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Folder Title: Economic Committee Papers - Cameroon - EC/M/70-39 - Note of Meeting on October 28, 1970

Folder ID: 30275885

Series: Country Files

Dates: 10/30/1970 – 10/30/1970

Fonds: Records of the (Staff) Economic Committee

ISAD Reference Code: WB IBRD/IDA WB_IBRD/IDA_118-03

Digitized: 03/19/2025

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Economic Committee Papers - EC/M/70-39 - Cameroon - Note of Meeting on October 28, 1970

ECONOMIC COMMITTEE

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EC/M/70 - 39

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October 30, 1970

CAMEROON

Note of Meeting on October 28, 1970

Present: Messrs. Chenery (in the Chair), Adler, Stevenson, Haq, Hulley, Colaco, Chaffey (Secretary).

Others: Messrs. Cheek, de Vries, Jansen, Thalwitz, Girin.

The Committee discussed the main policy issues arising from the draft Country Program Paper on Cameroon (EC/O/70 - 133/1 dated October 23, 1970).

LINK BETWEEN DEVELOPMENT STRATEGY AND LENDING PROGRAM

2. The Area Department said that in view of the country's immediate requirements, a large part of the lending program would be devoted to Cameroon's infrastructure, particularly transportation. The Department was confident that such investment would be productive inter alia through facilitating more exports. The Department also recognized the need to collaborate with the Government in diversifying the economy by emphasizing rural development. Thus the preliminary studies which it was proposed to carry out (with the help of the Permanent Mission in West Africa) covered subsistence agriculture and integrated rural development, as well as urbanization, and labor intensive techniques in transport projects. But these were relatively new areas for Bank lending and it would take longer to bring projects to fruition. In summary, the Bank's lending program was designed in the short term to realize useful and more readily achievable goals and in the longer term to diversify into sectors which took account of the need for balanced and more equitable development.

3. The Area Department said they were in favor of a new approach in Bank lending through integrated rural development, combining such things as minor irrigation works, feeder roads, rural electrification, etc. in one package. The main obstacles were (in the Bank) the complexities of a multi-departmental approach and (in the field) identifying regions and commodities for which the package would be feasible.

4. The Chairman said he had not gained such a clear picture of the link between the country objectives and the lending program from the CPP. He suggested the CPP should make a sharper distinction between the country's longer term goals endorsed by the Bank, and the extent to which the lending program was presently influenced by the availability of projects. To what extent was the issue of local expenditure financing a constraint.

AID COORDINATION

5. The Area Department said Bank relations with FED and FAC had improved considerably in recent years. There was continuous exchange of information and joint action on a number of projects. Both organizations' lending operations were believed to be leveling off, while the Bank would be financing the additional development effort. The Area Department raised, as a general issue, the problem consequent upon the likelihood that, as the Bank cooperated more closely with other lending agencies, Governments would inevitably get to know about the Bank's five-year lending program and might therefore seek to influence it more.

INTEREST RATE STRUCTURE AND FISCAL REFORM

6. The Area Department said the low interest rate structure favored the large-scale commercial interests and might have a distorting effect on investment composition and capital flows. It was a general problem in CFA franc countries. The monetary union between these countries limited the freedom of each to change the interest structure. However the Department was preparing the ground for change by pointing out to governments the harmful consequences of the low interest rates, but an early change was unlikely.

7. The Area Department in its forthcoming talks with the Government planned to review the prospects for fiscal reform and an austerity package.

J. Chaffey
Secretary
Economic Committee

Secretary's Department

Distribution:

Members of the Economic Committee
Others Present

ccs: Messrs. McNamara, Knapp, Aldewereld and Cope