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Dates: 01/01/1976 - 10/31/1977

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ISAD Reference Code: WB IBRD/IDA OPE-06

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THE WORLD BANK

Washington, D.C.

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Cameroon - CAMDEV 1 - Cameroon Development Corporation - Report
1752 - set

OFFICE MEMORANDUM

TO: Mr. G. L. Hyde, IDF

FROM: Jean-Paul Pinard, OED

SUBJECT: IMDBI (Iran) Foreign Exchange Risk Exposure Covenant

DATE: October 6, 1977

1. This is in response to your memo dated August 5, 1977, (before you went on leave) discussing the Foreign Exchange Risk Exposure Covenant agreed upon between the Bank and IMDBI (Iran).
2. In evaluating a DFC's foreign exchange risk exposure and the size of adequate provisions to cover eventual losses, one should clearly distinguish between two elements: Firstly, the risk inherent to the market at a particular point of time, or, as you say, the probability of appreciation/depreciation of currencies against each other. Secondly, the expected gain/loss which could result on a particular "currency basket" from the changes in parities. In other words, given the uncertainty characterizing the market - on which a judgment has to be made - how much risk is carried by the DFC?
3. The index which IMDBI undertook to compute following the Bank's suggestion represented an attempt to provide a single measure of a DFC's foreign exchange risk exposure; i.e. two portfolios of equal size and generating equal indices would call for identical provisions against possible foreign exchange losses (A). The index will be endowed with the desired property A whenever the statistics underlying future foreign exchange rates satisfy the following two basic assumptions:
 - (i) each currency faces the same uncertainty as to what will be its future parity in terms of the local currency (Rial) (in other words, the expected value of each exchange rate is equal to its current value and moreover, the standard errors on normalized exchange rates are all equal to each other).
 - (ii) the expected changes in currency parities are independent one from the other (in other words, a zero-covariance assumption).
4. If (i) and (ii) hold, then a measure of the protection offered by a particular portfolio can be found in the sum of the squares of the proportions of each specific currency exposure to the overall exposure. However, for A to hold, one should not include the net exposure in local currency in the definition of overall exposure, nor in the computation of the index, as clearly, no risk is borne on this particular item. ^{1/} Computation of the index, however, would only be the first step towards deciding upon the size of provisions, which would obviously depend upon the maximum potential percentage change in parities (call k%) which the DFC would wish to be covered against. Assuming (i) and (ii) hold, then

^{1/} One reason why the net exposure in Rials was included in the IMDBI case may have been the fact that in many instances IMDBI has been passing part of the risk on foreign exchange to its sub-borrowers while still denominating its sub-loans in Rials.

provisions should amount to a proportion of the overall exposure equal to "k" multiplied by the square root of the index. Note again that the overall exposure should not include the net exposure in domestic currency and that consequently, the index could range from zero (infinite number of net foreign currency holdings) to one (one net foreign currency holding only).

5. The introduction of the "multiplier" (in the covenant) is tantamount to taking a linear approximation of the square root of the index. If one assumes that changes in parities of up to 20% can be expected, then the size of provisions should amount to between 10% and 20% of overall exposure depending on the value of the index.

6. Alternatively, if either (i) or (ii) do not hold, then computation of the index is of no relevance at all. In the case where (i) does not hold, a forecast of foreign exchange gains/losses can be made which should be used to derive adequate provisions; if (i) holds but not (ii) then the suggested index-cum-multiplier routine will tend to overestimate the degree of diversification offered by the portfolio, thereby underestimating the risk carried by the DFC.

7. Assumptions (i) and (ii) may prove quite realistic in the context of a "middle of the pack" local currency, i.e. where there is no reason to believe that one currency will do better than another (or where no detailed analysis is warranted, in which case (i) and (ii) can provide a reasonable approximation). Thus, computation of an index to measure the protection offered by a well-diversified currency basket against foreign exchange risk could have been relevant in Iran in view of the current strength of the Rial; however, for the same reason the IMDBI experience may not provide the best springboard from which to derive policy guidelines on this matter for other DFCs.

8. Indeed, assumption (i) totally excludes the case of a "drifting" local currency (upwards or downwards) as is so often the case in developing countries. In this (more likely) case of a local currency weak against all other currencies, a forecast of foreign exchange gains/losses can be made on the basis of forecast of currency trends provided by the IMF. Expected losses which could result from a residual risk carried by the DFC in spite of the fact that the foreign exchange risk is passed on to the borrowers, should be covered in full by provisions from profit. Sophisticated financial managers might want to create special provisions to cover the risk that actual losses exceed projections made ex-ante. In this case, computation of the index suggested in the covenant would be relevant to evaluate the size of provisions needed to cover the difference between actual and expected losses.

9. As stated above, assumption (i) refers chiefly to the local currency's relative strength with respect to other currencies. Assuming that a particular country's currency qualifies for this criterion, assumption (ii) should prove highly unrealistic for most developing countries because of the usually unsteady path of their economy. In other words,

if a developing country's currency is declining with respect to the currency of one developed country, it is likely to lose ground against all of them, hence contradicting the no-covariance assumption.

10. The index-cum-multiplier routine embodies the idea that diversification acts as a hedge against possible losses. The relevance of this proposition in the context of developing countries should be seriously assessed before the Bank attempts to generalize to other DFCs the rather sophisticated proposition suggested in its covenant with IMDBI.

cc: Messrs. Kapur
Collier
Medhora

JPPinard:sb

October 5, 1977.

FORM NO. 75
(3-76)

THE WORLD BANK

ROUTING SLIP		DATE 10-3-77	
NAME		ROOM NO.	
Mr. S. Kapur			
Mr. 200			
APPROPRIATE DISPOSITION	NOTE AND RETURN		
APPROVAL	NOTE AND SEND ON		
COMMENT	PER OUR CONVERSATION		
<input checked="" type="checkbox"/> FOR ACTION	PER YOUR REQUEST		
INFORMATION	PREPARE REPLY		
INITIAL	RECOMMENDATION		
NOTE AND FILE	SIGNATURE		
REMARKS			
<p>Shir</p> <p>we've already made some changes in the new Regional meeting</p> <p>Rin</p> <p>Ok</p> <p><i>[Signature]</i></p>			
FROM	ROOM NO.	EXTENSION	
Klaus Berg	A 200	6311	

OFFICE MEMORANDUM

TO: Mr. Francis van Gigch, Asst. Director

DATE: September 30, 1977

FROM: Klaus Berg, Division Chief, WAPAI *by*

SUBJECT: OED Audit Report - CAMEROON SOCAPALM I AND CAMDEV I

1. Attached please find our proposed amendments to paragraph 39 regarding smallholder development. I think the paragraph, as proposed by OED, still has a far too negative connotation in general, particularly regarding two implications:-

- (i) It is implied that Government ranks smallholder development as a secondary objective when compared to industrial estates since, according to OED, it considers it a vehicle for the inflow of foreign financing and technical expertise as well as for faster output growth. This is only correct as far as the technical expertise is concerned, while in my opinion, smallholder development attracts at least as much or even more foreign financing from the Bank, for example. As far as the faster output growth argument is concerned, smallholder development complements and does not compete with industrial estate development and therefore should not be rated as a secondary priority.
- (ii) The other point of substance is the argument that CAMDEV's and SOCAPALM's management believe that it would require 10-15 years to establish substantial smallholder projects around their estates. This statement gives the impression that an estate development would be much faster while regardless of whether the project is estate or smallholder, it needs the same number of years to get trees into full production, taking into account the planting period and subsequent immature period.

2. In order to facilitate your and OED's review of the above corrections, we have retyped paragraph 39, but also attach a page showing the amendments pencilled in..

cc: Mr. Oblitas

K.Berg:hj

Attachments (2)

3089
10/4

39. The Bank is continuing its efforts to promote smallholder development around these estates, and has included smallholder components in both follow-up projects, SOCAPALM II and CAMDEV II. Government is supporting smallholder development, but, in its development strategy for Cameroon, this ranks as a secondary objective after the development of industrial estates, the latter being valued especially as a vehicle for the inflow of technical expertise. Potential progress with smallholder activity in Cameroon must be evaluated in the context of these Government priorities. The managements of both projects foresee difficulties in achieving large-scale smallholder development, at least in the short run, though both are prepared to work for its success because they believe in its value for the process of economic development. CAMDEV management foresees initial problems in getting project participants to conform to the discipline required for proper techniques of cultivation. SOCAPALM's problems go beyond this to the question of finding an adequate number of participants in the sparsely populated part of the country where its estates are located. CAMDEV has an important advantage in this regard over SOCAPALM, in that many of its participants may well have been engaged in treecrop cultivation before. SOCAPALM by contrast, in opening up new territory in the forested areas of the country, will be confronting a different type of people--forest people, for whom engaging in regular agricultural activities would be a completely new experience, and who would therefore require special incentives for their full participation. These difficulties notwithstanding, Bank staff believe that experience with nucleus estates projects in other countries--Ivory Coast for example--has demonstrated not only the success of smallholder treecrop development, but also the income advantage to the rural population of this mode of production.

*and foreign financing, as well as for faster
output growth (Bank staff disagree that
the estate strategy necessarily confers these advantages or is
competitive with the smallholder projects).*

The managements of both projects are achieving large-scale smallholder development, at least in the short run,

- 11 -

39. The Bank is continuing its efforts to promote smallholder development around these estates, and has included smallholder components in both follow-up projects, Socapalm II and Camdev II. Government is prepared to support smallholder development, but it is quite clear that in its development strategy for Cameroon this ranks as a secondary objective after the development of industrial estates, the latter being valued especially as a vehicle for the inflow of foreign financing and technical expertise, as well as for faster output growth. Potential progress with smallholder activity in Cameroon must be evaluated in the context of these Government priorities. Management at neither project is optimistic about the results, though both are prepared to work for its success because they believe in its value for the process of economic development. Camdev management foresees problems in getting project participants to conform to the discipline required for proper techniques of cultivation. Socapalm's problems go beyond this to the question of finding an adequate number of participants in the sparsely populated part of the country where its estates are located. Both managements believe that in these conditions it would take a period of 10 to 15 years to establish substantial smallholder projects around their estates. Camdev has an important advantage in this regard over Socapalm, in that many of its participants may well have been engaged in tree crop cultivation before. Socapalm by contrast, in opening up new territory in the forested areas of the country, will be confronting a different type of people -- forest people, for whom engaging in regular agricultural activities would be a completely new experience, and who would therefore require special incentives for their full participation. These difficulties notwithstanding, Bank staff believe that experience with nucleus estates projects has demonstrated not only the viability of smallholder development, but also the income advantage to the rural population of this mode of production.

tree crop

in other countries -- Ivory Coast for example --

initial

Mr. Mervyn L. Weiner, Director-General,
Operations Evaluation
K. A. Bohr, Acting Director, OED 104B

September 14, 1977

Project Performance Audit Report on the Cameroon Development
Corporation - Camdev I (Credit 100-CM, Loan 490-CM) and
Cameroon Oil Palm - Socapalm I (Loan 593-CM, Loan 886-CM)

I am attaching for your approval the Project Performance Audit Report on the Cameroon Development Corporation - Camdev I, and Cameroon Oil Palm - Socapalm I supported by Credit 100/Loan 490-CM of 1967 and Loans 593/886-CM of 1969. The report has been revised in light of comments provided by the West Africa Regional Office, Cameroon Development Corporation, and the Government of Cameroon.

Attachment

cc: Messrs. Baum
Chaufournier

DE/EBR:clf *Sf*

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Total Oil Equivalent Price Per Ton
Conversion Factors

Annex 5
Table 7

Total Oil Yield. Obtained by adding Oil Yield with half of kernel yield, as follows.

	<u>Oil Yield</u>	<u>Kernel Yield</u>	<u>Total Oil Yield</u>
1972/1973	.150	.040	.1700
1974	.154	.042	.1750
1975	.162	.042	.1830
1976	.180	.042	.2010
1977	.184	.044	.2060
1978	.195	.045	.2175
1979	.203	.046	.2260
1980	.206	.046	.2290
1981	.207	.046	.2300
1982	.209	.046	.2320
1983	.211	.046	.2340
1984	.214	.046	.2370
1985- 2000	.215	.047	.2385

Oil equivalent Price per Ton. Obtained as follows:

$$\frac{(\text{oil yield} \times \text{oil price per ton}) + (\text{kernel yield} \times \text{kernel price per ton})}{\text{total oil yield}}$$

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Project Performance Audit Report

CAMEROON

CAMEROON DEVELOPMENT CORPORATION - CAMDEV I
(Credit 100-CM, Loan 490-CM)

and

CAMEROON OIL PALM - SOCAPALM I
(Loan 593-CM, Loan 886-CM)

September 14, 1977

Operations Evaluation Department

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Project Performance Audit Report

CAMEROON

CAMEROON DEVELOPMENT CORPORATION - CAMDEV I
(Credit 100-CM, Loan 490-CM)

AND

CAMEROON OIL PALM - SOCAPALM I
(Loan 593-CM, Loan 886-CM)

PREFACE

This report presents an audit of two estates projects in Cameroon supported by three Bank loans and one IDA credit totalling US\$27.6 million, and made to Cameroon Development Corporation (Camdev) and the United Republic of Cameroon in 1967, and to Societe Camerounaise de Palmeraies^{1/} (Socapalm) in 1969. They were all closed by October 1976, with minor cancellations.

Both were tree crop projects, with oil palm predominating. They were implemented concurrently for seven years, and closed about the same time; they are therefore best reviewed together.

The audit is based on the attached Project Completion Reports, on a review of Bank files, and on discussions with Regional staff. An OED mission visited Cameroon in April 1977. The PCRs report on project results, and review selective developments during implementation. The Audit Memorandum discusses one prominent aspect of the implementation of each project, then addresses two issues that acquire significance when the projects are subjected to comparative analysis in the context of the country as a whole.

OED wishes to express its appreciation to officials in the Ministry of Agriculture and the Ministry of Economic Planning and Development, as well as the management and staff of Camdev and Socapalm, who gave every assistance to the OED mission.

^{1/} The original loan was made to Societe des Palmeraies de Mbongo and d'Eseka (SOPAME). In January 1972 the company changed its name to Societe des Palmeraies au Cameroun Oriental (SOPACOR), and then modified it in December 1972 to the present name used in the report.

Project Performance Audit Report

CAMEROON: CAMDEV I (Credit 100-CM and Loan 490-CM)

BASIC DATA SHEET

A. Amounts (in US\$ mln)

	<u>Original</u>	<u>Exchange Adjustment</u>	<u>Disbursed</u>	<u>(As of June 30, 1977)</u>	
				<u>Repaid</u>	<u>Outstanding</u>
Credit-100	11.0	2.3	13.3	0.1	13.2
Loan-490	7.0	0.1	7.0	0.3	6.7

B. Project Data

	<u>Original Plan</u>	<u>Revisions</u>	<u>Actual</u>
First Mention in Bank Files			1/28/63
Board Approval			3/23/67
Loan and Credit Agreements			3/28/67
Loan and Credit Effectiveness			7/07/67
Physical Completion	12/31/74		1976
Percent of Original Project actually completed			86%
Loan Closing	12/31/74	12/31/76	10/07/76
Credit Closing	6/30/72		7/26/72
Total Costs (US\$ mln)	22.2		25.6
Economic Rate of Return	16%		16%

C. Mission Data

	<u>Month Year</u>	<u>No. of Persons</u>	<u>No. of Weeks</u>	<u>Manweeks</u>	<u>Date of Report</u>
Preparation - CDC	1964				
Appraisal	11/65	3	3½	10	2/17/67
Supervision I	11/67	2	1	2	1/12/68
Supervision II	7/68	2	1½	3	8/30/68
Supervision III	12/68	-	-	-	-
Supervision IV	6/69	2	1½	3	7/22/69
Supervision V	3/70	2	4	8	6/05/70
Supervision VI	12/70	2	1½	3	1/28/71
Supervision VII	5/71	2	2	4	6/25/71
Supervision VIII	1/72	2	2	4	3/13/72
Supervision IX	5/72	2	2	4	7/26/72
Supervision X	12/72	2	2	4	2/15/73
Supervision XI	11/73	2	2	4	2/04/74
Supervision XII	6/74	2	4	8	8/14/74
Supervision XIII	4/75	1	2½	2½	7/24/75
Supervision XIV	11/75	1	½	½	1/23/76
Project Completion	5/76	3	2½	7½	10/21/76

D. Follow-on Project: Appraised March 1977.

Project Performance Audit Report

CAMEROON: SOCAPALM I (Loan 593-CM and Loan 886-CM)

BASIC DATA SHEET

A. <u>Amount (in US\$ mln)</u>			(As of June 30, 1977)		
	<u>Original</u>	<u>Exchange Adjustment</u>	<u>Disbursed</u>	<u>Repaid</u>	<u>Outstanding</u>
Loan-593 (Original Loan)	7.9	0.3	7.9	-	7.9
Loan-886 (Supplemental Loan)	1.7	-	1.7	-	1.7

B. <u>Project Data</u>	<u>Original Plan</u>	<u>Revisions</u> ^{/1}	<u>Actual</u>	
			<u>Ln. 593</u>	<u>Ln. 886</u>
First Mention in Bank Files			6/03/65	
Board Approval			3/18/69	2/13/73
Loan Agreement			4/15/69	4/09/73
Loan Effectiveness			8/14/69	10/19/73
Physical Completion	1974	6/78		1977
Percentage of Original Project actually completed			92% ^{/2}	97% ^{/2}
Loan Closing	12/31/76	6/30/79	10/07/76	10/07/75
Total Costs (US\$ mln)	14.1	19.0		25.0
Economic Rate of Return ^{/3}	10%	12%		14%

C. <u>Mission Data</u>	<u>Month Year</u>	<u>No. of Persons</u>	<u>No. of Weeks</u>	<u>Manweeks</u>	<u>Date of Report</u>
Preparation - Consultants	1965-1966				
Pre-Appraisal - Bank	3/67	4	-	-	
Pre-Appraisal - Bank	12/67	4			
Appraisal	2/68	3			2/03/69
Supervision I	-	-	-	-	6/69
Supervision II	4/70	2	2	4	6/12/70
Supervision III	12/70	2	1	2	2/10/71
Supervision IV	5/71	2	1	2	6/25/71
Supervision V	1/72	2	1	2	3/27/72
Reappraisal	5/72	3	2	6	1/22/73
Supervision VI	4/73	1	1	1	5/30/73
Supervision VII	6/74	1	1	1	9/13/74
Supervision VIII	4/75	1	2½	2½	7/29/75
Supervision IX	11/75	1	1	1	1/26/76
Project Completion	5/76	3	2½	7½	8/16/76

D. Follow-on Project: Appraised June 1976.

^{/1} Made when Ln. 886 was appraised.

^{/2} As of 1976.

^{/3} These estimates are the high side of a range reflecting alternative assumptions about the shadow price of labor.

Project Performance Audit Report

CAMEROON

CAMEROON DEVELOPMENT CORPORATION - CAMDEV I
(Credit 100-CM, Loan 490-CM)

AND

CAMEROON OIL PALM - SOCAPALM I
(Loan 593-CM, Loan 886-CM)

HIGHLIGHTS

Loans 490, 593, 886 and Credit 100, supported industrial estates under the management of Camdev and Socapalm in the western and eastern regions of Cameroon. The projects largely achieved their objectives - in the one case, of strengthening the financial position of Camdev, and in the other case, of establishing significant commercial production of oil palm in the eastern part of the country. Both were subject to cost overruns. Socapalm, being a new venture with no internal cash generation in the initial years, could not sustain the sizeable cost increases, and required additional financing, which the Bank provided under a supplemental loan, and again under the second stage project.

The Bank Group operations were undertaken prior to the formation of the United Republic of Cameroon, and this joint review of the projects indicates areas of potential further project benefits from coordinated planning and policy which political unification has now made possible.

The following points may be of particular interest:

Successful institution building under the Camdev project
(PPAM paras. 17-21)

Reasons for reappraisal and supplemental financing of the
Socapalm project (PPAM paras. 23-28)

Need for annual cost-at-completion reviews (PCR-Cam. para. 3.06;
PCR-Soc. para. 3.05)

Need to integrate a normal replanting program in estate development plans (PCR-Cam. para. 3.06; PCR-Soc. para. 3.05)

Difficulty of resolving land-clearing issues - mechanical
versus manual (PPAM para. 26)

Bank effort in promoting smallholder activity in a member
country (PPAM paras. 35-40; PCR-Cam. para. 2.03; PCR-Soc.
para. 2.04)

Potential benefits from coordinated planning for estate development (PPAM paras. 29, 31-34, PCR-Soc. para. 2.07)

Project Performance Audit Memorandum

CAMEROON

CAMEROON DEVELOPMENT CORPORATION - CAMDEV I

(Credit 100-CM, Loan 490-CM)

AND

CAMEROON OIL PALM - SOCAPALM I

(Loan 593-CM, Loan 886-CM)

PROJECT SUMMARY

Camdev

1. Credit 100-CM to the Federal Republic of Cameroon for US\$11.0 million, and Loan 490-CM to Cameroon Development Corporation (Camdev) for US\$7.0 million, were made in 1967 to help finance a seven-year development program (1967-1974) for estate production of tree crops, with emphasis on oil palm.

2. Camdev, a long-established (1946) corporation of then West Cameroon, with 75% of the region's plantation land, was the largest single enterprise in West Cameroon and one of the largest tropical plantation enterprises in Africa at that time. It accounted for 20% of West Cameroon's employment and about 30% of its exports. Its development, therefore, was an important part of the development of the western region.

3. Camdev had long suffered from a weak financial structure. With no equity capital, it depended on earnings and debt capital to finance its development, and was required to return all profits to the regional Government, while not being permitted to carry forward losses. During the late 1950's and early 1960's storm damage and crop disease affecting bananas, its main crop at that time, compounded the financial difficulties of the corporation. Hence the proximate objective of Bank/IDA assistance was to achieve the financial rehabilitation of Camdev.

4. The Bank^{1/} project was appraised in November 1965, based on the seven year development program mapped out by a CDC^{2/} agricultural mission to West Cameroon in 1964. It encompassed most of Camdev's development program involving estates in 18 locations in the southern part of West Cameroon, and comprised: the planting of about 11,500 ha, mostly of oil

^{1/} In the context of Camdev, Bank in this Memorandum refers to the Loan and Credit combined.

^{2/} Commonwealth Development Corporation.

palm, but including also rubber, tea, and pepper; the bringing to maturity of about 5,500 ha of immature oil palm and rubber; and the provision of necessary infrastructure, processing facilities, and other related equipment (PCR-Cam para. 3.01). It was expected to cost US\$22.2 million, with foreign exchange costs of US\$9.5 million. The rest of the development program, i.e. planting another 4,380 ha of oil palm, was financed by a loan of US\$6.4 million from the European Community under arrangements to coordinate administration with the Bank. Since 1961 Camdev had been managed by CDC under managing agency agreements, and this arrangement continued through 1974, after which the agreement was not renewed, and a Cameroonian manager was installed.

Socapalm

5. Loan 593-CM for US\$7.9 million to Societe Camerounaise de Palmeraies (Socapalm) was made in 1969 to finance the establishment of two estates for oil palm production at Mbongo and at Eseka in then East Cameroon.

6. Prior to the project, commercial production of oil palm in East Cameroon was insignificant; the bulk of production had been based on traditional harvesting of wild palms, but this was steadily declining due mainly to the age of the palms. In the meantime population growth was pushing up domestic demand for edible oils, of which palm oil was the prime source in the greater part of Cameroon.

7. The loan aimed to assist the Government to increase commercial production of oil palm in East Cameroon. An important secondary objective was to lay the foundation for nucleus estates development of smallholder oil palm through demonstration of the growing of the crop under East Cameroon conditions, and by providing processing and institutional facilities.

8. Socapalm I was prepared during 1965-66 by consultants led by IRHO^{1/} with financial assistance from the French Government. IRHO was responsible for assessing technical and economic feasibility, and ORSTOM^{2/} was responsible for soils investigation. The Bank's Resident Mission in West Africa provided guidance in project preparation. Two pre-appraisal missions in March and December 1967 were followed by an appraisal mission in February 1968.

9. The project consisted of establishing a 4,500 ha estate at each of the two locations; constructing a palm oil mill on each estate; and

^{1/} Institut de Recherches pour les Huiles et Oleagineux.

^{2/} Office de la Recherche Scientifique et Technique d'Outre-mer.

providing necessary roads, buildings, and other infrastructure on each estate. It was cofinanced by two French agencies, FAC^{1/} with a grant of US\$1.8 million, and CCCE^{2/} with a credit of US\$1.8 million. It was expected to cost US\$14.1 million, including capitalized interest. The foreign exchange component was US\$7.8 million. Socapalm was formed in 1969 to own and manage the estates, with expatriates in the top management and technical positions.

10. Significant cost overruns (para. 11) led to reappraisal in 1972. At the same time, because much of the Eseka site had proved unsuitable,^{3/} about 2,000 ha of planting proposed for Eseka was shifted to new locations identified at Mbongo. The Bank approved a supplemental Loan 886-CM for US\$1.7 million in 1973 to help defray the excess costs. FAC and CCCE also made additional amounts available: US\$0.8 million, and US\$1.1 million respectively.

Project Costs

11. Cost overruns occurred in both projects. Final estimates^{4/} for Camdev are 23% above appraisal costs when the latter are recast in terms of the project actually implemented (PCR-Cam, para. 3.08). For Socapalm, final estimates are 29% above reappraisal estimates, which in turn were about 30% higher than appraisal estimates (PCR-Soc, Annex 3, table 2). The differential impact of the cost overruns on the two corporations, and the particular circumstances of Socapalm, are discussed below (paras. 22-28).

Project Results

12. The broad objective of increasing estate production of oil palm and rubber in Cameroon has been accomplished, though results fell short of appraisal expectations due both to lower hectarages and lower yields.

13. While reappraisal targets for hectarage planted at Socapalm are expected to be fully met by 1977, at Camdev only 86% of the hectarage

^{1/} Fonds d'Aide et de Cooperation.

^{2/} Caisse Centrale de Cooperation Economique.

^{3/} Swamps, ravines, and numerous small streams made much of the site unplantable. This difficulty was discovered only during implementation.

^{4/} Cost comparisons are in terms of CFAF.

originally planned was actually planted, chiefly because of reduction in the areas planted to tea and pepper (PCR-Cam paras. 1.05, 1.08, 4.01). Oil palm yields at both projects are now forecast to be less favorable than earlier expected. However, rubber yields at Camdev are forecast to be above appraisal estimates (PCR-Cam para. 4.06). Overall, output shortfalls at full production are expected to be about 20% at Camdev and 8% at Socapalm.

14. Prices, by contrast, have increased beyond appraisal projections due to the recent commodity price inflation. Most of the palm oil from the two projects will be marketed domestically, and domestic prices have been high. The PCRs forecast good market prospects for the relatively small exportable surplus of palm oil, as well as for Camdev's rubber, all of which is exported (PCR-Cam paras. 4.02-4.05).

15. The combination of output and price projections described above permit satisfactory estimates of the rate of return for both projects, despite the cost overruns. Using assumptions for labor costs and foreign exchange similar to those used at appraisal and reappraisal, the PCR estimates an updated economic rate of return of 16% for the Camdev project, the same as the appraisal estimate. For Socapalm the updated estimate is 14%, and compares with 12% estimated at reappraisal.^{1/} OED accepts those rates of return.

16. Following the management and financial difficulties experienced in the first years of project implementation, prospects for the two corporations appear to be satisfactory. The PCR mission found, however, that primarily at Socapalm, but also at Camdev, financial management could be further improved. The mission emphasized the need to strengthen financial management and to make more frequent cost-at-completion reviews.

OED COMMENTS

Aspects of Implementation

17. Institution Building - Camdev: A principal objective of the Bank's aid to Camdev was to improve the company's financial structure and operation, as explained in para. 3 above. In this the project has been enormously successful. From an institution characterized by a weak capital structure, and a

^{1/} The rate of return calculations for Socapalm are not directly comparable, as the PCR values total project output at export prices whereas the Reappraisal Report used an estimate of import substitution prices to value the roughly 70% of project output that would be marketed domestically. It should also be noted that the Appraisal Report used export prices. (The PCR uses the Reappraisal method in its calculations of the financial rate of return.)

precarious financial position in the mid-1960's, Camdev has progressed to a position where the current debt/equity ratio approximates the 1:1 ratio aimed for at appraisal, contrasting sharply with the 5:1 ratio obtaining in 1966; by 1975 Camdev had a comfortable cash position and net earnings larger than projected at appraisal.

18. To be sure, the magnitude of recent improvements in earnings and cash flow is largely attributable to the higher prices received in 1974 and 1975, but beyond that lay some more fundamental changes that have secured Camdev's financial base and prepared it for longer term successful performance. Camdev management confirmed to the OED mission the importance of the Bank's role in overall management improvements.

19. The first essential step in this direction was the reorganization of Camdev's capital structure, achieved even prior to loan effectiveness at the request of the Bank and EEC as a condition of new financing. Some of Camdev's debt was converted to equity capital, and the corporation was relieved of any obligation for a disputed debt to the Nigerian Government during the period of Bank financing. In addition, the proceeds of Credit 100-CM were to be transferred by Government to Camdev in the form of equity, in order to strengthen the debt/equity position.

20. Secondly, during project implementation the Bank closely monitored the management situation, persisting in demands for improvement. Three kinds of developments of significance for Camdev's performance occurred as a result. In 1970 a new manager and reorganization at the senior staff level brought better management and staff morale. In 1971 the plantations were reorganized to provide better techniques and supervision in the field, thus improving productivity. In addition, in 1972 Camdev, with encouragement from the Bank, discontinued its unprofitable cocoa operations.

21. Finally, some of the financial difficulties of Camdev arose from its position as the major industry and, in a sense, employer of last resort in West Cameroon. As such, not only did it provide housing and hospital services for its employees, but also it managed a research center and the two ports in its area of concession. On the Bank's recommendation Camdev successively divested itself of the ports, research center, and hospital, handing them over to Government, and adopted other economy measures, including a major reduction of its labor force. These measures put the company on a sounder financial basis, though in some instances, as for example Government take-over of the hospital, the results in terms of services delivered compares unfavorably with the previous arrangement. Recent supervision missions assess the financial outlook as favorable, and outstanding shortcomings in Camdev's financial management concern only the more regular review of costs.

22. Costs and Financing - Socapalm. Throughout project implementation Socapalm has operated under strained financial conditions, due mainly to substantial cost overruns. Excess costs of about 30%^{1/} by the third year of the project, led the Bank to reappraise the project and provide a supplemental loan of US\$1.7 million. Further cost increases over the next three years, amounting to about 29% above reappraisal cost estimates, led Government to request and the Bank to approve additional financing under the second phase Socapalm project in order to complete the first project (See PCR-Soc., Annex 4).

23. One explanation for the cost overruns in the period after reappraisal is the high inflation of that period, which could not have been anticipated. With the first of Socapalm's plantings just coming into production in those years, self-generated funds were low, and Socapalm's financial condition suffered more from the effects of inflation than did that of Camdev, which, as an older company, had a much higher level of production and earnings.

24. Explanation of Socapalm's cost overruns in the first years of the project, 1969-1972, is more complex. The 30% cost overrun for that period alone, compares with Camdev's 23% cost overrun for the entire project period, 1967-1976. Reappraisal^{2/} analysis found that the major contributing factors, over and above inflation, were: deficiencies of the Eseka project site which required new areas to be identified and surveyed; the expensive mechanical method of land clearing used; and underestimates at appraisal (averaging about 44% of cost overruns in those categories where separately identified in the reappraisal report) of a number of cost components, including especially salaries of management and staff, physical requirements such as vehicles and equipment, and housing for workers.

25. The unfortunate experience with the choice of Eseka was the result of inadequate survey work by the consultants. The Bank has learned from this experience and has effectively guarded against its recurrence in subsequent projects in Cameroon.

26. On the issue of land clearing, there is still considerable divergence of views on the method most suited to given conditions in Cameroon. Protracted discussions with the Borrower and IRHO over the period of a year prior to appraisal, and voluminous documentation by IRHO, finally persuaded the Bank to approve mechanical land clearing against its own judgement that

^{1/} Excluding the cost of the warehouse and office at Douala, which were added at reappraisal, and additional cost due to extension of the development period at reappraisal.

^{2/} Reappraisal Report No. 8a-CM.

in the circumstances then existing hand clearing would be less costly. The tremendous cost increases that occurred in this category (estimated at reappraisal to be 47% per ha above the original estimate), were due as much to the unexpected difficulty of the terrain at Eseka, as to inflation, and persisting differences on the relative speed and cost of hand versus mechanical clearing seem to be based on differing assumptions about the availability and cost of labor. Socapalm shifted to hand clearing after reappraisal, and found it too time consuming. Camdev, where labor conditions have in the past been favorable to hand clearing, is now experiencing a decline in this advantage as labor costs increase. In the event, under the second stage projects, both Socapalm and Camdev will use a combination strategy of hand and mechanical clearing, though for different reasons -- Socapalm resorting to hand clearing where the terrain makes mechanical work inefficient; Camdev resorting to mechanical clearing as relative labor conditions warrant.

27. On the matter of appraisal underestimates, Bank staff and project management agree that appraisal estimates of project costs were pared to the minimum acceptable level because the rate of return, as then estimated, was marginal. The appraisal team considered that cost reductions below those proposed by Government were essential because of low yields and financial terms of the loan which did not allow for higher investment costs.^{1/} They believed, however, that the lower cost targets were commensurate with Camdev and other West African plantations, and therefore attainable by Socapalm. The Bank has therefore attributed the failure to operate within these costs to management inefficiency (PCR-Soc. para. 3.03). Project management feels unjustifiably blamed for lack of cost effectiveness, because they, and Government, believe that appraised costs were lower than they could reasonably be expected to attain, and that this was understood by the Bank. They left negotiations with the impression that cost overruns, if they did occur, could be made up by a subsequent loan, as in fact happened.

28. This case illustrates the problems then faced by Bank staff in trying to prepare for approval a project otherwise worthwhile, but offering returns on capital barely meeting Bank requirements (8-10% estimated at appraisal), and therefore critically dependent on efficient management to achieve the expected returns. The original rate of return estimate would have been somewhat higher had appraisal used an import substitution price to value the bulk of Socapalm's output^{2/} rather than the export price. Reappraisal estimates made this adjustment, and found that the project

^{1/} Bank staff argues that the IRHO method of costing used for the feasibility estimates (e.g. unit costing of land clearing) though appropriate under the terms of French financing with which IRHO was accustomed to work, was inappropriate under the harder terms of a Bank loan.

^{2/} Which would be sold on the domestic market.

could support the increased costs then estimated and yield a rate of return of 10-12%. In the event, given the exogenous jump in commodity prices since 1973, that invalidated the price projections for palm oil made at appraisal, the project is now able to support, with an acceptable rate of return, costs currently estimated at about 68% above appraisal.

Transfer of Experience

29. A striking feature of these projects is that, though they are both industrial estates (mainly oil palm) managed by public corporations in the same country, with the closest borders 40 miles (a 2-hour drive) apart, they have remained essentially separate in their development. Except for informal relations at the top management level, there has been no coordination either in planning or implementation, insofar as policies and operations of the projects are concerned. This separate development has sometimes, though not always, led to inefficiencies.

30. To a large extent it can be explained by the political history of the country. The projects began under separate regional governments (West Cameroon and East Cameroon) within the then Federal Republic of Cameroon. Political unification came only in 1972, and full coordination of institutions and operations can only be expected to follow with a lag. Moreover, the language barrier remains real even today, and must have been more effective eight years ago when Socapalm was established. But also there have been differences inherent in the companies themselves that have kept them separate and distinct. For example, Socapalm is a more recent venture, and its problems and experiences are not always directly comparable with those of Camdev. This is well illustrated by the land clearing issue described above. However, the inefficiencies that can arise from lack of coordination or central planning are highlighted by the differing policies of the two companies in the areas of training and research.

31. Training: Throughout most of its history, Camdev has had a formal scheme for training systematically programmed into its operations. It is implemented in a variety of ways -- on-the-job training, special short courses offered once or twice a year, scholarships for study abroad. This has enabled the company to show steady progress in Cameroonization of its management staff, with the number of expatriates declining from 93 in 1961 to 47 in 1966, and again to 7 by 1975. Many of the current Cameroonian staff have benefitted from one or other of Camdev's training programs.

32. By contrast, Socapalm has never had a formal program of training, and is only just beginning to plan for one. Meanwhile, the severe shortage of specialist personnel in Cameroon, that is being felt especially by Socapalm, but by Camdev as well,^{1/} is largely due to Government's low

^{1/} In this context Government has agreed to the appointment of additional expatriate staff under the Camdev II project.

salary scale, its selection and appointment process which is not always related to professional competence, the scarcity of Cameroonians with the basic technical education in the fields of interest to the project, and Government's slow recognition of the need for continued expatriate assistance to foster economic development in areas of sophisticated technologies. Nevertheless, Socapalm could clearly have benefitted from better coordination between the two projects. At the least, Socapalm should have been able to learn from Camdev the value of a training program, and have had it institutionalized at the onset of its existence.

33. Research: Differing policies in respect of research applications also hint at possible inefficiencies in this area from lack of coordination. Both companies have had the expertise of IRHO available to them, but under different arrangements. IRHO, which until 1974 ran a research station at La Dibamba in the Socapalm concession area, provides technical advice to Socapalm on a consultant basis. Camdev had its own research station until 1974, but, ever since 1968 it has provided to IRHO under contract, facilities and material for maintaining a seed selection and multiplication plot. The proximity and availability of IRHO to both companies might be expected to promote common practice with respect to the treatment of blast^{1/}, for example. However, this was not the case. One explanation appears to be that only speculative information exists about the causes of blast, and opinions differ as to the effectiveness and consequences of alternative treatments.^{2/} Thus, Socapalm has consistently shaded seedlings during the critical months, and achieved, on average, only a 1% annual loss of young palms from blast. Camdev has not used shading (until the 1976/77 planting), and averaged a 10% annual loss, with as much as 75% loss in its worst years, 1969 and 1975. Eventually, with experience and pressure from supervision missions Camdev shaded nurseries for the first time in 1976.

34. The corporations as well as Government are now keenly aware of the need for closer cooperation and coordinated planning for estate development. The Bank has played an important role in promoting the recent moves towards pooling resources in the form of information and communication facilities, which will materialize in the Coastal Estates Center^{3/} proposed under Socapalm II.

^{1/} A disease that attacks oil palm seedlings, destroying the young shoots and ultimately killing the plant.

^{2/} It is believed that palms that have survived blast are more robust than palms that have been protected against the disease by shading.

^{3/} A new corporation of the tree-crop estates in Cameroon for improving coordination of their policies and operations, including a rational sharing of the oil palm market, through the establishment of joint facilities. (See Appraisal Report, Socapalm II, Report No. 1364-CM, Annex 1, pp. 7-9).

Smallholder Development

35. At the Board discussions on Camdev I the issue of Bank support for industrial estates versus smallholder development was raised. The opinion was expressed at the Board that as a matter of philosophy the Bank should promote smallholder development in African countries rather than industrial estates.

36. Bank staff endeavoured to accommodate this thinking by emphasizing, in later estates projects, smallholder development along with industrial estates -- i.e. the nucleus estates concept. Accordingly, while appraisal of Camdev I included no provision for smallholder development, a deliberate effort was made under Socapalm I to promote smallholder development -- the project included arrangements for consultants' study of the potentialities for such development around the Mbongo and Eseka estates, and Government gave assurances that it would conduct studies to determine the most appropriate forms.^{1/} Indeed, the stated secondary objective of Socapalm I was to demonstrate to villagers the benefits from oil palm cultivation and provide necessary facilities for outgrower development.

37. But the Socapalm estates under the Bank project are especially unsuited for outgrower development on account of the low population density around the estates. There is no substantial number of villagers in the vicinity of Mbongo (where two-thirds of the Bank project is located) to support a viable smallholder project. Thus during project implementation no outgrower activity even of a rudimentary sort developed around the estate. At Eseka, which is more populous than Mbongo, an early enthusiasm for young palms shown by a number of estate workers at the beginning of the project quickly disappeared, as in most cases the seedlings were left to rot -- unplanted.^{2/}

38. Conditions are different at Camdev however. The population density of areas surrounding the estates is much higher than that of Socapalm's estates, and outgrower production accounts for about 3% of Camdev's output of palm oil in the last two years, and about 1% of rubber output. While no formal extension service has developed, technical assistance when needed is provided to smallholders on an informal basis through the estate manager in their vicinity.

^{1/} This requirement was considerably reduced at reappraisal, committing Government only to exchange views with the Bank regarding smallholder development to be undertaken by Socapalm and it appears that no studies of smallholder development were completed under Socapalm I.

^{2/} Project management reports only one outgrower each at Mbongo and Eseka. Socapalm's estate at Edea, financed by the European Development Fund, is more favorably situated in respect of population.

39. The Bank is continuing its efforts to promote smallholder development around these estates, and has included smallholder components in both follow-up projects, Socapalm II and Camdev II. Management at neither project is optimistic about the results, though both are prepared to work for its success because they believe in its value for the process of economic development. Camdev management foresees problems in getting project participants to conform to the discipline required for proper techniques of cultivation. Socapalm's problems go beyond this to the question of finding an adequate number of participants in the sparsely populated part of the country where its estates are located. Both managements believe that in these conditions it would take a period of 10 to 15 years to establish viable smallholder projects around their estates. Camdev has an important advantage in this regard over Socapalm, in that many of its participants may well have been engaged in tree crop cultivation before. Socapalm by contrast, in opening up new territory in the forested areas of the country, will be confronting a different type of people -- forest people, for whom engaging in regular agricultural activities would be a completely new experience, and who would therefore require special incentives for their full participation.

40. It would appear that the feasibility of outgrower development in terms of participant availability and interest is different as between Socapalm and Camdev, and it is not clear that this distinction has been fully taken into account by the Bank. Government is prepared to support smallholder development, but is quite clear that in its development strategy for Cameroon this ranks as a secondary objective after the development of industrial estates, the latter being valued especially as a vehicle for the inflow of foreign financing and technical expertise, as well as for faster output growth. Potential progress with smallholder activity in Cameroon must be evaluated in the context of these Government priorities. Nevertheless, management of both Camdev and Socapalm would seem to be in a position to benefit from visits to successful outgrower projects in other parts of the world.

CAMEROON

CAMEROON DEVELOPMENT CORPORATION

CAMDEV I PROJECT

(Credit 100-CM/Loan 490-CM)

COMPLETION REPORT

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1/ Only selected annexes have been retained in the audit report.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Completion Report

I. Introduction

1.01 Cameroon Development Corporation (CAMDEV) was established by the Government in 1946 to manage and develop about 88,000 ha of concession, on which by 1951 there were about 21,400 ha of existing plantations ^{1/} on the southern and southwestern slopes of Mt. Cameroon. In addition to its principal responsibilities it had to provide houses, schools and medical care for its employees and their families; it ran a research center; and owned and operated the two ports located in its area of concession.

1.02 CAMDEV's original estates were old. For the most part, they had been planted with low yielding materials, and eventually would have to be completely replaced. The pace would be slow because, until 1959, estate renewal and expansion was financed largely out of earnings. In 1960, however, the Commonwealth Development Corporation (CDC) agreed to invest £ 3 million in CAMDEV on the condition that CDC become managing agent and that CAMDEV be reorganized into a joint stock company. Subsequently, CAMDEV was able to draw down the first tranche of £ 1 million and to get on with its expansion but, as the then West Cameroon left the British Commonwealth to join the Cameroon Republic, CAMDEV was unable to draw the remaining £ 2 million and the proposed reorganization did not take place. But CDC remained as managing agent of CAMDEV until 1974 when a qualified Cameroonian national was promoted to the position of General Manager. As the development program initiated in 1960 had to be completed with self-generated funds, there followed a period of financial difficulties which lasted until the initiation of the Bank/IDA Project in 1967.

1.03 Going back to the individual crops, until the mid-1950's, when the Panama disease started spreading in West Cameroon, bananas had been the mainstay of the Corporation. New varieties of bananas had been introduced in the late 1950's, but the loss of the Commonwealth preference after unification of West and East Cameroon in 1961, and the difficulty of entering new markets had considerably reduced the importance of bananas at CAMDEV. Although by 1966 a share of the French preferential market had been secured, only about 6% of the total area previously occupied by bananas was henceforth required to satisfy CAMDEV's markets.^{2/}

^{1/} The earliest statistics on hand date from 1951, at which time there were about 8,300 ha of bananas, 6,500 ha of oil palm, 6,000 ha of rubber, 600 ha of cocoa, and 5 ha of pepper, tea production having stopped in 1948 and resumed in 1958.

^{2/} In 1954, at the height of its banana boom, CAMDEV maintained over 10,000 ha of bananas as compared with only about 600 ha in 1976; bananas were not part of the IBRD/IDA Project.

1.04 Oil palms and rubber -- CAMDEV's other major crops -- had left much to be desired when acquired in 1946 because of the inferior planting material used and, especially in the case of rubber, the poor planting and harvesting methods which had then prevailed. Yields had been very low, ^{1/} and satisfactory yields would not be obtained until all stands had been replaced. With CAMDEV's chronic cash shortage, however, this would take a long time. Indeed by 1966, overall Company yields were still less than half those obtained on modern plantations. ^{2/} (Annex 1, Tables 1 and 2).

1.05 The remaining crops -- cocoa, tea and pepper -- have never played a prominent role at CAMDEV. By 1966, the area planted with cocoa (468 ha) was no longer expanding and, because of continuing losses, was abandoned in 1972; ^{3/} the area covered by tea had been stabilized at around 300 ha and, for the reasons stated in paragraph 1.08, plans to plant an additional 1,000 ha was not carried out; and finally the pepper crop was always a marginal operation; it occupied about 27 ha in 1966, and because of the quality and price obtained, would not justify a large expansion and still only covered 53 ha by 1976.

1.06 CAMDEV has been one of the major employers of Cameroon. Its labor force which had been around 16,000 in 1947, climbed rapidly with the increase in banana plantings, reaching over 25,000 in the early 1950's, but decreased just as rapidly with the demise of bananas so that it was only about 11,700 at the end of 1966, just before the Bank/IDA Project got underway. It began to climb again with the onset of the Project and reached about 14,900 in 1969; afterwards it gradually declined to its present all-time low of about 10,500 (Annex 2) as a result primarily of extensive economy measures instituted by the local authorities following Bank mission recommendations (paragraph 3.04). The transfer to the Government of the port, research and hospital activities respectively in 1973, 1974 and 1975 accounted for about 500 of the roughly 4,400 employee reduction which took place in the period 1969-1975.

Bank Loan/IDA Credit

1.07 The CAMDEV I Project was appraised in November/December, 1965, and a US\$7.0 million Bank loan together with a US\$11.0 million IDA credit were made in March, 1967.

1.08 Disbursements from Credit 100-CM and from Loan 490-CM were originally expected to be completed by the end of December, 1971, and 1974, respectively. The credit was fully disbursed by December, 1971; however, as early as May, 1971, a Bank Supervision Mission recommended postponement of the Bank Loan closing date to June 30, 1976, in order to allow time for proper trials of tea before initiating the first planting of 400 ha at Essosong. Although these trials were satisfactory, subsequent analysis showed this component would not be viable because

^{1/} In 1951, overall Company yields were about 400 kg of palm oil per mature ha, and about 356 kg of rubber per mature hectare.

^{2/} In 1966, overall Company yields were about 1000 kg of palm oil per mature hectare and about 900 kg of rubber per mature hectare.

^{3/} Cocoa was not part of the IBRD/IDA Project.

Essosong tea, unlike the ongoing production which is sold locally, would have had to be sold on international markets where it could not compete. Tea was thus dropped from the project (para 3.05). However, subsequent delays in the planting of other crops, justified maintaining the new closing date. The last disbursement under Bank Loan 490-CM took place in February, 1976.

1.09 Production from the Project is just getting underway, and the project as a whole is expected to reach its full potential around the mid-1980's.

II. SECTOR CONSIDERATIONS

2.01 One of the Bank Group's major objectives in Cameroon had been to support the Government's efforts to diversify its agriculture. In part, this was to have been achieved by creating an effective plantation sector which would allow further expansion and outgrower development in the future (para 2.03).

2.02 In the above context, CAMDEV had been well indicated for the first Bank/IDA operation in the plantation sector; its area of concession had good agricultural potential, it had several crops, and needed a large amount of long-term funds to continue the modernization of its plantations. At the same time, its technical know-how was far from up-to-date -- particularly in the case of rubber -- and its overall efficiency was fairly low, two areas where association with the Bank Group proved beneficial.

2.03 The appraisal report stated that the oil palm development "... also fits in well with the Government's plans for the development of smallholder production through nucleus estates. CAMDEV will have an important role to play both in the management of smallholder nucleus estates and the marketing of their produce." ^{1/} It is clear, however, that early involvement of CAMDEV in smallholder schemes had not been foreseen at appraisal. This is reflected in the fact that the Bank/IDA financing package did not include a specific smallholder component, although enough flexibility had been provided -- through the mechanism of Bank annual review, and approval of CAMDEV's development plan and annual budget -- to make CAMDEV's eventual participation in smallholder schemes possible. As it turned out, the modernization and expansion program undertaken by CAMDEV has until recently fully absorbed its human and financial resources. In the process, however, CAMDEV has improved its own efficiency and financial strength and is now realistically better equipped to get involved in smallholder schemes. In line with the Bank current strategy supporting smallholder schemes, along with industrial estates, it is recommended that future Bank/IDA lending to CAMDEV include as large a smallholder component as practicable.

^{1/} Section 2.02 of Appraisal Report of February 17, 1967.

III. THE PROJECT

Description

3.01 The Project consisted of the planting or replanting of approximately 7,886 ha of oil palm, 2,530 ha of rubber, 1,000 ha of tea and 72 ha of pepper; the bringing into production of approximately 625 ha of immature oil palm and 4,882 ha of immature rubber; and the provision of the necessary infrastructure, processing facilities and other related equipment.

Objectives

3.02 The main objectives of the Project were: "... to increase the production and efficiency of CAMDEV..." ^{1/}

3.03 Concerning CAMDEV's increased production, the appraisal report stated: "By 1984, when all projected plantings are at full maturity, total annual production should be almost 5 times present (1966) production." The combined production of palm oil, and rubber -- which together in 1976 provided about 98% of CAMDEV's total output -- is currently forecast to reach about 4 times the 1966 level, the shortfall from appraisal estimates being due to the slightly lower yields now projected for oil palm and the fact that old plantings have been abandoned in greater number (para 3.05).

3.04 Concerning efficiency, the appraisal gave no detail as to either the area of the corporation most in need of improvement or the criteria which had been used to determine the need for greater efficiency. Since appraisal, however, supervision missions have repeatedly pointed out that all departments at CAMDEV were overstaffed. As a result, substantial reductions (para 1.06) have been made in the period 1966/76, even though the quality of upkeep has improved and the area under cultivation has increased from 22,102 to 31,278 ha. Corporations of the size and complexity of CAMDEV should have a system of management controls based on pre-established targets, i.e. on efficiency system. It is therefore recommended that to the extent practicable future appraisals of industrial estates review with the Project entity the criteria to be used in assessing the operating efficiency of the major segments of estates and milling operations and agree where appropriate target dates for effecting the necessary improvement.

Implementation

3.05 In the period 1967/74, 11,488 ha were to have been planted and 4,181 ha uprooted for a net increase of 7,307 ha. Actually, to the end of June, 1976, a total of 10,464 ha had been planted and 4,682 ha uprooted for a net increase of 5,782 ha (Annex 3). The shortfall in planted hectares corresponds roughly to the 1,000 hectares of tea dropped from the project with Bank/IDA approval after original trials proved unsuccessful, whereas the higher number of hectares uprooted stems from the longer implementation period. As of the end of June 1976 oil palm and rubber covered about 97% of all planted areas, as compared with only about 61% in 1956, when bananas accounted for roughly 37% of total.

^{1/} Paragraph 3.02 of Appraisal Report of February 17, 1967

Cost at Completion

3.06 In the period 1967-76, CAMDEV prepared cost-at-completion reviews only three times. First, in 1972 about the time when its bank overdraft had reached almost CFAF 650 million (US\$2.5 million);^{1/} as a result, long-overdue economy measures were instituted with the approval of Government. Second, in 1974, when a combination of those economy measures and more favorable market conditions had turned CAMDEV's bank overdraft position into a positive cash balance of some CFAF 700 million (US\$2.8 million).^{2/} Third, during the Completion Review Mission of July, 1976. Looking back, it seems that more frequent cost-at-completion reviews in the period 1967-72, would have helped to bring on quicker action to improve CAMDEV's efficiency and cash position. It is therefore recommended that, in the future, during implementation of similar projects, cost-at-completion reviews be part of the Bank/IDA reporting requirements and be performed at least once a year.

3.07 The June 1976 estimates of the project cost at completion amounts to CFAF 6,377 million (US\$25.6 million).^{3/} This is made up of CFAF 5,591 million (US\$22.2 million),^{4/} or 88% of expenditures actually incurred to the end of June, 1976 and CFAF 786 million (US\$3.5 million)^{5/} to be incurred after June, 1976 in order to plant a remaining 220 ha of rubber during 1976/77, bring existing plantings to maturity up to 1982/83, and provide the necessary processing capacity. The estimate of future expenditures includes contingencies as per Bank Guidelines (Annex 4).

3.08 The latest project cost estimate is only about 16% over the appraisal estimate. However, in view of the fact that over 1,500 ha have been switched from oil palm to rubber and that about 1,000 ha of tea have been dropped from the program, for cost comparison purposes, appraisal costs have been recast in terms of the program actually implemented (Annex 4). On this basis, the latest project cost estimate is about 23% over appraisal, a very reasonable variance considering the length of the implementation period as well as the high level of inflation which prevailed between 1967 and 1976.

3.09 As pointed out in the introduction of this report, the task of renovating CAMDEV's plantations was far from complete when Bank/IDA agreements were signed in 1967. Indeed, of the 10,464 ha planted under the project in the period 1967/76 only 5,782 or 55% contributed to expansion; the remainder merely replacing stands which had to be abandoned, as had been planned at appraisal, because of poor yields. If CAMDEV is to avoid similar deterioration of its productive assets in the future, it must adopt a plan of systematic, continuous replacement. In the future, the Bank/IDA should require that estate development plans clearly identify the normal replanting program and the portion of total financing earmarked for this purpose.

^{1/} US\$1 equals CFAF 256.

^{2/} US\$1 equals CFAF 250.

^{3/} US\$1 equals CFAF 252.37.

^{4/} US\$1 equals CFAF 248.65

^{5/} US\$1 equals CFAF 225.

Financing

3.10 As of June 30, 1976, financing had been secured for the 88% of the project costs at completion, and CAMDEV was expected to have no difficulty in financing the remainder from internal cash generation. (Annex 5).

IV. BENEFITS

General

4.01 During the project implementation period, the process of plantation renovation and estate modernization was accelerated. The standard of planting upkeep and harvesting improved and yields increased appreciably. The appraisal objectives of greater production and efficiency have been largely met. The cocoa crop ^{1/} proved uneconomical under CAMDEV's circumstances and was discontinued, and development of tea was held back on feasibility as well as economic grounds. In the process, the relative importance of the various crops shifted further in favor of oil palm and rubber which now occupy about 98% of CAMDEV's total planted area. In view therefore of the importance of oil palm and rubber, the detailed analysis which follows will concentrate on these two crops.

Product Prospects and Price Expectations

4.02 The country's total production of palm oil is expected to grow at an average annual rate of 6.1% during 1975-80 and 5.6% during 1980-85, as compared with projected world growth rates of 9.5% and 5.1%. In the same periods, domestic consumption is expected to grow at annual average rates of 3.7% and 3.3% and the country's annual exportable surplus is forecast to reach some 40,000 metric tons by 1985, a relatively small quantity in terms of world demand and one which should be exported without difficulty.

4.03 There is no specific world demand for palm oil because of the substitutability of some vegetable oils, and its price therefore depends on the overall situation for all fats and oils. Accordingly -- in line with the world price index for fats and oils -- the price of palm oil is expected to increase very moderately in real terms, i.e., from US\$370 per metric ton in 1976 to US\$390 in 1985 in constant dollars of 1976. ^{2/} These prices have been used as a basis for the economic analysis of the project. The domestic price, currently at CFAF 110,000 (US\$489) per metric ton, is expected to increase roughly with the local cost of living in the future; this price was also used as a basis for pricing domestic sales in the financial analysis of the project.

^{1/} Cocoa was not part of the IBRD/IDA Project but formed part of CAMDEV's Development Program.

^{2/} IBRD Commodity Price Forecasts of May 17, 1976.

4.04 World production of natural rubber is projected by the Bank's Commodities Division to grow at an average rate of 4.9% during the remainder of the Seventies and to reach 4.9 million tons by 1980. Improvements in yields are expected to account for most of the growth. Between 1973 and 1980, consumption of natural rubber is forecast to grow at an average rate of 4.9% p.a. in developed countries (where natural rubber is expected to gain from the shift to radial tires for which synthetics are not as suitable), 7.2% p.a. in developing countries and 1.9% p.a. in centrally planned economy countries. According to this forecast, natural rubber would maintain its share at about 32% of the world market for all elastomers outside the centrally planned economy countries. Beyond 1980 and 1985, world demand for natural rubber is projected to grow at 5.6% while potential supply, with existing planted areas and available production technology, would only grow at about 3.6% p.a. This implies that by 1985 natural rubber could be in tight supply and its market share could decrease to 30%.

4.05 Since demand for natural rubber is expected to remain strong, the main factor affecting its price will be the price of crude oil. Assuming that crude oil prices were to remain constant between 1975 and 1980 at US\$9.5/barrel, prices of natural rubber would increase from US\$32/lb to US\$40/lb in real terms during this period because of the tight supply referred to above. After 1980, a drop in the price of oil could make the synthetic rubber feedstocks cheaper and increase the relative competitiveness of general purpose synthetic rubbers. Similarly, a large uncoordinated expansion of production capacity for petrochemicals in oil producing countries could increase the supply of these products and -- other things being equal -- depress their prices to the advantage of synthetic rubber manufacturers. The IBRD forecasts of May, 1976, were used for purposes of financial and economic analysis.

Yields and Production

4.06 Annex 6, Tables 1 to 4, gives the projected yields per hectare and the total production of oil palm products and rubber during the life of the project. The palm oil yields used in the projection reflect experience, and at the height of production are expected to vary according to the location from a low of about 1,950 kg/ha per year in the Bota and Moliwe areas to a high of about 2,700 kg/ha per year in the Debundscha area; however, because of lack of roads little has been planted in Debundscha so that average project yields are projected at about 2,025 kg/ha per year; this compares with an estimate of about 2,840 kg/ha per year at appraisal. Rubber yields at the height of production are expected to vary between about 1,700 kg/ha per year for stands planted up to 1971 and 2,000 kg/ha per year for those planted from 1972 onwards, as a result of the improvement in planting material and density as well as the planting and harvesting methods used; this compares with an estimated average of 1,355 kg/ha per year at appraisal.

4.07 The projected financial rates of return, at about 25% and 23% for oil palm and rubber respectively are very good. (Annex 7, Tables 1 to 7 for oil palm, and Annex 8, Tables 1 to 4 for rubber). The appraisal report does not mention financial rates of return.

Economic Rates of Return

4.08 The economic rate of return was calculated for two different sets of assumptions. In the first one, labor and foreign exchange were shadow-priced at .75 and 1.35 of their gross value respectively and, in the second one, at .50 and 1.35 respectively. The economic rates of return are thus about 13% and 15% for oil palm and rubber respectively under a first set of assumptions, and 15% and 17% respectively under a second set of assumptions. (Annex 9, tables 1 to 6 for oil palm and Annex 10, Tables 1 to 5 for rubber). On the same bases, overall project returns are estimated at about 14% and 16%. These compare with appraisal rates of return of 16% for oil palm, 13% for rubber, and 16% for total project.

V. CONCLUSIONS AND RECOMMENDATIONS

General

5.01 The objectives of the Project have been largely met as detailed in paragraph 4.01 of the Benefit section of this report. This is a successful project; without it, CAMDEV would in all probability have floundered, whereas with Bank assistance its oil palm and rubber operations have become competitive in the world markets.

5.02 The recommendations contained in this report may be summarized as follows:

- a. future Bank/IDA lending to CAMDEV should include as large a smallholder component as practicable (para 2.03);
- b. future appraisals of industrial estates should review the criteria to be used in assessing operating efficiency and set improvement targets as appropriate (para 3.04);
- c. cost-at-completion reviews should be part of the Bank/IDA reporting requirements and should be performed at least once a year (para 3.06); and
- d. a plan for the continuous, systematic replacement of existing plantings should be adopted (para 3.09).

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Project Cost at Completion

(in CFAF millions)

	<u>Appraisal Estimate</u>					<u>June 30/76 Actual/Estimated</u>				<u>Over (Under)</u>	
	<u>No.</u> <u>Hectares</u>	<u>Basic</u> <u>Cost 1/</u>	<u>General 2/</u> <u>Replacement</u>	<u>Total</u> <u>Cost</u>	<u>Cost 3/</u> <u>Recast</u>	<u>No. 4/</u> <u>Hectares</u>	<u>1967/76</u>	<u>Cost</u> <u>Post 1976</u> <u>5/</u>	<u>Total</u>	<u>Amount</u>	<u>%</u>
Oilpalm	7,886	2,683.3	294.0	2,980.3	2,399.8	6,350	2,585.5	333.6	2,219.1	519.3	21.6
Rubber	2,530	1,177.4	438.4	1,615.8	2,691.3	4,214	2,788.3	452.7	3,241.0	549.7	20.4
Tea	1,000	840.0	11.6	851.6	67.3	79	183.4	-	183.4	116.1	172.5
Pepper	72	50.7	1.0	51.7	29.4	41	33.9	-	33.9	4.5	15.3
General Replacement	-	745.0	(745.0)	-	-	-	-	-	-	-	-
TOTAL	11,488	5,499.4	-	5,499.4	5,187.8	10,684	5,591.1	786.3	6,377.4	1,189.6	22.9

1/ Field Development and Fixed Assets Costs.

2/ Apportioned to Individual Crops on basis of Hectares at December 31/66.

2/ Obtained by Dividing Total Cost by No. Hectares at Appraisal and multiplying result by No. Hectares Realized.

4/ Includes 220 ha of Rubber to be planted in 1976/77.

2/ Includes cost necessary to bring all plantings to maturity; these costs also include a 5% physical contingency and price contingencies in line with Bank Guidelines of February 1976.

CAMEROONCameroon Development CorporationCAMDEV I ProjectProject Financing
(in CFAF Million)

	<u>Appraisal</u>	<u>Latest Outlook 1/</u>
<u>Total Financing Required</u>		
Project Cost 2/	5,499	6,377
Interest Financed during Implementation	<u>247</u>	<u>171</u>
Total	5,746	6,548
<u>Financing Already Provided (6/30/76)</u>		
Bank/IDA 3/	4,446	4,450 4/
CAMDEV	<u>1,300</u>	<u>1,312</u>
Total	5,746	5,762
<u>Financing to be Provided (after 6/30/76)</u>		
CAMDEV	-	786

1/ As of June 30, 1976.2/ Includes cost of bringing plantings to maturity and providing required processing facilities.3/ Includes Interest financed during Implementation.4/ Actual amount of CFAF obtained from Dollar Equivalent Loan/Credit.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Bank Project - Palm ffb, Oil and Kernel Production
(in Metric Tons)

	By Year of Planting										Total		
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	ffb	Oil 1/	Kernels
Annual Plantings (Ha):	867	1,758	1,480	565	537	433	390	206	59	55			
Production (Metric Tons):													
1971/72	2,960	-	-	-	-	-	-	-	-	-	2,960	577	133
3	4,232	4,626	-	-	-	-	-	-	-	-	8,858	1,727	399
4	6,207	6,081	3,949	-	-	-	-	-	-	-	16,237	3,106	730
5	7,479	9,345	5,063	2,058	-	-	-	-	-	-	23,945	4,669	1,078
6	8,903	11,705	7,636	2,708	1,824	-	-	-	-	-	32,776	6,391	1,475
7	9,560	14,195	9,682	3,984	2,291	1,580	-	-	-	-	41,292	8,052	1,858
8	9,560	16,014	11,812	5,020	3,333	2,162	1,468	-	-	-	49,369	9,874	2,222
9	9,560	16,014	13,495	6,123	4,223	3,033	2,001	1,048	-	-	55,497	11,099	2,497
80	9,560	16,014	13,495	6,780	5,207	3,681	2,783	1,615	310	-	59,445	12,186	2,675
1	9,560	16,014	13,495	6,780	6,099	4,325	3,406	2,061	473	165	62,378	12,787	2,807
2	9,560	16,014	13,495	6,780	6,099	4,952	4,038	2,370	584	165	64,057	13,132	2,883
3	9,560	16,014	13,495	6,780	6,099	4,952	4,513	2,765	669	302	65,149	13,356	2,932
4	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	754	440	65,647	13,458	2,954
5	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	550	65,853	13,500	2,963
6	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
7	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
8	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
9	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
90	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
1	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
2	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
3	9,560	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
4	8,745	16,014	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,963	13,522	2,968
5	8,745	14,603	13,495	6,780	6,099	4,952	4,513	3,040	850	660	65,149	13,356	2,932
6	8,745	13,603	12,323	6,780	6,099	4,952	4,513	3,040	850	660	63,747	13,008	2,868
7	8,745	14,603	12,323	6,210	6,099	4,952	4,513	3,040	850	660	62,565	12,826	2,844
8	-	14,603	12,323	6,210	5,400	4,952	4,513	3,040	850	660	61,995	12,709	2,790
9	-	-	12,323	6,210	5,400	4,519	4,513	3,040	850	660	52,551	10,773	2,365
00	-	-	-	6,210	5,400	4,519	4,137	3,040	850	660	37,515	7,691	1,688
1	-	-	-	-	5,400	4,519	4,137	2,576	850	660	24,816	5,087	1,117
2	-	-	-	-	-	4,519	4,137	2,576	739	660	18,142	3,719	816
3	-	-	-	-	-	-	4,137	2,576	739	605	12,631	2,589	568
4	-	-	-	-	-	-	-	2,576	739	605	8,057	1,652	363
5	-	-	-	-	-	-	-	-	739	605	3,920	804	176
6	-	-	-	-	-	-	-	-	-	605	1,344	276	60
	-	-	-	-	-	-	-	-	-	605	605	124	27

1/ Average Extraction rate: CDC's estimate an average of 19.5%; IBRD's estimate 20% in 1977/78 and 1978/79 and 20.5% thereafter.

2/ Kernel Production rate: 4.5%.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Bank Project - Oil Palm ffb Average Yields ^{1/}
(in Metric Tons per Hectare)

Year of Production	Year of Planting									
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
1	3.4	2.6	2.7	3.6	3.4	3.6	3.8	5.1	5.3	3.0
2	4.9	3.5	3.4	4.8	4.3	5.0	5.1	7.8	8.0	3.0
3	7.2	5.3	5.2	7.1	6.2	7.0	7.1	10.0	9.9	5.5
4	8.6	6.7	6.5	8.9	7.8	8.5	8.7	11.5	11.3	8.0
5	10.3	8.1	7.9	10.8	9.7	10.0	10.4	13.4	12.8	10.0
6 to 22	11.0	9.1	9.1	12.0	11.4	11.4	11.6	14.8	14.4	12.0
23 to 26	10.1	8.3	8.3	11.0	10.1	10.4	10.6	12.5	12.5	11.0

1/ Based on experience at different locations, as follows:

Production Year	Actual ffb Yields in Metric Tons per Ha.				
	West Coast	Leeward Side of Mount Cameroon			
	Debundscha	Bota	Moliwe	Benoe	Mungo
1	5.5	3.5	3.0	3.0	3.0
2	8.5	4.5	3.5	4.5	3.0
3	10.5	5.5	4.5	7.5	5.5
4	12.0	6.5	5.5	9.0	8.0
5	14.0	7.0	8.0	10.5	10.0
6	14.0	10.0	10.0	11.0	12.0

CAMEROON
Cameroon Development Corporation
CAMDEV I Project
Bank Project - Rubber Production
(in Metric Tons)

By Year of Planting											Total ^{1/}	Average Kg/ha	
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977		
Annual Plantings (Ha):	467	740	602	553	324	383	305	214	30	192	220	4,030	-
Rubber (Metric Tons):													
1972/73	234	-	-	-	-	-	-	-	-	-	-	234	500
4	420	371	-	-	-	-	-	-	-	-	-	791	655
5	560	667	361	-	-	-	-	-	-	-	-	1,588	878
6	607	889	602	332	-	-	-	-	-	-	-	2,430	1,029
7	701	963	783	553	194	-	-	-	-	-	-	3,194	1,189
8	794	1,112	903	719	324	306	-	-	-	-	-	4,158	1,355
9	794	1,260	1,023	830	421	460	244	-	-	-	-	5,032	1,491
80	794	1,260	1,023	940	486	536	366	171	-	-	-	5,376	1,554
1	794	1,260	1,023	940	551	613	427	257	24	-	-	5,889	1,628
2	794	1,260	1,023	940	551	689	488	300	36	154	-	6,235	1,636
3	794	1,260	1,023	940	551	766	549	342	42	230	176	6,673	1,656
4	794	1,260	1,023	940	551	766	610	385	48	269	264	6,910	1,715
5	794	1,260	1,023	940	551	766	610	428	54	307	308	7,041	1,747
6	794	1,260	1,023	940	551	766	610	428	60	346	352	7,130	1,768
7	794	1,260	1,023	940	551	766	610	428	60	384	396	7,212	1,790
8	794	1,260	1,023	940	551	766	610	428	60	384	440	7,256	1,800
9	794	1,260	1,023	940	551	766	610	428	60	384	440	7,256	1,800
90	794	1,260	1,023	940	551	766	610	428	60	384	440	7,256	1,800
1	794	1,260	1,023	940	551	766	610	428	60	384	440	7,256	1,800
2	794	1,260	1,023	940	551	766	610	428	60	384	440	7,256	1,800
3	794	1,260	1,023	940	551	766	610	428	60	384	440	7,256	1,800
4	747	1,260	1,023	940	551	766	610	428	60	384	440	7,209	1,789
5	701	1,186	1,023	940	551	766	610	428	60	384	440	7,089	1,759
6	654	1,112	963	940	551	766	610	428	60	384	440	6,908	1,714
7	607	1,037	903	885	551	766	610	428	60	384	440	6,671	1,655
8	-	963	843	830	518	766	610	428	60	384	440	5,842	1,640
9	-	-	783	774	486	728	610	428	60	384	440	4,693	1,662
00	-	-	-	719	454	689	580	428	60	384	440	3,754	1,680
1	-	-	-	-	421	651	549	407	60	384	440	2,912	1,746
2	-	-	-	-	-	651	519	385	57	384	440	2,436	1,813
3	-	-	-	-	-	-	519	364	54	365	440	1,742	1,813
4	-	-	-	-	-	-	-	364	51	346	418	1,179	1,797
5	-	-	-	-	-	-	-	-	51	326	396	773	1,749
6	-	-	-	-	-	-	-	-	-	326	374	700	1,700
7	-	-	-	-	-	-	-	-	-	-	374	374	2,800

^{1/} Actual for years through 1976; estimates for 1977 and later years based on estimates yields as shown in Annex 6, Table 4.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Bank Project - Rubber Yields
(in Kilograms per Hectar)

<u>Year of Production</u>	<u>1967 and 1968</u> <u>1/</u>	<u>1969 and Later</u> <u>1/</u>	<u>1972 and Later</u> <u>2/</u>
1	500	600	800
2	900	1,000	1,200
3	1,200	1,300	1,400
4	1,300	1,500	1,600
5	1,500	1,700	1,800
6 to 20	1,700	1,700	2,000
21	1,600	1,600	1,900
22	1,500	1,500	1,800
23	1,400	1,400	1,700
24	1,300	1,300	1,700

1/ CAMDEV's actual/forecast.

2/ IBRD forecast.

ANNEX 7
Table 1

CAMEROON
Cameroon Development Corporation
CAMDEV I Project
Financial Rate of Return - Oil Palms

Fiscal Year	<u>1/ Revenues</u>	<u>Fixed Assets 2/</u>	<u>Operating Costs</u>	<u>Net (Costs) Benefits</u>
1967 Actual	-	100.5	-	(100.5)
8 "	-	155.8	-	(155.8)
9 "	-	177.4	-	(177.4)
71 "	-	261.7	-	(261.7)
2 "	39.0	166.1	22.0	(149.1)
3 "	109.0	155.3	70.0	(117.3)
4 "	377.0	99.7	119.0	158.3
5 "	564.0	59.0	204.0	297.0
6 "	681.0	45.5	292.0	343.5
7 Estimated	824.1	42.5	512.0	269.6
8 "	1,094.7	20.6	676.5	397.6
9 "	1,331.3	7.3	816.9	507.1
80 "	1,572.4	3.5	957.7	611.2
1 "	1,783.2	-	1,085.8	697.4
2 "	1,951.5	-	1,198.2	753.3
3 "	2,137.0	-	1,303.1	833.9
4 "	2,290.0	-	1,398.2	891.8
5 "	2,432.3	-	1,488.0	944.3
6 "	2,436.2	-	1,490.4	945.8
7 "	2,436.2	-	1,490.4	945.8
8 "	2,436.2	-	1,490.4	945.8
9 "	2,436.2	-	1,490.4	945.8
90 "	2,436.2	-	1,490.4	945.8
1 "	2,436.2	-	1,490.4	945.8
2 "	2,436.2	-	1,490.4	945.8
3 "	2,436.2	-	1,490.4	945.8
4 "	2,406.2	-	1,472.0	934.2
5 "	2,354.4	-	1,440.4	914.0
6 "	2,310.9	-	1,413.7	897.2
7 "	2,289.8	-	1,400.8	889.0
8 "	1,941.0	-	1,187.5	753.5
9 "	1,385.7	-	847.7	538.0
00 "	916.6	-	560.8	355.8
1 "	670.0	-	409.9	260.1
2 "	466.5	-	285.3	181.2
3 "	297.6	-	182.2	115.4
4 "	144.8	-	88.6	56.2
5 "	49.7	-	30.4	19.3
6 "	22.3	-	13.7	8.6
FINANCIAL RATE OF RETURN:				24.6%

1/ Estimated revenues Years 1977 onward, See Annex 7, Table 2.

2/ Actual through 1976; estimates for 1977 through 1980 include physical contingencies of 5% and price contingencies based on IERD guidelines, (Annex 7, Table 5).

3/ Actual through 1976; estimates for 1977 and later years, see Annex 7, Table 6.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Palm Oil - Projected Ex-Factory

Domestic Price per Ton
(in CFAF)

	<u>CIF Price per Metric Ton in CFAF <u>1/</u></u>	<u>Sales Tax <u>2/</u></u>	<u>Transport and Handling <u>3/</u></u>	<u>Ex-Factory Price per Metric Ton in CFAF</u>
<u>Palm Oil</u>				
1977	119,295	11,512	4,087	103,695
8	128,860	12,435	4,415	112,010
9	138,425	13,358	4,743	120,324
80	148,171	14,299	5,077	128,795
1	160,100	15,450	5,486	139,164
2	172,030	16,601	5,894	149,535
3	183,959	17,752	6,303	159,904
4	195,889	18,903	6,711	170,245
1985 onwards	207,818	20,054	7,120	180,644

1/ Basis of 1976 price of CFAF 110,000 per Ton, converted with Index International Inflation.

2/ Sales Tax 9.65% of CIF.

3/ Basis of 1975 cost of CFAF 3,540 per Ton, converted with Index International Inflation.

CAMEROONCameroon Development CorporationCAMDEV I ProjectPalm Oil and Kernel - Projected Ex-FactoryExport Price per Ton
(in CFAF)

	<u>CIF Price per</u> <u>Metric Ton in</u> <u>US Dollars 1/</u>	<u>OIF Price per</u> <u>Metric Ton</u> <u>in CFAF 2/</u>	<u>Freight 3/</u>	<u>Insurance 4/</u>	<u>FOB Price</u> <u>per Metric Ton</u> <u>in CFAF</u>	<u>Transport to</u> <u>and Handling</u> <u>at Harbour 5/</u>	<u>Export</u> <u>Duty 6/</u>	<u>Ex-Factory</u> <u>Price</u> <u>per Metric</u> <u>Ton in CFAF</u>
<u>Palm Oil</u>								
1977	397	89,325	11,545	1,787	75,993	6,350	3,897	65,746
1978	433	97,425	12,472	1,949	83,004	6,859	4,209	71,936
1979	471	105,975	13,397	2,120	90,458	7,369	4,522	78,567
1980	509	114,525	14,341	2,291	97,893	7,887	4,840	85,166
1981		124,785	15,496	2,496	106,793	8,522	5,230	93,041
1982		130,045	16,650	2,601	110,794	9,157	5,619	96,018
1983		145,305	17,805	2,906	124,594	9,792	6,009	108,793
1984		155,565	18,959	3,111	133,695	10,427	6,398	116,870
1985 onwards	737	165,865	20,114	3,317	142,434	11,062	6,788	124,584
<u>Kernels</u>								
1977	200	45,000	11,545	900	32,555	7,880	5,051	19,624
1978	234	52,650	12,476	1,053	39,121	8,512	5,456	25,153
1979	277	63,325	13,397	1,247	47,681	9,144	5,861	32,676
1980	323	72,675	14,341	1,454	56,880	9,787	6,274	40,819
1981		82,035	15,496	1,641	64,898	10,575	6,779	47,544
1982		91,395	16,650	1,828	72,917	11,363	7,284	54,270
1983		100,755	17,805	2,015	80,935	12,151	7,790	60,994
1984		110,115	18,959	2,202	88,954	12,939	8,295	67,720
1985 onwards	531	119,475	20,114	2,390	96,971	13,727	8,800	74,444

1/ IBRD Commodity Prices in Current Dollars - May 1976.

2/ US\$1 = CFAF 225; years 1981 through 1984 obtained by intrapolation.

3/ Based on 1975 cost of CFAF 10,000 per Metric Ton converted with Index of International Inflation; years 1981 through 1984 obtained by intrapolation.

4/ Insurance at 2% of CIF.

5/ At CFAF 5,500 for Palm Oil and CFAF 6,825 per Ton in 1975 converted with Index of International Inflation.

6/ Palm Oil at 6.75% and Kernels at 8.75% of a nominal value equal to CFAF 50,000 in 1975; converted with Index of International Inflation.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Financial Rate of Return - Rubber

<u>Fiscal Year</u>	<u>Revenues 1/</u>	<u>Fixed Assets 2/</u>	<u>Operating Costs 3/</u>	<u>Net (Costs) Benefits</u>
1967 Actual	-	63.9	-	(63.9)
1968 "	-	91.5	-	(91.5)
1969 "	-	96.0	-	(96.0)
1971 " 4/	-	202.7	-	(202.7)
1972 "	-	177.4	-	(177.4)
1973 "	-	159.9	-	(159.9)
1974 "	11.0	122.5	9.0	(120.5)
1975 "	71.0	117.4	42.0	(88.4)
1976 "	157.0	39.3	129.0	(11.3)
1977 Estimated	559.9	82.7	327.5	149.7
1978 "	837.5	92.0	460.5	285.0
1979 "	1,109.9	32.7	598.7	478.5
1980 "	1,349.4	24.2	710.1	615.1
1981 "	1,510.5	18.2	810.3	682.0
1982 "	1,689.7	13.1	921.9	754.7
1983 "	1,905.2	12.9	1,055.0	837.3
1984 "	2,073.0	-	1,163.3	909.7
1985 "	2,214.4	-	1,257.6	956.8
1986 "	2,242.4	-	1,273.5	968.9
1987 "	2,268.2	-	1,288.1	980.1
1988 "	2,282.0	-	1,296.0	986.0
1989 "	2,282.0	-	1,296.0	986.0
1990 "	2,282.0	-	1,296.0	986.0
1991 "	2,282.0	-	1,296.0	986.0
1992 "	2,282.0	-	1,296.0	986.0
1993 "	2,282.0	-	1,296.0	986.0
1994 "	2,267.3	-	1,287.6	979.7
1995 "	2,229.5	-	1,266.2	963.3
1996 "	2,172.6	-	1,233.8	938.8
1997 "	2,098.0	-	1,191.5	906.5
1998 "	1,837.3	-	1,043.4	793.9
1999 "	1,476.0	-	838.2	637.8
2000 "	1,180.6	-	670.5	510.1
2001 "	915.8	-	520.1	395.7
2002 "	766.1	-	435.1	331.0
2003 "	547.9	-	311.1	236.8
2004 "	370.8	-	210.6	160.2
2005 "	243.1	-	138.1	105.0
2006 "	220.2	-	125.0	95.2
2007 "	117.6	-	66.8	50.8

Financial Rate of Return 22.8%

1/ Estimated Revenues, years 1977 onwards, are the product of Estimated total production in Metric Tons (Annex 6, table 3) by Ex-Factory Price per Metric Ton (Annex 6, table 2).

2/ Annex 8, table 3.

3/ Estimated Operating Costs, years 1977 onwards, are the product of Estimated total production in Metric Tons (Annex 6, table 3) by the Operating Cost per Metric Ton (Annex 8, table 4).

4/ Change in fiscal year end; covers period January 1, 1970 to June 30, 1971, i.e. 18 months.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Rubber - Projected Ex-Factory Price per Metric Ton
(in CFAF)

	<u>CIF Price</u> <u>in</u> <u>US Cents/lb 1/</u>	<u>CIF Price per</u> <u>Metric Ton</u> <u>in US Dollars 2/</u>	<u>CIF Price</u> <u>per Metric Ton</u> <u>in CFAF 3/</u>	<u>Freight 4/</u>	<u>Insurance 5/</u>	<u>Trading 6/</u>	<u>FOB Price</u> <u>per Metric Ton</u> <u>in CFAF</u>	<u>Transport</u> <u>to and Handling</u> <u>at Harbour 7/</u>	<u>Export</u> <u>Duties 8/</u>	<u>Ex-Factory Price</u> <u>per Metric Ton</u> <u>in CFAF</u>
1977	42.5	936.96	210,816	19,830	527	2,108	188,351	3,834	9,229	175,283
8	48.5	1,069.23	240,577	21,420	601	2,406	216,150	4,141	10,591	201,418
9	53.0	1,168.44	262,899	23,010	657	2,629	236,603	4,449	11,594	220,500
80	58.0	1,278.67	287,701	24,630	719	2,877	259,475	4,762	12,714	241,899
1	-	1,358.04	305,559	26,613	764	3,056	275,126	5,145	13,481	256,500
2	-	1,437.41	323,417	28,596	809	3,234	290,778	5,529	14,248	271,001
3	-	1,516.78	341,276	30,579	853	3,413	306,431	5,912	15,015	285,504
4	-	1,596.15	359,134	32,562	898	3,591	322,083	6,296	15,782	300,005
1985 onwards	76.0	1,675.50	376,988	34,545	942	3,770	337,731	6,679	16,549	314,503

1/ IARD Commodity Prices in Current Dollars - May 1976.

2/ One Metric Ton equals 2,204.6 lb; years 1981 through 1984 obtained by interpolation.

3/ US\$ 1=CFAF 225.

4/ Based on 1974 price of CFAF 15,000 per Metric Ton converted with Index of International Inflation; years 1981 through 1984 obtained by interpolation.

5/ At 0.25% of CIFX 110%.

6/ At 1% of CIF.

7/ 1974 prices of CFAF 2,900 per Metric Ton converted with Index of International Inflation; years 1981 through 1984 obtained by interpolation.

8/ At 4.9% of FOB.

ANNEX 9
Table 1

CAMEROON
Cameroon Development Corporation
CAMDEV I Project
Economic Rate of Return - Oil Palms

Fiscal Year	1st Alternative				2nd Alternative			
	Revenues 1/	Fixed Assets 2/	Operating Costs 3/	Net (Costs)	Revenues 1/	Fixed Assets 2/	Operating Costs 3/	Net (Costs)
1967	-	362.6	-	(362.6)	-	348.7	-	(348.7)
8	-	656.6	-	(656.6)	-	631.4	-	(631.4)
9	-	676.2	-	(676.2)	-	650.3	-	(650.3)
71	-	1,058.8	-	(1,058.8)	-	1,018.2	-	(1,018.2)
2	93.2	492.7	29.9	(429.4)	93.2	473.8	27.4	(408.0)
3	217.6	429.4	80.3	(292.1)	217.6	412.9	73.7	(269.0)
4	620.7	246.2	111.4	263.1	620.7	236.7	102.4	281.6
5	810.8	138.3	166.9	505.6	810.8	133.0	153.3	524.5
6	914.4	219.8	224.3	470.3	914.4	211.3	206.0	497.1
7	854.4	284.5	340.6	229.3	854.4	273.6	312.9	267.9
8	1,066.4	17.6	416.6	632.2	1,066.4	16.9	382.7	666.8
9	1,229.2	5.7	468.2	755.3	1,229.2	5.5	430.1	793.6
80	1,376.2	2.5	512.9	860.8	1,376.2	2.4	471.1	902.7
1	1,460.4	-	538.2	922.2	1,460.4	-	494.4	966.0
2	1,516.9	-	552.7	964.2	1,516.9	-	507.7	1,009.2
3	1,559.9	-	562.1	997.8	1,559.9	-	516.4	1,043.5
4	1,589.4	-	566.4	1,023.0	1,589.4	-	520.3	1,069.1
5	1,611.6	-	568.2	1,043.4	1,611.6	-	521.9	1,089.7
6	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
7	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
8	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
9	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
90	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
1	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
2	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
3	1,614.3	-	569.1	1,045.2	1,614.3	-	522.8	1,091.5
4	1,594.4	-	562.1	1,032.3	1,594.4	-	516.4	1,078.0
5	1,559.9	-	550.0	1,009.9	1,559.9	-	505.2	1,054.7
6	1,531.2	-	539.8	991.4	1,531.2	-	495.9	1,035.3
7	1,517.3	-	534.9	982.4	1,517.3	-	491.4	1,025.9
8	1,286.0	-	453.4	832.6	1,286.0	-	416.5	869.5
9	918.1	-	323.7	594.4	918.1	-	297.4	620.7
00	607.2	-	214.1	393.1	607.2	-	196.7	410.5
1	443.9	-	156.5	287.4	443.9	-	143.8	300.1
2	309.0	-	109.0	200.0	309.0	-	100.1	208.9
3	197.4	-	69.6	127.8	197.4	-	63.9	133.5
4	95.9	-	33.8	62.1	95.9	-	31.0	64.9
5	32.8	-	11.6	21.2	32.8	-	10.7	22.1
6	14.7	-	5.2	9.5	14.7	-	4.8	9.9

ECONOMIC RATE OF RETURN

12.9%

14.5%

1/ Annex 9, Table 2.
2/ Annex 9, Table 4.
3/ Annex 9, Table 5.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Oil Palms - Projected FOB Price per Metric Ton
(in CFAF)

	Palm Oil					Palm Kernels				
	CIF Price in US\$Dollars per Metric Ton ^{1/}	CIF Price in CFAF per Metric Ton ^{2/}	Freight ^{3/}	Insurance ^{4/}	FOB Price in CFAF per Metric Ton	CIF Price in US Dollars per Metric Ton ^{1/}	CIF Price in CFAF per Metric Ton ^{2/}	Freight ^{3/}	Insurance ^{4/}	FOB Price in CFAF per Metric Ton
1977	366.1	82,373	10,650	213	71,510	184.4	41,490	10,650	106	30,734
8	396.6	83,160	10,650	213	72,297	199.8	44,955	10,650	106	34,199
9	374.1	84,173	10,650	213	73,310	220.1	49,523	10,650	106	38,767
80	377.9	85,028	10,650	213	74,165	239.8	53,955	10,650	106	43,199
1	380.3	85,568	10,650	213	74,705	248.1	55,823	10,650	106	45,067
2	382.8	86,130	10,650	213	75,267	256.3	57,668	10,650	106	46,912
3	385.2	86,670	10,650	213	75,807	264.6	59,535	10,650	106	48,779
4	387.7	87,233	10,650	213	76,370	272.8	61,380	10,650	106	50,624
5 and later	390.1	87,772	10,650	213	76,909	281.1	63,248	10,650	106	52,492

^{1/} IERD Commodity Prices in 1976 Constant Dollars May 1976; Years 1981 through 1984 interpolated.

^{2/} US\$ 1 equals CFAF 225.

^{3/} Based on 1975 cost of CFAF 10,000 per Metric Ton; converted with Index of International Inflation into 1976 price level.

^{4/} Based on 1975 cost of CFAF 200 and CFAF 100 per Metric Ton respectively for palm oil and palm kernels; converted with Index of International Inflation into 1976 price level.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Oil Palms - Total Oil Equivalent ^{1/}

	<u>Metric Tons</u>
1977	8,981
1978	10,985
1979	12,348
1980	13,524
1981	14,191
1982	14,574
1983	14,822
1984	14,935
1985	14,982
1986	15,006
1987	15,006
1988	15,006
1989	15,006
1990	15,006
1991	15,006
1992	15,006
1993	15,006
1994	14,821
1995	14,502
1996	14,234
1997	14,104
1998	11,956
1999	8,535
2000	5,646
2001	4,127
2002	2,873
2003	1,834
2004	892
2005	306
2006	138

Assumes Kernels contain 50% Oil.

CAMEROON

Cameroon Development Corporation

CADEV I Project

Economic Rate of Return - Rubber

Fiscal Year	1st Alternative				2nd Alternative			
	Revenues <u>1/</u>	Fixed Assets <u>2/</u>	Operating Costs <u>3/</u>	Net (Costs) Benefits	Revenues <u>1/</u>	Fixed Assets <u>2/</u>	Operating Costs <u>3/</u>	Net (Costs) Benefits
1967	-	245.6	-	(245.6)	-	228.9	-	(228.9)
8	-	356.2	-	(356.2)	-	332.0	-	(332.0)
9	-	360.2	-	(360.2)	-	335.7	-	(335.7)
71	-	732.4	-	(732.4)	-	682.5	-	(682.5)
2	-	409.7	-	(409.7)	-	381.8	-	(381.8)
3	-	356.0	-	(356.0)	-	331.6	-	(331.6)
4	18.1	232.9	9.5	(224.3)	18.1	217.1	8.1	(207.1)
5	102.1	256.3	34.8	(189.0)	102.1	238.8	29.7	(166.4)
6	212.0	175.6	100.4	(64.0)	212.0	163.6	85.8	(37.4)
7	748.8	217.9	235.0	259.9	748.8	203.0	200.8	345.0
8	1,035.3	70.2	305.8	659.3	1,035.3	65.4	261.4	708.5
9	1,276.3	22.7	370.1	883.5	1,276.3	21.2	316.3	938.8
80	1,451.1	15.5	410.2	1,025.4	1,451.1	14.4	350.6	1,086.1
1	1,509.2	10.7	433.1	1,065.4	1,509.2	10.0	370.2	1,129.0
2	1,573.2	7.1	458.6	1,107.5	1,573.2	6.6	392.0	1,174.6
3	1,661.6	6.5	490.8	1,164.3	1,661.6	6.0	419.5	1,235.1
4	1,693.2	-	508.3	1,184.9	1,693.2	-	434.4	1,258.8
5	1,697.4	-	517.9	1,179.5	1,697.4	-	442.7	1,254.7
6	1,718.8	-	524.4	1,194.4	1,718.8	-	448.3	1,270.5
7	1,738.7	-	530.4	1,208.3	1,738.7	-	453.4	1,285.3
8	1,749.2	-	533.7	1,215.5	1,749.2	-	456.2	1,293.0
9	1,749.2	-	533.7	1,215.5	1,749.2	-	456.2	1,293.0
90	1,749.2	-	533.7	1,215.5	1,749.2	-	456.2	1,293.0
1	1,749.2	-	533.7	1,215.5	1,749.2	-	456.2	1,293.0
2	1,749.2	-	533.7	1,215.5	1,749.2	-	456.2	1,293.0
3	1,749.2	-	533.7	1,215.5	1,749.2	-	456.2	1,293.0
4	1,737.9	-	530.2	1,207.7	1,737.9	-	453.2	1,284.7
5	1,709.0	-	521.4	1,187.6	1,709.0	-	445.7	1,263.3
6	1,665.4	-	508.1	1,157.3	1,665.4	-	434.3	1,231.1
7	1,608.1	-	490.7	1,117.4	1,608.1	-	419.4	1,188.7
8	1,408.3	-	429.7	978.6	1,408.3	-	367.3	1,041.0
9	1,131.3	-	345.2	786.1	1,131.3	-	295.1	836.2
00	905.0	-	276.1	628.9	905.0	-	236.0	669.0
1	702.0	-	214.2	487.8	702.0	-	183.1	518.9
2	597.3	-	179.2	408.1	597.3	-	153.1	434.2
3	420.0	-	128.1	291.9	420.0	-	109.5	310.5
4	284.2	-	86.7	197.5	284.2	-	74.1	210.1
5	186.3	-	56.9	129.4	186.3	-	48.6	137.7
6	168.8	-	51.5	117.3	168.8	-	44.0	124.8
7	90.2	-	27.5	62.7	90.2	-	23.5	66.7
ECONOMIC RATE OF RETURN				15.4%				16.7%

1/ Annex 10, Table 2.
 2/ Annex 10, Table 4.
 3/ Annex 10, Table 5.

CAMEROON

Cameroon Development Corporation

CAMDEV I Project

Rubber - Projected FOB Price per Metric Ton
(in CFAF)

	CIF Price in US Cents per lb 1/	CIF Price in CFAF per Metric Ton 2/	Freight 3/	Insurance 4/	Trading 5/	FOB Price in CFAF per Metric Ton
1977	39.2	194,446	18,293	535	1,944	173,674
1978	41.4	205,358	18,293	565	2,054	184,446
1979	42.1	208,831	18,293	574	2,088	187,876
1980	43.1	213,791	18,293	588	2,138	192,772
1981	42.5	210,815	18,293	580	2,108	189,834
1982	41.9	207,839	18,293	572	2,078	186,896
1983	41.4	205,358	18,293	565	2,054	184,446
1984	40.8	202,382	18,293	557	2,024	181,508
1985 and later	40.2	199,406	18,293	548	1,994	178,571

1/ IBRD Commodity Prices in 1976 Constant Dollars - May 1976; years 1981 through 1984 intrapolated.

2/ US\$1 equals CFAF 225; 1 metric ton equals 2204.6 lbs.

3/ Based on 1974 price of CFAF 15,000 per metric ton; converted with Index of International Inflation into 1976 price level.

4/ At 0.25% of CIF x 110%, i.e. .275%

5/ At 1% of CIF

CAMEROON

Cameroon Development Corporation

Annex 10

Table 5

CAMDEV I Project

Rubber - Operating Costs, Economic Value
(in CFAF millions)

	Actual Operating Costs to June 30, 1976	Basic Operating Costs 1/	Operating Costs Economic Value 1st Alternative 2/	Operating Costs Economic Value 2nd Alternative 2/
1974	9.0	12.2	9.5	8.1
1975	42.0	44.7	34.8	29.7
1976	129.0	129.0	100.4	85.8
1977		302.0	235.0	200.8
1978		393.1	305.8	261.4
1979		475.7	370.1	316.3
1980		527.2	410.2	350.6
1981		556.7	433.1	370.2
1982		589.5	458.6	392.0
1983		630.9	490.8	419.5
1984		653.3	508.3	434.4
1985		665.7	517.9	442.7
1986		674.1	524.4	448.3
1987		681.8	530.4	453.4
1988		686.0	533.7	456.2
1989		686.0	533.7	456.2
1990		686.0	533.7	456.2
1991		686.0	533.7	456.2
1992		686.0	533.7	456.2
1993		686.0	533.7	456.2
1994		681.5	530.2	453.2
1995		670.2	521.4	445.7
1996		653.1	508.1	434.3
1997		630.7	490.7	419.4
1998		552.3	429.7	367.3
1999		443.7	345.2	295.1
2000		354.9	276.1	236.0
2001		275.3	214.2	183.1
2002		230.3	179.2	153.1
2003		164.7	128.1	109.5
2004		111.5	86.7	74.1
2005		73.1	56.9	48.6
2006		66.2	51.5	44.0
2007		35.4	27.5	23.5

1/ Years 1974 through 1976 actual; 1974 and 1975 adjusted with Index of International Inflation to convert to 1976 constant price level; years thereafter constant cost of CFAF 94,540 per Metric Ton based on Kompina Rubber Project feasibility study of July 1976.

2/ Adjusted as follows:	1st Alternative	2nd Alternative
a) Taxes	(.167)	(.167)
b) Labor 25% and 50% respectively of 45.3% content	(.113)	(.226)
c) Foreign Exchange at 35% of 16.7% content	.058	.058
Net Adjustment	(.222)	(.335)

CAMEROON

SOCIETE CAMEROUNAISE DE PALMERAIES

SOCAPALM I PROJECT

(Loans 593/886-CM)

COMPLETION REPORT

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1/ Only selected annexes have been retained in the audit report.

CAMEROON

SOCIETE CAMEROUNAISE DE PALMERAIES

SOCAPALM I PROJECT

COMPLETION REPORT

I. INTRODUCTION

1.01 Société Camerounaise de Palmeraies (SOCAPALM) was formed in 1969 to carry out the Project which was appraised in February/March 1968. Cost overruns and partly unsatisfactory site led to reappraisal in May/June 1972. As a result the Bank made an additional loan of US\$1.7 million to supplement its original loan of US\$7.9 million; the project period was extended; but the original objectives were maintained.

1.02 The project was jointly financed by the Government, the Bank, the Caisse Centrale de Coopération Economique (CCCE, France), and the Fonds d'Aide et de Coopération (FAC, France).

1.03 Although the Bank loan has been completely disbursed, it is well to remember that only about 73% of the cost required to bring all plantings to maturity and provide the necessary processing facilities had been actually expended at the end of June 1976. In addition, it should be realized that the first plantings are just beginning to produce and that it will take about 10 years before the project as a whole reaches its peak production level. In large measures, therefore, today's assessment of the project must rely on the values assigned to variables which will only be determined in the future.

II. THE OIL PALM SUBSECTOR

General

2.01 Overall, Cameroon had been deficient in edible fats, and palm oil seemed to offer a good opportunity to help fill the existing gap and eventually provide a surplus for export. However, the traditional sector had never treated oil palm production as a cultivated crop, its share of the palm oil production had been falling rapidly and it could therefore hardly be counted on to bring about the desired production increases rapidly. In addition, earlier experience with smallholder schemes had not been favorable.

Strategy

2.02 In light of the foregoing, the Government decided to develop industrial estates which could rapidly increase production and at the same time demonstrate to the smallholders the benefits of growing oil palms. These estates would provide roads as well as collecting and processing facilities and would eventually enable smallholders to market their crops readily.

2.03 Annex 1, table 1, shows that the public sector -- CDC and SOCAPALM -- would provide the major part of the projected palm oil production increase; it also shows that the contribution of the wild palm subsector to total palm oil production would drop dramatically from 62% in 1970 to a mere 5% in 1985, and finally it indicates that the contribution from the smallholder cultivated oil palms would start increasing in the early 1980's as a result of smallholder schemes to be included in the second development phases of CDC and SOCAPALM, but that this contribution would remain very small, i.e. less than 3% of total by 1985.

2.04 The strategy of estate development is already having the desired effect on the country's production of palm oil, and it is certain that independent smallholder schemes could not have achieved the same results in the same time frame. Now that a number of estates have been established, the time is propitious for initiating smallholder schemes in the areas where these estates are located. It is therefore recommended that future Bank lending to companies with well-established industrial estates include as large a smallholder component as practicable.

2.05 Annex 1, table 2, shows the country's palm oil balance in the period 1970-1985. It is interesting to note that successive projections since appraisal have forecast ever greater production and consumption for the period through 1985. Thus the latest view^{1/} shows that surplus palm oil available for export would grow from 12% of total production in 1975 to 30% by 1985. However, these figures should be used with caution. There is no direct means of knowing how much is produced by the traditional subsector and no survey has been made in at least the last 15 years. Likewise, little is known about consumption patterns. Finally, it is believed that a substantial quantity of palm oil enters Cameroon from Nigeria without being recorded.

2.06 In light of the dearth of reliable data on the palm oil subsector, one might be tempted to recommend that a special study be undertaken. However, if, as is generally believed, the traditional subsector is going to virtually disappear in the next few years, it should soon become relatively easy to determine total production without survey. As total exports are known, consumption^{2/} could be deduced with sufficient accuracy for subsector planning purposes.

^{1/} Kienke Project feasibility study of January 1976, Book 3, table B-10.

^{2/} Except for imports for which no account is kept (paragraph 2.05).

Marketing Study

2.07 The existence of a dual palm oil market created by the Government by setting the domestic selling price of palm oil led the reappraisal mission to conclude that a marketing study should be carried out "... in order to determine and implement the most economic and equitable distribution of market outlets among producers ...". Hence section 2.07 (b) of the Supplemental Guarantee Agreement which requires that a marketing study be carried out. The study in question has not been prepared, however, and no longer appears necessary. Instead, the four major producers ^{1/} are expected to reach an agreement among themselves. For some time ^{2/}, the Bank has been advocating the creation of an Association of Planters which could preside over the equitable allocation of market outlets and in addition provide its members -- at substantially lower cost -- with a number of facilities and services operated in partnership, such as a store at the port site, a central radio service, a pool of small aircrafts, etc. A Planters' Association is well on the way to being formed, and it is recommended that the Bank continues to provide assistance for its successful implementation and for ensuring that such Association will play a useful role, inter alia, in setting an equitable allocation of market outlets among its members.

III. THE PROJECT

Description and Objectives

3.01 As reappraised, the project consists of the establishment of 8,534 ha of oil palms on two estates (appraisal 9,000 ha); the construction of an oil palm mill on each estate; the provision of necessary roads, buildings and other infrastructure; and the building of a house and office at Douala.

3.02 The project objectives consist mainly in increasing the estate production of oil palm products in Cameroon and in laying the foundations for smallholder schemes. These objectives are in tune with the subsector development strategy (paragraph 2.02), and are well on the way to being met.

Implementation

3.03 By the end of June 1976, some 8,280 ha of oil palms had been planted and another 380 ha was scheduled for planting during 1976/77,

^{1/} There are two producers from the public sector, CDC and SOCAPALM, and two from the private sector, PAMOL and SAFACAM.

^{2/} Bank letter of December 23, 1975 to the Minister of Agriculture.

for a total of 8,660 ha (Annex 2). The last plantings will thus start producing only in 1980/1981 and total project implementation will take 13 years instead of 9. The major factors having contributed to this slippage since reappraisal are occasional lack of planting material, shortage of labor, and severe loss of unprotected young palms due to rodents ^{1/}, all of which now appear to be under control. Inadequate planning, weak management and insufficient supervision of individual estates have been largely responsible for these problems in the past, except for labor shortages, which were mostly beyond the control of management.

3.04 One of the problems connected with supervision of the estate is the distance from Douala where the General Manager, the Plantation Inspector and the general administrative and accounting services are located. Section 4.02 of the Supplemental Loan Agreement requires that, after proper study, the residence of the General Manager should be transferred to one of the estates. This study has not yet been prepared. It seems, however, that having the General Manager and other general services on one of the estates would not eliminate the need for competent estate managers and that such move would not resolve the more fundamental problem, which is the need for quick, reliable communication between the estates and between these and the administrative centers of Douala and Yaounde. One answer which should be considered would be for the Company to acquire a light aircraft, either alone or in partnership with other planters. SOCAPALM is expected to carry out a major portion of the country's oil palm expansion program and, if not resolved, the communication problem could be aggravated as new estates are created.

Cost at Completion

3.05 Since its formation in 1969 SOCAPALM has prepared cost at completion reviews only three times, namely before reappraisal in 1972, in July 1974 and in June 1976 during the Completion Review Mission of the Bank. This is clearly insufficient. During project implementation these should be performed at least once a year, and should be part of the Bank reporting requirements.

3.06 The June 1976 estimate of the project cost at completion (Annex 3, Table 1) amounts to CFAF 5,760 million; it is made up of CFAF 4,196 million of expenditures actually incurred up to June 30, 1976 and CFAF 1,564 million, or 27% of total, of expenditures to be incurred after June 30, 1976. The latter will be needed to plant the last 380 ha of oil palms during 1976/1977, bring existing plantings to maturity up to 1979/1980, and provide the necessary oil processing capacity. The estimate of future expenditures includes contingencies as per Bank Guidelines.

3.07 As can be seen from Annex 3, table 2, the latest cost at completion is about 68% and 29% respectively over appraisal and reappraisal estimates. Considering that reappraisal took place before

^{1/} A total of nearly 1,200 ha of oil palms were destroyed.

the world petroleum crisis and the ensuing accelerated period of inflation, the project overrun since reappraisal is not excessive.

3.08 It should be noted that the cost elements as presented in the appraisal and reappraisal documents do not correspond to the accounts and budgets of the Borrower and that consequently the comparison which appears in Annex 3, table 2, should only be viewed as a broad indication of cost variances. In this respect future appraisals should ensure that Bank documents and Borrower's Accounts are reasonably compatible.

3.09 Annex 3, table 3, shows that the actual/forecast cost overrun of CFAF 1,282 million since reappraisal is due roughly 24% to net foreign exchange losses actually incurred through June 1976, 40% to increased labor rates, 5% to destruction of young palms by rodents, and 31% to other causes.

Financing

3.10 Total project cost^{1/} is expected to reach CFAF 5,760 million (paragraph 3.06). As of June 30, 1976 financing of CFAF 4,677 or 81% of total had been secured. For the remainder SOCAPALM has already approached CCCE and IBRD for additional financing possibly as a part of the Second Stage Development Project which was appraised in June 1976. IBRD's potential participation is currently under consideration (Annex 4).

Perpetuation of Estates

3.11 An estate is normally expected to replace its plantings just as much as its machinery and equipment. To ensure that this would be done, the Prior Loan Agreement required the Borrower "... to establish and maintain a replanting fund at such a level as shall be necessary to carry out the replanting ... of the estates included in the Project....". However, it seems that the high level of inflation which prevailed at the time of reappraisal no longer made the operation of a fund attractive, and the requirement was dropped from the Supplemental Loan Agreement. Granted the idea of a fund no longer appeared workable, the fundamental reasons for replanting an estate had not disappeared, and it seems that it would have been preferable to maintain some requirement to this effect. The heavy investment in oil processing equipment makes it particularly important for the flow of ffb to the factory to be maintained at the maximum practicable level to ensure optimum factory utilization. This in turn makes the timely replanting of individual plots within the estates especially important. Therefore, for cash and production planning purposes, at Company as well as at sector level, the Bank should require that future estate development plans clearly identify the portion of total financing earmarked for the replanting program.

^{1/} Excluding interest financed during implementation.

IV. BENEFITS

Yields and Production

4.01 Annex 5, tables 1 and 2 give the projected yields per hectare and the projected production of ffb, Oil and Kernels during the life of the project. These reflect current experience which is slightly less favorable than forecast at reappraisal.

Financial Rate of Return

4.02 The financial rate of return is 9.5% compared with 10% at reappraisal. The cost/benefit streams appear in Annex 5, table 3, and the underlying assumptions in Annex 5, tables 4 and 5.

Economic Rate of Return

4.03 The economic rate of return is 13.8% under one set of assumptions and 14.3% under a second set of assumptions. This compares with a rate of 12% calculated on a similar basis at reappraisal. The cost benefit streams appear in Annex 5, table 5, and the underlying assumptions, in Annex 5, tables 6 and 7.

V. CONCLUSIONS AND RECOMMENDATIONS

General

5.01 The difficult task of setting up a new company and developing its first plantations are behind. SOCAPALM management has shown its ability to cope reasonably well with the inevitable problems which arise in any enterprise, and this augurs well for the future. Project implementation occurred in a period of high inflation but, on a conservative basis, benefits are expected to increase sufficiently to ensure the financial and economic viability of the project.

Recommendations

5.02 The recommendations contained in this report may be summarized as follows:

- (a) future Bank loans to well established industrial estates should include as large a smallholder component as practicable (paragraphs 2.03 and 2.04);
- (b) the Bank should continue to provide assistance for the establishment of a Planters' Association whose functions, inter alia, should include the setting of an equitable allocation of market outlets among its members (paragraph 2.07);

- (c) the question of quick reliable communication between the estates and between these and the administrative centers of Douala and Yaounde needs to be resolved (paragraph 3.04);
- (d) cost-at-completion reviews have not been made frequently enough; such reviews should be made at least once a year and should be part of the Bank reporting requirements;
- (e) cost detail in appraisal/reappraisal reports does not correspond to the accounts and budgets of the Borrower and renders comparison difficult; future appraisals should aim at greater compatibility;
- (f) due to cost overruns since reappraisal, SOCAPALM is seeking fresh additional financing to complete the project; although a responsibility of Government, it is felt Bank should look favorably on the possibility of including a suitable component for this purpose in the Second Stage Development Project which was appraised in June 1976; and
- (g) for cash and production planning purposes estate development plans should clearly identify the portion of total financing earmarked for the replanting program (paragraph 3.11)

CAMEROON
Societe Camerounaise de Palmeraies
SOCAPALM I Project
Number of Hectares of Oil Palms Planted
Appraisal/Negotiation/Reappraisal/Actual

Year	Appraisal Report February 3, 1969			Agreed at Negotiations			Reappraisal Report January 22, 1973			Actual/Planned		
	M'bongo	Eseka	Total	M'bongo	Eseka	Total	M'bongo	Eseka	Total	M'bongo	Eseka	Total
1968	400	-	400	-	-	-	-	-	-	496	-	496 ^{2/}
1969	200	-	200	600	-	600	533 ^{1/}	-	533 ^{1/}	735	617	1352 ^{2/}
1970	900	600	1500	900	800	1700	860	643	1503 ^{1/}	757	932	1689 ^{2/}
1971	1500	900	2400	1200	1200	1200	1049	971	2020 ^{1/}	884	531	1415 ^{2/}
1972	1500	1500	3000	1200	1200	2400	518 ^{1/}	560	1078 ^{1/}	826	207	1033
1973	-	1500	1500	600	1300	1900	1540	360	1900	392	19	411
1974	-	-	-	-	-	-	1500 ^{1/}	-	1500	521	70	591
1975	-	-	-	-	-	-	-	-	-	1062	131	1293 ^{2/}
1976	-	-	-	-	-	-	-	-	-	327	53	380 ^{2/}
1977	-	-	-	-	-	-	-	-	-			
TOTAL	4500	4500	9000	4500	4500	9000	6000	2534	8534	6000	2660	8660

^{1/} Actual at time of Reappraisal

^{2/} Losses due especially to rodents have reduced the number of hectares originally planted; lost hectares replanted up to three years after original planting.

^{3/} Planned.

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Société Camerounaise de Palmeraies
SOCAPALM I Project
June 1976 Project Cost at Completion by Year
(in thousand CFAF)

	<u>Actual Costs</u>			<u>Cost at Completion</u>		
	With Interest	Interest	Without Interest	Without Price Contingencies	Price Contingencies ^{2/}	With Price Contingencies
<u>June 1976 Estimate</u>						
1968-1969 Actual	232874	-	232874	232874	-	232874
1970 "	333530	9699	323831	323831	-	323831
1971 "	485469	27934	457535	457535	-	457535
1972 "	651166	43478	607688	607688	-	607688
1973 "	887342	61013	826329	826329	-	826329
1974 "	937122	77362	859760	859760	-	859760
1975 "	746247	103453	642794	642794	-	642794
1976 Actual/Est	387326	141690	245636	245636	-	245636
1977 Estimated	"	"	"	252895 ^{1/}	25290	278185
1978 "	"	"	"	200618 ^{1/}	42130	242748
1979 "	"	"	"	174198 ^{1/}	57485	231683
1980 "	"	"	"	106320 ^{1/}	46781	153101
1981 "	"	"	"	404495 ^{1/}	230562	635057
1982 "	"	"	"	13111 ^{1/}	9178	22289
TOTALS	4661076	464629	4196447	5348084	411426	5759510

^{1/} Include 5% physical contingencies

^{2/} Composite Price Contingencies based on Bank Guidelines of February 5, 1976.

Composite rate for equipment and civil works equivalent to 10% per year in years 1976/77 through 1979/80 and 8 1/2 % per year in years 1980/81 and 1981/82.

CAMEROON

Société Camerounaise de Palmeraies
SOCAPALM I Project

Cost at Completion- Comparison of June 1976 Estimate with Appraisal and Reappraisal Estimates by Major Categories
(in CFAF millions)

1/

	<u>Appraisal</u>	<u>Reappraisal</u>	<u>June 1976 Estimate</u>	<u>June 1976 Estimate- over (under)</u>			
				<u>Appraisal</u>		<u>Reappraisal</u>	
				<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Plantation Development	2000.0	2538.2	3313.8	1313.8	65.7	775.6	30.6
Vehicles and Equipment	116.1	268.3	354.5	238.4	205.3	86.2	32.1
Houses and Buildings	239.6	444.0	385.8	146.2	61.0	(58.2)	(13.1)
Oil Mills	1026.7	1226.9	1705.4	678.7	66.1	478.5	39.0
Operating Losses	47.4	-	-	(47.4)	-	-	-
TOTAL	3429.8	4477.4	5759.5	2329.7	67.9	1282.1	28.6

1/ Appraisal figures shown here for each category differ from the Appraisal report by including costs to completion; and by including allocated contingency allowances. Reappraisal figures shown here for each category differ from the Reappraisal report by including allocated contingency allowances.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Analysis of Cost Overruns
(in CFAF Millions)

Annex 3
Table 3

	Cost Overruns			
	Over Appraisal		Over Reappraisal	
	Amount	%	Amount	%
<u>Total Cost Increase</u> <u>1/</u>	2329.7	67.9	1282.1	28.6
		As % of Total Increase		As % of Total Increase
<u>Major Causes:</u>				
Foreign Exchange Loss <u>2/</u>	237.5	10.2	308.3	24.1
Labor <u>3/</u>	618.3	26.5	508.1	39.6
Replanting of 1200 ha of Palms	92.0	4.0	92.0	7.2
Other <u>4/</u>	1381.9	59.3	373.7	29.1
		<u>100.0</u>		<u>100.0</u>

1/ Annex 3, Table 2.

2/ Actual to June 1976.

3/ Obtained by comparing actual labor rates with those of appraisal and reappraisal estimates and applying the percentage of increase to the total labor cost each year.

4/ Remainder obtained by difference.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Project Financing
(in CFAF Million)

Annex 4

<u>Total Financing Required</u>	<u>Appraisal</u>	<u>Reappraisal</u>	<u>Current Outlook</u>
Total Project Cost <u>1/</u>	3430	4512	5760
Interest Financed during Implementation	<u>460</u>	<u>481</u>	<u>481</u>
Total	3890	4993	6241
<u>Financing Already Provided (6/30/76)</u>			
IBRD <u>2/</u>	1951	2500	2263 <u>3/</u>
CCCE	443	733	733
FAC	443	648	648
Government and SOCAPALM	<u>953</u>	<u>1112</u> <u>4/</u>	<u>1033</u> <u>4/</u>
Total	3790	4993	4677
<u>Financing to be Provided (after 6/30/76)</u>			1564 <u>5/</u>

-
- 1/ Includes cost of bringing all plantings to maturity and providing required oil processing facilities.
- 2/ Including Interest Financed during Implementation.
- 3/ Actual amount of CFAF obtained from Dollar Equivalent loans.
- 4/ Of which paid in Capital of CFAF 960.5 million, and Government Original Advances of CFAF 72.9 million.
- 5/ SOCAPALM has requested CCCE and IBRD for additional financing as a part of the Second Stage Development which was appraised in June, 1976. The exact amount of IBRD's participation has yet to be determined.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Projected Yields per Hectare 1/

Year from Planting	4	5	6	7	8	9-15	16-20	21-25	26-28
Year in Production	1	2	3	4	5	6-12	13-17	18-22	23-25
Fresh Fruit Bunch (ffb) Tons per Ha	2.75	6.1	8.65	11.65	14.1	15	14	13.5	13
Palm Oil Extraction % of ffb	15.0	15.9	17.8	19.7	21.1	21.5	21.5	21.5	21.5
Kernels Production % of ffb	4.0	4.1	4.3	4.5	4.65	4.7	4.7	4.7	4.7

1/ Kienke Project feasibility study- Book 1, table E-5

CAMEROON
Societe Camerounaise de Palmeries
SOCAPALM I Project
Projected Production of Ffb, Palm Oil and Kernels
(in metric tons)

Year	<u>Ffb Production</u> <u>in metric tons</u>			<u>Oil Palm Production</u> <u>in metric tons</u>			<u>Oil Kernels Production</u> <u>in metric tons</u>			<u>Oil Equivalent</u> <u>in metric tons</u>		
	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>
1972/3	1364	-	1364	205	-	205	55	-	55	233	-	233
73/4	5047	1262	6309	784	189	973	205	59	264	887	218	1105
74/5	10856	3171	14027	1789	482	2271	451	149	600	2015	556	2571
75/6	19185	6000	25185	3369	1167	4536	819	251	1070	3778	1293	5071
76/7	29769	19059	48828	5527	3451	8978	1304	826	2130	6179	3864	10043
77/8	40386	25466	65852	7848	4999	12847	1808	1145	2953	8752	5572	14324
78/9	50408	30489	80897	10118	6319	16437	2289	1406	3695	11263	7022	18285
79/80	61399	34126	95525	12484	7205	19689	2808	1589	4397	13888	8000	21888
80/1	71177	36322	107499	14587	7682	22269	3269	1694	4963	16222	8529	24751
81/2	78250	37501	115751	16240	7948	24188	3614	1749	5363	18047	8823	26870
82/3	83898	38556	122454	17681	8211	25892	3904	1802	5706	19633	9112	28745
83/4	87949	39451	127400	18782	8454	27236	4117	1850	5967	20841	9379	30220
84/5	89165	39852	129017	19170	8564	27734	4191	1873	6064	21266	9500	30766
85/6	88599	39257	127856	19049	8440	27489	4164	1845	6009	21131	9369	30494
86/7	87676	38286	125962	18850	8231	27081	4121	1799	5920	20910	9131	30041
87/8	86954	37702	124656	18695	8106	26801	4086	1772	5858	20738	8992	29730
88/9	86028	37434	123462	18496	8048	26544	4043	1759	5802	20518	8927	29445
89/90	85251	37434	122685	18329	8048	26377	4007	1759	5766	20333	8927	29260
90/1	84117	37043	121160	18085	7964	26049	3953	1741	5694	20062	8836	28896
91/2	83166	36434	119600	17881	7833	25714	3909	1712	5621	19826	8689	28525
92/3	82478	36142	118620	17733	7771	25504	3876	1699	5575	19671	8621	28292
93/4	82015	36008	118023	17633	7742	25375	3855	1692	5547	19561	8588	28149
94/5	81491	36008	117499	17521	7742	25263	3830	1692	5522	19436	8588	28024
95/6	80709	35651	116360	17352	7665	25017	3793	1676	5469	19249	8503	27752
96/7	80002	35103	115105	17200	7547	24747	3760	1650	5410	19080	8372	27452
97/8	72445	34811	107256	15576	7484	23060	3405	1636	5041	17279	8302	25581
98/9	60802	26318	87120	13072	5658	18730	2858	1237	4095	14501	6277	20778
99/2000	48549	13695	62244	10438	2944	13382	2282	644	2926	11579	3266	14845
2000/01	38811	6068	44879	8344	1305	9649	1824	285	2109	9256	1448	10704
01/2	26528	2522	29050	5704	542	6246	1247	119	1366	6327	602	6929
02/3	19773	2522	22295	4251	542	4793	929	119	1048	4715	602	5317
03/4	10621	1612	12233	2284	347	2631	499	76	575	2534	385	2919
04/5	4251	-	4251	914	-	914	200	-	200	1014	-	1014

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Financial Rate of Return

Annex 5
Table 3

<u>Fiscal Year</u>	<u>Revenues 1/</u>	<u>Fixed Assets 2/</u>	<u>Operating Costs 3/</u>	<u>Net (Costs) Benefits</u>
1968/9	-	232.9	-	(232.9)
70	-	323.8	-	(323.8)
1	-	457.5	-	(457.5)
2	-	607.7	-	(607.7)
3	18.7	826.3	39.2	(846.8)
4	88.5	859.8	137.5	(908.8)
5	206.4	642.8	236.3	(672.7)
6	408.0	245.6	386.9	(224.5)
7	826.0	278.2	625.7	(77.9)
8	1181.6	242.7	754.9	184.0
9	1515.0	231.7	916.1	367.2
80	1819.9	153.1	1096.6	570.2
1	2049.7	635.1	1240.0	174.6
2	2212.7	22.3	1346.2	844.2
3	2356.3	-	1440.1	916.2
4	2466.5	-	1514.0	952.5
5	2498.5	-	1541.4	957.1
6	2476.4	-	1527.7	948.7
7	2439.6	-	1505.1	934.5
8	2414.3	-	1489.5	924.8
9	2391.2	-	1475.2	916.0
90	2376.2	-	1465.9	910.3
1	2346.6	-	1447.7	898.9
2	2316.5	-	1429.1	887.4
3	2297.6	-	1417.4	880.2
4	2286.0	-	1410.3	875.7
5	2275.8	-	1404.0	871.8
6	2253.7	-	1390.4	863.3
7	2229.3	-	1375.3	854.0
8	2077.4	-	1281.6	795.8
9	1687.4	-	1041.0	646.4
2000	1205.5	-	743.7	461.8
1	969.3	-	536.3	433.0
2	562.7	-	347.1	215.6
3	431.8	-	266.4	165.4
4	237.0	-	146.2	90.8
5	82.3	-	50.8	31.5

Financial Rate of Return:

9.5%

NOTES: 1/ See Annex 5, Table 4.

2/ See Annex 3, Table 1.

3/ Include actual costs to June 1976; thereafter estimates include 5% physical contingency.

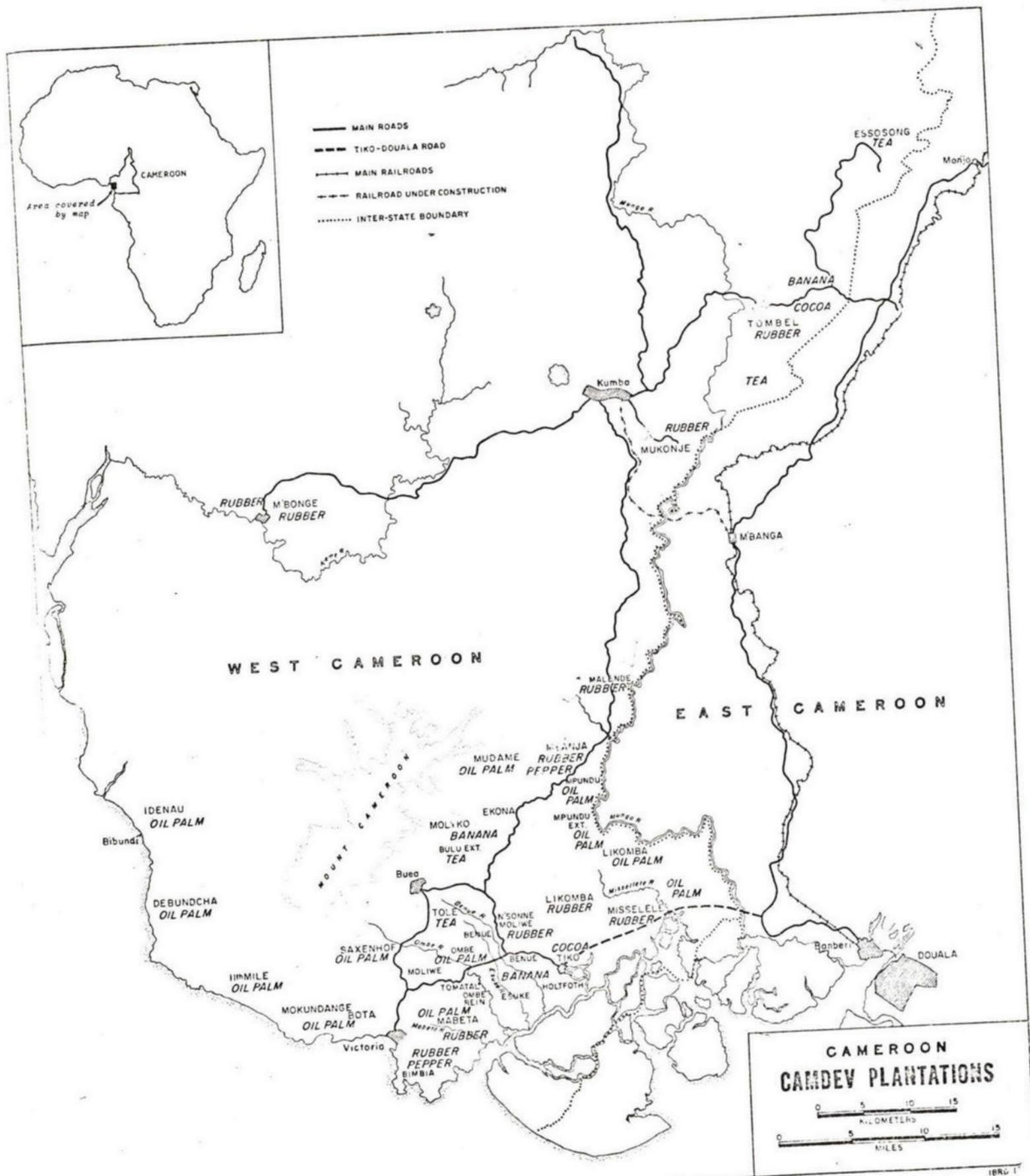
CAMEROON
Societe Camerounaise de Palmeraies
SOCAPALM I Project
Economic Rate of Return

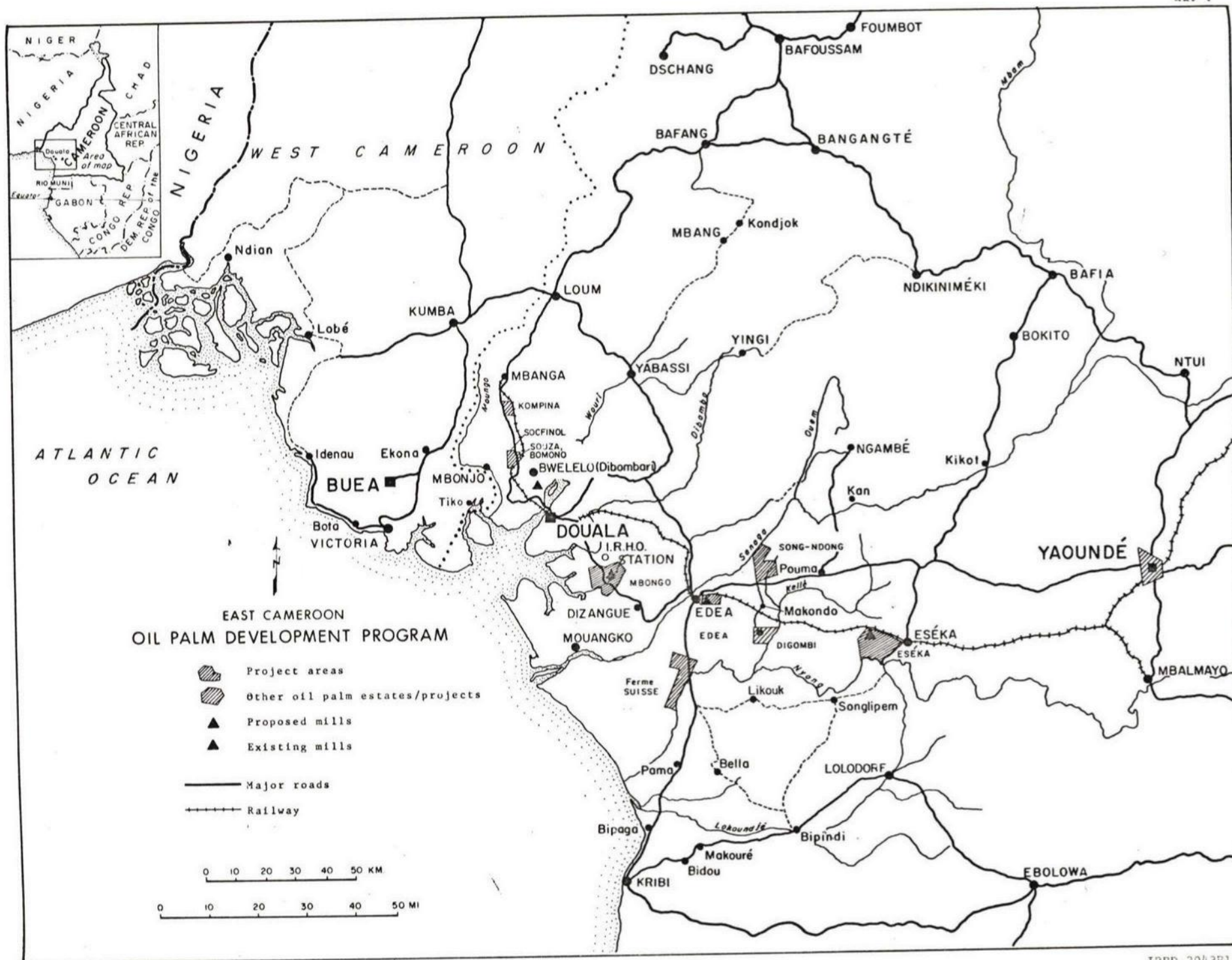
Fiscal Year	Revenues 1/	First Alternative 2/			Second Alternative 3/		
		Fixed Assets	Operating Costs	Net(Costs)Benefits	Fixed Assets	Operating Costs	Net(Costs)Benefits
1968- 1969	-	243.9	-	(243.9)	237.7	-	(237.7)
1970	-	339.1	-	(339.1)	330.4	-	(330.4)
1971	-	479.2	-	(479.2)	466.8	-	(466.8)
1972	-	636.5	-	(636.5)	620.1	-	(620.1)
1973	20.3	865.5	30.1	(875.3)	843.2	27.6	(850.5)
1974	96.0	900.6	105.5	(910.1)	877.3	96.9	(878.2)
1975	223.8	673.3	181.4	(630.9)	655.9	166.6	(598.7)
1976	386.1	257.2	296.9	(168.0)	250.6	272.0	(137.3)
1977	764.1	264.9	480.2	19.0	258.0	441.1	65.0
1978	1113.1	210.1	579.3	323.7	204.7	532.2	376.2
1979	1458.8	182.5	703.1	573.2	177.7	645.9	635.2
1980	1785.6	111.4	841.6	832.6	108.6	773.1	903.9
1981	2042.8	423.7	951.7	667.4	412.8	874.2	755.8
1982	2275.7	13.7	1033.2	1228.8	13.4	949.1	1313.6
1983	2426.5	-	1105.3	1321.2	-	1015.3	1411.2
1984	2578.8	-	1162.0	1416.8	-	1067.4	1511.4
1985	2255.9	-	1183.0	1472.9	-	1086.7	1569.2
1986	2632.4	-	1172.5	1459.9	-	1077.0	1555.4
1987	2593.4	-	1155.2	1438.2	-	1061.1	1532.9
1988	2566.5	-	1143.2	1423.3	-	1050.1	1516.4
1989	2541.9	-	1132.2	1409.7	-	1040.0	1501.9
1990	2525.9	-	1125.1	1400.8	-	1033.5	1492.4
1991	2494.5	-	1111.1	1383.4	-	1020.6	1473.9
1992	2462.4	-	1096.8	1365.6	-	1007.5	1454.9
1993	2442.3	-	1087.9	1354.4	-	999.3	1443.0
1994	2430.0	-	1082.4	1347.6	-	994.3	1435.7
1995	2419.2	-	1077.6	1341.6	-	989.8	1429.4
1996	2395.7	-	1067.1	1328.6	-	980.2	1415.5
1997	2369.8	-	1055.5	1314.3	-	969.6	1400.2
1998	2208.3	-	983.6	1224.7	-	903.5	1304.8
1999	1793.6	-	799.0	994.6	-	735.9	1059.7
2000	1281.6	-	570.8	710.8	-	524.3	757.3
2001	924.1	-	411.6	512.5	-	378.1	546.0
2002	598.2	-	266.4	331.8	-	244.7	353.5
2003	349.0	-	204.3	254.5	-	187.8	271.2
2004	252.0	-	112.2	139.8	-	103.1	148.9
2005	87.5	-	39.0	48.5	-	35.8	51.7
Economic Rate of Return:				13.8%			14.3%

1/ See Annex 5, tables 6 and 7.

2/ First alternative: Fixed assets and operating costs reduced by amount of taxes and 25% of value of labor; foreign exchange component adjusted by factor of 1.35.

3/ Second alternative: Fixed assets and operating costs reduced by amount of taxes and 50% of value of labor; foreign exchange component adjusted by factor of 1.35.





N° 1828 / MINAGRI/DEP

Yaoundé, le 25 JUIL. 1977 19

Réf. :

Le Ministre de l'Agriculture
The Minister of Agriculture

Objet : Rapport d'évaluation
retrospective SOCAPALM I.

à Monsieur le Directeur du Département
to Mr. de l'Evaluation retrospective
des Opérations World Bank

1818 H Street N.W. Washington

D.C. 20433 U.S.A.

Monsieur le Directeur,

En accusant réception de votre rapport sur l'évaluation retrospective du projet SOCAPALM I,

j'ai l'honneur de vous exprimer ma satisfaction pour le travail qui a été accompli; en effet ce document qui a été établi avec toute l'objectivité nécessaire nous permet d'apprécier les résultats tangibles de l'opération en même temps que de redresser certaines erreurs du passé.

La SOCAPALM a connu quelques difficultés au cours des dernières années dues essentiellement à des dépassements de coûts importants. Indépendamment des effets néfastes de l'inflation, il ressort que les coûts estimés à l'époque de l'évaluation ont été largement sous-estimés; cela a entraîné une série de réévaluations successives et des difficultés de trésorerie presque insurmontables pour la SOCAPALM. Je pense qu'à l'avenir il faudra tenir compte de cette expérience dans l'évaluation des différents projets que la Banque sera amenée à financer en République Unie du Cameroun.

Je suis également conscient que des problèmes de gestion ont surgi au niveau de la Direction Générale de la SOCAPALM; à cet égard j'ai prescrit une mission d'organisation et de contrôle de la gestion par un bureau de consultants spécialisé. Je me réjouis également des mesures préco-

nisées par la Banque qui ont abouti à la mise en place du Centre des Plantations Côtières dans le cadre du projet SOCAPALM II ; ainsi la coopération entre les différentes Sociétés concernées sera plus étroite et de substantielles économies pourront être réalisées.

Le développement des plantations villageoises retient également mon attention ; un premier programme sera réalisé autour du complexe de Dibombari, d'autres suivront partout où les conditions de réussite seront réunies.

En ce qui concerne l'achèvement du projet, il a été envisagé lors de l'évaluation du projet de développement de deuxième phase en juin 1976, d'inclure dans ce dernier, le financement additionnel nécessaire. Pour sa part le Gouvernement prendra les dispositions qui s'imposent et compte sur la Banque pour boucler ce financement.

Pour conclure, je voudrais encore souligner l'intérêt de telles évaluations retrospectives que je souhaiterais voir généralisées à l'ensemble des projets en cours de réalisation.

Dans l'attente, je vous prie de croire, Monsieur le Directeur, à l'assurance de ma haute considération.



● ANDZE TSOUNGUI

THE WORLD BANK

ROUTING SLIP		DATE August 30, 1976	
NAME		ROOM NO.	
Mr. Shiv Kapur		G-1050	
	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	COMMENT		PER OUR CONVERSATION
	FOR ACTION		PER YOUR REQUEST
X	INFORMATION		PREPARE REPLY
	INITIAL		RECOMMENDATION
	NOTE AND FILE		SIGNATURE
REMARKS			
<p>CAMEROON - SOCAPALM I Project Completion Report of <u>August 16, 1976</u></p> <p>The attached memorandum is an addendum to the Completion Report of August 16, 1976.</p>			
FROM Mr. G. Paenoveau		ROOM NO. F-218	EXTENSION 2905-

OFFICE MEMORANDUM

TO: Mr. Wilfried P. Thalwitz, Director WAPDR

FROM: K. Berg, Division Chief, WAPA 2 *K. Berg/Prenoveau*

SUBJECT: CAMEROON - SOCAPALM I Project (Loans 593/886-CM)
- Completion Report of August 16, 1976

DATE: August 26, 1976

As requested, Mr. Prenoveau has elaborated on the three points you raised so as to clarify his findings.

Disappearance of the Traditional Oil Palm Subsector (paragraph 2.06)

1. The traditional oil palm subsector consists of collecting fresh fruit bunches (ffb) from wild palm groves. Typically, a worker collects about 300 kgs of ffb per day, one hectare yields between 3 and 4 tons of ffb per year, and the oil extraction rate is at best 12%, as compared with about 600 kgs, 13 tons and 21% respectively on industrial estates and small-holder schemes with cultivated palms. In addition, the oil produced in the traditional subsector contains a high percentage of free fatty acids and other impurities which results in consumers turning to the better quality oil from industrial estates. Also, workers prefer to work on industrial estates which offer steady employment and greater financial rewards. The traditional oil palm subsector is obviously not efficient, and it is not surprising that it should rapidly lose grounds to the cultivated oil palm subsector. Whereas in 1970, the traditional subsector contributed about 62% of the country's total palm oil production, by 1975 it only produced 38% and current outlook shows its share dropping to only about 12% by 1980 and 5% by 1985.

Project Description (paragraph 3.01)

2. The Project originally consisted of the establishment of 4,500 ha of oil palms at M'bongo and 4,500 ha at Eseka; the construction of a palm oil mill at each of M'bongo and Eseka; and roads, buildings and other infrastructure. As field work progressed at Eseka, it became evident that, because of swamps, ravines and numerous small streams, land clearing would be too costly and that the original objective of planting 4,500 ha at Eseka would not be attainable. The mechanical land clearing method recommended by the consultants was also too expensive. Thus heavy cost overruns and a partly unsatisfactory site led to reappraisal in May/June 1972. As a result additional suitable area was identified at M'bongo to offset the area not suitable for planting at Eseka and some 1,500 ha were retained for hand clearing. The Revised Project included inter alia (i) the establishment of 6,000 ha of oil palms at M'bongo and 2,500 ha at Eseka and (ii) an adjustment in the capacity of the oil mills to be built at each estate to reflect the respective change in planted areas. Other features were maintained, and construction of a warehouse and office at Doula was added.

*1. Lemoine, August 1976**2. Mr. Rice: This has been unscheduled so far and should now be scheduled.**8/31**596
8/31/76*

Product Prospects and Price Expectations (paragraphs 4.02 and 4.03)

3. The country's total production of palm oil is expected to grow at an average annual rate of 6.1% during 1975-80 and 5.6% during 1980-85, as compared with projected world growth rates of 9.5% and 5.1%. In the same periods, domestic consumption is expected to grow at annual average rates of 3.7% and 3.3%, and the country's annual exportable surplus is forecast to reach some 40,000 metric tons by 1985, a relatively small quantity in terms of world demand and one which should be exported without difficulty.

4. There is no specific world demand for palm oil because of the substitutability of some vegetable oils, and its price therefore depends on the overall situation for all fats and oils. Accordingly -- in line with the world price index for fats and oils -- the price of palm oil is expected to increase very moderately in real terms, i.e. from US\$370 per metric ton in 1976 to US\$390 in 1985 in constant dollars of 1976 1/. These prices have been used as a basis for the economic analysis of the project. The domestic price, currently at CFAF 110,000 (US\$489) per metric ton, is expected to increase roughly with the local cost of living in the future; this price was also used as a basis for pricing domestic sales in the financial analysis of the project.

JACGuy Prenoveau:es

cc. Messrs. de la Renaudière, Denning, Steckhan, Pouliquen, van Gigch, King, Palein (Cameroon), Geli (RMWA), van der Tak (3), Yudelman (2), Forget, Bowron, Busch, Elliott, Kapur ✓

West Africa Files

1/ IBRD Commodity Price Forecasts of May 17, 1976.

OFFICE MEMORANDUM

TO: Mr. Klaus Berg

DATE: August 30, 1976

FROM: D.C. Pickering

SUBJECT: CAMEROON - SOCAPALM I Project (Loans 593/886-CM),
Completion Report

I have a number of comments on the above report issued under your memo of August 16, 1976.

Para 3.03: The severe loss of unprotected young palms due to rodents points to a very serious weakness in management. The destruction of nearly 1,200 ha of oil palms for want of observation of procedures which are standard elsewhere in West Africa (and presumably Cameroon) calls project management into serious question. It appears to underline the point made in para 3.04 regarding the need for competent estate managers in residence on each estate.

Para 3.09: In referring to cost overruns presented in Table 3 of Annex 3 the paragraph refers to some 31% due to unspecified causes. Is it not possible to be more specific about cost overruns in the order of US\$1.75 million?

Para 3.11: It is not immediately apparent to me why the requirement for the establishment and maintenance of a replanting fund was dropped from the Supplemental Loan Agreement at reappraisal. I certainly agree that future estate development plans should clearly identify the portion of total financing earmarked for replanting programs.

Para 5.02(f): This recommendation, that the Bank should look favorably on the possibility of including a component in the Second Stage Development Project to finance cost overruns since reappraisal of the First Stage, should not be supported. It is contrary to Bank policy.

I agree.

DCPickering:hrv

cc: Messrs. van der Tak
Darnell
van Gigch
Steckhan
Kapur ✓

597
8/31/76

OFFICE MEMORANDUM

TO: Mr. Wilfried P. Thalwitz, Director WAPDR
FROM: ^{Ber} K. Berg, Division Chief, WAPA 2
SUBJECT: CAMEROON - SOCAPALM I Project (Loans 593/886-CM)
- Completion Report

DATE: August 16, 1976

Please find attached the Completion Report for the SOCAPALM I Project.

JACGuy Prenoveau:ab

cc: Messrs. de la Renaudiere, Denning, Steckhan, Pouliquen, van Gigch,
King, Palein (Cameroon), Geli (RMWA), van der Tak (3),
Yudelman (2), Forget, Bowron, Busch, Elliott, ~~Willoughby~~.

West Africa Files

Kapur ✓

581
8/26

CAMEROON

SOCIETE CAMEROUNAISE DE PALMERAIES

SOCAPALM I PROJECT

(Loans 593/886-CM)

COMPLETION REPORT

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ANNEXES

<u>ANNEX NO.</u>	<u>TABLE NO.</u>	
1	1	Total Country Actual/Projected Palm Oil Production by Source
	2	Total Country Actual/Projected Production, Consumption and Export of Palm Oil
2		Number of Hectares of Oil Palms Planted
3	1	June 1976, Project Cost at Completion
	2	Cost at Completion - Comparison of June 1976 Estimate with Appraisal and Reappraisal Estimates
	3	Analysis of Cost Overruns
4		Project Financing
5	1	Project Yields per Ha.
	2	Projected Production of Palm Oil and Kernels
	3	Financial Rate of Return
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CAMEROON

SOCIETE CAMEROUNAISE DE PALMERAIES

SOCAPALM I PROJECT

COMPLETION REPORT

I. INTRODUCTION

1.01 Société Camerounaise de Palmeraies (SOCAPALM) was formed in 1969 to carry out the Project which was appraised in February/March 1968. Cost overruns and partly unsatisfactory site led to reappraisal in May/June 1972. As a result the Bank made an additional loan of US\$1.7 million to supplement its original loan of US\$7.9 million; the project period was extended; but the original objectives were maintained.

1.02 The project was jointly financed by the Government, the Bank, the Caisse Centrale de Coopération Economique (CCCE, France), and the Fonds d'Aide et de Coopération (FAC, France).

1.03 Although the Bank loan has been completely disbursed, it is well to remember that only about 73% of the cost required to bring all plantings to maturity and provide the necessary processing facilities had been actually expended at the end of June 1976. In addition, it should be realized that the first plantings are just beginning to produce and that it will take about 10 years before the project as a whole reaches its peak production level. In large measures, therefore, today's assessment of the project must rely on the values assigned to variables which will only be determined in the future.

II. THE OIL PALM SUBSECTOR

General

2.01 Overall, Cameroon had been deficient in edible fats, and palm oil seemed to offer a good opportunity to help fill the existing gap and eventually provide a surplus for export. However, the traditional sector had never treated oil palm production as a cultivated crop, its share of the palm oil production had been falling rapidly and it could therefore hardly be counted on to bring about the desired production increases rapidly. In addition, earlier experience with smallholder schemes had not been favorable.

Strategy

2.02 In light of the foregoing, the Government decided to develop industrial estates which could rapidly increase production and at the same time demonstrate to the smallholders the benefits of growing oil palms. These estates would provide roads as well as collecting and processing facilities and would eventually enable smallholders to market their crops readily.

2.03 Annex 1, table 1, shows that the public sector -- CDC and SOCAPALM -- would provide the major part of the projected palm oil production increase; it also shows that the contribution of the wild palm subsector to total palm oil production would drop dramatically from 62% in 1970 to a mere 5% in 1985, and finally it indicates that the contribution from the smallholder cultivated oil palms would start increasing in the early 1980's as a result of smallholder schemes to be included in the second development phases of CDC and SOCAPALM, but that this contribution would remain very small, i.e. less than 3% of total by 1985.

2.04 The strategy of estate development is already having the desired effect on the country's production of palm oil, and it is certain that independent smallholder schemes could not have achieved the same results in the same time frame. Now that a number of estates have been established, the time is propitious for initiating smallholder schemes in the areas where these estates are located. It is therefore recommended that future Bank lending to companies with well-established industrial estates include as large a smallholder component as practicable.

2.05 Annex 1, table 2, shows the country's palm oil balance in the period 1970-1985. It is interesting to note that successive projections since appraisal have forecast ever greater production and consumption for the period through 1985. Thus the latest view^{1/} shows that surplus palm oil available for export would grow from 12% of total production in 1975 to 30% by 1985. However, these figures should be used with caution. There is no direct means of knowing how much is produced by the traditional subsector and no survey has been made in at least the last 15 years. Likewise, little is known about consumption patterns. Finally, it is believed that a substantial quantity of palm oil enters Cameroon from Nigeria without being recorded.

2.06 In light of the dearth of reliable data on the palm oil subsector, one might be tempted to recommend that a special study be undertaken. However, if, as is generally believed, the traditional subsector is going to virtually disappear in the next few years, it should soon become relatively easy to determine total production without survey. As total exports are known, consumption^{2/} could be deduced with sufficient accuracy for subsector planning purposes.

^{1/} Kienke Project feasibility study of January 1976, Book 3, table B-10.

^{2/} Except for imports for which no account is kept (paragraph 2.05).

Marketing Study

2.07 The existence of a dual palm oil market created by the Government by setting the domestic selling price of palm oil led the reappraisal mission to conclude that a marketing study should be carried out "... in order to determine and implement the most economic and equitable distribution of market outlets among producers ...". Hence section 2.07 (b) of the Supplemental Guarantee Agreement which requires that a marketing study be carried out. The study in question has not been prepared, however, and no longer appears necessary. Instead, the four major producers ^{1/} are expected to reach an agreement among themselves. For some time ^{2/}, the Bank has been advocating the creation of an Association of Planters which could preside over the equitable allocation of market outlets and in addition provide its members -- at substantially lower cost -- with a number of facilities and services operated in partnership, such as a store at the port site, a central radio service, a pool of small aircrafts, etc. A Planters' Association is well on the way to being formed, and it is recommended that the Bank continues to provide assistance for its successful implementation and for ensuring that such Association will play a useful role, inter alia, in setting an equitable allocation of market outlets among its members.

III. THE PROJECT

Description and Objectives

3.01 As reappraised, the project consists of the establishment of 8,534 ha of oil palms on two estates (appraisal 9,000 ha); the construction of an oil palm mill on each estate; the provision of necessary roads, buildings and other infrastructure; and the building of a house and office at Douala.

3.02 The project objectives consist mainly in increasing the estate production of oil palm products in Cameroon and in laying the foundations for smallholder schemes. These objectives are in tune with the subsector development strategy (paragraph 2.02), and are well on the way to being met.

Implementation

3.03 By the end of June 1976, some 8,280 ha of oil palms had been planted and another 380 ha was scheduled for planting during 1976/77,

^{1/} There are two producers from the public sector, CDC and SOCAPALM, and two from the private sector, PAMOL and SAFACAM.

^{2/} Bank letter of December 23, 1975 to the Minister of Agriculture.

for a total of 8,660 ha (Annex 2). The last plantings will thus start producing only in 1980/1981 and total project implementation will take 13 years instead of 9. The major factors having contributed to this slippage since reappraisal are occasional lack of planting material, shortage of labor, and severe loss of unprotected young palms due to rodents ^{1/}, all of which now appear to be under control. Inadequate planning, weak management and insufficient supervision of individual estates have been largely responsible for these problems in the past, except for labor shortages, which were mostly beyond the control of management.

3.04 One of the problems connected with supervision of the estate is the distance from Douala where the General Manager, the Plantation Inspector and the general administrative and accounting services are located. Section 4.02 of the Supplemental Loan Agreement requires that, after proper study, the residence of the General Manager should be transferred to one of the estates. This study has not yet been prepared. It seems, however, that having the General Manager and other general services on one of the estates would not eliminate the need for competent estate managers and that such move would not resolve the more fundamental problem, which is the need for quick, reliable communication between the estates and between these and the administrative centers of Douala and Yaounde. One answer which should be considered would be for the Company to acquire a light aircraft, either alone or in partnership with other planters. SOCAPALM is expected to carry out a major portion of the country's oil palm expansion program and, if not resolved, the communication problem could be aggravated as new estates are created.

Cost at Completion

3.05 Since its formation in 1969 SOCAPALM has prepared cost at completion reviews only three times, namely before reappraisal in 1972, in July 1974 and in June 1976 during the Completion Review Mission of the Bank. This is clearly insufficient. During project implementation these should be performed at least once a year, and should be part of the Bank reporting requirements.

3.06 The June 1976 estimate of the project cost at completion (Annex 3, Table 1) amounts to CFAF 5,760 million; it is made up of CFAF 4,196 million of expenditures actually incurred up to June 30, 1976 and CFAF 1,564 million, or 27% of total, of expenditures to be incurred after June 30, 1976. The latter will be needed to plant the last 380 ha of oil palms during 1976/1977, bring existing plantings to maturity up to 1979/1980, and provide the necessary oil processing capacity. The estimate of future expenditures includes contingencies as per Bank Guidelines.

3.07 As can be seen from Annex 3, table 2, the latest cost at completion is about 68% and 29% respectively over appraisal and reappraisal estimates. Considering that reappraisal took place before

^{1/} A total of nearly 1,200 ha of oil palms were destroyed.

the world petroleum crisis and the ensuing accelerated period of inflation, the project overrun since reappraisal is not excessive.

3.08 It should be noted that the cost elements as presented in the appraisal and reappraisal documents do not correspond to the accounts and budgets of the Borrower and that consequently the comparison which appears in Annex 3, table 2, should only be viewed as a broad indication of cost variances. In this respect future appraisals should ensure that Bank documents and Borrower's Accounts are reasonably compatible.

3.09 Annex 3, table 3, shows that the actual/forecast cost overrun of CFAF 1,282 million since reappraisal is due roughly 24% to net foreign exchange losses actually incurred through June 1976, 40% to increased labor rates, 5% to destruction of young palms by rodents, and 31% to other causes.

Financing

3.10 Total project cost^{1/} is expected to reach CFAF 5,760 million (paragraph 3.06). As of June 30, 1976 financing of CFAF 4,677 or 81% of total had been secured. For the remainder SOCAPALM has already approached CCCE and IBRD for additional financing possibly as a part of the Second Stage Development Project which was appraised in June 1976. IBRD's potential participation is currently under consideration (Annex 4).

Perpetuation of Estates

3.11 An estate is normally expected to replace its plantings just as much as its machinery and equipment. To ensure that this would be done, the Prior Loan Agreement required the Borrower "... to establish and maintain a replanting fund at such a level as shall be necessary to carry out the replanting ... of the estates included in the Project....". However, it seems that the high level of inflation which prevailed at the time of reappraisal no longer made the operation of a fund attractive, and the requirement was dropped from the Supplemental Loan Agreement. Granted the idea of a fund no longer appeared workable, the fundamental reasons for replanting an estate had not disappeared, and it seems that it would have been preferable to maintain some requirement to this effect. The heavy investment in oil processing equipment makes it particularly important for the flow of ffb to the factory to be maintained at the maximum practicable level to ensure optimum factory utilization. This in turn makes the timely replanting of individual plots within the estates especially important. Therefore, for cash and production planning purposes, at Company as well as at sector level, the Bank should require that future estate development plans clearly identify the portion of total financing earmarked for the replanting program.

^{1/} Excluding interest financed during implementation.

IV. BENEFITS

Yields and Production

4.01 Annex 5, tables 1 and 2 give the projected yields per hectare and the projected production of ffb, Oil and Kernels during the life of the project. These reflect current experience which is slightly less favorable than forecast at reappraisal.

Financial Rate of Return

4.02 The financial rate of return is 9.5% compared with 10% at reappraisal. The cost/benefit streams appear in Annex 5, table 3, and the underlying assumptions in Annex 5, tables 4 and 5.

Economic Rate of Return

4.03 The economic rate of return is 13.8% under one set of assumptions and 14.3% under a second set of assumptions. This compares with a rate of 12% calculated on a similar basis at reappraisal. The cost benefit streams appear in Annex 5, table 5, and the underlying assumptions, in Annex 5, tables 6 and 7.

V. CONCLUSIONS AND RECOMMENDATIONS

General

5.01 The difficult task of setting up a new company and developing its first plantations are behind. SOCAPALM management has shown its ability to cope reasonably well with the inevitable problems which arise in any enterprise, and this augurs well for the future. Project implementation occurred in a period of high inflation but, on a conservative basis, benefits are expected to increase sufficiently to ensure the financial and economic viability of the project.

Recommendations

5.02 The recommendations contained in this report may be summarized as follows:

- (a) future Bank loans to well established industrial estates should include as large a smallholder component as practicable (paragraphs 2.03 and 2.04);
- (b) the Bank should continue to provide assistance for the establishment of a Planters' Association whose functions, inter alia, should include the setting of an equitable allocation of market outlets among its members (paragraph 2.07);

- (c) the question of quick reliable communication between the estates and between these and the administrative centers of Douala and Yaounde needs to be resolved (paragraph 3.04);
- (d) cost-at-completion reviews have not been made frequently enough; such reviews should be made at least once a year and should be part of the Bank reporting requirements;
- (e) cost detail in appraisal/reappraisal reports does not correspond to the accounts and budgets of the Borrower and renders comparison difficult; future appraisals should aim at greater compatibility;
- (f) due to cost overruns since reappraisal, SOCAPALM is seeking fresh additional financing to complete the project; although a responsibility of Government, it is felt Bank should look favorably on the possibility of including a suitable component for this purpose in the Second Stage Development Project which was appraised in June 1976; and
- (g) for cash and production planning purposes estate development plans should clearly identify the portion of total financing earmarked for the replanting program (paragraph 3.11)

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Total Country Actual/Projected Palm Oil Production by Source
(in thousand metric tons)

	<u>Estate</u>			<u>Smallholders</u>			<u>Country</u>
	<u>Public</u>	<u>Private</u>	<u>Total</u>	<u>Wild Palms</u>	<u>Cultivated</u>	<u>Total</u>	<u>Total</u>
1969	6.9	9.6	16.5	43.1	1.3	44.4	60.9
1970	8.7	14.3	23.0	40.1	1.4	41.5	64.5
1971	10.5	14.8	25.3	37.0	1.4	38.4	63.7
1972	11.6	16.0	27.6	36.6	1.4	38.0	65.6
1973	15.3	16.4	31.7	35.5	1.4	36.9	68.6
1974	21.2	17.0	38.2	31.5	1.4	32.9	71.1
1975	28.1	18.7	46.8	30.0	1.4	31.4	78.2
1976	36.3	19.6	55.9	26.4	1.4	27.8	83.7
1977	44.3	20.2	64.5	23.0	1.4	24.4	88.9
1978	52.9	20.6	73.5	19.5	1.4	20.9	94.4
1979	61.5	21.1	82.6	16.0	1.4	17.4	100.0
1980	69.5	21.7	91.2	12.4	1.5	13.9	105.1
1981	76.7	22.6	99.3	11.2	1.7	12.9	112.2
1982	83.6	23.8	107.4	10.0	2.0	12.0	119.4
1983	90.3	24.9	115.2	8.8	2.5	11.3	126.5
1984	95.8	25.9	121.7	7.6	3.1	10.7	132.4
1985	100.3	26.9	127.2	6.7	3.8	10.5	137.7

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Total Country Actual/Projected Production, Consumption and Export of Palm Oil
(in thousand metric tons)

	<u>Production</u>	<u>Consumption</u>	<u>Available for Export</u>	<u>Export as a % of Production</u>
<u>Appraisal</u>				
1970- Projected	51.0	55.7	(4.7)	(9)
1975- "	66.4	63.2	3.2	5
1980- "	102.7	72.6	30.1	29
1985- "	101.5	83.3	18.2	18
<u>Reappraisal</u>				
1970- Actual	64.5	56.5	8.0	12
1975- Projected	79.9	67.5	12.4	16
1980- "	108.9	80.2	28.7	26
1985- "	123.8	92.6	31.2	25
<u>Current Outlook 1/</u>				
1970- Actual	64.5	58.1	6.4 ^{2/}	10
1975- "	78.2	68.5	9.7 ^{2/}	12
1980- Projected	105.1	82.1	23.0	22
1985- "	137.7	96.8	40.9	30
		3.46		

1/ Kienke Project feasibility study, book 3, table B-10.

2/ Government Custom Statistics show 8.4 tons for 1970, 18.0 tons for 1974, but only 9.1 tons for 1975.

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SOCAPAIM I Project
Number of Hectares of Oil Palms Planted
Appraisal/Negotiation/Reappraisal/Actual

Year	Appraisal Report February 3, 1969			Agreed at Negotiations			Reappraisal Report January 22, 1973			Actual/Planned		
	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>
1968	400	-	400	-	-	-	-	-	-	496	-	496 ^{2/}
1969	200	-	200	600	-	600	533	-	533 ^{1/}	735	617	1352 ^{2/}
1970	900	600	1500	900	800	1700	860	643	1503 ^{1/}	757	932	1689 ^{2/}
1971	1500	900	2400	1200	1200	1200	1049	971	2020 ^{1/}	884	531	1415 ^{2/}
1972	1500	1500	3000	1200	1200	2400	518	560	1078 ^{1/}	826	207	1033
1973	-	1500	1500	600	1300	1900	1540	360	1900	392	19	411
1974	-	-	-	-	-	-	1500	-	1500	521	70	591
1975	-	-	-	-	-	-	-	-	-	1062	131	1293 ^{3/}
1976	-	-	-	-	-	-	-	-	-	327	53	380
1977	-	-	-	-	-	-	-	-	-			
TOTAL	4500	4500	9000	4500	4500	9000	6000	2534	8534	6000	2660	8660

^{1/} Actual at time of Reappraisal

^{2/} Losses due especially to rodents have reduced the number of hectares originally planted; lost hectares replanted up to three years after original planting.

^{3/} Planned.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
June 1976 Project Cost at Completion by Year
(in thousand CFAF)

		<u>Actual Costs</u>			<u>Cost at Completion</u>		
		<u>With</u>		<u>Without</u>	<u>Without Price</u>	<u>Price</u>	<u>With Price</u>
		<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Contingencies</u>	<u>Contingencies^{2/}</u>	<u>Contingencies</u>
<u>June 1976 Estimate</u>							
1968-1969	Actual	232874	-	232874	232874	-	232874
1970	"	333530	9699	323831	323831	-	323831
1971	"	485469	27934	457535	457535	-	457535
1972	"	651166	43478	607688	607688	-	607688
1973	"	887342	61013	826329	826329	-	826329
1974	"	937122	77362	859760	859760	-	859760
1975	"	746247	103453	642794	642794	-	642794
1976	Actual/Est	387326	141690	245636	245636	-	245636
1977	Estimated	"	"	"	252895 ^{1/}	25290	278185
1978	"	"	"	"	200618 ^{1/}	42130	242748
1979	"	"	"	"	174198 ^{1/}	57485	231683
1980	"	"	"	"	106320 ^{1/}	46781	153101
1981	"	"	"	"	404495 ^{1/}	230562	635057
1982	"	"	"	"	13111 ^{1/}	9178	22289
TOTALS		4661076	464629	4196447	5348084	411426	5759510

^{1/} Include 5% physical contingencies

^{2/} Composite Price Contingencies based on Bank Guidelines of February 5, 1976.

Composite rate for equipment and civil works equivalent to 10% per year in years 1976/77 through 1979/80 and 8^{1/2} % per year in years 1980/81 and 1981/82.

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SOCAPALM I Project

Cost at Completion- Comparison of June 1976 Estimate with Appraisal and Reappraisal Estimates by Major Categories
(in CFAF millions)

	<u>Appraisal</u>	<u>Reappraisal</u>	<u>June 1976 Estimate</u>	<u>June 1976 Estimate- over (under)</u>			
				<u>Appraisal</u>		<u>Reappraisal</u>	
				<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Plantation Development	2000.0	2538.2	3313.8	1313.8	65.7	775.6	30.6
Vehicles and Equipment	116.1	268.3	354.5	238.4	205.3	86.2	32.1
Houses and Buildings	239.6	444.0	385.8	146.2	61.0	(58.2)	(13.1)
Oil Mills	1026.7	1226.9	1705.4	678.7	66.1	478.5	39.0
Operating Losses	47.4	-	-	(47.4)	-	-	-
TOTAL	3429.8	4477.4	5759.5	2329.7	67.9	1282.1	28.6

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Société Camerounaise de Palmeraies
SOCAPALM I Project
Analysis of Cost Overruns
(in CFAF Millions)

Annex 3
Table 3

	Cost Overruns			
	Over Appraisal		Over Reappraisal	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Total Cost Increase</u> <u>1/</u>	2329.7	67.9	1282.1	27.6
		As % of Total <u>Increase</u>		As % of Total <u>Increase</u>
<u>Major Causes:</u>				
Foreign Exchange Loss <u>2/</u>	237.5	10.2	308.3	24.1
Labor <u>3/</u>	618.3	26.5	508.1	39.6
Replanting of 1200 ha of Palms	92.0	4.0	92.0	7.2
Other <u>4/</u>	1381.9	59.3	373.7	29.1
		<u>100.0</u>		<u>100.0</u>

1/ Annex 3, Table 2.

2/ Actual to June 1976.

3/ Obtained by comparing actual labor rates with those of appraisal and reappraisal estimates and applying the percentage of increase to the total labor cost each year.

4/ Remainder obtained by difference.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Project Financing
(in CFAF Million)

Annex 4

<u>Total Financing Required</u>	<u>Appraisal</u>	<u>Reappraisal</u>	<u>Current Outlook</u>
Total Project Cost <u>1/</u>	3430	4512	5760
Interest Financed during Implementation	<u>460</u>	<u>481</u>	<u>481</u>
Total	3890	4993	6241
<u>Financing Already Provided (6/30/76)</u>			
IBRD <u>2/</u>	1951	2500	2263 <u>3/</u>
CCCE	443	733	733
FAC	443	648	648
Government and SOCAPALM	<u>953</u>	<u>1112</u> <u>4/</u>	<u>1033</u> <u>4/</u>
Total	3890	4993	4677
<u>Financing to be Provided (after 6/30/76)</u>			1564 <u>5/</u>

-
- 1/ Includes cost of bringing all plantings to maturity and providing required oil processing facilities.
- 2/ Including Interest Financed during Implementation.
- 3/ Actual amount of CFAF obtained from Dollar Equivalent loans.
- 4/ Of which paid in Capital of CFAF 960.5 million, and Government Original Advances of CFAF 72.9 million.
- 5/ SOCAPALM has requested CCCE and IBRD for additional financing as a part of the Second Stage Development which was appraised in June, 1976. The exact amount of IBRD's participation has yet to be determined.

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SOCAPALM I Project
Projected Yields per Hectare 1/

Year from Planting	4	5	6	7	8	9-15	16-20	21-25	26-28
Year in Production	1	2	3	4	5	6-12	13-17	18-22	23-25
Fresh Fruit Bunch (ffb) Tons per Ha	2.75	6.1	8.65	11.65	14.1	15	14	13.5	13
Palm Oil Extraction % of ffb	15.0	15.9	17.8	19.7	21.1	21.5	21.5	21.5	21.5
Kernels Production % of ffb	4.0	4.1	4.3	4.5	4.65	4.7	4.7	4.7	4.7

1/ Kienke Project feasibility study- Book 1, table E-5

CAMEROON
Societe Camerounaise de Palmeraies
SOCAPALM I Project
Projected Production of Ffb, Palm Oil and Kernels
(in metric tons)

Year	Ffb Production in metric tons			Oil Palm Production in metric tons			Oil Kernels Production in metric tons			Oil Equivalent in metric tons		
	M'bongo	Eseka	Total	M'bongo	Eseka	Total	M'bongo	Eseka	Total	M'bongo	Eseka	Total
1972/3	1364	-	1364	205	-	205	55	-	55	233	-	233
73/4	5047	1262	6309	784	189	973	205	59	264	887	218	1105
74/5	10856	3171	14027	1789	482	2271	451	149	600	2015	556	2571
75/6	19185	6000	25185	3369	1167	4536	819	251	1070	3778	1293	5071
76/7	29769	19059	48828	5527	3451	8978	1304	826	2130	6179	3864	10043
77/8	40386	25466	65852	7848	4999	12847	1808	1145	2953	8752	5572	14324
78/9	50408	30489	80897	10118	6319	16437	2289	1406	3695	11263	7022	18285
79/80	61399	34126	95525	12484	7205	19689	2808	1589	4397	13888	8000	21888
80/1	71177	36322	107499	14587	7682	22269	3269	1694	4963	16222	8529	24751
81/2	78250	37501	115751	16240	7948	24188	3614	1749	5363	18047	8823	26870
82/3	83898	38556	122454	17681	8211	25892	3904	1802	5706	19633	9112	28745
83/4	87949	39451	127400	18782	8454	27236	4117	1850	5967	20841	9379	30220
84/5	89165	39852	129017	19170	8564	27734	4191	1873	6064	21266	9500	30766
85/6	88599	39257	127856	19049	8440	27489	4164	1845	6009	21131	9369	30494
86/7	87676	38286	125962	18850	8231	27081	4121	1799	5920	20910	9131	30041
87/8	86954	37702	124656	18695	8106	26801	4086	1772	5858	20738	8992	29730
88/9	86028	37434	123462	18496	8048	26544	4043	1759	5802	20518	8927	29445
89/90	85251	37434	122685	18329	8048	26377	4007	1759	5766	20333	8927	29260
90/1	84117	37043	121160	18085	7964	26049	3953	1741	5694	20062	8836	28896
91/2	83166	36434	119600	17881	7833	25714	3909	1712	5621	19826	8689	28525
92/3	82478	36142	118620	17733	7771	25504	3876	1699	5575	19671	8621	28292
93/4	82015	36008	118023	17633	7742	25375	3855	1692	5547	19561	8588	28149
94/5	81491	36008	117499	17521	7742	25263	3830	1692	5522	19436	8588	28024
95/6	80709	35651	116360	17352	7665	25017	3793	1676	5469	19249	8503	27752
96/7	80002	35103	115105	17200	7547	24747	3760	1650	5410	19080	8372	27452
97/8	72445	34811	107256	15576	7484	23060	3405	1636	5041	17279	8302	25581
98/9	60802	26318	87120	13072	5658	18730	2858	1237	4095	14501	6277	20778
99/2000	48549	13695	62244	10438	2944	13382	2282	644	2926	11579	3266	14845
2000/01	38811	6068	44879	8344	1305	9649	1824	285	2109	9256	1448	10704
01/2	26528	2522	29050	5704	542	6246	1247	119	1366	6327	602	6929
02/3	19773	2522	22295	4251	542	4793	929	119	1048	4715	602	5317
03/4	10621	1612	12233	2284	347	2631	499	76	575	2534	385	2919
04/5	4251	-	4251	914	-	914	200	-	200	1014	-	1014

Annex
Table 2

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Financial Rate of Return

Annex 5
Table 3

<u>Fiscal Year</u>	<u>Revenues 1/</u>	<u>Fixed Assets 2/</u>	<u>Operating Costs 3/</u>	<u>Net (Costs) Benefits</u>
1968/9	-	232.9	-	(232.9)
70	-	323.8	-	(323.8)
1	-	457.5	-	(457.5)
2	-	607.7	-	(607.7)
3	18.7	826.3	39.2	(846.8)
4	88.5	859.8	137.5	(908.8)
5	206.4	642.8	236.3	(672.7)
6	408.0	245.6	386.9	(224.5)
7	826.0	278.2	625.7	(77.9)
8	1181.6	242.7	754.9	184.0
9	1515.0	231.7	916.1	367.2
80	1819.9	153.1	1096.6	570.2
1	2049.7	635.1	1240.0	174.6
2	2212.7	22.3	1346.2	844.2
3	2356.3	-	1440.1	916.2
4	2466.5	-	1514.0	952.5
5	2498.5	-	1541.4	957.1
6	2476.4	-	1527.7	948.7
7	2439.6	-	1505.1	934.5
8	2414.3	-	1489.5	924.8
9	2391.2	-	1475.2	916.0
90	2376.2	-	1465.9	910.3
1	2346.6	-	1447.7	898.9
2	2316.5	-	1429.1	887.4
3	2297.6	-	1417.4	880.2
4	2286.0	-	1410.3	875.7
5	2275.8	-	1404.0	871.8
6	2253.7	-	1390.4	863.3
7	2229.3	-	1375.3	854.0
8	2077.4	-	1281.6	795.8
9	1687.4	-	1041.0	646.4
2000	1205.5	-	743.7	461.8
1	969.3	-	536.3	433.0
2	562.7	-	347.1	215.6
3	431.8	-	266.4	165.4
4	237.0	-	146.2	90.8
5	82.3	-	50.8	31.5

Financial Rate of Return:

9.5%

NOTES: 1/ See Annex 5, Table 4.

2/ See Annex 3, Table 1.

3/ Include actual costs to June 1976; thereafter estimates include 5% physical contingency.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Sales - Financial Value in CFAF Millions (Millgate Price)

Annex 5
Table 4
Page 1 of 2

<u>Fiscal Year</u>	<u>Oil Weighted Price/Ton 1/</u>	<u>Kernel Price/Ton 2/</u>	<u>Total Oil Equivalent Price/Ton</u>	<u>Sales Value</u>
1972/73	85,374	20,525	80,159	18.7
4	85,374	20,525	80,055	88.5
5	85,374	20,525	80,288	206.4
6	84,996	20,742	80,450	408.0
7	89,025	12,762	82,243	826.0
8	88,416	15,578	82,493	1181.6
9	87,865	19,336	82,857	1515.0
80	87,303	22,958	83,146	1819.9
1	86,486	24,483	82,814	2049.7
2	85,687	26,009	82,349	2212.7
3	84,906	27,534	81,973	2356.3
4	84,145	29,060	81,619	2466.5
5	83,399	30,585	81,209	2498.5
6	"	"	"	2476.4
7	"	"	"	2439.6
8	"	"	"	2414.3
9	"	"	"	2391.2
90	"	"	"	2376.2
1	"	"	"	2346.6
2	"	"	"	2316.5
3	"	"	"	2297.6
4	"	"	"	2286.0
5	"	"	"	2275.8
6	"	"	"	2253.7
7	"	"	"	2229.3
8	"	"	"	2077.4
9	"	"	"	1687.4
2000	"	"	"	1205.5
1	"	"	"	969.3
2	"	"	"	562.7
3	"	"	"	431.8
4	"	"	"	237.0
5	"	"	"	82.3

1/ Weighted price of palm oil established on basis of expected mix of export versus domestic sales and applying to each its respective net selling price. Actual net export price was used for period through June 1976; thereafter IBRD Commodity Price Forecasts less CFAF 19,077 per ton for taxes and shipping and other charges. Likewise Actual net domestic price used through June 1976; thereafter official price less CFAF 13,540 for taxes and other expenses. Projected volume of export sales as follows:

1976/7	15.5%
8	17.0
9	18.5
80	20.0
1	22.0
2	24.0
3	26.0
4	28.0
1985/2005	30.0

2/ It is assumed all kernels would be exported. Actual price used through June 1976. Thereafter IBRD Commodity Price Forecasts less CFAF 21,300 per ton for taxes and other charges.

CAMEROON
Societe Camerounaise de Palmiers
SOCAPALM I Project
Economic Rate of Return

Fiscal Year	Revenues ^{1/}	First Alternative ^{2/}			Second Alternative ^{3/}		
		Fixed Assets	Operating Costs	Net(Costs)Benefits	Fixed Assets	Operating Costs	Net(Costs)Benefits
1968- 1969	-	243.9	-	(243.9)	237.7	-	(237.7)
1970	-	339.1	-	(339.1)	330.4	-	(330.4)
1971	-	479.2	-	(479.2)	466.8	-	(466.8)
1972	-	636.5	-	(636.5)	620.1	-	(620.1)
1973	20.3	865.5	30.1	(875.3)	843.2	27.6	(850.5)
1974	96.0	900.6	105.5	(910.1)	877.3	96.9	(878.2)
1975	223.8	673.3	181.4	(630.9)	655.9	166.6	(598.7)
1976	386.1	257.2	296.9	(168.0)	250.6	272.8	(137.3)
1977	764.1	264.9	480.2	19.0	258.0	441.1	65.0
1978	1113.1	210.1	579.3	323.7	204.7	532.2	376.2
1979	1458.8	182.5	703.1	573.2	177.7	645.9	635.2
1980	1785.6	111.4	841.6	832.6	108.6	773.1	903.9
1981	2042.8	423.7	951.7	667.4	412.8	874.2	755.8
1982	2275.7	13.7	1033.2	1228.8	13.4	949.1	1313.6
1983	2426.5	-	1105.3	1321.2	-	1015.3	1411.2
1984	2578.8	-	1162.0	1416.8	-	1067.4	1511.4
1985	2255.9	-	1183.0	1472.9	-	1086.7	1569.2
1986	2632.4	-	1172.5	1459.9	-	1077.0	1555.4
1987	2593.4	-	1155.2	1438.2	-	1061.1	1532.9
1988	2566.5	-	1143.2	1423.3	-	1050.1	1516.4
1989	2541.9	-	1132.2	1409.7	-	1040.0	1501.9
1990	2525.9	-	1125.1	1400.8	-	1033.5	1492.4
1991	2494.5	-	1111.1	1383.4	-	1020.6	1473.9
1992	2462.4	-	1096.8	1365.6	-	1007.5	1454.9
1993	2442.3	-	1087.9	1354.4	-	999.3	1443.0
1994	2430.0	-	1082.4	1347.6	-	994.3	1435.7
1995	2419.2	-	1077.6	1341.6	-	989.8	1429.4
1996	2395.7	-	1067.1	1328.6	-	980.2	1415.5
1997	2369.8	-	1055.5	1314.3	-	969.6	1400.2
1998	2208.3	-	983.6	1224.7	-	903.5	1304.8
1999	1793.6	-	799.0	994.6	-	735.9	1059.7
2000	1281.6	-	570.8	710.8	-	524.3	757.3
2001	924.1	-	411.6	512.5	-	378.1	546.0
2002	598.2	-	266.4	331.8	-	244.7	353.5
2003	549.0	-	204.3	254.5	-	187.8	271.2
2004	252.0	-	112.2	139.8	-	103.1	148.9
2005	87.5	-	39.0	48.5	-	35.8	51.7
Economic Rate of Return:				13.8%			14.3%

^{1/} See Annex 5, tables 6 and 7.

^{2/} First alternative: Fixed assets and operating costs reduced by amount of taxes and 25% of value of labor; foreign exchange component adjusted by factor of 1.35.

^{3/} Second alternative: Fixed assets and operating costs reduced by amount of taxes and 50% of value of labor; foreign exchange component adjusted by factor of 1.35.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Sales- Economic Value
(in CFAF million)

Annex 5
Table 6

	Oil Price Per Ton ^{1/}	Kernel Price Per Ton ^{1/}	Total Oil Equivalent ^{2/} Price/Ton	Sales Value	Sales Value Adjusted for Foreign Exchange ^{3/}
1972/73	68200	17900	64388	15.0	20.3
1974	68200	17900	64312	71.1	96.0
1975	68200	17900	64482	165.8	223.8
1976	58000	21300	56391	286.0	386.1
1977	57368	23942	56355	566.0	764.1
1978	58020	26778	57558	824.5	1113.1
1979	58875	30536	59099	1080.6	1458.8
1980	59550	34158	60430	1322.7	1785.6
1981	60000	35683	61137	1513.2	2042.8
1982	60450	37209	62736	1685.7	2275.7
1983	60900	38734	62528	1797.4	2426.5
1984	61350	40260	63210	1910.2	2578.8
1985	61800	41785	63945	1967.3	2655.9
1986	"	"	"	1949.9	2632.4
1987	"	"	"	1921.0	2593.4
1988	"	"	"	1901.1	2566.5
1989	"	"	"	1882.9	2541.9
1990	"	"	"	1871.0	2525.9
1991	"	"	"	1847.8	2494.5
1992	"	"	"	1824.0	2462.4
1993	"	"	"	1809.1	2442.3
1994	"	"	"	1800.0	2430.0
1995	"	"	"	1792.0	2419.2
1996	"	"	"	1774.6	2395.7
1997	"	"	"	1755.4	2369.8
1998	"	"	"	1635.8	2208.3
1999	"	"	"	1328.6	1793.6
2000	"	"	"	949.3	1281.6
2001	"	"	"	684.5	924.1
2002	"	"	"	443.1	598.2
2003	"	"	"	340.0	459.0
2004	"	"	"	186.7	252.0
2005	"	"	"	64.8	87.5

^{1/} Export Prices per IBRD commodity constant price forecast of May 17, 1976 adjusted for freight and insurance, i.e. CFAF 10,200 per ton for oil and CFAF 10,100 for kernels.

^{2/} Total oil equivalent price obtained by applying factors from Annex 5, Table 7.

^{3/} Future foreign sales projected at US\$1 equals CFAF 225; foreign sales adjusted by a factor of 1.35.

Revised version will 8/24
be received next week
Rm

OFFICE MEMORANDUM

TO: Mr. Wilfried P. Thalwitz, Director WAPDR
FROM: ^{Ber} K. Berg, Division Chief, WAPA 2
SUBJECT: CAMEROON - SOCAPALM I Project (Loans 593/886-CM)
 - Completion Report

DATE: August 16, 1976

Please find attached the Completion Report for the SOCAPALM I
Project.

JACGuy Prenoveau:ab

cc: Messrs. de la Renaudiere, Denning, Steckhan, Pouliquen, van Gigch,
King, Palein (Cameroon), Geli (RMWA), van der Tak (3),
Yudelman (2), Forget, Bowron, Busch, Elliott, Willoughby.✓

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CAMEROON

SOCIETE CAMEROUNAISE DE PALMERAIES

SOCAPALM I PROJECT

(Loans 593/886-CM)

COMPLETION REPORT

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CAMEROON

SOCIETE CAMEROUNAISE DE PALMERAIES

SOCAPALM I PROJECT

COMPLETION REPORT

I. INTRODUCTION

1.01 Société Camerounaise de Palmeraies (SOCAPALM) was formed in 1969 to carry out the Project which was appraised in February/March 1968. Cost overruns and partly unsatisfactory site led to reappraisal in May/June 1972. As a result the Bank made an additional loan of US\$1.7 million to supplement its original loan of US\$7.9 million; the project period was extended; but the original objectives were maintained.

1.02 The project was jointly financed by the Government, the Bank, the Caisse Centrale de Coopération Economique (CCCE, France), and the Fonds d'Aide et de Coopération (FAC, France).

1.03 Although the Bank loan has been completely disbursed, it is well to remember that only about 73% of the cost required to bring all plantings to maturity and provide the necessary processing facilities had been actually expended at the end of June 1976. In addition, it should be realized that the first plantings are just beginning to produce and that it will take about 10 years before the project as a whole reaches its peak production level. In large measures, therefore, today's assessment of the project must rely on the values assigned to variables which will only be determined in the future.

II. THE OIL PALM SUBSECTOR

General

2.01 Overall, Cameroon had been deficient in edible fats, and palm oil seemed to offer a good opportunity to help fill the existing gap and eventually provide a surplus for export. However, the traditional sector had never treated oil palm production as a cultivated crop, its share of the palm oil production had been falling rapidly and it could therefore hardly be counted on to bring about the desired production increases rapidly. In addition, earlier experience with smallholder schemes had not been favorable.

Strategy

2.02 In light of the foregoing, the Government decided to develop industrial estates which could rapidly increase production and at the same time demonstrate to the smallholders the benefits of growing oil palms. These estates would provide roads as well as collecting and processing facilities and would eventually enable smallholders to market their crops readily.

2.03 Annex 1, table 1, shows that the public sector -- CDC and SOCAPALM -- would provide the major part of the projected palm oil production increase; it also shows that the contribution of the wild palm subsector to total palm oil production would drop dramatically from 62% in 1970 to a mere 5% in 1985, and finally it indicates that the contribution from the smallholder cultivated oil palms would start increasing in the early 1980's as a result of smallholder schemes to be included in the second development phases of CDC and SOCAPALM, but that this contribution would remain very small, i.e. less than 3% of total by 1985.

2.04 The strategy of estate development is already having the desired effect on the country's production of palm oil, and it is certain that independent smallholder schemes could not have achieved the same results in the same time frame. Now that a number of estates have been established, the time is propitious for initiating smallholder schemes in the areas where these estates are located. It is therefore recommended that future Bank lending to companies with well-established industrial estates include as large a smallholder component as practicable.

2.05 Annex 1, table 2, shows the country's palm oil balance in the period 1970-1985. It is interesting to note that successive projections since appraisal have forecast ever greater production and consumption for the period through 1985. Thus the latest view^{1/} shows that surplus palm oil available for export would grow from 12% of total production in 1975 to 30% by 1985. However, these figures should be used with caution. There is no direct means of knowing how much is produced by the traditional subsector and no survey has been made in at least the last 15 years. Likewise, little is known about consumption patterns. Finally, it is believed that a substantial quantity of palm oil enters Cameroon from Nigeria without being recorded.

2.06 In light of the dearth of reliable data on the palm oil subsector, one might be tempted to recommend that a special study be undertaken. However, if, as is generally believed, the traditional subsector is going to virtually disappear in the next few years, it should soon become relatively easy to determine total production without survey. As total exports are known, consumption^{2/} could be deduced with sufficient accuracy for subsector planning purposes.

^{1/} Kienke Project feasibility study of January 1976, Book 3, table B-10.

^{2/} Except for imports for which no account is kept (paragraph 2.05).

Marketing Study

2.07 The existence of a dual palm oil market created by the Government by setting the domestic selling price of palm oil led the reappraisal mission to conclude that a marketing study should be carried out "... in order to determine and implement the most economic and equitable distribution of market outlets among producers ...". Hence section 2.07 (b) of the Supplemental Guarantee Agreement which requires that a marketing study be carried out. The study in question has not been prepared, however, and no longer appears necessary. Instead, the four major producers ^{1/} are expected to reach an agreement among themselves. For some time ^{2/}, the Bank has been advocating the creation of an Association of Planters which could preside over the equitable allocation of market outlets and in addition provide its members -- at substantially lower cost -- with a number of facilities and services operated in partnership, such as a store at the port site, a central radio service, a pool of small aircrafts, etc. A Planters' Association is well on the way to being formed, and it is recommended that the Bank continues to provide assistance for its successful implementation and for ensuring that such Association will play a useful role, inter alia, in setting an equitable allocation of market outlets among its members.

III. THE PROJECT

Description and Objectives

3.01 As reappraised, the project consists of the establishment of 8,534 ha of oil palms on two estates (appraisal 9,000 ha); the construction of an oil palm mill on each estate; the provision of necessary roads, buildings and other infrastructure; and the building of a house and office at Douala.

3.02 The project objectives consist mainly in increasing the estate production of oil palm products in Cameroon and in laying the foundations for smallholder schemes. These objectives are in tune with the subsector development strategy (paragraph 2.02), and are well on the way to being met.

Implementation

3.03 By the end of June 1976, some 8,280 ha of oil palms had been planted and another 380 ha was scheduled for planting during 1976/77,

^{1/} There are two producers from the public sector, CDC and SOCAPALM, and two from the private sector, PAMOL and SAFACAM.

^{2/} Bank letter of December 23, 1975 to the Minister of Agriculture.

for a total of 8,660 ha (Annex 2). The last plantings will thus start producing only in 1980/1981 and total project implementation will take 13 years instead of 9. The major factors having contributed to this slippage since reappraisal are occasional lack of planting material, shortage of labor, and severe loss of unprotected young palms due to rodents ^{1/}, all of which now appear to be under control. Inadequate planning, weak management and insufficient supervision of individual estates have been largely responsible for these problems in the past, except for labor shortages, which were mostly beyond the control of management.

3.04 One of the problems connected with supervision of the estate is the distance from Douala where the General Manager, the Plantation Inspector and the general administrative and accounting services are located. Section 4.02 of the Supplemental Loan Agreement requires that, after proper study, the residence of the General Manager should be transferred to one of the estates. This study has not yet been prepared. It seems, however, that having the General Manager and other general services on one of the estates would not eliminate the need for competent estate managers and that such move would not resolve the more fundamental problem, which is the need for quick, reliable communication between the estates and between these and the administrative centers of Douala and Yaounde. One answer which should be considered would be for the Company to acquire a light aircraft, either alone or in partnership with other planters. SOCAPALM is expected to carry out a major portion of the country's oil palm expansion program and, if not resolved, the communication problem could be aggravated as new estates are created.

Cost at Completion

3.05 Since its formation in 1969 SOCAPALM has prepared cost at completion reviews only three times, namely before reappraisal in 1972, in July 1974 and in June 1976 during the Completion Review Mission of the Bank. This is clearly insufficient. During project implementation these should be performed at least once a year, and should be part of the Bank reporting requirements.

3.06 The June 1976 estimate of the project cost at completion (Annex 3, Table 1) amounts to CFAF 5,760 million; it is made up of CFAF 4,196 million of expenditures actually incurred up to June 30, 1976 and CFAF 1,564 million, or 27% of total, of expenditures to be incurred after June 30, 1976. The latter will be needed to plant the last 380 ha of oil palms during 1976/1977, bring existing plantings to maturity up to 1979/1980, and provide the necessary oil processing capacity. The estimate of future expenditures includes contingencies as per Bank Guidelines.

3.07 As can be seen from Annex 3, table 2, the latest cost at completion is about 68% and 29% respectively over appraisal and reappraisal estimates. Considering that reappraisal took place before

^{1/} A total of nearly 1,200 ha of oil palms were destroyed.

the world petroleum crisis and the ensuing accelerated period of inflation, the project overrun since reappraisal is not excessive.

3.08 It should be noted that the cost elements as presented in the appraisal and reappraisal documents do not correspond to the accounts and budgets of the Borrower and that consequently the comparison which appears in Annex 3, table 2, should only be viewed as a broad indication of cost variances. In this respect future appraisals should ensure that Bank documents and Borrower's Accounts are reasonably compatible.

3.09 Annex 3, table 3, shows that the actual/forecast cost overrun of CFAF 1,282 million since reappraisal is due roughly 24% to net foreign exchange losses actually incurred through June 1976, 40% to increased labor rates, 5% to destruction of young palms by rodents, and 31% to other causes.

Financing

3.10 Total project cost^{1/} is expected to reach CFAF 5,760 million (paragraph 3.06). As of June 30, 1976 financing of CFAF 4,677 or 81% of total had been secured. For the remainder SOCAPALM has already approached CCCE and IBRD for additional financing possibly as a part of the Second Stage Development Project which was appraised in June 1976. IBRD's potential participation is currently under consideration (Annex 4).

Perpetuation of Estates

3.11 An estate is normally expected to replace its plantings just as much as its machinery and equipment. To ensure that this would be done, the Prior Loan Agreement required the Borrower "... to establish and maintain a replanting fund at such a level as shall be necessary to carry out the replanting ... of the estates included in the Project....". However, it seems that the high level of inflation which prevailed at the time of reappraisal no longer made the operation of a fund attractive, and the requirement was dropped from the Supplemental Loan Agreement. Granted the idea of a fund no longer appeared workable, the fundamental reasons for replanting an estate had not disappeared, and it seems that it would have been preferable to maintain some requirement to this effect. The heavy investment in oil processing equipment makes it particularly important for the flow of ffb to the factory to be maintained at the maximum practicable level to ensure optimum factory utilization. This in turn makes the timely replanting of individual plots within the estates especially important. Therefore, for cash and production planning purposes, at Company as well as at sector level, the Bank should require that future estate development plans clearly identify the portion of total financing earmarked for the replanting program.

^{1/} Excluding interest financed during implementation.

IV. BENEFITS

Yields and Production

4.01 Annex 5, tables 1 and 2 give the projected yields per hectare and the projected production of ffb, Oil and Kernels during the life of the project. These reflect current experience which is slightly less favorable than forecast at reappraisal.

Financial Rate of Return

4.02 The financial rate of return is 9.5% compared with 10% at reappraisal. The cost/benefit streams appear in Annex 5, table 3, and the underlying assumptions in Annex 5, tables 4 and 5.

Economic Rate of Return

4.03 The economic rate of return is 13.8% under one set of assumptions and 14.3% under a second set of assumptions. This compares with a rate of 12% calculated on a similar basis at reappraisal. The cost benefit streams appear in Annex 5, table 5, and the underlying assumptions, in Annex 5, tables 6 and 7.

V. CONCLUSIONS AND RECOMMENDATIONS

General

5.01 The difficult task of setting up a new company and developing its first plantations are behind. SOCAPALM management has shown its ability to cope reasonably well with the inevitable problems which arise in any enterprise, and this augurs well for the future. Project implementation occurred in a period of high inflation but, on a conservative basis, benefits are expected to increase sufficiently to ensure the financial and economic viability of the project.

Recommendations

5.02 The recommendations contained in this report may be summarized as follows:

- (a) future Bank loans to well established industrial estates should include as large a smallholder component as practicable (paragraphs 2.03 and 2.04);
- (b) the Bank should continue to provide assistance for the establishment of a Planters' Association whose functions, inter alia, should include the setting of an equitable allocation of market outlets among its members (paragraph 2.07);

- (c) the question of quick reliable communication between the estates and between these and the administrative centers of Douala and Yaounde needs to be resolved (paragraph 3.04);
- (d) cost-at-completion reviews have not been made frequently enough; such reviews should be made at least once a year and should be part of the Bank reporting requirements;
- (e) cost detail in appraisal/reappraisal reports does not correspond to the accounts and budgets of the Borrower and renders comparison difficult; future appraisals should aim at greater compatibility;
- (f) due to cost overruns since reappraisal, SOCAPALM is seeking fresh additional financing to complete the project; although a responsibility of Government, it is felt Bank should look favorably on the possibility of including a suitable component for this purpose in the Second Stage Development Project which was appraised in June 1976; and
- (g) for cash and production planning purposes estate development plans should clearly identify the portion of total financing earmarked for the replanting program (paragraph 3.11)

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Total Country Actual/Projected Palm Oil Production by Source
(in thousand metric tons)

	<u>Estate</u>			<u>Smallholders</u>			<u>Country</u>
	<u>Public</u>	<u>Private</u>	<u>Total</u>	<u>Wild Palms</u>	<u>Cultivated</u>	<u>Total</u>	<u>Total</u>
1969	6.9	9.6	16.5	43.1	1.3	44.4	60.9
1970	8.7	14.3	23.0	40.1	1.4	41.5	64.5
1971	10.5	14.8	25.3	37.0	1.4	38.4	63.7
1972	11.6	16.0	27.6	36.6	1.4	38.0	65.6
1973	15.3	16.4	31.7	35.5	1.4	36.9	68.6
1974	21.2	17.0	38.2	31.5	1.4	32.9	71.1
1975	28.1	18.7	46.8	30.0	1.4	31.4	78.2
1976	36.3	19.6	55.9	26.4	1.4	27.8	83.7
1977	44.3	20.2	64.5	23.0	1.4	24.4	88.9
1978	52.9	20.6	73.5	19.5	1.4	20.9	94.4
1979	61.5	21.1	82.6	16.0	1.4	17.4	100.0
1980	69.5	21.7	91.2	12.4	1.5	13.9	105.1
1981	76.7	22.6	99.3	11.2	1.7	12.9	112.2
1982	83.6	23.8	107.4	10.0	2.0	12.0	119.4
1983	90.3	24.9	115.2	8.8	2.5	11.3	126.5
1984	95.8	25.9	121.7	7.6	3.1	10.7	132.4
1985	100.3	26.9	127.2	6.7	3.8	10.5	137.7

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Total Country Actual/Projected Production, Consumption and Export of Palm Oil
(in thousand metric tons)

	<u>Production</u>	<u>Consumption</u>	<u>Available for Export</u>	<u>Export as a % of Production</u>
<u>Appraisal</u>				
1970- Projected	51.0	55.7	(4.7)	(9)
1975- "	66.4	63.2	3.2	5
1980- "	102.7	72.6	30.1	29
1985- "	101.5	83.3	18.2	18
<u>Reappraisal</u>				
1970- Actual	64.5	56.5	8.0	12
1975- Projected	79.9	67.5	12.4	16
1980- "	108.9	80.2	28.7	26
1985- "	123.8	92.6	31.2	25
<u>Current Outlook 1/</u>				
1970- Actual	64.5	58.1	6.4 ^{2/}	10
1975- "	78.2	68.5	9.7 ^{2/}	12
1980- Projected	105.1	82.1	23.0	22
1985- "	137.7	<u>96.8</u>	40.9	30
		3.46		

1/ Kienke Project feasibility study, book 3, table B-10.

2/ Government Custom Statistics show 8.4 tons for 1970, 18.0 tons for 1974, but only 9.1 tons for 1975.

CAMEROON
Societe Camerounaise de Palmeraies
SOCAPALM I Project
Number of Hectares of Oil Palms Planted
Appraisal/Negotiation/Reappraisal/Actual

Year	Appraisal Report February 3, 1969			Agreed at Negotiations			Reappraisal Report January 22, 1973			Actual/Planned		
	M'bongo	Eseka	Total	M'bongo	Eseka	Total	M'bongo	Eseka	Total	M'bongo	Eseka	Total
1968	400	-	400	-	-	-	-	-	- ^{1/}	-	-	-
1969	200	-	200	600	-	600	533	-	533 ^{1/}	496	-	496 ^{2/}
1970	900	600	1500	900	800	1700	860	643	1503 ^{1/}	735	617	1352 ^{2/}
1971	1500	900	2400	1200	1200	1200	1049	971	2020 ^{1/}	757	932	1689 ^{2/}
1972	1500	1500	3000	1200	1200	2400	518	560	1078 ^{1/}	884	531	1415 ^{2/}
1973	-	1500	1500	600	1300	1900	1540	360	1900	826	207	1033
1974	-	-	-	-	-	-	1500	-	1500	392	19	411
1975	-	-	-	-	-	-	-	-	-	521	70	591
1976	-	-	-	-	-	-	-	-	-	1062	131	1293 ^{3/}
1977	-	-	-	-	-	-	-	-	-	327	53	380
TOTAL	4500	4500	9000	4500	4500	9000	6000	2534	8534	6000	2660	8660

^{1/} Actual at time of Reappraisal

^{2/} Losses due especially to rodents have reduced the number of hectares originally planted; lost hectares replanted up to three years after original planting.

^{3/} Planned.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
June 1976 Project Cost at Completion by Year
(in thousand CFAF)

		<u>Actual Costs</u>			<u>Cost at Completion</u>		
		<u>With</u>	<u>Without</u>		<u>Without Price</u>	<u>Price</u>	<u>With Price</u>
		<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Contingencies</u>	<u>Contingencies^{2/}</u>	<u>Contingencies</u>
<u>June 1976 Estimate</u>							
1968-1969	Actual	232874	-	232874	232874	-	232874
1970	"	333530	9699	323831	323831	-	323831
1971	"	485469	27934	457535	457535	-	457535
1972	"	651166	43478	607688	607688	-	607688
1973	"	887342	61013	826329	826329	-	826329
1974	"	937122	77362	859760	859760	-	859760
1975	"	746247	103453	642794	642794	-	642794
1976	Actual/Est	387326	141690	245636	245636	-	245636
1977	Estimated	"	"	"	252895 ^{1/}	25290	278185
1978	"	"	"	"	200618 ^{1/}	42130	242748
1979	"	"	"	"	174198 ^{1/}	57485	231683
1980	"	"	"	"	106320 ^{1/}	46781	153101
1981	"	"	"	"	404495 ^{1/}	230562	635057
1982	"	"	"	"	13111 ^{1/}	9178	22289
TOTALS		4661076	464629	4196447	5348084	411426	5759510

^{1/} Include 5% physical contingencies

^{2/} Composite Price Contingencies based on Bank Guidelines of February 5, 1976.
Composite rate for equipment and civil works equivalent to 10% per year in years 1976/77 through 1979/80 and 8¹/₂ % per year in years 1980/81 and 1981/82.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Cost at Completion- Comparison of June 1976 Estimate with Appraisal and Reappraisal Estimates by Major Categories
(in CFAF millions)

	<u>Appraisal</u>	<u>Reappraisal</u>	<u>June 1976 Estimate</u>	<u>June 1976 Estimate- over (under)</u>			
				<u>Appraisal</u>	<u>%</u>	<u>Reappraisal</u>	<u>%</u>
	<u>Amount</u>			<u>Amount</u>		<u>Amount</u>	
Plantation Development	2000.0	2538.2	3313.8	1313.8	65.7	775.6	30.6
Vehicles and Equipment	116.1	268.3	354.5	238.4	205.3	86.2	32.1
Houses and Buildings	239.6	444.0	385.8	146.2	61.0	(58.2)	(13.1)
Oil Mills	1026.7	1226.9	1705.4	678.7	66.1	478.5	39.0
Operating Losses	47.4	-	-	(47.4)	-	-	-
TOTAL	3429.8	4477.4	5759.5	2329.7	67.9	1282.1	28.6

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Analysis of Cost Overruns
(in CFAF Millions)

Annex 3
Table 3

	Cost Overruns			
	Over Appraisal		Over Reappraisal	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Total Cost Increase</u> <u>1/</u>	2329.7	67.9	1282.1	27.6
		As % of Total <u>Increase</u>		As % of Total <u>Increase</u>
<u>Major Causes:</u>				
Foreign Exchange Loss <u>2/</u>	237.5	10.2	308.3	24.1
Labor <u>3/</u>	618.3	26.5	508.1	39.6
Replanting of 1200 ha of Palms	92.0	4.0	92.0	7.2
Other <u>4/</u>	1381.9	59.3	373.7	29.1
		<u>100.0</u>		<u>100.0</u>

1/ Annex 3, Table 2.

2/ Actual to June 1976.

3/ Obtained by comparing actual labor rates with those of appraisal and reappraisal estimates and applying the percentage of increase to the total labor cost each year.

4/ Remainder obtained by difference.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Project Financing
(in CFAF Million)

Annex 4

<u>Total Financing Required</u>	<u>Appraisal</u>	<u>Reappraisal</u>	<u>Current Outlook</u>
Total Project Cost <u>1/</u>	3430	4512	5760
Interest Financed during Implementation	<u>460</u>	<u>481</u>	<u>481</u>
Total	3890	4993	6241
<u>Financing Already Provided (6/30/76)</u>			
IBRD <u>2/</u>	1951	2500	2263 <u>3/</u>
CCCE	443	733	733
FAC	443	648	648
Government and SOCAPALM	<u>953</u>	<u>1112</u> <u>4/</u>	<u>1033</u> <u>4/</u>
Total	3890	4993	4677
<u>Financing to be Provided (after 6/30/76)</u>			1564 <u>5/</u>

-
- 1/ Includes cost of bringing all plantings to maturity and providing required oil processing facilities.
- 2/ Including Interest Financed during Implementation.
- 3/ Actual amount of CFAF obtained from Dollar Equivalent loans.
- 4/ Of which paid in Capital of CFAF 960.5 million, and Government Original Advances of CFAF 72.9 million.
- 5/ SOCAPALM has requested CCCE and IBRD for additional financing as a part of the Second Stage Development which was appraised in June, 1976. The exact amount of IBRD's participation has yet to be determined.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Projected Yields per Hectare 1/

Year from Planting	4	5	6	7	8	9-15	16-20	21-25	26-28
Year in Production	1	2	3	4	5	6-12	13-17	18-22	23-25
Fresh Fruit Bunch (ffb) Tons per Ha	2.75	6.1	8.65	11.65	14.1	15	14	13.5	13
Palm Oil Extraction % of ffb	15.0	15.9	17.8	19.7	21.1	21.5	21.5	21.5	21.5
Kernels Production % of ffb	4.0	4.1	4.3	4.5	4.65	4.7	4.7	4.7	4.7

1/ Kienke Project feasibility study- Book 1, table E-5

CAMEROON
Societe Camerounaise de Palmeraies
SOCAPALM I Project
Projected Production of FFb, Palm Oil and Kernels
(in metric tons)

Year	<u>FFb Production</u> <u>in metric tons</u>			<u>Oil Palm Production</u> <u>in metric tons</u>			<u>Oil Kernels Production</u> <u>in metric tons</u>			<u>Oil Equivalent</u> <u>in metric tons</u>		
	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>	<u>M'bongo</u>	<u>Eseka</u>	<u>Total</u>
1972/3	1364	-	1364	205	-	205	55	-	55	233	-	233
73/4	5047	1262	6309	784	189	973	205	59	264	887	218	1105
74/5	10856	3171	14027	1789	482	2271	451	149	600	2015	556	2571
75/6	19185	6000	25185	3369	1167	4536	819	251	1070	3778	1293	5071
76/7	29769	19059	48828	5527	3451	8978	1304	826	2130	6179	3864	10043
77/8	40386	25466	65852	7848	4999	12847	1808	1145	2953	8752	5572	14324
78/9	50408	30489	80897	10118	6319	16437	2289	1406	3695	11263	7022	18285
79/80	61399	34126	95525	12484	7205	19689	2808	1589	4397	13888	8000	21888
80/1	71177	36322	107499	14587	7682	22269	3269	1694	4963	16222	8529	24751
81/2	78250	37501	115751	16240	7948	24188	3614	1749	5363	18047	8823	26870
82/3	83898	38556	122454	17681	8211	25892	3904	1802	5706	19633	9112	28745
83/4	87949	39451	127400	18782	8454	27236	4117	1850	5967	20841	9379	30220
84/5	89165	39852	129017	19170	8564	27734	4191	1873	6064	21266	9500	30766
85/6	88599	39257	127856	19049	8440	27489	4164	1845	6009	21131	9369	30494
86/7	87676	38286	125962	18850	8231	27081	4121	1799	5920	20910	9131	30041
87/8	86954	37702	124656	18695	8106	26801	4086	1772	5858	20738	8992	29730
88/9	86028	37434	123462	18496	8048	26544	4043	1759	5802	20518	8927	29445
89/90	85251	37434	122685	18329	8048	26377	4007	1759	5766	20333	8927	29260
90/1	84117	37043	121160	18085	7964	26049	3953	1741	5694	20062	8836	28896
91/2	83166	36434	119600	17881	7833	25714	3909	1712	5621	19826	8689	28525
92/3	82478	36142	118620	17733	7771	25504	3876	1699	5575	19671	8621	28292
93/4	82015	36008	118023	17633	7742	25375	3855	1692	5547	19561	8588	28149
94/5	81491	36008	117499	17521	7742	25263	3830	1692	5522	19436	8588	28024
95/6	80709	35651	116360	17352	7665	25017	3793	1676	5469	19249	8503	27752
96/7	80002	35103	115105	17200	7547	24747	3760	1650	5410	19080	8372	27452
97/8	72445	34811	107256	15576	7484	23060	3405	1636	5041	17279	8302	25581
98/9	60802	26318	87120	13072	5658	18730	2858	1237	4095	14501	6277	20778
99/2000	48549	13695	62244	10438	2944	13382	2282	644	2926	11579	3266	14845
2000/01	38811	6068	44899	8344	1305	9649	1824	285	2109	9256	1448	10704
01/2	26528	2522	29050	5704	542	6246	1247	119	1366	6327	602	6929
02/3	19773	2522	22295	4251	542	4793	929	119	1048	4715	602	5317
03/4	10621	1612	12233	2284	347	2631	499	76	575	2534	385	2919
04/5	4251	-	4251	914	-	914	200	-	200	1014	-	1014

Annex 5
Table 2

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Financial Rate of Return

Annex 5
Table 3

<u>Fiscal Year</u>	<u>Revenues 1/</u>	<u>Fixed Assets 2/</u>	<u>Operating Costs 3/</u>	<u>Net (Costs) Benefits</u>
1968/9	-	232.9	-	(232.9)
70	-	323.8	-	(323.8)
1	-	457.5	-	(457.5)
2	-	607.7	-	(607.7)
3	18.7	826.3	39.2	(846.8)
4	88.5	859.8	137.5	(908.8)
5	206.4	642.8	236.3	(672.7)
6	408.0	245.6	386.9	(224.5)
7	826.0	278.2	625.7	(77.9)
8	1181.6	242.7	754.9	184.0
9	1515.0	231.7	916.1	367.2
80	1819.9	153.1	1096.6	570.2
1	2049.7	635.1	1240.0	174.6
2	2212.7	22.3	1346.2	844.2
3	2356.3	-	1440.1	916.2
4	2466.5	-	1514.0	952.5
5	2498.5	-	1541.4	957.1
6	2476.4	-	1527.7	948.7
7	2439.6	-	1505.1	934.5
8	2414.3	-	1489.5	924.8
9	2391.2	-	1475.2	916.0
90	2376.2	-	1465.9	910.3
1	2346.6	-	1447.7	898.9
2	2316.5	-	1429.1	887.4
3	2297.6	-	1417.4	880.2
4	2286.0	-	1410.3	875.7
5	2275.8	-	1404.0	871.8
6	2253.7	-	1390.4	863.3
7	2229.3	-	1375.3	854.0
8	2077.4	-	1281.6	795.8
9	1687.4	-	1041.0	646.4
2000	1205.5	-	743.7	461.8
1	969.3	-	536.3	433.0
2	562.7	-	347.1	215.6
3	431.8	-	266.4	165.4
4	237.0	-	146.2	90.8
5	82.3	-	50.8	31.5

Financial Rate of Return:

9.5%

NOTES: 1/ See Annex 5, Table 4.

2/ See Annex 3, Table 1.

3/ Include actual costs to June 1976; thereafter estimates include 5% physical contingency.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Sales - Financial Value in CFAF Millions (Millgate Price)

Annex 5
Table 4
Page 1 of 2

<u>Fiscal Year</u>	<u>Oil Weighted Price/Ton 1/</u>	<u>Kernel Price/Ton 2/</u>	<u>Total Oil Equivalent Price/Ton</u>	<u>Sales Value</u>
1972/73	85,374	20,525	80,159	18.7
4	85,374	20,525	80,055	88.5
5	85,374	20,525	80,288	206.4
6	84,996	20,742	80,450	408.0
7	89,025	12,762	82,243	826.0
8	88,416	15,578	82,493	1181.6
9	87,865	19,336	82,857	1515.0
80	87,303	22,958	83,146	1819.9
1	86,486	24,483	82,814	2049.7
2	85,687	26,009	82,349	2212.7
3	84,906	27,534	81,973	2356.3
4	84,145	29,060	81,619	2466.5
5	83,399	30,585	81,209	2498.5
6	"	"	"	2476.4
7	"	"	"	2439.6
8	"	"	"	2414.3
9	"	"	"	2391.2
90	"	"	"	2376.2
1	"	"	"	2346.6
2	"	"	"	2316.5
3	"	"	"	2297.6
4	"	"	"	2286.0
5	"	"	"	2275.8
6	"	"	"	2253.7
7	"	"	"	2229.3
8	"	"	"	2077.4
9	"	"	"	1687.4
2000	"	"	"	1205.5
1	"	"	"	969.3
2	"	"	"	562.7
3	"	"	"	431.8
4	"	"	"	237.0
5	"	"	"	82.3

1/ Weighted price of palm oil established on basis of expected mix of export versus domestic sales and applying to each its respective net selling price. Actual net export price was used for period through June 1976; thereafter IBRD Commodity Price Forecasts less CFAF 19,077 per ton for taxes and shipping and other charges. Likewise Actual net domestic price used through June 1976; thereafter official price less CFAF 13,540 for taxes and other expenses. Projected volume of export sales as follows:

1976/7	15.5%
8	17.0
9	18.5
80	20.0
1	22.0
2	24.0
3	26.0
4	28.0
1985/2005	30.0

2/ It is assumed all kernels would be exported. Actual price used through June 1976. Thereafter IBRD Commodity Price Forecasts less CFAF 21,300 per ton for taxes and other charges.

CAMEROON
Societe Camerounaise de Palmeries
SOCAPALM I Project
Economic Rate of Return

Fiscal Year	Revenues ^{1/}	First Alternative ^{2/}			Second Alternative ^{3/}		
		Fixed Assets	Operating Costs	Net(Costs)Benefits	Fixed Assets	Operating Costs	Net(Costs)Benefits
1968- 1969	-	243.9	-	(243.9)	237.7	-	(237.7)
1970	-	339.1	-	(339.1)	330.4	-	(330.4)
1971	-	479.2	-	(479.2)	466.8	-	(466.8)
1972	-	636.5	-	(636.5)	620.1	-	(620.1)
1973	20.3	865.5	30.1	(875.3)	843.2	27.6	(850.5)
1974	96.0	900.6	105.5	(910.1)	877.3	96.9	(878.2)
1975	223.8	673.3	181.4	(630.9)	655.9	166.6	(598.7)
1976	386.1	257.2	296.9	(168.0)	250.6	272.8	(137.3)
1977	764.1	264.9	480.2	19.0	258.0	441.1	65.0
1978	1113.1	210.1	579.3	323.7	204.7	532.2	376.2
1979	1458.8	182.5	703.1	573.2	177.7	645.9	635.2
1980	1785.6	111.4	841.6	832.6	108.6	773.1	903.9
1981	2042.8	423.7	951.7	667.4	412.8	874.2	755.8
1982	2275.7	13.7	1033.2	1228.8	13.4	949.1	1313.6
1983	2426.5	-	1105.3	1321.2	-	1015.3	1411.2
1984	2578.8	-	1162.0	1416.8	-	1067.4	1511.4
1985	2255.9	-	1183.0	1472.9	-	1086.7	1569.2
1986	2632.4	-	1172.5	1459.9	-	1077.0	1555.4
1987	2593.4	-	1155.2	1438.2	-	1061.1	1532.9
1988	2566.5	-	1143.2	1423.3	-	1050.1	1516.4
1989	2541.9	-	1132.2	1409.7	-	1040.0	1501.9
1990	2525.9	-	1125.1	1400.8	-	1033.5	1492.4
1991	2494.5	-	1111.1	1383.4	-	1020.6	1473.9
1992	2462.4	-	1096.8	1365.6	-	1007.5	1454.9
1993	2442.3	-	1087.9	1354.4	-	999.3	1443.0
1994	2430.0	-	1082.4	1347.6	-	994.3	1435.7
1995	2419.2	-	1077.6	1341.6	-	989.8	1429.4
1996	2395.7	-	1067.1	1328.6	-	980.2	1415.5
1997	2369.8	-	1055.5	1314.3	-	969.6	1400.2
1998	2208.3	-	983.6	1224.7	-	903.5	1304.8
1999	1793.6	-	799.0	994.6	-	735.9	1059.7
2000	1281.6	-	570.8	710.8	-	524.3	757.3
2001	924.1	-	411.6	512.5	-	378.1	546.0
2002	598.2	-	266.4	331.8	-	244.7	353.5
2003	549.0	-	204.3	254.5	-	187.8	271.2
2004	252.0	-	112.2	139.8	-	103.1	148.9
2005	87.5	-	39.0	48.5	-	35.8	51.7
Economic Rate of Return:				13.8%	14.3%		

^{1/} See Annex 5, tables 6 and 7.

^{2/} First alternative: Fixed assets and operating costs reduced by amount of taxes and 25% of value of labor; foreign exchange component adjusted by factor of 1.35.

^{3/} Second alternative: Fixed assets and operating costs reduced by amount of taxes and 50% of value of labor; foreign exchange component adjusted by factor of 1.35.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Sales- Economic Value
(in CFAF million)

Annex 5
Table 6

	Oil Price Per Ton ¹ /	Kernel Price Per Ton ¹ /	Total Oil Equivalent ² / Price/Ton	Sales Value	Sales Value Adjusted for Foreign Exchange ³ /
1972/73	68200	17900	64388	15.0	20.3
1974	68200	17900	64312	71.1	96.0
1975	68200	17900	64482	165.8	223.8
1976	58000	21300	56391	286.0	386.1
1977	57368	23942	56355	566.0	764.1
1978	58020	26778	57558	824.5	1113.1
1979	58875	30536	59099	1080.6	1458.8
1980	59550	34158	60430	1322.7	1785.6
1981	60000	35683	61137	1513.2	2042.8
1982	60450	37209	62736	1685.7	2275.7
1983	60900	38734	62528	1797.4	2426.5
1984	61350	40260	63210	1910.2	2578.8
1985	61800	41785	63945	1967.3	2655.9
1986	"	"	"	1949.9	2632.4
1987	"	"	"	1921.0	2593.4
1988	"	"	"	1901.1	2566.5
1989	"	"	"	1882.9	2541.9
1990	"	"	"	1871.0	2525.9
1991	"	"	"	1847.8	2494.5
1992	"	"	"	1824.0	2462.4
1993	"	"	"	1809.1	2442.3
1994	"	"	"	1800.0	2430.0
1995	"	"	"	1792.0	2419.2
1996	"	"	"	1774.6	2395.7
1997	"	"	"	1755.4	2369.8
1998	"	"	"	1635.8	2208.3
1999	"	"	"	1328.6	1793.6
2000	"	"	"	949.3	1281.6
2001	"	"	"	684.5	924.1
2002	"	"	"	443.1	598.2
2003	"	"	"	340.0	459.0
2004	"	"	"	186.7	252.0
2005	"	"	"	64.8	87.5

¹/ Export Prices per IBRD commodity constant price forecast of May 17, 1976 adjusted for freight and insurance, i.e. CFAF 10,200 per ton for oil and CFAF 10,100 for kernels.

²/ Total oil equivalent price obtained by applying factors from Annex 5, Table 7.

³/ Future foreign sales projected at US\$1 equals CFAF 225; foreign sales adjusted by a factor of 1.35.

CAMEROON
Société Camerounaise de Palmeraies
SOCAPALM I Project
Total Oil Equivalent Price Per Ton
Conversion Factors

Annex 5
Table 7

Total Oil Yield. Obtained by adding Oil Yield with half of kernel yield, as follows.

	<u>Oil Yield</u>	<u>Kernel Yield</u>	<u>Total Oil Yield</u>
1972/1973	.150	.040	.1700
1974	.154	.042	.1750
1975	.162	.042	.1830
1976	.180	.042	.2010
1977	.184	.044	.2060
1978	.195	.045	.2175
1979	.203	.046	.2260
1980	.206	.046	.2290
1981	.207	.046	.2300
1982	.209	.046	.2320
1983	.211	.046	.2340
1984	.214	.046	.2370
1985- 2000	.215	.047	.2385

Oil equivalent Price per Ton. Obtained as follows:

$$\frac{(\text{oil yield} \times \text{oil price per ton}) + (\text{kernel yield} \times \text{kernel price per ton})}{\text{total oil yield}}$$

OFFICE MEMORANDUM

file loan 593

TO: Mr. Francis van Gigch, Division Chief WAPA2 DATE: January 23, 1976

FROM: F.M. Crowe, Deputy Div. Chief, WAPA2 *FC*

SUBJECT: CAMEROON - Supervision of the East Cameroon Oil Palm Project (Loan 593/886 CM)
Full Supervision Report

I attach a full supervision report on the above project. The report is based on the findings of two missions:

- (a) Mr. Losson's physical progress review in October 1975;
- (b) My supervision mission in November/December 1975, which, in accordance with terms of reference dated November 7, 1975, paid particular attention to the financial position and prospects of the SOCAPALM and the preparation of a second stage project.

FMCrowe:mcm

cc: Messrs. Thalwitz, Pouliquen, Rowe, King, Denning, Steckhan, van Gigch, Palein, de la Renaudière, McGibbon (Ghana), Reitter (Nigeria), Geli (RMWA), El Maaroufi (Upper Volta), van der Tak (PAS), Yudelman, Bowron (P+B), Forget, Busch, Elliott (Controller's), West Africa Files, Crowe,

368
JAN 29 1976

IBRD AND IDA - SUPERVISION SUMMARY

This summary is ☐ the initial summary
☐ part of a mission report
☐ a semi-annual update
☐ the completion summary

Regional Office: West Africa	Project Name: Oil Palm (East Cameroon)	Project Code: 3-CAM-AP-01	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No.: 593/886 CM	L/C Amount (\$xx.xm): 7.9+1.7 = 9.6
Country: CAMEROON	Borrower/Beneficiary: SOCAPALM	Board Date: 3/18/69	Signing Date: 4/15/69	Effective Date: 8/14/69
Projects Dept./Div. Name: WAPA2	Org. Code No.: 136-12	Projects Officer: G. Losson	Loan Officer: F. Agueh	

SECTION 1: SUMMARY PROJECT DESCRIPTION

The project consists of: the establishment of about 8,500 ha. of oil palm, on two estates; the construction of a palm oil mill on each estate; the provision on each estate of necessary roads, buildings and other infrastructure; the building of a warehouse and office at Domala. The project is being carried out by SOCAPALM, a state-owned Corporation; it is jointly financed with FAC and CCCE.

SECTION 2: PERFORMANCE RATING

STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems

TREND: 1 - Improving; 2 - Stationary; 3 - Deteriorating

TYPES OF PROBLEMS: F - Financial; M - Managerial; T - Technical; P - Political; O - Other (Explain in Section 5)

If more than one type of problem, enter most critical factor first.

Designated a "problem project" in most recent SVP review?

Y - Yes; N - No ☒ N

This Summary Last Summary

2	2
2	2
M F	M

SECTION 3: PROJECT DATA

Estimated/Actual:	Project Completion (Mo./Yr.)	Loan/Credit Closing (Mo./Day/Yr.)	Total Project Cost (\$xx.xm)	of which:		Cumulative Disbursements through most recent Quarter ended (/ /) (\$xx.xm)
				Foreign Currency (\$xx.xm)	Local Currency (\$xx.xm)	
Appraisal Est.	6.74	6.30.76	19.4	11.6	7.8	9.4 (Est.)
Last Summary (/ /)	6.76	6.30.79	24.8	14.9	9.9	
Current	6.76	6.30.79	25.0	15.0	10.0	9.6 (Actual)

SECTION 4: MISSION SCHEDULE

	No. of Staff on Mission	No. of Days in Country	Return to HQ (Mo./Day/Yr.)	Final Report Date (Mo./Day/Yr.)
Latest/Present Mission	1	7	12.12.75	
Previous Mission	1	6	11.1.75	11.6.75 (0)*
Next Mission Departure (Mo./Yr.)	6.76	Recommended interval between missions (Months)	End of period covered by latest progress report (Mo./Day/Yr.)	
		6	9.30.76	

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain below)

SECTION 5: COMMENTS (Explain "other" in Section 2 and clarify, if necessary, data in Sections 3 and 4)

0 = Physical progress review.

SECTION 6: SUMMARY OF PROJECT STATUS, TREND, AND MAJOR PROBLEMS:

General

1. The loans are now fully disbursed. The development of one estate will only be completed in 1976, however, since planting material had to be used to replace rodent damage. The standard of field operations varies from good to less than satisfactory, since many field managers are still relatively inexperienced. Cost overruns on the FED financed Dibombari estate have led SOCAPALM to seek supplementary finance from FED, BEI and Government. Negotiations are expected in April. SOCAPALM's cash position is likely to be tight through 1979/80, when it will begin to have substantial retained earnings as the plantations come into full production. The preparation of a second-stage project is almost complete.

Field Operations

2. The last estate being developed, under FED financing, Dibombari, is on schedule (1,880 ha planted this year) and well maintained; however, the two previous estates, m'Bongo and Eseka, now under Cameroonian managers, show

Preparing Officer: F. M. Crowe

Initials:

Date: 1/26/76

for improvement. For the second consecutive year, the vegetal material raised to complete the last 600 ha of plantings at M'Bongo was used instead to replace rodent damage, and M'Bongo is still incomplete. Also, two consecutive strikes in September/October in M'Bongo slowed down the work, and the maintenance there is poor. It is time for the performance of these managers to be reassessed and some rotation was suggested to the Director as a minimum necessary measure.

3. The Director of SOCAPALM said that he had confidence in the estate manager at M'Bongo and that personality difficulties within the management team had been fully discussed with those concerned and he was hopeful that they were being resolved. As suggested, he proposes to rotate the estate management as soon as the Dibombari planting have been completed.

4. The first harvest at Eseka is somewhat disappointing. M'Bongo yields are much nearer target despite a year with below average and badly distributed rainfall. Since the oil mills were recently commissioned and the year's production was not all processed, no conclusion should be drawn at this stage on the respective productivity of the estates. But it is clear the Cameroonian managers are still inexperienced in organizing the harvest, and more people with yield experience are needed.

5. During 1975, the M'Bongo oil mill suffered a stoppage of more than two months due to an accident. A turbine component had to be flown back to Europe and repaired at the manufacturer's expense (but the losses in processing are not covered). The Eseka 9 ton oil mill, extremely well mounted by a private engineer (about CFA 100 million economy on a turnkey Dewecker contract), was commissioned in June and is running satisfactorily.

6. The study for the next SOCAPALM project is underway: the initial prospection has been made, an area near Kribi chosen, and the pedologists are in the field. For the feasibility study, the same consultant as for the previous Niète Rubber Estate study is in charge. The feasibility study is likely to be ready by April 1976. The project is scheduled to be appraised in June 1976, but a strengthened field management force would be a prerequisite.

Accounts

7. SOCAPALM's accounting procedures and systems were reviewed with the Director and with the chief accountant and the external auditors. The main points in this connection are that:

- (a) the preparation of accounts for the year ended June 30 was delayed, following the introduction of new accounting returns from the estates. These accounts have now been prepared and audited and the final accounts and auditors' report received here.

- (b) field data submitted to the central accounts department is fully detailed and comprehensive and in some respects over-elaborate and usually received within three or four weeks of the end of the month; this period should be reduced to about two weeks, as the estates become more familiar with the reporting procedures;
- (c) the purchasing procedures and the settlement of accounts payable could be streamlined. The auditors have submitted proposals whose implementation is now being considered in detail; and
- (d) although the accounting is in general adequate, there are a number of areas where simplifications could be made and where internal control could be strengthened. The auditors are to make proposals in this regard.

8. The present accounting staff in the head office, given the technical support referred to below, should be able to cope with the expansion of activities under the proposed second project; the main difficulty is likely to be in finding suitably qualified and experienced bookkeepers prepared to work on estates away from the main towns. Some technical support is desirable in addition to that already provided by the auditors. Accordingly, the planned planters' association should have a small department which would give advice and assistance to accounting systems and procedures and provide internal audit services.

Second Stage Project

9. The proposal for the second stage project is under preparation and is expected to be ready for submission to the Bank in February/March 1976. It was agreed that the proposal would set out full details of the management arrangements for the new Kribi estates and would include a smallholder component of up to 1,000 ha around the Edea, Eseka and Dibombari estates.

10. The total cost of the second stage project is tentatively estimated to be of the order of US\$20 million before contingencies. The proportion of the total financing which can be met from retained earnings depends on:

- (a) the phasing of the second project, because SOCAPALM should begin to have substantial retained earnings from 1979/80 and onwards;
- (b) the amount of supplementary finance obtained from FED/BEI/Government to meet the higher than expected cost of developing the Dibombari estate; discussions have already begun and SOCAPALM hope to negotiate the additional finance in April; and

- (c) the local and export prices obtained for palm oil. SOCAPALM's financial projections are based on current local prices which are higher than export prices (current and as forecast by the Bank). This will require careful review during appraisal.

Tentative cash flow projections have been prepared (Annex 6) showing the financing requirements, given different assumptions about the timing of the project and the price of palm oil.

11. To carry out the land clearing for the second project, SOCAPALM is considering taking over ENAT, the organization which has carried out this work at Dibombari. Mr. Marchal believes that in this way Cameroon will retain valuable experience together with specialized equipment and servicing facilities which might otherwise be transferred elsewhere in West Africa. Any action on this matter should be preceded by full consultation with the Bank. In particular, it should be considered whether the land clearing unit should be operated jointly by SOCAPALM and one or more of the other plantation companies in Cameroon.

Action Taken and Recommended

12. Letters dated November 10, 1975 and January 6, 1976 were sent to the Director of SOCAPALM following respectively, Mr. Losson's review of physical progress in October and Mr. Crowe's mission in November/December. (Annexes 1 and 2).

13. The next supervision mission, which should prepare a completion report, should be scheduled for about June 1976 and should be combined with the appraisal of the second stage project. The mission should pay particular attention to the performance of the existing field management and the adequacy of the plans for managing the second stage project.

14. The closing date should be advanced to June 30, 1976.

EAST CAMEROON OIL PALM PROJECT (SOCAPALM)

List of Annexes and Tables

ANNEX

- 1 Letter to the Director of SOCAPALM dated November 10, 1975
- 2 Letter to the Director of SOCAPALM dated January 6, 1976
- 3 Summary for President's Report
- 4 Schedule of Disbursements
- 5 Accounts for the year ended 30th June 1975
-
-
-
- Summarized Balance Sheet
- Summarized Profit and Loss-Account
- 6 Second Stage Project - Tentative Cash Flow Projections
on Different Assumptions.

Le 10 novembre 1975

Monsieur Marchal
Directeur de la SOCAPALM
Boite Postale 691
Douala, Cameroun

Objet: Revue des progrès physiques réalisés sur les
plantations de la Socapalm en octobre 1975

Monsieur le Directeur,

Nous vous remercions vivement de l'accueil que vous avez réservé
à M. Bousson lors de sa visite à la Socapalm en octobre dernier.

Cette visite ne couvrait que les aspects physiques de Socapalm,
mais la considération de ceux-ci appelle néanmoins quelques commentaires.

Il semble que le personnel de direction de la Socapalm et
notamment les directeurs des plantations de M'Bongo et Eseka ne soient
pas suffisamment tenus en main. Trop de points de détail malencontreux
se remarquent sur ces plantations, routes ravincées, ponts emportés et
non réparés depuis plusieurs semaines laissant la certitude que de larges
parts de la plantation ne sont plus régulièrement visitées, maintenance
marginale, dégâts répétés de rongeurs absorbant et au delà depuis deux ans
le matériel végétal prévu pour terminer M'Bongo, grèves répétées à M'Bongo,
services refusant de visiter certaine plantation en raison de mésententes
personnelles avec le directeur local etc. Tout ceci appelle une ferme
reprise en main du personnel à tous les échelons. Pour commencer, la
rotation des directeurs de plantations qui est une pratique courante dans
les groupes de plantations devrait être reprise très bientôt. Ceci
serait déjà de nature à clarifier l'atmosphère et à détendre les esprits
dans les plantations et services. Si cela ne suffisait pas, il serait
temps d'envisager des mesures plus radicales à l'encontre des éléments
du personnel qui refuseraient de revenir à un comportement normal et
exempt de considérations personnelles.

Nous nous permettons à ce propos de rappeler que l'estimation
du projet palmiers de Kribi prévu pour être réalisé par Socapalm est
programmée en principe pour le mois de juin 1976. Nous savons que l'étude

de factibilité est en cours d'élaboration, mais il est certain que la réalisation du projet va nécessiter un complément de personnel expérimenté. Il conviendra de recruter ce personnel dès que possible maintenant, et de rectifier ce qui laisse à désirer sur les plantations plus anciennes, car on ne saurait envisager d'expansion de grande envergure si les plantations existantes ne sont pas elles-mêmes bien en main.

Nous rappelons à cette occasion que le projet devra comprendre la création d'un minimum de plantations villageoises, 500 à 1.000 ha à situer dans les zones habitées des plantations Socapalm; M'Bongo, Eséka, Diboulari, voire Krabi dans un rayon de 25 kilomètres des usines d'extraction et groupées autant que faire se pourra.

Les deux usines de M'Bongo et d'Eséka, sont maintenant en route, mais les toutes premières productions notamment d'Eséka sont quelque peu décevantes. On ne saurait certes tirer de conclusions sur des productions ne couvrant qu'une partie de l'année mais la modicité du tonnage récolté peut suggérer que l'organisation de la récolte est un aspect nouveau du travail pour les directeurs de M'Bongo et d'Eséka et qu'ils connaissent encore mal. Il conviendrait peut-être que M. Martineau soit maintenant davantage axé sur ce travail essentiel que sur le travail de bureau qui lui a été dévolu depuis un an. Les supervisions prévues de la Banque et de la CCCE devant couvrir les aspects administratifs et comptables de la Socapalm devraient faire les recommandations nécessaires relatives à ces aspects et libérer l'agronome expérimenté qu'est M. Martineau pour organiser les travaux des champs et de récolte. La période d'investissement pour M'Bongo et Eséka arrive à son terme et l'exploitation devient maintenant la préoccupation essentielle.

Nous notons également que le dernier rapport semestriel de la Socapalm ne nous est pas encore parvenu.

Nous vous prions d'agréer, Monsieur le Directeur, l'expression de nos sentiments distingués.

p.p. M. Crowe

Francis van Cigch
Chef de Division
Projets Agricoles 2
Région Afrique de l'Ouest

Copie: Son Excellence
Monsieur Kivayé
Ministre d'Etat
chargé de l'Equipe-
ment
et de l'Habitat
Président de Socapalm
Douala, Cameroun

CC: Messrs. Cantounnet et Bailliez, CCCE, Paris, France - Mr. Agueh
Glossonfirh

January 6, 1976

Monsieur M. Marchal
Dir. et Ing. General
Societe Camerounaise de Palmieriers
Boite postale 691
Yaounde, Cameroun

Dear Mr. Marchal:

I should like to thank you for your help and cooperation during my recent mission to Cameroon to supervise the Socapalm Project and to review the progress made in the preparation of a proposal for a second stage project. This letter summarizes the main points of our discussions.

We reviewed the management problems, particularly at the M'Bongo estate, noted during Mr. Loison's mission in October. You assured me that, firstly, personnel difficulties in the management team are being resolved and that, secondly, the estate managers will be rotated as soon as the rubberland plantings have been completed. I have discussed these matters with Mr. Loison, who is still uneasy and concerned that Mr. Martineau's regular supervision of the estates should be resumed. I should be grateful if you could keep us informed and confirm the resumption of regular field supervision by Mr. Martineau.

With regard to accounts, the main points are that:

- (a) the accounts for the year ended June 30, 1975, together with the auditors' report were expected to be finalized by mid-December. We have not yet received a copy of the audited accounts, however, and would be grateful if you could let us know when to expect one, unless of course, you have already mailed it;
- (b) there is room for considerable simplification in Socapalm's accounting system and procedures. Your staff in consultation with the auditors are considering a number of improvements; and
- (c) it would be useful if the planned planters' association had a small department which could give advice and assistance on accounting systems and procedures and provide internal audit services.

Monsieur M. Marchal

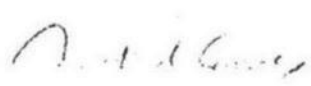
January 6, 1976

The proposal for the second stage project is under preparation and expected to be ready in February/March 1976. Please confirm that you still expect to meet these dates. The proposal will set out full details of the terms and arrangements for the Kribi estates and will include a breakdown of cost of up to 1,000 ha. The proposal will also set out the expected sources of finance. The amounts and proportions of financing required will depend on:

- (a) the timing of investments because Socapalm should begin to have a substantial retained earnings from 1979/80 and onwards, and
- (b) the amounts of supplementary finance obtained from FED/BEI/Government to meet the higher than expected cost of developing Deboubari estate.

You informed me that, to carry out the land clearing after the second project, you are considering taking up EMAT, the organization which has carried out this work at Deboubari. If you will appreciate, any action on this matter should be preceded by full consultation with the Bank. In particular, it should be considered whether the land clearing unit should be operated jointly by Socapalm and one or more of the other members of the project planters' association.

Sincerely yours,


F. M. Crowe, Acting Division Chief
Agriculture Projects Division 2
Western Africa Regional Office

FMCrowe:mie

cc: Mr. Steckhan

EAST CAMEROON OIL PALM PROJECT (SOCAPALM)Summary for Presidents Report

The loans are now fully disbursed. The development of one estate will only be completed in 1976, however, since planting material had to be used to replace rodent damage. The standard of field operations varies from good to less than satisfactory, since many field managers are still relatively inexperienced. Cost overruns on the FED financed Dibombari estate have led SOCAPALM to seek supplementary finance from FED, BEI and Government. Negotiations are expected in April. SOCAPALM's cash position is likely to be tight through 1979/80, when it will begin to have substantial retained earnings as the plantations come into full production. The preparation of a second-stage project is almost complete.

EAST CAMEROON OILPALM PROJECT
SUPERVISION REPORT dated 7/24/75

Schedule of Disbursements

Fiscal Year	Accumulated Disbursements in US\$ million equivalents.		% of reappraisal estimates
	Reappraisal Estimates	Actual	
75/76 1st half) 2nd half)	7.7	9.6	125
76/77 1st half) 2nd half)	9.6	9.6	100

EAST CAMEROON OIL PALM PROJECT (SOCAPALM)

ANNEX 5
Page 1

Accounts for the Year ended June 30, 1975
Summarised Balance Sheet
(CFAF Millions)

CAPITAL EMPLOYED

Paid in Share Capital	1820	
Retained earnings - prior to 1973/74	(7)	
- 1973/74	32	
- 1974/75	(125)	
Total Equity	<hr/>	1720
Grants		
FAC	648	
Government of Cameroon	45	
FED	162	
Other	104	
Total Grants	<hr/>	959
Long and medium term loans		
IBRD	2028	
CCCE	545	
BEI	561	
Government	73	
Total Loans	<hr/>	3207
TOTAL CAPITAL EMPLOYED	<hr/>	<hr/> 5886 <hr/>

EMPLOYMENT OF CAPITAL

Fixed Assets other than Plantations - cost	2384	
- depreciation and amortization	(465)	
-net		1919
Plantations in Bearing		
- cost	1386	
- depreciation and amortization	(45)	
- net		1341
Immature plantation - cost		2641
Other capital Work in progress		203
Current Assets - inventories	148	
- receivable	181	
- cash and banks	294	623
Less		
Current Liabilities - credits	(361)	
- bank overdrafts	(480)	(841)
TOTAL EMPLOYMENT OF CAPITAL		<hr/> 5886 <hr/>

EAST CAMEROON OIL PALM PROJECT (SOCAPALM)

ANNEX 5

Page 2

Accounts for the Year ended June 30, 1975
Summarized Profit and Loss Account
(CFAF Millions)

REVENUES

Production sold	232
Increase in product inventories	26
Miscellaneous receipts	22
Interest received	<u>24</u>

TOTAL REVENUES

304

COSTS

Materials and supplies	345
Transport	39
Other services	600
Staff	457
Miscellaneous	23
Taxes and duties	11
Interest paid	116
Provision for depreciation and amortization	<u>265</u>

1,856

Less

- Development works capitalized	(1365)
- Amortization written back	<u>(62)</u>

TOTAL COSTS CHARGEABLE AGAINST REVENUES

429

NET LOSS FOR THE PERIOD

(125)

EAST CAMEROON OIL PALM PROJECT (SOCAPALM)

Proposed Second Project - Tentative Cash Flow Projections on Different Assumptions

(CFAF millions)

	CASE 1 - Kribi starts 77/78; palm oil price CFAF 100/kg						CASE 2		CASE 3		CASE 4		CASE 5		
	Annual Balance	Supp. Financing for Dibombari Estate		Second Project Kribi		Balance Before Financing		Start 78/9; palm oil CFAF 100/kg		Start 77/8; palm oil CFAF 80/kg		Start 77/8; palm oil CFAF 60/kg		Start 78/9; palm oil CFAF 80/kg	
								Balance Before Financing		Balance Before Financing		Balance Before Financing		Balance Before Financing	
		from current operations	Inflow	Outflow	Development	Net Op. Results	Annual	Cumul.	Annual	Cumul.	Annual	Cumul.	Annual	Cumul.	Annual
75/6	(720)	710	14	-	-	(24)	(24)	(24)	(24)	(144)	(144)	(264)	(264)	(144)	(144)
76/7	(226)	225	18	-	-	(19)	(43)	(19)	(43)	(219)	(363)	(419)	(683)	(219)	(363)
77/8	(416)	415	26	300	-	(327)	(370)	(27)	(70)	(627)	(990)	(927)	(1,610)	(327)	(690)
78/9	408	-	27	800	-	(419)	(759)	81	11	(839)	(1,829)	(1,259)	(2,869)	(339)	(1,029)
79/80	786	-	27	1,000	-	(241)	(1,030)	(41)	(30)	(761)	(2,610)	(1,321)	(4,190)	(581)	(1,610)
80/1	1,030	-	150	1,000	-	(120)	(1,150)	(120)	(150)	(800)	(3,410)	(1,480)	(5,670)	(800)	(2,410)
81/2	1,867	-	150	1,200	-	516	(634)	716	566	(284)	(3,694)	(1,084)	(6,754)	(84)	(2,494)
82/3	2,121	-	150	400	(40)	1,531	897	771	1,337	621	(3,073)	(289)	(7,043)	(139)	(2,633)
83/4	2,483	-	150	200	(50)	2,083	2,980	1,893	3,230	1,083	(1,990)	83	(6,960)	893	(1,740)
84/5	2,697	-	150	100	40	2,437	5,467	2,297	5,527	1,407	(583)	327	(6,633)	1,217	(523)
85/6	2,735	-	150	100	260	2,745	8,212	2,525	8,052	1,585	1,002	425	(6,208)	1,365	842
86/7	2,759	-	150	200	600	3,009	11,221	2,769	10,821	1,809	2,811	609	(5,599)	1,569	2,411
87/8	2,723	-	150	100	900	3,373	14,594	2,973	13,794	2,083	4,894	793	(4,806)	1,683	4,094
88/9	2,729	-	150	-	1,200	3,779	18,373	3,379	17,173	2,439	7,333	1,099	(3,707)	2,039	6,133
89/90	2,713	-	150	-	1,300	3,863	22,216	3,769	20,942	2,503	9,836	1,143	(2,564)	2,409	8,542

Note: Case 1 reflects the assumptions being made by SOCAPALM. These include sales at the current internal price for palm oil; this price is substantially above World Bank forecasts for the world market.