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CREATING MARKETS IN CAMEROON

Unleashing private sector growth

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ABBREVIATIONS AND ACRONYMS

AER	Agence pour l'Électrification Rurale
AES	American Electricity Supply Corporation
ALUCAM	Cameroon Aluminum Company
AML/CFT	anti-money laundering/combating the financing of terrorism
API	Agence de Promotion des Investissements
ARSEL	Electric Sector Regulatory Agency
BICEC	International Bank of Cameroon for Savings and Credit
BPL	Boh Plantations
BVMAC	Central African Stock Exchange
CAHF	Centre for Affordable Housing Finance
CAMAIR	Cameroon Airlines
CAMPOST	Cameroon Post Services
CAMRAIL	Cameroon Rail
CAMTAINER	Cameroon National Transporting and Forwarding Company
CAMTEL	Cameroon Telecommunications
CAMWATER	Cameroon Water Utilities Corporation
CARPA	Conseil d'Appui à la Réalisation des Contrats de Partenariat
CBF	Cameroon Business Forum
CDC	Cameroon Development Corporation
CEMAC	Central African Economic and Monetary Community
CICAM	Cotonnière Industrielle du Cameroun
CIMENCAM	Cimenteries du Cameroun
CONAFE	Comité National de Facilitation des Échanges
COSUMAF	Commission de Surveillance du Marché Financier
CPSD	Country Private Sector Diagnosis
CTPL	Technical Privatization and Liquidation Commission
CTR	Comité Technique de Restructuration
CUD	Communauté Urbaine de Douala
DPC	Division des Participations et de Contributions
DPDC	Dibamba Power Development Corporation

DPO	development policy operation
DSCE	Document de Stratégie pour la Croissance et l'Emploi
EDC	Electricity Development Corporation
FATAF	Financial Action Task Force
FDI	foreign direct investment
fintech	financial technology
FX	foreign exchange
GDP	gross domestic product
GESP	Growth and Employment Strategy Paper
GICAM	Groupement Interpatronal du Cameroun
GNI	gross national income
GUCE	Guichet Unique des Opérations du Commerce Extérieur
GUTF	Guichet Unique pour les Transactions Foncières
HDI	Human Development Index
HV	high voltage
ICT	information and communication technology
IMF	International Monetary Fund
INS	National Institute of Statistics
IPP	independent power producer
ISP	internet service provider
IXP	internet exchange point
JV	joint venture
KPDC	Kribi Power Development Corporation
KV	kilovolt
LV	low voltage
MAETUR	Mission d'Aménagement et d'Équipement des Terrains Urbains et Ruraux
MAISCAM	Société Camerounaise de Maïserie
MFI	microfinance institution
MINDCAF	Ministère des Domaines, du Cadastre, et des Affaires Foncières
MINHDU	Ministry of Housing and Urban Development
MV	medium voltage
MW	megawatt

NBFI	nonbank financial institution
NDS30	National Development Strategy 2030
NPL	nonperforming loan
NWSW	northwest/southwest
OHADA	Organization for the Harmonization of Business Law in Africa
ONCC	Office National du Cacao et du Café
PAD	Port Autonome de Douala
PAK	Port Autonome de Kribi
PHP	Plantation du Haut Penja
PIDMA	Agricultural Investment and Market Development
PPP	private-public partnership
SABC	Sociétés Anonymes des Brasseries du Cameroun
SAFACAM	La Société Africaine Forestière et Agricole du Cameroun
SEMRY	Société d'Expansion et de Modernisation de la Riziculture
SGMC	Société le Grand Moulin du Cameroun
SICAM	Société Immobilière d'Investissements du Cameroun
SME	small and medium enterprises
SOBACAM	Banana Association of Cameroon
SOCAPALM	Société Camerounaise de Palmerais
SOCATRAL	Société de Transformation de L'Aluminium
SODECAO	Cocoa Development Company
SODECOTON	La Société de Développement du Coton
SOE	state-owned enterprise
SONATREL	Société Nationale de Transport de l'Électricité
SONEL	Société Nationale d'Électricité
SOSUCAM	Société Sucrière du Cameroun
TFE	twenty-foot equivalent
TVET	technical and vocational education and training
VAT	value added tax
WASC	West Africa Cable System

EXECUTIVE SUMMARY

ES.1. A RESILIENT ECONOMY THAT HAS NOT FULLY DELIVERED ON ITS PROMISES

In Cameroon, 20 years of stable growth, prudent macroeconomic policies, political stability, and a favorable natural resources endowment have increased prosperity without, however, real economic transformation or significant growth acceleration. Poverty continues to be widespread and regional income disparities are growing. With smallholder agriculture remaining prevalent and generating mostly subsistence incomes for the poorest citizens, 26 percent of the population falls below the international poverty line (US\$1.90 per year), and that percentage reaches 47 percent when considering the US\$3.20 per day international poverty line for lower-middle-income countries.¹ Cameroon's Human Development Index value for 2018 was 0.563, only marginally above the 0.541 average for Sub-Saharan Africa (Cameroon's gross domestic product, or GDP, per capita is slightly below that of Sub-Saharan Africa) and below the average for the medium human development bracket to which Cameroon belongs.²

A key structural change that the country is experiencing is rapid urbanization, two of the most significant potential areas of future growth being the cities of Yaoundé and Douala. According to the United Nations, both cities will surpass 5 million people by 2030, and by 2050, 70 percent of Cameroon's population will live in urban areas. Finding good, high-quality job opportunities for a young population (60 percent of the population being under 25 years of age) will be a challenge given that two-thirds of employment opportunities in cities are currently of low quality in terms of features such as well-being, security, and compensation.

Headwinds are creating new challenges. Cameroon has been facing a security crisis on two fronts for over five years and has been hard hit by the global COVID-19 pandemic. Since 2014, the Far North has suffered great harm from the Boko Haram insurgency, which has been feeding on the extreme poverty and low human development throughout the region. The conflict has eased from its peak in 2016, but small-scale attacks persist, while the region continues to suffer from the disruptions brought by vast numbers of refugees and internally displaced people (totalling half a million) who have been pushed out of their homes. The Adamawa and East regions host more than 200,000 refugees from the Central African Republic, whose endemic instability has spilled over into the border regions of Cameroon. A third fragile area comprises the North and South West regions, where another conflict rooted in the neglected identity of these parts of the country started in 2016 and has rapidly escalated. The crisis in the North and South West regions has triggered the decline in production of important crops such as cocoa, coffee, and bananas, halting production by the Cameroon Development Corporation (CDC) as well. Absent this security crisis, it is estimated that the growth rate of tax revenue and GDP in the country would have been 0.5 and 0.3 points higher in 2017 and 2018, respectively.

Cases of COVID-19 were first reported in Cameroon on March 6, 2020. Nearly two years after the beginning of the pandemic, the number of cases has surpassed 110,000, and almost 1,900 people have died.³ Containment measures such as social distancing and partial quarantines, as well as a combination of business tax relief measures such as the postponement of tax payment deadlines and an expedited value added tax (VAT) reimbursement, adopted as early as March 2020, evolved over time together with contagion waves, while authorities also accentuated efforts to raise awareness among the population, intensify testing, strengthen the capacity of health facilities, and roll out vaccines.⁴ Partly thanks to these efforts, the impact of COVID-19 on the Cameroonian economy has been less severe than anticipated at the beginning of the pandemic and, after slowing to 0.7 percent in 2020, GDP growth rebounded in 2021, reaching an estimated 3.4 percent. GDP growth is set to consolidate in the medium term at 4.4 percent. As has been the case elsewhere, the COVID-19 pandemic and its spillover effects have negatively affected Cameroon's economic outlook. Risks to the outlook remain and depend on the evolution of the pandemic, the success of the vaccination campaign, and the need to reintroduce containment measures.

The economic impact of COVID-19 has limited the government's ability to maneuver. The latest World Bank-International Monetary Fund (IMF) Debt Sustainability Analysis carried out in July 2021 stated that the debt of Cameroon is at high risk of external and overall distress, but is still sustainable.⁵ The analysis, however, stressed the presence of downside risks linked to the disruptions that the evolution of the pandemic may cause, the challenges of restructuring the debt of the state oil refinery (SONARA), and the potential resurgence of sociopolitical tensions. Such challenges highlight the importance of policy measures to mitigate risks, including progressive fiscal consolidation, limited recourse to commercial (nonconcessional) borrowing, further strengthening of public debt management, and judicious management of state-owned enterprises (SOEs).⁶

The new national development strategy for the period 2021–30 (NDS30)⁷ recognizes the need to develop new sources of growth using “the emergence of the private sector as the main engine of economic growth.” This approach targets strategic sectors that can compete globally serving both domestic and export markets. In the government's vision for the next decade, private sector growth will lead to economic transformation in nine high-priority industry and services sectors and agricultural development. This Country Private Sector Diagnosis (CPSD) for Cameroon discusses many of these priorities and finds support for the vision elaborated in the NDS30, while at the same time attempting to offer a realistic assessment of the challenges that may arise in implementing this vision within the next five years. The CPSD also offers recommendations for identifying focused and achievable actions.

ES.2. A STATE-LED ECONOMIC MODEL UNFRIENDLY TO INVESTORS

With 75 percent of SOEs commercially oriented, the state presence in productive sectors is significant and not sustainable, particularly in the transport, banking, agriculture, utilities (telecommunications and electricity transmission), manufacturing (aluminum, textile), and oil and gas industries. In these sectors alone, SOE revenue represents 14 percent of GDP, and some of the SOEs are the largest formal employers in the country. The financial situation of several of these public companies is problematic, creating growing fiscal risks.

Long-standing industrial policy efforts to transform the economy have yielded mixed results. These include incomplete liberalization efforts (privatization programs in the 1990s, public-private partnerships, or PPPs, that allow private sector collaboration in infrastructure and social policy, deregulation of infrastructure industries). The share of the manufacturing sector in the economy (including food and beverage industries), which stands at around 20 percent of GDP, is higher than in Ghana (10 percent) or Côte d'Ivoire (12 percent), but has remained broadly stagnant during the past 20 years and has decreased in the past decade. Informal practices remain widespread and constitute the top business environment constraint reported by formal firms in enterprise surveys,⁸ as well as one of the top concerns reported in the surveys of Groupement Inter-Patronal du Cameroun (GICAM).⁹

Cameroonian industries mainly serve the local market, and the country has both failed to develop significant participation in global value chains and, perhaps most significantly, to diversify its exports. The competitiveness of Cameroon's industries, which often rely on tax holidays, is uncertain, and the country has often depended on import substitution strategies to maintain the profitability of local industries. Cameroon's exports mainly consist of oil and gas, wood products, cocoa, and bananas. Despite the strong potential in agriculture, most agricultural sectors have stagnated. The exception is the cocoa sector, which has experienced growth in recent years.

Because of its size, relative complexity, and geographical position, the Cameroonian economy is strategic for the development of the Central African region, yet Cameroon has not entirely fulfilled its natural leadership role in the region. The Cameroonian private sector is already an active player in the region, but this role could be larger than it currently is. Opportunities for the private sector exist, in both Cameroon and neighboring countries, in transport (ports, railways, logistics), financial markets (regional capital markets), digital connectivity, and agribusiness. In addition, the role of Cameroon as a regional reform leader has produced disappointing results in several important spheres of activity such as investment climate, regional trade facilitation, sustainable natural resources (forests, land) management, and renewable energy.

With more limited government resources, the traditional leadership role assumed by the state in the productive economy is bound to erode, so private investments must increase. While the level of private investment in Cameroon compares well by regional standards, it must increase for growth to accelerate and meet the ambitious goals set by the government's Vision 2035 policy. This has been even more true following the outbreak of the COVID-19 pandemic, which has sharply curtailed the medium-term outlook. For this to happen, however, Cameroon needs to address those constraints that hamper private enterprise, such as a business environment that is complicated to navigate and distorts the equity of the playing field, a burdensome fiscal regime, regulatory barriers to competition, and weak property rights (particularly when it comes to land).

More broadly, beyond the direct participation of public enterprises in commercial sectors, the government intervenes directly in production, including through policy measure to promote local industries and interests. These interventions, however, are often in contradiction with other governmental actions, in which implementation of existing regulations is frequently missing and often not predictable (with policy reversals).

Increasing the pace of pro-business reforms in areas where Cameroon has been faring poorly is now a priority. The recent Cameroon Business Forum (CBF), during which the government affirmed its willingness to push forward several reforms, including some of those advocated by the private sector, is a step in the right direction. Reforming taxes, trade facilitation, and land and property access, as well as increasing women's participation in the economy could have an immediate impact on business.

Fiscal pressures are among the chief constraints on firms and create uncertainty around investment decisions. Tax administration must consider the burden imposed on the most productive firms. The cost of investment incentives should be assessed against benefits generated. Incentives spread over more than 100 recipients, for instance, have not resulted in many jobs. In general, fiscal measures should be applied with better transparency and consistency. Fiscal pressure and the ways in which firms manage it through tax holidays create important distortions that seem to favor well-established companies while preventing fair competition. The lack of coherence behind tax policies is also suboptimal from a fiscal point of view. An analysis conducted by the Directorate General of Taxation of the Ministry of Finance, for example, shows that the cost of the many tax-derogatory measures contained in the 2013 law on incentives for private investment outweighs the benefit accruing in terms of fiscal revenue.¹⁰

Improving the use of land could constitute a foundation on which to build a stronger economy. Difficulties with land acquisition and tenure security are among the main complaints of several economic sectors that are key to Cameroon’s future growth, be it urban land or agricultural and forest land (although for the latter there is already robust legislation in place). In both cases, the coexistence of statutory and customary law has resulted in a confusing land administration framework and has led to disputes that considerably increase economic risks for both traditional owners and private sector investors. Systems to manage land and settle disputes are inefficient. Registering land transactions, for example, is expensive and time consuming, taking 93 days on average compared to 81 days across Sub-Saharan Africa. The short-term measures contained in the CBF recommendations will improve transparency and time in land registration. Beyond this, focused measures to improve implementation of land management in the two largest cities (including local government empowerment, capacity building, and accountability) and large agricultural and forestry concessions (including modern technology for monitoring), would yield direct economic benefits while helping strengthen the overall system. Improving land systems is also at the heart of the NDS30, which recognizes the role of land systems in rural development, agribusiness diversification, urban modernization, and the increase of the legal security of private investments, as will be discussed further.

ES.3. PILLAR 1: RETHINKING PUBLIC-PRIVATE BALANCE

Confronted with a narrow fiscal base that is already heavily taxed, the government needs to fill important infrastructure needs (energy, transport), along with tackling the poor financial state of many SOEs. With a low level of foreign investment, Cameroon has failed to take advantage of the attractiveness of several sectors of the economy: energy (high unmet demand and strong hydro potential) and transport infrastructure (needed upgrades to port gateways and key internal links), agriculture, and services (most notably education and finance).

First, the government should address the problem of large SOEs in commercial sectors. The state should not mix its public role with a commercial one. Often in a dominant position, large SOEs discourage the development of private sector solutions for the delivery of certain goods and services, frequently aggravating the fiscal position of the country. Where feasible, the private sector might be interested in taking over the activities and assets of some of the commercial SOEs, particularly in strategic sectors such as agriculture and infrastructure. This requires a package of actions including added capacity of government agencies (the Comité Technique de Restructuration, or CTR, and the Division des Participations et de Contributions, or DPC), improved governance of SOEs and the monitoring of their activities, as well as remedial actions to prepare for their restructuring and the eventual transfer of some of their assets.

Second, the government should continue reforms in enabling infrastructure sectors to increase private investments and improve access to essential physical and digital infrastructure. Reforms in the power sector and partial privatization have neither achieved financial sustainability nor improved transmission and distribution, which continue to suffer losses stemming from poor maintenance. Addressing sector arrears and removing nonrecovery tariffs seem to be two prerequisites to any private sector investment that is necessary for a sector to prosper. Reforms were also undertaken in the ICT sector, delivering significant increases in access to internet and mobile telephony, but the failure to liberalize access through connections to the international submarine cables under the control of the Cameroon Telecommunications (CAMTEL) monopoly has translated into high prices, faltering supporting infrastructure, and an insufficient development of the digital economy, which places Cameroon behind the curve among its peers. Finally, the transportation sector in all its forms struggles to meet demand. Significant private sector opportunities exist in the ports sub-sector: addressing the current congestion issues faced in Douala, which could make Cameroon into a regional hub; re-tendering terminal container activities in Douala; and completing the second phase of development at the port of Kribi. Intermodal transport is another important area of future development, which could be accomplished through the construction of a connection by road and rail between Kribi and Edea, the upgrading of the rail line operated by Cameroon Rail (CAMRAIL) with road connection to neighboring countries, and upgrades in logistics platform infrastructure. Alongside these new investments, there must be a continued reform of trade and customs procedures and an upgrade of existing systems such as the electronic single window for exports and imports or Guichet Unique des Opérations du Commerce Extérieur (e-GUCE).

Unlike other countries, the large presence of the state in the Cameroonian commercial sector has not crowded out financing for the private sector. Credit is mostly directed to private enterprises (62 percent), followed by households (17 percent). Only 6 percent goes to public enterprises. There is more credit going to agriculture (15 percent of the total) than in many, if not most, Sub-Saharan countries. Reflecting the importance of services in the economy, significant shares of credit also go to transport and telecommunications (16 percent), wholesale commerce, restaurants, and hotels (17 percent), and construction and public works (18 percent). The volume of financing for the private sector could be higher, as it lags that of other countries such as Côte d'Ivoire or the Republic of Congo. While access to finance has increased, gains have been mainly due to nonbank financial institutions and mobile money. Benefiting from the stable environment of the Central African Economic and Monetary Community (CEMAC), Cameroon could put itself in position to better leverage the financial sector by increasing its overall efficiency. It could do so by addressing issues of nonperforming banks, seeking to expand participation in the regional stock exchange (located in Douala), and supporting the development of real estate finance markets and credit facilities for dynamic small or medium enterprises (SMEs).

Improvements in the provision of the key enabling services discussed are necessary to set the stage for Cameroon to deliver on the promises of its potential and to achieve the economic transformation that will provide more inclusive and resilient growth. Taking full advantage of its natural assets for agribusiness, as well as the urbanization process currently ongoing, is key to achieving this objective. The CPSD therefore proposes that Cameroon ought to focus on the most promising value chains within its agricultural sector and develop activities and services that are necessary to serve its swiftly developing urban economies.

ES.4. PILLAR 2: REALIZING THE POTENTIAL OF AGRIBUSINESS DIVERSIFICATION

The importance of the agricultural sector in the economy is diminishing relative to other sectors, but Cameroon remains one of the countries in Africa with the most diverse production base and potential, which is central to the development of the country. Food and wood products continue to represent an important source of export revenues and jobs, while a relatively large food sector meets internal and regional demand. The agricultural economy in Cameroon includes important value chains in export-oriented cash crops (cocoa, bananas, cotton, coffee, pineapples), in food staples (maize, sorghum, millet, and cassava), and in import substitution crops (palm oil, cereals, horticulture, and peri-urban agriculture). The government and state-owned enterprises play an active and interventionist role in most of these value chains, limiting the opportunities for private sector participation and artificially distorting market incentives. Many sectors, however, are in crisis or have failed to generate sustainable rates of growth. Taking full advantage of the potential offered by the agricultural sector is key to lifting millions out of poverty and increasing the inclusiveness of the economy.¹¹

A source of future growth, both in volumes and demand for value-added products, will be the internal demand of urban centers, where more than half of the population already lives. This will create investment opportunities in peri-urban agriculture from larger and more structured suppliers, with important impact on the livelihood of large urban populations and strong linkages with urban value chains (retail, hospitality sector, food processing).

The optimization of export earnings is another source of potential growth. Cameroon competes in several markets but has not had a sustainable foothold in most of them in the past two decades. A difficult domestic environment has prevented private investors from realizing more of Cameroon's potential in very competitive international markets. A focus on crops with high potential (preliminary findings of this report suggest cocoa and bananas) is recommended.

The cocoa sector now accounts for 15 percent of total goods exports. Cameroon is not a major producer like Côte d'Ivoire or Ghana but is among the top five producers in Africa. While failing to meet its own ambitious objective of producing 600,000 tons, government support through the Cocoa Development Company (SODECAO) pushed production to 340,000 tons in 2018, despite the crisis in the northwest and southwest regions (the NWSW crisis), two historically productive areas. The sector has seen significant investments, which have tripled the country's processing capacity. Unlike in other countries, the market is liberalized, although taxes on exports are seen as inconsistent with incentives for investments. The presence of large players in processing and trading could help further strengthen upstream production, notably through alliances with small holders and mid-sized producers.

Next to cocoa, other industrial crops such as bananas (another important export) and palm oil (for the domestic market) involve large private sector actors who have the capacity to further develop their production. Both sectors are not without serious challenges: incumbent SOEs facing considerable difficulties (financial and the NWSW crisis), as well difficult questions about the awarding and management of large concessions. Maintaining the competitiveness of Cameroonian production is essential in the face of global and regional competition. In the case of palm oil, this is done artificially through government-regulated prices and import quotas.

The growth of population and cities is another opportunity for Cameroon's agribusinesses. It drives strong demand for different products as consumption habits of urban dwellers change. The Cameroonian food and drink industry enjoys a large natural market in the region. Increased demand for cereals (maize in particular) and for products from the transformation of cereals, which have seen investments into manufacturing capacity recently (flour, feeds, beverages) have led agro-processors to look to secure better local sourcing and linkages with farming, including by directly investing in agricultural production. In parallel, urban demand is tied with a large peri-urban farming sector, especially horticulture and small livestock rearing. Poultry and egg production have increased to meet demand, and this sector is slowly structuring itself with few larger players emerging, but it remains very fragmented. The growth of the modern retail sector also offers an opportunity to source locally and help create demand for more formal producers who can supply produce for large city supermarkets regularly and according to strict specifications, thus helping to create a new category of horticulture producers. A more harmonious development of urban growth with adequate market and transport infrastructure, together with land tenure security and appropriate infrastructure servicing such land, are nonetheless necessary in order to meet the new demand from city consumers.

ES.5. PILLAR 3: URBAN DEVELOPMENT OPPORTUNITIES

Douala and Yaoundé already account for 44 percent of the country's GDP, and it is estimated that cities in Cameroon are almost twice as productive as the rest of the country. Cities are where much of Cameroon's future wealth will be generated. Attaining this potential, however, will require significant investment and a commensurate expansion of private sector activities, including in sectors like education, construction and real estate, digital economy, and commerce.

Cameroon has one of the highest urbanization rates in Africa: 58 percent of the population now lives in urban areas, up from 14 percent in 1960. The urban population is projected to continue growing at a fast 4 percent annual rate. The urbanization rate is expected to reach 73 percent by 2050. Furthermore, ongoing conflicts affecting the North West, South West (NWSW) and the Far North (the Boko Haram attacks) have forced nearly a million people to be internally displaced from rural to urban areas, a migration that is likely to become permanent in the long run. Douala (3.6 million inhabitants), and the capital Yaoundé (3.9 million) account for almost half of the total urban population, and both cities are growing fast at more than 5 percent a year.

Taking full advantage of urbanization is crucial to deliver economic diversification. Cameroon's largest cities have essentially the same economic structure today as they had 10 years ago. While Cameroon has experienced a rapid rate of urbanization, real income per capita has grown little. The economies of Douala and Yaoundé have performed worse than their international peers, with per capita income falling respectively by 1.1 percent and 2.4 percent annually between 2008 and 2012. For Cameroon to accelerate economic growth through urban-based competitiveness, it is essential to leverage the urbanization process, which offers the opportunity to diversify and transform the economy of the country.

Cities are congested and chaotic. As new residents have arrived, cities have expanded in an unplanned and informal way, generating overcrowding, congestion, and spatial dysfunctionality. Industrial, port, and airport areas in Douala and Yaoundé are now tightly surrounded by residential homes, and some of their registered land has been occupied by houses. Informal commercial activities also represent a significant source of overcrowding and congestion as markets, for instance, expand into streets and into formal business premises. Congestion in cities also reduces competitiveness. The challenges and opportunities related to urbanization are at the heart of the NDS30, which links them to the growth of the services, industrial, and construction industries as well as to the vast informal sector.

Education Investments for the Future

Rising living standards and urbanization fuel a strong demand for education that is not adequately addressed. Cameroon is performing well relative to other Sub-Saharan African countries in terms of education outcomes, but the overall quality of education remains relatively poor, and the skills that students acquire are often inadequate for entering the labor market in cities (secondary and higher education often do not offer job-relevant competencies for private sector employment, especially as the economy is becoming more urbanized). Similarly, enrollment in technical and vocational education and training (TVET) programs is skewed toward basic manual work as well as secretarial and office management work, while higher levels of technical and professional training are largely ignored.

With limited government spending in the sector (about 2.5 percent of GDP), gaps have been naturally filled by a dynamic private sector in urban areas, even though there is still a sizeable underserved market. Opportunities for private provision of education services exist across all educational levels with great opportunities at the primary and second level in cities where parents are willing to pay the premium in exchange for better-quality education. Most private sector opportunities, however, lie in the vast market of the post-secondary schools that exist in the “missing middle” of the educational affordability spectrum. It should, however, be noted that most of the addressable demand will involve affordable education, therefore limiting the market potential for most private investors, particularly international ones, who tend to serve the higher-end segments of the market.

Where the private sector has taken advantage of opportunities in the sector, the quality of education services it has provided has been mixed. The openness of the Cameroonian market has permitted the growth of private schools, institutes, and universities, and there have been notable success stories, but this growth is left relatively unregulated and widely varying in quality.

Regulation and management of this sector could be greatly improved. Overlapping responsibilities among five ministries result in poor governance and limited accountability that ultimately hinder the quality of the education offered to students. When applied, regulations can be cumbersome and may slow down operations. Also, private universities remain subject to the oversight of public universities and cannot grant their own degrees and thus are limited in developing their own curricula.

Reforms that increase the capacity of TVET institutions to meet market demand are needed. The government has an important role to play in reviewing the approach to skills development, the instruction of trainers, and certification processes, as well as providing mechanisms in partnership with the private sector to deliver technical skills to sectors in demand through a sector development fund.

Private higher education institutions are required to function as non-profit entities, run by individuals with personal legal and financial liability. In practice, educational institutions are operated by investors in for-profit regimes with unlimited liability in which there is no separation between personal and institutional assets, thus disincentivizing private sector investments. Linked to this are constraints to access to finance and up-front risks for investors. Bank lending is limited both in terms of volume (single-limit exposure) and maturity.

Housing and Retail for the Development of Modern Urban Economies

The rapid growth of cities has happened organically. As new residents have arrived, cities have expanded in an unplanned manner generating informality, overcrowding, congestion, and spatial dysfunctionality. The growth of the two economic centers of Cameroon will have to be carefully planned and monitored to fully benefit the economy and ensure that urban transformation actually enables private sector-led growth. Realizing the opportunities of productive urbanization entails designing a compact of interventions putting city councils and private service providers at the center.

The growth of the urban population is generating a strong demand for new goods and services, but this transformation of the economic fabric has not really accompanied the growth of the urban fabric. As cities have grown, economic activities have not changed significantly compared to other cities in peer countries, and wealth creation has been poor, even though the most productive activities usually happen in cities.

Indeed, despite strong demand, the emergence of modern urban services is lagging, and informality prevails, as for instance in the housing sector where 97 percent of new constructions are auto-constructions. Similarly, modern retail started to experience significant growth only recently, leaving the majority of retail trade in the informal sector. The food that is consumed in cities remains largely supplied by small-holder, peri-urban agriculture and informal markets.

The main constraints to the productive development of both the housing and retail sectors in Cameroon are problems in the land market and related infrastructure issues. First, finding land for commercial uses (housing, malls, supermarkets, hotels) is increasingly difficult and in instances prohibitively expensive in Douala and Yaoundé. The process of land acquisition and guaranteeing land title security is the chief complaint of modern housing and retail developers. The rare available spaces within cities are subject to land speculation, while peri-urban areas present risks linked to land disputes and the slowness of the registration procedure. Developers note that land titles are becoming increasingly legally precarious, thus putting activity linked to land use directly at risk and limiting the use of land as collateral for financing purposes. A leading modern retailer told the researchers that he would be growing three times as fast if it weren't for land issues.

Businesses in cities are also constrained by the negative impacts of congestion (especially in Douala), the lack of dedicated development areas, and the poor availability of enabling infrastructure for transport and sanitation. Also, as with most other businesses in Cameroon, taxation and availability of longer-term finance are additional limitations.

At the heart of productive urban development is the role of city councils, which must be empowered to manage their urban space and its associated infrastructure, being mindful of the need to first increase their capacity to do so. The experience of other countries that have achieved productive urbanization shows that they created a virtuous circle whereby careful planning, land title security, and infrastructure development led to an increase in land value that financed the next wave of land development by the private and public sectors.

A first step would entail building capacity at the local level to manage land development for better planning and to collect a fair share of revenue from land and real estate taxes (noting that the recent revision of the decentralization law takes a step in this direction). Local governments need capacity to provide the resources to (a) implement these policies and (b) realize upfront investments around land holdings and infrastructure before commercializing them. Concerning infrastructure, the capacity to identify and bring PPPs to fruition is essential to maximizing the supply of new infrastructure services in an efficient way. The project of a rapid bus transit system in Douala is an example of what the future could look like. These solutions are also highlighted in the NDS30, which emphasizes the need to empower city councils (starting with Douala and Yaoundé) through capacity building and local property taxes, as well as improve land markets by leveraging digital solutions and PPPs for connectivity infrastructure. In contrast to what the NDS30 prescribes, however, the CPSD suggests decreasing the reliance on state-owned housing companies and state-owned industrial zones to refocus the activities of the public sector on planning and regulation away from operational management and business activities (figure ES.1). These activities could be left to competitive private sector developers, thereby helping to develop the sector as well (social housing and other public objectives, for instance, could be met through targeted demand-side support).

FIGURE ES.1. CAMEROON CPSD FRAMEWORK

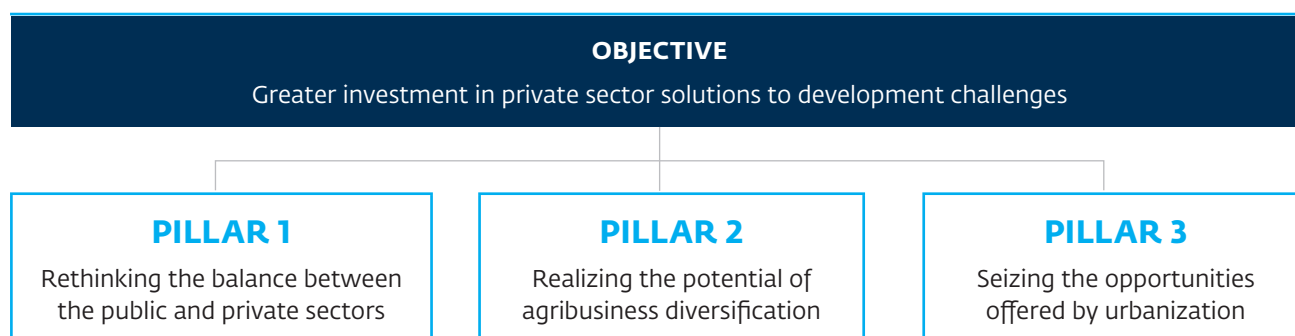


TABLE ES.1. MATRIX OF RECOMMENDED ACTIONS

PRIORITY SECTORS	SHORT TERM: PRIVATE INVESTMENT OPPORTUNITIES AND POLICY MEASURES	MEDIUM TERM: PRIVATE INVESTMENT OPPORTUNITIES AND POLICY MEASURES
PILLAR 1: RETHINKING PUBLIC-PRIVATE SECTOR BALANCE		
Transport and Logistics	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Renewal of port concessions • Phase 1 of upgrade of Port of Douala facilities • Development of Kribi pole • BRT in Douala <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Resolution of the container terminal dispute in the Port of Douala • Implementation of intermodal master plan components not yet initiated • Creation of a single window for foreign trade that extends the single form to all phases of the international logistics chain (preclearance, takeover, clearance, removal) • Creation of a national port authority to revise current port tariffs for the increase of storage levies at the port of Douala • Continued upgrade of rail infrastructure 	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Rail link with port of Kribi • Completion of phase 2 of Kribi development • Rail and road logistics platforms <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Completion of highway between Doula and Yaoundé • Establishment of an electronic payment platform for all trade-related fees, duties, and taxes by GUCE • Implementation of the three-year strategic plan detailing specific annual measures to reduce transit time at the port of Douala and increase in the number of computerized clearance procedures CONAFE
Energy	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • An increase of the penetration of solar photovoltaic in the northern network • Further development of the country's large hydro potential • Leveraging of significant local gas resources with additional gas-fired power plants • Support of the improvement and expansion of the distribution network <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Clearance of arrears and adoption of payment discipline for electricity bills from state entities and particularly SOEs • Implementation of cost-recovery tariffs at the end-user level or establishment of an efficient mechanism for the timely payment of tariff subsidies • Completion of the transfer of transmission assets from Eneo to SONATREL to allow a full operationalization of SONATREL • Empowerment of the regulator ARSEL to carry out its function 	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Development of generation and distribution to meet demand, particularly in underserved regions and cities, by Eneo and new IPPs • Exporting electricity to Chad • Rehabilitation and extension of the transmission grid • PPPs between private sector players and Eneo to develop solar, to be operated by the private sector <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Improvement of Eneo performance supervision to address operational issues and improve sustainability • Improvement of institutional framework • Ensuring of the long-term financial sustainability of the sector overall to attract private investments in generation and distribution

Note: ARSEL = Electric Sector Regulatory Agency; BRT = bus and rapid transit; CONAFE = Comité National de Facilitation des Échanges; GUCE = Guichet Unique des Opérations due Commerce Extérieur; IPP = independent power producers; PPP = public-private partnership; SOE = state-owned enterprise; SONATREL = Société Nationale de Transport de l'Electricité.

PRIORITY SECTORS	SHORT TERM: PRIVATE INVESTMENT OPPORTUNITIES AND POLICY MEASURES	MEDIUM TERM: PRIVATE INVESTMENT OPPORTUNITIES AND POLICY MEASURES
ICT	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Advisory services opportunities to foster the legal and technical framework of the sector <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Strengthening of the regulatory framework relating to access to international and terrestrial optical fiber networks of the public operator CAMTEL • Allowance of operators other than CAMTEL to deploy and resell capacity on their optical fiber network • Conduct of a business audit of CAMTEL to determine its financial situation and ease potential PPPs with private sector players • Encouragement of infrastructure sharing by, for example, improving the functioning of IXPs promoting the entry or establishment of independent private infrastructure operators and towers. • Adoption of legislation on privacy, the right to information, and cybercrime 	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • PPPs between private sector players and CAMTEL to develop infrastructure, to be operated by the private sector <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Development of digital platforms to enable public (e-government) and private sector organizations to efficiently deliver services • Development of a biometric identification system
Finance	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Expansion of regional capital market starting with the establishment of a yield curve and secondary market for government securities • Long-term housing and real estate finance • Fintech and mobile banking • SME financing <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Continuation of the strengthening of supervision and raising capital requirements (with CEMAC) • Establishment of a partial credit guarantee scheme to enhance lending to SMEs • Enhancement of platform interoperability to support financial inclusion • Establishment of a mortgage refinancing facility to support mortgage lending and fast-track housing finance 	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Further expansion of regional capital market into corporate bonds and SOE listing • Development of collective investment schemes to offer diversified investment portfolios and attract small-ticket investors <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Encouragement of listing of SOEs as measures to strengthen governance in SOEs and attract private sector lending • Reforms to attract private listings on the regional exchange such as providing tax incentives • Promotion of the use of collective investment schemes through various incentives and support to list such schemes on the regional exchange • Regulations to ensure financial integrity

Note: CAMTEL = Cameroon Telecom; CEMAC = Central African Economic and Monetary Community; IXP = internet exchange point; PPP = public-private partnership; SME = small and medium enterprise; SOE = state-owned enterprise; .

PRIORITY
SECTORSSHORT TERM: PRIVATE INVESTMENT
OPPORTUNITIES AND POLICY MEASURESMEDIUM TERM: PRIVATE
INVESTMENT OPPORTUNITIES AND
POLICY MEASURES

PILLAR 2: REALIZING THE POTENTIAL OF AGRIBUSINESS DIVERSIFICATION

Private Investment Opportunities

- Scoping of investments in cocoa plantations
- Scoping of investments in upstream crop production by downstream food and feed industries
- Alliances with producers and producer associations in peri-urban horticulture and animal products to supply urban markets

Policy Measures/Public Investments

- Reinforcement of the capacity of SODECAO to distribute cultivars and upgrade SODECAO capacity such as through increased staffing
- Support of cocoa quality infrastructure system
- Review of the cocoa export levy
- Strengthening of the capacity of producer groupings and industrial farmers in cocoa, maize to link with markets (large downstream customers)
- Reinforcement of governance, performance setting, and monitoring of parastatals; separation of public service obligations from commercial ones
- Proceeding to a systematic geo-referencing of industrial plantation concessions (starting with palm plantations)
- Studying of market upgrades for the commercialization of peri-urban agriculture in Douala and Yaoundé

Private Investment Opportunities

- Management contract and privatization (including partial) of parastatals
- Large-scale farms and plantations growing cocoa, tree crops, cereals
- Producer alliances in partnership with large downstream off-takers

Policy Measures and Public Investments

- Upgrade of urban markets for peri-urban agriculture products in Douala
- A structuring and building of the capacity of farmers, including women farmers and processors, to create professional organizations in urban and peri-urban areas that offer benefits like marketing infrastructure, technical training and support, and access to financing
- Strengthening of professional technical and economic support services and R&D activities (through innovation platforms)

Note: R&D = research and development; SODECAO = Cocoa Development Company.

PRIORITY SECTORS	SHORT TERM: PRIVATE INVESTMENT OPPORTUNITIES AND POLICY MEASURES	MEDIUM TERM: PRIVATE INVESTMENT OPPORTUNITIES AND POLICY MEASURES
PILLAR 3: URBAN DEVELOPMENT OPPORTUNITIES		
Urban Services	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Modern retail (linking also to peri-urban horticulture and animal products) • Urban social services (education, health) • Housing real estate • Connective infrastructure, including under PPP schemes (rapid bus transit in Douala, digital connectivity) <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Housing finance (longer term tenor) • Improvement of the issuance of construction permits • Study of the feasibility of creating a land development agency in Douala and Yaoundé • Review of regulatory framework for land and property markets management at the city council level, including pilot scheme to empower Douala and Yaoundé city governments with respect to land administration and property tax • Reinforcement of the GUTF, starting with Douala and Yaoundé markets 	<p>Private Investment Opportunities</p> <ul style="list-style-type: none"> • Commercial infrastructure under PPP schemes with cities • Last-mile digital infrastructure <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Establishment of land development agencies in Douala and Yaoundé • Decentralization of land administration and property tax following Douala and Yaoundé pilots
Education	<p>Private Sector Investment Opportunities</p> <ul style="list-style-type: none"> • Low-fee tertiary schools and TVET in urban markets • Credit for real estate for education institutions <p>Policy Measures and Public Investments</p> <ul style="list-style-type: none"> • Improvement of the capacity of the Ministry of Education for quality control of private institutions • Review of the procedures for the development of curriculum and degree granting capacity to better match supply of skills to demand and ability of private sector to contribute to curriculum development • Support of the development of the TVET sector through training teachers, implementing quality certification, and matching supply with demand through a skills development fund • Allowance of profit incorporation of private education institutions 	<p>Private Sector Investment Opportunities</p> <p>Measures</p> <ul style="list-style-type: none"> • Rationalization of the management of the education sector and overlapping responsibilities of the five ministries

Note: GUTF = Guichet Unique pour les Transactions Foncières; PPP = public-private partnership; TVET = technical and vocational education and training.

SHORT TERM

MEDIUM TERM

CROSS-CUTTING POLICY AREAS		
Fiscal policy	<p>Policy Measures</p> <ul style="list-style-type: none"> • Undertaking of a cost-benefit analysis of exemptions and selection of a strategy to optimize taxation • Review of the 2.2 percent (main regime) and 5.5 percent (simplified regime) monthly levy on turnover for the profit tax 	<p>Policy Measures</p> <ul style="list-style-type: none"> • Review of the tax code to gradually reduce and consolidate taxes as well as reduce and then eliminate distortionary incentives
SOEs and PPPs	<p>Policy Measures</p> <ul style="list-style-type: none"> • Review of the corporate governance of SOEs including selection of management • Increase of the capacity of the CTR and the DPC by adding human resources; improvement of the aggregate monitoring report on the fiscal and financial situation of SOEs; drafting of a restructuring plan for four key SOEs • Review of the PPP framework and its implementation, including the funding of the PPP Unit (CARPA), to ensure uniform and efficient implementation based on the capacity and convening power of the national PPP structure, line ministries, and agencies • Development of a PPP pipeline based on sector assessments to create a roadmap for mobilizing private financing 	<p>Policy Measures</p> <ul style="list-style-type: none"> • Enactment of legislation detailing the responsibilities, monitoring, and control of SOEs in accordance with OHADA • Implementation of the four SOE restructuring plans • Publication of financial accounts of all SOEs • Adoption by the government of a strategy to improve the long-term financing of SOEs
Land and property	<ul style="list-style-type: none"> • Publication of statistics on land transactions, land disputes, and transfers online • Reinforcement of the GUTF starting with Douala and Yaoundé markets 	

Note: CARPA = Conseil d'Appui à la Réalisation des Contrats de Partenariat; CTR = Comité Technique de Restructuration; DPC = Division des Participations et de Contributions; GUTF = Guichet Unique pour les Transactions Foncières; OHADA = Organization for the Harmonization of Business Law in Africa; PPP = public-private partnership; SOE = state-owned enterprise.

1. COUNTRY CONTEXT

1.1. VAST NATURAL RESOURCES HAVE SUPPORTED GROWTH, BUT DIVERSIFICATION REMAINS LIMITED, LEAVING THE COUNTRY VULNERABLE TO EXTERNAL SHOCKS

Cameroon is a mid-sized, lower-middle-income country endowed with substantial natural resources. With a population just above 25 million people, Cameroon has natural resources that include oil, coal, minerals (iron and phosphate), a large hydroelectric potential, and excellent conditions for forestry and agriculture (cocoa, banana, cotton, coffee, tobacco, palm, rubber). In 2018, Cameroon's agricultural sector employed 41.5 percent of men and 51.9 percent of women in the country.¹²

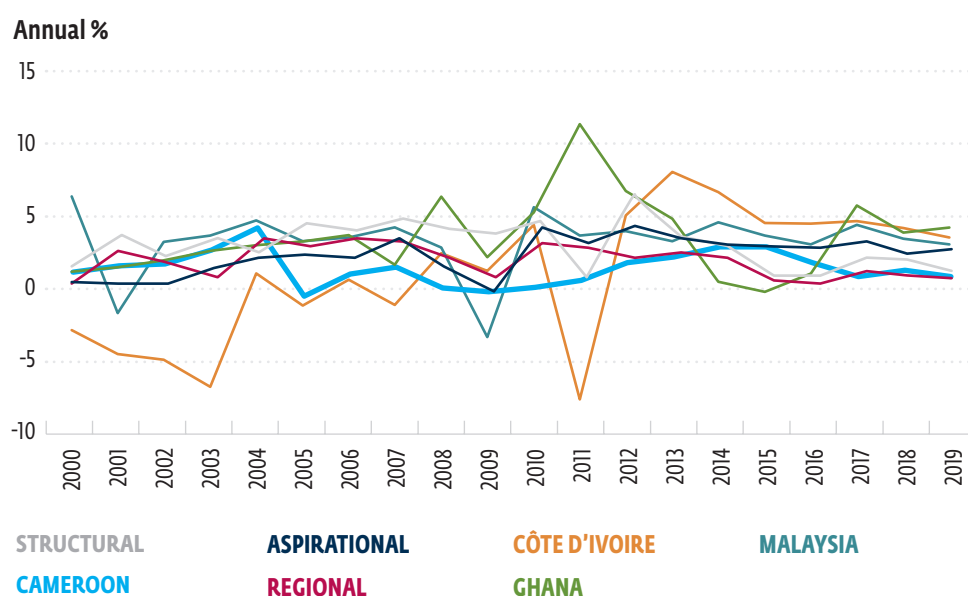
Cameroon's geographical position at the crossroads between Western and Central Africa makes it a trade gateway through which substantial commercial flows transit to and from its eastern neighbors. Cameroon shares its borders with the Central African Republic, Chad, Equatorial Guinea, Gabon, and Nigeria. In these markets and beyond within the broader Economic Community of Central African States region, notably the large markets of Angola and the Democratic Republic of Congo, Cameroon is looking at the potential demand of the region's 300 million inhabitants, an opportunity that is duly noted in the new National Development Strategy for the period 2021–30 (NDS30).

Cameroon achieved independence in 1960 and has been led since 1982 by President Paul Biya, who won his seventh consecutive term in office in October 2018. Political stability, supported by an abundance of natural resources that has facilitated centralized decision making, has been conducive to producing elements of economic progress such as the development of the petroleum industry and strong participation by the government in economic production. The economy of Cameroon has gone through three broad phases: growth with occasional contractions that stretched from independence until 1986, fueled by oil and agricultural exports; a prolonged period of negative gross domestic product (GDP) growth from 1987 to 1993 marked by a decline in oil production and an appreciation of the real effective exchange rate; and a new expansion period after 1994, prompted by structural reforms that cut expenditures, which continued until the COVID-19 outbreak and its global economic impact.¹³

Poverty continues to be widespread, though, undermining the prospects of Cameroon's population, and following increasingly divergent territorial dynamics. At the national level, real per capita consumption has grown on average by 1.6 percent per year between 2001 and 2014 (figure 1.1), with large differences between rural (0.5 percent) and urban (1.8 percent) areas, as well between the northern part of the country, where it contracted by more than 15 percent as it was growing in the rest of Cameroon (growth even got as high as 50 percent in the center regions).

With smallholder agriculture remaining prevalent and generating mostly subsistence incomes, 26 percent of the population falls below the US\$1.90 per day international poverty line. The percentage of poor citizens reaches 47 percent when considering the US\$3.2 international poverty line for lower-middle-income countries.¹⁴ Cameroon's Human Development Index (HDI) value for 2018 was 0.563, a value that puts the country in the midpoint of the human development category, below the 0.634 average of countries in this bracket but above the 0.541 average of Sub-Saharan African countries. Overall, Cameroon ranks 150th out of 189 countries and territories, and its HDI score increased from 0.445 to 0.563 between 1990 and 2018, an increase of 26.4 percent.¹⁵ Furthermore, according to the latest Human Capital Project data (October 2020), the productivity of a child born in Cameroon today is only 40 percent of what it could be if the same child enjoyed full health and complete education.¹⁶ Recent poverty reduction dynamics have been uneven, exacerbating existing regional disparities. While poverty has decreased in the southern regions, including Douala and Yaoundé where economic activity is concentrated, poverty rates have increased in the northern regions where rising climate risks and security threats are exacerbating vulnerabilities such as high fertility, low levels of education (particularly for women), subsistence agriculture, and geographical isolation.¹⁷ Cameroon is ranked 96th on the global gender gap report with significant disparities in education attainment and economic participation.¹⁸ A significant gap exists also in terms of wage equality for equal work, which is not mandated by law.¹⁹ Security threats in the Far North from Boko Haram that commenced in 2014 have helped contract economic activity, including cross-border trade, disproportionately affecting women and girls who have increasingly been the victims of gender-based violence.²⁰ The differing poverty trends of the North and the South have resulted also in contradictory patterns of consumption, which has been decreasing in the North and increasing in the South.

Additional territorial challenges have recently risen in the North and South West of the country. Started in 2016 as a peaceful protest against a perceived discrimination of the English-speaking minority, security conditions in the North and South West regions have evolved into an armed insurgency and outright calls for secession, resulting in deadly clashes between separatist militants and the country's security forces, as well as vast rural areas falling under the control of separatists. A pattern of growing economic inequality, largely based on territory, has emerged. Largely as a result of these territorial dynamics, Cameroon has experienced episodes of violence both in the Northern and in the North and South West regions of the country, which eventually led the World Bank Group to add it to its list of Fragile and Conflict-Affected Situations.²¹ Fragility and conflict are features of contemporary Cameroon that may affect the outcome of a broad spectrum of development projects and programs, as noted also in the NDS30.²²

FIGURE 1.1. GDP PER CAPITA GROWTH

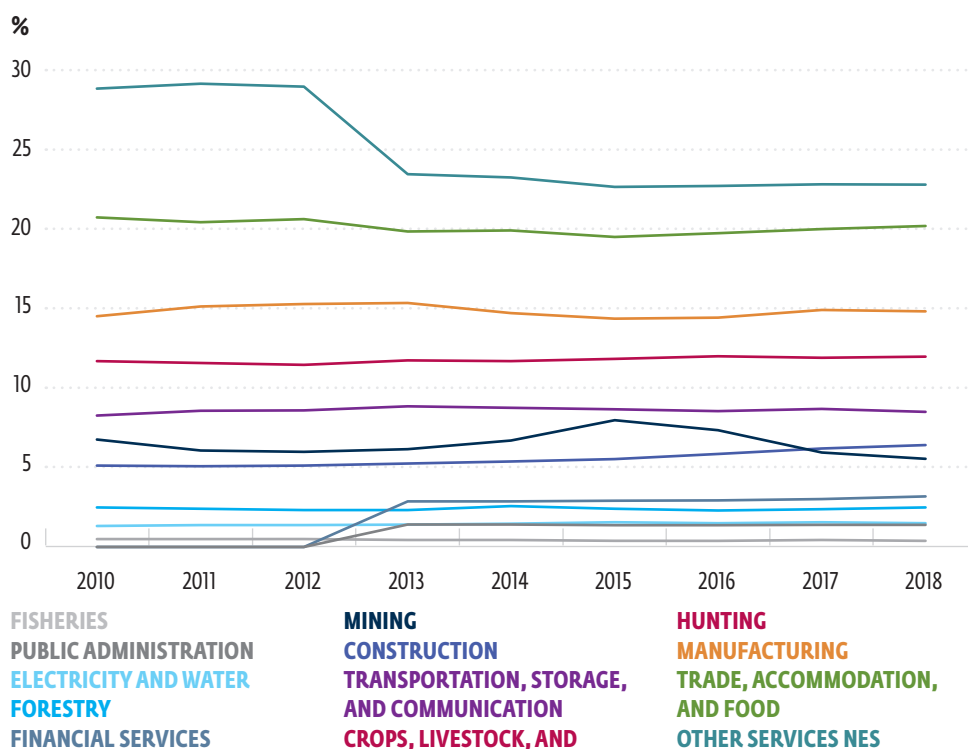
Source: World Development Indicators.

Note: The structural comparators of Cameroon are Afghanistan, Côte d'Ivoire, Ghana, Mozambique, Myanmar, Niger, Senegal, Sudan, Uzbekistan, and the Republic of Yemen. Aspirational comparators are Costa Rica, Côte d'Ivoire, Gabon, Ghana, Indonesia, Kenya, and Malaysia. Regional comparators are all countries in Sub-Saharan Africa, excluding high-income countries.

The prolonged expansion experienced by Cameroon has not been accompanied by structural transformation other than growing urbanization (figure 1.2). Economic growth in the past decade has been driven mainly by the extractive sector and large public works, while the manufacturing sector has progressed modestly to about 20 percent of GDP driven by the food and beverages industries. Services contributed nearly 52 percent of the output, followed by the industrial sector (26 percent), manufacturing (19 percent), and agriculture (14 percent).²³

Food crops grown almost exclusively by smallholder farmers are the drivers of the primary sector, while cash crops have been declining. The main activities of the secondary sector are extractives, manufacturing, and agro-processing. Retail and food services are the main subsectors of the tertiary sector, which has grown over the years by absorbing labor from agriculture as Cameroonians have increasingly moved from low-productivity agriculture into more productive tertiary sector activities in urban centers. The service sector has remained highly informal. In parallel, economic growth has been accompanied by a significant public sector participation in the economy that in the aftermath of independence championed a state-led development model in which state-owned enterprises (SOEs) played a central role.²⁴

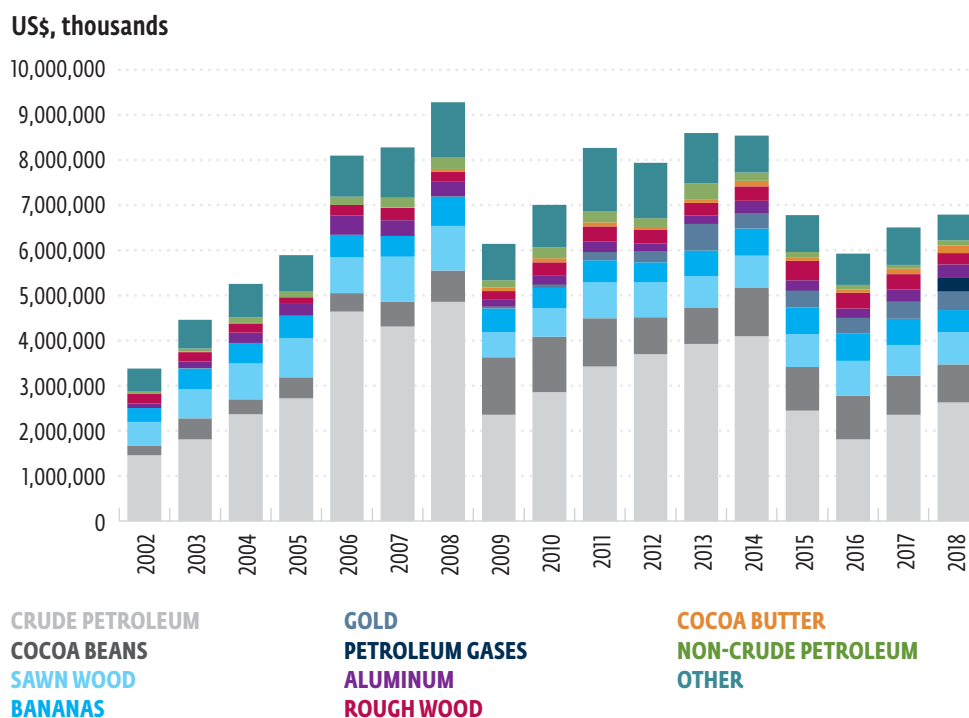
FIGURE 1.2. GDP SECTORAL COMPOSITION



Source: Cameroon National Institute of Statistics

Note: nes = not elsewhere specified.

Reliant on natural resource exports, the economy remains exposed to external shocks. Economic growth without structural transformation has resulted in a low level of economic complexity and limited exports dominated by the primary sector.²⁵ As figure 1.3 shows, crude petroleum constituted 38 percent of total exports in 2018, followed by cocoa beans with 12 percent of exports, and sawn wood equal to 10.6 percent (agriculture and forest-based exports are presented in more detail in section 4). With export revenues dominated by natural resources, the country continues to be vulnerable to international price shocks, as already happened in the period that led to the crisis in the mid-1980s, which was driven by a decline in oil revenue at a time when public spending had increased.

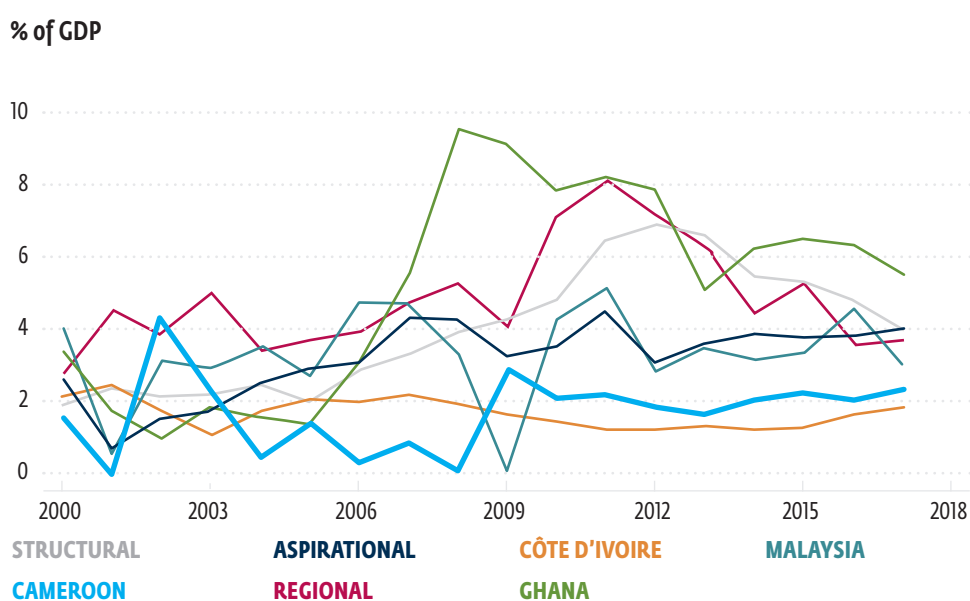
FIGURE 1.3. CAMEROON EXPORTS 2002–18

Source: UN Comtrade and World Bank staff.

The 2020 global recession triggered by the COVID-19 pandemic impacted significantly the economy of Cameroon, increasing fiscal challenges. The COVID-19 pandemic hit the economy hard, slowing Cameroon's GDP growth from 3.7 percent in 2019 to 0.5 percent in 2020, driven by a significant drop of activity in sectors such as hospitality, transport, and those sectors linked to global value chains. Global trade weakness entailed a lower demand from Cameroon's main trading partners, but the sharp drop of imports supported the current account balance to narrow from 4.4 percent of GDP in 2019 to 3.7 percent in 2020. Expenditure controls helped stabilize the fiscal deficit at 3.2 percent of GDP despite the drop in domestic revenue as economic activity decelerated, even though debt surged to 45.8 percent of GDP, up from 43 percent in 2019. These conditions ultimately forced Cameroon to seek support from multilateral lenders, including about US\$382 million in emergency support under the Rapid Credit Facility and US\$689.5 million under the Extended Credit Facility and the Extended Fund Facility of the International Monetary Fund (IMF) as of July 2021. In their July 2021 assessment, the joint World Bank-IMF Debt Sustainability Analysis reiterated the high risk of distress resulting from overall and external debt and noted that policy measures to mitigate risks, including through a gradual fiscal consolidation in line with crisis mitigation efforts, limited reliance on nonconcessional borrowing, further strengthening of public debt management, and prudent management of SOEs remain critical.²⁶

The economy of Cameroon, however, proved resilient and, after rebounding rapidly in 2021, is set to surpass pre-COVID-19 growth rates in the medium term. On the back of dynamic secondary and tertiary sectors, coupled with improved external demand, the economy of Cameroon grew by an estimated 3.6 percent in 2021. In the medium term, growth is projected to further pick up and reach 4.6 percent by 2024. As imports from abroad increase with greater domestic economic activity, the current account deficit is projected to decline to 3.4 percent of GDP in the medium term. Meanwhile, the country's fiscal deficit is expected to narrow to 2.8 percent of GDP by 2024, reflecting the government's fiscal consolidation efforts. Public debt is expected to decline as well and lower to just less than 40 percent of GDP in the same time period.

FIGURE 1.4. INWARD FOREIGN DIRECT INVESTMENT



Source: World Development Indicators.

Note: The structural comparators of Cameroon are Afghanistan, Côte d'Ivoire, Ghana, Mozambique, Myanmar, Niger, Senegal, Sudan, Uzbekistan, and the Republic of Yemen. Aspirational comparators are Costa Rica, Côte d'Ivoire, Gabon, Ghana, Indonesia, Kenya, and Malaysia. Regional comparators are all countries in Sub-Saharan Africa, excluding high-income countries.

Risks to this medium-term outlook are both internal and external and are linked primarily to the evolution of the global environment and the ongoing conflict in the southwest and northwest regions. As for nearly every other country, downside risks to the outlook are related to the evolution of the pandemic, including the emergence of new variants of the virus, as well as the rollout of vaccines. A rise in contagions, hospitalizations, and casualties could result in new restrictions to economic activity that would ultimately undermine both internal and external demand. Concurrently, the COVID-19 pandemic is exacerbating preexisting risks related to the government's ability to successfully manage the deteriorating domestic security situation: the threat from Boko Haram in the North and the deepening separatist conflict in the North and South West regions. Finally, the outlook could be darkened by contingent liabilities risks related to SOEs, which could complicate the efforts to keep the fiscal position sustainable.²⁷

A business environment more conducive to private sector activity is crucial to a diversification of the economy away from natural resources. The National Development Strategy 2030 of the government of Cameroon claims to be a roadmap to attaining the status of a newly industrialized country, hoping to double its growth rate to 8 percent over the period, increase its HDI to 0.70, and reduce poverty to less than 25 percent by 2030.²⁸ Achieving these objectives would require a growth rate far beyond the reach of what an economy driven by natural resources and the public sector can deliver, while also avoiding any severe crisis that could derail the development trajectory of the country.

Security challenges burden the government's finances and discourage much-needed private investment. Cameroon has become an increasingly fragile country over the past six years. Since 2014, the Far North region has suffered harm from the Boko Haram insurgency, which feeds on the extreme poverty and low human development of the region. Peaking in 2016, the conflict has toned down since, but small-scale attacks persist, and the region bears the consequences of a vast number of refugees and internally displaced people. Similarly, the Adamawa and East regions have more than 200,000 refugees from the Central African Republic, the endemic instability of which has also led to a spillover of violent banditry in the border regions of Cameroon. A third fragile area is the West where, starting in 2016, another conflict rooted in the neglected identity of this part of the country has rapidly escalated, giving way to a violent secessionist movement. The deployment of the Cameroonian army, which has been linked to alleged human rights violations, has caused more than 1,000 casualties since then, surpassing the virulence of the Boko Haram insurgency in the Far North. Moreover, this conflict has resulted in about half a million internally displaced people plus several thousand who have sought refuge in Nigeria as a humanitarian crisis has unfolded. Besides the severe humanitarian cost, threats to political stability also impose significant economic costs that undermine the traditional macroeconomic prudence of Cameroon and pose an obstacle to much-needed private sector investment. Reduced government revenues resulting from depressed economic activity in conflict areas and additional security expenditures have produced increases in the public debt from 13 percent of GDP in 2013 to 43 percent at the end of 2019. Additionally, it is estimated that without the declining production of cocoa, coffee, and bananas in the North and South West regions, tax revenues and GDP growth in the country would have been 0.5 point and 0.3 point higher in 2017 and 2018, respectively.²⁹ Political instability adds to the shortcomings of the business environment, reducing Cameroon's appeal to investors, both domestic and international.

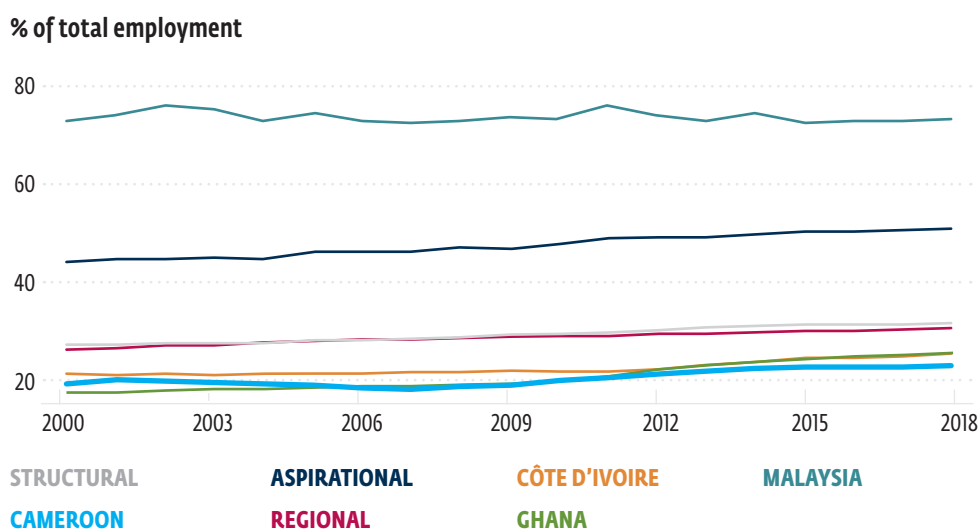
Cameroon would need to attract foreign investors in order to finance its future projects of developing infrastructure, but foreign direct investment (FDI) inflows have been traditionally low compared to the potential of the economy (figure 1.4), reaching US\$675 in 2020, a significant decline from more than US\$1 billion in 2019.³⁰ Large French companies have traditionally played a key role in this respect, though in recent times, China has been investing steadily in the country as part of its growing interest in Africa.

1.2. STATE OF THE PRIVATE SECTOR: INFORMALITY, CONCENTRATION, AND A LARGE PUBLIC SECTOR PRESENCE

Cameroon has a strong manufacturing tradition, but as in many countries in Africa, informality is pervasive. In Cameroon, very small enterprises and informality represent an increasing share of employment, in which women prevail.³¹ In this respect, Cameroon's evolution is different, for instance, from that of Côte d'Ivoire and Ghana. This upward trend is illustrated by the census conducted by the National Institute of Statistics (INS), which shows that between 2009 and 2016, the share of very small firms—those having a turnover below CFAF 15 million (US\$25,000) and less than five employees—went from 73 percent of total firm numbers to 79 percent. In 2016, there were 161,000 such firms.

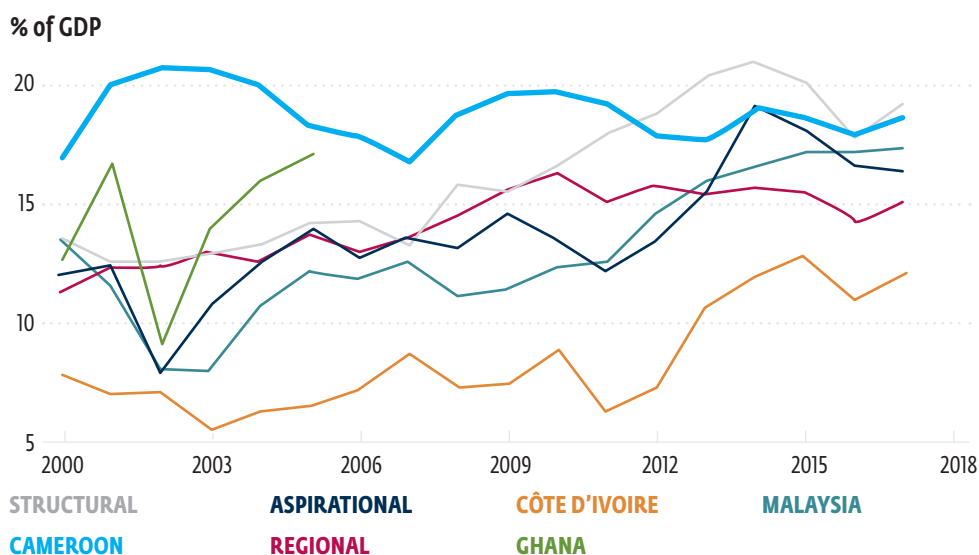
The large share of informal firms is perceived as a big obstacle by formal firms in Cameroon. For example, 23 percent of firms responding in the enterprise survey of 2016 identified informal competitors as the biggest obstacle to their daily operations, a level similar to that of the previous survey (in 2009, 25 percent of firms identified informal competitors as their greatest obstacle). Informal, low-quality employment is very common in cities (over 66 percent of urban employment in 2010).³²

The most recent enterprise survey (2016) depicts a private sector that is performing well: between 2013 and 2015 firms in Cameroon experienced positive real annual sales growth (4 percent). This growth rate, however, was lower than in the period covered by the previous survey (2005–08) when sales were growing at an annual rate of 9.1 percent. Annual employment growth was also positive and increased from 3.9 percent during the period 2005–08 to 6.2 percent in 2013–15. For real annual sales, Cameroon outperformed the average for firms in the 30 Sub-Saharan African countries for which survey data are available. Gross private investment has averaged about 19 percent of GDP between 2014 and 2019, broadly in line with domestic savings, which is nearly 20 percent of GDP in the same period (figure 1.5) but needs to drastically increase for the country to reach its ambitious development goals formulated in Vision 2035.³³

FIGURE 1.5. SHARE OF SALARIED WORKERS

Source: World Development Indicators.

Note: The structural comparators of Cameroon are Afghanistan, Côte d'Ivoire, Ghana, Mozambique, Myanmar, Niger, Senegal, Sudan, Uzbekistan, and the Republic of Yemen. Aspirational comparators are Costa Rica, Côte d'Ivoire, Gabon, Ghana, Indonesia, Kenya, and Malaysia. Regional comparators are all countries in Sub-Saharan Africa, excluding high-income countries.

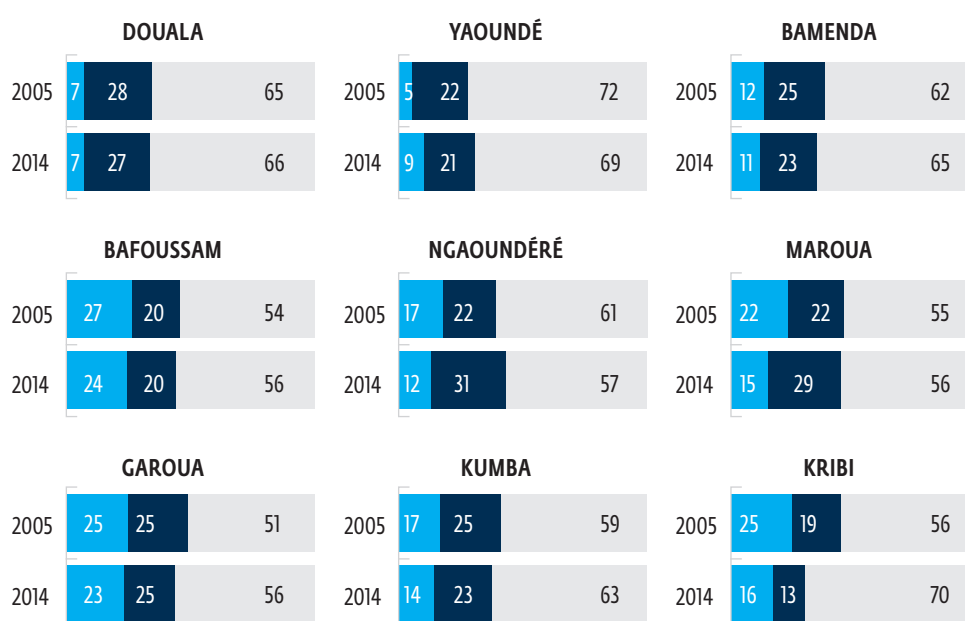
FIGURE 1.6. PRIVATE SECTOR GROSS FIXED CAPITAL FORMATION

Source: World Development Indicators.

Note: The structural comparators of Cameroon are Afghanistan, Côte d'Ivoire, Ghana, Mozambique, Myanmar, Niger, Senegal, Sudan, Uzbekistan, and the Republic of Yemen. Aspirational comparators are Costa Rica, Côte d'Ivoire, Gabon, Ghana, Indonesia, Kenya, and Malaysia. Regional comparators are all countries in Sub-Saharan Africa, excluding high-income countries.

While performance is positive, there are signs of a lack of structural market dynamism in the private sector with firms being on average older than in other countries (20.8 years against 14.6 in Sub-Saharan Africa as a whole),³⁴ as well as evidence of little changes across sectors (figure 1.7).

FIGURE 1.7. SHARE OF LABOR FORCE IN MAJOR SECTORS FOR KEY CITIES



AGRICULTURE

MANUFACTURING AND TRADABLE SERVICES

NON-TRADABLE SERVICES

Source: World Bank, Cameroon City Competitiveness Diagnostic (Washington, DC: World Bank, 2018), 10

The Private Sector Is Concentrated in Three Economic Centers: Douala, Yaoundé, and Limbé

It is well known that Douala and Yaoundé are the economic powerhouses of the country. In the formal sector, the two cities account for the overwhelming share of economic activity. According to statistics from the INS, economic activity in Douala represented in 2015 and 2016 over 51 percent of the formal sector turnover and 46 percent of total employment, while Yaoundé accounted for over 33 percent of turnover and 23 percent of employment.³⁵ Limbé is the third-largest economic center, accounting for 10 percent of employment and 7 percent of turnover with SONARA and Cameroon Development Corporation (CDC) among the large companies present there. Industries are more present in Douala and Limbé than other sectors are, and the oil sector is also important there. Finance and services represent a higher share of employment and activity in Yaoundé. Finally, construction is a significant sector in both Douala and Yaoundé.

Taking formal and informal firms together the dominance of the cities remains with more than half (57 percent) of firms located in Yaoundé and Douala. This share, however, has declined because the growth of firms in other regions (the Southwest, West, and Northwest, notwithstanding) has been more dynamic.

TABLE 1.1. FIRMS WITH MORE THAN 1,000 EMPLOYEES, 2016

NAME	JOBS
Cameroon Development Corporation (CDC)	18,575
Plantation du Haut Penja (PHP)	7,064
Hevea Cameroun SA	4,655
Société Anonyme des Brasseries du Cameroun (SABC)	2,688
Cible RH Emploi	2,596
La Société Africaine Forestière et Agricole du Cameroun (SAFACAM)	2,192
Société Camerounaise de Palmerais (SOCAPALM)	2,092
Société de Développement du Coton du Cameroun (SODECOTON)	1,890
Cameroon Radio Television (CRTV)	1,888
Camrail SA	1,701
Razel Cameroun	1,668
Camerounaise des Eaux SA (CDE)	1,523
Société Sucrière du Cameroun (SOSUCAM)	1,212
SOGEA-SATOM Cameroun	1,073
Arab Contractors Cameroun, Ltd.	1,073

Source: INS (National Institute of Statistics).

The Public Sector Plays a Sizeable Role in Commercial Activities

As of 2017, there were approximately 82 SOEs (33 fully state owned, 21 majority state owned, 28 minority state owned). As of 2016, by sector, the most SOEs were in agriculture (16) and services (13), followed by oil and gas (10), transport (9), and banking (9). SOEs generated revenues amounting to nearly 15 percent of GDP (table 1.2), with assets amounting to about 21 percent of GDP, slightly above the Sub-Saharan African average. Companies in the oil and gas sector had the largest revenues (5.3 percent of GDP in 2016), followed by manufacturing (3.0 percent), public utilities (2.0 percent), and agriculture (1.9 percent). Strictly defined SOEs (enterprises where government holds all or the majority of shares) generated CFAF 1.2 trillion in revenues in 2016 (7 percent of GDP) while companies in which government holds a minority interest generated slightly more revenue CFAF 1.3 trillion or 8 percent of GDP.³⁶

The performance of SOEs varies significantly but a substantial number of them face severe financial problems, including the accumulation of losses resulting in negative equity value (table 1.3). Government-controlled SOEs have lost a cumulative CFAF 200 billion between 2014 and 2016, while those with a minority government share made over CFAF 230 billion in profits over the same period.³⁷ This holds true across all economic sectors. Even when performance agreements and contracts have been put in place, they do not seem to have improved the financial performance of SOEs and should be reviewed. The government has identified public companies that are the most at risk, including large companies such as La Société de Développement du Coton (SODECOTON) and Cameroon Aluminum Company (ALUCAM). However, this monitoring does not include all SOEs: Cameroon Airlines (CAMAIR) and Cameroon Telecommunications (CAMTEL) are, for instance, not included. CAMAIR is also running substantial operating deficits.

Of the 82 SOEs, over 75 percent (65) are financially autonomous and commercially oriented. Commercial SOEs cover most sectors of the economy. Oil and gas, agriculture, utilities (including telecommunications), and manufacturing are the sectors most heavily represented in the state portfolio of SOEs, both by number of companies and by revenue. The role of SOEs is relatively important in agricultural exports (notably cotton, palm oil, and rubber). SOEs are also operating in key network infrastructure sectors, notably in energy (SONARA), transportation, water (Cameroon Water Utilities Corporation; CAMWATER), and telecommunications (CAMTEL). CAMTEL holds a monopoly in national telephone landlines, the international gateway, and internet infrastructure. In the oil and gas sector, state companies dominate extraction, refining, storage, and distribution. In manufacturing, state-owned companies are present in aluminum (ALUCAM, being the largest), cement (CIMENCAM), and textile (Cotonnière Industrielle du Cameroun; CICAM).

TABLE 1.2. SIZE OF THE COMMERCIAL SOE SECTOR

PRIMARY SECTOR	REVENUE AS % GDP (2016)	# COMPANIES
Media	0.1%	4
Tourism	0.1%	5
Services	0.2%	13
Telecoms	0.5%	1
Transport	0.7%	9
Banking and Finance	1.1%	9
Agriculture	1.9%	16
Utilities	2.0%	7
Manufacturing	3.0%	8
Oil and Gas	5.3%	10
Grand Total	14.7%	82

Source: World Bank, Corporate Governance and Financial Performance of State-Owned Enterprises in Cameroon, 2018.

Note: GDP = gross domestic product.

Commercial SOEs are significant creators of employment: the top 17 commercial public agencies and state-controlled SOEs employed 37,000 persons in 2016, providing about 14 percent of all public sector jobs (including civil servants), which is equivalent to about 17 percent of total employment in the formal sector. One SOE, the CDC, is the largest employer in the country. With little formal employment outside the public sector, SOEs play a key role in Cameroon's labor market, also offering opportunities for patronage, from managerial and board political appointments to regular staff hiring. CAMAIR, the public airline company, for example, employs about 800 staff for a fleet of three aircraft, more than ten times what is considered the industry standard.

The state requires companies in the agricultural sector to carry out development or public service projects in rural areas such as road maintenance, the payment of teaching and medical staff, the training and supervision of researchers and farmers, the building of schools and hospitals, and the care and hosting of security forces.³⁸ Finally, prices for some of the goods and services provided by the SOEs are regulated and for social reasons have remained unchanged for extensive periods of time. That is the case for foodstuffs such as palm oil (CDC, Pamol), rice (Société d'Expansion et de Modernisation de la Riziculture; SEMRY), cotton (SODECOTON), postal services (Cameroon Post Services; CAMPOST), and housing (Société Immobilière du Cameroun, or SICAM, and Mission d'Aménagement et d'Équipement des Terrains Urbains et Ruraux, or MAETUR). All the associated companies are low-performing SOEs with significant profitability and financing issues. The agriculture sector SOEs (table 1.4) with majority state ownership have experienced some of the largest cumulative losses in recent years. Many SOEs, including several very large ones (table 1.3), are in a difficult financial situation. In general terms, SOEs suffer from four main problems: poor quality of service, low financial sustainability, and—stemming from the latter—debt accumulation and arrears.

TABLE 1.3. HIGH-RISK SOEs IDENTIFIED BY THE MINISTRY OF FINANCE

COMPANY NAME	ACTIVITY	% OF EQUITY HELD BY THE STATE	REVENUE IN CFAP BILLIONS	P & L IN CFAP BILLIONS	FINANCIAL DEBT IN CFAP BILLIONS	EQUITY-TO-CAPITAL RATIO	OPERATING MARGIN	DEBT RATIO	PERSONNEL COSTS/ OPERATING PROFIT	PERSONNEL COSTS/ REVENUE
		2016	2016	2016	2016	2016	2016	2016	2016	2016
A. SOEs listed in the appendix to the 2018 Budget Act										
ALUCAM	Industry (aluminum)*	100%	102.60	-1.87	52*	0.44	2.90%	44.4%	6.50%	6.80%
CAMPOST	Services, post office	100%	3.63	-4.10	33.94	-65.85	-115.70%	2.10%	155.00%	215.70%
CDC	Agriculture	100%	60.00	-12.15	51.00	0.66	19.50%	52.80%	32.90%	45.70%
CICAM	Industry, cotton textile	100%	15.40	-0.80	1.70	0.31	-0.80%	67.40%	22.50%	22.20%
CNIC	Shipyards	100%	7.80	-1.43	40.77	-0.5	-15.60%	92.30%	53.80%	64.40%

COMPANY NAME	ACTIVITY	% OF EQUITY HELD BY THE STATE	REVENUE IN CFAP BILLIONS	P & L IN CFAP BILLIONS	FINANCIAL DEBT IN CFAP BILLIONS	EQUITY-TO-CAPITAL RATIO	OPERATING MARGIN	DEBT RATIO	PERSONNEL COSTS/ OPERATING PROFIT	PERSONNEL COSTS/ REVENUE
CRTV	Radio television	100%	1.94	-5.87	18.57	-2.09	-365.70%	113.60%	48.90%	667.40%
EDC	Power	100%	4.90	0.76	127.00	0.49	37.50%	94.80%	47.30%	32.10%
MAETUR	Real estate	100%	3.50	0.07	13.22	0.23	10.40%	72.50%	18.10%	33.90%
SHNC	Tourism	100%	0.96	-0.13	4.79	-0.36	-12.00%	116.50%	29.90%	34.30%
SODECOTOY	Agriculture	100%	107.07	-7.45	97.82	-0.04	-1.70%	81.70%	9.70%	11.60%
SONARA	Oil refining*	100%	510.16	-31.02	705.49*	-3.44	0.70%	95.30%	2.10%%	2.40%
UTAVA	Aerial Crop Spraying	100%	0.60	-0.43	2.27	-2.06	-66.10%	111.60%	27.40%	46.20%
B. SOEs not listed in the appendix to the 2018 Budget Act										
CAMAIR	Airline**	100%	42,05	-10.00	53.4*	-1,55	-23%	72%	73%	17.90%

* includes current liabilities. ** 2015 data.

Source: World Bank, Corporate Governance and Financial Performance of State-Owned Enterprises in Cameroon, 2018.

Notes: CNIC = Cameroon Shipyard and Industrial Engineering, Ltd.; EDC = Electricity Development Corporation; SHNC = Société Hôtelière du Nord Cameroun; UTAVA = Unité de Traitements Agricoles par Voie Aérienne.

TABLE 1.4. SOEs IN THE AGRICULTURE SECTOR

COMPANY	COMPANY FULL NAME	STATE OWNERSHIP (%)
ANAFOR	Agence Nationale d'Appui au Développement Forestier	100
CDC	Cameroon Development Corporation	100
CTE	Cameroon Tea Estate	10
HEVECAM	Heveas du Cameroun	10
PHP	Plantation du Haut Penja	24.4
SAFACAM	La Société Africaine Forestière et Agricole du Cameroun	31
SEMRY	Société d'Expansion et de Modernisation de la Riziculture	100
SOCAPALM	Société Camerounaise de Palmerais	14
SODECOTON	La Société de Développement du Coton	59
SOSUCAM	Société Sucrière du Cameroun	21

Source: World Bank, Corporate Governance and Financial Performance of State-Owned Enterprises in Cameroon, 2018.

2. CROSS-CUTTING CONSTRAINTS

In the remainder of this report, we first isolate the main cross-cutting constraints that reduce the Cameroonian private sector's ability to find and seize new market opportunities. We then turn to sectors in which private investments and growth are likely or could play a central role in Cameroon's economic transformation. Behind the identification of key cross-cutting constraints and sectoral opportunities, two main filters have been applied, namely assessing at the sector level the potential economic impact of new investments for Cameroon and outstanding constraints and costs to the realization of investments and the feasibility of addressing them in the medium term.³⁹

In doing so, the report also acknowledges the new national development strategy (NDS30), which recognizes the need to develop new sources of growth around “the emergence of the private sector as the main engine of economic growth,” targeting strategic sectors that can compete globally by serving both domestic and export markets. In the government's vision of economic transformation for the next decade, private sector growth will lead economic transformation around nine high-priority industry and services sectors (energy, agribusiness, digital technology, forest-wood, textile-clothing-leather, mining-metallurgy, hydrocarbons-refining-petrochemicals, chemicals-pharmaceuticals, and construction-services-professional-scientific-technical) and agriculture development. The NDS30 also identifies enabling productive infrastructure and urban modernization, financial sector, and cross-cutting issues (land, regional integration, environmental protection). This Country Private Sector Diagnostic (CPSD) for Cameroon discusses many of these priorities and finds support for the vision elaborated in the NDS30, while at the same time attempting to offer a realistic assessment of the challenges that may arise in implementing this vision within the next five years. The CPSD also offers further thoughts on identifying focused and achievable actions.

2.1. A DISTORTIVE FISCAL ENVIRONMENT

Reports by major firms suggest that the fiscal environment plays an overarching role in the fortunes of the private sector. Firm surveys and interviews conducted for this diagnostic consistently put fiscal policies at the forefront of their concerns. According to the 2016 enterprise survey, nearly 42 percent of firms found tax rates to be a major constraint (as opposed to 36 percent in Sub-Saharan Africa) and nearly 36 percent of them indicated tax administration as an impediment to conducting business (30 percent in Sub-Saharan Africa). In 2018, Groupement Interpatronal du Cameroun (GICAM) advocated for tax reform, notably calling for the reduction of the monthly turnover levy by half (currently 2.2 percent of turnover).⁴⁰ According to article 21 of the tax code, an advance payment of the corporate income tax shall be made monthly. The rate is 2.2 percent under the general regime and 5.5 percent under the simplified regime (including local tax). In acknowledgment of the compliance burden generated by this measure⁴¹ and following requests from GICAM, the rate has been recently reduced to 1.65 percent in the recently passed finance law, but only for companies listed on the stock exchange or registered in an approved management center. The corporate income tax rate was also reduced from 33 percent to 31 percent.

Faced with a need to reduce the fiscal deficit and rebuild its reserves, the authorities have aimed to augment non-oil revenue, which stood at 12.6 percent of GDP at the end of 2019. With the growing COVID-related expenditures, broadening the tax base has become an even more urgent priority for the sake of fiscal sustainability.⁴²

TABLE 2.1. FISCAL EXEMPTIONS BY SECTOR AND SOURCE OF REVENUE (CFAF, BILLIONS)

DESIGNATION	TVA	DD	DA	IS	IRPP	DE	TOTAL	SHARE (%)
Agriculture, livestock and fisheries	36.2	17.7	0.0	0.1	0.0	0.0	54.1	8.9
Banking and insurance	22.4	0.0	0.0	0.0	1.7	0.0	24.1	4.0
Cement	0.1	0.5	0.0	5.2	0.0	0.1	5.8	1.0
Chemical manufacturing	0.4	0.2	0.0	0.1	0.0	0.0	0.7	0.1
Construction	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.0
Education	0.3	0.4	0.0	0.0	0.0	0.0	0.7	0.1
Electricity, gas, oil and mining	63.4	12.0	0.0	16.7	51.3	68.0	211.4	34.9
Electronics manufacturing	0.3	0.2	0.0	0.0	0.0	0.0	0.5	0.1
Food manufacturing	109.3	50.2	7.9	41.8	0.6	1.1	210.9	34.8
Health and social services	2.6	2.4	0.0	0.0	0.0	0.0	5.0	0.8
Metal manufacturing	18.6	12.2	0.0	0.5	0.0	0.0	31.4	5.2
Other manufacturing	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Printing	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.1
Public administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Renewable energy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social housing	0.0	0.0	0.0	1.3	0.0	0.6	1.9	0.3
Telecommunications	0.5	0.0	0.0	16.7	0.0	0.0	17.3	2.9
Textile manufacturing	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Transport	1.3	1.0	3.5	0.1	0.0	0.0	5.9	1.0
Wood processing	1.5	0.4	0.0	1.0	0.0	0.2	3.2	0.5
Other sectors	19.4	9.8	0.8	0.7	0.0	0.6	31.3	5.2
Total	277.6	107.2	12.4	84.3	53.6	70.6	605.6	100.0

Source: Agence de Promotion des Investissements (API).

Note: DA = droits d'accises (excise duties); DE = droits d'enregistrement (registration duties); DD = droits de douane (customs duties); IRPP = impôts sur les revenus des personnes physiques (personal income tax); IS = impôt sur les sociétés (corporate income tax); TVA = taxe sur la valeur ajoutée (value added tax).

On the other hand, firms seem to depend on fiscal exemptions. According to a study led by the government, tax expenditures amounted to 3 percent of GDP in 2017, 31.7 percent of which representing exemptions on basic consumption goods (such as food products, agricultural inputs, and pharmaceuticals). The rest mostly consists of exemptions to promote investment under the 2013 law, which account for 25.2 percent of tax exemptions, and investment in the oil and gas sector, which are regulated by specific codes and account for 32.5 percent of the total. All these exemptions benefit private sector actors directly or indirectly. Exemptions are relatively concentrated around a few sectors, starting with the oil and energy sector, which accounts for one-third of the total. Other sectors benefiting from fiscal largess include agro-industry (a mix of exemptions for essential products and investments) and metallurgy (ALUCAM). Exemptions for the agricultural sector, while important, are comparatively more modest.

TABLE 2.2. INVESTMENT REGIME BENEFICIARIES

INDUSTRY	JOBS	INVESTMENT (CFAF)	NUMBER OF FIRMS	SHARE OF INVESTMENTS (%)	SHARE OF JOBS (%)
Agro-industry	9,832	309,083,646,708	33	7.8	18.5
Fisheries	55	1,083,678,211	1	0.0	0.1
Maritime activities	747	151,000,000,000	1	3.8	1.4
Construction	2,297	775,472,000,000	5	19.6	4.3
Social housing	2,806	50,394,649,981	5	1.3	5.3
Wood	585	26,025,000,000	3	0.7	1.1
Automotive industry	8,477	127,180,000,000	3	3.2	15.9
Industry	13,797	491,793,794,461	47	12.4	25.9
Energy	1,704	1,571,262,910,840	6	39.6	3.2
Energy (renewable)	94	2,284,752,230	1	0.1	0.2
Health	213	3,492,000,000	1	0.1	0.4
Services	1,373	79,910,089,479	4	2.0	2.6
Tourism	11,248	375,965,383,203	24	9.5	21.1
Grand total	53,228	3,964,947,905,113	134	100.0	100.0

Source: Agence de Promotion des Investissements (API).

Turning to the investment regime, according to Agence de Promotion des Investissements (API) figures shared with the team (tables 2.1 and 2.2), exemptions under the 2013 law have so far benefited 135 companies, most of them being in industry (47) and agro-industry (33), and the largest one going to the energy sector (a bit less than 40 percent of planned investments).⁴³ The government audit questions the efficiency of these exemptions by assessing that they have led to much lower levels of investments (a bit over one-tenth) and only one-quarter of the jobs created that were forecasted under the investment conventions. This would mean that a fiscal holiday costing 0.75 percent of GDP led to the creation of a bit more than 10,000 jobs. Exemptions have also been mentioned by several large investors present in Cameroon as being a necessity for their financial viability.

Nominal trade protection is not very high in Central African Economic and Monetary Community (CEMAC) countries,⁴⁴ but market distortions are created by frequent sectoral interventions and overall poor trade facilitation measures. These are discussed in the relevant sections in the rest of the report. Box 2.1 summarizes the short- and medium-term policy measures that may help Cameroon's fiscal system become more conducive to doing business.

BOX 2.1. FISCAL POLICY MEASURES

Short-Term Policy Measures

- Undertake a cost-benefit analysis of exemptions and select strategy to optimize taxation.
- Remove the tax rate of 2.2 percent of turnover.

Medium-Term Policy Measures

- Review the tax code to gradually reduce and consolidate taxes as well as reduce and then eliminate distortionary incentives.

2.2. IMPROVING THE ROLE OF GOVERNMENT: REFORMS, SOEs, AND PPPs

An unfriendly business environment is the main barrier to private sector investment and participation in the economy (and, therefore, the main obstacle toward achieving the objectives set by the Document de Stratégie pour la Croissance et l'Emploi; DSCE). In the GICAM survey, a very high percentage (84 percent) of firms find that red tape is a very significant or significant impediment to their business.⁴⁵ For example, Cameroonian firms have been spending 200 hours to comply with regulations for maritime transport, which by international standards puts them at disadvantage with respect to firms in other countries.⁴⁶ Data from the latest enterprise survey available validate the obstacles faced by entrepreneurs in Cameroon including cumbersome regulations and deficient infrastructure services that stand in the way of diversifying the economy and attracting private investment.⁴⁷ On the one hand, a mix of price controls, statutory monopolies, import restrictions, and other regulatory norms keep the government dominant in markets such as sugar, palm oil, and ginned cotton, limiting or outright forbidding private sector participation and, consequently, competition. On the other hand, state monopolistic positions in key infrastructure markets like telecommunications, power, and transport result in a suboptimal delivery of service that further increases the cost of doing business and makes Cameroon unattractive from an investment perspective.

Recognizing poor performance by SOEs and related fiscal limitations, Cameroon has adopted a public-private partnership (PPP) framework to attract private investment and improve service delivery, especially in the infrastructure space.⁴⁸ While a legal framework for PPPs has been in place for over a decade, it seems that the management of PPPs varies depending on sectors, with some line ministries and agencies conducting PPPs autonomously without the necessary involvement of national PPP structures.⁴⁹ There are already numerous PPPs in place in Cameroon with strong private sector participation in several sectors. The future needs of the country in energy generation and the development of transport infrastructure will rest on the development of additional PPPs to meet the growth of these sectors and current constraints. Sectoral governance issues, however, cloud the horizon and may send negative signals to prospective investors. In the energy sector, the sector restructuring, and the financial issues associated with it must be completed if plans for large hydroelectric projects are to be agreed upon. There is strong potential and matching demand from the private sector, but current uncertainties about the financial health of the national off-taker (currently Eneo),⁵⁰ among others, is preventing investments. There are also difficulties around port concessions with the current dispute involving the renewal of the container terminal concession in Douala and the need to improve infrastructure capacity (modernization of the Douala port, connection of Kribi to road or rail infrastructure) to meet future demand.

A framework that could support the delivery of infrastructure via PPPs, which could be designed by using the assessment of regulatory quality to prepare, procure, and manage PPPs offered in the Benchmarking Infrastructure Development 2020 program.⁵¹ Furthermore, the best practice recommendations included in the diagnostic report “Appui au Programme des PPP au Cameroun”⁵² could help with the development of a pipeline of projects. The report recommends, for example, that the eligibility criteria of urgency and complexity of any given PPP project under consideration by Conseil d’Appui à la Réalisation des Contrats de Partenariat (CARPA, the PPP unit), be eliminated at the preliminary studies stage, and that a social and environmental assessment be added to these preliminary assessments.

Reducing the share of SOEs in the economy has been a longstanding agenda since the mid-1980s, but not one that has been implemented with vigor. There is a clear legal framework for privatization. Under the supervision of a committee cochaired by the minister of finance and the minister of economy, planning, and regional development, the technical preparation of files on the enterprises to be privatized is entrusted to the Technical Privatization and Liquidation Commission (CTPL). The CTPL works on a privatization program established by the government and has privatized or liquidated 20 companies between 1990 and 2015. The privatization program begun in the 1980s was moderately successful in the early years but has since stalled. CTPL has been working on the same pipeline of six companies since the second phase of the program which began in early 2000s, notably SODECOTON, CDC, CAMTEL, Société Camerounaise de Dépôts Pétrolier, Cameroon National Transporting and Forwarding Company (CAMTAINER), and CAMAIR. Of these companies, only the tea production business of CDC was privatized, and CAMTAINER is currently in the process of being liquidated.⁵³

Given the difficulties faced by numerous SOEs, their size relative to the economy, and the accumulation of losses that poses significant systemic fiscal risks, it is vital to reinforce systems to assess, manage, and reduce these risks, including considering the transfer of public assets to the private sector down the road. Immediate actions should include

- The enactment of legislation detailing SOE responsibilities, as well as monitoring, and controlling them in accordance with the Organization for the Harmonization of Business Law in Africa (OHADA) framework;
- Reviews of the corporate governance practices of SOEs, including the selection of management;
- An increase of the capacity of the CTR (Comité Technique de Restructuration) and the DPC (Division des Participations et de Contributions) by adding human resources;
- An improvement of the aggregate monitoring report on the fiscal and financial situation of SOEs;
- Initiation of reform by drafting a restructuring plan for four key SOEs;
- Publication of the financial accounts of all SOEs within a reasonable time at the end of each reporting period (six months) and electronically; and
- Government adoption of a strategy to improve the long-term financing of SOEs.

A note shared by the permanent secretary of the Ministry of Economy, Planning, and Regional Development (MINEPAT) in the context of the IMF program stresses how the recommendations of the fund regarding SOEs coincide with the rationalization envisaged in the NDS30. Further, it lists, among other things, a review of the viability of SOEs with a view to consolidating the government's portfolio and reducing budgetary risk; signing performance contracts specifying public service obligations and the gradual reduction of subsidies to low-performance companies; listing large public companies in the industrial sectors; and corporate governance reforms, including the introduction of independent directors with relevant expertise as well as the mandatory publication of audited annual financial statement.⁵⁴ Box 2.2 summarizes the short- and medium-term policy measures that may help improve the role of government in Cameroon.

BOX 2.2. STATE-OWNED ENTERPRISE AND PUBLIC-PRIVATE PARTNERSHIP POLICY MEASURES**Short-Term Policy Measures**

- Review the corporate governance practices of SOEs including the selection of management.
- Increase the capacity of the CTR and the DPC by adding human resources.
- Improve the aggregate monitoring report on the fiscal and financial situation of SOEs.
- Draft a restructuring plan for four key SOEs.
- Review the PPP framework and its implementation, including the funding of the PPP unit (CARPA), to ensure uniform and efficient implementation based on the capacity and convening power of the national PPP structure, line ministries, and agencies.
- Develop a PPP pipeline based on sector assessments to create a roadmap for mobilizing private financing.

Medium-Term Policy Measures

- Enact legislation detailing the responsibilities, and monitoring and control of SOEs in accordance with OHADA.
- Implement the four SOE restructuring plans.
- Publish financial accounts of all SOEs.
- Have the government adopt a strategy to improve the long-term financing of SOEs.

Note: CARPA = Conseil d'Appui à la Réalisation des Contrats de Partenariat; CTR = Comité Technique de Restructuration; DPC = Division des Participations et de Contributions; OHADA = Organization for the Harmonization of Business Law in Africa; PPP = public-private partnership; SOE = state-owned enterprise.

2.3. LAND AND PROPERTY RIGHTS

The **International Property Rights Index (2019)**, lists Cameroon 115th out of 129 countries globally and 20th out of 28 countries regionally, highlighting the magnitude of securing property rights in the country. Insecure property rights adversely affect investment, particularly when it comes to land, because such investment typically requires a long-term perspective, involves significant financial commitment, and is not movable. Legislation passed in the 1970s⁵⁵ created a tenure system based on land registration that distinguished private, public, and national land. Privately owned land must be registered and titled. Untitled, unregistered land may be designated as public land (that is, managed by the state on behalf of the public) or national land, which represents most of Cameroon's land and includes unoccupied land and land held under customary law. The government can convert national land into state land and allocate use rights to it (forest concessions, for instance) or convert it to private ownership (for urban development, for instance). The coexistence of statutory and customary law has resulted in a confusing land administration framework.

In addition, registering land transactions is expensive and time-consuming as it takes 93 days and costs 18 percent of property value, compared to the average of 81 days and 10 percent of property value across Sub-Saharan Africa. The authority for registration was decentralized to local levels in 2005, with the prefect-level land consultation boards assuming responsibility for demarcating land and adjudicating rights, but such land consultation boards have often lacked the systems, equipment, financial support, and training to carry out their duties.⁵⁶

While the registration of urban land is more common than the registration of agricultural land, an estimated 80 percent of plots in urban and peri-urban areas are held under customary law and transactions take place informally. Plots are obtained through renting or purchasing in the informal market. The combination of an inefficient land administration framework and high registration costs have contributed to extensive land tenure insecurity and informality, creating several issues (high transaction costs, widespread informality, frauds, land disputes) that cut across different sectors of the economy, including in agribusiness and forestry as well as in urban development and real estate, and this ultimately discourages investments. Because of the wide-ranging implications across the economy, land administration is a key cross-cutting constraint to private sector investment that requires urgent attention, including by piloting solutions that may be tailored to address its impact on specific sectors of the economy.

In this context, the priority action plan recommended by joint public-private technical teams would contribute to increasing the efficiency of the land administration system by increasing transparency,⁵⁷ reducing registration costs,⁵⁸ and tackling some of the issues that have adversely affected land registration boards.⁵⁹ In this, they had support from the World Bank Group during the 11th session of the Cameroon Business Forum held on October 22, 2020.

Box 2.3 summarizes the short-term policy measures that may help improve property rights and land administration in Cameroon.

BOX 2.3. PROPERTY RIGHTS AND LAND ADMINISTRATION SHORT-TERM MEASURES

Short-Term Policy Measures

- Publish statistics on land transactions, land disputes, and transfers online.
- Reinforce the Guichet Unique pour les Transactions Foncières (GUTF), starting with the Douala and Yaoundé markets.

3. PILLAR 1: RETHINKING PUBLIC- PRIVATE BALANCE (ENABLING SERVICES)

Enabling services will be key to the equation of structural transformation for Cameroon and thus in providing the necessary services inputs for the private sector to serve new markets. This analysis is largely in agreement with the NDS30 emphasis on filling the observed gaps in the “productive infrastructure” of transport, energy, information and communication technology (ICT) services, and urban infrastructure among other things. This entails the realization of infrastructure projects (with the private sector as partner) in a context of prioritization and optimization of public spending, alongside improving the regulation and operation of existing infrastructure.⁶⁰

3.1. TRANSPORT, LOGISTICS, AND TRADE FACILITATION

Current Performance

Cameroon is a medium-size country (475,000 square kilometers). The northern part of the country, which is close to Lake Chad, is quite removed from major cities, about 1,200 kilometers from Douala. Cameroon’s overall performance on sustainable mobility puts the country among the bottom performers in the world, ranked 174th out of 183 countries.⁶¹

Cameroon is located at the crossroads of major routes and shares borders with the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, Gabon, and Nigeria. Through the ports of Douala and Kribi, Cameroon provides the Central African Republic and Chad their only viable sea access (79 percent of Chad’s import transit through Douala).⁶²

In this section, we review four subsectors (road transport, ports, railways, and urban transport) that will take preeminence in future economic transformation and be central to the most important private sector investment opportunities for Cameroon. Other subsectors such as air transport and river transport also present challenges and opportunities that are not discussed in detail in this report.

Road Freight and Logistics

The road infrastructure network cannot adequately meet the traffic demand, which is growing by about 7 percent per year. Road density at 9 kilometers per 1,000 square kilometers and 0.280 kilometers per 1,000 inhabitants is significantly below that of countries with similar levels of economic development and areas such as Côte d'Ivoire (16/0.384) and Ghana (25/0.354). Of a total national classified/unclassified road network of about 100,000 kilometers, only 5,634 kilometers are paved and about half of the paved network is in poor condition due to inadequate road maintenance funding and weak road asset management practices. A road fund was created in 2007 and subsequently abolished. The road between Douala and Yaoundé (Route Nationale 3), for instance, is a two-lane road in mediocre condition that is being used by trucks transporting wood and other goods. A 2008 European Union–financed study shows that between 2004 and 2007, the accident rate on the road was 35 times higher than on similar roads in Europe. With over 1,000 deaths each year, road security is a concern promoted in the NDS30.

Of the 480 kilometers of highways planned under the Growth and Employment Strategy Paper (GESP) for 2010–19, only 88 kilometers have been completed to date. Four highway projects are currently under way to improve connectivity:

- A highway linking Douala with Yaoundé (215 kilometer) along Route Nationale 3. The project started in 2014 and phase 1 (which covers 60 kilometers of roadway) is currently under construction.
- A highway connecting the port of Kribi to Lolabé (36.5 kilometers) is being constructed. The construction, which had been interrupted because of a financing shortfall, has restarted.⁶³
- A highway between Yaoundé and Nsimalen (21 kilometers) will connect the center of Yaoundé and the international airport. The project was launched in 2014.⁶⁴
- A highway between Douala and Limbé (70 kilometers) is being constructed.

The road transport sector is fragmented (82 percent of employment is generated by small firms owning one to three trucks). These transporters operate old trucks: the share of trucks more than 15 years old increased from 50 percent of the fleet in 2014 to 57 percent in 2017.⁶⁵ Trucking companies rely on intermediaries (coxers) to find freight. Trucks are often not in use and revenues cover running costs but not replacement of material. Large companies such as, for instance, cement importers own large fleets of trucks but also operate as freight operators. Overall, due to inefficiencies in the market and the lack of implementation of regulation (such as regular vehicle testing, excess-load control, professional qualifications of transporters), the supply of road transport significantly exceeds demand.⁶⁶ Therefore, competition from both small, inefficient, and noncompliant transporters and large fleets normally operating under their own-account regimes prevents the emergence of more structured and professionalized road transport operators.

There are multiple logistics platforms located principally in Douala, but also in Ngaoundere in the North and Belabo. Many are operated by large operators (for the transport wood, petrol, and cacao sectors). There is, however, no network of platforms per se, and therefore, the optimization of volumes and intermodality are not being achieved.

Ports

Four ports operate in Cameroon: Port Autonome de Douala (PAD), Port Autonome de Kribi (PAK), the seaport estuary of Lamina (Limbe), and the river port of Garoua. A large share of the traffic goes through Douala, which operates at maximum capacity. Total traffic at the PAD in 2018 was 11.8 million tons, a slight increase of 0.4 percent over the previous year.⁶⁷ For the period 2014–18, traffic increased by 9 percent, representing an average annual growth rate of 2 percent. Exports only represent 27 percent of total traffic. The port is an important gateway for countries in the hinterland, the Central African Republic and Chad in particular. Transit represents about 6 percent of the total traffic in the port of Douala recorded in 2018. It is worth noting the upward trend in this traffic, especially the traffic coming to and from Congo. Transit also accounts for 20 percent of container traffic.⁶⁸ Once goods leave the PAD to head for N'Djamena and Bangui, freight transit time has been reduced from 8.6 to 5.0 days and 6.4 to 4.0 days, respectively, since 2007. Cameroon continues to upgrade its trade procedures with the recent implementation of an electronic single window for trade (e-GUCE).

The container terminal (Douala International Terminal) was until recently a joint venture (JV) between APM Terminals and the ports administered by the Bolloré Group. The PAD opted for an open tender for the concession renewal and awarded it to a new operator. The decision has been disputed by Bolloré and annulled by the courts.⁶⁹ As a result, and seemingly in contravention of the ruling, the port authority has taken over the operations of the terminal.⁷⁰

Other terminals include the wood terminal, also part of the Bolloré group, and the fruits/cereals terminal, managed by a subsidiary of PHP, since 2010 under a 15-year concession. Other terminals managed by the port authority include a conventional terminal and terminals for cement, petroleum products, and minerals (aluminum).

Before the crisis, volumes were expected to continue past growth trajectory (volumes in 2018 were 60 percent higher than in 2010), but the port of Douala, which is already congested, cannot accommodate it. The PAD masterplan includes ambitious upgrading and development plans to be carried in two phases culminating in a new deepwater port on the Manoka Peninsula. The first phase, which will cost an estimated CFAF 300 billion, would lead to the modernization of current infrastructure (dredging, terminal rehabilitation, and the creation of additional quay capacity by filling unused docks),⁷¹ and this would increase the capacity to 23 million tons by 2030. The second phase would consist in building the new deep-water port at an estimated cost of CFAF 900 billion, bringing the capacity to 30–32 million tons by 2050.

In 2018, four years after completion of the construction, the new deep-sea Port Autonome de Kribi in the South started regular operations. The port has two terminals, one for containers and one for multiuse. It is still, though, not operating at full capacity with a volume of 200,000 containers twenty-foot-equivalent (TFE) out of a total capacity of 350,000 containers TFE and 1.2 million tons for the multi-use terminal due to a lack of adequate transport infrastructure to connect it to the rest of Cameroon and the sub-region. Compared to PAK, the PAD treated 379,000 containers TFE in 2018. Seventy-five percent of the traffic in Kribi is transshipment traffic that has been rerouted from Pointe Noire. The Kribi container terminal is operated by a JV between Bolloré, CMA CGM, and China Harbour Engineering. The general freight terminal is now operated by International Container Terminal Services. There is an industrial zone next to the port in Kribi, but only two firms are currently operating there.

The port of Douala is the main gateway for Chad, which represents 80 percent of transit traffic in volume and an important one for the Central African Republic (16 percent of transit). It is also used for the Democratic Republic of Congo, Equatorial Guinea, and Gabon.⁷² An integral part of the transport sector development strategy therefore integrates transit services to neighboring countries. Road transport transit to Chad and Cameroon are subject to two bilateral conventions dating back to 1999 that allocate, respectively, 35 percent (Chad) and 40 percent (Central African Republic) of the traffic to Cameroonian transporters and the rest to the partner countries. In addition to these countries, trade with Gabon and Nigeria are also important.

Cameroon's performance in customs clearance and logistics has stagnated over the years: Cameroon ranked 95th of 160 countries in the 2018 Logistics Performance Index. The NDS30 notes that the poor performance is explained by such factors as "(i) the absence of an interconnected system that allows paperless transactions between customs and other agencies; (ii) excessive number of documents requested; (iii) complexity of the customs clearance system's procedures, due in particular to the existence of repetitive procedures; (iv) governance problems, such as the existence of several superfluous controls, the lack of anticipation in foreign trade procedures, as well as opening hours at ports and other public bodies that are not suitable for customs brokers; (v) shortcomings inherent in the lack of professionalism of certain actors, particularly in terms of the time required to pay duties, taxes, and other charges (importers) and the quality of declarations (customs brokers)." The single external trade window established in 2000, GUCE, is based in Douala and has an antenna in Kribi. It brings together stakeholders (governments, banks and insurance companies, and port agents) to facilitate and dematerialize foreign trade procedures. GUCE implementation was an important achievement for the facilitation of trade in Cameroon, enabling import-export operators to effect transactions from their working stations without having to travel to Douala as was done previously. There is, nonetheless, still a need to upgrade the Douala single window to address the growing demand in Cameroon and other corridor countries generated by the ramp-up of the dematerialization program, which GUCE will not be able to meet in the short and medium term unless its current capacity is strengthened and its system modernized.

CEMAC's new transit regime was expected to improve the fluidity of transit goods movement through the Douala-Bangui/Ndjamena corridor, but it was never implemented. For Cameroon to fully play its role as a regional gateway and support the growth of its port and transport sectors, there is a need to simplify and improve customs procedures through an efficient implementation of the transit regime. This includes the interconnection of customs information systems, the implementation of an efficient bond management system, the streamlining of railroad mode transit documentation and procedures to be more efficient and traceable, and the professionalization of transit actors including customs brokers, freight forwarders, and other transit service providers.

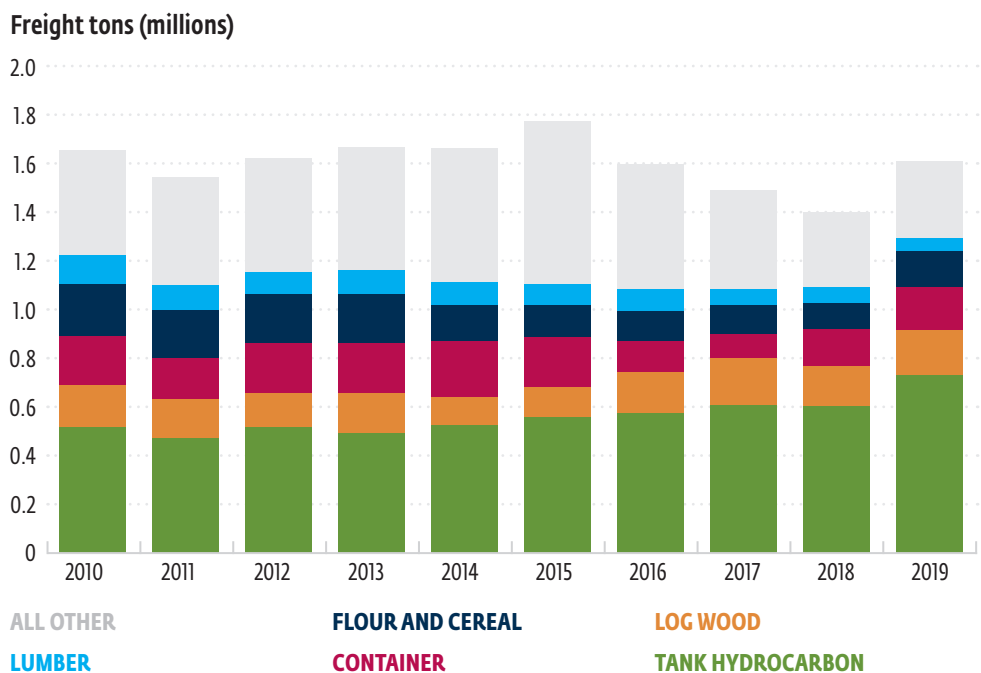
Railways

Railway services were concessioned out in 1999: CAMRAIL (Cameroon Rail, a subsidiary of Bolloré)⁷³ operates a total of 984 kilometers of railway lines (885 kilometers from Douala to Ngaoundere and 99 kilometers of the western line between Douala and Kumba). The Cameroonian network is operational but in relatively poor condition, with stable but low passenger and freight traffic. Its Quality of Railroad Infrastructure Index rating is 2.29, ranking 78th out of 101 countries according to the World Bank advocacy platform for universal access to rail mobility, SUM4ALL.

CAMRAIL transported 1,608,810 tons of freight in 2019. As shown in figure 3.1, traffic was up 13 percent over the previous year but relatively stable over the past decade. Rail plays a critical role in serving Northern Cameroon, the Central African Republic, and Chad. CAMRAIL transports between 30–40 percent of the goods transported between Douala and Ngaoundere. Passenger transport, which reached about 1.6 million passengers in 2015–16, collapsed after the derailment near Esaka in which 80 persons died, 7 were missing, and more than 950 were injured. Traffic has declined since then to about 600,000 passengers (due also to a lack of investment in rolling stock). Freight accounts for 90 percent of total revenues (excluding the operational subsidy).

Under the concession agreement between the government of Cameroon and CAMRAIL, the network has been subject to several rehabilitation and extension programs and studies, including two five-year programs, the second being planned for the years 2019–24. The CAMRAIL concession is performing well compared to many low-density railways in Africa, but not at levels that guarantee sustainability of investments. In 2018, CAMRAIL was running an operational deficit, despite receiving an operating subsidy (related to public service obligations for passenger services) and was expected to balance its accounts in 2019.

FIGURE 3.1. CAMRAIL FREIGHT TRAFFIC (TONS)



Source: CAMRAIL.

To further improve the performance of the Doula-Ndjamena railway and road corridor, several projects under preparation will contribute to the full rehabilitation of the existing metric-gauge railway, as well as improved intermodal railway and road platforms, combined with the rehabilitation of the 600-kilometer-long Koutere-Moundou-Ndjamena road corridor being carried out through performance-based contracts. This is expected to increase the capacity, safety, speed, reliability, and efficiency of the movement of goods along the backbone corridor of freight transit from Cameroon to Chad in ways that benefit both countries.

Urban Mobility

Cameroon has one of the highest rates of urbanization in Sub-Saharan Africa: 56 percent of its population lives in urban areas. It is estimated that by 2050, 70 percent of Cameroonians will live in urban areas.⁷⁴ Urban mobility is a major challenge for Douala. The city, which currently is home to about 2.5 million inhabitants,⁷⁵ is on a fast track to urbanization with around 5 percent population growth per year and could reach 4 million inhabitants in 2025. Poor transport conditions have become a major bottleneck to the city's economic development. Heavy congestion impacts the daily life of inhabitants and the free flow of trade, engendering high transportation costs for goods and imposing up to three hours of commute time on employees trying to reach their workplaces.⁷⁶

The *Cameroon City Competitiveness Diagnostic*, an analysis of multimodal transport in Douala and its political economy, underlines important issues and potentialities, such as the improvement of the business model developed for each mode of transport.⁷⁷ Indeed, Douala's high population density is an asset for the development of a multimodal transport system connecting jobs and dwellers by such means as bus and minibus systems.

Private Sector Opportunities

There are important infrastructure needs and development plans that will require private sector involvement, putting PPPs at the core of the Ministry of Transport's strategy. Continuing the vision set in the GESP 2010–19, the NDS30 sets forth highly ambitious plans, including extension of the railway network and the construction of a deep-sea port in Limbe and specialized terminals at the Kribi port. The realization of these projects will be tested by market realities and the ability to attract private operators and demand.

Port operations (and linked transport infrastructure) in Cameroon are well positioned to play an important regional role with the emergence of Kribi and meet future demand. In the short term, there is a need to modernize the existing infrastructure at the port of Douala and to complete the Kribi project. There are also private sector opportunities linked to the re-tender of the terminal container activities in Douala, pending resolution of the litigation discussed above. There might also be other opportunities linked to the rehabilitation of some terminals (wood, cement) and extension of these facilities within the current perimeter of the PAD, but in the absence of a clearer strategy, these may be difficult to assess.

Another potentially transformative project is the transport link to the port of Kribi, which connects the port to Edea. A railway connection is being explored through a PPP with support from the Global Infrastructure Fund. A highway linking Edea to Kribi is also under construction, with the first phase to be completed soon and a second phase planned for completion by 2023.

Construction for the second phase of development of Kribi started in 2018 and should raise the port capacity to 1 million TEF at the container terminal. With the extension of the current terminal, this second phase will also enable the full use of the port's 16-meter draught.⁷⁸

A new World Bank/IFC advisory project aims to support the development of a rapid-transit bus system in Douala, the first mass transit public transport system in the country. The project aims to leverage private sector financing through a PPP for the construction and operation of the rapid-transit bus system by a private concessionaire.⁷⁹ The project will be run by the Communauté Urbaine de Douala under the supervision of the Ministry of Housing and Urban Development and the Ministry of Transport. CARPA, the PPP agency, will be consulted.

Constraints

Many of the broad challenges identified a few years back⁸⁰ remain some of the areas of focus in the NDS30: (a) maintaining and expanding the road network; (b) developing intermodal and multimodal interfaces to improve logistics performance; (c) completing the rehabilitation of the existing rail network and expanding it to better serve growth poles such as major ports, agricultural production areas, and mining areas; (d) reducing transport costs and prices through more effective service delivery and competition in the transport sector to enhance Cameroon's role as a regional transport hub; (e) improving the planning, prioritization, operation, and maintenance of transport infrastructure; (f) ensuring Cameroon's compliance with international standards in civil aviation safety and security; and (g) improving the professionalization and efficiency of the transport services industry.

Cameroon already has or will have master plans for each mode of transport, but it did not have yet a comprehensive strategic document envisioning the joint development of different modes of transport.⁸¹ An intermodal master plan was developed in response.⁸²

Complementarities but also competition between different modes of transport have not been as fully considered as they could be. The development of the pole of Kribi offers an example in the delay in the construction of land transport infrastructure to connect it. Lack of connection has led to delays in the development of Kribi operations and uncertainties as to the future and is also opening the door for competing visions. Another example is the absence of integration in strategic visions regarding road and rail transport in which highway projects are currently being developed independently from plans to rehabilitate the rail.

Furthermore, weak overall governance of the sector and conflicts of interest (see below) translates into imperfect transport strategy vision implementation within sectors. In the port sector, for instance, there are potentially competing visions between the development plans of the PAD, especially the additional deep-water port project and the development of Kribi's full potential. Douala is congested thus making the need to reduce congestion through potentially rerouting certain types of freight through Kribi an urgent priority. Additionally, there are problems with the PAD's shallow draught. On the other hand, Kribi's potential is not exploited as it is not well connected to the transport infrastructure. Complementarities between the two ports will need to be more clearly defined.

The current implementation of PPP projects is a source of concern, given how central this will be to the realization of the country's infrastructure needs. The building of highway projects has been falling behind, and the recent developments concerning the container terminal concession will have an impact on Cameroon's reputation with international operators. Given important needs in the transport and other infrastructure sectors (like energy), projects will have to be selected and prioritized (including by looking at the economic viability of projects). A recent review of PPPs in the sector⁸³ offers the following recommendations:

- Legal reforms (rail, road and airport sectors) must be governed by laws and regulations that better set the terms and conditions for concessions.
- A better distribution of roles must be made in the airport subsector as well as in the port subsector in order to avoid unfair competition and allow good governance. As a result, the Cameroon Civil Aviation Authority should no longer operate airports, which is potentially detrimental to airport competition and good sectoral governance, and port agencies should no longer be able to manage certain port activities regardless of the circumstances.
- The institutional framework needs to be reviewed to avoid overlapping jurisdictions between administrative bodies, particularly between the Ministry of Transport and the Ministry of Public Works. In addition, there needs to be a clear definition of the role of administrative entities involved in the various life cycle stages of infrastructure projects, from identification to monitoring and execution.
- Provisions of the legal framework for each subsector must explicitly state that the setting of royalties will be done by the concessioning authority. This is particularly the case for the airport sector.

Box 3.1 summarizes the short- and medium-term investment opportunities and policy measures in the transport and logistic sectors of Cameroon.

BOX 3.1. INVESTMENT OPPORTUNITIES AND POLICY MEASURES IN THE TRANSPORT AND LOGISTICS SECTORS

Short-Term Private Investment Opportunities

- Renew port concessions.
- Complete phase 1 of Douala port facilities upgrade.
- Develop Kribi pole.
- Support bus and rapid transit in Douala.

Short-Term Policy Measures and Public Investments

- Solve the dispute around the container terminal in the port of Douala.
- Initiate implementation of the intermodal master plan (for those components not yet initiated).
- In regard to the single window for foreign trade, extend the single form to all phases of the international logistics chain (preclearance, take-over, clearance, removal).
- Have national port authority revise current port tariffs to increase the storage levy at the port of Douala.
- Continue upgrading rail infrastructure.

Medium-Term Private Investment Opportunities

- Complete rail link with port of Kribi.
- Complete phase 2 at Kribi.
- Develop railway and road logistics platforms.

Medium-Term Policy Measures/Public Investments

- Complete the highway between Doula and Yaoundé.
- Have GUCE set up an electronic payment platform for all trade-related fees, duties, and taxes.
- Facilitation committee (CONAFE) has implemented the three-year strategic plan detailing specific annual measures to reduce the transit time at the port of Douala and has increased the number of computerized clearance procedures.

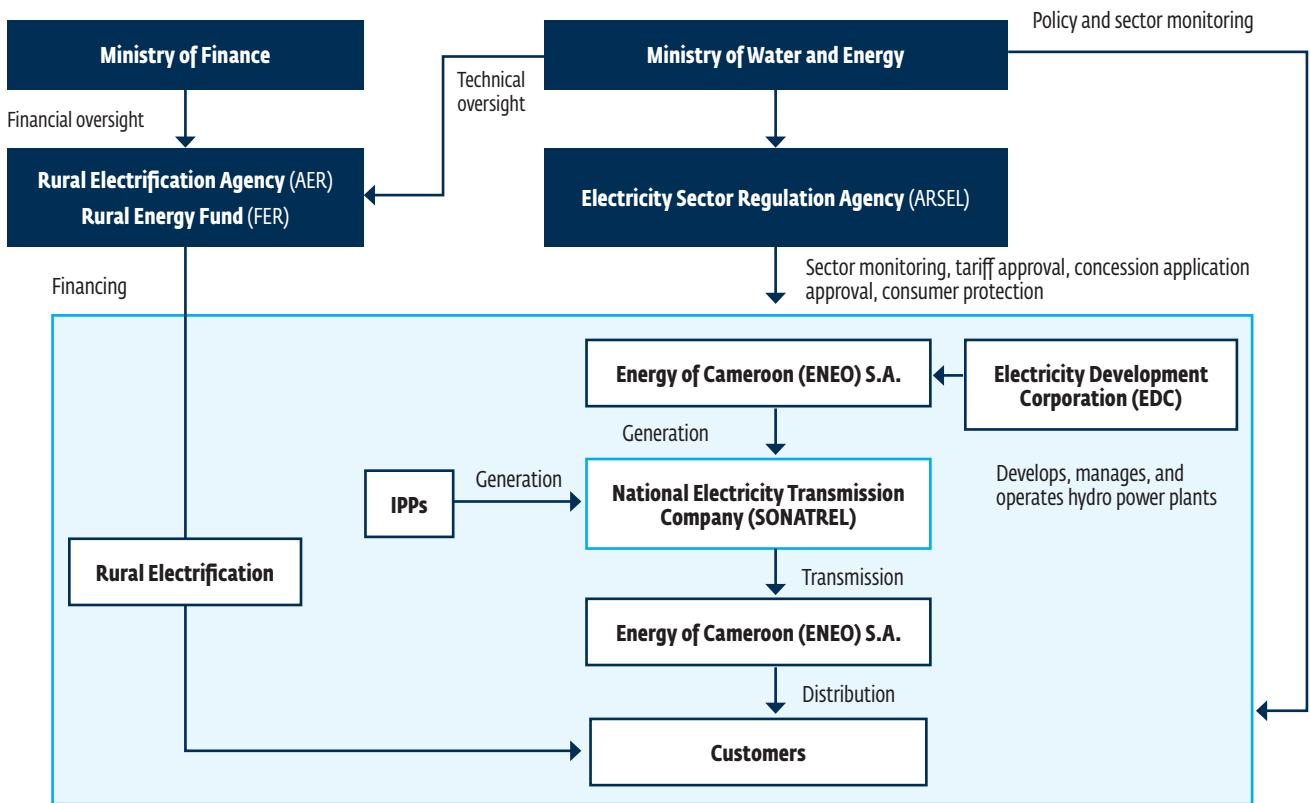
3.2. ENERGY

Current Performance

As recognized in the NDS30, realizing Cameroon's vast energy potential is crucial for its economic development and requires restructuring the sector to overcome challenges across its value chain. Reforms of the electricity sector in Cameroon since the late 1990s have led to a system composed of public and private entities. As part of the reform, ARSEL, the sector regulator, and the Agence pour l'Electrification Rurale (AER), the rural electrification agency, were established. The state-owned, vertically-integrated power utility, Société Nationale d'Electricité (SONEL), was privatized in 2001 and a 20-year concession was awarded to the American Electricity Supply Corporation (AES), becoming AES SONEL.

A second round of reforms initiated in 2011 transferred the management of the transmission network to SONATREL (Société Nationale de Transport d'Electricité), a new state-owned entity that became fully operational in May 2018. Three years later, in 2014, a private equity company, bought the equity stake of AES Corporation in AES-SONEL and committed to complying with all previous obligations by AES-SONEL (now renamed Eneo CAMEROON S.A.) for the remaining of the concession period. Following these two rounds of reforms and as illustrated in figure 3.2, the present configuration of the sector includes

- The Ministry of Water and Energy, which is responsible for power policy definition and implementation;
- Electricity Development Corporation (EDC), a state-owned company created with a specific mandate to, among others, develop, manage, and operate hydroelectric assets;
- SONATREL as the electricity transmission system operator;
- ARSEL, the electricity regulatory agency responsible for regulating, overseeing, and monitoring the activities of sector operators;
 - AER, a public institution that promotes and develops rural electrification projects across the country with a rural energy fund to finance rural energy projects;
 - Eneo, a private company under a 20-year concession contract initially meant to run through 2021 and subsequently extended to 2031, operates the national distribution network as well as hydro and thermal generation plants. In 2018, Eneo had 1,224,505 customers;⁸⁴ and
 - Two independent power producers (IPPs) that are thermal power production plants fueled by natural gas and heavy fuel oil.

FIGURE 3.2. ELECTRICITY SECTOR INSTITUTIONAL SETUP

Source: World Bank, Republic of Cameroon: Rural Electricity Access Project for Underserved Regions (Project Appraisal Document PAD2677, Washington, DC: World Bank, November 20, 2018), 16.

Note: IPP = independent power producer.

Importantly, significant investments have been made over the 2000–10 period: generation capacity had increased by 30 percent, the electrification rate had increased from less than 15 percent to almost 50 percent, and the number of connections had grown by 75 percent.⁸⁵

As a result, Cameroon today possesses 1,650 megawatts (MW) of installed power capacity, which was a planned feature of the NDS30 plan. Eneo, the successor to the country's historical public utility, has an installed generation capacity of 1,028 MW, about three-quarters of which is sourced from hydro sources, and its generation facilities fleet consists of 39 generation power plants that includes 13 grid power plants and 26 remote thermal power plants. The two IPPs operating in the country account for the remaining 304 MW installed. KPDC, which was established in April 2013 and manages the Kribi gas plant with 216 MW installed capacity and an 88 MW heavy fuel thermal plant managed by the DPDC, which was established in November 2009. In addition, it is expected that by 2024, the Nachtigal plant on the Sanaga River near Yaoundé and developed as an IPP will have achieved full commercial operation status, adding 420 MW of hydropower generation.⁸⁶ Overall, about three-quarters of electricity production comes from hydroelectric sources, while nearly 18 percent come from oil, 6 percent from natural gas, and just above 1 percent from renewable sources.

Since 2011, however, stalling investments have turned the sector's transmission capacities into a bottleneck to the expansion of generation investment. Consequently, a new energy reform was implemented to reinvigorate investment and sector performance and to foster new investments in the transmission system. The Cameroonian government initiated a second phase of reforms including the New Electricity Law of 2011. Key changes created by the legislation included (a) the transfer of the transmission network management from Eneo to a state-owned entity (SONATREL); (b) changes to water storage activities, including the transfer of the water storage concession of the Sanaga basin reservoirs to EDC; and (c) the introduction of new penalty charges in the event that Eneo fails to meet agreed-upon performance targets.

Private Sector Opportunities

The unmet demand for electricity is expected to grow at a sustained pace. Some 5.6 million Cameroonians are not connected to the grid, even though it is estimated that 4.5 million of them live within 20 kilometers from that grid.⁸⁷ It is estimated that most of them are located in the areas of the country with the lowest electrification rates, 620,000 in the Far North, 380,000 in the North, and 270,000 in North-West.⁸⁸ The Plan de Développement du Secteur de l'Electricité predicts that peak demand is expected to triple with an additional 2,000 MW capacity required by 2035. Contingent upon a successful turnaround of the sector, there may be opportunities for private sector investment in additional IPPs, which could help address electricity needs and meet the target of increasing installed energy capacity to 5,000 MW set in the NDS30.

Northern grid

As of now, the northern grid is highly reliant on the 72 MW Lagdo dam, which is facing serious technical issues and needs massive investments to get back to full production capacity. Additionally, hydrology has been poor over the past years, reducing further its capacity. As a result, Eneo had to offset the loss in production with costly fuel-powered emergency generators. In light of the high level of irradiation in the northern part of the country, there is a clear potential for solar photovoltaic generation to displace thermal generation and complement hydro power. A few projects are currently under development, and there may be opportunities to consider PPP schemes as well.

Large hydro

Given the high hydro potential, a few large hydro projects are under different stages of development.⁸⁹ Cameroon's strategy is clearly to tap into this potential and develop a mix with hydro as a major component. Nachtigal, the first large hydro IPP in the country (420 MW) is under construction, and other hydro IPPs are under development and could connect to the grid in the course of the next decade.⁹⁰ Development of such projects is a long process owing to the environmental and social impacts of such projects that need to be addressed carefully.

Gas

Cameroon is endowed with large gas resources that can be used to provide base load electricity into the power system. To date, KPDC IPP is the only large gas power plant (216 MW). On the basis of this successful precedent, the government is willing to increase the gas-fired generation to meet the increase in demand as well as replace some of the aging generation assets. A bid was launched in July 2020 to gather interest from private operators to develop, finance, construct, and operate a 350 MW gas-fired power plant in Limbe.

Wind

A recent study launched by IFC over the onshore wind potential across Africa showed a theoretical resource potential of up to 4,100 MW wind capacity at more than 7.5 meter per second. This could contribute to diversifying the mix and put Cameroon on track toward achieving a fully decarbonized mix by 2030.

Off-grid

Off-grid solutions could be leveraged to increase electricity access in rural areas that have a very low electrification rates compared to cities (21 percent versus 91 percent). Since lack of funding is one of the key impediments to massive rural electrification, private sector involvement could help bridge the funding gap. This could be done by selecting rural clusters with bankable electricity demand and concessioning them to private mini grid developers following a competitive tender.

Constraints

As of today, the entire power system is facing a major systemic liquidity crisis starting from delayed payment from public entities and spreading across the entire system. This scarcity of cash is significantly harming the capacity of the different stakeholders to carry out much of the needed investments, which in turn is further degrading the performance of the system and the quality of the electricity delivered. Besides, governance issues, incomplete reforms, and an unclear institutional framework contribute to the weakness of the sector.

Incomplete cost-reflective tariff system

To improve the financial sustainability of the sector, a new cost-reflective tariff regime has been implemented since the 2011 reform. Tariffs for medium voltage (MV) and low voltage (LV) consumers are now set on the basis of a regulated asset-based methodology whereby the utility Eneo is allowed to recover its fixed and variable costs (including fuel and IPP costs) and make an agreed return on the regulated asset based. This tariff system provides an incentive for further investments into the system (as this would increase the asset base), while at the same time, any underperformance would be subject to penalties. As a result, LV/MV electricity tariffs rose in 2012, with the current average at US\$0.16 (CFAF 82)/kilowatt-hour. For social and political reasons, though, the full tariff increase was not passed on to consumers, and the tariff has not been adjusted further. Since 2012 the government has opted instead to compensate Eneo directly, but payment of this compensation is regularly delayed, sweeping away the initial purpose of the tariff reform. While high voltage (HV) tariffs can be freely negotiated, the main three HV consumers that together form 25 percent of the demand (ALUCAM, CIMENCAM, and Société de Transformation de l'Aluminium; SOCATRAL) benefit from a highly subsidized tariff at a non-cost-reflective tariff. This causes a significant liquidity gap for Eneo that is having impact on the entire sector.

Payment discipline and building-up of arrears

Eneo has been facing significant delays in payment of electricity bills from the government and SOEs (in particular from ALUCAM) as well as payment of tariff compensation. As a consequence, Eneo delayed payment to IPPs and suppliers (including water rights payments to the government), and delayed the needed investments in the distribution network. Scarce public funds and inadequate payment system and governance have led to a systemic payment issue that is undermining the entire power sector.

Transmission assets

The 2011 Electricity Law created SONATREL to unbundle transmission and distribution, and while Eneo holds a monopoly concession on distribution, SONATREL was entrusted with transmission. The key rationale for unbundling the transmission subsector from Eneo's concession mandate was to rapidly attract much-needed investment from other public and private sources to rehabilitate and extend the transmission grid, including the interconnection line between the networks in the South and North for necessary upgrades and reduce technical losses. However, the completion of asset transfer from Eneo to SONATREL is yet to be completed. As a result, SONATREL has been unable to make much-needed investments in the transmission network.⁹¹

High level of technical and commercial losses

Technical and commercial losses are very high (about 30 percent) with, respectively, 12 percent technical and 18 percent commercial losses. This is partly due to insufficient investments in the LV network and fraud theft. Since its inception, Eneo has delivered on some of its targets, including reaching 1 million connections in 2017 and reducing

the number of incidents and outages on the network. There are still issues that remain to be addressed, though, including a network development that has not kept pace with the demographic growth of cities and insufficient investment in distribution that have resulted in growing power outages that make the grid unreliable. Eneo's metering billing and collection performance has been mediocre even though a feasibility study presented in November 2021 by the electricity regulator ARSEL revealed plans to open up the electricity metering equipment supplying market to new operators, which should result in a marked improvement.⁹² The finalization of Eneo's key performance indicators in terms of (a) network expansion, (b) technical loss reduction, and (c) commercial performance improvement in November 2020 should pave the way for greater accountability and an increased performance of the utility. The latter remains contingent upon (a) the government having sufficient capacity to monitor and enforce compliance of those key performance indicators (World Bank is supporting ARSEL in this respect), (b) the timely payment of electricity bills by the state to ensure sufficient liquidity to Eneo, and (c) a successful finalization of the ongoing reforms. This is a prerequisite for Eneo to raise funds to carry out the requested investments and to meet the performance criteria. Box 3.2 summarizes the short- and medium-term investment opportunities and policy measures in the energy sector of Cameroon.

BOX 3.2. INVESTMENT OPPORTUNITIES AND POLICY MEASURES IN THE ENERGY SECTOR

Short-Term Private Investment Opportunities

- Increase the penetration of solar photovoltaic in the northern network.
- Further develop the large hydro potential of the country
- Leverage the significant local gas resources with additional gas-fired power plants.
- Support the improvement and expansion of the distribution network.

Short-Term Policy Measures and Public Investments

- Clear arrears and adopt payment discipline for electricity bills from the state entities and in particular from the SOEs.
- Implement cost-recovery tariffs at the end-user level or put in place an efficient mechanism for the timely payment of tariff subsidies.
- Complete the transfer of transmission assets from Eneo to SONATREL to allow a full operationalization of SONATREL.
- Empower the regulator ARSEL.

Medium-Term Private Investment Opportunities

- Develop generation and distribution to meet demand, particularly in underserved regions and cities, by new investments, Eneo, and new IPPs.
- Export potential to Chad.
- Rehabilitate and extend the transmission grid.
- Create PPPs between private sector players and Eneo to develop solar and be operated by the private sector.

Medium-Term Policy Measures and Public Investments

- Improve ENEO performance supervision to address operational issues and improve sustainability.
- Improve institutional framework.
- Ensure the long-term financial sustainability of the sector to attract private sector investments in generation and distribution.

Note: IPP = independent power producer; SOE = state-owned enterprise.

3.3. ICT AND DIGITAL SERVICES

Current Performance

Owing to the opening of the sector to new operators, Cameroon has made important progress in digital development, with significant increase in access to internet and of mobile telephone use. Mobile telephone connections increased from 71 percent of the population in 2013 to 81 percent in 2019. Internet penetration rose from about 10 percent of the population in 2013 to 23 percent in 2019.⁹³ The number of secure internet servers in the country has more than tripled since 2014, from 41 to 137 in 2018. The country was ranked 136th out of 193 countries⁹⁴ by the 2018 e-Government Development Index with a score of 0.399/1 (an improvement of 19 places from the previous year) and 143rd (an improvement of 14 places) in terms of e-participation with a score of 0.325/1. The surge in digital development in Cameroon has been supported by the introduction of 3G and 4G mobile internet services in the main cities as well as important investments made to promote digital entrepreneurship among youth and improve digital infrastructure and skills. The ICT sector is currently framed around four players: Orange, MTN, Viettel, and CAMTEL mobile. The launch of a third GSM operator in September 2014, Viettel Cameroon (Nexttel), contributed to the expansion of the ICT access.

The country's digital infrastructure includes terrestrial backbone networks connecting to submarine landing stations as well as direct and indirect international submarine cables connectivity. More than 12,000 kilometers of fiber has been deployed by the national telecommunications company (CAMTEL), and some additional 8,000 kilometers will be added by 2020. CAMTEL also owns direct connections to the international submarine cables—SAT-3/WASC, West Africa Cable System (WASC), ACE, and South Atlantic Interlink—and indirect connections through the Nigeria-Cameroon Submarine Cable System and is constructing a link through Equatorial Guinea. Only around 15 percent of the SAT3 cable capacity and 30 percent of the WACS has been used since its launch 17 years ago. Viettel laid about 8,000 kilometers of optical fiber, and public companies such as Cameroon Oil Transportation Company, Electric Power Generation, Distribution Company, and CAMPOST have put in place additional fiber infrastructure. To support the efficiency of the national backbone operation, the country built two sites in 2017 (Yaoundé and Douala) for the Cameroonian internet exchange points (IXPs) and the Cambiar International Equity Fund, which was being established as an association of internet service providers (ISPs).

Policy reforms have increased the digital sector's attractiveness to investment,⁹⁵ helping the sector become an important engine of economic growth worth an estimated CFAF 576 billion (US\$933 million) or about 2.9 percent of GDP. To further reap the economic benefit of digitalization, Cameroon has developed digital platforms for e-payment and set up numerical targets for the digital economy as part of their strategic plan for a digital Cameroon by 2020.⁹⁶

While Cameroon has made sizeable progresses, its digital development lags compared to peers and regional disparities remain.⁹⁷ Mobile subscriptions as a share of population (73 percent in 2018) compare well with the 71 percent of Sub-Saharan African but stands below the equivalent figure for lower-middle-income countries, which averaged 95 percent that same year (incidentally, Cameroon ranks in the bottom half among developing countries for the overall level of ICT development).⁹⁸ Some geographic areas, especially rural ones, are not yet covered by mobile broadband networks. Fixed-line technologies remain underdeveloped with only about 20,000 subscribers for CAMTEL and 3,200 subscribers for smaller, fixed ISPs as of 2017. Internet penetration remains low at 23 percent of the population despite high mobile broadband coverage, suggesting that affordability and digital literacy might be the most critical bottlenecks for internet adoption in Cameroon.⁹⁹

The sector is characterized by high costs, underperforming infrastructure, and digital gaps. Cameroon ranked 23rd out of 27 African countries in internet affordability as of 2017.¹⁰⁰ The cost of mobile telephone services was about 12 percent of the average monthly gross income per capita, compared to 2 percent in Kenya and 4 percent in Nigeria, and retail prices of telephone services have been relatively flat since 2014 when considering only the list prices.¹⁰¹ Cameroon also hosts several commercial data centers that provide service to the country, but the ICT sector lacks a national modern-mutualized data center, which constrains the ability to develop e-government services. The digital government platforms offered by different agencies are not interconnected and interoperable, nor are the e-payment platforms integrated in government platforms such as taxation services. Meanwhile, ICT capacity and skills within government agencies is still limited, and local private sector's capacity in digital technology and software and hardware development is also fledgling.

Private Sector Opportunities

The Cameroonian ICT sector presents multiple opportunities for private sector participation. Foremost among the important opportunities are private advisory services to foster the legal and technical framework of the sector, as well as private investment for the development of the biometric identification system. Moreover, the government's plan to digitalize the education system offers significant opportunities for private investment, including the extension of the electrical power infrastructure and associated services as well as the provision of digital equipment and training for students and teachers.

Constraints

The primary constraint to private investment is the lack of a level playing field due to existing regulations, which ultimately leads to high retail prices. Despite the opening of the sector to new operators, CAMTEL owns all critical digital infrastructure in the country. It also maintains a monopoly over access to the country's international and terrestrial fiber networks and is the only operator licensed to sell capacity on the national fiber network. Other operators are unauthorized to resell¹⁰² their fiber capacity on the market and cannot build intercity networks, which prevents them from competing with CAMTEL, which is in turn heavily indebted and does not have the capacity to undertake new investments. Meanwhile, the monopolistic control over wholesale international connectivity, the high prices of CAMTEL for national transit and, ultimately, high retail prices for internet services stall the growth of the broadband market and increase the vulnerability of smaller ISPs.¹⁰³ Short of authorizing private operators to develop and operate their own infrastructures, one option would be to develop PPPs with CAMTEL,¹⁰⁴ but its dire financial situation may hinder this. Performing a business audit, which could eventually lead to a restructuring of the business, would be an important first step towards creating the potential for a PPP, but while an audit of CAMTEL has been launched several times, no audit has ever been completed.

The NDS30 recognizes the need to improve accessibility of low-cost broadband internet to as many users as possible. To this end, it sets a multifaceted array of objectives comprising the implementation of existing optical fiber-laying projects that include the National Broadband Network II project, the National Emergency Telecommunications Network project, and the Central African Backbone Project; the continuation of hinterland optic fiber network deployment to connect users to the already built infrastructure and protect data transmission; an improvement of the regulatory framework to open the market and foster competition; a wholesale conversion from analogue to digital; and the development of digital parks.

In addition, limited sector regulation and biometric identification systems increase risks, while high taxation discourages investment. Cameroon has no clear legal framework for financial technology start-ups providing financial services nor guidelines in digital services to protect customer funds and privacy. Remote delivery of financial services by nonbank institutions is not backed by specific regulations. The biometric identification system is underdeveloped in the country, making it difficult to explore a large untapped market and limits interoperability and efficiency among operators. Higher taxation discourages investment in the sector. Box 3.3 summarizes the short- and medium-term investment opportunities and policy measures in the ICT sector of Cameroon.

BOX 3.3. INVESTMENT OPPORTUNITIES AND POLICY MEASURES IN THE ICT SECTOR**Short-Term Private Investment Opportunities**

- Provide advisory services opportunities to foster the legal and technical framework of the sector.

Short-Term Policy Measures and Public Investments

- Strengthen the regulatory framework relating to access to international and terrestrial optical fiber networks of the public operator CAMTEL.
- Allow operators other than CAMTEL to deploy and resell capacity on their optical fiber network.
- Conduct a business audit of CAMTEL to determine its financial situation and make the establishment of PPPs with private sector players easier.
- Encourage sharing of infrastructure by, for example, improving the functioning of IXPs promoting the entry or establishment of independent private infrastructure operators and towers.
- Adopt legislation on privacy, the right to information, and cybercrime.

Medium-Term Private Investment Opportunities

- Institute PPPs between private sector players and CAMTEL to develop infrastructure, to be operated by the private sector.

Medium-Term Policy Measures/Public Investments

- Develop digital platforms to enable public (e-government) and private sector organizations to efficiently deliver services.
- Develop a biometric identification system.

Note: ICT = information and communication technology; IXP = internet exchange point; PPP = public-private partnership.

3.4. FINANCIAL SERVICES**Current Performance**

Cameroon has 15 commercial banks with current aggregate assets of 1,700 billion CFA francs. The general level of financial innovation is low, short-term liquidity is high, and concentrations in loan and deposit activity is heavy.¹⁰⁵

Despite this, and long-standing gender disparities, financial inclusion is increasing, mainly thanks to nontraditional players: NBFIs and mobile money.¹⁰⁶ The National Credit Council of Cameroon reported that the number of adults with a bank account in Cameroon is 27 percent, while the figure including accounts at NBFIs is 44 percent (2018), up from 36 percent in 2014. E-money accounts have exponentially increased from 3.6 million in 2016 to 6.1 million in 2018 (45 percent of the adult population), 82 percent of these recording at least one transaction per month. The value of mobile money transactions almost doubled from CFAF 3,444 billion in 2017 to CFAF 6,469 billion in 2018 (30 percent of GDP). According to Global FINDEX, 35 percent of adults (ages 15 and older) had a transaction account in 2017. Mobile money accounts held by females aged 15 or older increased from 2 percent in 2014 to 13 percent in 2017, and digital payments increased from 6 percent to 22 percent during the same period.

Although the average capital adequacy ratio (11 percent) is satisfactory, the stability of the banking system is a concern with nonperforming loans (NPLs) at around 16 percent (August 2019) and only eight of the banks maintaining prudential regulatory norms. Two banks are currently under resolution, and several others are being monitored. NPLs have been trending due to the halving of oil prices in late 2014 and 2015, the crises in the North and South West regions, a fire at the main state oil refinery (SONARA) in May 2019 (total of CFAF 250 billion exposure across 10 banks), and mounting arrears from the government (partly due to military spending on unrest in the Far North) and SOEs. Government foreign exchange constraints have also led to banks having to mediate cumbersome procedures for accessing foreign exchange (FX). NPL provisioning was 77 percent in August 2019, and overall liquidity ratio 169 percent.

Bank deposits to GDP is about 21 percent (of which 79 percent are short-term), and private credit 15.8 percent of GDP in August 2019, up from 14.5 percent in 2017 according to the National Credit Council. This is low compared to Republic of Congo and some West and East African countries (Republic of Congo: 17.1; Côte d'Ivoire: 26.2; Kenya 28.0). Banks are becoming more efficient: overhead costs as a percentage of total assets have steadily decreased from about 5.5 percent in 2014 to 2.2 percent in 2017. The spread between lending and deposit rates was 6.5 percent in 2018, down from about 10 percent earlier in the decade.

A majority of credit (62 percent) is directed to the private sector. Six percent of credit goes to public enterprises, and 17 percent to households (August 2019). The top economic sectors for credit were agriculture (15 percent); transport and telecommunications (16 percent); wholesale commerce, restaurants, and hotels (17 percent); and construction and public works (18 percent). Manufacturing received only 0.34 percent of all short-, medium-, and long-term loans, reflecting a weak link in the economy. Interest rates are generally lower in Cameroon and CEMAC than in most other Sub-Saharan African jurisdictions because of the CFAF's peg to the euro and respect of convergence criteria by the region. In 2018, the effective global lending rate for small and medium enterprises (SMEs) was 10.26 percent, and for large corporates, it was 6.77 percent, but tenors for lending hardly go beyond five to seven years.

Other financial institutions (NBFIs) include 418 microfinance institutions (MFIs) as of 2018. The Central African Banking Commission recently reduced the number of approved MFIs in the CEMAC region from 753 to 512. The Central African Banking Commission further adopted tougher regulations in January 2018 that allowed a two-year grace period, and it is expected to improve supervision resulting in further consolidation.

The leasing market consists of a couple of specialized leasing companies and five banks. ALIOS has around a 35 percent share; SocGen, 30; and Afriland, 18. Around 80 percent of the business is for transport, and the rest is construction-related equipment, food manufacturing, and forestry. The tax regime makes the agricultural sector unattractive to service.

The public sector is in bad shape. The postal bank asked the government for an extension through 2022 of its 2019–2021 restructuring plan. Crédit Foncier du Cameroun (the state mortgage bank) is loaded with distressed assets and has been minimally effective despite being funded from a tax on all worker wages over CFAF 50,000.

Insurance sector

The industry was composed of 22 insurance companies in 2015 and 26 companies (10 life and 16 general insurance) in 2017. Total premiums have grown to CFAF 205 billion in 2018, from CFAF 161 billion in 2013. This is however only around 1 percent of GDP. Insurance penetration is less than 2 percent, with, for instance, less than 40 percent of vehicles having the compulsory liability insurance. In 2015, the regional regulator, Inter-African Insurance Markets, imposed an increase in the base capital of insurance companies from CFAF 1 billion to 3 billion, then CFAF 5 billion within five years.

Capital markets

In July 2019, the Douala Stock Exchange merged with Libreville’s Central African Stock Exchange (BVMAC), and a new CEMAC-region BVMAC being established in Douala. A single regulator, Commission de Surveillance du Marché Financier (COSUMAF) was established in March 2019, based in Libreville. The three central securities depositories in the region have also been merged and are temporarily located at the Bank of Central African States in Yaoundé. Listed on the unified market are 4 companies and 11 corporate, public international and government bonds, with a market capitalization and turnover of less than 1 percent of Cameroon’s GDP. Banks account for over 80 percent of all investments. The central bank’s auction market has seen treasury bills almost double from CFAF 192 billion in the year ending October 2018, to CFAF 383 billion in the year ending October 2019. The issuance of treasury bonds also went from 0 to CFAF 240 billion in that period. The authorities are considering ways to encourage more public corporations to list themselves on the stock exchange.

Private Sector Opportunities

Capital markets are a way for both the public and private sector to access much-needed long-term funding, especially given the government’s lack of fiscal space. SAFACAM, for example, which became listed on the Douala Stock Exchange in 2008, recently issued a bond on the regional exchange to finance the establishment of a palm oil factory. The 2019 merger of the capital markets presents the new regulator COSUMAF with an excellent opportunity to reform the legal and regulatory framework, including those that involve nonlisted and Islamic instruments. The World Bank Group is also assisting with the more strategic issuance of government debt (to establish yield curves and a secondary market) and improved public-private dialogue with and cultivation of institutional investors (including insurance and pensions). With Douala, the subregion’s commercial hub, housing the regional stock exchange, Cameroon stands to benefit both from the more efficient financial intermediation and from the growth of financial services industry that supports the growth of capital markets. Additional benefits include the provision of exit options for entrepreneurs and venture capital and private equity investors, as well as the incentivization of good governance and transparency.

Led by the private sector, financial inclusion and financial technology (fintech) are growing fast, and the government would do well to support this through developing both subregional and national financial inclusion strategies. Around 77 percent of the population has mobile phones, and the rapid uptake of mobile money across Cameroon and the region presents an excellent developmental opportunity, improving access to savings, credit, payment services, and insurance. Increased financial inclusion can be expected to boost the private sector directly and indirectly, and the opportunity is still large, even with only 35 percent of adults in 2017 owning a transaction account. While the government has been proactive with some aspects, such as cyber-crime legislation and the securing of e-commerce transactions, many challenges remain. More detailed recommendations including the as-yet unfulfilled promise of interoperability across the region, the unnecessary restriction of e-money issuance to just banks, the lack of banking regulations for agents, the lack of IDs, the need for a consumer protection framework, and low levels of government payments digitization are detailed in the World Bank Cameroon Digital Economy Assessment.¹⁰⁷

Affordable long-term housing finance could help provide the rapidly growing and rapidly urbanizing population with adequate housing, thus leading finance to boost rather than hinder development outcomes, including work productivity, health, education, women's access to assets, and security. Cameroon has an estimated housing deficit of 1.3 million, and yet has only CFAF 68 billion in outstanding mortgages (2016). The provision of long-term funding, which would let banks lend for 20 years instead of the currently typical 5 years, would cut monthly payments down to roughly one-quarter, greatly increasing access to housing and incentives for developers to supply housing. While there are supply-side and demand-side issues that need to be addressed—such as reforming the Crédit Foncier du Cameroun so that it doesn't crowd out the private sector and improving the mortgage registration and enforcement regimes—the availability of long-term funds for end-buyers has been shown to be effective in Sub-Saharan Africa, notably in the neighboring West African Economic and Monetary Union region where a private sector-led mortgage refinancing company, Caisse Régionale de Refinancement Hypothécaire, issues bonds on the capital markets to provide banks with long-term financing for mortgages.

Constraints to Sector and Solutions

Financial sector stability and integrity are prerequisites for trust in the financial sector. The overall trend of strengthening supervision, raising regulatory requirements, and regional consolidation will need to continue, but feedback from the private sector includes the need to improve public-private dialogue and provide more regulatory, FX, and tax-regime certainty. A noteworthy positive factor is that interest rates are relatively low and stable, thanks to the CFAF being pegged to the euro, and it is critical for access to financing that this stability be maintained.

The business environment presents severe constraints. While obtaining credit has become easier, financial institutions are finding that the credit bureau is not yet effective, especially for civil servants. Some of the worst performances directly affect the financial sector, including paying taxes (the private sector and almost all stakeholders complained about the uncertain tax regime), registering a property, enforcing contracts, and protecting minority investors.¹⁰⁸

Cameroon is highly exposed to money laundering and terrorism financing risks. For that reason, with the support of the Task Force on Money Laundering and the World Bank, Cameroonian authorities have completed a national risk assessment and are now in the process of completing a mutual evaluation as per the Financial Action Task Force (FATF) guidelines. According to the national risk assessment, several sectors are highly exposed to risks: banking, MFIs, exchange bureaus, casinos, notaries, and real estate. The assessment also finds that the domestic regulatory framework needs to be updated to ensure that financial criminality is properly monitored and sanctioned. In that context, the report proposed several reforms to strengthen the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework. The implementation of the proposed reforms will ensure that Cameroon is not gray-listed by FATF, which in turn can result in Cameroon being sanctioned and disconnected from the international financial system. Reforms that would help ensure financial integrity include regulations that

- Define the legal framework for the identification of corporation's ultimate beneficial owners;
- Create a specialized unit in charge of dealing with economic and financial crimes including money laundering and terrorism financing; and
- Create a specialized unit or entity in charge managing confiscated assets.

Lack of long-term financing and exit options constrains banks and investors from providing the long-term funding that the private sector needs for growth. Development of the capital markets, starting with establishing a yield curve and secondary market for government securities, then moving onto corporate bonds and SOE listings, while also providing appropriate investment vehicles (Islamic, PPP, and so on) and cultivating long-term investors (pensions, insurance, long-term deposits) will be a multiyear endeavor but also vital steps in the development of a financial sector that can support the economy of Cameroon and CEMAC.

Box 3.4 summarizes the short- and medium-term investment opportunities and policy measures in the financial sector of Cameroon.

BOX 3.4. INVESTMENT OPPORTUNITIES AND POLICY MEASURES IN THE FINANCIAL SECTOR**Short-Term Private Investment Opportunities**

- Expand regional capital market starting with establishing a yield curve and secondary market for government securities.
- Enable long-term housing and real estate finance.
- Promote fintech and mobile banking.
- Provide SME financing.

Short-Term Policy Measures and Public Investments

- Continue strengthening supervision and raising capital requirements with CEMAC.
- Establish a partial credit guarantee scheme to enhance lending to SMEs.
- Enhance interoperability of platforms to support financial inclusion.
- Establish a mortgage refinancing facility to support mortgage lending and fast-track housing finance.

Medium-Term Private Investment Opportunities

- Further expand regional capital market into corporate bonds and SOE listing.
- Develop collective investment schemes to offer diversified investment portfolios and attract small-ticket investors.

Medium-Term Policy Measures and Public Investments

- Encourage listing of SOEs as measures to strengthen governance in SOEs and attract private sector lending in a time of limited fiscal space.
- Institute reforms to attract private listings on the regional exchange such as providing tax incentives.
- Promote the use of collective investment schemes through various incentives and support to list such schemes on the regional exchange.
- Enact regulations to ensure financial integrity.

Note: CEMAC; fintech = financial technology; SME = small and medium enterprise; SOE = state-owned enterprise.

4. PILLAR 2: REALIZING THE POTENTIAL OF AGRIBUSINESS DIVERSIFICATION

Agriculture's share of the Cameroon GDP has fallen to about 15 percent. Production is currently in a stable growth phase (about 4 percent per year in value terms) fueled by an expansion of cultivated areas (cultivated areas rose from 16 percent in 1965 to 21 percent of arable land in 2018).¹⁰⁹ After an agricultural golden age in the 1970s based on the strong dynamism of cash crops (coffee, cocoa, banana, cotton) and attractive world prices, during which the sector was the main source of growth and foreign exchange in the country, an economic crisis occurred in the second half of the 1980s due in part to the fall in commodity prices (coffee, cocoa, oil). Growth in the sector subsequently stabilized as a result of a strategy of liberalization and openness to foreign trade and has fluctuated since the second half of the 1990s.¹¹⁰ Today, the sector performs well below its potential not only relative to the country's economic diversification, growth, and export strength, but also considering gains in poverty reduction, job creation, and women empowerment, particularly in the northern regions.¹¹¹ Appendix A offers a snapshot of the main value chains.

An important part of the agribusiness sector is export-oriented around cash crops: agricultural products and their processing account for a large share of Cameroon exports. In 2018, cocoa beans and processed cocoa (butter, paste, and liquor) accounted for 15.3 percent of total exports of goods, while banana was 6.8 percent. Overall exports of agricultural food products account for about a quarter of Cameroon exports in 2018. In addition, the wood sector (detailed later) accounted for an additional 16.1 percent of total exports. Over 40 percent of Cameroon exports are linked to the agriculture and forestry sector (figure 4.1).

Agricultural export products have witnessed varying degrees of success across the years. From 2002 through 2011, exports of agricultural and agro-processed products rose swiftly at a rate of about 12.5 percent per year before experiencing a steady subsequent decline (figure 4.1). Several value chains have led this trend: rubber, coffee, and cotton, respectively. A value chain like rubber, for instance, has been severely affected by the collapse of world prices: exports value was declined by 75 percent between 2011 and 2018, even though prices have recently recovered. Similarly, coffee exports have fallen by more than half, affected likewise by a fall in prices after 2011. Palm oil production rapidly rose as an important export for a few years before completely collapsing. Cocoa and banana, the two leading exports, have demonstrated stronger resilience (including during the northwest/southwest [NWSW] crisis).

A defining characteristic of the sector is the strong presence of the public sector with parastatals present in several key value chains: SODECOTON (cotton), Société Camerounaise de Palmerais (SOCAPALM; palm), CDC (banana, rubber, and palm oil), and SEMRY (rice). Parastatals (in some instances with minority participation from the state) are also present in upstream and downstream sectors such as SODECAO (Cocoa Development Company; provider of cocoa seed and extension services), Société Camerounaise de Maïserie (MAISCAM; flour), and Société Sucrière du Cameroun (SOSUCAM; sugar producer). SOEs in agriculture are also the largest formal employers in the country and CDC is the largest individual employer in Cameroon after the government. While the largest number of SOEs are in agriculture, they do not account for the largest revenue size, as public manufacturing firms and utilities collect more revenue.

Agro-industry is important in Cameroon: agro-industrial plantations and large private farms occupy a total area of about 376,000 hectares, or 6 percent of the arable land.¹¹² This industry developed mainly around the rubber, oil palm, sugar cane, sweet banana, and tea sectors and is oriented toward the international market. Cameroon possesses also a strong downstream agribusiness sector, with large companies present in the beverage, oil processing and milling, and cocoa processing sectors. Apart from cocoa, downstream industries are turned toward serving the local market as substitutions for import products.

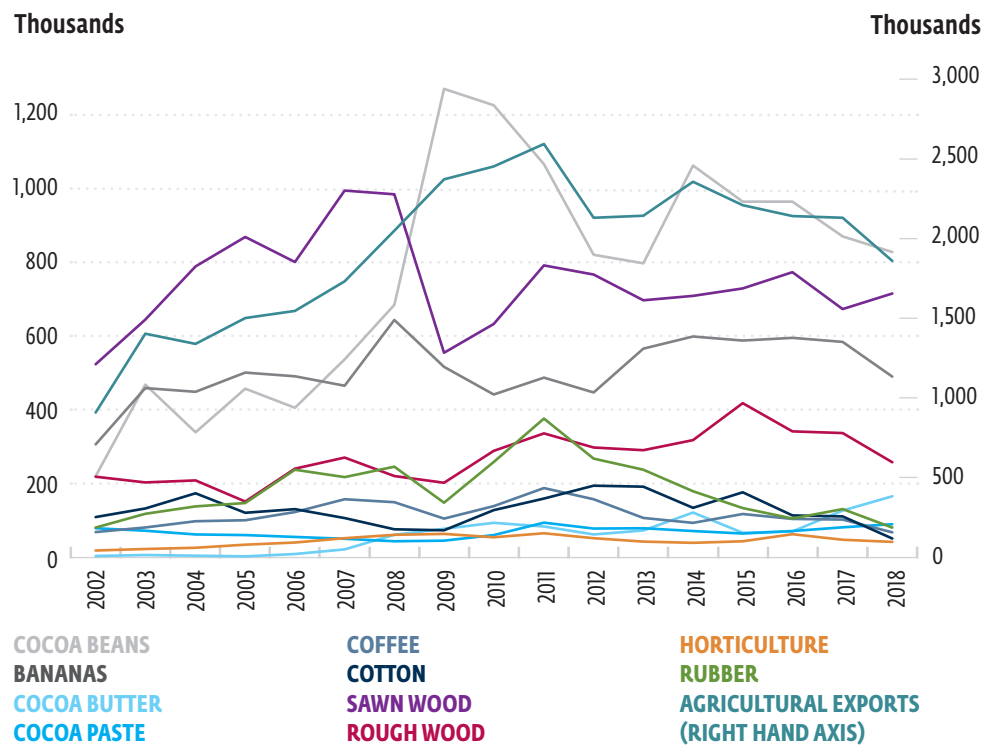
Agriculture and agro-industry are core to the new NDS30, which advocates the prioritization of cotton, cocoa-coffee, palm oil, sugar, rubber, rice, maize, bananas-plantains, cashews, fish, milk and meat, and wood for agriculture and sorghum, cassava, potatoes, and honey for agro-industry.

The remainder of this section focuses on structured value chains where the involvement of the formal private sector is most important and where medium-term prospects for investments look most promising:

- Two export sectors, cocoa and bananas, which are the source of an important share of the country's total exports and a source of recent diversification into processed food products in the case of cocoa. Cocoa also touches a large number of producing households. Three other products (natural rubber, coffee, cotton) are also significant sources of exports but at lower levels, and they have been sharply declining since 2011–12 as well as over the longer term (2002–18). Rubber and cotton are also dominated by a strong parastatal presence, and in the former case, highly impacted by the crisis. The coffee sector is highly fragmented and in poor shape following the decline in prices since the early 1990s, which has also had a negative impact on government coffee institutions. This limits immediate prospects of a dynamic and transformative private sector interventions in the short to medium term, although it should be noted that a new generation of coffee producers is emerging.

- Import-substituting sectors that are fed by strong domestic demand are palm oil and maize production. Production of palm oil, a cash crop, is important as an input to a growing agro-processing sector, which is also exportable. Maize is a widely grown cereal that has been increasingly produced and that has also been used as an input into the sizeable and growing downstream processing sector (milling, beer).
- Horticulture includes peri-urban production serving large cities and some export-oriented productions of fruits and vegetables. The sector is beginning its structuration, where opportunities to serve modern urban markets are increasing.

FIGURE 4.1. EXPORTS OF AGRICULTURE AND FORESTRY PRODUCTS 2002–18



Source: UN Comtrade and IFC staff.

4.1. COCOA VALUE CHAIN

Current Performance

Prior to the pandemic, cocoa beans accounted for 11.8 percent of Cameroon's exports, and 15.3 percent when cocoa transformations are included. This makes the value chain the third-largest export sector, behind only crude oil and wood. Historically, annual cocoa production has remained at around a level of 120,000 metric tons (1990–2013) before rising to 280,000 metric tons in 2014 and 330,000 metric tons in 2016. In 2018, production climbed to around 340,000 metric tons, cultivated on an area of around 850,000 hectares. According to SODECAO, production fell back to 327,000 metric tons in 2019. Around 600,000 rural households in Cameroon depend on cocoa for their income, and most of these cultivate the crop on smallholdings.

Current production levels make Cameroon the world's fifth-largest cocoa exporter and Africa's third-largest after Côte d'Ivoire and Ghana (figure 4.2). Cameroon's yields (300–400 kilograms per hectare) are however very low and only half of those in Côte d'Ivoire and Ghana. Unlike Côte d'Ivoire and Ghana and similar to Nigeria, the cocoa market has been liberalized since the creation of the Office National du Cacao et du Café (ONCC) and the abandonment of price stabilization. Without market organization, small growers cannot exert market power, but according to a recent study,¹¹³ farm gate prices as a proportion of world market prices are higher in Cameroon than in Côte d'Ivoire and Ghana. An important factor driving prices are yields.

Three international firms dominate trading in Cameroon trading: Telcar (Cargill's subsidiary in Cameroon), Olam/Archer Daniel Midland, and Barry Callebaut. The three top traders accounted for 56 percent of Cameroon's total exports in 2018.¹¹⁴ Olam used to be active in the coffee market but withdrew because of the small scale of the Cameroonian market and unattractive prices.

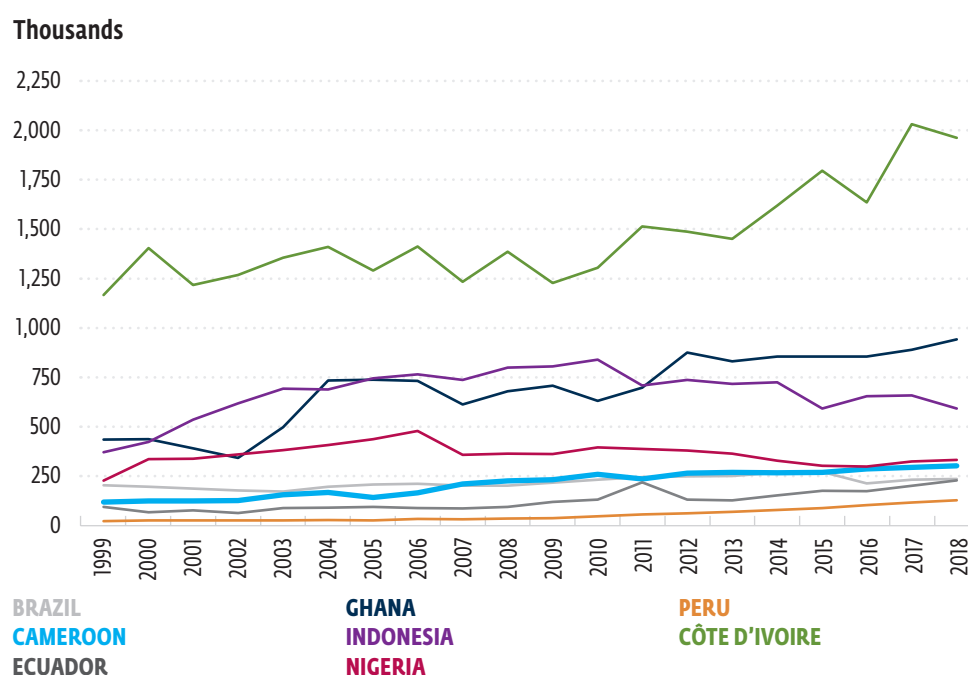
All three actors are starting to have some involvement in production and to work more closely with smallholders to control quality and traceability (working with several certification programs such as Rainforest Alliance/UTZ and Cocoa Horizons) and improve yields. Under its Cocoa Promise Initiative, a program launched in 2011 in partnership with a local business, Cargill worked with 33,000 farmers in 2018, providing quality certification training and premium payments.¹¹⁵ Under the program, yields are said to have doubled. Recognizing the unique constraints faced by women in cocoa production value chains, Cargill and other lead actors have rolled out programs to build the capacity of women farmers and facilitate access to key inputs through cooperative membership. Hindrances to land access and ownership for women as well as the disproportionate burden of care responsibilities remain a big setback for women's full participation in cocoa production. Cargill also is providing support to form cooperatives. Barry Callebaut under its Corporate Social Responsibility program works with between 3,000 and 4,000 associated farmers to help smallholders organize themselves better and increase yields. The company is also engaged in ensuring quality and traceability with over 12,000 farmers.¹¹⁶ Olam started its own program about three years ago, supplying inputs to farmers. In 2020, Olam is aiming for 7,000 farmers organized into around 30–40 cooperatives for a total area of 10,000 hectares. Progress in recruiting small farmers into these programs seems relatively slow, however, because of the challenge in helping them get organized according to one of these actors.

Private Sector Opportunities

With support from SODECACAO and the provision of new base plants, production has been increasing, albeit below potential and the stated objectives of 600,000 metric tons. SODECAO has a strategic plan intended to double cocoa yields through high-quality planting material and training, to provide incentives to younger farmers, and to partner with grower organizations. There is indeed room for further increases in production. Increasing global demand for cocoa is leading international players to consider Cameroon more seriously, which increases the potential for growth. Prices for Cameroonian cocoa, traditionally lower than Ghanaian or Ivorian cocoa, have also risen as the quality of Cameroonian cocoa has gained recognition. Specific demand for Cameroonian cocoa is increasing, whereas before it would tend to end up in commodity markets. A positive development was the easing of regulatory requirements in the United States, opening a new market for Cameroon cocoa (which has higher acidity content).

As a result, production in the sector is evolving. First, cocoa traditionally grown in the Southwest has also suffered from the crisis. Spurred by good international prices, new land developments in the central regions in particular have, however, compensated for the loss of production from the crisis. Second, in addition to small traditional farms (1 to 5 hectares), new players are entering the market developing larger farms. It should also be noted that some large formal actors, including some active in other value chains, are considering investing into cocoa production.

In parallel to the increase in production of cocoa beans, Cameroonian processing capacity is growing with three main actors. Until recently, Cameroon was only processing about 25 percent of its production. There will be now four cocoa factories¹¹⁷ in the country, two recent investments having increased the total capacity to 125,000 tons. Barry Callebaut's factory capacity was recently increased to 55,000 tons (up from 40,000 tons). Atlantic Cocoa received a CFAF 7.2 billion loan from BDEAC to complete a CFAF 30 billion new factory project in Kribi with a capacity of 48,000 tons. Neo Industry, based in Kekem, inaugurated its factory in April 2019 with a processing capacity of 32,000 tons.¹¹⁸ The investment was supported by Société Commerciale de Banque with a CFAF 13 billion loan and a guarantee by the African Development Bank. The project also received financial support from the government agropoles project (CFAF 1.2 billion). These processors also have an interest in securing and diversifying their supply. Atlantic Cocoa, for instance, signaled its intention to develop industrial plantations over 25,000 hectares.¹¹⁹ The increase in processing capacity in-country could also help further strengthen the cocoa value chain by, for instance, providing incentives for more formal and larger plantations to develop to supply these customers.

FIGURE 4.2. LEADING WORLD COCOA PRODUCERS

Source: FAOSTAT.

Constraints

The overall positive trend in production has fallen well short of the government objectives of reaching 600,000 metric tons by 2020. Cocoa production in Cameroon remains adversely affected by low yields because of the predominant smallholder production model (referred to by some as cocoa farming by default). Smallholders lack capacity to apply more modern farm techniques such as protection against mold or are not able to procure adequate inputs, which leads to yield and production losses.

Three governmental organizations support the sector: ONCC, the Fonds de Développement des Filières Cacao-Café, and SODECAO, which provides extension services to farmers. Public support to the sector is generally seen as fragmented and in need of reorganization. SODECAO's capacity for intervention has diminished over time, and its plant and equipment stock is eroding.¹²⁰ SODECAO now has around 780 employees, a drastic reduction from around 2,230 in the mid-1980s, a number inadequate to meet its objectives. Restructuring SODECAO will require investments in physical facilities and equipment and completely overhauling its internal performance management, human resources, financial management, and public information programs. The investments required would be around CFAF 30 billion in addition to the annual operating budget of CFAF 8 billion.¹²¹

The competitiveness of the growing cocoa processing sector is not obvious by international standards, but the development of the sector seems on the other hand closely linked with development of local production and the fact that the cocoa market is liberalized. Growth of local processing is benefiting from government and governmental organizations incentives and support. Fiscal exemptions for new investments seem integral to the profitability of processor business models. A specific duty of CFAF 150 per kilogram of cocoa bean was reduced to CFAF 75 in 2017, about 7.5 percent ad valorem equivalent, as the price of Cameroonian cocoa was around CFAF 1,000 per kilogram; the duty (it had been raised from CFAF 54 in 2014) provides an additional advantage to the local purchase of cocoa for processing. The industry was also benefiting from a free zone regime, which expired in 2018. Furthermore, cocoa processing is subject to economies of scale, and the size of Cameroonian factories are smaller than equivalent ones in Côte d'Ivoire. Access to cheap energy is also an important cost of production.

4.2. BANANAS

Current Performance

Bananas are the third-largest agro-forestry product export after cocoa and wood. Exports reached a historic high of 280,000 tons in 2015. Due to security issues in the Southwest, banana exports dropped, and portions of the production in the Southwest have been abandoned. In the two production regions of Fako and Moungo, nearly 150,000 people live directly and indirectly on income from banana production.¹²² Exports in 2019 are reported by the Banana Association of Cameroon (SOBACAM) at 204,320 tons, almost 30 percent lower than 2015.

There are three major producers in Cameroon. Among them, they total more than 8,000 hectares of banana cultivation and directly employ about 12,250 people and produce more than 60,000 indirect jobs. They account for the totality of Cameroon's exports.¹²³

The CDC was until recently regularly producing around 35 percent of Cameroon's exported bananas. Its annual banana production until recently amounted to 100,000 metric tons, and bananas accounted for 50 percent of CDC's total sales. CDC is a 100 percent state-owned enterprise reporting to the Ministère de l'Agriculture et du Développement Rural.¹²⁴ It produces rubber, bananas, and oil palm and is a major exporter of semi-finished rubber products, palm oil, palm kernel oil, and bananas. The CDC has a total of 42,027 hectares under cultivation of which 22,262 hectares are in rubber, 15,240 in oil palm, and 4,525 in bananas. CDC is second only to the central government in terms of providing employment. It also provides social services in its production areas. PHP is a subsidiary of the Franco-American Compagnie Fruitière.¹²⁵ It has 5,270 hectares under cultivation in total (including all crops). PHP is also the first private employer in the country (table 4.1).

TABLE 4.1. THE THREE LARGE BANANA PRODUCERS

	PHP	CDC	BPL
Wholesaler	Compagnie Fruitière	Del Monte Compagnie Fruitière	Compagnie Fruitière
Ownership	Compagnie Fruitière (60%), Dole (40%)	100% state-owned	Franco-American
Production sites	Njombe Dehane	Bota Limbe	Missaka
Other products	Pepper	Palm oil, Hevea	
Area of production (ha) (2019)	4,128	3,800 (4525)	266 (400)
Yields (t/ha per year)	39	29	43.3
Exports (tons) in 2017	162,391	110,188	11,419
Exports (tons) in 2019	187,423	0	16,897
Direct jobs	5,200	6,600	450

Source: Delegation de l'Union Européenne au Cameroun, "Évaluation de la mise en œuvre de la stratégie de développement de la filière banane au Cameroun et proposition d'une actualisation de la stratégie" (final report, January 2017). PHP and BPL figures are from Association Bananière du Cameroun (ASSOBACAM), <http://assobacam.com/dev/node/279> (PHP), and <http://assobacam.com/dev/node/280> (BPL).

Note: ha= hectare; t/ha = tons per hectare.

Private Sector Opportunities

World demand for bananas has been increasing fairly continuously. According to the European Union (2017), the producers planned to invest significant sums for the period 2016–19: about €20 million for PHP, €15 million for CDC, and €5 million for BPL, mainly to improve the productivity of existing plantations. Moreover, PHP planned to invest nearly €6 million and BPL more than €4 million in new plantations.

Restarting CDC production is a priority. There were talks about resuming operations in the third quarter of 2019 on an area covering approximately 1,000 hectares as a start, but nothing has materialized as the company needs a cash infusion to recover from the security crisis. The stimulus package is estimated at about CFAF 29 billion (almost US\$50 million), of which CFAF 7 billion is set aside for the rubber sector, CFAF 14 billion for banana plantations, and CFAF 7 billion for palm oil groves.¹²⁶ Compagnie Fruitière has expressed interest in entering a partnership with CDC to help stabilize and increase banana production and exports.

Constraints

Costs of production in Cameroon are high compared to world competitors (50 percent more expensive than Costa Rica and Ecuador), but on par with other West African producers.¹²⁷ Overall yields are on par with the most competitive countries, but two main factors seem to affect competitiveness. First, domestic transport costs are high in Cameroon. While Costa Rica and Ecuador subsidize the maintenance of rural roads, producers in Cameroon directly support this cost. On the other hand, shipping costs are similar to other competitors.

Two tax burdens add to the lack of competitiveness in the sector: the tax on turnover and the nonrepayment by the state of VAT credits. The turnover tax increased in 2015 from 1.1 percent to 2.2 percent. This monthly tax is an advance on income tax. Producers make little or no profit, and this tax advance is never refunded to them, which has a major impact on their cash flow and negatively affects their bottom line. Delays in state reimbursements of VAT credits are considerable and negatively affect the cash flow of companies and therefore restricts their expenses.¹²⁸

Planned production increases have not gone as fast as planned. SOBACAM was forecasting in 2010 that 500,000 tons would be exported by now, and BPL was planning to have 1,500 hectares in production versus the 400 hectares in production now.

The fall in exports reflects mainly the challenges encountered by the CDC, now the country's second-largest producer, whose plantations are affected by the security challenges in the southwestern region. CDC is in a state of financial and operational crisis. Around 12,000 of its employees are currently inactive and have not received full salaries for months. CDC has not exported any bananas since August 2018. Revenues fell steadily from 2013 to 2017, the corporation did not make a profit in any year during that period, and indebtedness almost doubled, rising sharply in 2017 to 0.8 percent of GDP.

The combination of declining revenues, unreimbursed public service obligations, and increasing debts has prevented necessary investment in production facilities or maintenance or engagement in necessary operational activities. CDC's board consists mainly of ex officio public servants, and there is no representation of the private sector on the board.¹²⁹

4.3. PALM OIL

Current Performance

Palm oil production in 2018 rose to 413,000 tons, up from 343,000 tons the previous year.¹³⁰ Production of palm oil and rubber are dominated by four companies: SOCAPALM, CDC, Pamol, and SAFACAM. Both SOCAPALM and SAFACAM (acquired in 2014) are owned by the SOCFIN¹³¹ group with minority participation from the government. SOCAPALM is the largest producer of palm oil, with six plantations in Mbongo, Edéa, Mbambou (Sanaga Maritime), Eséka (Nyong et Kelle), Dibombari (Moungo), and Kienké (Océan)¹³² and 32,624 hectares of palm oil and 2,067 of hevea under exploitation.¹³³ SOCAPALM produced 140,349 tons of unrefined oil in 2019 and 2,082 tons of rubber in 2018. As of December 31, 2018, it employed 2,156 persons, including 403 women. In addition, it indirectly employed 3,231 people. Pamol and CDC are government majority owned.

Other industrial producers have smaller productions: CDC with 15,240 hectares in palm oil produces on average 18,000 to 19,000 tons. CDC's palm oil output has been impacted by the crisis, which halted operations at two palm oil mills. For the first half of 2019, production was reduced to 2,100 metric tons from an expected 17,400 tons.¹³⁴ SAFACAM has 9,500 hectares of planted area (in Dizangué)¹³⁵ and three production units. According to its website, it produces 17,100 tons of palm oil and 6,500 tons of rubber and employs 2,764 people directly and indirectly.¹³⁶ Pamol exploits 10,874 hectares of rubber and palm oil (of this total around 10,000 hectares is for palm oil) in Lobe, Ndian, and Bai and employs 3,320 people.¹³⁷ Palmol was said to produce 15,000 tons on average a few years back,¹³⁸ but its production collapsed during the crisis.¹³⁹

Private Sector Opportunities

Raw palm oil prices are fixed by the government, which has resisted demands from producers to raise it by 30 percent from CFAF 450 per kilogram to CFAF 600 per kilogram.¹⁴⁰ This market price is currently below the equivalent world price, although world price fluctuations in recent years have also meant that selling on the domestic market has been advantageous for local producers. Even if producers would like higher prices, they are overall globally satisfied by the stability offered by government prices, which seems to offer a sufficient profit margin. This policy is part of the government strategy to promote local production and the transformation of palm oil. The government indicated in August 2019, for instance, that it was planning to forbid the importation of palm oil products.¹⁴¹

The national production of palm oil is for processing in the local market. Cameroon is not self-sufficient in raw product with around 100,000 tons of unrefined palm oil deficit. Authorized imports under government quota of unrefined palm oil for 2020 are expected to reach 90,000 tons. Imports are exempted from VAT and duties. Gabon is the main exporter to Cameroon.

The increase in demand for palm oil is related to new investment in refineries and transformation, which have picked up in recent years with the erection of modern facilities. This demand is enabled by import protection and incentives provided under a 2013 law.¹⁴² Sodinaf, for instance, which took over the activities of Rougier, is investing in an oil factory.¹⁴³ Azur is investing in a new factory, as well as Pafic. Prometal under the brand Novia is also expected to enter the market. Cameroon is an exporter of transformed oil products in the region.

Constraints

The government-owned plantations (CDC especially) have been severely affected by the crisis in the Southwest and have added to existing operational difficulties faced by the company (World Bank, 2018c).¹⁴⁴ Both state-owned producers CDC and Palm Oil are now heavily in debt and in need of recapitalization. The government is currently looking for partnerships with the private sector to restart and increase productivity of its palm plantations. CDC is also in need of fresh capital, particularly CFAF 7 billion for palm oil groves according to CDC. Pamol needs to rehabilitate its industrial units in Lobe and Ndian, and 9,000 hectares of old trees need replanting.¹⁴⁵

In addition to the government-owned enterprises, there are many concessions (not just family plantations but also industrial ones) that either are inactive or have very low productivity. While some of these concessions would be interested in transferring their rights to more efficient producers, a number of factors often prevent putting such back lands to productive use: uncertainty about land titling, occasional conflicts about land rights, and to a lesser extent, the investments needed to bring back such concessions to environmental and economically viable standards. Difficulties around land use include the leading companies in the sector: SOCAPALM has, for instance, forfeited part of its initial 78,000-hectare concession in 2005, cutting its acreage to 58,000 hectares.

Given serious concerns about the environmental impact of palm oil plantations on rainforests and the environment as well as the high concern consumers in developed country markets and international brands using palm oil as inputs have about such issues, traceability and quality assurance loom very large for any future developments. SOCAPALM, for instance, has obtained ISO 14001 environmental management system certification for all its sites and has worked with the World Wildlife Fund in an effort to address such concerns. The firm is also implementing the Roundtable on Sustainable Palm Oil standard and working with the government to expand its implementation in Cameroon. SOCAPALM, though, remains in legal dispute with several nongovernmental organizations over its practices and the implementation of an agreed-upon action plan created in 2013.¹⁴⁶

Other constraints mentioned by producers include road access in rural areas for some plantations and government taxation of large firms, which goes against the stated objective of achieving self-sufficiency.

4.4. MAIZE AND CEREALS

Current Performance

Many other agricultural products have grown substantially over the years, responding to the increase of agricultural land (from 16 percent of arable land in 1965 to 21 percent in 2018) and a diversity of agro-ecological conditions favorable to many cultures. Productions of maize, plantains, and cassava have increased substantially (figure 4.4). There are an estimated 800,000 hectares of maize in production, linking to 1.5 million households.

The main agricultural production systems are based on family farms growing a combination of food crops, associated with a cash crop for export (cacao, cotton, coffee).

Private Sector Opportunities

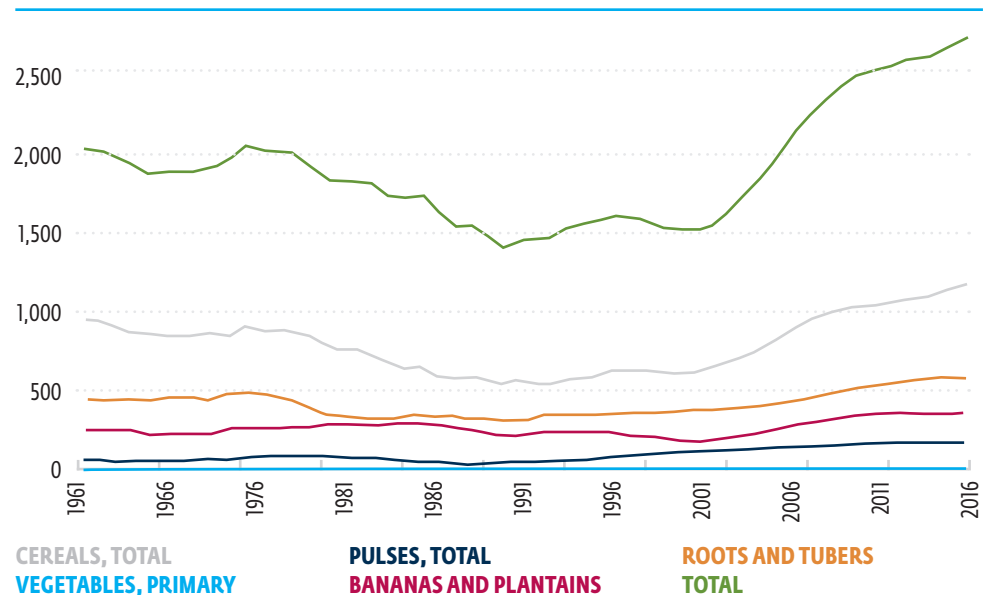
Downstream industries (millers, breweries, food producers) in Cameroon express a strong interest in securing a greater share of local supply, especially for cereals. Milling capacity in Cameroon has increased significantly in recent years, and competition is intense, with investments from the main major players. Firms have also welcomed in interviews for this report initiatives like the Agricultural Investment and Market Development (PIDMA) Project. Some agribusinesses are also considering investing directly in maize production in order to create supply for their own production of beer and cereal feed.¹⁴⁷

Constraints

Yields remain low by international standards despite investments by national institutions in seed varieties. Cameroonian agriculture is dominated by small family farms, which have low productivity. Agriculture is mainly carried out by about 2 million small family farms, 72 percent of which are multipurpose (agriculture, livestock, or exploitation of forest products), 25 percent are specialized in vegetable production, and 3 percent in livestock. Most of them are poorly mechanized and use little or no external inputs, resulting in relatively low productivity (1.6 tons per hectare on average for cereals in 2014).¹⁴⁸

Cooperatives in the sector have weak capacity that needs strengthening and rising to OHADA standards. Cooperatives are struggling to consistently supply downstream customers despite strong demand on their end. Among the issues facing cooperatives are (a) their generally fragile management and technical capacities; (b) the sustainability of their business plan and ability to identify and develop durable commercial relations with industrial customers; (c) the capacity to maintain quality standards that meet the need of industrial customers; and (d) securing access to quality inputs (seeds in particular) and the weaknesses in input supplier markets.

While demand from downstream agro-industries drives increases in production and offers potential for linking cereal production to markets, some of it is artificially induced by protectionist policies blocking the importation of food products (flour, for instance).

FIGURE 4.3. EVOLUTION OF FOOD PRODUCTION IN CAMEROON (KCAL PER PERSON PER DAY)

Source: World Bank, "Priorités d'investissement pour une agriculture intelligente face au climat au Cameroun" (unpublished report, 2020).

4.5. HORTICULTURE AND PERI-URBAN AGRICULTURE

Current Performance

According to the UN Food and Agriculture Organization, almost half of urban households in Cameroon are involved in horticulture and one-third of households involved in livestock.¹⁴⁹ Among the products most widely produced are tomatoes (75 percent of production in the West), pineapples, onions (80 percent of production in the North), gombo (North and Northwest), pepper (produced mostly in the meridional regions), and watermelons.¹⁵⁰ In terms of important volumes, horticulture production is reserved mostly for the domestic market, except for exports of bananas and pineapples to overseas markets, and some products (like onions) to the region. Many of these exports are, however, unrecorded. FAO in a 2018 report gives the example of traders in Gabon importing 60 percent of their horticulture products from Cameroon.¹⁵¹ The World Bank recorded in 2018 important exports of plantains, onions, tomatoes, potatoes, and beans at the Abang-Minko-Eboro border.¹⁵² Products from Maroua in Northern Cameroon are exported to Central Africa.¹⁵³

Urban centers are a large and growing market for horticulture, and urban agriculture is very active there. Yaoundé and Douala have among the largest urban populations benefiting directly from horticulture in Africa with, respectively, 630,000 and 950,000 people (by comparison, the number in the larger Lagos area is 1.08 million people, while Nairobi has 1 million). FAO reported in 2012 that in Yaoundé, 35 percent of households grow fruit and vegetables.¹⁵⁴ Agriculture is ubiquitous from intensive market gardening in the inner city to rainfed farming of maize and cassava in peri-urban uplands. The pig population is estimated at 50,000, while annual production of broilers and laying hens is close to 1 million birds. According to recent data, 1,445 hectares of land within Yaoundé's urban area are used for agriculture, including 94 hectares cultivated with vegetables and 120 hectares with fruit trees. While cities are also supplied by other regions (Yaoundé, for instance, is also supplied by other regions such as Fombot, a city near Bafoussam north of Yaoundé), the migration of rural youth to urban areas also means that traditional agricultural systems will not be sufficient to cater to urban demand, and consequently, new agricultural regions closer to urban centers must be promoted.¹⁵⁵

Poultry production accounts for 42 percent of domestic meat production¹⁵⁶ and has been stimulated by import restrictions on frozen poultry meat import licenses established in 2005 that led to the collapse of imports. With support from the government, poultry production was growing 7 percent per year on average between 2010 and 2015, with production sites near large cities benefiting in particular.¹⁵⁷ According to the same study, this has led to the creation of 320,000 jobs. Per capita consumption doubled between 2006 and 2016. The sector is organized around the Cameroon Poultry Interprofession since 2006. Cameroon is also an exporter of poultry in the CEMAC region.¹⁵⁸

Another sector that has grown over the past decade before struggling more recently is pineapples and fruit production. In 2017, the national production was estimated at 336,800 tons and 150,000 tons on average between 2008–18, of which 5 percent is exported.¹⁵⁹ There are several midsized players that have started to tap into export markets: Biotropical, as well as two growers associations (Union des Agropasteurs du Cameroun and Terre Espoir).¹⁶⁰ Competition from other countries on European markets and past issues with EU phytosanitary standards, however, have led to a significant decrease in exports to Europe.¹⁶¹

Private Sector Opportunities

Reflecting the growing importance of the sector, the government has adopted a national strategy for horticultural development (2011), and about six years ago, producers grouped themselves under a business association, Réseau des Horticulteur du Cameroun. The national investment plan for agriculture (Program National d'Investissement Agricole, or PNIA, II 2020–2025) aims to increase production and value-added processing in clusters centered around major urban food markets and to support exports of high-value-added products to neighboring countries. Value chains for vegetables, poultry, and pork have been prioritized for this work due to strong market demand and good revenue potential.

The growth in recent years of the modern retail sector has increased demand for locally produced and high-quality fruits and vegetables, as well as meat and dairy products. Interviews with modern retailers in Douala and Yaoundé confirmed that they have yet to meet their business plan targets regarding sourcing products locally (a large retailer would like to source at least 50 percent locally). They are looking in particular to source poultry and pork meat, tomatoes, onions, and avocados where local production is perceived to be already strong. Consumers alike (see, for instance, the consumer association Association Citoyenne de Défense des Intérêts Collectifs)¹⁶² complain of not being able to have more products sourced locally.

Constraints

The development of urban and peri-urban agriculture and the development of related urban markets remain archaic and mainly focused on the survival of poor populations in urban centers, which are extensive production systems characterized by weak agricultural practices and a high consumption of natural resources.¹⁶³ Selling to customers also presents challenges owing to multiple distribution channels and fragmented and irregular production (with frequent losses of crops, poor sorting and grading, and lack of packaging), which make it difficult to establish regular relationships with buyers, formal ones in particular.¹⁶⁴

There are opportunities to promote more sustainable agriculture in urban and peri-urban areas, mainly focused on short-cycle, high-value-added products such as horticultural products and short-cycle livestock. The World Bank's smart agriculture project has identified 10 urban centers where support could be provided to urban producers, starting with Douala, Yaoundé, and Garoua.¹⁶⁵

Retailers and downstream processors face a challenge to find organized producers that can distribute supply according to modern retail standards (quality and consistency of supply). Some have partnered with local nongovernmental organizations such as the OECD, which helped set up Sofrelucam, a company commercializing fruits and vegetables. An approach proposed in Lesotho (the Supplier Development Program) could be an interesting model to follow in Cameroon: it aims to support small producers by improving linkages with buyers, providing technical assistance to farmers, and improving linkages with input suppliers.¹⁶⁶

Constraints to peri-urban agriculture are also linked to broader urban constraints such as land titling and use, as well as the availability of urban infrastructure (road, markets, access to water and other public services), both of which should include comprehensive strategies for urban economic development (see separate chapter on urban economy).

Donors like the European Union and the African Development Bank provide support, respectively, to horticulture actors to meet food safety standards, improve their management capacity,¹⁶⁷ and stimulate pineapple and plantain production.

Looking forward, supporting the horticultural value chain in Cameroon should center on the following:¹⁶⁸

- Strengthening agricultural, horticultural, and small-income research and development activities (through innovation platforms);
- Structuring and building the capacity of farmers and agricultural processor professional organizations in urban and peri-urban areas;
- Strengthening professional technical and economic support services for horticultural innovation and for urban market-oriented farmers and farmers;
- Promoting access and sustainable management of quality natural resources (soil, water, basic infrastructure); and
- Promoting the development capacities of local entrepreneurs for processing and marketing of horticultural products and livestock (basic marketing infrastructure, technical training and support, access to financing).

Box 4.1 summarizes the short- and medium-term investment opportunities and policy measures in the agribusiness sector of Cameroon.

BOX 4.1. INVESTMENT OPPORTUNITIES AND POLICY MEASURES IN THE AGRIBUSINESS SECTOR

Short-Term Private Investment Opportunities

- Scope investments in cocoa plantations (deep dive)
- Scope investment in upstream crop production by downstream food and feed industries
- Scope prospects for alliances with producers and producer associations in peri-urban horticulture and animal products to supply urban markets

Short-Term Policy Measures and Public Investments

- Reinforce the capacity of SODECAO to distribute cultivars and upgrade SODECAO capacity, including increased staffing
- Support cocoa quality infrastructure system
- Review the cocoa export levy
- Reinforce the capacity of producer groupings and industrial farmers in cocoa and maize to link with markets (large downstream customers)
- Reinforce governance and performance setting and monitoring of parastatals, separate clearly public service obligations from commercial ones
- Proceed to a systematic geo-referencing of industrial plantation concessions (starting with palm plantations)
- Study the upgrading of markets for commercialization of peri-urban agriculture in Douala and Yaoundé

Medium-Term Private Investment Opportunities

- Create management contracts and privatize (fully and partially) parastatals
- Invest in large-scale farms and plantations (cocoa, tree crops, cereals)
- Initiate producer alliances in partnership with large downstream off-takers

Medium-Term Policy Measures and Public Investments

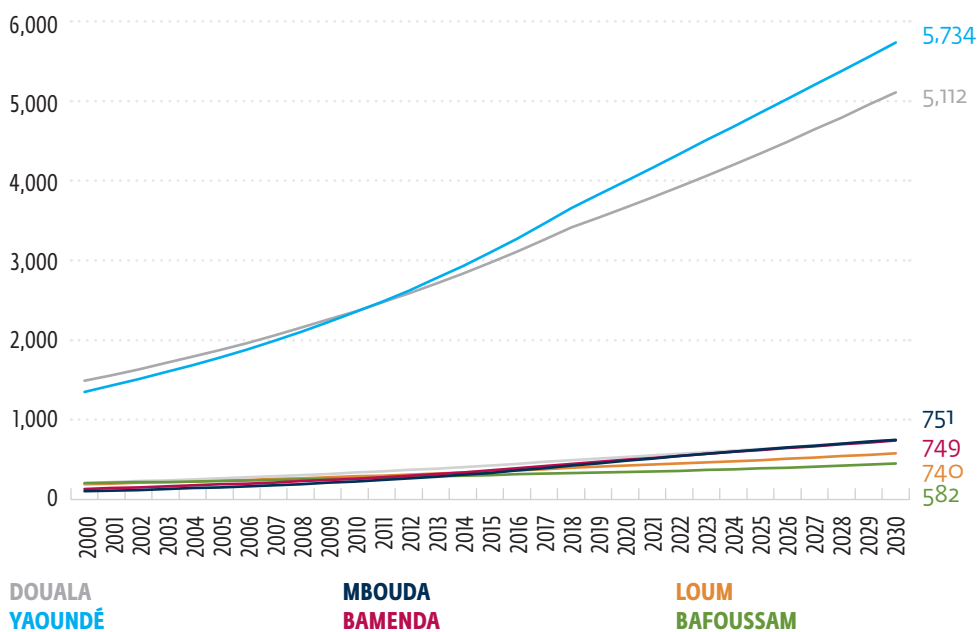
- Upgrade urban markets for peri-urban agriculture products in Douala
- Structure and build the capacity of farmers (including women farmers, processors, and professional organizations in urban and peri-urban areas) by developing marketing infrastructure, technical training and support, access to financing
- Strengthen professional technical and economic support services and research and development activities (through innovation platforms)

5. PILLAR 3: URBAN SERVICES

As a highly urbanized country, Cameroon will find its future economic success to a large extent likely depending on the competitiveness of its cities. Cameroon has one of the highest rates of urbanization in Sub-Saharan Africa (56 percent of its population now lives in cities), and the United Nations forecasts that by 2050, 70 percent of its population will live in urban areas. While it is the policy of the government of Cameroon to put an explicit cap on the urbanization rate at 57 percent by 2020 in order to reduce demand for urban services, international evidence suggests that it is almost impossible to control the advance of urbanization.¹⁶⁹

The urbanization process brings to the fore the importance of the two main cities of Cameroon: its commercial hub, Douala (3.6 million inhabitants), and its capital, Yaoundé (3.9 million). Together, the two cities represent almost half of the total urban population and, as figure 5.1 shows, both cities are growing fast with rates above 5 percent. Moreover, as discussed earlier, they also concentrate a large share of Cameroon’s economic activity.

FIGURE 5.1. POPULATION OF MAIN CITIES IN CAMEROON 2000–30



Source: United Nations, "World Urbanization Prospects: The 2018 Revision" (Working paper, United Nations, Department of Economic and Social Affairs, Population Division, New York, 2018).

Constrained by various impediments, cities have not played a transformational role so far. Some of these constraints relate to national policies, while others are mostly local in nature. The former revolves around the perceived complexity of the regulatory framework in which cities operate and its practical consequences, ranging from the complexity of certain regulations to energy deficiencies. The latter involve basic infrastructure deficits, especially in the viability and transportation area, that often stem from lack of planning and sprawling development that has characterized the evolution of urban areas. Congestion is also an important issue. In Douala, poor transport conditions have become a major bottleneck to the development of the city and the economy. Heavy congestion limits economic opportunities because of the high transportation costs for goods and people (it can take up to three hours for employees to reach their workplace).¹⁷⁰ In addition, the lack of roads and the poor quality of the available roads are big issues. In 2002, only 50 percent of housing was accessible by paved or unpaved roads.¹⁷¹ Other constraints affecting the development of both cities include the availability of infrastructure for business development: available serviced land, market areas for smaller businesses, water and waste management services, logistical zones, access to internet and support to tech clusters (to replicate the early success of the Silicon Mountain of Buea), redevelopment of central business districts and space for new entrepreneurs, and adequate human capital to meet business needs.

The ability of urban communities to plan their development and drive implementation is central to all this. In addition to building the capacity of urban communities (including the redefinition of some of their policies such as, for instance, by refashioning the mission objectives of the Société d'Aménagement de Douala), this will likely require the devolution of some responsibilities currently held at the national level to that of urban communities. Questions related to land management, housing, or transport, for instance, could conceivably be handled at the city level. This devolution of responsibilities should be accompanied by an equivalent authority to raise revenues to finance the new responsibilities. In Mozambique and Tanzania, for instance, the revenue of property taxes was transferred to cities. In parallel, some specialized central government services could also be decentralized in Douala to better serve the private sector there.

Urbanization offers opportunities as well. With only 1 million out of 6.6 million poor in Cameroon living in cities where jobs are already more productive than in rural areas, urban areas can offer a solid base of tradable industries and services that could employ more of the poor.¹⁷² As urban populations in Africa have grown, demand for low-cost manufactured consumer goods such as soaps, beverages, and processed foods have expanded. This implies that Cameroon's cities themselves may provide the country's fastest-growing and most easily accessible market for local manufacturing in the short term.¹⁷³ In addition, progressive urbanization has also brought to the surface a growing demand for affordable quality education, where opportunities exist to fill the gap between hardly accessible expensive international schools and existing subpar alternatives that do not provide the skills needed to meet the needs of the private sector. The challenges and opportunities related to urbanization are also at the heart of the NDS30, which links it to the growth of the services, industrial, and construction sectors as well as the vast informal sector.

5.1. EDUCATION SERVICES

Current Performance

Cameroon's education sector is divided into parallel French and English language systems, each structured in five levels: nursery program (offered for three-year-old children in urban areas); preschools (ages four to five); compulsory primary education (starts at age six and includes six grade levels); lower and upper secondary education (divided into general and technical tracks, with each cycle lasting for two to five years depending on level, track, and language); higher education (university programs, professional and post-secondary vocational training). Vocational-training tracks are also available at the post-primary and post-secondary levels. Teacher training colleges are open to upper secondary graduates, and teacher training is divided into general and technical tracks.¹⁷⁴

Government spending on education is slightly below the Sub-Saharan African average and largely devoted to operational expenses. Government spending has been inconsistent, ranging from 2.5 percent to 3.5 percent of GDP (3.2 percent in 2020) over the last decade and a half.¹⁷⁵ Expenditures are tilted towards secondary education (49 percent of the education budget in 2017), even though the number of primary students is larger and rising faster than the number of secondary students. In addition, most of the education budget is devoted to operational spending (mainly salaries), while only 12 percent is spent on investment (in 2014 and 2015¹⁷⁶). The government is the largest provider of primary education that is supposed to be free, but with government failing to cover wages for all the teachers needed, parents fill the gap through private tuition. Secondary school education is highly subsidized by government.

Institutional fragmentation and overlapping mandates are factors in the lack of accountability and poor governance capacity.¹⁷⁷ The management of the education system is overseen by five ministries that cover basic education, secondary education, higher education, employment and vocational training, and youth. In addition, the Minister of Economy, Planning, and Territorial Administration is responsible for the coordination of the education sector strategy (the current education strategy covering 2013–20 has been completed, and a new 2021–30 strategy is being prepared). Such arrangement leads to institutional fragmentation and overlapping mandates, which in turn results in a lack of accountability and poor governance capacity. Basic equipment provided by the government to guarantee proper school functioning usually arrives late, is of poor quality, or is unsuited to school needs. Perception of corruption is extensive,¹⁷⁸ and in 2010, more than 35 percent of individuals reported having paid a bribe to education officials. Teacher turnover, especially in rural areas, is high.

Shortage of teaching staff, textbooks, and other pedagogical material makes the student experience challenging. The student-teacher ratio is 46:1 in primary schools, which is higher than average for lower-middle-income and Sub-Saharan African countries (which is 30 and 43, respectively) and remains high throughout school levels with significant regional variations.¹⁷⁹ Teachers are often unqualified and overwhelmed with many additional tasks in addition to teaching. In higher education, there is an intensive usage of part-time lecturers because of teacher shortages. Lack of adequate space, equipment, and personnel means that courses are often compressed into a few days of the week with very intense schedules and a negative impact on student learning. Additionally, books at the secondary level are too expensive and thus unavailable, forcing students to rely on notes taken in class.

The quality of education is consequently poor, and the skills acquired by students are often inadequate for entering the labor market. On the other hand, Cameroon is performing relatively better than its peers in Sub-Saharan Africa.¹⁸⁰ Sixty-seven percent of children complete primary school, reflecting good progress in the country in rising gross enrollment ratios from 74.7 percent in 1996 to 103.4 percent in 2018,¹⁸¹ despite disparities among regions and between boys and girls.¹⁸² Only 48 percent of primary school students enrolled in secondary schools in 2018, however. Students across different grades do not perform well on standardized tests;¹⁸³ and even though literacy over the age of 15 has increased from 41 percent in 1976 to 75 percent in 2015,¹⁸⁴ 37 percent of adults who spent at least six years in school are unable to read a simple sentence.¹⁸⁵

After the primary level, secondary education offers two paths: an academic track preparing for university (“secondary education” hereafter) and a technical, vocational education and training (TVET) track that prepares students for job-relevant skills. Secondary and higher education do not offer job-relevant competencies for private sector growth, and programs that directly support the development and growth of priority sectors enroll few students. Engineering programs, for instance, which are essential to the country’s investment plans, enrolled only 5 percent of total tertiary enrolment in 2010; agriculture studies (also a key sector of the economy) enrolled less than 0.4 percent of students in the same time period.¹⁸⁶ Moreover, enrollment in TVET programs is skewed toward basic manual work as well as toward secretarial and office management work, while higher levels of technical and professional training are largely ignored. In the latest employer survey,¹⁸⁷ only 42 percent of employers reported being fully satisfied with the competencies of their staff who possessed TVET qualifications. Dissatisfaction was particularly acute in the agriculture, wood, construction, and cotton and textile industries. Limited collaboration between TVET providers and employers hampers the delivery of market-relevant skills.¹⁸⁸

Private Sector Opportunities

Between 2010 and 2018, the school-age population (4 to 23 years old) increased by 2.1 million from 9.7 to 11.8 million persons.¹⁸⁹ According to Caerus, the Cameroonian K–12 system with its 7 million students sits in the top 10 markets in Sub-Saharan Africa.¹⁹⁰

According to the interviews conducted with private education providers, relatively straightforward processes and procedures make market entry easy for any investor with sufficient up-front capital. Key requirements include getting a government permit, which is largely based on providing proof that the school has facilities and equipment that meet the quality standards set by the government (size of the school building, security, environmental status) and the minimum standards for teachers. Curricula are provided by the government.

Opportunities for private education exist across all educational levels. While new opportunities at preschool level are limited given that the private sector already captures about 60 percent of students, greater opportunities exist at the primary and second level where parents are willing to pay the premium in exchange for a higher quality of education.

The private sector already plays a dominant role in the provision of technical training, operating 76 percent of all centers and accounting for 63 percent of enrollment, although it should be noted that enrollment levels in TVET are low compared to the secondary level with only 0.6 percent of total school enrollment, suggesting that the sector could be scaled up.¹⁹¹ For technical training, there is an urgent need for schools to offer programs relevant to the labor market, especially engineering, agriculture, and technical and vocational training targeted to the industrial sector. With no real ranking or quality checking among schools, the key to success is to provide reasonably priced quality education that is relevant to the Cameroonian labor market.¹⁹² By supporting the government efforts to expand skills, the ongoing World Bank Secondary Education and Skills Project should contribute to expanding opportunities (including training of trainers) by providing qualifications and certification support that will also be available to the private sector.

Significant opportunities exist in the vast market of the “missing middle,” that is, tertiary schools. In 2014, nearly 350,000 students were enrolled in higher education institutions, including public universities (230,000), private institutions (97,000), and nonuniversity public higher education institutions (24,000).¹⁹³ With public universities overcrowded and unable to serve the needs of students, private schools mainly consist of either international schools affordable only to those in the top of the income pyramid or other private schools whose quality standards are subpar. The introduction of schools offering a diversified curriculum that meets minimum education standards and affordable tuition (annual tuition ranges from CFAF 100,000 to 400,000) could fill such a “missing middle” gap for most low- to middle-income students. Although the overall quality of these schools is still difficult to assess due to the lack of quality ranking mechanisms in the country, some of those already present in the market partner with universities from Europe or North America to enhance the quality of their programs and acquire a competitive advantage through, for example, teacher and student exchanges.

Additionally, there may be real estate for education investment opportunities, as one of the requirements to start a school concerns adequate facilities, thus making this factor crucial in the viability of any investment focusing on private sector education.

Investment constraints

While being relatively large and growing, the Cameroonian market represents only half of the potential markets in countries like Kenya and South Africa, less than one-third of Ethiopia's potential and only one-eighth of Nigeria's potential. Besides, the largest part of this potential (93 percent) is for low-fee schools that charge between US\$100 and US\$300 annually.¹⁹⁴

Nonprofit requirements and unlimited personal responsibility prevent private investment. Institutions of higher education are required to be determined as nonprofit entities by individuals ("promoters") who remain personally, legally, and financially liable. In practice, the nonprofit requirement is not enforced, so educational institutions are operated by promoters in a for-profit regime of unlimited liability in which there is no separation between personal and institutional assets, thus preventing private sector investments.

Cumbersome regulation also slows down operations. Private universities cannot currently grant their own degrees, which can only be delivered by the overseeing public institution. While quality oversight is needed to guarantee the quality of education outcomes, the current system adds little value and does not offer any scope for private universities to administer this, nor does it offer much scope for suggesting curriculum innovations.

As noted in the prior section, overlapping responsibilities among five ministries result in poor governance and limited accountability that ultimately adversely affect the quality of the education offered to students.

Provision of skills training currently does not meet market demand either in volume or quality, so there is a need to review the overall approach to skills development while targeting economic sectors that can use these skills. Furthermore, bringing these skills to market requires a better collaboration with private sector employers and a focus on quality.

There are additional constraints to access to finance and up-front risks for investors that must be faced. Large up-front capital investments are needed in order to set up schools (for building construction and equipment), which could easily cost up to CFAF 800 million¹⁹⁵ (US\$100,000) at the initiation stage. Bank lending is limited both in terms of volume (single-limit exposure) and maturity (most of the banks only provide relatively short-term loans with terms of less than 5 years, while investors often inquire about long-term loans above 10 years). Investors would need to take a large equity stake and absorb these up-front risks and could only start with cost recovery and revenue generation once the schools are under operation.

Box 5.1 summarizes the short- and medium-term investment opportunities and policy measures in the education sector of Cameroon.

BOX 5.1. INVESTMENT OPPORTUNITIES AND POLICY MEASURES IN THE EDUCATION SECTOR**Short-Term Private Investment Opportunities**

- Funding low-fee tertiary schools and TVET in urban markets
- Providing credit for real estate for education institutions

Short-Term Policy Measures and Public Investments

- Improving the capacity of the Ministry of Education for quality control of private institutions
- Reviewing the procedures for the development of curriculum and degree-granting capacity to better match the supply of skills with demand and ability in the private sector to contribute to curriculum development
- Supporting the development of the TVET sector through training teachers, implementing quality certification, and matching supply with demand through a skills development fund
- Allowing for profit incorporation of private education institutions

Medium-Term Policy Measures and Public Investments

- Rationalizing the management of the education sector and overlapping responsibilities of the five ministries

Note: TVET = technical, vocational, education and training.

5.2. RETAIL, CONSTRUCTION, REAL ESTATE, AND OTHER SERVICES

Given the importance of its urban centers, productive urbanization will be central to Cameroon's development and the fast growth of private sector opportunities. Cities are growing fast (5 percent per annum for Douala and Yaoundé), and most new jobs are in the cities, so productivity in these jobs is critical, cities are home to domestic sectors providing critical employment opportunities for low-skilled workers (housing construction, retail, and personal services). Cities are also the home for important and critical enabling sectors (education, health care, finance, business services) and they support the competitiveness of tradeable sectors (agribusiness, manufacturing, tourism and, last but not least, the increasingly important digital services sector) through economies of agglomeration and specialization (cluster effects).

Livable cities are also key to attracting and developing talent, which is increasingly important for exporting high-value goods and digital services. In addition to having upsides, urbanization also has downsides resulting from population concentration, especially when not kept in check: insecurity, crime, congestion, pollution, health hazards, and a high level of low-productivity, informal activities.

In this section, the report focuses on the dynamics of urbanization in Cameroon through the lens of the housing construction and retail sectors. These two sectors highlight broader key constraints to productive urbanization: land market and related infrastructure issues, as well as housing finance and issues created by the nonlevel playing field between formal and informal players.

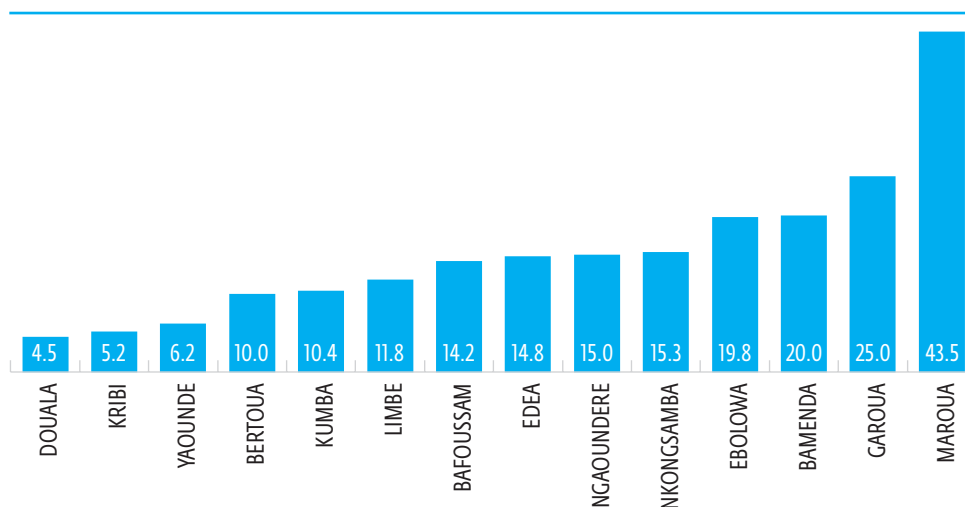
Current Performance

Cameroon has one of the highest urbanization rates in Africa (58 percent of population lives in urban areas, up from 14 percent in 1960). Approximately 75,000 families continue to move to Cameroonian cities each year, and the urban population is projected to keep growing at a fast 4 percent rate per year,¹⁹⁶ or 8 million people by 2030. The urbanization rate is expected to reach 73 percent by 2050.¹⁹⁷ Furthermore, recent ongoing conflicts affecting some of the relatively less urbanized regions of the country such as the North West, South West (NWSW) and the Far North (Boko Haram attacks) have put nearly 1 million internally displaced people on the move mainly from rural to urban areas, a migration that is likely to become permanent in the long run and that has not yet been computed in urbanization forecast.

This brings to the fore the importance of the two main cities of Cameroon: its commercial hub, Douala (3.6 million inhabitants) and its capital Yaoundé (3.9 million).

Prior to the pandemic about 63 percent of the urban workforce is in nontradable services, 22 percent in manufacturing and tradable services, and the remaining 15 percent in agriculture. The informal sector employs about 80 percent of the urban workforce, while the remaining 20 percent is shared between the public sector (11.5 percent) and the private sector (8.5 percent). Sectorwise, about 69 percent of the urban informal workforce is involved in retail and services, while 21 percent in manufacturing and industries, and 10 percent in agriculture.¹⁹⁸ This shows that informality is very high and relatively uniform across the entire urban sector in Cameroon. Figure 5.2 shows urban poverty being around 15 percent with much higher levels in the North (Maroua and Garoua).¹⁹⁹

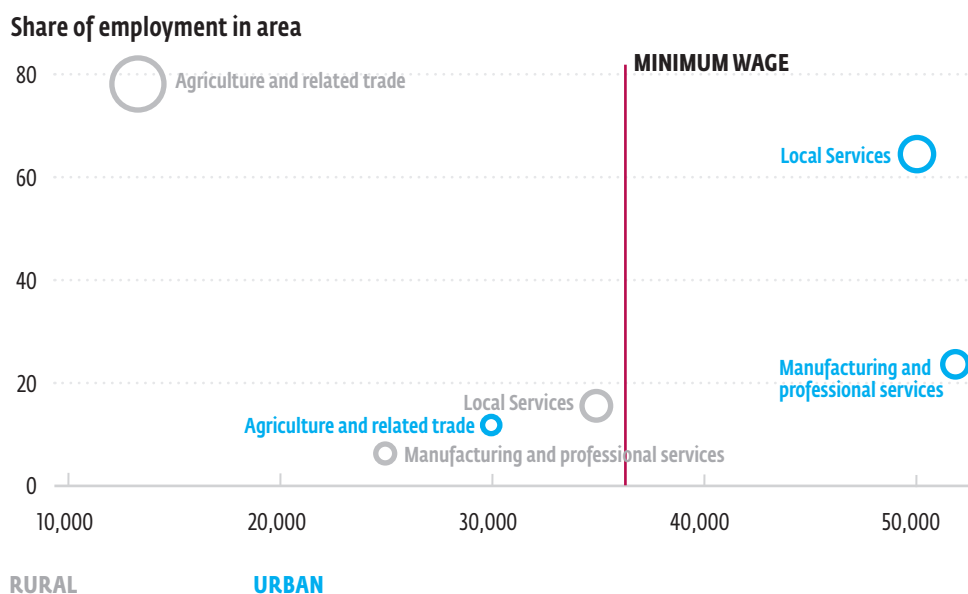
FIGURE 5.2. RATES OF URBAN POVERTY IN MAIN AGGLOMERATIONS



Source: Fourth Cameroon Household Survey (ECAM 4) and the ECAM complementary survey (EC-ECAM 4) from Coulombe, 2018.

Urban workers are at least 1.8 times more productive than rural ones. Figure 5.3 shows that urban areas offer employment at median salaries above the minimum wage. This is consistent with the fact that most poverty in Cameroon is rural: 5.6 million of the poor living in rural areas, while just 1 million live in urban areas.²⁰⁰ Douala and Yaoundé have approximately twice the productivity of other cities.

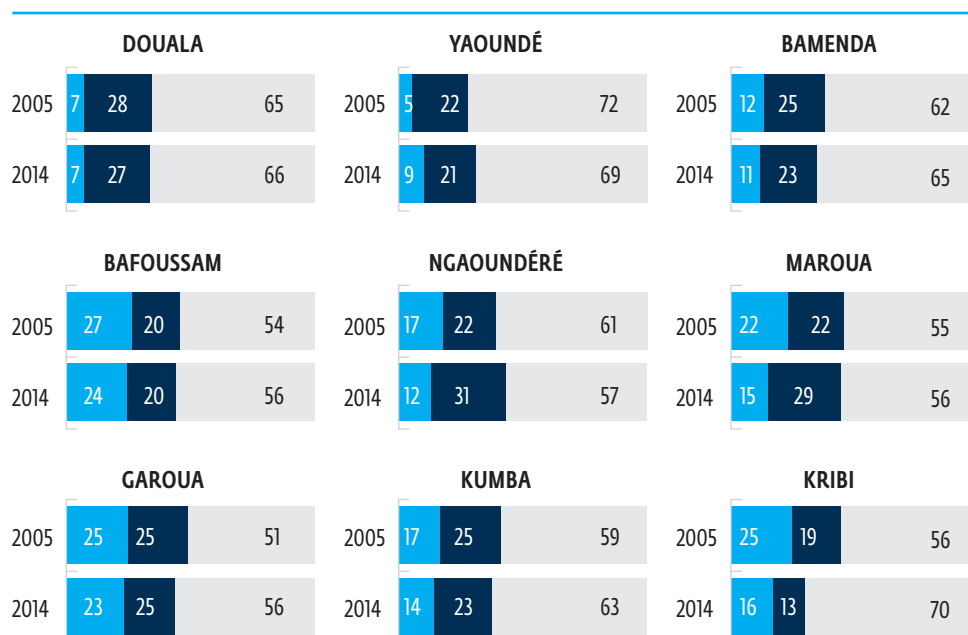
FIGURE 5.3. URBAN AREAS OFFER THE HIGHEST WAGES.



Source: ECAM 4.

Currently, though, Cameroon's cities are not playing the role they should in structural transformation. The largest cities have today essentially the same economic structure as they had 10 years ago (figure 5.4). While Cameroon has experienced a rapid rate of urbanization, real income per capita has grown little.

FIGURE 5.4. SECTORAL ALLOCATION BARELY CHANGED IN MOST CITIES BETWEEN 2005 AND 2014



AGRICULTURE

MANUFACTURING AND TRADABLE SERVICES

NONTRADABLE SERVICES

Source: World Bank (2018) European Exascale Software Initiative (EESI) and ECAM 4.

This lack of transformation can be explained by a combination of factors. As new residents have arrived, cities have expanded in an unplanned manner, generating informality, overcrowding, congestion, and spatial dysfunctionality. The industrial, port, and airport areas, as well as many commercial areas in Douala and Yaoundé, for instance, are now surrounded by residential homes (creating dangerous risks in some instances), and some of their registered land domain has been occupied by houses. Informal commercial activities (the informal retail sector) also represent a significant source of overcrowding and congestion as markets expand into streets and into formal businesses premises.

Among the negative externalities of congestion, competitiveness is affected as highlighted by a recent analysis on study competitiveness in the case of Douala:²⁰¹

- “All firms identified congestion as the most acute driver of high costs in their business. . . . Managers indicated it can take 2–3 hours for workers to travel to work, and how travel to a meeting in a different part of town could take an entire day.”
- “We spend 3–4 hours from the loading point to the delivery point,” indicating that one delivery, including unloading times, can take a full day if not longer.
- Congestion is also an issue near production facilities within the industrial zones in Bassa, Bonaberi, and Yassa. “The principal constraint is the means of access [to the factory],” said one manager. In metallurgy in particular, firms emit pollution and hazardous waste, which can be a substantial health hazard to those living nearby.
- In search for new residential land, cities are expanding rapidly and haphazardly, eating up in the process surrounding agricultural and green/forest lands. This trend is producing new urban areas lacking in basic infrastructure (roads, water, electricity, sanitation) that create ever-expanding demand for urban services separated by increasingly greater geographic distances.

As noted by Desbrosses, the “transfer of competences” provided for by the decentralization laws in Cameroon have not really translated into a transfer of competences in a real devolution sense.²⁰² The competences transferred appear more as “specific, subcontracted assignments” that local governments accomplish on behalf of a central government ministry. They are allocated dedicated funding for such assignments and must report biannually on implementation. Additionally, the decentralization laws institute a principle of concurrent competencies, by virtue of which all the competences transferred to local governments are not exclusive. The central government consequently maintains the right to continue to exercise the same competences. Finally and importantly, local governments have limited ability to generate revenue, as all local taxes are set by the central government.²⁰³ Local government spending represents only 5 percent of the national budget.

An improved decentralization framework was adopted recently at the Grand National Debate (which focused on solving the conflict in the NWSW regions) and passed into law.²⁰⁴ One of the key innovations of that law is that the mayors for the 14 city councils of the country’s largest cities are no longer be appointed by the government, the first slate of mayors being elected in February 2020. Regional elections were also scheduled for December 5, 2020. Despite this progress, there has not yet been a substantial increase in funds allocated to local governments despite the provision in the law that resources allocated to local governments should be no less than 15 percent of total state resources.

Productive urbanization should also help cities be more resilient. As the COVID-19 crisis showed, peri-urban areas are vulnerable to disease outbreaks due to their general lack of planning and institutional integration.²⁰⁵ Being aware of the challenge of urban and regional development, the government has expressed in its long-term vision, the DSCE (Document de Stratégie pour la Croissance et l'Emploi), its wish to curb the “rural exodus.”²⁰⁶ The stated government policy was to cap urbanization at 57 percent by 2020. The new National Development Strategy 2020–2030 continues the focus of government on urban modernization, recognizing that the country continues to face the impact of rapid and uncontrolled urbanization. In the new strategy, the focus is rightly on renewing cities and turning them into hubs of economic growth with a multiple focus on infrastructure, planning, and facilitating access to land.

Opportunities

The housing and retail sectors are among the largest economic sectors and key anchors in the process of urbanization. The analysis of these two sectors shows tremendous productivity and output growth potential and highlights the critical importance of addressing land market issues (housing and retail), financing issues (housing) and issues related to a fiscally level playing field (retail) to realize this potential.

As discussed in the previous section, fast migration toward cities is fueling extremely strong demand for housing. The housing deficit was estimated at 1 million units in 2011, and has been increasing by 100,000 units per year (Ministry of Housing and Urban Development; MINH DU) since then. Despite the housing shortage, there is only a handful of significant private formal developers, while most housing construction happens as low-productivity auto-construction by the owners. As discussed below, the main constraints for the housing supply to catch up with the demand are land market and housing finance issues.

In addition to rising migration rates towards cities, the rise of the local middle class fuels the demand for more convenient, sophisticated, and ready-to-use retail services and products. When they manage to overcome the constraints standing in the way, modern retailers experience this unfulfilled demand as noted by one prominent player: “Last year, we opened a similar center in Yaoundé. It was in the outskirts, so we had a few fears. Success came from the start. We reached the same figures as Douala after three years (Douala was growing by 20 percent per year).” As discussed in more details below and despite this growing demand, modern retailers have great difficulties overcoming land market issues and competing with lower-productivity informal retailers because of the lack of a fiscal level playing field.

Despite strong and large demand, housing and retail sectors are dominated by low-productivity informal players. The housing construction sector in Cameroon is dominated by auto-construction, which accounts for 97 percent of all houses built. This contrasts with comparators such as Nigeria, Senegal, and Zambia where auto construction is now down to 80 percent as a result of the increasing role played by developers.²⁰⁷

Housing Sector

The small segment of formal housing developers is primarily in the hands of SOEs. The bulk of formal housing development in Cameroon is done by the public sector namely by Société Immobilière du Cameroun, and since 2009 by the MINH DU through the National Program for building 10,000 social housing units, which as of 2018 delivered less than 5,000 housing units (mainly apartments). The public sector offer is completed by a small production from local governments mainly the Douala City Council through the Société d'Aménagement de Douala and the Yaoundé city council. These public agencies now concentrate their limited production in a segment of the market (medium- to high-standing houses) that in most countries is produced by private developers.

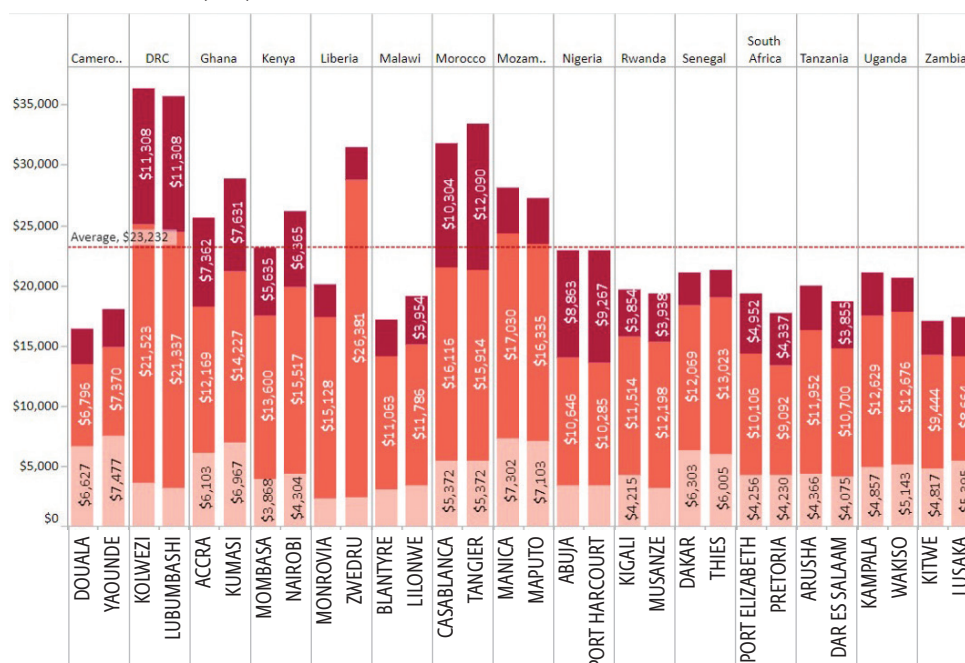
While nominally in existence in the country, formal private developers have not yet started playing an important role in the sector. A 2016 estimate by MINH DU put the number of housing units ever developed by formal developers at 1,200. Pioneer developers tend to produce a relatively small number of houses. For example, the three winners of the national award of best private developers launched in 2020 by MINH DU had each produced less than 30 houses apiece (8 houses for the third, 27 for the second, and not stated for the first) since their establishment. While there are 209 accredited developers, probably less than two dozen promoters are active in housing development. None of them appear to have yet become a sustainable developer on a consistent basis. Generally, they do one or two projects that are held up by great difficulties, long delays, and hosts of complaints from clients, and eventually, they take a back seat thus leaving the stage for some new entrant to repeat the same cycle.

There have been many announcements of major projects by international real estate developers in Cameroon, but none of these has materialized to date. These announcements include, among others, a project that would build 10,000 houses (and this in turn involved developing an industrial complex for producing building materials such as concrete bricks).

Findings from the Centre for Affordable Housing Finance (CAHF) construction cost benchmarking report shows that the cost of construction materials in Cameroon (Yaoundé and Douala) compete favorably with peers across Africa and are thus not a major constraint to the development of the sector (figure 5.5).²⁰⁸ Additional cost reductions can, however, be made and are needed to improve housing affordability in the country given the low income levels. Government efforts in this sector concentrate on incentivizing the production and utilization of local construction materials, notably through Mission de Promotion des Matériaux Locaux, a public research and development agency tasked with developing and promoting the use of local construction materials and technologies. More recently, one set of incentives providing tax exemptions for private companies producing these materials that include VAT exemption and tax reductions to 20 percent from 33 percent of corporate tax for companies that produce local building materials such as earth bricks, freestone, and tiles. Attracting large investments in this sector should be key to further driving down costs.

FIGURE 5.5. BENCHMARKING HOUSING CONSTRUCTION COST IN SUB-SAHARAN AFRICA

Construction Cost (US\$)



D.1. LABOUR COSTS

D.2. MATERIALS COSTS

D.3. INDIRECT COSTS

Source: CAHF research, 2015, 2016.

Retail Sector

According to the INS (2019), wholesale and retail trade account for half of the firms currently active, with 107,509 out of 209,482 firms and 30 percent of the modern sector (9,471 out of 31,512) in 2017.²⁰⁹ Most of the formal firms are small, employing about 7 people on average and 68,000 people in total (19 percent of formal employment).

The maturity of the mass grocery retail and food and drink industries in Cameroon is underdeveloped,²¹⁰ echoing a similar earlier assessment from PriceWaterhouseCoopers: “Compared to countries such as Nigeria and Ghana, modern retail has been slow to take off in Cameroon. There are currently no A-grade shopping malls, and it is estimated that 98 percent of retail sales are generated through informal outlets.”²¹¹ The country’s first ever shopping mall, the Douala Grand Mall, was inaugurated on November 17, 2020.

The modern retail sector is now developing rapidly and is competitive, and many formal retailers are active in Cameroon, including several international brands. French retailer Casino Group launched a new Cash & Carry warehouse supermarket under the Bao brand in March 2018. There are also investments by local retailers, which in 2017 opened two supermarkets in Douala.

E-commerce in Cameroon is facing difficulties. One private company suspended its e-commerce business in Cameroon a week after its latest earnings call showed yet more losses. Before that, another company, an e-commerce operator belonging to Casino group that had started its activities in December 2014, closed its operations in 2016.

Similarly, the restaurants industry is dominated by low productivity and often low-quality informal food services. There are very few modern food services providers and almost no international brands. In Douala and Yaoundé, there are several popular restaurants, but none have expanded beyond single outlets. There is, however, a growing food delivery sector with Ratagrab rolling out an online food ordering and delivery service in Douala.

Markets in Douala and Yaoundé are overcrowded and function largely beyond capacity. Markets meant to host hundreds of traders now host thousands. In addition, vendors crowd public spaces along urban streets, especially in Douala.

Constraints and Solutions

The main constraint to the productive development of both the housing and retail sectors in Cameroon are land market and related infrastructure issues. Lack of mortgages and a fiscally level playing field further also constrain the housing and retail sectors. Each of these issues will be discussed in turn below.

Finding land for commercial uses (housing, malls, supermarkets, hotels) is increasingly difficult or prohibitively expensive in large cities. Field observations and interviews reveal that land prices within the peri-urban area of Yaoundé range from CFAF 15,000 to CFAF 200,000 per square meter. Prices are similarly high and rising in the rental market. CAFH (2018) notes that rents have increased on average by 10 percent annually and that the monthly rent of a standard two-bedroom apartment in Douala is now CFAF 125,000 compared to CFAF 60,000 less than a decade ago. It has also become standard practice over the last decade in Yaoundé and Douala to ask tenants to pay 10 to 12 months of rent upfront (the practice used to be one or two months).

The process of land acquisition and guaranteeing land title security is the chief complaint of modern housing and retail developers. The rare spaces available within cities are subject to land speculation, while peri-urban areas present risks linked to land disputes and the slowness of the registration procedures. Developers note that land titles are becoming increasingly precarious and no longer a source of guarantee. Many promoters insist that banks have been accepting land titles as collateral for loans less and less often due to the prevalence of forged titles and the possibility of land title cancellation by the Ministère des Domaines, du Cadastre, et des Affaires Foncières (MINDCAF), which is struggling to keep land registries reliable and updated. Linked to the complaint about land security are the slowness and corruption of the courts. Below are three telling examples:

- One of the most dynamic private developers said that they saw two land titles of separate land plots, for which they had already sold the lots, being canceled. These cancellations had the consequence of pushing the company towards bankruptcy because it was necessary to reimburse the buyers of these lots.

- One of the main modern retailers complained about land administration and frequent disputes over duplicate titles, saying that “they would be growing three times faster if it was not for land issues.” He also said that “disputes must be unblocked in person as urban communities are not equipped to help.”²¹²
- Even the government is not immune from these land issues: the emergency program for the production of social housing took more than five years to secure necessary land.

Unlike formal firms, informal developers can go around land constraints as they have little capacity, incentive, and formal presence to be constrained by urbanization norms and zoning rules. Informal construction is therefore happening in areas that are not proper for development—areas that are swampy, close to riverbanks or drainage canals, on mountain flanks and hillsides, in the protected mangroves zones in Douala—areas that pose significant environmental and safety hazards (flooding, landslides, waste emission).

Softening financing constraints for housing buyers with better access to mortgages would increase the volume of people able to buy houses that are built by real estate developers, but the mortgage market very limited: the outstanding mortgage loans at the national level stood before the pandemic at a mere CFAF 70 billion (US\$118 million). Together with the land market issues mentioned above, the scarcity of mortgages explains why there is such prevalence of auto-construction that allows one to build at his own pace and within his budget, a reality that seriously impacts productivity. As a result of the absence of mortgages, CAHF (2018) shows that only 15 percent of Cameroonians can buy a house that costs as much as US\$11,500 (approximately CFAF 6,639,525).²¹³ Comparatively, this percentage is 97 percent in Gabon, 95 percent in Morocco, 64 percent in Senegal, 51 percent in Kenya, 46 percent in Côte d’Ivoire, 39 percent in Nigeria, and 22 percent in Ghana.

The only entity that offers mortgages in Cameroon is the state-owned Crédit Foncier du Cameroun, which finances only around 350 to 380 mortgages per year (interest rate varies from 6 to 10 percent for a total loan duration of 20 to 25 years). A private bank, grants loans to finance the acquisition of land or to finance home renovation work for its customers. The maximum amount offered is CFAF 5 million (US\$8,450) over a period of up to four years. Private banks in Cameroon mention the lack of access to long-term resources as a major constraint to developing their mortgage lending activities. Indeed, banks mainly use deposits to finance their loan portfolios, but customer deposits mainly consist of sight deposits (71 percent) and few term deposits (14 percent), according to data from the Cameroon National Credit Council at the end of 2018.

Arguably, issues around security of land and property titles discussed above also constrain the development of the mortgage market. The only significant issuer of mortgages in Cameroon only serves civil servants and a few workers in the formal private sector, with wages being the main guarantee for these loans.

A last significant constraint shared with most of the commercial sector is the weight of taxation and the absence of a level fiscal playing field between formal and informal retailers. Modern retailers are subject to high taxation, including the 2.2 percent turnover tax withheld at source. Excise, customs, and municipal duties are also significant. This gives a significant cost advantage to informal retailers. Fiscal issues, however, are not a major constraint for housing developers due to the availability of developer tax incentives put in place since 2013.

Finally, a less important constraint regards the availability of financing for developers, which is not an overbearing constraint as short- to medium-term construction loans are available from banks. Banks are ready to finance “mature projects” where the promoter has secured the land, done most of the servicing (infrastructure services like roads, water, electricity), and obtained the various permits. On the other hand, long-term financing needs such as land is not necessarily available for retailers in Cameroon and thus requires other sources of funding including auto-financing, which slows down development plans. Workforce qualification is also not a significant issue as modern players provide effective in-house training and have no problems hiring specialized workers such as architects, urbanists, and engineers. A leading foreign retailer said that his workers in Cameroon achieve for an identical task the same productivity as their European counterparts after two to three months of in-house training.

Solutions: Local Empowerment through Pilots

The critically needed improvement of land markets will require a combination of complementary actions: having an effective land development agency, empowering local governments regarding local land markets, and improving land recording systems.

First, it would be desirable to repurpose the public housing agency, MAETUR, into a land development agency. Land development agencies plan productive urban development, acquire land from traditional owners (through a fully transparent and inclusive process), secure it, develop it, and equip it with infrastructure in order to sell or auction it off to formal developers using the proceeds to develop the next tranche. Such agencies have been successfully leveraged in Hong Kong SAR, China, Mali, Pakistan, and Singapore. The legal framework to undertake these transactions is already in place in Cameroon,²¹⁴ and an existing public agency such as MAETUR could play this role if it is restructured to function as a market-oriented, large-scale land developer, meaning producing large tracks of land for developers rather than small plots for end users. This would also imply a change in economic model, operating under a land-value capture framework rather than its old and current framework of either relying on direct government subsidies for large projects or doing very small projects with its own resources. As discussed later, deploying such a land-value capture approach in Cameroon will require changing the structure of property taxation, including who captures it, as well as ensuring transparency of market prices and transactions.

Concurrently, local governments should be empowered regarding land markets. This could start with pilot projects in the Douala and Yaoundé urban areas, leveraging the Société d'Aménagement de Douala in the former case. Local government would have the responsibility for planning, zoning, titling, and taxing land. This would give them the financial resources as well as the incentive to maximize the value of land by securing it and connecting it to infrastructure, with property tax revenues being used to finance infrastructure, thus creating a virtuous circle. A successful example in Sub-Saharan Africa in this respect is Cape Town. The immediate next step will be to put in place the legal, regulatory, and institutional pieces required for the suggested pilots in Yaoundé and Douala to empower these local governments to handle titling and taxation without an overall reform of the land law and decentralization codes.

Adequate land market information is a prerequisite. The Cameroon Business Forum (CBF) recommended in October 2020 that the government “publish statistics on land transactions, land disputes, and transfers online.” This will go a long way toward addressing the lack of data on land markets. The CBF also recommended fast-tracking the issuance of building permits by city authorities (see below), prioritizing formal private companies and institutional developers.²¹⁵

The CBF also recommended improving the one-stop shop for land transaction, GUTF, which can address some of the other land acquisition issues for developers with the support of the Yaoundé and Douala city councils in the context of the pilots discussed above (see box 5.2.). Operationalizing the GUTF would allow the online publication of statistics on land transactions, land disputes, and transfers. To do so, there will also be a need to build capacity and review the skillset and workload of registrars and cadastral administrators.

BOX 5.2. ONE-STOP SHOP FOR FACILITATING LAND TRANSACTIONS

One of the major interventions adopted by the government over the past 10 years to remove obstacles in land procedures is the establishment of a one-stop shop for the facilitation of land transactions (GUTF) within the divisional structure of the Ministère des Domaines, du Cadastre, et des Affaires Foncières (MINDCAF). The establishment of these one-stop shops was the government response to the Cameroon Business Forum (CBF's) highlighting of blockages, high costs, and delays in land transactions. These one-stop shops aimed to create an accelerated circuit dedicated to processing company land transactions. As part of this initiative, a series of documents were produced to further clarify the stages, costs, and deadlines of various land acquisition procedures (procedural and litigation manuals, company guides, websites) to support the effective functioning of the counters set up.

Despite these achievements, though, the consensus among businesspeople seems to be that the impact of GUTF remains limited. In 2015, the CBF expressed this perception as follows: “The effects and impacts of reducing transaction costs and delays are still very inconspicuous and unnoticeable in the field. The administrative authorities who chair the advisory committees do not feel truly bound by the requirements of the manual of procedures, and many biases continue in practice to increase and jeopardize the service provided to users, who remain confronted with numerous dysfunctions in terms of retention of files, failure to meet deadlines, ransom of users, corruption, deficits, and the rental of technical equipment.” Beyond reinforcing the GUTF, the quality of the land institutions supporting the GUTF will have to be strengthened, starting with the Yaoundé and Douala city councils in the context of the two pilots proposed above.

Beyond land access, another regulatory stumbling block is the issuance of construction permits. Here too, there is a need to further integrate different administrative services into a one-stop shop as a genuine access point eliminating interaction with other administrative bodies. The deliverance of permits could be easily accelerated by increasing the frequency of meetings of the commission for the examination of building permit files. Authorizing the submission of electronic applications for building permits with a view to the subsequent full deployment of online permits would also speed things up. Finally, publishing statistics on the time taken to process building permit applications and the number of permits issued would provide benchmarks to measure progress.

In addition to improving urban land access, cities must improve access to linked infrastructure while minimizing its fiscal costs. A first element of response is having more efficient investments in urban infrastructure by better coordinating the planning of infrastructure with rigorous economic feasibility studies and an intensive involvement by empowered local stakeholders and, crucially, local governments. This should also include the development of industrial zones through partnerships between the Industrial Zones Development and Management Authority and the private sector.

A second element is **finding additional sources of funding, as well as specialized technical expertise in the delivery of specialized infrastructure (sanitation, transport, connection to digital networks, building of dedicated commercial infrastructure) by leveraging PPPs at the city level.** The experience of the Communauté Urbaine de Douala (CUD) so far in PPPs and challenges met in three projects show the importance of resolving land issues and financing issues upfront, as well as the importance of reinforcing the capacity of local governments with CARPA.

A possible solution could be to **increase the capacity of CARPA, the national agency established in 2010 to support the undertaking of PPP projects by all spheres of government including local governments.** So far, CARPA has conducted PPP training seminars for many city councils (Yaoundé, Douala, Bafoussam, Bamenda). CARPA is present throughout the PPP process and acts as the technical adviser of the public entity initiating the PPP. It proactively assists cities throughout the PPP process because its set-up provides for the payment of consultancy fees for its assistance. As the capacity of CARPA is further developed, it should leverage private sector expertise as opposed to crowding it out.

Finally, improving a difficult environment on the financial and fiscal side (the latter was discussed in the cross-cutting section earlier) will help longer-term development plans for private sector investments that also contribute to structuring the urban environment. Possible measures could involve things like the following:

- Provide long-term financing to banks for mortgages.
- Increase competition in the banking sector, including through fintech, to increase the level of deposits.
- Review prudential ratios regulating the utilization of sight deposits for long-term financing.
- Provide long-term credit lines to private banks.
- Develop the bond market and institutional investors (insurance and pension funds).

Box 5.3 summarizes the short- and medium-term investment opportunities and policy measures that may help boost urban services in Cameroon. These solutions venues are also highlighted in the NDSP30, which emphasizes the need to empower city councils (starting with Douala and Yaoundé) through capacity building and local (property) taxes, improvements to land markets (leveraging digital solutions), and PPPs for connectivity infrastructure. One difference between the NDSP30 and the CPSD is that the CPSD recommends decreasing the reliance on state-owned housing companies and state-owned industrial zones in favor of competitive private sector developers. Social housing objectives can be met through targeted demand side support with the NDS30.

BOX 5.3. URBAN SERVICES INVESTMENT OPPORTUNITIES AND POLICY MEASURES

Short-Term Private Investment Opportunities

- Modern retail (linking also to peri-urban horticulture and animal products)
- Urban social services (education, health)
- Housing real estate
- Connective infrastructure, including under PPP schemes (rapid bus transit in Douala, digital connectivity)

Short-Term Policy Measures and Public Investments

- Housing finance (tenor)
- Improve the issuance of construction permits along the recommendations of the CBF
- Study the feasibility of creating a land development agency in Douala and Yaoundé
- Review the regulatory framework for land and property markets management at urban council level and include a pilot scheme to empower Douala and Yaoundé city governments with respect to land administration and property tax
- Reinforce the GUTF, starting with Douala and Yaoundé markets

Medium-Term Private Investment Opportunities

- Commercial infrastructure under PPP schemes with cities
- Last-mile digital infrastructure

Medium-Term Policy Measures and Public Investments

- Implement land development agencies in Douala and Yaoundé
- Decentralize land administration and property tax following Douala and Yaoundé pilots

APPENDIX

APPENDIX A. MAIN AGRICULTURAL VALUE CHAINS

VALUE CHAIN	EXPORT COMPOUND ANNUAL GROWTH RATE 2002-18, 2009-18	SHARE OF FORMAL AGRICULTURE EXPORT 2018	AREA CULTIVATED IN 2013 (PNIA, 2014)	EMPLOYMENT	ACTORS AND MARKET STRUCTURE	KEY QUESTIONS
Cocoa and derived products	+8.4% -2.7%	58.7%	355,556 hectares	600,000 households	Production: fragmented Wholesale: 3-4 large actors Downstream: 3 processors 100% private	Capacity of SODECAO to provide cultivars Old trees Low price of cocoa Emergence of local transformation
Bananas	+3.0% -0.6%	26.5%	14,000 hectares	12,250 (60,000 indirect)	Production: CDC, PHP, BPL CDC 100% government-owned	NWSW crisis CDC operational and financial situation
Cotton	-4.9% -4.2%	2.7%	207,718 hectares	350,000 growers, 2 million people	Production: fragmented Wholesale and first transformation: SODECOTON SODECOTON 35% government-owned CICAM 100% government-owned	SODECOTON financial situation
Rubber	0.0% -6.7%	4.3%	46,429 hectares	5,000-10,000 (rough estimate)	Production: CDC, Sudcam, Hevecam, SOCAPALM CDC 100% government-owned	NWSW crisis CDC operational and financial situation
Coffee	-0.1% -5.0%	3.6%	184,524 hectares	400,000 households, about 2.8 million people (2010)	Production: fragmented	Lack of structuration in the sector
Horticulture	+5.8% -4.8%	2.3%	Pineapples, 40,000 hectares Potatoes, 20,883 hectares Tomatoes, 66,667 hectares	Half of the population (indirect)	Exporters: N/A Production: N/A	Growth of urban demand Demand for local sourcing in formal retail

VALUE CHAIN	EXPORT COMPOUND ANNUAL GROWTH RATE 2002–18, 2009–18	SHARE OF FORMAL AGRICULTURE EXPORT 2018	AREA CULTIVATED IN 2013 (PNIA, 2014)	EMPLOYMENT	ACTORS AND MARKET STRUCTURE	KEY QUESTIONS
Small livestock	n.a.	Domestic market (net importer)	135,000 tons (2015) 75 million birds (2015)	One-fourth of the population in poultry	Ban on imports of frozen meat	Cost of feed is high phytosanitary issues (avian flu in 2016) Structuration of the industry
Palm and palm oil	n.a. –12%	Domestic market (net importer)	250,000 hectares	5,000–10,000 formal (rough estimate)	Producers: SOCAPALM, CDC, SAFACAM, Palm Oil Refineries: SCS-RAFCA SARL, Azur S.A., SCR Maya, CCO SA, SPFS, SAAGRY, and PAFIC SARL CDC and Palm Oil government-owned Imports subject to quota and price fixed by the government	Delineation and security of land Road infrastructure Imports from Gabon NWSW crisis
Maize		Domestic (net importer)	800,000 hectares	1.5 million households (with cassava and sorghum) 38% of households in 2014 ^a	Producers: fragmented Transformation: GMC, MAISCAM (flour and feed), beverage producers (beer) MAISCAM is government-owned	Low productivity and poor logistics Competition with food security Limited access to credit, market, improved seeds, fertilizer, and machinery Lack of storage and processing capacity Demand boosted by livestock sector growth
Sorghum and millet			1,181,818 hectares	1.5 million households (with cassava and sorghum)		Low productivity and poor logistics Strong support is needed to develop improved agronomic technologies Competition with food security Limited access to credit, market, improved seeds, fertilizer, and machinery Lack of storage and processing capacity

Source: CPSD team compilation.

Note: Green highlights denote growth.

APPENDIX B. OTHER SECTORS REVIEWED FOR THE REPORT

B.1. Cotton and Textile Value Chain

Current Performance

Cameroon produces around 300,000 metric tons of cotton seed per year. In 2018–2019, there was a reported record production of 309,000 metric tons.²¹⁶ Cotton is cultivated in rotation with other crops such as maize. The added value of the cotton sector is around 1 percent of GDP. There are around 350,000 cotton growers supporting a household population of around 2 million. The country still has the highest average yield per hectare among major African cotton producers.

Production levels today are around 10 times the levels when SODECOTON was created in 1974. The present level of 300,000 metric tons was achieved as early as 2004, but production subsequently fell to only 110,000 metric tons in 2009 due mainly to low cotton prices at the time before increasing again in recent years to its present level. Most cotton output is exported to world markets. Cameroon became the first exporter of raw cotton in Africa in 2017 on par with Burkina Faso and slightly ahead of Benin, but the volume exported by Cameroon remain far from the historical best reached by other West African countries (Burkina Faso, Côte d'Ivoire, Mali, and Nigeria).

In the NDS30, the government sets a high ambition of raising the production to 600,000 metric tons by 2025 and increasing the proportion of the transformation of local fiber to half of the national production by 2030. Furthermore, the growth of the sector is expected to feed into a local clothing industry that would be supported through local sourcing requirements for government purchases (which would be required to purchase clothing incorporating at least 60 percent of cotton produced in Cameroon). A strategic rapprochement between SODECOTON and CICAM is also considered.

There are only a few key players in the textile value chain. Cotton growing and processing activities are led by SODECOTON (owned 59 percent by the state, Geocoton with 30 percent, and SICAM with 11 percent). SODECOTON is vertically integrated, and it dominates the financing, purchasing, processing, and marketing of cotton and the supply of agricultural inputs for cotton production in Cameroon in partnership with the National Confederation of Cotton Producers of Cameroon. SODECOTON has a monopoly on the production and ginning of cotton. It employs about 2,000 workers permanently. SODECOTON has nine ginneries with a combined capacity of around 300,000 metric tons of seed cotton per year, which is equivalent to more than 120,000 metric tons of fiber. It also has two oil mills with a crushing capacity of 120,000 metric tons of seed annually. Around 14–19 million liters of edible oil and 60,000–70,000 tons of feed are produced annually.

In the processing sector, the main player is CICAM, a vertically integrated company (spinning, weaving, dyeing, printing) with three production facilities. CICAM was nationalized by the Cameroon government in 2008.²¹⁷ There are only two other private sectors spinning units, but their business is sporadic because of constant financial difficulties.

In the knitting, dyeing, and tailoring sector, the market leader for promotional textile articles (T-shirts and polo shirts) is weighed down by the low quality and competitiveness of the local thread suppliers. The absence of technical training for its employees is a major factor holding up its development.

Constraints and Opportunities

SODECOTON was in financial difficulties between 2014 and 2016, incurring accumulated losses of CFAF 36 billion. Debt doubled to CFAF 143.5 billion in 2017, equivalent to 1 percent of GDP. Unlike CDC, the company has been reducing its tax debts, which fell from CFAF 3.7 billion to CFAF 0.7 billion in 2016 before increasing slightly to CFAF 1 billion in 2017, declining as a share of total debts from 4 percent to only 1 percent over that period. While SODECOTON's financial difficulties still gives cause for concern, recent trends are positive and if maintained will produce a sustainable financial position in the future.²¹⁸

There are no efficient partnership bodies between textile companies, clothes manufacturers, and designers and stylists to facilitate proper vertical integration of the industry for value addition. The industry association, Interprofession de la Filière Coton-Textile-Confection du Cameroun, has had little impact on the sector's development. Cameroon's biggest textile company, CICAM, operates thanks to the government's financial support, but its status as a public corporation is holding it back in a competitive environment that is increasingly unstable and full of uncertainty. The government has had limited success in curbing or even reducing the importation and smuggling of secondhand garments and cheap clothes that are a major obstacle to the development of the local textile and clothing industry. Finally, not enough effort is being made by the government to target and attract investors willing to contribute both capital and technology.

More generally, given the development of the cotton and textile sector envisioned in the NDS30, prospects for growth led by the private sector in the short term seem very limited, and the eventual role of private sector actors unclear given the central role played by SOEs in the sector and more generally, the prospect of direct and indirect public support (through procurement) and their distortive impact on prices.

B.2. Rubber

Current Performance

CDC is historically the largest producer of rubber. According to CDC, it produces on average between 18,000 and 20,000 tons of semifinished rubber annually. CDC has a total of 22,262 hectares in rubber and has three main factories at Tiko, Mukonje, and Penda Mboko, as well as two sheet factories at Meanja and Malende.

Sudcam Hévéa was established in 2008 and has a concession of 45,000 hectares under development, of which 10,000 hectares are planted.²¹⁹ Hevecam, which is part of the same group, has a concession of 54,000 hectares in Niète near Kribi of which 21,000 hectares are planted and a factory with a processing capacity of 36,000 tons. These Chinese-backed investments are generating some controversy in the country.²²⁰

Overall, export figures show a sharp decline of rubber exports in value that predate the crisis. In 2018, exports were only one-fifth of 2011 levels, a decline which mirrors in part the fall of international prices, but also the difficulties experienced by CDC.²²¹

Constraints and opportunities

CDC has been severely impacted by the crisis that has left 4 out of 11 rubber estates functional, a dire situation that left it in need of capital to restart its activities (CFAF 7 billion for the rubber sector and CFAF 7 billion for palm oil groves according to CDC).

FIGURE B.1. GLOBAL PRICE OF RUBBER, 2002–20



Source: Federal Reserve Bank of St. Louis Federal (fred.stlouisfed.org), using data from the International Monetary Fund.

B.3. Forestry and Timber

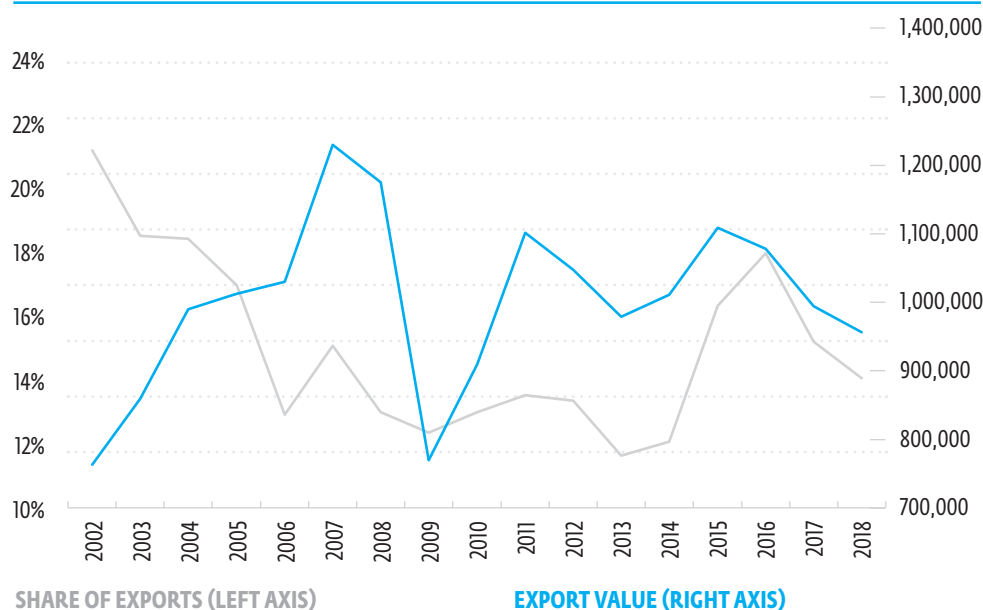
Current Performance

About 10 percent of the Congo basin forest is in Cameroon. Today, the total surface area of Cameroon's forests is 23,035,630 hectares representing 48.73 percent of the country's territory. Production forests²²² are exploited and managed under four forest management regimes and cover slightly less than half of Cameroon's forests.²²³

The sector is significant for the economy, accounting for about 2.7 percent of GDP.²²⁴ According to the formal industry census, the sector is a relatively modest employer with the wood transformation sector directly employing 6,600 people in 2017 (1.8 percent of total formal sector employment), while forestry concessions employed 7,700 people (2.1 percent).²²⁵ According to a 2013 survey, there were 22,700 formal jobs in the forest sector.²²⁶

The allocated area in forestry concessions rose from 5.8 million hectares in 2012 to 6.3 million hectares in 2016 according to the Center for International Forestry Research.²²⁷ Recent figures put this number at 7.1 million hectares in 2017.²²⁸ Another figure quotes a smaller area: 62 "forest management units" covering 6.7 million hectares, with council forests accounting for an additional 1.8 million hectares and communal forests for 2 million hectares in the year 2018.²²⁹ The total amount expected from the annual forestry fee for the forest concessions alone amounts to about CFAF 15.9 billion per annum.²³⁰ Cameroon adheres to several management conventions, standards, or multilateral environmental agreements such as UN Forest Principles/Agenda 21.

There are five main wood products categories being produced: logs, sawn wood, veneers, plywood, and parquets. In 2018, wood products (mainly timber, sawn wood, and rough wood) were the second export of Cameroon with a bit less than US\$994 million sold after cocoa and cocoa products or 15 percent of Cameroon total exports. Rough wood exports were sent to China (53 percent) and Vietnam (35 percent), while sawn wood exports, which represent about two-thirds of the total, were sent mostly to Europe (60 percent), reflecting the current market structure in which Asian companies dominate the log market and European and Asian companies exist on more equal terms on the sawn wood market. Exports have been on average stagnating since 2009 and below the peaks of 2007–2008. Exports of sawn wood have grown at the expense of rough wood as Cameroon restricted exports of raw logs.

FIGURE B.2. WOOD AND WOOD PRODUCT EXPORTS (THOUSANDS, US\$)

Source: UN Comtrade and IFC staff.

In 2019, the Ministry of Forestry and Wildlife (MINFOF) listed 93 logging concessions (called UFA, or Unité Forestière d'Aménagement), 38 council forest concessions, about 50 community forest concessions, and 142 sawn wood concessions.²³¹ These concessions are managed by more than 100 firms, and as a result, the production is quite fragmented. Hiolhiol lists 59 large firms and 46 micro, small, or medium enterprises.²³²

A notable shift in the industry in the country has been the withdrawal of some European-owned operators and the growth of China-linked ones. This trend is reflected in export flows, and exports to China have significantly increased. The surface areas licensed to Sino-Asian companies have doubled between 2015 and 2019.²³³ Additionally, 14 out of 36 communal forests have signed partnerships with Chinese companies.²³⁴ The production of uncut wood is dominated by Chinese-affiliated companies.²³⁵ The market for sawn wood is dominated by Chinese, French, and Italian companies.

As mentioned above, there has been an exodus of European companies: Dutch firm Wijma sold four of five of its concessions in Cameroon to Vicwood-Thantry, a company based in Hong Kong SAR, China and the largest operator in the sector with eight concessions.²³⁶ The French group Rougier ceased its activities in 2018 and sold its six concessions (Société Forestière et Industrielle de la Doumé), Cambois, and Sud Participation to Sodinaf, a locally-owned operator.²³⁷ Wijma also recently closed Cafeco, one of its sawmills.²³⁸

Private Sector Opportunities

Investments by Chinese companies reflect the continued appeal of the wood sector.²³⁹ This contributes to a diversification of markets and wood species in wood product exports. This has also led to some investments in facilities such as mobile Lucas mills, which are light and relatively cheap units, as well as a tendency to the growth of wood processing units in the hinterlands. Finally, working with Asian operators has provided easy access to the financing of working capital.

Given the recent departure of international caliber operators, opportunities for world-class investors seem dim. There has been in the recent past interest expressed by operators in engaging in projects of restoration of degraded forests in the context of the Reducing Emissions from Deforestation and Forest Degradation program (REDD+), but most did not materialize. An example is Crelicam, a project to plant 15,000 ebony trees in forests in need of restoration in partnership with communities. Crelicam was created as a JV between U.S. and Spanish firms Taylor Guitars and Madinter, and it entered into a PPP with the government in 2017.²⁴⁰ While the project has been successfully implemented so far, it has not been able to collect carbon credit since no such market exists in Cameroon.

Constraints

Cameroon was the first country in the region to adopt a forestry law (implemented until a few years later) and the only one to require independent observers (originally performed by Global Witness). Cameroon has restricted the export of raw logs, instead favoring wood processing. Cameroon's average deforestation rate, though, has risen in recent years from 0.9 percent before 2000 to 1.1 percent between 2010 and 2015.²⁴¹

Illegal logging is taking place because Cameroon's regulatory environment is plagued with a weak enforcement of existing laws (which are satisfactory on paper) due to weak capacity, a lack of political commitment, and a dependence on external partners to implement programs. Additional problems include a lack of coordination among different government sectors such as forests and the economic forces that drive deforestation. Others note that poor resource management derives from poor institutional arrangements and incomplete decentralization, where local elites or corruption interfere with effective local management.²⁴²

The presence of new operators raises potential concerns according to a recent Department for International Development (DFID)-World Wildlife Foundation (WWF) study:²⁴³ (a) the accelerated exploitation of wood resources in community forests and the fraudulent exploitation in the nonpermanent forest estate; (b) an increase in the wood processing capacity that creates more demand for wood than can be sustainably exploited; (c) informal financial practices and trade by barter that make it difficult to establish traceability and transparency in transactions; (d) and an incomplete capture of the wood export flow statistics in Cameroon's data (import data does not match export data).

Efforts in traceability and certification have stalled and in cases reversed. Cameroon signed a voluntary partnership agreement under the EU-FLEGT (EU Forest Law Enforcement, Governance, and Trade) facility in 2010 with the European Union that entered into force in 2011 to track timber legality and implement the tools to do so. The voluntary partner agreement, though, has never become operational. A joint evaluation of the voluntary partner agreement was carried out in 2019 in an effort to restart the process.²⁴⁴

In 2017, only 65 percent of the active concessions had 25 approved forest management plans, and 1.1 million hectares (16 percent of the total concessioned area) had obtained voluntary FSC (Forest Stewardship Council) certification. As of November 2018, though, only one FSC certificate remained active, and the size of the certified area was just over 340,000 hectares, which corresponds to approximately 5 percent of all concessions.²⁴⁵

There is on the other hand also a realization that forests must be protected. An attempt to reclassify a former Wijma logging concession into a palm oil plantation, for instance, has been met with strong resistance.²⁴⁶ Also, illegal logging in Cameroon declined by approximately 50 percent during the early 2000s, and a 2015 follow-up study based on data from 2013 found that Cameroon's response to illegal logging had stalled since 2010. This was due to a decrease of illegal logging for industrial timber export. This positive trend was, however, undermined by a simultaneous increase in small-scale illegal logging for the domestic market. It is estimated that illegally produced logs account for 20–50 percent of total production.²⁴⁷

The withdrawal of European-owned plantations is indicative of issues with the sector. In the case of Rougier, the company declared bankruptcy due to increased delays in VAT refunds (Rougier was owed €8.8 million). The security situation led to the closing of Wijma-owned Cafeco.

Carbon finance efforts are stalling. Progress in the implementation of the REDD+ program in Cameroon have failed to continue, and thus, opportunities to further involve the private sector to support forest conservation have not materialized. Under the Forest Carbon Partnership Facility (FPCF), Cameroon has not concluded the readiness phase and submitted a plan for emission reductions, despite support from the World Bank (FPCF REDD+ Readiness project).

Finally, in addition to investing in the capacity of the government to improve the implementation of existing laws and efforts to leverage carbon finance, and given the changing landscape the capacity of the new players that have entered the market should be improved. DFID-WWF recommend to improve their capacities in forest management, low-impact logging techniques, the implementation of high-value conversation approaches such as the one promoted by the FSC and WWF, anti-poaching activities, monitoring and evaluation, internal auditing and coaching towards the certification of legality and sustainability.²⁴⁸ The study identifies several economic operators that could benefit from such support.

B.4. Health Care

Cameroon ranks 150th out of the 189 countries considered by the 2019 Human Development Index. The health landscape of the country remains dominated by communicable diseases (malaria, HIV/AIDS, tuberculosis, diseases that can be avoided through vaccination, and neglected tropical diseases) that particularly affect the most vulnerable groups of the population. Noncommunicable diseases, though, are growing as well.²⁴⁹

The Cameroonian health system is relatively fragile in all its components. Funding is limited (60 percent of health expenditure is borne out-of-pocket, the third-highest among African countries); access is constrained and costly (health care facilities and the availability of medicines outside Yaoundé and Douala are often inadequate, while private health care is inaccessible to most as the medical insurance sector is not developed); and human resources are insufficient (Cameroon has 0.1 physicians per 1,000 people and 0.9 nurses per 1,000 people).²⁵⁰

The underdevelopment of the medical insurance sector represents a key obstacle to private investment, as private health care remains accessible to few. Access to finance is also a key barrier to entry for health entrepreneurs. Opportunities for investment in the sector could exist at all levels, given the current limits of the health care system. Particularly, the development of a medical insurance sector could level health care outcomes irrespective of the ability to pay, as well as create the possibility to leverage private capital to build the much-needed health care delivery infrastructure.²⁵¹

B.5. Water and Sanitation

While Cameroon has abundant freshwater reserves (208 cubic kilometers of renewable water resources, the second-largest in the region after the Democratic Republic of Congo), access to fresh water is low (43.9 percent), and access to water sanitation (36 percent) is even lower (World Bank, 2018). Moreover, wide disparities exist. The percentage of the population that has access to drinking water sources remains low especially in the North (56.5 percent), the Far North (63.7 percent), the Southwest (66.6 percent), and the East (67.9 percent). This is also the case among rural population (39 percent).

The sector is managed by the Ministry of Water Resources and Energy, which is guided by Vision 2035, the national development policy. CAMWATER, the asset-holding company created in 2005 from the old state-owned distribution company Société Nationale des Eaux du Cameroun (SNEC), is instead responsible for service delivery.

Constraints to investment in the sector include an outdated legal framework dating back to 1998 and an unclear division of work among different agencies that have issued contradictory norms and regulations, resulting in a deterioration of the water infrastructure that has been further aggravated by vandalism, embezzlement, insufficient resources allocated mostly towards urban areas, and tariffs that are insufficient to recover costs.²⁵²

Opportunities for investment in the sector stem mostly from the participation of Cameroon in regional/International organizations concerning water, which offers financial and technical opportunities related to potential investment and advisory projects.

B.6. Manufacturing

Structure and Performance

Cameroon's manufacturing industry has experienced three developmental phases: a protectionist phase (1960–1976), during which many local enterprises emerged, often under monopoly arrangements; an economic crisis phase (1984–1994), which unveiled how uncompetitive Cameroonian industry was; and a growth resumption phase (from 1994 onward) that followed devaluation and trade reforms, during which large manufacturing enterprises with exporting functions increased their output while that of smaller firms and the informal sector continued to fall.

As of 2018, manufacturing sector accounts for 19 percent of GDP.²⁵³ Most value-added comes from chemicals, petroleum refineries, rubber and plastics, construction materials, metalworking, iron and steel, which are also among the nine strategic subsectors identified in the NDS30. These industries create 10.7 percent of total employment.²⁵⁴ Other capital-intensive manufacturing activity is limited due to the low technological capability. Export diversification is low (only 9 percent of manufacturers export their merchandise).²⁵⁵ Light manufacturing industry (excluding wood, food and beverage, and textiles) only includes leather and leather products and only accounts for small share of the manufactured and exported goods. Overall, the manufacturing industry is heavily biased towards traditional low-value-added, low-wage activities.

Investment Constraints

Access to finance both for investment and working capital. Tenors are short (typically no more than one year), very few SMEs in the country have access to loans exceeding one year, and those that do pay relatively high interest rates (recently averaging 11 percent per annum), and collateral requirements hinder the financing of SME capital assets.

Impact of exchange rate control²⁵⁶ on the supply chain. About 20–30 percent of the raw materials are imported. Government policy on FX rate control has hindered the ability of local companies to pay their foreign suppliers. While most European orders are paid on just-in-time basis, this has put Cameroonian firms at a disadvantage, making them less-preferred customers to their global suppliers.

Access to electricity: energy supply is limited and unreliable. With the industrial sector relying on electricity for 72 percent of its energy, inadequate electricity supply constrains growth. Moreover, the quality of electricity is poor with many electricity outages. About half of the SMEs and 90 percent of the large enterprises own generators. One-third of the country's installed generation capacity is met by high-cost, high-polluting backup generation at US\$0.46/kilowatt-hour.

High cost of ICT. Although Cameroon has access to submarine cables, the combination of limited international bandwidth and CAMTEL's monopoly over access to the country's international and terrestrial fiber networks severely limits competition resulting in high costs for end users that are higher than in countries without monopolies.

Poor transport and trade logistics. Road density (3 kilometer for 1,000 inhabitants and 72 kilometers per 1,000 square kilometers) is far below that of income peers such as Côte d'Ivoire (82 kilometers per 1,000 square kilometer), Ghana (158 kilometers), and Nigeria (174 kilometers). Furthermore, the road infrastructure is poorly maintained. Only 45 percent of public works such as road construction projects were judged satisfactory, and only 27 percent of rural inhabitants have access to all-season roads. This affects not only the timely availability of raw materials but also their costs (transport costs in Central Africa at US\$0.11 to US\$0.26 per ton per kilometer are among the highest in Sub-Saharan Africa compared to US\$0.06 to US\$0.08 in West and East Africa and US\$0.05 to US\$0.06 in Southern Africa).

Inadequate human capital. While Cameroon has a dynamic entrepreneurial class and a relatively educated workforce, inadequate human capital formation results in production and processing skills that do not meet the needs of local enterprises. This sometimes impacts the quality of output, as in the case of the leather industry.

Land acquisition. Difficulties associated with land acquisition deter strategic investors who could be instrumental in developing the entire value chain. Policies that favor access to well-serviced industrial zones such as “plug-and-play” facilities for entrepreneurs and affordable housing for workers would favor industrial development.

Informal competition. In the enterprise surveys of 2016, 23 percent of firms in Cameroon indicated that informal competitors were the biggest obstacle to their daily operations. Informal firms can have many advantages over their counterparts, including lower fiscal costs. One of the reasons for greater informal sector competition could be because of the number of days it takes to register property, where Cameroon compares unfavorably vis-a-vis the the region.²⁵⁷

Private Sector Opportunities

Cameroon has a young and dynamic society, therefore there are a lot of new product opportunities for different market segments and age groups. Entry to the sector is relatively easy with little barriers. Firms who have the capacity to invest in equipment and research and development can easily diversify their products with low marginal costs. Labor is relatively cheap, and it's relatively easy to transfer skills through sourcing on-the-job training. There is a lot of room for developing vocational training to supply qualified professionals to serve specific industry needs. There are also opportunities to enter other markets in the CEMAC region and scale operations.

B.7. Oil, Gas, and Mining

Current Performance

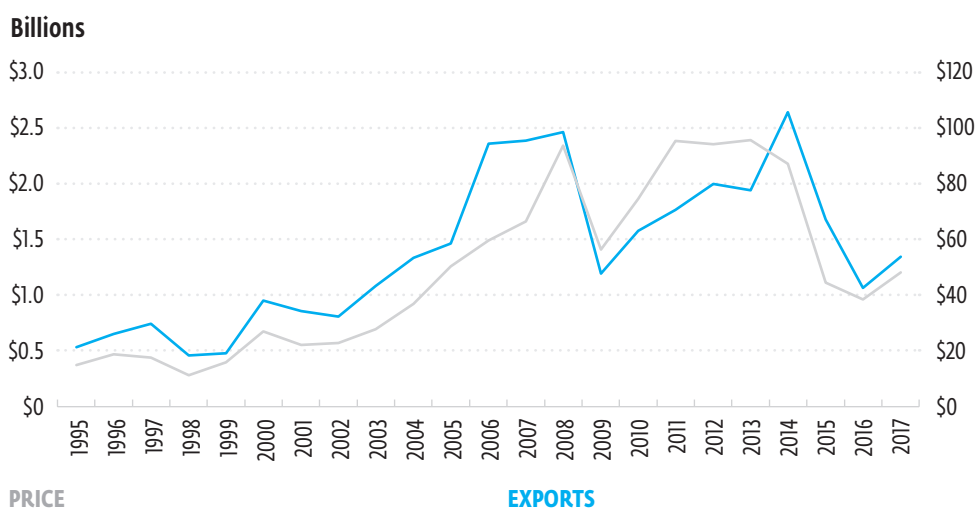
This sector is important for growth, which has been recently driven by an increase in gas production and a slower contraction in the oil sector.²⁵⁸ Revenues from oil and gas accounts for 2.3 percent of GDP in 2018 or 14.2 percent of total government revenue and grants. It should be noted, however, that investment incentives to promote extractive industries account for 1 percent of GDP,²⁵⁹ thus reducing the net contribution of the oil sector to the fiscal balance.

Cameroon is a mid-sized oil and gas producer, below the level of its regional neighbors. Crude petroleum accounted for 31 percent of total exports in 2017 (US\$1.34 billion, nearly half the level reached in 2014) and refined petroleum adding another 3 percent (US\$129 million). The production reached its peak in 1988 at 188,000 barrels per day (bpd). Proven oil reserves are very small: 180 million barrels,²⁶⁰ down from 555 million barrels in 1986. Natural gas reserves in 2018 totaled approximately 135 billion centimeters.

With the start of production of two fields (Mvia and Dissoni North) after a boost in 2014–2016 that reversed a decline, production of oil and the natural gas pipeline capacity was 69,000 bpd (2018). Production is expected to decline by 7 percent each year until 2021 to 58,000 bpd, after which it will rebound slightly when the Etinde project comes online.²⁶¹ Production by Société Nationale des Hydrocarbures (SNH) in 2019 was 11.759 million barrels (32,200 bpd).²⁶²

On January 10, 2018, SNH launched a fresh licensing round for eight blocks through which international oil and gas companies were invited to submit bids in accordance with new competitive terms of reference. The take-up was low with one block awarded to Perenco (Bomana exploration block, which was located in the Rio del Rey basin, in February 2019).

FIGURE B.3. CAMEROON CRUDE OIL EXPORTS AND OIL PRICES 1995–2017



Source: MIT Observatory of Economic Complexity and IFC staff.

Before the floating liquified natural gas (FLNG) export facility started operations in May 2018, existing natural gas production was onshore (exploited respectively by Gaz du Cameroun, a subsidiary of UK-based companies VOG and Perenco) and used in power facilities and industry in the Douala area.²⁶³ With the beginning of the FLNG Hili Episeyo project (Golar LNG and Perenco), Cameroon became an exporter of liquified natural gas in 2018. Production in 2018 was 1.8 billion cubic meters (bcm) and is expected to reach 2.1 bcm in 2019 (16.7 percent). The production is expected by Fitch Solutions to peak at 4 bcm in 2024.

Cameroon has an oil refinery in Limbé with a capacity of 45,000 bpd, which is operated by SONARA, an SOE. There were plans to increase the capacity to 70,000 bpd,²⁶⁴ but an explosion in May 2019 put the activity of SONARA to a halt, generating significant fiscal liabilities.²⁶⁵

There is no large-scale mining production apart from a couple of industrial mineral quarries. Artisanal and small-scale mining of gold and diamonds have been widespread since the 1970s, and while it provides livelihoods for thousands of people in many rural areas, the official production is limited. Nonetheless, a few large industrial projects have been developed around historically known deposits like the iron ore Mbalam-Nabemba at the border with Congo.²⁶⁶

Mining is a small sector in Cameroon's economy (less than 0.1 percent of GDP). The sector was a key pillar of the development strategy foreseen in the government's Vision 2035 policy, and it was based around the development of iron, cobalt-nickel, and diamond mining. In the new NDS30, there is, however, acknowledgment of the modest developments in the sector, and at the same time, there is a reaffirmation of ambitions to develop it for the future but with more realistic objectives around the organization and governance of the sector and better preparation of mining conventions in partnership with international firms. There is also the acknowledgment that large mining projects will also depend on the development of appropriate infrastructure around it such as rail, therefore, opportunities for transformational investments in mining in the next five years are not yet ripe.

Opportunities for private sector participation

Midsized foreign investors are using innovative approaches that are yielding results. Thanks to the innovative approach of floating liquid natural gas facilities, natural gas exports, (Golar LNG, SNH, and Perenco) are taking off.²⁶⁷ The British firm New Age is developing another FLNG project for the Etinde project off Cameroon. The firm and its partners, Lukoil and Bowleven (a British operator), hope to use FLNG to exploit gas reserves of over 1 trillion cubic feet and intend to make a final investment decision in early 2020 with first exploitation expected to begin in 2023.²⁶⁸ Etinde also possesses oil condensate (estimated 30,000 bpd peak). Onshore activities such as the Kribi power plant²⁶⁹ and associated industries are opening opportunities for value addition of the gas production and meeting increasing domestic demand. A third project to exploit the gas resources of a US\$5 billion LNG plant in Kribi was suspended in 2016.²⁷⁰

Domestically marketed gas comes from two fields:

- The Sanaga Sud field is operated by Perenco (about 73 percent of gas produced and marketed in Cameroon in 2017). It supplies the gas-fired Kribi power station, which was commissioned in June 2013 with a capacity of 216 megawatts. The Kribi gas-to-power project commissioned in 2013 was supported by guarantees from the International Development Association (IDA) and with funding from IFC.²⁷¹ This power plant is currently bearing the major load of increased gas production in Cameroon.²⁷²
- The Logbaba field is operated by Gaz du Cameroun, a subsidiary of British firm Victoria Oil & Gas (GDC-VOG). GDC-VOG has several small supply agreements in place with manufacturing companies. Its largest client is Eneo (a power generator). The company has also built a 50 kilometer pipeline to distribute gas to local industries in the Douala area, and has drilled four new production wells at the Logbaba field over the past two years. It is now serving customers such as Dangote and the Société Camerounaise de Verre. GDC-VOG is continuing to look for new customers. Logbaba field reserve estimates have increased recently, thus offering good prospect for commercial gas in the Douala area.

Otherwise, there is a moderate level of exploration activity ongoing in Cameroon (several companies are exploring both onshore and offshore sites, but there are also several blocks that remain unclaimed). Continued lower oil prices might spur further exploration as Cameroon fields are comparatively low-risk compared to deep-field exploration in other countries. According to Fitch Solutions, new discoveries offer the potential for moderately higher oil output.²⁷³

Constraints

At the core of the sector is SNH, the main joint-venture associate in oil production and transit conduit for the overall government oil take, as well as the sector regulator. Under the 1999 petroleum code, exploration of oil and gas must be done in a JV with SNH. As of today, there are 23 production sharing contracts in effect.²⁷⁴ The code is under revision. Fitch Solutions (2019) estimates that Cameroon benefits from an attractive licensing environment. Cameroon joined the Extractive Industries Transparency Initiative (EITI) in 2007 and was recognized by EITI in 2018 as making significant progress on implementing its standards of disclosure.²⁷⁵

NOTES

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- 5 IMF (International Monetary Fund), "Cameroon: Request for Three-Year Arrangements under the Extended Credit Facility and the Extended Fund Facility—Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Cameroon" (Country Report No. 21/181, IMF, Washington, DC, 2021).
- 6 IMF Country Report no. 21/181.
- 7 Republic of Cameroon, *National Development Strategy 2020–2030* (Yaoundé, Cameroon: Ministry of Economy, Planning and Regional Development, 2020).
- 8 Shobhana Sosale, "Republic of Cameroon: Fostering Skills for Inclusive Workforce Development, Competitiveness, and Growth—A Framework for Action" (Report ACS1317, World Bank, Washington, DC, 2015); World Bank, *Republic of Cameroon. Priorities for Ending Poverty and Boosting Shared Prosperity Systematic Country Diagnostic* (Washington, DC: World Bank, 2016).
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- 10 Directorate General of Taxation of Cameroon, "Tax Expenditure Report for the 2018 Fiscal Year" (Ministry of Finance, Yaoundé, Cameroon, 2019).
- 11 Agriculture and agribusiness are identified as one of the key pillars for growth by GICAM in their "White Paper on the Cameroonian economy. The industrial imperative of Cameroon", Douala, Cameroon, February 2020 (www.legicam.cm)
- 12 World Bank, *Cameroon City Competitiveness Diagnostic* (Washington, DC: World Bank Group, 2018).
- 13 World Bank, *Cameroon City Competitiveness Diagnostic*. <https://openknowledge.worldbank.org/handle/10986/30164>
- 14 World Bank, "Cameroon Macro Poverty Outlook" (data sheet), 2020, <https://thedocs.worldbank.org/en/doc/b3502c65235d8c72aef5f34d87ed6298-0500062021/related/data-cmr.pdf>.
- 15 United Nations Development Program, Human Development Data: All Tables and Dashboards, 2019.
- 16 Cameroon's 2020 Human Capital Index is 0.4, which puts the country at 32nd among 38 lower-middle-income countries behind regional peers such as Ghana (0.44) and the Republic of Congo (0.41). See <https://www.worldbank.org/en/publication/human-capital>.
- 17 The poverty map recently set up by the government showed an increase in poverty in the Far North, Northwest, and Southwest regions ranging from 77 percent, 57 percent, and 21 percent in 2019, respectively, compared to 74 percent, 55 percent, and 18 percent in 2014, while it slightly decreased or remained stagnant in other regions where it was already less than 20 percent. World Bank, "Performance and Learning Review of the Country Partnership Framework for the Republic of Cameroon for the Period FY2017–FY2021" (Report 137218-CM, World Bank, Washington, DC, 2019), <https://documents1.worldbank.org/curated/en/764681564797716427/pdf/Cameroon-Performance-Learning-Review-of-the-Country-Partnership-Framework-for-the-Period-FY2017-FY2021.pdf>.
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- 22 The NDS30 estimates that failure to achieve a gradual return to peace in the Far North, Northwest, and Southwest by 2023 will likely result in a growth decline over the period 2023 to 2030 of 0.5 point from the annual average compared to the baseline scenario, and this is driven by activity contractions across several sectors of the economy.

- 23 World Bank, *Cameroon City Competitiveness Diagnostic*.
- 24 World Bank Group, *Republic of Cameroon: Priorities for Ending Poverty and Boosting Shared Prosperity—Systematic Country Diagnostic*, (Washington, DC: World Bank, 2016).
- 25 The latest ranking of the Observatory of Economic Complexity ranks Cameroon 106th out of 129 countries in the Economic Complexity Index, pointing to the relatively low complexity of an economy driven by natural resources (Observatory of Economic Complexity, Economic Complexity Rankings, 2017), <https://oec.world/en/rankings/country/eci/>.
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- 27 World Bank, "Cameroon Macro Poverty Outlook" (data sheet).
- 28 Republic of Cameroon, *National Development Strategy 2020–2030* (Yaoundé, Cameroon: Ministry of Economy, Planning and Regional Development, 2020).
- 29 World Bank, "Performance and Learning Review Cameroon."
- 30 World Bank, World Development Indicators, 2022.
- 31 There are more informal women's owned micro, small, and medium enterprises, or MSMEs, than male owned MSMEs. According to the SME Finance Forum (www.smefinanceforum.org), women MSMEs represent about 29 percent of total formal MSMEs and face a finance gap estimated at US\$726 million.
- 32 World Bank, *Cameroon City Competitiveness Diagnostic*.
- 33 World Bank Group, *Republic of Cameroon: Priorities for Ending Poverty and Boosting Shared Prosperity—Systematic Country Diagnostic* (Washington, DC: World Bank Group, 2016).
- 34 World Bank Group, *Republic of Cameroon: Priorities for Ending Poverty*.
- 35 Statistics show significant variation across years, so an approximate range for 2015 and 2016 is taken here.
- 36 World Bank, *Cameroon City Competitiveness Diagnostic*.
- 37 World Bank, *Cameroon City Competitiveness Diagnostic*.
- 38 World Bank, *Cameroon City Competitiveness Diagnostic*.
- 39 "Resources: Country Private Sector Diagnostic (CPSD)," IFC, https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications/cpsds.
- 40 According to article 21 of the tax code, an advance payment of the company income tax shall be made monthly. The rate is 2.2 percent under the general regime and 5.5 percent under the simplified regime (including local tax). In acknowledgment of the compliance burden generated by this measure, the rate was recently reduced to 1.65 percent in the most recently passed finance law, but only for companies listed on the stock exchange or registered in an approved management center. The company income tax rate was also reduced from 33 percent to 31 percent.
- 41 This is, for instance, particularly penalizing for businesses with large turnover and small profit margins such as retailers.
- 42 IMF (International Monetary Fund), "Cameroon: Request for Disbursement under the Rapid Credit Facility—Press Release, Staff Report, and Statement by the Executive Director for Cameroon" (IMF Country Report No. 20/294, IMF, Washington, DC, 2020).
- 43 The total is 134 because numbers are not reported for one firm.
- 44 WTO (World Trade Organization), *Trade Policy Review: Cameroon, Congo, Gabon, Central African Republic and Chad* (Geneva: WTO, 2013).
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