CAMEROON ECONOMIC UPDATE

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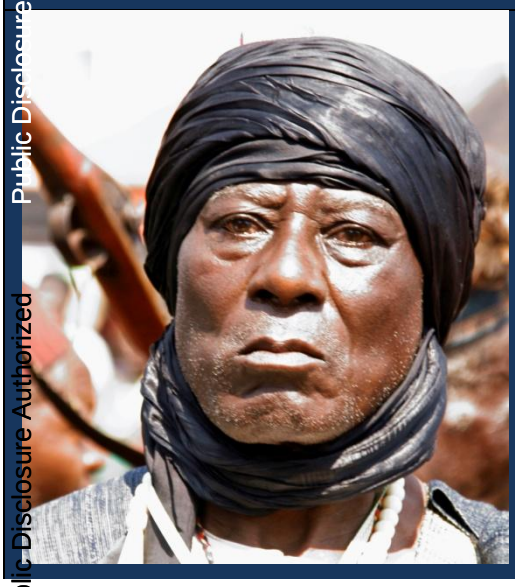

STEPPING OUT INTO THE WORLD

With a Focus on Trade Facilitation

Cameroon Country Office

CAMEROON ECONOMIC UPDATE

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Stepping Out Into the World
An Economic Update on Cameroon

With a focus on trade facilitation

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ABBREVIATIONS AND ACRONYMS

AMU	Arab Maghreb Union
ASYCUDA	Automated System for Customs Data
ATM	Automated Teller Machine
AVI	*Attestation de Vérification à l'Importation* (Certificate of Import Verification)
BGFT	*Bureau de Gestion du Fret Terrestre* (Management Office of Land Freight)
BEAC	*Banque des Etats d'Afrique Centrale* (Central Bank of Central African States)
BESC	*Bordereau Electronique du Suivi des Cargaisons* (Electronic Cargo Tracking Note)
CAR	Central African Republic
CEMAC	*Communauté Economique et Monétaire de l'Afrique Centrale* (Economic and Monetary Community of Central Africa)
CET	Common External Tariff
CFAF	CFA Franc
CMR	Customs Management Regulations
CNCC	*Conseil National des Chargeurs du Cameroun* (National Shippers' Council of Cameroon)
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CTN	Common Tariff Nomenclature
CU	Customs Union
DGD	*Direction Générale des Douanes* (Directorate General of Customs)
DGTCM	*Direction Générale du Trésor et de la Coopération Monétaire* (General Department of Treasury and the Monetary Cooperation)
DRC	Democratic Republic of Congo
DSCE	*Document de Stratégie pour la Croissance et l'Emploi* (Growth and Employment Strategy)
ECB	European Central Bank
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
e-GUCE	Electronic GUCE
EITI	Extractive Industries Transparency Initiative

ETI	Enabling Trade Index
GDP	Gross Domestic Product
GUCE	*Guichet Unique des Opérations du Commerce Extérieur* (Single Window of Foreign Trade Operations)
IMF	International Monetary Fund
LPI	Logistics Performance Index
LVI	*Lettre de Voiture Internationale* (International Consignment Note)
MINCOMMERCE	*Ministère du Commerce* (Ministry of Commerce)
MINFI	*Ministère des Finances* (Ministry of Finance)
PAD	*Port Autonome de Douala* (port of Douala)
POS	Point-Of-Sale terminal
TSA	Treasury Single Account
SADC	Southern African Development Community
SONARA	*Société Nationale de Raffinage* (national refinery)
SSATP	Sub-Saharan Africa Transport Policy Program
US	United States
USD	United States Dollar
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union
WEO	World Economic Outlook

STEPPING OUT INTO THE WORLD

Introduction

With this Cameroon Economic Update, the World Bank is pursuing a program of short, crisp and frequent country economic reports. These Economic Updates provide an analysis of the trends and constraints in Cameroon's economic development. Each issue, produced bi-annually, provides an update of recent economic developments, as well as a special focus on a topical issue.

The Economic Updates aim to share knowledge and stimulate debate among those interested in improving the economic management of Cameroon and unleashing its enormous potential. The notes thereby offer another voice on economic issues in Cameroon, and an additional platform for engagement, learning and change.

This fourth issue of the Cameroon Economic Update is entitled "Stepping out into the World – A Special Focus on Trade Facilitation". It reviews the challenges and opportunities related to trade facilitation in Cameroon. The coverage is not meant to be exhaustive, but puts an emphasis on particular areas that would require the country's sustained attention: a transformative trade facilitation agenda around which all stakeholders could be mobilized.

Fostering greater trade both at the regional and international levels would assist Cameroon achieving its goal of becoming an emerging economy by 2035. Seizing trade opportunities in the regional context would provide a good learning ground for becoming competitive on the international scene.

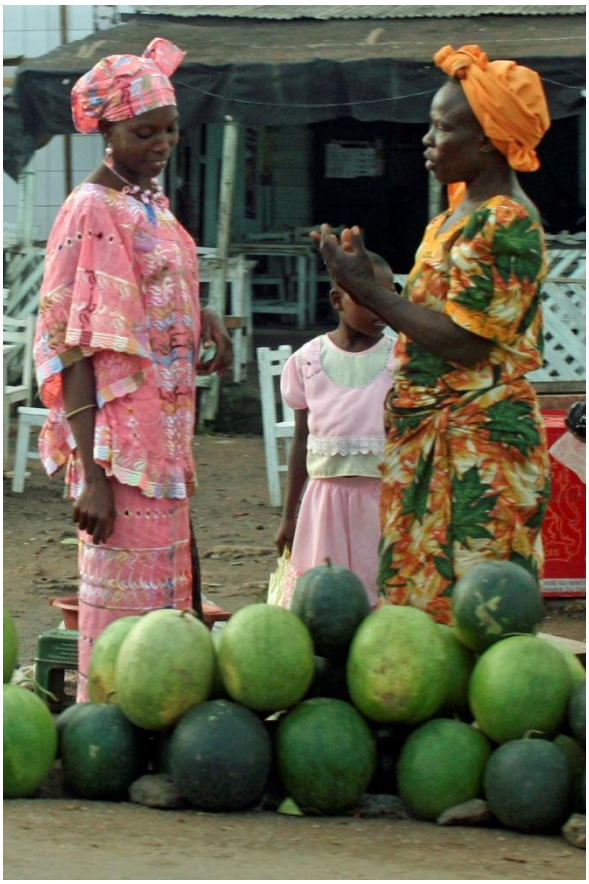


Photo credit: Raju Jan Singh

In Cameroon, traders are, however, still faced with burdensome procedures both for exports and imports. Port efficiency needs to be improved and movements of freight inland should be made easier and cheaper. The latter would require, in addition to better roads, a more competitive transport sector and fewer roadblocks.

The CEMAC Customs Union (CU) should become a reality through the adoption of a harmonized tariff nomenclature, standards, common customs regulations, and a regional payment system. Beyond CEMAC, there would be a need to facilitate trade between CEMAC countries and the Democratic Republic of Congo (DRC), as well as the rest of the ECCAS.[1] Cameroon could also capitalize on the trading potential with the vast consumer market in Nigeria and, through Nigeria, access the entire ECOWAS regional market.[2]

The Cameroon Economic Updates are produced by the World Bank Country Office in Cameroon by a Team led by Raju Jan Singh. Dominique Njinkeu coordinated the work for the chapter on trade facilitation. Other Team members included Gilberto de Barros, Paul Brenton, Maximilien Tiogang Djomo, Patrick Eozenou, Abib Gaye, Olivier Hartman, Mombert Hoppe, Faustin Ange Koyassé, Ranga Rajan Krishnamani, Taye Alemu Mengistae, Sylvie Ndze, Victoire Ngounoue, Carlo del Ninno, Peter Osei, and Gael Raballand. Greg Binkert (Country Director for Cameroon), Eric Bell (Acting Sector Manager), and Cia Sjetnan (Senior Country Officer) provided guidance and advice, and have been an invaluable source of encouragement.

The Team also benefited greatly from consultations with Cameroon's key policy makers and analysts, who provided important insights, in particular the following institutions: the BEAC, the Ministry of Finance, the Ministry of Economy and Planning, and the National Institute of Statistics. The Team is also grateful to their colleagues at the International Monetary Fund.

[1] CEMAC refers to the Economic and Monetary Community of Central Africa. Member countries include Cameroon, Chad, the Central African Republic, Equatorial Guinea, Gabon, and the Republic of Congo. ECCAS (the Economic Community of Central African States) is a wider grouping of Central African States and includes, in addition to the CEMAC countries, Angola, Burundi, the Democratic Republic of Congo, Rwanda, and Sao Tome and Principe.

[2] ECOWAS (the Economic Community of West African States) includes Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

Recent Economic Developments

Growth

Most recent estimates confirm the expectations for economic growth in 2011 that we had presented in the January issue of our Cameroon Economic Updates (see text Table below). Cameroon's economic recovery gained greater momentum in 2011, after a slowdown of two years following the global economic and financial crisis. It is estimated to have reached 4.2 percent (compared with 2.9 percent in 2010) on the back of continued strong performance in non-oil activities, oil production pursuing its decline.

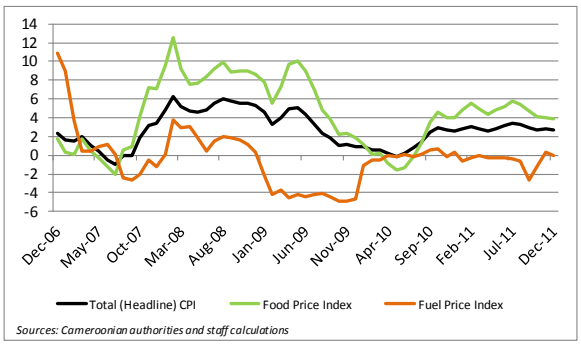
% contribution towards GDP growth	2009	2010	2011
Primary sector	0.6	1.2	0.9
Secondary sector (excl. oil)	0.1	0.9	0.8
Oil	-0.8	-0.6	-0.3
Tertiary sector	2.0	1.4	2.8
GDP Growth	2.0	2.9	4.2

Sources: Cameroonian authorities and Staff calculations

Inflation

Initiatives to boost agricultural production, subsidize food imports, and improve distribution seem to have contained pressure on food prices in 2011 (Figure 1). These pressures were gaining momentum over the summer (increasing at their peak by 5.8 percent year-on-year in July), but subsided in the later part of the year. Food inflation is estimated to have reached 3.9 percent (year-on-year) in 2011. As a result the headline inflation rate reached 2.7 percent (year-on-year), stable compared with the 2.6 percent observed last year over the same period. The stability of retail prices for petroleum products has also contributed in containing inflationary pressures.

Figure 1 : Selected Price Increases, 2007-11 (year-on-year)



Fiscal performance

While revenue performance over the last quarter of 2011 turned out to be broadly in line with our expectations, spending was much higher. Pressure on current spending could not be contained and ended 2.3 percentage points of GDP above its budgeted level, mainly on the back of higher expenditure on goods and services (0.6 percentage point of GDP), as well as greater spending on subsidies (1.4 percentage points of GDP). Capital outlays accelerated in the last quarter, reaching 6.4 percent of GDP. As a result, the overall fiscal deficit on a cash basis (including grants and before

payment of arrears) turned out to be a percentage point and a half of GDP wider than budgeted (see text Table below).

Fiscal Performance, 2009-11 (in percent of GDP)				
	2010 Est.	2011 Budget	2011 Jan. Proj.	2011 Est.
Revenue and Grants	**17.5**	**17.6**	**19.4**	**18.9**
Oil Revenue	4.5	3.5	5.2	5.4
Non-oil Revenue	12.4	13.2	13.3	13.0
Grants	0.6	0.9	0.9	0.5
Total Spending	**18.6**	**18.9**	**18.9**	**21.7**
Current Spending	14.5	13.1	13.6	15.4
Capital Spending	4.1	5.7	5.4	6.4
Overall Balance	**-1.1**	**-1.3**	**0.4**	**-2.8**
Arrears	-1.1	-1.3	-1.3	-0.5
Overall Balance on a cash basis	**-2.3**	**-2.6**	**-0.9**	**-3.4**

Sources: Cameroonian authorities and staff calculations

Meeting this larger financing requirement has substantially drawn down government deposits at the regional central bank, the BEAC. In addition, the central government seems to have been tempted to delay the transfer to municipalities of local revenue transiting through the Treasury Single Account (TSA). Since the introduction of a single declaration for taxpayers paying VAT, income tax, and patents (above a certain level), the share of the proceeds of these taxes that should go to municipalities are transferred to the TSA. With cash-strapped local governments, such delays may lead to arrears and a further weakening of the budget process.

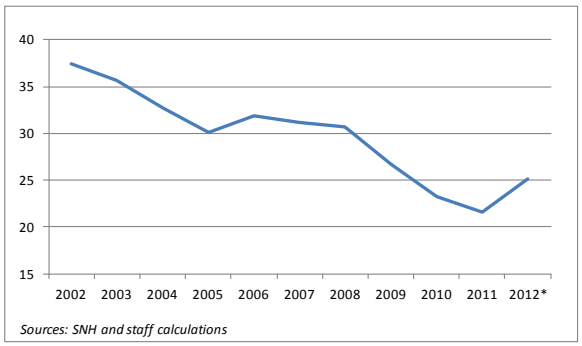
Furthermore, despite securitization and some cross-compensation, fewer payment obligations could be settled than budgeted and new ones could not be prevented from being accumulated, particularly with the SONARA, the national oil refinery. The company is benefitting from assistance to compensate it for its revenue shortfalls stemming from the government's policy to freeze retail prices of petroleum products. This continued high stock of unsettled payment obligations will weigh on the liquidity position of the government and on the execution of the 2012 budget.

2012 Outlook

The economic momentum observed in Cameroon in 2010 and 2011 is expected to carry over into 2012 with the construction of large infrastructure projects and continued efforts to improve agriculture productivity. Furthermore, oil production is expected to rebound (although only temporarily), expanding by 8 percent in 2012 (Figure 2). Private operators account for this increase, their production expanding to 10.1 million barrels (up from 6 million barrels in 2011), on the back of significant exploration in the past years and a more

intense exploitation to take advantage of the current high international oil prices.

Figure 2 : Oil Production, 2002-12
(Millions of barrels)



However, the continued unfolding of the sovereign debt crisis in advanced economies, particularly in the Euro zone, clouds the economic outlook. And at the time of writing, these clouds seem to have grown larger and darker. The potential transmission channels of this crisis to Cameroon's economy are expected to be similar to those observed during the 2008/09 global financial crisis, namely finance, trade, and remittances. As a result, economic growth in Cameroon could amount to about 5 percent in 2012.

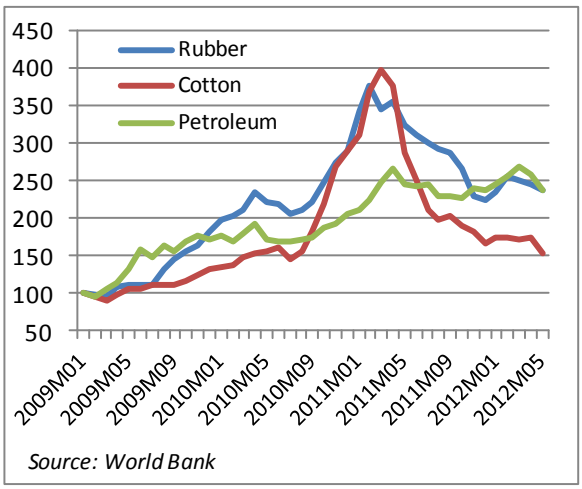
The global linkages of the financial system of the CEMAC region are still limited and the banking sector remains sufficiently liquid to meet the credit needs of the government and the private sector. Furthermore, the budget of Cameroon does not rely heavily on aid flows, hence any adverse impact from lower aid following fiscal austerity measures in the Euro zone should be limited.

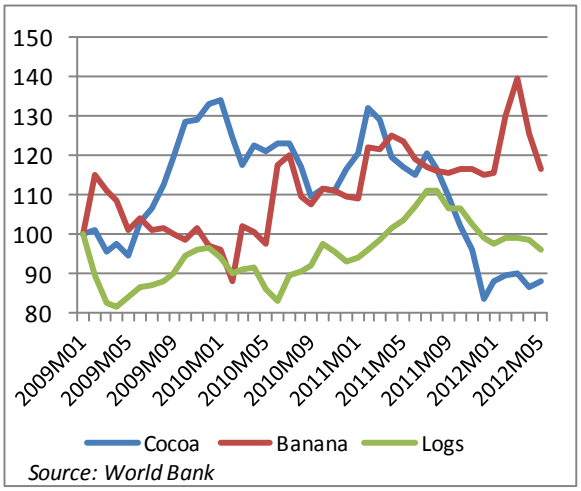
As discussed in the January issue of the Cameroon Economic Updates, the main transmission channel would thus be through exports and remittances. The Euro zone is still the largest market for Cameroon's exports. With slower economic growth, demand for products using Cameroonian inputs such as housing (wood) or cars (rubber) could decline. In this regard, the recent dip in economic sentiment observed in the Euro zone and the continuous downward revisions in growth forecasts are sources of concern (Box 1).

The European Commission's index of consumer sentiment for the Euro Area showed in May a deep decline to a two-and-a half year low. Weak economic confidence is likely to translate into a more cautious behavior by consumers and businesses, postponing investments for instance, thereby further depressing demand.

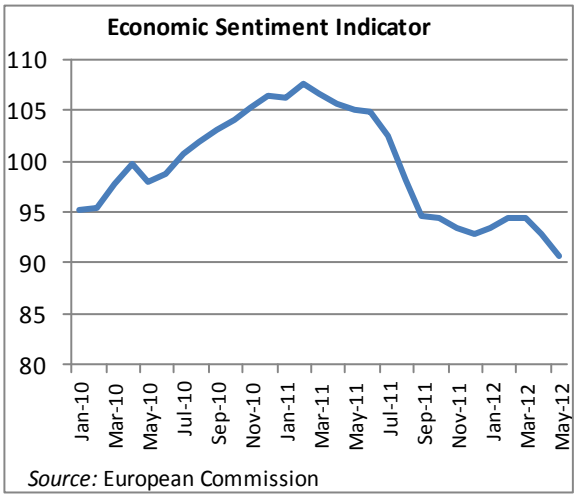
Box 1 : External Developments

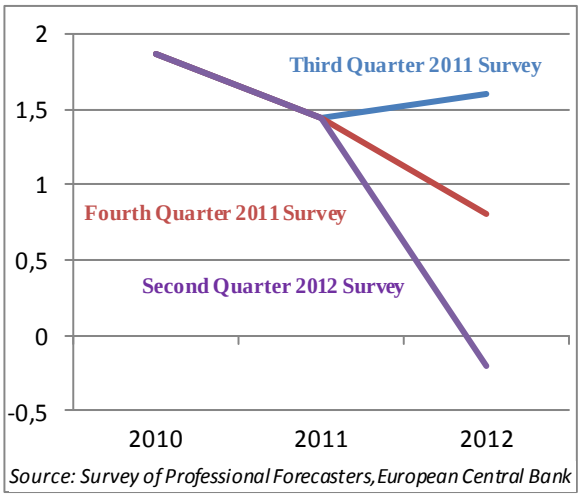
Although prices for Cameroon's main commodities have broadly stabilized …



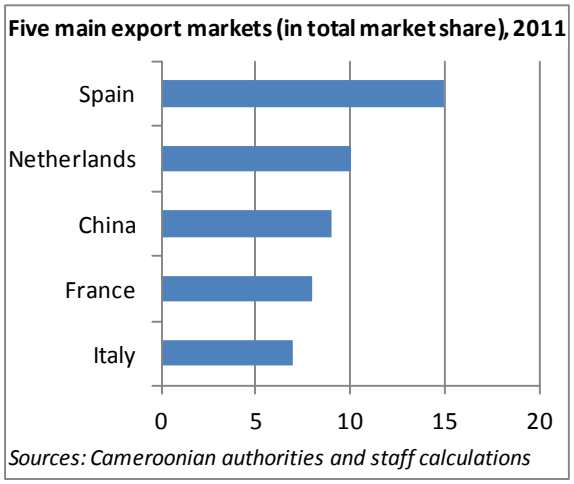


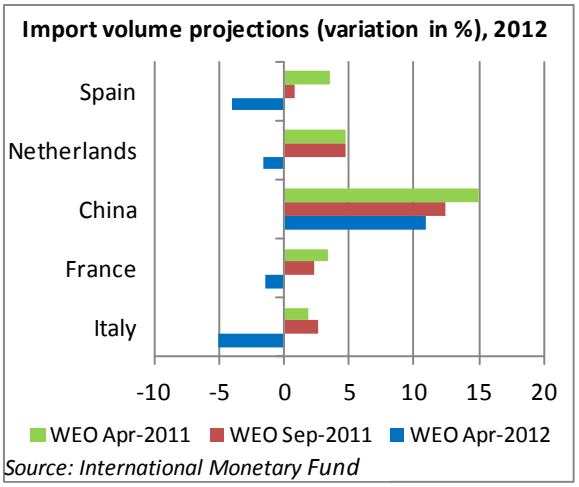
… economic confidence in the Euro zone is dropping, pushing down growth expectations …





… making Cameroon vulnerable to a decline in demand from its main export markets.





The regular quarterly surveys of professional forecasters, carried out by the European Central Bank, capture this growing gloom. Their average 2012 growth forecast for the Euro zone has continuously declined over the past quarters, indicating now the expectation of an economic contraction. More worrisome, the latest vintages of the IMF's World Economic Outlook indicate continuous downward revisions for projected imports for Cameroon's main export markets, with demand in most markets now expected to decline. Although remaining in positive territory, even demand in China is slowing.

Concerning fiscal performance, on the basis of the first quarter, the projections for 2012 would indicate that slippages in current spending (particularly because of an under-estimation of the cost of keeping retail fuel prices frozen) would offset higher-than-expected oil revenue (see text Table below). As a result, the overall deficit on a cash basis is expected to reach 2.7 percent of GDP. As in past years, the budgeted amount for compensating SONARA for its revenue shortfall is expected to fall short: an estimated CFAF 400 billion being needed in 2012 instead of the CFAF 170 billion budgeted.

Fiscal Performance, 2012
(in CFAF Billions)

	2012 LF	2012 Q1	2012 Proj.
Revenue and Grants	**2273**	**573**	**2411**
Revenue	**2207**	**572**	**2345**
Oil revenue	557	104	699
Non-oil Revenue	1650	468	1646
Grants	66	2	66
Total Spending	**2552**	**528**	**2727**
Current Spending	1760	380	1945
Capital Spending	792	148	782
Overall Balance	**-279**	**46**	**-316**
Arrears	-26	-2	-26
Overall Balance on a cash basis	**-305**	**44**	**-342**

Sources: Cameroonian authorities, Staff's estimates

Inflation is expected to remain below the regional convergence criterion of 3 percent. Despite the recent decision to adjust electricity prices, the ongoing initiatives to boost agricultural production and subsidize the import of food are likely to continue having a moderating effect on price pressures.

Photo credit: Raju Jan Singh

Against this backdrop, efforts to increase the economy's resilience to shocks should be strengthened. The reduced level of remaining government deposits at the regional central bank will only provide a limited buffer, should matters become worse than currently projected. In this regard, the nascent domestic capital market offers alternative sources of temporary financing, complementing any possible shortfall in fiscal savings.

Efforts to create a liquid secondary market for government bonds would help sustain investors' interest in future bond issues. Improvements in fiscal reporting would also foster investors' confidence, since it will make the government's fiscal position more transparent.

Too often, people perceive the oil sector as surrounded by opacity and related to poor governance. In this regard, a law on the implementation of the Extractive Industries Transparency Initiative (EITI) and the introduction of a budget line dedicated to this activity would be a strong signal of the country's willingness to report in a transparent manner payments and income from its natural resources.

The composition of public spending could also be examined. The need for subsidies, particularly for food and fuel, should be openly and candidly discussed. Data show that these subsidies mostly favor the rich and are largely ineffective in protecting the incomes of those most affected by price variations, as well as the incomes of the poorest. As mentioned in the January issue of our Cameroon Economic Updates, the richest 20 percent of the population captures most the subsidies on gasoline and diesel, and over 40 percent of the subsidies on rice, wheat, and fish.

A comprehensive and carefully planned approach is necessary to reform the current system, and decide how much and when to change prices, and about who to compensate. These decisions should be made based on an analysis of the country's context. Alternative programs and measures that target specific vulnerable groups and those categories vulnerable to price increases will be more effective if accompanied by the introduction of a targeted social safety net program. Policy changes should be discussed with a broad range of stakeholders, and communicated effectively to the public in a way that takes into consideration the perceptions and expectations of different segments of society.

Finally, Cameroon could also think about diversifying even further its export markets away from its traditional partners. A more diversified product base, as well as more diversified markets, would increase the resilience of the economy and reduce its vulnerability to external shocks. In this regard, trade facilitation – the topic of our special focus – plays a critical role.

Trade Facilitation: Opportunities and Challenges

Recent Trade Patterns

Cameroon is ideally positioned to take advantages of the economic opportunities offered by greater trade. Due to its strategic location neighboring Nigeria and Gabon, and potential crossing point to the landlocked countries of Central Africa (Chad and the CAR), Cameroon is a natural hub for the region with the port of Douala as the main entrance.

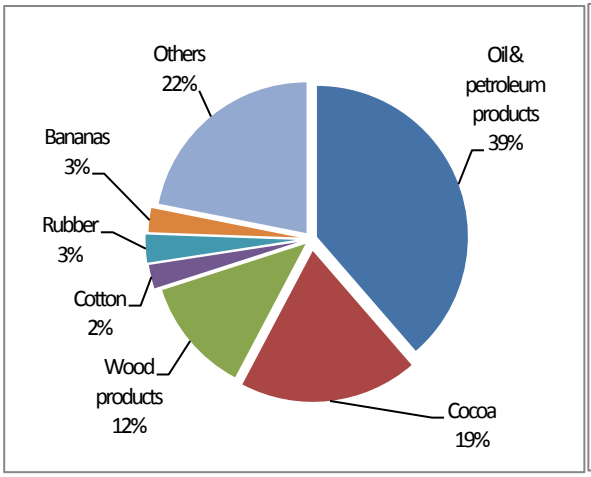
In addition, the country is diverse with a geography that ranges from Sahelian semi-desert in the north through grassland to equatorial forest in the south, favoring varied economic and agricultural activities. Furthermore, Cameroon is endowed with significant natural resources, including oil, high value timber species, and agricultural products (coffee, cotton, cocoa). Untapped resources include natural gas, bauxite, diamonds, gold, iron, and cobalt.

Despite this diversity, Cameroon's export base remains narrow. Although the economy is fairly diversified (with services representing about 48 percent of GDP in 2011), the country remains a commodity exporter (Box 2), focused on very few products. Five products accounted for about ¾ of all its exports in value in 2011: crude and petroleum products, cocoa, logs and processed wood.

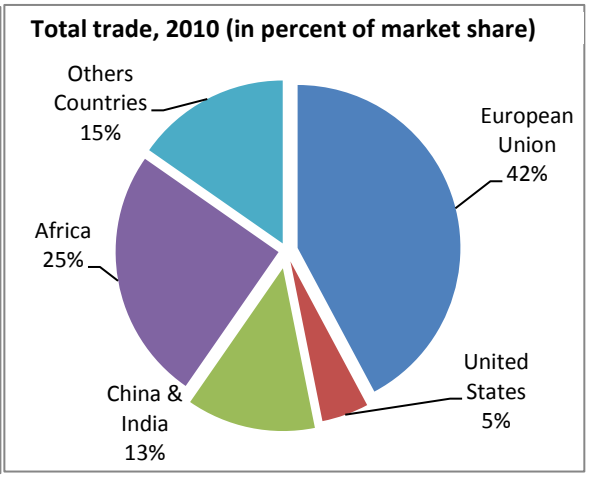
Photo credit: Raju Jan Singh

Box 2 : Evolving Trade Patterns
(in percent of market share)

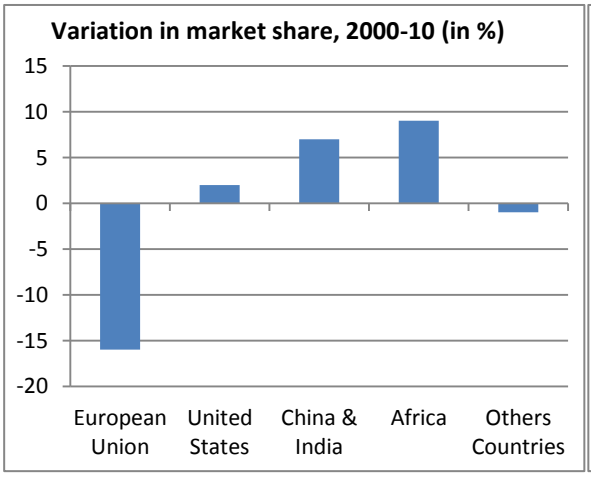
Although Cameroon remains heavily dependent on commodity exports



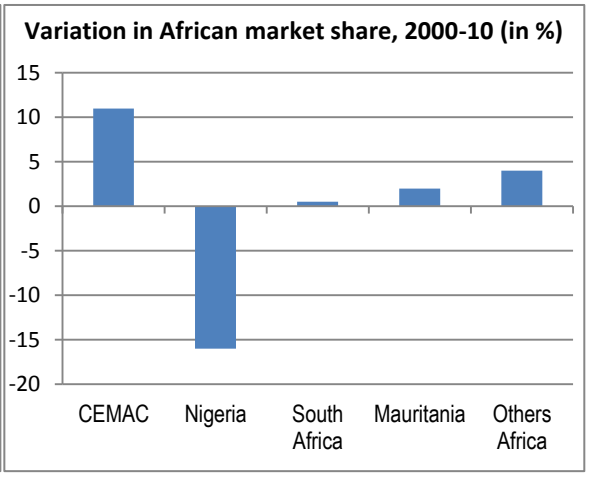
… and the European Union is still its main trading partner …



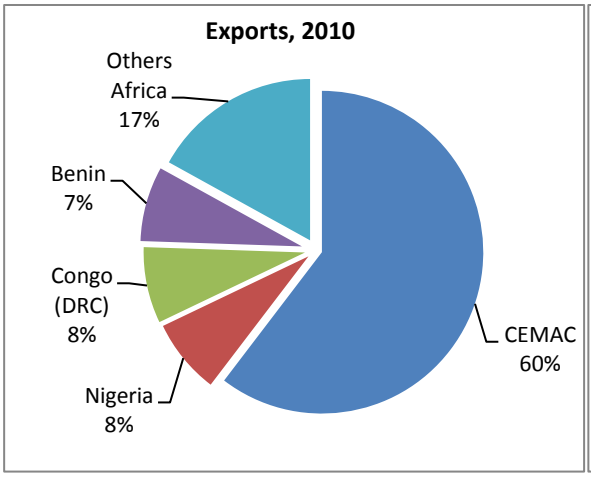
… trade to Asia and Africa has been expanding



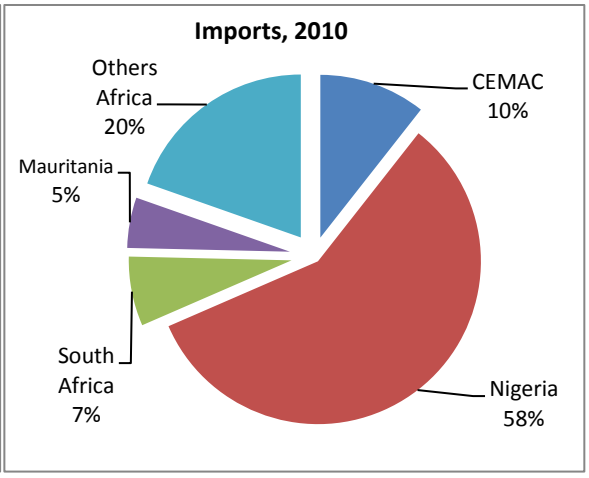
… and within Africa CEMAC has grown …



… into Cameroon's largest African market



… while Nigeria remains its main import source.



Sources: Cameroonian authorities and staff calculations

The European Union remains the country's main trading partner, buying in 2011 about half of its exports in value (mainly crude to Spain and Italy, cocoa to the Netherlands, processed wood to Belgium and Italy, and aluminum to France). The Union also provides a third of Cameroon's imports.

The importance of Europe as trading partner has, however, been declining with the emergence of China, India, and African economies. China has become, for instance, Cameroon's most important market for cotton and logs, buying more than half of the country's exports of these products.

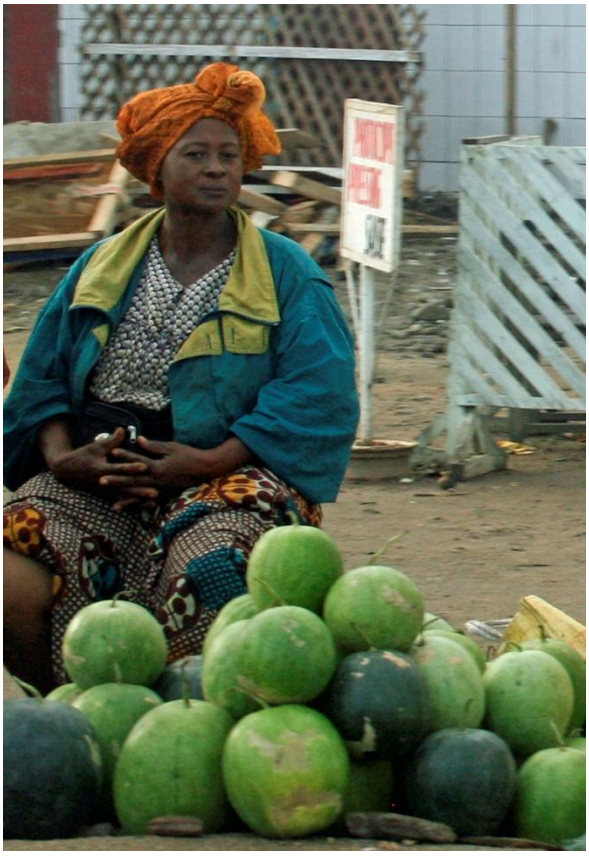


Photo credit: Raju Jan Singh

According to reported data, Nigeria has become Cameroon's main import source, representing a bit less than a quarter of all imports in value in 2011 (ahead of France, representing 13 percent of the Cameroon's imports). Within Africa, CEMAC has grown to be Cameroon's main export market, mainly petroleum products to Chad.

Seizing trade opportunities in the regional context would provide a good learning ground for becoming competitive on the world scene. The region seems to offer promising markets for Cameroonian products, especially agriculture, and may be easier to enter, as their standards would be closer to those of Cameroon. For Cameroon, this would mean consolidating its position in the CEMAC market and then capturing opportunities in the wider regional market through the ECOWAS.

For countries to take advantage of the opportunities offered by freer trade and for these benefits to be more inclusive, greater openness to trade should be accompanied by a number of policies that would ensure factor mobility (Box 3). This chapter will, however, focus only on the trade facilitation aspect.

Box 3 : Trade and Poverty: A Discussion of the Literature

A number of recent studies emphasize the importance of complementary policies in determining the benefits or costs of trade for developing countries. The way greater trade openness affects poverty depends on a variety of structural characteristics that may help or hamper a country's ability to take advantage of international competition. Trade liberalization should therefore not be seen in isolation and additional policies are needed to enhance its beneficial impact, including on poverty.

In its simplest form, trade theory suggests that the abundant factor should see an increase in its real income when a country opens up to trade. If the abundant factor in developing countries is unskilled labor, then this framework suggests that the poor (unskilled) in developing countries have the most to gain from trade. Krueger (1983) has used this insight to argue that trade reforms in developing countries should be pro-poor, since these countries are most likely to have a comparative advantage in producing goods made with unskilled labor.

From a dynamic perspective, economic growth plays an important role in reducing poverty and trade is argued to lead to the needed increases in productivity to sustain growth. Freer trade provides greater incentives for investment, benefits of scale and competition, limitation on rent-seeking activities favored by trade restrictions, and openness to new ideas and innovations (Grossman and Helpman, 1991; Lucas, 1988).

However, should the re-allocation of factors be hampered, the expected benefits from freer trade may not materialize. For incomes of the unskilled to increase, labor needs to be able to move out of contracting sectors and into expanding ones. Davis and Mishra (2006), Goh and Javorcik (2006) and Topalova (2006) suggest that labor in the real world may not be as mobile: there are too many barriers to entry and exit for firms, and too many barriers to labor mobility for workers.

Against this backdrop, Winters et al. (2004) suggested that freer trade should be combined with other policies encouraging investment, allowing effective conflict resolution, and promoting human-capital accumulation. Bolaky and Freund (2008) show that trade reforms actually lead to income losses in highly regulated economies. Excessive regulations restrict growth because resources are prevented from moving into the most productive sectors and to the most efficient firms within sectors. Le Goff and Singh (2012) suggest that trade openness tends to reduce poverty in African countries, as their financial sector grows deeper, their education level higher, and their governance stronger.

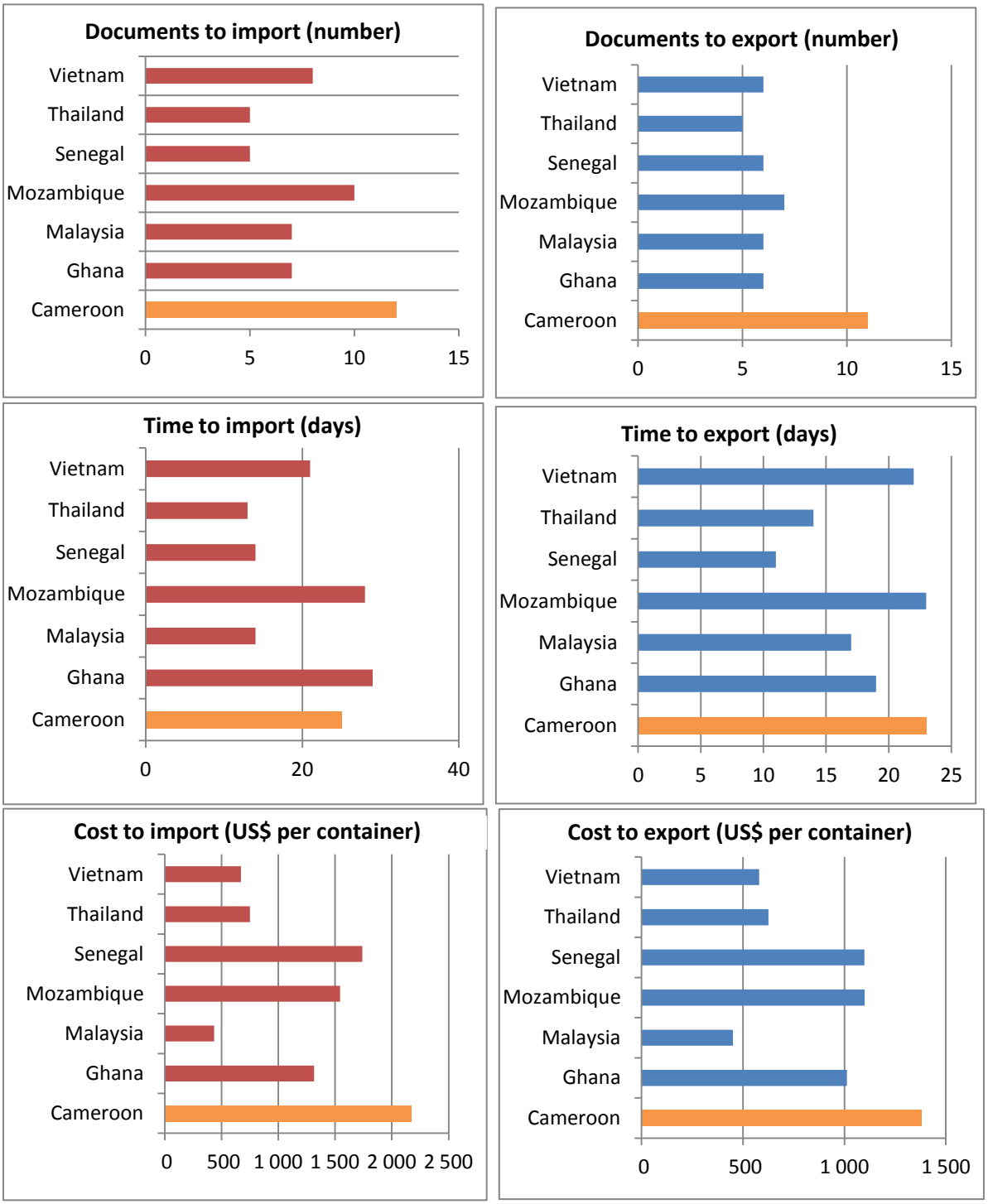
Challenges

In a world characterized by trade in tasks rather than products undertaken by firms located all over the world, there is a need to reduce barriers along the entire supply chain and take into account the fact that during the manufacturing process intermediate products cross many borders.

In this regard, the trading across border component of the World Bank's *Doing*

Business Indicators provides an insight on the level of challenges faced by Cameroon. The procedural requirements for importing/ exporting are a reflection of the regulatory environment facing traders. These are far greater in Cameroon than in the other countries (Box 4).

Box 4 : (Un)ease to Trade: International Comparison, 2012

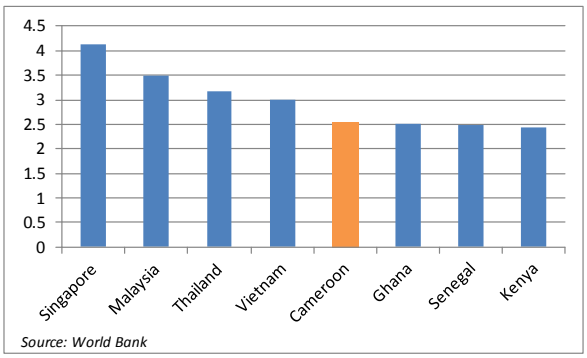


Source: World Bank

It takes 12 documents to import a commodity and 11 documents to export a commodity in Cameroon (as compared to an average of about 6 to 8 in a sample of emerging economies and other African countries aspiring to the emerging economic status). With few exceptions, the time taken for importing is more than in the selected countries (23 days in Cameroon as compared to an average of 16 days in the other selected countries). It costs three times more to import a commodity in Cameroon than in Malaysia, Vietnam or Thailand.

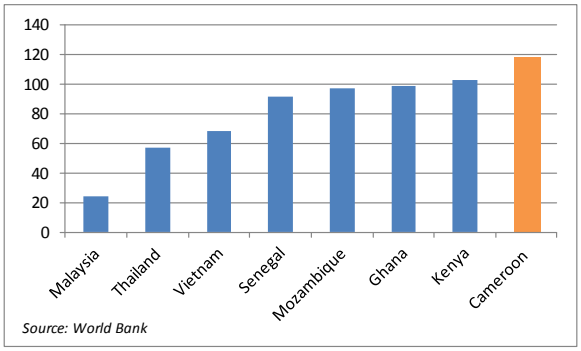
A wider measure of the trade and logistics environment of countries is the World Bank's *Logistics Performance Index* (LPI). The LPI covers the entire supply chain, based on a survey of nearly 1,000 logistics professionals (international freight forwarders) across 155 countries. The results may be considered to represent the experience of a large number of logistics providers and logistics buyers. The overall LPI score is based on performance on six aspects of logistics performance. These are: customs efficiency, infrastructure quality, ability to track and trace shipments, timeliness in reaching a destination, competence of the domestic logistics industry in the country, and the ease of arranging and managing international shipments. Cameroon's performance is here again lagging (Figure 3).

Figure 3 : LPI Performance: A Comparison, 2012



Finally, the Enabling Trade Index (ETI) summarizes the situation. In 2012, Cameroon was ranked 118 out of 132 countries on the basis of the ETI score (Figure 4). Cameroon's rank is lagging and substantial effort would be needed to catch up.

Figure 4 : ETI Performance: A Comparison, 2012 (out of 132 countries)



This index has four components. The first measures the extent to which the policy framework welcomes foreign goods into the country and enables access to foreign markets for its exporters. The second is the

extent to which the administration at the border facilitates the entry and exit of goods and services. The third is the availability of transport and communication necessary to facilitate the movement of goods within the country, and across the border. The fourth is the quality of governance, as well as the overarching regulatory and security environment facing importers and exporters.

Trade Facilitation and Logistics

From a trade facilitation perspective, efficient movement of freight along the corridor from the port to the inland commercial centers is crucial for the region's external competitiveness. This in turn depends on the efficiency of the port and the inland movement of road freight from the port to final inland destinations. Reform of both the physical aspects (transport infrastructure) and the non-physical aspects (regulatory and documentation processes of transit trade) are essential for an efficient movement of freight – with efficiency assessed in terms of the cost, time and predictable movement of freight along the corridor.

Port Efficiency

Improved port procedures at the gateway provide great opportunities for a country aspiring to assume an emerging economy status. Maritime gateways are at the interface between the region and the rest of the world. They are the locations in which several complex processes take place, including the physical transfer of cargo between shipping and inland road transport. Ports are also the locations where information and financial exchanges between the wide range of operators involved in trade and transport facilitation processes take place. Time is a key element of each of these processes.

Container dwell time – the amount of time a shipment waits at port – is an indicator of port efficiency. Data based on the Douala-N'Djamena corridor show that port delays account for more than half of the delivery time from arrival at the port to final inland destinations. Recent statistics from the container terminals indicate an average dwell time at Douala of 18.6 days in 2010 as compared to average dwell time of 4 days in Durban (South Africa), 11 days in Mombasa (Kenya) and 14 days in Dar es Salaam (Tanzania), and about 3 to 4 days in most international ports[3].

[3] G. Raballand et al. (2012), Why does Cargo Spend Weeks in Sub-Saharan African Ports?

The container dwell time depends on three factors:

- Operational dwell time which depends on the performance of physical operations at the port;
- Transactional dwell time which depends on the performance of cargo clearance activities by customs and other regulatory agencies; and finally
- Storage dwell time which depends on the voluntary storage of cargo in the container yard, as well as other environmental factors such as lack of finance, availability and efficiency of transport services.

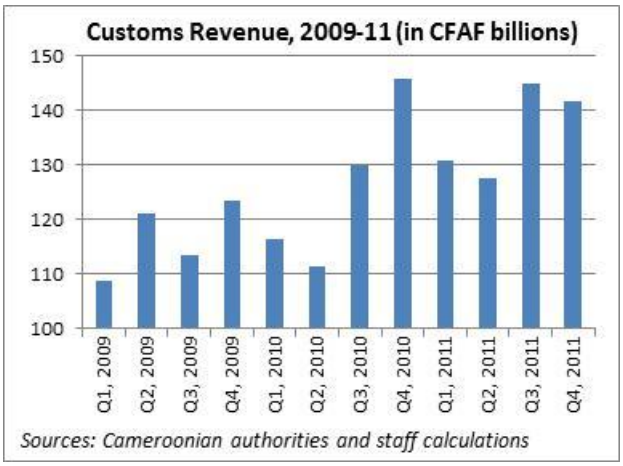
Photo credit: Raju Jan Singh

In the port clearance process, customs play an important role, and they have generally been perceived as the most important source of delays. Accordingly, most efforts to reduce port dwell-time in Cameroon has focused on improving the efficiency of customs, through the introduction of automated systems, or an electronic single window. Customs officers have also been encouraged to sign idividual performance contracts with the twin goals of enforcing compliance and expediting cargo clearance (Box 5). These efforts have led to both improvements in revenue collection at customs and in import clearance time.

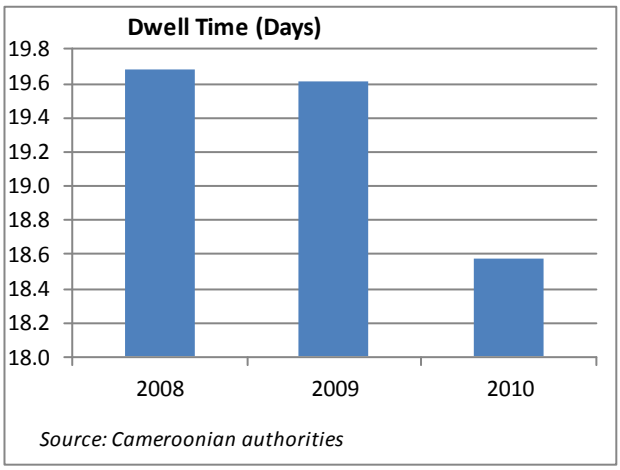
A sequential analysis of delays at the port shows, however, that the time taken between the arrival of the vessel and customs declaration lodging (operational dwell time) and the time taken between the payment of customs duties and gate exit (storage dwell time) together account for three-quarters of the container dwell time at Douala. In contrast, the time taken by customs (transactional dwell time) accounts for just about a quarter of the container dwell time.

Box 5 : Individual Performance Contracts in Cameroon Customs: A World Premiere

As in many developing countries, Customs revenue is an important component of fiscal revenue. About a quarter of government revenue is collected by Customs. Hence it is important for Cameroon to reconcile the goal of enforcing compliance with the trade facilitation goal of expediting cargo clearance of traders deemed to be usually compliant.



Cameroon's Customs administration has suffered from corruption and struggled to identify options for improving governance. A customs reform program was introduced, seeking to reduce corruption, while simultaneously raising revenue collection. The reform included the installation of ASYCUDA (an automated customs clearance system) which would enable the administration to not only track the processing of each consignment, but also measure performance against a number of criteria relevant to the reform.



A continuation of these efforts has been the introduction in 2009 of individual performance contracts – making Cameroon the first country in the World to adopt such an approach. These performance contracts use objective and quantifiable data from the automated computer system. The objectives of customs administration (facilitation and enforcement) are complemented by specific objectives, which aim at abolishing bad practices. The results are encouraging: higher revenue collection, shorter clearance times, and lower corruption (measured through systematic firm surveys of a representative sample of customs brokers undertaken before, during, and after the experimentation).

This suggests that customs is just one of the many regulatory agencies. An approach focused only on customs reforms needs, therefore, to be replaced by a more comprehensive one involving the complete operations from the port to final inland destinations for notable improvement to traders. Only a comprehensive approach to the problems encountered at the gateway can lead to improvement of efficiency that

would enable the Cameroonian traders to compete with their African and international counterparts.

While Cameroon through targeted interventions has been improving the physical operations of the Douala port, the critical mass of needed reforms is still lacking. Attention should be on streamlining the documentation process at the port through adequate coordination of the many actors (shippers, trade auxiliaries, border management agencies, facilities operators, and logistics services providers).

One framework for that is an operational Single Window. Cameroon created in 1999 the *"Guichet Unique des opérations du Commerce Extérieur"* (GUCE) in the form of a joint association between the government (including Customs, Ministry of Trade, Port of Douala) and the private stakeholders involved in the clearance process of imported goods. Although the infrastructure of the electronic version of the GUCE had been in place by 2007, the implementation is still in progress (see text Table below, presenting the expected automation schedule by procedure).

Photo credit: Raju Jan Singh

The main objective of the electronic version of the GUCE is to replace paper-based cargo clearance with automated procedures at the Port of Douala (PAD) to reduce clearance-related time and costs, and foster trade and economic activity in Cameroon (and in the CEMAC region). 2012 will be marked by a move from a physical to an electronic single window as indicated by the schedule in the text Table below.

Schedule of Procedure Automation

Procedure	Expected reduction	Actors	Deadline
Integration of the BESC	**½ day**	**CNCC**	April 2012
Registration (importers / exporters)	**2 days**	**MINCOMMERCE**	April 2012
Electronic payment	**2 days**	**DGD-DGTCM du MINFI**	May 2012
Improvement of the CIVIO	**½ day**	**DGD-PAD**	June 2012
Exchange of the Manifeste	**1,5 days**	**DGD-PAD**	July 2012
Taxes PAD	**1 day**	**PAD**	Sept. 2012
Attestation de Vérification des Importations (AVI)*	**1 day**	**DGD**	December 2012
Lettre de Voiture Internationale (LVI)	**1 day**	**BGFT**	December 2012

Inland Movement of Freight

Roads are the dominant mode of transport in Cameroon, with the exception of the Douala-Yaoundé and the Douala-Ngaoundere corridors where a multimodal road-rail option exists. Road rehabilitation and upgrading transport infrastructure has therefore been in the trade facilitation agenda of Cameroon for quite some time, both at the national level and at the regional level. Furthermore, improved inland movement would contribute to link the different regions of Cameroon, in particular the North and the South, and create an actual single national market.

Road conditions remain a key barrier to cross-border trade, particularly between Cameroon and Nigeria. Mostly passable during the dry season, the main corridor between the West of Cameroon and the economic centre in the East of Nigeria becomes largely impassible in the rainy season, forcing traders to use water ways along the coast and inland rivers to a larger degree. In the North, cross-border roads are in a very bad condition, but flat dry-lands allow for smaller vehicles to cross the border on non-marked tracks during the dry season. During the rainy season, traffic patterns change substantially because some of the corridors become impassable, while the quality of others deteriorates significantly.

Although improvements in road and transport infrastructure have facilitated road transport, average transport prices charged to traders remain high. While operating costs in Africa are now broadly

similar to those in France, average transport prices are much higher (Figures 5 and 6). The average transport price on the Douala-N'Djamena corridor, for instance, is about 11 cents per ton Km. These road freight rates are almost double than that of China, three times higher than in Brazil, and more than five times higher than in Pakistan.[4]

Figure 5 : Average Transport Costs: A Comparison, 2007 (USD per veh Km)

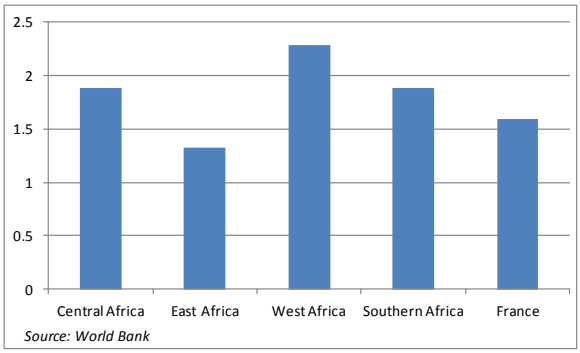
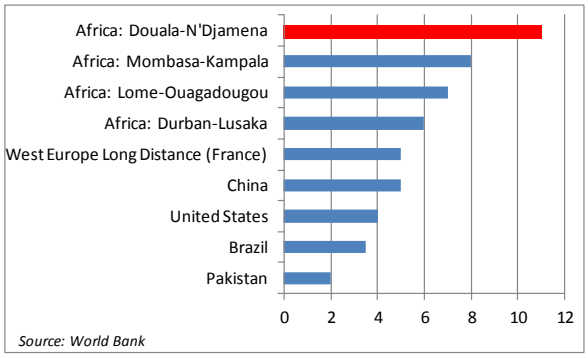


Figure 6 : Average Transport Prices: A Comparison, 2007 (US cents per ton Km)



Why is that? The system is, first of all, largely inefficient in matching demand for with supply of transport services. Trucks wait for long periods for a contract. This adds to lengthy immobilization of trucks at the extremities of the corridors, in terminals and gateways, lengthening truck rotations and reducing the number of paid trips a truck can make in a year. As a consequence, transport prices charged to shippers are high to make up for this inefficient use of trucks.

More importantly, however, over-regulation plagues the transport systems with road travel being the most afflicted. The mechanisms linking over-regulation and high transport costs have been analyzed in a study.[5] It shows that in the absence of adequate market regulation for road transport, gains linked to better roads are not likely to be passed on to shippers and consumers in the form of reduced transport prices.

For instance, road transport on the Douala corridors is regulated through bilateral agreements which restrict competition. Agreements between Cameroon and Chad and between Cameroon and CAR cover cargo-sharing and enforcement mechanisms, and have kept transport prices high.

[4] Teravaninthorn, S. and G. Raballand (2009), *Transport Prices and Costs in Africa: A Review of the International Trade Corridors.*

[5] Ibidem. The greatest disconnect between costs and prices was along the Ngoundere-Moundou corridor.

Transport prices charged to shippers in Central Africa tend, therefore, to be disconnected from the actual vehicle operating costs. The system seeks to protect existing transport operators at the expense of encouraging competition. Inefficient operators are thus kept afloat, pushing down the quality of road transport services to the lowest level possible, since there is no incentive to offer better services. Worse, shippers are even reported to have to pay bribes in order to access the limited pool of operators.

The existing regulatory system is justified on the grounds of fairness, since transport profits could be shared with small-sized trucking operators. In many cases in Central Africa, however, the benefits of market regulation are captured by a few people at the expense of the whole economy.

A reform of the trucking industry would therefore be necessary to address these issues and must not be limited to liberalizing freight access. Rather it must aim at transforming the industry itself to encourage the provision of high-quality transport services.

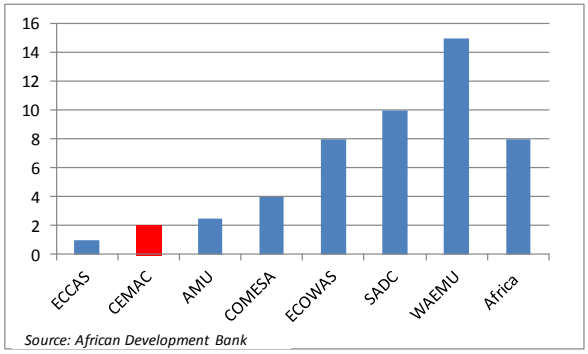
Finally, a large number of roadblocks and high informal payments along the major corridors add to transport costs, especially for small traders. Recent research has tended to show that traders are likely to encounter a roadblock by a government agency (such as customs, gendarmerie, the police, or the army) every 10-20 km in some areas in Cameroon, interrupting the flow of goods and causing major delays. For instance, the costs of transporting goods from the Nigerian border in Ekok to Bamenda are estimated to increase by about 100-150 percent. Initial analysis suggests that in the area of the Western corridor, removing these additional charges could reduce consumer prices for products imported from Nigeria by roughly 4 to 6 percent.

Deepening Market in CEMAC

Beyond improving port efficiency and inland transport, a priority for Cameroon should be to make CEMAC an effective Customs Union (CU). At the moment, policies and procedures at the regional level are little harmonized and very limited trade is taking place among member countries (Figure 7). CEMAC accounts only for 2 percent of trade of its member countries (as compared to 8 percent in ECOWAS, 10 percent in the SADC region and over 15 percent in the WAEMU

region).[6] To become an effective CU, tariff nomenclature and product standards would need to be harmonized, common Customs Management Regulations adopted and an efficient regional payment system put in place.

Figure 7 : Intra Regional Trade, 2010



Tariff Nomenclature

The Common Tariff Nomenclature (CTN) is a harmonized system for goods classification that would be applicable to all CEMAC member states. The system is designed for classifying goods with the same characteristics and similar duty requirements. This system is known to reduce delays, decrease transactions costs, and make the Common External Tariff (CET) easier to implement.

The specific activities necessary for CEMAC to achieve this goal would be to (i) develop and update the CTN, and prepare guidelines to promote standardized interpretation; (ii) conduct a gap analysis of the differences between the nomenclature currently used by each member state and the CTN; (iii) develop a national strategy and work plan for implementing the CTN, and (iv) establish a mechanism for maintaining a standardized interpretation of CTN across the CEMAC region.

Photo credit: Raju Jan Singh

Common Customs Management Regulations

In any customs union, member states must adopt a uniform set of trade requirements and formalities, including customs procedures. Adoption of common standards

[6] Brenton, P. et al. (2012), *Defragmenting Africa: Deepening Regional Trade Integration in Goods and Service.*

helps to streamline bureaucratic procedures and reduce time and trade costs. Common Customs Management Regulations (CMR) provide for these standardized customs procedures.

For the CMR to be effective, CEMAC member states would need to align their national legislation and regulatory frameworks with the CMR. Aligning national legislation and regulatory framework would simplify regional trade customs procedures, reduce red tape and prevent opportunities for corruption.

Regional Payments System

The cost, speed, reliability, and accessibility of payment systems have a major impact on transactions costs. An efficient payment system is therefore essential for any country to participate in international trade.

Cross-border payments in the CEMAC region are, however, still characterized by the predominance of cash. This is partly explained by the low acceptance of non-cash payment instruments. Costly, slow, unreliable, and difficult to access payments systems encourage the use of cash over electronic payments.

Efforts are ongoing to integrate payment systems in CEMAC with a view to extend coverage and usage of these forms of payment services. Such initiatives will contribute to improve the flow of resources through formal transmittal channels, and extend access to a variety of payment services.

There are currently, however, a limited number of delivery channels and access points (automated teller machines (ATM) and point-of-sale (POS) terminals). Use of mobile banking or branchless banking techniques by financial sector institutions in CEMAC is also lacking.

Efforts at the regional and at the national levels to develop the payment system should thus be strengthened by improving access points and delivery channels. The focus should be on meeting user needs and delivering accessible services through cost-efficient channels.

Widening market opportunities to Nigeria and ECOWAS

Cameroon and Nigeria share a common border of nearly 1,700km, as well as strong historical and cultural ties. According to official statistics, the bulk of the current trade between Nigeria and Cameroon is dominated by oil and fuel. However, these official statistics do not reflect the substantial commercial exchanges between

the two countries, with goods and services being traded both through legal and informal channels.

Nigeria is the biggest economy in the region with a GDP in 2009 of over USD 173 billion. With over 150 million people, it represents a vast consumer market, nearly five times larger than the combined markets of the other CEMAC countries (excluding Cameroon). Improving the linkages with Nigeria would also give Cameroonian producers better access to all of West Africa. This should create trading prospects for larger companies from Cameroon, as well as chances for smaller niche producers.

Cameroon is significantly smaller with around 20 million people and a GDP in 2009 of about USD 22 billion. But despite the difference in the market size both countries can benefit from better market access and reduced trading costs. Preliminary estimates suggest that official trade flows from Cameroon to Nigeria are only at about four percent of the potential trade flows. While informal export flows from Cameroon to Nigeria are estimated to be significantly above official statistics, the results of the analysis still suggest that substantial additional gains remain. This means that exports could expand significantly, possibly generating additional employment.

Recent analytical work has assessed the key barriers that small- and medium-sized traders face when engaging in cross-border trade. While barriers differ somewhat depending on the location along the border, road conditions and roadblocks, as discussed in the previous section, remain key barriers to cross-border trade.

Photo credit: Raju Jan Singh

Administrative requirements further increase trading costs or generate delays. These include the negotiation of fees and duties at the border, visa fees, and meeting product standards for distribution across borders. Administrative and informal payment arrangements relating to cross-

border trucking result in trucks generally not crossing borders, and goods being unloaded and re-loaded at borders, complicating the logistics chain and raising costs.

To reduce barriers to trade and allow citizens on both sides of the border to benefit from differences in production patterns, a comprehensive agenda of infrastructure investment, reduction of informal road blocks and payments, and improving border procedures is central.

While to date investment in infrastructure in border areas particularly in the North seems to have been neglected and should be pursued, investment in the important corridor between Bamenda and Enugu is under way. It will be critical to supplement the investment in physical infrastructure, such as roads, by policy initiatives to reduce the number of road blocks substantially, foster competition among transport providers, and ensure compliance with existing regulations. Increasing transparency at borders will be important to minimize the opportunities for rent extraction.

Current procedures, requirements, and legal fees and payments should be clearly indicated, and to keep trading costs low for small- and medium-sized traders, the introduction of a simplified customs scheme for these groups could be considered. Such a scheme would streamline procedures, reduce illegal payments by traders, and make payments more predictable. If carefully tailored and implemented, such a scheme would ensure that effective trade costs for small- and medium-sized traders would not increase. It would reduce or keep constant the overall amount of payments made by traders, while increasing official receipts for the government and reducing the time and uncertainty linked to crossing the border. If formal fees were reduced, traders would be less likely to make informal payments and prefer paying the lower formal fees to avoid subsequent harassments. Official receipts would also increase, as traders currently avoiding official border-crossings because of administrative delays would start using them and pay formal duties.

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