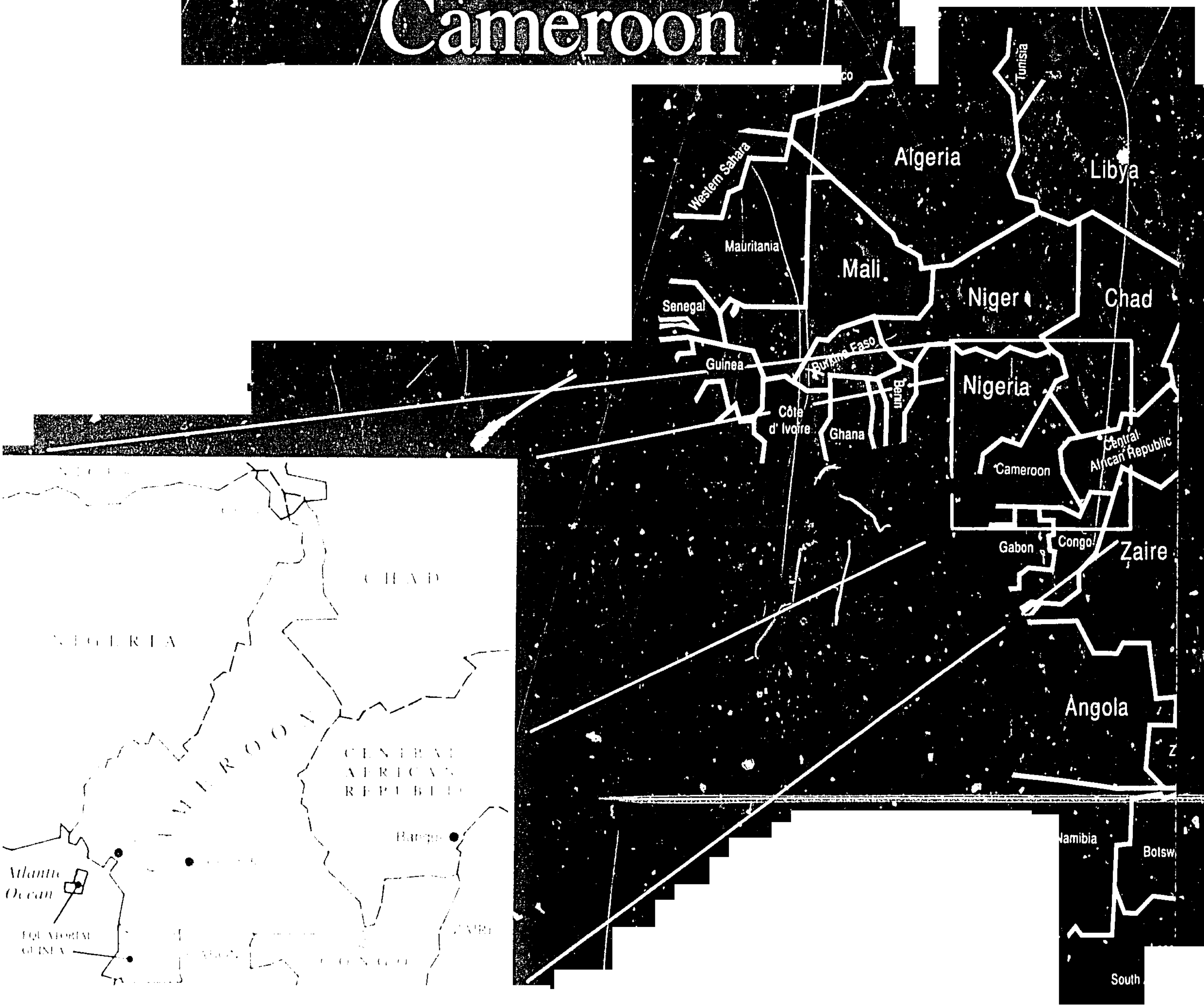
THE AGENCY FOR INTERNATIONAL DEVELOPMENT
PRESENTS

Critical Issues For American Investors in Cameroon



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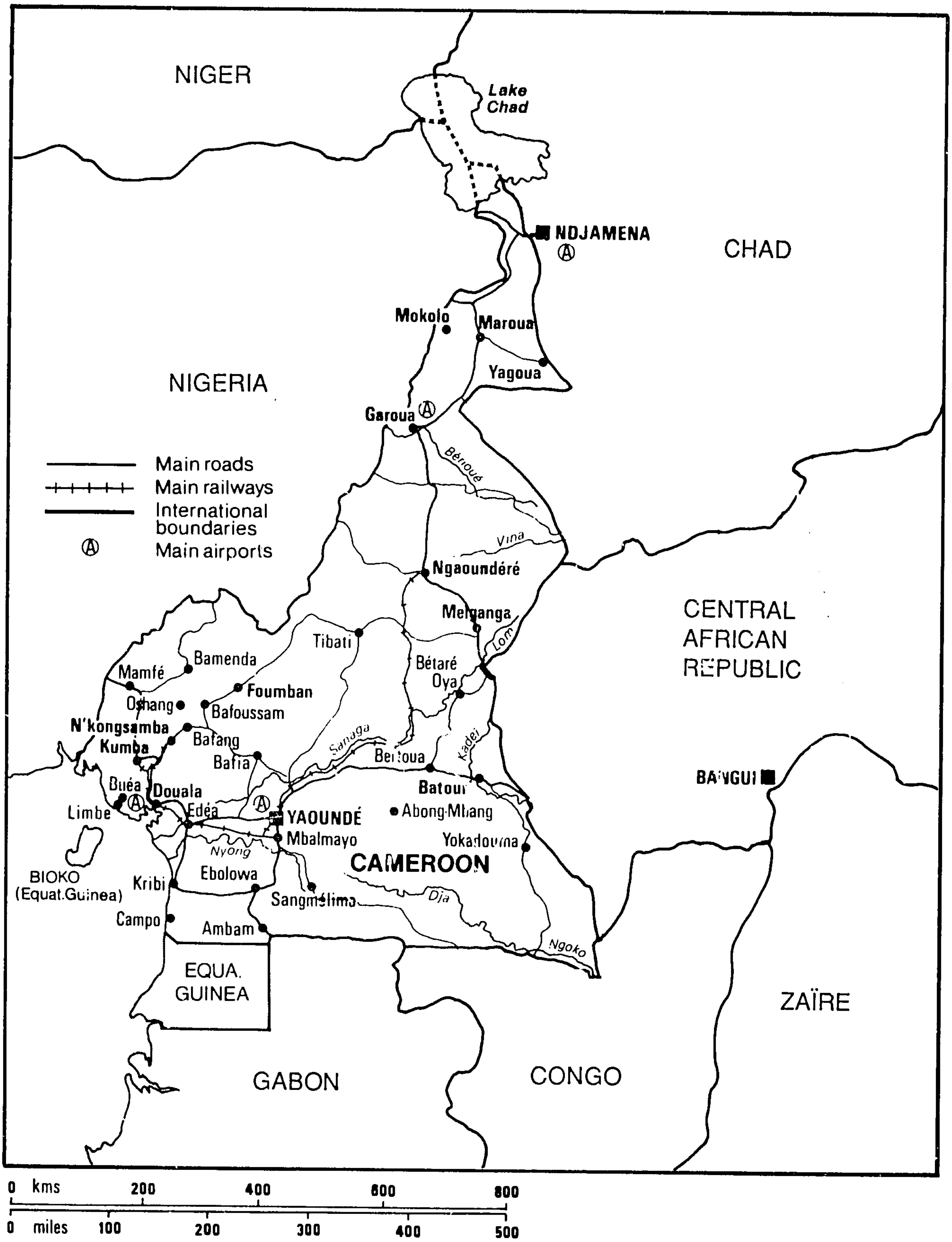
Cameroon


NIGER
Lake Chad
NDJAMENA
CHAD
Mokolo
Maroua
Yagoua
NIGERIA
Garoua
Main roads
Main railways
International boundaries
Main airports
Bénoué
Vina
Ngaoundéré
Meiganga
CENTRAL AFRICAN REPUBLIC
Tibati
Lom
Bamenda
Mamfé
Bétaré Oya
Foumban
Bafoussam
N'kongsamba
Kumba
Bafang
Bafia
Sanaga
Kadei
BANGUI
Buéa
Douala
Limbe
Edéa
YAOUNDÉ
Abong-Mbang
Mbalmayo
Yokadouma
Nyong
BIOKO (Equat.Guinea)
Kribi
Ebolowa
CAMEROON
Dja
Campo
Ambam
Ngoko
EQUA. GUINEA
ZAÏRE
GABON
CONGO
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Contents

Introduction

Background

Cameroon is a country of about 11 million people located on the west coast of Africa. It is about the size of Spain, with three major geographic zones: the northern savannah area, the southern and eastern rainforests, and the smaller western hill region near Nigeria. It is in this western region where the English-speakers, representing nearly 22% of the population, live. The remainder of the population speak French although the country has far more African languages than almost any other country in Africa.

There are over 130 ethnic groups. The Bamileke, the most populous and entrepreneurial group are centered around the western highlands. They also make up a third of the population of Douala, the country's commercial capital, principal port and melting pot. Around Yaounde, the administrative and political capital, most of the population are Ewondo. In the north most of the population are Fulani and Kirdi and the Beti predominate in the south.

Until 1985, Cameroon stood out as an economic success story in Africa. GNP per capita was approaching $1000 and between 1970 and 1985 the economy grew at an annual average rate of 8% in real terms. Then after 1985, the economy was hit by the precipitous and simultaneous decline of the price of its main export commodities (oil, coffee, cocoa and rubber) on the international markets. As these prices are denominated in US dollars, the impact of the adverse price movement was compounded by the weakening of the US dollar with respect to the French franc to which Cameroon's currency the CFA franc is pegged. (CFA is the French acronym for the African Financial Community). Thus, the country's terms of trade deteriorated by 45%, in terms of the CFA franc, between 1985 and 1987, while public revenues were sharply reduced. Economic activity collapsed as output declined in real terms by 13% in 1988 and by 19% in 1989. Although prospects for 1990 are not bright, the situation appears to have largely bottomed out with growth expected to resume at a modest 1%. By the mid-1990s, growth is expected to increase to 3% a year, with a further 1% being added each year to growth projections if substantial new oil reserves are found and exploited.

Of the natural resources of key importance to Cameroon, oil has been the most dominant although production is beginning to decline and without discovery of new reserves is expected to run out within the next 15 years. Beside oil, agriculture is of prime importance as Cameroon's economy is still fundamentally based on agriculture which includes livestock and forestry. The sector employs about three-quarters of the population and prior to the discovery of oil, accounted for over 80% of Cameroon's exports. Importantly, the sector provides for almost all of Cameroon's food - making Cameroon a notable exception on the African continent -and serves as the main source of materials for the agro-industry sector, the potential of which has not yet been sufficiently developed.

By African standards, Cameroon's infrastructure is good. The country is blessed with substantial water resources for power and water generation and has no shortage of land for industrial purposes although the population is growing at just over 3% a year. The rail system is extensive; the road system continues to be upgraded; air freight services are provided on a frequent basis; the main port of Douala is well-equipped; and international telephone connections are of excellent quality, while the local telecommunications system is presently being overhauled. The cost of electricity in Cameroon is among the lowest in the world. Certainly, infrastructure is not a major constraint on most forms of private investment envisaged for the economy.

Liberalization and Reform

After some delay, in 1988 Cameroon embarked on a course of national economic and institutional reform, known as structural adjustment, in order to reorient the economy away from dependence on unprocessed commodity exports, heavily protected domestic production and stifling administrative controls on most aspects of business activity. The Structural Adjustment Program is being supported by the international donor community, with the IMF, World Bank, France and the African Development Bank playing leading roles. The Structural Adjustment Program has now been in place for two years and while there is some way to go in certain areas, such as reducing the size of the civil service, much progress is being made in others such as the restructuring and recapitalization of a near-paralysed banking system. The major reforms affecting the private sector have so far focused on the liberalization of prices and trade, and revision of the labor and investment codes. To bypass regulatory constraints in the meantime and to create a competitive incentive regime for exporting firms, the government has also put into place a Free Zone Regime to be discussed further below. The major reforms of relevance to investors are:

a) Price Liberalization: In July 1989, "Arrete #50" was passed, liberalizing most prices. The remaining regulated prices will be decontrolled by the end of 1991.

b) Trade Liberalization: Under the current General Trade Schedule most imports of goods are now unrestricted. The number of 'regulated' or 'banned' products is dwindling fast.

c) The Investment Code: The Code is being revised and the new code is expected to provide more streamlined, transparent, and automatic procedures. General guarantees will be more explicit and no longer restricted only to special investments. The guarantees cover the areas of expropriation and nationalization, pricing, production, marketing, labor relations, non-commercial insurance and the settlement of disputes.

Incentives will also be simplified and linked more to achievement of tne country's priority economic objectives - exports, employment, domestic resource use and entrepreneurial development. It is also expected that a "Guichet Unique" (one stop shop) will be established which will greatly streamline and simplify all the steps required to get the approvals and permits for project implementation.

d) The Labor Code: The Code is being reformed and is expected to follow the example set by the Free Zone Regime which allows employees to negotiate with workers on the basis of market rates rather than on the basis of the government's fixed pay scales.

Of key importance to American investors is the Free Zone Regime that was passed into law in January 1990. The Regime is expected to be competitive with the best export-processing zone regimes in the world. It aims to capitalize on the country's abundant natural resources, skilled (and bilingual) labor force, and Cameroon's preferential access to key international markets, the EC in particular. The Free Zone Regime will be professionally managed by a regulatory body with a private sector majority on its board of directors. The key Free Zone Regime incentives are:

1. Complete exoneration from all import taxes and duties.
2. A 10 year tax holiday on all corporate profits, followed by a flat 15% tax on profits thereafter.
3. Complete exoneration of all other direct and indirect taxes.
4. A streamlined, 30 day investment approval process.
5. A streamlined system of on-site customs inspection.
6. The guaranteed right to transfer abroad all funds invested and earned in Cameroon.
7. The right to negotiate market-determined wages.
8. The right to install private telecommunications and electricity generating systems.

A key feature of the Free Zone Regime is that it applies not only to Free Zone industrial parks, but also to enterprise (or factory) specific free zones that can be located near or adjacent to their source of raw materials.

Investment Opportunities

Foreign investment in Cameroon is strongly encouraged. The government has never adopted left-wing policies. The extensive controls over the economy , which are now being dismantled, are a legacy of the French administrative and planning system. The country's trade unions are not particularly strong or active and strikes are rare. The government recognizes that private investment is vital to economic recovery and has been careful to closely consult the local business community on policies being developed under the current economic reform program. Although the government is being pressed to allow greater political pluralism in the country, the political situation in Cameroon is among the most stable in Africa.

Cameroon offers investors a range of prospects, many of which have become more attractive under the Free Zone Regime and the anticipated lowering of real domestic prices and costs by up to 30% over the next several years as a result of continued recession and possible currency devaluation. The primary opportunities for American investors are in export-oriented activities aimed at the EC, and to a lesser extent, regional markets. Cameroon has special access to the EC through the Lomé Convention - a trade and aid agreement providing for duty-free access of most Cameroonian products. Cameroon also has duty-free access to the US market under the General

System of Preferences (GSP) and under the 9802 tariff program. In particular, investors should take advantage of Cameroon's diverse natural resource base and varied agro-climates and ecological conditions.

Within the export sector, agriculture and agro-industry offer the most extensive range of opportunities: these are also the top priority areas for the government. Some of the opportunities include: crop marketing, forestry, livestock, tropical fruits, and the processing and packaging of traditional export crops such as coffee and cocoa. Forestry has substantial potential as most wood exports are in the form of logs and the country has some of the finest hardwoods in the world. Other export opportunities include textiles - Cameroon is already a producer of cotton lint - light manufacturing in the Free Zones and mining. Tourism is underdeveloped and a range of opportunities exist for investors wanting to capitalize on Cameroon's extensive wildlife, untouched beaches and pleasant climate in the higher altitude regions. There are also some opportunities in the domestic market such as pharmaceuticals and business equipment, both of which are in great demand despite difficult economic conditions.

Chapter 1

Political background

1.1 Background

The two Cameroons, one under French trusteeship and the other under British trusteeship, gained independence in 1960 and 1961 respectively. With effect from October 1, 1961, the former British-ruled Southern Cameroons became the Western state of the Federal Republic of Cameroon, while the Northern Cameroons voted to integrate with the newly independent Nigeria. The French-ruled Cameroun became the Eastern State of the Federal Republic, covering roughly 80% of total land area, compared with the Anglophone's 20%. On May 20, 1972, the Federation was replaced by a Unitary state, the United Republic of Cameroon. A constitutional amendment of 1984 deleted the word "United", and the country is now known as the Republic of Cameroon. The Republic comprises 10 administrative provinces, two in the former West Cameroon and eight in the former East Cameroon.

In practice, if not by law, Cameroon is a one-party state, run by the Cameroon Peoples Democratic Movement (CPDM and in French the RDPC) under Paul Biya, who is both party chairman and head of state. The party - in the form of the Central Committee and the Political Bureau - exercises some power although President Biya has demonstrated that the government is autonomous and will act in its own right. An ordinary congress of the party is held every five years, the last being in June 1990. The National Assembly, (the parliament), is elected once every five years and exercises little real power.

1.2 Issues

As with Eastern Europe and other parts of West Africa, there are growing demands for democratization in Cameroon. The government responded negatively up to the June party congress where President Biya indicated his support for multiparty democracy. In his June 26 speech, he pledged to reduce press censorship, set up a human rights commission, and eliminate restrictions placed on the movement of Cameroonians. However, it is not yet clear how fast the President will move toward political pluralism.

Until June 1990, the campaign for a multiparty system in Cameroon included the arrest in February 1990 of ten prominent citizens - later dubbed "the Douala Ten" - who tried to form an alternative political party and the death of seven people at a rally in Banenda for a new political party on May 26, 1990. Journalists who reported on the debate about the one-party system were detained for a few days, and lawyers who helped defend the Douala Ten were harassed; one was killed by police under suspicious circumstances. In August, President Biya announced the release of Mr Yondo Black - the leader of the Douala ten -and several other political detainees, signalling his intention to carry through the commitments he made in June.

The President also created a Commission on Public Liberties after the June party congress to prepare recommendations on political liberalization. The commission's report is due by the end of October 1990, just before the National Assembly sits on November 6. The most likely scenario according to local diplomats and political observers is that the commission's report will be submitted on schedule, taking some pressure off the government until early 1991 when expectations will again start to rise. By 1991 the President must translate the bulk of the commission's expected recommendations into law. He then has to ensure the new laws are enforced, not an easy task as many officials in the lower and middle levels of the government and in the security forces have become accustomed to operating under an authoritarian regime.

The government has not yet recognized the newest opposition parties: the Mouvement National pour la Democratie (MND), a Francophone group headed by Mr Yondo Black; and the Social Democratic Front (SDF), an Anglophone group led by John Fru Ndi. Mr Black is a lawyer and former president of the Cameroon Bar Association. He is one of the Douala Ten. Neither opposition party offers a radical, anti-business platform. The risk to foreign investors is not of nationalization but of widespread discontent which could turn attention away from solving important economic problems. It is to be hoped that President Biya's incipient commitment to democracy can reduce the country's political tensions. There have been two unsuccessful attempts to remove President Biya from power. However, the current round of budget cuts will not help increase the government's support.

The end result of the political changes taking place in Cameroon is likely to be a continuation in power of President Biya's party, if not President Biya himself. A military coup is not probable but the president could step aside by 1992. The opposition parties are really only rallying movements at this stage with no real defined political agenda beyond a desire to see greater political pluralism and a broader sharing of the spoils of political power. The opposition parties are not expected to be in a position to form a government for the foreseeable future. For business and American investors, political instability might cause delays and slow things down in the short run, but whatever faction ultimately takes control, in the current environment it is highly unlikely to be one with any left-wing orientations. Indeed, it can be hoped that any political turbulence will help to improve the long-run business climate by creating the conditions for stable democracy.

1.3 International Relations

Although French influence is strong, Cameroon has always adopted a more independent stance from France than that of countries like Cote d'Ivoire, Senegal and Gabon. For instance, there are no French troops based in Cameroon. Neither has Cameroon veered toward the more left-wing nationalist policies of some francophone African states such as Benin or Congo. The economy has always been run along the lines of the French administrative system of "planned liberalism".

Since the mid-1980s, Cameroon has started to move away from France and toward the US. The link with Washington was further strengthened by a high profile visit by President Biya to the US in March 1986. Current relations with Washington are excellent: the current US ambassador in Yaounde, Frances Cook, is high profile and popular. Despite its former position as a colonial power, the UK has a negligible influence in Cameroon, and certainly much less than West Germany, whose Chancellor Kohl made an important visit in November, 1987. Cameroon renewed diplomatic relations with Israel in 1986.

In African politics, Cameroon has on the whole kept a low profile, remaining one of the minor players on the continent.

Chapter 2

The State in the Economy

2.1 The Ideological Basis

Cameroon has a pragmatic political ideology. Although former President Ahidjo joined many independence-era leaders in flirting with "African socialism", pragmatism and European influence led him to a philosophy of government characterized as "planned liberalism". The French system of "administrative control" was adopted as the country's development model.

State intervention in the economy was initially limited to guiding the direction of economic development through the establishment of five-year development plans, and implementing programs to meet specific development objectives. Rapid population growth, technological change, external donor interventions, accelerated urbanization, and rising levels of education fuelled a proliferation of institutions for political and economic management, expanding the role and size of government. In most respects the public sector in this developing country is over-extended and unable to satisfy the demands placed on it by an economy in need of rejuvenation.

By the mid-1970s, Cameroonian industry was stagnating and the state, in addition to the reasons already mentioned, was forced into a leading role - and consequently - large shareholdings - in the sector. This has resulted in around 30 very large, majority state owned, enterprises dominating the industrial sector, with the remainder comprised of hundreds of small and medium scale enterprises.

Similar changes occurred in the regulatory environment for business and trade.In seeking to create an environment attractive to investors and entrepreneurs, the Cameroon government shifted gradually from corrective legislation to protectionism. Government protection grew to include routine protection for even the least efficient and most costly industries, and expanding export revenues from cocoa, coffee and oil provided the state with the means to pay for these subsidies. As a result, in popular perception, the State emerged as the institution responsible for solving developmental and economic ills.

The government's initial commitment to increased employment, education and social services was thus transformed into an obligation to bear the full burden of their costs. This popular perception places a difficult political burden on the government as it attempts to shift the burden of structural adjustment onto the individual economic actors of the economy. Furthermore, the government has to contend with a powerful bureaucratic elite that has grown comfortable at the helm of national affairs.

2.2 The Parastatal Sector

One of the greatest challenges facing the Cameroon government is a complete overhaul of the parastatal sector. State participation in the economy has been pervasive, involving at least sixty companies operating under private and extraordinary corporate law in all economic sectors, through the Société Nationale d'Invetissement, reaching a total of 150 parastatals for the country as a whole. Government equity has been between 25% or more in forty of these, including virtually all of the country's banks and major industries.

The main vehicle for state participation in the economy has been the Société Nationale d'Invetissement (SNI) - the state investment corporation. This has shareholdings - ranging from 1 or 2% through to 80% - in all sectors of the economy. The state produce marketing board - ONCPB -is also another traditional public sector shareholder, as was the national development bank, Banque Camerounaise de Developpement, which has now gone into liquidation. The government also takes shareholdings directly, as in the agricultural corporation the Cameroon Development Corporation (CDC), in which it holds 78%, with the ONCPB holding the remaining 22%.

In the absence of a functioning equity market it is impossible to measure the value of government ownership and participation in the economy. However, using book value as an imperfect measure, the value of government equity is 63.5% of the value of non-governmental sector as a whole. Using the latest comprehensive data available, the 1983/84 annual sales of state and parastatal organizations were equivalent to 28% of GDP.

The performance of the parastatals has been an enormous drain on public funds. Net operating losses in 1984 totalled CFAfr39.9 bn. In the absence of appropriate reforms these losses have compounded in the last four years, although the government has been hesitant to announce the full measure of parastatal losses. Under the SAP, the government has begun to reduce the role of the parastatals in the economy by forcing some into liquidation, drawing up privatization plans for others and limiting the role of most of the rest. Some parastatals have already adopted performance contracts with the government, although it remains to be seen how effective these will be. Certainly, the job losses in the parastatal sector have already been substantial, with many thousands of employees being made redundant.

The Cameroon government operates a number of monopolies in such essential public services as:

- electricity generation and distribution
- telecommunications
- railways
- internal air services

These could be considered normal government activities, or public goods, and because there is no capital market, the state will undoubtedly continue to finance and manage them.

An analysis of the Société Nationale d'Invetissement (SNI) is important, since this government-owned investment company has occupied a pivotal place in the national economy. Furthermore, companies in the SNI group are some of the most obvious candidates for privatization.

2.3 SNI

The SNI was established in 1964 by the Government to be, as described by the World Bank, "a surrogate capital market in the place of a non-existent private market". It was to supply equity capital for economically viable projects with the long-term goal of reselling its shares to private Cameroonians once the companies in question were fully operative. Unfortunately, the SNI has been a failure. From the beginning, it has been used by the Government as an instrument of national policy, being forced to invest in projects that stood little or no chance of becoming profitable. Mismanagement and the diversion of funds have exacerbated the company's difficulties.

Table 1
SNI's shareholdings, 1988

Sector	Share %	Net investment (billion CFAfr)
Agro-industries	24.41	25.79
Stockfarming, fishing etc	52.62	6.19
Wood and woodpulp	44.99	5.21
Development corporations	9.08	96.38
Food	18.95	68.38
Textiles	19.60	17.01
Building materials	63.06	19.36
Leather and fur	13.06	1.79
Metal and mechanical eng.	11.32	59.18
Chemistry and power	17.00	298.35
Hotels, tourism & advertising	61.96	10.55
Transport	20.99	40.13
Finance	9.67	13.10
Research and trade	20.50	1.47

Source: SNI's Activity Report

The SNI has entered almost every field of Cameroonian economic activity, as can be seen from Table 1. As of June 1986, there were 59 enterprises in its portfolio. It has an official total equity position of approximately 20%, but government subsidies funnelled through the SNI to cover losses make this meaningless. The main holdings of the SNI are identified below, but a focus on just the so-called primary sector provides a clear idea of the magnitude of the problems facing the SNI.

Table 2
SNI's primary sector holdings
(million CFAfr)

Company	Equity SNI %	Cumulative Investment	Long-term Debt	Working Capital	Operating Profits	Net Cash flow
CAMSUCO	36	13,025	15,086	61	-6,477	-2,635
CELLUCAM	30	38,325	80,447	-65,454	-18,795	-13,591
SODECOTON	25	15,112	10,610	-12,942	-20,314	-18,116
Total primary sector	21	157,788	174,761	-69,755	-50,023	-29,700

Source: SNI Annual Report

Few of the SNI's investments have been profitable, notably in consumer goods. However, the total portfolio shows a net loss and a negative working capital position. It has been estimated that the SNI has consumed up to one-third of total oil revenues

Table 3
Companies with sales over 3000 million CFAfr

Sector	Products	Net sales	Net profits
Agriculture			
SOCOPALM	Palm oil	8,375	-139
SODECOTON	Cotton	22,200	-20,314
Agribusiness			
SCI	Cotton processing	4,461	507
SOSUCAM	Sugar	7,242	98
CAMSUCO	Sugar	8,831	-6,477
SAFACAM	Rubber, coffee	3,073	-107
Metallurgy & electro-mechanical			
SOCATRAL	Aluminium products	23,967	665
SOCAVER	Glass bottles	5,550	298
ALUCAM	Aluminium	40,357	-655
Transport			
SOTUC	Bus operators	8,360	-3,047
CAMSHIPLINES	Shipping	24,919	773
S.C.D.P.	Oil stockage	4,103	260
Wood and paper			
SOFIBEL	Wood processing	4,510	-435
CELLUCAM	in liquidation		
Food processing			
SIC-CACAOS	Cocoa butter	12,747	736
CHOCOCAM	Chocolates	6,427	325
S.C.H.	Rubber	5,830	331
S.A.B.C.	Beer, soft drinks	93,535	4,909
Textiles			
CICAM	Textiles	18,963	-1,643
SOLICAM	Textiles	4,445	-20
S.T.T.	Textiles	6,991	150
S.C.S.	Packaging	6,195	311
Building materials			
CIMENCAM	Cement	27,833	1,027
Leather and skins			
BATA	Shoes	5,893	639
Financial services	Commercial banking	13,320	385
Hotels	Hotels & tourism	9,604	-5
Other	Car dealer	11,540	-191

The SNI's poor financial and operating picture does not present a good scenario for a privatization program. The better companies in the portfolio, such as ALUCAM and Brasseries du Cameroon, will probably stay with their French parents. Some other firms that are in good "niche" businesses, such as SOCAVER (glass bottles) and SOCATRAC (aluminum products), could, however, undoubtedly attract buyers.

2.4 Privatization

There should be some selective opportunities for private investors as the privatization program proceeds. However, the process will be slow. Twelve government bodies are currently being prepared for privatization:

1. Crevettes du Cameroon, CREVCAM (shrimps)
2. Société Camerounaise de Minoterie, SCM (flour milling)
3. Cameroon Sugar Company, CAMSUC (sugar)
4. Société Camerounaise des Droits d'Auteurs, SODADRA (copyright)
5. Société Forestiere de Belabo, SOFIBEL (forestry)
6. Les Contreplaques du Cameroun, COCAM (plywood)
7. Centre d'Edition et de Production pour l'Enseignement et la Recherche, CEPER (publishing)
8. Imprimerie Nationale (printing)
9. Office Nationale de Developpement de l'Agriculture et du Petit Betail, ONDAPB (agriculture)
10. Generale de Travaux Metalliques, GETRAM (metal works)
11. Office National Pharmaceutique, ONAPHARM (pharmaceuticals)
12. Société de Developpement des Rizeries de la Plaine des Mbos, SODERIM (rice)

A further 17 public enterprises are in the process of being liquidated:

1. Société de Developpement de la Culture du Blé, SODEBLE
2. Zones d'Actions Prioritaires Integrees de l'Est, ZAPI-EST
3. Centre National du Commerce Exterieur, CNCE
4. Equatoriale Electronique, EE
5. Wum Area Development Authority, WADA
6. Mission de Developpement d'Ombessa, MIDO
7. Upper Noun Valley Development Authority, UNVDA
8. Société de Developpement du Nkam, SODENCAM
9. Mission d'Etudes et d'Amenagement du Littoral, MEAL
10. Centre National de Developpement des Entreprises Cooperatives, CENADEC
11. Mission de Developpement des Semences et des Cultures Vivrieres, MIDIVIV
12. Man and Biosphere, MAB
13. Office National des Equipements Sportifs, ONES
14. Office National de Participation au Developpement, ONPD

15. Office de Chemin de Fer Transcamerounais, OCFT
16. Fonds de Developpement de l'Industrie Cinematographique, FODIC
17. Cameroon Actualités

2.5 Other areas of state involvement

The state has had extensive participation in the agricultural, banking and oil sectors. Participation in the agricultural sector has mainly been in quality control, marketing, provision of credit and the setting of producer prices. As with most other parts of the economy, the state is withdrawing from the productive sectors. The government has traditionally held more than 25% of the shares in virtually all financial institutions. As the chapter indicates, the banking sector has been on the verge of collapse. Under the structural adjustment program, the sector is undergoing radical reform, with the state withdrawing from most commercial activity including all intervention in bank management and lending decisions. Within the oil sector, the state continues to hold interests in most exploration and production enterprises, although these interests are usually passive and limited to the collection of revenue.

Promotion, collection, handling, processing and marketing of cash crops have mostly been done through government (parastatal) organizations. Among these are SODECAO, whose main function has been to promote a national program for cocoa production and SOCECOTON which has served a similar function for cotton production. The Office National de Commercialisation des Produits de Base (ONCPB) is the government marketing board for cocoa and coffee. Under the economic reform program, the government is moving to privatization of the internal and external marketing of export crops, an area of potential interest to American investors.

2.6 Expropriation and Nationalization

President Biya's government has shown that it is, in principle, interested in reducing state participation in the economy and giving the private sector greater responsibility and freedom to operate. This willingness to cooperate with the private sector has recently been demonstrated when the government gave up the marketing monopoly it held on bananas in order to accommodate Del Monte in developing its operations in the country.

The risks of expropriation or nationalization in Cameroon are negligible. The government has not expropriated or nationalized a single company of industry over the past ten years. For those investors still anxious about the possibility of expropriation, there is some comfort in the bilateral investment treaty between the US and Cameroon, signed February 1986. The treaty prohibits the nationalization or expropriation of investments by either country. Where expropriation is agreed upon, the treaty makes provisions for the fair compensation of the investor being expropriated. Cameroon is a member of the Multilateral Investment Guarantee Agency.

Chapter 3

Infrastructure

3.1 Transport

3.1.1 Railways

The Cameroon railway system covers a distance of 1,115 km. The main line runs a total length of 930 km from the port of Douala to Yaounde and on towards the north as far as Ngaoundere. A much shorter line runs 172 km from Douala through the Anglophone area to Nkongsamba. A short spur off the later line links up with the town of Kumba. The Cameroonian railway system is operated by an autonomous state agency called Regifercam. The Douala-Yaounde link has recently undergone major realignment and now offers excellent service with an express passenger train.

The rail system in Cameroon is the backbone of the national transport system with fairly substantial unused capacity. For example, the Douala-Yaounde link has an annual capacity of 3 million tons a year, while actual traffic is less than 2 million tons a year. the rail system has been described as 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 road system in the rural areas, rail transportation has been an important means of moving goods.

3.1.2 Roads

By African standards, Cameroon's road system is good, although it is somewhat lacking by international standards. Only 10% of the total road network of 33,000 km is paved: 32% of these roads are in good condition, while 56% are in passable condition and the remaining are in poor condition. Many existing exporters in Cameroon feel that the road network is inadequate to meet their needs. However, the land transport constraint is felt primarily by those firms exporting onwards to the land-locked UDEAC countries, and to Chad and the Central African Republic in particular. For most foreign investors (interested in exporting) the roads are not an important issue as the railways and internal air-service are both good.

Major improvements in the road infrastructure network have been made over the past five years and several intra-city and inter-city road projects are currently underway. In particular, the road system appears to be adequate for Free Zone development, especially since the roads in and around Douala and to and from Yaounde and Limbe are in good condition. The soon-to-be-completed construction of a major road linking the port of Douala with Kribi will improve access to the southern, mostly underdeveloped, part of the country.

Most Free Zone related activities will transport goods in the direction of the main port of exit - Douala - where the road network as already mentioned is adequate. Firms wishing to set up free zone enterprises away from the main centers, the quality of the road network might will be a relevant locational factor.

3.1.3 Air

The main international airport is at Douala and passengers for the capital, Yaounde, arriving from abroad must transfer to a domestic flight before travelling onwards A new international airport is under construction at Yaounde and is scheduled for completion in the second half of 1991. There is an international airport at Garoua in the north but this is vastly under-utilized and was built as a prestige project for his hometown by former President Ahidjo. The country is well served by small, domestic airports. Most of the ten provincial capitals are served by the national airline, Cameroon Airlines and there are dozens of private landing strips throughout the country. Cameroon Airlines operates regular and frequent flights between Douala and Yaoundé.

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 to Western European destinations are relatively high in comparison to other African locations, although rates to the US compare very favorably with other African nations.

While there is not a direct flight to the US, the connections and frequency of air services through Europe is excellent. In addition Air Afrique has a non-stop flight to New York twice a week from Abidjan in Cote d'Ivoire.

Table 4

Selected Air Freight Rates to Europe and the US
(per kg)

Country	Europe	US
Togo	$1.56	$4.55
Mauritius	$1.72	$6.06
Senegal	$2.82	$3.81
Sri Lanka	$2.90	$4.30
Cameroon	$2.98	$3.46
Costa Rica	$3.00	$0.46

Source: The Services Group

3.1.4 Sea

The Office Nationale des Ports du Cameroon (ONPC) is a government agency responsible for the management and operation of the country's sea ports. The country's main port at Douala handles more than 95% of shipped freight. Activity through the port of Limbé (Bota) and Tiko in the Anglophone part of the country declined steadily throughout the 1980s and is now minimal. There is a small port on the Atlantic coast in the south at Kribi and this is used mainly for timber exports. The country's only river port is at Garoua, in the north, but this is operational only when water levels rise during and after the rains and, in really bad years of drought, not at all.

The principal port of 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, both within the country and in landlocked Chad, for which Douala handles large volumes of transshipments. Although the port is equipped to handle 7 million metric tons of shipments per year, annual traffic is currently estimated at about 3 million tons a year. Plans to develop a deep-water port either at Cap Limboh, near the existing port of Limbe, in the south-west, or at Kribi, in the south (the latter would be linked to both iron ore and offshore gas reserves) were put on hold when the economy went into recession.

Shipping costs to 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 other offshore processing centers to their main end market (the US), such as the Dominican Republic ($1,290), Honduras ($1,990), Costa Rica ($2,300) and El Salvador ($2,885). The main troubles with the port at Douala are with regard to the high levels of port charges and delays in customs clearance due to corruption and inefficiency.

3.2 Impact of the Free Zone Regime

The Free Zone Regime, discussed in Chapter 11, 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 vulnerable point in the existing system where customs officials hold a tremendous amount of administrative discretion and can use their leverage vis-a-vis the business person. Under the Free Zone Regime, this customs 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, not weeks. In addition, the customs inspection procedure takes place under the watchful eye of the zone developer and the zone enterprise and of the NOIFZ (National Office of Industrial Free Zones). Together, this could significantly reduce the opportunity for customs officials to create unnecessary delays while holding them accountable to free zone users.

3.3 Communications

International phone connections in Cameroon are of excellent quality and service is reliable, with direct dialling available to most European countries, as well as to north America and the Far East. With fewer than 20,000 telephone lines in Yaounde and Douala, and very few elsewhere, Cameroon's internal telephone network is presently inadequate. It can take a number of attempts just to phone from Douala to Yaounde. However, the national telephone network is being modernized by Siemens and an improved network offering more lines and a fully rehabilitated modern system should be operational in 1991. As in most African countries, communications rates are high. For example, a telephone call to the US costs about $6.56 a minute.

Under the Free Zone Regime, firms will be allowed to have their own teleports which could greatly reduce the cost of telecommunications. In addition, the Free Zone Law mandates that the local telecommunications company pass on the INTELSAT rate to all Free Zone enterprises during their first five years of operation. Beginning in the sixth year, a 25% mark-up over the INTELSAT rate will be assessed to cover administrative costs. Nonetheless, even with this mark-up, international telecommunications rates will be dramatically reduced over current levels. Together, these provisions should permit information-intensive industries to operate competitively in Cameroon.

3.4 Electricity and Water

Cameroon is blessed with substantial water resources and this has greatly eased any constraints regarding power and water generation. About 95% of the country's electricity supply currently comes from hydroelectricity, with the hydro network and capacity presently being expanded. Interruptions have been low - only 3 hours in all of 1988 - and fluctuations in current - about 7% - 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 per kWh respectively. The rate applies to high energy using, high priority industries located in or near Douala. This rate will also apply to all Free Zone users, regardless of the quantity consumed or the type of industry.

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. 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.

Moreover, Cameroon's water rates are competitive in comparison with other West African countries such as Senegal where water costs approximately $2.00 per cubic meter.

3.5 Real Estate and Land

With an average population density of less than 23 persons per square kilometer, much of Cameroon's land area is uninhabited. 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 uses averages $9.39 per square meter, with prices in remote areas even cheaper. The land tenure policies of the country are basically sound and the government 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.

3.6 Expatriate Living Conditions

By African standards, living conditions in Cameroon can be very good for expatriates. While there is 90% humidity most of the year and torrential rains for weeks on end in Douala, the climate in Yaounde, Bemenda and Bafoussam is very pleasant given their higher altitude. Against the heavy humidity in some parts of the country, must be balanced the country's beautiful beaches, excellent hiking and other outdoor amenities such as tennis and golf courses.

Americans with children resident in Cameroon have a choice of good schools, including the American school in Yaounde. There are also several French-speaking "lycees" where children can receive an education in French at international standards. Housing is not hard to find in either of the major urban centers of Yaounde and Douala although it is expensive. For example, a 3 bedroom house in Yaounde will rent for about $25,000-35,000 a year. Rents are now declining, however, due to the economic recession.

Virtually all expatriates hire 24 hour security guards for their homes, as they do elsewhere in Africa. While the security situation in Cameroon is quite good by African standards, with the current depression in economic activity, the situation has been getting worse. Douala is less secure than Yaounde.

Good health facilities are available in Cameroon. Finding a good dentist or, for instance, an optician, is not hard. Cameroonian doctors are well-trained and basic surgery, if required, can be performed within the country. The Belgians have recently built a modern hospital in Yaoundé. In addition, there are a variety of good clinics and embassies often have their own physicians which business people can use. Public hygiene is fairly good by developing country standards.

Because of the convertibility of the CFA franc most consumer goods are readily available, although most things are quite expensive due to the overvaluation of the CFA franc. The anticipated devaluation of the CFA franc should ease living costs considerably.

For those who do not speak French, entertainment in the French speaking areas, in the form of movies, theatre and so on, can be in short supply, although English videos for hire are plentiful. As in all developing countries, the expatriate community offers a variety of social and entertainment-related events.

Chapter 4

Labor

4.1 Employment and Unemployment

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 live 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 5.5% a year since the early 1980s, while the rural population has been growing at just over 1% a year. Unemployment in the major cities is estimated at 30% and underemployment even higher. Official statistics place the national unemployment rate at 15%, although unofficial estimates go as high as 30%.

Table 5
Evolution of employment, 1984-1989
(thousands)

	1985	1986	1987	1988	1989
Private sector & parastatals	371.5	386.0	279.3	-	378.1
General government	165.2	174.3	176.6	179.3	188.3
o/w civil servants	52.2	57.0	59.2	70.0	-
Total	536.9	560.3	455.9	-	566.4

Note: General government includes those working in municipal government and other public entities.
Source: Cameroonian authorities

The Cameroonian labor force is well educated, and the literacy rate of 68% is among the highest in Africa. This high 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. Enrolment in primary education in Cameroon is 100%, in secondary school over 23%, and in higher education institutions about 2% of the school age population. The education sector regularly receives the highest allocation in the recurrent budget but capital investment, for example in new universities and higher education institutes, has been only modest.

Despite the fairly high priority given to education, there is a shortage of adequate technical and managerial training. The country has not been able to build a solid base of higher level personnel. According to local business people, the problem is not so much a lack of educational programs but a mismatching of training needs and skill requirements. Graduates tend to possess those skills required for public administration rather those required for industry and commerce, although this is beginning to undergo some change.

An additional advantage regarding the country's labor force is that both French and English are official languages and are spoken by 78% and 22% of the population respectively. This bilingual capability can greatly facilitate communications between local workers and foreign management, and, as such, is an added advantage from a foreign investor's standpoint.

The labor pool at Douala, where most firms locate, is drawn from a population of 500,000 (plus a further one million within reasonable commuting distance), thus ensuring an adequate supply of both skilled and semi-skilled workers for even the most optimistic demand projection over the long term. Moreover, as a major urban center, with long established, diverse commercial, industrial, banking and public administration activities, technical and managerial personnel should be relatively abundant in Douala, as opposed to most other regions of the country.

4.2 Trade Unions

Labor unions are not particularly strong or active in an adversarial way, and labor-management relations are generally tranquil. Strikes are rare and disruptive activity is not a major concern of business people currently active in Cameroon. The right of association and the right to organize are maintained in the Free Zone Regime, protecting internationally recognized labor rights.

Chapter 5

The Economy

Until 1986, Cameroon stood out in the African continent as one of the few countries to have achieved constant and steady economic growth, which had averaged around 7.5% a year since the late 1970s. The country's economic strength was based on a wide range of agricultural exports and virtual food self sufficiency, boosted in the late 1970s by the exploitation of offshore oil reserves on a commercial scale, and on the conservative budgetary policies of both President Ahidjo and, initially, President Biya, who allowed an expansion of public expenditure that was paid for out of oil revenue. However, in 1986 the dramatic crash in world oil prices, combined with falling prices for Cameroon's other major export commodities, cocoa and coffee, delivered a major terms of trade shock to the economy. The depreciation of the dollar against Cameroon's currency, the CFA franc further aggravated terms of trade problems. The government managed at first by drawing upon the considerable funds from oil earnings which had been secreted in its extra-budgetary account (*compte hors budget*), but these funds were soon exhausted, forcing the government to introduce austerity budgets. Although the economy has registered negative growth each year since 1987, one of the positive notes is that inflation has remained low and stable, averaging around 2% a year.

Despite its current difficulties, the Cameroon economy is well diversified. Agriculture, forestry, animal husbandry and fishing are estimated to account for nearly 27% of GDP in 1990, up from around 22% in 1986. Commerce, banking, transport and communications account for 32%. Manufacturing, energy production and construction contribute just over 20% of GDP. Public administration and government services account for 10% and the oil sector accounts for about 7.5%, down from over 10% in 1986.

Oil continues to be the main export commodity for Cameroon, with US$802 million in revenues in 1988/89. As is the case with many African nations, the principal agricultural exports of Cameroon are coffee and cocoa, respectively accounting for US$198 million and US$189 million in 1988/89. In addition to the collapse in world oil prices,Cameroon has had to face a collapse of world prices for coffee and cocoa. From 1986 to 1989 the price of Cameroon's chief exports declined nearly 45% when measured in CFA francs. Between 1985 and 1987, the country's export earnings were halved and tax receipts fell sharply. Prices for cocoa and coffee continued to decline in 1989 and 1990.

As the extent and duration of the economic crisis became clear in 1987/88, the Cameroon government adopted an austerity programme (structural adjustment) to restore budget and economic balance. The government, as a consequence of the severity of the crisis, appealed to the IMF and the World Bank for assistance. In September 1988, the IMF approved an 18-month stand-by arrangement of about US$90 million. In July, 1989, the World Bank approved a US$150 million structural adjustment loan, for disbursement in three tranches, in support of the government's Structural Adjustment Program (SAP). The first tranche has been released and the second is expected to be released soon. The final tranche of $50 million is scheduled to be released no earlier than December, 1990. Assistance has been forthcoming from other organizations as well, including the African Development Bank which has offered a loan of US$125 million which is aligned to the World Bank's SAL. In May 1989, the Paris Club agreed a rescheduling of Cameroon's external official debt payments. The United States, as part of an initiative by President Bush, forgave $73 million in development loans to Cameroon in January 1990. US debt forgiveness is being released in two tranches: the first has been released and the second will be released in January 1991, if the SAP is going well.

The SAP is intended, in the medium term, to reestablish sustainable broad-based economic growth (something that has not existed in Cameroon up to the present) to eliminate impediments to business activity, to minimize direct government in the production and distribution network, and to redirect public services to improve social well-being and general economic productivity.

5.1 The Macroeconomy

Implementation of the SAP offers Cameroon a reasonable chance to arrest the four-year decline in economic activity which, as Table 6 shows, has seen negative growth since 1986. With a population growing at 2.7% a year, Cameroonians have seen their per capita incomes shrink considerably, although fortunately inflation has remained low and in fact was negative in 1988/89.

Exports are projected to continue their long-term decline through the 1990s, although at a moderate rate of around 1-2% per annum, as the economy moves away from reliance on oil exports and toward manufacturing and agricultural exports. Imports, however, are expected to register positive growth from 1991 on as equipment and services are brought into the country to transform the economy and modernize specific industries and essential infrastructure. The combination of declining exports and import requirements needed for growth suggest that the current account will remain in deficit through the 1990s.

Table 6
Macroeconomic Indicators
1985/86-1989/90

	1985/86	1986/87	1987/88	1988/89	1989/90Est
GDP (market prices) CFAfr bn	4166	3969	3695	3495	3346
Change (%)	4.0	-4.7	-6.8	-5.4	-4.3
Consumer Price Inflation (%) [a]	12.4	13.2	1.7	-1.5	--
Population	10.2	10.5	10.8	11.0	11.3
Exports f.o.b (CFAfr bn)	793.0	550.0	490.0	552.0	551.0
Imports f.o.b (CFAfr bn)	-571.0	-553.0	-457.0	-403.0	-415.0
Current account	-211.0	-368.0	-272.0	-95.0	-129.0
Reserves US$m	324.8	77.9	69.0	69.0	66.5
Public External Debt [b]	1.0	1.1	1.1	1.3	1.5
Public Debt Service Ratio (%)	12.7	15.6	13.7	9.7	15.1
Exchange Rate (CFAfr = $1.00)	--	319.0	292.0	317.0	305.0
Terms of Trade (1983/4 = 100)	65.8	47.7	43.2	39.5	38.6

[a] CPI for Moderate-Income families in Yaounde; [b] not including external payment arrears

Source: Cameroonian authorities; The IMF.

As discussed at the beginning of this chapter, Cameroon's economy has been rocked by deteriorating terms of trade. Some recent estimates suggest that, over the next ten years, there will be a stabilization in Cameroon's terms of trade, with the chance of a gradual improvement towards the end of the decade.

5.2 Government Expenditure

The governments of Presidents Ahidjo and, initially, Biya established a reputation for conservative financial management of the nation's wealth. However, with rapidly rising oil revenues during the 1980s, purse strings loosened to accommodate increasingly large national budgets. It was always recognized, however, that a large portion of oil revenues did not go directly into the national accounts but were placed in below the line accounts (comptes hors budget) and drawn on from time to time to meet extraordinary expenditure, such as key infrastructure projects or to shore-up loss-making public sector corporations. In addition, increasing expenditures were not used well. It can be argued that the resources generated by increased oil revenue have been used to:

a) subsidize an inefficient system based on administrative controls and regulations;
b) subsidize inefficient parastatals;
c) to finance inefficient uneconomical investment projects.

Although the oil price fall hit in early 1986, it was in June 1987 that President Biya announced the introduction of the first austerity budget, with the total cut from CFAfr800 bn in 1986/87 to CFAfr650 bn in 1987/88. As Table 7 shows, actual expenditure was much higher at CFAfr1,229 bn and the actual deficit in 1986/87 was a hefty CFAfr508 bn, followed by a much reduced CFAfr214 bn in 1987/88 and CFAfr141 bn in 1988/89. The improvements in the deficit position have been achieved through cuts in expenditure, mainly capital and extra-budgetary expenditures. Preliminary estimates for 1989/90 suggest the deficit will be CFAfr167 bn, largely as a result of an increase in external debt service. The 1989/90 budget was the first to be drawn up under the supervision of the World Bank and the IMF. While the budget was the same as the previous year's at CFAfr600 billion, in real terms it represented a decline. The new budget for 1990/91 (July 1 - June 30) was further reduced to total just CFAfr550 billion, with the recurrent budget down 14% to CFAfr 364 billion and the investment budget up slightly by 6% to CFAfr186 billion.

Table 7
Central Government Expenditure and Revenue, 1985/86 to 1989/90*
(billions CFAfr)

	1985/86	1986/87	1987/88	1988/89	1989/90#
Total expenditure	926	1229	813	673	704
Current expenditure	456	534	530	514	549
wages & salaries	225	280	265	258	252
goods & services	136	149	147	149	130
interest on public debt	38	44	73	68	129
subsidies & transfers	57	61	45	39	38
Capital expenditure	471	445	283	159	156
budgetary	236	270	73	48	30
foreign-financed	93	124	136	111	125
extrabudgetary**	142	302	74	-	-
Net lending	-	-	-	-	-
Unbudgeted expenditure	-	250	-	-	-
Total revenue	877	721	599	523	537
Oil revenue	382	252	207	192	182
Non-oil revenue	495	469	392	340	355
Tax revenue	380	382	345	295	297
income & profits	100	88	109	111	114
goods & services	108	127	83	93	83
international trade	144	134	132	78	79
other taxes	28	33	21	12	21
Non-tax revenue	115	86	47	9	21
Unclassified revenue	-	-	-	37	37
Deficit	49	508	214	150	167

* fiscal years (July 1 - June 30)
\# preliminary estimate
** financed with domestic resources

With public spending now down to around 60% of levels in the 1984/87 period, it is not surprising that this has had a severe short-term impact on economic activity.

The reduction in export revenue, triggered by the decline in world prices for oil, cocoa and coffee, reduced government revenue which left the government unable to pay its bills and subsidize parastatals. Subsequently, parastatals have not been able to pay their bills. Ultimately, this has affected the private business and banking due to the build up of government and parastatal arrears and loan defaults. The main problem for the government in its revenue raising is a shortfall in tax revenue, and under-achievement on customs and import duties and taxes. The shortfall in IMF-set public revenue targets is unofficially put at around CFAfr90 bn. The government has also continued to fail to meet successive expenditure targets, overshooting the budget in each succeeding year. To be fair, many observers believe the IMF has been too ambitious in setting its targets.

Chapter 6

The Structural Adjustment Program

In response to the deepening economic crisis, the Cameroonian government started to prepare a detailed adjustment program in early 1988. The result was a Statement of Development Strategy which has the support of the major international donors, principally the World Bank and the IMF. The strategy's objectives can be summarized as follows:

1. to reestablish a positive rate of per capita income growth;

2. to reduce progressively the constraints which hinder the opening of economic opportunities, through increased competition and reducing the inefficiency of domestic markets;

3. to reorient the role of the state from one of direct intervention in the production and distribution of goods and services to one of facilitating the operation of the private sector;

4. to reorient public services towards programs which improve the well-being and productivity of all Cameroonians, taking into account the 'social costs' of the adjustment process.

The government aims to reach these objectives through a series of measures that:

1. stabilize and restructure public finances over the medium-term, through improved programming and budgeting of government resources, better control over government salaries, improvement in the productivity and management of the civil service, and an increase in non-oil tax revenue;

2. restructure and rehabilitate the public enterprise sector;

3. restructure the banking sector, including improved monetary and credit policies;

4. stabilize the finance of the agricultural marketing structures for the principal export crops, liberalize progressively trade in these crops, and create programs to increase food security and promote non-traditional agricultural exports;

5. deregulate internal commerce with a view towards lowering the domestic cost structure, and rationalize external trade regulation and effective rates of protection;

6 improve incentives for petroleum exploration and production;

7. reorient policies in the health and eduction sectors, especially towards the primary level, to improve human resource development;

8. establish specific action programs to reduce the social cost of adjustment.

Many of the above objectives are going to require up to 5 years to be attained, although in reading this report the reader will discover that many changes have already been made or, at least, initiated. The longer term reforms refer, in particular, to public enterprises, the banking sector and the civil service. Also a sustained effort will be required over the medium term to increase non-oil revenues, through initiatives such as the Free Zone Regime, in order to stabilize public finances and cover Cameroon's increased debt burden.

Chapter 7

A Sectoral Analysis of the Economy

7.1 Agriculture

Despite the importance of oil in recent years, Cameroon's economy is still fundamentally based on agriculture (which includes livestock and forestry). Over the period 1971/75, prior to the advent of oil production in the late 1970s, agriculture contributed about 30% to GDP, and agricultural exports accounted for about 82% of total exports.

In 1984/85, with the oil sector expanding, the percentage share of agriculture had fallen to 20% of GDP and its contribution to exports - in percentage terms - has shrunk to 28%. Since the decline in the oil sector from 1986 onwards, the share of agriculture in both GDP and exports has once more started to expand. The decline and subsequent recovery of the position of agriculture in the economy is due to the changing fortunes of its oil production and exports and not so much due to changes in agricultural production. Agriculture still provides employment to about three-quarters of the population, and contributes about 15% to 20% of state revenues, mainly coming from export taxes. More importantly, the sector produces almost all of Cameroon's food and serves as the main source of raw materials for the agro-industrial sector, the potential of which has not yet been fully developed.

Table 8
Agriculture in the economy

	1971/75	1976/81	1982/88
Share of GDP %	29.9	29.2	22.5
Share of exports %	82.3	72.3	45.9
GDP growth rate %	4.2	11.5	5.6
Agricultural growth rate %	3.4	7.0	1.9
Employment share %	79.4	72.6	75.0
Per capita GDP US$	236.0	597.3	903.8
Per capita GDP agriculture %	69.9	172.2	204.0

Sources: World Tables and National Accounts

Subsistence crops, such as maize, millet, sorghum, rice, plantains, yams and cassava, account for about 45% of the value of agricultural output; export crops (cocoa, coffee, cotton, rubber, tea, bananas, pineapples) about 25%; livestock and fisheries about 17%; and forestry about 13%. There is growing recognition that agriculture needs modernization and increased productivity. Some 90% of farming remains in the traditional sector, where peasant farmers cultivate small areas with relatively low yields per hectare. The so-called modern sector is mainly in the hands of public or semi-public enterprises which are often inefficiently managed.

Although the shares of various components of the agricultural sector have varied over time, the food crop subsector has continued to provide the main agricultural contribution to GDP. This is demonstrated in Table 8 which shows the 1982/88 average shares of the various subsectors to the agricultural component of GDP. Over this period food crops accounted for about 54% of value added in agriculture, export crops about 21%, livestock and fishery about 16% and forestry about 9%.

7.1.1 Food Crops

Data on traditionally produced food crops are generally considered not to be comprehensive. Food crops usually satisfy domestic demand, with some surplus for export to neighboring countries, such as Nigeria and Gabon. Food production per capita reached its peak in mid-1970 and since then has failed to keep pace with population growth rates. Table 9 indicates the average annual growth rates in production for the main food crops. Rice and potatoes stand out as successes. The government is anxious to maintain Cameroon's self sufficiency and efforts are made to keep a balance between food and export crops.

Table 9
Average annual growth rates in agricultural production
1981-87

Food crops		Export crops	
Crop	Growth rate	Crop	Growth rate
Maize	2.9	Cocoa	-3.3
Millet & sorghum	0.3	Arabica coffee	-2.6
Rice	15.9	Robusta coffee	4.5
Cocoyams[1]	-0.4	Cotton	7.9
Yams[1]	1.0	Palm oil	8.2
Cassava[2]	-1.5	Rubber[3]	1.9
Plantains[2]	3.3		
Potatoes[2]	10.1		

[1] 1971-1984; [2] 1971-1985; [3] 1971-1982

Sources: FAO data, MINAGRI statistics

Growth in food crop production has come mainly from opening up new areas rather than increases in yields. Public investment has favored the large estates over smallholders, although traditional smallholder farming dominates the sector in terms of employment and production.

7.1.2 Export Crops

The main cash crops are cocoa, coffee, cotton, rubber, with palm oil, bananas and tea of less importance. The performance of export crops over the past few years has been mixed. Among the major export crops, cotton and robusta coffee showed significant increases, while cocoa and arabica coffee production decreased. Palm oil and rubber, which are not significant in terms of exports and incomes also showed increases. Table 10 highlights the production of selected agricultural export crops since 1986. For most export crops, 1988/89 was a bumper year in terms of production volume.

Table 10
Marketed output of principal export crops
'000s of metric tons

	1986/87	1987/88	1988/89	1989/90*
Cocoa	123	133	129	120
Coffee	146	91	138	90
Robusta	124	78	122	75
Arabica	22	13	16	15
Cotton (unginned)	123	115	165	115
Bananas	50	38	40	55
Rubber	23	26	33	38

* estimate
Source: The IMF

Cocoa

Cameroon is the world's fifth largest cocoa producer, with an annual output of 120,000-130,000 tons, representing about 40% of total agricultural exports. Cocoa is grown mainly in the Center, Center South, and South West Provinces and covers around 350,000 hectares (ha). Yields are highest in the south west 600 kg/ha and lowest in the east at a mere 200kg/ha. The overall average is about 380kg/ha. Although world prices remain depressed and there is at present a world surplus of cocoa, there is considered by some to be particular potential for boosting Cameroon's production through higher yields, although views on this subject differ. Any opportunities would appear to relate to cocoa processing and improving quality but not to increased production.

Coffee

Coffee covers an area of around 400,000 ha. Around 85% of the coffee grown is of the robusta variety and the remainder arabica. Robusta is grown mainly in the South West and in the Littoral and West Provinces and arabica in the north-west and the west of the country. Production fluctuates with coffee's vegetative cycle. The average yield from robusta coffee is twice that of the higher value arabica, with arabica yields being low and dropping steadily over the past ten years. In addition, production of arabica coffee fluctuated widely up to 1983 and has declined at an average annual rate of 2.6% since 1971. Unlike arabica coffee, robusta coffee output has increased modestly since 1971. This is due to a variety of factors such as land availability, subsidized producer prices and the age of the respective tree stocks. While the outlook for robusta on the world market is weak, demand for arabica is still growing, albeit at a modest 2% a year. Although production cannot be switched from one to the other in most parts of the country, there is a belt stretching across the middle where conversion can take place. The government's reformed producer price policy now passes the world price and premium through to the producer, serving as an incentive to increase arabica production.

Cotton

Cameroon is a modest producer of short staple cotton, ranking fifth among franc zone producers. Growth in cotton production is the result of area expansion and more importantly, yield increases. Yields increased from about 400 kg/ha in 1971 to about 1.5 tonnes per ha in 1989. Cotton is produced almost exclusively in the north by small-scale farmers, but the marketing, collection and supply of inputs and fertilizers is organized by the Société de Developpement de Coton (SODECOTON) which has played an effective role in boosting output and productivity, reflected in the 1989 bumper crop of 165,000 metric tons of seed cotton, up from 115,000 metric tons the year before. The impact of sharp cuts in producer prices is now being felt, however, and the 1990 cotton crop is estimated at 105,000 tonnes.

The government has operated a system of fixed producer prices for cocoa, coffee and cotton. The producer prices, however, have not followed the trend in world market prices and, when world prices plunged from 1985 onwards, producer prices were maintained at artificially high levels by the government. As part of the Structural Adjustment Program, the government has decided that producer prices will now be brought into line with the world market. At the same time, the National Produce Marketing Board is being thoroughly restructured, with a huge cut in personnel and the gradual privatization of internal and external marketing. The board will now be concerned with production stabilization and quality control and within two years, for example, the marketing of arabica coffee will be fully open to private investors. Similar liberalization in the internal and external marketing of robusta coffee and cocoa is also anticipated.

Rubber and palm oil

Rubber and palm oil production increased significantly as a result of government investment in plantation estates. The Cameroon Development Corporation (CDC) and the newly established Heveas du Cameroon (HEVECAM) produced 33 thousand metric tons of rubber in 1989, and an estimated 38 thousand tons in 1990. HEVECAM was started in 1984 with an objective of 30,000 metric tons a year by the 1990s. Total national production of palm oil is around 100,000 metric tons a year, with the largest producer SOCAPALM accounting for about half of this. East Asian producers have developed a high comparative advantage in producing rubber and palm oil crops, partially as a result of lower management and labor costs. As a result, Cameroon growers have been hit hard by competition on world markets. Furthermore sales of palm oil, particularly to the European and North American markets have been hit due to rising consumer concerns about cholesterol.

Bananas

A drastic restructuring of the banana sector was started in 1987. The government's Organisation Camerounaise de la Banane (OCB) was dissolved. The US Del Monte Corporation has taken over the CDC's banana plantations and additional land with plans for major expansion. Del Monte's agreement with the CDC is to provide technical assistance and manage banana production under contract. Del Monte is paid in bananas. Once the bananas are delivered for shipment, Del Monte takes over the marketing operation. Effectively, this agreement guarantees the CDC a market for its banana while Del Monte has been able to avoid tying up much capital in the project, thus reducing its investment risks. The former OCB plantations are being turned over to private entrepreneurs. Banana exports in recent years have averaged around 48,000 tons, with national development plans targeting 80,000 tons by 1991.

7.1.3 Livestock

The livestock population was estimated in 1986 at 4.3 million cattle, 5.3 million sheep and goats, about 800,000 pigs and 14 million poultry. Total meat production in 1987 was 105,000 tons, with beef representing 61.3%, lamb 14.8%, pork 10.6% and poultry 13.3%. In the same year, 45,000 tons of milk were produced and 2,300 tons of eggs were brought to market. Per capita consumption of meat is about 15 kg per year, resulting in an annual demand of 160,000 tons. To satisfy demand, Cameroon imports nearly 100,000 cattle on the hoof from the Central African Republic and Chad, and about 20,000 tons of meat from overseas (half of it in the form of heavily subsidized, low grade frozen beef from the European Community).

7.1.4 Forestry

Cameroon is a country dominated by dense forest which covers about 16.5 million hectares (ha), of which 13.9 million ha are considered commercial forests with 7.2 million ha now being exploited. The sector contributes around 10% of total agricultural exports, around 2% of GDP, and nearly US$91 million a year in export revenue (1985 latest figures). Tables 11 and 12 show the amounts and value of the wood products exports. Forest exploitation has not been well-managed, resulting in the depletion of some species. The forests contain around 300 species of commercial value, of which only about thirty are being effectively exploited. Total production of timber more than doubled between 1972 and 1985. The production of logs increased from 0.82 million m^3 in 1972 to 2 million m^3 in 1985, while over the same period the output of sawn wood increased from 0.2 million m^3 to 0.7 million m^3 a year; the production of plywood and veneers remained constant at about 0.73 million m^3 a year. The principal importers of logs from Cameroon are the EC countries, which purchase 85% of Cameroon's log exports. The most important markets for logs are Belgium, Spain, France, Italy, West Germany and Greece. A major part of sawn wood production also goes to EC countries. Plywood and veneer are exported almost exclusively to France. The government aims to raise annual timber production to 3.1 million m^3 by 1991 and proposes to expand the national forestry equipment pool, revise forestry laws and open up potential production zones by building permanent roads, particularly from Yokadouana and Kribi in the South, which handles a number of timber exports. The transformation of logs to add value and increase export revenue has been hampered by obsolete technology and poor management. Expatriates predominate and account for 64% of total output.

Table 11
Production and Exportation of Logs, Sawn Wood and Sleepers, and Plywood and Veneer
(thousand cubic meters)

Year	Logs		Sawn wood & sleepers		Plywoods & veneer	
	Production	Export	Production	Export	Production	Export
1975	1000	472	307	95	73	12
1980	1613	743	410	113	73	28
1981	1700	444	468	103	73	41
1982	1707	448	468	105	73	41
1983	1776	391	426	85	73	36
1984	1923	496	637	91	73	36
1985	2033	746	650	86	73	37

Table 12
Value of Wood and Products Exported
(US$ '000)

Year	Logs	Sawn Wood (1)	Plywood (2)	Total
1975	30.8	10.4	3.1	44.3
1980	113.9	25.6	19.4	158.9
1981	55.5	20.0	17.4	92.9
1982	45.8	16.5	14.9	77.2
1983	34.4	12.5	13.9	60.8
1984	33.3	13.7	13.0	60.0
1985	64.3	12.7	14.3	91.3

(1) including sleepers (2) including sheets of plywood and veneer
Source for both tables: Annuaire des produits forestiers 1974 - 1988. FAO. Rome 1986

The World Bank has recommended that policy reform regarding the forestry sector should include revision of current legislation and the tax regime in order to favor environmentally sound exploitation of resources that are sustainable over the long-term. In turn, the Government has recently completed a tropical forest action plan with similar objectives. The Tropical Forest Action Plan includes the revision of the forestry code to authorize long-term concession arrangements in order to give incentives for the concessions to maintain and control access to their areas of operation, rather than to exploit the areas on a one-time basis and move onto the next tract of forest, a prime cause of environmental degradation. Long-term concessions will also encourage investment in the capital needed for installing modern and profitable plants.

The taxation system and the existing quota on log exports have been revised to provide better incentives for exploitation of the lesser known species and for better wood transformation. Standards on wood products are also being introduced to enhance their marketability.

7.1.5 Fishing

Fishing falls into three main categories - maritime fishing (both industrial and artisanal), freshwater fishing, and, at an early stage of development, aquaculture. The total annual catch by industrial fishing vessels has halved since 1981/82 from 23,175 tonnes to a little more than 11,000 tonnes in 1986/87, with the number of vessels decreasing each successive year. There are several barriers to the expansion of industrial fishing. Cameroon has only 400 km of coast, compared with neighboring Gabon's 800 km, and these are interrupted by the island of Bioko (Equatorial Guinea) and its 12 mile territorial waters. Moreover, the waters have never been well stocked, primarily because they are bypassed by currents carrying plankton and other fish food. Realistic estimates of artisanal fishing are difficult to make but there believed to be around 20,000 coastal fishermen, with an annual catch in the region of 35,000 tons. The freshwater catch is put at around 50,000 tons a year, giving a total national output of under 100,000 tons a year.

7.2 Manufacturing

Cameroon has a relatively large and varied manufacturing sector, geared mainly to the domestic market, and developed under a system of protection and controls. In one recent survey of the private sector, it was found that, on average, privately-owned firms sell 92% of their output on the domestic market. Many of the country's largest exporters are state-owned firms. From 1980-85, the manufacturing sector (excluding oil) grew by over 13% annually, and nearly doubled its share of GDP, from 7.9% to 14.7%. In 1986, manufacturing grew by nearly 21%. However, in each subsequent year, manufacturing has contracted, in 1987 by 5.1%, in 1988 by 7.1%, and in 1989 by 11.7%, due to the onset of recession and its dependence on the domestic market.

Manufacturing accounted for about 13% of GDP in 1988, according to World Bank estimates. The sector is dominated by some 30 or so large enterprises, with only a handful of medium to large firms and several thousand small and medium sized enterprises of fewer than ten employees. Most manufacturing activity is based around the commercial center and major port of Douala and other large cities such as Yaounde, Bamenda and Bafoussam and uses domestic inputs to produce goods such as chocolate, cocoa paste, flour, beer and cigarettes. In recent years, the best performers have been in the tobacco and beverage sectors, construction materials, shoes, furniture and textiles. Other main sectors are chemicals and scrap products, drugs, leather and bicycles. Many domestic manufacturers will be adversely affected by the trade liberalization measures to be introduced with the SAP, and will find themselves increasingly having to compete with cheaper imports previously blocked by quantitative restrictions, even though they will still be somewhat protected by tariffs and border taxes. Manufacturers also have to deal with high factor prices resulting from overvaluation of the CFA franc.

7.2.1 Agro-Industry

The agro-industry sub-sector includes processing industries in food and beverages, textiles and clothing, leather and shoes, wood products, paper products, and rubber products. These industries produce both for domestic consumption and for export to UDEAC (Central African) and EC countries. The economic potential for agro-industry in Cameroon is only beginning to be tapped. The combination of a diversity of eco-systems and agro-climates provides the country with virtually unlimited potential for the rapid development of non-traditional agro-industrial exports, including juicing, canning, freezing, wood processing and furniture making.

There is a growing demand for tropical fruit products from developed countries and processed products from regional markets. Cameroon has preferential access to the EC market under the Lomé Convention and to the US market under the General System of Preferences, which has not been fully exploited. Other products which are in high demand in Europe would include green beans, pineapples and avocados. The production level for these products has been low in Cameroon in spite of its potential and price competitiveness. The problem has been a lack of organization among small-holders and an incentive framework to attract private investments. On a regional basis, for example, there is market potential for processed rubber products, such as vehicle tires, liquid rubber and foam. Trade logistics such as freight capacities and export procedures are also favorable relative to most other competing countries.

Agro-industry is a key area for national development and offers the country its best hope for reigniting economic growth. As such, the government is liberalizing the business environment, to encourage the creation and expansion of agro-industries. The private sector, including foreign investors, are now seen as key partners in agro-industry development. Marketing, production expertise and capital from foreign investors will be essential.

7.3 Energy

Total consumption of energy in 1988 was 3.12 mn tons of oil equivalent (toe). National energy production was 10.97 mn toe and net exports of energy totalled 7.27 mn toe. These figures are no more than approximations: "other" sources of energy are mainly wood and charcoal. Cameroon has tremendous hydro energy resources but uses only a small percentage of them.

Table 13

Primary energy balance, 1988
(million tons equivalent)

	Oil	Electricity	Other	Total
Production	8.62	0.61[a]	1.74	10.97
Imports	0.02	-	-	0.02
Exports	7.27	-	-	7.27
Primary supply	1.37	0.61[a]	1.74	3.72
Final consumption	1.19	0.19[b]	1.74	3.12

[a] input basis [b] output basis

Source: Energy Data Associates and EIU

7.3.1 Oil

Oil was the major impetus of growth and a key generator of export revenues and financial resources for the economy in the early and mid-1980s. Lower world oil prices since 1985 and diminishing production have sharply reduced the level of petroleum income. As Table 14 indicates, petroleum revenue dropped off by 6-7% in 1988 and 1989 (as a consequence of declining production), after falling by over 40% in each of the previous two years. The recent troubles in the Middle East are not expected to change the short or medium-term future of the petroleum sector by very much although a rise in world oil prices will bring some relief to the country's balance of payments. Cameroon was sub-Saharan Africa's third largest oil producer after Nigeria and Angola, although Gabon and possibly the Congo are now larger producers. Cameroon's hydroelectric resources are discussed in the chapter on infrastructure.

Table 14
Petroleum sector
(billion CFAfr)

	1985/86	1986/87	1987/88	1988/89	1989/90*
Production	439	250	233	218	253
% change	-43	-43	-6	-7	16
Exports	429	253	236	220	238
crude	395	232	217	203	212
refined	34	21	19	17	26
('000 metric tons)					
Exports	7390	7090	6500	6580	5920

Source: Cameroonian authorities and The IMF

Cameroon's oil production is expected to continue to decline, and in the absence of new discoveries, reserves will be depleted within 15 years. Although the existence of untapped petroleum resources is possible, recent exploration efforts have been minimal, mainly because of the unattractive nature of the hydrocarbons code. In an effort to encourage new exploration and production, the government announced revised - and more attractive - terms in the first half of 1990. Pectin and Elf are now exploring and the possibility for new discoveries is likely.

7.3.2 Other Energy

Natural gas reserves, put at around 110 bn m^3, have been identified. However, the spiralling cost of a multi-billion project to develop reserves at Kubi in the south, along with the depressed world market for LNG, have resulted in developments being put on hold since mid-1982.

Just over 95% of the electricity produced by the state electricity board, the Société Nationale d'Electricite (SONEL), is obtained from hydroelectric resources. The remainder being thermally produced. Hydroelectric potential is estimated at 500,000 mW from 112 sites with annual production capacity of 294,000 gWh. The Sanaga river alone has a potential of 162,000 gWh a year and represents 55% of the country's total potential. The aluminium producer, ALUCAM, consumes nearly half of the country's hydroelectric energy production.

7.4 Mining

Cameroon has deposits of iron ore, bauxite, limestone, rutile, gold and uranium. The production feasibility has not been determined for some of these resources. Cameroon is developing a new mining concession policy that will require that exploitation rights be granted through public tenders, in the hope that this will lead to private sector development of proven mineral reserves while ensuring that the government earns royalties.

The only major mineral project to be seriously considered in the past few years is the development of iron ore resources near Kribi. However, serious concerns have been raised over the project which is now on hold.

7.5 Tourism

Tourism opportunities are relatively underexploited but tourism is now a government priority. The first Minister for Tourism was appointed in April 1989 and a government-owned tourist agency was set up in 1986. The North is the main tourist attraction, with several game parks, nature reserves and also a more comfortable climate than the humid regions along the coast and in the south. The North West and West have several folklore attractions and a pleasant climate. The south boasts the best beaches in Cameroon and Korup Rain Forest, which is located in the South West Province.

Some 100,000 tourist arrivals are recorded each year, with just over 40% coming from other African countries and around 18% from France. There has been a sizeable investment in hotel construction over the past few years and there are first class hotels in Douala and Yaounde. In addition, Cameroon's successful run in the World Cup of soccer held in Italy in July 1990, has greatly increased public awareness of Cameroon, and has generated a measure of affection and curiosity about the country.

Chapter 8

The Financial Sector

8.1 Banking

The Cameroon economy is relatively sophisticated and, despite the fact that there is no capital market, the bulk of economic activity is now integrated into the money economy. Commercial banking was traditionally the province of the French banks until oil production started. The early 1980s saw an influx of US banks, with First National Bank of Boston, Bank of America and Chase Manhattan all setting up in the country. The UK banks were much slower off the mark, though the Standard Chartered Group eventually took over Bank of Boston's operations when it decided to withdraw at the end of 1986. Bank of America similarly decided to pull out, selling its holdings to a group of local business people, who changed the bank's name to International Bank of Africa-Cameroon. In mid-1988 Chase sold out to the Meridien International Group, headed by Zambian entrepreneur Andrew Sardinis.

Reform of the banking system is a key aspect of the SAP. So far, the restructuring of the banking sector has gone well. Non-performing assets are being stripped from 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 a political basis. Three insolvent banks have been closed down (Cameroon Bank, Paribas and Cameroon Development Bank) and one additional bank (the International Bank of Africa) will likely be liquidated. One bank (the Société Camerounaise de Banque-Credit Lyonnais) has already been fully restructured and recapitalized while four additional banks (Société Generale de Banque Camerounaise, the Banque Internationale pour le Commerce et l'Industrie au Cameroon, the Standard Chartered Bank and the Banque Internationale de l'Afrique Occidentale) are to be restructured and recapitalized before the end of 1990. The remaining small commercial banks (Meridien Bank and the Bank of Credit and Commerce Cameroon) have relatively healthy balance sheets.

Fonader (the National Fund for Rural Development) has been replaced by the Credit Agricole du Cameroun (CAC) which began operations in June under the direction of a West German banker, Mr. Axel Volk. The former Fonader had limited lending powers and acted more as guarantor on commercial bank loans to farmers. The CAC begins operations with about $17 million in capital, the majority of which is held by the government and public enterprises. Similarly, Fogape, the fund to support small and medium size enterprises was due to be replaced by a bank called the Credit Industriel et Commercial (CIC) but there has been no news regarding the CIC since it was first announced nearly three years ago .

There remain two other sources of credit to the private sector which continue to work, although on a limited scale. There were by 1984 more than 200 rural credit unions, having in total more than 70,000 members, mainly in the western agricultural provinces. They are continuing to expand rapidly. These member owned institutions are linked by a central association, the Cameroon Cooperative Credit Union League (CAMCCUL), and operate with minimum government intervention. It is estimated that the equivalent of about $17 million has been mobilized. The credit unions have been successful in serving their purposes - the taking in of savings and the provision of credit to members - and they occupy a useful niche between the banks and the completely informal tontines.

The "tontines" are informal local savings associations, found also in other West African and Central African countries under different names, but apparently more prevalent in Cameroon than elsewhere. A tontine consists of a group of individuals - averaging 15-20 families - who know and trust each other. Each member subscribes each month to a kitty which is periodically allocated to one of the members, either by rotation, or by lottery, or in the larger and more sophisticated tontines, by auction to the highest bidder. The implicit interest rates are high and maturities short, but the system is popular because no paperwork or security is involved. Default is extremely rare, since this involves complete social ostracism. There are of course no statistics on the overall operations of tontines but some estimates suggest as much as 85% of Cameroonians - including wealthy business people and government officials - belong to one or more tontines, and the magnitude of the credit extended rivals that of the formal banking sector. In one recent instance, an amount equivalent to $1 million was raised by a tontine to finance a member's office-building project.

Bankers and foreign experts sometimes criticize the tontine system on grounds that it inhibits the development of more efficient banking institutions, but the fact remains that the system flourishes, and under current economic conditions, it provides one of the few channels available in Cameroon for converting personal savings into private investment.

8.2 Access to credit

For several years now, the formal banking sector has not provided many of those services to the private sector expected of a modern banking system. Very few new credits have been extended by the commercial banks, and most bank lending is of a revolving nature, involving the rolling over of low-risk commercial credits to only the most credit-worthy of borrowers. The vast majority of the private sector in Cameroon at present have little or no access to credit because of the lack of liquidity in the banking system. This lack of funds has led local companies to cut back or in some cases to fold. The liquidity shortage has adversely affected the Cameroonian business community and has contributed in recent years to negative investment in the economy. Banking activity is presently at a virtual standstill, with most banks technically bankrupt if normal accounting rules are applied to non-performing assets. However, as mentioned, Société Camerounaise de Banque-Credit Lyonnaise has already been re-capitalized and it is anticipated that four banks will be by the end of 1990.

Larger companies can do much of their banking business abroad, particularly in Paris, where the absence of exchange and convertibility risks and the freedom of transfers in the franc area makes it possible to get credit and place surplus funds. Larger enterprises with parents in other countries, such as the US based oil companies, now also do most of their banking abroad - a change from the early 1980s when their borrowing at least was' done locally, to take advantage of the lower lending rates then prevailing in Cameroon.

Chapter 9

External Trade and Payments System

9.1 Trade performance

An analysis of Cameroon's foreign trade performance for many years has been hampered by the lack of accurate data. It became government practice under President Ahidjo, when oil was first exported at the end of 1977, to place a substantial part of oil export revenue in separate bank accounts under the heading of the compte hors budget, which was not included in the National Accounts (i.e., national income and expenditure). President Biya has spoken of introducing greater "transparency" into the National Accounts but the process has been slow, and it is only now that the government has been required to give the World Bank and the IMF access to its data that more realistic figures are emerging. However, information is still released by some government ministries understating oil revenue during the peak years up to 1986.

Until 1987, revenue from petroleum exports was greater than that from all other exports put together. Since then, the situation has been reversed. Table 15 summarizes Cameroon's export performance since 1985/86. In 1985/86, oil accounted for 54% of total exports. By 1988/89 the proportion had fallen to 40%. Although coffee and cocoa production has increased, export revenues from those commodities have dropped greatly over the past five years due to the nosedive in world prices. Coffee, for example, is projected to earn less than half in 1989/90 than what it did in 1985/85 although exports will have increased by 22,000 tons. Total export revenue is projected to be down by 16% in 1989/90 over 1985/86. Within the overall decline in exports there are bright spots. Export earnings from cotton, lumber, aluminum products and certain agricultural products have increased.

Table 15
Principal Exports
1985/86-1989/90 *
(CFA francs bn)

	1985/86	1986/87	1987/88	1988/89	1989/90Est.
Petroleum exports	429	253	236	220	232
Crude petroleum	395	232	217	203	212
Refined products	34	21	19	17	20
Non-petroleum exports	365	296	254	333	319
Cocoa beans	83	72	45	55	49
Cocoa products	12	15	13	11	9
Coffee	112	82	61	69	52
Robusta	83	66	49	52	40
Arabica	29	16	12	17	12
Cotton	12	13	8	22	24
Lumber	23	18	20	34	33
Aluminium products	25	16	19	41	36
Other manufactured goods	62	48	58	60	63
Miscellaneous agricultural goods	36	32	30	41	49
Total exports	793	550	490	552	551

* Fiscal year (July 1-June 30).
Sources: Data provided by the Cameroonian authorities; and IMF estimates.

Since 1985, expenditure on imports has declined steadily, although it now appears to have stabilized and is projected to increase marginally over the next five years as the government borrows from international donors and liberalizes import controls in order to restructure the economy with the hope of boosting growth in the medium-term. Imports declined by 37% between 1985/86 and 1989/90. In common with many developing countries, semi-processed goods are a major import category, reflecting the weakness of the domestic manufacturing sector. Plant and machinery for use in infrastructure projects, such as railway and road building, and for setting up industry also figure high on the list but have fallen back more recently as economic activity contracted.

Table 16
Composition of Imports
1983/84-1986/87: f.o.b
(CFA francs bn)

	1983/84	1984/85	1985/86	1986/7
Food, beverages, and tobacco	29.2	43.4	55.5	58.7
Other consumer goods	45.1	70.4	85.7	87.3
Oil imports	7.0	3.7	4.0	3.0
Raw materials	32.0	25.6	27.3	24.4
Non-oil intermediate goods	202.1	189.3	223.5	223.7
Semifinished	100.6	80.7	88.6	95.0
Finished	101.4	108.6	134.9	128.7
Capital goods and equipment 148.3	180.1	175.0	155.8	
For industry	100.9	122.2	105.9	92.4
For transport	44.1	55.1	63.6	58.2
For agriculture	3.2	2.9	5.5	5.2
Total imports, f.o.b	463.5	512.6	571.0	553.0

Source: Data provided by the Cameroonian authorities; IMF estimates

Most of Cameroon's trade is with the European Community. While the EC's role as a trading partner has declined, it still accounts for over 60% of Cameroon's trade. Within the EC, France is by far the dominant trading partner for historical reasons and because of the links forged through the use of the CFA franc. Imports from France continue to decline due to the economic recession. The pattern of exports to France is heavily influenced by the destination of oil exports, which switches from country to country as different contracts are signed. Exports rebounded in 1989, largely reversing the decline of the previous three years. Cameroon also has strong trade relations with the Netherlands and the Federal Republic of Germany, both of which are large customers for Cameroon's cocoa. Cameroon has a special aid and trade relationship with the EC through the Lomé Convention which is discussed later in this chapter.

Outside of the EC, the US is Cameroon's largest trading partner. The trade balance is firmly in Cameroon's favor. Principal US exports in 1989 were flour, machinery and chemicals. The main imports from Cameroon in the same year were crude oil, cocoa, coffee and tobacco.

Trade with other African countries represents less than 10% of Cameroon's exports or imports, although in 1987/88, exports jumped to 17.9% before falling back to 9.6% the following year. Cameroon runs a trade surplus with the rest of Africa. Imports from its neighbors are negligible both in volume and value terms.

9.2 The CFA franc

Cameroon is a member of the Franc Zone and its currency, the CFA franc, has a fixed exchange rate of CFAfr50 per French franc. The CFAfr is issued by a regional central bank, the Banque des Etats de l'Afrique Centrale (BEAC), of which the Central African Republic, Chad, Congo, Gabon, and Equatorial Guinea are also members. Membership of the Franc Zone means that the French Treasury is closely involved with all BEAC operations and its members must, for example hold 65% of their reserves in Paris. The Banque de France guarantees the free convertibility of the CFA franc against the French franc in return for an undertaking by member states to implement stipulated monetary, credit and exchange control policies. The movements of the CFA franc are consequently determined by movements in the French franc. With the prolonged economic crisis in so many Franc Zone countries, a serious debate has started over a possible devaluation of the CFA franc.

There are several options for revising the franc zone arrangements: repudiation of the franc zone by France; devaluation across the board or on a country by country basis and shifting to a new peg such as the ECU rather than the franc. Outright French repudiation is unlikely. Devaluation has been categorically rejected by both African regional bank governors because nominal constancy or stability is seen as essential, although the logic behind this argument is unclear. In 1990, the CFA franc is effectively pegged to the European Currency Unit (ECU), as realignments between the franc and other European currencies become less frequent. If exchange rate change is delayed, the CFA franc may have a new peg by default if European currencies move towards a European Currency Unit. Discussions over the coming year will be held between France and the main Franc Zone countries. Some form of devaluation can be expected, despite the protestations of some leading figures within Franc Zone countries in order to deal with distortionary effects of the current exchange rate on the economies of Franc Zone members, not to mention the drain on the French Treasury as it pumps liquidity in the form of direct balance of payments support in order to maintain the convertibility of the CFA franc. The question of a nominal depreciation of the CFA franc against the French franc no longer appears to be "if" but "when". Most indications suggest that a nominal devaluation of 30 to 50% would be required to put the exchange rate into equilibrium.

9.3 The Franc Zone and Economic Performance

The most notable performance difference between Franc Zone and other African economies is the much stronger control over the rate of inflation, sustained over the long-term, in the Franc Zone. Low inflation has been achieved by imposing restrictions on money growth at the regional level and through limits placed on the level of government budget deficits due to ceilings placed on its access to credit.

With a fixed exchange rate and low inflation the Franc Zone could have been expected to remain competitive in international markets. But during the 1980s the exchange rate became increasingly overvalued for most franc zone countries including Cameroon. Based on recent estimates by the IMF, the World Bank and others, it appears that the CFA franc is overvalued from 30 to 50%. The overvaluation is the result of different production/trading patterns of France with the CFA franc countries' economies. In addition, in Cameroon oil revenues helped push up government and private sector wages and subsequently prices. Given the fixed normal exchange rate, this resulted in an appreciation in the real effective exchange rate. An overvalued exchange rate creates, in effect, a tax on exports and provides a subsidy on imports. A clear sign of this overvaluation is the sizeable deficit in the country's overall balance of payments. As already discussed, Cameroon does not have any control over its nominal exchange rate. By fixing the parity of the CFA franc to the French franc, the value of Cameroon's currency in international markets is linked to changes in the French franc exchange rate vis-a-vis France's trading partners. The degree of inflation in Cameroon's economy has no bearing on the exchange rate. The end result is that Cameroonian exports are indirectly "taxed" 30 to 50%. This severely undercuts the country's ability to sell goods and services in international markets.

The introduction of floating exchange rate regimes in neighboring or competing African countries, such as Nigeria and Ghana, has allowed a very significant depreciation from what had been grossly overvalued rates. As such, smuggling into the Franc Zone has become an increasingly serious problem: smuggled imports reduces demand for home goods. When real manufacturing prices are deflated by import prices, one can see a shift in competitiveness away from Cameroon to other countries outside the Franc Zone, such as Nigeria. Similar effects can be shown for manufacturing wages and industrial prices. Not surprisingly, direct foreign investment is now shunning the high cost franc zone despite the assurance of fixed exchange rates. Many foreign investors are using the guaranteed convertibility of the CFA franc to remove their investments from Franc Zone economies, including Cameroon.

From the point of view of the foreign investor, there is absolutely no difference if the CFA franc depreciated by 30% or if local wages and prices declined by 30%. The net effect on the business person'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 based on 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 controlled wages. In addition, both wages and prices in the local economy are beginning to decline as a result of the adjustment occurring under the Structural Adjustment Program. For example, wages were recently reduced by 30% across the board by a large government parastatal. As well, the government recently announced that it was unilaterally reducing the rent it pays for government housing and buildings by 15%.

As the local economy continues to adjust to world prices through liberalization and structural adjustment the real exchange rate will continue to depreciate even if the nominal exchange rate does not. The expected nominal devaluation, in addition to the continuing decline in the local wage and price level, will serve to increase the international competitiveness of Cameroon's exports, including those of Free Zone enterprises.

9.4 Foreign exchange

Cameroon's membership in the Franc Zone is a major plus for investors in terms of being able to repatriate capital and earnings. Obtaining foreign exchange is relatively simple affair, making international transactions a relatively trouble-free experience for foreign international companies operating in Cameroon.

Exchange control regulations in Cameroon are modelled on those of France. Most of the regulations were enacted as far back as 1963. Most outward transfers of currency require prior authorization. Transfers within the Franc Zone do not require such authorization. But transfers which exceed CFAfr50,000 must be declared with the authorities. Foreign investors from outside the Franc Zone are required to declare their investment capital to the ministry of Finance. The Ministry will then provide a guarantee for the repatriation of profits and capital. Most investors will find their investment guaranteed by the Investment Code of 1984 and the Free Zone Regime if they are an exporter. Borrowing from outside the Franc Zone requires the approval of the Ministry, except in the case of Industrial Free Zone enterprises. The Free Zone Regime will provide the right to hold foreign exchange in the domestic banking system, unrestricted purchase and sale of foreign exchange and the right to repatriate all invested funds.

9.5 Trade Relations

9.5.1 UDEAC

The treaty creating the Union Douaniere et Economique de l'Afrique Centrale (UDEAC) came into force in 1966, thereby replacing the former Equatorial Customs Union of 1959. Its present members are Cameroon, Chad, Gabon, Congo, Central African Republic and Equatorial Guinea. UDEAC is a fully-fledged customs union with a common external tariff on imports from non-member states. It also harmonizes member states' industrialization policies, development plans and transportation policies with a view to promoting the balanced development and diversification of their economies.

9.5.2 CEEAC

The Communauté Economique des Etats de l'Afrique Centrale (CEEAC) was established in Gabon in October 1983, ostensibly as part of an attempt to create an African common market by the year 2000 in accordance with the 1980 OAU Lagos Plan of Action. Its membership covers the Central African states of Cameroon, Congo, Gabon, Chad, Zaire, Central African Republic, Equatorial Guinea, Sao Tome and Principe, Rwanda and Burundi. At the 1984 summit meeting in Congo it was decided to locate the community's headquarters in Gabon. Several of the members already belong to a long established common market, UDEAC, and have a common currency, the CFA franc. The challenge facing the CEEAC is thus to widen this existing trading and monetary union to include Zaire, Rwanda, Burundi, and Sao Tome and Principe. Since 1987, a clearing house has been established to facilitate trade between CEEAC members in the Franc Zone, and those, notably Zaire, without a convertible currency. Some trade barriers have been lowered and moves toward air transport coordination made.

9.5.3 Lomé Convention

The Lomé Convention is a comprehensive aid and trade agreement between the European Community and the ACP Group of 69 African, Caribbean and Pacific states. The Convention guarantees duty free entry to the EC for some commodities produced by the ACP. All sub-Saharan African countries, with the exception of South Africa, are members. The Fourth Convention was signed in 1989, replacing those signed in 1975, 1979 and 1984 in Lomé, Togo. Lomé IV allocates ECU12 billion in aid over the 1990-1995 period, including ECU1.5 billion for Stabex, a fund to offset serious losses on ACP agricultural exports, and ECU1.1 billion for Sysmin, a financing facility for mining operations that are in difficulty.

The trade provisions of Lomé IV are:

1) Free access to the EC market for all manufactured products where materials originate in the ACP countries or the EC.

2) Free access for manufactured products, containing materials from other sources if, among others,
i) non-originating materials account for less than 10% of total material cost (up from 5% under Lomé III), and
ii) certain types of processing of non-originating materials have been conducted.

3) Exemption to the rules of origin granted, inter alia, when the value-added in ACP countries, or jointly between the EC and ACP states, exceeds 45% of the total value (down from 60% under Lomé III).

The Lomé Convention provides liberal access to the EC market for ACP exports. Some 99.5% of ACP exports enter the European market completely duty-free. Even without the existence of the Convention, however, approximately 75% of ACP exports would enter the EC duty-free due to their Most Favored Nation (MFN) status.

9.5.4 GSP

Cameroon enjoys special access to the US market via the US General System of Preferences (GSP). The GSP program was initiated in 1974 to allow more than 10,000 manufacturing products from developing countries duty-free access to the US. In order to qualify under the GSP provisions, the direct costs of processing operations performed (including parts and/or labor) must be at least 95% of the appraised value of the merchandise. However, selected products, such as textiles, apparel, and footwear, have been excluded from GSP treatment because of the potential impact on these sectors within the US.

Hong Kong, Singapore, South Korea and Taiwan were removed from the GSP program in 1989 by President Reagan. As such, it is expected that some investors might find alternative locations such as Cameroon attractive in gaining duty free access to the American market. Other countries operate GSP programs. Details of the schemes operated by Canada, Australia, New Zealand, Japan, the US and the member states of the European Free Trade Area are included in the Appendix. The US also operates the 9802 (formerly 806/807) tariff program which offers special access to Cameroon. Under this, products assembled from components imported from the US are subject only to tariffs on the value-added outside of the US. Unlike the GSP program, for example, 9802 provides preferential treatment to apparel imports.

9.5.5 GATT

Cameroon is a member of the General Agreement on Trade and Tariffs although as a small country it does not have a loud voice in this forum. Cameroon is currently revising its anti-dumping legislation and is taking great care to follow GATT rules, thus indicating its general support for the principles of liberalized international trade and investment.

9.6 Export Policy Reform

Cameroon's dependence on commodity exports 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 is now pursuing policies which will broaden and diversify its production and export base into higher value-added activities and thereby reduce the country's vulnerability to external shocks. The objective of export policy reform is to improve the investment environment and reduce the domestic distortions which have impeded economic development. The Cameroon Free Zone regime is designed to achieve this objective. By diversifying its production and export base into agro-industrial and resource-based manufacturing. Under the SAP, Cameroon aims to reduce its vulnerability to external shocks, broaden its revenue base, increase value added and national income, and stimulate new areas of employment.

Chapter 10

Debt

10.1 External Debt

In 1989/90 Cameroon's total external debt stood at an estimated CFAfr1,470 billion (approximately $4,600 million), equivalent to 44.3% of GDP. As table 17 shows, external debt has risen dramatically as a percent of GDP over the past five years from 26.3% in 1985/86. The debt/service ratio is 15.1% in 1989/90, up from 9.7% the year before but slightly above average for the previous five years. However, interest payments, as a proportion of total payments, have continued to climb as Cameroon's external debt accumulates. Interest payments now exceed principal payments by a ratio of almost 3 to 1. In 1985/86 the ratio was almost 1 to 2, with principal payments greatly exceeding those for interest.

Significantly, the structure of Cameroon's external debt reveals that Cameroon is largely beholden to public institutions. As the table below indicates, private commercial debt represents less than 20% of the total. In 1988/89, when total external debt was CFAfr1,296 billion, debt to private financial institutions stood at CFAfr255 billion. At the end of 1988/89 multilateral development agencies were owed CFAfr440 billion and national governments were owed CFAfr601 billion. By far the largest creditor is the World Bank at CFAfr281 billion, followed by France at CFAfr203 billion, followed by West Germany at CFAfr17 billion. As already mentioned above, in 1989, the major bilateral donors, collectively referred to as the "Paris Club" agreed to reschedule Cameroon's external debt.

Table 17
External Public Debt Operations
1985/86-1989/90[1]
(CFA francs bn)

	1985/86	1986/87	1987/88	1988/89	1989/90 Est.
Debt outstanding[2]	1,061	1,097	1,121	1,296	1,470
Principal payments	81	56	25	30	12
Interest payments	49	52	63	35	43
Memorandum items:					
External debt/GDP (in percent)	26.3	27.8	33.8	39.4	44.3
Debt service ratio (in percent)	12.7	15.6	13.7	9.7	15.1
Interest payments (in percent)	4.8	7.5	9.9	5.0	11.8

Source: Data provided by the Cameroonian authorities

[1] Disbursed debt with a maturity of over one year.
[2] Not including external payments arrears.

Table 18
Outstanding External Public Debt
1986/87-1989/90[1]
(CFA francs bn)

	1986/87 Total	1987/88 Total	1988/89 Total
Multilateral	348.7	363.1	439.5
World Bank	226.4	237.9	280.9
EIB[2]	65.9	50.3	70.2
AFDB[2]	29.4	36.1	42.3
IMF (Trust Fund)	6.9	4.6	4.4
Other	20.1	34.3	41.7
Bilateral	523.9	459.5	600.9
France	184.7	142.3	202.7
Germany, Federal Republic of	97.0	101.1	116.5
Saudi Arabia	41.8	8.2	11.8
China	21.5	23.7	23.9
United Kingdom	22.8	4.4	7.3
United States	28.5	19.9	28.0
Denmark	8.6	14.9	16.1
Japan	5.3	7.7	7.74
Austria	63.6	70.9	79.7
Other	50.2	66.5	107.3
Financial Institutions	224.4	298.4	255.4
Total	1,097.0	1,121.0	1,295.8

[1] Not including external payments arrears.
[2] EIB. European Investment Bank: AFDB. Africa Development Bank.

Source: Cameroonian authorities: IMF estimates.

10.2 External Debt Strategy

In the years ahead, Cameroon will have relatively large external financing needs which will step up its indebtedness ratios. The government is already making more extensive use of its borrowing capacity vis-a-vis bilateral and multilateral sources to maintain a reasonably sound debt structure. In this context, the Cameroon authorities will increasingly resort to project loans with favorable conditions to finance economic projects; the Caisse Autonome d'Amortissement set up for this purpose will have an important role to play.

The government intends to try to negotiate new loans with the longest possible maturities. In order to limit the risks of exchange rate fluctuations on debt servicing, Cameroon will strive as much as possible to borrow in the currencies of its exports. Commitments and disbursements relating to external public debt will be limited to a level such that the ratio of debt service due on public or publicly guarantees debt will not exceed 30% in the long-term.

No debt-equity swaps have been reported to date.

10.3 Foreign Aid

Although the share of foreign assistance in the GNP of African countries has been increasing since 1980, in the first half of the 1980s it had fallen in Cameroon both as a share of GNP (from 3.3% in 1980-81 to 2.6% in 1985/86) and in absolute terms (from $264 million disbursed in 1980 to $213 million in 1987). This reflects in part the decline in some donor's program's worldwide. However, it has also reflected, on the Cameroonian side, the economic crisis which has made it difficult to satisfy loan financing conditions, a general reduced capacity to absorb projects, an increase in bureaucratic bottlenecks, and delays in project implementation. During the period 1985-87, eight donors provided more than 90% of total development aid to Cameroon, of which the US with 6% ranked sixth. The World Bank is the largest donor, with France by far the largest bilateral donor. The African Development Bank, West Germany, Canada, Italy and the EC are also major donors.

Table 19
Donor Commitments, 1985-87

Source	Commitments (CFAfr bill.)	% Total
World Bank	101.8	26.7
France	82.9	21.7
ADB	44.4	11.6
West Germany	32.8	8.6
Canada	23.6	6.2
US	23.0	6.0
EC	22.2	5.8
Italy	18.9	5.0
Belgium	8.6	2.3
All Others	23.8	6.2
TOTAL	382.0	100.0

Source: EC delegation to Cameroon, November 1988

Donors differ in their approaches, instruments and sectoral emphasis. As revealed in the following table, France, Germany and the World Bank give high priority to transport and infrastructure. Canada and France allocate a large share of their aid to education and human resource development. Until recently, there was little donor assistance in the area of industry and energy, but this has recently been altered by German and Canadian assistance to small enterprises and joint ventures, and by the UNIDO assistance under the Industrial Master Plan. while maintaining sizeable project activities in the agriculture, education and health sectors, the US has increasingly been shifting its focus to non-project assistance in support of the Government's SAP. At present, activities in the area of liberalization of fertilizer markets and of the internal and external marketing of arabica coffee are being pursued, as is an intervention aimed at supporting the implementation of the country's Free Zone Regime.

Table 20
Sectoral Emphases

Source:	ARD	Transp. Infra- struct.	Energy Natl. Rsrcs.	Ind., Tele- comm.	Health Soc. Infra.	Educ. HRD	Other
Sectoral Emphasis:							
World Bank	X	X					
France	X	X	X	X		X	
ADB	X	X					
West Germany	X	X		X	X		
EC	X	X					
Canada						X	X
US	X				X	X	
UNDP	X			X			
1985-87 Commitments:							
Total	30%	31%	6%	6%	6%	17%	4%

Source: donor strategy statements.

While detailed figures for 1989 are not yet available, the World Bank, the African Development Bank and the French are likely to emerge as the largest donors with their commitments due to Structural Adjustment Loans (SAL). The World Bank has already disbursed $50 million under its SAL, with disbursement of a further $50 million expected to occur soon. A third tranche of $50 million is scheduled for end-December 1990. Disbursement of the second and third tranches is dependent on the government of Cameroon making satisfactory progress in carrying out its

SAP and as such is a good indicator to prospective investors of the government's commitment to economic reform that liberalizes the business environment.

In addition to the SAL, the World Bank is also pursuing a variety of projects which aim to redress various problems regarding the country's infrastructure and which have a direct impact on private sector development. Most notable are a series of urban and rural roads projects, several port projects and an education and vocational training project.

With the introduction of the SAP in 1989, donors have increasingly coordinated their lending to Cameroon, often following the lead of the World Bank, and to a lesser extent the IMF.

Chapter 11

The Free Zone Initiative

11.1 Background

On January 29, 1990, President 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 the development of world class, privately-owned and operated industrial Free Zones throughout the country. In drafting the Free Zone Law, the government of Cameroon 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. The result was a law which makes the Cameroon Free Zone Regime competitive with the best of export processing zone regimes worldwide. The Regime will be fully operational by the beginning of 1991. By 1992 the first dedicated industrial park is expected to be ready for productive activities, most likely adjacent to the Port of Douala.

While a few sub-Saharan countries have had operational Free Zone Regimes for a number of years, Cameroon is amongst the first to introduce a regime administered by a professionally managed regulatory body with a private sector majority on its Board of Directors. Moreover, it is among the first to have privately-managed industrial Free Zone parks. The public Free Zone Regimes of Senegal, Liberia, and Zaire have mostly failed due to poor incentives, inefficient public sector management and administration, bad locations, inadequate infrastructure, high levels of corruption and lengthy investment approval procedures among other reasons. The only African nation with a successful Free Zone Regime is the small island nation of Mauritius, located in the Indian Ocean, east of Madagascar. Mauritius introduced its Free Zone Regime in 1976 and now directly employs about 100,000 people, a third of its working age population in its Free Zone industries. Other African countries are at various stages of introducing a Free Zone Regime. The list of countries includes Cape Verde, Ghana, Guinea, Kenya, Madagascar, Mozambique, Nigeria, Togo, and Zimbabwe. The most advanced of these is Togo which passed its Free Zone law in September 1989, becoming fully operational in May 1990.

There are three important principles established under the Cameroon Free Zone Regime which will provide the country with additional advantages 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 have 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.

Second, 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.

Third, and of prime importance, 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 factory-specific free zones for economic activities which for economic and financial reasons need 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 factory-specific free zones which can be located throughout the country. The government has recognized that export activities in Cameroon are not likely be dominated by those found in other Free Zones i.e., labor-intensive activities such as apparel, electronics and other light manufacturing, but rather domestic resource-based processing activities where the "location" decision will probably be critical to the financial viability of the project. The decision regarding location has therefore been left to the private sector.

The following sections summarize the Free Zone Regime. Full details of the Regime are contained in the Appendix. Where possible, details of the impact of the Regime on regulations affecting economic activity in Cameroon will be included in the other chapters of this report.

11.2 Entry Requirements

Firms that are eligible to enter the Free Zone (FZ) must:

1) produce goods and services exclusively for export or for sale to buyers who are resident outside Cameroon.

2) produce goods and services which will not have deleterious effects on the environment.

Developers and operators of industrial free zones are also considered to be free zone enterprises and are entitled to the package of incentives provided under the FZ law.

11.3 Types of FZ designations

A firm qualifying under the FZ regime may install itself within:

a) An industrial FZ, which is an industrial park that has received free zone designation. The first such park is planned for Douala.

b) A special industrial free zone: this is a "factory-specific" FZ for enterprises which must locate close to their source of raw materials, a feature especially important in a country with rich natural resources and a strong agricultural base. This means the FZ regime is virtually applicable to all locations throughout the country.

11.4 Incentives and Benefits

The FZ regime contains an attractive package of fiscal, regulatory and customs incentives.

11.4.1 Streamlined Administrative Procedures

1. A streamlined administrative process with a one-stop shop, the National Office for Industrial Free Zones (NOIFZ), having the authority to issue the sole license required to establish and operate a FZ 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.

11.4.2 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 part of annual production to the local economy, but subject to all relevant customs duties and taxes.

11.4.3 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 for perpetuity.

3. Profit or loss carry forward during tax holiday period.

11.4.4 Financial transactions concessions

1. Right to hold foreign exchange 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.

11.4.5 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 and duties.

2. Exemption from the Import Verification Program (i.e. SGS, VERITAS).

3. Automatic right to work permits for expatriate workers - not to exceed 20% of the workforce after the fifth year of the operation.

4. Right to replace the National Social Security scheme with a private plan of equal or better benefits.

11.4.6 Other Benefits

1. Right to install own power generation and telecommunications system if desired.

2. Preferential electricity rates and water 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.

Chapter 12

Foreign investment

12.1 Existing or new foreign investment

New investment projects, financed from either domestic or foreign sources, are very few in number and size and, since the economic recession started in 1986, there have been growing signs of disinvestment. The latest reliable figures on the size of foreign investment in Cameroon are for 1984/85. Total private investment was estimated to be CFAfr100 billion, of which more than 60% was Cameroonian. French investment represented 26%. The next largest investors were the British at 2.7%, with West Germany at 1.8%, Italy at 1.7% and the US at 1.6%. Most investment has been aimed at production for the domestic market in Cameroon.

In early 1988, one of the largest foreign companies in Cameroon, Unilever, left the country, costing many local jobs. Several other large foreign companies have also packed up, including the largest supplier of electrical equipment, Entrelec and the large freight-forwarder, Socopao. Overall, business turnover is estimated to be down by 10 to 20% over the past two years, and in some sectors it is off by up to 50%. However, many local business people feel that smart investors will, and should, start now to assess investment opportunities in Cameroon, as many excellent "buys" will arise as the economic crisis continues and as the government liberalizes the environment for business investment and development.

Overall, more than 50 US firms are represented in Cameroon, either directly or through agents or distributors. Some US companies operate through European subsidiaries. These firms share a focus on a specific "niche" market, where US expertise or clout can secure them a position even in the face of Cameroonian bureaucracy and European competition. Pecten Oil Exploration of Houston works with Elf Aquitaine and the National Petroleum Corporation (SNH) to produce oil. Two US high technology firms recently concluded contracts to provide computer equipment and a weather/navigation radar to the Cameroonian government in Export-Import Bank financed sales. Cameroon commodity importers are doing a significant and growing business in US wheat and flour, and there is local demand for US food products through one or two local importers.

Overall US investment in Cameroon is estimated at approximately $1 billion, with most of this accounted for by Pecten Oil Exploration. The following list covers most American investment in Cameroon as of the end of 1989:

In addition to the above investment, there are nearly 40 Cameroonian agents, distributors and representatives who handle over 70 American product lines such as Ottis Elevators, Firestone Tires, Coca Cola, 3M photocopiers, Hertz Car Rentals and Mercury Outboard Motors.

Name of Company	American Investor
American Life Insurance Co	American International Group
Assureurs Conseils Camerounais	Marsh McLennen
Burroughs S.A.	Burroughs
Del Monte	Del Monte
D.H.L. Cameroon International S.A.	DHL International
Dowell Schlumberger	Dowell Schlumberger
IBM Cameroon	IBM (France)
African Informatics S.A.	IOCS
Louis Berger	Louis Berger
Milchem (Milpark)	Baker Sand Control International
Mobil Oil Cameroon	Mobil Oil Corp
National Cash Register	NCR
Pecten Cameroon Company	Pecten-US
Philip Morris Services Co.	Philip Morris (Marlboro) S.C.G.A.
Petiteau, Scacchi et Associes	Price Waterhouse Co.
Pfizer	Pfizer
Société Nouvelle d'Assurance du Cameroun	Continental Group
Strafor Cameroon	Steelcase/Howell Micrographics
Texaco Cameroon	Texaco Inc.
Network Cameroon	Wang

12.2 The Local Business Community

Cameroon is fortunate in comparison to most African countries in that the private sector is well-organized through a variety of business associations, usually based on common points of interest. There are two chambers: The Chambre d'Agriculture de l'Elevage et des Forets du Cameroun, for agriculture, animal husbandry and forestry, and the Chambre de Commerce, de l'Industrie et des Mines du Cameroun, for trade, industry and mining. The two chambers are not truly "private" business groupings as, similar to the French system, all licensed businesses are members. There are also nine employer's associations, the most important of which is GICAM. They are:

* Groupement Interprofessionael pour l'Etude et la Coordination des Interets Economiques du Cameroon (GICAM), fc. the study and coordination of economic interests.

* Syndicat des Industriels du Cameroun (SYNDUSTRICAM), for industry.

* Syndicat des Entrepreneurs de Travaux Publics, du Batiment et des Industries Annexes du Cameroun, for the public works, building and allied activities.

* Syndicat des Commercants Importeurs-Exportateurs du Cameroun, for the import-export trade.

* Syndicat des Producteurs et Exportateurs de Bois, for timber production and exports.

* Syndicats Professionnels Forestiers et Activités Connexes du Cameroun, for forestry and allied activities.

* Union des Syndicats Professionnels du Cameroun, a confederation of employer's associations.

* Groupement des Hommes d'Affaires Camerounais

* Groupement des Femmes d'Affaires Camerounais

In addition, the economic power base is distributed among several players rather than concentrated within the hands of a privileged few. Among the Cameroonians, the Bamileke ethnic group is renowned for its entrepreneurial flair, although the Bamileke's skills and hardworking natures are sometimes envied by other ethnic groups. Several Southerners have set up successful businesses aided by their contacts with the government. The Northern Muslims have consolidated their traditional niche in trading. It is usual in most West and Central African countries to find either a strong Lebanese or Greek element. In the case of Cameroon, it is the Greek business community which is active and many of its members have been resident in the country for decades. 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, although at present trading skills are far more prevalent than production skills. In sum, the country has a strong basis for developing its potential through the use of local versus foreign talent.

Chapter 13

The Regulation of Foreign Investment

13.1 Limitations on Foreign Equity

All sectors are open to foreign private investment with the exception of those sectors that the government considers as public goods, such as telecommunications and internal air services. To date, no foreign investors have been able to maintain 100% ownership of any enterprises established in Cameroon. This is not a result of domestic laws but of the government's historical desire to directly participate in creating economic opportunities for Cameroonians and to derive some of the revenues from successful ventures. Governme participation has been strongest in the mining, banking and petroleum sectors. However, the government is now withdrawing from banking and will likely be more liberal in its negotiations with petroleum companies as it tries to find and exploit any potential new reserves. Under the Free Zone Regime it is not expected that the government will ask for equity stakes in enterprises.

While no local participation is required in ventures established by foreign companies, as with most developing countries, it might be pragmatic to allow Cameroonians to have a direct, but limited, stake in any planned investment. Local investors can be useful in helping navigate the sometimes tricky waters of Cameroonian officialdom.Those American investors seeking a local partner are advised to ensure they speak French, and/or they are on good terms with politicians in Yaounde.

13.2 Company Formation Outside the Free Zone

While great progress has been made in politically uniting the country, the different legal systems remain much the same as they were at independence. Laws, and especially procedure, still differ substantially in many respects. In the former East Cameroon, the French Code de Commerce and the Code Civil are the principal instruments used in regulating corporate and commercial transactions. In the English-speaking part of the country, general principles of common law and the Companies Ordinance, together with those legislative enactments and regulatory instruments now common to both sections of the country, form the body of laws covering business transactions. The differences in the legal systems can be important. For example, in the former West Cameroon, corporate laws do not impose a minimum capital requirement for the formation of a limited liability company or partnership. Under the laws of the former East Cameroon such a requirement exists.

Cameroon law allows foreign investors a broad choice of corporate forms through which business can be conducted. The choice of any one form of business structure over another depends upon the size of the contemplated venture, the nature of the business and any other special considerations the parties to the venture may take into account. For example, an investor starting a large, capital-intensive venture may, for the sake of flexibility, convenience, greater facility for raising financing, and the importance of having limited liability vis a vis third parties, choose a limited liability company (Anglophone Cameroon) or a Société Anonyme (S.A.)(Francophone East Cameroon) to carry on the business as opposed to the more informal, less controlled, more fiscally advantageous partnership. There are, however, certain restrictions placed on the corporate form(s) that can be adopted by certain types of business such as in the oil, banking and insurance industries.

The public limited liability company, equivalent to the Société Anonyme, and the private limited liability company, equivalent to the Société a Responsabilité Limitée (SARL), are the most widely used forms of business structure. The incorporation process for limited liability company is relatively easy compared to that of the SA. The whole process of incorporation must be completed in one of the two English-speaking provinces. Upon registration, the limited liability company can immediately go into operation in any part of the country. Its headquarters, however, for taxation, social security and other purposes as prescribed by law, must be in the locality of incorporation.

The French law equivalent of the public company, the Société Anonyme, is the most commonly used form for major commercial and industrial undertakings in the eight French-speaking provinces. A minimum of seven shareholders, as in the English public limited company, are required, and each share must have a par value of at least CFAfr5,000.

A foreign investor in Cameroon may well base his decision to set up in one part of the country or another on the advantages one system may present over the other. For an American executive, familiarity with the Common Law system of administering corporations, knowledge of the English language and some of the cultural aspects of the people living in the South-West and North-West provinces, may be important criteria in the decision-making process. Moreover, in the ease of incorporation, absence of notarial expenses and cumbersome publicity requirements in the two English-speaking provinces may be important considerations.

In addition to legal, cost, time and tax considerations, an investor intending to compete for contracts or apply for local financing in Cameroon must also consider the 'public relations' effect of its choice of legal form and amount of stated capital. Many bankers and decision makers in both the public and private sectors have been trained under the French system and, as a result, are unfamiliar with the names and reputations of non-French firms: they tend to judge an investor's status and the seriousness of their interest in Cameroon on the basis of the type and financing of the local subsidiary formed. The British-based form may sometimes encounter bias on the part of French-trained officials or executives.

Joint ventures in Cameroon are usually formed with the sole intention of performing large contracts in the construction industry, sometimes with or without local participation. Joint ventures can be incorporated as separate legal entities, although no such requirement exists. More often than not, they operate without incorporation under an agreement covering the parties' contractual relationship. Generally, joint ventures carry certain tax advantages.

Foreign enterprises can operate in Cameroon through branches. Some laws make provision for the setting up of branches for certain industries, such as banks, but normally any firm wanting to set up a branch must apply to the Ministry of Trade and Commercial Development for approval. This process is very time consuming since it entails long periods of waiting, follow-up, and "file chasing". It is easier to proceed immediately with the incorporation of a subsidiary, which is a more acceptable practice from the government's standpoint. Government policy is to try to exert direct control over companies which have their principal places of business and registered offices in the country.

13.3 The 1984 Investment Code

Investment, both domestic and foreign, has been hindered by a cumbersome Investment Code last revised in 1984. The 1984 Investment Code provided for four different categories of incentive packages, giving increasingly favorable incentives according to the size of the investment and the percentage of Cameroon ownership. If tax concessions under these categories were being sought, the screening and approval process was time-consuming and uncertain, with much discretionary intervention by the Cameroonian bureaucracy. The investment screening and approval process has lacked the immediacy or automaticity found elsewhere. Investment approvals have taken from 6 months or longer, depending on the nature and the size of the investment. Much of the problem has derived from the vagueness and lack of criteria in the Code itself, and the traditional inertia of the bureaucracy.

Administrative delay is a recurring theme in every objective report on Cameroon. Government approvals are required for virtually any change, and months can pass as files move from ministry to ministry, on even very small matters. This situation has required tremendous persistence and patience. In view of the imminent demise of the current Investment Code, further details are not discussed in this report.

13.4 The new Investment Code

As part of Cameroon's SAP, the Investment Code is being overhauled and will be finalized before the end of 1990. The new Code, applicable to all investment including that for export, will provide greatly liberalized conditions for many aspects of investment. The four guiding principles used in drafting the new Investment Code included transparency, automaticity, simplicity and performance-based benefits. Although full details of the new Code are not yet available in final form, it is expected to categorize new investments into one of three regimes depending on such factors as the amount of local employment created, the percentage of production exported, and the amount of local content in production. Firms will receive a variety of exemptions and reductions from taxes and fees during the initial start-up period and during their period of general operation.

The benefits in the first phase, which lasts for three to five years, depending on the regime under which the investment qualifies, are designed to facilitate the start-up of operations by giving breaks on taxes and fees related to local and imported materials for construction, installation, and other start-up costs. The second phase grants seven to 15 years of tax advantages, once operations are under way, again depending on the regime in which the enterprise falls. In addition, a fourth regime will provide incentives for reinvestment in existing enterprises.

Guarantees for foreign investors under the new investment code will now be clearer than previously. They include:

- The guarantee that no expropriation or nationalization will occur without a preliminary notice justifying it and without a proper compensation based on assessment of the value of the company by a third party.

- The guarantee that companies can set their prices and their own production, distribution and marketing policies.

- The guarantee to hire and fire freely; and the guarantee for investors and their staff to come in and out of this country freely.

- The express guarantee to transfer royalty payments.

- The guarantee offered by MIGA for "approved investment" to cover non commercial risks. (Cameroon signed the MIGA treaty in 1988 and can therefore offer this new guarantee to potential investors.)

- Finally, an improved disputes settlement clause which would provide, for example, advance consent by the Government to settle disputes under ICSID's auspices.

Most importantly, administrative matters relating to investment will most likely be handled by a "one-stop shop", the Cellule de Gestion du Code des Invetissements (CGCI). The CGCI will delegate the authority to provide centrally all services related to the various investment regimes. This will include investment approval, customs processing, visas required for national and foreign employees, and access to any public services necessary to facilitate the smooth functioning of the program.

The following information on investment regulations is relevant under both the old and the new investment codes.

13.5 Impact of the Free Zone Regime

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 previously required. Moreover, a single one-stop shop for investment approval has been created (the NOIFZ) which replaces the previous 20 ministries, offices and agencies involved in investment approval.

In addition, the time required for Free Zone investment approval has been reduced to 30 days from between six to 18 months. It should serve as a major attraction to foreign investors, given that it significantly reduces the cost of establishing and operating a business in Cameroon and provides a world-class package of financial incentives.

13.6 Foreign Investment Guarantees

In addition to obtaining all of the rights and privileges noted above, Industrial Free Zone enterprises also benefit from a series of dispute settlement procedures provided under the Free Zone Law.

Cameroon is a member of the Multilateral Investment Guarantee Agency and American investors can benefit from protection and guarantees provided by the Overseas Private Investment Corporation.

The Free Zone Regimes clearly stipulates means for resolving disputes between developers, enterprises and operators under Article 27.

Chapter 14

The Regulation of Labor

14.1 The Labor Code

Like most other aspects of the Cameroon economy, the Labor Code is in the process of being reformed. It is expected that the new code will be more liberal than the current code: in fact, the labor provisions in the Free Zone Regime will most likely serve as a demonstration case for the expected reforms to be implemented under the general Labor Code.

The present Labor Code is modelled on French standards. It is very rigid, and involves fixed pay scales according to:

- geographical location
- type of business
- size of the employee's family
- level of education

Basically, the Code governs labor relations in the non-public sectors. The procedures for terminating employment are lengthy and costly, with heavy severance payments. While the code has been widely enforced in the past, enforcement has been relaxed as the economic situation has deteriorated.

At present any person operating a business must supply information on his employees and company to the labor inspector in his locality. An employer must register all his workers with the National Social Insurance Fund (CNPS), which is the social security, old age and workers disability insurance fund. The payment of the stipulated contribution to the CNPS by the employer is also compulsory. The minimum salaries and wages to be paid to workers must be in accordance with the provisions of the professional classification of jobs by type of activity. Under this system, there are 12 salary categories, one being the lowest and 12 being the highest. Overtime payments for non-managerial staff are compulsory.

Table 21
Current structure of minimum salaries
(CFAfr per month)

	July 1985
Public sector	
Zone I	21,847
Zone II	17,985
Zone III	16,179
Private sector	
Zone I	
Primary	25,595
Secondary & tertiary	35,105
Tertiary II	38,975
Zone II	
Primary	21,900
Secondary & tertiary	28,600
Tertiary II	31,785
Zone III	
Primary	21,055
Secondary & tertiary	27,540
Tertiary II	30,605

Source: Cameroonian authorities

The existing Labor Code has contributed to an increase in the cost of labor in the country. Nevertheless, the lowest statutory minimum wage in Cameroon is equivalent to about $0.51/hour, which is competitive with countries such as the Dominican Republic, Ghana and Haiti. The prevailing hourly wage for a semi-skilled worker in the industrial sector in the Douala region is about $1.49.

14.2 The Impact of the Free Zone

The problems created by the Labor Code with regard to wage levels and the ability to freely hire and fire workers are directly addressed by the Free Zone Regime. The Free Zone Law creates a distinct set of rules and procedures that Free Zone enterprises follow regarding the hiring and firing of 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 provides that Free Zone enterprises may set wages on the basis of productivity and efficiency. The Law also states that the restrictive and bureaucratic procedures on hiring and 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 Regime is that wages can now be negotiated on the basis of market forces rather than by administrative fiat. The liberalized setting of wages between Free Zone enterprises and employees will most likely move in the direction of increasing the international competitiveness of Cameroonian wages.

14.3 Employment of Foreign Nationals

Expatriate employment has been an issue to be taken seriously by any firm wanting to invest in Cameroon. The government places importance on its Cameroonization policy in employment and requires all foreign undertakings to submit a staffing plan for their businesses to the Labor Ministry for approval. This is to ensure employment is not given to foreigners where similarly qualified locals are available for the positions in question. An expatriate employee may not obtain an entry visa into Cameroon until his contract of employment is returned to him with a stamp of approval from the above Ministry. Foreigners who enter Cameroon on tourist visas in the hope of getting a work permit later risk being asked to leave the country immediately.

Under the Free Zone Regime, work permits, residency permits and visas for expatriates will be automatically granted, although by the end of the fifth year of the free zone enterprise's operations, the number of foreign employees should not exceed 20% of the overall workforce or by category. Exceptions to this rule may be permitted in cases where specialized local technical and/or managerial skills are unavailable.

The government has recently announced the introduction of 12-month multiple or unlimited entry visas for US businessmen.

Chapter 15

Price controls

The government has now removed all price controls, with the exception of a few essential goods such as oil and basic foodstuffs. Prices were previously controlled on all products and some, but not all, services. They were enforced by government inspectors. All requests for price increases had to go to the Office of the Presidency, after prior approval of the Ministry concerned. The process was slow, sometimes taking up to a year.

There are no limits on gross margins in manufacturing with the exception of those goods that compete with those imports which are quantitatively restricted. However, most quantitative restrictions will be eliminated by mid-1991 and therefore there will no longer be any margin controls. Prior to economic reform gross margins in manufacturing were theoretically limited to 12%. In fact the margin calculation was a function of price control, although many managers found ways to avoid its literal application. Marketing margins were more tightly controlled. The distribution margin was generally limited to 30%, often not enough to allow for transportation, sales coverage and advertising.

The impact of price controls was costly for business since justification for any price increase had to be made in great detail, involving hundreds of person-hours.

Under the Free Zone 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 and 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 permits under the existing system.

15.1 Acquisition of Real Estate

The land tenure policies of the country are basically sound and the government welcomes foreign land ownership, including land in industrial free zones.

15.2 Rules of competition

Cameroon has no anti-trust laws: there are numerous monopolies in the country, both public and private. Traditionally price controls have been used to control corporate behavior in the marketplace, although with economic reform greater competition is being introduced into the domestic marketplace at the same time as price controls have been lifted on most products. Restructuring of the distribution network in the country has become a priority as it has limited the growth of domestic trade. Despite certain incentives to encourage the development of an effective domestic distribution network, the government has kept several measures in the General

Trade Schedule to prevent consumer manipulation. For instance, the government is particularly concerned to see that there is no hoarding of essential goods such as rice, flour, oil and sugar. Furthermore, the schedule contains regulations to ensure that after sales service of heavy and light capital goods, apparatuses and machinery, conform with the guarantee conditions laid down in the Code Civil. This means that distributors must have permanently available: spare parts, instruction manuals, a well-equipped repair shop and skilled technical staff.

15.3 Local Content Requirements

The government has no formal local content requirement. Until recently, the government has employed a system of import quotas to protect local industry from international competition and to ensure consumption of goods produced locally. However, under the 1989-91 General Trade schedule most quantitative restrictions have been phased out, or will be by the end of 1991.

Chapter 16

Taxation

16.1 Introduction

The basic text on taxation in Cameroon is the General Tax Code. The Code is a fairly complex document, the details of which cannot be fully discussed in this report, although all the main taxes with most of the rates, exemptions and deductions associated with each tax are listed in an appendix. The Investment Code provides a number of highly significant exemptions from Cameroon's heavy corporate and personal taxation. In the case of the Free Zone Regime, exonerations from all direct and indirect taxes are provided in perpetuity for Industrial Free Zone enterprises, with the exception of a flat 15% tax on corporate profits beginning in the eleventh year of operation. In addition, as a result of the structural adjustment program, other changes are being made to the tax system. Opinions on specific tax situations for prospective investors can be obtained from the taxation service of the Cameroonian Ministry of Finance or from legal and tax consultants in the country. The tax year in Cameroon runs from July 1 through June 30.

16.2 Tax Administration

Taxation in Cameroon is carried out along traditional French lines, with a clear distinction between the imposition (percerveur) and the collection (receveur). Tax collectors are, in fact, tax farmers (fermiers-generaux) and are required by the government to remit a certain quota of revenue, over and above which they can, and do, keep. In many ways, tax administration in Cameroon appears to represent the worse features of Cameroon's regulatory framework. Arbitrariness, harassment and corruption are reported to be common by tax administration agents. Tax assessment has been used as a bargaining tool in disputes between the government and the private sector. The government is under a great deal of pressure to clean up and overhaul tax administration and the anticipated changes to the Investment Code should be a positive step in this direction.

16.3 Definition of Taxable Income

With certain exemptions, every corporate or natural person whose income derives from within the country is subject to the provisions of the Tax Code. Taxation in Cameroon is based upon the principle of territoriality. In this regard, a company is said to be resident in Cameroon if its main place of business or center of management is in Cameroon. Companies which are non-resident but have representatives in Cameroon, are taxed only on income derived within the country. Resident companies, on the other hand, are taxed on their worldwide income.

16.4 Corporate Income Tax

The corporate income tax applies to all companies with share capital and to those partnerships which have opted for it. The current rate is 38.5% of taxable profits. Maximum straight-line rates are set for the depreciation of fixed assets, and the deductibility of overseas service fees and company-related charges is subject to proof of their justification and a ceiling of 10% of taxable profit with these charges added back in. Any amounts which are deemed unjustified or which exceed the ceiling are added back into taxable profits and subjected to the withholding tax on distributions.

Patent and trademark royalties paid to an overseas shareholder or affiliate are also taxed as a distribution of profits, as are interest charges on company-related loans which exceed certain limits (the principle of such loans should not exceed 50% of paid-up capital, and the interest rate should not be more than 2 percentage points over the Central Bank rediscount rate). Accounts must be kept according to the UDEAC accounting plan.

After the first two years of a company's existence, there is a minimum income tax of 440,000 CFAfr or 1.0% of annual turnover which is due regardless of the year's results. Losses may be carried forward up to three years and depreciation may be deferred during periods of trading at a loss.

16.5 Withholding Taxes

A 15% tax is levied on overseas fees and charges which meet the requirements for deductibility already described. Taxable fees and charges include intellectual property royalties, rentals of equipment and all sorts of technical assistance and service fees paid to physical or legal persons with no taxable presence in Cameroon. This tax is calculated on the "grossed up" value of the payment.

A withholding tax of 16.5% is payable on all interest and distributions including dividends and any payments which are not allowed as deductible expenses for corporate income purposes. A company incorporated in Cameroon must withhold this tax on all dividend distributions, whether the beneficiaries are established in the country or not. When a foreign company is operating through a branch, the tax is due on a percentage of the foreign company's distributions equal to the percentage which turnover in Cameroon represents as a part of its worldwide turnover. When the branch is closed, the tax is due on the difference, if any, between cumulative profit (after corporate income tax) made on the Cameroonian operation and the distribution taxed as above. Local banks also withhold this tax on interest paid on deposits, but if the depositor is a local company, the amount withheld is available as a credit against the corporate income tax. This tax is not applicable to interest paid on funds borrowed overseas.

16.6 Internal Turnover Tax and other Business Taxes

This tax is levied on all corporate and natural persons at 9.9% on billing and gross receipts deriving from industrial and commercial activities, and from professional or non-professional services. The general practice is to pass this tax on to the customer. The 1984/85 Finance Law introduced a special provision for the construction industry allowing general contractors to deduct tax paid on sub-contracts from tax due on final contract invoice, but there is no general mechanism for eliminating cumulative tax or off-setting tax paid at different levels on the same production/distribution chain. Sales of goods manufactured locally under a special single tax regimes and of goods imported and resold locally without processing or repackaging are exempt, but service fees and charges paid abroad attract this tax as well as the 15% withholding mentioned above. Even incidental transactions, such as the sale of used equipment or other redundant assets are subject to turnover tax.

All local banks and other financial intermediaries must add to their interest charges a 1% per annum tax on the distribution of credit which is then paid over to the Public Treasury.

All businesses must pay an annual business license tax for each commercial activity in which they engage. If the company is also acting as an importer, it must pay a second business license tax calculated on a similar scale. Certain municipal charges for lighting, water and garbage removal are added to the business license tax and paid with it.

Employers are liable for payroll taxes adding up to 2.8% of gross salaries and benefits, as well as social security taxes of 12.95% on the first CFAfr200,000 of each employee's monthly salary. They must also withhold and pay personal income and related taxes due by employees to the government on a monthly basis.

Registration and Stamp Taxes are levied on all property rental, sale and mortgage agreements, loan agreements, other legal and negotiable instruments. The taxes carry varying charges and both natural and corporate persons are liable.

16.7 Personal Taxes

Personal income taxation is progressive and heavy. The top marginal bracket of 60% is reached at CFAfr7,500,00 annual income for a single taxpayer. In addition, there is a special tax on income from wages and salaries of three percent. Personal income taxes are calculated on a unit basis according to family size, which results in relatively high rates for well-paid executives who are single. Further details on taxes on individuals are found in the Appendix.

Under the Free Zone Regime, foreign employees who pay income tax in their own country will be exempt from Cameroon income tax. If the expatriate does not pay tax at home then the person must pay Cameroon income tax, but will be allowed a 50% exclusion of such income when calculating income tax liability.

16.8 Customs Duties and Taxes

Cameroon is part of the Central African Customs and Economic Union (UDEAC) together with Gabon, Congo, Equatorial Guinea and the Central African Republic. Customs duties are fixed by this organization. A detailed rate book is available, but most duties are in the 50% to 80% range. However, most foreign investments are exempted from customs duties.

All ventures which qualify for the benefits already described under the schedules of the Investment Code do not have to pay custom duties and taxes for the importation of equipment, materials, machines and tools necessary for the manufacturing and processing of their products, to the extent and for the duration of the benefits.

16.9 Tariffs and Import Controls

Under the SAP, the government is quickly moving away from quantitative import controls to a tariff-based system. All products produced domestically in Cameroon were formerly protected against competition from imports through various degrees of quantitative restrictions. Each year the Ministry of Industrial and Commercial Development publishes a list of protected products under its General Trade Schedule (Programme General des Echanges), for which the importation requires prior authorization from the Minister. This authorization is, generally, not very difficult to obtain.

The current General Trade Schedule covers the period 1989-91. Appendix 2 lists all goods which are subject to quantitative restrictions. It also identifies those goods which will be decontrolled as of January 1991 and at later stages.

Goods imported into Cameroon are subject to both the common tariff of the UDEAC and the surcharge placed on them by the Cameroon government. Tariffs average 70% of the CIF import value. The government has a practice of applying higher tariffs on finished products than on intermediate goods. UDEAC is currently undergoing tariff reform that will reduce overall tariff levels.

Cameroon has recently created price equalization funds which apply to products that are produced locally but which cannot compete with imports because of so-called production subsidies of the exporting countries. The government's policy is to impose an import tax equal to the assumed foreign subsidy and to use the revenues to subsidize the price paid to local producers. This system is applied to rice, sugar and edible oils.

16.10 Export Taxes and Incentives

Government policy has been to levy a revenue tax of 2% on all exports, which has now been suspended and will likely be eliminated altogether. Tax incentives specifically for exports are contained in the new Free Zone Regime which is discussed throughout this report, particularly in the chapter on taxation and in the chapter on the Free Zone Regime. The new Investment

Code, which is expected to be enacted before the end of 1990 will provide performance-based fiscal incentives to industries with regard to export intensity, degree of local value-added and employment intensity.

16.11 Tax Treaties

Cameroon has signed tax treaties with France and Canada but not yet with the US. It also has tax treaties with other members of UDEAC. US investors must bear in mind the risk of double taxation and make appropriate adjustments to the structure of their venture.

16.12 Free Zone Regime Tax Incentives

During the first ten years of a Free Zone enterprise's operations receive total exemption from existing or future direct, and or indirect, duties and taxes and from any registration and stamp duties. Any losses incurred over this ten year period will be considered as expenses to be carried forward and deducted from profits made over subsequent year, without any limits to the carrying over period.

As from the eleventh year of operation, Free Zone enterprises shall have to pay a flat tax of 15% on industrial and commercial profits, but will still receive all the exemptions received during the first ten years. Taxable profits, as defined in the General Tax Code, shall be calculated following the deduction of:

- a sum equivalent to 25% of the wages and salaries paid to Cameroonian workers during the year;

- a sum equivalent to 25% of investment expenditure for the financial year.

Furthermore, any sale of real property within an Industrial Free Zone will be exempt from any transfer tax. All purchase of sales of foreign currency by an IFZ enterprise will be exonerated from any currency export tax.

The Free Zone Regime is even more generous: all Free Zone enterprises are exempted from all existing and future customs duties and taxes. Specifically, all imports of a Free Zone enterprise, including capital equipment, office furniture, office equipment, building materials, tools, spare parts, raw materials, intermediate goods, supplies and consumer goods are exempted from all customs duties and taxes and from all other existing and future and/or indirect duties, taxes and imposts. (Passenger and private cars and fuel entering a Free Zone do not moreover benefit from the exemption).

Furthermore, all exports of a Free Zone enterprise are exempted from all customs duties and taxes and from all other existing and future direct and/or indirect duties and taxes.

Chapter 17

Intellectual Property Rights

Cameroon is a member of the African Intellectual Property Organization (formerly called Union Africaine et Malgache) along with Benin, Chad, Central African Republic, Congo, Gabon, Cote d'Ivoire, Mauritania, Niger, Senegal, Togo, and Burkina Faso. This organization provides a complete regional system of registration and protection of patents, trademarks, and other intellectual property rights. Any foreign investor contemplating the use of its international trade marks in the region would be well advised to register them with the Organization in the name of the parent company and then license them to the local affiliate.

Chapter 18

Investment Opportunities

18.1 Investment Opportunities

US firms considering investment in Cameroon should give special consideration to the possibilities created by the new Free Zone Regime, especially for export to the European market, remembering Cameroon's special duty-free access to EC markets under the Lomé Convention and to the US under the General System of Preferences. The country's extensive natural resource base, its good infrastructure, its central location on the African continent, its active port in Douala, its well educated labor force and the country's official policy of bilingualism are among its most important assets. In addition, the package of incentives and streamlined investment approval and customs procedures make Cameroon attractive to the foreign investor. For prospective investors the export opportunities are currently far more attractive than the domestic opportunities.

18.2 Export Opportunities

18.2.1 Agriculture and Forestry

Agriculture and agro-industry represent the main hope for Cameroon's future. The range of investment opportunities is enormous and many of them have been discussed in the chapter on the economy. The number one priority for the country is adding value to its agricultural production. However, most of the country's cash crops are produced in traditional fashion, on farms averaging 1.7 hectares, collected and processed inefficiently, and exported in their raw form. Very few attempts have been made to process crops for export to the EC as finished products. However, changes are taking place. The government is actively studying privately based agribusinesses that could add value to the country's main export crops. As already mentioned, the government has ended its monopoly on bananas and offered an attractive investment opportunity to Del Monte. The government has liberalized the distribution of fertilizer and is moving in the direction of liberalizing the internal and external marketing of coffee and cocoa. For Cameroon to succeed in diversifying its agricultural exports, the cost structure of most sub-sectors must be reduced and better marketing must be introduced. To reduce costs, the government has taken several steps to liberalize the economy and, as a result, many investment opportunities in agro-industry are looking much more attractive. However, to further reduce costs, relative to output, efficiency gains must also be made. This is where private investors are needed. Private investors can help improve productivity through the use of modern management and production techniques. Furthermore, foreign investors can provide marketing know-how, contacts and international distribution channels as well as access to foreign markets. The potential for increasing productivity is significant.

In the Government's Statement of Economic Strategy and Economic Recovery, published in May 1989, improvements in farming techniques to increase productivity was discussed as the focal point for the recovery and diversification of agricultural exports. Improved farming techniques include the need to use fertilizer and pesticides more efficiently, promote the use of animal traction, motorization and mechanization. As far as cocoa is concerned, emphasis is being placed on regeneration and pest control. Regarding coffee, improvements in arabica farming methods and in the quality of the product are the prime concern. Cotton production is being increased by opening new plantations in the south. Marginal rubber and palm oil plantations are being abandoned and new ones created in high yield areas.

In a recent survey of the business community in Cameroon, many firms indicated that they saw profits and prospects in agro-industry but fewer prospects in commercial agriculture. In fact, 22% of the firms sampled believe that agro-industry either for domestic consumption or for export, offers the best prospects for the investor. For the investor interested in commercial agriculture, local entrepreneurs believe that forestry and livestock offer the best prospects although the government is encouraging the transformation of logs into processed and finished products. The Cameroonian authorities are enthusiastic about encouraging private sector participation in the supply and import of services to the livestock sector.

The Cameroonian forests are endowed with the highly priced decorative redwood such as Sapelli, Sipo and Assamela in the East, and sturdy construction wood such as Azobe from the evergreen forest in the West. The market for these types of wood has been limited due to its concentration in a few traditional importers, mainly France, which in recent years have replaced Cameroonian redwood with that from Congo. The world demand for redwood is increasing at about 2% per year. Cameroonian redwood is not well-known outside France. Thus, by diversifying its market, Cameroon will be able to capture some share of the increasing world demand. For instance, Sapelli is gradually replacing Brazilian mahogany in the UK. The future for increasing export revenues and generating increased value-added for Cameroon, however, lies in the development of forest industry for transforming precious wood for wood products and furniture making instead of construction wood.

To capitalize on the new Free Zone Regime, investors should consider establishing factories to process, transform and ship such products as:

* veneers, plywood, sidings, components and finished furniture made from Cameroonian wood;

* coated and vacuum-sealed, as well as soluble, and freeze-dried coffee;

* chemical, pharmaceutical, and health care semi-products from cocoa;

* rubber processing;

* packaging of cash produce crops for daily delivery to European markets;

freezing of cash crops for distribution abroad.

Production should emphasize locally-produced crops and raw materials, in order to capitalize on Cameroon's natural advantages, except when finished products require a certain percentage of imported materials. An exampie might be seen in coffee. With the low actual production of arabica coffee (20,000 tons compared 100,000 tons of robusta) it may be necessary to import enough additional arabica coffee to make suitable blends for roasted coffee. However, a local processing industry would provide an incentive for increasing arabica planting, and the need for importing may eventually disappear. Although the areas for planting arabica are limited, the present low yields leave much room for productivity improvements.

Other opportunities for American investment will be created in the areas of agricultural inputs, such as fertilizer and seeds, and crop marketing, such as for cocoa and coffee, as the government of Cameroon begins to liberalize and privatize these sectors. Pioneer Seed has just signed a convention with the Cameroonian government to privatize the North Cameroonian Seed Multiplication Facility. Rice marketing has recently been liberalized and responsibility for rice production and marketing is being transferred to the private sector. Sugar production and marketing are also being privatized and the palm oil industry is being restructured for eventual privatization.

18.2.2 Textiles

Given the liberalized labor regime which applies to the Free Zone Regime and Cameroon's domestic source of cotton, more traditional developing country exports, such as textiles might also be worth exploring. Cameroon is already a producer of cotton lint, a cotton-based textile.

18.2.3 Tourism

Tourism would be a potentially good investment sector in view of the striking variety of the Cameroonian environment (sea, mountain, forests, savannah), the presence of wildlife and the local ethnic attractions. Wildlife reserves, of both flora land fauna, are numerous and diversified. In addition to scientific interests, wildlife provides foreign exchange revenues from hunting and tourism. The greatest scope for increasing wild-life based tourism is in the North and North provinces. Indeed, the north is the main tourist attraction, with several game parks, nature reserves and also a more pleasant climate than the humid regions along the coast and in the south. The west has several folklore attractions, including the old royal palaces of the Bandjoum and Bamoua chieftains. The altitude gives the region a pleasant climate, particularly around Dschang which is home to at special health resort, the Center Climatique. The best beaches are to be found around Kribi. However, they have hardly been developed and there is no international-class hotel in the area.

The existing hotel network is probably sufficient for the time being, in most parts of the country, the real investment potential being mainly in tour operating and organization. The main deterrent to developing the sector is the overvalued CFA franc and Cameroon's high cost of living.

However, costs are coming down. At present, Cameroon cannot compete with the Gambia for beach holidays, and in terms of price and animals, cannot compete with Kenya, Zimbabwe or Botswana for safari holidays. The best prospects are for small groups on individually tailored holidays at the top end of the market.

18.2.4 Mining

Mining is now a more attractive sector for foreign investors than before. The Cameroonian government's new mining concession policy requires that exploitation rights be granted through tenders. This should open up new opportunities for private sector exploitation of the country's already discovered mineral reserves, in particular iron, bauxite, rutile, tin and gold.

18.3 Domestic Market Opportunities

Because of the current economic conditions in Cameroon and the resulting squeeze on individual, corporate and government spending, the domestic market is not particularly attractive. However, Cameroonians are still better off than many of their African neighbors. Furthermore, as the country attempts to pull itself out of its economic malaise, local companies will need to invest in new equipment and infrastructure.

Investment opportunities oriented to the domestic market are:

AGRICULTURE In the western provinces, opportunities exist for the further development of maize production. In the eastern provinces, opportunities exist for the development of cassava production. The northern part of Cameroon is suited to cattle farming and could be developed to satisfy demand for dairy products which are imported in increasing quantities. Pig and poultry farming, as well as market gardening, have also been identified as potential successful areas for development mainly for local consumption but, in the case of market gardening, with a possible view to supplying the European market. For all agricultural produce, it is worth noting that Nigeria represents an important market.

FOOD PROCESSING AND MEAT PACKING linking in with improvements in agricultural developments, would help to supply local demand and cut down on imports.

WOOD PROCESSING is not well developed and there is local need for better quality furniture as a substitute for imports as well as other wood products for industry and the building trade.

STORAGE AND CONSERVATION is another sector for which the demand would develop as a result of agricultural and food processing developments.

Basic PHARMACEUTICALS have been quoted as a possible area for investment, in particular aspirin, anti-malaria tablets and rehydrating salts.

INDUSTRIAL MAINTENANCE SERVICES are in short supply in Cameroon, with a notable absence of local skills. The development of maintenance services linked with specialized training would undoubtedly fill the gap in the present economy.

With the rise in population and the development of urbanization there is a rising demand for low cost HOUSING.

Projected improvements in the country's road network will create a need for increased means of ROAD TRANSPORT, both for the public and for goods.

Some of the best prospects for selling into the domestic market are:

COMMODITIES such as wheat and flour, which have US government subsidies and guarantees from USDA and the FCIA. These have been the leading US exports to Cameroon in the last two years.

HEAVY EQUIPMENT for forestry, transport and agriculture. The forestry sector's considerable potential for increased production and contribution to government revenue has yet to be realized, with only about 40% of the country's forest resources currently being exploited. US companies have already had some success in selling equipment to Cameroonian forestry concerns. Given the government emphasis on agriculture, and American competitiveness in this sector, there are also markets for farm equipment and supplies.

There is a growing need for COMMUNICATIONS EQUIPMENT, BUSINESS EQUIPMENT and COMPUTERS in Cameroon, offering possibilities for American firms manufacturing or offering services in these fields. These US products enjoy a definite market advantage in terms of prestige and quality, if not always in terms of price.

The FISHING industry's largely untapped potential deserves special attention.Shrimp, lobster and various fish are found in limited quantities off the coast of Cameroon. Many Cameroonians, with ideas and contacts, are interested in starting commercial fishing activities but lack the necessary funds. There are opportunities here both for investment and for equipment sales.

Success in Cameroon, as elsewhere, depends on persistence, willingness to adapt to local conditions, and a good product. Frequently, difficulties encountered by US businesses have resulted from lack of market research or insufficiently detailed agreements with Cameroonian partners. The importance of personal contacts cannot be overemphasized, and patience with the bureaucracy. Joint ventures with Cameroonian partners can be helpful in overcoming difficulties caused by local practices.

Appendices

Appendix One

THE FREE ZONE REGIME IN CAMEROON

ORDINANCE No. 90/001 of 29 January 1990 to establish the Free Zone Regime in Cameroon.

CHAPTER I: GENERAL PROVISIONS AND DEFINITIONS

Article 1.

(a) A Free Zone Regime, whose provisions are laid down herein, is hereby established to promote new investments, facilitate export development and create new jobs in Cameroon.

(b) The Free Zone Regime shall apply to any part of the national territory which, by regulations, is designated as Industrial Free Zone, either on Government's initiative or at the suggestion of the National Office for Industrial Free Zones (NOIFZ) provided for in Article 4 below.

Article 2.

(a) "Industrial Free Zone" (IFZ) shall mean a demarcated and fenced geographic area, with controlled access, wherein the Free Zone Regime shall apply both to the said zone as an entity and to the enterprises established therein.

(b) An Industrial Fee Zone may be reduced to a geographic area which is one and the same as the settlement area of an enterprise; it shall then be referred to and designated at "Special Industrial Free Zone", and shall be subject to the a same demarcation, fencing and controlled access requirements.

Article 3. In this Ordinance:

(a) Privately-Owned Entity" (hereinafter referred to as private party), shall mean any natural person, partnership, joint-stock company, mixed-investment company or other entity, national or foreign, which is not a State-owned entity.

(b) "State-Owned Entity" (hereinafter referred to as public party), shall mean any agency of the Government of Cameroon, public enterprises and parastatals.

(c) "Industrial Free Zone Developer" shall mean a natural person or a privately or State-owned entity established to develop and administer an Industrial Free Zone in accordance with Article 6 below.

(d) "Industrial Free Zone Operation" shall mean a private or public party engaged in the management of an IFZ designated in accordance with Article 6 below, performing all functions of administration, promotion, control and maintenance of the IFZ. The IFZ operator may be the developer or another private or public party working under contract with the developer.

(e) "Industrial Free Zone Enterprise" shall mean a private or public party which has been granted a certificate of compliance as provided for in Article 10 below, and which operates within the IFZ. The IFZ developer and the IFZ operator shall be considered as IFZ enterprises.

(f) "Domestic Cameroonian Business" shall mean any non-foreign natural person, partnership, joint-stock company or other entity conducting a trade or business with Cameroon, which is not an Industrial Free Zone enterprise.

(g) "Infrastructure" shall mean a physical structure (such as fences, roads, bridges, or storm sewers) which facilitates economic or other activity or protects property.

(h) "Industrial Free Zone Importy" shall mean any good or service to be delivered to an Industrial Free Zone Enterprise, whether from inside or outside the Cameroonian Customs territory.

(i) "Industrial Free Zone Export" shall mean any good or service sold by an Industrial Free Zone enterprise and originating in an Industrial Free Zone, regardless of whether such export shall pass through Cameroon and depart the country from outside an Industrial Free Zone for shipping or transportation purposes.

(j) "NOIFZ" shall mean the National office for Industrial Free Zone as provided for in Article 4 below.

(k) "Public Service" shall mean any service provided in Cameroon by a State-owned entity.

(l) "Administrative Service" shall mean the public service which provides all services required from state-owned entities by developers, operators and enterprises of Industrial Free Zones.

CHAPTER II: THE NATIONAL OFFICE FOR INDUSTRIAL FREE ZONES

SECTION I: COMPOSITION OF THE BOARD OF DIRECTORS FOR THE NATIONAL OFFICE OF INDUSTRIAL FREE ZONES

Article 4. Characteristics of the National Office for Industrial Free Zones

(a) Privately-owned and State-owned entities involved in the development of Industrial Free Zones shall organize themselves into a non-profit organization responsible for defending their interests and referred to as the National Office for Industrial Free Zones (NOIFZ) as provided for in Article 1 above. The NOIFZ shall be a permanent entity subject to the Free Zone Regime and invested with powers under the Ordinance. The highest decision-making body of the National Office for Industrial Free Zones shall be its Board of Directors which shall operate according to the following principals:

(1) It shall be composed of no more than nine (9) members allocated as follows:

- three (3) representatives of public parties appointed by the President of the Republic for the Board of Directors' term of office.

- six (6) representatives of the private parties.

(2) The proceedings of the NOIFZ's Board of Directors shall be valid only when there are at least two (2) representatives of the public parties and four (4) representatives of the private parties present.

(3) The decisions of the Board of Directors of the NOIFZ shall be reached by a simple majority of the members present or represented, based upon the principal of one person, one vote.

(4) The Chairman of the Board of Directors of the NOIFZ shall be elected by a simple majority of the members present or represented, based upon the principle of one person, one vote.

(b) The NOIFZ shall cover its operating costs from the following resources:

(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 are decided by the NOIFZ's Board of Directors.

(3) A portion of the proceeds from fines provided for by this Ordinance, 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.

c) The location of the head office, the organization and the operation of the NOIFZ, as well as the term of office of the members of its Board of Director, shall be determined by the corporate statutes adopted by its Board of Directors and in accordance with the regulations governing non-profit, economic-oriented organizations.

SECTION II: RESPONSIBILITIES OF THE NATIONAL OFFICE FOR INDUSTRIAL FREE ZONES

Article 5. Responsibilities of the National Office for Industrial Free Zones

(a) The National Office for Industrial Free Zones shall have the sole authority to:

(1) receive the review applications for designation of an Industrial Free Zone or Special Industrial Free Zone;

(2) issue the applicant with a receipt certifying that the application is complete and showing date on which it was received;

(3) submit the complete application to the Minister in charge of industrial development within five (5) working days following the date shown on the receipt;

(4) notify the applicant when the Minister in charge of industrial development has issued the Order designating the proposed area as an Industrial Free Zone;

(5) grant a developer's and/or operator's permit following review of a complete application for areas having previously been designated as Industrial Free Zones;

(6) rule on applications originating from private or public parties seeking to qualify as Industry Free Zone enterprises and grant them a certificate of compliance and alter or modify the certificate of compliance at the holder's request'

(7) establish an on-site office within each Industrial Free Zone empowered to grant the certificate of compliance to qualifying enterprises within the zone;

(8) establish procedures for settlement by mutual agreement of disputes arising between developers and enterprises, or between either of the latter and the administrative service provided for in Article 23 below;

(9) ascertain violations of this Ordinance, establish fines for such violations and penalize the offenders;

(10) monitor the performance and growth of Industrial Free |ones and publish its findings periodically, including all relevant statistical data such as land area developed, buildings occupied, jobs created, gross and net foreign exchange outflows of Industrial Free Zone enterprises;

(11) establish, as decided by its Board of Directors, a binding procedure and criteria in the form of a standard application form, to be followed by private and public parties seeking designation of a given area as an Industrial Free Zone or Special Industrial Free Zone, or seeking to obtain a developer's permit, an operator's permit and/or a certificate of compliance.

(b) The NOIFZ shall contribute to the development of an overall national strategy and policy for the promotion of Industrial Free Zones in Cameroon.

(c) The NOIFZ shall not, as an entity, own, develop, manage, operate or lease Industrial Free Zones and/or enterprises established within such zones, contract with the latter or engage on its own initiative in designating Industrial Free Zones on any part of the national territory.

CHAPTER III: PROCEDURES FOR DESIGNATING INDUSTRIAL FREE ZONES OR SPECIAL INDUSTRIAL FREE ZONES

Article 6. Designation of Industrial Free Zones

(a) Applications for authorization to establish Industrial Free Zones shall be submitted to the NOIFZ as specified in Article 5(a) above.

(b) The authorization to establish an Industrial free Zone shall be granted by Order of the Minister in charge of industrial development within thirty (30) days following the date shown on the receipt certifying that a complete application has been submitted to the Minister by the NOIFZ. Should no decision be rendered within the time frame, the application shall be deemed approved. The Order designating an Industrial Free Zone shall qualify the applicant as that Industrial Free Zone's developer. Such Order shall entitle the applicant to the developer's permit which shall be automatically issued by the NOIFZ.

(c) Any holder of a developer's permit shall automatically be entitled to an operator's permit for the Industrial Free Zone involved. Any other private or public party must apply to the NOIFZ in order to obtain an operator's permit for an Industrial Free Zone. An application for the operator's permit which meets the conditions laid down in Article 5(a) above must be accompanied by the sub-contract signed with the developer of the Industrial Free Zone concerned. The NOIFZ shall take a decision regarding the issuance of the operator's permit within thirty (30) days following the date shown on the receipt certifying that a complete application has been received. Should no decision be made within the time frame, the application shall be deemed approved and shall automatically entitle the applicant to an operator's permit for the Zone concerned.

(d) Private or public parties interested in obtaining a developer's or operator's permit for Industrial Free Zones designated at the Government's own initiative may do so in accordance with Article (5)a above. The application must be accompanied by a sub-contract signed with the Minister in charge of industrial development. The NOIFZ shall take a decision on such application within the time-frame stipulated in paragraph (c) of this Article.

(e) The designation of an Industrial Free Zone granted to a geographic area of the national territory shall be permanent, irrevocable and for an indefinite period of time.

(f) The powers, responsibilities, rights and benefits granted by a developer's or operator's permit shall be the same as those granted by the certificate of compliance provided for in Article 10 below.

Article 7. Designation of Special Industrial Free Zones

(a) Applications for authorization to establish Special Industrial Free Zones shall be submitted to the NOIFZ as specified in Article 5(a) above. Such applications must be accompanied by a certificate of compliance previously issued by the NOIFZ to the enterprise seeking to be designated as a Special Industrial Free Zone.

(b) The authorization to establish a Special Industrial Free Zone shall be granted by Order of the Minister in charge of industrial development within thirty (30) days from the date on which the complete application was submitted to the Ministry by the NOIFZ, as evidenced by the receipt. Should no decision to be taken within this time-frame, the application shall be deemed approved and the applicant shall automatically be entitled to receive a developer's permit.

(c) The designation as a Special Industrial Free Zone shall be permanent, valid throughout the life of the enterprise and irrevocable, subject to the provisions of Article 27(b) below.

CHAPTER IV: INDUSTRIAL FREE ZONE DEVELOPERS

Article 8. Industrial Free Zone

Each Industrial Free Zone shall be administered by the Industrial Free Zone developer approved for that Zone.

(a) Each Industrial Free Zone developer may be a natural person or a company.

(b) An Industrial Free Zone developer may be formed by one or more private or public parties.

(c) Each Industrial Free Zone developer must either own or have leased land within the proposed zone area.

(d) An Industrial Free Zone developer may contract with another private or public party do engage in all aspects of management, control and promotion of the IFZ. Such party shall secure from the NOIFZ an operator's permit which qualifies him as an Industrial Free Zone enterprise.

(e) An Industrial Free Zone developer may sell his interests and rights in the zone to another private or public party subject to receiving approval for such sale from the NOIFZ.

Article 9.

Powers and Responsibilities of Industrial Free Zone Developers.

The Industrial Free Zone developer for each zone shall have the power and responsibility:

(a) to set up Industrial Free Zone enterprises on real property it owns, has acquired or has leased within the zone, subject to such enterprises being granted the certificate of compliance by the NOIFZ;

(b) to leave or sub-lease real property it owns or has leased within the zone, and to acquire and lease land and sell or rent buildings to Industrial Free Zone enterprises;

(c) to make improvements on, construct and maintain buildings, warehouses, factory shells, office and commercial buildings and other facilities, and develop all other infrastructure necessary or desirable to enhance the zone's efficient operation, or grant contracts or concessions to other private or public parties for the construction or provision of any of the said facilities;

(d) to provide public or other services such as water, light and power, telecommunications, sewerage and any other public utilities or to contract or grant concessions to other individuals for the provision of such services to IFZ enterprises;

(e) to maintain adequate security measures including adequate fencing and enclosures to secure the Industrial Free Zone and segregate it from the national customs territory, as set forth by the Customs Office;

(f) to provide facilities for the administrative service, including those for the customs service, and to contribute to the cost of such services as directed by the NOIFZ;

(g) to obtain loans from private and public parties for the development of the zone, construction of internal infrastructure, and provision of amenities and services;

(h) to issue titles, bonds and other securities to finance the construction of buildings, land development and site improvements, and any other measures to enhance the zone's economic development;

(i) to make investments and earn monies from such investments for the purpose of facilitating the operation of the Industrial Free Zone;

(j) to assign partial or complete rights to the zone's revenues and income to a private or public party subject to prior approval of the NOIFZ.

(k) to charge and modify fees for any services of facilities it provides within the zone, directly to those who use such services or facilities;

(l) to adopt rules and regulations within the zone which promote the safe, efficient, and successful operation of the zone, consistent with the provisions of this Ordinance;

(m) to promote and advertise the zone to prospective investors and business owners and operators, and to contract with private or public parties to provide such services;

(n) to maintain adequate and proper accounts in accordance with the regulations in force in Cameroon, and other records in relation to its business in accordance with the NOIFZ's decisions, and report to the NOIFZ, on a regular basis regarding the zone's activities, performance and achievements as directed by the NOIFZ;

(o) to conduct other activities authorized by this Ordinance.

CHAPTER V: INDUSTRIAL FREE ZONE ENTERPRISES

Article 10.

Establishment of Industrial Free Zone Enterprises

(a) Any private or public party, or group of parties, may establish an enterprise within an Industrial Free Zone on property it owns or has leased within the zone, provided that it has applied for and obtained a certificate of compliance from the NOIFZ for such enterprise as specified in Article 5(a) above.

(b) Any private and public party seeking to obtain a certificate of compliance must submit a complete application to the NOIFZ indicating that the objectives of the enterprise are consistent with those set forth in Article 1 above, and include a notarized statement confirming that the enterprise:

(1) will produce goods and services specified in the application which are exclusively for export or sale to buyers who are resident outside of Cameroon;

(2) will not have deleterious effect on the environment and will aoide by any laws and regulations applicable to classified establishments in Cameroon;

(3) will not possess, without prior authorization from the relevant Cameroonian authorities, the following goods which are not be taken into a stored in an Industrial Free Zone or a Special Industrial Free Zone: firearms, ammunition and other items of warfare, dangerous explosives, other dangerous or hazardous materials, inflammable, explosive, radioactive or toxic substances hazardous to the life

of persons, animals and plants and to the environment as a whole, and any other substances illegal under the laws and regulations of the Republic of Cameroon and international conventions;

(4) will operate in compliance with the provisions of this Ordinance.

(c) The NOIFZ shall render a decision on the granting of a certificate of compliance within thirty (30 days as from the date shown on the receipt certifying that a complete application was received. Should no decision be rendered within the time-frame, the application shall be deemed approved and the applicant shall automatically be entitled to a certificate of compliance. The same time-frame shall be observed in the event of a request for modification of a certificate of compliance.

(d) A certificate of compliance shall be the sole authorization required for a business to qualify as an IFZ enterprise and receive all benefits accorded under this Ordinance. Except in the case of an enterprise designated as a Special Industrial Free Zone as provided for in Article 7 above, no other authorizations, licenses or approvals whatsoever shall be required of an enterprise holding a certificate of compliance.

(e) Any private or public party with a certificate of compliance may lease property within an IFZ on the terms and conditions agreed to by the Industrial Free Zone developer or operator and the lessee. The developer or operator shall not be required to lease property to any particular parties, including those which have been issued a certificate of compliance.

(f) Rent shall be paid to the IFZ developer or operator in any convertible currency to be negotiated with the lessee and specified in the lease contract.

Article 11.

Activities of Industrial Free Zone Enterprises

(a) IFZ enterprises shall be free to undertake any kind of industrial and commercial activities and render any services, inter alia:

(1) to store, pack, divide, sub-divide, group, warehouse, select, breakdown, assemble, disassemble, alter, repair, finish, handle, mix, mark, manufacture, bottle, mount, refine, transform, process, demolish, or grade any foreign or domestic raw material, intermediate, semi-finished or finished goods or components;

(2) to establish and operate any mechanical, electronic or chemical manufacturing or processing industry, and to operate all types of products, merchandise and equipment, with the exception of these specified in Article 10(b)(3) above;

(3) to render and sell all types of information processing services such as data entry, data processing, computer-aided design, computer-aided printing and publishing, software development, telemarketing and any other similar and related services;

(4) to render and sell any financial, banking, insurance, commercial, advisory, repair and maintenance, professional, training and any other services;

(5) to carry out any other activities which the NOIFZ might deem desirable for the development of the Cameroonian economy.

(b) An IFZ enterprise shall conduct its business activities in accordance with the terms and conditions of Articles 10 and 26 of this Ordinance. An IFZ enterprise shall be free to sell, lease or transfer any article, item, good or service to another IFZ enterprise, or to foreign individuals and foreign businesses resident outside of Cameroon without any restriction whatsoever.

CHAPTER VI: THE FREE ZONE REGIME

Article 12.

The designation of an Industrial Free Zone or a Special Industrial Free Zone granted by the Minister in charge of industrial development, and the issuance of a developer's permit, an operator's permit and a certificate of compliance by the NOIFZ, automatically entitles the recipients to the benefits of the Free Zone Regime initiated by this Ordinance. This regime includes commercial, fiscal, customs and labor code related benefits, as well as various other incentives and facilities provided for by this Ordinance.

SECTION I: COMMERCIAL BENEFITS

Article 13.

The General Trade Schedule (GTS) in force in Cameroon shall not apply to Industrial Free Zones. Therefore, licenses authorizations and quota restrictions shall not be applicable to Industrial Free Zone imports and exports. However, IFZ imports and exports shall be subject to prior declaration formalities for the purposes of NOIFZ statistics and customs services inspection and control. No price or profit margin controls shall apply to the goods and service of IFZ enterprises.

Article 14.

In particular instances and under conditions fixed jointly by the Minister in charge of industrial development and the Minister in charge of trade, an IFZ enterprise may export part of its annual production of goods and services to the national Customs territory shall be considered as imports under the laws of the Republic of Cameroon, and subject to the payment of all relevant customs duties and taxes by the importing party.

SECTION II: TAX CONCESSIONS

Article 15.

During the first ten years of their operation, enterprises established within the Industrial Free Zones shall enjoy total exemption from existing or future direct and/or indirect duties and taxes and from any registration and stamp duties whatsoever.

Article 16.

(a) As from the eleventh year of operation, the approved enterprises shall maintain the benefits under Article 15 above, with the exception of the tax on industrial and commercial profits to which they shall be liable at a flat rate of 15 percent.

(b) Taxable profits, as defined in the General Tax Code in force on the date of signature of this Ordinance, shall be derived following the deduction of:

- a sum equivalent to twenty-five (25) percent of the wages and salaries paid to Cameroonian workers during the year;

- a sum equivalent to twenty-five (25) percent of investment expenditure for the financial year.

In the event of any modifications occurring in the basis of assessment of the tax on industrial and commercial projects, the new provisions shall not apply unless they are more advantageous to the approved enterprise.

Article 17.

Other Tax Concessions

(a) Total net losses incurred over the tax holiday period provided for in Article 15 above shall be considered as expenses for the subsequent years and deducted from profits made over such years without any limits to the carrying over period.

(b) Taxable profits, as defined in the General Tax Code in force on the date of signature of this Ordinance, shall be derived following the deduction of:

- a sum equivalent to twenty-five (25) percent of the wages and salaries paid to Cameroonian workers during the year.

- a sum equivalent to twenty-five (25) percent of investment expenditure for the financial year.

In the event of any modifications occurring in the basis of assessment of the tax on industrial and commercial profits, the new provisions shall not apply unless they are more advantageous to the approved enterprises.

Article 18.

Other Tax Concessions

(a) Total net losses incurred over the tax holiday period provided for in Article 15 above shall be considered as expenses for the subsequent years and deducted from profits made over such years without the limits to the carrying over period.

(b) Industrial Free Zone enterprises shall be required, as laid down by the laws and regulations, to reinvest the special reserves arising from the revaluation of their fixed assets.

(c) Any sale of real property within an Industrial Free Zone shall be exempt from any transfer tax.

(d) All purchases or sales of foreign currency by an IFZ enterprise shall be exempt from any currency export tax.

SECTION III: CUSTOMS BENEFITS

(A) INDUSTRIAL FREE ZONE IMPORTS AND EXPORTS

Article 18.

Industrial Free Zone Imports and Exports

(a) Industrial free Zone enterprises shall be exempt from all existing and future customs duties and taxes.

(b) All imports of an IFZ enterprise, including capital equipment, office furniture, office equipment, building materials, tools, spare parts, raw materials, intermediate goods, supplies and consumer goods shall be exempt from all customs duties and taxes and from all other existing and future direct and/or indirect duties, taxes and imposts. Passenger and private cars and fuel entering the zone shall not benefit from this exemption.

(c) All exports of an Industrial Free Zone enterprise shall be exempt from all customs duties and taxes and from all other existing and future direct and/or indirect duties, taxes and imposts.

(d) Fees for import and export services shall be paid by the Industrial Free Zone enterprises using such services.

(e) The Import Verification Programme (IVP) shall not apply to IFZ enterprises.

Article 19.

Domestic Sales to Industrial Free Zone Enterprises

(a) The sale of raw materials, intermediate, semi-finished and finished goods by domestic parties resident in the national Customs territory to an IFZ shall be exempt from the internal turnover tax, the single tax, the internal tax on production, and any other existing or future duties, taxes and imposts of the same nature.

(b) A buyer from an IFZ shall pay for any such item, raw material, equipment or other good specified in paragraph (a) of this Article in the currency having legal tender in Cameroon or in any other convertible currency agreed upon by the buyer and the seller.

(B) CUSTOMS CLEARANCE PROCEDURE

Article 20.

Modalities

(a) The Customs Office shall defer inspection of any imports to an IFZ until such imports reach the Industrial Free Zone. Such imports shall benefit from direct removal and shall be transferred under customs seal and escort. At the entry to the zone, the Customs Office shall inspect the imports to determine whether the imports contain any prohibited articles, items or materials and are consistent with the related documents, valuation of merchandise shall not be required. The same customs procedures shall be followed when transferring goods between two or more IFZs, from an Industrial Free Zone to a Special Industrial Free Zone, or between two Special Industrial Free Zones.

(b) The Customs Office shall inspect exports of an Industrial Free Zone enterprise at the IFZ to determine whether the exports contain any prohibited articles, items or materials and are consistent with the related documents. Following such inspection, the exports shall be transferred to the port of exit under customs seal and escort with no further customs inspection or intervention.

(c) The Customs Office shall maintain an on-site office at each Industrial Free Zone and each Special Industrial Free Zone to carry out its responsibilities under this Ordinance. The operating costs for such offices shall be borne by each IfZ or Special Industrial Free Zone developer or operator.

SECTION IV: SPECIAL PROVISIONS RELATING TO LABOR REGULATIONS

Article 21:

(a) In compliance with the labor legislation, an Industrial Free Zone enterprise shall be entitled to the following:

(1) application of the occupational categories and minimum wage scales fixed on the basis of productivity and efficient criteria. The current terms and conditions must be consistent with internationally accepted workers' rights, including freedom of association, the right to organize and bargain collectively, a prohibition against all forms of forced labor, minimum age for employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and minimum occupational health and safety standards;

(2) free negotiation of contracts of employment in accordance with the prevailing labor laws and regulations between the employee and the employer that specifies, among other things, the type of contract, position characteristics, remuneration modalities and elements, employee suspension and dismissal conditions, and settlement of disputes arising between employee and employer;

(3) automatic acquisition of work permits for expatriate workers who, by the end of the fifth year of operation, shall no exceed twenty (20) percent with regard to the overall workforce and by occupational category;

(4) exemption from deductions and contributions prescribed by the social security laws and the ensuing regulations, in the event that the enterprise, having received a written certification from the administration responsible for social security, offers conditions at least equivalent to the best benefits provided by the administration responsible for social security and the administration responsible for social security commits itself to taking care of the consenting employee with respect to the contributions it administers in the case where the employee, having ben laid off, would no longer receive them from the company. A convention shall be signed between the administration responsible for social security and the organization in charge of the social security scheme existing in the Industrial Free Zones and the Special Industrial Free Zones.

(b) All Industrial Free Zone and Special Industrial Free Zone developers, operators and enterprises shall pay their Cameroonian workers in the currency having legal tender in Cameroon.

(c) A work permit shall be required for any expatriate to work on a regular basis for an Industrial Free Zone enterprise. Moreover, the expatriate must obtain a residence permit to live in Cameroon on a regular basis.

(d) Applications for work permits shall be submitted to the administrative service specified in Articles 23 and 24 below, which shall grant work and residence permits to all expatriates hired by an Industrial Free Zone enterprise. The administrative service may request from the applicant all information deemed necessary to determine whether such permits should be granted, but such permits will not be unreasonably withheld.

(e) The administrative service shall grant such permits to an applicant who will service the Industrial Free Zone enterprise in a management or technical position, and the permits shall remain in effect in accordance with the duration of the contract of employment signed between the employer and the expatriate.

(f) The administrative service shall grant such permits through a fifth year, at what time the enterprise shall receive work permits for expatriates but at a maximum rate of twenty (2) percent of the overall workforce and by occupational category.

(g) The delivery of work and residence permits in accordance with paragraphs (c) or (d) of this Article by the administrative service provided for in Article 23 below shall involve in initial or annual charges or fees to the applicant.

(h) During the validity period of the work or residence permits issued under paragraphs (c) or (d), the employee shall be exempt from income tax provided that there is evidence that the employee is liable for income tax in his home country for the income earned from the IFZ.

If the employee is not liable for such income tax in his home country, then the employee shall pay income tax under the laws of Cameroon, but shall be allowed a fifty (50) percent exclusion of such income for the purpose of calculating such income tax liability.

SECTION V: OTHER ZONE-RELATED INCENTIVES AND BENEFITS

Article 22.

Other Zone-Related Incentives and Benefits

(a) IFZ enterprises and developers shall be exempt from any government monopolies including, but not limited to, CAMSHIP/CNCC and CAMAIR shipping requirements, quotas, preferences, charges or levies or any type. IFZ enterprises may utilize any carrier for their exports and imports without any restrictions.

(b) Electrical power shall be provided to IFZs by the national power authority at promotional rates equal to or less than those charged to high priority, high energy user industries.

(c) IFZ enterprises and developers may install their own power generation equipment for their own operations.

(d) IFZ enterprises and developers shall benefit from preferential port charges for services provided by the national ports authority.

(e) IFZ enterprises and developers may purchase and install their own telecommunications systems, such as satellite earth stations and microwave systems for their international telecommunications requirements. Notwithstanding the above, ownership of all zone-based international communications equipment shall be reserved to the Ministry in charge of telecommunications. However, IFZ enterprises and developers may privately purchase such satellite earth stations and microwave systems as they deem cost-effective, provided that such hardware, upon being immediately deeded to the State-owned entity in charge of telecommunications after installation, is exclusively used for dedicated business lines of the zone. The State-owned entity in charge of telecommunications shall pass through without any mark-up of IFZ enterprises the most favorable rates available for such services through INTELSAT, on condition that each IFZ enterprise using dedicated lines begins paying a mark-up for its lines of no more than twenty-five (25) percent over the prevailing INTELSAT rates beginning in the sixth year of operation within the Industrial Free Zone.

CHAPTER VII: ADMINISTRATIVE SERVICES WITHIN THE INDUSTRIAL FREE ZONE

Article 23.

The NOIFZ shall be in charge of the operation of an administrative service which shall be established within the NOIFZ. The administrative service shall provide, within the framework of it specific powers, all pubic services required by IFZ developers, op 'ors and enterprises. In the case where a developer, operator and/or enterprise(s) requests(s) that the administrative service establish an office within an Industrial Free Zone or a Special Industrial Free Zone, the developer, operator and/or enterprise(s) shall pay for all operating costs involved.

Article 24.

Apart from permanent customs agents, the administrative service shall include agents responsible for exchange control, work and residence permits and all other public services as requested by the NOIFZ from the Minister in charge of industrial development.

Article 25.

The administrative service shall be delegated powers, by the relevant governmental bodies involved, to grant the necessary authorizations and licences and to provide all public services that IFZ developers, operators and enterprises require to conduct their activities.

CHAPTER VIII: INDUSTRIAL FREE ZONE SPECIAL RIGHTS AND OBLIGATIONS

Article 26.

(a) Industrial Free Zone enterprises and Special Industrial Free Zone shall be subject to the following obligations:

(1) observe all the provisions of the present Ordinance;

(2) ensure that within five years from the start-up of the operation Cameroonians shall constitute at least eighty (80) percent of the overall workforce and by occupational category, and provide continuing vocational training for them according to an overall schedule developed by the enterprise as may be mutually agreed upon;

(3) produce goods or services intended exclusively for export or for buyers resident outside of Cameroon in accordance with agreements signed by the enterprise;

(4) respect the commitment contained in the statement under Article 10(b) above;

(5) operate in compliance with the prescriptions of Cameroonian law and regulations and, especially, abide by the occupational hygiene and safety regulations;

(6) not conduct activities for which approval has been granted outside the Industrial Free Zone or the Special Industrial Free Zone;

(7) provide all facilities and give any support to Cameroonian security force agents who, in accordance with existing laws and regulations, perform policy and law and order maintenance tasks within the Industrial Free Zones and the Special Industrial Free Zones;

(8) maintain their own security services within the Industrial Free Zones and the Special Industrial Free Zones as directed by the NOIFZ; such services must back the security services agents in their tasks.

(b) Industrial Free Zone enterprises shall enjoy the following prerogatives:

(1) No licence or permit shall be necessary to conduct an IFZ enterprise, with the exception of the certificate of compliance under Article 10 and the residence and work permits under Article 21 and, as concerns the Special Industrial Free Zone, the authorization under Article 7.

(2) No price controls shall apply to products or services sold by an IFZ enterprise.

(3) No rent or tenancy controls shall apply to any rental property inside an IFZ.

(4) No restrictions or prohibitions regarding the sale or purchase of foreign currencies shall apply to an IFZ enterprise.

(5) IFZ enterprises, their foreign owners and their expatriate employees shall be free to remove funds earned or invested in the zone, or otherwise brought into the zone from any country other than Cameroon, and to place such funds in any country including Cameroon.

Article 27.

Disputes and litigation

(a) The NOIFZ shall enforce violations of the Ordinance and penalize the offenders.

(b) If an IFZ enterprise shows a continuing pattern of violations of this Ordinance, then the NOIFZ, after proper notice and hearing in accordance with regulations issued by the NOIFZ, may revoke the certificate of compliance. In the event of revocation of the certificate of compliance, the enterprise shall no longer be eligible for the Free Zone Regime and all the related benefits provided under this Ordinance. Where a Special Industrial Free Zone is involved, the NOIFZ shall concurrently propose the revocation of the designation of Special Industrial Free Zone to the Minister in charge of industrial development who shall issue the revocation instrument.

(c) If an IFZ developer shows a continuing pattern of violations of this Ordinance,then the NOIFZ, after proper notice and hearing in accordance with regulations issued by the NOIFZ, may, in consultation with the Minister in charge of industrial development, revoke the developer's permit. The developer shall be free to propose another private or public party to whom the NOIFZ, in keeping with the procedure prescribed in Article 5(a) above, may issue the operator's permit for the zone.

(d) If an IFZ operator shows a continuing pattern of violations of this Ordinance, then the NOIFZ, after proper notice and hearing in accordance with regulations issued by the NOIFZ, may revoke the operator's permit. The developer of the Zone shall be free to propose another private or public party to whom the NOIFZ, in keeping with the procedure prescribed in Article 5(a) above, may issue the operator's permit for the zone. The revocation of the developer's and/or operator's permit automatically entails the loss of the Free Zone Regime and all related benefits under this Ordinance.

(e) If the IFZ determines that an expatriate working for an IFZ enterprise does not satisfy the residence and work permits requirements, then the NOIFZ, after proper notice and hearing in accordance with the regulations issued by the NOIFZ, may propose the revocation of the work or residence permit to the administrative service. The procedure for revocation shall be the same as that for the granting of such permit. The revocation shall automatically entail prohibition from continuing to work in an Industrial Free Zone or a Special Industrial Free Zone, or anywhere else on the national territory.

(f) An IFZ enterprise may appeal any fine or revocation of the developer's permit, the operator's permit or the certificate of compliance to the courts of first instance of Cameroon or to arbitration under the rules of the International Arbitration Association. Any challenged developer's or operator's permit or certificate of compliance shall remain in effect until such appeal is concluded, with the exception of violations related to the possession of prohibited goods under Article 10(b) above. The party or parties shall abide by the final decisions of the appropriate courts. The losing party or parties shall pay all costs of arbitration.

(g) IFZ enterprises, their owners and employees shall enjoy the full benefits of the general guarantees laid down in Cameroon's Investment Code.

CHAPTER IX: MISCELLANEOUS AND TRANSITIONAL PROVISIONS

Article 28:

In order to facilitate the start-up of its activities, the first Board of Directors of the NOIFZ shall, in accordance with the distribution prescribed in Article 4 above, be composed of:

three (3) representatives of public parties appointed by the President of the Republic;

six (6) representatives of private parties proposed by the Cameroon Chamber of Commerce, Industry and Mines and appointed by presidential decree for a twelve (12) month period.

Article 29.

IFZ enterprises shall be subject to the control of the Customs Office as provided for by the regulations in force.

Article 30.

Implementing Regulations

All regulations required to implement this Ordinance shall, as and when necessary, be adopted by Order of the Minister in charge of industrial development.

Article 31.

This Ordinance shall be registered and published in English and French according to the procedure of urgency.

PAUL BIYA,
President of the Republic

CAMEROON: Summary of Tax System as of February 28, 1990

TAX	Exemptions and Deductions	Rates
1. Taxes on net income and profits		
1.1 Taxes on companies		
1.11 Corporate income tax		
Levied on both Cameroonian and foreign companies on their net income derived from activities in Cameroon. Returns of taxable income must be filed before September 30. Tax as calculated on the return is due in three equal payments, on October 31, January 31, and April 30 of the year following filing of the return. Any additional assessment calculated by the Tax Service is due immediately.	Normal business expenses, including depreciation allowances, are deductible. Depreciation allowances range from 5% for buildings to 50% for glassware and utensils used in hotels and restaurants. Cooperatives, agricultural development institutions, and companies enjoying tax holidays under the Investment Code are exempt.	35% plus 3.5% local council taxes. A penalty of 10% per month is levied on delayed payments. The tax rate on oil companies' income is 57.5%.
1.12 Minimum tax on companies		
Levied on all companies subject to 1.11, if corporate income tax would fall below the defined minimum.	Cooperatives, companies enjoying tax holidays under the Investment Code, companies that ceased activities before the start of the fiscal year, and companies for which profit margins are capped are exempt.	1% of annual turnover for previous year plus 0.1% local council tax, with a minimum of CFAF 600,000.
1.13 Tax on royalties and other payments abroad		
Levy on payments abroad with respect to payments for copyrights, patents, knowhow, film royalties, and technical assistance or advice, provided such payments have been taken as deductions against business income.		15%.
1.2 Taxes on individuals		
1.21 Personal income tax		
Tax levied on annual income received by individuals. Composed of two main parts: a proportional tax, divided into several schedules (see 1.21a through 1.21f), and a progressive surtax (1.21g). The tax year runs from July 1 through June 30, and returns of taxable income must be filed before August 31.	Diplomats are exempted on a reciprocity basis	

TAX	Exemptions and Deductions	Rates
1.21a Tax on industrial and commercial profits		
Levied on net income from Cameroonian sources received by both residents and conresidents and derived from industrial and commercial operations. Assessment on a lump sum base applies to taxpayers with an annual turnover of less than CFAF 10 million or, in certain cases, CFAF 5 million.	Normal business expenses, including depreciation allowances, are deductible as in 1.11.	22%. Minimum tax payments set at 1% of annual turnover, plus 2.2% of 0.1% local council taxes.
1.21b Tax on noncommercial profits		
Levied on net income of all residents engaged in independent activities of a noncommercial nature: it applied mainly to professional incomes.	Same exemptions and deduction as in 1.11.	22%, plus 2.2% or 0.1% local council taxes.
1.21c Tax on agricultural profits		
Levied on net income of farmers. A lump sum evaluation is made for farmers with small- and large-sized farms.	Same exemptions and deductions as in 1.11.	15%, plus 10% local council taxes.
1.21d Tax on real estate income		
Levied on rental income from real estate.	Building occupied by owners, direct descendants or ascendants, and rental income received during the first 15 years after a building is completed, renovated, or expanded (except from proportional tax only).	20%
1.21e Tax on wages and salaries		
Levied on net income from wages, salaries, pensions, and annuities. Wage and salary earners whose monthly wages or salaries are higher than CFAF 25,000 are subject to a monthly withholding at source within 20 days of following month.	Dependency allowances, social security benefits, and 20% of remuneration representing professional expenses are deductible. However, remuneration in kind is included as follows: Housing 10% Electricity and Water 5% Per domestic servant 5% Per car 5% Food 25% per person with an upper limit of CFAF 50,000 a month, children under 15 years of age counting for half.	3%, plus 10% local council taxes.

TAX	Exemptions and Deductions	Rates
1.21f Tax on income from securities		
Levied on dividends, distributions to shareholders in Limited partnerships, interest, director's fees, and other similar items received by residents.		15%.
1.21g Progressive surcharge		
Levied on net annual income received of accrued from all sources.	Interest and pensions, tax payments, and social security payments are deductible. Personal deductions are based on the income-splitting systems. The taxpayer is allowed a split for his spouse and half a split for each dependent child with an upper limit of five splits. The rate table is applied to split income, and the resulting amount is multiplied by the number of splits in order to reach total tax. Plus 10% local council taxes.	Below CFAF 500,000 Exempt From 501,000 to 700,000 10% From 701,000 to 1,000.000 15% From 1,000.001 to 1,500.000 20% From 1,500.001 to 2,000.000 25% From 2,000.001 to 2,750.000 30% From 2,750.001 to 3,500.000 35% From 3,500.001 to 4,500.000 40% From 4,500.001 to 5.500.000 45% From 5,500.001 to 6.500.000 50% From 6.500.001 to 7.500.000 55% Above 7,500.001 Wage and salary earners pay a minimum of CFAF 3,000.
1.21h Minimum personal tax		
Levied on all female residents of independent means and all male residents over age 18, provided they pay neither the progressive surcharge nor the minimum tax on wages and salaries.	Indigents, the young attending schools, and the military are exempt. Taxable base varies according to standards of living and to regions.	Minimum tax ranges from CFAF 1,200 in highlands to CFAF 1,500 in southern cities.
2. Payroll Tax		
2.1 General payroll tax		
Levied on all taxpayers subject to the business fee (patente) on gross wages, salaries, and other benefits paid to their employees. Statement of taxable income must be made before September 30.	Companies with a taxable base of less than CFAF 100,000 and artisans are exempt.	0.30%. Credit against tax given for expenditure on professional training, contributions to vocational schools, and payments on professional school fees. Excess credit is not reimbursed.

TAX	Exemptions and Deductions	Rates
3. Taxes on domestic goods and services		
3.1 Internal turnover tax		
Assessed on gross receipts obtained from industrial, commercial, and professional activities, including sale of both goods and services.	Sales without further processing of goods that have already borne the turnover tax or the single tax are exempt. Export sales are exempt. Interest on building mortgage loans of less than CFAF 5 million is exempt. Other exemptions cover unprocessed, agricultural products, newspapers, private schools and various financial and insurance transactions.	9%. 10% for movie theaters. 4.5% for handicrafts, transport and certain credit or leasing operations and 2.25% for a few credit or leasing operations.
3.2 Special production taxes		
Levied on gross sales by manufacturing firms that export to UDEAC countries or have the potential to do so and that benefit from special incentive agreements through UDEAC (taxe unique): or on domestic industries benefiting from similar incentive agreements. The taxe unique is also levied on imports from other UDEAC countries of products manufactured by companies benefiting from such agreements. Replaces and exempts from payment of customs duties and internal turnover tax.	Export sales exempt: sales to other companies benefiting from special production tax also exempt.	Most ad valores, some specific: variable with each incentive agreement: may be different for each product, country, company. Range from 2% to 100% with most between 5% and 20%.
3.3 Business fees		
Levied on companies and individuals engaged in commercial, industrial and professional activities and subject to the tax on companies or the personal income tax.	Public entities, artisane, cattle, raisers, fishermen, mutual insurance companies, and savings banks are exempt.	Vary over a wide range according to the nature and importance of activity and the region.
3.4 License fees		
Levied in addition to business fees as sales of beer and other alcoholic beverages.		Vary according to category of beverages and region.
3.5 Cocoa excise		
Excise paid by major cocoa export companies or sales or cocoa products within Cameroon. Terms agreed by contract (convention) with each company.		For regular cocoa, 71% of the export duty that would have applied had the product been exported: for other cocoa, 45% of relevant export duty.

CAMEROON: Summary of Tax System as of February 28, 1990 (continued)

TAX	Exemptions and Deductions	Rates
3.6 Excise on petroleum products		
Levied at retail level on consumption of premium and regular gasoline.	Kerosene, jet fuel, and other special products.	Premium: CFAF 105 per liter Regular: CFAF 104 per liter Diesel: CFAF 23 per liter
4. Taxes on international trade		
4.1 Taxes on imports		
The rates of all import taxes, with the exception of the complementary tax (4.14), are identical for all member countries of UDEAC		
4.11 Customs duty		
Collected on all imports on their c.i.f. value	Imports admitted under special franchise or those subject to special treatment according to the Investment Code.	From 2.5% to 15% and may be tripled for imports originating in certain countries or consisting of certain specified goods.
4.12 Fiscal duty		
Assessed on the c.i.f. value of all imports, except alcohol, tobacco, gasoline, and wine, for which the rates are specified by weight or volume.	Equipment imported by enterprises that have been exempted from fiscal tariffs or duties is exempt from this tax. Goods imported by certain privileged categories of consignee (embassies, international organizations, etc.) are also exempt.	From 0 to 260% (the last applicable only to matches), with the majority of these rates between 10% to 30%.
4.13 Turnover tax on imports		
Levy applicable to the c.i.f. value of imports plus customs and fiscal duties. Governed by UDEAC rules.	All imports are subject to 10% tax, except those exempted in 4.12.	10%.
4.14 Complementary tax on imports		
Levied on most imports. This tax is established independently by each member country of UDEAC, and its application to each new commodity is reported to UDEAC.	Spare parts, pharmaceuticals imported by the Ministries of Health and Defence, fertilizers, edible oils, and other foodstuffs are among the exempted commodities.	5-10% of the c.i.f. value of most imports and a specific rate for few commodities.
4.2 Taxes on exports		
4.21 Export duty		
The tax is in principal accessed on the f.o.b. value of the export commodity, but in practice this value is often substituted by the valeur mercuriale.	Most goods that are re-exported are exempt.	2-17%.

CAMEROON: Summary of Tax System as of February 28, 1990 (continued)

TAX	Exemptions and Deductions	Rates
4.22 Timber tax		
Levied on timber.		CFAF 120 to CFAF 800 per cubic meter.
4.23 Taxe de condi. .nement		
Levied on agricultural products and assessed on their valeur mercuriale.	Tea and flour are exempt.	0.5%.
4.24 Taxe phythosanitaire		
Levied on hides and skins, tobacco, and cocoa beans.		CFAF 50 per ton.
4.25 Sanitary inspection tax		
Levied on fish, meat, and cattle.		1%.
5. Other taxes		
5.1 Registration and stamp duties		
Assessed on the value declared at the time a judicial act is concluded.		
5.2 Tax on cattle		
Levied on owners of cattle and horses. The proceeds go directly to local budgets.	Cattle owned by the Government and those used for breeding are exempt.	CFAF 200 per head of cattle; CFAF 150 per horse.
5.3 Tax on firearms		
Levied on owners of firearms.	Firearms used by the military and those held in stock are exempt.	From CFAF 200 to CFAF 2,000.
5.4 Reforestation tax		
Levied on business involved in exploitations of forest resources		CFAF 5 to CFAF 6 per hectare per annum.
5.5 Tax on bank credit		
Levied on all bank loans.		1%.

-Source: Date provided by the Cameroonian authorities

Appendix Three

Goods subject to quantitative restrictions:

Products Which will be decontrolled as of January 1991:

1. Concentrated sweetened milk
2. Animal food
3. Table salt put up for retail sale
4. Table salt not packaged
5. Hydraulic cement
6. Cotton wool
7. Ordinary soap
8. Other types of soaps
9. Flax yarn, put up for retail sale
10. Cotton yarn, put up for retail sale
12. Sanitary towels
13. Articles of wadding
14. Nonelastic fabric other than T-shirts
15. Men's or boy's underwear
16. Women's or girl's underwear

17/18. Women's and girl's overalls (2 different categories)

19. T-shirts, singlets and other vests
20. Men's and boy's overalls

Products Which Will Be Decontrolled at a Date Still to be Determined:

1. Green tea, in immediate packings of a content not exceeding 3 kg.
2. Other green tea
3. Black tea, in inmediate packings of a content not exceeding 3 kg.
4. Other black tea.
5. Other maize
6. Semi-milled rice...put up for retail
7. Other semi-milled rice (rice and broken rice)
8. Broken rice
9. Groats and corn meal (grits)
10. Soya-bean oil and its fractions, refined
11. Groundnut oil, virgin
12. Groundnut oil and its fractions, refined
13. Palm oil and its fractions, refined
14. Crude cotton-seed oil, whether or not gossypol has been removed
15. Cotton-seed oil and its fractions, refined
16. Coconut (copra oil) and its fractions, refined
17. Palm kernel or babassu and their fractions
18. Raw industrial sugar
19. Refined sugar
20. Other fabrics of yarns of different colours
21. Other fabrics of mixed cotton
22. Other fabrics of dyed cotton
23. Cotton fabrics of yarns of different colours, plain weave
24. Other cotton fabrics of yarns of different colours

25. Cotton fabrics, printed, plain weave
26. Other cotton fabrics, printed
27. Other cotton fabrics, bleached
28. Cotton fabrics dyed, plain weave
29 Other fabrics of synthetic fibre
30. Other fabrics (under heading no 55.12)
31. Fabrics of polyester stable fibres
32. Other woven fabrics of polyester staple fibres
33. Other woven fabrics of synthetic staple fibres
34. Woven fabrics of polyester staple fibres
35. Woven fabrics of polyester staple fibres, mixed with viscose rayon (synthetic fibres, other than those bleached)
36. Fabrics mixed with cotton, dyed.
37. Fabrics mixed with cotton, of yarns of different colors (synthetic fabrics, other than those bleached).
38. Fabrics mixed with cotton, printed.
39. Other fabrics of synthetic fibres, dyed.
40. Other fabrics of artificial staple fibres, old yarns of different colors
41. Other fabrics of artificial staple fibres, printed.
42. Terry towelling and similar woven terry fabrics of cotton unbleached.
43. Other (category 58.02.19.00).

Appendix Four

GENERAL SCHEME OF PREFERENCES

1. The Generalized Systems of Preferences (GSP) are schemes whereby the industrialized countries (preference-giving countries) accord global preferential tariff treatment to products originating from developing countries (preference receiving countries). There are at present 16 schemes of preferences.

2. Cameroon exporters may benefit from the GSP Schemes by way of tariff rate cuts below a general rate or the Most Favoured Nation (MFN) rate (preferential margin) applied by that particular preference-giving country.

A. THE SCHEME OF AUSTRALIA

(i) TARIFF PREFERENCE MARGIN

Australia applies a 5% tariff preference margin to all tariff items except to about 20 tariff lines where excise duties are provided for.

(ii) QUANTITATIVE RESTRICTIONS

There are no general quota provisions. However, on eight Textile, Clothing and Footwear (TCF) products the limitation on the value of these products eligible for preference will continue until 31 December 1988. However, a safeguard clause or the escape clause is applied for all products covered by the scheme, when market disruption is caused by the preferential imports.

(iii) RULES OF ORIGIN

In order to qualify for preferential treatment, goods must meet the following requirements;-

(a) the final process of manufacture must be carried out in the country claiming preference and

(b) at least half (50%) of the total factory or works cost of the goods must consist of the value of labour and/or materials of

-the exporting developing country or
-the exporting developing country and Australia; or
-the exporting developing and one or more other developing countries; or
-the exporting developing country and one or more other developing countries and Australia.

B. THE SCHEME OF CANADA

(i) AGRICULTURAL PRODUCTS

Canada grants preferences for selected agricultural products falling under more than 100 tariff lines of the Canadian Customs Tariffs (CCT). More than half of the tariff items receive duty-free treatment.

(ii) INDUSTRIAL PRODUCTS

Canada grants preferences for all industrial products including primary commodities, with the exception of selected tariff items including certain products of the chemical, plastics and allied industries, certain textile products, footwear and electronic tubes.

Products covered by the scheme are admitted at GSP rates which are equal to the British Preferential Tariff generally applied to products from countries which are members of the Commonwealth or the MFN rate less one-third which ever is the lower.

(iii) QUANTITATIVE RESTRICTIONS

Although Canadian legislation since 1980 includes the possibility of establishing a prior limitation on quantities they have not been applied under the scheme.

(iv) RULES OF ORIGIN

In order to qualify for preferential tariff treatment, eligible goods must,

(a) in principle, be shipped direct to a specified port in Canada without passing through the territory of another country. (Transit through a third country is allowed provided the goods remain under customs control and do not enter into trade there) and must

(b) comply with the origin criteria specified for these goods by Canada. Goods are considered to have originated in a beneficiary country if they are bona fide the growth, produce or manufacture of that country (wholly obtained).

Products which have been manufactured in a beneficiary country wholly or partly from imported material, parts or components (including material of undetermined or of unknown origin), are deemedto be bona fide the growth, produce or manufacture or a beneficiary country, provided the import content does not exceed 40% of the ex-factory price of the products as packed for shipment to Canada.

In calculating the value of the import content, any materials used in the manufacture or production of the goods, originating from any other beneficiary country or from Canada any packing required for the transportation of goods but not including packing in which the goods are ordinarily sold for consumption in the beneficiary country, are considered as originating in the preference-receiving country.

E. THE SCHEME OF JAPAN

(i) AGRICULTURAL PRODUCTS
Japan grants preferences for selected products in 73 CCCN headings. Various duty reductions, including zero-duty, apply for agricultural products covered by the scheme. For about a third of those tariff items, duty-free entry is granted. For about 20% of the tariff items the duty reduction is more than 50% from the MFN rates.

(ii) INDUSTRIAL PRODUCTS
Japan grants preferences for all dutiable products including primary commodities, with the exception of some products in 17 CCCN headings. Duty-free entry is granted for most industrial products covered by the scheme with the exception of selected products falling within 30 CCN headings for which tariff reductions of 50% from MFN rates are accorded.

(iii) QUANTITATIVE RESTRICTIONS

The scheme of Japan provides for quantitative limitations on preferential imports. A priori limitations apply in respect of industrial products covered by the scheme. Products are divided up into 199 product groups each covering either a full CCN chapter or one or several CCCN headings/subheadings. A ceiling is set in advance for each fiscal year limiting preferential imports of each products group by value or by quantity.

(iv) RULES OF ORIGIN

In order to qualify for preferential treatment, eligible goods

(a) must in principle, be transported director Japan without passing through the territory of another country (under certain conditions transit through the territory of third countries is permissible).

(b) are considered to have originated in a beneficiary country if they are wholly obtained in the country. If goods are manufactured wholly or partly from materials, parts or components imported or of unknown origin, the materials parts or components must have sufficient working or processing in the exporting beneficiary and is considered sufficient if the goods obtained are classified under CCCN, heading other than that covering any of the non-originating materials, parts or components used in the manufacture of the final product.

F. THE SCHEME OF NEW ZEALAND

New Zealand grants preferences for selected dutiable agricultural products falling within 99 CCCN headings. It also grants preferences for a large number of dutiable industrial products. Selected items falling within 74 CCCN headings are excluded from the scheme.

Margins of preference extended to both the agricultural and industrial products covered by the scheme vary widely. The GSP rate is 80% of MFN rate.

(i) QUANTITATIVE RESTRICTIONS

The New Zealand scheme makes no provision for quantitative limitations on preferential imports.

(ii) Rules of Origin

In order to qualify for preferential treatment eligible goods must meet the following requirements:

(a) In principle, the goods must be transported direct without passing through the territory of another country (transit through a third country is allowed, provided the goods remain under customs control and do not enter into trade there). Nevertheless, the products of one preference - receiving country may enter the commerce of another preference - receiving country without losing entitlement for GSP treatment;

the final process of manufacture must be performed in the exporting preference - receiving country, and

-the expenditure on imported materials, parts and components originating in any preference-receiving country and/or in New Zealand and expenditure on other items of ex-factory or works cost represent at least 50% of the ex-factory or works of cost of the product obtained in its finished state.

(ex-factory e.g. cost of materials, excluding duties, manufacturing wages, overhead expenses, cost of containers other than outside packaging)

G. THE SCHEME OF AUSTRIA, FINLAND, NORWAY, SWEDEN AND SWITZERLAND (EUROPEAN FREE TRADE AREA-EFTA)

(i) AGRICULTURAL PRODUCTS

AUSTRIA: Grants preference for 148 selected products in 65 CCCN headings. Selected products are duty-free, while for others various tariff reductions are granted.

FINLAND: Grants preferences for selected products in 54 CCCN headings. Duty-free entry is granted for all products covered by the scheme.

NORWAY: Grants preferences for selected agricultural products in 80 CCCN headings. Duty-free entry is granted for all products covered by the scheme.

SWEDEN: Grants preference for selected agricultural products in 43 CCCN headings. Duty-free entry is granted for all products covered by the scheme.

SWITZERLAND: Grants preference for selected products in 97 CCCN headings. Duty-free entry is granted in most cases, while substantial reductions are applied in others.

(ii) INDUSTRIAL PRODUCTS

AUSTRIA: Grants preferences for all MFN dutiable industrial products including primary commodities, with the exception of 11 products. For products covered by the scheme, tariff cuts of 50% from the MFN rate of duty are granted, with the exception of textiles and clothing in CCCN chapters 50 to 62 and 65, for which the reduction from MFN rate is 35%.

FINLAND: Grants preferences for all MFN dutiable industrial products, except for selected products in 66 CCCN headings. Duty-free entry is granted for all products covered by the scheme.

NORWAY: Grants preferences for all MFN dutiable industrial products, except for selected products in 23 CCCN headings.

SWEDEN: Grants preferences for all MFN dutiable industrial products, except for selected products in 19 CCCN headings Duty-free entry is granted for all industrial products covered by the scheme.

SWITZERLAND: Grants preferences for all MFN dutiable industrial products except for selected products which are subject to fiscal duties in 17 CCCN headings. Duty-free entry is granted for products covered by the scheme, except for textiles, clothing, footwear, umbrellas, unwrought aluminium and primary cells and batteries for which tariff reductions of 50% and 75% from the MFN rate are granted.

(iii) QUANTITATIVE RESTRICTIONS

Under the schemes of the EFTA countries there are no tariff quotas limiting in quantity preferential imports. However, these countries have reserved the right to introduce the necessary safe-guard measures in the event of market disruption.

(iv) RULES OF ORIGIN

(a) DIRECT CONSIGNMENT RULE

In order to qualify for preferential treatment, goods eligible for preference must in general, be transported directly to any of the EFTA countries.

(b) WHOLLY OBTAINED PRODUCTS

In order to qualify for preferential treatment the products must be 'wholly-obtained' in the preference-receiving country.

(c) PRODUCTS WITH IMPORT CONTENT

Products which have been manufactured in a preference - receiving country wholly or partly from imported materials, parts or partly from imported materials, parts or components (including materials etc of unknown origin) are considered as originating in that country if those materials, parts, or components have undergone sufficient working or processing. Imported materials parts or components (inputs) are considered to have undergone sufficient working or processing if the finished product falls under a tariff heading of the CCN at a four-digit level different from that of any of the materials, parts or components used in the process (referred to as a "change in CCCN heading").

List A of the schemes sets out working or processing operations not conferring to the product obtained the status of originating products whilst List B sets out working on processing operations conferring to the products obtained the status of originating products.

Further details in this respect are contained in the individual schemes of the EFTA countries.

II. THE SCHEME OF UNITED STATES OF AMERICA

(i) PRODUCTS COVERAGE AND DEPTH OF TARIFF CUTS

The United States grant preference for approximately 3000 agricultural and industrial products under the scheme. Among the products not eligible under the scheme are the following:textiles and articles of apparel subject to multi-fibre textile agreement; certain import sensitive articles such as petroleum products; leather products; most types of footwear; glass, steel and electronic products; watches. Duty free entry is granted for all products eligible under the scheme.

(ii) QUANTITATIVE RESTRICTIONS

Individual beneficiaries may be excluded from GSP treatment in respect of specific products because the competitive need ceilings were exceeded and this is if

-the appraised value (ex-factory price) of its shipments of the product to the USA during the calendar year exceeds 50% of total US imports of this product; or

-the appraised value of its shipments of the product to the United States during the calendar year exceeds a given dollar value.

(iii) RULES OF ORIGIN

In order to qualify for preferential treatment, the goods eligible for preferences

(a) Must, in principle, be shipped direct from a beneficiary developing country to the United States without passing through the territory of any other country; if shipped through the territory of another country the merchandise must not have entered the commerce of that country; if shipped from a beneficiary country to the United States through a Free Trade Zone in a beneficiary country, the goods must not enter into the commerce of the country and must not undergo any operations other than sorting, grading testing, packing, unpacking, changing of packing or repacking, affixing marks, labels or other signs, or operations necessary to ensure the preservation of the merchandise in its condition as introduced into the Free Trade Zone.

(b) For goods to meet the origin criteria under the U.S. scheme, they must meet the 35 per cent value added requirement. Goods are considered as wholly-obtained if they are wholly the growth, produce or manufacture of a beneficiary country or an association of countries treated as one country. To meet the 35 per cent value-added requirement, the following conditions must be met:

(A) The cost or value of materials produced in Cameroon.

\+

(B) The cost or value of imported materials substantially transformed into new and different materials of which the eligible article is composed.

\+

(C) The direct cost of processing performed in Camerron

= No less than 35 per cent of the appraised value of the article at the time of entry into the United States.

Items not included as direct costs of processing are those which are not directly attributable to the merchandise under consideration or which are not "cost" of manufacturing the products. These include profit and general expenses and business overhead such as administrative salaries, casualty and liability insurance, and advertising and salesman's salaries, commissions or expenses.

GSP Certificate or Origin

This certificate, Generalized System of Preference "FORM A" accompanies the goods exported to the preference-giving country certifying that the product is of the exporting country and meets the status of "originating product as required by the preference-giving country.

These forms are obtainable from the Ministry of Commerce, Industry and Tourism upon request. The form must be accompanied by Form CE 550...endorsed by the Department of Customs and Excise and Form F178... endorsed by any Commercial Bank and by Customs.

V. G.S.P. FOR HANDICRAFTS

Generalized Schemes of Preference is preferential treatment given by developed markets economies for hand-made products from developing countries. Handicraft products from developing countries have a duty free access to markets of the developed countries. Certain preference giving countries have certain tariff quotas and quantitative restrictions. Others give a more favourable tariff treatment.

Preference giving Countries:

Australia	Norway
Austria	Sweden
Canada	Switzerland
EC	USA
Finland	Japan
New Zealand	

AUSTRALIA: Grants special treatment for hand-made articles without any specific product limitation. However, for textile, clothing and footwear (TCF) products, a special regime applies. Global tariff quotas apply to Textiles, clothing and footwear (TCF products) - machine made TCF products. Similar handicraft products also fall within the global quota arrangements. Separate handicraft quotas apply in areas where trade in handicraft products represents a substantial proportion of total trade. Under the Australian Schemes duty-free treatment is provided.

Under the measures applied by Australia, products must meet special requirements in order to be eligible for special tariff treatment as handicrafts. These requirements refer to material used (the use of machine-made or of non-traditional or "modern" raw materials is generally not permitted), and to processes performed in the manufacture (the use of electric power is acceptable only under very restrictive conditions). The products must also possess certain artistic, traditional or decorative characteristics of the country or region of manufacture. It is normal practice for Customs to ask the Australian importer to furnish documentary evidence by way of photographs from the overseas supplier, showing the various stages of manufacture and the tools used in production, together with written statement detailing the step-by-step processes and materials involved. On receipt of satisfactory evidence which confirms that the goods are handmade, appropriate details are sent to all State Customs Offices, so that it is not necessary to present further evidence for future shipments of the same goods from the same supplier. Handicraft products are not exempted from Sales Tax.

AUSTRIA: Cameroon is not among the beneficiaries under the GSP but together with other developing countries which conform with the Austrian requirements concerning certification would be recognized as a beneficiary if it so applies.

The normal GSP Certificate of origin Form A bearing certain additional declaration and certification is required. Austria grants tariff reductions for products falling within 92 CCCN headings; 26 headings concern textile products. The other headings cover mainly leather products including household utensils of wood, articles of plaiting materials, paper products, walking sticks, prepared feathers, artificial flowers, articles of human hair, articles of stone, glass and glassware, precious metal articles, copper products, hand tools, cutlery, musical instruments, furniture, dolls and other miscellaneous articles.

Austria grants duty-free treatment for non-textile handicrafts, certain hand-made textiles, from the least-developed countries and 50% reduction from developing countries.

CANADA: Grants duty-free entry under GSP for handicraft products classified under item 87500-1 of the Canadian Customs Tariff. This treatment is granted under the condition that the products concerned:

(a) are listed in the schedule of handicraft goods-

DEFINITION OF HANDICRAFT PRODUCTS

(i) possess traditional or artistic characteristics that are typical of the geographical region in which they were produced; and

(ii) acquired the traditional or artistic characteristics described under

VI. RULES OF ORIGIN

1.1 The industrialised countries or tariff preference giving countries lay down certain rules to ensure that the benefits of preferential tariff treatment under the Generalized Systems of Preferences (GSP) or other arrangements are confined to products which have been entirely grown, extracted from the soil or harvested within the country or manufactured there exclusively from any of these products. These are termed 'wholly obtained' products.

There are other products with an import content which may be considered as originating from a developing country if those products have either undergone sufficient working or processing or the local content exceeds a certain percentage determined by the preference-giving country. There are variations in this percentage from country to country but the general percentage required is around 45%. It is advised that the % be checked and ascertained for specific destinations. In addition to the above conditions for products to be accorded originating status they must be transported direct from the exporting preference receiving country. This is known as the direct consignment rule, and does not allow the goods in question to enter the commerce of another country, save for the purpose of transit and shipment of goods.

All the above constitute what is internationally known as the Rules of Origin. For the PTA preferential arrangements, it is also necessary to meet the condition regarding local equity share holding in the manufacturing/exporting enterprise, to be eligible for the preferential treatment.

1.2 An exporter in Cameroon is concerned with the Rules of Origin of the following:-

(i) UNCTAD/GATT - The Generalised System of Preferences Schemes offered by all the industrialised countries.

(ii) The Preferential Trade Area (PTA) of the Eastern and Southern African states.

(iii) European Community (EC) known as the ACP/EC Convention of Lome.

and (iv) Cameroon rules as laid down in the Customs and Excise Act. The use of these rules is very limited since it is the rules of the importing country that prevail.

Goods can be exported to the neighbouring countries (R.S.A., Botswana, Lesotho and Mozambique) without a certificate of origin. These are normally accompanied by an Export Permit. This document differs from a Certificate of Origin in that it is merely a permit to export and it is not a certification that the goods exported were produced in Cameroon and meet the required conditions of eligibility.

1.3 To establish conformity with the rules of origin a certification that the goods to be exported were produced in Cameroon according to the rules of origin of the importing country is required from the exporter. The Ministry of Commerce, Industry and Tourism grants the Certificate of Origin for the GSP, PTA and Cameroon. For the EC countries the certificate is granted by the Chief Customs Officer. The certificate of Origin is to be applied for normally when the goods have been produced and are ready for shipment.

If goods are dispatched without a certificate of origin having been obtained, there may be difficulties in obtaining a retrospective certificate of origin.

1.4 In the computation of the local content/local value added, not all costs are allowed to be included and certain processes of assembly, manufacture or packaging are not considered as conferring originating status. The costs which are generally allowed to be included are:-

	Can be Included	Not to be Included
(i)	Costs to manufacture of all materials used in the manufacturing process.	Charges for outside packages and expenses in connection with packing of goods therein.
(ii)	Manufacturing wages and salaries.	Manufacturer's profit or the remuneration of any other person dealing with the article in its unfinished state.
(iii)	Direct manufacturing expenses.	Royalties.
(iv)	Overhead factory expenses.	Carriage, insurance etc. charges.
(v)	Cost of inside containers.	Any other charges incurred subsequent to the completion of manufacture.
(vi)	Other expenses incidental to the manufacturing operation at the discretion of the Chief Customs Officer or Principal Secretary, Ministry of Commerce, Industry & Tourism.	

For eligible processes, it will be best to enquire from the Ministry of Commerce, Industry and Tourism in specific cases.

While calculating local content/local value added, the CIP cost of imported materials/components is taken into account but materials/components obtained from a GSP preference giving country if the exports are destined to that country/PTA member country in the case of imports from and exports to a PTA country/EC-ACP States in the case of imports from and exports to a EC market can be counted towards local content/value added. The reference to imports is confined to materials and components for the manufacture of the product for whose export a certificate of origin is required.

2. DOCUMENTATION REQUIRED WITH APPLICATIONS FOR CERTIFICATES OF ORIGIN

2.1 TYPES OF CERTIFICATES OF ORIGIN:

GSP Form A, PTA, EUR 1 and Swaziland. For the Eur 1 Certificate of Origin exporters should address their applications to the Chief Customs Officer otherwise the rest are handled by the Ministry of Commerce, Industry and Tourism.

2.2 DOCUMENTATION REQUIRED

Applications for Certificates of Origin should be accompanied by (1) Export Foreign Exchange Proceeds Form F178 and the Bill of Entry Form CE 550 obtainable from the Commercial banks or Central Bank and from the Department of Customs and Excise respectively. The exporter may at this stage be required to produce an authentication of local content by a recognised Firm of Auditors/Chartered Accountants. The application is to be made in the prescribed form i.e. GSP/PTA/EUR 1, as the case may be.

For certain agricultural products like fruits, vegetables and animals or meat the exporter must first obtain an export permit from the Ministry of Agriculture through the National Agricultural Marketing Board for fruits and vegetables and from the Director of Agriculture for other products. In addition to the export permit the exporter must also obtain a phytosanitary Certificate from Malkerns Research Station for fruits and vegetables. A Health Certificate is required for live animals. This is issued by the Director of Veterinary Services.

2.3 ACCOUNTING RECORDS AND INSPECTIONS

In order to satisfy himself/herself the officer granting the Certificate of Origin may want to look at the following:-

(i) Records and evidence of incoming (parts, components, raw material) and outgoing units, that is the finished products.

(ii) Wages sheets.

(iii) Annual Statement of Cost of Goods produced.

(iv) Transportation invoices.

(v) Bill of Lading (for incoming raw materials) and Bills of entry for outgoing products.

(vi) The factory premises and the manufacturing processes being carried out.

Appendix Five

A.I.D STRATEGY

The U.S. interest in Cameroon is primarily economic and developmental. The A.I.D strategy in Cameroon contributes towards the broad goal of promoting sustainable economic growth through sector-level structural adjustment to resolve current economic problems. A.I.D.'s specific strategy objectives are: improving the efficiency of government services; reducing the role of the government in the economy, and developing a market-oriented private sector.

The objective of improving governmental efficiency places increased emphasis on developing institutions that are affordable and sustainable. A.I.D projects in research, education, and planning in the agriculture sector, and maternal and child health, child survival, and population are all being modified to improve the efficiency of public sector services and to increase their sustainability in an era of budgetary stringency.

While Cameroon produces sufficient quantities of food, rapid urbanization requires substantial increases in productivity. Recent evaluations of the National Cereals Research and Extension (NCRE II) project and the Tropical Roots and Tubers (ROTREP) project confirm that research has resulted in technologies which are now being extended to the field. Building on earlier work, 15 varieties of highland and lowland corn, rice and sorghum have been released since 1985 and five more are pending. Particular attention was paid to developing drought-resistant, short-season corn and sorghum for Northern Cameroon which shortens the "hungry season". Farmers who use the new varieties and other improved agronomic techniques have obtained average increases of 30% sustained over two years. Cameroonian researchers are testing cocoyam, yam and manioc varieties with regard to disease resistance, and technicians are being trained in new techniques that will accelerate development of disease-resistant varieties of these major crops.

The NCRE project has paid particular attention to transferring research results to farmers and obtaining their feedback. About 2,000 farmers (one-third female) participate directly in field tests and demonstrations. This system has been particularly effective in facilitating the rapid spread of NCRE's early season corn varieties in Northern Cameroon, where corn traditionally has not been grown.

Under the Agricultural Education I project, the University Center at Dschang (UCD) is improving its efficiency through careful review of its recurrent costs and general budget. Studies which examined the demand for UCD's graduates and services provided the basis for UCD maintaining enrolment at about 600 (in lieu of a target of 2,000 at the end of the second phase), while cutting expenditures by a quarter. A revised curriculum will prepare graduates for employment in both the private and public sectors.

The Agriculture Policy and Planning project helps improve the collection, processing and analysis of agriculture and livestock data, as well as preparing policy and planning studies for decision makers. It provides an analytical basis for designing and measuring progress under the Structural Adjustment Program. The project will update annually data developed in the 1984 agricultural census on farm population, cropping patterns, yields, holding size, finances and livestock ownership.

In the health sector, the Maternal Child Health and Child Survival project is systematizing health care delivery and cost recovery in two provinces. The project, implemented by Harvard and Drew Universities, and Peace Corps volunteers, has trained over 200 health personnel in child survival techniques, including immunization, growth monitoring and oral rehydration therapy. About 750,000 children were immunized against childhood diseases and 20 health centers have started testing a pilot cost-recovery system. The regional Family Health Initiatives project has conducted policy studies and operational research on family planning in Cameroon.

The Fertilizer Subsector Reform Program directly addresses the objective of reducing the government's role in the economy. It aims at establishing a competitive, sustainable and subsidy-free, private fertilizer marketing system in Southern Cameroon. (The European Community finances a parallel program in the North.) The program has dismantled the institutional arrangements underpinning the parastatal monopoly, while buildings and private sector fertilizer purchase and distribution networks, gradually eliminating subsidies and moving towards an open-market pricing system. The first full year of operation reduced delivery time by more than half, lowered the cost to the economy of delivered fertilizer by 18%, and saved the Cameroonian budget about $1.3 million. Beginning in FY 1990, the Cameroon Agricultural Marketing Policy Reform program will address reforms in marketing agricultural exports, by transferring export crop marketing from the public to the private sector. It will focus initially on arabica coffee and then move to rebusta coffee and cocoa.

The objective of developing a market-oriented private sector is addressed by several activities. Through the Credit Union Development project, the credit unions continue to offer financial services to rural Cameroonians despite the liquidity crisis. About a third of Northern Cameroon farmers receive seed multiplied through a system using private sector farmers participating in the Northern Cameroon Seed Multiplication II project. Finally, creation of a Free Trade Zone, with Overseas Private Investment Corporation and A.I.D assistance, will facilitate development of export-oriented economic activities and allow the private sector to compete in world markets at world prices. The FTZ is designed to both stimulate new economic investment and create new jobs.

Other Donors

While total expenditures of donor assistance amounted to only $212 million in 1987, it is expected that accelerated payments and new commitments will result in larger disbursements in 1989. In 1989, the IBRD and the African Development Bank had the larger commitments due to the Structural Adjustment Loans. The IBRD also provides major support to agriculture, rural development and infrastructure. France, the next largest donor, is prominent in infrastructure, natural resources, education and parastatal reform. Other donors v 'hose contributions exceed or equal the United States' are the Federal Republic of Germany, the European Community, and Canada.

FY 1991 PROGRAM

Most of the $20 million requested from the Development Fund for Africa will support liberalizing agriculture marketing systems. Continued support of $15 million is planned for the Fertilizer Subsector Reform Program while $11 million will be provided for the Agricultural Marketing Policy Reform Program. Continuing project assistance will include $1 million for Maternal Child Health and Child Survival. Funds for buy-ins to regional projects include Human Resource Development (631-HRDA), $400,000; Family Health Initiatives (631-AFHI), $400,000; African Child Survival Initiative (631-ACSI), $100,000; HIV/AIDS Prevention (631-HAPA), $25,000; Technology for Primary Health Care (631-PRIT), $250,000; and Opportunities Industrialization Center International (631-OICL), $1,000,000.Appendix

Appendix Six

Acronyms

CDC	Cameroon Development Corporation
CEEAC	Communauté Economique des Etats de l'Afrique Centrale (Economic Community of Central African States)
CFA	Coopération Financière en Afrique (African Financial Community)
EAMI	Programme National de Promotion des Exploitations Agricoles de Moyenne Importance
FZ	Free Zone
NOIFZ	National Office of Industrial Free Zones
OAU	Organization for African Unity
OCB	Organisation Camerounais de la Banane
SAP	Structural Adjustment Program
SNI	Société Nationale d'Investissement
SODECOTON	Société de Developpement de Coton
TOE	Tons of Oil Equivalent
UDEAC	Union Douanière et Economique de l'Afrique