

PD-ABB9YZ
10-ABB-942-A

UNCLASSIFIED

United States
Agency for International Development

Cameroon: Policy Reform in the Export
Processing Sector (PREPS)

PAAD/Programs: 631-T-604 / 631-0074
PAAD/Project: 631-T-604 / 631-0082

August, 1990

Amount: U.S. \$6,160,000
Date: August 20, 1990

CLASSIFICATION

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)	1. PAAD Number	631-T-604/631-0074	
	2. Country	Cameroon	
	3. Category	Cameroon Export Sector Reforms	
	4. Date	August 17, 1990	
To	5. OYB Change Number		
From	6. OYB Increase	To be taken from:	
Jay P. Johnson Mission Director, USAID/Cameroon	10. Appropriation Budget Plan Code	72-1101014 GSSA-90-31631-KG39	
Robert Shoemaker Chief, PDE USAID/Cameroon	13. Estimated Delivery Period	08/90 - 01/92	
Approval Requested for Commitment of \$ 1,300,000	14. Transaction Eligibility Date	Date of Grant Agreement	
Type Funding: <input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	Commodities Financed		

None

16. Permitted Source	17. Estimated Source
US only \$1,300,000	US \$1,300,000
Limited L/W	Industrialized Countries
Free World	Local
Other	Other

Summary Description
 The attached PAAD contains justification for a \$3,100,000 export sector program and related \$3,060,000 project consisting of technical assistance and training, all of which are for the purpose of supporting the development and implementation of a privately managed Free Zone Regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Zone Law.

This facesheet authorizes only \$1,300,000 which is the dollar amount planned for obligation in FY 1990 as the initial tranche of the non-project assistance for the sector grant. In each subsequent year of the program, the PAAD facesheet may be amended by USAID Yaounde Director to increase the authorized level of funding by the amount to be obligated during the respective year, up to but not in excess of \$3,100,000.

Section 611(a) of the FAA: The proposed Cameroon National Investment Promotion Center (IPC) will be one of the recipients of local currency generated by PREPS. The GRC is in the process of legally establishing the IPC. A draft Ordinance which authorizes the creation of the Center has been sent to the President of the Republic of Cameroon. The President will submit the Ordinance to the General Assembly for action in November, 1990. No obstacles are anticipated.

Clearances PDE:RShoemaker <i>RShoemaker</i> PRM:NOlsen RCO:CBennett <i>CBennett</i> A/CONT:DVanNov <i>DVanNov</i> A/EAPRI:Walker <i>Walker</i> ODIR:EMundson <i>EMundson</i>	Date 8/17/90 8/17/90 8/17/90 8/20/90 Aug. 21, 1990 8/17/90	20. Action <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED Authorized Signature: <i>J.P. Johnson</i> Date: 8/20/90 Title: Mission Director, USAID/Cameroon
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Conditions Precedent for Dollar and Local Currency Disbursements
For PREPS Non-Project Assistance Activity

Article 3: Conditions Precedent to Disbursement of Dollars

SECTION 3.1 First Disbursement of Dollars.

Prior to the first disbursement of \$1,300,000 dollars under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., all of the following:

(a) An opinion of legal counsel that this Agreement has been duly authorized and executed on behalf of the Grantee and that it constitutes a valid, legally binding obligation of the Grantee in accordance with all of its terms;

(b) An opinion of legal counsel that the National Office for Industrial Free Zones (the "NOIFZ"), established pursuant to Chapter II, Section I, Article 4 of the Ordinance is duly authorized and empowered pursuant to the laws and regulations of the Republic of Cameroon to exercise all of the powers and responsibilities delegated to it pursuant to the Ordinance.

(c) A statement of the names and titles of the persons who will act as representatives of the Grantee under Section 8.2 of this Agreement, together with a specimen signature of each person named in such statement;

(d) A statement designating the U.S. bank and specifying the account number of the Separate Dollar Account into which disbursements of U.S. dollars are to be made;

(e) A statement confirming that the Special Local Currency Account required to be established pursuant to Section 5.1 of this Agreement has been opened in a bank in Cameroon in the name of the Government of the Republic of Cameroon and specifying the number of the account;

(f) Written procedures describing the mechanism by which local currency will be released from the Special Local Currency Account and the procedures which will assure that funds from the Special Local Currency Account are used for purposes agreed upon with A.I.D.;

(g) An official copy of the ministerial order (arrete) containing the implementing regulations for the Ordinance which specifically address the following areas:

(i) the procedure for obtaining the certificate of compliance, the developer permit and the operator permit;

(ii) the responsibilities and procedures regarding the public service which provides all services required from state-owned entities by developers, operators and enterprises of Industrial Free Zones (the "Industrial Free Zone Administrative Service");

- (iii) Industrial Free Zone on-site customs procedures;
- (iv) the holding of foreign exchange, foreign exchange-denominated bank accounts and the transfer of funds accrued or invested by Industrial Free Zone enterprises;
- (v) the negotiation of contracts between Industrial Free Zone employers and employees and the hiring, firing and establishment of minimum wages for Industrial Free Zone employees;
- (vi) the private provision of electricity, water and international telecommunication services;
- (vii) preferential user rates regarding the provision of utilities and public services to Industrial Free Zone enterprises; and
- (viii) dispute settlements between the NOIFZ and:
 - Industrial Free Zone developers,
 - Industrial Free Zone operators,
 - Industrial Free Zone enterprises,
 - the Industrial Free Zone Administrative Service.

SECTION 3.2 Incremental Funding Subsequent to the First Disbursement of Dollars.

Incremental funding subsequent to the first disbursement of dollars is subject to the availability of funds to A.I.D. for this purpose and to the mutual agreement of the Parties at the time of subsequent increments, to proceed. Amounts to be provided are approximate and subject to the requirements of the Program at the time they are provided.

SECTION 3.3. Second Disbursement of Dollars.

Prior to the second disbursement of \$1,000,000 dollars under the Program grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

- (a) The Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first disbursement of dollars under the Grant;
- (b) An opinion of legal counsel that the Investment Promotion Center (the "IPC") has been duly organized and is duly authorized and empowered pursuant to the laws and regulations of the Republic of Cameroon to exercise all of the powers and responsibilities which may be delegated to it pursuant to the laws of the Republic of Cameroon which authorized its creation;

c) Copies of official records of the Government of Cameroon and the NOIFZ, indicating that:

(i) the designation of Industrial Free Zones has been regularly effected by action of the Minister in charge of industrial development within thirty (30) days of receipt of a complete application for such designation; or by automatic approval as provided in Chapter III, Article 6(b) of the Ordinance when the Minister in charge of industrial development has failed to take any action within thirty (30) days of receipt of a complete application for such designation;

(ii) Industrial Free Zone on-site customs inspections are operating in compliance with all of the provisions of the Ordinance and the Implementing Regulations;

(iii) the operation of the Industrial Free Zone Administrative Service is in compliance with all of the provisions of the Ordinance and the Implementing Regulations;

(iv) Industrial Free Zone labor procedures are in compliance with all of the provisions of the Ordinance and the Implementing Regulations;

(d) A detailed customs manual applicable to enterprises benefiting from the Free Zone Regime which fully complies with all of the provisions of the Ordinance and the Implementing Regulations; and

(e) The annual review meeting described in Section 6.4(g) of this Agreement has been held as provided in such Section and a plan of action addressing the issues raised during such meeting have been agreed upon by the Grantee and A.I.D.

SECTION 3.4. Third Disbursement of Dollars.

Prior to the third disbursement of \$800,000 dollars under the Program grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(a) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first or the second disbursement of dollars under the Program grant.

(b) the NOIFZ continues to function as described or agreed to pursuant to paragraphs (c), (d) and (a) of Section 3.3 of this Agreement.

(c) the annual review meeting described in Section 6.4(g) of this Agreement has been held as provided in such Section and a plan of action addressing the issues raised during such meeting have been agreed upon by the Grantee and A.I.D.

SECTION 3.5: Notification.

When A.I.D. has determined that the above conditions have been met, it will promptly notify the Grantee.

SECTION 3.6: Terminal Date for Conditions Precedent.

If all of the conditions precedent specified in Section 3.1 of this Agreement have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may specify in writing, then A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article 4: Disbursement of the Grant

SECTION 4.1. Disbursement of the Grant.

After satisfaction of the conditions precedent, the Grantee may request A.I.D. to disburse funds under the Grant. After review and approval of the documentation submitted by the Grantee, A.I.D. will promptly deposit the funds into the Separate Dollar Account designated by the Grantee.

SECTION 4.2 Date of Disbursement.

Disbursement of funds by A.I.D. will be deemed to occur on the date A.I.D. deposits the funds in accordance with Section 4.1.

Article 5: The Special Local Currency Account

SECTION 5.1. Establishment of a Special Local Currency Account.

(a) The Grantee shall establish a special local currency account (the "Special Local Currency Account") in a bank mutually acceptable to the Grantee and A.I.D. and shall deposit therein, within forty-five (45) days of the receipt of each dollar disbursement to the Separate Dollar Account made under the Grant, currency of the Grantee in amounts equal to such dollar disbursement. Funds in the Special Local Currency Account shall be used for:

- (i) budgetary support for the NOIFZ;
- (ii) budgetary support for the IPG; and
- (iii) such other purposes in support of the objectives of the Program as may be mutually agreed upon by A.I.D. and the Grantee.

(b) Funds in the Special Local Currency Account shall not be commingled with funds from any other source. All interest earned on the Special Local Currency Account shall be used for the same purposes as the principal.

(c) All funds existing in the Special Local Currency Account immediately preceding a particular disbursement therefrom are eligible for use provided that all conditions precedent for such use as provided in Section 5.2 and, as the case may be, Sections 5.3, 5.4 or 5.5, of this Agreement have been determined by A.I.D. to have been satisfied.

(d) Any unencumbered balances of funds remaining in the Special Local Currency Account after the termination of this Agreement for any reason shall be disposed of for purposes agreed to by A.I.D. and the Grantee.

SECTION 5.2: General Conditions Precedent to Release of Local Currency from the Special Local Currency Account.

(a) Prior to each release of local currency funds from the Special Local Currency Account, a written agreement, in form and substance satisfactory to A.I.D. shall have been signed by A.I.D., the Grantee and any recipients of the funds to be disbursed pursuant to each release thereof which sets forth :

- (i) a plan for the use of such funds;
- (ii) the specific conditions precedent for release of such local currency funds as specified in Sections 5.3, 5.4 or 5.5, whichever is applicable, of this Agreement; and
- (iii) a description of the financial mechanisms and the terms and conditions by which such funds will be made available for such planned use.

(b) The written agreement described in this Section 5.2 will be signed by A.I.D. only after A.I.D. is satisfied that the conditions precedent for release of funds from the Special Local Currency Account during a particular time period, as specified in Sections 5.3, 5.4 or 5.5 of this Agreement, whichever is applicable, have been fulfilled. A sample form of such agreement is attached hereto as Annex II.

SECTION 5.3: Conditions Precedent to Release of Funds from the Special Local Currency Account During the First Term.

(a) Prior to disbursements of local currency from the Special Local Currency Account between October 1, 1990 and December 31, 1991 (the "First Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

- (i) An official, notarized copy of the corporate charter of the NOIFZ;
- (ii) An opinion of legal counsel that the NOIFZ has been duly organized and is in good standing as a non-profit, private entity.
- (iii) The identity of the general manager of the NOIFZ;
- (iv) The identity of the accountant of the NOIFZ; and

(v) Evidence that the NOIFZ has established accounting procedures in accordance with generally accepted accounting principles and practices consistently applied;

(b) Prior to disbursements of local currency from the Special Local Currency Account during the First Term for purposes of budgetary support to the IPC, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

(i) An official, notarized copy of the corporate charter of IPC;

(ii) An opinion of legal counsel that the IPC has been duly organized and is in good standing as a non-profit, private entity.

(iii) Evidence that a Board of Directors for the IPC consisting of representatives from both the public and the private sectors, but with a majority of private sector representatives, has been duly selected. Such evidence shall also include a list of the names of the members of the Board of Directors;

(iv) The identity of the general manager of the IPC;

(v) The identity of the accountant of the IPC;

(vi) Evidence that the IPC has established accounting procedures in accordance with generally accepted accounting principles and practices consistently applied; and

(vii) An agreement in writing between A.I.D. and the Board of Directors of the IPC or its representative regarding an action plan which the IPC will put into effect before any disbursements from the Special Local Currency Account are made during the Second Term (as hereinafter defined).

(c) Prior to disbursements of local currency from the Special Local Currency Account during the First Term for purposes in support of the objectives of the Program other than budgetary support to the NOIFZ or the IPC, A.I.D. shall require that a written agreement must be reached between the Grantee and A.I.D. specifying such other purposes for local currency utilization.

SECTION 5.4: Conditions Precedent to Release of Funds from the Special Local Currency Account During the Second Term.

a) Prior to disbursements of local currency from the Special Local Currency Account between January 1, 1992 and December 31, 1992 (the "Second Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

(i) An official document indicating that the NOIFZ is registered as an entity duly constituted and existing under the laws of the Republic of Cameroon;

(ii) An opinion of counsel that the NOIFZ is in good standing as a non-profit, private entity;

(iii) Official copies of documentation from the NOIFZ indicating that the NOIFZ has carried out, in full compliance with the Ordinance and the Implementing Regulations, all of the following:

- by action of its Board of Directors, adopted internal rules and procedures and disseminated information related thereto regarding:

- Industrial Free Zone developers,
- Industrial Free Zone operators,
- Industrial Free Zone enterprises,
- the Industrial Free Zone Administrative Service and
- the provision of the developer permits, the operator permits and the certificates of compliance;

- established single application forms for requests for the developers permit, the operators permit and the certificate of compliance;

- implemented a system which processes requests for developer permits, operators permit and certificates of compliance and issues a decision regarding such requests within the time period specified in the Ordinance and its Implementing Regulations;

- established dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for the Free Zone Regime;

- established dispute settlement mechanisms regarding controversies involving the NOIFZ and the beneficiaries of the Free Zone Regime and between the NOIFZ and the Administrative Service;

- established levels of fines regarding infractions involving Industrial Free Zone developers, operators and enterprises.

(iv) Evidence of:

- the identification by the NOIFZ of sources of financing other than A.I.D. and

- the development by the NOIFZ of a medium-term financial plan for its next budgetary year; and

(v) Evidence that the local currency disbursed to the NOIFZ from the Special Local Currency Account during the First Term was used for the purposes agreed upon by the Grantee and A.I.D.

(b) Prior to disbursements of local currency from the Special Local Currency Account during the Second Term for purposes of budgetary support to the IPC, except as the parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

(i) An official document indicating that the IPC is registered as an entity duly constituted.

(ii) An opinion of legal counsel that the IPC is in good standing as a non-profit, private entity;

(iii) An official copy of the by-laws and other internal rules and regulations of the IPC;

(iv) Evidence that the IPC is functioning according to the action plan agreed upon pursuant to Section 5.3 (b)(vii) of this Agreement; and

(v) Evidence that the local currency disbursed to the IPC from the Special Local Currency Account during the First Term was used for the purposes agreed upon by the Grantee and A.I.D.

(c) Prior to disbursements of local currency from the Special Local Currency Account during the Second Term for purposes in support of the objectives of the Program other than for budgetary support to the NOIFZ or the IPC, A.I.D. shall require the provision of the following in form and substance satisfactory to A.I.D.:

(i) a written agreement between the Grantee and A.I.D. specifying such other purposes for local currency utilization; and

(ii) evidence that the local currency disbursed from the Special Local Currency Account during the First Term for purposes other than budgetary support for the NOIFZ or the IPC was used for the purposes agreed upon by the Grantee and A.I.D.

SECTION 5.5: Conditions Precedent to Release of Funds from the Special Local Currency Account Subsequent to the Second Term.

(a) Prior to disbursements of local currency from the Special Local Currency Account between January 1, 1993 and December 31, 1993 (the "Third Term"), between January 1, 1994 and December 31, 1994 (the "Fourth Term") and January 1, 1995 and between December 31, 1995 (the "Fifth Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall

require the provision of all of the following in form and substance satisfactory to A.I.D.:

(i) An official document indicating that the NOIFZ is registered as an entity duly constituted.

(ii) An opinion of legal counsel that the NOIFZ is in good standing as a non-profit, private entity.

(iii) Evidence that the NOIFZ continues to function in full compliance with the Ordinance and the Implementing Regulations, including, but not limited to, evidence of the continuing regular functioning of:

- the 30-day procedure for obtaining the certificate of compliance, the developers permit and the operators permit;

- provisions of public services by the Industrial Free Zone Administrative Service; and

- dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for the Free Zone Regime.

- dispute settlement mechanisms regarding controversies involving the NOIFZ and the beneficiaries of the Free Zone Regime and between the NOIFZ and the Administrative Service.

(iv) Evidence of:

- the identification by the NOIFZ of sources of financing other than A.I.D. and

- the development by the NOIFZ of a medium-term financial plan for its next budgetary year; and

(v) Evidence that the local currency disbursed to the NOIFZ from the Special Local Currency Account during the immediately preceding Term was used for the purposes agreed upon by the Grantee and A.I.D. for such Term.

(b) Prior to disbursements of local currency from the Special Local Currency Account during the Third, Fourth or Fifth Terms for purposes in support of the objectives of the Program other than budgetary support to the NOIFZ, A.I.D. shall require the provision of the following in form and substance satisfactory to A.I.D.:

(i) a written agreement between the Grantee and A.I.D. specifying such other purposes for local currency utilization during the applicable Term; and

(ii) evidence that the local currency disbursed from the Special Local Currency Account during the immediately preceding Term for purposes

other than budgetary support to the NOIFZ or the IPC was used for such other purposes as agreed upon by the Grantee and A.I.D. for such immediately preceding Term.

SECTION 5.6: Books and Records.

The Grantee shall maintain and cause recipients of funds from the Special Local Currency Account to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Special Local Currency Account. The Grantee shall grant or cause such recipients to grant to A.I.D. or to any of its authorized representatives the right to inspect such books and records at all times as A.I.D. may reasonably require. Such books and records shall be maintained for three years after the date of the last disbursement of local currency in connection with the Grant.

SECTION 5.7: Refunds.

In the case of any release of funds under the Special Local Currency Account which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or for which specific conditions precedent to such release have been reversed, discontinued or otherwise impeded, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such funds to the Special Local Currency Account within ninety (90) days after receipt of a request therefor.

SECTION 5.8: Rate of Exchange.

Except as the Parties may otherwise agree in writing, for purposes of determining the amount of local currency which is equivalent to disbursements under the Grant, the Grantee shall use the highest rate of exchange which, on the date the disbursement is made, is not unlawful in the Republic of Cameroon, and in no event may this rate be less than the published rate of the U.S. Government's Disbursing Agent, or the U.S. Treasury, through its authorized Disbursing Officer for the Franc Zone. As used in the preceding sentence, "highest rate of exchange" means the rate of exchange which yields the greatest number of units of local currency per U.S. dollar.

Article 6: Covenants.

SECTION 6.1: Completeness of Information.

The Grantee confirms:

(a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on this Grant, are accurate and complete, and include all facts and circumstances that might materially affect this Grant and the discharge of responsibilities under this Agreement; and

b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

SECTION 6.2: Books and Records.

The Grantee will maintain financial records, in accordance with generally accepted accounting principles and practices consistently applied, to assure compliance with this Agreement. Such records shall be maintained for at least three years after the date of last utilization by the Grantee of funds from the Separate Dollar Account and shall be made available upon request for examination at any reasonable time by authorized representatives of A.I.D. Financial records shall be suitable, at a minimum, to document the withdrawal and disposition of funds from the Separate Dollar Account for acceptable purposes.

SECTION 6.3: Reports.

(a) Unless A.I.D. agrees otherwise in writing, the Grantee will furnish to A.I.D., in form and substance satisfactory to A.I.D., quarterly reports on the uses of funds from the Separate Dollar Account. The first report will be due three months after the initial disbursement under the Grant and subsequent reports shall be furnished to A.I.D. at ensuing three-month intervals until the Grantee has satisfactorily reported on the uses of all funds in the Separate Dollar Account. In the report, the Grantee shall certify that books and records relating to the use of the funds in the Separate Dollar Account are being maintained or caused to be maintained, in accordance with Section 6.2 of this Agreement. Within sixty (60) days of receiving each report, A.I.D. will advise the Grantee whether or not the reported uses of the Separate Dollar Account are unacceptable. Within thirty (30) days of being notified by A.I.D. that a reported use of the Separate Dollar Account is unacceptable, the Grantee shall redeposit in the Separate Dollar Account an amount equal to any funds applied to the unacceptable use.

(b) The Grantee will furnish to A.I.D. such other reports and information relating to the Grant, the Separate Dollar Account, the Special Local Currency Account and the performance of the Grantee's obligations under this Agreement as A.I.D. may reasonably request.

SECTION 6.4: Special Covenants

(a) The Grant will be free from any taxation or fees imposed or to be imposed under the laws in effect in the Republic of Cameroon.

(b) The Grant will not be used to finance military, paramilitary or police requirements of any kind, including training or the procurement of commodities or services to be used by the military or police, or to pay principal or interest on loans to the military or police.

(c) During the life of the Program the Government of the Republic of Cameroon shall consult with A.I.D. on an ongoing basis for the specific purpose of implementing the reforms proposed to be achieved pursuant to the Program as provided for and evidenced by this Agreement.

(d) During the life of the Program the Government of the Republic of Cameroon:

- (i) shall not interfere with the internal affairs of the NOIFZ; and
- (ii) shall comply in all respects with all of the provisions of the Ordinance and the Implementing Regulations.

(e) During the life of the Program the Government of the Republic of Cameroon agrees that:

- (i) it shall not permit or cause funds to be released from the Special Local Currency Account unless the written agreement provided for in Section 5.2 of this Agreement relating to a particular disbursement of funds from the Special Local Currency Account has been signed by A.I.D. the Grantee and any and all recipients of the Special Local Currency Account funds released pursuant to such disbursement; and
- (ii) any funds disbursed from the Special Local Currency Account will be used only for the purposes specified in such written agreement.

(f) If, within ten (10) days of the fulfillment to A.I.D.'s satisfaction of the conditions precedent to disbursement of Special Local Currency Account funds referred to in Section 5.2(a)(ii) of this Agreement the Government of the Republic of Cameroon fails to sign the written agreement with A.I.D. and the recipients of funds disbursed from the Special Local Currency Account (as provided in Section 5.2 of this Agreement), then the Government of the Republic of Cameroon shall, within 10 days of its failure to sign, refund to the Special Dollar Account the amount of the last disbursement of dollars made by A.I.D. into the Special Dollar Account and any interest accrued thereon.

(g) Beginning on September 30, 1991 and continuing annually thereafter during the life of the Program (including the Third, Fourth and Fifth Terms as defined in Section 5.5 herein), the Government of the Republic of Cameroon as represented by the Ministry in charge of industrial development agrees to meet with A.I.D., the NOIFZ, the Industrial Free Zone Administrative Service, and, up until the end of the Second Term, with the IPC, for the purpose of assessing the functioning of the NOIFZ, the IPC and the operation of the Free Zone Regime generally and for determining subsequent disbursements of local currency from the Special Local Currency Account.

(h) The Government of the Republic of Cameroon shall, during the life of the Program, maintain in full force and effect the policy reforms implemented in compliance with the Ordinance and the Implementing Regulations and all of the conditions precedent to any disbursement of dollars to the Separate Dollar Account.

(i) The Government of the Republic of Cameroon shall provide a copy of this Agreement to the NOIFZ and the IPC.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: A * Add, C * Change, D * Delete
 Amendment Number: _____ DOCUMENT CODE: 3

COUNTRY/ENTITY: Republic of Cameroon

BUREAU/OFFICE: Africa 06

3. PROJECT NUMBER: 631-0082

5. PROJECT TITLE (maximum 40 characters): Policy Reform in the Export Processing Sector (PREPS)

7. ESTIMATED DATE OF OBLIGATION (Under "B" below; enter 1, 2, 3, or 4):
 A. Initial FY: 90, B. Quarter: , C. Final FY: 91

PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY: 11/23/95

8. COSTS (\$000 OR EQUIVALENT \$) =

A. FUNDING SOURCE	FIRST FY 90			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total (Grant)	700	--	700	3,060	---	3,060
(Loan)	(700)	(--)	(700)	(3,060)	(---)	(3,060)
Other: 1. U.S. 2. Host Country						
Other Donor(s)	---	1,394	1,394		1,662	1,662
TOTALS						4,722

9. SCHEDULE OF AID FUNDING (\$000)

1. APPROXIMATE RELATION/PURPOSE CODE	3. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
1) ADF 730	340				700		3,060	--
2)								
3)								
4)								
TOTALS					700		3,060	

0. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 990

2. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each): A. Code BU, B. Amount 3,060

11. SECONDARY PURPOSE CODE: 710

3. PROJECT PURPOSE (maximum 480 characters):

To support the development and implementation of a privately managed Free Zone Regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Zone Law.

14. SCHEDULED EVALUATIONS: Interim MM YY 06 92, Final MM YY 10 95

15. SOURCE/ORIGIN OF GOODS AND SERVICES: 000, 941, Local, Other (Specify)

6. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY: Signature [Signature], Title: Mission Director, USAID/Cameroon, Date Signed: MM DD YY 08 20 90

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

ACTION MEMORANDUM TO THE DIRECTOR

DATE: August 17, 1990

FROM: Robert Shoemaker, PDE *RS*

SUBJECT: Cameroon Program for Policy Reform in the Export Processing Sector (PREPS: 631-T-604/631-0074 and 631-T-604/631-0082)

PROBLEM: You are requested to approve a grant for \$6,160,000 from the Development Fund for Africa account for the five-year Program for Policy Reform in the Export Processing Sector (PREPS). Of this amount, \$3,100,000 will be provided in non-project assistance and \$3,060,000 in project assistance. The planned FY 1990 obligation is \$2,000,000 consisting of \$1,300,000 in non-project assistance and \$700,000 in project assistance.

DISCUSSION: The purpose of the PREPS is to support the development and implementation of a privately-managed Free Zone Regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Zone Law (Ordinance 001, January 29, 1990). PREPS will help to reduce the overextended role of the public sector in the area of export processing. The program will support the establishment and operation of the private National Office of Industrial Free Zones (NOIFZ), the development and operation of a private transitional Investment Promotion Center (IPC), and the implementation of new institutional arrangements regarding investment approval, customs clearance, dispute settlement, labor laws and the provision of administrative services required by Free Zone investors.

PREPS will include activities related to the following: (a) establishment of clear and transparent rules, regulations, and procedures to bring into full effect the rights and incentives created by the Free Zone Law enacted in 1990; (b) implementation of practices and procedures in ways to ensure strict compliance with and enforcement of the Free Zone Law; and (c) acquisition of technical expertise, institutional capacity and support materials to ensure that the entities created under the Regime operate independently and efficiently. By the end of the program, PREPS will have helped to create an environment where the local private sector can compete in world markets as indicated by reductions in time and costs required to establish and operate an export processing business in Cameroon. The immediate beneficiaries of the program will be: (a) investors in the Free Zone, (b) businesses which supply goods and services to Free Zone enterprises and (c) employees of Free Zone enterprises, of businesses supplying goods and services to Free Zone enterprises and of the regulatory and administrative entities involved in the Regime. The people of Cameroon will be the ultimate beneficiaries regarding increases in: (a) employment opportunities, (b) the diversification of the country's production and export base, (c) value added, (d) export revenues and foreign exchange, (e) access to managerial and production technology and (f) foreign and domestic investment.

The dramatic decline in the rate of economic growth in Cameroon since 1986 is directly related to the country's reliance on a narrow production and export base. In recent years, oil, coffee and cocoa have accounted for about 80 percent of total export earnings. As world prices for these commodities plunged, so did Cameroon's rate of growth in GDP. The major constraints to the development and diversification of the export processing sector are the

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country's complex system of administratively determined wages and its reputation for bureaucratic delays, corruption and port security problems. The GRC adopted the Free Zone Law to address these constraints. The Law provides attractive incentive that are competitive with those found in the most successful Free Zone Regimes throughout the world. Moreover, the Regime will be privately-managed. The regulatory body created by the Law (i.e., the NOIFZ) is a private, non-profit organization which will serve as a one-stop shop for Free Zone investment approval. The NOIFZ will oversee the provision of administrative services to investors (i.e., labor permits, residency permits and visas) and the system of on-site customs clearance. In addition, mechanisms regarding dispute settlement involving Free Zone investors will be implemented under the Regime and the country's rigid labor laws will be relaxed regarding hiring, firing and the establishment of minimum wages.

The GRC will provide the local currency equivalent of the A.I.D. sector cash grants under PREPS. The local currency will be used to support the development and operating costs of the NOIFZ for five years and the IPC for two years. The project component of PREPS will provide technical assistance and training for the staffs of the NOIFZ, the IPC, Free Zone customs, relevant GRC entities and Free Zone developers, enterprises and workers. The project activities will also include monitoring, evaluation and audit exercises.

FINANCIAL PLAN: The total estimated cost of the program is \$10,921,000. Of this amount, A.I.D. will provide \$6,160,000 and the GRC will provide \$4,600,000. The dollar breakdown of the A.I.D. and GRC contributions over the life of the program is indicated below:

	A.I.D. (\$000)	GRC* (\$000)
Cash Grants	3,100	3,100
Technical Assistance	2,654	---
Training	406	---
In-Kind Support	---	1,661
TOTAL	6,160	4,761

* Local currency equivalent

In addition, the private sector will contribute to the development of the Free Zone Regime in the form of user and other fees, as well as through direct contributions to the start-up and initial operations of the NOIFZ.

Socio-economic, Technical and Environment Considerations: The analytical and technical considerations for PREPS are based on a series of comprehensive studies related to the Free Zone that were financed by A.I.D. and OPIC over the last two years. These studies were performed in close consultation with the GRC and the Cameroonian private sector. Information generated from surveys of potential local and foreign investors in the Free Zone also provided input into the development of the program. The initial environmental examination recommended a categorical exclusion with which the Bureau Environmental Officer concurred (See Annex P of PAAN/DD). The following issues are related to the program:

SECTION 611(A) OF THE FAA: The proposed transitional IPC is a recipient of the local currency generated by PREPS. The GRC is in the process of legally establishing the IPC. A draft Ordinance which authorizes the creation of the IPC has been sent to President of the Republic of Cameroon. The President will submit the Ordinance to the General Assembly for action in November, 1990. No obstacles are envisioned.

IMPLEMENTATION: The implementation arrangements described in the PAAD/PP were reviewed by the USAID program committee and found to be realistic and sufficient to carry out the program. The Ministry of Industrial and Commercial Development (MINDIC) is the GRC agency responsible for implementation. The NOIFZ is the key private sector implementing agency. The project inputs will be provided through direct A.I.D. contracts.

JUSTIFICATION TO CONGRESS: A Congressional Notification was submitted on July 27, 1990 and expired on August 11, 1990 without objection.

WAIVERS: No waivers are anticipated.

CONDITIONS PRECEDENT AND COVENANTS: Please refer to Chapter IV, Section C of the PAAD/PP for complete listing of the conditions and covenants related to PREPS. The conditions support reforms directed at the following areas: (a) the excessive regulatory and administrative environment regarding the establishment and operation of a export processing business; (b) the inefficient and irregular customs system; (c) the restrictive system of administratively-determined wages; and (d) the inefficient legal system which lacks enforcement capability.

RECOMMENDATION: That you sign the attached Project Authorization, Project Paper Facesheet and PAAD Authorization Facesheet, thereby: (a) authorizing a life-of-project funding of \$3,060,000, (b) approving in principal a life-of-project funding for the non-project assistance component of \$3,100,000 and (c) authorizing a FY 1990 non-project assistance obligation of \$1,300,000.

Approved: 
Disapproved: _____
Date: 8/20/90

PROJECT AUTHORIZATION

Country: Republic of Cameroon
Project Name: Policy Reform in the Export Processing Sector
Project Number: 631-0082 (PAAD Ref: 631-T-604)

1. Pursuant to Section 121 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Program for Policy Reform in the Export Processing Sector Project (the "Project") for Cameroon (the "Cooperating Country"), involving planned obligations of not to exceed Three Million Sixty-Thousand United States dollars (\$3,060,000) in grant funds (the "Grant") over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing technical assistance, training, monitoring and evaluation for the Project. The planned life of the Project is through December 31, 1995.

2. The Project consists of technical assistance, training, monitoring and evaluation activities required to implement and support the Program for Policy Reform in the Export Processing Sector (PREPS) for Cameroon. It therefore contributes to the overall purpose of policy reform in the export processing sector.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. Regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

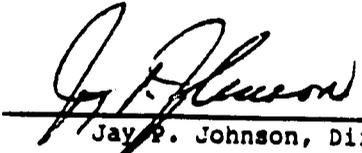
a. Source and Origin of Commodities, Nationality of Services

(1) The suppliers of services financed by A.I.D. under the Project shall have the Cooperating Country or countries included in A.I.D. Geographic Code 899 as their place of nationality, except as A.I.D. may otherwise agree in writing.

(2) Air travel and transportation to and from the United States must be upon certified U.S.-flag carriers if such are available.

Date

8/20/90


Jay P. Johnson, Director
USAID/Yaounde

United States
Agency for International Development

Program Assistance Approval Document
(PAAD)

Cameroon
Policy Reform in the Export Processing Sector
(PREPS - 631-T-604)
(PAAD/Program: 631-T-604 / 631-0074)
(PAAD/Project: 631-T-604 / 631-0082)

USAID/Cameroon
August, 1990

Authorized: U.S. \$6,160,000
Date: August 20, 1990

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I. Introduction and Executive Summary

A. Introduction and Problem

The program of Policy Reform in the Export Processing Sector (PREPS) is a five-year intervention to help Cameroon implement its newly enacted Free Zone Regime. Over the life of the program, A.I.D.'s total planned authorization under PREPS is \$6,160,000 from the Development Fund for Africa. This amount includes \$3,100,000 in sector cash grants to be disbursed in three annual tranches during the period FY 1990-92, and \$3,060,000 for project assistance. The PACD is December 31, 1995. The Government of the Republic of Cameroon (GRC) will contribute the Franc CFA equivalent of each dollar disbursed by the sector cash grant and in-kind support to the project component of the program valued at \$1,661,545. In addition, the Cameroonian private sector is expected to provide direct financial support to the export processing sector in the form of both user fees and direct contributions for the development and operating costs of the Free Zone Regime's privately-managed regulatory body, the National Office of Industrial Free Zones (NOIFZ).

Historically, economic growth in Cameroon has depended on growth in the agriculture sector. Prior to 1978, agriculture accounted for 30 percent of GDP, 80 percent of total exports and over 75 percent of total employment. However, in 1978 Cameroon began to expand its production of oil. Between 1980 and 1985, oil production as a share of GDP increased from less than 3 percent to 19 percent. In turn, economic growth increased dramatically at an average annual rate of 9 percent during this period compared to 5.2 percent during the period 1971-81. However, this impressive growth rate was not sustainable because the economy was heavily dependent upon a narrow production and export base. Cameroon's export sector is highly concentrated within three main commodity groups (petroleum, coffee and cocoa), which accounted for over 80 percent of the country's export bill in 1984/85.

Growth in GDP declined sharply in 1986 when the world market price for oil, coffee, and cocoa began to plummet. Real GDP declined at an annual average rate of 2.3 percent and 7.7 percent, respectively, during 1986/87 and 1987/88. The effects of the drastic reduction in export revenues have permeated the entire economy and have reduced the Government's ability to sustain its system of heavy-handed administrative control which had the public sector involved in almost every major aspect of economic life. A short to medium-term financial crisis triggered by the government's inability to meet its financial obligations and the high level of non-performing loans in the banking sector is contributing to the ongoing economic crisis.

In order to attain sustainable economic growth, Cameroon should expand and diversify its production and export base away from petroleum, coffee and cocoa and toward higher-value added agro-industrial, manufacturing and service related activities. This will require the elimination of economic distortions which presently hinder the efficient use of the country's scarce resources and production of goods and services. The GRC recognizes that the economy suffers from severe structural problems and has responded by promoting a sound policy environment through its Structural Adjustment Program (SAP) which is being supported by both the IMF and the World Bank. Changes in industrial and trade policies form the basis of the SAP.

The GRC's demonstrated commitment to improved trade policies goes beyond the broad-based reforms being pursued under the SAP. On January 29, 1990, President Paul Biya

signed into law a Presidential Ordinance creating the Free Zone Regime. The Regime provides world-class incentives and creates institutional arrangements essential to the promotion of a diversified and internationally competitive production and export base. In addition, the Free Zone Regime will promote increased value-added, foreign exchange earnings, and employment. The assistance proposed by PREPS will support both the Government and the private sector in Cameroon in fully implementing the Free Zone Regime.

B. Background on the Program of Policy Reform in the Export Sector

In 1988, A.I.D. and the Overseas Private Investment Corporation (OPIC) began assessing the potential for the development of competitive private export processing zones in Sub-saharan Africa (SSA). Based on a series of technical and political analyses and indications of interest from potential investors, Cameroon was recommended as one of two SSA countries (the other being Togo) for the development of a world-class export processing zone or "Free Zone."

Major technical findings regarding the comparative advantages of an EPZ in Cameroon include the following.

- o Cameroon's abundance of raw materials and natural resources places it in a strong position to attract resource-based industries, such as agro-processing, pharmaceutical, and chemical production operations.
- o Cameroon's dynamic private sector makes it an ideal candidate for joint venture operations with foreign firms who have access to world markets, modern technology and financial capital.
- o Cameroon's attractiveness to potential investors is bolstered by the country's large, well-educated and bilingual labor force, excellent supply of hydroelectric power at internationally competitive rates, a good port infrastructure, the maintenance of frequent air service by major international carriers and abundant land for industrial development.

The findings also suggested that the major impediments to the development of a competitive Free Zone was Cameroon's artificially high, administratively-determined wage rates, its complex system of wage categories, and its reputation for corruption, bureaucratic delays, and port security problems. Based on these findings, OPIC and AID procured technical expertise in the area of Free Zone development to assess: (a) the Government's willingness to implement changes in legislation, regulations and administrative procedures deemed to be essential to create a world-class Free Zone environment; and (b) the private sector's degree of interest in participating in the development of a Free Zone Regime and in establishing enterprises under the Regime. The conclusion of this assessment was that a commercially viable, privately-managed Free Zone Regime could be established in Cameroon. Based on this assessment, OPIC and A.I.D. announced on August 1, 1989 that a pre-feasibility study would be financed.

The pre-feasibility study involved the following aspects: (a) providing technical assistance to the GRC in developing a world-class Free Zone Law; (b) evaluating potential zone locations within Cameroon and performing a detailed analysis of the most promising locations; (c) surveying potential foreign investors interested in

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establishing enterprises within a Cameroon Free Zone Regime and exploring the possibilities for joint venture arrangements with Cameroonian investors; (d) developing a master plan, including preliminary capital cost estimates and financial analyses of the proposed zone; and (e) developing a business prospectus and making detailed presentations to potential zone developers throughout the world. A series of benchmarks were also established by OPIC and A.I.D. to evaluate whether developments justified continuing with the process. In February 1990, OPIC and A.I.D. announced that based on the preliminary conclusions of the capital cost analysis and the passage of the Cameroon Free Zone Law and its world-class package of incentives, a decision had been taken to proceed with the international market survey. In June 1990 a second benchmark was reached when OPIC and A.I.D. announced that the conclusions of the international market survey were positive and warranted moving onto the final stage of the exercise--the identification of potential Free Zone developers. It is anticipated that a developer or consortium of developers for the first industrial Free Zone in Cameroon will be identified by the end of calendar year 1990.

Concurrently with the on-going A.I.D./OPIC African Free Zone Initiative, USAID/Cameroon provided resources for technical assistance in support of the Cameroon Free Zone Regime. Key government and private sector players involved in the development of the Cameroon Regime were sponsored on observational tours to Free Zones in Mauritius, the Dominican Republic and Costa Rica. In addition, the Mission initiated a technical assistance effort in April 1990 to assist the GRC in designing and developing the following: (a) the implementing regulations for the Free Zone Regime; (b) the structure, operations and procedures of the privately-managed NOIFZ; (c) the structure, operations, procedures and strategy for an investment promotion office; (d) the organization and procedures of the Free Zone customs regime; and (e) the appropriate financial mechanisms to facilitate investment and trade of industrial Free Zone enterprises. This work provides the analytical basis for the design of PREPS.

C. Program Description

The goal of PREPS is to assist Cameroon to increase investment, employment and production and to expand markets in the export processing sector. Attainment of this goal will promote broad-based economic growth by: (1) increasing export volume and value, (2) diversifying production into non-traditional and higher value-added exports, (3) expanding the number of export-oriented firms, (4) increasing new employment, and (5) fostering linkages between Free Zone activities and local suppliers of goods and services.

The purpose of PREPS is to support the development and implementation of a privately managed Free Zone Regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Zone Law. Attainment of the program's purpose will result in increased economic efficiency as indicated by decreased time and costs associated with the establishment and operation of business activities under the Free Zone Regime.

The outputs that will be produced by the program to attain the purpose include the implementation of a number of the Regime's policy reforms that reduce the constraints to creating an environment free from distortions caused by inappropriate GRC involvement in the regulation and administration of the economy. These reforms

are directed at the following: (1) the excessive regulatory and administrative environment regarding the establishment and operation of a business; (2) the inefficient and irregular customs system; (3) the restrictive labor regulatory system; and (4) the inefficient legal system which lacks enforcement capability.

The inputs that have been programmed to attain these outputs are (1) three sector cash grants that will assist the GRC and Free Zone entities to implement the Regime efficiently and in compliance with the intent and provisions of the Free Zone Law and (2) technical assistance, training, research, and material support to develop and promote the institutional capacity of the National Office of Industrial Free Zones (NOIFZ), the Free Zone customs unit, the public services which support Free Zone development and the provisional Investment Promotion Center (IPC). In addition, technical assistance will be provided to monitor and evaluate program progress and to meet audit requirements.

D. Financial Plan

The total A.I.D. contribution planned for authorization under PREPS is \$6.16 million. This amount will finance the following inputs:

	(\$ 000)	(Percent of Total)
Cash Grants	3,100	51.0
Technical Assistance	2,654	43.0
Training	406	6.0
Total	6,160	100.0

Note: Inflation calculated into all line items at a 5 percent compounded average annual rate.

In addition to the above amounts which are proposed for authorization under PREPS approximately \$400,000 in Mission allotted PD&S funds will be used to finance complementary research activities related to the implementation of the Free Zone Regime.

E. Program Issues

The ECPR Review of the PREPS PAIP/PID (See State 247714 in Annex B) yielded no major issues for resolution and authorization was given for field approval of the implementation document. However, the ECPR gave guidance to the Mission in the following six areas.

1. Export Development Constraints

The ECPR expressed concern that the Free Zone Regime might not be sufficient to overcome some of the serious constraints to export development, particularly with regard to the overvaluation of the Franc CFA. The Mission was requested to analyze the country's comparative advantages and discuss how the Free Zone Regime would

address existing constraints to export development. Chapter III discusses this issue in detail. The conclusion is that the Free Zone Regime directly addresses the primary constraints to export development, including the problem of the overvaluation in the real effective exchange rate. Any depreciation in the nominal exchange rate (which is highly likely, but beyond the scope of PREPS) would simply further support the development of an internationally competitive export processing sector.

2. Demand Analysis

The Review noted that the PAIP/PID did not contain information on the demand for the Free Zone Regime in terms of potential enterprises and products. The Bureau recognized, however, that the results of the international market survey performed under the OPIC/A.I.D African Free Zone Initiative had just recently become available. Hence, the Mission was requested to discuss the results of this analysis of the potential demand for the Cameroon Free Zone Regime in the PAAD. Details regarding the results of both the international market survey and the MAPS private sector survey are presented in Chapter III. These surveys reveal that a high level of interest by agro-processing (i.e., food-processing, wood-processing, etc.), apparel, mechanical assembly (electronics, pharmaceuticals, chemicals and other manufacturing activities, as well as information-based service activities, in the Cameroon Free Zone Regime. Likely markets include Europe, the United States and Africa.

3. Program Modality

The Review suggested that since the NOIFZ and IPC are to be the ultimate beneficiaries of PREPS, the Mission should consider a project approach (rather than a non-project approach) that would directly allocate dollars to the local currency costs of these institutions. The Mission reviewed in great detail the programming modalities that would best meet the objectives being pursued under PREPS. As discussed in Chapter IV, the Mission decided that a blended, non-project assistance/project assistance modality would best meet these objectives. By tying dollar resources to actions that would be required solely by the Government, the Mission would be maintaining appropriate leverage vis-a-vis this key player in the implementation of the Regime. Similarly, by tying the disbursement of local currency resources to actions that would be required by the NOIFZ and IPC, the Mission would be maintaining appropriate leverage vis-a-vis the other key players. A combination of the two modalities allows each group to be held accountable to actions that it alone controls. In addition, a sufficient buffer was being programmed so that delays in Government actions would not unduly interfere with the budgetary requirements of the NOIFZ and the IPC.

4. Private Sector Risk

The Review recommended that a private sector commitment to the Free Zone Regime should be expressed in the form of an upfront financial contribution to the NOIFZ. The Mission was requested to contact the private sector Free Zone Advocacy Group and discuss appropriate levels and mechanisms for private sector financial contributions in support of the Free Zone Regime. Chapter VII discusses in detail the actions taken by the Mission in this regard. At present, the Free Zone Advocacy Group has agreed to cover the up-front costs of establishing the NOIFZ. In

addition, the Group has created a working committee that is to study and propose appropriate mechanisms for generating broad-based private sector financial support. It is expected that the Free Zone Advocacy Group will formally develop and propose a mechanism to the Mission by the end of this calendar year.

5. Recurrent Costs

Concern was expressed during the Review over the long-term financing requirements of the NOIFZ. It was determined that a recurrent cost analysis should be performed. Chapter VIII provides a detailed analysis of the recurrent costs of the NOIFZ under three alternative scenarios regarding the likely number of enterprises to be established under the Free Zone Regime during the program period. A.I.D.'s financial contribution will be phased-out on a declining basis over the five-year life of program and will be replaced by a combination of user fees and other fee-based resources to be determined by the NOIFZ. Specific conditions precedent regarding the access to and use of A.I.D. resources, including the requirement of a detailed financial plan regarding alternative revenue sources, have been designed into PREPS in order to ensure that NOIFZ will be self-sustaining by the end of the program period.

6. Program Evaluation/Monitoring

The Review requested that the PAAD/PP discuss more clearly the program monitoring system and outline the responsibilities of the GRC, the NOIFZ and the Mission, specifically with regard to the maintenance of impact statistics for Free Zone investment and employment. A comprehensive monitoring and evaluation plan is included in Chapter V. PD&S funds will be used to collect data and conduct special studies related to the attainment of program objectives. In addition, the NOIFZ is required by law to maintain and publish annual statistics regarding Free Zone investment, exports, land area developed, buildings occupied, jobs created, and foreign exchange earnings.

7. Authorized Uses for Cash Grants

The Review requested that the Mission clearly address in the PAAD/PP how dollar resources under a PREP NPA mode would be used. The purpose for which dollar funds will be disbursed under PREPS is discussed in detail in Chapter VII, Section D. Approved uses, in order of priority, are: importation of goods from the U.S.; importation of goods from other countries included in A.I.D. Geographic Code 899, and in conformity with the policies of the Grantee; payment of debts owed by the Grantee to the U.S. (other than payment of principal or interest on loans or credits which originally financed military imports or other military requirements), provided that payment of such debts is consistent with the agreed rescheduling arrangements where applicable; payment of a debt owed by the Grantee to a multilateral bank or to the International Monetary Fund; or such other uses as A.I.D. and the GRC may agree to in writing.

F. Structure of this PAAD/PP

The PAAD/PP is organized as follows. Chapter II provides an overview of recent macroeconomic developments in Cameroon. This traces the country's economic history from the oil, coffee and cocoa boom years of the 1970s and early 1980s to the period

of economic and financial crisis which currently plagues the country. Chapter III discusses Cameroon's comparative advantages, the existing constraints to the country's export development and the need for policy reform in the export sector. The chapter also provides details regarding the Cameroon Free Zone Regime and how it addresses the existing constraints to export development, as well as an overview of the potential demand for the Free Zone Regime. Chapter IV presents a description of the PREPS program. In particular, it discusses the program's goal, purpose, strategy, modality, reform agenda and primary inputs and activities. Chapter V highlights the monitoring, evaluation and audit plans for PREPS, while Chapter VI discusses PREPS's program management, procurement and implementation and Chapter VII presents the cost estimate and financial plan for PREPS. The PAAD/PP concludes by presenting an economic, financial, institutional and social feasibility analysis of PREPS. A series of annexes are also provided as noted in the Table of Contents.

II. The Macroeconomic Environment in Cameroon

Economic growth in Cameroon was relatively rapid throughout the seventies and into the mid-eighties. Growth was led by export earnings from agricultural products, principally cocoa and coffee. Gross domestic product increased at an average annual rate of 5.2 percent from FCFA 320 billion in 1970/71 to FCFA 1,800 billion in 1980/81. The substantial expansion of oil production beginning in 1978 further accelerated growth in GDP to 9 percent annually from 1980/81 to 1985/86, with per capita income reaching the equivalent of \$800. The decline in the world price of oil beginning in 1986 and the subsequent precipitous reduction in world cocoa and coffee prices beginning in 1987 and continuing up to the present have cut export earnings by almost one-third overall. This dramatic decline in export earnings produced an economic recession and a financial crisis which the country is presently struggling to overcome.

The long period of growth and of increasing income levels was able to sustain an inefficient and uncompetitive production and trade base. In particular, the government was able to maintain a protectionist trade policy which permitted the growth of a highly inefficient parastatal sector, including state-owned banks. This period of growth and rising incomes also led to the expansion and over-extension of an inefficient public sector bureaucracy. A system of heavy-handed administrative control was sustained which had the Government involved in almost every major aspect of economic life (i.e., price controls, margin controls, wage controls, import licenses, quantitative restrictions, interest rate controls, credit controls, etc.). When faced with the sudden drop in export earnings, the weaknesses of this system and its inability to adjust to the changed circumstances became evident as both the Government and the parastatals began drawing down their deposits in the banking system and accumulating internal and external arrears regarding their payment obligations to banks and to suppliers of goods and services. In addition, the produce marketing board for cocoa and coffee was unable to pay farmers the producer price for their crops which resulted in an accumulation of arrears regarding crop credit provided by the banking system. In turn, the fragility of the banking system became apparent. Commercial banks could no longer carry the already sizeable and growing bad debts as their deposit base dwindled. Credit for new enterprises and activities was simply unavailable.

Believing that the crisis was of a short-term nature, the GRC initially increased its budgetary expenditures by one-third in 1986/87 while revenues declined by 18 percent. Beginning in 1987/88, however, the Government began to take direct action by cutting expenditures, particularly capital expenditures which declined by almost 60 percent. The overall fiscal deficit (which was 13 percent of GDP in 1986/87 on a commitment basis) declined to 6 percent of GDP in 1987/88 and to 4 percent in 1988/89, but was not brought down further in 1989/90 (currently estimated at 5 percent of GDP). Due to the build-up of arrears, the overall fiscal deficit on a cash basis now remains higher than the deficit on a commitment basis. It was 9 percent of GDP in 1988/89 and is estimated to be 13 percent of GDP in 1989/90. This does not, however, take into full account the payment obligations that the Government is holding vis-a-vis the banking sector and the parastatal sector as these entities become restructured. It is important to note, however, that expenditure reductions of nearly 30 percent from 1985/86 to 1988/89 would have been more than sufficient to eliminate the fiscal deficit if both the tax base and tax

yields had not also been declining. It is because of the significant reduction in Government revenue triggered by a non-diversified economy which was heavily dependent upon a limited amount of export crops that the full inefficiencies previously hidden were brought to the forefront. The crisis had arrived and would not disappear in the absence of either a major restructuring and reform effort or a return to high world prices for oil, cocoa and coffee. With the likelihood of the latter being slim, the GRC had little choice but to attempt the former.

Beginning in early 1988, the GRC began discussions with both the IMF and the World Bank regarding the stabilization and structural adjustment of its economy. With the support of a Stand-By Arrangement approved in September 1988 and a Structural Adjustment Loan approved in July 1989, the GRC began to undertake actions aimed at: curtailing the growth of public expenditures; strengthening and broadening revenue collection; reforming the civil service; liberalizing the trade regime; liquidating, privatizing, and restructuring the parastatal sector; and restructuring the commercial banking system. The measures taken to date, however, have not been sufficient to reverse the decline in tax revenues which fell to 16 percent of GDP in 1989/90. Moreover, the civil service has grown from 160,000 in 1985 to 188,000 in 1990 in spite of the fiscal crisis, while the restructuring and privatization of the parastatal sector has been slow. On the positive side, the trade regime is now significantly more open with the phased elimination of quantitative restrictions and the removal of all import licensing requirements. Furthermore, the restructuring of the banking sector has proceeded well. Three insolvent banks (Cameroon Bank, Banque Paribas and Cameroon Development Bank) have been closed down and one additional bank (the International Bank for Africa) will likely be liquidated. One bank (the Societe Commerciale de Banque-Credit Lyonnais) has already been fully restructured and recapitalized while four additional banks (Societe Generale de Banque au Cameroun, the Banque Internationale pour le Commerce et l'Industrie au Cameroun, the Standard Chartered Bank and the Banque Internationale de l'Afrique Occidentale) are to be restructured and recapitalized before the end of this year. The remaining small commercial banks (Meridien Bank and Bank of Credit and Commerce Cameroon) have relatively healthy balance sheets. At present, the IMF Stand-by Arrangement has become inoperative, primarily because the revenue projections used in designing the program failed to materialize. Delays have also occurred in meeting the second tranche conditions under the World Bank SAL, although recent actions taken by the Government appear to meet the majority of the Government's obligations. What prevents the disbursement of the second tranche of the SAL and the development of a new IMF Stand-by arrangement are agreements regarding the macroeconomic framework to be pursued by the Government, primarily with regard to the budget. Agreements are expected to occur during the World Bank/IMF Annual Meetings to be held in Washington, D.C. in September 1990.

Medium-term prospects are for slow growth and continuing declines in per capita income throughout the medium-term. Even these modest growth projections may prove to be overly optimistic if the GRC does not move more forcefully to remove inefficiencies regarding the public sector and to further reduce the overextended role of the public sector in economic activities.

III. Development of the Export Processing Sector in Cameroon

This chapter analyzes the extent to which Cameroon can develop an internationally competitive export processing sector. Section A provides a brief overview of Cameroon's comparative advantages, particularly with regard to the country's land, labor, infrastructure and dynamic private sector. Section B discusses the key constraints that presently inhibit the development of an internationally competitive export-processing sector in Cameroon, while Section C stresses the need for policy reform in the export sector. Section D highlights the main components of the Cameroon Free Zone Regime and discusses how the Regime addresses the primary constraints to export development. In addition, this section presents comparative statistics which reveal that the Cameroon Free Zone Regime is among the best in the world. The chapter concludes by discussing the potential demand for the Regime as recently revealed through a domestic and an international market survey.

A. Comparative Advantage

Cameroon is a country rich in natural resources and endowed with a well educated labor force as well as a dynamic private sector. The country's comparative advantages fall into the following five major categories: (1) rich agricultural and abundant industrial land; (2) a large, well educated and bi-lingual labor force; (3) plentiful and cheap electricity and water; (4) a relatively well developed infrastructure base; and (5) a dynamic and broad-based private sector. The rest of this section will discuss each of these comparative advantages in detail.

1. Land

Cameroon has a vast number of different eco-systems ranging from the coastal plains to dense tropical forests to the mountain plateaus to the high elevation savannahs to desert. The country is blessed with a diversity of very rich soils, including substantial areas of volcanic soil. The temperature levels found throughout Cameroon are the most favorable found amongst the numerous tropical and temperate countries in the region and throughout the world. With an average overall population density of less than 23 persons per square kilometer, the overwhelming majority of Cameroonian land is uninhabited. The combination of a diversity of eco-systems and agro-climates, rich soils and favorable temperatures provides the country with unlimited potential for the rapid development of non-traditional agricultural and agro-industrial exports, including juicing, canning, freezing, wood products and furniture making.

Moreover, industrial land is abundant and inexpensive relative to other developing countries. In the densely populated Douala area, the price of raw land designated for industrial use averages about \$9.38 per square meter, with prices in remote areas even cheaper. The land tenure policies of the country are basically sound and the GRC welcomes foreign land ownership. In the Free Zone Law, land ownership is not restricted to Cameroonian nationals or the government, which is often standard practice in other Free Zone countries. Even though restricting the ownership of Free Zone land to nationals is not usually a deterrent to Free Zone developers (as long as long-term leases are available at market rates), this is an extra advantage to foreign developers.

2. Labor

Cameroon's abundant labor force is one of the country's most important advantages. With a total population of almost 11 million, an active labor force of approximately 5 million and a high unemployment and underemployment rate, labor is readily available. At present, two-thirds of the population lives in rural areas, although there is a continuing flow of rural migration as people leave the rural areas in search of jobs in the urban areas. The urban population is estimated to be expanding at a rate of about 5.5 percent per year since the early 1980s, while the rural population has been growing at just slightly over 1 percent per year. Unemployment in the major cities is estimated at close to 30 percent and underemployment even higher. Official estimates place the national unemployment rate at 15 percent, although unofficial estimates go as high as 30 percent.

The Cameroonian labor force is well educated, with a literacy rate of 68 percent being among the highest in Africa. This high literacy rate is an important asset to the development of a strong industrial sector since literacy is important in the training stages for any industry and a significant advantage for more advanced operations, such as data processing and other information service industries. Enrollment in primary school in Cameroon is 100 percent, in secondary school over 23 percent and in higher education institutions about 2 percent of the school age population. The country has made education a high priority and has devoted a significant part of its national budget to education. An additional advantage regarding the country's labor force is that both French and English are official languages and are spoken by 78 percent and 22 percent of the population, respectively. This bi-lingual capability will greatly facilitates communications between local workers and foreign management and will serve as an important advantage in attracting foreign investors to Cameroon. As will be discussed further below, the existing Labor Code creates problems regarding wage level and the ability to hire and fire workers freely. These problems, however, will be directly addressed by provisions under the Free Zone Regime.

3. Infrastructure

(a) Electricity and Water

Cameroon is blessed with substantial water resources which has greatly eased any constraints regarding power and water generation. 95 percent of the country's electricity supply presently comes from hydroelectricity, with the hydro network and capacity currently being expanded. Reliability of power supply has never been a problem as is often the case in most African and other developing countries. Interruptions have been low (only 3 hours in all of 1988) and fluctuations in current (about 7 percent) are well within the normal range. Most importantly, because of the country's reliance on hydro-generated power, the cost of electricity in Cameroon (\$0.05 per kwh) is amongst the cheapest in the world. This is in contrast to Kenya, Mauritius and Cape Verde where the rates are \$0.11, \$0.10 and \$0.14, respectively. Similarly, water is readily available for industrial and commercial use throughout the major urban areas. The capital city of Yaounde has recently expanded its pipeline network and water distribution is no longer a constraint. The cost of water in Cameroon is approximately \$0.73 per cubic meter, which is competitive vis-a-vis rates in the Caribbean Basin and Mauritius (which range from \$0.32 to \$1.18 per cubic meter). Cameroon's water rates are very

competitive in comparison with other West African countries such as Senegal and Cape Verde where water costs approximately \$2.00 per cubic meter.

(b) Port Facilities

The principal port at Douala is well equipped with a general cargo terminal, an agricultural products terminal, refrigerated warehouses, a wood terminal, a fishing terminal and a modern container terminal with roll-on roll-off facilities and large container storage areas. At present, the port is under-utilized due to the ongoing economic crisis. Although the port is equipped to handle 7 million metric tons of shipments per year, annual traffic is presently estimated at around 3 million metric tons. Plans have been made for the development of a deep water port off the coastal city of Limbe. However, this project will have to await the return of enough economic activity in the country to warrant its development. Shipping costs from Cameroon to ports in Europe are competitive relative to other African countries. The rate for a 20 foot container shipped to Europe is approximately \$1,562 in comparison to rates of \$2,250, \$2,500 and \$1,130 for Kenya, Mauritius and Togo, respectively. Shipping rates from Cameroon to its main end-market (Europe) are also competitive relative to those in other offshore processing centers to their main end-market (the U.S.), such as the Dominican Republic (\$1,290), Honduras (\$1,990), Costa Rica (\$2,300) and El Salvador (\$2,885). The main problems regarding the port are with regard to the high levels of port charges and troubles related to customs clearance. As will be discussed further below, these two areas are directly addressed by the Free Zone Regime.

(c) Airport Facilities

Cameroon has three international airports capable of transporting both passengers and freight. The primary airport at Douala is served by major international airlines (including Swissair, Lufthansa, UTA and Sabena) and by major regional carriers (including Air Afrique, Ethiopian Airlines and CAMAIR). Air freight services are provided on a frequent basis to Europe by the above listed carriers, as well as by international air courier services such as DHL, World Courier and Carrier International. Air freight rates, however, are expensive. Air freight rates to Western European destinations are relatively high in comparison to other African locations, although rates to the United States compare very favorably with other African countries. Nonetheless, the frequency and reliability of air freight services between Cameroon and potential future markets of Free Zone industries is an important advantage over many competing Free Zone locations.

(d) Rail System

The railway system in Cameroon is the backbone of the national transport system, with fairly substantial unused capacity. For example, the Yaounde-Douala link has a annual capacity of 3 million tons per year, while actual traffic is at less than 2 million tons per year. The rail system has been described as being efficient, with good loading and unloading facilities. Up unto the present, the main items of rail freight traffic have included cotton, timber and fuel. Given the country's relatively poor internal road system in the rural areas, rail transportation has been an important source of transportation for goods.

(e) Road System

It is important to note, however, that by African standards Cameroon's road network is amongst the best. Major improvements in the road infrastructure system have been made over the past five years and several inter-city and intra-city road projects are currently ongoing. The road system appears to be more than adequate for Free Zone development, especially since the roads in and around Douala and to and from Yaounde and Limbe are in excellent condition. The soon-to-be completed construction of a major road linking the port of Douala with Kribi will allow for the opening of the southern, mostly undeveloped part of the country. Transportation from the interior of the country would be more problematic, although adequate.

4. A Dynamic Private Sector

Cameroon is fortunate in comparison to most African countries in that it has a fairly dynamic and broad-based private sector. The private sector is well organized through a variety of business associations, usually based on common points of interest. In addition, the economic power base is dispersed among a variety of players rather than being concentrated solely in the hands of a privileged few. In contrast to other African countries, commercial activities are primarily handled by a local, indigenous group (the Bamelike) rather than being the domain of the Greek, Lebanese and Indian traders. Equally important, the education system has allowed the country's youth to gain access to higher level institutions both in-country and abroad. A strong foundation for future entrepreneurs is therefore being developed. In sum, the country has a strong basis for developing its potential through the use of local versus foreign talent.

B. Existing Constraints to Export Development in Cameroon

In spite of the country's comparative advantages in land, labor and infrastructure and the existence of a dynamic private sector, the country suffers from a variety of legal, regulatory and institutional obstacles that have rendered its export processing sector internationally uncompetitive. In analyzing the constraints to export development in Cameroon, the Mission has drawn upon a variety of reports and studies regarding the barriers to private sector development, in general, and export development in particular.¹ These analyses identified the following impediments as being the most significant constraints to the development of both of these areas: (1) the excessive regulatory environment; (2) the lengthy and costly system of customs clearance; (3) the overvaluation of the Franc CFA; (4) access to credit; (5) access to world markets; (6) inadequate road infrastructure and cost of road transport; (7) inadequate and expensive telecommunication system; and (8) inadequate legal system. The rest of this section will discuss each of these areas in detail,

¹ These documents included: "The Private Sector in the Economy of Cameroon" (IFC, 1987), "Cameroon Private Sector Strategy Review" (ISTI, 1987), "Regulations Affecting the Ability to Establish a Business in Cameroon" (Ngogang, 1989), "Regulations Affecting Economic Activity in Cameroon" (Donfack, 1989), "The Labor Code and Labor Regulations in Cameroon" (Tchakamakoua, 1989), "Cameroon FIAS Diagnostic Report" (FIAS, 1990), and a series of analyses performed by The Services Group, Inc. as part of the Cameroon pre-feasibility study under the USAID/OPIC Africa Free Zone Initiative.

as well as note how these constraints will be alleviated by the Free Zone Regime.

1. Excessive Regulatory Environment

There was broad consensus among the studies that the existing regulatory and administrative environment severely distorted the local economy and thereby hindered the ability of the private sector to produce goods and services efficiently. These distortions were in part the result of the excessive number of permits and licenses required to establish and operate a business in Cameroon, the preponderance of price and margin controls, and rules requiring private businesses to purchase inputs and/or services from inefficient government monopolies and quasi-monopolies. Ngogang (1989) found that the establishment of a business in Cameroon on the basis of the existing system requires some 24 steps involving 20 ministries, agencies or offices and taking from 6 1/2 to 25 months to complete. The MAPS Private Sector Diagnostic found similar results. 44 percent of the firms surveyed required 6 or more permits to begin operation, with 25 percent requiring over 15 permits. In turn, 44 percent of these firms required over 6 months to receive their permits, with 24 percent requiring in excess of one year. Moreover, 33 percent of the firms surveyed said that they had to obtain at least 11 permits annually in order to continue to operated their business.

As regards the prevalence of price and margin controls, the IFC report concluded that these controls constitute a primary constraint to private sector development. Similarly, the ISTI study concluded that price and margin controls served as some of the most endemic problems regarding investment in and operation of a business in Cameroon. Firms are simply not allowed to determine the price at which they can sell their goods and services. This problem is further exacerbated by existence of local purchase rules which affects the cost of production. The Services Group found that public monopolies extracted large rents at the expense of a firm's ability to remain competitive. For example, the rules and regulations of the CNCC monopoly required local firms to use CAMSHIP for their shipping needs if service was available. This raised the average cost of shipping and transporting goods by over 15 percent in comparison of other internationally competitive shipping lines.

The existing Labor Code in Cameroon directly contributes to the high cost of labor in the country. Wages in Cameroon are administratively determined based on non-economic considerations rather than on productivity grounds. Employers are required to pay fixed wages based on the firm's geographic location, its area of economic activity and its workers' level of formal education. In addition, the Labor Code is very strict regarding the procedures that must be followed and the formal reviews that must be held in order to fire/hire a worker. FIAS noted that nominal wages in Cameroon were not internationally competitive and that there was a clear need to set wages on basis of productivity and efficiency. This conclusion was reinforced by the findings of The Services Group which noted that the prevailing hourly wage in Cameroon of \$1.49 was almost three times the level in Ghana, Haiti, Togo and the Dominican Republic. The rigid Labor Code therefore serves as a formidable barrier to private sector development in Cameroon, especially with regard to the production of internationally competitive goods and services.

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2. Customs Clearance Procedures

An important constraint to the export development in Cameroon involves the delays and costs incurred under the existing system of custom clearance. A common perception held throughout the private sector in Cameroon is that the Customs Department is inefficient and corrupt. Goods often take two to four weeks to clear customs, unless direct efforts are made to facilitate the process. These costs, whether in the form of added time or money, directly add to the bottom line of doing business in Cameroon. The July 1989 issue of Africa International provided a lengthy expose on this problem and revealed the high levels of delay and corruption which significantly increased costs to businesses in Cameroon. This was also one of the primary concerns raised by The Services Group who noted that there were excessive delays, costs and corruption associated with the port of Douala. The MAPS Private Sector Diagnostic found that over 37 percent of the firms interviewed responded that customs clearance procedures negatively affected their business performance. This was further reinforced through a series of interviews and discussions that the Mission staff held with local and expatriate businessmen regarding their experiences with customs.

3. Overvaluation of the Franc CFA

Based on recent estimates provided by the IMF, the World Bank and others, it appears that the Franc CFA is overvalued from 30 to 50 percent. An overvalued exchange rate creates, in effect, a tax on exports and provides a subsidy to imports. A clear sign of this overvaluation is the sizeable deficit in the country's overall balance of payments. As a member of the franc zone headed by the Banque des Etats d'Afrique Centrale (BEAC), Cameroon does not have any direct control over its nominal exchange rate. This rate is fixed by the French Government in return for the guaranteed full convertibility of the Franc CFA at the current rate of FCFA 50 to FF 1. This overvaluation is due to the fact that the trading patterns of Cameroon and France are entirely different. By fixing the parity of the Franc CFA to French Franc, the value of Cameroon's currency in international markets shifts based on changes in the French Franc exchange rate vis-a-vis France's trading partners. Moreover, Cameroon's exchange rate does not vary at all in relation to the degree of inflation occurring in the local economy. The end result is that Cameroonian exports are indirectly assessed a tax of 30 to 50 percent. This severely undercuts the country's ability to produce goods and services in international markets.

4. Access to Credit

Under the existing economic and financial crisis facing Cameroon, access to credit has become problematic. The primary factors affecting access to credit have been the high collateral requirements imposed by the banks and the strict credit ceilings imposed by the Government through its central bank. The credit ceilings have been particularly severe because the sizeable amounts of non-performing outstanding credit have blocked the injection of new productive credit into the economy. As noted during the MAPS Private Sector Diagnostic, over 75 percent of firms employing less than 100 people reported having difficulty obtaining access to credit. On average, firms obtained 25 percent of their financing needs from local formal financial institutions, with continnes providing 12 percent and own-resources accounting for about 50 percent of the total.

5. Access to Markets

The overwhelming majority of existing firms in Cameroon produce goods for sale to the local market. According to the MAPS Private Sector Diagnostic, on average firms sell about 92 percent of their production to the local economy. This average changes only slightly among all size categories, except for the largest firms, where the average proportion of the total product marketed abroad increased to 26 percent. While approximately 26 percent of all firms sampled believed that export activities provided good prospects for investment, information on foreign markets was cited as the single most important constraint to expanding or entering an export operation. Throughout discussions held between Mission staff and the Cameroonian private sector, knowledge of and access to foreign markets was continually referred to as a key limitation to export development.

6. Inadequate Road Infrastructure and High Cost of Road Transport

Although Cameroon's road infrastructure is amongst the best in Africa, only 10 percent of the total road network of 33,000 km is paved. 32 percent of these roads are in good condition, while 56 percent are in passable condition and the remaining 32 percent are in poor condition. The percentages for paved roads are 41 percent, 51 percent and 8 percent, respectively. According to the results of the MAPS Private Sector Diagnostic, existing exporters believe that the road network is inadequate to meet their needs. The combination of the poor road network and the lack of accessible and affordable transport was felt to be a constraint to the operations of over 50 percent of these firms operating in the agriculture and agro-industrial sector. However, the land transport constraint was felt primarily by those firms exporting to the UDEAC countries, which travel inland and cross Cameroon's borders with neighboring countries.

7. Inadequate and High Cost Telecommunication System

The internal telephone network in Cameroon has been unreliable with frequent service interruptions being common place. At present, the national telephone network is being modernized and an improved network offering more lines and a fully rehabilitated modern system should be operational by 1991. International phone connections in Cameroon are of excellent quality and service is reliable, with direct dial communication being available to most European countries, as well as to the Far East and North America. The key problem, however, has been with regard to the inefficient domestic telecommunication monopolies (i.e., the PTT and INTELCAM) which render information-intensive industries uncompetitive in Cameroon. As in most African countries, communication rates are extremely high. For example, a telephone call to the United States costs about \$6.56 per minute. A similar call from Togo or Cape Verde would cost roughly \$4.70, while calls from Costa Rica (\$1.68 per minute) and Sri Lanka (\$2.90) are significantly less. This is despite the fact that the INTELSAT rate passed onto to the local Cameroon telecommunication company is around \$0.30 per minute.

8. Inadequate Legal System

The legal system in Cameroon is widely believed to be inefficient and corrupt. Case loads are severely backed up with delays of up to two years being common place. Moreover, even if a business eventually brought its case to the bar it was not

assured that its rights and privileges would be protected because of the problem of judicial corruption. FIAS supported this finding by noting that the judicial system in Cameroon was corrupt and highly politicized. Two-thirds of the respondents in the MAPS Private Sector Diagnostic maintained that the difficulty of enforcing contracts made it difficult to conduct business in the country. This perception was equally shared by firms in all sectors and of all sizes. Examples of this problem are widespread and include the inability of the commercial banks to enforce loan repayment obligations vis-a-vis important Government officials. Dispute settlement and enforcement therefore serves as a key obstacle to private sector development.

C. The Need for Policy Reform in the Export Sector

As discussed in Chapter II, Cameroon's export sector is highly concentrated within three main commodity groups: petroleum, coffee, and cocoa. In 1984/85, these three items accounted for over 80 percent of the country's export bill and earned FCFA 636 billion in foreign exchange. Petroleum (54.1 percent) was the single largest export item, followed by coffee (12.0 percent) and cocoa (14.1 percent). In contrast, manufacture exports earned a meager CFA 59 billion in foreign exchange or less than 6 percent of total export revenue. This overdependence has left the country particularly vulnerable to external shocks as noted by the sharp decline in export revenues since 1985 primarily due to the reduction in the world price for these three commodities.

A combination of lower world prices and lower domestic production resulted in oil revenues declining from FCFA 722 billion in 1984/85 to FCFA 232 billion in 1989/90. During this period of time, oil prices declined from \$27.00 per barrel to \$16.36 per barrel, while export volume declined by 20 percent. Although cocoa export volume rose by 22 percent from 1984/85 to 1989/90, this was offset by a decline in world cocoa prices from FCFA 977 per kg to FCFA 353 per kg. The result was that cocoa export revenues were cut in half from FCFA 107 billion in 1984/85 to FCFA 58 billion in 1989/90. Similarly, although the export volume of coffee increased by 28 percent, world coffee prices tumbled from FCFA 1,338 per kg to FCFA 600 per kg for Arabica and from FCFA 1,125 per kg to FCFA 347 per kg for Robusta. In turn, coffee export revenue fell from FCFA 110 billion in 1984/85 to FCFA 52 billion in 1989/90. During this same period of time, manufacture exports remained stagnant, earning on average FCFA 49 billion per year and comprising about 10 percent of total exports.

The lack of economic diversification has had severe implications not only for the country's balance of payments, but also for its fiscal situation, its monetary and financial system and national income. It is only prudent therefore that Cameroon begin to pursue policies which will broaden and diversify its production/export base into higher value-added activities and thereby reduce the country's vulnerability to external shocks. As discussed above in Section A, Cameroon is extremely fortunate to be endowed with rich natural resources, a well educated population and a dynamic private sector. While there are presently severe constraints to export development (as noted above in Section B), policy reform measures could alleviate most of these constraints. Moreover, policy reform has a greater potential of having a positive effect on the economy given that the basic building blocks are already in place. The objective of export sector policy reform should be to improve the investment environment and reduce the domestic distortions which have impeded

the foreign and domestic private sectors from being able to invest in and exploit those areas where Cameroon has a comparative advantage. The Cameroon Free Zone Regime is designed to accomplish this objective. By diversifying its production and export base into agro-industrial and resource-based manufacturing, Cameroon will be reducing its vulnerability to external shocks, broadening its revenue base, increasing value added and national income, while stimulating new areas of employment.

D. The Cameroon Free Zone Regime

1. Overview of the Development and Principles of the Free Zone Regime

On January 29, 1990, President Paul Biya signed into law a Presidential Ordinance creating a Free Zone Regime for export-oriented activities. When this ordinance was subsequently ratified by the Cameroon National Assembly on July 1, 1990, it represented the culmination of a year-long process aimed at establishing the foundation for development of world-class, privately-owned and operated free zones throughout the country. In drafting the Free Zone Law, the GRC learned from the mistakes of other countries and put together a package of regulatory and financial incentives which incorporated the best aspects of the export processing zones in existence. Much of this insight and knowledge was gained during AID-sponsored observational tours of the Free Zone regimes in Mauritius, the Dominican Republic and Costa Rica. As will be discussed below, the result was a law which makes the Cameroon Free Zone Regime competitive with the best of export processing zone regimes worldwide.

There are three important principles established under the Cameroon Free Zone Regime which will provide the country with an additional advantage vis-a-vis its competitors. First, all regulatory and administrative authority regarding the establishment and operation of free zone enterprises previously held by various government offices has been transferred to and centralized within the National Office of Industrial Free Zones (NOIFZ). The NOIFZ will serve as a "one-stop shop" for Free Zone investment approval, as well as for the provision of all public services relevant to Free Zone enterprises. This streamlined administrative approval and regulatory system will replace the current one which, as discussed above, can require some 24 steps involving 20 ministries, agencies or offices and taking from 6 1/2 to 25 months to complete.

Second, the Free Zone regulatory and administrative authority (i.e., the NOIFZ) is headed by a mixed body with private sector majority representation. The Board of Directors of the NOIFZ is comprised of six representatives from the private sector and three representatives from the public sector and will employ the system of one-person, one-vote regarding all Board decisions. Once the Regime is fully operational, free zone enterprises, operators and developers will directly elect the six private members of the Board. Hence, the Office and its Board will be held accountable to Free Zone users.

Third, because of the country's rich and diverse natural resource base, the Free Zone Regime in Cameroon allows for the creation of "point francs" or industry-specific free zones for economic activities which for economic/financial reasons require to be located near or adjacent to their primary source of inputs. Hence, the Regime not only allows for the creation of "industrial free zone parks", but

also for the creation of industry-specific free zones which can be located throughout the country. The Government has recognized that export activities in Cameroon will not likely be those traditionally found in Free Zones throughout the world (i.e., labor intensive activities such as textiles, clothing and assembly), but rather domestic resource-based processing activities where the "location" decision will likely be critical to the financial viability of the project. The decision regarding location has therefore been left to the private sector.

2. Access to and Benefits Provided Under the Cameroon Free Zone Regime

As stated in the Free Zone Law, the requirements for an enterprise to gain access to the Free Zone Regime are very straightforward. All enterprises which: (a) produce goods and services exclusively for export or for sale to buyers who are resident outside of Cameroon and (b) produce goods and services which will not have deleterious effects on the environment are eligible for Free Zone status. In addition, developers and operators of industrial free zones are also considered to be free zone enterprises and are entitled to the entire package of incentives provided under the Free Zone Law.

The package of world-class incentives provided under the Free Zone Regime can be summarized as follows:

- o a streamlined 30-day investment approval system;
- o a streamlined system of on-site customs inspection;
- o a 10-year tax holiday from corporate profit tax followed by a flat 15 percent tax on profits thereafter;
- o exoneration from all other direct and indirect taxes;
- o exoneration from all customs duties, taxes and quotas;
- o right to hold foreign exchange accounts;
- o guaranteed right to transfer all profits, dividends and investments;
- o ability to set wages on the basis of productivity and efficiency;
and
- o right to install private telecommunication and utility systems.

As revealed in Table 1, this package of incentives makes the Cameroon Free Zone Regime competitive with, if not better than, the best export processing zone regimes found throughout the world. Further details regarding the incentives provided under the Cameroon Free Zone Regime can be found in Annex C.

3. Addressing the Constraints to Export Development

As discussed above, there are eight primary constraints to export development in Cameroon. While not alleviating these constraints entirely, the Cameroon Free Zone

TABLE 1
COMPARISON OF FREE TRADE ZONE INVESTMENT INCENTIVES IN SELECTED
DEVELOPING COUNTRIES

	Cameroon (EPZ)	Costa Rica (EPZ)	El Salvador (EPZ)	Guatemala (EPZ)	Honduras (EPZ)	Mexico (Maquiladora)
Corporate Income Tax Abatement	100% exemption for 10 years; 15% tax in corporate income there after	100% exemption for 6 years; 50% exemp- tion for 4 years following	100% exemption for 10 years	100% exemption for 12 years	100% exemption in perpetuity	37% tax on corporate income
Capital/Profits Repatriation	No restrictions	No restrictions	Not explicit	NO restrictions	NO restrictions	No restrictions
Duty Treatment for All Imports and Exports	100% exemption	100% exemption	100% exemption	100% exemption	100% exemption	100% exemption
No. of Days to Receive Approval	30	90	45-50	Not Available	35-40	N/A
Tax on Dividends	100% exemption	100% exemption	100% exemption	100% exemption	100% exemption	No Exemption
Restrictions on Foreign Ownership	None	None	None	None	None	None
Sales To Local Market	Case by case	49% of total output	Case by case basis	Limited access	Unlimited access	20-40% of total
Management of Foreign Currency	Unrestricted	Unrestricted	Controlled	Unrestricted	Unrestricted	Controlled

TABLE 1 (Continued)
COMPARISON OF FREE TRADE ZONE INVESTMENT INCENTIVES IN SELECTED
DEVELOPING COUNTRIES

	Taiwan (EPZ)	Singapore (Science Park)	Hong Kong	Malaysia (EPZ)	Philippines (EPZ)
Corporate Income Tax Abatement	Optional 100% exemption for 5 years; otherwise 20% tax on corporate income	33% tax on corporate income	18% tax on corporate income	95% exemption for 5 years	33% tax on corporate income
Capital/Profits Repatriation	No restrictions	No restrictions	No restrictions	No restrictions	Subject to the availability of foreign currency
Duty Treatment for All Imports and Exports	100% exemption	100% exemption items	100% exemption	100% exemption for most goods	100% exemption
No. of Days To Receive Approval	10-30	30	1	Not Available	10-30
Tax on Dividends	20% tax	100% exemption	100% exemption	10% tax	35% tax
Restrictions on Foreign Ownership	None	None	None	None	No foreign ownership of land
Sales To Local Market	20% of total output	N/A	Unrestricted	20% of total output	20% of total output
Management of Foreign Currency	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Not Available

Regime does address the vast majority of the obstacles currently impeding export growth and diversification. The discussion below will highlight exactly how the provisions of the Free Zone Regime address each of the eight constraints noted in Section C above.

(a) Excessive Regulatory Environment

Under the Free Zone Regime, the number of permits that must be obtained and the number of procedures that must be followed in order to establish and operate an export-oriented firm have been greatly reduced. A single application form replaces the 24 independent steps that were previously required. Moreover, a single one-stop shop for investment approval has been created (i.e., the NOIFZ) which replaces the previous 20 ministries, offices and agencies that were required for investment approval. In addition, the time required for Free Zone investment approval has been reduced to 30 days in place of the 6 to 24 months that were previously required. The Cameroon NOIFZ is one of the few one-stop shops that exist in the world to date and is the first to be privately managed and operated. It should serve as a major vehicle to attract foreign and domestic investment, given that it significantly reduces the cost of establishing and operating a business in Cameroon and provides a world class package of financial incentives. The Free Zone Regime also addresses the important constraint created by the existing system of price and margin controls and of domestic purchase requirements. Under the Regime, export industries are exonerated from all price and margin controls and are free to purchase their inputs from local or foreign sources. Hence, not only can Free Zone enterprises set their prices based on world market conditions, but they can also purchase their inputs from local firms free from the system of price/margin controls. This will not only increase the efficiency of Free Zone enterprises but also permit greater backward linkages to the rest of the economy than currently permitted under the existing system.

The Free Zone Law also creates a distinct set of rules and procedures that Free Zone enterprises follow regarding hiring/firing workers as well as setting wages. Free Zone enterprises are exonerated from the standard wage classification scheme specified under the Labor Code which, as mentioned above, fixes all wages by industrial sector, geographic location and level of formal education. In place of this system, Free Zone enterprises have the right to freely negotiate contracts with their employees. In particular, the Law specifies that Free Zone enterprises may set wages on the basis of productivity and efficiency. The Law also states that the restrictive and bureaucratic procedures regarding hiring/firing can be replaced by the system agreed upon between Free Zone employers and employees as developed during their collective bargaining. The net effect of the Free Zone Labor Regime is that wages can now be negotiated on the basis of market forces rather than by administrative fiat. Since the current wage structure is believed to be internationally uncompetitive, the liberalized setting of wages between Free Zone enterprises and employees will most likely move in the direction of more internationally competitive wage rates.

(b) Customs Clearance Procedures

The Free Zone Regime directly addresses the problem of customs delay and corruption. First, the nature of the Free Zone customs regime reduces the opportunities for customs officials to extract rents. Since Free Zone enterprises are exonerated from

all tariffs and taxes on their imports and exports, the task of "valuation" is no longer required. In fact, this is the most likely point in the existing system where customs officials hold a tremendous amount of administrative discretion and can use their leverage vis-a-vis the businessman (and vice-a-versa). Under the Free Zone Regime, this valuation activity no longer takes place. All imported raw materials, intermediate goods and plant and equipment are allowed to enter the Free Zones duty free. Second, customs clearance no longer takes place under the shroud of the national customs at the port. Rather, the Free Zone Regime creates a system of automatic transfer and on-site customs inspection at the enterprise. Moreover, the Free Zone customs procedures require that goods be transferred and cleared in a matter of days rather than weeks. In addition, the customs inspection procedure takes place under the watchful eye of the zone developer, the zone enterprise and a representative of the NOIFZ. These are the players who will ultimately provide performance-based bonuses to Free Zone customs agents. Together, this will significantly reduce the opportunity for the customs official to create unnecessary delays while holding them accountable to Free Zone users.

(c) Overvaluation of the Franc CFA

Although the Free Zone Regime cannot directly address the problem of an overvaluation in the nominal exchange rate, it does directly address the problem of an overvaluation in the real exchange rate. Cameroon does not have any direct control over the fixing of the exchange rate of the Franc CFA. However, Government policy can and does directly influence the level of prices and wages in the economy. The current problem is that domestic wages and prices are excessively high to foreigners, primarily because of the nominal exchange rate problem. If domestic wages and prices declined (in terms of Franc CFA) while the nominal exchange rate remained constant, there would in fact be a depreciation in the real exchange rate. From the point of view of foreign investors, there is absolutely no difference if the Franc CFA depreciated by 30 percent or if local wages and prices declined by 30 percent. The net effect on the businessman's cost structure would be identical. Under the Free Zone Regime, enterprises are no longer subject to the administratively determined minimum wages set under the Labor Code. Rather, Free Zone enterprises are allowed to charge market wages set on the basis of productivity and efficiency. Given the high level of unemployment in the country, wages in the Free Zone should be sharply reduced in comparison to the existing administratively determined wages. In addition, both wages and prices in the local economy are beginning to decline as a result of the adjustment occurring under the SAP. For example, wages were recently reduced by 30 percent across the board by a large Government parastatal. Moreover, the Government recently announced that it was unilaterally reducing the rent it pays for government housing and buildings by 15 percent. As the local economy continues to adjust to world prices through the liberalization and structural adjustment occurring under the SAP, the real exchange rate will continue to depreciate even if the nominal exchange rate does not. In addition, it is highly probable that there will be a nominal depreciation in the Franc CFA parity with the French Franc. The question no longer appears to be if, but rather when. Most indications suggest that a nominal devaluation of 30 to 50 percent would likely occur between now and the EEC integration in 1992. This nominal devaluation, in addition to the continuing decline in the local wage and price level, will further increase the international competitiveness of Free Zone exports.

(d) Access to Credit

Under the Government's structural adjustment program, the local commercial banks are being restructured. Non-performing assets are being stripped from the banks' portfolio at the same time that the banks; owners are increasing their capital contribution. In addition, the banks are to be majority privately held and are to be run on a professional (rather than political) basis. The Societe de Banque Commerciale-Credit Lyonnais (SCB-CL) was the first bank to be restructured and it is expected that Societe Generale de Banque au Cameroun (SGBC), Banque Internationale de l'Afrique de l'Ouest (BIAO) and Banque Internationale de Commerce et d'Industrie au Cameroun (BICIC) will be restructured before the end of this year. These restructurings will greatly add to the availability of productive credit to the private sector.

In addition to these ongoing efforts, USAID/Cameroon has developed two complementary activities to support the development of the Free Zone Regime and to assist Free Zone enterprises in gaining access to local sources of finance. A Loan Portfolio Guarantee (LPG) Program has been established in cooperation with AID's Private Enterprise Bureau (PRE) whose aim is to increase the availability of credit to small and medium-scale enterprises. Free Zone enterprises are generally of small and medium scale. Moreover, given the current economic conditions, export-oriented activities hold the greatest potential for growth. It is most likely, therefore, that banks participating under the LPG program will direct their loans to Free Zone enterprises or to local firms providing inputs to Free Zone enterprises. In addition, the Mission is providing technical assistance to three indigenous entities that are interested in developing venture capital facilities. Financing from these facilities are intended to bridge the gap between an entrepreneurs bank financing and own-resources. It is generally maintained that sizeable financial resources are kept outside of the banking system because of the lack of confidence in these institutions. Venture capital funds provide an alternative media for savers while at the same time serving as an additional source of investment finance. Each of the three groups receiving technical assistance (Caisse Commune d'Epargne et d'Investissement, The Soppo Priso Group and La Financiere) see Free Zone related activities as being the primary beneficiary of these resources. Together, the LPG program and the Venture Capital technical assistance should reduce the access to credit constraint facing the private sector. In addition, foreign partners participating in Free Zone related joint ventures with local businessmen will likely provide additional sources of finance and access to world capital markets. These foreign partners are more likely to do so knowing that the Free Zone Regime provides improved opportunities for doing business in Cameroon.

(e) Access to Markets

In free zones throughout the world, foreign investors often create joint-ventures with local businessmen. In these cases, the foreign investor provides the foreign market, as well as access to technology. The local businessman, on the other hand, provides the in-country sourcing of production. Together, an important gap is bridged. The foreign investor is able to acquire an additional source of production with minimal investment, while the local businessman is better able to produce at world standards (due to the transfer of technology) and to tap previously unknown markets. The Cameroon Free Zone Regime therefore provides an important opportunity for local businessmen to gain access to world market. In addition, Cameroon is a

beneficiary of various preferential market access agreements, including the General Agreement on Tariffs and Trade (GATT), the EEC sponsored Lome Convention, and the U.S. General System of Preferences (GSP). Foreign businessmen wishing to enter these preferential markets could use the Cameroon Free Zone Regime as their beachhead for penetration of these markets. In either case, the opportunity for Cameroonian businessmen to penetrate new markets will likely be increased under the Free Zone Regime.

(f) **Inadequate Road Infrastructure and High Cost of Road Transport**

Clearly, the Free Zone Regime cannot address the basic problem of inadequate road infrastructure. It is important to note, however, that inter-city and main access road projects presently comprise sizeable portions of the Government's Four Year Public Investment Program. Moreover, most Free Zone related activities will transport goods in the direction of the principal ports of exit (i.e., Yaounde and Douala), where the road network to and from is quite good. This point is supported by the findings of the Services Group who noted that the road system in Cameroon is adequate for Free Zone development, especially since the roads in and around Douala, Yaounde, Limbe and (soon to be) Kribi are in excellent condition. With regard to the Point Franc enterprises, the quality of the road network will inevitably play an important part regarding the location decision. To the extent that the cost of gaining access to domestic resources is negatively affected by inadequate road infrastructure, the degree of backward linkages with the rest of the economy will be minimized. These are constraints that must be lived with in the short-term and should be overcome in the medium to long term. In sum, the Free Zone Regime will provide greater opportunities for export development within the existing constraints of the road network.

(g) **Inadequate and High Cost Telecommunication System**

Under the Free Zone Regime, firms will be allowed to have their own teleports which would greatly reduce the cost of telecommunications. In addition, the Free Zone Law mandates that the local telecommunication company pass through the INTELSAT rate plus a 25 percent mark-up for administrative costs to all Free Zone enterprises. Together, these provisions will likely permit communication-intensive industries to be competitive in Cameroon.

(h) **Inadequate Legal System**

Under the Free Zone Law, the NOIFZ is empowered to establish procedures for settlement by mutual agreement of disputes arising between key players under the Free Zone Regime. The purpose of these dispute settlement mechanisms is to create an objective and fair system of arbitration outside the local court system. In addition, the purpose is to facilitate the quick settlement of disputes so that time and money is not unnecessarily lost.

4. **The Demand for the Cameroonian Free Zone Regime**

The above sections discussed Cameroon's comparative advantages, as well as the added competitive advantages provided by the creation of its world-class Free Zone Regime. While the combination of the country's resource base and the package of incentives provided under the Free Zone Regime appears to be very attractive, the

test will be in the number of developers and enterprises that ultimately are attracted to the Regime. A series of analyses were recently performed regarding the potential demand for the Cameroon Free Zone Regime. The Services Group carried out a survey of 182 firms located throughout the world, with 35 percent (64 firms) based in the United States and Canada, 33 percent (60 firms) based in Europe, 15 percent (28 firms) based in Asia and 17 percent (30 firms) based in Africa. In addition, the MAPS Private Sector Diagnostic involved a survey of some 400 Cameroonian firms. Together, these two analyses provide important insight into the existing and potential demand for the Cameroon Free Zone Regime. Based on the indications provided by these two surveys, the development and implementation of the Free Zone Regime appears to be fully justified. It is important to note, however, that the interest expressed to date was in the absence of any formal information or investment promotion campaign regarding the Cameroon Free Zone Regime or the business opportunities available in Cameroon. Hence, with a proper investment promotion program, the actual demand for the Cameroon Free Zone Regime is likely to be even greater.

(a) The TSG International Market Survey

The TSG Survey found considerable interest by foreign investors in the Cameroon Free Zone Regime. Of the 182 firms surveyed, 21.5 percent (39 firms) expressed a high level of interest with 42 percent (75 firms) requesting further information on the Regime and 15 percent (24 firms) expressing interest in participating of an investment mission to Cameroon in the near future. These levels of interest were particularly significant when compared to other market surveys undertaken for similar Free Zone projects. High levels of interest expressed in market surveys during the initial stages of development of a Free Zone project usually range from 10 to 14 percent.²

With regard to the firms that expressed a high level of interest in the Cameroon Free Zone Regime, the TSG Survey found that 33 percent (15 firms) were involved in agro-processing. These included food-processing (canning, juicing, freezing and other related activities) as well as wood-processing (i.e., furniture manufacturing, paper mills, etc.) businesses. 21 percent (8 firms) were in apparel, 15 percent (6 firms) were in mechanical assembly, 5 percent (2 firms) were in electronics. The remaining 8 firms were from "other" industries, including pharmaceutical, chemicals, information services, toys, plastics and sporting goods. The level of interest expressed by apparel and electronics manufacturers was especially interesting, given the existing high wage levels in Cameroon. Typically, labor-intensive, light manufacturers prefer very low wage countries in which to locate. The high level of interest expressed by apparel firms seems to imply that the current wage levels are not a deterrent or that the liberalization of administratively determined wages should result in more internationally competitive wage rates. As discussed above, the MAPS Survey found that most firms saw the best

² The higher percentage of firms expressing high levels of interest in the Cameroon Free Zone could be explained in part by the fact that the survey was of highly targeted firms, most of which had been identified as having investigated investment potential in Africa in the past. Nonetheless, this survey serves as a useful indicator of the near- to medium-term interest in investing under the Cameroon Free Zone Regime.

future prospects in the agro-industrial sector, with forest products being of particular attraction.

Of the 64 firms contacted in the U.S. and Canada, the highest expressions of interest came from agro-processing firms and from firms in the mechanical manufacturing and "other" sectors. Almost 50 percent of the firms surveyed (31 firms) requested further information with 28 percent (18 firms) expressing a high level of interest in visiting Cameroon and further investigating the Regime. The lowest level of interest came from electronics (no firms) and apparel (1 firm) sectors. Of the 60 European firms interviewed, 65 percent expressed no interest in further investigating the possibility of locating in the proposed Free Zone while 18 percent (11 firms) indicated a high level of interest. Primary areas of interest were agro-industry by U.K. firms and "low-end" apparel manufacturing by French firms. The majority of U.K. firms surveyed were domestic market oriented and had little interest in offshore investment, with the exception of the large-scale agro-processing industries. There was low level of interest expressed from Asian firms (1 out of 28 firms), which was expected. Asian foreign investment in manufacturing is primarily oriented towards other Asian countries and increasingly towards the Caribbean region. Nonetheless, 10 Asian firms requested more information on the Cameroon Free Zone Regime. Finally, of the 15 firms surveyed in Mauritius, 20 percent (3 firms) were highly interested. It is believed that the lack of interest by the remaining firms was mainly due to the fact that the firms were well established and did not have any expansion or relocation plans at the current time. Of the 15 firms contacted within Cameroon, 40 percent (6 firms) expressed a high level of interest in applying for the Free Zone. These firms included an apparel firm, a household appliance firm, a fruit exporter, a soap and laundry detergent producer, a metal container producer and a chocolate exporter.

(b) The MAPS Private Sector Survey

In the case of the MAPS survey, more than 95 percent of the firms surveyed had heard about the Free Zone Regime, with 60 percent (240 firms) stating that they were interested in qualifying under the Regime. Of the firms showing an interest in the Regime, 25 percent said that they would be willing to relocate into an industrial park style Free Zone, while 40 percent thought that they would seek Point Franc status. Moreover, the MAPS survey identified 28 firms which currently export 100 percent of their production who stated that they were interested in the Free Zone Regime. The remaining 224 firms that expressed interest in the Regime currently do not export 100 percent of their production.

Of the firms currently involved in exporting, 50 percent target the European market while only 38 percent target markets within the immediate region (i.e., within UDEAC). Over 80 percent of agro-industrial exports are directed toward the EEC market, while manufacture exports (53 percent) are primarily directed within the UDEAC market. Regarding the future, 62 percent of the respondents believed that the EEC market would be best for agro-industrial exports, while 74 percent maintained that UDEAC would continue to be the dominant market for the country's manufacture exports. This seems reasonable given that the high quality standards demanded by the European market for manufacture products would most likely make it difficult for a Cameroonian firm to compete. In the case of agro-processing, the market is more specialized and sourcing is limited to those countries which have the relevant natural resource base.

Well over one-half of the respondents stated that they were interested in developing joint-ventures with foreign partners, particularly with regard to attaining capital, technology, managerial know-how and access to world markets. This reinforces a key assumption underlying PREPS. While the Cameroonian private sector is well versed in producing agro-industrial and other manufacture goods, it lacks knowledge of and access to modern production techniques and managerial know-how, as well as to world capital and end-product markets. The development of joint ventures which combine local knowledge of the resource and production base with access to world markets and technology will most likely serve as the basis for successful business activities under the Cameroon Free Zone Regime.

(c) The OPIC/AID Investment Mission

In support of the ongoing Africa Free Zone Initiative and of the development of the Free Zone Regime in Cameroon, OPIC and A.I.D. are organizing an investment mission to explore possible joint-venture activities with Cameroonian investors. The mission will visit Cameroon from September 12 to 15, 1990 and hold discussions with local businessmen interested in establishing joint ventures with foreign businessmen for the purpose of exporting under the country's Free Zone Regime. Although it is still very early, a variety of American firms have expressed interest in participating in this mission and in learning more about the Cameroon Free Zone Regime. These include: Coil International (heat and air conditioning equipment), Ralston Purina International (agro-processing), Electronic Liquid Fillers, Inc. (automatic liquid filling equipment), Coastal Corporation (energy and refining), Grand Mesa International, Inc. (food processing, citrus juices and vegetable packaging), Interkiln (brick manufacturing), CRW Corporation (mining, sand, gravel, asphalt processing), Osmose International (wood products), Leeward, Inc. (medical equipment) and the Lunkenheimer Company (industrial control valves). While this list is only preliminary and does not mean that these firms will ultimately invest in Cameroon, it is indicative of the broad-based interest in the Free Zone Regime in a variety of areas of manufacturing and processing. Moreover, the diversity of activities noted above (i.e., brick manufacturing, heat and air conditioning equipment, automatic liquid filling equipment, medical equipment and industrial control valves) noted above implies that it is very difficult, a priori, to predict exactly which types of firms would be interested in investing under the Regime. The aim of PREPS is to create a distortion-free, world-class environment for export processing in Cameroon without any bias or preconceived notion regarding the particular economic activities that will evolve. These microeconomic decisions are best left to the private sector.

IV. Description of the Program for Policy Reform in the Export Processing Sector (PREPS)

The Cameroon Program of Policy Reform in the Export Processing Sector (PREPS: Grant no. 631-T-604 and Project no. 631-0074) consists of a non-project assistance (NPA) cash grant of \$3.1 million and a project assistance (PA) component of \$3.06 million over the five-year life of the program. In addition to USAID's contribution, the GRC will provide in-kind support valued at \$1.66 million, while the private sector will continue to make appropriate contributions in support of the Regime.

A. Program Goal and Purpose

The goal of PREPS is to assist Cameroon in increasing investment, employment and production and in expanding markets in the export processing sector. This goal is important to the achievement of USAID/Cameroon's Country Development Strategy Statement (CDSS) goal which is to assist Cameroon in attaining sustainable, broad-based economic growth. As discussed in Chapter II, Cameroon's recent high rates of growth in GDP were dependent upon a very narrow production and export base, and have reversed since 1986 when revenues from exports began to plummet. Attainment of the PREPS goal will directly contribute to USAID's program goal of sustained, broad-based economic growth by generating the following results:

- o greater diversification into the production of non-traditional and higher value-added export processing activities;
- o increased export volume and value;
- o increased number of export-oriented firms;
- o increased number of new jobs created by Free Trade Zone enterprises; and
- o increased linkages between Free Zone activities and local suppliers of goods and services (i.e., backward linkages).

The purpose of PREPS is to support the development and implementation of a privately managed Free Zone Regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Zone Law. This purpose promotes the attainment of two of the three strategic objectives established by USAID/Cameroon in support of its CDSS goal. These strategic objectives are: (1) the development of a market-oriented, competitive private sector and (2) the reduction in the over-extended role of the public sector in economic activities. USAID/Cameroon has determined that programs and projects which support reforms in the area of trade and pricing policy will be used as principal interventions for promoting a market-oriented private sector. PREPS will enable implementation of reforms enacted under the new Free Zone Regime. The main thrust of the Regime is to liberalize policies related to the export processing sector, and thereby reduce the GRC's involvement in this important part of the economy. By the end of the program, PREPS will have contributed to the creation of an environment where local private enterprises can compete in world markets and will have helped to reduce the excessive GRC involvement in the export processing sector. Moreover, the benefits resulting from

the liberalization of policies in this sector should serve a demonstration case of the virtues and gains to be had from the liberalization of policies related to the general economy (i.e., those being pursued under the GRC's medium-term structural adjustment program). In this regard, PREPS should have a positive effect on policy reforms beyond those relating to the export processing sector.

B. The PREPS Strategy

1. Program Strategy

The obstacles to growth and to the attainment of the goal-level objectives are related to constraints which impede access to three basic economic factors of production, namely physical, human and financial capital. The extent to which lack of these constraints impede growth can be influenced directly by government policies. The analysis provided above in Chapter III regarding the obstacles to the development of the export processing sector in Cameroon reveals that inefficient GRC policies have constrained the efficient use of these factors of production and have consequently had a negative effect on economic growth.

The GRC recognizes the need to remove economic distortions and has responded by establishing the following as policy objectives for the export sector: (1) to diversify the country's production and export base; (2) to increase value added; (3) to enhance foreign exchange earnings; and (4) to increase new employment. Attainment of these objectives requires two important steps: (1) promulgation of appropriate rules, regulations and procedures and (2) development of new institutional arrangements to ensure the effective implementation and enforcement of these new rules, regulations and procedures.

The GRC took the first step in this process on January 29, 1990 when President Paul Biya signed into law a Presidential Ordinance creating the Free Zone Regime. The law creates certain rights and privileges and provides financial incentives that make the Cameroon Free Zone Regime competitive with the most attractive free zone regimes throughout the world. Chapter III described the Cameroon Free Zone Regime and further details regarding the package of incentives provided under the Regime can be found in Annex C.

The purpose of PREPS is to assist Cameroon in taking the second important step -- namely, the implementation of the new institutional arrangements created by the Free Zone Law. Evidence of the sound implementation of these arrangements will be the development of a privately-managed Free Zone Regime which operates efficiently and in strict adherence with the intent and provisions of the Free Zone Law and Implementing Regulations. As designed, PREPS will measure the successful performance of the Regime by monitoring its effect on the immediate beneficiaries of the program (i.e., Free Zone developers and enterprises). The following indicators will be used to evaluate this performance:

- o decreased time and cost required for entrepreneurs to acquire approval for investments in the export processing sector;
- o decreased time and cost required for entrepreneurs to acquire all necessary public services (e.g., labor permits, residency permits, visas, etc.)

- o decreased time and cost required for customs clearance of imports and exports; and
- o increased objectivity and efficiency in the settlement of disputes among and between private investors in the Free Zone and entities charged with regulatory and administrative responsibilities.

The constraints to attaining this performance are lack of the following: (1) clear and transparent rules, regulations, and procedures to bring into full effect the rights and incentives created by the Free Zone Law; (2) established practices and procedures to ensure strict compliance with and enforcement of the Free Zone Law; and (3) technical expertise, institutional capacity and support materials to ensure that the entities created under the Regime operate efficiently and independent of political interference. To address these constraints, PREPS will provide inputs in the way of a sector cash grant to promote compliance with the Law and to support operating and other material costs, training and technical assistance to ensure a sustainable institutional capacity to implement and manage the Regime. Hence, the PREPS strategy is to provide financial and technical assistance to support the implementation of the Free Zone Regime and to assess the effect of this assistance by measuring its impact on the direct beneficiaries (i.e., Free Zone developers and enterprises). Based on this test, if the Regime performs well, the program will have accomplished its purpose.

The Logical Framework (Annex D) lists the assumptions regarding economic and political phenomena that are beyond the manageable control of this program. If these assumptions hold, the implementation of PREPS will directly contribute to the goal of increased investment, greater value-added, new employment, higher production and expanded export markets.

2. Program Modality

PREPS will be implemented using a combined NPA and PA mode. The selection of this modality was based on the analysis of the constraints to the attainment of the program purpose, the design requirements to eliminate these constraints, and the convenience offered by each mode. The test used to choose between NPA and PA or to use a combination of NPA and PA in responding to each constraint compared: (1) the efficiency and effectiveness of each mode in addressing the constraints and (2) the likelihood that the modes would promote sustainable results. The following summarizes the conclusions of this test.

Test-> Efficiency and Effectiveness

(1) The Free Zone legislation creates rights and responsibilities regarding the private sector and the government. Guidelines for applying the law must be developed through rules, regulations and procedures. The Free Zone Regime is new to the Cameroonian environment and is universally novel in many respects. Consequently, it is not possible to foresee many of the technical questions and requirements that may appear during implementation. The NPA mode accommodates this uncertainty by allowing more scope for adjusting uses of funds than allowed for transfers between budget line items under the PA mode. In addition, the

tranching disbursement/review process under NPA allows more flexibility in determining and fine-tuning future conditionality .

(2) The purpose level objectives are also constrained by the lack of technical knowledge, information and expertise on how to develop and implement the new administrative arrangements created by the Free Zone Regime. This constraint is best addressed through carefully designed technical assistance, training and research. The PA mode is therefore the more effective of the two modalities for the provisions of these inputs.

(3) Optimal use of the NPA mode will reduce the administrative burden on the NOIFZ and USAID/Cameroon. Under the NPA mode, all funds provided directly to the NOIFZ will be dollar generated, GRC-owned local currency. As a result, the NOIFZ and USAID/Cameroon will not be held to the same level of accountability, tracking and reporting that would be required if U.S.-owned local currency were disbursed directly to the NOIFZ under the PA mode. However, the NPA requires reasonable measures to assure proper use of these funds. The NOIFZ is required to put in place appropriate systems to ensure that generally accepted accounting standards and practices are maintained. Conditions precedent to the disbursement of all local currency counterpart funds to the NOIFZ will ensure that these systems are in place. The PA component will also provide technical assistance to support the institutional capacity of the NOIFZ to maintain these systems. In addition, the flexibility provided by the NPA component will allow the NOIFZ to hire local expertise, as needed, and make its own decisions regarding the appropriate and efficient use of its budgetary resources given the existing demand for access to the Free Zone Regime. It will also help the NOIFZ acquire the experience and develop the expertise to manage its internal affairs.

TEST -> Sustainability

(1) Since the Free Zone Law is new, there is no precedent to govern the roles of and communication between the NOIFZ and relevant GRC entities. New patterns of conducting business will be required. In addition, the success of the Regime will, in large part, depend on the effective and efficient performance of both the GRC and the NOIFZ. Conditionality vis-a-vis the GRC and the NOIFZ would provide an added incentive for both of these entities to perform efficiently. For example, several of the GRC ministries will have to delegate authority previously held by them to the NOIFZ. In turn, the NOIFZ must develop and implement administrative and regulatory procedures and practices. Unless both parties are intricately involved in the process of change, the new practices may not be fully accepted and institutionalized. In addition, knowledge gained during the implementation stage is necessary to identify future conditionalities that will be required to ensure the proper and full implementation of the Regime. The tranching disbursements of dollars to the GRC (regarding actions that it alone must take) and of local currency counterpart resources to the NOIFZ and the IPC (regarding actions for which they alone are to be held accountable) under the NPA mode provides the necessary flexibility to respond to new uncertainties as they develop.

(2) The NPA mode has an advantage over PA in terms of promoting an internal NOIFZ capability for program and financial management. Unlike the PA mode, uses of funds disbursed to the NOIFZ will not be tied to budget line items, so that

the NOIFZ will have the flexibility to assess and determine its program needs and respond accordingly.

The above analysis revealed that a program using both NPA and PA will best assure attainment of the objectives of PREPS. The two modes provide discrete inputs in support of activities designed to attain a common goal, purpose and output.

C. Policy Reform Agenda

PREPS is designed to address the administrative and regulatory constraints to promoting the export sector in Cameroon. These constraints can be grouped into the following general categories:

- o excessive regulatory and administrative environment regarding the establishment and operation of a business;
- o inefficient and irregular customs system;
- o restrictive labor arrangements; and
- o an inefficient legal system which lacks enforcement capability.

The following describes the reforms that PREPS will implement. Implementation will take place in three stages. The first stage requires issuance of implementing regulations regarding the rules and procedures created by the Free Zone Law. The second stage involves the full implementation of the new institutional arrangements, including the efficient operation of the entities created by the Law. The final stage focuses on the well functioning of the Regime. Disbursement of dollars to the GRC will be conditioned on the government's compliance with the Free Zone Law (see draft program agreement in Annex L). In addition, a second set of conditions will apply to release of the dollar-generated local currency to ensure the efficient and effective performance of the NOIFZ and the transitional IPC. Local currency disbursements will be subject to agreement by A.I.D. that the conditions for release have been met. Annual local currency disbursements are planned for the NOIFZ over the five-year period 1990 to 1995 and for the IPC over the two-year period 1990 to 1992.

1. Conditions Precedent to Disbursement of Dollars

(a) First Disbursement of Dollars

Prior to the first disbursement of \$ 1,300,000 dollars under the program sector cash grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., all of the following:

- (i) An opinion of legal counsel that the Program Agreement has been duly authorized and executed on behalf of the Grantee and that it constitutes a valid, legally binding obligation of the Grantee in accordance with all of its terms;

(ii) An opinion of legal counsel that the National Office for Industrial Free Zones (the "NOIFZ"), established pursuant to Chapter II, Section I, Article 4 of the Free Zone Law is duly authorized and empowered pursuant to the laws of the Republic of Cameroon to exercise all of the powers and responsibilities delegated to it pursuant to the Law.

(iii) A statement of the names and titles of the persons who will act as representatives of the Grantee under Section 8.2 of this Agreement, together with a specimen signature of each person named in such statement;

(iv) A statement designating the U.S. bank and specifying the account number of the Separate Dollar Account into which disbursements of U.S. dollars are to be made;

(v) A statement confirming that the Special Local Currency Account required to be established pursuant to Section 5.1 of this Agreement has been opened in the name of the Government of the Republic of Cameroon and specifying the number of the account;

(vi) Written procedures describing the mechanism by which local currency will be released from the Special Local Currency Account and the procedures which will assure that funds from the Special Local Currency Account are used for purposes agreed upon with A.I.D.;

(vii) An official copy of the ministerial order (arrete) containing the Implementing Regulations for the Free Zone Law which specifically address the following areas:

(a) the Free Zone Regime investment approval process;

(b) the Industrial Free Zone land designation process;

(c) the Industrial Free Zone developer approval process;

(d) the responsibilities and procedures regarding the public service which provides all services required from state-owned entities by developers, operators and enterprises of Industrial Free Zones (the "Free Zone Administrative Service");

(e) on-site customs inspections;

(f) the holding of foreign exchange, foreign exchange-denominated bank accounts and the transfer of funds accrued or invested by Industrial Free Zone enterprises;

(g) the negotiation of contracts between Industrial Free Zone employers and employees and the hiring, firing and establishment of minimum wages for Industrial Free Zone employees;

(h) the private provision of electricity, water and international telecommunication services;

(i) preferential user rates regarding the provision of utilities and public services to Industrial Free Zone enterprises; and

(j) dispute settlement mechanisms regarding:

- Free Zone Regime investment approval;
- Industrial Free Zone developer and operator approval;
- Industrial Free Zone land designation;
- Industrial Free Zone customs;
- Industrial Free Zone Administrative Service; and
- other ministries, agencies and instrumentalities of the Government of the Republic of Cameroon.

(b) Second Disbursements of Dollars

Prior to the second disbursement of \$1,000,000 dollars under the program sector cash grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(i) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first disbursement of dollars under the Grant;

(ii) an opinion of legal counsel that the Investment Promotion Center (the "IPC") has been duly organized and is duly authorized and empowered pursuant to the laws of the Republic of Cameroon to exercise all of the powers and responsibilities which may be delegated to it pursuant to the laws of the Republic of Cameroon which authorized its creation;

(iii) copies of official records of the Government of Cameroon and the NOIFZ, indicating that:

(a) the designation of Industrial Free Zones has been regularly effected either by action of the Minister in charge of industrial development within thirty (30) days of receipt of a complete application for such designation or by automatic approval as provided in Chapter III, Article 6(b) of the Free Zone Law when the Minister in charge of industrial development has failed to take any action within thirty (30) days of receipt of a complete application for such designation;

(b) Industrial Free Zone on-site customs inspections are operating in compliance with all of the applicable provisions of the Free Zone Law and Implementing Regulations;

(c) the operation of the Industrial Free Zone Administrative Service is in compliance with all of the applicable provisions of the Free Zone Law and Implementing Regulations;

(d) Free Zone labor procedures are in compliance with all of the applicable provisions of the Free Zone Law and the Implementing Regulations;

(iv) a detailed Industrial Free Zone customs manual which fully complies with all of the applicable provisions of the Free Zone Law and Implementing Regulations;

(v) the annual review meeting described in Section 6.4(g) of the Program Agreement has been held as provided in such Section and a plan of action addressing the issues raised during such meeting have been agreed upon by the Grantee and A.I.D.

(c) Third Disbursement of Dollars

Prior to the third disbursement of \$800,000 dollars under the program cash sector grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(i) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first or the second disbursement of dollars under the Program grant;

(ii) the NOIFZ continues to function substantially as indicated or agreed to pursuant to paragraphs (iii), (iv) and (v) of Section C.1.(b) above;

(iii) the annual review meeting described in Section 6.4(g) of the Program Agreement has been held as provided in such Section and a plan of action addressing the issues raised during such meeting have been agreed upon by the Grantee and A.I.D.

2. Conditions Precedent to Release of Local Currency from the Special Local Currency Account

(a) General Conditions Precedent to Release of Local Currency

(i) Prior to each release of local currency funds from the Special Local Currency Account, a written agreement, in form and substance satisfactory to A.I.D., shall have been signed by A.I.D., the Grantee and any recipients of the funds to be disbursed pursuant to each release thereof from the Special Local Currency Account which sets forth:

(a) a plan for the use of such funds;

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(b) the specific conditions precedent for release of such local currency funds as specified in Sections 5.3, 5.4 or 5.5, whichever is applicable, of the Program Agreement; and

(c) a description of the financial mechanisms and the terms and conditions by which such funds will be made available for such planned use.

(ii) The written agreement described in Section 5.2 of the Program Agreement will be signed by A.I.D. only after A.I.D. is satisfied that the conditions precedent for release of funds from the Special Local Currency Account during a particular time period, as specified in Sections 5.3, 5.4 or 5.5 of this Agreement, whichever is applicable, have been fulfilled.

b. Conditions Precedent to Release of Funds During the First Term.

(i) Prior to disbursements of local currency from the Special Local Currency Account between October 1, 1990 and December 31, 1991 (the "First Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following, in form and substance acceptable to A.I.D.:

(a) an official, notarized copy of the corporate charter of the NOIFZ;

(b) an opinion of legal counsel that the NOIFZ has been duly organized and is in good standing as a non-profit, private entity according the laws of the Republic of Cameroon;

(c) the identity of the general manager of the NOIFZ;

(d) the identity of the accountant for the NOIFZ; and

(e) evidence that the NOIFZ has established accounting procedures in accordance with generally accepted accounting principles and practices consistently applied.

(ii) Prior to disbursements of local currency from the Special Local Currency Account during the First Term for purposes of budgetary support to the IPC, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following, in form and substance satisfactory to A.I.D.:

(a) an official, notarized copy of the corporate charter of IPC;

(b) an opinion of legal counsel that the IPC has been duly organized and is in good standing as a non-profit, private entity according the laws of the Republic of Cameroon;

(c) evidence that a Board of Directors for the IPC consisting of representatives from both the public and the private sectors, but with a majority of private sector representatives, has been duly

selected. Evidence shall also include a list of the names of the members of the Board of Directors;

(d) the identity of the general manager of the IPC;

(e) the identity of the accountant for the IPC;

(f) evidence, acceptable to A.I.D., that the IPC has established accounting procedures in accordance with generally accepted accounting principles and practices consistently applied; and

(g) an agreement in writing between A.I.D. and the Board of Directors of the IPC regarding an action plan which the IPC will put into effect before any disbursements from the Special Local Currency Account are made during the Second Term (as hereinafter defined).

(iii) Prior to disbursements of local currency from the Special Local Currency Account during the First Term for purposes in support of the objectives of the Program other than budgetary support to the NOIFZ or the IPC, A.I.D. shall require that a written agreement must be reached between the Grantee and A.I.D. specifying such other purposes for local currency utilization.

(c) **Conditions Precedent to Release of Funds During the Second Term.**

(i) Prior to disbursements of local currency from the Special Local Currency Account between January 1, 1992 and December 31, 1992 (the "Second Term") for purposes of budgetary support to the NOIFZ, except as the parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following, in form and substance satisfactory to A.I.D.:

(a) an official documentation indicating that the NOIFZ is registered as an entity duly constituted and existing under the laws of the Republic of Cameroon;

(b) an opinion of legal counsel that the NOIFZ is in good standing as a non-profit, private entity according to the laws of the Republic of Cameroon;

(c) official copies of documentation from the NOIFZ indicating, to the satisfaction of A.I.D., that the NOIFZ has carried out, in full compliance with the Free Zone Law and the Implementing Regulations, all of the following:

- by action of its Board of Directors, adopted internal rules and procedures regarding:

- the Free Zone Regime investment approval process,
- the Industrial Free Zone designation process,
- the Industrial Free Zone Administrative Service and
- the provision of any and all permits related thereto;

- implemented a system for the dissemination of information regarding the procedures established for:
 - the Free Zone Regime investment approval process,
 - the Industrial Free Zone designation process,
 - the Industrial Free Zone Administrative Service and
 - the provision of any and all permits related thereto;
- established a single application form for requests for Free Zone Regime investment approval;
- established a single application form for requests for Industrial Free Zone developer approval;
- established a single application form for requests for Industrial Free Zone designation;
- implemented a system which processes requests for Free Zone Regime investment approval and issues a decision regarding such requests within thirty (30) days after the submission of a completed application for such approval;
- implemented a system which processes requests for Industrial Free Zone developer approval and issues a decision regarding such requests within thirty (30) days after the submission of a completed application for such approval;
- implemented a system which processes requests for Industrial Free Zone designation and issues a decision regarding such requests within thirty (30) days after the submission of a completed application for such designation;
- established dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for Free Zone Regime investment approval, Industrial Free Zone developer approval and Industrial Free Zone designation; and

(d) evidence of:

- the identification by the NOIFZ of appropriate sources of financing other than A.I.D.; and
- the development by the NOIFZ of a medium-term financial plan for its next budgetary year; and

(e) evidence that the local currency disbursed to the NOIFZ from the Special Local Currency Account during the First Term was used for the purposes agreed upon by the Grantee and A.I.D.

(ii) Prior to disbursements of local currency from the Special Local Currency Account during the Second Term for purposes of budgetary support to the IPC, except as the parties may otherwise agree in writing, A.I.D.

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shall require the provision of all of the following, in form and substance satisfactory to A.I.D.:

(a) an official documentation indicating that the IPC is registered as an entity duly constituted and existing under the laws of the Republic of Cameroon;

(b) an opinion of legal counsel that the IPC is in good standing as a non-profit, private entity according to the laws of the Republic of Cameroon;

(c) an official copy of the by-laws and other internal rules and regulations of the IPC;

(d) evidence that the IPC is functioning according to the action plan agreed upon pursuant to Section 5.3 (b)(vii) of the Program Agreement; and

(e) evidence that the local currency disbursed to the IPC from the Special Local Currency Account during the First Term was used for the purposes agreed upon by the Grantee and A.I.D.

(iii) Prior to disbursements of local currency from the Special Local Currency Account during the Second Term for other purposes in support of the objectives of the Program as may be agreed upon by the Parties, A.I.D. shall require the provision of evidence of the following, in form and substance satisfactory to A.I.D.:

(a) a written agreement between A.I.D. and the Grantee specifying such other purposes for local currency utilization; and

(b) evidence that the local currency disbursed from the Special Local Currency Account during the First Term for purposes other than budgetary support to the NOIFZ and the IPC was used for such other purposes as agreed upon by the Grantee and A.I.D.

(d) Conditions Precedent to Release of Funds Subsequent to the Second Term

(i) Prior to disbursements of local currency from the Special Local Currency Account between January 1, 1993 and December 31, 1993 (the "Third Term"), between January 1, 1994 and December 31, 1994 (the "Fourth Term") and between January 1, 1995 and December 31, 1995 (the "Fifth Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

(a) An official documentation indicating that the NOIFZ is registered as an entity duly constituted and existing under the laws of the Republic of Cameroon;

(b) An opinion of legal counsel that the NOIFZ is in good standing as a non-profit, private entity according to the laws of the Republic of Cameroon;

(a) Evidence that the NOIFZ continues to function in full compliance with the Free Zone Law and the Implementing Regulations, including, but not limited to, evidence of the continuing regular functioning of:

- the 30-day Free Zone Regime investment approval process;
- the 30-day Industrial Free Zone designation approval process;
- the 30-day Industrial Free Zone developer approval process;
- provisions of public services by the Industrial Free Zone Administrative Service; and
- dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for Free Zone Regime investment approval, Industrial Free Zone developer approval and Industrial Free Zone designation.

(b) Evidence of:

- the identification by the NOIFZ of appropriate sources of financing other than A.I.D. and
- the development by the NOIFZ of a medium-term financial plan for its next budgetary year; and

(c) Evidence that the local currency disbursed to the NOIFZ from the Special Local Currency Account during the immediately preceding Term was used for the purposes agreed upon by the Grantee and A.I.D. for such Term.

(ii) Prior to disbursements of local currency from the Special Local Currency Account during the Third, Fourth or Fifth Terms for such other purposes in support of the objectives of the Program as may be agreed upon by the Parties, A.I.D. shall request the provision of evidence of the following in form and substance satisfactory to A.I.D.:

(a) a written agreement between A.I.D. and the Grantee specifying such other purposes for local currency utilization during the applicable Term; and

(b) evidence that the local currency disbursed from the Special Local Currency Account during the immediately preceding Term for purposes other than budgetary support to the NOIFZ was used for the purposes agreed upon by the Grantee and A.I.D. for such immediately preceding Term.

3. Special Covenants

(i) The Grant will be free from any taxation or fees imposed under the laws in effect in the Republic of Cameroon.

(ii) The Grant will not be used to finance military, paramilitary or police requirements of any kind, including training, advice or the procurement of commodities or services to be used by the military or police, or to pay principal or interest on loans to the military or police.

(iii) During the life of the Program, the Government of the Republic of Cameroon shall consult with A.I.D. on an ongoing basis for the specific purpose of implementing the reforms proposed to be achieved pursuant to the Program as provided for and evidenced by this Agreement.

(iv) During the life of the Program, the Government of the Republic of Cameroon:

- shall not interfere with the internal affairs of the NOIFZ (including the activities of the NOIFZ Board of Directors regarding the powers and responsibilities delegated to it under the Free Zone Law for Free Zone Regime investment approvals); and

- shall comply in all respects with all of the provisions of the Free Zone Law and the Implementing Regulations.

(v) During the life of the Program, the Government of the Republic of Cameroon agrees that:

- it shall not permit or cause funds to be released from the Special Local Currency Account unless the written agreement provided for in Section 5.2 of the Program Agreement relating to a particular disbursement of funds from the Special Local Currency Account has been signed by A.I.D., the Grantee and any and all recipients of Special Local Currency Account funds released pursuant to such disbursement; and

- any funds disbursed from the Special Local Currency Account will be used only for the purposes specified in such agreement.

(vi) If within ten (10) days of the fulfillment to A.I.D.'s satisfaction of the conditions precedent to disbursement of Special Local Currency Account funds (referred to in Section 5.2(a)(ii) of the Program Agreement) the Government of the Republic of Cameroon fails to sign the written agreement with A.I.D. and the recipients of funds to be disbursed from the Special Local Currency Account as provided by Section 5.2 of this Agreement, then the Government of the Republic of Cameroon agrees that it shall, within ten (10) days of its failure to sign, refund to the Special Dollar Account the amount of the last disbursement of dollars into the Special Dollar Account made by A.I.D. and any interest accrued thereon.

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(vii) Beginning on September 30, 1991 and continuing annually thereafter during the life of the Program (including the Third, Fourth and Fifth Terms as defined in Section 5.5 herein), the Government of the Republic of Cameroon represented by the Ministry in charge of industrial development agrees to meet with A.I.D., the NOIFZ, the Industrial Free Zone Administrative Service, and, up until the end of the Second Term, with the IPC, for the purpose of assessing the functioning of the NOIFZ, the IPC and the operation of the Free Zone Regime generally and for determining subsequent disbursements of local currency from the Special Local Currency Account.

(viii) The Government of the Republic of Cameroon shall, during the life of the Program, maintain in full force and effect the policy reforms implemented in compliance with the Free Zone Law and the Implementing Regulations and all of the conditions precedent to any disbursement of dollars to the Separate Dollar Account.

(ix) The Government of the Republic of Cameroon shall provide a copy of this Agreement to the NOIFZ and to the IPC.

D. Program Inputs and Activities

The A.I.D. inputs for PREPS have an estimated value of \$6.16 million and consist of sector cash grants, technical assistance, training, monitoring, evaluation and audit exercises (See Annex O for a detailed presentation of the uses of the NPA and PA inputs). These inputs will be used to conduct activities involving the establishment and operation of the NOIFZ, the IPC, the Free Zone customs operations and the Free Zone Administrative Service. The total estimated value of the sector cash grants over the life of the program is \$3.1 million, to be disbursed in three tranches: FY 1990, FY 1991 and FY 1992. The project assistance mode will be used to implement the technical assistance, training, monitoring, evaluation and audit exercises. The estimated value of this component is \$3.06 million. The Project Assistance Completion Date (PACD) is September 30, 1995. Mission PD&S resources will be used to conduct appropriate research activities regarding the Free Zone Regime.

1. Sector Grants: \$3.1 million

(a) National Office of Industrial Free Zones (NOIFZ) - \$2.1 million

The Free Zone Law authorizes the creation of the NOIFZ as a private, non-profit organization. Its Board of Directors is made up of 6 private sector representatives and 3 public sector representatives. The Board operates on the principle of one-person, one-vote. The purpose of the NOIFZ is to serve as a one-stop shop for Free Zone investment approval and for the provision of all licenses and permits required to operate an export-oriented business under the Regime. The intent is to: (1) create a simplified, transparent and automatic investment approval process that requires no more than 30 days to complete and (2) establish a formal advocate for Free Zone investors to ensure that all privileges provided under the Law are automatically granted. In addition, the NOIFZ will oversee management and enforcement of the Regime. An "Administrative Service" will be established within the NOIFZ to provide all public services required by Free Zone users (i.e.,

automatic entitlement to labor permits, residency requirements and visas to expatriate workers).

The NOIFZ will be staffed by individuals from the private sector. The staff will be constituted as follows.

General Manager. The general manager will take charge of financial and strategic planning and general management of the office. This individual will be directly responsible to the Board of Directors and will participate in development of staffing requirements, hiring procedures and other preparation for rendering the office operational.

Assistant Manager. The Assistant Manager will be responsible for the daily operations of the Office, for reviewing investment applications and coordinating the activities between the Office and the IPC. The incumbent will report directly to the General Manager.

Industrial Engineer. The Industrial Engineer will be in charge of reviewing investment applications and ensuring that the technical information is correct and properly addressed in the investment applications. She/he will review proposed investments for their possible environmental implications. The Engineer will also monitor zone development from a planning and regional perspective to verify that the demands of new projects will not strain the region's labor supply or other social infrastructure.

Economist/Financial Analyst. The Economist/Financial Analyst will review and evaluate the financial information presented by developers and zone users, collect data on zone development, and prepare reports on the progress of national zone growth. This person will be responsible for the management information system in the Office.

Support Staff. The support staff will include an accountant, a bilingual secretary, a receptionist, a driver, and a messenger.

In addition to personnel, the NOIFZ will require office space, equipment and furniture, rolling stock, and supplies. The office space will be provided as part of the GRC's in-kind contribution. The local currency generated by the PREPS sector grant will be used to help defray other start-up and operating costs of the NOIFZ for the five year period 1990 to 1995. A contingency fund of \$280,000 has also been created under PREPS to address any short-falls in projected revenue to the NOIFZ.

(b) **The Investment Promotion Center (IPC) - \$1.0 million**

The GRC and the private sector are in the process of developing a strategy and action plan for the promotion of investment, in general, and of Free Zone investment, in particular. Under PREPS, USAID will assist the GRC and the private sector in this endeavor.

In terms of organizational structure, a private, non-profit, transitional Investment Promotion Center (IPC) will be established. The IPC will most likely be governed by a Board of Directors consisting of seven private sector representatives (with permanent representation from the National Office of

Industrial Free Zones, the Chamber of Commerce and the Chamber of Agriculture) and five key government officials (Ministries of Industrial and Commercial Development, Finance, Agriculture, Interior, and the Director General of the Cellule de Gestion du Code d'Investissement).

The functions of the IPC will center around marketing and investor assistance. Annex H provides a diagram regarding the proposed organizational structure of the IPC.

As with the NOIFZ, PREPS authorizes use of local currency generated through the cash grant to support development and operating costs of the IPC. However, this use is authorized only for the first two years of the IPC's operations. During that time, the GRC and the Cameroonian private sector are expected to organize a multi-donor effort in support of the development and financing of a permanent Investment Promotion Center. Positive indications of such support have already been provided by the Canadians, the French, the Germans and the Belgians.

2. Technical Assistance

(a) Team Leader/Free Zone Policy Analyst (36 pms)

The Team Leader will be procured by the Mission under a personal services contract and will oversee the implementation of PREPS. This will require coordination among the relevant GRC ministries, USAID, the NOIFZ, private sector representatives such as the private sector Free Zone Advocacy Group, the IPC and Free Zone developers and enterprises to promote proper implementation of PREPS. The Team Leader will advise the NOIFZ on program strategies. She/he will work with the NOIFZ, other members of the long-term TA team, and USAID to develop scopes of work for the short-term technical assistance and to develop and refine research funded by PREPS. This Team Leader will help the NOIFZ and GRC (as appropriate) analyze the findings of studies and to use the findings to promote implementation of the Free Zone Regime. She/he will also be responsible for managing all of the training funded out of the project component, and for overseeing the monitoring, evaluation, and audit activities. The Team Leader will report directly to the Mission's Private Sector Officer.

This specialist should have an extensive professional and academic background in international business/economics with experience in free zones, investment promotion, customs administration, management and policy analysis. She/he must be fluent in both French and English.

(b) The NOIFZ (44 pms)

(i) Long Term T.A.: Free Zone Management Specialist (24 pms)

This specialist will assist the General Manager, facilitate the development of appropriate management systems and office operating procedures, assist in the on-the-job training and formation of the cadres of the NOIFZ, and generally promote the smooth operation of the Office. He/she will be responsible for assisting the NOIFZ in defining realistic and fair eligibility criteria for conferring IFZ status, designing straightforward and objective application forms, and establishing procedural mechanisms that will ensure the automaticity which is so crucial to the

program's effectiveness. This expert will work with the Team Leader to provide guidance on strategic planning, and in developing a working communication network between the NOIFZ and GRC ministries and agencies that will play a key role in the implementation of the Free Zone Regime. The Management specialist will also advise on the development and implementation of the management information system (MIS) for the NOIFZ. The MIS for the NOIFZ is to be coordinated with the information system developed in conjunction with the MIS for the IPC so that the two systems will be compatible.

This person should have extensive experience in developing and managing free zone administrative bodies. He/she should be fluent in both French and English.

(ii) Short-term Technical Assistance (20 pms)

The precise short-term TA program for the NOIFZ will be specified during the implementation stage of PREPS. However, it is anticipated that specialists will be needed to address emerging problems and shortcomings in the NOIFZ's activities and performance involving the following: financial management, administrative delays in reviewing and approving applications, staff deficiencies, enforcement techniques of Free Zone rules and regulations, and the development of national medium- to long-term Free Zone strategy.

(c) The Investment Promotion Center (34 pms)

(i) Long-term T.A.: Institutional Development Specialist (24 pms)

This specialist will be assigned to the IPC and will provide assistance in staff recruitment, establishment of internal policies and standard operating procedures, and securing adequate financial support. He/she may also assist in designing exposure tours for the Director of the IPC.

The specialist should have extensive experience in institutional development for investment promotion. He/she should be fluent in both French and English.

(ii) Short-term Technical Assistance (10 pms)

Short-term technical assistance needs are anticipated in the following areas for the IPC.

- o **MIS System Development:** Technical assistance will be needed to develop a computerized integrated MIS which includes office automation, accounting, communications, investor tracking, and database management. (5 pms)
- o **Development of Promotional Materials:** Assistance is needed in designing and drafting a basic set of promotional materials. (4 pms)
- o **Database and Reference Library Development:** Assistance is required for the development of databases on business operating conditions and macroeconomic data relating to investment and export. The scope of work also includes assistance in identifying and ordering reference materials. (1 pm)

(d) Free Zone Customs Unit (8 pms)

Short-term technical assistance is needed to conduct an audit of the existing customs practices and regulations. The expert, working with Customs, will determine optimal procedures (regarding entry, clearance, audit/inventory control) to ensure that the treatment of zone goods is in accordance with the Free Zone Law. The specialist will then work with Customs to develop detailed operating manuals, specifying step-by-step the streamlined clearance, in-bond transit, surveillance/monitoring, and release procedures that Customs will employ for the Free Zone firms.

3. Training

The objective of the training component of PREPS is to provide Cameroonians with the capacity to implement the Free Zone Regime in accordance with the intent of its provisions. Cameroonians in key institutions will need to acquire knowledge and skills in specific areas related to the Free Zone Regime. The following describes the program's proposed training activities.

(a) NOIFZ Staff

NOIFZ staff will be trained in the basic principles for assessing the viability of proposed industrial Free Zones and of Free Zone enterprises. In-country seminars will be given covering topics such as economic and market analysis, physical planning, financial analysis, alternative ownership and management structures, alternative forms of service, facilities provisions, etc. This training will provide the staff with the analytical foundation required to review the proposed Free Zone investments.

(b) IPC Staff

The IPC staff will require training in the basic principles of investment promotion and investor services. This training will be conducted through a series of in-country seminars and workshops.

(c) GRC Officials

Training is needed to ensure that GRC officials involved in the Free Zone Regime understand their new roles and are capable of executing their responsibilities efficiently. Specific training will be provided for the Ministry of Finance, which will bear responsibility for ensuring foreign exchange access for IFZ-designated firms and for monitoring transactions such as payment of local expenses (wage bill, services, locally-sourced goods, etc.) and repatriation of earnings by foreign investors. The capabilities of basic public service providers (i.e., the telecommunication, electricity and water companies) will also be assessed to identify shortcomings and make recommendations for remedial action.

The training of the Port Authority, CAMSHIP, and CAMAIR personnel will be key to the program effectiveness. The training will be aimed at familiarizing these individuals with the streamlined procedures and preferential treatment accorded to Free Zone users, and their respective roles in implementation of the Free Zone

Regime. The Port Authority, in particular, can be a stumbling block to Free Zone program implementation by imposing its own requirements that go far beyond those of Customs or other regulatory personnel. A seminar will be directed at the role of the Port Authority in the transshipment of Free Zone goods.

(d) Free Zone Customs

Training will be provided to the Free Zone Customs unit to ensure that they are fully versed in the benefits accorded to Free Zone users and understand the on-site customs clearance procedures developed under the Free Zone Regime. Informational visits to other countries with Free Zones to view first-hand custom control measures will be considered in addition to seminars.

(e) Zone Developers, Operators and Workers

Firms and individuals interested in the development of traditional, multi-user facilities will benefit from training in the fundamentals of industrial planning. This training includes all aspects of pre-investment analysis, from site selection to market strategy development to physical and financial planning. In addition, training in key business operational aspects such as forming and supervising a management team, strategic planning, pricing of facilities and services, could be covered in periodic seminars. The latter topics would also be covered in seminars targeted specifically to Free Zone operators, and broadened to encompass the following topics: basic management techniques, marketing and promotion, guidelines for effective administration, financial accountability, interaction with GRC officials, troubleshooting for tenants, etc.

Seminars will also be designed for the Free Zone labor force. These can cover subjects such as timeliness, accountability, rights and responsibilities of employees, personal financial planning, budgeting, time management, etc. The subject and frequency of the seminars will be determined by the level of demand for them.

4. Monitoring, Evaluation and Audit (14 pms)

Short-term technical assistance will be required to collect baseline data and follow-up for program monitoring and evaluation. Twelve person-months of short-term technical assistance have been estimated to meet program monitoring and evaluation requirements. In addition, two person-months will be required for audits.

5. Research Activities (26 pms)

Mission PD&S resources will be used to carry out a variety of research activities in support of PREPS. The topics for research will primarily be concerned with developing an information base for understanding the relationships between the performance of the Free Trade Zone, domestic policies and economic and social welfare of Cameroonians. The studies will provide direct input into the policy reform efforts. These studies should be coordinated with the NOIFZ and the Ministry of Industrial and Commercial Development, given the latter's role in promoting industry and trade in Cameroon.

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The PAAD/PP recommends the following studies. Additions or modifications may be made during implementation of PREPS. The Coordinating Committee for PREPS (see Program Management and Administration section of this paper) will be responsible for approving studies and ensuring dissemination of their results.

- o **Communication and Information.** This study is the first step in stimulating "backward linkages" to the Free Zone. Lack of communication between Free Zone and non-Free Zone enterprises is a major obstacle to local sourcing. To address this constraint, a comprehensive survey of the capabilities and operations of the local business community should be undertaken. This study will form the basis for the development of a computerized data base of local sourcing opportunities. The information gathered in this survey can then be utilized in targeting high-potential domestic sectors and firms for production assistance.

In addition, the scope of work should include the formulation and implementation of a multi-faceted promotional effort to raise public awareness and support for the backward linkages effort, employing print and electric media, as well as promotional events, informational brochures, directories of businesses and their products, and the like. Drawing upon the information collected in the survey, these documents will serve as up-to-date, accurate references for both Zone users interested in local purchasing opportunities, and local firms in pursuit of new markets. (6 pms)

- o **Policy Modification.** Industrial linkages between free zones and the host economy do not occur in the absence of concerted policy reform measures. Hence, to the extent the GRC's industrial policies and practices employ supportive mechanisms such as streamlined administrative regimes, tax/tariff incentives, and relaxed foreign exchange control measures, the concrete results that are delivered under the backward linkages support will be amplified and accelerated.

The technical assistance under this study will be directed toward identifying policy constraints to local sourcing by Free Zone enterprises and export expansion of the industrial sector. Based upon these investigations, concrete recommendations regarding needed policy reforms can be developed along with a national consensus in support of such measures to catalyze their implementation. Concurrent with this consensus building, targeted investigations should be conducted of key policy areas cited by local firms as obstacles to their financial and economic performance. These studies may encompass such issues as foreign exchange control, customs procedures, and import policies and practices, as well as non-governmental obstacles such as shipping rates and scheduling. (4 pms)

- o **Production Improvement.** The industrial sector survey and canvass of needs of existing or potential Zone users can be used to identify the local industrial sectors and firms with the best potential for establishing backward linkages. This requires both a demand assessment of the Free Zone community and supply analysis of capabilities of local industry. Once the customer requirements are known, technical specialists can be employed to

visit representative companies and conduct first-hand assessments of their operations. These preliminary site visits will then form the basis for identification of high-potential local businesses. In follow-up to these investigations, detailed diagnostic assessments should be conducted by the technical specialists to identify specific production and managerial capabilities and constraints. These investigations will produce individual action plans for each firm visited, specifying the type of technical assistance that is needed and its cost. These action plans can then be utilized by the firm in its strategic planning and by the Ministry of Industrial and Commercial Development to determine where best to direct further technical assistance. (8 pms)

- o **Sector Analyses:** The purpose of these studies is to identify specific sectors that should be targeted for investment promotion in the Free Zone. These studies will identify opportunities in key sectors and will include a pro-forma cost analyses for typical operations. The results of the studies can be used by the IPC in its program. (4 pms)
- o **Social Implications of the Free Zone Regime:** This study will assess the social implications of the Free Zone Regime in Cameroon. Particular attention will be given to the impact on women, equity and the socio-economic dynamics created by the zone. The Social Soundness Analysis section of this paper discusses representative issues for the study. The study should be conducted in two phases to observe change over time. (4 pms)

E. Relationship to Other USAID Activities

The Africa regional Human Resources Development Assistance (HRDA) project will continue to fund training that is complementary to the objectives of PREPS. Activities under the Agriculture Education Project at Dschang, the Root and Tubers Research Project, and the Cameroon Agriculture Policy Project which foster the development of small and medium scale enterprises (SME) will help local entrepreneurs in developing agro-industrial activities and skills for backward linkages and direct investment in the free zone. Activities of the Credit Union Project directed at improving access to credit for SMEs will promote investment by these enterprises in the Free Zone and related activities. USAID's pilot programs under the PRE Loan Portfolio Guarantee (LPG) Program and AFR/MDI's Venture Capital Project will also help the development of Free Zone enterprises by facilitating access to medium-term credit and to venture capital.

F. Relationship to Other Donor Programs

PREPS is directly supportive and complementary to several of the World Bank's objectives under its Structural Adjustment Loan program, including the removal of domestic distortions in the area of trade and production and the development of an efficient private sector. In addition, the development of PREPS was coordinated closely with the Bank's Export Diversification Project and the activities of the Foreign Investment Advisory Service (FIAS) of the International Finance Corporation (IFC) aimed at studying existing laws, rules, regulations and procedures that may hamper private sector growth in Cameroon. This collaboration will continue during the implementation of PREPS.

Consultations are ongoing with other donors regarding follow-on financing of the Free Zone Investment Promotion Unit proposed under PREPS. Given the relationship Cameroon has with the EEC as an ACP country under the Lome Convention, European donors (i.e., the Belgians, the French and the Germans) are promising candidates to provide funding for a permanent Investment Promotion Center after funding under PREPS for the provisional Center ends. The Canadians have also expressed a strong interest in supporting this effort. During implementation, USAID will promote dialogue with these donors and other European and Asian donors on how they can support the Free Zone Regime through development assistance and commercial programs. USAID plans to help organize a donor group meeting to promote collaboration on the needs and opportunities in the Free Zone Regime.

V. MONITORING, EVALUATION AND AUDIT

The PREPS monitoring, evaluation, and audit component has the following primary objectives: (a) to verify GRC and NOIFZ compliance with the program's conditionality; (b) to promote the smooth implementation of the program (compliance with conditionality, technical assistance, training, research) by identifying foreseeable bottlenecks and cataloguing lessons learned; (c) to verify attainment of program objectives; and (d) to assess the socio-economic impact of the program. Monitoring and evaluation will take place at the following four levels:

- o inputs -> monitoring the flow and management of inputs;
- o outputs -> determining whether the inputs provided accomplished their objectives (i.e., were targeted policy reforms achieved) as a first step in measuring impact;
- o purpose -> determining progress toward achieving the program's goal based on whether the intermediate (purpose-level) objectives were obtained (e.g., issuance of implementing order simplifying investment approval process leads to actual reduction in time taken to complete process); and
- o goal -> determining the impact on people of achieving the intermediate level objectives (e.g., the number of jobs created).

Reliable baseline data are required to conduct the monitoring and evaluation activities. The program provides resources to assemble such data. PREPS is a policy program that takes a somewhat novel approach to reform. The implications are far reaching. A comprehensive information and evaluation system is warranted.

The Team Leader will be responsible for coordinating the monitoring activities, identifying data needs, and ensuring that data collected are pertinent, timely and accurate. All three long-term advisors will have specific monitoring responsibilities. Short-term consultants will be used to address implementation problems as they arise.

The following summarizes monitoring at each of the four levels.

A. Input Monitoring

Issue: What resources were planned and provided by A.I.D. ?

USAID will provide the following inputs for PREPS:

- \$3.1 million sector grant;
- 84 person-months of long-term technical assistance;
- approximately 50 person-months of short-term technical assistance;
- a series of in-country training seminars and workshops;

The Team Leader will be responsible for managing disposition of inputs related to short-term technical assistance, training, and research. She/he will report to the Mission Private Sector Officer on the availability and application of these inputs. In addition, the Mission Private Sector Officer will verify the disbursement of local currency under the program. Program and Project Implementation Letters (PILs), Project and Program Implementation Orders (PIOs), financial reports and Program/Project Implementation Reports will be used to document disposition of inputs.

The Team Leader will also track the manner in which the NOIFZ receives financial support from the private sector. This support will indicate the worth of the program to its immediate beneficiaries. Care must be taken to ensure that the sources and modalities of private sector contributions do not undermine or coopt the Free Zone Regime.

B. Output Monitoring

Issue: What concrete change, or tangible object, process or practice has been created as a consequence of A.I.D.'s inputs?

The major outputs targeted in 1990 are as follows:

- issuance of Implementing Regulations regarding Free Zone investment approval, holding of foreign exchange, transfer of dividends and profits, negotiation of employment contracts, private provision of electricity, water and international communication services, Free Zone administrative services, dispute settlement, and FTZ user rates for utilities and public services;

The Team Leader will coordinate with the Mission Private Sector Officer to ensure that the Mission is kept abreast of progress in meeting program outputs. Issuance of implementing orders will be documented by signed ministerial orders. The Mission Private Sector Officer will also maintain contact with appropriate private sector individuals associated with the Regime to assure that the reforms put into practice continue.

Under the subsequent tranches and disbursements, the program will have additional outputs that build on and reinforce the first generation outputs. These latter outputs will be monitored in a similar fashion.

C. Purpose Monitoring

Issue: What are the indicators that the outputs and program participants are interacting in such a way that there will probably be a people-level impact?

The program's purpose is to support the development and implementation of a privately managed free zone regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Trade Zone Law. Attainment of the purpose will be indicated by the following:

- decrease in time and cost required for investment approval;
- increase in efficiency and integrity in the provision of customs clearance; and
- increase in efficiency and objectivity in the settlement of disputes among and between investors and regulators.

During the early months of implementation, baseline data must be established to allow measurement of change at the purpose level. The Team Leader will direct this data collection effort. The baseline survey should be updated annually. These data will provide a basis for adjusting the program course of action, if necessary, and making critical judgments about the progress of the program. The Mission Private Sector Officer will ensure that the results of the surveys are incorporated into the program implementation reports.

D. Goal Monitoring

Issue: What are the results, or people-level impacts, of the program?

The goal of PREPS is to increase investment, employment, production and expand markets in the export sector. As is the case with purpose level monitoring, good baseline data are essential to monitoring at the goal level. The program's baseline surveys and annual updates will be used to satisfy this need.

In addition, PD&S resources will be used to finance several special research studies that will produce information to assess the program at the goal level. These studies will examine constraints to increasing the development impact and suggest ways they may be overcome. The social impacts and consequences of the Free Zone Regime will also be addressed by these studies.

E. Evaluations and Audits

The comprehensive monitoring plan prescribed for PREPS will reduce the level of effort required for evaluations. Two evaluations are scheduled. The first should take place in mid-1992. The purpose of this evaluation would be to test the program's assumptions, summarize progress at the input level, and to the extent possible, review progress at the output, purpose and goal levels. The second evaluation should take place at the end of the program and will assess whether input, output and purpose level objectives were obtained, and whether progress was made toward attainment of the program's goal.

A non-Federal program audit will be performed during the fourth year of the program to verify that funds have been appropriately utilized. Additional funds will be available to audit accounts held by the GRC, the NOIFZ, and the IPC.

VI. PROGRAM MANAGEMENT PROCUREMENT AND IMPLEMENTATION

A. Program Management

This section describes the major roles to be played during implementation of PREPS and the capability of the Mission to implement the program.

1. Major Roles and Responsibilities

(a) Policy Dialogue

USAID/Cameroon senior management will lead discussions with the GRC at the Presidential and Ministerial levels (as need be) to facilitate implementation of policies as planned by PREPS and to initiate dialogue in new areas that surface during implementation.

(b) Cameroonian Implementing Institutions

The Implementing agency for the GRC will be the Ministry of Industrial and Commercial Development (MINDIC). At the technical level, USAID/Cameroon will coordinate with MINDIC on the program's reform efforts and research. Other than its responsibility to review requests for zone designations to ascertain the possibility of public harm, MINDIC along with other GRC agencies including the Office of the President, Customs, the Central Bank, the Ministry of Labor, and the Port Authority must delegate full responsibility to the NOIFZ to administer the Free Zone Regime in accordance with the provisions of the Law. The transitional IPC will have responsibility for implementing the investment promotion strategy for the Free Zone Regime. The key beneficiary group, the private sector, will be represented through the Free Zone Advocacy Group, as well as through the private sector representatives on the Board of Directors of the NOIFZ. These two groups are expected to play a critical role in ensuring that the Regime operates efficiently and that the NOIFZ is ultimately self-financing.

(c) Overall Program Management, Technical Assistance, Training and Research

A program committee will be constituted within USAID/Cameroon to monitor the implementation of PREPS. This committee will be chaired by the Private Sector Officer. Other members of the committee will include representatives from the Project Design and Evaluation (PDE), the Agriculture and Rural Development (ARD), the Education, Health, and Human Resources (HRDA) and the Controller (CONT) offices. The committee will review reports and recommendations made by the contractor for their technical and program soundness. The committee will also provide guidance on A.I.D. requirements and resources related to the implementation of PREPS. The Private Sector Officer will monitor the overall program and specifically the performance of the technical assistance contractor. He/she will also take primary responsibility for the policy dialogue and donor coordination at the technical level.

Sound program coordination at the technical level must go beyond the Mission, however. The program's elements include the NOIFZ, the transitional IPC and other Free Zone related activities. Several players have a role in facilitating implementation, and hence, an opportunity to frustrate implementation. A program Coordinating Committee will be established to serve as a forum to resolve problems and make decisions that

are fundamental to achieving program objectives (e.g., research topics). The number of permanent members of the Committee should be kept small. The committee will be chaired by the Managing Director of the NOIFZ and will include the Mission's Private Sector Officer, a representative from MINDIC, a representative from the Free Zone Administrative Service, and a representative from the Ministry of Plan. Representatives from the Presidency, Customs, the Central Bank, the Ministry of Finance, the Ministry of Labor and the Port Authority will be invited to meetings that concern problems or issues in their domain. The Managing Director of the transitional IPC will also be a member of the committee during the first two years of the program. The Committee will meet annually to review program progress and on an as-needed basis.

2. USAID Management Capability

PREPS capitalizes on USAID's comparative advantage in implementing NPA activities and promoting policy reform in Cameroon. The Mission has acquired significant institutional expertise in program assistance as a result of its experience with the Fertilizer Sub-Sector Reform Program (FSSRP). The Mission is familiar with the procedures for releasing, monitoring and accounting for dollar disbursements. The procedures that have worked well for the implementation of FSSRP have been documented and serve as guides for implementation of NPA activities. The Mission has also established important contacts and credibility within the GRC up to and including the Presidency which facilitates policy dialogue.

With regard to PREPS, USAID/Cameroon initiated policy discussions with the GRC in February 1989. This dialogue and subsequent analytical exercises have been coordinated well with MINDIC. In addition, the idea of Free Zone Regime has been well received by the Presidency and President Biya considers this to be his personal initiative. The private sector has also played an integral role in the design of PREPS, particularly through the private sector Free Zone Advocacy Group.

PREPS has also been designed to minimize the management burden on the Mission by delegating as much responsibility as feasible to the contractors. The contractors will manage project activities including technical assistance, training, research, and data collection and analysis. The Mission Private Sector Officer will supervise the PSC and the institutional contractor's performance, using detailed performance criteria set forth in their contracts to ensure high quality performance.

B. Procurement

USAID will procure the services of a Team Leader for the program through a personal services contract. This contract will call for 36 person-months of long-term technical assistance.

Other services required to implement PREPS will be procured through an institutional contract for technical assistance solicited on an unrestricted, formal competition basis. Gray Amendment entities will be encouraged to participate in the competition for this contract. The RFP will contain a provision requiring at least 10% subcontracting to a Gray Amendment firm. A Request for Proposals (RFP) will be issued by the USAID/Cameroon RCO.

The institutional contractor will provide the technical expertise required by PREPS, and manage and conduct training. The contract will require 48 person-months of long-

term technical assistance, 38 person-months of short-term technical assistance and in-country training consisting of seminars and workshops. It is expected that the institutional contractor will draw upon local expertise whenever possible to support the technical assistance and training activities.

In addition, the Mission will use existing buy-ins or issue IQCs to procure the services of experts to conduct monitoring, evaluation and audit exercises related to PREPS. Approximately 14 person-months will be required over the life of the program for these purposes.

As discussed in Chapter IV, Mission PD&S resources will be used to procure the services of experts to conduct research activities related to the implementation and operation of the Free Zone Regime. Twenty-six months of short-term technical assistance will likely be required to carry-out these research efforts.

C. Program Implementation Plan

The following is the implementation plan for the program depicting approximate dates by which critical actions are expected to be completed.

Action	Completion Date	Responsible Party
PAAD/PP Approval and Authorization	8/90	USAID
Grant Agreement Signed	8/90	USAID, GRC, REDSO
First Meeting of Coordinating Committee	9/90	USAID, GRC
Technical Assistance Contract Advertised in CBD	9/90	USAID, AID/W
Conditions Precedent for First U.S. Dollar Disbursement Fulfilled	10/90	GRC
Sector Grant Released	10/90	USAID
RFP for TA Contract Issued	10/90	USAID
LC Deposits in made into Local Currency Special Account	10/90	GRC
Conditions Precedent for First LC Disbursement to NOIFZ Fulfilled	10/90	NOIFZ
LC Disbursement to NOIFZ	11/90	GRC, USAID

Action	Completion Date	Responsible Party
Closing Date for Responses to RFP	11/90	RFP Respondents
Second PIO/T Issued to fully Fund TA Contract	12/90	USAID
Evaluation of Proposals	12/90	USAID
Contract Awarded	12/90	USAID
Inst. Contractor in Field	02/91	Contractor
Contractor Submits Workplan for 1991	02/91	Contractor
Conditions Precedent for First LC Disbursement to IPC Fulfilled	02/91	IPC Board
NOIFZ and IPC fully Staffed and Equipped	04/91	NOIFZ, IPC
Customs Manual Developed and Training Begins	04/91	Contractor, NOIFZ, Customs
Baseline Surveys Initiated	04/91	Contractor
Design of MIS for NOIFZ and IPC	06/91	Contractor
Training for NOIFZ Staff on Basics of Project Assessment	06/91	Contractor, NOIFZ
Training for IPC Staff on Basics of Investment Promotion	06/91	Contractor, IPC
PAAD Supplement Prepared	06/91	USAID, REDSO
Revised Conditions Precedent Approved	07/91	USAID
Grant Agreement Signed	08/91	USAID, GRC

Action	Completion Date	Responsible Party
Conditions Precedent for Second U.S. Dollar Disbursement Fulfilled	09/91	GRC
Sector Grant Released	09/91	USAID
LC Deposits in made into Local Currency Special Account	10/91	GRC
NOIFZ and IPC Fulfill Conditions Precedent	10/91	NOIFZ, IPC
LC Disbursement to NOIFZ and IPC	12/91	GRC, USAID
Annual Review and Workplan Approved for 1992 (will include scheduling of training and ST TA)	12/91	Contractor, Coordinating Committee
Mid-point Evaluation	06/92	Contractor, USAID
All Short-term TA and Training for IPC Completed	12/92	Contractor, IPC
Annual Review and 1993 Workplan Approved (will include scheduling of training and ST TA)	12/92	Contractor, Coordinating Committee
Long-term TA for IPC and NOIFZ Departs Country	02/93	Contractor
All Short-term TA, Research, and Training Completed	12/93	Contractor
Annual Program Review	12/93	Coordinating Committee TA Contractor
Close-out Report	01/93	Contractor
Annual Program Review	12/94	Coordinating Committee
Non-Federal Audit of TA Contract	03/95	Contractor, USAID
Final Evaluation	08/95	Contractor, USAID

VII. COST ESTIMATE AND FINANCIAL PLAN

A. Budget Estimates

1. Sector Grant

A.I.D. plans to provide Cameroon with three annual sector cash grants totalling \$3,100,000. The GRC will make local currency counterpart deposits equivalent to the amount of each dollar sector cash grant. Section E below describes the purposes for which the local currency will be used.

2. Project Assistance

A.I.D. plans to contribute \$3,060,000 in project assistance from the Development Fund for Africa to the PREPS project assistance component (see Tables 2 and 3). The GRC will contribute the local currency equivalent of \$1,661,545 (i.e., 35% of total planned LOP costs).

B. Financial Plan

1. Obligation Schedule

USAID/Cameroon plans to obligate \$1.3 million in sector grant assistance from its regular OYB budget in the fourth quarter of FY 1990 (see Table 4). The Mission plans to obligate an additional \$1.0 million and \$800,000 in FY 1991 and FY 1992, respectively.

USAID/Cameroon plans to obligate \$700,000 from its OYB to the project component of PREPS in the fourth quarter of FY 1990. An additional obligation of \$2,360,000 is planned for the first quarter of FY 1991.

2. Methods of Implementation and Financing

The following chart summarizes the methods of implementation and financing to be used in the project component of PREPS.

Method of Implementation	Method of Financing	Estimated Amount (\$000)
Technical Assistance		
AID Direct Contract (RFP)	Direct Pay	2,497
Personal Services Contract	Direct Pay	563
		<hr/>
TOTAL		3,060

Table 2
 Summary USAID and GRC Expenditures for PREPS Project Assistance
 (U.S. Dollars)

	1991	1992	1993	1994	1995	Total
USAID	1,250,086	1,241,427	462,981	34,034	71,472	3,060,000
Technical Assistance	1,042,700	1,059,110	321,132	0	0	2,422,942
Long-Term (96 pms)	(798,500)	(847,425)	(196,796)	0	0	(1,842,721)
Short-Term (62 pms)	(244,200)	(211,685)	(124,336)	0	0	(580,221)
Training	177,986	151,447	77,022	0	0	406,455
Monitoring, Evaluation and Audit	29,400	30,870	64,827	34,034	71,472	230,603
GRC	1,394,280	81,145	59,039	61,991	65,090	1,661,545
In-kind rent for MOIFZ	70,550	56,228	59,039	61,991	65,090	312,898
In-kind rent for IPC	23,730	24,917	0	0	0	48,647
In-kind Free Zone Land Contribution	1,300,000	0	0	0	0	1,300,000
Total	2,644,366	1,322,572	522,020	96,025	136,562	4,721,545

Table 3
 Summary Cost Estimate and Financial Plan for PREPS Project Assistance
 (U.S. Dollars)

	US AID		GRC		TOTAL
	For. Exch.	Loc. Curr.	For. Exch.	Loc. Curr.	
	-----	-----	-----	-----	-----
Technical Assistance	2,422,942	--	--	--	2,422,942
Long-Term	(1,842,721)	--	--	--	(1,842,721)
Short-Term	(580,221)	--	--	--	(580,221)
Training	406,455	--	--	--	406,455
Monitoring, Evaluation and Audit	230,603	--	--	--	230,603
In-Kind Support	--	--	--	1,661,545	1,661,545
Total	3,060,000	--	--	1,661,545	4,721,545

Table 4
 PREPS Non-Project Assistance and Project Assistance Planned Obligations
 (U.S. dollars)

	Non-Project Assistance Component	Project Assistance Component	Program Total
	-----	-----	-----
Fiscal Year 1990			
First Quarter	--	--	--
Second Quarter	--	--	--
Third Quarter	--	--	--
Fourth Quarter	1,300,000	700,000	2,000,000
Fiscal Year 1991			
First Quarter	--	2,360,000	2,360,000
Second Quarter	--	--	--
Third Quarter	--	--	--
Fourth Quarter	1,000,000	--	1,000,000
Fiscal Year 1992			
First Quarter	--	--	--
Second Quarter	--	--	--
Third Quarter	--	--	--
Fourth Quarter	800,000	--	800,000
Total	3,100,000	3,060,000	6,160,000

In addition to funds authorized by PREPS, approximately \$400,000 of Mission PD&S funds will be used over the five-year life of the program to finance about 26 person-months of short-term technical assistance for research studies. The Mission also anticipates using resources under its Human Resources Development Assistance (HRDA) to support appropriate complementary training activities throughout the life of the program.

C. Private Sector Financial Support to the Free Zone Regime

The Cameroonian private sector has been playing an active role in support of the Free Zone Regime ever since the idea was introduced under the OPIC/AID Africa Free Zone Initiative during a visit to Cameroon by an OPIC official in February 1989. Immediately after the visit, key members of the private sector organized a "Free Zone Advocacy Group" under the auspices of the Cameroon Chamber of Commerce, Industry and Mines. This group consists of over 70 local businessmen who represent all regions and ethnic groups in Cameroon. An executive committee of eight members headed by Mr. Paul Soppo Priso serves as the body which interfaces with the Government regarding the Free Zone. The Free Zone Advocacy Group played a critical role in the development of the Free Zone Law. For the first time in the country's history, the Government officially requested direct private sector input into the drafting of a law. The same process is currently underway regarding the drafting of the Free Zone Implementing Regulations. The creation of the NOIFZ will not change the role that the Free Zone Advocacy Group will play. The group will continue its advocacy role and lobby on behalf of private sector interests vis-a-vis the Government and the NOIFZ.

Up to the present, the Free Zone Advocacy Group has invested much time and effort in both informally and formally lobbying the Government regarding the development of the Free Zone Regime. While it is difficult to quantify this contribution in monetary terms, it is fair to say that a sizeable amount of costs have been incurred in the form of time, travel expenses, telephone calls and consulting fees. For example, the Executive Director of the Group has incurred costs related to his constant travel from Douala to Yaounde to discuss Free Zone matters with the Government and the Mission, as well as his time and effort expended during visits to Washington, D.C., Mauritius, the Dominican Republic and Costa Rica regarding the Free Zone Regime. In addition, the Group hired a private research institute to assist them in developing their responses to draft Free Zone Law. Time and effort is also being expended by the six private sector members of the provisional Board of Directors of the NOIFZ in establishing and implementing the Office. These are very real costs and imply a firm commitment on the part of the private sector in support of the Free Zone Regime.

As requested during the ECPR Review, the Mission has recently approached the Free Zone Advocacy Group to discuss ways in which the private sector could directly contribute to the upfront costs of establishing the NOIFZ and to provide assistance throughout the transition period (See Annex N). In response to this request, the group held a meeting in Douala on August 9, 1990 to discuss the principle of further private sector contributions in support of the Regime and possible modalities regarding these contributions. The results of this meeting were conveyed to the Mission Director in a letter from Mr. Soppo Priso in which he expressed the group's continued strong commitment to the development of the Free Zone Regime. The group agreed in principle to support the transitional financing needs of the NOIFZ. As a first step, the group has agreed to cover all costs related to the establishment of the NOIFZ (i.e., legal, notary, registration and other related fees). Moreover, the group will continue its

discussions regarding the possible ways in which private sector resources can be mobilized, and the form in which these resources can best be provided, to support the transitional costs of the NOIFZ. A work committee has been created to develop proposals which the group can consider and act upon. Mr. Soppo Priso also conveyed the Group's gratitude for USAID's continued support of the Free Zone Regime and its important partnership in this endeavor. The Mission anticipates receiving the Group's proposal regarding the transitional financing of the NOIFZ by the end of the calendar year.

It is also important to note that private sector support for the Free Zone Regime, in general, and the NOIFZ, in particular, will be manifested in the form of user fees and other fees to be assessed by the NOIFZ. In fact, these forms of revenue collection are the most fair and progressive (in contrast to regressive) vehicles regarding generating private sector contributions in support of the Regime. Under this mechanism, only the direct beneficiaries of the Regime (i.e., Free Zone users) are assessed a fee for the services and benefits being provided. As discussed in Chapter VIII, private sector contributions in the form of user fees are estimated to range from \$175,000 to \$785,000 over the transition period, depending on the actual number of enterprises that establish themselves under the Regime. In addition, the Board of Directors of the NOIFZ is currently studying various mechanisms that could be developed to assess fees on beneficiaries of the Free Zone Regime who are not industrial Free Zone enterprises (i.e., local firms who sell goods and services to Free Zone enterprises). Together, these private sector related fees will directly contribute to the transitional costs of the NOIFZ and, ultimately, sustain the operating costs of the NOIFZ after USAID's support through PREPS has ended.

D. Dollar Use and Tracking

The plan for dollar utilization and tracking follows guidance provided by 1990 STATE 194322 "Financial Management Guidance on Dollar Separate Accounts for ESF Cash Transfers and ESF-, DA- and DFA-Funded Non-Project Sector Assistance Cash Disbursements". The GRC will expend funds from the dollar disbursements for the following purposes, in order of preference:

- (1) importation of goods from the United States;
- (2) importation of goods from other countries included in A.I.D. Geographic Code 899, and in conformity with the policies of the GRC;
- (3) payment of debts owed by the GRC to the United States (other than payment of principal or interest on loans or credits which originally financed military imports or other military requirements), provided payment of such debts is consistent with the agreed rescheduling arrangements where applicable;
- (4) payment of a debt owed by the GRC to a multi-lateral bank or to the International Monetary Fund; or
- (5) such other uses as the parties may agree in writing.

A.I.D. and the GRC will agree upon the general uses of the dollars which shall be identified in the Program Grant Agreement. Upon satisfaction of the appropriate conditions precedent, A.I.D. will make NPA cash disbursements.

The Program Agreement will require the GRC to deposit each sector dollar grant into a non-commingled, interest-bearing account at a commercial bank in the United States. The bank will be selected by the GRC. All interest earned on the bank account shall be used only for the purposes identified above.

At the time of the request for the cash transfer from AID/Washington, the Mission will identify the separate, non-commingled account established by the GRC at a United States bank to which the funds will be disbursed. Based on the Mission's experience with the FSSRP, it is expected that the transfer will be completed within two days, and therefore, under current guidelines, additional accounting measures during the transfer process will not be required. However, in the event that this expectation is not realized, USAID will require separate accounts for the entire transfer process.

The GRC's Caisse Autonome d'Amortissement (CAA) will be responsible for managing the dollar account. Based on the performance of the CAA in managing the separate dollar account for the FSSRP (a \$17.0 million cash grant) the Mission has determined that the CAA has the institutional capacity to provide the necessary financial management. The CAA will provide USAID with quarterly reports on the separate dollar bank account for PREPS. The format for these reports will be outlined in a PIL and will provide information on deposits to, withdrawals from, and disposition of dollars from the dollar separate account. The PIL will also identify any documentation necessary to verify the accuracy of the reports and to accompany the reports that are submitted to the Mission. In addition, the Mission will make arrangements to receive statements on the dollar separate account directly from the bank where the account has been established. The Mission will verify the reports at least once per year by inspection of GRC records pertaining to the special account.

An annual review of the account will be conducted by the Mission. Given the small size of the cash grant, a full audit is not warranted on an annual basis. However, the Mission will reserve the right to conduct non-Federal audits of the account.

E. Local Currency Plan

1. Uses of Local Currency

The Program Grant Agreement will require the GRC to deposit the local currency equivalent to the amount of each sector dollar grant received from PREPS within 30 days upon receipt of each such dollar grant. The amount of local currency shall be calculated at the highest legal exchange rate in Cameroon for any person for any purpose in Cameroon on the date of the sector grant disbursement by A.I.D.

The Program Grant Agreement will specify that upon receipt of each sector dollar grant, the GRC will deposit into a separate, non-commingled, interest-bearing account the equivalent local currency amount. A.I.D. and the GRC will agree in writing on the bank where the account will be established.

The Grant Agreement will specify the following as the approved uses for the local currency:

- (a) support for the development and operating costs of the National Office for Industrial Free Zones (NOIFZ) during its first five years of operation;
- (b) support for the development and operating costs of the transitional Investment Promotion Center (IPC) during its first two years of operation; or
- (c) any other use mutually agreed to in writing by A.I.D. and the GRC.

Prior to each local currency disbursement, the GRC will furnish to A.I.D., in form and substance satisfactory to A.I.D., a plan for the use of the funds and a description of the financial mechanisms and the terms and conditions by which the funds will be made available to the NOIFZ, IPC or other approved recipients. The conditions so specified must be consistent with the conditions precedent to releases from the local currency account to the NOIFZ and IPC specified in the Grant agreement, unless agreed otherwise in writing by A.I.D. and the GRC. To fulfil this requirement, the Mission relies on the completion of an Activity Program Document (APD) for each approved use. A copy of an APD is presented in Annex I to this paper. The APD contains the necessary information to assure careful programming of local currency including how the disbursement for the proposed use will support the goals and objectives of an NPA activity such as PREPS, as well as evaluation and monitoring procedures, a detailed budget and necessary provisions governing disbursements of the funds. The approved APD will be signed by A.I.D., the GRC and the recipient. An approved APD and up-to-date reports on the local currency account will be the basis on which the Mission Controller will countersign an order to withdraw funds from the separate local currency account.

2. Local Currency Management Procedures

The Program Grant Agreement will also specify that: (a) the GRC will furnish documentation on the deposition of funds from this account; and (b) A.I.D. maintains the right to conduct a non-Federal audit of the uses of the local currency and of the organizations to which the local currency is disbursed. In addition, the GRC will be required to furnish the following:

- (i) quarterly reports to A.I.D. on the local currency special account; and
- (ii) bank statements on the local currency special account to A.I.D.

The GRC will require the recipient to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the special account. A.I.D. will reserve the right to inspect these books and records at all times. The books and records will be maintained for three years after the last disbursement by A.I.D. under the Grant.

Table 5

Summary of Economic Benefits and Other Financial/Non-Financial Benefits of PREPS

(In millions of U.S. dollars unless otherwise noted)

	Average EPZ	Agro Industry	Cameroon FTZ Industry
	(a)	(b)	[(a)+(b)]/2
Scenario I:			

Total Economic Benefits	27.3	46.8	37.0
To the GRC	3.1	6.5	4.8
To Cameroonian Workers	15.9	25.2	20.5
To Cameroonian Businessmen	4.4	9.2	6.8
To Foreign Businessmen	3.9	5.8	4.9
Other Financial/Non-Financial Benefits			
Reduced Int. Pmt. on BOP Financing	2.7	4.7	3.7
Total increase in employment (numbers)	4,000	1,500	2,750
Scenario II:			

Total Economic Benefits	49.2	84.3	66.8
To the GRC	5.6	11.8	8.7
To Cameroonian Workers	28.7	45.4	37.0
To Cameroonian Businessmen	7.9	16.6	12.2
To Foreign Businessmen	7.0	10.5	8.8
Other Financial/Non-Financial Benefits			
Reduced Int. Pmt. on BOP Financing	4.9	8.4	6.7
Total increase in employment (numbers)	8,000	3,000	5,500
Scenario III:			

Total Economic Benefits	72.6	124.5	98.6
To the GRC	8.3	17.4	12.8
To Cameroonian Workers	42.3	67.0	54.7
To Cameroonian Businessmen	11.7	24.5	18.1
To Foreign Businessmen	10.4	15.6	13.0
Other Financial/Non-Financial Benefits			
Reduced Int. Pmt. on BOP Financing	7.3	12.5	9.9
Total increase in employment (numbers)	12,000	4,500	8,250

A series of assumptions are made in carrying out the economic analysis (see Annex J for a detailed discussion of these assumptions and the methodology used in carrying out the economic analysis). Moreover, three scenarios are developed regarding the number and nature of Free Zone enterprises that will be established under the Cameroon Free Zone Regime. These scenarios range from 20 firms (Scenario I) to 40 firms (Scenario II) to 60 firms (Scenario III) over the five year period (see Table 6). Since it is likely that both agro-industry and manufacturing activities will be developed under the Regime, a series of assumptions were made regarding the import intensity and labor intensity of these activities. In addition, assumptions were made regarding the average sales, profits and use of local resources by Free Zone enterprises and by suppliers to Free Zone enterprises. Assumptions were also made regarding the personal income tax rate that would be applied to employees income and the profit tax rate that would be applied to the profits of suppliers to Free Zone enterprises. Based on these assumptions, projections were made over the five-year period 1991-95 regarding the increase in value added and the distribution of these gains between the Government (in the form of increased tax revenue from Free Zone wages and from wages and profits regarding local firms supplying Free Zone enterprises), Cameroonian workers (in the form of additional wages from Free Zone related activities) and Cameroonian businessmen (in the form of increased profits from Free Zone related activities).

As revealed in Table 5, the economic benefits to be gained from the Cameroon Free Zone Regime range from \$37.0 million (Scenario I) to \$98.6 million (Scenario III). Given that PREPS is a \$6.16 million NPA/PA activity, this represents a return of 500 to 1,400 percent on USAID's contribution. Based on the combined USAID, GRC and private sector contribution of \$7.85 million (Scenario I) to \$8.1 million (Scenario III), this represents a net return of between 370 to 1,120 percent on the total contribution in support of the Free Zone Regime.⁴ Again, these calculations do not take into consideration the additional economic benefits that will continue to be gained after the life of program period. The distribution of the economic benefits between the Government, workers and businessmen are as follows. The primary beneficiary are Cameroonian workers who would receive between \$20.5 million (Scenario I) and \$54.7 million (Scenario III) in the form of additional wages after tax. The second largest beneficiaries are foreign and local businessmen who would receive between \$11.7 million (Scenario I) and \$31.1 million (Scenario III) in the form of increased profits from Free Zone related activities. Finally, the Government will be a direct beneficiary of between \$4.8 million (Scenario I) and \$12.8 million (Scenario III) in the form of increased tax revenue from Free Zone wages and non-Free Zone wages and profits.

It is important to note, however, that in addition to the quantifiable economic benefits discussed above, the country will also directly benefit from the diversification of its production and export base away from oil, coffee and cocoa and towards previously undeveloped agro-processing and manufacturing activities. These non-quantifiable gains to be had from economic diversification probably alone justifies the development of the Free Zone Regime. As discussed in Chapter II, the current economic and financial crisis facing Cameroon is the direct result of a lack of

⁴ This assumed a contribution of \$6.16 million by USAID, \$1.15 million by the GRC and \$160,000 (Scenario I) to \$410,000 (Scenario III) by the private sector in the form of user fees over the five year period and \$30,000 for the cost of establishing the NOIFZ.

Table 5
 Projected Growth in Free Zone Enterprises

	1991	1992	1993	1994	1995	1996
	----	----	----	----	----	----
Scenario I						
Industrial Free Zone Enterprises	(0)	(2)	(4)	(7)	(10)	(13)
Factory-Specific Free Zone Enterprises	(0)	(6)	(8)	(9)	(10)	(13)
Total	0	8	12	16	20	26
Scenario II						
Industrial Free Zone Enterprises	(0)	(4)	(6)	(10)	(16)	(22)
Factory-Specific Free Zone Enterprises	(0)	(8)	(14)	(20)	(24)	(28)
Total	0	12	20	30	40	50
Scenario III						
Industrial Free Zone Enterprises	(0)	(4)	(8)	(14)	(22)	(32)
Factory-Specific Free Zone Enterprises	(0)	(12)	(22)	(31)	(38)	(48)
Total	0	16	30	45	60	80

diversification in the country's production/export base and an overdependence on three raw commodities (i.e., oil, coffee and cocoa). Due to circumstances beyond the country's control (i.e., the decline in the world price of these three commodities), Cameroon was thrown into a severe economic crisis from which it is presently struggling to recover. The implementation of the Free Zone Regime and the corresponding development a more diversified production/export base should greatly reduce the country's vulnerability to external shocks in the future.

The country will also directly benefit from an improvement in its balance of payments. With a net increase in the country's export bill, the deficit in its overall balance of payments will correspondingly be reduced. This will directly reduce the need for financing and hence reduce the level of Government budgetary expenditures required for this purpose. This financing is provided through Cameroon's overdraft facility at the French Treasury.⁵ Savings of between \$3.7 million (Scenario I) and \$9.9 million (Scenario III) would likely be generated through the reduction in the deficit in Cameroon's overdraft facility at the French Treasury and the corresponding reduction in interest obligations.

Finally, the country would benefit from an increase in new employment. The economic benefits of this increase in employment was quantified above in the form of net wages earned by employees of both Free Zones and suppliers of Free Zones. In addition to the economic benefit, there is the political and psychological benefit of a reduction in the unemployment rate. The number of new jobs created by Free Zone enterprises during the life of program/project ranges from 2,750 (Scenario I) to 8,250 (Scenario III). To this must be added the indirect creation of jobs resulting from increased demand for local inputs and services. It is estimated that for every job created by a Free Zone activity in Cameroon, an additional 3 jobs would be created in the local economy.⁶ This would imply a net increase of between 8,250 to 24,750 direct and indirect jobs.

⁵ Under the franc zone system, the French Treasury guarantees the convertibility of the Franc CFA at a fixed rate of FCFA 50 = FF 1. Unlike in other developing countries with non-convertible currencies, Cameroon does not face a balance of payments or foreign exchange constraint outside of that instilled through control of the growth in the money supply. Whenever Cameroon's stock of foreign exchange held at the French Treasury is less than its demand for foreign exchange, an overdraft occurs. The Government is subsequently obliged to pay interest on the outstanding balance of this overdraft. To the extent that net exports increase as a result of the Free Zone Regime, it will result in a reduction in the overdraft facility and a reduction in interest payments owed by the Government, everything else being held constant.

⁶ The economic analysis revealed that wages generated from backward linkages were approximately three times the wage bill generated from the Free Zone enterprises demanding the local inputs. Assuming that the labor-intensity of backward linkage activities is the same as Free Zone activities, then one could estimate that three jobs would be created in the local economy for every job created in the Free Zones. In fact, this is probably a conservative assumption, since the production process for agricultural inputs used by Free Zone agro-industrial firms is probably significantly more labor-intensive.

In sum, the economic analysis reveals that USAID's financial contribution under PREPS would generate economic benefits of \$37 million, even assuming the worse case scenario of only 20 firms being installed under the Cameroon Free Zone Regime by the end of program/project. These benefits would be shared between Cameroonian workers, businessmen and the Government. Additional benefits in the form of economic diversification, an improved balance of payments, an improved budgetary position and increased new employment would also result from PREPS. Based on this analysis, the Mission strongly believes that the total gains to be had from PREPS fully justifies the \$6.16 million NPA/PA activity.

B. Financial Feasibility

This section provides a detailed financial analysis regarding the sustainability of the Free Zone regulatory institution (the NOIFZ) being supported under PREPS. As discussed above, the NPA component of PREPS is intended to finance the transitional costs of the NOIFZ for a period of five years and the IPC for a period of two years. As regard the IPC, the Mission has made it clear to the GRC and the private sector that it will not finance the Center over the medium-term. Rather, USAID/Cameroon will provide the initial resources to help establish and operate the IPC for a period of two years. During this time, it is expected that the GRC and the private sector will mobilize the necessary resources to sustain the Center over the medium-term, beginning in 1993. In the case of the NOIFZ, however, the Mission is making a commitment to finance the Office for a period of five years. After its initial start-up period and once a critical mass of enterprises are established under the Cameroon Free Zone Regime, the NOIFZ should become self-financing. The main focus of the Mission's intervention, therefore, is to cover the transitional costs of establishing and operating the Free Zone regulatory body until it becomes self-sustaining. As discussed in Chapter IV, conditions precedent have been established to ensure that the NOIFZ establishes a master financial plan which will ensure its sustainability from alternative sources of revenue.

1. The Investment Promotion Center

As discussed above, resources will only be made available to the IPC to cover its first two years of operation. Beginning in the third year (i.e., 1993), it is assumed that the GRC will have mobilized bilateral and multilateral sources of finance to cover the operating costs of the Center throughout the medium-term. At present there is no national investment promotion body in Cameroon. The Mission has therefore decided to finance the first two years of the IPC's operating costs because it recognizes that: (a) investment promotion will be critical to the overall success of the Free Zone Regime; (b) "promotion" activities should not be mixed with "regulatory" activities; and (c) Free Zone investment promotion should be done within the broader context of overall investment promotion in order to avoid duplication of effort and inefficiencies. The Mission also recognizes that given its limited financial and human resources, USAID/Cameroon is in no position to finance the costs of a national investment promotion program. Moreover, since a variety of countries would ultimately be beneficiaries of the fruits of investment promotion, the Mission believes that the medium-term financing of the IPC should rightfully be part of a multi-donor effort. Consequently, USAID/Cameroon has decided that it will serve only as a catalyst for the development of a privately-managed and operated investment promotion center by covering the initial costs of the proposed provisional center up until a comprehensive, multi-

donor effort can be organized by the GRC. Based on preliminary contacts with the French, the Canadians, the Germans, the Belgians and the World Bank, it appears that such a multi-donor effort will be possible.

2. The National Office of Industrial Free Zones

The primary recipient of the NPA local currency counterpart resources generated from PREPS will be the NOIFZ. The Mission has decided to assist in the transitional financing of this institution because it believes that: (a) the NOIFZ represents a revolutionary experiment in the private management and operation of an important regulatory body; (b) Government financing during the transition period would inevitably bring with it Government interference in the affairs of the NOIFZ; and (c) the NOIFZ can ultimately be self-financing through the assessment of user fees and other sources of revenue. Hence, the Mission is willing to provide the transitional financing to bridge the gap up unto the time that a critical mass of Free Zone enterprises obtain Free Zone status so that the NOIFZ can be self-sustaining. The Mission believes that the NOIFZ will attain self-sustainability by the end of program/project period. Specific conditions precedent regarding the identification of alternative sources of financing and the development of a master financial plan have been set for the second, third, fourth and fifth disbursements of local currency counterpart resources targeted for the NOIFZ. The remainder of this section will address the issue of the financial sustainability of the NOIFZ.

The Free Zone Law states that the NOIFZ shall be funded from the following three sources of revenue: (1) annual contributions from Industrial Free Zone operators and enterprises according to a scheme to be defined by the Board of Directors of the NOIFZ; (2) grants, loans or service charges as decided by the NOIFZ's Board of Directors; and (3) a portion of the proceeds from fines provided for by the Free Zone Law, in accordance with a scheme to be agreed upon by the Government and the NOIFZ and ordered by the Minister in charge of industrial development. Since the NOIFZ is providing Free Zone enterprises and developers with a tangible service in the form of a one-stop shop for investment approval, a streamlined system of on-site customs inspection, a one-stop shop for all administrative services required to operate an enterprise, as well as the provision of a package of other regulatory and financial incentives, it is only reasonable that recipients of these services and benefits should be willing to pay a nominal fee. In the Free Zones found throughout the Caribbean and Asia, average user fees of the equivalent of approximately \$0.25 per square foot of under-roof space are assessed to Free Zone enterprises by the Free Zone regulatory bodies.⁷ Since the Cameroon Free Zone Regime goes beyond other Free Zone Regimes by creating a privately managed and operated Free Zone regulatory body that is both a one-stop shop for investment approval and for obtaining all required public services, a fee of this magnitude would appear to be reasonable. In addition, it is common practice throughout the world to assess a fee regarding the processing of applications by developers and enterprises wishing to gain access to a Free Zone regime. These two sources of revenue will provide the foundation for financing the NOIFZ.

⁷ In fact, Free Zone developers pay user fees to the regulatory bodies in charge of the Free Zone regimes. These fees are passed onto Free Zone enterprises through the monthly rental fee that is assessed by the developer.

The inflow of application/user fee related revenues to the NOIFZ will ultimately be a function of the following variables:

- (a) the number of industrial parks created;
- (b) the number of Free Zone enterprises established in these parks;
- (c) the number of Point Francs established;
- (d) the level of application fees; and
- (e) the level of annual user fees.

The analysis presented below provides three main scenarios regarding the number of Free Zone developers and enterprises (refer to Table 6). Within each scenario, the sensitivity of revenue flows regarding the magnitude of user fees is also tested. It is assumed throughout all three scenarios that the application fees for developers and enterprises will be \$500 and \$100, respectively. These levels are considered to be moderate by international standards. A sensitivity analysis was not performed on application fees because they constituted only a fraction of the revenues that will be generated by annual user fees. Sensitivity analyses were performed regarding the level of user fees (\$0.15 vs. \$0.25 per square foot of under-roof space) and the number of Free Zone enterprises established (20 versus 40 versus 60) by the end of the program/project period. It is assumed throughout the three scenarios that enterprises would not be operational and that user fees would not be assessed until the beginning of 1992, thereby allowing a full year start-up period. A break-even analysis was performed in order to determine the "critical mass" or number of Free Zone enterprises that would have to be created in order for the NOIFZ to be self-financing from only application and user fees. A total of 80 enterprises would be required.

(a) Scenario I: The Low Case

The Low case scenario assumes that by 1996 (one year after the end of the program/project period) there will be 13 enterprises established in Free Zone industrial parks and an additional 13 enterprises established as Point Francs. It is assumed that it will take a full year after PREPS begins before the first Free Zone industrial park becomes operational (i.e., in 1992). This industrial park will most likely be the result of the ongoing USAID/OPIC Africa Free Zone Initiative which aims at establishing an Free Zone industrial park in both Cameroon and Togo. Free Zone enterprises will most likely begin operations within the industrial park during 1992. It is assumed that there will be an initial inflow of 2 enterprises into the Free Zone industrial park in 1992 and will be a gradual increase to 13 enterprises by 1996. With regard to the Point Francs, it is assumed that there will be an initial inflow of 6 enterprises in 1992 and that this would gradually increase to 13 enterprises by 1996.

Under this scenario (see Table 7), private sector contributions in the form of application/user fees during the period 1990 to 1995 would be \$176,500 to \$288,500, while the required financing to close the revenue gap would be \$1.8 million to \$1.9 million. In addition, the NOIFZ would experience sizeable revenue shortfalls at the end of PREPS under both the \$0.15 and the \$0.25 assumed user fee levels. The likely shortfall would range from \$275,000 to \$327,000 beginning in 1996. A user fee of only \$0.15 per square foot would therefore be wholly inadequate to support the financial costs of the NOIFZ. Even the establishment of the higher (yet internationally competitive) user fee of \$0.25 per square foot would be inadequate. Under this scenario, therefore, the NOIFZ would have to mobilize \$275,000 in 1996 from additional sources of revenue in order to be self-financing. Moreover, the NOIFZ would have to

Table 7
Financial Analysis of HOIFZ

Scenario	Number of Enterprises 1995/1996	Level of User Fees (per sq. ft.)	Total Revenue 1990-95	USAID Contrib. 1990-95	HOIFZ Revenues in '96	Residual Fin. Gap in '96
I	20/26	\$0.15	\$176,500	\$1,834,717	\$79,600	\$326,960
	20/26	\$0.25	\$288,500	\$1,778,258	\$131,600	\$274,960
II	40/50	\$0.15	\$323,500	\$1,747,717	\$153,000	\$253,560
	40/50	\$0.25	\$527,500	\$1,539,258	\$253,000	\$153,560
III	60/80	\$0.15	\$481,500	\$1,589,717	\$248,500	\$158,060
	60/80	\$0.25	\$783,500	\$1,283,258	\$408,500	(\$1,940)

continue to secure additional financing annually until the break-even number of 80 firms was attained (i.e., an additional 54 enterprises).

(b) Scenario II: Medium Case

The medium case scenario assumes that by 1996 there will be 16 enterprises established in industrial Free Zone parks and 24 enterprises established as Point Francs. It is further assumed that two Free Zone industrial parks are established. The first would be the one likely to be developed under the OPIC/AID Africa Free Zone Initiative, while the second would be one likely to be established by a local Cameroonian who is interested in developing an information-based Free Zone industrial park in Limbe. It is assumed that an initial 4 enterprises would be established in the Free Zone industrial parks in 1992 and that this would gradually grow to a total 20 by 1996. As regards the Point Francs, it is assumed that there will be an initial 8 enterprises gaining this status by 1992 and that this will increase to a total of 30 enterprises by 1996.

Under this scenario, private sector contributions in the form of application/user fees during the period 1990 to 1995 would be \$325,000 to \$530,000, while the required financing to close the revenue gap would be \$1.5 million to \$1.8 million. Once again, the NOIFZ would experience revenue shortfalls at the end of PREPS under both the \$0.15 and the \$0.25 assumed user fee levels. The likely shortfall would range from \$155,000 to \$255,000 beginning in 1996 and would gradually decline until the break-even number of 80 enterprises are established under the Regime.

(c) Scenario III: High Case

The high case scenario assumes that by 1996 there will be as many as 32 enterprises established in Free Zone industrial parks and as many as 48 enterprises established as Point Francs. In addition to the two Free Zone industrial parks noted in Scenario II, this scenario assumes that a third park would be established in 1995. It is further assumed that an initial 4 enterprises would be established in the Free Zone industrial parks in 1992 and that this would gradually grow to a total 32 by 1996. It is also assumed that there will be an initial 12 enterprises gaining Point Franc status by 1992 and that this will increase to a total of 48 enterprises by 1996.

Under this scenario, private sector contributions in the form of application/user fees during the period 1990 to 1995 would be \$480,000 to \$785,000, while the required financing to close the revenue gap would be \$1.3 million to \$1.6 million. The NOIFZ would continue to experience a revenue shortfall at the end of PREPS of \$158,000 if a user fee of \$0.15 per square foot was employed. However, if a user fee of \$0.25 were employed, the Office would be fully self-financed by the end of program/program period.

These three scenarios presented above provide a reasonable range of the likely demand by enterprises for Free Zone status, especially in light of the sizeable degree of interest already expressed by both local and foreign businesses as noted in the Demand Analysis presented Chapter III. Based on the market surveys performed and the degree of interest expressed by Cameroonian and foreign businessmen to date, Scenario I is most likely to be an overly conservative scenario, while Scenarios II and III are more likely to come to fruition. Experience with Free Zone Regimes throughout the world to date shows that by the end of the sixth year of operation, an average of 37 enterprises have been established (see Table 8). This has ranged from a low 9 and 15

TABLE 8
GROWTH IN EFFECTIVE DEMAND DURING YEARS 1-6 FOR VARIOUS EPZ PROGRAMS
(Number of Firms and Average Annual Rate of Growth)

Zone Program	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Average Annual Rate of Growth
Costa Rica (All)	2	3	7	15	27	38	30%
Dominican Republic	1	1	4	5	10	15	72%
El Salvador(San Sartolo)/1	4	8	11	14	-	-	52%
Fiji All)	59	82	-	-	-	-	39%
Jamaica (Kingston)/1	1	3	6	7	8	9	55%
Jamaica (Montego Bay)	5	8	n/a	-	-	-	50%
Mauritius (All)	9	19	33	46	68	85	57%
India (Santa Cruz)	3	8	17	23	n/a	n/a	97%
Senegal (Dakar)/1	4	4	5	5	6	n/a	9%
Korea (Masan)	6	26	71	98	105	n/a	105%
Sri Lanka (Biyagama)	12	15	n/a	n/a	n/a	n/a	25%
Average Number of Firms	10	16	19	27	37	37	30%
Medium Number of Firms	4	8	9	15	19	27	46%

/1 TSG estimates.

Note: n/a denotes data not available. EPZ programs in Jamaica (Montego Bay Free Zone) and Fiji have not been operational for six years. Data for Years 4-6 in El Salvador not presented due to the civil conflict.

Source: Data compiled by The Services Group.

enterprises in Jamaica and the Dominican Republic, respectively, to a high of 38 and 85 enterprises in Costa Rica and Mauritius, respectively. Moreover, the regimes which permitted the creation of Point Francs (i.e., Mauritius and Costa Rica) had a significantly higher number of Free Zone enterprises than regimes which did not. In some cases, the growth in enterprises has been spectacular. For example, after only the second year of operation, the Fiji Free Zone Regime had a total of 82 enterprises. Similarly, the Korean Free Zone Regime had over 100 enterprises operating by the end of its fifth year of operation. It is important to note that none of these Free Zone Regimes had privately-managed one-stop shops for investment approval and for the provision of all administrative services required to establish and operate a Free Zone enterprise. Moreover, most of these regimes were traditional, labor-intensive export processing zones rather than resource-based processing zones. While it is difficult at this point in time to state exactly what the actual demand for the Cameroon Free Zone Regime, the Mission believes that the projections presented under Scenario II and III are reasonable.

3. Other Sources of Revenue for the NOIFZ

As discussed above, the Mission has foreseen that the NOIFZ may not be self-financing by the end of the program/project period if it relied only on user fees as a source of income. In light of this possibility, USAID/Cameroon has designed into the PREPS NPA/PA activity a process by which agreement can be reached in advance of the program/project completion date regarding the self-financing of the Office. Conditions precedent regarding the identification of additional sources of finance and the development of a sustainable financial plan for the NOIFZ have been set for the second, third, fourth and fifth disbursements of the local currency counterpart resources generated the NPA dollar disbursement. The Board of Directors and staff of the NOIFZ will have to analyze and determine what other sources of finance can be drawn upon should the break-even number of Free Zone enterprises not occur before the end of 1995.

There are several alternative sources of finance that could be considered. For example, since local enterprises providing goods and services to Free Zone enterprises will directly and indirectly benefit from the Regime, a small fee could be assessed upon them. This could take the form of a small supplement to the annual business license fee that all enterprises must pay each year. Alternatively, a fee could be assessed on private sector enterprises through the Chamber of Commerce, Industry and Mines. The exact modalities will have to be discussed and their implications analyzed thoroughly by the NOIFZ before a concrete proposal can be made. In addition, annual contributions to the NOIFZ could be provided by a Free Zone Businessmen's Advocacy Association or Club to show its support for the Free Zone Regime. If such a path were pursued, efforts would have to be made to ensure that this group did not coopt or unduly influence the staff of the NOIFZ or its Board of Directors. Such associations currently exist in other Free Zone countries. Decisions regarding the level of contributions and the mechanisms to used should rightfully rest with the NOIFZ.

As discussed above, the Free Zone Law allows the NOIFZ to be funded through grants and loans, as well as through a portion of the proceeds from Free Zone related fines. The NOIFZ could therefore obtain loans to cover its immediate obligations in anticipation of receiving additional revenue from user fees regarding future enterprises that gain access to the Regime. The NOIFZ should, however, be extremely prudent and ensure that it can reasonably service any debt obligations that it undertakes. Although the NOIFZ can expect to receive revenues from Free Zone related Fines, this would likely be an

uncertain income stream. For planning purposes, therefore, the NOIFZ should develop a financing plan based on revenue sources that are likely to be stable.

Finally, it is important to note that the general wisdom is that the Franc CFA will be devalued in the near future. It appears that it is no longer a question of "whether" but one of "when." Estimates of the likely level of devaluation range anywhere from 30 percent to 50 percent. Since the overwhelming majority of operating costs incurred by the NOIFZ are denominated in FCFA, a devaluation of the Franc CFA would have a strong positive effect on the Office's financial position to the extent that the user fees are denominated in foreign exchange (i.e., U.S. dollars or French Francs). Since exporters will be earning hard currency, they will not be adversely affected by the devaluation in terms of their ability to pay dollar or franc denominated user fees. In addition, a devaluation would have a strong, positive effect on the sales and profits of Free Zone exporters since much of their operating costs are denominated in FCFA while their revenues are denominated in foreign exchange. A devaluation would therefore greatly relieve any financial constraint facing the NOIFZ.

Based on the actual experience with demand for Free Zone status, developments regarding the devaluation of the Franc CFA, and the corresponding projection of financing needs, the NOIFZ will develop and articulate a comprehensive plan for addressing these needs. The conditionality established under PREPS will help ensure that such a plan is developed and implemented.

C. Institutional Feasibility Analysis

This section presents a summary of the analysis performed by the Mission in designing the institutional arrangements developed under PREPS. Since PREPS is fundamentally a policy reform and institution building activity, this institutional analysis served as the corner stone of the program/project design. In developing its institutional analysis, the Mission drew upon a variety of resources. Of primary importance was the use of the analytical framework developed by Indiana University's Workshop on Institutional Analysis and Policy Reform. The Mission held a series of consultations with Indiana Professor Ron Oakerson which helped identify and analyze most of the institutional constraints that are discussed below. Moreover, the insight gained from this exercise was directly used in designing the particular institutions and rules, regulations and procedures that are developed under PREPS to address these institutional constraints.

1. Overview of the Institutional Implications of PREPS

The purpose of PREPS is to support the development and implementation of new rules, regulations, procedures and institutions that will reduce domestic distortions in the economy and thereby improve the ability of local firms to compete in world markets at world prices. This is to be accomplished through the careful development and implementation of a regulatory framework which will govern and facilitate free zone development in Cameroon. This regulatory framework involves two key components: (1) a set of regulatory measures designed to encourage export industries by removing existing disincentives and thereby allowing these firms to capitalize on the country's inherent comparative advantages; and (2) a series of new discrete institutions that are designed to oversee the regime and ensure that these regulatory measures are properly implemented.

The NPA and PA components of PREPS are designed to reinforce the regulatory and institutional changes discussed above. The tranching disbursement of U.S. dollars under the NPA are tied to the well functioning of the Government institutions and their corresponding rules and procedures that play important roles in the operation of the Free Zone Regime. Similarly, the tranching local currency counterpart funds generated from the U.S. dollar disbursements are tied to the well functioning of the private sector entities and their corresponding rules and procedures that play critical roles under the Free Zone Regime. The PA component is custom tailored to provide the technical assistance and training that will be required to ensure that these public and private sector organizations have the institutional capacity and know-how to effectively and efficiently carry out their tasks.

2. The Ability of PREPS to Achieve Institutional Change

Efforts to introduce comprehensive economic and regulatory reforms on a national basis are often blocked or impeded by entrenched bureaucracies and privileged interests. At present, Cameroon is undergoing a comprehensive adjustment program that is addressing a variety of structural and policy-related problems including: the liquidation, rationalization and privatization of the parastatal sector; the rehabilitation of the commercial banking sector; the rationalization of the tax system; the liberalization of trade and price policies; the amelioration of the regulatory environment; and the promotion of investment and export diversification. This ambitious program will most likely take 5 to 10 years to fully implement and will inevitably run up against major barriers and obstacles by proponents of the status quo. Such problems have already been experienced vis-a-vis the IMF regarding the now inoperative Stand-by Arrangement and vis-a-vis the World Bank regarding the delay in the second tranche disbursement of the Structural Adjustment Loan.

In contrast, the success to date of export processing zones throughout the world in bringing about sweeping policy reforms can be attributed to their geographically limited nature. Because only discrete areas are affected, rather than the entire economy, institutions and players with a stake in the status quo seldom mobilize in opposition when liberalized economic policies are proposed for the zones. Moreover, these changes are often obtained by proponents of liberalization without requiring the use of prohibitive amounts of political capital in implementing the reform. This is particularly true in the case of PREPS. The development and implementation of the Free Zone Regime does not take away any power that is currently being wielded nor any wealth that is presently being extracted. Rather, the institutions created under the Regime are dealing with new economic agents--agents that would not invest in Cameroon in the absence of the Free Zone Regime. Hence, existing institutions and players can continue to do business as usual and are not being directly threatened by the new institutional arrangements created under the Free Zone Regime. PREPS is therefore a more fortunate position than, for example, FSSRP or PRAMS. In these two cases, existing institutions had/have to be closed down and were/are replaced by new institutions. Hence, the players with vested interest in the existing institutions have much more of a stake involved in undermining the reforms.

3. Institutional Arrangements Under PREPS

The careful formulation of the regulatory framework which governs and facilitates Free Zone development in Cameroon serves as the foundation upon which the Regime is based. The Free Zone Law not only provides important incentives and other benefits offered

to Free Zone enterprises, but also contains explicit provisions creating institutions to ensure that these incentives and benefits are provided in an efficacious manner. With regard to the incentives and benefits provided under the Free Zone Regime, local and foreign export-oriented firms will be able to operate under a completely different set of rules than that which exists in the rest of the economy. Important incentives and exonerations have been built into the rule structure which will reduce domestic distortions and increase the ability of the firm to operate at world prices. These include, a 10 year tax holiday on corporate business taxes followed by a flat tax of 15 percent on corporate profits beginning in the eleventh year; complete exoneration of all other direct and indirect taxes; exoneration from all customs duties and taxes; exemption from restrictions on the purchase and sale of foreign exchange; guaranteed right to hold foreign exchange denominated banking accounts; guaranteed right to transfer abroad all funds earned and invested in Cameroon; exemption from all production and sales related taxes on locally produced inputs; and exemption from all price and margin controls.

In addition to changing the rules and regulations under which local and foreign export-oriented enterprises in Cameroon will operate, the Free Zone Law establishes a series of new institutional arrangements which are designed to reduce the costs of doing business in Cameroon. These include: (1) a one-stop shop for investment approval and for obtaining all permits, licenses and authorizations required to operate a business under the Free Zone Regime; (2) a streamlined system of on-site customs inspection; (3) a streamlined system of labor contracting based on productivity; and (4) a system of dispute settlement and enforcement mechanisms outside of the existing legal system.

(a) The NOIFZ: A One-Stop Shop for Investment Approval

The Free Zone Law creates a National Office of Industrial Free Zones (NOIFZ) which is to serve as a one-stop shop for Free Zone investment approval and for the provision of all licenses and/or permits required to operate an export-oriented business under the Regime. The NOIFZ is a private, non-profit body rather than a Government regulatory agency. It has a Board of Directors with 6 private sector representatives and 3 public sector representatives and operates on the principle of one-person, one-vote. Three of the private sector representatives are to be elected from among Free Zone developers, operators and enterprises, thereby creating an incentive mechanism for the office to be responsive to problems experienced by Free Zone users. In addition, the NOIFZ is to be professionally managed by a private cadre rather than by civil servants. Hence, an entirely different mentality and incentive system will be put in place regarding the administration of the Free Zone investment approval process, with the goal being quick investment approval.

The Free Zone Law transfers all regulatory and administrative authority regarding the establishment and operation of a Free Zone Enterprise previously held by a myriad of government offices and centralizes it within the NOIFZ. This is a direct attempt to reduce the time and cost of establishing a business in Cameroon, which as noted above could require up to 24 steps, involving 20 ministries, agencies or offices and take from 6 to 24 months to complete. In addition, the Law creates a simplified system of investment approval. Clear, objective eligibility criteria for Free Zone investment approval are created and disseminated which minimizes any administrative discretion that could be involved in the process. Finally, the Law mandates a 30 day deadline for investment approval. If the NOIFZ does not render a decision by this date, the investment approval request is automatically granted. These institutional measures

are intended to create a simplified, transparent and automatic investment approval process with minimum delay.

In addition to the investment approval process, the NOIFZ also has responsibility for overseeing the management and enforcement of the Regime. According to the Law, the package of Free Zone incentives and exonerations are to be provided automatically upon investment approval. An "Administrative Service" is to be created within the NOIFZ which will centralize all public services required by Free Zone users. Agents of this service force will be empowered to single-handedly provide all the privileges and exonerations that are mandated by the Law (i.e., automatic entitlement to labor permits, residency permits and visas to expatriate workers). Moreover, the NOIFZ will oversee the activities of the Administrative Service and facilitate the process of obtaining all the benefits and privileges granted by the Law. In sum, the investor will simply submit his investment approval application to the NOIFZ. After the application is approved, the NOIFZ will act on behalf of the investor and ensure that all the privileges provided under the Law are automatically granted.

(b) Free Zone Customs: System of On-Site Inspection

In place of the current system of customs clearance at the port of Douala, the Free Zone Regime creates a system of on-site customs inspection. A whole new institutional arrangement regarding the entry and exit of goods and services to and from the Free Zones is therefore being created. Under this system, containers holding Free Zone imports are immediately moved to a Free Zone holding area immediately after being off-loaded from the arriving ship where a customs seal is placed on it. The container is subsequently transported from the port to the industrial free zone by way of an escort consisting of a customs official and a military guard. Documents are checked and verified at the exit of the Free Zone holding area at the port and at the on-site customs office installed at the industrial free zone. After entering the zone, the container is escorted directly to the enterprise where the goods are unloaded under the direct surveillance of a customs officials. Any goods not corresponding to those specified on the official free zone customs form are immediately seized. A similar process is used for exports from the industrial free zones.

It is important to note that since Free Zone enterprises are exonerated from all tariffs and duties, customs agents no longer perform a "valuation" function regarding the assessment of duties owed. Under the current customs system, this valuation exercise is the primary source graft and corruption. Since this exercise does not occur under the Free Zone Regime, a significant source of corruption has been eliminated. The other source of corruption involves the customs official's ability to delay the clearance of the container. Customs officials often extract "fees" for services rendered regarding the release of goods. Under the Free Zone Regime, however, the clearance process is shifted away from the port of Douala to the individual free zones involved. Moreover, the Free Zone customs clearance process takes place under the watchful eye of the Free Zone enterprise, the Free Zone developer and a representative of the NOIFZ. To the extent that delays occur, the incentive structures are such that immediate action will be taken by the NOIFZ vis-a-vis the Administrative Service (i.e., the unit involving Free Zone customs) to rectify the situation. In addition, measures will be taken to pay Free Zone custom agents a higher salary and to provide appropriate incentives for them to respect the "quick clearance" principles of the Regime.

(c) Free Zone Labor Regime

The Free Zone Law creates a distinct set of rules and procedures that Free Zone enterprises follow regarding hiring/firing workers as well as setting wages. Free Zone enterprises are exonerated from the standard wage classification scheme specified under the Labor Code which, as mentioned above, fixes all wages by industrial sector, geographic location and level of formal education. In place of this system, Free Zone enterprises have the right to freely negotiate contracts with their employees. In particular, the Law specifies that Free Zone enterprises may set wages on the basis of productivity and efficiency. The Law also states that the restrictive and bureaucratic procedures regarding hiring/firing can be replaced by the system agreed upon between Free Zone employers and employees as developed during their collective bargaining. The terms and conditions negotiated must be consistent with internationally accepted workers' rights, including freedom of association, the right to organize and bargain collectively, prohibition against all forms of force labor, minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and minimum occupational health and safety standards.

The net effect of the Free Zone Labor Regime is that wages can now be negotiated on the basis of market forces rather than by administrative fiat. Since the current wage structure is believed to be internationally uncompetitive, the liberalized setting of wages between Free Zone enterprises and employees will most likely move in the direction of more internationally competitive wage rates. It is important to note that unemployment in Cameroon is presently estimated to be around 30 percent and is growing due to the labor shedding occurring under the Government's structural adjustment program. The co-existence of high levels of unemployment with high wage levels at first appears paradoxical. However, the existing system of administratively determined wages has resulted in rigid wages which can not be adjusted downward despite the existence of a sizeable unemployed labor force. The liberalized system of wage setting under the Free Zone Regime will most likely allow greater numbers of people to be employed and allow personal income to grow. Wages will be constrained downward by the fact that there will be a wage level at which workers will ultimately not be willing to work. Moreover, norms based on internationally acceptable standards will be established.

(d) Dispute Settlement and Enforcement

The Free Zone Law empowers the NOIFZ to establish procedures for settlement by mutual agreement of disputes arising between developers and enterprises, or between either of the latter and the Administrative Service (including customs). In addition, a dispute settlement mechanism is to be created for disputes between an Free Zone applicant and the NOIFZ regarding investment approval. Similarly, a mechanism will be established for disputes regarding the decision taken by the NOIFZ and/or the Minister of Industrial and Commercial Development regarding the designation of a Free Zone and the approval of its developer. In the case of disputes between an applicant and the NOIFZ, the Board of Directors will rule based on the input provided by a mutually acceptable third party. In the case of a dispute between the developer and the NOIFZ, the Minister of Industrial and Commercial Development will rule, again based on the input provided by a mutually acceptable third party. Appropriate mechanisms are still to be developed regarding disputes between a developer applicant and the Minister.

The purpose of the dispute settlement mechanisms discussed above is create an objective and fair system of arbitration outside the local court system. In addition, the purpose is facilitate the quick settlement of disputes so that time and money is not unnecessarily lost. Ultimately, Free Zone users and applicants can seek recourse to the local court system if so desired. In addition, Free Zone users are guaranteed the right of appeal to the International Arbitration Association. The intention, therefore, is to create the basis for disputes to be settled in an organized, objective and fair manner.

(f) The Investment Promotion Center

The Mission analyzed and discussed in great detail exactly how it should address the need for Free Zone investment promotion. In order for the Free Zone Regime to be successful, an information campaign and response system would have to be developed regarding both local and foreign investors. In addition, a mechanism would have to be created to facilitate the visit of foreign investors interested in establishing an enterprise under the Free Zone Regime. The Mission's initial reaction was to create a division within the NOIFZ to handle Free Zone investment promotion. However, after careful study of similar situations in Mauritius, the Dominican Republic, Costa Rica and other developing countries, it became evident that mixing regulatory responsibilities with promotion responsibilities could be disastrous. The role of a regulatory body is to ensure the enforcement and well functioning of a regime and this often requires firm action and sanctioning. The role of a promotion body, on the other hand, is to provide information and support services to parties interested in gaining access to a regime. It was decided therefore that these two distinct responsibilities should be separated and carried out by different bodies.

The Mission subsequently discussed the pros and cons of creating a stand-alone Free Zone Investment Promotion Center. Again, after careful consideration of the problems experienced throughout the world to date, the Mission decided that Free Zone investment promotion should be done within the context of overall investment promotion. In countries where a series of investment promotion institutions had been created for a variety of different regimes (i.e., one for the investment code, one for export-oriented industries, one for small and medium-scale enterprises, etc.), the result was redundancies, inefficiencies and a complete lack of coordination. When an investor visited the country or inquired about the possible incentive schemes that he could take advantage of, there was no single institution that could comprehensively address his needs. Hence, the Mission concluded that for purposes of efficiency (both for the country and the investor), a single national investment promotion center should be created. This institution would be a one-stop shop for all investor inquiries regarding the country, including for the Free Zone Regime.

The Mission, therefore, faced a dilemma. On the one hand, investment promotion was essential to the success of the Free Zone Regime. On the other hand, the creation of a stand-alone national investment promotion center was clearly beyond the scope of the Mission's desired support for the Free Zone Regime. In its discussions with the GRC on this matter, it became clear that the Government believed that investment promotion should be a multi-donor, rather than a single-donor, effort. The Government agreed with the principles of a distinct investment promotion center that would have responsibility for promotion of the Investment Code as well as the Free Zone Regime. During informal discussions between the Mission and other donors, indications were

given that the Canadians, the French, the Germans, the Belgians and the World Bank would likely be interested in supporting such an endeavor. Because of the immediate need to develop a Free Zone investment promotion and investor tracking system, the Mission had decided to finance the initial start-up and first two years of operation of a transitional investment promotion center. The focus during this period of time will be primarily on the Free Zone Regime. Over the next two years, the GRC will be pursuing the development of a multi-donor effort to support a national investment promotion center. It is expected that arrangements for such financing will be finalized well before the end of 1992. At that time, the transitional investment promotion center will be spun-off to create the full-scale investment promotion center. It is also expected that the medium-term investment promotion strategy and action plan developed by USAID will serve as the basis for this permanent center. Based on future developments in this area, the Mission may choose to partially support the costs of the center through a separate intervention and in coordination with other donors.

As in the case of the NOIFZ, the transitional (and most likely the permanent) investment promotion center will be a mixed body with a private sector majority on the Board of Directors. The Government, however, does and should play an important role in setting the national strategy regarding investment promotion. Unlike the case of a regulatory body such as the NOIFZ, the implications of Government influence in the affairs of the center are less severe. The key exception, however, will be in the selection and hiring of the center's personnel. The staff of the center are to come from the private sector and are to be managed on a professional basis. Conditions precedent regarding the disbursement of the local currency counterpart resources destined to the center will ensure that this is the case.

D. Social Feasibility Analysis

1. Social Feasibility at the Purpose Level

PREPS aims to promote the institutionalization of a free trade regime which operates efficiently, effectively and objectively. This is to be accomplished primarily through the establishment and functioning of the NOIFZ, and changes in rules and procedures related to investment approval, customs clearance, disputes settlement, and free zone designation. The major issues related to these activities require changes within the country's modern institutions (see Section C of this Chapter).

There are no major social constraints which prohibit attainment of the program's purpose. However, two important concerns arise which should be monitored during implementation, i.e., ethnicity and gender, to ensure optimal utilization of resources under the program.

(a) Ethnicity and Socio-economic Inequality

Cameroon is an ethnically diverse country. According to at least one source, about 200 ethnic groups speaking 24 major languages have been identified within the country's

borders.⁸ Cameroon's social diversity is further complicated by its colonial heritage which includes German, French, and British rule. It is the only country in Africa whose borders surround former English and French speaking colonies.

It is not surprising that ethnicity is an element of decision-making and a determinant of access to resources. The management and operation of the free zone must remain cognizant of this problem and take actions to foster efficient, objective decision-making and enforcement of rules, thereby minimizing the tendency to act based on tribalism and nepotism. Broad ethnic and regional representation in all of the Free Zone entities, including the NOIFZ, will foster appropriate behavior.

The danger that control over the NOIFZ may be concentrated in the hands of a few during the years when the playing rules are being determined has been raised as a potential problem. If this were to happen, entry for other businesses, especially new SMEs, may be restricted severely. The program design responds to this potential obstacle by supporting the costs of operation for the NOIFZ during its formative years, as opposed to relying totally on the private sector for the necessary financing. In addition, PREPS will track the performance of the NOIFZ in terms of objectivity and efficiency.

(b) Gender Inequality

Cameroonian women have demonstrated their ability to contribute to commerce, primarily through the informal sector. They have been more limited in their participation in the formal sector. According to the Ministry of Commerce and Industry, 16 women were exporting goods (mainly agricultural products) from Cameroon in 1987-88.

A study conducted in 1988 for USAID included an interview with a female importer. She had recently received her importation license and stated that it had been difficult to obtain information concerning the requirements for a license and the process in general. It was her opinion that women are reluctant to approach a primarily male bureaucracy to request guidance. The same study noted that the Head of the Importation Division in the Ministry was a woman who cited the increase in the number of women she has supported in entering the business.⁹

Businesswomen can make important contributions to the operation and growth of the FTZ. The FTZ administrative arrangements should be implemented in ways that encourage female representation in management and equitable access for women to investment opportunities. Contacts and linkages should be established with groups such as the Groupement des Femmes d'Affaires au Cameroun (GFAC) which is an internationally affiliated group with over 60 members locally.

⁸ Francois Tchala-Abina, "The State of the Bureaucracy and Farmers in Rural Development: A Case Study of the Social Relations of Production in Selected Development Corporations in Cameroon", 1982, p. 109.

⁹ Howald and Wyckoff-Baird, "A Profile of Training Opportunities for Women: Cameroon", 1988.

2. Program Beneficiaries

The immediate beneficiaries of PREPS will be those individuals employed in the FTZ activities including the NOIFZ and the specialized customs unit established for the zone. Certain members of the bureaucracy will lose some portion of authority and responsibility related to export administration and enforcement of customs regulations. To the extent they view this as a loss, they can be said to be negatively affected by the program's activities. However, whatever private harm could be attributed to these administrative changes is outweighed by the social benefits derived from improvements in efficiency and objectivity attendant with the new regime.

NOIFZ staff, Free Zone customs officials, other public officials involved directly or indirectly in the Free Zone Regime, and Free Zone developers, operators and enterprises will benefit directly from the training provided by PREPS.

Important beneficiaries at the goal level include the FTZ enterprises and those employed by them. The FTZ Regime creates a distortion-free environment with simplified, transparent and automatic procedures for both investment approval and customs clearance. The Regime reduces the transaction costs to local and foreign exporters. The value of savings in time, cost and frustration are significant to foreign businesspersons who would otherwise face a complex, unfamiliar system and to local young entrepreneurs who must minimize the cost of establishing and operating a business in Cameroon.

Local businesspersons will also benefit from increased access to world markets through the creation of joint-ventures with foreign firms. While there are a variety of goods and services that can be produced in Cameroon, one of the biggest problems facing local businesses is the lack of access to foreign markets. The local business community does not have adequate knowledge of and access to foreign markets outside the traditional ones within the UDEAC (the Central African Customs Union) and France. On the other hand, many foreign firms are looking for sources of production to meet the demand of their captured markets.

The creation of joint-ventures under the Free Zone Regime will likely result in increased access to, and transfer of, technology to local businesses. Given the local manufacturing sector's general isolation from world markets to date, Cameroonian firms lack access to the latest and most efficient technology. In addition, local firms lack access to foreign capital which could be supplied in-kind or in cash by foreign partners. Cameroon's liquidity crisis has limited significantly access to local sources of medium-term credit for productive use in purchasing land and equipment. The increased incentive for the creation of joint-ventures under the Free Zone can be expected to produce benefits in terms of new managerial and production technology, and access to foreign capital.

Individual workers in the Free Zone will benefit from the increased employment opportunities and higher personal incomes. Given the high wage rates in Cameroon, the vast majority of the Free Zone activities are expected to employ a relatively high level of technology compared to other world free zones. Notwithstanding, they require substantial levels of labor to carry out the production processes. Eventual declines in real wages (due to the more liberal Free Zone labor regime, the ongoing economic recession, or the eventual devaluation of the CFA Franc), may enable other more traditional, labor-intensive Free Zone activities to become internationally competitive

in Cameroon. The development of the Cameroon Free Zone Regime will be evolutionary.

The first industrial park will likely house twenty enterprises with employment demands between 50 and 200 each (i.e., for a total of 2,000 to 4,000 new jobs). Historical experience has shown that it takes about 7 years to fully subscribe an industrial park.

The ultimate beneficiaries will be the people of Cameroon. Policy reform analyses conducted by A.I.D. and the World Bank indicate that the type of reforms implemented under the FTZ Regime will stimulate employment and increase national income, promote diversification of the country's production and export base, increase value added, increase export revenue and foreign exchange, promote transfer of managerial and production technology, and increase foreign and domestic investment.

3. Social Consequences

The activities supported by PREPS could contribute to negative social consequences at the goal level. Major areas of concern are the workforce, women, domestic firms, and access to productive land. The PREPS design responds to this potential by including a study to monitor and examine the social impact of the FTZ regime. The study will establish baseline, monitor effects during the program's life, and make recommendations on how to avoid or minimize the undesirable consequences.

The following summarizes major social concerns identified by the program design. Others that become obvious during implementation and will be added to the study. Depending on the gravity of problems identified or the importance of findings to the overall economy, the study could contribute to analyses on which to base future policy discussions.

(a) Workforce

Since the Cameroonian labor laws are relaxed under the FTZ Regime, i.e., employer and employee are free to negotiate a wage based on market factors, wages in the Zone will be lower than elsewhere in the economy. However, this is expected to be a temporary phenomena. Real wages throughout the economy are likely to decline due to the combined effects of economic recession, the structural adjustment program and the proposed changes in the country's labor code (i.e., the replacement of administratively determined wages with market determined wages). In the meantime, the employment creation aspect of the Regime will produce new jobs during a time of recession.

Notwithstanding, the potential for labor exploitation exists. Without interfering in employee and employer relationships, the Regime should be monitored for possible abuses. Indicators will be developed during program implementation and will go beyond wage rates to include work conditions and fringe benefits.

The distributional effects of this program are complex. A bipolar strategy is envisaged, i.e., because of the lower wages in the Zone higher initial benefits will likely accrue to enterprises (including some elite-owned enterprises) relative to the FTZ labor force; however, the relatively low wages are expected to drive up the demand for labor and thereby promote a leveling of benefits between worker and employer. Changes in market determined wage rates and job creation in the Zone will serve to monitor the distributional effects.

(b) Women

On an average, women supply about 75 percent of labor in free zones around the world. This is because zones have traditionally attracted labor-intensive, low-technology industries. The issue of gender exploitation in free zones has been raised. For example, a World Bank study in the Dominican Republic concluded that the conditions for work in the free zone were generally better than those women faced outside of the zone. It is not clear what the indications are if the comparison is between women-dominated and male-dominated labor pools.

In Cameroon, social and legal barriers may prevent women from benefitting (as employees and entrepreneurs) from the FTZ to the extent that their male counterparts will benefit. The participation rate for women in the industrial sector is low. The GRC Sixth Development Plan (1981) estimated that only three percent of all Cameroonian women in the labor force were employed in the formal industrial sector. Measures of women as a percentage of industrial workers range from 20 to 30%. (Howald and Wyckoff-Baird 1988). Indications are that private enterprise has a poorer record than government and parastatals in employing women (less than five percent of the managerial and technical staff of private enterprises is female), that women have somewhat more education than men holding the same job, and have much less seniority than their male counterparts.¹⁰

Although the share is still small, a growing percentage of Cameroonian entrepreneurs are women (primarily in the informal sector). Women entrepreneurs face pretty much the same difficulties as male entrepreneurs in terms of lack of access to capital. On the other hand, women face considerable legal barriers to access to land. Traditionally, women were prohibited from inheriting land. New land rights laws try to address this problem. However, the process of legal acquisition of land for women is complicated and expensive. Consequently, women still generally lack access to land, the most common form of loan security.¹¹

(c) Domestic Firms

Domestic industries would be harmed if Free Zone products were sold in competition with local firms that are not privy to the Free Zone package of incentives. The danger of this happening is low for the following reasons: (1) Zone enterprises will want to export 100 percent of their output to foreign markets where they can earn a higher rate of return than in Cameroon; (2) when Free Zone goods are sold in Cameroon, they will enter the local market as imports and therefore are subject to import taxes and duties; and (3) the system of controls under the Regime will ensure that Zone enterprises export their output or pay import taxes and duties.

(d) Access to Land

Although land pressure in Cameroon is not as extreme as in some African countries, the combination of unevenly high population densities and the expansion of commercial farming has been shown to result in increasing individualization of tenure, migration,

¹⁰ IBID.

¹¹ IBID.

and the need for resettlement projects. This occurred in the Northwest Province and in the central cocoa belt to allow for the increased production of profitable cash crops.¹² The FTZ is expected to attract agro-industries that are resource based. The effect on access to land for small and medium sized farmers should be monitored as the agro-processing industry in the FTZ grows.

¹² Barnes, "Country Profiles of Land Tenure: Africa", 1986.

Annex A

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Yaoundé, le 29 FEV

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ACT. EAFRI
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Obj. : Assistance technique et
financière pour mise en
place ZFI.-

Monsieur le Directeur,

Dans le cadre de la recherche des modalités
opérationnelles de la mise en oeuvre de l'ordonnance
portant création du régime de la zone franche industrie
(ZFI) au CAMEROUN, et comme suite aux entretiens y rela
tifs que vous avez eus avec le Ministère du Développement
Industriel et Commercial,

J'ai l'honneur de vous adresser la présente
requête pour obtenir l'assistance technique et financiè
re de votre Institution dans la mise en oeuvre des points
suivants :

ACTION COPY	
TO: EAFRI	DATE 03/2
TRANS:	
TAKER:	
TIME:	DATE

- 1 - Elaboration des textes d'application ;
- 2 - Mission d'études (date, durée et lieux à fixer avec le MINDIC ;
- 3 - Préparation des textes pour rendre l'Office National des Zones Franches Industrielles (ONZFI) opérationnel ;

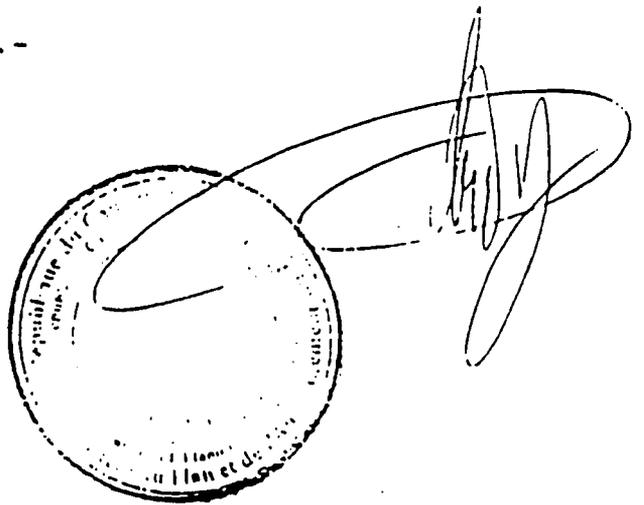
Monsieur le Directeur de l'U S A I D

- 4 - Elaboration des textes relatifs aux dispositions concernant la douane ;
- 5 - Lancement de la campagne de promotion des zones franches industrielles :
 - 5.1. Création d'un bureau de promotion des zones franches industrielles ;
 - 5.2. Prise en charge d'un collaborateur dans le cadre de la mission exploratoire programmée vers l'USA, le CANADA, la FRANCE, la GRANDE BRETAGNE, la REPUBLIQUE FEDERALE D'ALLEMAGNE, l'ITALIE, le JAPON et la COREE DU SUD.

En vous renouvelant la reconnaissance du Gouvernement pour tous les efforts que l'US-AID déploie pour aider à la relance économique du CAMEROUN,

Je vous prie d'agréer, Monsieur le Directeur l'expression de ma considération distinguée./-

Copie : MINDIC pour information.-

A handwritten signature in black ink is written over a circular official stamp. The stamp contains text in French, including "Ministère de l'Industrie et du Commerce" and "République du Cameroun".

Mme TANKEU Ellsabeth

Annex B

2 AMB DCM (4)

14/01

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RUTAYD
RUEHC 17714/01 2090239
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RECEIVED
USAID CAMEROON

LDC: 209 071
30 JUL 90 1031
CM: 33329
CHRG: AID
DIST: AIDA

280239Z JUL 90
SFCSTATE WASHDC
RUTAYD/AMEMBASSY YAOUNDE-PRIORITY 1831 17AM '90
RUEHAB/AMEMBASSY ABIDJAN 0332

ACTION: EAPRI
INFO: DIR
DDIR
PRM
BDE
CHRON
RF

DWB 8/2

LAS SECTION 01 OF 02 STATE 247714

AC

OFFICIAL USE ONLY
DO NOT REMOVE

12356: N/A

JECT: CAMEROON EXPORT PROCESSING SECTOR PID/PAIP
(1-T-604, 631-0074)

ACTION
EAPRI
BIZAN
07/90

THE ECFR MET ON JULY 6 TO REVIEW SUBJECT
JECT/PROGRAM. THE MEETING WAS CHAIRED BY DAA/AFR AND
LUDED REPRESENTATIVES OF AFR/PD, AFR/DF, AFR/MDI,
AFR, AND AFR/CCWA. THE PID/PAIP WAS APPROVED AT A
5.6 MILLION LEVEL, WITH ADDITIONAL RESOURCES TO BE
LOCATED TO THE PROGRAM UNDER THE MISSION'S HUMAN
OURCE DEVELOPMENT ASSISTANCE PROJECT. IN ACCORDANCE
THE MISSION'S REQUEST, USAID/CAMEROON IS HEREBY
EGATED AUTHORITY TO AUTHORIZE THIS PROJECT/PROGRAM IN
FIELD. THE FOLLOWING GUIDANCE IS PROVIDED FOR
SION ACTION DURING PP/PAIP DESIGN:

EXPORT DEVELOPMENT CONSTRAINTS: THE BUREAU EXPRESSED
ERN THAT THE FREE TRADE ZONE REGIME MIGHT NOT BE
FICIENT AS A MEANS TO OVERCOME SOME OF THE SERIOUS
STRAINTS TO EXPORT DEVELOPMENT, PARTICULARLY THE
RVALUED CFA. FURTHER, OVERVALUATION OF THE CURRENCY
A CONSTRAINT THAT CANNOT BE ADDRESSED DIRECTLY BY THE
GRAM, NOR ONE WHICH THE CAMEROONIAN GOVERNMENT HAS

ABILITY TO ALTER. GIVEN THAT NUMEROUS OTHER
TRIES DO NOT HAVE THIS CONSTRAINT, IT IS IMPORTANT
THE MISSION REVIEW EXISTING DATA, INCLUDING OPIC
IES, WHICH LOOKS CLOSELY AT THE COMPARATIVE
VANTAGES OF A CAMEROONIAN FTZ. THE MISSION SHOULD
ANALYZE HOW THE OTHER CONSTRAINTS (I.E. HIGH
ES, INAPPROPRIATE USE OF THE PRICE EQUALIZATION
, LACK OF ADEQUATE CREDIT, ETC.) WILL BE ADDRESSED
OUGH THE FREE TRADE ZONE REGIME OR WILL NOT ADVERSELY
ECT THE EXPORTS TO BE PRODUCED UNDER THE REGIME.

DEMAND ANALYSIS: THE PAIP/PID DOES NOT CONTAIN ANY
ORMATION ON THE DEMAND FOR THE FREE ZONE IN TERMS OF
ENTIAL PRODUCTS AND EXISTING PRODUCTS. THE MISSION
RESENTATIVE INDICATED THAT SUCH A STUDY HAD BEEN DONE
THAT THE RESULTS OF THE ANALYSIS HAD ONLY BECOME
BLABLE AFTER THE PAIP/PID WAS DRAFTED. THE BUREAU

UNCLASSIFIED

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SUGGESTS THAT THE RESULTS OF THE ANALYSIS BE INCLUDED IN THE PAAD AND IF NOT COVERED IN THE STUDY, A FURTHER DEMAND ANALYSIS BE UNDERTAKEN DURING PAAD DEVELOPMENT. THIS DEMAND ANALYSIS SHOULD IDENTIFY SPECIFIC PRODUCT GROUPINGS, POTENTIAL MARKETS, THE COST STRUCTURE FOR PRODUCTION, POTENTIAL VALUE ADDED, AND THE COMPARATIVE ADVANTAGE FOR THE PRODUCTS IDENTIFIED IN RELATION TO OTHER PRODUCER COUNTRIES.

2. PROGRAM DOLLAR FUNDING: THE PAIP/PID SUGGESTS THAT THE NPA APPROACH WAS SELECTED IN ORDER TO LEVERAGE CONTINUED IMPLEMENTATION OF THE POLICY REFORMS, AND THAT THE LOCAL CURRENCY (LC) GENERATED WOULD BE ALLOCATED TO FINANCE THE TRANSITIONAL COSTS OF THE NATIONAL OFFICE OF INDUSTRIAL FREE ZONES (NOIFZ). ULTIMATELY, HOWEVER, THE MOST DIRECT BENEFICIARIES OF THE FUNDS ARE THE NOIFZ AND THE PRIVATE SECTOR. SINCE THE LOCAL CURRENCY MUST BE GENERATED BY THE DISBURSEMENT OF DOLLARS BASED ON GRC COMPLIANCE WITH CONDITIONALITY AND THE GRC DOES NOT BENEFIT FROM THE LC, FAILURE TO DISBURSE WOULD HAVE ITS MOST NEGATIVE IMPACT ON THE NOIFZ IN TERMS OF INADEQUATE FUNDS TO OPERATE THE ZONE. IN ADDITION, THE ECPR NOTED THAT THE MISSION MAY HAVE GREATER LEVERAGE USING A PROJECT ASSISTANCE MODALITY BECAUSE, SHOULD THERE BE GRC PERFORMANCE PROBLEMS, THE POSSIBILITY OF JEOPARDIZING THE ENTIRE PROJECT WOULD HAVE GREATER LEVERAGE THAN SIMPLY WITHHOLDING A TRANCHE. THEREFORE, THE BUREAU SUGGESTS THAT THE MISSION CONSIDER A PROJECT APPROACH WHICH DIRECTLY ALLOCATES THE DOLLARS TO LOCAL CURRENCY COSTS FOR THE NOIFZ.

3. PRIVATE SECTOR RISK: THE PAIP/PID IDENTIFIES SEVERAL WAYS THAT THE GRC WILL DIRECTLY CONTRIBUTE TO THE COST OF IMPLEMENTING THE FREE TRADE ZONE REGIME- THROUGH THE GRANTING OF LAND, AND IN-RUNE COSTS FOR THE NOIFZ AND THE IPU. THE PRIVATE SECTOR, ON THE OTHER HAND, DOES NOT APPEAR TO HAVE ANY UP-FRONT COSTS, BUT RATHER WILL EVENTUALLY PAY FEES FOR THE USE OF THE ZONE. IT IS UNCLEAR THEREFORE WHAT THE LEVEL OF PRIVATE SECTOR COMMITMENT IS TO THE ZONE AT THIS TIME, AND AT WHAT POINT THEY WILL START TO COVER THE COSTS OF ITS OPERATION. FURTHER, THE FIRST TYPE OF BUSINESSES THAT ARE EXPECTED TO TAKE ADVANTAGE OF THE FTZ ARE THE LARGER CAPITAL INTENSIVE INDUSTRIES WHICH ALREADY REPRESENT THE MAJOR CAMEROONIAN PRODUCERS. SINCE THESE PRODUCERS WILL IMMEDIATELY BENEFIT FROM THE PROGRAM, THEY SHOULD BE WILLING TO MAKE A CONTRIBUTION. THE BUREAU IS COGNIZANT, HOWEVER, OF THE INHERENT DANGERS IN CONTROL OF THE ZONE BY THE LARGER PRODUCERS, AND THEREFORE SUGGESTS THE MISSION CONDUCT A QUICK SENSITIVITY ANALYSIS, CONTACTING VARIOUS ELEMENTS OF THE PRIVATE SECTOR, AS TO THE POTENTIAL IMPACT OF A FINANCIAL

CONTRIBUTION ON THEIR USE OF THE ZONE. WE WOULD EXPECT THAT THOSE FIRMS THAT ARE UNABLE TO MAKE AN UPFRONT FINANCIAL CONTRIBUTION WOULD NOT BE PRECLUDED FROM THE FTZ, AND THEREFORE THE IMPACT OF A FINANCIAL CONTRIBUTION ON EQUITABLE ACCESS TO THE ZONE SHOULD BE MINIMAL. IN TERMS OF DETERMINING THE LEVEL AND MECHANISM FOR FINANCIAL COMMITMENT, IT WOULD BE APPROPRIATE PERHAPS TO HAVE THE BUSINESSMAN'S ADVISORY GROUP SUGGEST A FORMULA FOR THE FINANCIAL CONTRIBUTION, PARTICULARLY FOR YEARS ONE AND TWO OF FTZ OPERATION WHERE THE FEE SYSTEM WILL NOT BE GENERATING MUCH REVENUE. HOWEVER, GIVEN THAT WE WANT EQUITABLE ACCESS TO THE BENEFITS OF THE FTZ, THE MISSION SHOULD WORK CLOSELY WITH THE BUSINESSMAN'S GROUP TO ENSURE THAT THE MECHANISM DEVELOPED SAFEGUARDS BROAD BASED PARTICIPATION IN THE ZONE.

4. RECURRENT COSTS: THE ECPR RAISED CONCERNS OVER THE LONG TERM FINANCING REQUIREMENTS OF THE NOIFZ. THEREFORE, DURING THE DESIGN OF THE PAAD/PP THE SCALE AND COSTS OF NOIFZ OPERATION SHOULD BE ANALYZED, TAKING INTO CONSIDERATION WHAT LEVEL OF COSTS WILL BE CONSIDERED REASONABLE AND PAYABLE BY THE PRIVATE OPERATORS OF THE FTZ (WHO WILL HAVE TO COVER THE COSTS BY THEMSELVES IN JUST A FEW YEARS). A RECURRENT COST ANALYSIS SHOULD MAKE EXPLICIT THE CARRYING COSTS OF THE NOIFZ AND WHAT INDIVIDUAL CONTRIBUTIONS ARE TO MEETING THESE COSTS.

THE PAAD/PP SHOULD ALSO DESCRIBE CLEARLY WHAT CONDITIONS USAID WILL PLACE ON ITS FINANCIAL ASSISTANCE FOR OPERATING COSTS, HOW SOON INVESTING FIRMS WILL BE EXPECTED TO PAY WHAT LEVEL OF FEES, THE TIMETABLE FOR PHASING OUT OF USAID CONTRIBUTIONS, AND A FIRM DATE FOR ENDING TRANSITIONAL SUPPORT TO NOIFZ. FINALLY, THE NOIFZ SHOULD BE ASKED TO PRODUCE A BUSINESS PLAN TO DESCRIBE HOW THEY WILL MEET THEIR RECURRENT COSTS.

5. PROGRAM EVALUATION/MONITORING: THE PAAD/PP SHOULD DISCUSS MORE CLEARLY THE PROGRAM MONITORING SYSTEM AND OUTLINE THE RESPONSIBILITIES OF THE GRC, THE NOIFZ, AND THE MISSION. SPECIFICALLY, WILL NOIFZ ITSELF OR MINDIC KEEP IMPACT STATISTICS REGARDING INVESTMENT, EMPLOYMENT CREATION, ETC. FOR THE FREE ZONE REGIME?

6. BUDGET: IT IS UNCLEAR FROM THE PAIP/PIT TO WHAT PURPOSES THE DOLLAR FUNDS WILL BE PUT. SINCE DOLLAR TRACKING IS A CONGRESSIONAL REQUIREMENT, THE PAAD/PP SHOULD CLEARLY ADDRESS WHERE THE DOLLAR FUNDS WILL GO. IN THIS REGARD, IT WOULD BE NECESSARY TO REACH AGREEMENT WITH THE GRC PRIOR TO AUTHORIZATION ON THE PRECISE PURPOSES FOR WHICH THE DOLLARS WILL BE USED. PLEASE NOTE THAT THIS ASSUMES THAT THE MISSION DECIDES TO STAY WITH A NPA APPROACH, THE SUGGESTION IN PAPA 2A ABOVE NOTWITHSTANDING. EAGLEBUDGET

Annex C

Annex C

Summary of the Incentives Provided under the Cameroon Free Zone Regime

- A. Streamlined Administrative Procedures:
- (1) Streamlined administrative process with a one-stop shop having the authority to issue the sole license required to establish and operate a free zone enterprise within 30 days of the request.
 - (2) Streamlined, on-site customs inspection procedures and immediate transfer of goods and services to and from the port of embarkation or debarkation.
- B. Commercial Benefits:
- (1) Exemption from all licenses, authorizations and quota restrictions regarding imports and exports.
 - (2) Exemption from all price and margin controls.
 - (3) Possibility to sell a part of annual production to the local economy, but subject to all relevant customs duties and taxes.
- C. Tax Concessions:
- (1) Ten year tax holiday on all taxes.
 - (2) Flat tax of 15% on corporate profits beginning in the eleventh year; continued exoneration on all other taxes in perpetuity.
 - (3) Losses incurred during tax holiday can be carried forward into taxable period.
- D. Financial Transactions Concessions:
- (1) Right to hold foreign exchange (i.e., dollar) accounts in domestic banking system.
 - (2) Exemption from restrictions on the purchase and sale of foreign exchange and from all currency export taxes.
 - (3) Guaranteed right to transfer abroad all funds earned and invested in Cameroon.
- E. Trade-Related Concessions:
- (1) Exemption for all exports and imports from all existing and future customs duties and taxes and from all other existing and future direct and/or indirect taxes, duties and imposts.
 - (2) Exemption from the Import Verification Program (i.e., SGS, VERITAS).
 - (3) Exemption of all locally purchased inputs from production and sales related taxes.

F. Labor-Related Concessions:

- (1) Exoneration from the Standard Wage Classification Scheme specified in the Labor Code. Wages may be set on the basis of productivity and efficiency.
- (2) Right to freely negotiate contracts between employer and employee.
- (3) Automatic right to acquisition of work permits for expatriate workers (not to exceed 20% of the workforce after the fifth year of operation).
- (4) Right to replace National Social Security scheme with a private plan of equal or better benefits.

G. Other Benefits and Concessions:

- (1) Right to install own power generation and telecommunication system if desired.
- (2) Preferential electricity rates and port charges.
- (3) Exemption from all rent/tenancy controls and price controls.
- (4) Protection of full benefits of the general guarantee laid down in the Investment Code, as well as the right of appeal to the courts of first instance in Cameroon and to the International Arbitration Association.

Annex D

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Goal:</u> To increase investment, employment, production and expand markets in the export sector.</p>	<p>By the end of 1995:</p> <ol style="list-style-type: none"> 1. Increase in export volume and value; 2. Greater diversification of exports into non-traditional activities; 3. Increase in the number of export-oriented firms; 4. Increase in the number of jobs created in FTZ; 5. Increase in linkages between export activities and local suppliers of inputs (i.e. backward linkages). 	<ol style="list-style-type: none"> 1. NOIFZ; 2. GRC; 3. PREPS surveys and records; 4. IMF; 5. World Bank 	<ol style="list-style-type: none"> 1. Private firms will have capability and capacity to start and expand production and sales for export, once major policy constraints are eliminated through the implementation of the FTZ regime. 2. Cameroon will have access to world markets. 3. Under FTZ regime, depreciation in nominal exchange rate is not necessary for growth in Cameroonian exports. 4. Political stability is maintained in Cameroon.
<p><u>Purpose:</u> To support the development and implementation of a privately managed free zone regime which operates efficiently and in strict adherence with the intent and provisions of the Cameroon Free Trade Zone Law.</p>	<ol style="list-style-type: none"> 1. Decrease in time and cost required for investment approval as indicated by the following: <ol style="list-style-type: none"> (a) number of institutional entities involved in approval process reduced from 30 to 1; (b) investment approval time reduced from 6-18 months to 30 days; and (c) licenses, permits and authorizations required for investment approval reduced from 36 to 1. 	<ol style="list-style-type: none"> 1. NOIFZ; 2. GRC; 3. PREPS Surveys. 	<p>Qualified private sector personnel can be recruited to manage and operate the NOIFZ.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
	<p>2. Increased efficiency and conformity with established rules in the provision of customs inspection service as indicated by a reduction in the average time required to clear customs from the current 4 to 8 weeks to less than 1 week.</p> <p>3. Increased objectivity and efficiency in settlement of disputes as indicated by the following:</p> <p>(a) average time required to settle disputes reduced from the 2 to 4 years in the court system through the creation of an alternative dispute settlement mechanisms; and</p> <p>(b) increased consistency in decisions rendered by the alternative dispute settlement mechanisms.</p>		

Outputs:

1st Tranche Reforms:

- (1) Efficient transparent, automatic investment approval process
- (2) Automatic right to hold foreign exchange denominated bank accounts;
- (3) Right to transfer abroad original and any subsequent investment and profits;
- (4) Right to negotiate labor and set wages on basis of productivity.
- (5) Right to private provision of electricity water and

- Implementing regulations issued regarding the following:
- (1) investment approval;
 - (2) foreign exchange and holding of foreign exchange accounts;
 - (3) transfer of dividends & profits;
 - (4) right to contract between employer and employee;
 - (5) private provision of electricity, water and international tele-communication services;
 - (6) FTZ user rates for utilities and public services.
 - (7) FTZ land designation process;

A. Ministerial Order signed

- Tranched dollar disbursements will provide impetus to GRC to implement the FTZ regime.
- Tranched disbursement of local currency counterpart funds will provide impetus to NOIFZ to implement transparent, automatic investment process.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>international telecommu- nications services.</p> <p>(6) Preferential (and best available) rates regarding provision of utilities and public services for IFZ enterprises.</p> <p>(7) Timely, objective and transparent FTZ designation process;</p> <p>(8) Efficient, transparent automatic developer approval process;</p> <p>(9) Timely and efficient provision of administrative services of Free Zone Users;</p> <p>(10) System of objective, timely and efficient settlement of disputes.</p>	<p>(8) FTZ developer approval process;</p> <p>(9) The responsibilities and procedures regarding the public service which provides all services required from state-owned entities by developers, operators and enterprises of the Free Zone (the "FREE ZONE Administrative service"); and</p> <p>(10) Dispute settlements regarding investment approval, developer and operator approval, Free Zone land designation, Free zone customs, the Free Zone Administrative service and other ministries, agencies and instrumentalities of the GRC.</p>	<p>PREPS records; NOIFZ</p>	
<p><u>2nd Tranche Reforms:</u></p> <p>A. Efficient, transparent, automatic investment approval process.</p>	<p>A. NOIFZ fully operational as one-stop shop for investment as indicated by the following:</p> <p>(1) GRC ministries, agencies and other entities previously involved in the investment approval process fully delegate authority and responsibility regarding free trade zone enterprises to NOIFZ in accordance with FTZ law and implementing regulations;</p> <p>(2) NOIFZ Board of Directors adopts internal rules and procedures regarding investment approval</p>		

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
. Timely, objective and transparent FTZ designation process.	<p>process, Free Zone designation, the Free Zone Administrative Service and the provision of all permits;</p> <p>(3) NOIFZ implements a system for dissemination of information regarding the procedures established for Free Zone investment approval process, the Free Zone Administrative Service and provision of any and all permits;</p> <p>(4) NOIFZ establishes a single application form for Free Zone investment approval; and</p> <p>(5) NOIFZ implements a system which processes requests for Free Zone designation and issues a decision regarding such requests within 30 days after the submission of a completed application.</p>	<p>- PREPS records - NOIFZ</p>	
	<p>B. (1) NOIFZ establishes internal rules and procedures regarding processing of Free Zone designation requests and issuance of developers/operators permits;</p> <p>(2) NOIFZ establishes a single application form for requests for zone designation;</p> <p>(3) NOIFZ publishes and disseminates information regarding analysis and review of requests for Free Zone designation;</p>		

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
C. Efficient, transparent, timely system of on-site customs inspection.	<p>(4) NOIFZ informs developer whether request accepted or rejected within 30 days of submission of dossier.</p> <p>(5) MINDIC authorizes or rejects requests within 30 days of receipt of a complete application, or failing any action by the Minister within 30 days of receipt of application, by automatic approval as provided by the Free Zone Law.</p> <p>C. FTZ customs unit established and operating in accordance with the provisions of the FTZ law and implementing regulations as indicated by the following:</p> <p>(1) FTZ customs procedures manual published and disseminated;</p> <p>(2) System of on-site customs fully developed and implemented in compliance with the Free Zone Law and Implementing Regulations;</p> <p>(3) FTZ customs unit subject to disputes settlement procedures established by NOIFZ.</p>	<p>- Implementing regulations for FTZ customs;</p> <p>- NOIFZ</p>	
D. Administrative services provided to Free Zone users in timely and efficient manner according to the letter and intent of the law.	D.(1) Labor permits, residency permits and visas automatically provided in a timely manner in full compliance with the Free Zone Law and Implementing Regulations.	<p>- NOIFZ</p> <p>- PREPS records</p>	

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>3rd Tranche Reforms</u>	designation established under the Free Zone Law and Implementing Regulations; and (4) Free Zone Customs clearance unit subject to the dispute settlement process established under the Free Zone Law.	- NOIFZ - MINDIC	
Fully operational one-stop shop for investment approval.	NOIFZ fully operational in compliance with Free Zone Law and Implementing Regulations as indicated by the continuing regular functioning of the following following: (1) the 30 - day investment approval process; (2) the 30 - day designation approval process; (3) the 30 - day developer approval process; (4) provisions of public services by the Free Zone Administrative service; and (5) dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for approval of Free Zone designation and Free Zone investments.		
<u>Inputs:</u>			
A. Sector Grants	A. 3 grants from FY 1990 through FY 1992 totaling \$3.1 million.		Funds are available
B. Technical Assistance	B.(1) NOIFZ - Long-term: 36 person-months - Short-term: 20 person-months		

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
. Training	(2) IPC - Long-term: 24 person-months - Short-term: 10 person-months (3) Customs - Short-term: 6 person months (4) Program management: 36 person-months (5) Research activities 26 person-months of short-term technical assistance to develop baseline and conduct surveys and special studies. (Funded from PD&S).		
. Monitoring Evaluation and Audit	C. Short-term training: series of seminars/workshops and 2 exposure tours for NOIFZ staff. D. 12 person months of ST TA for monitoring and two evaluations. Two person months for audits (Funded from PD&S).		

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Annex E

are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

3. 1986 Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to

N/A

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
. Training	(2) IPC - Long-term: 24 person-months - Short-term: 10 person-months (3) Customs - Short-term: 6 person months (4) Program management: 35 person-months (5) Research activities 26 person-months of short-term technical assistance to develop baseline and conduct surveys and special studies. (Funded from PD&S).		
. Monitoring Evaluation and Audit	C. Short-term training: series of seminars/workshops and 2 exposure tours for MOIFZ staff. D. 12 person months of ST TA for monitoring and two evaluations. Two person months for audits (Funded from PD&S).		

Congress listing such country as one:
(a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

4. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where:
(a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? NO.
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? NO.

6. FAA Secs. 620(a), 620(f), 620D; FY 1990 Appropriations Act Secs. 512, 548. Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? NO.
7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? NO.
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? NO.
9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? NO.

10. FAA Sec. 620(q); FY 1990 Appropriations Act Sec. 518 (Brooke Amendment). (a) (a.) NO.
Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA?
- (b) (b.) NO.
Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) N/A
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? NO.
13. FAA Sec. 610(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.) The Administrator has taken Cameroon's arrearages into account in the FY 1990 "Taking into Consideration Memorandum".

12/1

14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? NO.
15. FY 1990 Appropriations Act Sec. 564. Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? (a.) NO.
(b.) NO.
16. ISDCA of 1985 Sec. 552(b) Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? NO.
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under FAA? NO.
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) NO.

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? NO.
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) Yes. Cameroon was represented at the meeting and failed to disassociate itself from the communique issued. However, this was taken into account by the Administrator in the FY 1990 "Taking into Consideration" memo.
21. FY 1990 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? NO.
22. FY 1990 Appropriations Act Sec. 539. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria NO.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

b. FY 1990 Appropriations Act Sec. 535. NO.
Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that he country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest? N/A

b. FY 1990 Appropriations Act Sec. 569(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking? N/A

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESP.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?
2. FAA Sec. 611(a). Prior to an obligation in excess of \$500,000, will there be:
(a) engineering, financial or other plans necessary to carry out the assistance;
and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
3. PAA Sec. 611(a)(2). If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

Yes. Congressional Notification was submitted to Congress on July 27, 1990.

(a.) Yes.

(b.) Yes.

A draft ordinance which authorizes the creation of a National Investment Promotion Center (one of the authorized recipients of dollar generated local currency under the program) has been sent to the President of Cameroon. The President will submit the ordinance to the General Assembly for action in November, 1990. No obstacles are envisioned.

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4. FAA Sec. 611(b); FY 1990 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

NO. PREPS will help the GRC to implement policy reforms it adopted for the export sector.

7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The program will help Cameroon implement policy reforms in the export sector. The successful implementation of these reforms will support objectives (a)-(e) of FAA 601(a). The program is not expected to have a direct impact on labor unions.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The policy reforms to be implemented by this program will reduce barriers to entry to the international trade sector. The reforms will also improve Cameroon's competitiveness for international investments by providing incentives that lead to increased returns to investments in Free Zone. A market survey has already indicated a significant interest by U.S. enterprises in exploring investment opportunities in the Free Zone.

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9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
- The GRC will contribute 25% of the total project costs and will make local currency counter-deposits equivalent in value to the amount of each sector dollar grant provided. This local currency will be used to support the development and operating costs of the regulatory and investment promotion organizations under the Free Zone Regime.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- NO.
11. FY 1990 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
- N/A
12. FY 1990 Appropriations Act Sec. 547. Will the assistance (except for programs in Caribbean Basin Initiative Countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?
- NO.
13. FAA Sec. 119(q)(4)-(6) & (10). Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other
- (a.) NO.
(b.) NO.

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- wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? (c.) NO.
(d.) NO.
14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1990 Appropriations Act, Title II, under heading "Agency for International Development." If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY 1990 Appropriations Act Sec. 537. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1990 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? N/A

18. State Authorization Sec. 159 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).
- The program Grant Agreement will be below the minimum necessary for the application of this provision.
19. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2. Does the project use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate?
- N/A
20. FY 1990 Appropriations Act, Title II, under heading "Women in Development." Will assistance be designed so that the percentage of women participants will be demonstrably increased?
- Yes. The project will include a study on the role and impact on women to identify ways, to promote their participation.
21. FY 1990 Appropriations Act Sec. 592(a). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies, has A.I.D. (a) required that local currencies, be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?
- Yes, (a)-(c) will be conditions of the PREPS Program Grant Agreement.

Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? Yes.

Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? Yes.

If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? Yes.

FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1990 Appropriations Act Sec. 546 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

b. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

c. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

PREPS is designed to help develop and institutionalize a capacity within Cameroon's Private Sector to promote growth of the country's export sector. The program takes account of Cameroon's skill base and dynamic private sector by supporting a private, non-profit regulatory body for the Free Zone and a privately managed entity to promote investment. The opportunities created for new investment will promote growth in enterprises, and thereby improve utilization of the country's relatively well educated human resources base. The program will not provide training directly aimed at promoting a participatory, open society, but will promote participatory decision-making through elected Boards of Directors which include representatives of the private sector for the two institutions.

d. FAA Sec. 101(a) Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes.

e. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will:
(1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions;
(2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries.

- (1) The program is designed to implement a Free Trade Regime which will foster growth in the export sector and in those industries which supply inputs for export operations. The primary beneficiaries of the Free Zone will be Cameroonian workers. The Free Zone is expected to create between 2,750 and 8,250 new jobs in SMEs and larger enterprises in the Zone. In addition, 3 jobs will be created in the local economy for every 1 job created in the Zone. This implies a net increase between 8,250 to 24,750 direct and indirect jobs.
- (2) The program will not have a direct effect on cooperatives.
- (3) By stressing private initiative, the program will promote self-help among Cameroonians.
- (4) It is expected that the Free Zone Regime will create job opportunities for women. On an average, women account for about 75% of jobs in free zones worldwide.
- (5) The program will have little effect on regional cooperation.

f. FAA Secs, 103, 103A, 104, 105, 106 120-21; FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, Da." Does the project fit the criteria for the source of funds (functional account) being used?

Yes.

g. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for

N/A

use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U.S. Government?

h. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

i. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for "relatively least developed" country)?

Yes.

j. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes.

k. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

See page 15, item 1.c.

l. FY 1990 Appropriations Act, under heading "Population, DA," and Sec. 535. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

NO.

- Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? NO.
- Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? NO.
- Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? N/A
- In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? N/A
- Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? NO.
- m. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
- n. PY 1990 Appropriations Act Sec. 579. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and At least 10% of the funds budgeted for technical assistance will be channeled to such enterprises and institutions.

private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

o. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a

Yes, the program is in compliance with Regulation 16. Other items in this section are not applicable.

condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; and (11) utilize the resources and abilities of all relevant U.S. government agencies?

p. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project: (1) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (2) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

q. FAA Sec. 118(c)(14). Will assistance be used for: (1) procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

(1) NO.
(2) NO.

r. PAA Sec. 118(c)(15). Will assistance be used for: (1) activities which would result in the conversion of forest lands to the rearing of livestock; (2) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (3) the

(1) NO.
(2) NO.
(3) NO.

colonization of forest lands; or (4) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

(4) NO.

s. FY 1990 Appropriations Act Sec. 534(a). If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

t. FY 1990 Appropriations Act Sec 534(b). If assistance relates to energy, will such assistance focus on improved energy efficiency, increased use of renewable energy resources, and national energy plans (such as least-cost energy plans) which include investment in end-use efficiency and renewable energy resources.

N/A

Describe and give conclusions as to how such assistance will: (1) increase the energy expertise of A.I.D. staff, (2) help to develop analyses of energy-sector actions to minimize emissions of greenhouse gases at least cost, (3) develop energy-sector plans that employ end-use analysis and other techniques to identify cost-effective actions to minimize reliance on fossil fuels, (4) help to analyze fully environmental impacts (including impact on global warming), (5) improve efficiency in production, transmission, distribution, and use of energy, (6) assist in exploiting nonconventional renewable energy resources, including wind, solar, small-hydro, geo-thermal, and advanced

N/A

biomass systems, (7) expand efforts to meet the energy needs of the rural poor, (8) encourage host countries to sponsor meetings with United States energy efficiency experts to discuss the use of least-cost planning techniques, (9) help to develop a cadre of United States experts capable of providing technical assistance to developing countries on energy issues, and (10) strengthen cooperation on energy issues with the Department of Energy, EPA, World Bank, and Development Assistance Committee of the OECD.

4. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA". (as interpreted by conference report upon original enactment). If assistance will come from the Sub-Saharan Africa DA account, is it: (1) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (2) being provided in accordance with the policies contained in section 102 of the FAA; (3) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (4) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take

(1) Yes. The program will implement and institutionalize reforms that remove constraints to long-term sustainable growth in Cameroon. This will result in increased jobs and incomes for the poor and investment opportunities for local businesses, including SMEs. (2) Yes. (3) such organizations are not appropriate vehicles to implement the program; (4) Yes. The program seeks to overcome short-term constraints to long-term development by promoting reform of Cameroon's policies in the export sector, thereby bring about appropriate restructuring of the sector; (5) The program will contribute to the development of income-generating activities in SMEs and other enterprises for the rural and urban unemployed.

into account, in assisted policy reforms, the need to protect vulnerable groups; (5) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

7. International Development Act Sec. 711, FAA Sec. 463. If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (1) the world's oceans and atmosphere, (2) animal and plant species, and (3) parks and reserves; or describe how the exchange will promote: 4) natural resource management, 5) local conservation programs, 6) conservation training programs, 7) public commitment to conservation, 8) land and ecosystem management, and 9) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

7. FY 1990 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

Development Assistance Project Criteria
(Loans Only)

N/A

• FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

• FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 10 percent of the enterprise's annual production during the life of the loan, and does the recipient country have the requirement to enter into such an agreement which has been waived by the President because of a national security interest?

• FAA Sec. 122(b). Does the activity have reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

Economic Support Fund Project Criteria

N/A

• FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent possible, is this assistance consistent with the policy directions, purposes, and programs of Part 1 of the FAA?

• FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?

• FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

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5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

- | | | |
|----|---|--|
| 1. | <u>FAA Sec. 602(a)</u> . Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? | Yes. Competition for the technical assistance contract will be restricted to small businesses. |
| 2. | <u>FAA Sec. 604(a)</u> . Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? | Yes. |
| 3. | <u>FAA Sec. 604(d)</u> . If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? | N/A |
| 4. | <u>FAA Sec. 604(e)</u> . If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) | N/A |

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- FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A
- FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1986, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
- FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes.
- International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available. Yes.
- FY 1990 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes.

LS

- FY 1990 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes.
- Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2. Does the project use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? N/A
- AA Secs. 612(b), 636(h); FY 1990 Appropriations Act Sec. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. All AID-financed procurements are for technical assistance from U.S. entities which require payment in U.S. dollars.
- AA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? NO.
- AA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.

CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N/A

OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Controller General have audit rights? N/A
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.

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Will arrangements preclude use of financing:

- a. FAA Sec. 104(f); FY 1990 Appropriations Act under heading "Population, DA," and Secs. 525, 535. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? Yes.
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.
- c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes.
- d. FAA Sec. 560. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
- e. FAA Sec. 662. For CIA activities? Yes.
- f. FAA Sec. 636(1). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.
- g. FY 1990 Appropriations Act Sec. 503 To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.
- h. FY 1990 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? Yes.

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- i. FY 1990 Appropriations Act Sec. 506. Yes.
To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?
- j. FY 1990 Appropriations Act Sec. 510. Yes.
To finance the export of nuclear equipment, fuel, or technology?
- k. FY 1990 Appropriations Act Sec. 511. Yes.
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?
- i. FY 1990 Appropriations Act Sec. 516; State Authorization Sec. 109. Yes.
To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?
- FY 1990 Appropriations Act Sec. 574. NO. None of the contracts will require marine insurance.
Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?
- FY 1990 Appropriations Act Sec. 582.
Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source.

Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

DSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.
2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

Notification was sent to the authorizing and appropriating committees on July 27, 1990. The waiting period expired without objection on August 11, 1990.

A draft ordinance which authorizes the creation of a National Investment Promotion Center (one of the authorized recipients of dollar generated local currency under the program) has been sent to the President of Cameroon. The President will submit the ordinance to the General Assembly for action in November, 1990. No obstacles are envisioned.

NO.

- c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? N/A
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A
- e. FY 1990 Appropriations Act, Title II, under heading 'Economic Support Fund,' and Sec. 592. If assistance is in the form of a cash transfer: (a) Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements? (c) Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available? (d) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance? N/A

Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a).
Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

(1) The program is designed to implement a Free Trade Regime which will foster growth in the export sector and in those industries which supply inputs for export operations. The primary beneficiaries of the Free Zone will be Cameroonian workers. The Free Zone is expected to create between 2,750 and 8,250 new jobs in SMEs and larger enterprises in the zone. In addition, 3 jobs will be created in the local economy for every 1 job created in the zone. This implies a net increase between 8,250 and 24,750 direct and indirect jobs. (2) The program will not have a direct effect on cooperatives. (3) By stressing private initiative, the program will promote self-help among Cameroonians. (4) It is expected that the Free Zone will create job opportunities for women. On an average, women account for about 75% of jobs in free zones. (5) The program will have little effect on regional cooperation.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out

N/A

under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education

N/A

and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106] for energy, private voluntary organizations, and selected development problems; if so, extent activity is:

N/A

- (i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and
- (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;
- (ii) concerned with technical cooperation and development, especially with U.S private and voluntary, or regional and international development, organizations;
- (iii) research into, and evaluation of, economic development processes and techniques;
- (iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;
- (v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;
- (vi) for urban development especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

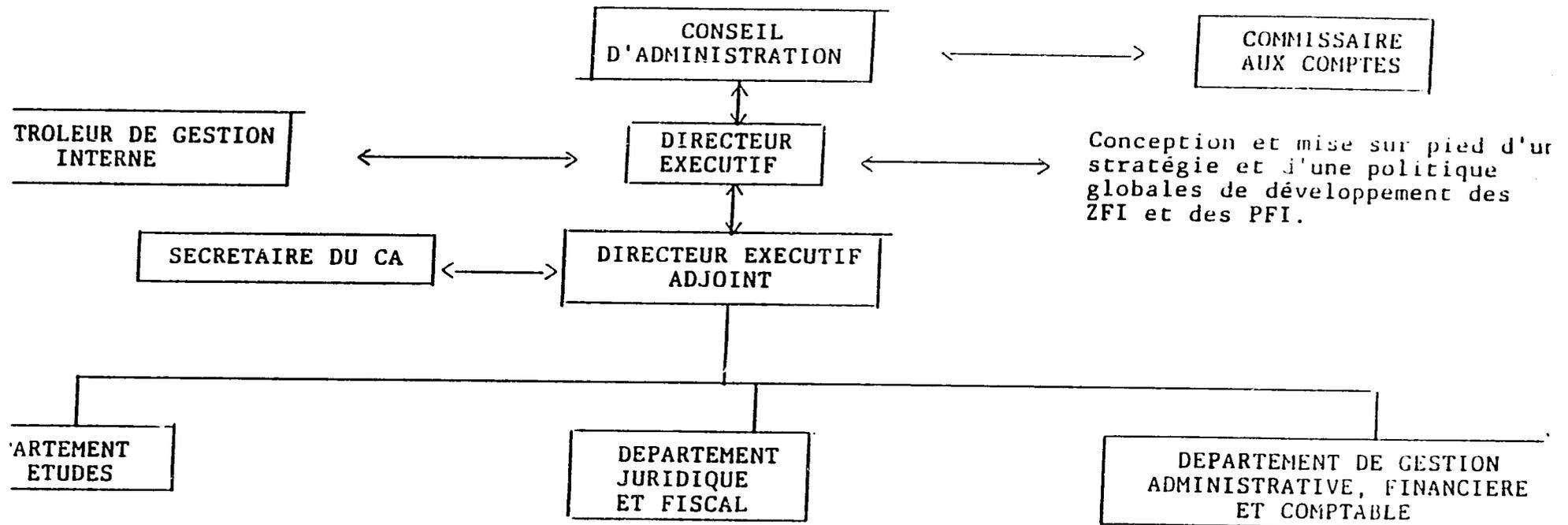
(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?

Annex F

Annex G

ORGANIGRAMME DE L'O.N.Z.F.I.

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DEPARTEMENT ETUDES

- Etude des dossiers de demande ment sous l'angle technique, juridique, économique et marketing ;
- Liaison avec les ZFI et les PFI ;
- Constatation des infractions constatées et aux textes d'application en liaison avec le Département Juridique et Fiscal et celui de Département Administratif, Financier et Comptable.

DEPARTEMENT JURIDIQUE ET FISCAL

Rôle :

- Examen des dossiers de demandes d'agrément sous l'angle juridique ;
- Préparation du récépissé du dossier de demande d'agrément ;
- Confection du projet d'arrêté d'agrément ;
- Préparation de la lettre de notification de l'acte d'agrément ;
- Relation avec le MINDIC, suivi des dossiers de demande d'agrément ;

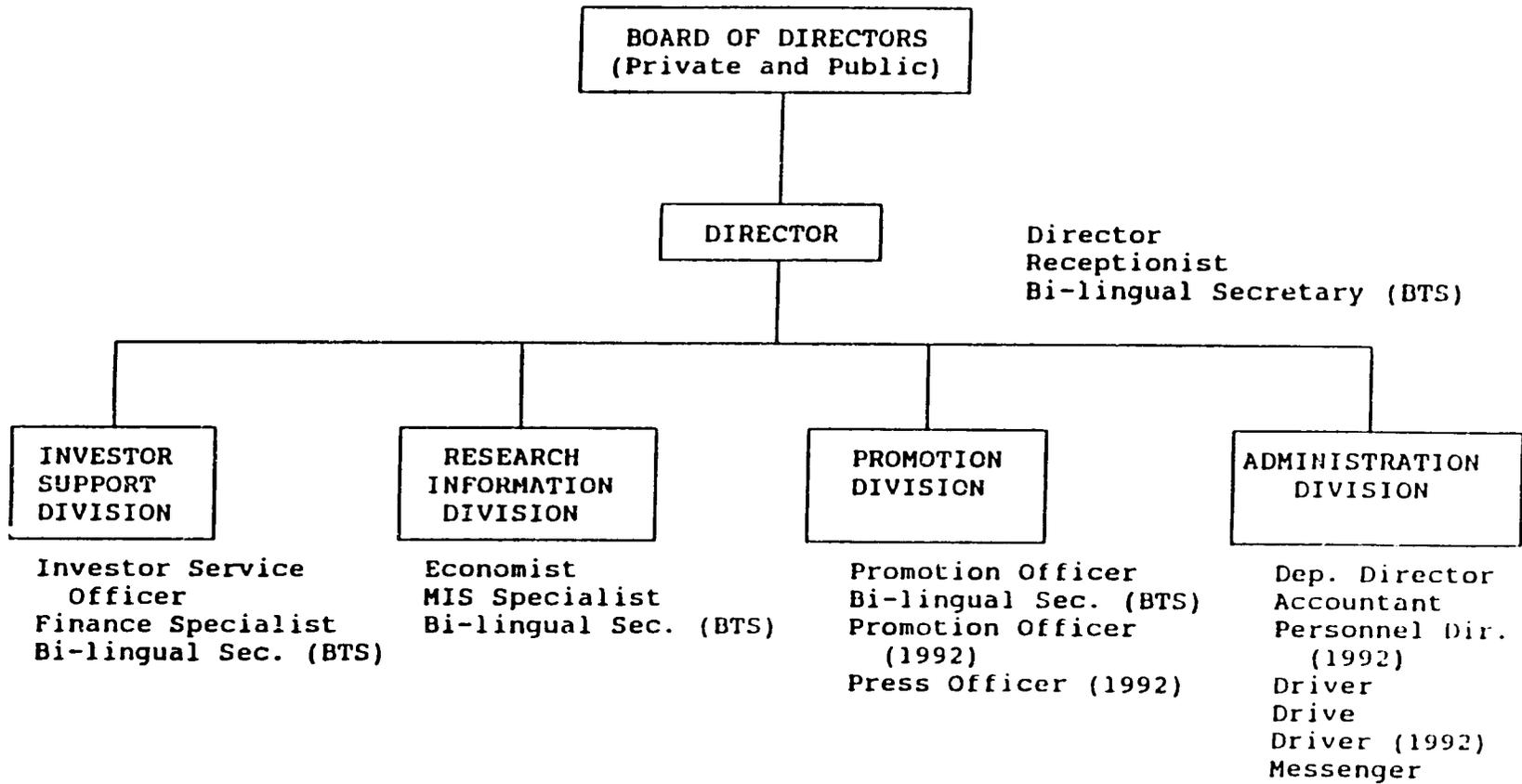
DEPARTEMENT DE GESTION ADMINISTRATIVE, FINANCIERE ET COMPTABLE

Rôle :

- Confection et exécution du budget ;
- Tenue de la comptabilité ;
- Confection des états sociaux ;
- Administration et gestion du personnel et matériel ;
- Relation avec les banques et les assurances ;
- Recouvrement des amendes ;

Annex H

**MODEL ORGANIZATIONAL CHART
FOR THE INVESTMENT PROMOTION CENTER**



Annex I

D. Activity Information

Purpose:

Monitoring/Reporting:

E. Summary Budget

F. Other Provisions

G. Annexes

Annex J

Annex J

Assumptions and Calculations Used in Economic Analysis

This annex presents the assumptions and equations used in deriving the quantifiable economic benefits presented in Chapter VIII of this document. The Scenarios used in the economic analysis are those found in Table 6 of the main document.

Assumptions

The variables listed below serve as the key inputs into the calculations that were used in developing the economic analysis.

<u>Variable</u>	<u>Description</u>
a	Export Sales in millions of U.S. dollars
b	Imports as a percentage of total sales
c	Local value added as a percentage of total sales
d	Free Zone Wage Bill as a percentage of total sales
e	Personal Income Tax Rate (average)
f	Free Zone Profits as a percentage of total sales
g	Corporate Profits Tax (average)
h	Local Goods and Services (LGS) as a percentage of sales
i	Imported inputs (as a perc. of LGS)
j	Cost of goods sold, excl. wages (as a perc. of LGS)
k	Wages (as a perc. of LGS)
l	Profits (as a perc. of LGS)
m	Cumulative number of Free Zone enterprises in year 1 to 5

Table A presents the assumptions that were used for each of the above-mentioned variables. These assumptions were based on actual data provided from the experience of manufacturing and agro-industrial activities in the Dominican Republic. The Dominican Republic probably best approximates the likely experience to be had under the Cameroon Free Zone. It is a country with a sizeable agricultural base and has both traditional (i.e., textiles, clothing, electronics, assembly, etc.) and non-traditional (i.e., agro-industrial) export processing activities. Two columns are presented in Table A, one regarding traditional export processing activities and the other regarding agro-industrial export processing activities. The assumptions for the variable listed below vary depending on which of these two categories are being analyzed, specifically with regard to labor-intensity, import-intensity and use of domestic resources.

The Equations

There are four major categories of quantifiable economic benefits to be had from the Cameroon Free Zone Regime: (1) To the GRC in the form of higher taxes, (2) to Cameroonian workers in the form of higher wages, (3) to Cameroonian businessmen in the form of higher profits and (4) to Foreign businessmen in the form of higher profits.

Economic Benefits to The GRC

The GRC would receive additional taxes from each of the following three categories: (a) taxes on wages earned by Free Zone employees, (b) taxes on wages earned by employees of firms who supply Free Zone enterprises with goods and services and (c) taxes on profits earned by firms who supply Free Zone enterprises with goods and services. Free Zone enterprises themselves, of course, are exempt from all taxes during the first ten years of operation. The following equations were used in estimating the benefits to be had by the GRC:

Taxes on Wages earned by Free Zone employees: $a * d * m * e$

Taxes on wages earned by employees of firms who supply Free Zone enterprises with goods and services: $(a * h * (2 * k) * m) * e$

Taxes on profits earned by firms who supply Free Zone enterprises with goods and services: $(a * h * (2 * l) * m) * g$

The expressions $(2 * k)$ and $(2 * l)$ represent estimates of the sum of all wages and profits earned by the various players involved in supplying an input to a Free Zone enterprise. Every input provided by a local firm to a Free Zone enterprise is, itself, a function of the labor, capital, local inputs and imported inputs used to produce it. Moreover, the local inputs used to produce the input to the Free Zone enterprise were, themselves, a function of the labor, capital, local inputs and imported inputs used to produce them. The assumptions used regarding the breakdown of local goods and services (variable h) into imported inputs (variable i), cost of goods sold, excluding wages (variable j), wages (variable k) and profits (variable l) were also assumed to be applicable to each of the stages involving the production of inputs. The corresponding summations regarding the cumulative value of wages and profits (i.e., local value added) resulting from the increase in demand for local inputs by Free Zone enterprises are approximated by the equations " $2 * k$ " and " $2 * l$ " noted above.

Economic Benefits to Cameroonian Workers

Cameroonian workers would receive additional benefits in the form of wages from each of the following two categories: (a) wages earned by Free Zone employees and (b) wages earned by employees of firms who supply Free Zone enterprises with goods and services. The following equations were used to estimate the economic benefits to be had by Cameroonian workers:

Wages earned by Free Zone employees: $a * d * m * (1 - e)$

Wages earned by employees of firms who supply Free Zone enterprises with goods and services: $(a * h * (2 * k) * m) * (1 - e)$

The expression " $1 - e$ " represents the after tax wages earned by Cameroonian employees. The taxed portion of this wage income (i.e., " e ") shows up in the form of higher tax revenue to the GRC as noted above. As in the case of taxes earned on wages and profits earned by players involved in the production of inputs to Free Zone enterprises, the expression " $2 * k$ " is used here to approximate the cumulative value of wages earned by all firms involved in the production of inputs to Free Zone enterprises.

Table J-1
Economic Analysis Assumptions

	Average EPZ -----	Agro- Industry -----
Export = Sales (millions)	\$2.0	\$2.0
Imports (% of Sales)	65.0%	40.0%
Local Value Added (% of Sales)	35.0%	60.0%
Wages (% of Sales)	20.0%	10.0%
Personal Income Tax Rate (average)	15.0%	15.0%
Profits (% of Sales)	10.0%	15.0%
Local Profits Tax (average)	38.5%	38.5%
Local Goods and Services (% of Sales)	5.0%	35.0%
Imported Inputs (% of LG&S Sales)	10.0%	10.0%
Costs of Goods Sold, excl. Wages (% of LG&S Sales)	40.0%	40.0%
Wages (% of LG&S Sales)	40.0%	40.0%
Profits (% of LG&S Sales)	10.0%	10.0%
Employment (number of workers)	200	75

Table J-2

Summary of Distribution of Economic Benefits

	Scenario I			Scenario II			Scenario III		
	Avg. EPZ	Agro- Ind.	Camer FTZ	Avg. EPZ	Agro- Ind.	Camer FTZ	Avg. EPZ	Agro- Ind.	Camer. FTZ
Distribution of Economic Benefits									
To the GRC	3.1	6.6	4.9	5.5	11.8	8.7	8.2	17.4	12.8
Increased Tax Revenue from FTZ wages	(2.3)	(1.2)	(1.8)	(4.2)	(2.1)	(3.2)	(6.2)	(3.1)	(4.7)
Increased Tax Revenue from FTZ Suppliers wages	(0.5)	(3.3)	(1.9)	(0.8)	(5.9)	(3.4)	(1.2)	(8.7)	(5.0)
Increased Tax Revenue from Tax on FTZ suppliers' pro	(0.3)	(2.1)	(1.2)	(0.5)	(3.8)	(2.2)	(0.8)	(5.6)	(3.2)
To Cameroonian Workers	16.0	25.2	20.6	28.7	45.3	37.0	42.4	67.0	54.7
FTZ Wage Bill (after tax)	(13.3)	(6.6)	(10.0)	(23.9)	(11.9)	(17.9)	(35.3)	(17.6)	(26.5)
Local Suppliers of FTZ Wage Bill (after tax)	(2.7)	(18.6)	(10.7)	(4.8)	(33.4)	(19.1)	(7.1)	(49.4)	(28.3)
To Cameroonian Businessmen	4.4	9.2	6.8	7.9	16.6	12.3	11.7	24.5	18.1
Increased Profits from FTZ activities	(3.9)	(5.8)	(4.9)	(7.0)	(10.5)	(8.8)	(10.4)	(15.6)	(13.0)
Increased Profits from Local Sales to FTZs	(0.5)	(3.4)	(2.0)	(0.9)	(6.1)	(3.5)	(1.3)	(8.9)	(5.1)
To Foreign Businessmen									
Increased Profits from FTZ activities	3.9	5.8	4.9	7.0	10.5	8.8	10.4	15.5	13.0
Total Quantifiable Econ. Benefits	27.4	46.8	37.1	49.1	84.2	66.7	72.7	124.4	98.6

Table J-3

Summary of Direct and Indirect Economic Benefits

	Scenario I			Scenario II			Scenario III		
	Avg. EPZ	Agro- Ind.	Camer FTZ	Avg. EPZ	Agro- Ind.	Camer FTZ	Avg. EPZ	Agro- Ind.	Camer FTZ
Direct Economic Benefits	23.4	19.4	21.4	42.1	35.0	38.6	62.3	51.8	57.1
Increased Tax Revenue from FTZ wages	(2.3)	(1.2)	(1.8)	(4.2)	(2.1)	(3.2)	(6.2)	(3.1)	(4.7)
FTZ Wage Bill (after tax)	(13.3)	(6.6)	(10.0)	(23.9)	(11.9)	(17.9)	(35.3)	(17.6)	(26.5)
Increased Profits from FTZ activities	(3.9)	(5.8)	(4.9)	(7.0)	(10.5)	(8.8)	(10.4)	(15.6)	(13.0)
Increased Profits from FTZ activities	(3.9)	(5.8)	(4.9)	(7.0)	(10.5)	(8.8)	(10.4)	(15.5)	(13.0)
Indirect Economic Benefits	4.0	27.4	15.7	7.0	49.2	28.1	10.4	72.6	41.5
Increased Tax Revenue from FTZ Suppliers wages	(0.5)	(3.3)	(1.9)	(0.8)	(5.9)	(3.4)	(1.2)	(8.7)	(5.0)
Increased Tax Revenue from Tax on FTZ suppliers' pro	(0.3)	(2.1)	(1.2)	(0.5)	(3.8)	(2.2)	(0.8)	(5.6)	(3.2)
Local Suppliers of FTZ Wage Bill (after tax)	(2.7)	(18.6)	(10.7)	(4.8)	(33.4)	(19.1)	(7.1)	(49.4)	(28.3)
Increased Profits from Local Sales to FTZs	(0.5)	(3.4)	(2.0)	(0.9)	(6.1)	(3.5)	(1.3)	(8.9)	(5.1)
Total Direct and Indirect Economic Benefits	27.4	46.8	37.1	49.1	84.2	66.7	72.7	124.4	98.6

Annex K

Annex K

Assumptions and Calculations Used in the Financial Analysis

This annex presents the assumptions and equations used in deriving the net financial costs of the NOIFZ over the period 1990 to 1995 as presented in Chapter VIII of this document. The Scenarios used in the economic analysis are those found in Table 6 of the main document.

Over the medium-term, the NOIFZ will derive the bulk of its revenue from the assessment of application and user fees. However, during the initial start-up period and up until a critical mass of enterprises are established under the Free Zone Regime, the NOIFZ will experience sizeable revenue short-falls. The tables presented below show the likely revenue inflow from application and user fees under each of the three scenarios. The total operating expenditures are assumed to remain the same under all three scenarios and are derived from estimates made by consultants involved in the design of the strategy and action plan used by the Mission regarding the NOIFZ. Revenues from application and user fees, however, vary depending on the number of enterprises assumed to be operating under the Regime. Moreover, revenues will be a function of the following variables:

<u>Variable</u>	<u>Description</u>
<u>Application Fees</u>	
a	Number of Industrial Free Zone developers in a given year
b	Number of Point Franc developers in a given year
c	Application fee for developers
d	Number of Industrial Free Zone enterprises in a given year
e	Number of Point Franc enterprises in a given year
f	Application fee for enterprises
<u>User Fees</u>	
g	Cumulative number of Industrial Free Zone enterprises
h	Cumulative number of Point Franc enterprises
i	Average size of a Free Zone enterprise (sq. ft.)
j	Annual user fee (\$ per sq. ft.)

The specific assumptions made regarding each of these variables under each of the three scenarios are presented in Tables K-1(a), (b) and (c) below.

The Equations

The equations used to calculate application fee and user fee revenues were very straightforward and are noted below:

Application Fees

For Free Zone Developers: $(a + b) * c$

For Free Zone Enterprises: $(d + e) * f$

User Fees

For Free Zone Enterprises: $(g + h) * i * j$

It should be noted that application fees are on a one-time only basis, while user fees are annual assessments made on the total number of Free Zone enterprises in existence. As noted in Chapter VIII, user fees are usually paid by Free Zone developers who pass on the cost to Free Zone enterprises in the form of a per square foot assessment added to the rental fee. Table K-2(a), (b) and (c) present the results of the these calculations for each of the three scenarios.

Table K-2(a)

Scenario I: Low Case

NOIFZ: Total Revenue, Operating Expenditure and Net Surplus/Deficit

(U.S. Dollars)

	July 90 Dec 90	1991	1992	1993	1994	1995	Total	199
Total Operating Expenditures:	165,162	455,170	338,297	352,533	368,397	387,200	2,066,758	406,56
Personnel Related Costs	39,752	252,890	265,535	282,738	296,875	311,719	1,449,510	327,30
Cadres	(31,802)	(198,128)	(208,034)	(218,436)	(229,358)	(240,825)	(1,126,582)	(252,86
Support Staff	(7,950)	(54,763)	(57,501)	(64,303)	(67,518)	(70,894)	(322,928)	(74,43
Office Related Costs	125,410	202,279	72,762	69,794	71,522	75,481	617,248	79,25
Office Space	(6,000)	(39,900)	(31,973)	(33,571)	(35,250)	(37,012)	(183,705)	(38,86
Office Equipment	(76,760)	(42,539)	(12,914)	(7,224)	(7,585)	(7,964)	(154,985)	(8,36
Office Furniture	0	(39,405)	(1,856)	(1,679)	0	(383)	(43,322)	(40
Rolling Stock	0	(55,654)	0	0	0	0	(55,654)	
Miscellaneous	(42,650)	(24,781)	(26,020)	(27,321)	(28,687)	(30,122)	(179,581)	(31,62
Sources of Financing:	0	500	43,300	61,400	81,400	101,900	288,500	131,60
Application Fees	0	500	3,300	1,400	1,400	1,900	8,500	1,60
Developers	0	(500)	(2,500)	(1,000)	(1,000)	(1,500)	(6,500)	(1,00
Enterprises	0	0	(800)	(400)	(400)	(400)	(2,000)	(60
Annual User Fees	0	0	40,000	60,000	80,000	100,000	280,000	130,00
Additional Financing Required	165,162	454,670	294,997	291,133	286,997	285,300	1,778,258	274,96

Table K-2(b)

Scenario II: Medium Case

NOIFZ: Total Revenue, Operating Expenditure and Net Surplus/Deficit

(U.S. Dollars)

	July 90							
	Dec 90	1991	1992	1993	1994	1995	Total	1996
Total Operating Expenditures:	165,162	455,170	338,297	352,533	368,397	387,200	2,066,758	406,560
Personnel Related Costs	39,752	252,890	265,535	282,738	296,875	311,719	1,449,510	327,305
Cadres	(31,802)	(198,128)	(208,034)	(218,436)	(229,359)	(240,825)	(1,126,582)	(252,867)
Support Staff	(7,950)	(54,763)	(57,501)	(64,303)	(67,518)	(70,894)	(322,928)	(74,438)
Office Related Costs	125,410	202,279	72,762	69,794	71,522	75,481	617,248	79,255
Office Space	(6,000)	(39,900)	(31,973)	(33,571)	(35,250)	(37,012)	(183,705)	(38,863)
Office Equipment	(76,760)	(42,539)	(12,914)	(7,224)	(7,585)	(7,964)	(154,985)	(8,362)
Office Furniture	0	(39,405)	(1,856)	(1,679)	0	(383)	(43,322)	(402)
Rolling Stock	0	(55,654)	0	0	0	0	(55,654)	0
Miscellaneous	(42,650)	(24,781)	(26,020)	(27,321)	(28,687)	(30,122)	(179,581)	(31,628)
Sources of Financing:	0	1,500	65,200	103,800	134,000	203,000	527,500	253,000
Application Fees	0	1,500	5,200	3,800	4,000	3,000	17,500	3,000
Developers	0	(1,500)	(4,000)	(3,000)	(3,000)	(2,000)	(13,500)	(2,000)
Enterprises	0	0	(1,200)	(800)	(1,000)	(1,000)	(4,000)	(1,000)
Annual User Fees	0	0	60,000	100,000	150,000	200,000	510,000	250,000
Additional Financing Required	165,162	453,670	273,097	248,733	214,397	184,200	1,539,258	153,560

Table K-2(c)

Scenario III: High Case

NOIFZ: Total Revenue, Operating Expenditure and Net Surplus/Deficit

(U.S. Dollars)

	July 90 - Dec 90	1991	1992	1993	1994	1995	Total	1996
Total Operating Expenditures:	165,162	455,170	338,297	352,533	368,397	387,200	2,066,758	406,560
Personnel Related Costs	39,752	252,890	265,535	282,738	296,875	311,719	1,449,510	327,305
Cadres	(31,802)	(198,778)	(208,034)	(218,436)	(229,358)	(240,825)	(1,126,582)	(252,867)
Support Staff	(7,950)	(54,763)	(57,501)	(64,303)	(67,518)	(70,894)	(322,928)	(74,438)
Office Related Costs	125,410	202,279	72,762	69,794	71,522	75,481	617,248	79,255
Office Space	(6,000)	(39,900)	(31,973)	(33,571)	(35,250)	(37,012)	(183,705)	(38,863)
Office Equipment	(76,760)	(42,539)	(12,914)	(7,224)	(7,585)	(7,964)	(154,985)	(8,362)
Office Furniture	0	(39,405)	(1,856)	(1,679)	0	(383)	(43,322)	(402)
Rolling Stock	0	(55,654)	0	0	0	0	(55,654)	0
Miscellaneous	(42,650)	(24,781)	(26,020)	(27,321)	(28,687)	(30,122)	(179,581)	(31,628)
Sources of Financing:	0	1,000	87,600	156,400	231,500	307,000	783,500	408,500
Application Fees	0	1,000	7,600	6,400	6,500	7,000	28,500	8,500
Developers	0	(1,000)	(6,000)	(5,000)	(5,000)	(5,500)	(22,500)	(6,500)
Enterprises	0	0	(1,600)	(1,400)	(1,500)	(1,500)	(6,000)	(2,000)
Annual User Fees	0	0	80,000	150,000	225,000	300,000	755,000	400,000
Additional Financing Required	165,162	454,170	250,697	196,133	136,897	80,200	1,283,258	(1,940)

Annex L

A.I.D. Grant No. 631-T-604
A.I.D. Program No. 631-0074

Program Grant Agreement

Dated August 31, 1990

Between

The Republic of Cameroon (the "Grantee")

And

The United State of America, acting through the Agency for
International Development ("A.I.D.")

Together referred to as the "Parties."

Article 1: Definition of the Program

SECTION 1.1. The Program:

The Policy Reform in the Export Processing Sector program (the "Program"), as further described in Annex I, which is attached this Program Grant Agreement (the "Agreement") and made a part hereof, supports the Grantee's commitment to the objective of increasing investment, employment and production and to expanding markets in the export sector through the creation of privately-managed Industrial Free Zones. The Industrial Free Zones benefit from the Free Zone Regime (the "Free Zone Regime") which is applicable to any geographic area in the Republic of Cameroon which by regulations is designated as an "Industrial Free Zone."

The total resources to be provided by A.I.D. during the life of the Program are estimated to be Six Million One Hundred and Sixty Thousand United States dollars (\$6,160,000). A total of One Million Three Hundred Thousand United States dollars (\$1,300,000) is granted to the Grantee under the terms and conditions of this Agreement. In addition, subject to availability of funds for this purpose and the mutual agreement of the Parties to proceed, future funding increments not to exceed One Million Eight Hundred Thousand United States dollars (\$1,800,000) will be granted to the Grantee under the terms and conditions of Sections 3.3 and 3.4 of this Agreement. Under the terms and conditions of a separate agreement (Project Number 631-0082) an amount not to exceed Seven Hundred Thousand United States dollars (\$700,000) is granted to the Grantee and in addition, subject to the availability of funds for that purpose and the mutual agreement of the Parties to proceed, future incremental funding will be made available in an amount not to exceed Two Million Three Hundred Sixty Thousand United States dollars (\$2,360,000).

SECTION 1.2. The Grant:

The United States, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement One Million Three Hundred Thousand United States ("U.S.") dollars (\$1,300,000) (the "Grant") to support the development and creation of privately-managed Industrial Free Zones which operate efficiently and in strict adherence with the intent and

provisions of Ordinance No. 90/001 of January 29, 1990 to establish the Free Zone Regime in Cameroon (the "Ordinance") and all regulations which may be enacted in furtherance thereof (the "Implementing Regulations"). It is planned that the Grant will be disbursed to the Grantee upon satisfaction of the conditions precedent to disbursement.

Article 2: The Separate Dollar Account

SECTION 2.1. Utilization.

Funds disbursed under the Grant shall be deposited in a separate dollar account in a United States bank, which account shall be established by the Beneficiary solely for such funds (the "Separate Dollar Account"). Such funds shall not be commingled with funds from any other source. The Grantee may expend funds from the Separate Dollar Account for the following purposes, in order of preference:

- (a) Importation of goods from the United States;
- (b) Importation of goods from other countries included in A.I.D. Geographic Code 935, and in conformity with the policies of the Grantee;
- (c) payment of debts owed by the Grantee to the United States (other than payment of principal or interest on loans or credits which originally financed military imports or other military requirements), provided payment of such debts is consistent with the agreed rescheduling arrangements where applicable;
- (d) payment of a debt owed by the Grantee to a multilateral bank or to the International Monetary Fund; or
- (e) such other uses as the Parties may agree to in writing.

SECTION 2.2. Interest on the Separate Dollar Account.

It is the understanding of the Parties that funds disbursed under the Grant will, to the extent possible, be held by the Grantee in an interest-bearing account pending actual utilization of such funds by the Grantee. All interest earned by the Grantee on such account shall be used only for those purposes permitted under Section 2.1.

SECTION 2.3 Notification of Proposed Use.

At least five days prior to each actual use of funds from the Separate Dollar Account, the Grantee shall notify A.I.D. in writing of the proposed use of such funds.

Article 3: Conditions Precedent to Disbursement of Dollars

SECTION 3.1 First Disbursement of Dollars.

Prior to the first disbursement of \$1,300,000 dollars under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., all of the following:

- (a) An opinion of legal counsel that this Agreement has been duly authorized and executed on behalf of the Grantee and that it constitutes a valid, legally binding obligation of the Grantee in accordance with all of its terms;
- (b) An opinion of legal counsel that the National Office for Industrial Free Zones (the "NOIFZ"), established pursuant to Chapter II, Section I, Article 4 of the Ordinance is duly authorized and empowered pursuant to the laws and regulations of the Republic of Cameroon to exercise all of the powers and responsibilities delegated to it pursuant to the Ordinance.
- (c) A statement of the names and titles of the persons who will act as representatives of the Grantee under Section 8.2 of this Agreement, together with a specimen signature of each person named in such statement;
- (d) A statement designating the U.S. bank and specifying the account number of the Separate Dollar Account into which disbursements of U.S. dollars are to be made;
- (e) A statement confirming that the Special Local Currency Account required to be established pursuant to Section 5.1 of this Agreement has been opened in a bank in Cameroon in the name of the Government of the Republic of Cameroon and specifying the number of the account;
- (f) Written procedures describing the mechanism by which local currency will be released from the Special Local Currency Account and the procedures which will assure that funds from the Special Local Currency Account are used for purposes agreed upon with A.I.D.;
- (g) An official copy of the ministerial order (arrêté) containing the implementing regulations for the Ordinance which specifically address the following areas:
 - (i) the procedure for obtaining the certificate of compliance, the developer permit and the operator permit;
 - (ii) the responsibilities and procedures regarding the public service which provides all services required from state-owned entities by developers, operators and enterprises of Industrial Free Zones (the "Industrial Free Zone Administrative Service");
 - (iii) Industrial Free Zone on-site customs procedures;

(iv) the holding of foreign exchange, foreign exchange-denominated bank accounts and the transfer of funds accrued or invested by Industrial Free Zone enterprises;

(v) the negotiation of contracts between Industrial Free Zone employers and employees and the hiring, firing and establishment of minimum wages for Industrial Free Zone employees;

(vi) the private provision of electricity, water and international telecommunication services;

(vii) preferential user rates regarding the provision of utilities and public services to Industrial Free Zone enterprises; and

(viii) dispute settlements between the NOIFZ and:

- Industrial Free Zone developers,
- Industrial Free Zone operators,
- Industrial Free Zone enterprises,
- the Industrial Free Zone Administrative Service.

SECTION 3.2 Incremental Funding Subsequent to the First Disbursement of Dollars.

Incremental funding subsequent to the first disbursement of dollars is subject to the availability of funds to A.I.D. for this purpose and to the mutual agreement of the Parties at the time of subsequent increments, to proceed. Amounts to be provided are approximate and subject to the requirements of the Program at the time they are provided.

SECTION 3.3. Second Disbursement of Dollars.

Prior to the second disbursement of \$1,000,000 dollars under the Program grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(a) The Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first disbursement of dollars under the Grant;

(b) An opinion of legal counsel that the Investment Promotion Center (the "IPC") has been duly organized and is duly authorized and empowered pursuant to the laws and regulations of the Republic of Cameroon to exercise all of the powers and responsibilities which may be delegated to it pursuant to the laws of the Republic of Cameroon which authorized its creation;

(c) Copies of official records of the Government of Cameroon and the NOIFZ, indicating that:

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(i) the designation of Industrial Free Zones has been regularly effected by action of the Minister in charge of industrial development within thirty (30) days of receipt of a complete application for such designation; or by automatic approval as provided in Chapter III, Article 6(b) of the Ordinance when the Minister in charge of industrial development has failed to take any action within thirty (30) days of receipt of a complete application for such designation;

(ii) Industrial Free Zone on-site customs inspections are operating in compliance with all of the provisions of the Ordinance and the Implementing Regulations;

(iii) the operation of the Industrial Free Zone Administrative Service is in compliance with all of the provisions of the Ordinance and the Implementing Regulations;

(iv) Industrial Free Zone labor procedures are in compliance with all of the provisions of the Ordinance and the Implementing Regulations;

(d) A detailed customs manual applicable to enterprises benefiting from the Free Zone Regime which fully complies with all of the provisions of the Ordinance and the Implementing Regulations; and

(e) The annual review meeting described in Section 6.4(g) of this Agreement has been held as provided in such Section and a plan of action addressing the issues raised during such meeting have been agreed upon by the Grantee and A.I.D.

SECTION 3.4. Third Disbursement of Dollars.

Prior to the third disbursement of \$800,000 dollars under the Program grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(a) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first or the second disbursement of dollars under the Program grant.

(b) the NOIFZ continues to function as described or agreed to pursuant to paragraphs (c), (d) and (e) of Section 3.3 of this Agreement.

(c) the annual review meeting described in Section 6.4(g) of this Agreement has been held as provided in such Section and a plan of action addressing the issues raised during such meeting have been agreed upon by the Grantee and A.I.D.

SECTION 3.5: Notification.

When A.I.D. has determined that the above conditions have been met, it will promptly notify the Grantee.

SECTION 3.6: Terminal Date for Conditions Precedent.

If all of the conditions precedent specified in Section 3.1 of this Agreement have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may specify in writing, then A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article 4: Disbursement of the Grant

SECTION 4.1. Disbursement of the Grant.

After satisfaction of the conditions precedent, the Grantee may request A.I.D. to disburse funds under the Grant. After review and approval of the documentation submitted by the Grantee, A.I.D. will promptly deposit the funds into the Separate Dollar Account designated by the Grantee.

SECTION 4.2 Date of Disbursement.

Disbursement of funds by A.I.D. will be deemed to occur on the date A.I.D. deposits the funds in accordance with Section 4.1.

Article 5: The Special Local Currency Account

SECTION 5.1. Establishment of a Special Local Currency Account.

(a) The Grantee shall establish a special local currency account (the "Special Local Currency Account") in a bank mutually acceptable to the Grantee and A.I.D. and shall deposit therein, within forty-five (45) days of the receipt of each dollar disbursement to the Separate Dollar Account made under the Grant, currency of the Grantee in amounts equal to such dollar disbursement. Funds in the Special Local Currency Account shall be used for:

- (i) budgetary support for the NOIFZ;
- (ii) budgetary support for the IPC; and
- (iii) such other purposes in support of the objectives of the Program as may be mutually agreed upon by A.I.D. and the Grantee.

(b) Funds in the Special Local Currency Account shall not be commingled with funds from any other source. All interest earned on the Special Local Currency Account shall be used for the same purposes as the principal.

(c) All funds existing in the Special Local Currency Account immediately preceding a particular disbursement therefrom are eligible for use provided that all conditions precedent for such use as provided in Section 5.2 and, as the case may be, Sections 5.3, 5.4 or 5.5, of this Agreement have been determined by A.I.D. to have been satisfied.

(d) Any unencumbered balances of funds remaining in the Special Local Currency Account after the termination of this Agreement for any reason shall be disposed of for purposes agreed to by A.I.D. and the Grantee.

SECTION 5.2: General Conditions Precedent to Release of Local Currency from the Special Local Currency Account.

(a) Prior to each release of local currency funds from the Special Local Currency Account, a written agreement, in form and substance satisfactory to A.I.D. shall have been signed by A.I.D., the Grantee and any recipients of the funds to be disbursed pursuant to each release thereof which sets forth :

- (i) a plan for the use of such funds;
- (ii) the specific conditions precedent for release of such local currency funds as specified in Sections 5.3, 5.4 or 5.5, whichever is applicable, of this Agreement; and
- (iii) a description of the financial mechanisms and the terms and conditions by which such funds will be made available for such planned use.

(b) The written agreement described in this Section 5.2 will be signed by A.I.D. only after A.I.D. is satisfied that the conditions precedent for release of funds from the Special Local Currency Account during a particular time period, as specified in Sections 5.3, 5.4 or 5.5 of this Agreement, whichever is applicable, have been fulfilled. A sample form of such agreement is attached hereto as Annex II.

SECTION 5.3: Conditions Precedent to Release of Funds from the Special Local Currency Account During the First Term.

(a) Prior to disbursements of local currency from the Special Local Currency Account between October 1, 1990 and December 31, 1991 (the "First Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

- (i) An official, notarized copy of the corporate charter of the NOIFZ;
- (ii) An opinion of legal counsel that the NOIFZ has been duly organized and is in good standing as a non-profit, private entity.
- (iii) The identity of the general manager of the NOIFZ;
- (iv) The identity of the accountant of the NOIFZ; and
- (v) Evidence that the NOIFZ has established accounting procedures in accordance with generally accepted accounting principles and practices consistently applied;

(b) Prior to disbursements of local currency from the Special Local Currency Account during the First Term for purposes of budgetary support to the IPC, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

- (i) An official, notarized copy of the corporate charter of IPC;
- (ii) An opinion of legal counsel that the IPC has been duly organized and is in good standing as a non-profit, private entity.
- (iii) Evidence that a Board of Directors for the IPC consisting of representatives from both the public and the private sectors, but with a majority of private sector representatives, has been duly selected. Such evidence shall also include a list of the names of the members of the Board of Directors;
- (iv) The identity of the general manager of the IPC;
- (v) The identity of the accountant of the IPC;
- (vi) Evidence that the IPC has established accounting procedures in accordance with generally accepted accounting principles and practices consistently applied; and
- (vii) An agreement in writing between A.I.D. and the Board of Directors of the IPC or its representative regarding an action plan which the IPC will put into effect before any disbursements from the Special Local Currency Account are made during the Second Term (as hereinafter defined).

(c) Prior to disbursements of local currency from the Special Local Currency Account during the First Term for purposes in support of the objectives of the Program other than budgetary support to the NOIFZ or the IPC, A.I.D. shall require that a written agreement must be reached between the Grantee and A.I.D. specifying such other purposes for local currency utilization.

SECTION 5.4: Conditions Precedent to Release of Funds from the Special Local Currency Account During the Second Term.

(a) Prior to disbursements of local currency from the Special Local Currency Account between January 1, 1992 and December 31, 1992 (the "Second Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

- (i) An official document indicating that the NOIFZ is registered as an entity duly constituted and existing under the laws of the Republic of Cameroon;
- (ii) An opinion of counsel that the NOIFZ is in good standing as a non-profit, private entity;

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(iii) Official copies of documentation from the NOIFZ indicating that the NOIFZ has carried out, in full compliance with the Ordinance and the Implementing Regulations, all of the following:

- by action of its Board of Directors, adopted internal rules and procedures and disseminated information related thereto regarding:
 - Industrial Free Zone developers,
 - Industrial Free Zone operators,
 - Industrial Free Zone enterprises,
 - the Industrial Free Zone Administrative Service and
 - the provision of the developer permits, the operator permits and the certificates of compliance;
- established single application forms for requests for the developers permit, the operators permit and the certificate of compliance;
- implemented a system which processes requests for developer permits, operators permit and certificates of compliance and issues a decision regarding such requests within the time period specified in the Ordinance and its Implementing Regulations;
- established dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for the Free Zone Regime;
- established dispute settlement mechanisms regarding controversies involving the NOIFZ and the beneficiaries of the Free Zone Regime and between the NOIFZ and the Administrative Service;
- established levels of fines regarding infractions involving Industrial Free Zone developers, operators and enterprises.

(iv) Evidence of:

- the identification by the NOIFZ of sources of financing other than A.I.D. and
- the development by the NOIFZ of a medium-term financial plan for its next budgetary year; and

(v) Evidence that the local currency disbursed to the NOIFZ from the Special Local Currency Account during the First Term was used for the purposes agreed upon by the Grantee and A.I.D.

(b) Prior to disbursements of local currency from the Special Local Currency Account during the Second Term for purposes of budgetary support to the IPC, except as the parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

- (i) An official document indicating that the IPC is registered as an entity duly constituted.
- (ii) An opinion of legal counsel that the IPC is in good standing as a non-profit, private entity;
- (iii) An official copy of the by-laws and other internal rules and regulations of the IPC;
- (iv) Evidence that the IPC is functioning according to the action plan agreed upon pursuant to Section 5.3 (b)(vii) of this Agreement; and
- (v) Evidence that the local currency disbursed to the IPC from the Special Local Currency Account during the First Term was used for the purposes agreed upon by the Grantee and A.I.D.

(c) Prior to disbursements of local currency from the Special Local Currency Account during the Second Term for purposes in support of the objectives of the Program other than for budgetary support to the NOIFZ or the IPC, A.I.D. shall require the provision of the following in form and substance satisfactory to A.I.D.:

- (i) a written agreement between the Grantee and A.I.D. specifying such other purposes for local currency utilization; and
- (ii) evidence that the local currency disbursed from the Special Local Currency Account during the First Term for purposes other than budgetary support for the NOIFZ or the IPC was used for the purposes agreed upon by the Grantee and A.I.D.

SECTION 5.5: Conditions Precedent to Release of Funds from the Special Local Currency Account Subsequent to the Second Term.

(a) Prior to disbursements of local currency from the Special Local Currency Account between January 1, 1993 and December 31, 1993 (the "Third Term"), between January 1, 1994 and December 31, 1994 (the "Fourth Term") and January 1, 1995 and December 31, 1995 (the "Fifth Term") for purposes of budgetary support to the NOIFZ, except as the Parties may otherwise agree in writing, A.I.D. shall require the provision of all of the following in form and substance satisfactory to A.I.D.:

- (i) An official document indicating that the NOIFZ is registered as an entity duly constituted.

(ii) An opinion of legal counsel that the NOIFZ is in good standing as a non-profit, private entity.

(iii) Evidence that the NOIFZ continues to function in full compliance with the Ordinance and the Implementing Regulations, including, but not limited to, evidence of the continuing regular functioning of:

- the 30-day procedure for obtaining the certificate of compliance, the developers permit and the operators permit;

- provisions of public services by the Industrial Free Zone Administrative Service; and

- dispute settlement mechanisms regarding controversies involving the NOIFZ and applicants for the Free Zone Regime.

- dispute settlement mechanisms regarding controversies involving the NOIFZ and the beneficiaries of the Free Zone Regime and between the NOIFZ and the Administrative Service.

(iv) Evidence of:

- the identification by the NOIFZ of sources of financing other than A.I.D. and

- the development by the NOIFZ of a medium-term financial plan for its next budgetary year; and

(v) Evidence that the local currency disbursed to the NOIFZ from the Special Local Currency Account during the immediately preceding Term was used for the purposes agreed upon by the Grantee and A.I.D. for such Term.

(b) Prior to disbursements of local currency from the Special Local Currency Account during the Third, Fourth or Fifth Terms for purposes in support of the objectives of the Program other than budgetary support to the NOIFZ, A.I.D. shall require the provision of the following in form and substance satisfactory to A.I.D.:

(i) a written agreement between the Grantee and A.I.D. specifying such other purposes for local currency utilization during the applicable Term; and

(ii) evidence that the local currency disbursed from the Special Local Currency Account during the immediately preceding Term for purposes other than budgetary support to the NOIFZ or the IPC was used for such other purposes as agreed upon by the Grantee and A.I.D. for such immediately preceding Term.

SECTION 5.6: Books and Records.

The Grantee shall maintain and cause recipients of funds from the Special Local Currency Account to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Special Local Currency Account. The Grantee shall grant or cause such recipients to grant to A.I.D. or to any of its authorized representatives the right to inspect such books and records at all times as A.I.D. may reasonably require. Such books and records shall be maintained for three years after the date of the last disbursement of local currency in connection with the Grant.

SECTION 5.7: Refunds.

In the case of any release of funds under the Special Local Currency Account which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or for which specific conditions precedent to such release have been reversed, discontinued or otherwise impeded, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such funds to the Special Local Currency Account within ninety (90) days after receipt of a request therefor.

SECTION 5.8: Rate of Exchange.

Except as the Parties may otherwise agree in writing, for purposes of determining the amount of local currency which is equivalent to disbursements under the Grant, the Grantee shall use the highest rate of exchange which, on the date the disbursement is made, is not unlawful in the Republic of Cameroon, and in no event may this rate be less than the published rate of the U.S. Government's Disbursing Agent, or the U.S. Treasury, through its authorized Disbursing Officer for the Franc Zone. As used in the preceding sentence, "highest rate of exchange" means the rate of exchange which yields the greatest number of units of local currency per U.S. dollar.

Article 6: Covenants.SECTION 6.1: Completeness of Information.

The Grantee confirms:

- (a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on this Grant, are accurate and complete, and include all facts and circumstances that might materially affect this Grant and the discharge of responsibilities under this Agreement; and
- (b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

SECTION 6.2: Books and Records.

The Grantee will maintain financial records, in accordance with generally accepted accounting principles and practices consistently applied, to assure compliance with this Agreement. Such records shall be maintained for at least three years after the date of last utilization by the Grantee of funds from the Separate Dollar Account and shall be made available upon request for examination at any reasonable time by authorized representatives of A.I.D. Financial records shall be suitable, at a minimum, to document the withdrawal and disposition of funds from the Separate Dollar Account for acceptable purposes.

SECTION 6.3: Reports.

(a) Unless A.I.D. agrees otherwise in writing, the Grantee will furnish to A.I.D., in form and substance satisfactory to A.I.D., quarterly reports on the uses of funds from the Separate Dollar Account. The first report will be due three months after the initial disbursement under the Grant and subsequent reports shall be furnished to A.I.D. at ensuing three-month intervals until the Grantee has satisfactorily reported on the uses of all funds in the Separate Dollar Account. In the report, the Grantee shall certify that books and records relating to the use of the funds in the Separate Dollar Account are being maintained or caused to be maintained, in accordance with Section 6.2 of this Agreement. Within sixty (60) days of receiving each report, A.I.D. will advise the Grantee whether or not the reported uses of the Separate Dollar Account are unacceptable. Within thirty (30) days of being notified by A.I.D. that a reported use of the Separate Dollar Account is unacceptable, the Grantee shall redeposit in the Separate Dollar Account an amount equal to any funds applied to the unacceptable use.

(b) The Grantee will furnish to A.I.D. such other reports and information relating to the Grant, the Separate Dollar Account, the Special Local Currency Account and the performance of the Grantee's obligations under this Agreement as A.I.D. may reasonably request.

SECTION 6.4: Special Covenants

(a) The Grant will be free from any taxation or fees imposed or to be imposed under the laws in effect in the Republic of Cameroon.

(b) The Grant will not be used to finance military, paramilitary or police requirements of any kind, including training or the procurement of commodities or services to be used by the military or police, or to pay principal or interest on loans to the military or police.

(c) During the life of the Program the Government of the Republic of Cameroon shall consult with A.I.D. on an ongoing basis for the specific purpose of implementing the reforms proposed to be achieved pursuant to the Program as provided for and evidenced by this Agreement.

(d) During the life of the Program the Government of the Republic of Cameroon:

(i) shall not interfere with the internal affairs of the NOIFZ; and

(ii) shall comply in all respects with all of the provisions of the Ordinance and the Implementing Regulations.

(e) During the life of the Program the Government of the Republic of Cameroon agrees that:

(i) it shall not permit or cause funds to be released from the Special Local Currency Account unless the written agreement provided for in Section 5.2 of this Agreement relating to a particular disbursement of funds from the Special Local Currency Account has been signed by A.I.D. the Grantee and any and all recipients of the Special Local Currency Account funds released pursuant to such disbursement; and

(ii) any funds disbursed from the Special Local Currency Account will be used only for the purposes specified in such written agreement.

(f) If, within ten (10) days of the fulfillment to A.I.D.'s satisfaction of the conditions precedent to disbursement of Special Local Currency Account funds referred to in Section 5.2(a)(ii) of this Agreement the Government of the Republic of Cameroon fails to sign the written agreement with A.I.D. and the recipients of funds disbursed from the Special Local Currency Account (as provided in Section 5.2 of this Agreement), then the Government of the Republic of Cameroon shall, within 10 days of its failure to sign, refund to the Special Dollar Account the amount of the last disbursement of dollars made by A.I.D. into the Special Dollar Account and any interest accrued thereon.

(g) Beginning on September 30, 1991 and continuing annually thereafter during the life of the Program (including the Third, Fourth and Fifth Terms as defined in Section 5.5 herein), the Government of the Republic of Cameroon as represented by the Ministry in charge of industrial development agrees to meet with A.I.D., the NOIFZ, the Industrial Free Zone Administrative Service, and, up until the end of the Second Term, with the IPC, for the purpose of assessing the functioning of the NOIFZ, the IPC and the operation of the Free Zone Regime generally and for determining subsequent disbursements of local currency from the Special Local Currency Account.

(h) The Government of the Republic of Cameroon shall, during the life of the Program, maintain in full force and effect the policy reforms implemented in compliance with the Ordinance and the Implementing Regulations and all of the conditions precedent to any disbursement of dollars to the Separate Dollar Account.

(i) The Government of the Republic of Cameroon shall provide a copy of this Agreement to the NOIFZ and the IPC.

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Article 7: Termination; Remedies.

SECTION 7.1: Termination.

This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days' written notice. Subject to the provisions of Section 5.1(d) of this Agreement, termination of this Agreement will terminate any obligations of the Parties with respect to funds not yet disbursed under the Grant but shall not affect obligations of the Parties with respect to funds already disbursed at the time of such termination.

SECTION 7.2: Suspension.

If at any time:

- (a) The Grantee shall fail to comply with any provision of this Agreement; or
 - (b) Any representation or warranty made by or on behalf of the Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or
 - (c) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of this Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or
 - (d) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
 - (e) A default shall have occurred under any other agreement between the Grantee or any of its agencies and A.I.D. or any of its agencies;
- then A.I.D. may suspend or cancel this Agreement.

SECTION 7.3: Cancellation by A.I.D.

If, within sixty (60) days from the date of any suspension pursuant to Section 7.2 of this Agreement, the cause or causes thereof have not been corrected, then A.I.D. may cancel any part of this Grant that is not then disbursed or irrevocably committed to third parties.

SECTION 7.4: Nonwaiver of Remedies.

No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement will be construed as a waiver of such rights, powers, or remedies.

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Article 8: Miscellaneous

SECTION 8.1: Implementation Letters.

From time to time, both Parties will issue for their information and guidance implementation letters describing the procedures applicable to the implementation of the Agreement. Except as permitted by particular provisions of this Agreement, implementation letters will not be used to amend or modify the text of this Agreement.

SECTION 8.2: Representatives.

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of Plan and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID/Cameroon, each of whom, by written notice, may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3: Communications.

Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, cable or telefax, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee:

Mail Address

Minister of Plan and Regional Development
Yaounde, Cameroon

To A.I.D.:

Mail Address

Director
USAID
B.P. 817
Yaounde, Cameroon

All such communications will be in English or French. Other addresses may be substituted for the above upon giving of notice.

SECTION 8.4: Information.

The Government of the Republic of Cameroon will give appropriate publicity to the Grant as a program or assistance to which the Government of the United States of America has contributed.

SECTION 8.5: Language of Agreement.

This Agreement is prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English-language version will control.

IN WITNESS WHEREOF, the Government of the Republic of Cameroon and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written

THE UNITED STATES OF AMERICA

REPUBLIQUE DU CAMEROUN

By: _____

Par: _____

Name: Jay P. Johnson

Nom: Mme TANKEU Elisabeth

Title: Mission Director

Titre: Ministre du Plan et de
l'Amenagement du Territoire

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Annex M

A.I.D. Grant No. 631-T-604
A.I.D. Project No. 631-0082

PROJECT GRANT AGREEMENT

Between

The Republic of Cameroon
("Cooperating Country")

and

The United States of America
acting through the Agency for
International Development
("A.I.D.")

Article 1: The Project.

The above-named parties (the "Parties") hereby mutually agree to carry out the project (the "Project") described in this Project Grant Agreement (the "Agreement") in accordance with (a) the terms of this Agreement, including any annexes attached hereto and (b) any general agreement between the governments of the two Parties regarding economic or technical cooperation. The Project is made available to finance technical assistance and training in support of the Policy Reform in the Export Processing Sector Program (631-T-604/631-0074) (the "Program").

Article 2: Incremental Nature of Project Funding.

SECTION 2.1

A.I.D.'s contribution to the Project will be provided in increments, the initial increment being made available in accordance with Section 4.1 of this Agreement. Subsequent increments will be subject to availability of funds for this purpose and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed. It is anticipated that, subject to the above, A.I.D.'s total contribution to the Project will be Three Million Sixty-Thousand ("U.S.") United States dollars (\$3,060,000).

SECTION 2.2

Within the Project Assistance Completion Date stated in Section 4.2 of this Agreement, A.I.D., based upon consultation with the Cooperating Country, may specify in Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

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Article 3: Contribution to the Project by the Cooperating Country.

The Cooperating Country shall contribute land and office space to the Project, which has an approximate value of One Million Six Hundred and Sixty-One Thousand United States dollars (\$1,661,000).

Article 4: Financing.

SECTION 4.1 The Grant.

To assist the Cooperating Country to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Cooperating Country under the terms of this Agreement and to the appropriations heading "Sub-Saharan Africa", of the Foreign Operations, Export Financing and Related Programs Appropriations Act of 1990, an amount not to exceed Seven Hundred Thousand United States dollars (\$700,000).

SECTION 4.2. Project Assistance Completion Date.

(a) The Project Assistance Completion Date (the "PACD"), which is December 31, 1995, or such other date as A.I.D. may agree to in writing, is the date by which the Parties estimate that all services financed under the Program will have been performed.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the grant funds for services performed subsequent to the PACD.

Article 5: Special Provisions

SECTION 5.1. Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Minister of Plan and A.I.D. will be represented by the individual holding or acting in the Office of the Mission Director, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power to revise elements of this Amplified Project Description.

The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement until receipt of written notice of revocation of their authority.

SECTION 5.2. Condition Precedent to Initial Disbursement

Prior to the initial disbursement under this Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form

and substance satisfactory to A.I.D., a statement of the name of the person holding or acting in the office of the Cooperating Country specified in Section 5.1, and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 5.3. Notification

When A.I.D. has determined that the condition precedent specified in Section 5.2 has been met, it will promptly notify the Cooperating Country.

SECTION 5.4. Terminal Dates for Condition Precedent

If the condition specified in Section 5.2 has not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. may, at its option, terminate this Agreement by written notice to the Cooperating Country.

SECTION 5.5. Taxation

This Agreement and the Grant, and all persons, contracts, sub-contracts, grantee or contractors or other implementing organizations, services and commodities financed under it, regardless of source or origin, shall be exempt from any taxation imposed or to be imposed under laws in effect in the territory of the Grantee.

Article 6: Special Covenants

SECTION 6.1. Project Evaluation

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties may otherwise agree in writing, the program will include, during the implementation of the Project and thereafter:

- (a) evaluation of progress toward attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

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SECTION 6.2. Government Cooperation

The Parties agree that the active participation and cooperation of several ministries and agencies of the Cooperating Country are required in order to successfully achieve the goals and objectives of the Program. Therefore, the Cooperating Country agrees to secure the cooperation of the following ministries and agencies in the implementation of the Project:

- (a) Ministry of Plan;
- (b) Ministry of Industrial and Commercial Development;
- (c) Ministry of Finance;
- (d) Ministry of Transport; and
- (e) Other Ministries as may be identified from time to time.

Article 7: Procurement Source

Disbursement of Grant funds pursuant to Section 8.1. ("Foreign Exchange Costs") will be used exclusively to finance the costs of goods and services required for the Project, with respect to goods, their source and origin, and with respect to services, their nationality, in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services, except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex C.1.(b) with respect to marine insurance. Ocean transportation costs will be financed by A.I.D. under the Grant only on vessels under flag registry of countries included in Code 935, except as A.I.D. may agree otherwise in writing.

Article 8: Disbursement

SECTION 8.1. Disbursement for Foreign Exchange Cost

(a) After satisfaction of the conditions precedent, the Cooperating Country may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(i) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests for A.I.D. to procure commodities or services on the Cooperating Country's behalf for the Project; or

(ii) by requesting A.I.D. to issue Letters of Commitment for specified amounts:

- to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to

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contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or

directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers, through Letters of Credit or otherwise, for such goods or services.

(b) Banking charges incurred by the Cooperating Country in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Cooperating Country instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 8.2. Other Forms of Disbursement

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 8.3. Rate of Exchange

Except as may be more specifically provided under Section 8.2, if funds provided under the Grant are introduced into the Republic of Cameroon by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Cooperating Country will make such arrangements as may be necessary so that such funds may be converted into local currency at the highest rate of exchange which at the time the conversion is made, is not unlawful in the Republic of Cameroon.

Article 9: Miscellaneous

SECTION 9.1. Communications

Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following mail address:

To the Cooperating Country:

Minister of Industrial and Commercial Development
Yaounde, Cameroon

To A.I.D.:

Director
USAID
B.P. 817
Yaounde, Cameroon

All such communications will be in English or in French unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

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SECTION 9.2. Standard Provisions Annex

A "Project Grant Standard Provisions Annex (Annex III) is attached to and forms part of this Agreement.

SECTION 9.3. Language of Agreement

This Agreement is prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English language version will control.

Article 10:

This Agreement consists of this Project Grant Agreement and the following annexes: Annex I (Amplified Project Description), Annex II (Project Budget) and Annex III (Standard Provisions).

IN WITNESS WHEREOF, the Republic of Cameroon and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year written below.

THE UNITED STATES OF AMERICA

REPUBLIQUE DU CAMEROUN

By: _____

Par: _____

Name: Jay P. Johnson

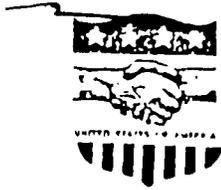
Nom: Mme TANKEU Elisabeth

Title: Mission Director

Titre: Ministre du Plan et de
l'Amenagement du Territoire

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Annex N



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

Yaounde



UNITED STATES ADDRESS
YAOUNDE (AID)
DEPARTMENT OF STATE
WASHINGTON D. C. 20520

INTERNATIONAL ADDRESS
USAID
B P 817
YAOUNDE, CAMEROON
Tel. : 23-05-81
22-02-69

Mr. William Tiga Tita
President
Committee de Travail
National Office of
Industrial Free Zones
Douala, Cameroon

USAID/EAPRI/27

JUL 27 1990

Dear Mr. Tita:

Pursuant to our telephone conversation on Wednesday, July 25, 1990, I am sending you copies of USAID's projections regarding the revenues and expenditures of the National Office of Industrial Free Zones during its initial start-up and first five years of operation. It is assumed that the office will be fully staffed beginning in 1991. It is also assumed that wages and prices increase by 5 percent per year. As you can see from Table 1, operating expenditures are highest during the initial start-up in 1990 and 1991 due to the need to purchase office equipment, furniture and rolling stock. Operating expenditures decline to approximately \$400,000 in 1992 and increase gradually reaching approximately \$450,000 by 1995.

The two direct sources of financing for the NOIFZ throughout the medium-term will most likely be application fees and user fees. We have made some initial assumptions regarding the number of Industrial Free Zone Developers, Industrial Free Zone enterprises and Point Franc enterprises. We have also made assumptions regarding the possible fee structure that may be imposed by the NOIFZ. These assumptions are noted in Table 2. You may wish to make your own assumptions regarding each of these variables. Based on our analysis, there is an additional financing need (net of application and user fees) of approximately \$1.5 million over the five year period. It is our hope that the NOIFZ will be self-financing, primarily from application and user fees, beginning in 1996.

As I discussed with you, it is important that contributions to the NOIFZ from the Government be kept to an absolute minimum and ideally should be zero. Government financing brings with it the potential for Government interference in the internal affairs of the NOIFZ. Since the private sector will be the ultimate beneficiary of the Free Zone Regime, some level of direct contribution to the transitional costs of the NOIFZ would be appropriate. The consensus opinion in Washington is that the Cameroonian private sector should

contribute to the transitional financing of the NOIFZ. USAID/Cameroon concurs with this assessment. I would therefore greatly appreciate it if the Committee de Travail of the NOIFZ could address the issue of private sector participation regarding the financing of the transitional costs of the NOIFZ. I would also appreciate it if you could inform us in writing exactly what role the private sector could play in this regard. As you know, USAID/Cameroon is in the process of developing our 5 year assistance activity in support of the Free Zone Regime, including the NOIFZ. Your letter would greatly assist us in finalizing our position on this matter.

Sincerely,

Brian Ames

Brian Ames
Private Sector Officer

Enclosures:

- Copies of USAID's projections regarding the revenues and expenditures of NOIFZ for first 5 years of operation.

JA

REPUBLIQUE DU CAMEROUN
CHAMBRE DE COMMERCE
D'INDUSTRIE ET DES MINES

DOUALA LE 16 AOUT

19 90

698-0438

B. P 4011 - DOUALA
Tél. : 42-28-88 - 42-36-90
Télex : CHAMCIMA 5616 KN

LE COMITE DE SUIVI DE LA
ZONE FRANCHE INDUSTRIELLE.

No

Monsieur le Directeur
de l'USAID
BP. 836
YAOURDE

ACTION: EHPRI

INFO: AIR

512/90 AIR

ARR
CHRON
RF

Doc 09/04

Objet: Contribution du Secteur Privé
Camerounais à la Mise en Place
de la ZFI

Monsieur le Directeur,

Les membres du Comité de Suivi de la Zone Franche Industrielle réunis à la Chambre de Commerce d'Industrie et des Mines du Cameroun à Douala le jeudi 9 août ont enregistré avec beaucoup d'intérêt les démarches déjà accomplies par l'USAID pour la mise en place de cette Zone de Transformation pour l'Exportation.

Le Comité de Suivi, décidé à faire apprécier à la partie Américaine le degré d'intérêt du Secteur Privé Camerounais quant à sa participation à l'aménagement physique de cette Zone et l'installation des entreprises en son sein, est toujours disposé à continuer à apporter comme par le passé sa contribution efficiente en termes d'efforts matériels, relationnels, organisationnels et de sa disponibilité à l'examen du cadre juridique, autant d'éléments indispensables à la réussite de ce projet.

Sous des formes à définir, le Comité de Suivi marque aussi par principe sa volonté à participer de la même façon à la réussite de cette opération par la sensibilisation des Opérateurs Economiques aussi bien nationaux qu'étrangers.

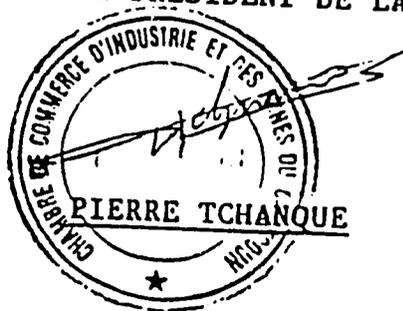
A l'instar du Comité de Suivi, la Chambre de Commerce, se propose de participer activement à la mise sur pied d'une cellule de Promotion des Investissements.

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Le souhait qu'il émet est que la confiance mutuelle issue de la coopération active dont ont fait preuve l'O.P.I.C., l'USAID, The Services Group aussi bien que le Secteur Privé Camerounais, soit encore plus renforcée durant cette phase active et décisive de cette Zone Franche Industrielle. (4)

LE PRESIDENT DE LA CCIM.



LE PRESIDENT DU COMITE DE SUIV

PAUL SOPPO PRISO

Annex 0

Table 0

PREPS: Total Cost of Non-Project Assistance and Project Assistance Activity

	July 90 Dec 90	1991	1992	1993	1994	1995	Total
NPA Component (Local Currency)	206,062	1,093,938	749,451	351,172	348,988	350,390	3,100,000
NOIFZ Operating Costs	182,162	507,220	329,324	307,772	276,388	249,290	1,852,155
Projected Revenues	0	1,500	65,200	103,800	154,000	203,000	527,500
Projected Operating Costs	182,162	508,720	394,524	411,572	430,388	452,290	2,379,655
Personnel Costs	(39,752)	(252,890)	(265,535)	(282,738)	(296,875)	(311,719)	(1,449,510)
Office Equipment and Supplies	(142,410)	(255,829)	(128,989)	(128,833)	(133,512)	(140,571)	(930,145)
IPC Operating Costs	23,900	563,496	377,054	0	0	0	964,450
Projected Revenues	0	0	0	0	0	0	0
Projected Operating Costs	23,900	563,496	377,054	0	0	0	964,450
Personnel Costs	(15,900)	(150,701)	(194,370)	(0)	(0)	(0)	(360,971)
Office Equipment and Supplies	(3,000)	(264,745)	(75,742)	(0)	(0)	(0)	(343,487)
Program Costs	(5,000)	(148,050)	(106,943)	(0)	(0)	(0)	(259,993)
Contingency	0	23,222	43,073	43,400	72,600	101,100	283,395
Project Assistance Component	53,000	1,197,086	1,241,427	462,980	34,034	71,472	3,060,000
Long-Term Technical Assistance	0	798,500	847,425	196,796	0	0	1,842,721
Technical Advisor to Mission	(0)	(178,500)	(187,425)	(196,796)	(0)	(0)	(562,721)
Technical Advisor to NOIFZ	(0)	(310,000)	(330,000)	0	(0)	(0)	(640,000)
Technical Advisor to IPC	(0)	(310,000)	(330,000)	(0)	(0)	(0)	(640,000)
Short-Term Technical Assistance	28,000	216,200	211,685	124,336	0	0	580,221
To NOIFZ staff	(28,000)	(88,200)	(92,610)	(97,241)	(0)	(0)	(306,051)
To IPC staff	(0)	(73,500)	(77,175)	(0)	(0)	(0)	(150,675)
To FTZ Customs Unit	(0)	(42,000)	(29,400)	(15,435)	(0)	(0)	(86,835)
Research Studies	(0)	(12,500)	(12,500)	(11,660)	(0)	(0)	(36,660)
Training	25,000	152,986	151,447	77,022	0	0	406,455
To NOIFZ staff	(25,000)	(64,086)	(28,702)	(21,455)	(0)	(0)	(139,244)
To IPC staff	(0)	(10,500)	(11,025)	(0)	(0)	(0)	(21,525)
To GRC Officials	(0)	(28,000)	(58,800)	(0)	(0)	(0)	(86,800)
To FTZ Customs Unit	(0)	(21,000)	(22,050)	(23,153)	(0)	(0)	(66,203)
To FTZ Enterprises	(0)	(29,400)	(30,870)	(32,414)	(0)	(0)	(92,684)
Evaluation, Monitoring & Audit	(0)	29,400	30,870	64,827	34,034	71,472	230,603
Total Cost of PREPS	259,062	2,291,023	1,990,878	814,152	383,022	421,862	6,160,000

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