities Settlement and Custody Unit (SSCU);*
- *The Terms of Reference for Treasury Securities Specialists (TSS)*

Source: BEAC

III.3.2. Stock exchange market

Box 12: Provisions governing the stock exchange market

On October 31st, 2017 in N'Djamena, the Conference of Heads of State of the Central African Economic and Monetary Community (CEMAC) decided to merge the Central African financial markets.

To that end, the Additional Act n°06/17-CEMAC-COSUMAF-CCE-CE on the unification of the CEMAC financial market was signed on February 19th, 2018.

The implementation of that decision by the Very High Authorities of the CEMAC member countries was entrusted to the Bank of Central African States (BEAC). A two-stage approach was agreed upon by the financial market players: Regulators (the Financial Market Commission in Cameroon and the Financial Market Supervisory Commission for Central Africa (COSUMAF), Stock Exchanges (Douala Stock Exchange and the Central African Stock Exchange (BVMAC)) and Central Depositories (Cameroon Autonomous Sinking Fund, BVMAC and BEAC).

That process consisted firstly of the physical and institutional merger of the financial market structures and, secondly, of its revitalization. The first stage was completed in July 2019, with the merger of the two stock exchanges operating within the CEMAC zone, preceded, a few months earlier, by the merger of regulators and central depositories.

That first step gave rise to the following unified structures: (i) a regulator COSUMAF based in Libreville (Gabon); (ii) a stock exchange (BVMAC) based in Douala (Cameroon); (iii) a Central Depository/Settlement Bank (BEAC).

Source : BVMAC

III.3.2.1. BVMAC Performance

III.3.2.1.1. Market Overview

During the year 2020, the Central African Stock Exchange (BVMAC) was mainly active on its equity and debt securities markets, but also in view of the implementation of the regulatory framework relating to the placement of Zero Coupon Treasury Bonds (ZCTB) on the over-the-counter stock exchange compartment

The debt securities compartment was enriched with two new lines: the government bonds from the Treasury called "EOG 6.25% NET 2019-2024" and those of SAFACAM company called "SAFACAM 6% HT 2019-2022", thus bringing the number of lines to 11 with the delisting of the security "EOG 6% NET 2015-2020" on June 9th, 2020 which came to maturity. And the significant volume recorded in 2020 on the compartment is due to the Congo government bonds buy back transaction called "EOCG 6.5% NET 2016-2021"

As at December31st, 2020, the financial market had fifteen (15) brokerage companies licensed by the Financial Market Supervisory Commission for Central Africa and authorized to place orders on the stock exchange market.

The list of the said companies is as follows:

Table 3.50. List of Stock Exchange Companies licensed by COSUMAF

STOCK EXCHANGE COMPANY	ADDRESSES	HEAD OFFICE	LICENSE NO.
BGFI BOURSE	1295, Boulevard de l'indépendance – BP 2253 Libreville	GABON	MFAC-SB-002/2006
EDC INVESTMENT CORPORATION	Immeuble ACTIVA, 2ème étage, rue Prince de Galles, AKWA	CAMEROON	MFAC-SB-003/2007
FINANCIA CAPITAL	125, Rue de la Perousse, Bonanjo – BP : 4593 Douala	CAMEROON	MFAC-SB-004/2011
LCB CAPITAL	3, Avenue Amilcar Cabral, BP : 2889 Brazzaville	CONGO	MFAC-SB-01/2015
ATTIJARI SECURITIES CENTRAL AFRCA (ASCA)	Rue njo njo, Cerrefour Soppo Priso, Immeuble du phare 3ème étage	CAMEROON	MFAC-SB-01/2016
CBT BOURSE	Avenue Maldom Bada Abbas – BP : 19 N'Djamena	CHAD	MFAC-SB-02/2016
AFRILAND BOURSE ET INVESTISSEMENTS S.A	1063, Place de l'indépendance BP : 11834 Yaoundé	CAMEROON	MFAC-SDB-01/2019
UPLINE SECURITIES CENTRAL AFRICA S.A (USCA)	148, Avenue du Général de Gaulle, Bonanjo – BP : 1925 Douala	CAMEROON	MFAC-SDB-02/2019
SOCIETE SAHELIENNE D'INTERMEDIATION FINANCIERE DE L'AFRIQUE CENTRALE (SAIFAC)	Rue Pasteur Lotin Same, Akwa	CAMEROON	084/10/CMF/18
GLOBAL TRADE INTERNATIONAL INVESTMENT (GTI)	Carreffour Biyem-assi, BP: 14583 Yaoundé	CAMEROON	086/10/CMF/18
SOCIETE GENERALE – CAPITAL SECURITIES CENTRAL AFRICA (SG CAPITAL CEMAC)	78, Rue joss, Bonanjo, BP: 4042 Douala	CAMEROON	091/10/CMF/18
CBC BOURSE	B.P.: 4004 Bonanjo	CAMEROON	MFAC-SB-01/2020
AFRICA BRIGHT SECURITIES CENTRAL AFRICA (ABSCA)	Immeuble Victoria Bonanjo-Douala	CAMEROON	COSUMAF-SDB-02/2020
AFD CAPITAL CENTRAL AFRICA S.A (ACCA)	B.P.: 12814 Douala	CAMEROON	COSUMAF-SDB-03/2020
EMRALD SECURITIES SERVICES BOURSE (ESS BOURSE)	B.P.: 5540 Bonapriso-Douala	CAMEROON	COSUMAF-SDB-04/2020

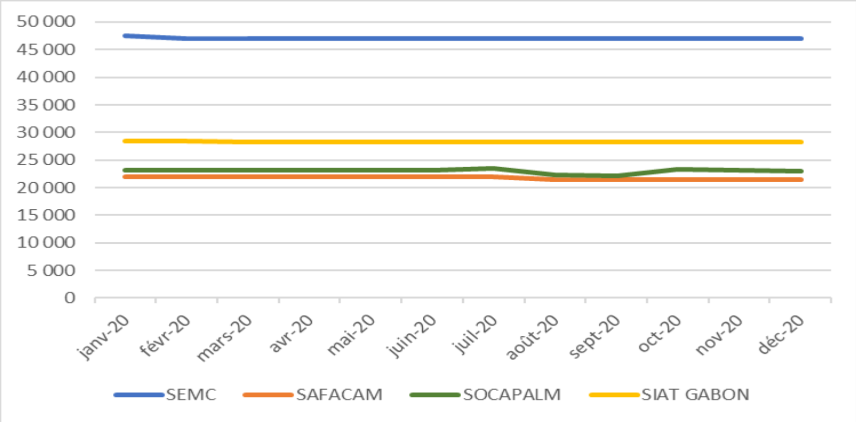
III.3.2.1.2. Trend in shares prices

SIAT GABON, SEMC, SAFACAM and SOCAPALM shares started in 2020 at the prices of 28,501, 48,001, 21,994 and 23,202 CFA francs respectively.

Throughout the period under review, the four stocks experienced more or less significant trends in their prices. Thus, the lowest variations reached in 2020 were -0.004% (on February 19th, 2020, SIAT GABON), -2.085% (on January 17th, 2020, SEMC share), -2.128% following the payment of the dividend (on August 14th, SOCAPALM, that is 21,433 CFA francs representing the lowest price of the year) and -9.336% following the payment of the dividend (on August 7th, SAFACAM, that is 21,433 CFA francs, representing the lowest price of the year).

As at December 21st, 2020, SIAT GABON, SEMC, SAFACAM and SOCAPALM shares ended the year on a low note with prices of 28,500, 47,000, 21,433 and 23,000 CFA francs respectively.

Figure 3.14 Price trends in the equity market in 2020



Source : BVMAC

III.3.2.1.3. Trading trends

The year 2020 was particularly marked by a climate of uncertainty orchestrated by the Covid-19 health crisis that affected the financial markets in general and the Central African financial market in particular. On the BVMAC share market, there was a 36.2% drop in trading volume.

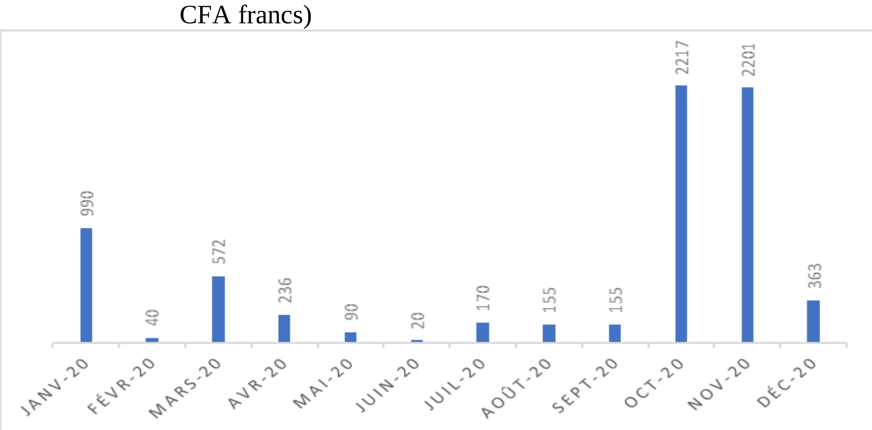
The total amount of transactions on that market amounted to 173.3 million at the end of 2020, thus decreasing by 33.8% as compared to the previous year. That decline is driven by the 97.3% drop in SAFACAM transactions, with a transaction value of 3.0 million at the end of 2020 as compared to 111.2 million the previous year.

Table 3.51 Trading trends in the equity market in 2020

Quoted shares	* Volume traded			Amount of transactions (in million F CFA)		
	2019	2020	Variation (%) Change (%)	2019	2020	Variation (%) Change (%)
SEMC shares	96	257	167.7	4.8	12.1	153.3
SAFACAM shares	4,899	138	-97.2	111.2	3.0	-97.3
SOCAPALM shares	6,307	6,814	8.0	145.6	158.2	8.6
SIAT GABON shares	0	0	0.0	0	0	0.0
Total	**11,302**	**7,209**	**-36.2**	**261.6**	**173.3**	**-33.8**

Source : BVMAC

Figure 3.15: Trend in the volume of transactions traded on the equity market in 2020 (in million CFA francs)



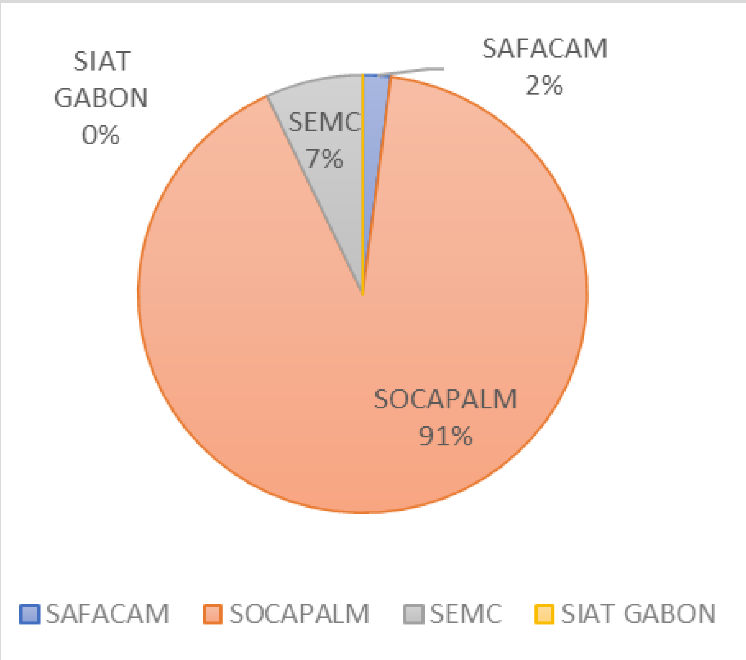
Source : BVMAC

SEMC has witnessed a significant trading increase by 167.7% with 12.1 million transactions in 2020 as compared to 4.8 million in 2019.

SOCAPALM, for its part, recorded an increase by 8.0%, representing an amount of transactions worth 158.2 million at the end of 2020, from 145.6 million. The SOCAPALM share is the most traded stock with 95% of the total volume traded as compared to 56% in 2019.

SIAT GABON remains the least liquid stock in the equity compartment.

Figure 3.16: Ranking - Transaction Values



Source : BVMAC

III.3.2.1.4. Trend in liquidity

With the uncertainty caused by Covid-19, market liquidity deteriorated. With the exception of SEMC, other stocks recorded a decrease in their quotation rate.

SOCAPALM moved from 27% in 2019 to 21% this year. SAFACAM moved from 10% to 3%. SEMC, on the other hand, witnessed a rising rate (from 3% to 4%).

Table 3.52: Trend in the quotation rate in 2020

Quoted shares	2019 Quotation rate (%)	2020 Quotation rate (%)	Variation (%)
SEMC share	3	4	1
SAFACAM share	10	3	-7
SOCAPALM share	27	21	-6
SIAT GABON share	0	0	0

Source : BVMAC

III.3.2.1.5. Trend in the stock exchange capitalization

As at December 31st, 2020, market capitalization fell by 2.2% from 31.7 billion at the end of 2019 to 31 billion in 2020. That loss in capitalization is the result of the negative variation in the prices of SEMC, SAFACAM and SOCAPALM throughout the year. SEMC, SAFACAM and SOCAPALM recorded variations of -19.0%, -2.6% and -0.9% respectively. Only SIAT Gabon capitalization remained unchanged at 5.8 billion in 2019 and 2020.

Table 3.53: Trend in the stock exchange capitalization rate in 2020

Quoted shares	Floating (in billion CFA francs)		
	as at 31/12/2019	as at 31/12/2019	Variation (%)
Action SEMC SEMC share	2.2	1.8	-19.0
Action SAFACAM SAFACAM share	5.5	5.3	-2.6
Action SOCAPALM SOCAPALM share	18.3	18.1	-0.9
Action SIAT GABON SIAT GABON share	5.8	5.8	0.0
Total	**31.7**	**31.0**	**-2.3**

Source : BVMAC

As regards outstanding bonds, they suffered a loss by 21%, amounting to 519.0 billion as at the end of 2020, compared with 657.8 billion the previous year. That decrease is justified by: (i) the delisting of the Gabonese government bond called "EOG 6% NET 2015-2020" on September 29th, 2020; (ii) the depreciations carried out during the year and; (iii) the re-purchase of the Congo government bond called "EOCG 6.5 NET 2016-2021" in November 2020 for the amount of 73.4 billion.

III.3.2.2. Equity Sub-Fund (Equity Market)

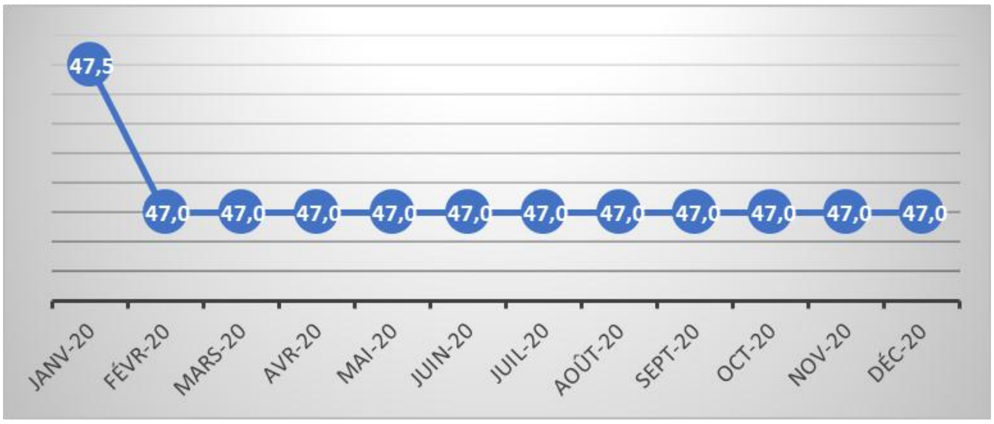
III.3.2.2.1. SEMC

On the stock market, the SEMC share price fell slightly by 1%, ending the year 2020 at CFAF 47,000. Nevertheless, there was a brief improvement in the stock liquidity, with the quotation rate rising from 3% in 2019 to 4% in 2020.

Table 3.54: SEMC Key figures in 2020

Shareholding	**Floating : 20%.** **Nestlé Waters France : 5,65%** **SABC : 56,84%** **SNI : 17,48%** **Other private individuals: 0.03%.** **Number of securities: 192,473**
Closing market capitalization as at December 31st, 2020	F CFA 1,809 Million
(SEMC/Market) Performance	Quotation rate: 4%. + High for the year: F CFA 48,001 + Low for the year: F CFA 47,000 CMA 52 weeks: F CFA 47,039 Net dividend per share: No dividend distribution planned for the year ending on 31/12/2019.

Figure 3.17: Trend in the average SEMC price in 2020 (in thousand CFA francs)



Source : SEMC

The Société des Eaux Minérales du Cameroun (SEMC), that produces natural mineral water under the Tangui and Vitale brands, is a subsidiary of the Société Anonyme des Brasseries du Cameroun (SABC). Created on January 16th, 1979, SEMC started production and marketing in October 1983. Located 70 km northwest of Douala, the SEMC factory covers an area of 3 hectares.

The company was listed on the stock exchange on June 30th, 2006 following a public offer for sale (OPV) by the National Investment Corporation (NIC). The latter sold its shares through the then newly created Cameroonian financial market. SEMC was the first company to be listed on the DSX and the first stock listed on a market in Central Africa.

III.3.2.2.2.SAFACAM

On the stock market, SAFACAM share price fell by 3% in 2020, closing the year at CFAF 21,433. There was also a drop in the quotation rate to 3% in 2020 as compared to 10% in 2019. In terms of liquidity, SAFACAM experienced a significant decline in the quantities traded, which represents 2% of the total volume in 2020 as compared to 43% in 2019.

Table 3.55: SAFACAM Company Key figures in 2020

Shareholding	**Floating: 20%.** **NIC: 11.2%.** **BOLLORE Group: 68.8%.**
Closing market capitalization at December 31st; 2020	CFAF 5,324 million
(SAFACAM/Market) Performance	Quotation rate : 3%. + High for the year: F CFA 21,994 + Low for the year: F CFA 21,433 CMA 52 weeks: F CFA 21 715 Net dividend per share: F CFA 466
Valuation ratios	PER 2020: 33.43 % Yield 2020: 2.41 %

Source : BVMAC

Figure 3.18: Trend in the average SAFACAM prices in 2020 (in thousand CFAF)

Source : BVMAC

a) Presentation of the company

SAFACAM's main activity is the exploitation of rubber and oil palm plantations, the marketing of palm oil and natural rubber and the import-export of those products.

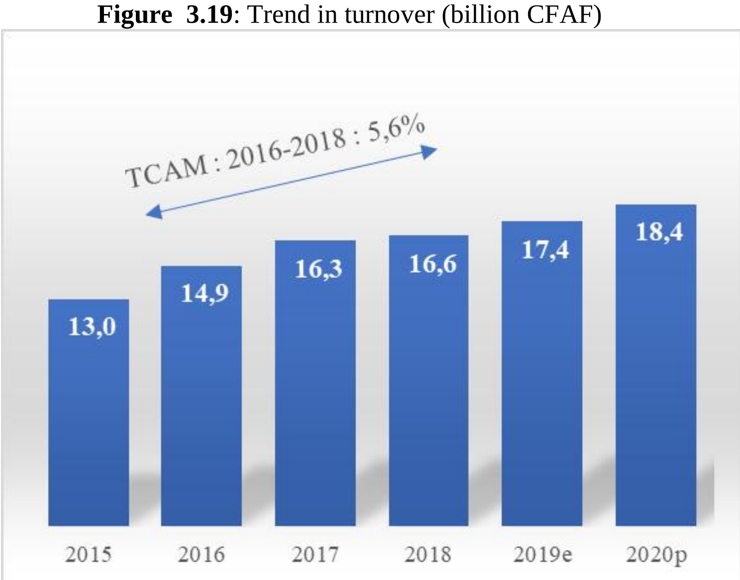
That company was created in 1962, although the development of the activity began in 1897 with the acquisition of 4,000 hectares of agricultural land. The first palm plantations were installed in 1974. The company has since been 68.8% owned by the Bolloré Group.

SAFACAM currently owns 9,505 ha of oil palm and rubber trees, an oil mill (20 T/h), a rubber factory (1 T/h) and a palm mill (4.2 T/h).

It was enlisted on the stock exchange on July 9th,2008 following a public tender offer by NIC, that proceeded with the partial sale of its shares, 20% of SAFACAM capital, representing 82,800 shares out of the 128,998 that it was holding.

b) Expected achievements by the end of 202

Figure 3.19: Trend in turnover (billion CFAF)



Source : SOCFIN, FINANCIA CAPITAL

The 2020 financial year began with firmer world prices for palm oil at around USD 790/mt (CIF Rotterdam) (vs. USD 540/mt at the beginning of 2019) and USD 1020/mt (CIF Rotterdam) for palm kernel oil (vs. USD 740/mt at the beginning of 2019). That seemingly sustainable upward trend has however been challenged since January by the coronavirus health crisis.

On the local market, Cameroonian palm products are now competing with imported products benefiting from a customs exemption. Nevertheless, SAFACAM palm products should be fully sold in Cameroon.

The selling price of crude palm oil, imposed on agro-industrialists since March 2008, remains unchanged at 450 CFAF/Kg excluding VAT.

As far as rubber is concerned, any prediction for 2020 remains uncertain as there is a great deal of uncertainty regarding the trend in the world economy and, therefore, of world rubber prices with, since January, the onset of the coronavirus crisis that is affecting world growth. At the beginning of January 2020, a ton of rubber was selling at 1450 FOB SINGAPORE (vs 1326 USD/mt at the beginning of 2019) rather above the budget selling price. That price has come down to around USD 1350, which seems to be the current "floor" price.

The 2020 budget is based on a sales price assumption of CFAF 445 per kilo of palm oil, CFAF 490 per kilo of palm kernel oil, CFAF 52 per kilo of palm kernel cake and CFAF 755 per kilo of rubber, which represents a forecast turnover of 18 678 million, and a net result of 1 483 million.

The budgeted investments in 2020 amount to CFAF 1,598 million in industrial investments, with the remaining 236 million being from the Roundtable on Sustainable Palm Oil (RSPO).

III.3.2.2.3.SOCAPALM

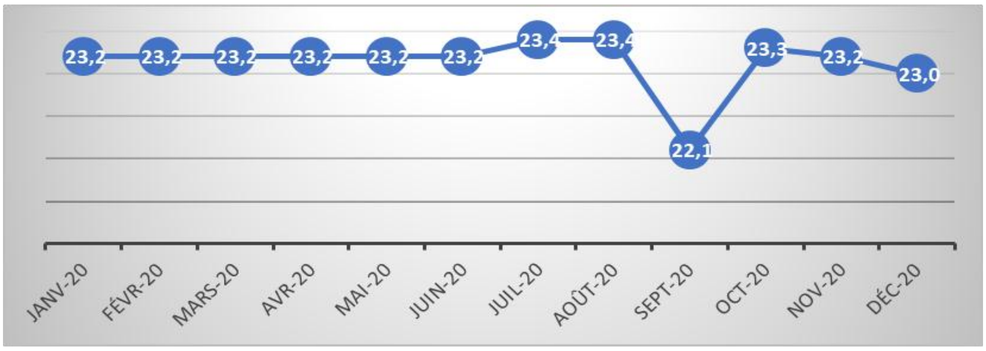
On the stock market, SOCAPALM is the most traded stock with 95% of trading volume. However, the stock liquidity has deteriorated slightly, with the quotation rate falling from 27% in 2019 to 21% in 2020. Its price fell slightly by 1% to CFAF 23,000 at the end of December 2020.

Table 3.56: SOCAPALM Key Figures in 2020

Shareholding :	**Floating : 17%.** **PALMCAM : 57 %** **State of Cameroon: 23%.** **SOCAPALM : 3 %**
Closing market capitalization at December 31st, 2020	CFAF 18,102 million
(SOCAPALM / Market) Performance	Quotation rate: 21%. ++ High for the year: CFAF 23,500 + Low for the year: CFAF 21,306 CMA 52 weeks: CFAF 23,071 Net dividend per share: CFAF 2,194
Valuation ratios	PER 2019: 8.62 % Yield 2019: 10.78 %

Source : BVMAC

Figure 3.20: Trend in the average SOCAPALM price in 2020 (in thousand CFAF)



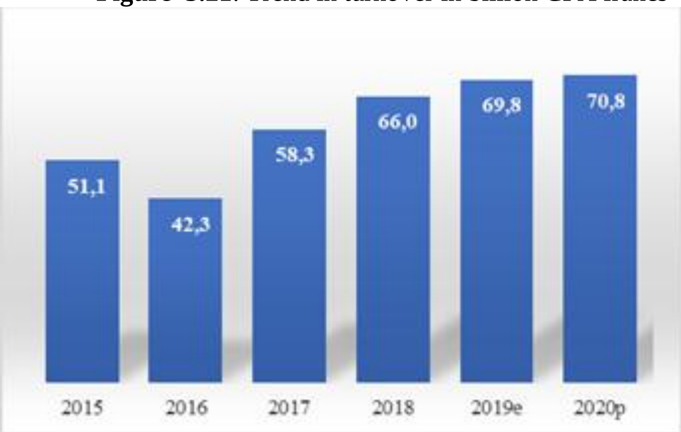
SOCAPALM was created in 1968 and bought from the Cameroonian state in June 2000 by Société Palmeraies du Cameroun (PALMCAM), that acquired 70% of the shares, with the Cameroonian state keeping 23%.

Since 2008, SOCAPALM has undertaken to diversify its activity from palm oil to the launching of rubber tree cultivation. It has 32,901 ha of oil palm plantations, 2,709 ha of rubber plantations and 6 ISO 14001 certified oil mills (total capacity 180 T/h).

The company is the leading palm oil producer in Cameroon, with about 40% of the domestic crude oil market. In addition, it has 5 extraction plants and a processing unit for refined oil.

It is located in 6 sites (Dibombari, Mbongo, Mbambou, Eseka, Edea and Kienke).

Figure 3.21: Trend in turnover in billion CFA francs



Source : SOCAPALM

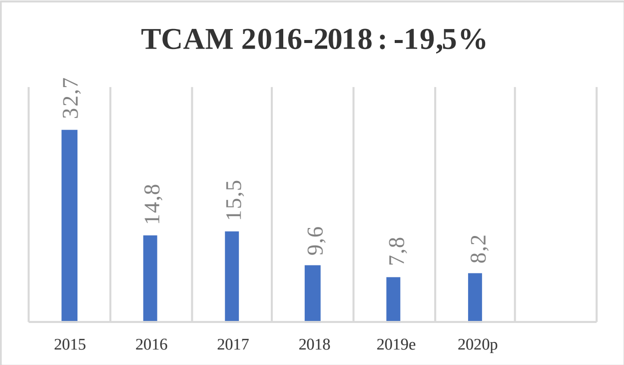
III.3.2.2.4.SIAT Gabon

On the stock market, SIAT share price remained virtually unchanged at CFAF 28,500 at the end of 2020, as compared to CFAF 28,501 at the end of 2019. That is to say, a virtually zero performance.

Table 3.57: SIAT Gabon Key figures in 2019

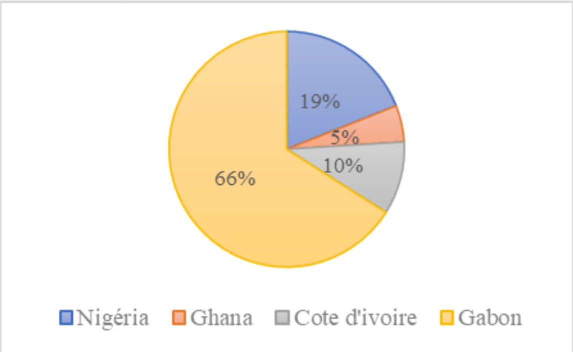
Shareholding	**Floating: 2.8%.** **SIAT Nv: 97.2%.** **Share capital (2019): CFAF 74,000 million**
Closing market capitalization at December 31st, 2020	F CFA 5 760 million F CFA 5,760 million
(SIAT Gabon/Market) Performance	Year to date: +0.0%

Figure 3.22: Trend in SIAT Gabon's turnover (F CFA billion)



Source : SIAT Gabon

Figure 3.23: SIAT SA Location areas



Source : SIAT Gabon

a) Presentation of the Company

The "Société d'Investissement pour agriculture Tropicale Gabon" (SIAT Gabon) is a subsidiary of the Belgium-based SIAT SA Group. It was created on April 5th, 2004 following a wave of privatizations initiated by the Gabonese government in 2003. SIAT Gabon then bought three Gabonese companies for 4 billion (Agro Gabon, Hevegab and the Nyanga ranch). Enlisted in 2013, the company now has a share capital of 74 billion following a capital increase on October 20th, 2017. SIAT Gabon is the leading agro-industry in Gabon and operates mainly in rubber farming (transformation of rubber into granulated rubber) and cattle breeding. Its activities are grouped in 4 provinces of Gabon, namely Moyen-Ogooué, Wouleu-Ntem, Estuaire and Nyanga.

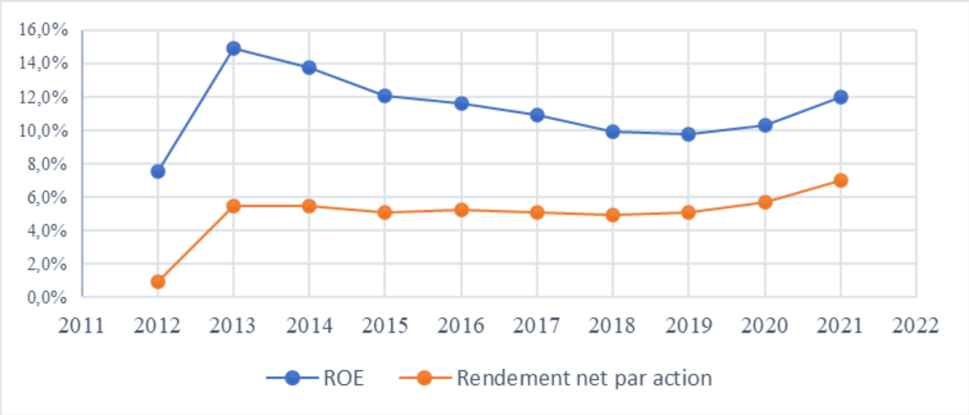
b) Presentation of the SIAT SA Group

SIAT Group SA is a public limited company with a capital of EUR 31 million, incorporated in 1991 and headquartered in Brussels. SIAT capital was modified in July 2012 to include the participation of a new Singaporean shareholder (GMG Global Ltd, a subsidiary of the SINOCHEM group) for 35% of shares. The shareholding structure is broken down as follows: - FIMAVE NV (holding company of the Vandebeeck family): 51.71% - GMG Global Ltd: 35.00% - WENCO Holding Netherlands. (Dutch investors active in agribusiness in West Africa): 11.6% - other private: 1.7%.

SIAT has subsidiaries in Asia (Cambodia), Europe (Belgium), and Africa (Ivory Coast, Ghana, Nigeria and Gabon). Gabon is the Group's largest asset (66% of the Land Bank).

c) Expected achievements by the end of 2020

Figure 3.24: Trend and projections of ROE and Net Return per Share



Source : SIAT Gabon

Covid-19 had a significant impact on SIAT' activities due to travel restrictions.

The financial statements are presented on a business continuity perspective despite a deterioration in financial aggregates over the past several years (decline in Hevea sales and negative return on the activity, increasing supplier debt and unpaid financial debt, etc.) and unfavorable post-closing events, particularly those related to the Covid-19 pandemic crisis.

The actions envisaged to address the situation are as follows:

- Specialization in rubber cultivation, with discounted cash flows from the related operation over 11 years from 2021 to 2030 demonstrating a still positive present value (NPV) of available assets and investments made over the period. Those cash flows include the impacts of the Covid-19 pandemic for the year 2020;
- Assets disposals (Ranch and head office concession) that will provide sufficient funds to pay off creditors (AfDB arrears, social and commercial debt, etc.) and sustain the business. Those assets disposals yield (i) for the Ranch 5,000 million (contract signed and in progress for "new money" expected in the second half of 2020 and (ii) for the head office 1,200 million (although awaiting release from the AfDB on the assumptions made, as the latter has an interest in receiving its payments);
- A letter of comfort from the parent company, SIAT NV, that undertakes to provide as much support as necessary, support materialized through the net supplier debt to the group amounting to 4,000 million entered in the balance sheet as at end of 2019.

III.3.2.3. Debt securities sub-fund (Bond market)

Table 3.58: List of bonds on BVMAC as at end of 2020

Year of issuance	Issuers	Headings	Coupon rate (in %)	Amounts raised (in million CFAF)	Number of securities	Capitalization (in million CFAF)
2013	BGFI Holding Corporation	BGFI Holding, 5% brut 2013-2020	5.00	69,000	6,900,000	69,000
2014	Alios finance Gabon	Alios, 6,25% net 2014-2021	6.25	6,359	635,900	1,817
2015	Gabon State	EOG, 6,0% net 2015-2020	6.00	84,617	8,461,653	21,154
2016	Cameroon State (ECMR)	ECMR, 5,5% net 2016-2021	5.50	173,000	17,300,000	86,500
2016	Gabon State	EOG, 6,5% net 2016-2021	6.50	134,941	13,494,050	67,470
2016	Congo-Brazzaville State-------	EOCG, 6,5% net 2016-2021	6.50	192,305	19,230,490	96,152
2017	Gabon State	EOG, 6,5% net 2017-2022	6.50	100,000	10,000,000	75,000
2018	Cameroon State (ECMR)	ECMR, 5,60% net 2018-2023	5.60	204,000	20,400,000	204,000
2018	GSEG	GSEG, 6,5% brut 2018-2028	6.50	33,000	3 300 000	29,700
2018	Alios finance Cameroun	Alios, 5,75% net 2018-2023	5.75	8,730	873,000	7,759
2019	Gabon State	EOG, 6,25% net 2019-2024	6.25	126,341	12,634,135	126,341
2019	SAFACAM	SAFACAM, 6% brut 2019-2022	6.00	2,000	2,000,000	1,333

Source : BVMAC

III.3.2.3.1. BVMAC bond market

In 2020, the BVMAC bond compartment recorded one delisting: the maturity, on September 29th, 2020, of the second Gabon State bond called "EOG 6% NET 2015-2020".

The outstanding bond market issuances at December 31st, 2020 were 519,028 million as compared to 657,823 million as at December 31st, 2019.

The outstanding amount of public bonds decreased by 24.3% to 428,375 million as at the end of 2020 as compared to 565,817 million as at the end of 2019. The outstanding amount of private bonds was 90,654 million as at the end of 2020, as compared to 92,006 million as at the end of 2019.

With 83% of bond capitalization, States are the main drivers of the bond market.

Two new securities were admitted to the official list of the BVMAC on February 21st, 2020. They are the "EOG 6.25% net 2019-2024" security amounting to 126,341 million and the "SAFACAM 6% HT 2019-2022" security amounting to 2,000 million.

From December 21st, to 29th, 2020, the Development Bank of Central African States issued a bond by public offering on the regional financial market. The total amount raised at the end of subscriptions was 106,792 million.

III.3.2.3.2. Market liquidity

In 2020, out of the 12 securities listed on the debt securities compartment, only the following 7 securities were traded: "ECMR 5.5% net 2016-2021", "ECMR 5.60% net 2018-2023", "EOCG 6.5% net 2016-2021", "EOG 6.5% net 2016-2021", "BGFI Holding 5% gross 2013-

2020", EOG 6.25% net 2019-2024" and "SAFACAM 6% gross 2019-2022", for a total amount of 78,870 million.

In that debt securities segment, public bonds were the most traded securities with a volume of 15,643,643, representing 99% of the total volume, as compared to 1% for corporate bonds. That increase in transaction value was supported by the occurrence of a value event.

In fact, on November 2nd and 4th, 2020, the State of Congo repurchased its "EOCG, 6.5% net 2016-2021" bonds listed on the BVMAC for a total amount of 74,943 million.

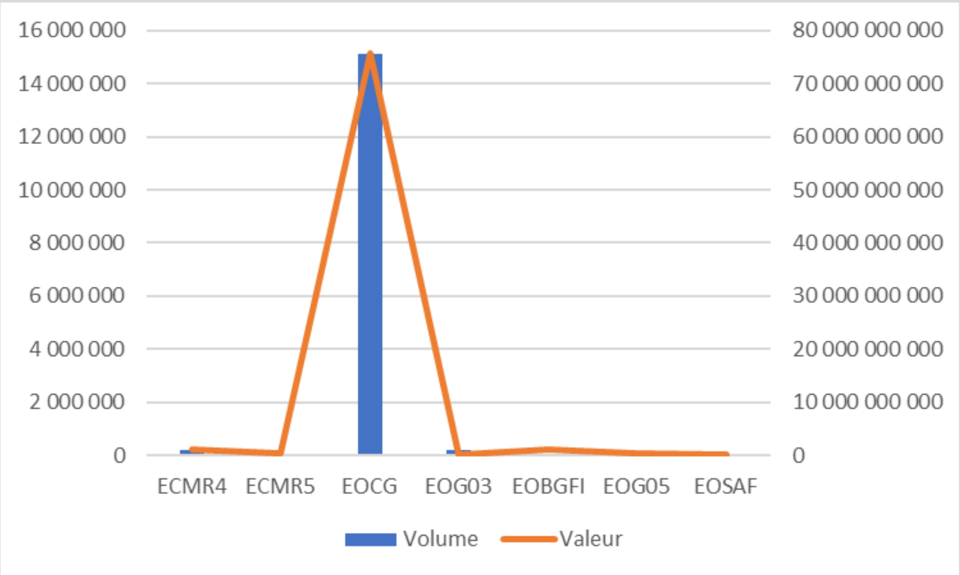
The performance of State bonds once again shows that the market dynamics are supported by States.

Table 3.59: List of bonds on the BVMAC as at the end of 2020

Month	Volume traded	Value traded (in million)	Transactions
Jan-20	7,500	75.6	1
Feb-20	4,144	41.9	8
March 20	213,500	1,156.6	6
Apr-20	18,099	1,155.6	4
May-20	25,000	248,8	1
June-20	150,000	750.0	1
Jul-20	0	0	0
Aug-20	210,000	3.4	1
Sept-20	0	0	0
Oct-20	55,000	495.0	3
Nov-20	14,988,644	74,943.2	8
Dec-20	0	0	0
Total	**15,671,887**	**78,870.1**	**33**

Source : BVMAC

Figure 3.25: Trend in the 6 stocks traded in 2020



Source : BVMAC

III.3.2.4. Cameroon share in the financial market

Since July 4th, 2019, Cameroon has been hosting the headquarters of the Central African Stock Exchange (BVMAC), in which 15 stock exchange companies are licensed, 12 of which have their headquarters in Cameroon as at December 31st, 2020.

As regards the BVMAC compartments, it is noted that as at December 31st, 2020, out of the 4 securities listed in the shares compartment of the BVMAC permanent list, 3 were issued by companies whose head office is in Cameroon. Besides, the floating market capitalization of those 3 companies reached 25.2 billion out of the 31 billion representing the overall floating market Capitalization at the end of 2020, i.e. 81.3%.

As at December 31st, 2020, the outstanding debt issued on the regional financial market at BVMAC was made up of two loans to companies based in Cameroon and two State loans with nominal values of 6.7 billion and 191 billion respectively, thus representing 38% of the value of the total outstanding debt securities listed at BVMAC, that amount to 519 billion.

With regard to stock market activities, 100% of the transactions recorded in the equity compartment were related to securities issued by companies based in Cameroon. On the debt securities market, the volume of transactions in securities issued by the State of Cameroon amounted to 1 070.6 million, thus representing 1% of the overall volume traded on this compartment of BVMAC in 2020.

On the prospects for revitalizing the Central African stock market, the first list of companies in which the State of Cameroon plans to sell some or all of its holdings is still awaited. The same applies to the first bond issue by the State on the regional financial market.

III.3.2.5. Financial market perspectives

On July 4th, 2019, the Central African Stock Exchange (BVMAC) absorbed Douala Stock Exchange in accordance with the decision taken by the CEMAC Heads of State on October 31st, 2017.

Consequently, as at the end of December 2020, there is a single stock exchange shared by the six CEMAC member countries, with its headquarters in Douala.

The establishment of the BVMAC in Cameroon gives hope for a healthy development of the financial market in Central Africa and an enrichment of its permanent rating thanks to the voluntarist accompanying measures taken by the CEMAC States with a view to strengthening the role of the regional financial market in the funding of the CEMAC countries' economies.

Those measures are :

- the partial or total sale on the stock exchange of the holdings of CEMAC Member States in the capital of public and semi-public companies, or those resulting from public-private partnerships;
- the adoption of legislative frameworks making mandatory the listing or opening on the stock exchange of the capital of companies whose usual occupation is the management or custody of public savings (banks, insurance companies, etc.);

- the adoption of legislative frameworks making mandatory the listing or opening on the stock exchange of the capital of multinational enterprises or subsidiaries of multinationals operating in the territory of Member States;
- the adoption of incentive measures to ensure the usage of financial markets by companies in strategic economic sectors;
- the entry of CEMAC Member States into the capital of the Regional Stock Exchange up to 30%, being 5% per Member State.

In addition to those proactive measures taken by CEMAC member states, BVMAC plans to launch a campaign to contact and raise awareness among economic actors operating in the Central African region (States, public and private companies, regional institutions).

That campaign will help to disseminate the financial market culture and to remind the States of their social redistribution function intended for promoting and encouraging regional public savings, within the framework of wealth sharing to stimulate household consumption that is the main driver of economic growth.

IV. CONCLUSION AND RECOMMENDATIONS

In 2020, the global economy experienced a general recession due to the Covid-19 pandemic, that had a negative impact on most of the world economies. At national level, the Cameroonian economy has been spared from the effects of that pandemic, although the extent of the crisis has not been as great as initially predicted.

In that environment, banks showed remarkable resilience in 2020 in the face of the Covid-19 pandemic, with an increase in activity in terms of total assets, deposits collected, loans granted, and Net Banking Income (NBI). In terms of access to financial services, the banking services coverage rate has improved for the adult population, while the density of the banking network has deteriorated slightly due to the low expansion of the said network as compared to the population growth.

In the same vein, the deposits collected and the loans granted by financial institutions increased, leasing commitments rose, portfolio quality improved, and the branches network remained stable.

As regards the microfinance sector, it witnessed a sharp increase in the rate of non-performing loans, linked to the Covid-19 pandemic. However, it continued to expand, following the licensing of new institutions. Thanks to an increasingly important coverage of the national territory, the network of branches and sales points in that sector has made it possible to significantly improve the rate of financialization of the active population. The intermediation activity of that sector has also been strengthened, with very significant increases in the volume of deposits collected and of loans granted.

The financial market, for its part, was marked by the ever-increasing development of the CEMAC treasury securities market. The amount of securities outstanding on that market has more than tripled as compared to the situation observed three years earlier. It is now one of the main sources of funding for CEMAC countries.

Despite the good resilience of the banking system, underperformance was recorded in some components of the financial system, namely:

(i) a deterioration in the quality of the banks' loans portfolio, through the increase in bad debts;

(ii) an increase in the bad debts rate in the microfinance sector;

(iii) a decline in the stock exchange capitalization of the equity market.

Financial institutions also faced a number of challenges during the year 2020, the most recurrent of which were:

(i) expensive access to, and poor quality of internet services, resulting in the disruption of the digitalization of banking services;

(ii) the disruption of the activity of credit institutions due to the gradual implementation of the Unique Identification Number (UIN) required from banks' customers by the tax authorities.

Given the trend in the financial system during the year 2020 and the findings arrived at, the following recommendations are made for the **banking sector**:

- monitor the effective setup of credit information bureaus by BEAC Central Services following the adoption of the relevant regulation;
- continue to disseminate information on the NEFC IT platform;
- set up a regulatory framework for Islamic finance;
- disseminate information on Law No. 2019/021 of 24 December 2019 to lay down some rules governing credit activities in the banking and microfinance sectors in Cameroon.

In the **microfinance** sector, it is necessary to:

- set up a code of conduct;
- put in place a more appropriate tax system;
- update the action plan of the national strategy for inclusive finance with a focus on mobile financial services.

In the insurance sector, it is necessary to:

- sign the implementation Decree setting up the Motor Vehicle Guarantee Fund;
- finalize the shareholding round of the new reinsurance company;
- enact the implementation instrument setting up a container rental insurance in Cameroon

As regards the **financial market**, it would be appropriate to:

- speed up the process of enlisting, on the stock exchange, part of Cameroon State shares in State-owned and para-statal companies, in accordance with CEMAC Regulation No. 02/CEMAC/UMAC of 02/10/2019;
- Support BVMAC in setting up a stock market education programme for the population;
- Set up a compartment for Intermediate and alternative securities on the Central African Stock Exchange (BVMAC).

APPENDICES

Missions and organization of the National Economic and Financial Committee

I. Missions

The National Economic and Financial Committee (NEFC) was created by Regulation No. 03/2019/CEMAC/UMAC/CM of December 12th, 2019 on the creation, organization and functioning of National Economic and Financial Committees within the CEMAC zone. That new body takes over the activities of the National Monetary and Financial Committees (NMFC) and the National Credit Councils (NCC).

The creation of the National Economic and Financial Committees (CNEF) in replacement of of NMFCs and NCCs is aimed at:

(i) harmonizing the organization and functioning of those bodies, in order to enable them to efficiently take into account the activities initially assigned to the NMFCs;

(ii) integrate into the organization and functioning of NCCs the recent changes in the CEMAC financial landscape;

(iii) rationalize the organs of the Central Bank as part of the Bank adjustment measures in response to the decline in its resources, in order to accommodate, among others, recent developments in the field of monetary policy;

(iv) and to take into account the recent changes in the regional financial sector landscape, namely through the advent of new players such as payment institutions and credit information bureaus, as well as the new configuration of the Central African financial market, resulting from the recent institutional merger in that sector.

The specific powers of the NEFC have been developed in the articles of Title III (Articles 8 to 19) of the above-mentioned Regulation in order to define the main contents of the body's powers. The NEFC powers have thus been extended to: i) the coordination of national economic policy with the shared monetary policy, taking into account of the takeover of the CMFNs powers; ii) the promotion of financial inclusion, given the challenges related to access to basic financial services in the countries of the sub-region. Article 8 sets out the main areas on which the CNEFs are responsible for issuing opinions and recommendations; such areas are:

- the coordination of national economic policy with the shared monetary policy;
- the mobilization of national savings by the banking and financial system;
- the promotion of financial inclusion;
- the development of financial literacy, by improving the transparency and understanding of information for consumers of financial services;
- the optimization of the allocation of internal resources for the achievement of economic objectives;

- The strengthening the efficiency of the banking and financial system, in particular the relationship between the actors of the financial system and their respective customers.

II. Organization of the National Economic and Financial Committee

To perform its duties, the NEFC is made up three bodies: a decision-making organ, technical committees and a General Secretariat.

II.1. The decision-making organ of the National Economic and Financial Committee

The NEFC is chaired by the Minister in charge of money and credit and, in his/her absence, by the Minister in charge of economic affairs or, failing that, by the Minister of industries and mines. Under Article 3 of the above-mentioned Regulation, the National Economic and Financial Committee may issue opinions, make recommendations and conduct studies. Its membership is as follows:

- the Minister in charge of currency and credit ;
- the Minister in charge of Economic Affairs ;
- the Minister in charge of planning or development ;
- the Minister in charge of industries ;
- the Governor of BEAC or his/her representative;
- the Secretary General of COBAC or his/her representative;
- the President of COSUMAF or his/her representative ;
- the Director General of BVMAC or his/her representative;
- the Head of the Central Depository of the Central African Financial Market or his/her representative;
- the Director General of the Treasury;
- State members in the Monetary Policy Committee;
- two members appointed by the country Government;
- one member appointed by the Economic and Social Council;
- the Director General of the National Institute of Statistics ;
- the President of the Professional Association for Credit Institutions;
- the President of the Association of Investment Companies or his/her representative;
- the President of the Professional Association for Microfinance Institutions ;
- the President of the Professional Association for Insurance Companies ;
- the President of the Professional Association for stock exchange companies, where applicable;
- the President of the Professional Association for Assets Management Companies, where applicable;
- the representative of the Professional Association for Payment Institutions, where applicable;
- the representative of the Credit Information Bureaus, where applicable ;

- three members appointed by the consular chambers (Agriculture, Commerce and Industry, etc.);
- the President of the Association for Consumers of Banking and Financial Services ;
- the President of the employers' confederation ;
- a representative of the universities and research centres appointed by the NEFC President.

The decision-making organ examines matters referred to it by technical committees and commissions and by the General Secretariat.

II.2. Technical Committees of the National Economic and Financial Committee

Under the provisions of Article 25 of the above-mentioned Regulations, the NEFC may set up technical committees from among its members, whose composition and responsibilities it shall determine. To that end, three (03) technical committees have been set up within the NEFC. They are:

- the Economic and Financial Studies Committee;
- the Regulatory Committee ;
- the committee on the Report on Currency, Credit and the Functioning of the Banking and Financial System.

II.3. The General Secretariat of the National Economic and Financial Committee

The General Secretariat is the executive organ of the NEFC. It is coordinated by the Secretary General, who is responsible for preparing and monitoring the implementation of the Committee decisions.

To that end, the activity of the NEFC General Secretariat is structured as follows, under five (05) sections:

- General Administration and Management Section;
- Banking and Finance Section;
- Economics and Statistics Section;
- Legal Section;
- Computer and Communication Section.