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The World Bank
1818 H Street NW
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A

January 4th, 1971
M.N.Kochman

FINAL PROGRAM

OFFICIAL VISIT OF MR. ROBERT S. McNAMARA

PRESIDENT OF THE WORLD BANK GROUP

IN THE FEDERAL REPUBLIC OF CAMEROON

(January 15 - 17, 1971)

Friday, January 15

- 08:00 Leave Fort-Lamy (Government-arranged flight)
- 09:00 1/ Arrive Garoua (North Cameroon)
Brief reception at airport
- 12:00 Lunch free
- 15:00 Leave Garoua (by helicopter) and fly over Ngaoundéré-Garoua
(the rest of the delegation will follow by plane to Ngaoundéré)

Arrive Ngaoundéré

Leave Ngaoundéré for Yaoundé by President's plane
- 18:00 Arrive Yaoundé
Brief reception at airport
- 20:00 Courtesy call on President Ahmadou Ahidjo
- 20:30 State dinner offered by the President of the Republic

Saturday, January 16

- 08:00 - 11:00 2/ Meeting with Government officials
- 11:30 Meeting between the President of the Republic and the President
of the World Bank
- 12:30 Leave for Douala - Lunch on plane
- 13:15 Arrive Douala *MICHEL MARCHAL, Dir. Gen., SOPAME*
- 13:30 - 15:00 Flight (helicopter) over SOPAME - Port of Douala - Yabassi
and Bafang
- 16:00 Leave Douala by road for Buea (West Cameroon)
- 17:30 Arrive Buea
- 20:00 Dinner with West Cameroon authorities
Overnight in Buea

.../...

Sunday, January 17

08:00 - 10:00 Visit to agricultural plantations (CAMDEV)

10:30 Leave for Douala

11:45 Arrive Douala

Lunch free

Visit Douala, the port, and selected industrial installations.

Leave Douala for Libreville

(Plane of the President of Gabon -- Mystère 20 Falcon jet)

1/ Some visits might be arranged between 10 and 12 o'clock

2/ Separate program for Mrs. McNamara

ORDRE DU JOUR

Séance de travail entre le Président

MC NAMARA et les Autorités Gouvernementales

Samedi 16 Janvier 1971 au Ministère des Finances

1) 8h Ouverture de la Réunion par Monsieur le Ministre du Plan et de

l'Aménagement du Territoire

2) Exposé du Ministre de l'Education, de la Culture et de la Formation

Professionnelle (Problèmes des Ressources Humaines et de la Formation)

DISCUSSION GENERALE

3) Exposé du Ministre du Développement Industriel et Commercial sur les

Investissements privés au Cameroun

4) Exposé du Secrétaire d'Etat au Développement Rural, sur l'exploitation

Forestière

DISCUSSION GENERALE

5) Exposé de Monsieur le Ministre des Finances sur les Problèmes

Fiscaux et Budgétaires

DISCUSSION GENERALE

duc
why type of thing for new type
the teachers
what is object of growth
or quality
re
54,000 m
60-69 33-35 1000 jobs openings
67-69 slowdown
'70 4,000 m

any kind of that efforts to achieve
must be for success
is now in transition
educ & tech training program - is the
system being redesigned
transport - machinery
Importance of project preparation

Indicators are the
proportion of total resources growth
5 m roads
800,000 cu meters 1:300,000
harbors & roads had present support
present

[Low much employment]
500,000 m CFA

Reas. Inc 112 pa
meas for increasing
the farmer efforts of development
Op. off. 13-14 2 inc pa - will cost 8-92

stop off. 14-152 m
Cap. off. 152 pa

Objective: doubling per capita in 40 yrs
Public invest: 70% of GDP
Priv. - : priv invest. should after 1st phase of analysis.
Life expectancy: 37 yrs
Under 40 yrs: 50%

BACKGROUND INFORMATION FOR SCHEDULED MEETINGS AND ACTIVITIES

The following information is intended to supplement that which is already set forth in following portions of this briefing book.

FRIDAY, JANUARY 15

- 09:00 Garoua - This town of about 35,000 people is the birthplace of President Ahidjo. It is the capital of the Department (i.e. the state) of Benouè and also capital of the entire Northern Region which has a population of approximately 1,550,000. The great majority of the Northerners speak a common language, Fulfuldè. Critical problems of the Northern Region are the following: lack of water, unproductive concentration of population, inadequate education, and insufficient income. There is a basic need to supplement subsistence agriculture with cash crops. The major long-term development scheme of the Government for the Northern Region centers around hopes for a dam project on the Lagdo River.
- 15:00 Ngaoundere - This small town is the capital of the Department of Adamaoua. It is to be the terminus of the railway built from Yaounde and Belabo. The surrounding savanah area has livestock potential which could be developed once transport is available.
- 18:00 Yaounde - The capital of the country has a rapidly growing population which in 1970 was estimated at 170,000. The area around the capital produces cocoa and subsistence crops. The rural migration into Yaounde is a primary problem which the Government would like to counter-act by raising the income of the cocoa farmers and introducing new agricultural developments such as livestock and fish farming. Investment in infrastructure and industrialization is planned and should help create jobs for the urban unemployed.
- 20:30 Dinner with President Ahidjo - The guest list has not yet been furnished.

SATURDAY, JANUARY 16

- 08:00 - 11:00 Meeting with Government Officials - The matters for discussion are covered in Part 8 of this briefing book.
- 13:15 Donala - The population in 1970 was estimated at 270,000. Donala is the commercial and industrial center of Cameroon and dominates the economy of the coastal region. The surrounding area produces coffee, bananas, cocoa, palm oil and is also a major source of forestry products. The coastal region population of 636,000 is growing rapidly and urbanization in Donala and other towns with all of the attendant problems is a primary concern. The Government envisages a number of measures (similar to those mentioned above for Yaounde) in order to deal with the rural exodus. Along with urbanization there is a fundamental problem of inadequate infra structure, particularly in transport where roads have deteriorated under increased traffic loads.
- 14:00 Port of Donala - The port handles 85% of Cameroon's imports and exports. It is congested and an IDA project of \$1.5 million was approved by the Board of Directors in December, 1970 which is intended to help relieve the existing traffic bottleneck. A study on long-term port development is being made by consultants and, when the results are known, IDA \$12 million will hopefully be available for a large port project in FY72.
- Sopane Sociti des Palmeraies de Mbongo et d'Eseka is an oil palm plantation company owned by the Federal Government of Cameroon. It has about 500 employees and is highly mechanized in its operations. The company is profitable and will manage. It is now in the process of drawing down a \$11.5 million loan from the following: The Bank (\$7.9), FAC (\$1.8) and CCCE (\$1.8). For details on disbursement please see Part 7A of this briefing book.
- Buea (West Cameroon) This town of about 20,000 people is the capital of West Cameroon. It is located about 3,000 feet up the slopes of Mount Cameroon, which is 12,000 feet high. Buea has lingering traces of the former German and British eras. There are two distinct peoples in West Cameroon, the Bamileke and the Bamoun, and both cultivate coffee and other cash crops. West Cameroon is restrained in its economic development by a high population density, urbanization problems, degeneration of coffee plantings, and inadequate infrastructure. The Government is planning on considerable foreign assistance to help in road

construction and regeneration of coffee plantings. Since 85% of the 1,200,000 inhabitants are engaged in agriculture for a living - - on plantations, as small holders and subsistence farmers - - the Government feels that agricultural cooperatives are one important way rural incomes can be raised. With adequate roads forestry could also be developed.

20:00 Dinner with West Cameroon authorities - The guest list is found in Part 9 of this book

SUNDAY, JANUARY 17

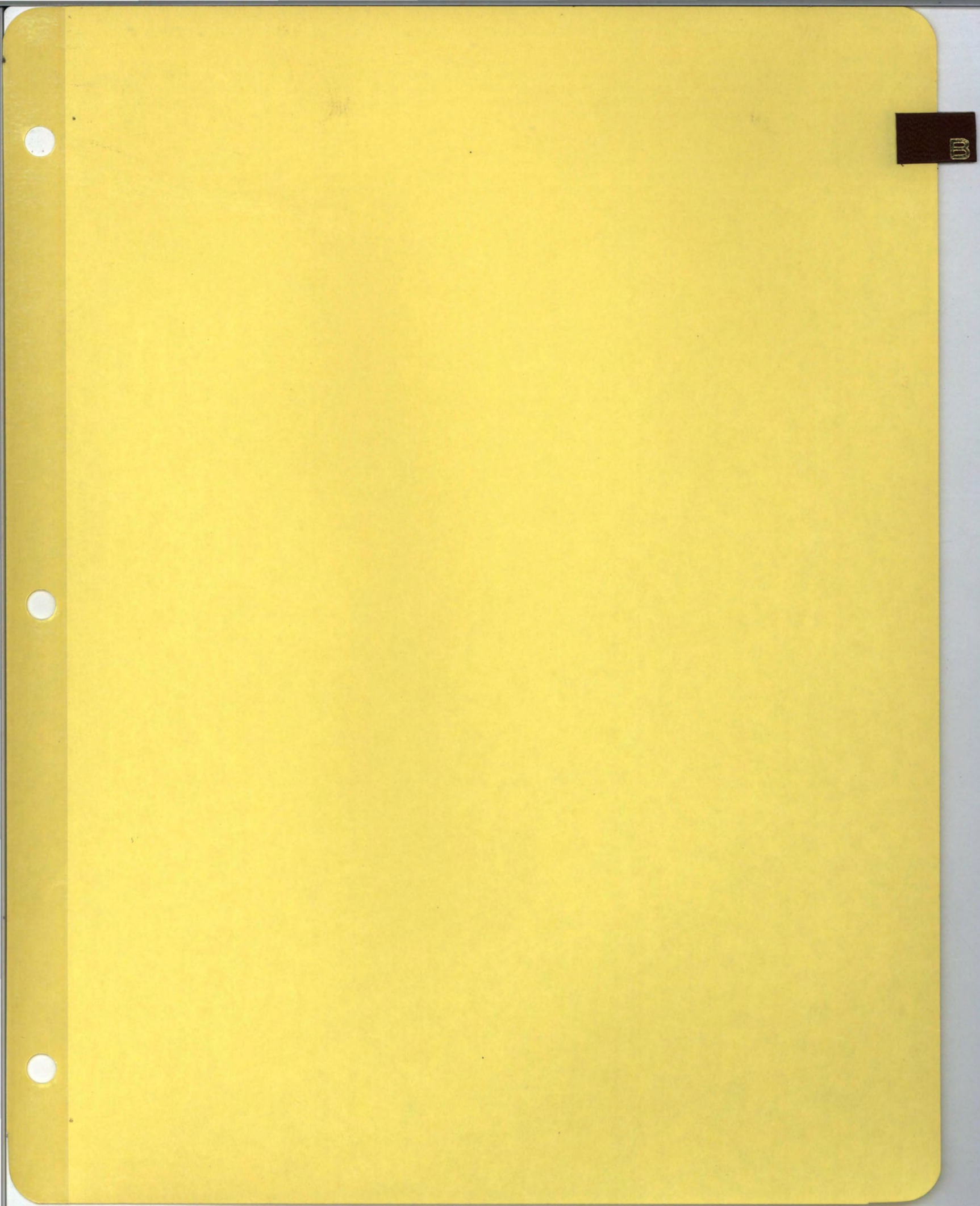
08:00-10:00 CAMDEV-The Cameroons Development Corporation is wholly owned by the West Cameroon Government and the Federal Government. It employs about 17,000 people on plantations growing bananas, rubber, palm oil, palm kernels, cocoa, tea and pepper. It is the recipient of \$18 million in Bank/IDA funds of which a little over one-third has been disbursed so far (See Part 7A of this briefing book for details on disbursement). CAMDEV has a management contract with Commonwealth Development Corporation (UK) which provides a general manager, agricultural advisors, and export marketing services. The top management is composed of the following:

Hugh de B. Brock - An Englishman with broad financial and plantation experience, primarily in Uganda and Nigeria. He has been with CAMDEV as General Manager for just 9 months and has already achieved positive results.

V.E. Mukete*- A distinguished Cameroonian who likes to be addressed as "Chief," Mr. Mukete is the able Chairman of CAMDEV.

Eric Rosenquist - He is Production Manager and has been with the company for 7 years. He has an excellent background in agricultural research.

* See the last page of Part 10 for his biography.



REMARKS AT AIRPORT UPON ARRIVAL IN CAMEROON

I have long wanted to visit Cameroon -- a country that, economically and in myriad other ways, typifies so many of the problems as well as the potentialities of Africa. My pleasure in being here is increased by the fact that I will be meeting your distinguished President, a man whose dedication to the unity and progress of his country is recognized far beyond its borders.

Cameroon occupies a place of particular importance in the World Bank Group's program of activity. Under that program, we expect that in the five years through 1973 we will lend twice as much round the world as we did in the previous five years. While the global total will double, the African total will triple. In Cameroon, we hope, the increase will be even bigger.

We are well on the way to achieving these goals. In Fiscal 1970, the worldwide financing commitments of the World Bank Group were 98% above the annual average for 1964-68. Commitments in Africa were 170% higher. And our lending to Cameroon, in that single year, amounted to \$35 million; at this level, it was almost ten times the annual average for 1964-68, and well above the total of all previous lending to this country.

In expanding our worldwide activities, we are not trying simply to do more of what we did before. We are striving to diversify the flow of our assistance, in order that developing countries may be able to attack the crucial bottlenecks to their socio-economic progress. In Cameroon, for instance, we had until a couple of years ago

concentrated on the development of plantation agriculture. In 1969, we made our first loan for water supply. In Fiscal 1970, we began to support projects for education, roads and railways. And, last month, we approved our first credit for port development, at Douala. In the years to come, we hope to look more closely into the possibilities in other sectors as well, such as industry, mining, power, small-holder and subsistence agriculture, and tourism.

While here, I hope to see something of how your development program is working out on the ground. We know, as you do, that in establishing a firm foundation for the development of Cameroon, several problems lie ahead -- those of urbanization and employment, for instance. We shall try to help you as fully as we can, so that your great country can realize its potential and build a better, more prosperous future for its people.

C

DRAFT REPLY TO TOAST AT PRESIDENT AHIDJO'S FORMAL DINNER AT YAOUNDÉ

FRIDAY, JANUARY 15, 1971

Mr. President:

Thank you for your warm remarks, and the gracious hospitality you are extending to Mrs. McNamara and myself.

Some 1900 years ago, the Roman historian Pliny the Elder remarked that there was "always something new coming out of Africa." He was right. And certainly one of the most exciting things to come out of Africa in this last decade is the Federal Republic of Cameroon.

It is a fascinating country, and this morning we had the pleasure of visiting your home city of Garoua, Mr. President. I understand that last fall you visited what happens to be my home city -- San Francisco -- and that you were so struck by the view from the top-floor dining room of one of the hotels, where you had lunch, that you returned there in the evening specifically to see the sunset.

I can only say, Mr. President, that if your view of my home city was as spectacular as the view Mrs. McNamara and I had this morning of your home city by helicopter, then we have each had a very memorable experience indeed!

In the next two days, I am looking forward to seeing a great deal more of your country. It is, of course, far too short a time. But I am afraid that if we stayed here for months we could not exhaust the incredible variety of people and places in this great Republic.

Mr. President, you are one of the outstanding leaders of Africa who have given effective support to the immense value of social and

cultural diversity. There are those in the world who confuse unity with uniformity. It is an unfortunate confusion. For true unity broadens and enhances human society. And mere uniformity narrows and stifles it.

Social and cultural diversity enriches a country. Few countries on earth prove that point in a more attractive way than the Federal Republic of Cameroon, Mr. President. And your wisdom, and vigor, and leadership have made that possible.

We in the World Bank are proud to play a role in the great drama of development that you have initiated. And we look forward to expanding that role. In this past ten years the Republic has achieved -- indeed, even surpassed -- the GNP growth target of the United Nations First Development Decade. But you have wisely concluded that such targets, as necessary as they are, are not the exclusive ingredient of full development. You are looking to the fulfillment of important social goals as well as purely economic objectives.

You have often been quoted as saying that "It is not enough to express the economy of a country in equation form ... that "the ultimate success or failure of the work undertaken depends on men."

I profoundly agree with that, Mr. President.

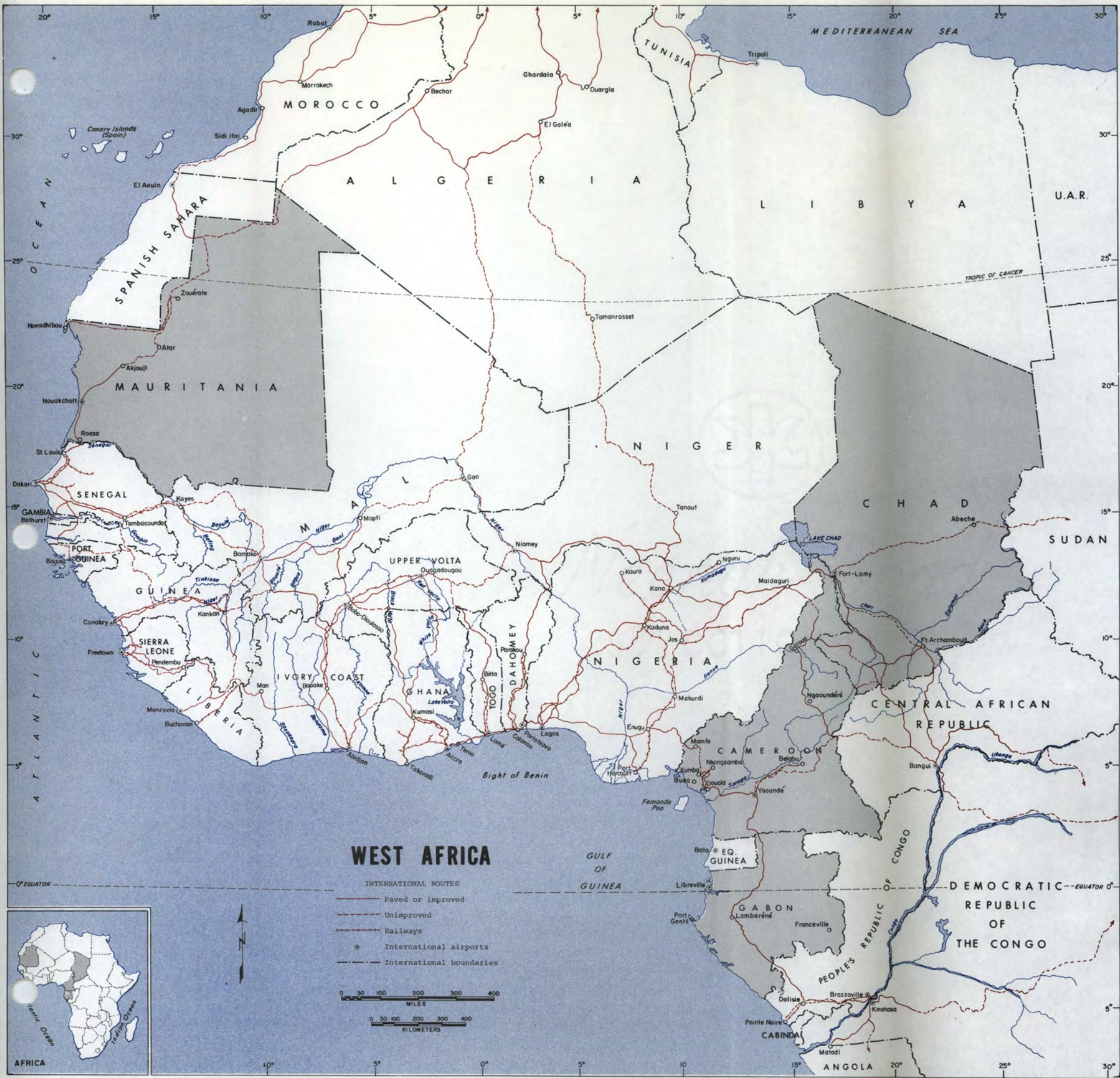
Individual men and women -- and their own inherent potential -- are not only the ultimate cause of real development, but the ultimate objective as well.

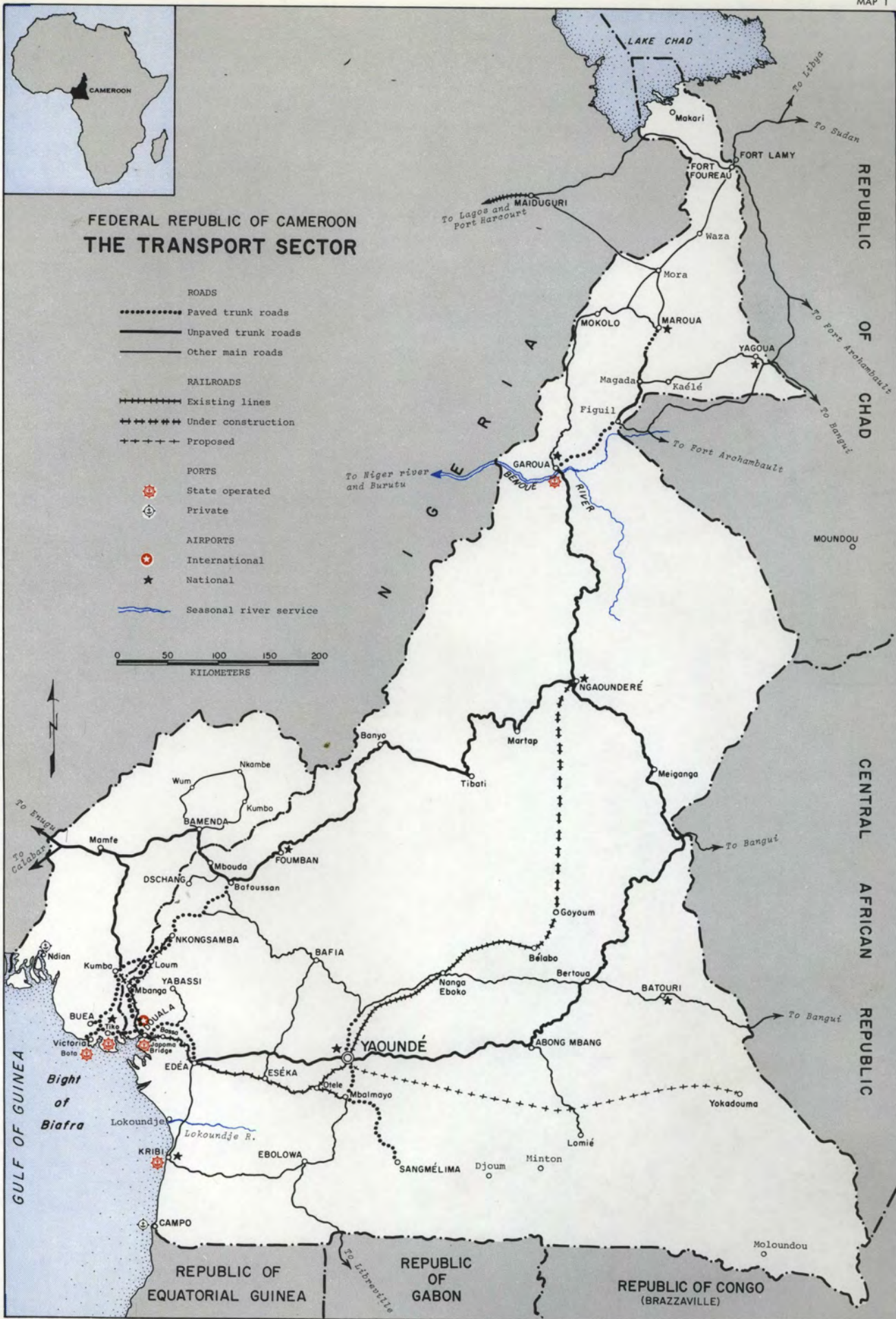
Ladies and Gentlemen, I ask you now to join me in a toast to President Ahidjo -- the father and leader of his country -- and a man in whom this Republic, this continent, and indeed the entire world can find

superb dedication to the ideal of forging the strength of unity out of the rich ore of diversity.

E N D

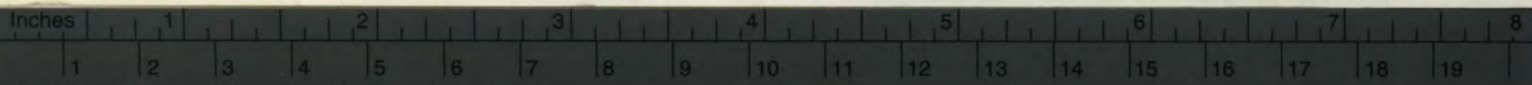
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JULY 1970

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TIFFEN Color Control Patches

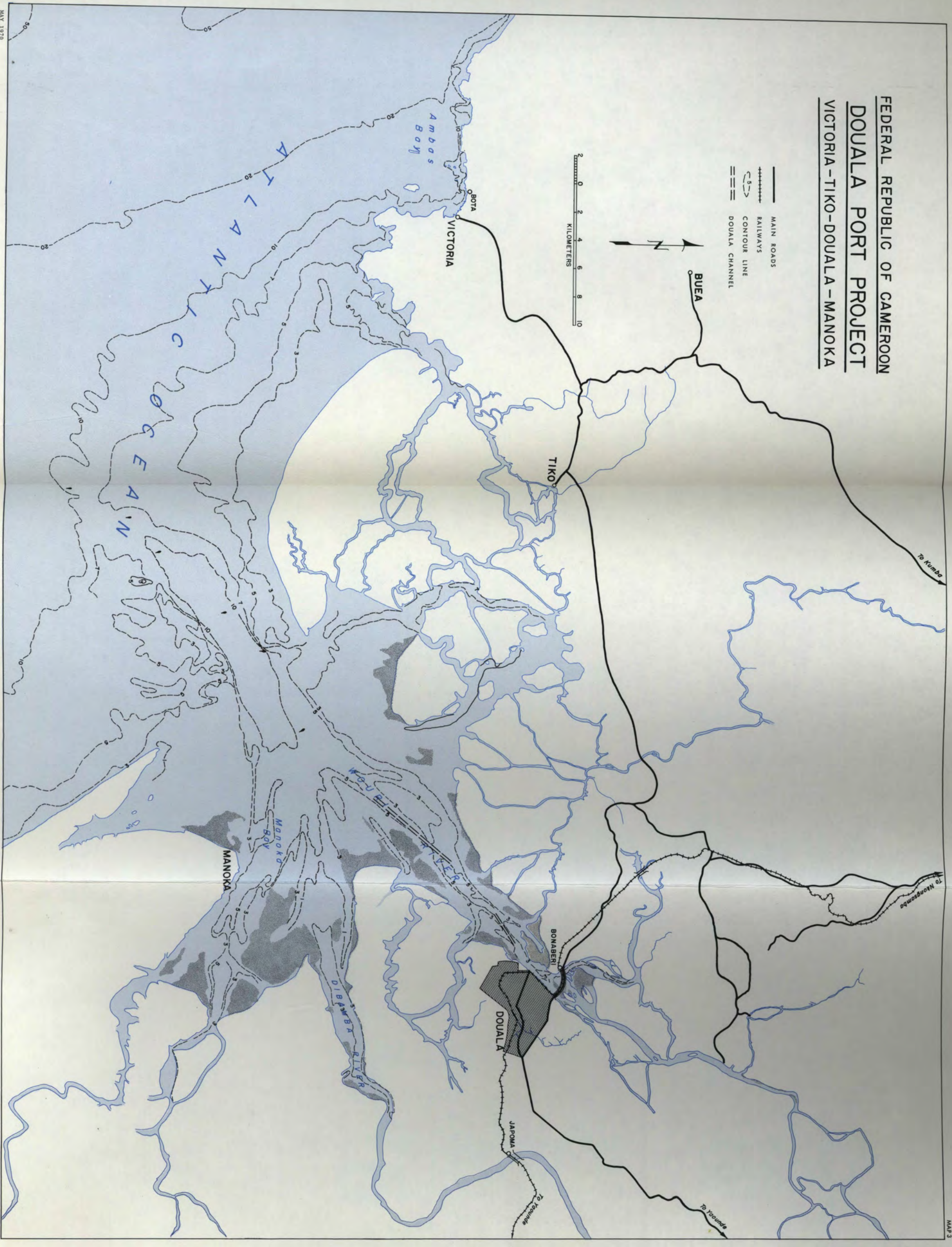
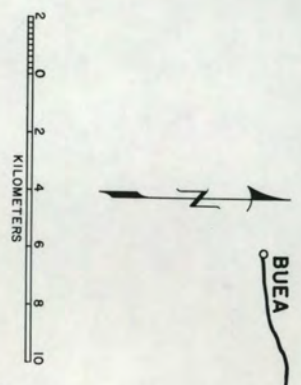
© The Tiffen Company, 2007

Blue Cyan Green Yellow Red Magenta White 3/Color Black



FEDERAL REPUBLIC OF CAMEROON
DOUALA PORT PROJECT
 VICTORIA-TIKO-DOUALA-MANOKA

- MAIN ROADS
- ++++ RAILWAYS
- CONTOUR LINE
- ≡≡≡ DOUALA CHANNEL



MAY 1970

1:800 0181






MAP 3

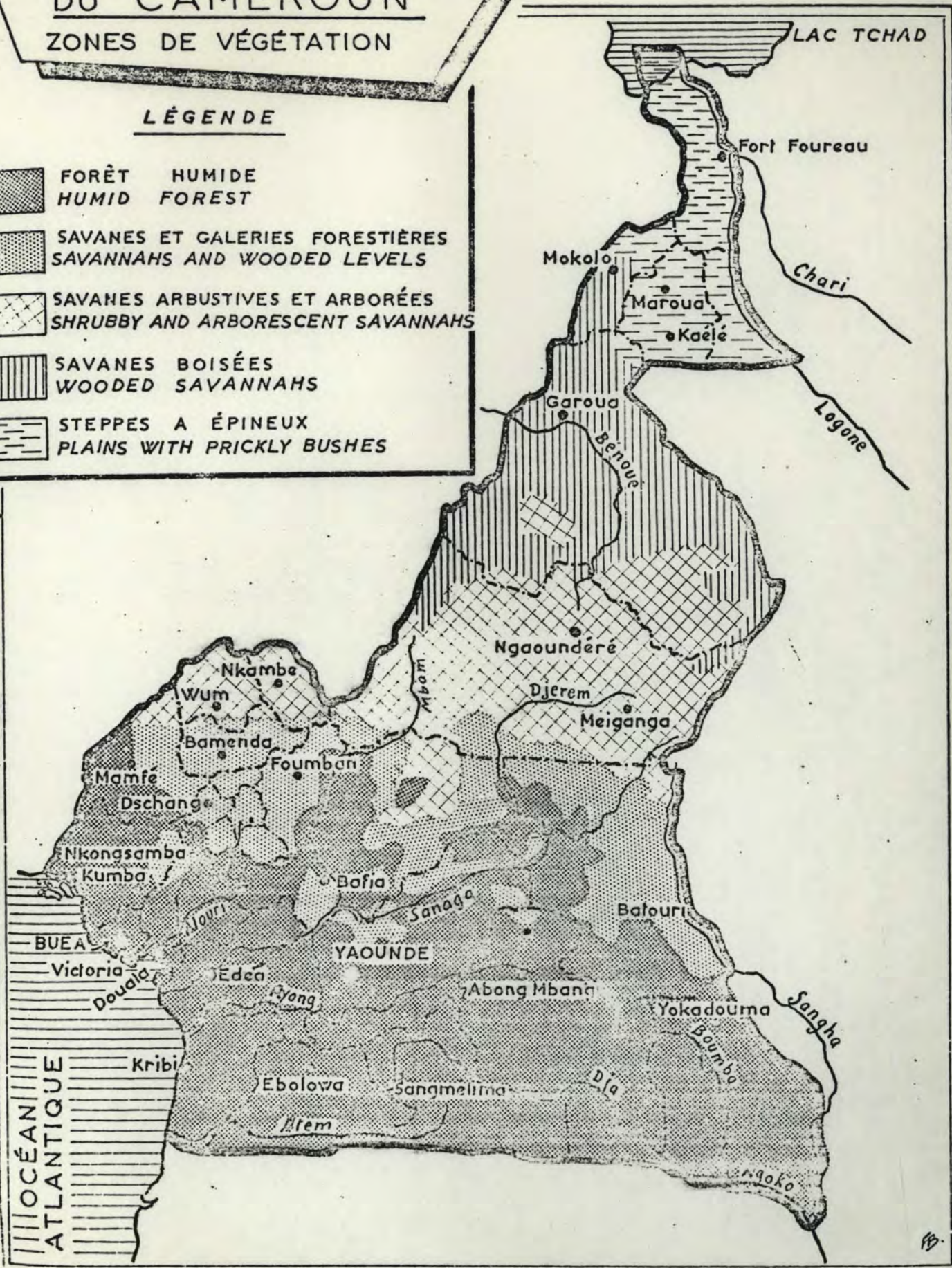


RÉPUBLIQUE FÉDÉRALE DU CAMEROUN

ZONES DE VÉGÉTATION



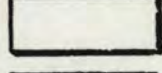
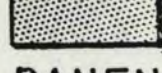
LÉGENDE

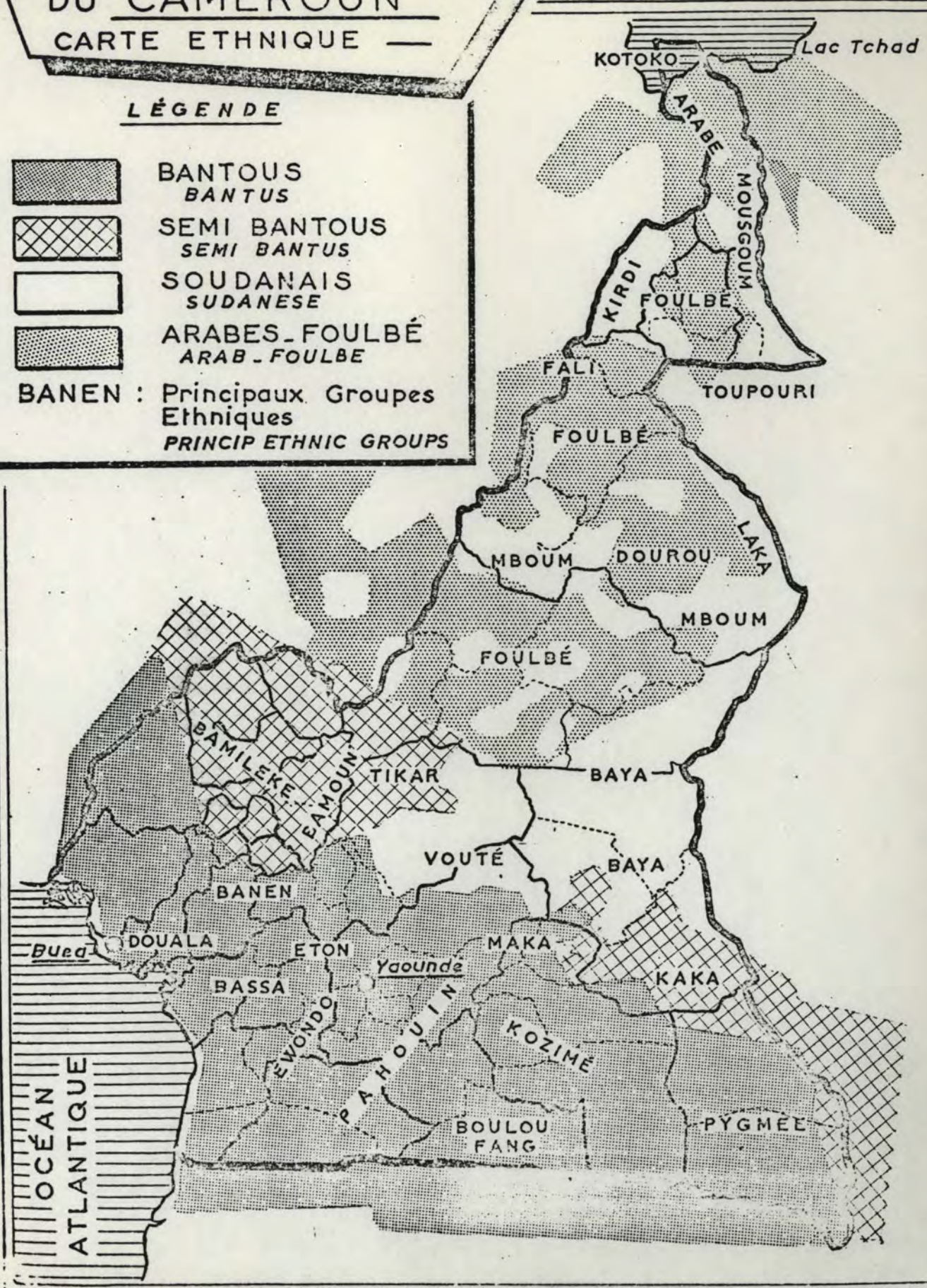
-  FORÊT HUMIDE
HUMID FOREST
-  SAVANES ET GALÉRIES FORESTIÈRES
SAVANNAHS AND WOODED LEVELS
-  SAVANES ARBUSTIVES ET ARBORÉES
SHRUBBY AND ARBORESCENT SAVANNAHS
-  SAVANES BOISÉES
WOODED SAVANNAHS
-  STEPPES A ÉPINEUX
PLAINS WITH PRICKLY BUSHES



RÉPUBLIQUE FÉDÉRALE
DU CAMEROUN
CARTE ETHNIQUE

LÉGENDE

-  BANTOUS
BANTUS
 -  SEMI BANTOUS
SEMI BANTUS
 -  SOUDANAIS
SUDANESE
 -  ARABES-FOULBÉ
ARAB-FOULBE
- BANEN : Principaux Groupes
Ethniques
PRINCIP ETHNIC GROUPS

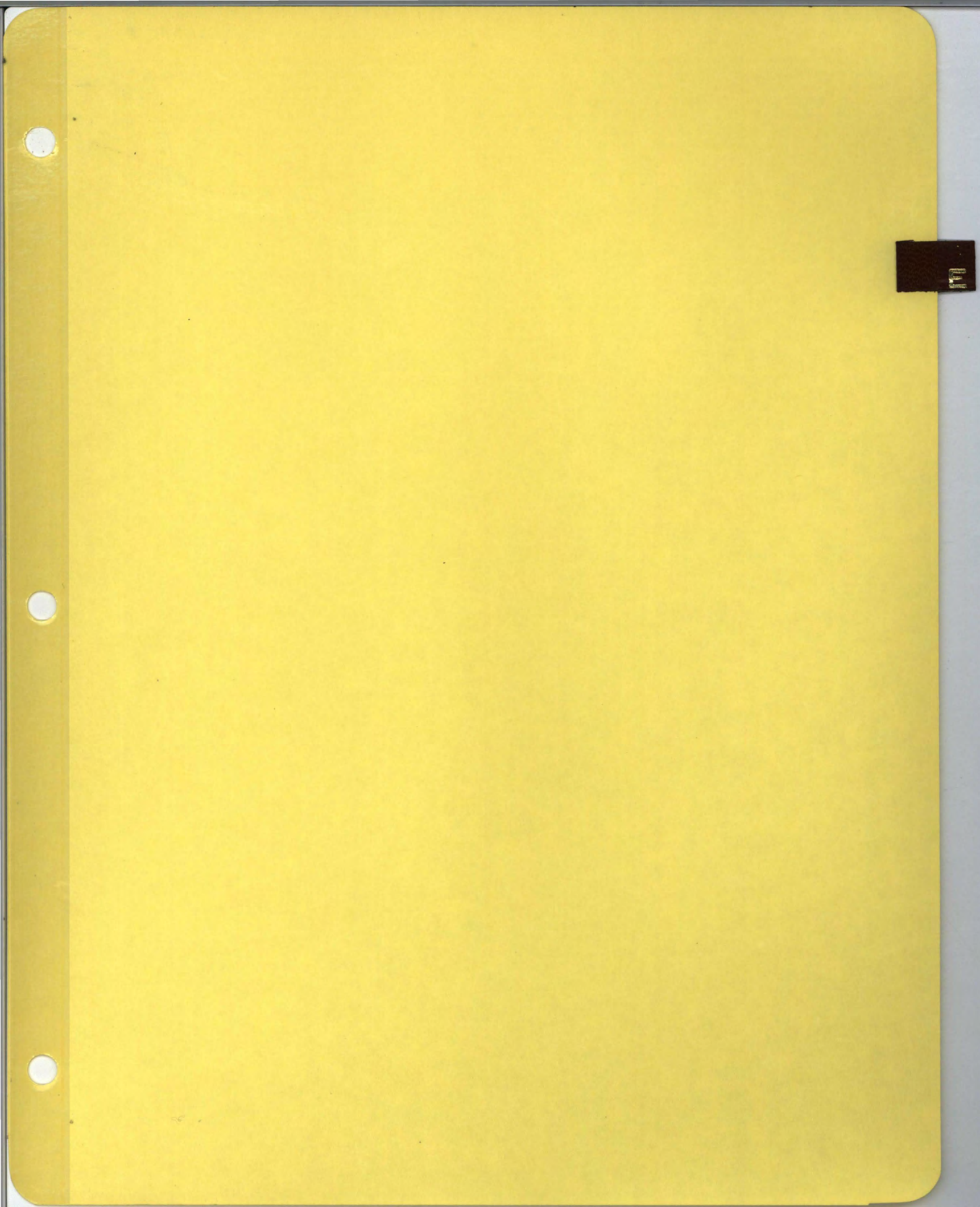


Geographical Information

Cameroon is located on the west coast of Africa, about two degrees north of the equator, and covers an area of some 476,000 square kilometres (183,000 square miles) which is roughly comparable to the size of France.

Four natural regions can be distinguished in the country: a coastal plain with a densely forested plateau south of the Sanaga River; a central high plateau at an altitude of between 500 to 700 meters (1,500 to 2,000 feet) stretching north from the Sanaga River to the Bénoué River; hot and dry savannah lands from the Bénoué River to the Lake Chad basin; and, in the west, forested mountains which culminate in Mount Cameroon (13,500 feet). The climate is tropical in the southern regions with high temperature and heavy rainfall; a wider range of temperature and relative low rainfall characterize the northern region, while heavy rains and relative cool temperature prevail in the western part of the country. Because of the varieties of climate, topography, flora and fauna, Cameroon is sometimes described as being the one country which is physically symbolic of all African countries.

Thanks to good growing conditions the nutrition of the population is not unfavorable and there is no prevalence of hunger. A systematic mineral prospection is currently taking place, but no significant exploitation has been carried out so far. Interesting oil bauxite and copper indices give some hope for the future. The rivers have good hydropotential but little significance for navigation. The forests of Cameroon, having an estimated 30 varieties of commercially exploitable wood, constitute the natural resource with the greatest immediate potential for development.



BASIC DATA

Area: 183,524 square miles; 475,450 square kilometers

Population (1970): 5.8 million (of which about 15,000 non-Africans)

Rate of growth: 2.2%

Density: 12 per square kilometer

Political Status:

East Cameroon - independent January 1, 1960;

West Cameroon - independent October 1, 1961;

Federation - October 20, 1961.

Member Equatorial African Monetary Union and Franc Zone, Equatorial African Economic and Customs Union; Associated Member of the European Community.

Gross Domestic Product (Est.1968/69): CFAF 227.6 billion*
(subsistence 20%)

Per capita: \$163*

Primary sector 36%

Secondary sector 19%

Transport, Trade, Services 45%

Rate of growth,
1964/65 - 1968/69

6.9% at current prices

5.3% (at constant prices)

Percent of GDP at Market Prices --

	<u>1964/65-1966/67</u>	<u>1967/68-1968/69</u>
Gross investment	15.2	14.6
Gross savings	10.0	10.4
Net import of goods and non-factor services	2.1	1.9
Current account deficit	5.2	4.3
Government current revenue (1964/65 and 1968/69)	15.6	16.9

* Based on exchange rate prevailing prior to August 10, 1969. At the currently prevailing exchange rate the per capita GDP would have amounted to US\$ 145.

	December 1964	December 1969	Average annual increase 1964-1969	
<u>Money, Credit and Prices (CFAF billion)</u>				
Money	20.99	35.68	11.2%	
Quasi-money	2.04	4.47	17.0%	
Commercial bank credit to private sector	26.77	41.97	9.4%	
Rate of change in domestic prices		About	2.5%	
<u>Public Sector Operations (CFAF billion)</u>	<u>1966/67</u>	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>
Government current revenue	31.9	35.6	38.4	43.8
Government current expenditures	30.6	33.4	34.1	38.5
Current surplus	1.3	2.2	4.3	5.4
Government capital expenditures	3.8	3.5	3.6	5.9
Public investment expenditures	11.8	13.1	13.5	...
<u>External Public Debt (US\$ million)</u>				
Total debt (including undisbursed at December 31, 1968 with additions through March 27, 1970)	183			
Total debt service (1969)	7			
Debt service ratio	3%			
<u>Balance of Payments (US\$ million)</u>	<u>1968</u>		<u>1969*</u>	
Total exports of goods	196.9		229.4	
Total imports of goods	187.6		204.8	
Goods and services balance	-23.5		-11.6	
Foreign Aid disbursements	43.1		35.1	
<u>Commodity concentration of exports</u>	<u>1964</u>		<u>1969</u>	
Coffee, Cocoa, Aluminium	26%, 19%, 14%		20%, 38%, 11%	
<u>Gross foreign exchange reserves</u>	<u>1964 (Dec.)</u>		<u>1970 (Aug)</u>	
US\$ million	35.9		75.1	
<u>IMF Position (US\$ million)</u>		<u>Nov. 30 1970</u>		
Quota		19.0		
Drawing		None		

* Based on average exchange rate during the year.

CURRENCY EQUIVALENTS

Currency Unit: CFA Franc (CFAF)

Before August 11, 1969:
US\$ 1.00 = CFAF 246.85
CFAF 1,000 = US\$ 4.05

After August 11, 1969:
US\$ 1.00 = CFAF 277.71
CFAF 1,000 = US\$ 3.60

WEIGHTS AND MEASURES

1 Metric Ton (t) = 2,205 lbs.
1 Kilogram (kg) = 2.2 lbs.
1 Kilometer (km) = 0.62 mile
1 Meter (m) = 3.28 feet.

CONFIDENTIAL

COUNTRY PROGRAM PAPER

11/2/70

CAMEROON

Population (1970): 5.8 million

Current population growth rate: 2.2% per annum

GDP per capita, 1968/69: US\$145.

	<u>Bank/IDA Lending - GROSS</u> (US\$ million)			<u>Bank/IDA Lending - NET</u> (US\$ million)		
	<u>1964-68</u>	<u>1969-73</u>	<u>1972-76</u>	<u>1964-68</u>	<u>1969-73</u>	<u>1972-76</u>
IBRD	7.0	45.1	52.0	7.0	46.1	43.0
IDA	<u>11.0</u>	<u>57.0</u>	<u>86.2</u>	<u>11.0</u>	<u>41.0</u>	<u>58.0</u>
Total	<u>18.0</u>	<u>102.1</u>	<u>138.2</u>	<u>18.0</u>	<u>87.1</u>	<u>101.0</u>
<u>Annual average per capita (\$)</u>						
IBRD/IDA	.62	3.52	4.76	.62	3.00	3.48
IDA	.37	1.96	2.97	.37	1.41	2.00

Exchange rate:

Before August 11, 1969: \$1.00 = CFAF 246.85

After August 11, 1969: \$1.00 = CFAF 277.71

A. Country Objectives

1. Cameroon is a country with diversified but not abundant natural resources. A variety of climate and soils has permitted the cultivation of a large number of export crops which have made the country less vulnerable to external price fluctuations than many other producers of primary commodities. The rivers have good hydro potential. There are indications of oil, copper and important bauxite deposits, but thus far there are no definite prospects of commercial exploitation. Transport is a major problem in this sparsely populated country which is as large as France but has only 5.8 million inhabitants. Much of past and current development efforts have been devoted to expansion and improvement of the transport network.

2. Politically and economically, the country has done well in the first decade of its independence. To a large extent this is due to the able leadership of President Ahidjo, one of the remaining African heads of state who has been in power since independence. His government has successfully weathered tribal insurrection and the strains imposed by the existence of two administrative systems and official languages. The insurrection in the early 1960's of the Bamileke, a major tribe living on fertile but overpopulated highlands on the border of East and West Cameroon, practically belongs to the past. Limited guerilla activities in border areas with Congo (Brazzaville) have also ceased. For several years the country has been largely at peace. However, in spite of resettlement schemes, the economic and social problems of the Bamileke have not been solved, so that tensions in this area still exist.

3. External political and economic relations are good. Cameroon participates in a number of regional African political and economic groupings. Among these is UDEAC ^{1/}, a customs and economic union with CAR, Congo (B) and Gabon. UDEAC is a constructive attempt at regional cooperation, although given the stage of development of the members, results are bound to be modest. Together with the UDEAC members and Chad, Cameroon shares a common central bank, the BCEAEC ^{2/}, and currency, the CFA franc. The latter is fully convertible with the French franc. Ties with France are particularly close. It is the source of substantial financial aid and technical assistance, and of most of the foreign talent and capital in private business. Cameroon is an associated member of the European Common Market, and has been increasing its trade with members of the EEC other than France. It is furthermore obtaining sizable financial assistance through the European Development Fund.

4. One major problem, the unification of East and West Cameroon, is not yet fully solved. These territories were formerly under French and British mandate respectively, and form now the only bilingual federation in Africa. The center of gravity lies in East Cameroon, and French is for most purposes the language of the country. East Cameroon has four-fifths of the population, accounts for most of the economic activity, and its capital, Yaounde, is also the federal capital.

5. The federal structure presents a heavy, although probably unavoidable, burden on government administration. In spite of its small size, the country has three full-fledged governments, parliaments and administrations. All documents of the federal government have to be issued in two languages. The President is consistently trying to strengthen the federal government at the expense of the state governments. In recent years, responsibility for police was transferred to the federal government. Direct tax administration, the main revenue source of the states, is soon to follow. However, under the constitution, agriculture and education are entrusted to the states. This fact will continue to make government action in these very important fields difficult. Government is fully aware of these drawbacks, and is attempting to strengthen coordination between the three governments.

^{1/} Union douanière et économique de l'Afrique centrale.

^{2/} Banque centrale des états de l'Afrique équatoriale et du Cameroun.

6. Throughout the 1960's the economy grew at a rapid rate, well ahead of population growth. During the five years ending 1968/69, real GDP grew by 5.3 percent a year. During the last two to three years, the growth rate has been even higher than this average, probably around 7 percent, chiefly due to favorable export prices. GDP per capita in 1968/69 was estimated at the equivalent of \$164, but would be only \$145 at the exchange rate prevailing since August 1969. The main factors of growth have been expansion and diversification of agricultural exports, rapid growth of industry and commerce, and large infrastructure investments particularly in transport. A further important factor was the liberal investment climate created by the government which encouraged foreign, usually French, firms to invest in Cameroon. Most modern business enterprises in Cameroon are owned and operated by foreigners. The public sector also employs a large number of foreign advisers and administrators. Conscious of the lack of local executive skills and capital, the government has hitherto pursued its long-term goal of Cameroonization with moderation. However, a more bureaucratic government attitude towards the private sector has been in evidence in recent years. This factor and the completion of import substitution projects for a number of products have contributed to a marked drop in investor interest in the private sector, although industrial production from existing capacity continued to increase rapidly.

7. Gross domestic capital formation during the last five years has averaged 15 percent of GDP, financed for approximately two-thirds from gross national savings. The gap, one third of capital formation, was financed by an inflow of foreign aid which averaged \$37 million a year in disbursements in the five years ending in 1969. Most of the aid was on grant or concessional terms; France, the EEC, and more recently the Bank Group have been the most important sources.

8. Domestic resource mobilization is probably hampered by a low interest rate structure. The central bank discount rate is only 3.5 percent, and interest rates of the banks, which rely heavily on the rediscounting facilities of the central bank, are correspondingly low. More realistic interest rates would probably be in the interest of Cameroon's economic development, although the monetary ties with the other member countries of the central bank limit Cameroon's freedom of action in this respect. Low interest rates on bank deposits encourage enterprises to keep their liquid balances in Cameroon as low as is compatible with rediscounting requirements and to borrow as much as possible from banks in Cameroon. For their part, the banks concentrate on rediscountable credit to larger, financially strong customers, and pay little attention to smaller, indigenous enterprises. The low interest rate structure, and in particular the low deposit rates paid by the banks, do not encourage private savings. Availability of low interest credit to a limited number of enterprises encourages a type of production which is more capital intensive than is warranted by the scarcity of production factors in Cameroon, and discourages the development of small-scale industrial and agricultural enterprises.

9. From the little information which is available on the balance of payments, it appears that the current account deficit in the five years ending 1968/69 has averaged close to 5 percent of GDP, while foreign trade was more or less in balance. The main cause of the current account deficit is a large outflow of factor income payments, chiefly of the foreign-owned enterprises and the large expatriate community. Since 1968/69 the current account deficit has certainly been smaller than 5 percent on account of favorable export prices which led to a rapid increase in foreign exchange reserves (\$74 million in May 1970, the equivalent of four months of imports).

10. The export boom has also contributed to a substantial rise in the last few years of public savings which we roughly estimate at 4 percent of GDP ^{1/} during 1967-69 as compared to less than 2 percent in the three preceding years. This favorable situation might however obscure the fact that longer-term trends in government revenue and expenditures are not satisfactory. The expected decline in most export prices will lead to much slower revenue growth during the period of our lending program, and sharply reduced public savings unless these trends are reversed.

11. Our assessment of economic prospects is complicated by the fact that the government's third five-year plan which coincides with the period of our lending program is still under preparation. Government's intentions in the fields of public finance and economic development are therefore only very incompletely known. Our calculations indicate that economic growth during the first half of the 1970's is likely to be about 4 percent a year compared with the 6 - 7 percent real growth rates attained in the late 1960's. The reason for the slowdown is a deceleration of export growth caused by the expected fall of average export prices, a lack of agricultural and industrial projects, and the effects of the transport bottleneck. The annual growth of export value during the years 1969/70 - 1975/76 is estimated by us at only 2 percent a year. However, large investments underway or about to be undertaken in highway and railroads, power generation, telecommunications, education and public administration will stimulate economic growth. Tentatively we estimate that investment during the third plan period of 14 - 15 percent GDP or CFAF 200 billion (\$720 million) would be required to achieve the feasible economic growth rate, as compared to actual investment in the second plan of an estimated CFAF 140 billion (\$504 million) or around 15 percent of GDP. In view of heavy infrastructure requirements and flagging private interest, about half of the total investment - about CFAF 100 billion (\$360 million) - would have to take place in the public sector as compared to an estimated 40 percent during the second plan.

12. Emphasis in the government's development efforts during the third plan should be directed much more strongly than in the past to the promotion of activities in directly productive sectors, in particular agriculture and industry. This is due to the rapidly emerging employment and production problems arising from accelerated urbanization and rural exodus. These facts are changing the entire complexion of the country. Overwhelmingly rural only a decade ago, Cameroon is expected to have an urban population

^{1/} This estimate includes the large increase in reserves of the agricultural stabilization funds.

of 34 percent of the total by 1980, which is high for a developing country. Urban unemployment has been rising for some years, and is bound to become much larger in the years to come. Creation of urban employment opportunities and improvement of the economic conditions in the countryside are the most important tasks of government policy. They take first priority even above pressing infrastructure and education needs.

13. In view of the light population pressure in the past, government is only beginning to understand the seriousness of these problems. Many officials used to believe that the country was underpopulated. Recent urban growth and rising unemployment are leading to a change in attitude, of which the recent appointment of a Minister of Health and Population may be one indication. The economic report recommends an early start with family planning activities, at least in the cities.

14. In spite of the need to emphasize agricultural development and industrialization in the development plan, there is no doubt that infrastructure investments should account, as they did in the 1960's, for the largest proportion of public investment. The transport network is inadequate for existing traffic, slowing down production and export growth. There is also urgent need for investments in power and telecommunications, and in the social field in urban amenities and education facilities. However, since infrastructure investments involve application of known technology, they are in many respects less complicated than the effective promotion of industrial and agricultural development. The latter are not brought about by mere government decision but require changes in behavior, knowledge and motivation of large parts of the population. The question how these changes are brought about has a different answer in each country; as much as possible we will attempt through our lending program and economic advice to assist the Cameroon planners in finding the approach which is appropriate for their country.

15. The feasibility of a public sector development program of CFAF 100 billion (\$360 million) during the third plan depends crucially on the government's ability to raise public savings. As indicated above, this will require a reversal of trends in government revenues and current expenditures. There appears to be scope for both and we intend to discuss our views in these matters with the government. With regard to revenue, there appears to be scope for revenue increases from personal income taxes, company taxes and customs duties. Possibilities for rate adjustments and improvements in tax administration should both be explored. As far as expenditures are concerned, a sharp slowdown in the expansion of the number of government personnel (10 percent during the 1960's) and reduced personal allowances (60 percent of basic wages) should be feasible. Tentatively we calculate that a government contribution to public investment financing of 50 percent of the total and 33 percent net of debt service payments, should be feasible. However, this is on the assumption that government, during the third plan, does undertake fiscal reform measures and applies austerity to current spending. The Western Africa Department intends to discuss shortly this important matter with the government.

16. In view of government's strong commitment to economic development, prospects that government will indeed be prepared and able to make an increased fiscal effort are favorable. Cameroon's government is serious, apparently gaining in experience and devoted to the building of a unified, modern nation. Administrative ability compares well with other francophone countries. In this respect, Cameroon is probably second only to Ivory Coast, and local participation in decision-making is greater than in that country. Strengthening of administrative ability is nevertheless indispensable for rapid economic progress. In the application of economic laws and regulations, the administration is cumbersome and meddling. Project identification and preparation have not yet received sufficient attention except in the case of infrastructure projects which are almost completely prepared and implemented by foreign consultants. Particularly, the pipeline of agricultural projects is small. The government should make increased efforts to strengthen planning, especially as far as it is related to directly productive sectors. For the next decade this may require stepped-up foreign technical assistance to planning. However, in the mind of the government this requirement appears to conflict with a strong desire to work out its future independent of outside influences. This opens the door for an increasingly important role for the Bank Group, whose advice is being sought and whose aid is more readily acceptable than bilateral assistance.

17. The following table shows macro-economic indicators for 1968/69 compared with Bank projections for 1975/76.

MACRO-ECONOMIC OBJECTIVES *

<u>Indicator</u>	<u>Unit</u>	<u>Current Level (1968/69)</u>	<u>Bank Projections 1975/76</u>		
			<u>Absolute</u>	<u>Growth Rate %</u>	
			<u>68/9</u>	<u>- 75/6</u>	<u>69/70 - 75/6</u>
GDP (1968/69 constant prices)	\$m	820	1.140	4.8	4
Population	m	5.64	-6.57	2.2	2.2
GDP per capita	\$	145	174	2.6	1.8
Exports	\$m	187	253	4.4	2
of which:					
Agricultural products	\$m	131	174	4.1	
Forestry products	\$m	17	30	8.4	
Aluminum	\$m	18	21	2.2	
Net capital inflow (Public, long term)	\$m	37	48 ^{1/}		
Debt service ratio	%	3	6.5		

^{1/} Average aid requirement during lending program.

* CFAF values have been converted at the exchange rate as of August 1969 of CFAF 277.71 per US\$1.0.

B. Economic Sectors

Agriculture - Production for Subsistence

18. Agriculture has the central role in Cameroon's economy since approximately 80 percent of the population lives in rural areas and depends upon farming, livestock and fishing for a livelihood. Best estimates at this time, given the absence of adequate statistics, are that food production has kept pace with population growth during the past five years. There is no prevalence of hunger or serious malnutrition in the country. The vast majority of the producers are small farmers with average annual income of about \$90, which is half the income of a Cameroonian industrial worker. Agricultural equipment and techniques are mostly primitive; the plots are small; credit availability and technical guidance are lacking. The government's efforts to help the individual farmer have been minimal due to the lack of qualified personnel, and uncoordinated due to the cumbersome federal-state administrative structure. No investment in subsistence crops was scheduled in the government's second economic plan, and none is envisaged for the third plan. Concentration of decision-making and effective governmental action in the agricultural sector will have to await the establishment of a federal Ministry for Agriculture and Livestock.

19. Emphasis on the development of food crops should focus on increasing yields through improved cultivation methods rather than expansion of areas being farmed. Attention needs to be given to the improvement of storage facilities so that stocks can be accumulated to be used in stabilizing prices. The government wants to establish a state monopoly for the marketing of food crops, but this is not necessary since traditional commercial channels function adequately. While the government should continue to encourage the growth of cash crops, subsistence production requires increased attention. So far, the government has not developed a coherent policy aimed at increasing subsistence production. Clearly, Cameroon needs a great deal of foreign technical assistance in order to improve cultivation methods and to diversify crop production; but for this assistance to be effective over the long run, there must first be established an institutional framework. After a federal Ministry of Agriculture and Livestock has been created, it will be possible to set up agricultural organizations for credit, instruction, land reform and extension services.

20. Rice is the crop deserving priority consideration because of anticipated increases in demand by the rapidly growing urban population. Rice consumption is lower than the West African average because Cameroon has other diet staples, because locally grown rice is expensive, and because the cheaper imported rice which meets 25 to 40 percent of market demand is subject to a quota. Surveys and pre-investment studies are urgently needed to ascertain the economic viability of growing rice in the South in rain-forest areas and on well chosen irrigated sites. The rice would have to be cheap enough to compete with imported rice, close enough to major population centers of the South so that it is readily marketable, and sufficiently easy to produce so that it gives employment to small-holders.

21. Meat production is insufficient to meet local demand, and could be increased by improved veterinary care and use of agricultural by-products as less costly feed. Fish production was estimated at 70,000 tons in 1969. A survey of the country's coastal waters is needed to determine their potential to meet the needs of the existing domestic market. There is sufficient encouragement in the example of eight shrimp boats now working out of Douala whose catch is frozen in a modern processing plant and exported.

Agriculture - Production for Export

22. Approximately 80 percent of the Cameroon's exports are agricultural products. Their share of total exports in calendar 1969 was as follows: cocoa and cocoa products 38.4 percent, coffee 19.9 percent, wood products 9.4 percent, cotton 4.9 percent, bananas 2.6 percent, rubber 1.9 percent, groundnuts 1.3 percent, palm oil and palm products 1.3 percent. The most important products, with the exception of timber and rubber, are sold through private channels at prices established by the government, but competition among buyers usually leads to prices paid to the farmers somewhat above the official level. Although prediction is difficult, it is expected that world market prices for most of Cameroon's agricultural exports will decline in the coming years. This drop in world prices will probably offset the projected annual growth in volume of 4.8 percent over the period 1969/70 - 1975/76.

23. It is particularly important that there be less reliance in the economy upon cocoa and coffee, which together account for about 58 percent of export earnings. This does not mean that cocoa and coffee production should be reduced or merely maintained at present levels, but rather, that efforts should be made to reduce the proportional share of these two crops in total exports. Fortunately, the varieties of climate and soils in Cameroon permit future diversification into certain selected cash crops such as cotton and rubber. A lowering of production costs and a concentration of production in agricultural estates are also imperative along with diversification.

24. Cocoa production is expected to rise by 7 percent annually over the next five years, but a pre-investment study is urgently needed if replanting of trees is to be done efficiently in order to insure production after 1975. Since coffee production is already larger than the quota under the International Coffee Agreement, the future growth rate of production should not exceed the foreseeable rather slow growth rate of world consumption. Development action in this field should therefore aim primarily at improving the economic results of coffee production on present coffee acreage or on a reduced acreage. For this purpose, a pre-investment study should be undertaken to determine which areas planted with arabica coffee deserve rehabilitation. A general program to obtain quality improvements in arabica as well as robusta through better cultivation methods and increased use of inputs should also be studied. Cotton has been successful as a smallholder crop, and a study for expanded cultivation in new areas is recommended. Banana production, which has fallen dramatically in recent years, will probably increase but only moderately, due to uncertain market prospects and difficulties of con-

version to better varieties. East Cameroon has favorable conditions for growing rubber, as has been demonstrated by two companies which provided most of the 11,000 ton production in 1968/69. Additional favorable growing areas should be identified and studies made in anticipation of future government and private investment in rubber plantations. Further investment in palm oil production for export is not recommended in view of foreseeable world market conditions, the shortage in managerial talent, and the Bank/IDA assistance already extended to SOPAME and CAMDEV estates; however, domestic market opportunities should be investigated to see if increased smallholder production is justified. Avocado and cassava are possible cash crops whose potential exploitation should be studied. Tea was originally identified as a candidate for investment, but preliminary results of the three proposed projects have not been uniformly encouraging, so final appraisal cannot be made yet.

25. Forestry exploitation is a subject of special interest because of Cameroon's rich timber resources. This is the foreign exchange earning sector susceptible to the greatest expansion in the country's economy. In 1968/69 approximately 700,000 tons of logs were cut, and timber with its by-products constituted 9.4 percent of total exports. With regard to Cameroon's future marketing prospects, it should be noted that the forestry industry of Africa produces for the European market, where present and foreseeable demand for logs will in fact be met by existing suppliers. However, the European demand for sawn timber and plywood is projected to outrun African supplies by a substantial margin for at least the next 15 years. It is operationally feasible for Cameroon to increase its log, sawn timber and plywood production at an annual rate of 15 percent over the next five years, and thereby to double the value of forestry exports during this period. Forestry exploitation is in the hands of private industry, and there is no need for public investment and foreign aid in this sector save for transport and communications. The companies presently engaged in this industry are small and not operated on the highest professional standards. They lack technically qualified local employees and are vexed by governmental restraints placed on the employment of expatriates. Investments by big international companies in logging operations and sawmills are limited to areas which have been opened up by rail or road trunk routes. The extension of the Cameroon railways will permit the extraction of an addition 500,000 tons per year. However, this leaves untapped the large forestry resources in south-east Cameroon. The big international firms would be attracted to this area if major transport infrastructure investments for forestry were undertaken. Before this can happen, though, pre-investment studies on logging roads, rails, transport and new logging ports are urgently needed.

Transport

26. The government has devoted its largest portion of public investment, 45 percent, to transport infrastructure. Development efforts in this sector during the last decade were aimed at the construction of a network serving the four main areas of economic activity: the coastal region which has the ports of Douala, Tiko and Victoria, and most of the industrial activity;

the densely populated, rich agricultural Bamileke area; the region around Yaounde, capital of Cameroon; and the northern region which is also densely populated and has considerable agricultural potential.

27. Cameroon is one of the transit countries for traffic from and to Chad and, to a lesser extent, the Central African Republic. This contributed to the urgency with which Cameroon seeks to complete the South - North trunk route. Although the larger part of the trunk routes is now in place, further substantial investments are required to complete the system. In particular, new investments will be required to link the existing trunk system of Cameroon with the road networks of Chad and the CAR. In some of these cases, such as the proposed N'gaoundere-Moundou road, benefits will mainly accrue to neighboring land-locked countries.

28. With solutions to the task of connecting present centers of economic activity in sight, the government is beginning to plan for the opening up of new areas. The large forests in the south-east, almost unusable so far, are a valuable resource that could be mobilized through transport investments. The government should concentrate on the major logging roads, from which roads to be built by logging companies would branch out. Feasibility studies are recommended for the major connections (Belabo-Yckadouma, Yaounde-Abong Mbang, Mbalmayo-Moloundou).

29. There are about 21,500 km of trunk and main roads, of which 1,270 km are paved. Besides new roads needed for forestry exploitation, a highway program, excluding forestry roads, costing CFAF 10 billion has been identified. Various new projects are under study, and preliminary commitments have been made by other donors, mainly FED. Highway maintenance is improving due to the establishment of a central equipment pool, but needs additional budgetary support, particularly for secondary and tertiary roads. Additional feeder roads will be required, especially to facilitate growth of subsistence production. Their construction should be undertaken as part of clearly identified agricultural projects. Government has so far refrained from restrictive licensing of road transport. A proposal to introduce new legislation should be carefully weighed to avoid stifling competition among road users to the detriment of the rest of the economy.

30. The railway system has 840 km of track and is being extended another 335 km. Foreign financing for the completion of the remaining section of the Trans-Cameroon railway has been assured by FAC, FED and USAID. Depending on the speed with which implementation of the project progresses during 1970/71, CFAF 5 - 9 billion will be invested for the extension of the Trans-Cameroon railway between 1971/72 and 1973/74. For existing lines, investments in infrastructure, rolling stock, stations, track renewal etc. will cost an additional CFAF 8 billion. The Douala-Yaounde line is being improved with Bank assistance under the first railway project.

31. The current problem of highest priority is the port of Douala which has insufficient capacity to handle international trade in general and timber exports in particular. A first small port project will be presented to the Board towards the end of 1970, and studies are underway for the required expansion at a later stage.

32. Investments in aviation, aided by FAC, mainly served the improvement of Douala airport. During the next five years, airstrips in N'gaoundere and Maroua will have to be paved. In addition, communications, night-lighting and landing aids may have to be improved in smaller airports. No acquisition of new aircraft is planned during the next few years.

Education

33. Cameroon's schools are not yet able to meet the economy's demands for trained people. Expatriates fill half of the executive positions in the public sector and two-thirds of those in the private sector, as well as numerous middle-level positions. In all sectors of the economy there is a lack of skilled workers. Government has made strong efforts to expand, first of all, primary education; this has led to high participation rates. Education expenditures amount to 19 percent of government current expenditures; were it not for the contributions made by foreign technical assistance and missionary agencies, the proportion would be even higher. In spite of these large expenditures, the education system is disappointing in the number and quality of its output. Cameroon suffers from the shortcomings of an imported system that provides a type of education which is often irrelevant to the cultural, social and economic needs of the country. The system has high drop-out and repetition rates. Considering the large total number of pupils in schools, the annual number of secondary and higher level graduates is very small, and expenses per graduate are consequently extremely high.

34. Education policy should aim at improvement of the efficiency of the system and, more specifically, at increased output of secondary and higher level graduates with the technical, commercial and professional qualifications which the country needs. Cameroon's second development plan (1966 - 1971) indicates that government is aware of these requirements and intends to reform education. Our first education project aimed at furthering the same objectives. We intend to assess in the near future what progress has been made with the reform and what needs to be done to work out a comprehensive national education plan. In our view, the goal of education policy should not be expansion of the total number of students in the system; in fact, enrollments should be carefully controlled. In primary education there are two essential tasks, the construction of facilities for primary teacher training, and the reform of curricula to fit Cameroon's cultural, social and economic requirements. In secondary and technical education there should be more schools constructed and also a reform of curricula. These general guidelines for reform and rationalization should be worked out in a comprehensive program for national education.

Public Utilities

35. Cameroon's rivers have sizable hydro-electric potential. This has led to the establishment near Edea of the ALUCAM aluminum factory which accounts for 80 percent of all electricity consumption in the country. Power is generated and distributed by three semi-public corporations: ENELCAM, EDC and POWERCAM. During the 1970's, the electrical power needs of Douala,

Yaounde and eleven secondary centers are expected to rise at an annual rate of 13.8 percent. To meet this demand, to double the capacity of the transmission lines to Douala and Yaounde, and to provide more electricity for other secondary centers, will require an investment of about CFAF 5 billion over the next five years, if foreign financing can be found. A recent re-assessment of ALUCAM's future needs has made it necessary to revise completely investment plans for hydro-electric power. The government should study and rank new projects by order of priority before existing feasibility studies can be re-shaped.

36. Cameroon is well endowed with water resources except for the northern part of the country which relies mainly on groundwater. The Société nationale des eaux du Cameroun (SNEC) operates the water supply system of Douala, Yaounde and nine secondary centers. The current capacity of SNEC and the other water authorities in the country is barely sufficient for present consumption. During the next five years, the SNEC investment program will require CFAF 1.1 billion, most of which can be financed by the company itself. Additional foreign financing will probably be required, however, for the improvement and expansion of the other water supply systems in the country.

37. Telecommunications were allocated CFAF 2.8 billion in the second five-year plan, but this amount will be exceeded by almost 50 percent by the end of the plan period in 1971. The expansion of telecommunications is being financed by FAC, Italy, the United Kingdom, the United States and suppliers' credits. Cameroon joined INTELSTAT in 1969 and is willing to have an earth satellite station constructed on its territory, but such an investment would not be economically justifiable except as a regional, multi-country facility.

Mining

38. Mining is unimportant in the economy now, but it could conceivably be significant in the future. Commercial prospecting has so far turned up a number of possibilities. Low-grade bauxite deposits of over one billion tons have been discovered in the North. If the cost factors of mining and transport indicate that exploitation would be profitable, then the deposits could be developed for export and as a replacement for the 130,000 tons of alumina imported annually from Guinea by the ALUCAM aluminum factory in the South. A natural gas field of an estimated 400 million cubic meters has been found near Douala; to exploit it, the government is now considering the feasibility of a nitrogenous fertilizer factory. Limestone deposits have been found in the North where a cement factory of 46,000 ton capacity is under construction. Prospecting for copper has revealed traces in the North where investigation continues. Perhaps most hopeful of all is the search by several international petroleum companies for oil on the coast and offshore near the Nigerian border. A systematic inventory of the country's mineral wealth is obviously needed. Canadian technical assistance in aerial surveying has been provided, and the government has requested UNDP aid for further prospecting.

Industry

39. The industrial sector contributed 13 percent to the GDP in 1968/69, up from 6-7 percent a decade earlier. Cameroonian industry presents a pattern common to many African countries, and is composed of enterprises engaged in two basic categories of activity: processing of local agricultural products for export (e.g. cotton, cocoa, timber, palm-nuts), and production of light and intermediate consumer goods (e.g. textiles, shoes, bottles, cement) to replace imports. The biggest single industrial operation in the country is the aluminum smelter complex at Edea which processes imported alumina using power generated by the nearby hydro-electric installation. Ownership of the larger industrial enterprises is overwhelmingly foreign, and management is predominantly expatriate. Total Cameroonian employment in the industrial sector is approximately 20,000, most of the workers living around Douala where industry is concentrated.

40. Official policy has been to place almost complete reliance on the private sector for the development of industry. "Libéralisme planifié" has been the official policy, with government efforts limited to an Investment Code and to two government-supported financial institutions. This policy has been successful in fostering the establishment of an industrial base, but the rate of new investment has declined appreciably since 1967. This has been due to a combination of factors -- the difficulty in identifying new export processing or import substitution opportunities for investment, the slow and inefficient administration of government procedures, and cumbersome price controls. Due to these last two factors, relations between government and the private sector have been deteriorating. Renewed investor interest is particularly important, since the government looks to industry for the answer to the mounting unemployment problem in urban areas.

41. "Libéralisme planifié" has been taken so literally that there is almost a complete lack of adequately studied projects by the government. There is a critical need to study, formulate and implement a basic industrialization policy. The recently established Ministry for the Development of Commerce and Industry should take the lead in identifying investment possibilities for promotion, establishing industrial priorities, determining the degree of protection justified, and encouraging the development of Cameroonian industrialists. Institutions will have to be set up for these purposes, as well as for the training of management and production grade employees. The appropriate government agencies should carry out a review and reform of the Investment Code, price controls, customs duties, taxes, and the industrial estate program. Finally, the banking system needs certain reforms (see paragraph 8 above) so that savings are encouraged, interest rates made realistic, and credit extended to smaller indigenous enterprises. Without foreign assistance and advice, it is highly doubtful whether a sizable industrial program can be realized.

C. External Aid

42. Total foreign aid disbursed over the years 1965-69 was CFAF 45.3 billion (US\$183 million). Of this the French Fonds d'Aide et de Coopération (FAC) furnished 40 percent, and the Fonds Européen de Développement (FED) 25 percent, all as grants. The loaned portion of aid (25 percent of total aid) came mainly from the Caisse Centrale de Coopération Economique (CCCE).

43. We expect public aid disbursements during the third plan, 1971/2 - 1975/6, of CFAF 67 billion (US\$242 million); this would be the resource gap under the assumption that total investments during the five-year period would be CFAF 200 billion. Of these, about half would be private sector investments. Public sector net domestic contribution could be CFAF 33 billion out of total public savings of CFAF 50 billion, of which, however, CFAF 17 billion will have to be used to service existing and new external debt. A substantial part (CFAF 25-30 billion) of total projected aid inflow of CFAF 67 billion will follow more or less firm commitments which have already been made for projects in power, transport, agriculture and education. Provision of the remaining CFAF 37-42 billion will depend to a large extent on decisions of the Third FED and the French aid programs, as well as on the implementation of the Bank/IDA lending program.

44. Bank/IDA disbursements began to surpass those of CCCE, the third most important donor institution for Cameroon until then, by 1969. During the next five years, the Bank Group will gradually become the biggest supplier of foreign aid. FAC and FED will keep their aid at present levels or even reduce it somewhat, with the Bank Group filling the gap and financing the increment of the development effort over the present level. Bank/IDA share in total disbursements during the next five years would amount to about 48 percent if the gross lending program were implemented as proposed. However, as explained in Section D of this paper, the lending program will have to be flexible in view of the uncertainty about commitments by other donors and the exigencies of project preparation. Implementation of the net lending program would result in Bank/IDA disbursements of well under 40 percent of total aid flow.

45. Cameroon's external public debt has increased rapidly. It amounted to \$183 million at the end of March 1970. The debt service ratio is likely to rise from 3 percent in 1969 to 6.5 percent in 1975/76, taking into account service on existing and estimated new public debt. In making these projections, it has been assumed that grant aid disbursements will remain at a level of CFAF 5 billion a year, or close to 40 percent of the total inflow; that Cameroon's traditional aid donors will continue to offer relatively favorable terms on official loans; and that meanwhile Cameroon, in order to avoid rapid exhaustion of its debt servicing capacity, will keep suppliers' credit financing within strict limits. The forecast debt service ratio is still not very high, and a modest increase in the absolute volume of conventional debt would appear to be justified. However, since the country is poor, has only modest growth prospects, and is likely to be confronted with declining prices for its export products, Cameroon's needs for external capital are expected to extend over

a considerable length of time. A continued rapid build-up of external debt should be avoided, and it is therefore very desirable that most foreign aid be on concessional terms. For these reasons, and also to make up for the possible decline in the share of FAC and FED aid, which is in the form of grants, a softening of Bank Group lending terms is recommended.

D. Bank/IDA Contribution

46. The Bank Group strategy is designed to complement and reinforce the economic development program of the Cameroonian government. Since the country's third five-year plan (1971/72 - 1975/76) is still under preparation, it is not possible to forecast with real precision the future requirements of certain sectors. However, based on the second five-year plan which is now ending, and drawing upon the recent economic mission's experience, it is possible to project a total gross Bank Group commitment of \$138 million. For the 1972-76 period, this amount averages out to \$27.6 million per year.

47. To justify this magnitude of financial and technical assistance from the Bank Group, Cameroon's potential economic viability should be recognized, as well as its key geographical position for development plans of neighboring countries, its political stability, the sensible policies of its government, and the urgent infrastructure requirements. In recent years, the sources of concessionary aid to Cameroon have been gradually reducing their contributions, while the sources of straight loans have been slowly increasing theirs. The Bank Group is the only major alternate source of soft loans which can contribute to the overall development effort. Since Cameroon is a poor country and only a modest increase in conventional debt is justified, a softer blend of Bank/IDA aid is proposed, calling for a gross program of \$86.2 million in credits and \$52 million in loans over the next five years.

48. The proposed Bank Group strategy emphasizes the two major country objectives: completion of infrastructure, and expansion of directly productive sectors such as industry and agriculture. In the short run, the Bank Group strategy continues to give more weight, in terms of funds allocated, to the completion of infrastructure, especially the transport sector to which the gross program allocates 47 percent of project funds. During the next five years, the lending program will be heavily influenced by the preparatory work done for transportation projects in the past. However, we feel confident that these projects are there with good economic reason, and that they will yield very satisfactory rates of return. Without adequate roads, railways and port facilities, the export potential of timber and diversified cash crops cannot be exploited. Improved transport will of course benefit other sectors of the economy, bring improvements to government and social services, and be of great help to land-locked Chad. This primacy of transport is evidenced not only by government emphasis on its own economic planning, but also by the commitments of FED, FAC and USAID to invest in roads, railroads and ports.

49. The longer run objective of expanding directly productive sectors to achieve a better balance in Cameroon's development will gain more importance in the Bank Group strategy during the next five years. This will lead to a diversification of Bank lending. The importance we attach to the longer run objectives can, however, not be directly measured by the amount of lending we propose for projects in new sectors during the next few years. The reorientation of the Bank Group strategy will first require a heavy commitment of manpower by the Bank and other agencies to overcome the lack of data and sufficient sector and pre-investment studies to prepare projects, for instance in subsistence agriculture, which will, at least initially, be fairly small. More fundamentally, there is a need to formulate policy reforms and identify institutional changes required for faster development. We intend to discuss with the Cameroon government what needs to be done in this respect in the next several years, and to explore with the government, PMWA, and the respective Projects Departments what help the Bank could provide.

50. In the field of agriculture, the conclusion might be that stagnation at the level of traditional agriculture can only be overcome through integrated rural development schemes which include infrastructure provisions (feeder roads, local water supply, rural electrification). Identification and preparation of such schemes would require coordinated action of the relevant Projects Departments. Special efforts may furthermore be needed to advise the government on the policy and institutional reforms in the field of agriculture, and to identify the needs for foreign technical assistance.

51. Related to the needs of agricultural development is the question of rural manpower and the rural exodus now in progress. As pointed out before, investigation of causes and discussions of internal migration are urgently needed. We will explore with the government what possibilities exist for obtaining appropriate foreign technical assistance for this. In the field of industry, there is also need for changes in policies and institutions before acceleration in development can be expected. Government is generally aware of this need, and has been considering the possibility of FED-financed technical assistance for this purpose. We intend to discuss with the government and FED what measures are contemplated to stimulate industrialization, and in what way the Bank could assist.

52. Further sectoral studies are needed in the fields of education, power and tourism; missions in each of these fields have been scheduled for the near future.

53. Actual Bank Group lending may turn out to be less than programmed for 1972-76, for several reasons. Diversifying the lending program will probably lead to difficulties in identifying projects in sectors where the Bank has no experience in Cameroon, for example, in mining, tourism,

and subsistence agriculture. Other projects under preparation still present difficulties. The lending program for FY 72 and FY 73 includes some rather large projects that are candidates for slippage into subsequent years. Everything would have to go right with studies underway and proposed in order to keep the following projects on schedule: Roads II (\$7 million, FY 72), Ports II (\$12 million, FY 72) and Power (\$10 million, FY 73). Finally, although we have made progress in coordinating aid with other donor agencies, uncertainties remain about their lending three or four years hence. Taking these factors into account, the net lending program calls for US\$58 million in credits and US\$43 million in loans.

54. To translate our proposed strategy into action, there is going to have to be close collaboration between the government, other aid sources and the Bank. Since the Bank Group will become the single largest source of foreign assistance to Cameroon during the 1972-76 period, its advice will become more acceptable. This will help us to bring about not only improvements in the preparation and implementation of particular projects, but also to influence general economic policies. For example, the potential reduction in export earnings will make it very difficult for the government to raise the projected CFAF 50 billion of public savings. A contribution on this order can only be made if expenditures are tightly controlled, and if revenues are maximized by reforms in collection methods and a reduction of the regressive features of the tax system. A continuing dialogue with the government on fiscal policies will be more important than in the past when, due to rising export prices, Cameroon's budgetary position was relatively comfortable. We will discuss with the government during the forthcoming mission the need to increase revenues and to introduce more austerity in spending, and will review the matter before the larger projects in FY 72 and FY 73 come up. However, even with the best efforts, government's contribution to foreign-aided projects is likely to be relatively small. Especially for schemes which have a high local currency content, the government will probably not be able to contribute the total amount of local expenditures. In certain agriculture and education projects, therefore, the Bank Group should be prepared to cover a high proportion of total project costs including, when necessary, part of local costs.

55. Disbursement on past projects was rather slow, but this was expected since plantation projects which account for the bulk of previous Bank Group lending normally require long implementation periods. Other projects coming up, such as transport projects, should lead to faster disbursement. However, the time between preliminary identification and disbursement could be shortened by building up institutions in Cameroon that handle project preparation and implementation. Foreign technical assistance for this purpose is still needed, but care should be taken to support the government's effort to Cameroonize public institutions and management in private enterprise. Technical assistance therefore must be combined with a determined training effort. This is particularly important for the agriculture and education sectors.

56. Proposed lending for transport includes three projects designed to improve and extend the Trans-Cameroon Route between the Port of Douala and the Chad border near Fort Lamy. US\$12 million (FY 72) will contribute to the expansion of the congested Douala port, and another US\$12 million (FY 75) is designed to help rehabilitate the oldest section of the Trans-Cameroon railway between Douala and Yaounde; a feasibility study financed under the FY 70 railway loan is underway. Cash flow analysis shows that the railways might need additional assistance by 1973. However, since the government has not indicated that it would request Bank Group assistance, and since no project has been prepared, we have not included another railway project before the major realignment project in FY 75. This will have to be reviewed after the next supervision mission in December 1970. Roads III (US\$7 million, FY 73) will serve the northward extension of the central road axis beyond Garoua to Mora; engineering studies are financed as part of the FY 70 road project for the construction of the N'gaoundere-Garoua road. This FY 70 project also includes a provision for the engineering studies for the Douala-N'kongsamba road project in the Bamileke region (US\$7 million, FY 72). For the development of logging, US\$8 million are proposed for FY 74. The FY 76 road project is unidentified. Finally, we have tentatively transferred the allocation for the Cameroon-South Chad road (N'gaoundere-Moundou, US\$8 million, FY 74) from the Chad lending program to the Cameroon program. Two-thirds of this road is located in Cameroon, and FED will probably finance the remainder on Chad territory. However, since most of the benefits from the construction of this road will accrue to Chad, in calculating IDA contributions per head, Cameroon should not be debited with an allocation for this regional project.

57. For agriculture the Bank/IDA commitment already amounts to \$25.9 million covering three plantation projects. To boost production for export, a tea project (US\$2 million, FY 72) is planned, for which a feasibility study is nearing completion. A US\$2 million cocoa rehabilitation project, with the government to pay costs of the feasibility study, needs prompt attention if it is to reach the commitment stage by FY 73. To meet the growing urban demand for food staples, a rice irrigation project (US\$3 million, FY 72) is now being revised in light of a recently completed feasibility study. In order to aid subsistence food producers who have received little attention from their government, there is being introduced a new type of project in FY 74, food crop storage (US\$3 million) which will aid farmers in preserving harvests and timing sales to local markets. A livestock project (US\$3 million) is also planned for FY 74. An unidentified agricultural project (US\$5 million), probably for rice or export crops, has been scheduled tentatively for FY 76. In all agricultural lending, the projects will be designed, where possible, to help the smallholder directly and through the establishment of agricultural institutions. Success in this will be the best persuasion for keeping the rural population from migrating to the cities.

58. The government counts on the Bank Group to provide continued support for education. The FY 69 project is being implemented, and a UNESCO identification mission is in the field to prepare concrete plans for the proposed FY 73 project of US\$7.0 million. The mission will also investigate the longer-term needs and attempt a preliminary identification of the FY 75 project (US\$6.0 million). Both future projects will focus on the reforms and requirements outlined above in paragraph 34.

59. As for public utilities, water supply will need substantial investment in coming years, given increased consumption and required modernization. A project for FY 75 (US\$5 million) is planned to assist the government in what will be a very expensive country-wide program. Sewerage, for which there are no modern facilities at present, has high priority, and is tied in with Bank Group consideration of water supply. Urban development is related to the needs of Douala and Yaounde for improved public utilities. All these anticipated projects are scheduled for the FY 74 to FY 76 period, because that much lead time will be needed to analyze and prepare the projects. An identification mission is planned for urban development within the next twelve months.

60. The proposed lending program introduces a power project. A choice between two projects, Song Loulou and Nachtigal, still has to be made. The government has enough data to make a rough comparison of the costs and benefits of the two proposed hydro projects. Based on these calculations, a choice could be made within a few months. Allowing about three months for review of the preliminary ranking study, a proper feasibility study could be started by mid-1971 for the highest ranked hydro project, including a comparison with thermal alternatives. Much of this has already been done, but about six months would be required to expand on existing studies. Based on these studies, appraisal could take place in time for presentation in FY 73. Total cost of the project could exceed US\$30 million, and financing will have to be undertaken in cooperation with other lenders. The lending program proposes a Bank contribution of US\$10 million in FY 73.

61. In industrial finance, the two government-supported institutions - the Banque camerounaise de développement (BCD) and the Société nationale d'investissement (SNI) - have overlapping functions and are poorly managed. Their respective roles need to be reviewed if they are to play a more important part in industrial financing. To complement the activities of BCD and SNI, Bank projects for DFC investment are programmed (US\$3 million, FY 73, and US\$5 million, FY 75), and will be subject of discussion during the coming mission to Cameroon. Before DFCs can be organized, however, there must be a reform of the banking system so that interest rate structures reflect economic realities instead of being kept at an artificially low level. The industries which BCD, SNI and future DFCs could finance would obviously help towards relieving unemployment pressures.

62. In mining a determination is to be made soon on whether or not a project identification mission is warranted at this stage. A tentative allocation of US\$5 million for an unidentified mining project is included in the lending program for FY 76.

63. A tourism sector review and project identification mission is scheduled for FY 71 which might lead to more concrete plans for the now unidentified tourism project (US\$2 million, FY 74).

Western Africa Département.
November 2, 1970.

Attachments: 1. Actual and Proposed Lending through FY 76
2. Indicators of Development

Population: 5.8 m
Per Cap Inc: \$145

CAMEROON - ACTUAL AND PROPOSED LENDING THROUGH FY 1976

Attachment 1

(\$ millions)

		through									Total	Total	Total	
		1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1964-66	1969-73	1972-76
CAMDEV Plantations	- IBRD	7.0												
	- IDA	11.0												
SOPANE Oil Palm	IBRD			7.9										
SERY Rice Irrigation	IDA						3.0							
Tea Development	IDA						2.0							
Cocoa Development	IBRD							2.0						
Food Crop Storage	IDA								3.0					
Livestock	IDA								3.0					
Agriculture Unidentified	IDA										5.0			
DFC I	IBRD							3.0						
DFC II	IBRD									5.0				
Education I	IDA				10.5									
Education II	IDA						7.0							
Education III	IDA									6.0				
Roads I	- IBRD				12.0									
	- IDA				7.0									
Roads II	IDA						7.0							
Roads III	IDA							7.0						
Roads IV	IBRD								8.0					
Mining transport	IDA										8.0			
Cameroon S. Chad Road	IDA								8.0					
Ports I	IDA					1.5								
Ports II	IDA						12.0							
Railway I	IBRD				5.2									
Railway II	IBRD									12.0				
Water Supply I	IBRD			5.0										
Water Supply II	IDA									5.0				
Water Supply III	- IDA										5.0			
	- IBRD										5.0			
Power	IBRD						10.0							
Urban Development	IDA								5.0					
Tourism Unidentified	IBRD								2.0					
Mining Unidentified	IBRD										5.0			
GROSS PROGRAM:	IBRD	7.0		12.9	17.2			15.0	10.0	17.0	10.0	7.0	45.1	52.0
	IDA	11.0			17.5	1.5	24.0	14.0	19.0	11.0	18.0	11.0	56.6	66.0
	Total	18.0		12.9	34.7	1.5	24.0	29.0	29.0	28.0	28.0	18.0	101.9	138.0
	No.	1		2	3	1	4	5	6	4	4	1	15	23
NET PROGRAM:	IBRD	7.0		12.9	17.2			16.0	8.0	2.0	17.0	7.0	46.1	43.0
	IDA	11.0			17.5	1.5	15.0	7.0	13.0	15.0	8.0	11.0	41.0	58.0
	Total	18.0		12.9	34.7	1.5	15.0	23.0	21.0	17.0	25.0	18.0	87.1	101.0
	No.	1		2	3	1	2	4	4	4	3	1	12	17
IBRD Loans Outstanding														
- including undisbursed		7.0	7.0	19.9	37.1	37.1	37.1	53.1	61.1	63.1	80.1			
- excluding undisbursed				0.2	2.8	9.9	21.7	31.6	37.4	46.9	56.1			
IDA Credits Outstanding														
- including undisbursed		11.0	11.0	11.0	28.5	30.0	45.0	52.0	65.0	80.0	88.0			
- excluding undisbursed		0.5	2.7	5.3	8.3	18.6	25.0	31.0	38.2	47.2	58.7			

Last Economic Mission

March/April 1970

CAMEROONINDICATORS OF DEVELOPMENT

	Unit	Annual Average		
		1965-69	1969-75	
I. <u>ECONOMIC & STRUCTURAL INDICATORS</u>				
1. Gross Domestic Product (in constant prices)	% Change	5.3		4.8
2. Manufacturing Value Added (" ")	% Change	13.1		7.0
3. Agricultural Value Added (" ")	% Change	3.9		3.6
4. Imports of Goods	% Change	7.0		5.8
5. Exports of Goods	% Change	7.8		4.4
6. Domestic Price Level	% Change	2.0		
		1965 ^{1/}	1969 ^{2/}	1976 ^{1/}
7. Gross National Savings	% GDP	10.5	11.6	10.9
8. Resource Gap	% GDP	0.9	0.4) 5.1
9. Net Factor Payments Abroad	% GDP	3.0	2.2	
10. Gross Domestic Investment	% GDP	14.4	14.2	15.0
11. Debt Service	% exports	2.0	3.1	6.5
12. Central Govt. Current Revenue	% GDP	15.6	16.9	17.2
13. Central Govt. Current Surplus (Deficit)	% GDP	1.6	1.9	2.6
14. Public Expenditure on Social Services ^{2/}	% GDP	2.5	3.7	
15. Military Expenditure	% GDP	2.0	2.2	
16. Manufacturing Value Added	% GDP	9.3	12.6	14.5
17. Electricity Production	mill.KWH	1,133	1,181	
18. Fertilizer Consumption	'000 tons			
II. <u>SOCIAL INDICATORS</u>				
19. Population Growth Rate	%		2.2	2.2
20. Urban Population Growth Rate	%		7.3	7.3
21. Birth Rate	per 1,000 popln.		43	
22. Family Planning	Acceptors '000s.			
23. Income of: Highest quintile	% total income			
24. : Lowest quintile	% total income			
25. School enrollment: Primary & Secondary	% school-age popln.			
26. Literacy rate	% adult population			
27. Unemployment rate	% labor force			
28. Population per hospital bed	Number			

^{1/} Fiscal years (July to June).^{2/} Education, health and cultural affairs.

POLITICAL SITUATION

1. Cameroon celebrated this year the tenth anniversary of its independence, and the ninth year of federation between French-speaking East Cameroon and English-speaking West Cameroon. This first decade of independence has seen strengthening of national unity and gradual centralization of government functions under the firm direction of President Ahidjo, a Moslem from the North. Since the Bassa and Bamileke insurrection was overcome in the mid-sixties, the country has been largely at peace, although the economic and social difficulties of people living in those areas have not been solved. The government has this year received large popular support in an election in which the President was the unopposed candidate. The President has the initiative for legislative proposals including the formulation of the federal budget which he submits for approval to the unicameral National Assembly. He appoints the ministerial cabinet of the Federal Government and the Prime Ministers of the two State governments. Although President Ahidjo is a relatively unpublicized Chief of State, he is a most able politician as has been demonstrated by his apparent success in unifying a country made up of ex-British and ex-French colonies and having strong regional and tribal loyalties.

2. Since three-fourths of the population is French-speaking and over 80 percent of the land area was formerly under French control, Cameroon should be viewed as a francophone country. Nevertheless, it has a federal structure which entails costly administration and is a

heavy financial burden. In spite of the small population, there are three full-fledged governments, parliaments and administrations; two at the state level and one Federal. The existence of two official languages, English and French, and two colonial heritages hampers communication between the states and complicates the issue of official documents. Action to harmonize administration and taxes has made some progress, although there are still many discrepancies. Uniform customs duties were introduced in 1966. Meanwhile, the function of the states appears to be on the decline. Federalization of police forces and public works occurred in 1969/70. A federal ministry of agriculture has, however, not yet been established; this fact may account to a large extent for the lack of vigor in the promotion of agricultural development.

3. On the domestic scene, years of political stability have permitted the government to concentrate its attention on the promotion of economic development. This, in turn, has had its political consequences. Leaders of the industrial and banking community, nearly all Frenchmen, will readily admit that Cameroon is one of the few West African countries with a favorable climate for the private sector. In recent years, however, there has been increasing bureaucratic interference with private business. The reaction to this has been criticism of the Government's commercial and industrial policy. Geographical separation of the administrative capital, Yaoundé, from the commercial capital, Douala, has also been a cause of misunderstanding. Finally, increasing numbers of high school and university graduates have found

employment in the public sector, where the Government is politically motivated to expand the number of jobs even if public sector activities do not justify it. These factors then -- the ⁽¹⁾ expatriate management of major business and friction between the private sector and government -- have reduced official tolerance of foreign interests. This has the potential for becoming a major domestic political issue.

4. External political and economic relations are good. Cameroon participates in a number of regional African political and economic groupings. Among these is UDEAC, a customs and economic union with CAR, Congo (B) and Gabon. UDEAC is a constructive attempt at regional cooperation, although practical results have thus far been modest. Cameroon has a common central bank together with the UDEAC members and Chad, and a common currency, the CFA franc, which is fully convertible with the French franc. Ties with France are particularly close, and it is the source of substantial aid and technical assistance and of most of the foreign talent and capital in Cameroon's private sector. Since Cameroon became an associated member of the European Common Market, trade with other members of the EEC increased and substantial aid is being received from the European Development Fund.

THE ECONOMY*

A. Recent Economic Growth

GDP growth during the last five years on record has been estimated by the Bank's recent economic mission at 5.3 percent a year in real terms. This is a healthy margin above the population growth rate of 2.2 percent a year. During the last two or three years GDP has grown at a rate even higher than this average, probably around 7 percent, chiefly due to favorable export prices. GDP per capital in 1968/69 was estimated at the equivalent of \$164 but would be only \$146 at the exchange rate prevailing since August 1969.

Agriculture remains by far the most important productive sector of the economy. Roughly 80 percent of the population still lives in rural areas and most of the people depend directly on some form of agriculture for their livelihood. The proportion contributed to GDP by agriculture, however, declined from 47 percent in 1959 to 36 percent in 1968/69. This relative decline is chiefly due to rapid industrial and commercial development which was stimulated by the government's liberal attitude towards foreign private investment. Completion of a number of import substitution projects and a more bureaucratic government attitude vis à vis private investment has in the past few years caused a marked reduction in the number of new projects in the private sector, although industrial production from existing capacity has continued to increase rapidly.

Gross domestic capital formation is estimated at around 15 percent of GDP, approximately two-thirds financed out of gross national savings.

*This description of Cameroon's economy is taken from the Summary and Conclusions of the Bank's Economic Commission which visited Cameroon in March and April of 1970. The Economic Report was discussed with the Government and is being updated for final publication.

The gap, one-third of capital formation, was financed by an inflow of foreign aid which averaged \$37 million a year in disbursements in the five years ending in 1969. Most of the aid was on grant or concessional terms; France, the EEC and more recently the Bank Group have been the most important sources.

Over the last five years, there has been rapid expansion of money supply and private credit, roughly at the same pace as the fast growth of the modern part of the economy. Domestic prices have, however, risen at a fairly slow rate, about 2 percent a year.

Interest rates remained low under the impact of a central bank discount rate of only 3.5 percent. The rediscounting facilities of the central bank are the main factor determining the credit volume. Rediscounting credit amounted to 40-50 percent of the total bank credit outstanding. More realistic interest rates would be in the interest of Cameroon's economic development, although the monetary ties with other countries limit Cameroon's freedom of action in this respect. At present, low interest rates on bank deposits are encouraging enterprises to keep their liquid balances in Cameroon as low as is compatible with rediscounting requirements and to borrow as much as possible from banks in Cameroon. For their part the banks concentrate on rediscountable credit to larger, financially strong customers and pay little attention to smaller, indigenous enterprises. The low interest rate structure and in particular the low deposit rates paid by the banks do not encourage private savings. Availability of low interest credit to a limited number of enterprises encourages a type of production which is more capital intensive than warranted by the scarcity of production factors in Cameroon and discourages the development of small-scale industrial and agricultural enterprises.^{1/}

^{1/} Financial structure, savings and credit are treated in detail in Part 8-B of this briefing book.

There is very little information on the balance of payments. The Bank Economic Mission estimates that the current account during the five years ending 1968/69 had a deficit averaging close to 5 percent of GDP. The main cause of this deficit is a large outflow of factor income payments, chiefly those of the foreign-owned enterprises and the large expatriate community. These outflows appear largely unavoidable, in view of the scarcity of domestic private capital, and managerial and technical personnel. Realizing this, the Cameroon Government pursues its long term goal of increased Cameroonese participation in ownership and management of private enterprises with moderation.

Foreign trade has expanded at a satisfactory rate owing to favorable export prices but also to increased export volume. Exports and imports increased during the last three years at a yearly rate of 11 percent. Exports and imports are both 21 percent of GDP with a slightly higher percentage for exports in recent years. Exports of cash crops are on the increase with the exception of banana exports which have continued to decline sharply. Increased exploitation of Cameroon's sizeable forestry resources has led to rapidly increasing exports of tropical hardwoods. Aluminum exports declined slightly because of the establishment of domestic industries using aluminum. Import composition continued to shift in the direction of larger imports of raw materials, intermediate products and capital goods which now account for three-quarters of imports. This is in line with the increase in industrial production and total capital formation. Increased domestic production of foodstuffs and manufactured consumer goods has at the same time led to a lower proportion of these commodities in total imports.

B. Major Development Problems

The most important factor influencing the course of economic events during the 1970's will be the expected fast growth of total population, and the accelerating rural exodus and urbanization connected with it. The rate of urban population growth is bound to be high even if efforts to control migration and population growth are successful.^{2/} The resulting employment problem cannot be fully solved during the 1970's but to mitigate it and to add at the same time to the impetus of general economic growth, policies are needed which will stimulate rapid growth of labor intensive industry and agriculture and supporting activities in other sectors. In the past, government has mainly relied on the creation of a liberal investment climate to stimulate the private sector. This policy has been successful in the early 1960's, but recently investor interest appears to have dropped. The need for a more aggressive private sector policy which retains the liberal features of past policy will be discussed below.

Investment

In spite of the need to emphasize agricultural development and industrialization, in the development plan, there is no doubt that infrastructure investments should account, as they did in the 1960's, for the largest proportion of public investment. The transport network is inadequate for existing traffic, slowing down production and export growth. There is also urgent need for investments in power, telecommunications, urban amenities and education facilities. However, since infrastructure investments involve application of known technology they are in many respects less complicated than the effective promotion of industrial and agricultural development. The latter are not brought about by mere government decision but require changes in behavior, knowledge and motivation of large parts of the population. The question how these changes are brought about has a different answer in each country; the Cameroon planners will have to devote a large part of their energies to find the approach which is appropriate.

^{1/} Rural exodus and urbanization are treated in detail in Part 8-E of this briefing book.

C. Sectoral Problems and Prospects

Agriculture

The increase of agricultural production in the five years ending 1968/69 is estimated at 3 percent a year in real terms. Cash crop production grew close to 4 percent annually while the increase of foodstuff production is nationally estimated at 2.2 percent, the growth rate of the population. The latter estimate may be conservative since there has been a relative decline in foodstuff imports, but the virtual absence of production data makes a more accurate estimate impossible. Agricultural development suffers from lack of concerted Government action in project preparation and implementation. At least partly, this is due to the fact that, under the constitution, agricultural development is entrusted to the States. Improved coordination of agricultural policy at the national level appears very desirable. There is, furthermore, need for strengthening research activities for most crops and better coordination of the numerous extension agencies.

Agricultural production is largely in the hands of small farmers who produce a combination of cash and subsistence crops. The country's employment problems suggest that continued emphasis on smallholders in agriculture supplemented by labor-intensive large holdings should be an important feature of Cameroon's development strategy. Although cash incomes average only \$90 per farmer, producer prices probably give sufficient incentive to expand production if there is enough credit and technical guidance. This would follow from experience with cocoa and cotton. However, if credit is not tied in with closely supervised productivity programs, results are likely to be disappointing. For this reason, the general agricultural credit institution contemplated in the second plan would appear inadvisable. X

Emphasis on the development of food crops should be on yield increase by improved cultivation and seeds and greater use of inputs. IRAT, the research organization entrusted with food crops, is not yet able to provide adequate guidance and should be requested to study these matters more deeply and to improve its guidance of extension agencies. The proposed monopoly state company for the marketing of food crops may result in financial losses and therefore seems inadvisable; instead it might be useful to work out a project for the improvement of food storage facilities. Such a project could provide an important improvement in marketing possibilities. Rice consumption is still low but likely to grow fast. In addition to the proposed rice scheme in the north, government should explore the feasibility of rice growing in the south of the country as well.

In order to keep the country self-sufficient in meat and raise the incomes of cattle-owners, the Government should investigate the use of agricultural by-products (from cotton, oil palm, cocoa) for feed and improve veterinary care. Exploration of coastal waters is recommended to establish the potential of marine fisheries. A credit scheme to motorize small fishing craft should be considered; such a scheme should, however, not be undertaken unless strong credit supervision and technical guidance are ensured.

Export Crops

The expected decline of world market prices of virtually all export crops adds to the need to cut production costs and to stimulate diversification. In spite of the diversification which has already been attained, the reliance on two crops, coffee and cocoa, is still heavy (58% of exports). The Government should furthermore improve its contacts with the private sector on possible estate projects as a useful complement to the predominant smallholder type of cultivation.

A large part of the cocoa acreage is covered with old trees, whose productivity is declining. The Government's ambitious replanting scheme (360,000 ha. in 20 years' time) is not off to a good start because of insufficient preparation and organization. The reason why progress to date has been slow is the lack of a pre-investment study which establishes an economically and technically feasible scheme indicating the most suitable areas and the required organization of the scheme. The Government contemplates undertaking such a study.

Since coffee production is already larger than the quota under the International Coffee Agreement, the future growth rate of production should not exceed the foreseeable rather slow growth rate of world consumption. Development action in this field should therefore aim primarily at improving the economic results of coffee production on acreage presently planted to coffee or on a reduced acreage. For this purpose a pre-investment study should be undertaken to determine which areas planted to arabica coffee deserve rehabilitation. A general program to obtain quality improvements on arabica as well as robusta through better cultivation methods and increased use of inputs should also be studied.

Banana production is unlikely to rise again to its earlier level in view of uncertain market prospects and the difficulties of conversion to better varieties. Production, mostly from the fairly small foreign owned plantations, will probably rise only slightly above the present level.

Cameroon has good growing conditions for rubber; government should investigate in consultation with private interests whether suitable plantation areas in East Cameroon can be identified. No further expansion of oil palm estate acreage appears recommendable in view of world markets prospects. However, the possibilities for increased smallholder production based on the processing and marketing facilities of the existing estates and aimed at the domestic market should be investigated.

Increased forest exploitation is hampered by transport difficulties.^{3/} Production could be expanded in a short time from the present level of 700,000 tons of logs to 1.5 million tons during the third plan if there were no transport bottleneck. However, the lack of logging roads in the forest areas in southeast Cameroon; the lack of rolling stock and the poor track condition of the Yaounde-Douala railway; and the technical and managerial deficiencies of the Douala port will effectively restrain production growth. Actual production during the third plan is likely to remain below its potential level. The following pre-investment studies appear of prime importance: (i) forest inventories in the southeast of the country; (ii) studies of three major logging roads in the areas (Belabo-Yokadouma, Yaounde-Abong Mbang, Mbalmayo-Moloudou); (iii) studies of improvements in the Douala port and establishment of logging ports south of Douala.

Industry^{4/}

Industrial production increased by about 13 percent during the five years ending 1968/69. The contribution to GDP rose during the decade from 6-7 percent to close to 13 percent. There is scope for continued industrial growth during the third plan on the basis of import substitution of light consumer and intermediate products and increased processing of domestic agricultural and forestry products for export. However, the recent drop in investor interest points to the need for improvement in industrial policy and institutions. The recent establishment of a separate Ministry for the Development of Commerce and Industry promises increased attention to these matters. The Mission's tentative recommendations for Government action on industrial development are as follows:

^{3/} Forestry exploitation is treated in detail in Part 8-D of this briefing book.

^{4/} Industrialization is treated in detail in Part 8-C of this briefing book.

-- Government should determine the type and location of priority industries, degree of protection, role of state institutions in industrial financing and degree of direct intervention in industrial projects. Priority should be given to labor intensive industries with high domestic raw materials components. A special unit should be established to seek out and study industrial possibilities and establish and maintain contact with the private sector in Cameroon and abroad. A critical review should be made of the government's investment code in the light of past experience and simple criteria for approval under the code established. The system of price control also needs review. Where prices cannot be adequately supervised, controls should probably be abandoned; where they are retained, the controls should duly allow for production cost fluctuations.

-- To alleviate the shortage of skilled and professional manpower at all levels, technical and commercial training should be improved and expanded. Moreover, production advisory services, purchasing and marketing assistance, accounting advice and training facilities should be provided to young Cameroon industrialists. A special unit to provide this advice should be set up. The industrial estate program needs review. The most important parts of the program (the Douala and Yaounde estates) probably deserve priority but the need for estates in other centers may for some years to come not be urgent.

-- In the field of industrial finance, duplication of efforts of the Banque Camerounaise de Développement (BCD) and the Société Nationale d'Investissement (SNI) should be avoided. Consideration should also be given to separation of seasonal short-term operations of BCD from its long-term development credits. Both banks should strengthen their ability to appraise industrial projects and become more aggressive in their lending policies, particularly regarding the fostering of Camerounese entrepreneurship.

Transport

In the past, the Government has rightly devoted a larger proportion of public investment to transport infrastructure than to any other sector of the economy. Poles of economic activity are set wide apart and were poorly connected at the time of independence. Development efforts in this sector during the last decade were aimed at the construction of a network serving the five main poles of economic activity: ① the coastal region with the port of Douala and Tiko-Victoria where most of the industrial activity is located; ② the densely populated, rich agricultural Banileke area; ③ the region around Yaounde, the capital of Cameroon; ④ the North with its huge timber resources. Cameroon, moreover, serves as a transit country for landlocked Chad and to a lesser extent, the Central African Republic. Although a large part of the transport infrastructure to serve the various regions now exists, further substantial investments are required. The most pressing need is to increase the Douala port capacity. Studies on a long-term solution

are underway. Both physical expansion and improvements in port organization will be required. The lack of transport links in the forest area in the southeast has been mentioned. A highway program other than in the forest area of CFAF 10 billion has been identified. Most of the projects are already under discussion with interested aid donors. Highway maintenance is improving owing to establishment of a central pool of maintenance equipment. However, in view of growing traffic, budgetary provisions should be increased. Government has thus far refrained from regulating the activities of trucking companies. A proposal to introduce such regulation should be carefully considered since it could lead to a stifling of competition among road users to the detriment of the rest of the economy.

With regard to the railway the most important task is improvement of the Douala-Yaounde connection. An economic study of the realignment of this connection will be financed as part of the Bank railway project. Selected improvements rather than complete realignment will probably be the economic solution. Finance of CFAF 5 billion for the last section of the Transcameroon railway has been arranged, while a further CFAF 8 billion are needed for infrastructure on other lines, rolling stock etc. Proposed investments totalling CFAF 27 billion for modernization and extension (Yaounde-Yakadouma) of the existing network would appear premature. Road alternatives appear more promising than the proposed extension of the network.

Power

Cameroon's rivers have sizeable hydro-electric potential. This has led to the establishment near Edea of the ALUCAM aluminium factory which used imported alumina. This factory uses 80 percent of electricity produced in Cameroon. The possible doubling of its capacity and rapid expansion of other demand (by 14 percent a year) have led to a sizeable power program. The first project, of which financing is under consideration, aims at regularization of water flow which will permit full use of ALUCAM's existing production capacity as well as meeting increasing other electricity demand. Increasing capacity of major transmission lines and establishment of small thermal plants in certain secondary centers is also under study. To cover electricity needs in the longer-run, two major hydro projects, Nachtigal (250 MW) and Song Loulou (125 MW), are being studied. The urgency of these projects depends to a large extent on the question of whether ALUCAM does in fact double its generation capacity. The Government will have to study carefully which sequence of the two projects will lead to a better spread of investment over a period of time.

Education^{5/}

Cameroon's schools are not yet able to meet the economy's demands for trained people. Expatriates fill half of the executive positions in the public sector and two-thirds of those in the private sector as well as numerous middle level positions. In all sectors of the economy there is moreover a lack of skilled workers. Government has made strong efforts to expand first of all primary education which has led to relatively high participation rates, viz. 64 percent of the respective age group in East Cameroon and 57 percent in West Cameroon. Education expenditures amount to 19 percent of government current expenditures; if it were not for the contributions made by foreign technical assistance and missionary agencies the proportion would be even higher. In spite of these large expenditures, the output of the education system is disappointing in quality and number. As several other African countries, Cameroon suffers from the short-comings of an imported education system which provides a type of instruction that is not attuned to the social and economic needs of the country and which is furthermore characterized by high drop-out and repetition rates. Considering the large total number of pupils in the system, the annual number of secondary and higher level graduates is small and expenses per graduate are consequently extremely high. A basic choice is required in Cameroon's development strategy for education. Further increases of participation rates would become forbiddingly expensive in view of the increasing size of the younger age groups, while the basic needs of the economy for trained people would not be satisfied any better than at present. Education policy should aim at improvement of the efficiency of the system and, more specifically, at increased output of secondary and higher level graduates with the technical, commercial and professional qualifications which the country needs. Cameroon's second development plan (1966 - 1971) indicates that government is aware of these requirements and intends to reform education. The Bank Group first education project aimed at furthering the same objectives. In primary education there are two essential tasks, the construction of facilities for primary teacher training, and the reform of curricula to fit Cameroon's cultural, social and economic requirements. In secondary and technical education there should be expansion of school facilities and also a reform of curricula. These general guidelines for reform and rationalization should be worked out in a comprehensive national education plan.

^{5/} The general subject of education and human resources is treated in detail in Part 8-F of this briefing book.

D. Overall Growth Prospects

The Government's Third Five Year Plan (1971/72 - 1975/76) is still under preparation, so that the Government's assessment of prospects and intentions in the development field are only very incompletely known. The Bank Mission's calculations indicate that economic growth during the first half of the 1970's is likely to be about 4 percent a year compared with the 6-7 percent real growth rates attained in the late 1960's. The reason for the slowdown is a deceleration of export growth caused by the expected fall of average export prices, the lack of agricultural and industrial projects and the effects of the transport bottleneck. The growth rate of total export value during the years 1969/70 - 1975/76 is estimated at only 2 percent a year. However, large investments under way or about to be undertaken in highway and railroads, power generation, telecommunications, education and public administration will stimulate economic growth. Tentatively it is estimated that investment during the Third Plan period of CFAF 200 billion (\$720 million) would be required to achieve the feasible economic growth rate, as compared to actual investment in the Second Plan of an estimated CFAF 140 billion (\$504 million). In view of the heavy infrastructure requirements and flagging private interest, about half of the total investment - about CFAF 100 billion (\$360 million) - would have to take place in the public sector as compared to an estimated 40 percent during the Second Plan.

E. The Financial Outlook

As far as the private sector is concerned, lack of financial means has thus far not been a serious constraint on development. Due to the close connections with the business world in France and the ease with which funds can be transferred to and from Cameroon, investment opportunities have generally been met by domestic and foreign private finance. However recently the private capital inflow has dropped making it less evident that any shortage of domestic private savings will be met by sufficient inflow from abroad. This points up the earlier mentioned need for a more active industrial policy and good understanding between the government and the private sector. It also underscores the need to consider to what extent a raise in the interest rate structure could help in mobilizing a greater amount of private savings.

The feasibility of a public sector development program of CFAF 100 million during the third plan depends crucially on the government's ability to raise public savings.⁶ Since the contribution to public development finance from the agricultural stabilization funds and the public enterprises is for various reasons likely to be limited, the most important factor is the prospects for increased budgetary savings. The outlook for an increase in budgetary surpluses is however not bright.

^{6/} Budgetary problems are treated in detail in Part 8-A of this briefing book.

Recent rapid growth of revenues and budgetary savings was largely due to the high level of foreign trade and related activities. Revenue growth is likely to taper off on account of the expected fall in export prices after 1970 and a concurrent slowdown in modern sector activity. Current expenditures, meanwhile, have been rising rapidly. If these trends in revenues and expenditures are allowed to continue, budgetary savings during the Third Plan are likely to be very small or even negative. Determined action to reverse these trends should therefore be an essential part of the Third Plan. The need to take such action is perhaps somewhat obscured by the very favorable revenue growth of recent years and the rise in external reserves (from the equivalent of two months of imports in 1965 to four months by May 1970). This favorable financial situation is, in the Mission's view, of a temporary nature. Basic improvements in taxation and expenditure policy are required to help finance economic growth in the 1970's.

The Bank Mission was not equipped to give more than suggestions with regard to possible measures to increase revenue. As far as personal income taxes are concerned, there is scope for lowering the currently rather high exemption limit, raising the progression in the rate, and reducing the numerous tax exemptions. There is, furthermore, scope for raising the rate of company taxes in East Cameroon, which is at present only 25 percent (35 percent in West Cameroon). The generous fiscal exemptions under the investment code also need review. Simplified approval procedure under the code combined with lower fiscal benefits could probably result in more rapid revenue growth. Customs duties, the most important element of government revenue, could yield more revenue by speedier and more accurate collection. The mechanization of customs administration should help in this respect. Simplification of the tariff structure and discarding of the outdated "valeur mercuriale", for exports (the fixed price basis for determination of export duties) could also lead to more efficient collection and contribute to greater net revenue from customs duties. Tentatively the mission suggests that overall revenue growth close to 5.5 percent a year during the early 1970's should be feasible if appropriate action is taken. This would be higher than the mission's forecast of overall GDP growth rate of somewhat over 4 percent a year. While in the past revenue has been quite responsive to economic growth, this may not be the case in the Third Plan period, so that new fiscal measures may be required to achieve this revenue growth rate.

Past current expenditure growth was to a very large extent due to increased personnel expenditures. The 12 percent annual growth in the number of public servants appears far in excess of government's needs for staff and therefore extremely wasteful. A reduction in expenditure growth from about 10 percent throughout the 1960's to about 4.5 percent a year should be feasible without harm to economic development or general administrative efficiency of the government. Tentatively it is suggested that budgetary and staffing provisions for general administration, defense and justice which now account for half of the

total, are plentiful at the present level. Furthermore, a review of the generous allowances of all types, which add 60 percent to Government salary payments, needs to be reviewed. Restraint in these areas should still allow sizeable growth (at least 6 percent a year) of those current expenditures which are oriented towards social and economic development.

If these tentative revenue and expenditure objectives suggested by the Bank Mission were accomplished, public savings during the Third Plan would amount to CFAF 50 billion (\$180 million) in public savings. Service on existing and estimated new external debt during the period is likely to amount to CFAF 17 billion (\$61 million). This would leave a net domestic contribution of CFAF 33 billion (\$119 million) to the financing of public investment during the third plan. While this is not a very high proportion, **determined** fiscal action and austerity will be required to achieve **this much**. Taking into account that certain types of investment are unlikely to obtain external project assistance and therefore will have to be wholly financed with government funds, the mission forecast means that Government will probably not be able to meet all local expenditures on all projects that do obtain foreign aid. This means that foreign aid **donors** should be prepared to cover part of local costs, particularly for projects which do not have a high foreign exchange content.

External Financing and Creditworthiness

Cameroon's development policies and efforts deserve increased support of external assistance. It is expected that investment in the first half of the 1970's will remain at 14-15 percent of GDP and that about one-third of investment will need to be financed with external resources. On the basis of the foregoing it would appear that during the third five year plan a total of CFAF 67 billion (US\$241 million) would be needed in the form of disbursed foreign resources. This amount compares with foreign aid disbursements in the five years ending in 1969 of CFAF 46 billion (\$166 million). The pipeline of foreign aid in early 1970 was CFAF 38 billion (\$137 million). It consisted chiefly of undisbursed financing of the second section of the Transcameroon railway and undisbursed portions of recent Bank and IDA loans. Aid for new power, transport, agriculture and education projects currently under active discussion adds up to perhaps another CFAF 25 - 30 billion (\$90 - 108 million). The amount of funds still to be secured during the third plan depends on the required size of the pipeline at the end of the plan i.e. the volume of projects under implementation or fairly committed at that time. Major uncertainties are the proposed large investments in the power sector, investment needs of the Douala port, and transportation facilities in the southeast of the country. If the assumption is made that the pipeline at the end of the Third Plan should be as large as at its beginning, and that no significant reduction of foreign reserves (equivalent of 4 months of imports in May 1970) is desirable, approximately another CFAF 37 - 42 billion (\$133 - 151 million) in project aid would need to be secured during the third plan. To make project commitments of this magnitude possible, strenuous efforts will be needed to identify and prepare projects particularly in agriculture, forestry, roads, power and the ports.

Cameroon's external public debt has increased rapidly. It amounted to \$183 million at the end of March 1970. The debt service ratio is likely to rise from 3 percent in 1969 to 6.5 percent in 1975/76, taking into account service on existing and estimated new public debt. In making these projections it has been assumed that grant aid disbursements will remain at a level of CFAF 5 billion a year or close to 40 percent of the total inflow, that Cameroon's traditional aid donors will continue to offer relatively favorable terms on official loans and that, meanwhile Cameroon, in order to avoid rapid exhaustion of its debt-servicing capacity, will keep supplier's credit financing within strict limits. The forecast debt service ratio is still not very high and a modest increase in conventional debt would appear, therefore, justified. However, in view of the country's poverty and modest growth prospects, Cameroon's needs for external capital are expected to extend over a considerable length of time. A continued rapid build-up of conventional debt should be avoided and it is therefore very desirable that most foreign assistance would be extended in concessional terms.

BANK GROUP OPERATIONS

A. Loans, Credits, and their Implementation

The following is a summary of Bank loans and IDA credits to Cameroon as of November 30, 1970:

<u>Loan or Credit Number</u>	<u>Fiscal Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (US\$ million)</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
100 CM	1967	Cameroon	CAMDEV	18.0	11.0	3.1
490 CM	1967	CAMDEV	CAMDEV	7.0		6.9
593 CM	1969	SOPAME	Oil Palm	7.9		6.9
604 CM	1969	SNEC	Water Supply	5.0		3.0
161 CM	1970	Cameroon	Education		10.5	10.5
180 CM	1970	Cameroon	Roads		7.0	6.5
663 CM	1970	Cameroon	Roads	12.0		12.0
687 CM	1970	Regifercam	Railway	5.2		5.1
Total now held by Bank and IDA				<u>37.1</u>	<u>28.5</u>	—
Total undisbursed				<u>33.9</u>	<u>20.1</u>	<u>54.0</u>

CAMDEV: The project is part of CAMDEV's development program for the period 1967 to 1974 and consists of the planting or replanting of approximately 11,500 hectares of oil palm, rubber, tea and pepper; the bringing into production of approximately 5,500 additional hectares of existing immature plantings; and the provision of the necessary infrastructure, processing facilities and other equipment. The project is in the southern part of West Cameroon on CAMDEV's concession.

Cumulative IDA disbursements to Camdev as of November 30, 1970 were \$7.9 million and will not reach the \$9 million figure which was projected in the appraisal report for disbursement by December 31, 1970. Tea development and some fixed asset expenditure, to be partially funded by IDA, have both been deferred; this was offset by a reduction in Camdev self-generated funds which consequently required increased IDA disbursement in 1968 and 1969. The current lag in disbursement reflects what has turned out to be a normal accounting delay of between five and six months for reimbursement of plantation development expenditure.

SOPAME: The project consists of the ^① establishment of 9,000 hectares of oil palms on two estates of 4,500 hectares each, M'Bongo and Eseka; the setting up of a palm oil mill on each of the estates; and ^② the provision at each estate of necessary roads, buildings, and other infrastructure. The project is expected to be completed by June 30, 1976.

Cumulative Bank disbursements for Sopame up to November 30, 1970 were approximately \$1 million, compared with initial estimates of about \$1.3 million. Disbursement is behind schedule because of the Government's advance payment of equity contributions to Sopame amounting to more than \$700,000. This payment, made in 1969, had initially not been expected until 1970/71.

SNEC: The project consists of expansion and improvement of the water supply and distribution systems of Douala and Yaounde. The project is expected to be completed by June 30, 1971, and should make it possible to satisfy the demand until the late 1970's. Construction began in November of 1969, three months late. Since then, however, the rate of construction has followed expectations. Performance by the borrower has been excellent. Project costs will be below the appraisal estimate, due mainly to devaluation of the French and CFA francs. It is expected that disbursements for all project works will be completed before June 1971, and that the savings will be used later to finance additional extension of the water distribution systems in Douala and Yaounde; the possibility that savings would be used in this way was covered in the appraisal report.

EDUCATION: The project consists of the following elements: Construction or extension and equipment of four teacher-training colleges, two technical schools, ^③ fifteen general secondary schools and a higher school of agriculture; the re-equipping of two other technical schools, ^④ related technical assistance for a total of 44 man-years, including 20 man-years of fellowships; and the establishment of a project unit to supervise project implementation. The project is expected to be completed by June 30, 1973.

The education project was originally scheduled to become effective on December 30, 1969. Conditions for effectiveness were not fulfilled until April 29, 1970. There have been delays in implementation due to difficulty in agreeing upon a choice of architects to design the schools, which are to be constructed with the IDA funds. The supervision mission of April 1970 set up a revised implementation schedule which so far has been followed. As a result of the October supervision mission's findings it may in fact be possible to accelerate some of the project implementation in the near future. The revised disbursement schedule now forecasts full disbursement of the credit by June 30, 1974.

ROADS: The project (with both Bank and IDA funding) consists of the improvement of the N'Gaoundéré-Garoua road (273 kilometres) in East Cameroon and of the Tiko-Victoria road (27 kilometres) in West Cameroon, and the engineering supervision of the works involved; feasibility studies of the Garoua-Mora road (254 kilometres) and Doula-Pont du Nkam (180 kilometres) in East Cameroon, and the total engineering for these road sections. The project is expected to be completed by June 30, 1973. The project became effective on July 16, 1970. The borrower is in the process of inviting bids for construction. Although approximately \$500,000 has been disbursed already, the project is too new to permit an accurate prediction on whether or not the disbursement schedule can in fact be followed. Implementation as planned will depend upon contractor performance.

RAILWAY: The project consists of the acquisition and introduction into service of rolling stock (approximately 190 freight cars and 6 trailers); the construction of a new Japoma bridge; the renewing of approximately 55 kilometres of track on the Douala-Yaounde main line; and the study of the economic justification of the proposed realignment of the Douala-Yaounde main line. The project is expected to be completed by December 31, 1973. The conditions for effectiveness were late in being fulfilled by the Government, so the Loan Agreement did not go into effect until October 16. The current outlook is for disbursement to proceed according to schedule.

B. Prospective Operations

SEMRY Rice Irrigation: \$3 million in IDA funds are scheduled for this project in FY 72. The purpose of the SEMRY project is to expand greatly rice cultivation in the Logone River area in Northern Cameroon. To do so will require flood control and cooperation with Chad. The French Government, supported by the Bank, financed an expensive feasibility study which was supervised regularly by PMWA and FAO. The Bank agricultural experts still have reservations on this project because of its high cost, certain marketing difficulties, and the feasibility of introducing double cropping in the area. A Bank pre-appraisal mission will arrive in Cameroon on January 28 and will be prepared to prolong its stay if findings indicate a full appraisal is justified.

PORTS: \$12 million in IDA funds are scheduled for a Port Project in FY 72. The First Port Project for Cameroon, IDA \$1.5 million, is to be presented to the Executive Directors on December 22, 1970. It is an interim project designed to meet the short-term needs of the port of Douala-Bonaberi which handles 85% of the country's foreign trade and which is badly congested. To meet long-term requirements for an efficient ports system, the Government appointed a French-German consulting group to make an extensive study of alternative port development programs. The consultants' investigations, called the Cameroon Port Study, center around a comparative analysis of port development schemes in Douala and Victoria, about 50 km to the west, and will be completed during the second half of 1971. The Bank has advised the Government on the consultants' terms of reference and has indicated its readiness to consider participating in financing the resulting project.

TEA Plantation Development: \$2 million in IDA funds are scheduled for this project, either in late FY 72 or in FY 73. The feasibility study is not yet completed, but results so far suggest the project should be of smaller scale and, even then, may not be economically viable.

C. The Bank/IDA Program for Cameroon

The Bnk/IDA program is set forth in detail in the CPP approved on November 5, 1970 (for full text please see appendix). Basic features of the program are the following:

<u>1972-76</u>	<u>Bank</u>	<u>IDA</u>	<u>TOTAL</u> <u>(\$ Million)</u>
Lending Program (Gross)	52.0	86.0	<u>138.0</u>
Lending Program (Net)	43.0	58.0	<u>101.0</u>

The size of this lending program is justified by the Cameroon's potential economic viability, its key geographical position for development plans of neighboring countries, its political stability, and the sensible policies of its Government. Since the country is poor and only a modest increase in conventional debt should be allowed, a softer blend of Bank/IDA aid is proposed.

The Bank/IDA strategy is designed to complement and reinforce the Government's third five-year plan (1971/72-1975/76) and, specifically, supports two major country objectives: the completion of basic infrastructure, and the expansion of directly productive sectors. In the short-run, Bank/IDA strategy stresses the transport sector, because without adequate ports, roads, and railways the longer-term economic potential of Cameroon cannot be realized. Once the immediate infrastructure requirements are satisfied, the investment in productive sectors, such as industry and agriculture, will follow. At that time Bank/IDA lending will diversify and go to both export and subsistence agriculture, to education and to DFC's, tourism, mining, and urban development. To implement this strategy there is going to have to be close collaboration between the Government, other major aid sources (FED, FAC, USAID), and the Bank.

D. IFC Operations

At present there are no IFC investments or specific plans for Cameroon, and no IFC visit has been made as yet. Mr. De Wilde will be in the country in February to study the private sector and future investment possibilities.

CAMEROON

Development Financing in Cameroon

1. The Banque Camerounaise de Développement (BCD) and the Société Nationale d'Investissements (SNI), both government-controlled institutions, are the main sources of development financing in Cameroon. BCD has a share capital of CFAF 1 billion (US\$3.6 million equivalent), of which 75.5% is owned by the Government, the remainder by the Central Bank and the Caisse Centrale de Coopération Economique. It has operated since 1961, makes short-, medium, and long-term loans for the financing of industry, agriculture, real estate projects etc. Short-term crop financing (discountable with the Central Bank at 3.5%) accounted for over 70% of BCD's total lending in the recent past years and industrial financing for 48% of its medium- and long-term operations. BCD's major sources of long-term finance (foreign loans) are the Caisse Centrale, which also provides technical assistance to it, and Kreditanstalt für Wiederaufbau (Germany). Interest rates charged by these lenders range from 3% to 4.5% per annum. The Managing Director of BCD is Mr. Moulion, a Cameroonian.

2. SNI, established in 1964, makes equity investments in industrial enterprises. Its resources come mainly from Equipment Bonds (two year maturity, 3.5% interest) whose subscription is a legal obligation for commercial banks and certain other institutions. Total shares subscribed by SNI in 27 enterprises amounted to CFAF 1.96 billion (\$7 million). SNI may also make loans, but only to companies in which it invests. SNI is headed by Mr. N'tamag, a Cameroonian.

3. Both BCD and SNI have faced serious financial, managerial, and operational problems: high record of overdue loans, poor management, high expenses, shortage of experienced staff, and heavy operating losses.

Bank Involvement in Development Finance

4. No Bank lending to development finance institutions in Cameroon has taken place so far. The Bank's economic mission to Cameroon in early 1970 concluded, with regard to investment activity, prospects, and institutions, that: (a) foreign exchange funds for investments appear to be readily available elsewhere, mainly from the Caisse Centrale, at low interest rates; (b) there is a paucity of good projects; (c) development finance institutions will need an overhaul to become effective. The mission also pointed out that interest rates in Cameroon (as in other French-influenced African countries) are too low, and represent, inter alia, an obstacle to Bank (or IDA) lending through financial intermediaries.

Plan for Action

5. Despite the establishment of many basic industrial activities in Cameroon, there are opportunities for further growth of investment and investment finance, within the framework of the Third Five-Year Plan (1971-75), but there is a need for a new Government industrial policy to attract private investors.

6. Bank involvement in development finance appears to depend largely on what will be done: (i) in reshaping industrial policies; (ii) in reforming the monetary system so that the interest rate structure comes closer to reflecting economic realities; (iii) in reviewing and reorganizing BCD and SNI in terms of scope of operations, management, staff and financial structure. Such a review

(to be undertaken by a consulting firm) has been recommended by the Bank. After being reviewed and re-shaped, BCD and SNI could play more significant and effective roles in promoting and financing industry.

7. The Bank's lending program for Cameroon forecasts a loan of US\$3 million in FY 1973 and US\$5 million in 1975. Timing and amounts are subject to the changes mentioned in monetary and industrial policies coming about, which is yet uncertain.

Development Finance Companies
January 8, 1971
(Brief for Mr. McNamara)

Cameroon— Experiment in Federation

By Edmund Schwarzenbach

The multiple complications facing the builders of democracy and a federative structure of government in Cameroon are the subject of the following article by the NZZ's specialist in African affairs.

Until 1918 Cameroon was a German protectorate. During that time, its varied ethnic pattern reaching from the sultry rain forest zone to the savannah south of Lake Chad received for the first time a uniform veneer. It was a thin veneer, to be sure, for the German colonization lasted only thirty years and was broken off abruptly by the outcome of the first World War. But traces of it can be found to this day. Thus the borders presently claimed by the country are those of the former German Protectorate.

The victorious powers divided Cameroon into a French and a British League of Nations Mandate, with the French administration receiving the lion's share, present-day East Cameroon. Only two strips of territory bordering on Nigeria, and administered jointly with the latter—British South Cameroon and British North Cameroon—were turned over to British administration. After the second World War all three became United Nations Trust Territories.

The French-administered part was the first to obtain independence, on January 1, 1960. In February, 1961, that is after Nigeria had become independent the preceding October, a plebiscite was held in British South Cameroon on the issue of whether the territory, which until October 1960 had been administered jointly with Nigeria, would adhere to that powerful state or to Cameroon. Under the leadership of John Ngu Foncha a large majority voted for union with the Republic of Cameroon. On October 1, 1961, the unification was carried out and the new federal state solemnly proclaimed as the *République Fédérale du Cameroun*.

In 1959 the smaller northern strip under British trusteeship had rejected unification with Nigeria by a large majority. In April 1961 a second plebiscite was held with the opposite result. British North Cameroon was united with the Nigerian North. Within thirteen months the electorate had greatly increased. In Cameroon it is being asserted today that thousands of Nigerians crossed the border to vote. According to a widespread conviction the option for Nigeria was a result of manipulation. But the result was ratified by the United Nations under whose supervision the plebiscite had been held. Ever since, the "loss" of British North Cameroon has been a cause of "national regret" in the République

Fédérale, revived on every possible occasion. The aim of reunification within the borders once drawn by the Germans has become part and parcel of every patriotic manifestation.

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French and British Africans

After the inclusion of British South Cameroon the country became a federal republic. In addition to the very pronounced ethnic differences, which go hand in hand with a completely irregular pattern of population density, there is now the difference existing between Africans bearing the imprint of British and Africans bearing the imprint of French colonial policy. Not only the language differs. Attitudes in general, everyday habits and the style of administration differ as much as if East Cameroon and West Cameroon were set apart not only by a series of landmarks installed by the Treaty of Versailles, but by the English Channel.

The multiplicity of tribes, the differences of colonial backgrounds and of the two languages are aggravated by a mixture of religious affiliations. The Germans had divided up the missionary areas among the Protestants and the Catholics. Forty years of French rule tended to favor the Catholic missions, while in present-day West Cameroon a whole range of Anglo-American churches and sects compete for the souls of the Africans. Then there is the predominantly Moslem population of the North. The military element in the French colonial administration has clearly preferred this group, because thanks to its tighter social structure it was easier to handle and also more valuable as a reservoir of "hard sons of the desert." Everywhere there are zones of unmitigated primitive animism and, finally, the latter's countless mixtures with Christian elements.

Tolerance as a Basis of Existence

Such an extreme mixture of populations and forms of civilization can be held together only at the price of a great deal of tolerance. It is the great merit of Ahmadou Ahidjo, the current President who last February celebrated his tenth anniversary as Cameroon's recognized leader, of always having acted in a spirit of mutual respect and conciliation. From February 1958 to the date of independence he had been the chief of government of the trusteeship area, when sovereignty was still in French hands. Since January 1 he has been President of the Republic—first of the former French Cameroon, and since the unification of the *République Fédérale*.

Both demographically and economically the two member states are very unequal. The anglophone part is settled by only one of the total of five million Cameroon citizens. Since Britain considered it a mere appendix of Nigeria, the inhabitants of West

Cameroon never enjoyed the same attention that France bestowed upon the Cameroon which geographically formed a unity with the former *Afrique Française Equatoriale*. There is significance in the fact that the plantations which the Germans established still constitute the backbone of West Cameroon's economy; they are now gathered in the Cameroons Development Corporation (CDC).

A Side-by-Side of Epochs

In each of the new African states an overwhelming majority of predominantly illiterate blacks live in the bush according to their archaic style of life. Freedom from disease and the substitution of metal and plastic containers for their homemade pitchers and bowls of earthenware, wood or pleated straw is all that progress has brought them so far. Over the surface of this indigenous society is spread a thin layer of *évolués* who have adopted the style of the former colonial masters, who often have studied in Europe and have learnt to think like Europeans. This "elite" holds the reins, draws the high salaries of their white predecessors in the administration and transacts a part of the business formerly taken care of by foreigners. In addition a series of typically African sources of income are

usually opened up. There is hardly any middle class.

To a degree varying from country to country one finds—little visible from the outside—the "European advisers" in Africa. In most of the ministries and departments there is an office somewhere in the background from where a representative of the former colonial power dispenses "advice." These representatives are particularly numerous in the former French areas. They all conduct themselves with discretion, cautiously trying to prevent the new masters from rushing into headlong adventures. In this they as a rule succeed, not only because they possess the necessary tact but even more so because the coveted development funds pass through their hands.

Such an uneven society is far from constituting a favorable foundation for the realization of a real democracy. Yet such a democracy is demanded of it today. The creed of the United Nations above all admits of no other solution. But of a country like Cameroon, as of all developing countries—and of others as well—too much is asked in the process. Still more pretentious is the expectation that it practice the art of genuine federation.

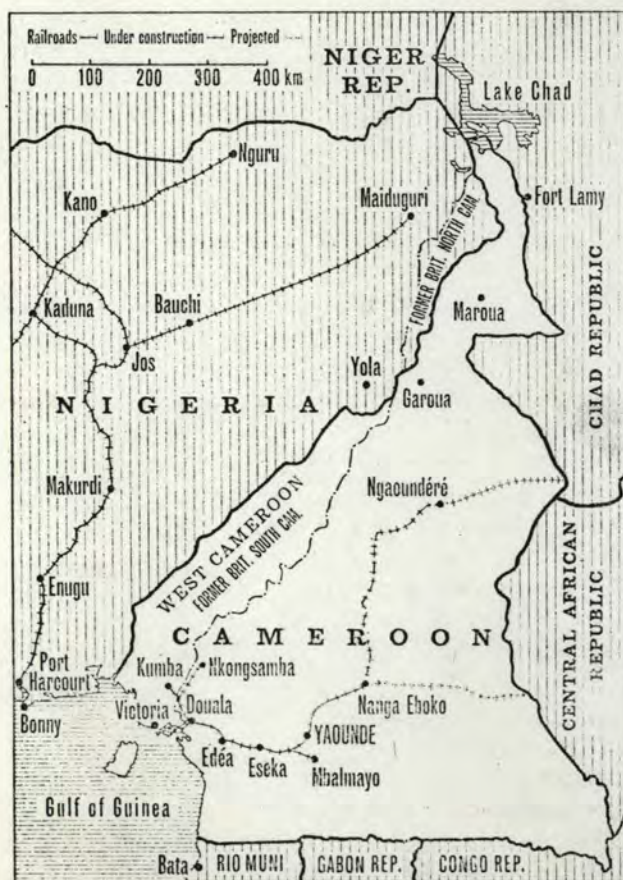
Francophone Dominance

Four-fifths of Cameroon bear the imprint of French mentality. French political thinking, with its centralism dating all the way back to the *Roi Soleil* has never yet developed any federative sense, and has never known how to deal with minorities. To do justice to the reality of Cameroon one should therefore not expect a model democracy nor take the concept of "république fédérale" too literally.

The British administrative system, based on local and regional autonomy in West Cameroon, and the French system based on centralism in East Cameroon, are quite incompatible. In view of the demographic and economic predominance of the East therefore the days of West Cameroon's "Englishness" may be all but counted. In reality the constitutional fiction of a federation is overlaid by a tight system of organs directly subordinate to the President. They are called *inspecteurs fédéraux*, *préfets* or *sous-préfets*, arranged in strict hierarchy. Each member state to be sure has its Premier. In the West region for example there is the impressive figure of Salomon Muna, equipped with all the attributes of an English gentleman. But the decisive instruments of power are in the hands of the *inspecteur fédéral* who is responsible directly to the central government. It is he who commands the troops and the police, and even education is within his authority.

Similar is the situation with regard to language. While bilingualism is provided for in the constitution as a matter of principle and corresponds to an all-African tendency, there is obviously more being done for the spread of French in West Cameroon

The Federal Republic of Cameroon





Ahmadou Ahidjo, President of the Federal Republic of Cameroon

than for the spread of English in the East, and while at the great tenth anniversary celebration of the Ahidjo Government in Yaoundé the directions to the public were translated into English, the speeches—which, on the French pattern, abounded—were given in French only. West Cameroon having had nothing to do any longer with the Commonwealth since the unification, Britain in any event having but little funds for its former protégés, and *francophonie* in general being emphatically encouraged in Africa, the future of the British way of life and of the English language in West Cameroon does not look very bright. Most convincing does the federation appear when President Ahidjo serves champagne and whisky to his guests—while Prime Minister Muna serves whisky and champagne.

*

On February 18, 1958, Ahmadou Ahidjo, a Moslem from the north of the country, became head of the government of the then French-administered trust territory of Cameroon. Since January 1, 1960, he has been President of the independent Republic of Cameroon, which by the addition of the former British South Cameroon was transformed into the *République Fédérale du Cameroun* on October 1, 1961. Today he is the republic's chief of state on a Gaullist pattern. For ten years he has been able not only to maintain himself at the head of this enormously complex conglomerate of peoples, but in addition has contributed to the emergence of at

least some timid beginnings of Cameroon national consciousness.

The Unity Party as a Foundation

Reality, to be sure, lags far behind the all-Cameroonian rhetoric accompanied by largely external attributes such as flags, hymns and rites. The only fairly solid foundation of the state structure is the tightly organized single party, which after various transformations and changes of names today is called the *Union Nationale Camerounaise* (UNC). Its head again is Ahidjo, the most important factor of integration. The cult of his person goes so far that on the cheap cotton "uniforms" of the *militants du parti*—a party militia equipped with symbolic wooden swords—his highly naturalistic portraits are applied at all possible and impossible parts of the body.

In addition to the unity party the army plays a decisive role. It is not a mere showpiece, but a tried instrument. Created on November 11, 1959, by presidential decree, it has been kept busy ever since. Its first task was—at that time supported in this by French troops—to fight the originally purely anti-colonialist rebellion of the *Union des Populations du Cameroun* (UPC). The latter's leaders considered Ahidjo "the man of the French" and therefore their enemy.

Rebellion Overcome

Since 1955 the UPC fought against the colonial administration and on behalf of independence in sometimes bloody insurrections under the leadership of the important nationalist Um Niobe. After the party had been outlawed it established itself in the Bassa lowlands as a sort of maquis. When in 1958 Um Niobe fell into the hands of the French and was liquidated, the UPC was led by Félix Moumié—by remote control from Cairo, Accra and Conakry after he was sent into exile. About the time independence was achieved the rebellion, receding in Bassaland, spread to the highland Bamileke tribe where overpopulation and a distribution of land manipulated by the chieftains had created social tensions and thus a fertile ground for Moumié's agents. Six weeks after the independence celebrations more than eighty men, women and children were slaughtered with bush knives in Djang, capital of Bamilekeland. Under foreign influence the fanatic left-wing extremists turned into social revolutionaries.

By a shrewd political tactic, temporarily attracting a part of the UPC followers and their leaders by means of an amnesty, and by pushing the recalcitrants against the wall with the help of the army, Ahidjo succeeded toward the end of 1960 in extinguishing the rebellion as a focus of political unrest. What remained of it is said to be unimpor-

tant banditry. Moumié's patrons in Moscow, Accra and Conakry broke the neck of the rebellion as a political movement when they dropped him and recognized the régime of Yaoundé, Ahidjo having succeeded in asserting himself.

Since Ahidjo has himself created the Cameroonian army—in contrast to Nyerere who with the "Tanganyika Rifles" had to take over an almost ludicrously well-drilled parade unit from the departing colonial masters—he was able from the beginning to give its composition the necessary careful attention. He did it with circumspection and success. Members of the more than 100 tribes of the country are well mixed on all levels of the hierarchy, neutralizing each other's aspirations to power. And since the rebels now make the country insecure only sporadically and the troops only occasionally need to be used as an instrument of power—as when left-wing extremist partisan grouplets from "friendly" Congo Brazzaville seek to infiltrate themselves—Ahidjo has taken the wise decision to put the army to work building roads, for an African army must be kept busy if it is not to engage in mischief...

The President

Ahidjo is a man of slight build and medium stature, with the relatively light-colored skin of the northerners. In conversation he shows a reserved amiability. At one of the rare press conferences held in the presidential palace in Yaoundé on the occasion of his government jubilee he conducted himself with surprising casualness. He went so far as to inquire whether he had answered certain questions fully, or whether supplementary information was wanted—a demonstration of respect toward the press quite in contrast to the Elysée style which the French advisers had given the show otherwise.

Wherever possible Ahidjo does without the accolades which in the francophone area are an established custom. When he pins decorations on to the chests of his pitch-dark, short-set countrymen from the south one senses something like a touch of haughtiness in the northerner. But his shrewdness makes him treat all alike, even his friends—and also the French. He knows that a country with so complex an ethnic and denominational composition as Cameroon can exist only when tolerance is not only proclaimed, but practised. Himself a pilgrim to Mecca, he cultivates close relations with Msgr. Baptiste Zoa, archbishop of Yaoundé, a personality of extraordinary stature and a courageous critic.

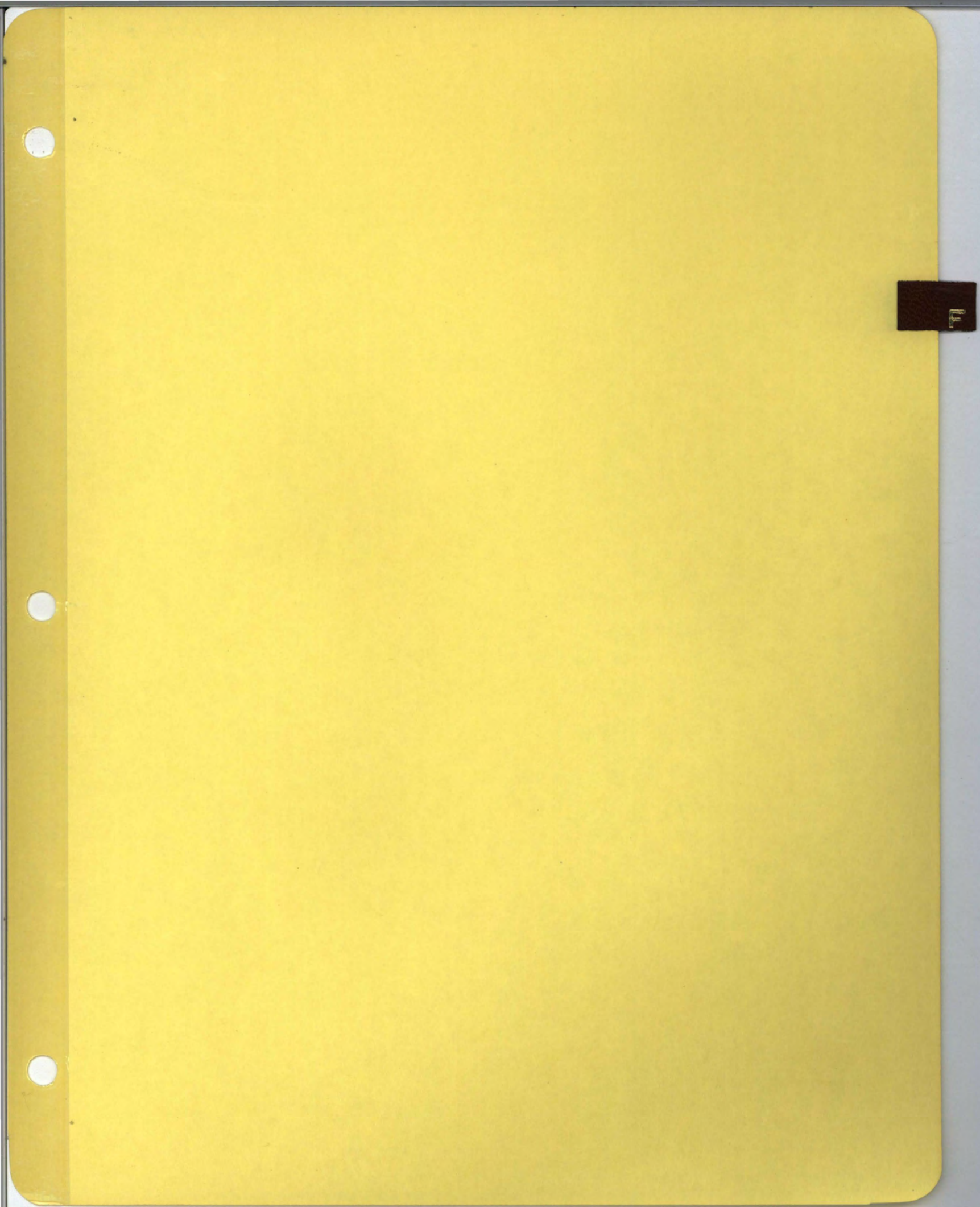
A glance at the backyard of the presidential palace reveals that the high walls are crowned not only by a barbed-wire fence, but by electrically-charged wires strung from post to post—an indication that in Cameroon, as in all the new states of Africa, much must be done for the personal safety of the chief of state.

Ahidjo comes from a modest background, and his dignified bearing, according to the rather sarcastic

remark of a southerner, is merely an exact copy of that of the great lords of the north. His obviously strong personality and the fact that he presides one of those three countries of francophone Africa which represent a reasonably responsible and promising human and economic potential assures him of a considerable prestige abroad. Since he built his whole career in his own country and did not travel through the corridors of the Palais Bourbon, he is an African, of French imprint to be sure, but not a black Frenchman, such as Houphouët-Boigny is. His intelligence, his flair, his whole manner compare most favorably with that of certain South African government officials who consider themselves so highly superior merely on account of their white skin.

A Mild Paternalism

In contrast to the Ivory Coast, whose citizens get their information about events in their own country and in the world through a government paper exclusively, Cameroon has a relatively varied press. It is a controlled press, to be sure, with a discreet preliminary censure exercised on behalf of the political mental health of the readers. Only an abstract idealist however could expect a country in which the larger part of the population lacks the preconditions for critical insight to have complete freedom of the press; full freedom would mean to open the doors wide to demagoguery. A mild sort of paternalism seems unavoidable, and actually the independence of the new states consists mostly in the Africans' now exercising such paternalism themselves. When an African statesman uses his prerogatives with as much tact and prudence as does Ahmadou Ahidjo, one can speak of a fortunate case indeed.



MATTERS FOR DISCUSSION

In November while discussing the new Economic Report with the Government, Messrs. Thalwitz and Jansen made some suggestions on subjects to be covered during the January visit. As a result the Government agreed to discuss the following:

Budgetary Problems
Mobilization of Savings and Investment
Industrialization
Forestry
The Rural Exodus
Human Resources

The Government, on its part, indicated that it would like to make brief introductory statements on each of these subjects during the discussion session. The texts of the various introductory statements have not been received by us in time to be included in this briefing book but hopefully would be available prior to the discussion meeting.

A. Budgetary Problems

In the estimate of the last economic mission, investment requirements in the public sector during the Government's Third Five Year Plan (1971/72-1975/76) would amount to CFAF 100 billion (\$360 million). The feasibility of a public sector development program of this magnitude is crucially dependent on the ability of the Government to muster an adequate volume of public savings. Recent budgetary performance has been quite good, but to a large extent this was due to prevailing favorable export prices. Underlying trends in revenue and expenditures lead to expect a decline in savings during the Third Plan period. However, as discussed below, there is scope for fiscal reform and greater austerity which could result in public savings net of debt service during the Third Plan of CFAF 33 billion. Discussions with Government officials on these conclusions have indicated general agreement.

In the past, the contribution of public savings to development financing has been small, fluctuating around one quarter of total public investment, except in those years in which high export prices contributed to a high current surplus of the agricultural stabilization funds in view of probable fluctuations in these prices it is not possible however to depend heavily on these surpluses for the financing of a development program. Moreover, too heavy reliance on the stabilization funds to mobilise domestic resources would harm producer incentives in agriculture and is therefore undesirable. As far as the third plan period is concerned, the expectation of an overall decline in export prices makes it likely that these surpluses at prevailing producer prices will at most amount to CFAF 1-2 billion a year. In view of the difficult financial position of some government enterprises (the port authority and CAMDEV) it is also not likely that a rapid increase will occur in the total volume of current savings generated by the public enterprises. Tentatively, we estimate the total of the public enterprises current surplus at CFAF 2 billion per year, roughly the same amount as was realized in recent years.

This leads to the conclusion that the volume of public savings in Cameroon during the third plan depends almost entirely on the prospects for budgetary surpluses. In spite of the recent rise in these surpluses, the outlook for such an increase is not bright. As far as revenue is concerned, a slowdown in the rate of growth during the third plan appears likely. In the past, revenue has been responsive to economic growth. This was not so much due to increases in tax rates or more effective tax collection (although some progress in this respect has been made) as to the growth of foreign trade and modern sector activity. The forecast slower rate of growth in these activities will slow down revenue growth. A tentative calculation by the mission of revenue growth of various major types of taxes indicates that during the third plan total revenue will probably grow only very little faster than GDP as a whole.

This tentative calculation is based on the assumption that tax rates would be maintained at their present level and that no substantial improvement is made in revenue collection. In fact, however, there is considerable scope for improvement in both areas. The low level of personal and corporate income taxes has been mentioned. The effective taxation of personal incomes is extremely light and the Mission has the impression that a doubling of revenue from this source within a relatively short period should be entirely feasible. This could be done once collection has been sufficiently improved, by a combination of lowering the exemption limit, raising the progression in the rate (which at present is very low) and reducing the numerous tax exemptions. The latter add heavily to collection cost and loss of revenue. Reform of personal income tax alone could yield additional annual revenue of at least CFAF 4-5 billion by 1975/76. There is, furthermore, scope for raising the rate of company taxes in East Cameroon, which is currently 25 percent of taxable profits compared to 35 percent in West Cameroon. Here again the additional revenue that could be collected is substantial. Raising East Cameroon rates to the West Cameroon level could yield additional revenue close to CFAF 3 billion by 1975/76. By international comparison a rate of 35 percent would not be particularly high and it is unlikely that such an increase would seriously diminish the incentive to invest.

A further subject that needs to be reviewed are the generous fiscal exemptions under the government's investment code. The tardiness with which government is currently extending exemptions under the code is perhaps an indication of the desire to cut fiscal losses. Since the lengthy approval procedure may deter investors it would be preferable if government were to review, first of all, the provisions of the code and perhaps lower the exemptions, and then establish simple criteria for approval.

The collection of customs duties, the most important element of government revenue, is in urgent need for improvement. Collection is slow and misreporting of the nature of merchandise and under-reporting of the value are frequent. We cannot estimate the loss of customs revenue, but suspect that it is large. Earlier mentioned mechanization of customs administration will help improving accuracy and speed up and increase collection. It should however be accompanied by structural changes. The existence of four different import taxes and different "régimes" which determine who will pay none, some or all of these four taxes complicates administration and makes collection expensive. Simplification should raise net revenue. With regard to export taxes, the practice of using a fixed export value, "valeur mercuriiale", as basis for determination of export levies should be changed for a more flexible procedure. When f.o.b prices are below the valeur mercuriiale marginal exporters are discouraged, and when they are higher government suffers unnecessary fiscal loss. The valeur mercuriiale was useful when export prices were stable which was the case when France bought most of Cameroon's exports at fixed prices. The system is now outdated.

Current expenditure has grown by leaps and bounds and in spite of some attempts by government to slow down the pace, there is no evidence as yet that the growth rate is becoming lower. Although there have been increases in current expenditures on education, public health, agricultural extension and public works, much of past expenditure growth appears unconnected with any increase in useful government activities and has to that extent been wasteful. The very rapid growth of the number of government servants (12 percent a year) has clearly been far in excess of government's needs for staff. In recent years the harmful financial effects of excessive current expenditure growth were concealed by even faster revenue growth but this will not be the case during the third plan when according to the mission's expectations revenue will be increasing only about half as rapidly as in recent years.

A reduction in expenditure growth is in the mission's view entirely feasible without any harm to the economic development function fulfilled by government. Tentatively we suggest that current expenditures need not grow faster during the third plan than by 4.5 percent a year. This could be accomplished as follows. In the first place, it would seem that budgetary and staffing provisions for defence and justice (24% of current total budget) and general public administration (25% of current total budget) which have been growing very fast are plentiful at the present level and that very little increase if any is needed in these provisions during the third plan. Secondly, the justification of all types of current expenditures should be carefully scrutinized. In particular the generous family, housing, transportation, entertainment and other allowances of government personnel need to be reviewed. These allowances add more than 60 percent to total government salary payments. It has been estimated that rent allowances for higher government officials alone amount to CFAF 2.3 billion a year.

Current expenditure growth by 4.5 percent a year and increase in administration and defense expenditures by, say, 3 percent would permit increases in expenditures oriented towards social and economic development by approximately 6 percent. This is not a very high growth rate for these activities and perhaps it will be necessary to limit the growth of administration and defense expenditures even more sharply.

On the basis of the foregoing, the prospects for public savings during the third plan appear to be as follows. If revenue and expenditures increase in line with past trends, public savings during the third plan will be very small and perhaps negative. The financial feasibility of a public investment program that is in line with Cameroon's absorptive capacity, would then be very doubtful. The mission therefore recommends that government as part of the preparation of the third plan (a) explore the possibility for fiscal reform (b) adopt a deliberate policy to limit expenditure growth and reduce wasteful expenditures. The mission believes that the target for the third plan period should be to realise at least CFAF 50 billion in public sector savings. Service on external public debt (existing and new debt, assuming for the latter approximately the

same loan conditions as have prevailed in recent years) would require about CFAF 17 billion. This would leave a net domestic contribution to the financing of the third plan public investment of CFAF 33 billion, or one third of the total. This is not a very high proportion, but, as indicated, determined fiscal action and austerity will be needed to achieve even this much.

(The relevant portion of the text from Vol. I of the Economic Report has been excerpted and is attached for reference on the details of public finance.)

III. PUBLIC FINANCE^{1/}

28. The public sector in Cameroon consists of the federal government, the state governments of East and West Cameroon, local authorities, public enterprises (mainly in transport, power, and development banking) and agricultural stabilization funds. As in other francophone countries, all financial transactions of the public sector are effected through the treasury. The reserves of the treasury are mainly held in France in the form of French francs. The overall liquidity position of the public sector has improved greatly in recent years. Treasury reserves have risen from CFAF 4.7 billion at the end of 1968 to CFAF 13.1 billion on February 28, 1970. To a large extent this increase was due to high cocoa prices which resulted in a sharp rise of the assets of the cocoa stabilization fund. We will first discuss budgetary operations on current account of the federal and state governments and then total public sector investment and its financing.

A. Current budgetary operations of the federal and state governments

29. The budget of the federal government is far more important than those of the two states. It accounts for over 70 percent of revenue and 60 percent of current expenditures. The states are mainly responsible for local administration, agriculture, education and public works. Responsibility for police services was transferred from the states to the federal government from 1969/70 onwards, while public works is to be entrusted to the federal government from 1970/71 onwards. In order to discharge their responsibilities, the states have as their main source of revenue all direct taxes. These revenues cover most of total expenditures of East Cameroon, but only 37 percent (in 1968/69) of West Cameroon expenditures. The remainder is financed by subsidies from the federal budget. With the recent transfer of responsibilities, the need for these subsidies from the federal government is declining. A consolidated statement of budgetary developments for the three governments is given below:

^{1/} The fiscal year runs from July 1 to June 30.

Table 8: CONSOLIDATED FEDERAL AND FEDERATED BUDGETS
(in CFAF billion)

	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69 (Mission estimate)	1969/70 (Budget)
	(Actual)							
Current revenue	20.24	25.37	27.24	29.70	31.89	35.57	38.38	43.84
Direct taxes	4.80	5.68	5.72	6.32	7.44	7.64	8.67	9.78
Indirect taxes	12.29	16.69	18.15	19.84	20.49	22.52	24.40	28.07
Fees and dues	.88	.95	1.10	1.22	1.35	1.47	1.43	1.49
Non-fiscal revenues	2.27	2.05	2.25	2.32	2.61	3.94	3.87	4.50
Current expen- ditures	19.61	21.68	24.41	26.70	30.64	33.36	34.09	38.45
Current surplus	.63	3.69	2.83	3.00	1.25	2.21	4.29	5.39
Debt service	.52	.47	.41	.41	.40	.53	.71	1.01
Balance	.11	3.22	2.42	2.59	.85	1.68	3.58	4.38
Capital expen- ditures	1.61	2.16	2.07	4.13	3.77	3.50	3.56	5.94
Overall surplus/ Deficit	-1.50	1.06	.35	-1.54	-2.92	-1.82	+0.02	-1.56

30. The above table reflects a substantial improvement in budgetary performance over the last few years. In 1966/67 the current surplus had dropped to a low of CFAF 1.25 billion, chiefly because of an upsurge in current expenditure. Tighter expenditure control and, more importantly, a sharp revenue rise associated with recent high export prices has led to a rising current surplus, estimated by the mission at CFAF 4.29 billion in 1968/69 and budgeted at CFAF 5.39 billion, or just over 2 percent of GDP, in 1969/70.

31. Current revenues have proven quite responsive to the growth of the tax base. The ratio of current revenues to GDP rose steadily, from 15.6 percent in 1964/65 to 16.9 percent in 1968/69 and probably to almost 18 percent in 1969/70. The expected increase in revenue in

1969/70 is partly due to the effects of the August 1969 devaluation of the CFA franc, which has increased the CFAF value of exports and imports. The effect on revenue from import duties is obscured however by recent reductions in the duty on a number of products. As far as export duties are concerned, government revenue proper did initially not increase since the "valeur mercuriale" on which the duty on most products is determined was not raised until the beginning of 1970 (by 8.3 percent on average over all agricultural exports). Under these circumstances most of the increase in the CFAF value of exports arising from the devaluation was initially received by the agricultural stabilization funds. Since these keep their assets in the treasury, the overall liquidity position of the public sector was favorably affected, but the government budget itself only to a lesser extent.

32. The mainstay of government revenue are still the indirect taxes which account for around 60 percent of total revenue. Revenue from duties and taxes on imports is equivalent to about 36 percent of the c.i.f. value of imports with some tendency in this percentage to decline because of increasing imports by enterprises which benefit from tax and duty privileges under the government's investment code. These imports now amount to 7.5 percent of total imports. Collection of import duties could be larger if customs procedures were less time consuming and more accurate. The mechanization of customs accounts in the near future should help speed up and increase collections.

33. The preponderance of indirect taxes and the very mild progression of direct taxes have led to a tax system which is on the whole regressive in nature. To the extent indirect taxes result in a rise of the cost of economic activities, as is the case with the high level of road user charges (see volume IV. Transportation) they may moreover have an unfavorable effect on economic development. The regressiveness of the tax system is enhanced by the quasi-fiscal role of the agricultural stabilization funds which in favorable years collect a large volume of funds and which in years of low world market prices have avoided disbursement to farmers by lowering producer prices. Although at Cameroon's stage of development it is probably not well possible to reduce these regressive features rapidly, a faster build-up of direct tax revenue and a higher rate of progression in these seems desirable and feasible.

34. Direct taxes account for slightly over 20 percent of total revenue. Collection is in the hands of the state governments but the government is contemplating to transfer the collection of company taxes in East Cameroon to the federal government. Tax rates in the two states have not yet been fully harmonized. In East Cameroon, which accounts for the bulk of commercial and industrial activity, the corporate tax rate amounts to 25 percent; in West Cameroon the rate has been reduced from 40 to 35 percent. In order to speed up and increase company tax collections, a 1 percent turnover tax has been introduced; payments of this tax are to be deducted from total corporate

tax obligations. Personal income tax revenue, although still low, is increasing rapidly. In East Cameroon, which accounts for most of the revenue on this tax, collection rose in 1968/69 by 34 percent to CFAF 3.0 billion. In spite of these rather favorable developments, the incidence of personal income tax is still very low. A married person with two children who has an income of CFAF 3 million (\$10,000), which is a very high income in Cameroon, would pay only 10 percent of it as income tax. Numerous exemptions make it likely that he will pay much less. The marginal rate of taxation is only 30 percent for the highest incomes. These facts indicate that a substantial increase in personal income taxes should be feasible. However, even at current tax rates a certain further increase in direct tax revenue would be feasible through speedier and more effective collection. To this, the ongoing mechanization of direct tax administration should contribute. In the years to come, direct tax revenue should moreover rise as exemptions granted under the investment code expire.

35. Current expenditures have been increasing throughout the 1960's at an average rate of about 10 percent a year, considerably faster than the growth of GDP. Expenditures for maintenance and materials increased at about the same pace as total current expenditures and so did expenditures for education and health. In the case of education, government benefits from substantial support from French technical assistance (which is not shown in the budget), and from the fact that a large part of the education system is in private hands. An important factor in the increase of current expenditures is the fact that the number of government employees between 1966 and 1969 rose by 12 percent a year; personnel expenditures account for about 50 percent of the total current expenditure. Government base salaries were raised in 1969 for the first time since 1958 by 4 percent. Meanwhile however emoluments per person employed did rise because of promotions and increased family and housing allowances. Allowances account for almost 40 percent of total emoluments. In order to make duty outside the large cities more attractive government has recently abolished the salary zones, which in the past led to lower pay for employees in rural areas.

36. While there has been an increase in recent years in the activities performed by government, particularly in education, the increase in the number of government employees appears to be far larger than can be justified by such increase. In order to make more room within the ranks of government employees for young high school and college graduates, government is contemplating a reduction of the retirement age by 5 years. Since this measure would result in a net increase in the burden of personnel expenditure because of additional pension payments and would probably lead to only marginal improvement of government efficiency, this measure does not seem desirable from the fiscal point of view.

B. Public Investment

37. In the first two years of the second Five Year Plan (1966/67-1970/71) public investment has been at a considerably higher level than during the first plan when it averaged CFAF 5.2 billion per year. Investment in the first two years of the Second Plan was more than double this amount, CFAF 11.8 and 13.1 billion. These amounts compare with an average public investment amount proposed in the plan of CFAF 17 billion. The sectoral composition of investment is not entirely in line with the one proposed in the plan, which had relatively heavier emphasis on investments in transport and communications and considerably less in education, public health and public administration. These facts are summarised in the following table.

Table 9: PUBLIC INVESTMENT, 1966/67 AND 1967/68
(in CFAF billion)

<u>A. By government agency:</u>	<u>1966/67</u>	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>
Federation and states	3.77	3.50	3.56	5.94 (budget)
Local authorities	.74	.32		
Public enterprises	1.25	2.05		
Government development banks	.59	.28		
Foreign aid projects	<u>5.41</u>	<u>6.98</u>	7.05	7.61
Total	11.76	13.13		

<u>B. By economic sector:</u>	(in percent of total)		<u>Percentage distribution in Plan</u>
Studies	1.9	1.4	2.7
Agriculture	14.0	21.4	17.8
Mining, manufacturing, power and construction	2.5	10.5	4.6
Transport and communications	35.6	31.9	47.6
Education	16.1	9.0	9.1
Public health	6.3	8.2	4.4
Housing and urban development	11.7	6.9	9.4
Public administration	<u>12.0</u>	<u>10.7</u>	<u>4.2</u>
Total	100.0	100.0	100.0

38. Data concerning 1968/69 and 1969/70 are not sufficient to permit analysis of trends in public investment in these years. However the total level of public investment has further increased

although not rapidly. Capital expenditures by the federal and state governments are rising although the budgeted very large increase for 1969/70 will probably not fully materialize.

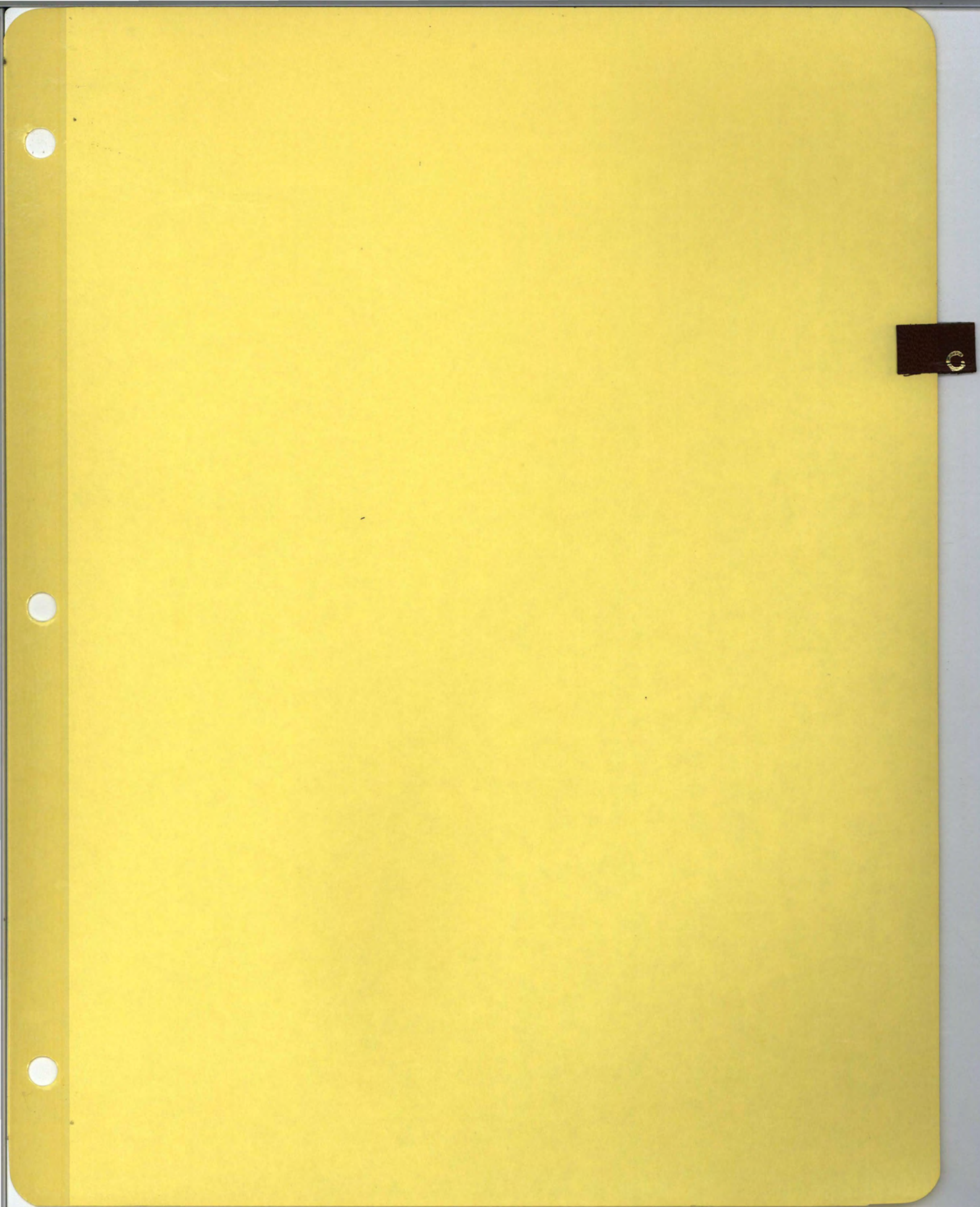
C. Financing of public investment

39. The main sources for the financing of public investment are the current surpluses of federal and state governments, public enterprises and the agricultural stabilization funds of East Cameroon, and disbursements of foreign aid. Most of the residual deficit is usually covered by drawdown of treasury reserves. The justification for considering the current surpluses of the East Cameroon agricultural stabilization funds as part of public savings is that these funds maintain their resources with the treasury so that they are effectively available for public finance operations, even if no specific financing commitment to this end is undertaken. The size of the current savings of the agricultural stabilization funds varies sharply from year to year. During 1964/65 - 1966/67 these averaged CFAF 0.85 billion but in 1967/68 they had risen to CFAF 4.58 billion and in 1968/69 to CFAF 5.69 billion. These variations determine to a large extent whether the public sector as a whole is in surplus or deficit. Financing of public investment in 1966/67 and 1967/68 is set out in the following table.

Table 10: FINANCING OF PUBLIC INVESTMENT, 1966/67
AND 1967/68
(in CFAF billion)

	<u>1966/67</u>	<u>1967/68</u>
<u>Public Investment</u>	11.76	13.13
Financed by:		
<u>I. Public Savings (current surplus of:)</u>		
Federal and state governments	1.25	2.21
Local authorities	-	-
Public enterprises:	1.86	1.98
Railways	.56	.69
Electricité du Cameroon	.50	.59
Cameroon Dev. Corp.	.36	.30
Ports and Waterways	.44	.40
Agricultural stabilization funds	<u>.77</u>	<u>4.58</u>
Public Savings	3.88	8.77
Debt service	<u>1.77</u>	<u>1.86</u>
Public savings less debt service	<u>2.11</u>	<u>6.91</u>
<u>II. Local Development banks</u>	<u>.59</u>	<u>.28</u>
<u>III. Foreign aid disbursements</u>	<u>5.41</u>	<u>6.98</u>
Overall surplus/deficit	<u>-3.65</u>	<u>+1.04</u>

40. The overall public sector deficit in 1966/67 (i.e. after taking into account foreign aid disbursements) led to a sharp drop in treasury reserves, but in the following year these reserves recovered somewhat. Although information about public sector investment and its financing during 1968/69 and 1969/70 is still incomplete it is clear that the public sector as a whole has been in surplus on a cash basis during those most recent years. This is shown by the sharp rise in treasury reserves which increased from CFAF 8.1 billion in June 1968 to CFAF 13.1 billion in February 1970.



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B. Mobilization of Savings for Investment

The short-term discount rate of the central bank amounts to 3.5 percent for Government paper, cash crops and export financing and 4.25 - 4.5 percent for commercial bills. These interest rates have set the pattern for a generally low interest rate structure applied by the commercial banks. The latter charge interest rates which are usually 2 to 3 percent above the rediscount rate. Deposit rates are correspondingly low and as a result there is little attraction for the general public in saving accounts. The opening of savings accounts is further discouraged by the banks through the requirements of a CFAF 200,000 minimum balance, before any interest is payable. On the whole, banks have found it profitable to concentrate on low risk, rediscountable credit to large customers. On the other hand financially strong enterprises and individuals are encouraged by the low deposit rates to maintain liquid resources outside Cameroon to the extent compatible with their eligibility for rediscounting and to borrow as much as possible from the banks in Cameroon. This situation has become more acute in recent years, in view of the global rise in interest rates. During most of the period since 1956 the discount rate was at the same level or only slightly below the discount rate in France but at present the discrepancy is very wide (the discount rate in France at the end of 1969 was 8 percent). Generally speaking, the present interest rate structure appears not conducive to the maximum mobilization of domestic resources. Moreover, there is a serious danger of misallocation of resources since the opportunity cost of capital in Cameroon is obviously higher than the very low official interest rates. This would tend to encourage the privileged enterprises who receive bank credit to engage in more capital intensive production than is warranted by the relative scarcity of factors of production in Cameroon.

Very little is known about the volume and origin of private savings in Cameroon. From our analysis of the national accounts it would appear that the private savings rate has recently dropped, in line with the slackening of private investment. This is a very disappointing development. The growth of the modern private sector and particularly the rapid industrial expansion during the early and middle 1960's was one of the main elements of economic growth during those years. A revival of private investment and with it of private savings is of utmost importance to future economic development. We have mentioned the need to improve the investment climate and the need for a more aggressive industrialization policy. Another factor, also mentioned before, is the need to raise the entire interest rate structure. Under the freedom

of transfers which is characteristic of the CFA franc system a large volume of private factor income is annually transferred abroad. This is in part due to the very low level of interest rate prevailing in Cameroon. A raise of the entire interest rate structure should contribute to keeping a larger proportion of private profits and incomes within the country. A rise in deposit interest rates from their present unattractively low level, and lowering of the minimum deposit requirements on private savings accounts should encourage savers and induce private companies to maintain a larger part of their balances in Cameroon rather than abroad in order to finance their activities with their own funds, rather than with bank credit which at present interest rates is unrealistically cheap. Although a rise in interest rates would obviously be disliked by the private sector it seems unlikely that such a measure would lead to any reduction in economic activity.

(Relevant portions of the text from Vol. V of the Economic Report have been excerpted and are attached for further reference.)

CHAPTER I

FINANCIAL ENVIRONMENT

1. The Banking system in Cameroon comprises the Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun (BCEAEC), six commercial banks and a number of specialist financial institutions. BCEAEC is a common central bank, whose services are shared by Chad, Congo (B), Gabon and C.A.R. as well as Cameroon. Each country has national committees for implementing the policy decisions of the main, multi-national Board of Directors.

Central Bank: Policies and Operations

2. The Board of Directors of BCEAEC is divided equally between representatives of France and of the African countries. Credit policies are thus formulated in the context of the monetary position of the area as a whole. The main instruments for regulating operations have been rediscounted ceilings, established firstly for the area as a whole and then for each country. Within these ceilings the regulations concerning interest rates, liquidity rates, etc. are uniform for all countries.

3. The volume of credit available for both short and medium term lending in Cameroon depends to a great extent upon the rediscount facilities extended to the commercial banks and other financial institutions. Although some limitations introduced in 1968 led to a slight lowering of the rediscount level, it still remained a high proportion (32%) of total medium and short term credits outstanding at December 31, 1969. The Central Bank regulates these facilities (within the country ceiling for Cameroon) by providing automatic rediscounting of certain activities (mainly short term export credits and seasonal cash crop advances) and controlled rediscounting of other short term and all medium term credits. This latter system involves the allocation of ceilings to each bank and each bank borrower so that a credit to an individual project receives a number of scrutinies (other than that of the borrower's bank). The system although somewhat cumbersome, appears to work smoothly and delays do not seem serious enough to hinder investment. It does, however, subject each country to certain constraints in the interests of the area as a whole. Moreover, the processing of the credit application for each project does not necessarily ensure that a project is comprehensively evaluated but only that it is evaluated a number of times.

4. During the three-year period ending December 31, 1969, credits to the economy expanded by some 35% to a total of CFAF 38.9 billion. Annex I gives details and classifications of credit outstanding. Nearly all of the increase was in short term credit. The great majority of this is utilized seasonally for crop financing and for exports; the latter showed a very marked rise and accounted for more than half the total increase. Short term credits for other agricultural purposes declined during the period while credits to industry, transport

and building rose, although still representing only 15% of the total at the end of the period. Medium and long term credit rose only slightly (8.9%) during the whole period, a substantial increase in 1967 being followed by two years of decline in the amounts outstanding. Sectorally, medium and long term credit to industry declined sharply (30%) during 1968 and showed only a slight recovery in 1969. Credits to agriculture in 1968 and 1969 were also much lower than in previous years. Credits for housing fell by about 17% between 1966-1968, but remained fairly stable in 1969.

5. In addition to credit ceilings, interest rates are fixed by BCEAEC both for its rediscount facilities and for commercial bank loans and deposits. Annex I(a) sets out some of the principal rates applicable since 1968. Commercial Bank lending rates are fixed for different types of loans (categorized on approximately the same basis as BCEAEC rediscounts) and are usually between 2%-3% above the rediscount rate. Short and medium term lending rates are much below those currently in force outside the CFA Franc area as are the interest rates for deposits. As a result, there is little attraction in savings accounts (compared with the returns to be had from real estate, for example). The Commercial Banks, moreover, find it much more profitable to concentrate on low risk, rediscountable credit to large customers than to encourage and manage a lot of small savings accounts as a means of augmenting resources. An indication of this is the relatively high minimum balance required on savings accounts (CFAF 200,000) before interest is payable.

6. For industrial investment, hitherto undertaken almost solely by expatriate firms, the low interest rate available in Cameroon must represent not only an attraction but a temptation to structure their investment with as great a proportion of locally borrowed funds as possible. The BCEAEC claims that each credit application is scrutinized carefully to avoid this, but the desire to encourage foreign investors makes it unlikely that a good project will be turned away on credit grounds alone. There is thus an element of public subsidy inherent in the low interest policy, a subsidy more readily available to the larger, more experienced foreign enterprises with alternative sources of funds elsewhere, than to the local entrepreneur with inadequate resources of his own.

Commercial Banks

7. Six commercial banks operate in Cameroon: between them they have about 40 branches and a number of agencies. Most important are the Société Camerounaise de Banque (SCB), associated with Crédit Lyonnais and the only private bank with a majority of its shares held in Cameroon; Banque Internationale pour l'Afrique Occidentale (BIAO) with head office in Paris and its main office in Douala; Banque

Internationale pour le Commerce et l'Industrie au Cameroun (BICIC), in which principal shareholders are Bank of America, Banque Lambert, Banque Nationale de Paris and Commerzbank. BICIC took over (in 1967) the West Cameroon business of Barclays Bank D.C.O. and thus has a wider branch network throughout the Federal Republic than other banks which tend to concentrate on either East or West Cameroon. Operating exclusively in West Cameroon is the Cameroon Bank Ltd., wholly owned by the West Cameroon Government (through the West Cameroon Development Agency and the West Cameroon Marketing Board). The Cameroon Bank Ltd. operated on a very restricted basis under the control of a Supervisory Authority appointed by the Federal Government, having narrowly avoided going into liquidation, unable to meet its obligations, in 1965-66. Cameroon Bank Ltd. was at that time denied rediscount facilities with the Central Bank and this privilege has not yet been restored, which seriously limits its operations.

8. The remaining commercial banks, Société Générale de Banques au Cameroun and the Standard Bank of West Africa Ltd., respectively French and British owned, have as yet a much smaller volume of business than any of their larger competitors.

Specialist Financial Institutions

9. The consumer credit societies (of which the most important is Société Camerounaise de Crédit Automobile) provide hire-purchase facilities for vehicles and small equipment. The total amount of financing has risen steeply in recent years with total credits in 1968 nearly 70% above the 1967 figure. Both private cars and trucks are financed, usually over a period of about 1 year. Three-fourths of the total amounts granted go to Cameroonian traders and transporters.

10. The Federal Post Office runs both a Savings Bank and a Postal checking system, each taking deposits from institutions and individuals. Savings Bank accounts pay 3.5% per annum interest; Postal checking system accounts are non-interest bearing. Total deposits have risen slowly (although the average deposit per saver has declined slightly). A noticeable feature of the deposits has been the downward trend of savings by companies and foreigners, compared to Cameroonians, possibly reflecting alternative and more attractive investment opportunities open to the former.

11. The most important of the specialist Financial Institutions are those providing development financing either through share participations or loans. All are owned by the State and are described in detail in Chapter V. Banque Camerounaise de Développement (BCD) in which the Federal Government owns 75.5% of the shares, provides short, medium and long term credit to all the main sectors of the economy. Despite a wide range of objectives published when the Bank

was created in 1961, the predominant business of BCD has been short term agricultural lending (seasonal crop financing) Up to June 30, 1969 over 63% of BCD's total credits had been in this category and they have represented the most important single source of agricultural credit in the country. These short term credits are fully discountable with the Central Bank. Medium and long term lending by BCD, and lending to sectors other than agriculture, has been a much less important activity in financial terms and characterized mainly by a gradual shift in emphasis from real estate loans to industrial lending over the past 4 years. This change has been partly a matter of policy and partly a result of financial difficulties in 1964-65 caused by a large number of bad debts. At that time, the Caisse Centrale de Cooperation Economique (CCCE) declined to make further credit available except for specified projects (mainly in the industrial sector) on a case by case basis.

12. The Société Nationale d'Investissement (SNI) was created in 1964 as a Government agency to mobilize domestic savings for investment in equity shareholdings. SNI has had a number of problems, both financial and managerial, since it opened for business. A new Director General has recently been appointed by the President of the Republic, and the future objectives of the institution are understood to be under review by the Government. Up to March 1970, SNI has subscribed to equity shares in 27 enterprises at a cost of CFAF 1,968 million. The majority of these participations represented the holding of 15% to 40% of the total capital of the enterprise but in certain sectors, notably hotels, SNI has subscribed a majority of the shares. A large number of the enterprises in the portfolio are in difficulties, caused frequently by management problems. SNI may also make loans, but only to companies in which it invests. The Society's resources have come principally from Equipment Bonds, whose subscription is a legal obligation imposed upon Commercial Banks and certain other institutions.

C A M E R O O NStructure of interest rates on Central Bank rediscounts^{1/}

<u>Nature of Credit</u>	<u>Rate of Interest</u> %
<u>1. Short-term rediscounts</u>	
Government paper	3.5
Cash crops, cotton and exports	3.5
Public works ("crédit d'accompagnement")	3.5
" " ("crédit de préfinancement")	4.5
Commercial bills (two signatures)	4.5
" " (three signatures)	4.25
<u>2. Short-term Bank advances</u>	
Private paper (eligible signatures)	4.5
" " (without facilities)	6.5
Development Banks	4.5
Government paper	4.25
Overdrafts (guaranteed by Government paper)	5.0
<u>3. Medium term rediscounts</u>	
Productive investments	3.5 ^{2/}
Commercial construction investment	4.25 ^{2/}
Development Banks	2.5

^{1/} in effect from September 24, 1968^{2/} excluding Commitment Commissions

Source: Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun.

CAMEROON - INDUSTRIAL CLASSIFICATION OF
DECLARED LOANS AND ADVANCES ^{1/}
(In millions of CFA Francs)

Annex 1 (a)

At December 31

	1966	%	1967	%	1968	%	1969	%
<u>Short-term</u>								
Agriculture	1,139	5.1	1,054	3.8	1,182	4.0	708	2.2
Electricity-water	-	-	-	-	-	-	25	-
Industry - textile	469	2.1	603	2.2	953	3.3	1,011	3.3
- wood	455	2.0	305	1.1	326	1.0	450	1.4
- other	882	4.0	1,162	4.2	2,123	7.3	2,512	7.9
Building, P.W.	1,435	6.4	1,885	6.8	1,747	6.0	1,921	6.0
Transportation	1,353	6.1	1,528	5.5	1,249	4.3	1,585	5.0
Exports	5,942	26.7	8,627	31.2	9,333	32.2	11,020	35.0
General Commerce	10,069	45.2	11,472	41.4	11,422	39.2	11,545	36.4
Services	534	2.4	1,044	3.8	818	2.7	905	2.8
Total	22,278	100.0	27,680	100.0	29,153	100.0	31,682	100.0
<u>Medium- and Long-term</u>								
Agriculture	1,124	17.0	1,020	14.6	550	8.1	490	6.8
Mining and industry	3,235	49.0	4,165	56.4	2,897	42.5	3,129	43.5
Building	2,052	31.1	1,851	25.3	1,692	24.8	1,538	21.4
Other	186	2.8	269	3.7	1,685	24.6	2,025	28.3
Total	6,597	100.0	7,305	100.0	6,824	100.0	7,182	100.0

^{1/} Declared to "Centrale des Risques".

Source: Banque Centrale-Études et Statistiques.

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C. Industrialization

The industrial sector consists mainly of the processing of local agricultural products and the production of consumer goods for the local market in replacement of imports. The major exception is the aluminium smelting operation at Edea based on imported alumina. Industry is concentrated in Douala which has the basic infrastructure facilities and is the center of the most populous market area. Shortages of suitable land and of skilled labor, combined with over-loaded transport and port facilities, is, however, causing problems for expansion at Douala. However the regional industrial estates envisaged during the second plan have not yet been established. Ownership of industry is almost wholly expatriate. Cameroonian participation in investment or management has so far been small.

Political stability and steady economic growth provided the climate for rapid industrial development during the early and mid-1960's. Private sector initiative was helped by an investment code providing liberal tariff protection and fiscal benefits and by the expanded market represented by UDEAC. Nearly half of all enterprises accorded special incentives under the UDEAC treaty were established in Cameroon.

Since 1967, however, there has been a slow-down in industrial investment. Many of the sectoral investment targets of the second plan are unlikely to be achieved. During the first two years of the Plan (1966/67 and 1967/68) manufacturing investment totalling CFAF 7.9 billion slightly exceeded expectations but, although official data is not available, it is evident that there has since been a very sharp decline. Only one new manufacturing enterprise was registered in 1968. Almost all investment has come from the private sector as was expected, by means of external and local equity capital and through commercial bank credit. Despite the investment slow-down, the value of manufacturing output for the principal enterprises rose by 27% in 1969. This was due largely to the increased utilisation of existing capacity and, for some major products such as cocoa and aluminum, high export prices.

Some investment decline was to be expected, as the first stage of industrial growth was completed. The continued slow-down is due mainly to the lack of an active official policy for industrial development, the official policy of "liberalisme planifié" having proved insufficient to maintain private sector momentum. As a result of inefficient and inconsistent administration of the complicated Investment Code, cumbersome price controls, slow customs and port procedures, there has been a deterioration in relations between the industrial sector and Government. Mounting unemployment, particularly in Douala and Yaounde is

meanwhile leading to increased pressure on the government for further intervention in industry at a time when lack of private sector confidence is already evident from the falling investment volume. New initiatives are urgently needed to improve understanding on both sides.

There are opportunities for increased industrial growth in Cameroon, although the second stage of industrialization will perhaps be slower than the initial stage. Additional consumer items could be manufactured using Cameroon raw materials (hides, cotton, cocoa, fruit, etc.). Further manufacturing possibilities include increased textile and garments production, soluble coffee, expanded palm oil and soap and cosmetics production, fish meal and fruit juice. A fertilizer plant and sack factory, both forecast for the second plan period are still under consideration. Establishment of an oil refinery at Douala is also under consideration. The best growth possibilities probably lie in the further processing of the country's abundant timber resources. A large scale pulp and paper project, under consideration by the government, seems unlikely to be economic, but the outlook for export of plywood and particle board and local expansion of furniture and box manufacture, seems favorable.

Government officials indicated that the orientation of the Third Plan for manufacturing would once again stress the dominant role of private enterprise but that official policy would encourage export oriented, labor intensive industries, with increased processing of Cameroon raw materials. It would also stress the development of Cameroonian entrepreneurship. No details of investment forecasts are available for the third plan but mission estimates, based on known expansion possibilities in the main sectors, indicate that manufacturing investment (excluding the bauxite, oil refinery and pulp and paper projects) may be of the order of CFAF 13 - 15 billion compared to a target of CFAF 17.4 billion for the second plan. Such investment would probably increase industrial employment by about 7,000 workers by 1975/76, some 18 percent above the present level. Early substantial improvements in transport and adoption by the government of a clear and efficiently administered industrialization policy might however lead to somewhat more favorable results.

Certain pointers for such a policy are clear. Private sector capital and initiative must play the major role in industrialization but government should decide the type and location of industry to be accorded priority status, the degree of protection to be given and the role of state institutions in industrial financing. The administrative machinery for industrial development and particularly for the Investment Code must be overhauled. A special industrial promotion department should be established to build up as quickly as possible a pipeline of studied, feasible projects. Import duties on raw materials and industrial intermediate products which now are often higher than desirable from an economic point of view and the cumbersome price control procedures should be reviewed.

In addition to the improvement of physical facilities for industry, (including a review of the industrial estate program) a training program is needed to increase the supply of skilled workers. Special attention and incentives should be devised to encourage Cameroonians to participate in industrial ownership and management. To assist in financing increased Cameroonian participation, local savings for productive investment must be increased. The commercial banks' high minimum savings account requirements and the low interest rates on deposits are hindering this objective. Central Bank rediscount requirements also tend to favor larger, well established enterprises at the expense of the small Cameroonian entrepreneur.

The two Government-owned development institutions, Banque Camerounaise de Développement (BCD) and Société Nationale d'Investissement (SNI) have played only a limited role in investment. Their respective functions should be reviewed, particularly to see whether their long and medium term financing roles overlap and whether the seasonal short term operations of BCD should be separated from the longer term development credit operations. In both institutions, the question of appropriate resources should be considered once their respective roles are determined.

(Relevant portions of the text from Vol. V of the Economic Report have been excerpted and are attached for further reference.)

Industrialization: Summary and Conclusions

1. Despite political stability and favorable economic growth, Cameroon has experienced a serious slowdown in industrial investment, which shows little sign of recovery from its present stagnation.
2. Investment targets of the Second Five Year Plan (1966-67 to 1970-71) in the industrial sector were in general attained for the first two years of the Plan but the rapid decline since then makes it certain that many of the Plan's overall objectives will not be implemented.
3. Almost complete reliance has been placed on the private sector for the development of industry. Government efforts were deliberately limited to a policy of "libéralisme planifié" which has not proved able to provide private entrepreneurs with sufficiently attractive an investment climate to overcome the usual disincentives to investment in a developing country with no special advantages. The main instruments of official policy an Investment Code and two Government financial institutions, suffer from serious weaknesses either of concept or execution. There is some evidence of dawning official awareness, not only of the sagging industrial effort but of its causes. Unless priority attention is given to some fundamental policy problems, however, the outlook for improvement during the Third Plan period is not promising.
4. The investment slowdown was to some extent inevitable. The completion of the first round of industrialization, comprising the substitution of several of the more easily manufactured imports, together with the relatively small domestic market, the lack of entrepreneurial talents and of skilled manpower, and deficiencies in the infrastructure of the country all had a not unexpected braking effect on the rapid expansion of the early and mid 1960's. The moment when private sector momentum was thus faltering should have seen the intensification of public sector efforts to counteract such hesitation. In fact, no such extra effort was made; indeed some Government measures such as price control, turnover tax, and restrictions on repatriation of salaries for foreign staff has had, predictably, the opposite effect. Furthermore, "libéralisme planifié" has been taken so literally that there is almost a complete lack of adequately studied projects which the Government itself might promote at a time when such initiative might have a catalytic effect. 1/

1/ Such projects would typically be those justified by Cameroon's now somewhat more developed industrial base and those which give promise of supplying export markets, rather than concentrating only on domestic consumption.

5. The institutional structure for industrial development has also been beset with problems. Poor coordination between Ministries has led to conflicting interpretations of policy and, most seriously, to a rapid decline in the efficiency and speed with which private sector dealings are handled by Government offices. As a result the relationships between the mainly French industrialists in Douala and the Cameroonian officials in Yaounde have deteriorated. The BCD has been unable to play any significant role in industrial investment, in part because management and financial problems cut off its main source of funds for industrial projects with the result that it has concentrated on short term consumer credit operations easily discounted at the Central Bank. SNI has also had serious management troubles, but it is doubtful if the most capable executive could overcome the contradictions between SNI's objectives, long term equity investment and its means, short term, fixed interest bonds.

6. The limited official perspectives given to the mission regarding future industrial policy and the main objectives of the Third Plan in this regard appear to be reasonable, as far as they go. Concentration on manufacture for export and on further processing of local raw materials is sensible. The encouragement of Cameroonian entrepreneurship, particularly, is certainly overdue. However, the most critical requirement is a more fundamental one. It involves the study, formulation and implementation of a basic industrialization policy. This should aim at transforming the passive attitude of Government under "liberalisme planifié" into an active, promotional role guided by clear priorities and implemented by authoritative institutions with adequate and definitive powers. Some pointers to the main lines of such a policy are given in the recommendations which follow. The mission was told that the Government is already discussing with experienced international consultants a proposal to undertake the detailed study on which a balanced industrial policy can be based. It is also understood that finance for such a study might be available from FED. The need to formulate a policy is urgent and a study should be commissioned as soon as possible.

7. Despite the fact that private sector expertise and capital must be relied upon, for the foreseeable future, to play the major role in the industrialization of Cameroon, there are certain official initiatives which can and should be taken to provide encouragement to such private entrepreneurship, whether foreign or Cameroonian. Unless these actions are taken, the prospects for satisfactory growth are not good. The measures described below need urgent attention, preferably before the finalization of the third Five Year Development Plan.

8. The following recommendations deal directly with the manufacturing and industrial investment sectors. The provision of adequate physical infrastructure, roads, ports, communications is of equal importance to industrial development; these sectors are covered in other volumes of the report.

1. Industrial policy

The formulation and implementation of the main constituents of an active industrial policy should receive priority attention. A study should be made to clarify the various objectives of such a policy (employment, export earnings, local resource uses, etc.) and described the options open to Government in implementing the policy, ranging from direct intervention to fiscal encouragement. In the course of this evaluation, the political and economic costs and benefits of each option should be assessed. The resulting policy should determine, inter alia, the type and location of priority industries, the degree of protection to be afforded, the role of state institutions in industrial financing and the Government departments responsible for carrying out the policy.

2. Investment Code

When the main objectives have been chosen, a review should be made of the Investment Code to (a) evaluate the costs of the concessions granted against the benefits accruing to the national economy, (b) define more precisely the criteria for approving applications (c) reduce disparities between concessions to existing as compared to new enterprises, (d) integrate and simplify the existing schedules, and (e) improve and speed up the administrative processing of the Code.

3. Promotion of Industry

A special department should be established, with foreign technical assistance, to promote industrialization. As a first step, the department should make a systematic investigation of industrial possibilities and maintain a detailed project inventory. It should improve industrial statistics, study market trends and maintain regular liaison and advisory services with the private sector both in Cameroon and abroad.

4. Price Control

An urgent review should be made of the system and administration of price controls on industrial products. Where they cannot be adequately supervised, their retention should be questioned; where they are retained, the method of allowing for production cost fluctuations should be examined.

5. Customs Tariff

Existing high rates of duty on imported machinery and intermediate products discriminate against the artisan and the entrepreneur who is too small to qualify for the duty exemptions granted to larger firms. An evaluation should be made of the effect on revenue of reducing the tariff to narrow the disparity between privileged companies and others.

6. Tax System

Rates of company taxation should be uniform between East and West Cameroon to simplify industrial expansion country-wide. The operation and effects on production costs and prices of the turnover tax should be reviewed.

7. Training Facilities

In cooperation with the private industrial sector, whose future manpower requirements should be assessed in detail, the Government should urgently prepare and launch a program to provide appropriate technical facilities for management and production grade employees. The Commercial College in Douala, supported by the Chamber of Commerce, should be expanded and the range of its courses extended, particularly for supervisory grades.

8. Cameroonian Industrialists

Special responsibility and powers should be given to the Ministry chosen to implement industrial policy, to identify and encourage potential Cameroonian industrialists. Existing programs with this objective should be coordinated and funds allocated both for direct assistance to suitable candidates (for example, by participation in equity and provision of long term credit), and for indirect help through such methods as production advisory services, purchasing and marketing assistance, accounting advice and training facilities.

9. Industrial Estates

The Industrial Estate Program of the second Plan should be reviewed. In Douala and Yaounde particularly, estimates should be made of land requirements and the provision of power, water and transport facilities coordinated, to enable the establishment of modern industrial zones to proceed quickly. In other centers, however, the economic justification of establishing industrial estates offering full facilities should be realistically appraised against the likely demand.

Financial Environment

10. Local Savings

With the object of reducing the present dependency on overseas capital for industrial development, means should be found to increase the level of local savings and to channel them into productive investment. The low level of interest on deposits has little attraction for savers (especially by contrast with the returns available from trading and real estate). The liberal

rediscount policies of the Central Bank, moreover, give no incentive to the commercial banks to increase their resources through more vigorous pursuit of savings. As a first step, the commercial banks should be encouraged to lower their minimum deposit requirements on savings accounts.

11. Interest Rate and Rediscount Facilities

By virtue of the same low-interest policy, credit is not expensive. However, except for short term, seasonal financing, credit is not readily available to the smaller enterprise because there is insufficient margin in the interest to offset the potential risks. Well-established large companies, mainly foreign, can obtain credit rediscounted at the Central Bank, without difficulty. At the rates prevailing in Cameroon, these companies have every reason to borrow as much as possible locally, while investing profits and surplus capital overseas.

Cameroon's membership of the franc zone and its subordination to a multi-national Central Bank severely limit its unilateral ability to make significant changes in rediscount policies or interest rates. Nevertheless, a study should be made of the possibility of setting more attractive rates for local savings. The study should also attempt to determine whether higher interest rates on long-term credit would have a disincentive effect on industrial investment. It seems possible, on the contrary, that rates more comparable to those abroad might induce further re-investment of profits in Cameroon as well as sifting out some of the more marginal projects.

12. Coordination of Resources and Needs

The Government should aim, through the National Credit Council, to devise means for closer coordination between the resources of the public savings institutions (Postal Savings Bank, Agricultural Stabilisation Funds and National Reinsurance Fund) and the needs of the investment organizations such as SNI and BCD.

Financial Institutions

13. BCD and SNI

The onset of a new Five Year Plan and the adoption of an active industrial policy is an appropriate time to reconsider the objectives, policies and performance of both SNI and BCD. In view of the limited role they have so far been able to play in long term development, and of their financial and operational problems, such a review is urgently required.

The two most important questions to be asked, in the context of a more active industrial policy, are (a) whether the wide objectives of SNI and BCD are still appropriate and (b) whether two separate institutions are needed to provide medium and long term finance to industry. The review should consider all the resources likely to be available for public intervention in industrial financing, both financial resources and the availability of skilled staff. Given these resources, the study should determine how they can best be organized to the maximum effect.

Particular attention should be given to the possible advantages of separating, either within BCD/SNI or as a separate institution, the medium and long term financing function (whether by equity or loan) from the short term consumer lending and seasonal crop financing function which presently constitutes the bulk of BOD's activities.

14. Equipment Bonds

An urgent review should be made of the Equipment Bond system. The recent transfer to SNI of repayment responsibility for these short term obligations has greatly diminished their utility as funds for long term investment. Moreover, if SNI is to gain sufficient financial stability to attract funds in due course, the problem of accounting for past interest must be resolved. If the Bond system is to remain, all institutions and individuals obliged by law to subscribe to them should be required to do so. Finally, the CFAF 2 billion ceiling on the value of bonds issued should be re-examined, as should the restrictions on the use by SNI of the Bonds. In both instances, the limits imposed under the existing legislation are being exceeded.

15. Staff

Both BOD and SNI need an improvement in quality of their staffs particularly in the evaluation of projects. This is particularly needed if their operations are to expand and if they are to place less reliance in future on rediscount facilities (under which the Central Bank arranges its own project appraisals). The skills required to process the bulk of BOD's current business are quite different from those needed for long term investment assessment, especially in industrial projects. In the latter regard, closer cooperation with SNI's project staff should be encouraged, if the two institutions continue to operate independently. For BCD's routine lending and credit operations, further training should be aimed at giving greater responsibility to branch managers and at preparing sufficient staff to expand the branch network.

16. West Cameroon Development Agency

An early decision should be made by the West Cameroon Government (and, if continued budget support is required, the Federal Government) on the future of the West Cameroon Development Agency (WCDA).

The Commission of Enquiry has recommended continuing, but curtailing, the operations of WCDA. The alternative is to close it down, endeavoring to dispose of its directly managed projects and amalgamating its development and lending functions with SNI/BCD. From a purely economic viewpoint, the latter course appears to be the wisest.

CHAPTER IV

INVESTMENT CODE

37. Cameroon's industrialization policy has been developed almost wholly upon the provision of fiscal attractions to private enterprise. These are available through the medium of an Investment Code, first enacted in 1960. Subsequent amendments have extended the provisions of the Code, but its basic structure remains the same. Enterprises approved under the Code receive a variety of tax and import concessions and guarantees depending upon the size of the investment, its importance to the economy, employment created and other criteria. The exemptions vary in degree and length of validity according to six priority schedules, whose main features are summarized in Annex 4. A table of the number of enterprises approved under the terms of the Code during the period 1961-1969 is given at Annex 5.

38. Since the creation of UDEAC in 1966, two separate investment codes have been available, one applying to companies operating in one country only and the other to those projects whose activities extend to one or more other member countries of UDEAC. Both Codes are similar in the benefits they confer, but the applications are processed either nationally or internationally depending upon the appropriate Code.

39. With a high level of import duties on material and equipment, few investors are likely to establish an enterprise in Cameroon unless they are granted the exemptions and benefits of the Code. On the other hand, many of the Code's provisions are imprecisely defined in the law, and thus the period of application and negotiation has become more and more lengthy and the outcome less certain, as different interpretations are passed from one Government office to another. Investors who can afford to do so find it prudent to delay any commitment of funds until the result is known. The mission was advised that the processing of a typical dossier often takes a minimum of one year and necessitates three or four visits to Yaounde. For an application under the UDEAC Code, complications and delay can be doubled.

40. Applications (thirty copies for Cameroon, sixty for UDEAC) are submitted to Ministerial and inter-Ministerial Committees on which are represented such diverse interests as the National Assembly and the Chamber of Commerce as well as the Ministries of Planning, Finance, and Commerce and Industry, as well as BCD and SNI.

41. Originally, the Investment Code contained few benefits applicable to small and medium enterprises and many of its privileges were not appropriate for forestry companies and sawmills, other than the few largest ones. The enactment of special provisions for these categories of enterprises in 1968 rectified this situation. Nevertheless, the

administrative procedures under these new schedules are no less cumbersome either for applicant or official, and the number of beneficiaries has been small.

42. An important drawback to the Investment Code is the absence of specific provisions extending similar benefits to re-investment by existing companies compared to initial investment by new companies. This is particularly serious in Cameroon where the majority of investment expenditure is undertaken by firms already established and where such efforts to expand operations should be encouraged.

43. The complications and delays of the Investment Code itself are certainly not the only reason for the decline in the number of approved enterprises in the last two years (Annex 5). But, where other factors exist which tend to discourage investment, a well-conceived and efficiently operated code can go a long way towards instilling confidence. This is not at present the case in Cameroon.

44. There seem to be three main reasons for the difficulties being encountered in administering the Code. Firstly, the physical separation between Douala, where most industrial initiative is centered and Yaounde, the seat of Government, undoubtedly gives rise to delays. This same detachment seems also to emphasize the differences and even suspicions which frequently exist between the public and private sector. Where, as is the case in Cameroon, these are usually of different nationalities, these apprehensions can often be compounded.

45. Secondly, there is an urgent need to coordinate and streamline interministerial responsibilities in the field of industrial development. The composition of the 12-man official committee to examine applications, is indicative of the number of official institutions having a say in this field. Given that the Code itself is often imprecise, each department tends to give it a definition to suit its own best interests, and viewpoints frequently clash. Finally, the onset in Cameroon of a second, more complex stage of industrial development has undoubtedly led to the need for a more sophisticated review process in assessing both the costs and benefits to the country of a particular industry. Much of the delay is caused because Cameroon simply does not have the officials to do this kind of work.

46. As part of an overall reconsideration of industrial policy, a new look at the Investment Code is urgently required. Those provisions which remain basically appropriate to present needs should be extended to give greater encouragement to investment by existing as well as new enterprises. The nature of the benefits should be much more clearly defined and more exact requirements laid down for applicants, so that departmental interpretation is reduced to a minimum. Most important of all, the administrative processing of applications should be urgently improved and ultimate responsibility for approval or rejection given to one Ministry only, with the requirement that that Ministry take other views into account before making decisions.

CAMEROON - APPROVALS UNDER THE INVESTMENT CODE
1961 - 1969
(in millions of CFA Francs)

	<u>Investments approved</u>		<u>Estimated</u>
	<u>No.</u>	<u>Amount</u>	<u>Employment</u>
1961	3	441	912
1962	5	19,686	5,830
1963	5	432	524
1964	11	6,754	4,000
1965	16	4,946	3,737
1966	19	7,479	6,498
1967	1	154	80
1968	3	1,100	400
1969	<u>4</u>	<u>849</u>	<u>543</u>
	67	41,841	22,524

Source: Direction des Investissements, Ministère du Plan et du Développement

CHAPTER VI

PROSPECTS AND REQUIREMENTS

A. Prospects for Industrialization

81. Despite the establishment of the basic industrial activities in Cameroon, the possibilities for further growth are not exhausted. A study has just been started of the only important known mineral resource, a bauxite deposit, but even if this very large project is viable, it is unlikely to be fully developed during the next Plan period. Tentative estimates of possible capital cost are very high and the ore is not of overall high grade. Even if the Alucam complex increases its capacity in the next few years, a possibility which is under study, it is likely to be dependent on imported bauxite for a number of years.

82. The establishment of an oil refinery is also a possibility since the UDEAC refinery at Port Gentil has reached capacity, but it is not yet certain whether any new refinery would be located in Cameroon. Even if it is, it is unlikely that it could be of sufficient capacity to become the basis for a complex of chemical industries. Nevertheless, an oil refinery would give an added dimension to the industrial sector and would provide further opportunities for expanding the local manufacture of metal containers and drums.

83. There are opportunities for some increased local production of consumer items now imported, and a number of these could be based on Cameroon raw materials (hides, cotton, cocoa, fruit etc.). Chocolate for local consumption is already being made from Cameroon cocoa, but any exports (beyond the UDEAC zone) would face severe competition from manufacturers in Europe. The latter can keep costs low by blending different quality cocoas from various sources whereas the Douala factory must use local beans only.

84. Further possibilities which have been or are under consideration (either by the Government or by potential investors) in this category include a soluble coffee plant, expanded palm oil and soap production, production of avocado oil, fishmeal and fruit juice. But none of these projects has yet gone beyond the study stage mainly because of uncertainties of an adequate market. Two other major proposals envisaged in the Second Plan, a fertilizer plant and a sack factory, are also delayed.

85. The textile industry is already well developed and diversified. Output can be expected to grow but not rapidly, since it must rely mainly on the Cameroon market and faces strong competition in exports. The output of shoes could be increased, but a proposed tannery project to supply leather from local hides has not materialized. Exports of made-up garments have had marked success, particularly to UDEAC countries, and could probably be expanded.

86. Expansion of food and drink output is also limited to local consumption. Breweries, the most important sector, already cover the Cameroon market, although some expansion in provincial centers is envisaged.

87. Some further possibilities for expanding production of consumer goods (enamelware, cosmetics, bicycles, plastics) are also being examined. Scope also exists to provide from Cameroon sources some additional intermediate goods (cardboard cartons, labels, crown corks, etc.), but these must be competitive with imports, which frequently enter duty-free under the privileges accorded the user under the Investment Code.

88. Perhaps the greatest possibilities for growth exist in the timber and forestry sector. As yet, for example, there is very little processing of one of the country's primary resources, timber; more than 75% of timber export value is accounted for by logs. The Government is studying a very large, highly capital intensive pulp and paper project, but prima facie this seems unlikely to prove economically justified since it could neither compete with world prices in export markets nor enjoy a large enough domestic market. By contrast, the outlook for production and export of plywood and particle board seems favorable provided that the policy and infrastructure problems of the forestry sector can be overcome (see Volume III). The forest resources of the country are particularly suited to plywood production and such processing could greatly increase the use of timber at present not commercially exploitable because of high transport costs of the raw logs. In trying to expand the forestry industry for export, much will depend upon the ability of authorities to attract the interest of the major foreign timber companies, whose capital, expertise and (particularly) access to markets will be of crucial importance.

89. The local market for wood products can also be further developed. Construction timber, flooring, furniture making and box manufacture can all be expanded if investment and entrepreneurship are available. Moreover, these processes can supplement the output of export products and make use of wood species either unsuitable for export or uneconomic to exploit under present conditions.

90. In general, therefore, there are numerous possibilities for a continuance of industrialization in Cameroon. If an attractive investment climate can be created and an industrial policy implemented which provides the necessary conditions and resources, a renewal of private sector investment can be expected.

B. Aims and Policies of the Third Five Year Plan

91. The mission was not given access to any official material concerning Cameroon's Third Five Year Plan other than a verbal exposé of the

main policy elements now under consideration. According to the Ministry of Planning, the main orientation for industrial policy during the period to 1975-76 will be:

- 1) emphasis on the development of export oriented industries;
- 2) priority attention to labor intensive industry;
- 3) concentration on increased processing of local raw materials;
- 4) efforts to develop Cameroonian entrepreneurship in industry.

92. The Government recognizes that the success of export industries will depend primarily on their competitiveness. It is also clear that the industrial effort in the Third Plan, as in the preceding Plan, is expected to come primarily from the private sector with some intervention from SNI and to a lesser extent BCD. It is less clear, however, whether the implications of a policy aimed at developing a competitive, private enterprise industrial sector oriented towards exports are fully comprehended.

93. Among the main factors driving up production costs at present are:

- a) high import duties (except for privileged enterprises) on imported goods and equipment;
- b) expensive delays in administrative handling of fiscal and commercial matters, particularly at the customs;
- c) lack of trained local staff and use of expensive expatriates;
- d) paucity of local raw materials (other than wood and agricultural produce);
- e) absence of industrial infrastructure;
- f) minimum wage legislation and control of domestic prices;
- g) transport difficulties and delays, and poor communications.

94. A new industrial policy will need to take account of all these matters if private investors, who wish to make a profit, are to find the industrial climate in Cameroon attractive. For the Government, certain hard choices must be made. To lower tariffs on imported equipment will result in loss of revenue and at least part of the cost of providing training facilities to enable Cameroonians to obtain industrial qualifications will fall on the Budget. Against this must be set the long term economic loss to the country of the present stagnation in industrial investment.

95. In aiming at labor-intensivity as a criterion of industrial development the Government will also be torn between political and economic reality. To keep production costs down, both for exports and to curb local prices, industries must be encouraged to expand and modernize. Frequently, this must mean a reduced labor force per unit of output rather than an expanded one. The drive for modernization will also conflict with the desire to spread industry beyond Douala/Yaounde which are at present the only areas with any basic industrial facilities.

Thus there will hardly be a diminution in the already serious urban migration and an enhancement rather than an alleviation of the unemployment problem seems unlikely.

96. Opportunities undoubtedly exist for further processing of local raw materials, and a more detailed appraisal of prospects for further industrialization was given above. In considering which priority projects should be encouraged, the Government will need to examine the questions of quality and cost to ensure that industry is competitive. At the same time, there will need to be coordination to make certain that the raw materials are available in such quantities and at such times as to avoid any discontinuity of supply to the local processor. This is particularly important since most opportunities for increased local manufacture will be in respect of agricultural products (cocoa, fruit, hides, etc.). Since these come from small farmers, continuity of supply and maintenance of quality will need careful organization.

97. The remaining objective of the Third Plan, to increase Cameroonian participation in the industrial sector, is the area in which the Government can perhaps increase most effectively its role in guiding industrial development. Both political and economic reality calls for more Cameroonians than at present in ownership as well as management of industry. There is no reason why the success of local entrepreneurs in commerce and transport cannot be repeated in industry if the correct conditions are provided. The private sector companies, financed largely from abroad, will encourage local investment and management only to the extent that it pays them to do so. The provision of educational facilities, fiscal incentives and infrastructural services designed to increase the number of Cameroonian investors and/or managers must be a Government responsibility.

98. At present there are two projects under way which are specifically aimed at developing local entrepreneurs. The Fabre project in Douala, financed by F.A.C., provides technical assistance and advice to small businessmen and artisans wishing to establish enterprises. Help is given in marketing analysis and purchase of equipment, but finance is not provided. By mid-1970, Fabre expects to have helped set up 7 enterprises employing about 175 workers. A center of assistance to small industries has also been established in Douala in 1969, financed by UNDP/ILO, and this is also providing training and advisory services to Cameroonian entrepreneurs.

99. Virtually all the problems of industrial progress mentioned to the mission by the larger industrialists are faced in even greater measure by the small and medium enterprises. Delays at Douala Port, bureaucratic hold-ups, lack of skilled workers and deficiencies in communications are all more difficult for the smaller industry, with less margin of resources, to absorb. To the extent that the Government policies and actions will remove or alleviate some of these problems, the long-term encouragement of small enterprises will certainly be as well served as that of the larger projects.

100. An increase in the number of Cameroonians in responsible positions in industry is not only desirable in itself but would certainly provide an important source for Cameroonian entrepreneurship in the sector. At present, the Government encourages Cameroonization of the staff of private enterprises mainly in the negative sense of discouraging foreign staff. Delays in granting entry permits for the latter are frequent. Where suitable Cameroonians are clearly not available, investments should not be jeopardized by administrative difficulties for foreign staff, but their employment should be conditional upon their training Cameroonian nationals over a reasonable period of time. Companies accorded Investment Code privileges are frequently required to enter into such an agreement, but once the project is under way, the Government seldom supervises or enforces the agreement.

C. Investment Requirements for the Third Plan

101. Of total investments for manufacturing industry (including agro-industry) foreseen for the Second Plan period, CFAF 17.4 billion, about 45% (CFAF 7.9 billion) had been invested in the first two years. There is ample evidence to indicate that the following two years (1968-69 and 1969-70) have seen a serious slowdown and that the annual investment of over CFAF 3 billion necessary to achieve the plan targets has not been maintained. Mission estimates indicate that the actual figure for these two years together (1968-69 and 1969-70) in this sector may be CFAF 2.2 billion. In forecasting future investment figures, the lack of prepared projects in all sectors is very noticeable. Firm plans for private sector establishment of new industry comprise a number of fairly small projects only, except for the proposed cement factory near Garoua, which has been delayed by the withdrawal from UDEAC of Chad, at whose market a proportion of the production was aimed. Larger projects, needing heavy investment, are for the most part still at the study stage (pulp and paper, bauxite mining, fertilizer). Assuming that 1970/71 investment totals approximately CFAF 1.5 billion, the requirements for manufacturing industry during the following three years - 1971/72 to 1973/74 - as calculated from such information as was available to the mission, might be of the order of CFAF 7.5 - 10 billion. This figure does not include the probable uneconomic pulp and paper plant (estimated variously at between CFAF 8 and 13 billion) nor a possible oil refinery. It also excludes exploitation of the bauxite deposits which, if feasible, will not occur before the fourth Plan Period.

102. The total of CFAF 7.5 - 10 billion, or CFAF 2.5 - 3.3 billion per annum, is based on known expansion possibilities in the main sectors, although it is too early to say what degree of probability can be attached to many of these schemes. During the second Plan some industries have been established which were not foreseen in the Plan, but it would be reasonable to assume that such investments in future would be at least offset by the abandonment or non-implementation of existing schemes, many of them very tentative.

103. In general terms, therefore, and based only on definitive data up to 1967-68, it is estimated that total manufacturing investment during the second Plan period may reach about CFAF 11.6 billion, or 66% of the target figure. For the first three years of the third Plan period, investment in the sector may reach CFAF 7.5 - 10 billion, or, if the level of those years is maintained, about CFAF 12.5 - 16 million for the whole Plan period.

104. These estimates are based in large measure upon the implementation of many proposals which have either been delayed from the second Plan or which are still under study. It is therefore evident that if such projects are to go ahead, there must be significant improvements in many infrastructural problems now holding up development. Equally there must be the early adoption of a well-founded and energetic industrialization policy, efficiently administered by the authorities.

105. Official data available on the sources of recent industrial financing cover only 1966/67 and 1967/68 and then only in broad outline.

Table 2: Industrial investment in the Second Five Year Plan
Sources of Finance - Years I and II

Source	Forecast 5 year plan	%	Actual years I and II	%	Actual years I and II as % forecast years 1 - 5
Federal Budget	724	1.8	14	1.0	1.9
Public and semi- public organizations	913	2.3	865	6.3	94.6
Public credits	1,055	2.7	56	0.4	5.3
External aid	2,198	5.6	651	4.8	29.5
Private sources	<u>34,524</u>	<u>87.6</u>	<u>12,024</u>	<u>88.4</u>	<u>34.7</u>
Total	<u>39,414</u>	<u>100%</u>	<u>13,610</u>	<u>100%</u>	<u>34.5%</u>

105 (a). The investment figures in the above Table include electricity, public works, and oil-drilling under "industry" and no breakdown exists of financing sources for manufacturing industry as such. It is nevertheless reasonable to assume that, apart from the investments and loans of SNI and BCD, the remaining finance in this latter sector has been almost entirely private. Thus, the past ratio of Government investment in the industrial sector as a whole has been about 12% - 15%, of which about half, or 6% - 7%, has come from the development finance institutions.

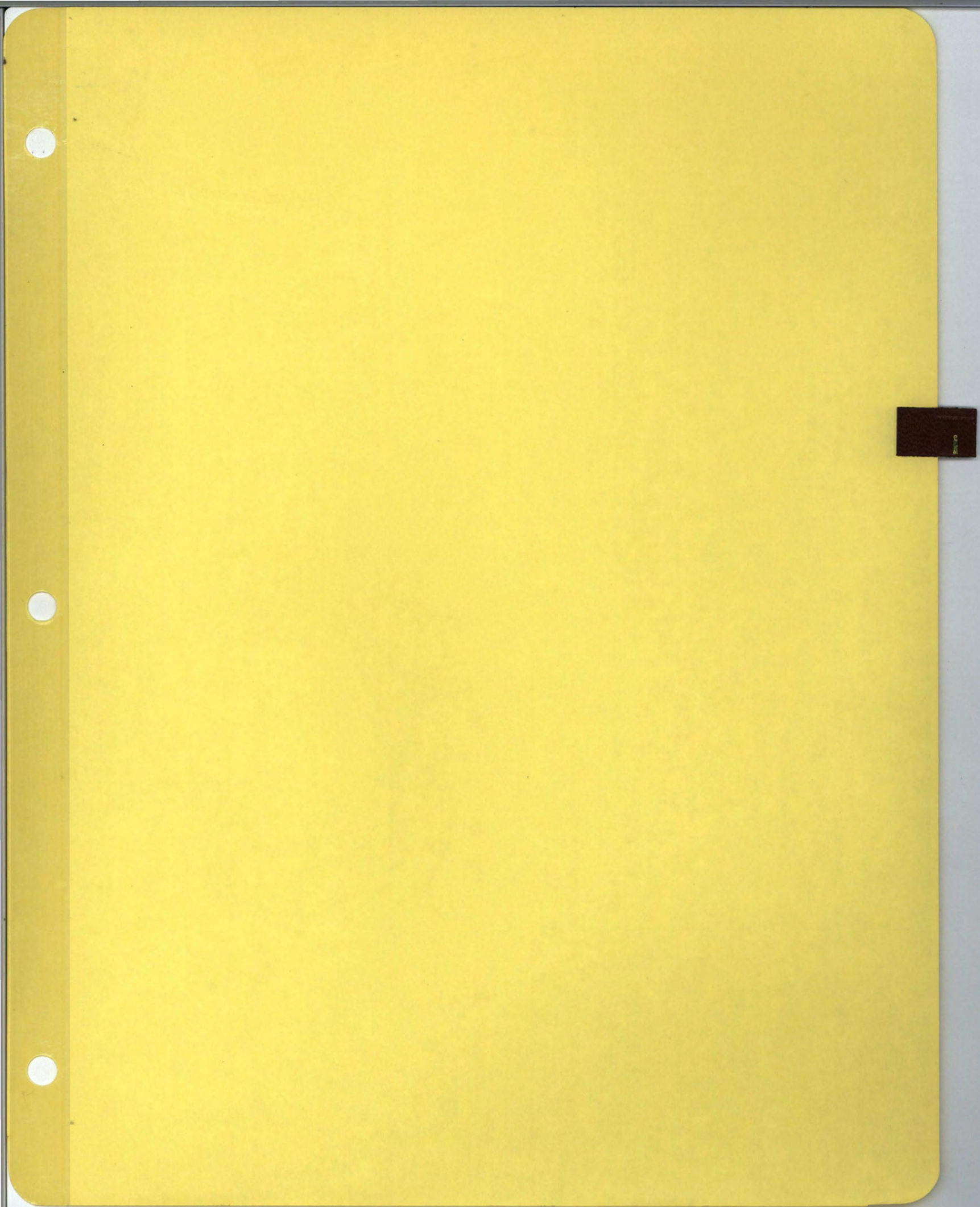
105 (b). For manufacturing industry proper, the percentage of public investment in the Second Plan period was forecast as approximately 15% but has almost certainly fallen below that figure, despite quite a large volume of investment by SNI, particularly up to 1968. Nevertheless, it is reasonable to assume that the public sector share of manufacturing investment in the Third Plan period will be in the range 15% - 20%, especially as more official financial initiative will need to accompany a more aggressive development policy. On this basis, the Government would have to provide approximately CFAF 2 - 3 billion, an amount which, if present arrangements remain, will be expected from BCD and SNI.

105 (c). The financial resources available to ECD and SNI to meet these requirements are dependent almost entirely upon:

- (a) in the case of BCD, unspecified credits from Caisse Centrale, Central Bank rediscount facilities and ad hoc funds provided by the Government,
- (b) in the case of SNI, the proceeds of Equipment Bonds.

Based on past performance, these estimated amounts seem quite within the capacity of ECD and SNI to raise from their existing sources and to disburse and supervise without greatly adding to their present staff.

105 (d) In terms of employment, the average investment per worker in industries benefiting from the Investment Code has been about CFAF 1.4 million. This is considerably below the estimated ratio in the Second Plan and in fact the more recent figures (1968/69) suggest that nearer CFAF 2 million per worker might be a reasonable estimate. Applying this ratio to the investment estimates would suggest an increase in industrial employment by 1973/74 of 4,000 to 5,000 workers over the present level, estimated at some 35,000. If both aggregate investment and investment per worker ratios are maintained, industrial employment by 1975-76 may reach some 43,000 workers.



D. Forestry

This is the foreign exchange earning sector susceptible to the greatest expansion in the country's economy. In 1968/69 approximately 700,000 tons of logs were cut, and timber with its by-products constituted 9.4 percent of total exports. With regard to Cameroon's future marketing prospects, it should be noted that the forestry industry of Africa produces for the European market, where present and foreseeable demand for logs will in fact be met by existing suppliers. However, the European demand for sawn timber and plywood is projected to outrun African supplies by a substantial margin for at least the next 15 years. It is operationally feasible for Cameroon to increase its log, sawn timber and plywood production at an annual rate of 15 percent over the next five years, and thereby to double the value of forestry exports during this period. Forestry exploitation is in the hands of private industry, and there is no need for public investment and foreign aid in this sector save for transport and communications. The companies presently engaged in this industry are small and not operated on the highest professional standards. They lack technically qualified local employees and are vexed by governmental restraints placed on the employment of expatriates. Investments by big international companies in logging operations and sawmills are limited to areas which have been opened up by rail or road trunk routes. The extension of the Cameroon railways will permit the extraction of an addition 500,000 tons per year. However, this leaves untapped the large forestry resources in south-east Cameroon. The big international firms would be attracted to this area if major transport infrastructure investments for forestry were undertaken. Before this can happen, though, pre-investment studies on logging roads, rails, transport and new logging ports are urgently needed.

In the way of specific measures to promote the timber industry, Bank/IDA projects for the ports and the Douala-Yaounde railway contribute directly to eliminating the bottleneck which is limiting forestry exports. In FY 74 the Bank lending program has \$8 million scheduled for the development of logging roads; an unidentified road project, also scheduled, could be used for the same purpose.

(From the recent Economic Mission's Report, there is excerpted and attached the most relevant portion on forestry.)

VII. DEVELOPMENT PROSPECTS FOR THE FOREST SECTOR

Incentives and obstacles to the development of forestry enterprises

108. The prospects of an increasing demand for forestry products and the growing scarcity of several hardwood species are two important factors in favor of the expansion of forestry production in Cameroon. In addition, the many requests for lumbering permits received during the past two years bode well for the future of forestry operations in Cameroon. For some time, however, several forestry enterprises have been demonstrating a certain degree of anxiety as to whether they can in fact carry out their plans in the near future. The main reason for this concern is the old problem of transportation difficulties. We are convinced that if the existing services were better administered the situation would greatly improve.

109. There is no doubt that in Cameroon industries based on forestry production are not making anything like full use of their potential. Both the Cameroonian Investment Code and the decree which instituted a preferential tariff system in favor of certain forestry enterprises are designed to encourage forestry production. A particular effort should be made to encourage the establishment of wood conversion enterprises. This approach would be in line with the Government's industrialization goals since the new companies would provide a large number of jobs, be oriented towards the export trade, make use of the country's major raw material, and offer an opportunity for Cameroonian entrepreneurs.

110. Under present forestry legislation, the holders of lumbering permits are obliged to have 25% of the gross volume of their production in Cameroon converted. We must admit that this policy has not fostered a sound, healthy sawmilling industry, since the volume of sawn lumber exports has remained unchanged for a number of years. Despite a heavy demand for sawn lumber on the European and American markets, local industry does not turn this demand to its best advantage. It is true that the sawmills are small and lack capital and efficient management, but it must also be realized that the forestry enterprises are first and foremost timber-felling concerns and not conversion specialists, i.e., forestry industries. They do not, therefore, discharge functions effectively and make rational use of timber resources. It would certainly be profitable for Cameroon to set up larger sawmills and veneer and plywood factories to which the lumberers could sell the mandatory 25% of their production.

111. Buyers of forestry products do not always regard the price as the decisive factor in wood marketing. The quality of the manufactured product and a guarantee of regular and reliable delivery are much more important factors in international trade. To meet these two requirements it is necessary to have the appropriate technical resources, specialized personnel and efficient management. The last two requirements can only be met if training programs are introduced that are specifically designed to meet the needs of forestry industries. As things stand at present, entrepreneurs have to find

their supervisory and specialized staff abroad. In this they are hindered by Government red tape, since the examination of applications for the admission of expatriates to Cameroon takes an incredibly long time.

112. In the long run, the enterprises most likely to further development of the forestry sector are the large international companies. A good industrial promotion program directed at these companies would produce tangible results. They have a large amount of capital and established markets for their products. If they were assured of the volume and quality of the raw material they might invest considerable sums in installing conversion plants close to the sources of that raw material. It is therefore essential to let them have all pertinent documentation on investment opportunities in Cameroon. In the case of the lumber industries, it would be helpful to provide accurate data on forest resources, but such information is not at present available.

113. Another means of promoting industrial development is to strengthen the domestic markets. The Government has shown its interest in such a venture by participating in the UNDP Special Fund project for the development of forest industries. This project provides for setting up of a timber agency to promote utilization of wood, in particular that of less well-known species. In most of the industrialized countries wood is used principally to build wooden houses and to manufacture related products such as furniture. The idea that wood is not good construction material because of its poor durability is a thing of the past and does not apply under present-day conditions. The disadvantages attributed to wood no longer exist, even in tropical countries, since there now exist various preservative treatments. An increased use of treated woods could have a number of advantages. For example, it is harder to set up an export business if there are no domestic markets to supplement the export markets and to offset fluctuations in international trade. It is important to find outlets for a larger number of species and for the inevitable volume of substandard products which cannot be sold on the international market.

114. Because of the nature and location of its largest forest resources, the most promising development prospects for Cameroon's forest sector exist in sawmills, veneer and plywood factories. Veneer and plywood factories are particularly desirable because they make better use of natural resources and have a much higher value added. In fact, the vast quantities of white woods, such as obeche and limba, which are particularly suited to rotary cutting, could make an immense contribution to development of the veneer and plywood industry. The manufacture of plywood can play an important part in improving the yield of heterogamous tropical forests, since woods that are difficult to market in the form of logs or sawn lumber can very well be used in the non-visible central portions of plywood boards. Logs cut from species of little value, such as obeche, can be transported to the world's markets in the form of plywood. This is particularly important to Cameroon, since the largest reserves of low-density species are found in the eastern part of the country,

several hundred miles from the export centers. Since the cost of ocean freight to Europe can amount to 60% of the delivered price of logs cut from less valuable species, a large proportion of the country's forest resources cannot be exported unless it has been processed to some degree.

CHAPTER VIII

RECOMMENDATIONS

Forestry problems

131. The most serious of Cameroon's problems in the forestry sector arise chiefly from the shortage of information available on the forest resources themselves, the lack of manpower to develop and preserve those resources and the inadequate transportation facilities.

132. Forestry inventories must be taken to provide information on the nature, volume and quality of the existing forest resources in order to facilitate the planning of forestry development projects. For example, the data obtained will make it possible to draw up suitable management programs and will indicate places where the forest can supply timber to major conversion plants. No program for the establishment of new plants can succeed if the basic data on the forest resources are not available to the industrial promoters. From the point of view of preservation and renewal of the forest potential it must be said that the present methods of natural or artificial regeneration have not been sufficiently tested to be used with confidence by forest managers. Forest research efforts must therefore be intensified, or else it will be impossible to say whether forestry operations can be developed on a scale commensurate with the aspirations of Cameroonian society. Long-range studies are necessary to determine forest productivity. The research work of the Technical Center of Tropical Forestry in Cameroon must therefore determine the age of the trees, their annual growth rate and their regeneration in their natural state and in plantations. Regeneration work must be carried out in such a way that the statistical analysis of the results can be made. Account must also be taken of costs and other variables which will make possible an economic analysis of the results. All the work of forest renewal must be carried out by Government agencies and not by permit holders, who have no stake in containing the yield of a forest. Nevertheless, holders of lumbering permits must help to finance the work that is needed to maintain the commercial value of the forest region.

133. With regard to forest management and utilization of woods from secondary species, Cameroon is likely to reap enormous benefits from its active participation in the UNDP Special Fund project for development of forests and forestry industries. The officials responsible for the Cameroonian part of this project must in future show a much more positive interest in its execution. Counterparts must be appointed to work with the foreign experts, from whom they will acquire all the knowledge they need to enable them to carry on this work. The committee recently set up to ensure proper implementation of the project is giving very encouraging results. The success of the silvo-agricultural management trials could be very important to the future of the country's forestry and agricultural sectors.

134. The forestry personnel available in Cameroon are not nearly adequate to the size of the task they are called upon to perform. At the professional level especially, measures must be taken to have at least

10 planning engineers and 15 field engineers trained over a period of five years. A project already exists for specialists in forestry sciences to be trained in French-speaking Africa. The Cameroonians would do well to take advantage of this situation so as to obtain competent supervisory staff for the forest sector. At the industrial level also, one of the most important and urgent conditions for the effective development of the forest is a substantial improvement in the management of forestry industries, an objective that can be achieved by instituting training programs specifically suited to the requirements of those industries. An effort on these lines would give the Cameroonians an opportunity to take over the management of a considerable part of the country's forestry industries. It is therefore urgent to plan requirements for qualified personnel not only for industrial and governmental management posts but also for research and development work. Where personnel planning is concerned, it will take several years to alter the present proportions of specialized personnel, and immediate needs must therefore be met with the help of foreign specialists.

135. It is important to find a workable solution to the problem of log transportation. The first thing to do is to obtain maximum performance from the means presently available -- for example, a better level of administrative efficiency in the port and railroad operations would already provide a partial solution to the problem. It would probably be advisable to copy the other forested countries of Western Africa and leave the business of log handling at the ports to a private company. In any event, the body in charge of this task must have complete autonomy since it is essential that it be able to use whatever equipment it considers the most practicable for its operations. With regard to the log-stacking yard, we recommend that facilities be installed to roll floatable logs into the water, to load non-floatable logs onto flat-bottomed boats and to anchor vessels off the wharves at the mouth of the Wouri river. We also see a necessity for the floating stacking yard to be expanded considerably and for the Bonaberi wharf to be used, as needed, for the shipment of forest products. At longer term, we recommend development of specially designed installations that will make it possible for logs to be exported by timber freighters with a 10,000-ton capacity.

136. Rapid unloading of the flatcars in the port of Douala would increase the timber-carrying capacity of the railroad. That is not all that is needed, however, because the low throughput of the railroad is not entirely due to the delays in unloading the flatcars at Douala. The log-carrying flatcars are not always sent to Douala immediately after being loaded. There is need for a greater number of trains loaded with nothing but timber to serve the principal stations from which the logs are sent out. A train of this kind would need about 30 flatcars. For unknown reasons, this advantageous method of transport is little used because it is impossible to bring together such a large number of flatcars. It should be possible in the normal run of events for the available rolling stock to make 80 round trips a year.

137. It is not necessary, in our opinion, to retain the protectionist policy of railroad transportation. In the long run, this policy could be harmful to the country's economic development, because the lack of flexibility and of free competition between the different transportation systems scares off many would-be investors. In the world of international trade, delivery dates are extremely important, and a single transportation system does not offer good enough guarantees in that respect.