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CM-Cross-Border Trade Between Nigeria and CEMAC Countries

Estimating Trade Flows, Describing Trade Relationships, and Identifying Barriers to Cross-Border Trade between Cameroon and Nigeria

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Executive Summary

Official non-oil trade flows between Cameroon and Nigeria are extremely small. But there seems to be large potential for both countries to expand bilateral trade, and informal trade flows already take advantage of existing opportunities without being officially recorded. Particularly the large Nigerian market with its over 158 million consumers offers large opportunities for Cameroonian producers, as the Nigerian economy is set to continue to expand at a rapid pace, but there also seems to be significant scope for Nigeria to expand exports of a number of locally produced manufacturing goods.

Removing barriers to trade between the two economic blocs in West and Central Africa is of strategic importance for closer economic integration among the economic blocs in West and Central Africa, and to generate an Africa-wide free trade area by 2017, an objective repeatedly stressed by African governments. Linking up the different economic groupings through improved infrastructure, better market access, greater transparency, and simplified border procedures could also help in supporting domestic reforms and those initiatives aiming at removing internal barriers within ECOWAS and CEMAC, where progress has been slow.

Removing barriers to trade between the two blocks will particularly benefit those people living in border areas. The border areas in both countries are relatively remote from economic centers in their economies, and at the fringes of the two economic areas, ECOWAS and CEMAC. Generating linkages between these relatively isolated areas will increase the choice of consumers and allow producers to benefit from larger markets, better access to the intermediate inputs they need, and to allow them exploit economies of scale. This could generate substantial income and employment opportunities for the population in border areas but also beyond. It could also contribute to bringing down costs of key products such as food staples that are traded across borders, and help ensure a more reliable and affordable supply of foods and other essentials, especially for the most vulnerable members of the population.

This report estimates that actual bilateral trade amounts to more than USD 230 million, significantly higher than the officially recorded non-oil trade flows of between USD 10 and 40 million. Of these, Nigerian-made exports are estimated at USD 176, consisting largely of cosmetics, plastics, footwear, and other general merchandise, while Cameroon-made exports are estimated at USD 62 million, largely consisting of paddy rice, soap, and agricultural products such as *eru*. Including large flows of re-exports that flow between the two countries and account for the largest share of bilateral goods flows, we estimate bilateral trade flows of approximately USD 1 billion. A large share of trade enters at official border crossings but value and volume of trade are significantly underreported, so most of the trade flows we observed are not technically illegal, but rather informal, as they are not fully recorded (we estimate they are under-reported by as much as a factor of 50).

Most trade between Cameroon and Nigeria takes place along 10 major corridors, both inland and on the coast. These cross-border corridors are linked in with domestic transport networks in each country, often covering long distances. Seven of these corridors are situated in the northern part of the border, two in the West, and the last corridor covers products that are transported by sea. The report estimates bilateral trade flows at a number of key border crossings.

Trade policies such as numerous import and export bans and high statutory tariff rates severely distort the trading environment. Many of these policies are, however, not fully applied. In principle, both countries apply Most Favourite Nations tariffs at an average of 11.9 per cent in Nigeria and 19.1 per cent in Cameroon to imports from the partner. However, imports to Cameroon and Nigeria seem to pay less than statutory duty rates and can enter despite import bans such as in the case of rice. Generally, goods are traded despite existing import and export bans.

Trade procedures remain extremely nontransparent—demanding multiple formal and informal payments—and actual trade relationships and barriers differ according to a large number of characteristics, making it nearly impossible to describe the "typical" trade relationship. Procedures and barriers differ depending on the location (geographical characteristics of the border area), weather (seasonal variation), time of day, specific border crossing, scale of operation, type of product, and personalities involved. They are ultimately determined on a case-by-case basis through negotiations, reducing transparency and complicating forward-planning entry of new traders into the business.

Long delays and high statutory duties encourage traders to avoid official channels or choose between border posts based on where they encounter least costs/control, effectively putting border posts in competition for traffic with each other to collect revenues. To respond to this reality of cross-border trade, Cameroonian regional customs bureaus in the (Extreme) North and western part of the country have formally issued guidelines for assessing minimum duties collected per vehicle (ranging from small personal vehicles to 22ton-trucks). While statutory CEMAC tariff rates are applied in major ports in Cameroon, the "informally formal" regime issued by regional Customs bureaus in Cameroon is generally applied at land borders in Cameroon. Under this system, customs officials do not check every item loaded on a truck, but assess import tax based on the size of the truck and the type of good loaded.

The set minimum values function as guidance for the total value of formal and informal payments made at land borders and that are generally negotiated between officials and traders, often far in advance. Regional customs offices are aware that these values function as target values, as they recently reduced the minimum values with the objective to "boost" trade with Nigeria. Generally, traders pay more than the prescribed minimum values per truck, but significantly less than according to statutory CEMAC duty rates. Based on interviews and actual custom declaration forms, we estimate that traders probably make formal and informal payments

of not more than 10 to 20 percent of statutory CEMAC duty rates to various customs agencies. Traders pay less in formal fees than according to the guidelines issued by regional customs, but including all informal payments significantly more than these values.

Another response to nontransparent procedures and the many barriers to trade is the emergence of very pronounced functional specialization in cross-border trade and ethnic networks play an important role in this context, particularly in the west of Cameroon. Traders buy and sell products in markets of origin and destination, transporters group goods from up to 100 traders per trip and physically move the goods, and a large number of specialized service providers are active during transportation and border crossing. Loaders or freight forwarders accompany the goods and make arrangements for transport and with some specific officials at origin or destination, or make necessary payments en route, a task also undertaken by escorts in specific circumstances. Crossers or customs brokers deal with and make payments to customs and other officials at borders, while some workers at borders are specialized in unloading and reloading goods from trucks, which generally do not cross the border.

These specialized service providers are able to cut costs by negotiating formal and informal payments in advance, thereby partially offsetting the high costs generated by the lack of transparency. Access to the networks of specialized service providers allows traders to overcome some of the barriers they face, such as limited access to information, enforcement of contracts, and harassment by officials. These networks are strongly influenced by ethnic networks that play an important role in trade, and access to these appears to be somewhat restricted as new traders need to be introduced into the networks by insiders. It is fundamentally the lack of transparency that increases overall trading costs. Specialized service providers can reduce these costs, and collect rents in that process. Simplifying procedures would likely reduce the need to using such specialized service providers and would allow outsiders to more easily enter cross-border trade as knowledge requirements would fall. However, it is unclear if ethnic networks would continue to control cross-border trade for other reasons.

In addition to the lack of transparency, a number of regulatory requirements and procedures exist that are mostly not fully applied but nevertheless generate delays and costs, without achieving the policy objectives justifying their existence. A large number of agencies are present at the borders and at a multitude of control points along the major corridors, generating delays and often necessitate informal payments. In practice many requirements are ignored while formal and informal payments are collected, for example where product standards are not controlled at borders but shipments simply allowed in for a standard fee.

Though cross-border trucking seems to be permitted in principle, procedures and costs involved seem to effectively prevent the emergence of integrated transport service providers which would offer cross-border trucking, bring down costs, and improve transit times. Using two service providers that need to coordinate, and reloading goods at the border increases transport costs,

particularly for small traders which have difficulties consolidating shipments, often incurring wait times, and paying particularly high transport costs. However, more analytical work is needed to understand this phenomenon better and develop policy recommendations to address this de facto barrier.

To maximize returns on investment in hard infrastructure, it will be essential to complement them with important regulatory reforms. The delays at borders and roadblocks are currently relatively unimportant given transit times of a week or more, but they will become relatively more important as transit times fall significantly following infrastructure investments.

Such reforms would also allow strengthening the role of women in physical cross-border trade which remains limited largely due to security issues, but also due to social norms, particularly in the North. While increasing transparency and security will help to increase the participation of women in trade, increased cross-border trade would also open up new opportunities for women in related activities, such as managing shops and restaurants, or agricultural activities, where women are particularly active.

Policy recommendations

This report makes a number of recommendations for facilitating cross-border trade that would open up additional opportunities for farmers and the private sector in both countries. A key area for policy reform will be an overhaul of the import and export restrictions that currently exist, but such reforms will have to overcome significant resistance from those groups benefitting from existing arrangements.

Another important element would be the formalization of the existing import procedures in Cameroon to ensure that actual trade costs do not actually increase as part of the reforms as a full application of statutory rates would increase trade costs at land borders significantly. The formalization of this regime would potentially also demand discussions at the CEMAC level to ensure these procedures are compatible with Cameroon's international commitments at the regional level. Formalizing the currently applied system, and removing informal payments, is expected to increase formal revenue of customs at the detriment of rents extracted by individuals, while lowering overall costs to traders. Reforms are likely to face significant opposition from those currently capturing these rents. As long as traders feel that a formalization of procedures will lead to higher payments for them, they are also likely to oppose such reforms.

Increasing transparency of existing procedures and regulations for product registration and services, such as cross-border trucking, will be essential to increase predictability of cross-border trade operations and allow policy initiatives to be effectively implemented. As other barriers to trade are gradually removed, existing non-tariff barriers are likely to become increasingly important.

Publishing a list of all procedures and payment rates, as well as the rights and obligations of public officials and of traders, such as outlined in a Traders' Charter that is currently being discussed in southern Africa with COMESA, would increase the predictability of the trading environment and increase transparency. Eliminating the visa requirement, or making it cost-free, would add to facilitating trade, bringing down costs and reducing the incentives for traders to avoid official border crossings. Improvements in transparency should be complemented with training on these rights and obligations to encourage behavioral change. Impartial enforcement mechanisms will be needed as well, which could be phased in following an initial period during which infractions are only notified with clear warnings, but do not immediately result in penalties. An important element would also be to take stock of all Non-Tariff Measures (NTM) in both countries and to make more transparent and streamline the registration requirements and procedures for manufactured products that need to be registered before being traded.

Regulatory reforms will have to complement the investment in hard infrastructure to effectively reduce trade costs and maximize returns on investment in roads. The rehabilitation of the Enugu-Bamenda corridor will likely reduce basic transport costs on the Cameroonian side by between 30 and 60 percent in the dry and rainy season, respectively. Removing all informal payments along the corridor would lead to a similar reduction, with physical improvements and policy reforms estimated to reduce total transaction costs from Onitsha to Bamenda by up to 12 and 16 percent, respectively, or more than a quarter in total. Addressing regulatory requirements and barriers to cross-border trucking will also be important as delays and costs generated by these restrictions will become relatively more important, once infrastructure constraints are removed. This will be important to ensure that reductions in transport costs are passed on to consumers through increased competition and to avoid potential rent capture by transport providers or other agents.

Both countries have committed to reduce the number of control points along the Onitsha-Bamenda corridor from about 30 to two as part of the rehabilitation project, but a comprehensive plan to address this issue and implement the commitment is still lacking. Reviewing in detail the political economy of these road blocks, including who are beneficiaries at various levels of government, will be essential to develop a comprehensive and realistic reform plan than could subsequently be implemented. It is likely that this initiative is going to face significant push-back from current beneficiaries who often might depend on the income currently generated and perceive it as an established right. These reviews could be undertaken independently for both countries and each corridor, including assessing the political economy at border crossings in greater detail.

Further analysis of the barriers to cross-border trucking should be undertaken to better understand the factors that create additional costs and prevent fully integrated transport service providers from operating across the border. This analysis should identify all regulations and their application, and more accurately quantify the impacts and costs resulting from current policies

such as the unloading and reloading of goods at the border and the absence of integrated transport service providers. As overall travel time will decline with road improvements, delays generated by these policies will become relatively more important and costly and it will be important to address them.

The establishment of a joint border post along the Enugu-Bamenda corridor is foreseen, but the facility should only be established after procedures have been significantly simplified. The post will be established under the joint leadership of the ECOWAS and CEMAC Commissions, but no meaningful progress has been made to date. Without comprehensively addressing the procedural aspects which currently delay customs clearance, the physical construction of a joint building will not contribute to reducing crossing times, and significant efforts should be put into first simplifying and streamlining procedures of all agencies present in each country before moving towards joint operations such as joint inspection and increased information sharing. Building of a joint facility or investment in processing equipment and computerization should come last in this process.

Implementation of complementary reforms could be started on a pilot basis or comprehensively where possible, but all such governance reforms at borders could serve as a first step to broader governance reforms in the two countries. For example, undertaking measures to increase transparency, or reduce corruption could be undertaken at pilot locations, while others reforms, such as regulatory reforms or the formalization of the existing trade regime could be undertaken more comprehensively.

A key component for this policy reform would be to establish a transparent monitoring and evaluation system and to develop an impartial complaint mechanism for traders. This would allow measurement of the impact in terms of prices and the flow of goods. A functional complaint mechanism accessible by traders to raise issues of non-compliance, informal payments, and harassment will help ensure that informal procedures, additional road blocks and control points do not reappear once the focus of policy makers turns elsewhere. Once the pilot reforms have been evaluated, reforms should be extended to other regions, or to other agencies in the context of broader governance reforms. Reforms in the public sector and the improvement and potential simplification of procedures could be coupled with more stringent control of illegal trade that completely bypasses official border posts.

To support the export of paddy rice and trade in a number of agricultural commodities in the North, it will be important to rehabilitate and upgrade the road from Mora to Limani to “all-weather” status. This major crossing point currently carries the highest volume of traded but suffers high costs and delays because of the very poor quality of the road. Trucks break down on a regular basis, often blocking the road for other road users who have to divert to secondary roads that are also of extremely poor quality. The feasibility study for upgrading this road should take potential traffic expansion in the North into account.

Estimating Trade Flows, Describing Trade Relationships, and Identifying Barriers to Cross-Border Trade between Cameroon and Nigeria

Background

1. **Cameroon and Nigeria share a common border of nearly 1,700km and both countries have strong historical and cultural ties.** However, the partnership between the two countries has had its difficult periods, most recently when the relationship turned hostile over the disputed Bakassi Peninsula, and economic linkages between the economies remain limited. However, recent political efforts by both governments and assistance from the international community have resulted in a peaceful and diplomatic settlement of the border dispute. This exemplary case of conflict resolution for the region opens the opportunity for increasing economic trade linkages between both countries, which would contribute to locking in the negotiated solution and demonstrating their economic benefits. Both governments are aware of this historic opportunity, and there is high-level commitment to moving forward and taking advantage of the new atmosphere of cooperation for the benefit of their peoples.

2. **According to formal statistics, existing bilateral non-oil trade is minimal, and these bilateral trade flows represent only a minor fraction of both countries' overall trade.** Official statistics are largely inconsistent, but non-oil flows from Nigeria to Cameroon are estimated somewhere between USD 1 and 10 million, while non-oil flows from Cameroon to Nigeria are estimated at between 10 and 30 million over the last couple of years, representing only about 1.5 percent of Cameroonian and 0.4 percent of Nigerian non-oil exports.

3. **However, anecdotal evidence indicates that real trade flows are significantly larger, and that there is substantial potential for further strengthening bilateral trade.** While poorly organized, border crossings, particularly in the North, are busy, and there is wide recognition that parts of Northern Cameroon are largely supplied from Nigeria, with about two thirds of petrol consumed originating in Nigeria. This study supports these broad claims, estimating that actual trade flows are in the hundreds of millions USD, and yet significant barriers to increasing cross-border trade remain.

4. **Trade procedures remain extremely nontransparent—demanding multiple formal and informal payments—and actual trade relationships and barriers differ according to a large number of characteristics, making it nearly impossible to describe the "typical" trade relationship.** Procedures and barriers differ depending on the location (geographical characteristics of the border area), weather (seasonal variation), time of day, specific border crossing, scale of operation, type of product, and personalities involved. They are ultimately

determined on a case-by-case basis through negotiations, reducing transparency and complicating forward-planning entry of new traders into the business.

5. **Expanding trade between the two countries could play a critical role in accelerating economic development and regional integration by opening up new markets for producers, and allowing them to benefit from economies of scale.** This will require reducing barriers to cross-border trade, allowing increased trade flows to reach the larger market, and permitting private sector producers to increase the scale of their activities. As companies increase the scale of their activities, average production costs are likely to fall, making companies more competitive domestically, regionally, and globally. Over time, this will lead to larger and more competitive firms in both countries that can produce higher quality products at lower costs, providing more jobs and income opportunities. The increased scale of operations is also likely to allow companies to emerge that specialize in producing specific intermediate inputs needed by larger companies. Such specialized suppliers could also supply companies in the region, improve their operations through experience and higher production volume, and possibly integrate into global supply chains. As specialization increases, intra-industry trade is likely to increase as well.

6. **Removing barriers to trade between the two neighbors is likely to benefit particularly relatively remote areas of both countries.** The border areas in both countries are relatively remote from economic centers in their respective countries, and are also located at the fringes of the two economic integration bodies, ECOWAS and CEMAC. High trade costs across borders further isolate these areas, forcing companies to orient towards the centers in their respective countries while economic centers of activity might be geographically close but in the neighboring country. Generating linkages between these relatively isolated areas will increase the choice of consumers and allow producers to benefit from larger markets, better access to the intermediate inputs they need, and to allow them exploit economies of scale.

7. **It could also contribute to bringing down costs of key products such as food staples that are traded across borders, and help ensure a more reliable and affordable supply of foods and other essentials, especially for the most vulnerable members of the population.** Informal cross-border trade plays a critical role in supplying consumers, and it should be seen as an activity that strengthens growth, rather than an ill that governments need to fight against, as it generates substantial employment and income opportunities.[1] Supporting these traders will increase availability of key food items and reduce the vulnerability of consumers.

8. **Integrating food markets across borders will also contribute to increasing access to such products where adverse weather patterns affect production in localized areas.** Borders in Africa often segment food surplus and deficit areas,[2] and removing barriers to trade would

[1] Economic Commission for Africa, 2010, Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade, Addis Ababa.

[2] For an analysis of this phenomenon and the impact of trade restricting polices on prices, supply, demand, and production incentives in Easter and Southern Africa, see World Bank, 2008, "Regional Trade in Food Staples –

allow better linkages of farms to markets in cities where demand for food staples is expected to double by 2020. More predictable market access will also help improve yields and productivity, opening opportunities for faster growth, stronger employment creation, and increased food safety.[3]

9. **Improving market access and reducing trading costs will be critical for closer economic integration, including linking the economic blocs in West and Central Africa as Africa moves towards a continental free trade zone.** Both regional economic communities (ECOWAS and CEMAC) are engaged in removing internal barriers towards closer regional integration, but progress has been slow. But beyond speeding up regional integration within each bloc, governments' commitment to an Africa-wide free trade area by 2017 will demand linking up the different economic groupings through improved infrastructure, greater transparency, and simplified border procedures. Addressing barriers to trade between West and Central Africa will be a critical element of this agenda, which will open up significant opportunities for the private sector in both regions.

10. **Governments in Cameroon and Nigeria have long recognized that strengthening cross-border trade is important. The African Development Bank (AfDB), with support from the World Bank, is currently financing the rehabilitation of the key corridor between the industrial heartland in Nigeria and rich agricultural production areas in Cameroon.** Following rehabilitation, the 443 kilometer-long corridor between Bamenda, Cameroon and Enugu, Nigeria has the potential to become a major avenue for trade between the two countries and the regional economic groupings in West and Central Africa. Part of the project also foresees the establishment of a joint border post under the joint leadership of the ECOWAS and CEMAC Commissions and the removal of roadblocks along the corridor, but progress on these issues has been limited.

11. **Investment in hard infrastructure needs to be accompanied by improvements of procedures and the reduction of other barriers to trade, the so-called soft infrastructure.** To better understand the key issues, this study assesses the structure of trade flows between Cameroon and Nigerian and identifies the barriers that impact these trade flows. It describes the structure and processes of cross-border trade, estimates the size and characteristics of current trade flows, identifies existing barriers to expanding cross-border trade, and proposes policy initiatives to facilitate trade.

12. **The study finds that regulatory and security barriers at the border and along the road remain key impediments to trade.** Addressing these policy issues in parallel to the AfDB funded improvement in physical transportation infrastructure will be critical to reduce trade costs

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Prospects for Stimulating Agricultural Growth and Moderating Food Security Crises in Easter and Southern Africa", Report No. 46929-AFR, Washington, DC.

[3] See also Brenton and Isik, 2012, "De-Fragmenting Africa: Deepening Regional Trade Integration in Goods and Services", World Bank, Washington, DC.

significantly, maximize returns from the investment in infrastructure, and improve economic outcomes.

13. **The remainder of this report proceeds as follows.** Section 1 describes drivers for cross border trade such as historical relations, economic factors, and the policy environment. The next section describes the reality of trade flows by describing existing trade corridors and estimating current trade flows. Section 3 describes how goods are actually traded across borders between the two countries, and how different actors are involved. Section 4 describes the barriers to trade, and identifies which barriers are most important. Section 5 describes the potential for increasing trade. Section 6 summarizes the findings and presents prioritized recommendations for policy reform.

Drivers for Cross-Border Trade

14. **Historically, intra-regional trade in West and Central Africa has been characterized by a distinct North-South exchange of goods, where people in the arid and the semi-arid north specialized in livestock production while those in southern tropical lands specialized in agriculture and manufacturing.** But both Cameroon and Nigeria share similar climatic conditions, with the northern parts of each country being semi-arid and their southern fronts sharing comparable tropical conditions.

15. **Being an East-West trading relationship, other factors determine the trade flows between Cameroon and Nigeria.** The observed trade flows are the result of the distribution of population and agricultural production centers, road networks (accessibility), long-established trading relationships, issues surrounding comparative advantage, and man-made policy distortions on either side of the border. As both countries continue to industrialize and integrate into global supply chains, factors determining the cost of access to primary and intermediate inputs, other costs of production, economies of scale, and specialization in certain products will continue to impact production, and consequently trade patterns.

Historical and Cultural Relations

16. **Ethnic networks facilitate trade within and across borders, and these networks play a particularly critical role in states where rule of law is weak and full information and formal third party enforcement of contracts are inadequate.**[4] These networks can provide a mechanism for compliance with contracts, as members of well-defined networks are self-policing activities of their members and can effectively implement sanctions for non-compliance. This mechanism is particularly important in a weak legal environment, as can be observed in the

[4] Rauch, James E., 2001, Bus iness and Social Networks in International Trade, *Journal of Economic* Literature, 39 (4), 1177-1203 provides a good overview of the rich literature.

rural areas of Cameroon and Nigeria, and where cross-border enforcement of legal rights would seem to be particularly cumbersome, costly, or impossible.

17. **The composition of ethnic groups on both sides of the border varies strongly between the northern and southern parts of the border.** In the south, the main ethnic groups engaged in cross-border trade are Nigerian traders and a smaller group of Cameroonians. In particular, the Nigerian Igbo ethnic groups, who predominantly reside in Nigeria but also have a sizable presence in Cameroon, are the most visible traders in the area. In the north, there are two main ethnic groups involved in trade, namely the Fulbe and the Hausa.

18. **Along the Southern part of the border, the settlement of many Igbo from densely populated areas of Nigeria in the western part of Cameroon has created natural trading networks with Nigeria, which tend to increase the volume of trade between these two countries in comparison to trade with other countries.** The manner in which Nigerian Igbo came to settle in the Anglophone region explains much of the structure of trade in the region today. During the colonial era, when Anglophone Cameroon was administered by the British as part of Nigeria, there was no effective boundary between today's Anglophone Cameroon and Nigeria. Goods and people moved across the region freely and large-scale immigration also took place.[5] Those who immigrated into Anglophone Cameroon were Nigerians originating from the densely populated Igbo region. Some of those immigrants moved to work at the various agro-industrial enterprises in Cameroon, while others sought business opportunities in the relatively untapped new region that they came to settle. They opened wholesale and retail businesses, engaged in profitable enterprises such as cocoa and palm oil trade, and brought manufactured goods from Nigeria to Anglophone Cameroon. Soon the Igbo immigrants became the dominant group in business and trade across the region, thanks in large part to their relatively higher level of education and their well-recognized business sense.

19. **In contrast to the large scale immigration from Nigeria to Anglophone Cameroon, no similar immigration from Cameroon to Nigeria took place.** Most likely, the absence of this migration resulted from the relative low population density in Anglophone Cameroon and the fact that it would have been hard for Cameroonians to establish businesses in the densely populated Igbo land in Nigeria. In addition, the Cameroonians tended to have less western education when compared to British-ruled Nigeria, which meant that it would have been challenging for them to establish businesses in Nigeria.

20. **As a result of this migration, the entrepreneurial nature of the Igbo ethnic group, and their group-centric approach to trade, the Igbo control a significant share of the trade and trading activities in the area.** In Onitsha, Aba, Enugu, and other trade centers in Nigeria, the group holds long-established relationships that are based on both business and ethnicity. The

[5] Piet Konings, 2005, "The Anglophone Cameroon-Nigeria Boundary: Opportunities and Conflicts," *African Affairs*, pp. 275-301.

suppliers guarantee a steady supply of goods, and even credit when necessary, and transporters and other specialized agents that interact in the flow of goods are largely part of the same group as well. As a result, Nigerian Igbo controlled more than 85 percent of commerce in Tiko, 75 percent in Kumba, and 70 percent in the Mamie area as early as the 1960s,[6] and this dominance seems to continue even though no comparable recent figures are available. Discussions with stakeholders and visits to major markets in Bamenda (Cameroon) indicate that this group continues to control most cross-border trade related business.

21. **Ethnic relationships remain critically important for entering and exercising the profession as cross-border trader as they transmit tacit knowledge that is essential to deal with the many policy restrictions and barriers that make cross-border trade nontransparent.** Traders claim that all new entrants, even Nigerians, were first coached by well-established traders who showed them how the business operates and, even more crucially, provided them with the financing needed to become a trader. This coaching plays a critical role in starting a new business, and traders explain that working as an apprentice for a period of time and learning the various stages of cross-border trade before becoming independent is essential. This tacit knowledge is necessary for entering operations and being able to overcome the many policy barriers and nontransparent procedures that affect cross-border trade.

22. **Due to the dominance of the Igbo group in cross-border trade, it seems nearly impossible for a newcomer of a different ethnicity to establish business along the Nigeria-Cameroon trading route.** Group membership provides for trust relationships that allow outsourcing of specific activities to specialized service providers that are active along the trading route, such as transporters, financiers, people dealing with informal roadblocks and customs officers, or distributers. Obtaining access to supplier credit, or finding a trustworthy transporter also depends heavily on ethnic group membership, as the existing trust relationship permits other members of the group to vouch for a trader and essentially serve as collateral should he not meet the contract. Group membership also provides strong incentives for a trader not to default, as this carries the risk of being ostracized and losing credibility in future business deals.[7] As Konings notes, "collective enterprise enables them to take advantage of economies of scale, to incur lower costs than their Cameroonian counterparts, to set competitive prices for their goods, and to dominate or monopolize the trade in certain goods."[8]

23. **Ethnic networks also facilitate trade by reducing risk and uncertainly along the trading corridor and improving access to information.** By traveling together and pooling resources, Nigerian traders can be better prepared for possible theft, robbery, and extortion along the route. Ethnic networks also facilitate information sharing and reduce information asymmetry,

[6] As cited in Konings, 2005, p. 284
[7] The importance of these ethnic (or social) relationships and the wide geographic extension of these networks are also stressed in Economic Commission for Africa, 2010, Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade, Addis Ababa.
[8] Konings, 2005, p. 285

particularly with greater access to mobile phones. Traders now regularly call their suppliers within an ethnic network ahead of time to find out prices, availability, and a host of other information. Group networks remain essential in disseminating such information, particularly for heterogeneous traded goods with no reference price.[9] These goods represent the bulk of goods traded in this region, and belonging to an ethnic group allows a trader to obtain important information that would be nearly impossible for an outsider to acquire.

24. **There are several reasons why group unity is such a particularly important feature of how Nigerian traders approach cross-border trade.** As a minority ethnic group with a significant share of commerce in Cameroon, Nigerian traders suffer scrutiny from Cameroonian authorities and a general sense of resentment from the local population. Group unity allows them to deal with police and gendarmerie harassment in a more systematic manner. For instance, through the Bamenda Traders Association (BTA) – comprising mainly Nigerian traders – the group maintains a relationship with local authorities by making regular payments to influential officials at various levels of government, negotiating the types of paperwork one needs to operate a business (licenses, entry/exit visa requirements, etc.), and making arrangements for how to deal with police/gendarmerie controls.[10]

25. **While Nigerian ethnic groups dominate cross-border trade in the South, there are smaller groups of Cameroonians who manage to participate in the business.** Chief among these are the Bamileke—a group of smaller and diverse tribes who share common language and reside mostly in the Northwest and Southwest regions. Traditionally, the Bamileke were known for their arts and craftsmanship, and especially as carvers of wood, ivory, and horn. However, they have also come to be renowned for their entrepreneurship and engagement in trade, thanks in part to their relative high population and small territory. The Bamileke are active in domestic transport and retail, but only to a very limited degree in cross-border trade which remains largely controlled by Igbo groups.[11]

26. The Bamileke entrepreneurs tend to operate largely on an individual basis and focus on specific products that the Igbo are hesitant to trade in. Anecdotal evidence suggests that the Bamileke's cross-border business is concentrated in importing manufactured products that are more forcefully regulated, such as cigarettes and pharmaceuticals. According to several interviewed traders, Nigerian traders often avoid these products because they are a minority immigrant group in Cameroon and there is already an existing perception that Cameroonian authorities scrutinize them more strictly. For many of these traders, there is fear that engagement in illicit trade could lead to revocation of their trade permits and possibly jeopardize their

[9] This is also reported by Rauch and Trindade (2002), who find that ethnic Chinese networks increase bilateral trade significantly, particularly in differentiated products.
[10] The Bamenda Traders Union (BTU), which comprises Cameroonian traders, also formally exists but is said not to been active for the last two years due to internal financing issues.
[11] Herrera, Javier, 2000, Le Nigeria, une menace pour le Cameroun, in : Aerts et al. (ed) (2000), "L'économie Camerounaise: un espoir évanui", Karthala.

immigration status. But since the Bamileke traders are Cameroonian nationals, they are not as concerned about their legal standing in the country. It is also reported that the police and gendarme are somewhat "easier" on the Cameroonian traders, possibly because of shared ethnicity and language.

27. **The situation is very different along the northern part of the border, where the two main ethnic groups residing along the border are the Fulbe and Hausa.** The Fulbe are primarily present on the Cameroon side of the border, although some are also in Nigeria. The Hausa groups reside chiefly in northern Nigeria, but a significant number of this group also live in northern Cameroon.

28. **Unlike the Southwest Region where a Nigerian immigrant group dominates trade, both the Fulbe and Hausa are engaged in cross-border trade on a largely equal basis in the northern part of the border.** Different groups, however, seem to specialize in specific parts of the trading chain. For instance, rice re-exported from Cameroon to Nigeria is handled by different ethnic group at different stages of the trade. The Fulbe travel to Douala and transport the rice to Maroua, Garoua, and other cities in the Far-North where the Hausa traders then buy the rice and transport it to Maiduguri, Kano, and other parts of Nigeria

Economic Factors

29. **Differences in the natural resource base, agro-climatic conditions, and population size and density, explain part of the trade flows between Nigeria and Cameroon.** Population size, density, and income levels contribute to population pressure on land and the potential for economies of agglomeration and scale. As a result, Cameroon seems to have a comparative advantage in producing and exporting food products from the West, North-West, and Southwest Regions to the highly populated cities in southeastern Nigeria. At the same time, Cameroon's hydroelectric potential has enabled the Rio Tinto Alucam group to make substantial investments in aluminum smelting and production of aluminum products, such as the aluminum sheets that are exported to Nigeria. Exports of hydroelectric power to Nigeria are also likely to increase in the future.

30. **Nigeria benefits from economies of scale in manufacturing, but also from exploring and accessing world markets and arranging deals, giving it a comparative advantage in the production and distribution of many manufactured goods where economies of scale and agglomeration are important.** As a result, Cameroonian traders often gain access to international markets through their trade relationships with Nigeria. This in turn has led to specialized informational advantages within niche marketing networks that have evolved over time. For example, Nigeria's large market for imported technical goods enables importers to amortize relatively cheaply their cost of buying trips abroad and arranging for transport. The availability of Nigeria's large supply of these goods at low prices makes them very attractive to

Cameroonian importers. The functioning of these specific networks and importation of global products through Nigeria explains why many products made in China were until recently often perceived as being "made in Nigeria" by Cameroonians.

Policy Distortions

31. **Regional and domestic trade policies, as well as other policies contribute strongly to determining actual trade outcomes, even though they are often not fully applied.** Table 1, which is largely based on recent WTO Trade Policy Reviews, gives an overview of the legal frameworks existing in both countries that are likely to affect cross-border trade. Annex E provides further details. Actual implementation of these legal frameworks, however, often differs significantly since national policies are often not in conformity with regional commitments. This is particularly the case for sensitive products, for which both countries often apply tariff rates that differ from those agreed at either the CEMAC or ECOWAS level. Similarly, procedures are also generally much simpler at land borders than foreseen and applied at larger ports, and they are also often more arbitrary. These issues are discussed at greater detail below.

32. **However, as cross-border trade expands and becomes more formal, the formal trade policy regime and regulations are likely to become increasingly important.** For example, procedures to demonstrate compliance with existing standards in both countries are likely to become binding once controls are actually effectively applied at the border and circumventing them with informal payments becomes more costly. Likewise, with increased transparency, statutory duty rates are likely to be applied at least to large shipments in the absence of an effectively functioning simplified trading scheme for smaller traders, and import and export bans likely to be enforced.

33. **Cameroon is a member of the Central African Economic and Monetary Community (CEMAC in French),[12] applies a common external tariff (CET), is harmonizing a number of other policies, restricting unilateral changes in trade policies.[13]** Established in the late 1990s with a view to create a single market based on the free movement of goods, services, capital, and persons, CEMAC members focused initially on customs and fiscal matters as well as the free movement of persons and goods. The Customs Code was revised to include, inter alia, the acts and regulations on customs valuation and rules of origin; likewise, a common external tariff (CET) was established and largely applied, and the application of the VAT was harmonized across member states. CEMAC members also attached particular importance to coordination of national transport policies in order to promote development of trade. However, intra-CEMAC trade remains limited and numerous obstacles remain.

[12] CEMAC members comprised Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.
[13] Cameroon is also a member of the Economic Community of Central African States (ECCAS) but integration processes under ECCAS have largely stalled. Included in ECCAS are Angola, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, and Sao Tome and Principe as well as the three members of the Economic Community of the Great Lakes Countries – Burundi, the Democratic Republic of the Congo, and Rwanda.

34. **Nigeria has been a member of the Economic Community of West African States (ECOWAS) and is applying a tariff structure similar to the one that will eventually be agreed as a CET under ECOWAS.** Agreement and application of a common external tariff (CET) had initially been foreseen for 1990, but this deadline has been repeatedly adjusted and the CET has still not been achieved, with Nigeria arguing for the creation of a higher tariff band at 35%. With agreement on the precise structure of the CET still pending, Nigeria continues to levy additional duties and implements a large number of import bans. The target date for completion of the CET has accordingly been changed to 2012. Intra-ECOWAS trade should be duty and quota free, but also that objective has not been achieved due to a lack of implementation, critically also in Nigeria, and because of onerous procedures required for manufactured goods to move freely within the region.[14]

35. **Trade policy in Nigeria has generally been on a path toward trade liberalization since the eighties even though there have been frequent adjustments and protectionism might be on the rise again.** A number of structural factors, such as deficiencies in electricity supply and other infrastructure, as well as an overvalued naira, negatively impact the competitiveness of Nigerian enterprises, which have chosen the path of lobbying for trade protection to respond to these challenges. Though the process of policy making is not at all transparent, this has resulted in high tariffs and numerous quantitative restrictions on trade where domestic industries are threatened. While these restrictions seemed to be declining until recently, latest news suggests that protectionism might be on the rise again in Nigeria.

36. **There is no preferential trade agreement between ECOWAS and CEMAC, and both countries in principle apply full statutory duties on bilateral trade flows, generating significant distortions within the broader region.** Given these high statutory tariff barriers, retailers and consumers face incentives to import products from within each economic block, instead of sourcing them from across the border, contributing to the isolation of border regions in both countries as they orient their economic activity towards the economic centers within each economic block. A number of stakeholders mentioned the existence of a bilateral agreement between both countries dating from the 1960s, but no record of that agreement and its content could be obtained and it does not seem to be applied at borders.

[14] These procedures require specific products of specific companies to be approved by national and regional committees for free trade treatment on the basis of criteria that are fairly complicated for firms, especially smaller ones, to demonstrate that they meet.

Table 1: Overview of trade policies in Nigeria and Cameroon[15]

Policy Area	Nigeria	Cameroon
Legal documentation	Governed by Customs and Excise Management Act (CEMA) of 2004, as well as earlier legislation and other customs and excise notices, decrees, and guidelines.	Governed by CEMAC customs code, but duty rates published in Cameroon's custom's code differ from those published by CEMAC for about 300 lines.
Duty structure	5-band structure: 0, 5, 10, 20, and 35 per cent. Simple average: 11.9 per cent. A zero rate, applied inter alia to medication, agricultural inputs, and educational material (2.1 per cent of tariff lines). 5 per cent mainly to milk, grains, seeds and nuts, sugar, and industrial raw materials (45.4 per cent of tariff lines). 10 per cent, applied to intermediate inputs (12.7 per cent of tariff lines). 20 per cent for most other goods (37.0 per cent of tariff lines) 35 per cent applied to protect some domestic industries (2.9 per cent of tariff lines).	5-band structure: 0, 5, 10, 20, and 30 per cent. Simple average: 19.1 per cent. A zero rate, applied mainly to certain pharmaceutical preparations and articles, books and brochures, as well as aviation products (0.7 per cent of tariff lines); 5 per cent, applied to staple goods (3.7 per cent of tariff lines); 10 per cent, applied to raw materials and capital goods (42.7 per cent of tariff lines); 20 per cent, applied to intermediate goods (12.2 per cent of tariff lines); 30 per cent on other goods (40.7 per cent of tariff lines).
Alternative duty structure		At land borders in Cameroon towards Nigeria, guidelines on how to tax cross-border trade exist, issued by the regional customs offices in Cameroon, therefore being official policy. These guidelines set minimum values for import levies based on the size of the trucks entering the country, but these values are effectively applied as if they were target values. Regional customs offices are aware that they function as target values, as they recently reduced the minimum values with the objective to "boost" trade with Nigeria.
Import restrictions	Import bans on a large number of products, with the list repeatedly changing.	none
VAT/excise duties/other taxes	VAT of 5 per cent is levied on all goods and services (with some exceptions). A large number of taxes and levies applies, including specific levies to selected products, for example a special levy on rice of 20 percent, recently said to have risen to 40 per cent, or on wheat flower of 65 per cent.	VAT 19.25 percent, including a "communal tax". Excise duty on selected products. A range of other small taxes and inspection fees is applied
Licensing	The president can grant import licenses for products on the import prohibition list in a very in-transparent manner, so these products are effectively imported.	Technical visas, or import permits needed for some products
Export taxes/ restrictions	All exports must be registered with the Nigeria Export Promotion Council (NEPC). Some exports such as raw hides	An export tax of 2 percent is levied on exported goods (logs at higher rate). Exports of raw cotton is prohibited.

[15] For more detailed analysis, consult World Trade Organisation (2007), Trade Policy Review Cameroon, Geneva, Switzerland; and World Trade Organisation (2011), Trade Policy Review Nigeria, Geneva, Switzerland.

	and skins, timber, unprocessed rubber latex and rubber lumps, and maize are prohibited to encourage domestic value addition. Export levies on some products exist	
Standards	Safety of food and other products is ensured by the National Agency for Food and Drug Administration Control (NAFDAC) and the Standards Organization of Nigeria (SON). NAFDAC Certification is complex and burdensome, and registration fees are excessive, and discriminatory. Demonstrating compliance with the Standards Organization of Nigeria (SON) is also burdensome.	The Standards and Quality Agency (ANOR), created in 2009, has developed a large number of technical regulations for food products, construction material, and labeling, but these are often poorly enforced and regulatory objectives often not achieved. In principle, every product (whether local or imported) is put through quality and conformity control before being marketed, but standards for many products have not yet been developed, players in the quality infrastructure have poorly defined roles, and laboratories offer only partial services.

37. **The existing trade policy environment in both countries, domestic subsidies for a number of commodities, and price measures impact prices in both countries.** The dominance of petroleum exports from Nigeria has caused overvaluation of the real value of the naira for most of the recent past, making tradable goods relatively inexpensive in relation to nontradables.[16] This together with severe infrastructure constraints, inconsistent electricity supply, and lack of security has resulted in domestic manufacturers having successfully lobbied for strong trade protection in Nigeria, resulting in high import tariffs, additional trade taxes, and quantitative restrictions, including outright bans, on imports that compete with Nigerian production.[17] A recent study found[18] that import bans in Nigeria raised prices for these products on average by 77 per cent, while subsidies depress prices for fuel. Policies oriented towards reducing the prices for food staples in Cameroon and other industrial-type policies are leading to significant price differences that create incentives for arbitrage between the two countries.

[16] See de Melo and Ugarte (forthcoming), "Leveraging Regional Integration for Growth in Nigeria", World Bank, mimeo, for a comparative assessment of Nigeria's real exchange rate.

[17] Nigeria's import prohibition list includes live or frozen poultry, rice, pork, beef, most refined vegetable oils and fats, spaghetti/noodles, soft drinks, bagged cement, many medicines, soaps and detergents in retail packs, textile fabrics, footwear, most furniture, and ball point pens, all products where Nigerian producers compete with world markets.

[18] Treichel et al. (2012), Import Bans in Nigeria Create Poverty, Africa Trade Policy Note No.28, Washington, DC. The study also found that removing the bands would increase the real income of the average household by about 9 percent, and lift more than 3 million people out of poverty.

Box 1: Case Study of Rice Re-Exports from Cameroon to Nigeria

Following the food crisis of 2008, Cameroon responded by eliminating rice import tariffs. The aim was to cushion the impact of escalating food prices and to reduce any potential civil unrest. Even though rice prices later declined from their global peak of over $1000 per metric ton in early 2008, Cameroon's zero tariff on rice remained in place.

Prior to the food crisis, Nigeria had a 109 % duty on rice imports. Between May and October of 2008, the Nigerian government suspended this tariff, but then instituted a reduced tariff rate of 30% for milled rice. This tariff was not applied to the CIF price of rice but to a minimum reference price, which was increased in the second quarter of 2012 to $699 per ton for relatively low quality imports. This is well above the world market price for the same quality, causing the import duty to be much higher that it would be if the tariff rate were applied to the world price. Then in February 2012, a total ban on rice imports was put in place.

Such rice policy differences have encouraged Cameroonian traders to take advantage of higher prices on the Nigeria side of the border. For example, the price of rice in Nigeria in late 2011 was about 462 FCFA/kg whereas in Douala the price was 330 FCFA/kg. Rice imported into the Douala port makes its way to Nigeria from all parts of the border, although the most rice seems to be re-exported in the north.

38. **Because trade policies are only partially enforced at borders, these price differences offer significant scope for trade.** There are particularly large opportunities for arbitrage in some of the sectors most protected in Nigeria that are being exploited by Nigerian and Cameroonian traders. Interviewed traders in Cameroon demonstrated this effect by stressing that protectionist policies in Nigeria for products they were trading were beneficial to them, as they increased prices in Nigeria, allowing them to benefit from larger margins.[19] For example, recent policies with regard to rice imports in Cameroon and Nigeria have led to substantial rice re-exports from Cameroon to Nigeria, as described in Annex A and summarized in Box 1.

39. **Policies are also the key driver that explains the large trade flows in petroleum products such as gasoline, particularly in the north.** Until recently, Nigeria applied very high subsidies on the domestic sale of these products. The Nigerian government did not charge the refineries the full value of its crude oil, which would otherwise have been sold on the world market. Although this was an implicit subsidy, it did not show up directly in the public budget. However, as production of the Nigerian refineries decreased, as a result of mismanagement and a host of other reasons, the country was forced to import more petroleum products to supply local consumers. To maintain the subsidy to these consumers, the government had to buy imported petroleum products at a higher price than the domestic price it received. As a result, the subsidy

of close to 50% of the full cost of gasoline imports became an increasingly large and visible cost in the national budget.

40. **The subsidized price of petroleum products in Nigeria led to substantial amounts being exported to Cameroon and other neighbouring countries.** This exacerbated the drain on fiscal resources.[20] For instance, a 2008 study estimated 67% of fuel consumed in the Far-North Region of Cameroon as being imported from Nigeria illegally.[21]

41. **In Cameroon, the government maintains a policy of keeping the price of palm oil and a few other products below world market prices, affecting the competitiveness of downstream producers using palm oil in their operations.** Aimed at aiding the processing industry, including the manufacture of soap, the policy is contributing to substantial exports of soap to Nigeria, where the price is considerably higher due to protectionist policies. Some form of price control is also enforced in Cameroon for products such as fish, wheat, salt, and sugar. While aimed at keeping the cost of living low, traders claim that they cannot make a margin on these products but keep some of them in stock to avoid harassment for not complying with the policy.

Reality of Cross-Border Trade

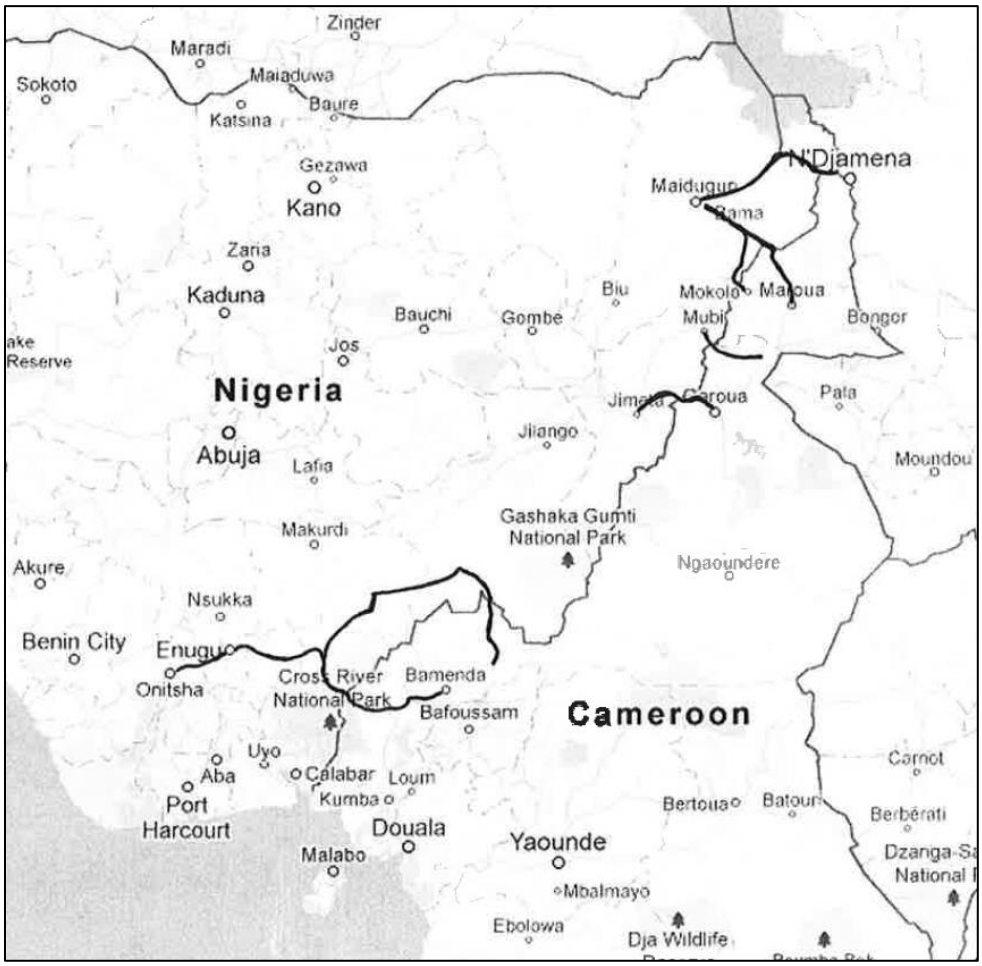
42. **Despite the low officially reported trade flows, a substantial amount of reciprocal trade exists between Cameroon and Nigeria.** The reasons for the limited reflection of these trade flows in official statistics can be found in the large underreporting of the value and volume of trade, as well as some smuggling. But most of the discrepancy arises from trade that passes official border crossings but is not recorded in its entirety. It is consequently not illegal, but rather informal.

43. **Most trade between Cameroon and Nigeria takes place along 10 major corridors, both inland and on the coast.** These cross-border corridors are linked in with domestic transport networks in each country, often covering long distances. Seven of these corridors are situated in the northern part of the border, two in the West, and the last corridor covers products that are transported by sea. Map 1 gives a geographic overview and Annex F provides additional details on the corridors.

[20] On January 1, 2012, the government of Nigeria suspended the subsidy on gasoline, and the price was raised from $1.70 per gallon to $3.50. This led to a national strike, crippling the nation. Under intense pressure, the government agreed on January 16 to roll back the original price increase and to maintain the price at about $2.27 a gallon. Whether this decision will hold remains to be seen.

[21] GICAM, « Rapport: Mission d'Exploration du Responsable de la Cellule de Lutte contre le Commerce Illicite du GICAM dans les Provinces de 'Adamaoua, du Nord et de l'Extrême Nord du Cameroun », by Abraham Kuate, August 2008.

Map 1: Overview of major corridors for cross-border trade



44. **Most traffic in the north (Far-North and North Regions) flows along the corridor from Maiduguri to Kousseri or Maiduguri to Maroua.** While the former serves mainly as a transshipment route to Chad, but is largely impassible during the rainy season, the later serves as major supply to the Extreme North. Other important corridors are running from Mubi to Guider and from Jimeta/Yola to Garoua. The infrastructure on all of these corridors is in extremely bad state. With the exception of Limani on the Maiduguri to Maroua corridor, and Fotokol on the Maiduguri to Kousseri corridor, no bridges over border rivers exist.

45. **Trade in Western Cameroon (North-West and South-West Regions) mainly flows along the Onithsa/Enugu-Bamenda corridor, which is being rehabilitated by the African Development Bank with support from the World Bank by 2014.** Currently, road conditions on the Nigerian side are generally good, while large sections of the road from Ekok to Mamfe and Bamenda on the Cameroonian side are in very bad condition and are virtually impassable during the rainy season. Among other things, the rehabilitation project will develop or

reconstruct the road and two bridges, carry out periodic maintenance of 192 km of road, remove obstacles to the free flow of traffic by building a joint border post, limiting the number of checkpoints, and controlling axle load.[22] However, the component on removing obstacles and simplifying procedures at borders seems to be less developed than the physical reconstruction. Some traffic also flows from Enugu via Abonshie to the north of the Western region. Roads here are also in very bad state and no crossing at the border river exists.

46. **Trade by sea between Cameroon and Nigeria mostly passes through Tiko/Limbe – Calabar and Idenau – Oron.** Once goods have cleared customs in Limbe, Tiko, or Idenau, most are transported by road to Douala. This sea-road corridor has the advantage that it is relatively fast and secure, and large shipments can be made at one time, e.g., a ship carrying fifteen to twenty 20-ton trucks per trip. Ships often operate twice a week and work on a set schedule. There is only limited bilateral trade through Douala port, largely because of the high cost of clearing customs there, as traders claim.[23]

Magnitude of Existing Trade Flows

47. **We estimate that Nigeria exports more than 213,000 metric tons of non-oil products with a value of 769 million USD to its neighbor annually, more than forty times official estimates.** Of these, USD 176 million is estimated to be products made in Nigeria. Even assuming that official statistics exclude re-exports, our estimates still find Nigerian exports to be more than twenty times larger than what official Cameroonian import statistics report.

48. **While Cameroon's non-oil exports are generally lower in both volume and value, we estimate them to be worth about forty times more than official estimates.** This study estimates that Cameroon exports about 160,000 metric tons of goods annually, with a value of 226 million USD, of which USD 62 million comprises products made in Cameroon. Again, assuming that official statistics exclude re-exports, our estimates put Cameroonian exports to be about forty times larger than official Nigerian estimates for imports from Cameroon.

49. **According to official estimates, non-oil imports from Nigeria to Cameroon are important compared to the much smaller CEMAC region, while non-oil imports from Cameroon into Nigeria are negligible compared to imports from West Africa.** Putting our estimates into perspective to official estimates, Table 2 demonstrates the huge discrepancies between official and unofficial statistics. [24] It also shows that according to official statistics, Nigeria's imports from Cameroon are only about 2.4 per cent of imports from the ECOWAS

[22] African Development Bank, 2008, Report No. ADF/BD/WP/2008/118 – Appraisal report for the Transport Facilitation Programme for the Bamenda-Mamfe-Abakaliki –Enugu Corridor.
[23] The costs of clearing customs in Douala do not seem to be particularly high, as statutory rates are broadly applied, but payments in smaller ports (as well as land borders) seem to be significantly lower than statutory rates.
[24] We use import data as it is generally considered more reliable. Countries often are more accurate in recording import data because customs agencies levy revenue on these, while export data is often recorded less accurately, as they provide relatively little revenue.

region, while Cameroon's imports from Nigeria are equal to about 1.1 percent of imports from CEMAC. However, comparing our estimates, which include informal trade, to formal trade statistics makes these flows look extremely large. However, they would have to be rightly compared to similar estimates for cross-border trade within each bloc which do not exist. Petroleum exports from Nigeria to Cameroon dwarf non-oil trade while there are also petroleum exports from Cameroon to Nigeria, but this study focuses on non-oil trade.

Table 2: Official data and estimates for bilateral non-oil trade flows

	Nigeria non-oil imports from Cameroon (as percentage of Nigeria's imports from ECOWAS, official data) [Nigeria's exports to Cameroon as share of exports to ECOWAS, official data]	Cameroon non-oil imports from Nigeria (as percentage of Cameroon's imports from CEMAC, official data) [Cameroon's exports to Nigeria as share of exports to CEMAC, official data]
Official data, avg 2008-2010, using import statistics	USD 1.6 million (0.4%) [2.4%]	USD 8 million (31.3%) [1.1%]
Our estimates, 2011	USD 226 million (59.9%) [231.5%]	USD 769 million (3052.0%) [154.7%]
Our estimates, domestically produced goods 2011	USD 62 million (16.4%) [53.0%]	USD 176 million (698.5%) [42.5%]
Sources: COMTRADE data, using import data and averages for 2008-2010, where available; own estimates		

50. **This substantial discrepancy is largely the result of the way in which customs duties are actually applied and the corresponding values customs officials report.** What is often described as 'illegal' trade effectively is trade that is openly undervalued, in a process that is known to all involved stakeholders. Because imports are cleared depending on the size of the truck, rather than the value of the goods, as directed by regional customs offices, customs declaration forms reflect values that correspond to payments made. This report describes the methodology in greater detail below in the section on customs procedures at the border. It reveals that existing customs valuation methods significantly undervalue both the volume and value of cross-border trade.

51. **Even though the observed trade values are significantly above those reported in official trade statistics, the potential to expand trade flows seems to remain significant, particularly for exports from Cameroon.** Estimates of a simple gravity model with a large number of control variables suggest that the trade potential for exports from Cameroon to Nigeria is two to three times higher than what we estimate. At the same time, exports from Nigeria seem to be higher than the estimated potential, possibly reflecting geographic factors of remoteness that the gravity model might not fully capture (see appendix) in estimating the potential.

Detailed estimates for trade flows and products

52. **Our estimates were obtained by using a combination of three estimation methods: using observed stocks at markets, obtaining information from customs agents, and collection information on the number and size of trucks crossing the border.** At border posts where customs officials were forthcoming with recorded data and where they were open about discussing limitations of their data, more weight was given to customs data and opinions, though the other two methods proved useful as a cross-check. On other corridors where traded goods originated from specific markets, information gathered at loading parks was given more weight. This included estimating trade flows for specific products and product groups by talking with exporters, importers, and loaders/freight forwarders/transporters and asking them about volumes and values of the loads.

53. **The estimation of the average value of shipments was based on shipments where we could identify specific products, before extrapolating these estimates to more diverse shipments.** For example, for products passing through Limani, Demsa, and Mokolo, FOB values were determined for re-exported rice, soap, plastics, and vegetable oil, the most important products. The resulting value/quantity relationships were then extrapolated to estimate the value of overall trade flows, keeping in mind that other products might be more differentiated but also more valuable. For Cameroonian products crossing the border at Ekok/Mfum, Abonshie, and by sea, value was determined by taking a representative sample of products loaded on a truck and inflating those values in relation to the overall volume of trade. Nigerian exports were estimated based on the average FOB value of general merchandise .

54. **In the North and Extreme North, the most important trade route is that between Banki, Nigeria and Mora, Cameroon.** The quantity of goods moving along this road from Nigeria to Cameroon, shown in Table 3, is estimated to be about 145,000 metric tons per year; that moving from Cameroon to Nigeria is estimated at 112,000 metric tons. Nigerian exports include general merchandise, plastic products such as sandals, vegetable oil, and petroleum products, especially fuel. Cameroonian exports include re-exports of imported rice, rice paddy from the SEMRY project in Maga, and soap produced from palm oil in the south of Cameroon. The value of Cameroon's exports along this corridor is estimated to be 139 million USD, while imports are valued at around 351 million USD.

Table 3: Volume and Value of Trade

Annual Volume and Value of All Trade - Cameroon Side				
Border Post	Volume of Trade (MT)		Value of Trade (mln USD)	
	Imports	Exports	Imports	Exports
Limani	145,600	112,000	351	139
Demsa	10,800	10,800	26	13
Mokolo	420	96	1	0.1
Ekok/Mfum	8,320	5,460	67	12
Abonshie	1,560	1,092	15	2
By sea	46,627	31,677	304	59
Volume & Value	**213,327**	**161,125**	**769**	**226**

55. **In this region, traders and customs officials claim that a substantial amount of trade bypasses customs in the dry season, when it is possible to cross the land with motorcycles or in a four-wheel drive vehicle without staying on a road.** Motorcycles are being used particularly to evade customs posts, since they are small and can pass through rough terrain. It appears that some traders bring their goods to small towns on the Nigerian side of the border and then load smaller quantities of products onto multiple motorcycles. The motorcycles often travel separately, in part to avoid detection but also to reduce the risk of all goods being seized. It was not possible to estimate the volume of goods involved, but it appears to be fairly significant. A large share of the estimated smuggling in fuel is said to take place by this method.

56. **A similar pattern, though on a smaller scale, can be observed south of Mora, in the Mandara Mountains, with overall trade estimated at a little over one million USD.** Again both legal and illegal trade can be observed here even though the scale of operations is significantly smaller than the value of trade through Limani. The illegal cargo is carried mostly by motorcycle and involves high value goods, including the motorcycles themselves and their parts. The quantity of goods moving from Nigeria to Cameroon in this area is estimated to be about 420 metric tons per year, and that moving from Cameroon to Nigeria at 96 metric tons.

57. **Further south, significant trade flows between Nigeria and Garoua, the capital of the North Region of Cameroon.** Much of this trade passes by 30-ton truck through Demsa during the dry season and is estimated at about 22,000 tons and about 40 million USD in value for both directions. Goods are trucked to the border river, which trucks can cross during the dry season. However, during the rainy seasons, water levels are too high for trucks to drive across the river bed, and goods can only be shipped across the river by canoe. Some trade with Nigeria also takes place along the Benoué River in the rainy season on large barges, though its

magnitude is difficult to estimate. The use of the river has been made increasingly impracticable with construction of dams along the river that have led to lower and more unpredictable water levels.[25]

58. **In the Western part of Cameroon, the historically most important route is the corridor from Enugu, Nigeria to Bamenda, Cameroon, and the volume of Nigerian exports along this route is estimated to be about 8,300 metric tons annually, with a value of 67 million USD.** Products coming from Nigeria originate mainly in Onitsha, Lagos, Kano, and Aba – with Onitsha having the largest share. There appears to be some specialization in the type of products traders buy from each market. Onitsha is the main source of electronics, building material, cosmetics, and automobile spare parts and accessories. Aba is the main market where plastic products and leather shoes originate. Farther north, Cameroonian traders travel to Kano to purchase textiles. Traffic along this road coming from Nigeria, which is currently being rehabilitated, goes to the Bamenda market, a central hub of business in the region and for surrounding towns.

59. **Cameroon's exports along this route are mainly agricultural goods and non-timber forest products, including *eru*, potatoes, plantain, banana, and bush mango seed.** The volume of exports along the corridor is estimated to be close to 5,500 metric tons annually, with a value of about 12 million USD. Manufactured goods exported by Cameroon along this corridor are limited, but include some aluminum sheets and soap.

60. **Annually, about USD 17 million worth of goods are also traded with Nigeria through Abonshie, to the north of Bamenda.** Estimates of the volume of goods that Cameroon imports along this route are 1,500 tons annually, with a value of 15 million USD. Cameroon's exports are estimated at about 1,000 metric tons with a value of about 2 million USD. Most goods that come from Nigeria and pass through Abonshie remain in Kumbo, although some trade continues down to the south of Kumbo, including to Bamenda.

61. **Trade by sea between the two countries flows along two main routes, the Tiko/Limbe to Calabar route, and the Idenau to Oron route.** One ship with a capacity of 400 metric tons operates twice a week throughout the year on the Tiko-Calabar route. It transports both goods and passengers and runs on a set timetable, meaning it does not wait until it is loaded to capacity to start sailing. The Limbe port was out of operation for three years due to breakdown of the main ship that operated from the port. A new ship started operations in November 2011. This new ship has the same capacity as the ship operating from Tiko (400 metric tons) and it runs twice a week. There are also small boats operating in Limbe and Tiko. Most of these boats carry high value goods and some seem to operate during the night.

[25] A few traders are said to negotiate with the operators of the dam for them to generate water levels that allow transport activity on the river from time to time, with an unclear effect on electricity generation and irrigation.

62. **Traffic through Idenau arrives on smaller ships that are, however, large enough to fill 6 small trucks of 5 metric tons per week.** Much of the traffic coming through this port ends up in the Douala market. Cameroonian goods such as mainly agricultural and non-timber forest products are also exported through Idenau. Because the traffic tends to be seasonal, the precise volume of this trade is difficult to quantify.

63. **The overall volume of trade between Cameroonian and Nigeria by sea is estimated at 79,000 metric tons with a value of 363 million USD.** Imports from Nigeria are estimated at 47,000 metric tons with a value of about 304 million USD, while Cameroon's exports are estimated to be close to 32,000 metric tons with a value of 59 million USD. This trade is quite seasonal: during the rainy season, traffic by sea increases substantially because of trade diverted from the Enugu-Bamenda corridor, which often becomes impassible when roads are flooded.

64. **The cross-border trade estimates presented so far describe the aggregate volume and value of trade across the Cameroon-Nigeria border. We also attempted to quantify some of the major locally produced goods that each country exports to get a clearer picture of the share of locally produced exports in the overall trade.** Disaggregating trade by origin and type of product for all products and all corridors was not possible due to time and resource constraints. For these estimates, we focused on a few specific products and major trade corridors, namely the Maiduguri-Maroua and Enugu-Bamenda routes, as well as the corridors by sea. These estimates remain indicative as most trucks carry a combination of products that include both locally produced goods and re-exports, making it difficult to estimate them separately. Observing illegal trade flows outside semi-formal channels also proved a challenge.

65. **Table 4 shows our partial and conservative estimates amounting to USD 176 million for Nigerian exports and USD 62 million for exports from Cameroon.**[26] Cosmetics, plastics, and general merchandize represent the biggest share of Nigeria's exports. The table also shows that Cameroon's main exports are paddy rice, soap, and *eru*. Other products that Cameroon exports in significant quantities include kernels of bush mango, bananas, plantain, and plywood. Anecdotal evidence suggests that Cameroon also exports significant quantities of aluminum sheets, which are manufactured at a smelter plant on the road between Yaoundé and Douala. However, import data collected by Nigerian Customs at Mfum indicate that there were only two shipments of these sheets in 2011, with a total value of USD 2,200.[27] The Nigeria customs at Mfum records aluminum import data in "packs" and it is unclear whether the figures relate to the tonnage or number of packs.

[26] These estimates were obtained by surveying markets, physically inspecting goods loaded on trucks, and interviewing traders, loaders, escorts, transporters, and various government officials. We studied the characteristics of goods at markets of origin, loading points, and control points (including customs), and obtained information on contents and frequency of shipments, including any seasonal fluctuations through interviews.

[27] Using a crude measure of underreporting we have established for Cameroon, this could translate to 100,000 to 200,000 USD.

Table 4: Volume and Value of Nigeria and Cameroon Produced Exports

Selected Nigerian-made Exports to Cameroon			
Border Post	Major products	Volume (MT)	Value (mln USD)
Ekok/Mfum	Cosmetics	1,664	15.72
	Oranges	1,040	0.3
	Other merchandize	2,496	23.58
By Sea (Calabar)	Household plastics	18,027	38
	Plastic footwear	1,560	3
	Cosmetics	9,325	88
Abonshie	Cosmetics	312	3
	Other merchandize	468	4
	Volume & Value	**34,892**	**176**

Selected Cameroom-made Exports to Nigeria			
Border Post	Major products	Volume (MT)	Value (mln USD)
Limani	Paddy	36,000	21
	Soap	9,360	13
Ekok	Soap	1,092	1.5
	Oranges	520	0.2
	Aluminum sheets		0.002
By sea	*Gnetum/Eru*	6,240	12
	bush mango kernel	23,177	11
	Bananas	910	0.5
	Plywood	8,320	3
	Volume & Value	**38,647**	**62**

Actors, Processes, and Procedures in Cross-Border Trade

Participants in Trade

66. **A wide range of public and private actors are involved in cross-border trade between Cameroon and Nigeria and there is strong functional specialization among these actors, largely as a response to the multitude of barriers and policy restrictions.** These include customs officials, security personnel, immigration officers, and public agencies tasked with ensuring food safety, agricultural health, and/or quality standards. From the private sector traders, "loaders", forwarding agents, transporters, "escorts", crossers, customs brokers and other provide services are involved.

67. **In most cases, goods are loaded at the point of purchase, off-loaded and reloaded at the border, and off-loaded again at the point of delivery, increasing transport costs.** Off-loading and reloading at the border occurs because Cameroonian trucks effectively do not travel into Nigeria, and Nigerian trucks generally do not transport goods into Cameroon.[28] Even though trucks seem to be legally allowed to deliver goods across the border, procedures and regulations seem to be so cumbersome that this effectively does not take place. More work on identifying the reasons and how to address them will be needed. If the goods are smuggled across the border, they may also be loaded onto donkeys, bicycles, motorcycles, or smaller cars and trucks. All of this handling involves a plethora of actors, including those who are responsible for making

[28] There are arrangements for trucks from Nigeria and Chad to undertake transit trade through Cameroon, but in the South, only a few cases of trucks transporting oranges have been reported as undertaking cross-border transport.

arrangements and negotiating with customs and various control points. This section describes the roles of the different actors in greater detail.

Public Agents

Customs

68. **Customs offices are the main and most important counterpart for traders in cross-border trade, and often traders have to clear their goods at a number of subsequent customs posts along trading corridors.** All shipments have to be cleared at the point of entry, where customs posts are located. However, not all customs posts are able to undertake the full set of customs procedures. On the Cameroon side, "Customs Posts" are only able to perform initial screening but cannot assess duty, while "Secondary Customs Houses" have some additional rights. Unless goods are initially cleared at a "Main Customs House", however, the shipment has to be cleared again at each of the higher-order "houses". At each point, a payment is made.

69. **Cameroon has a general policy of stationing customs officials at border posts where the ethnicity of the customs officials is different from that of the local population and traders to reduce corruption.** The aim of this policy is to reduce the risk of collusion between customs officials and to deter the possibility of corruption. This tends to be quite important in setting the environment through which cross-border trade is conducted, particularly considering the ethnic differences between the southern part of the country and the north. Brief interviews with local traders and customs officials suggest that most traders and local government officials are resentful of the presence of customs officials from other regions of the country. It is unclear to which extent this policy contributes to the widespread illegal trade in the region.

70. **In Nigeria, the national Customs Service is headed by the Comptroller-General and assisted by five Deputy Comptroller-Generals.** The country is divided into four zones, under which there are a total of 25 Area Commands. Different Area Commands have varying numbers of customs posts, depending on the size and number of crossing points or sea ports. At the Area Command level, there is a Controller, a Deputy Controller, and an Assistant Controller. At land border posts between Cameroon and Niger, often only Assistant Controllers are present.

Other Border Representatives

71. **Although Customs is the major public agency regulating import/export processing on both sides of the border, there are several other agencies present at the border that regulate trade.** On the Nigeria side, the three major border agencies are the Standards Organization of Nigeria (SON), the National Agency for Food and Drug Administration and Control (NAFDAC), and the Nigeria Agricultural Quarantine Service (NAQS). On the Cameroon side, the main agencies are the forest products control units from the Ministry of Forests and Fauna (MINFOF) and phyto-sanitary inspection posts under the Department of

Regulation and Quality Control of Agricultural Products and Inputs.[29] Several other agencies, including various security agencies, drug control units, local government officials, and immigration officials, are also present at border posts.

Behind the Border Controls

72. **Once traders (or their agents) clear their goods at the border, they encounter various types of behind the border control points.** On the Cameroon side, customs posts are established at internal borders between different regions. For instance, traders passing through Ekok have to again clear their goods in Mamfe – a town that separates the Southwest Region (where Ekok is located) from the Northwest Region (where Mamfe is located). In Nigeria, traders do not clear customs in different states but each state has a customs post that charges a nominal unofficial fee. There are also mobile customs units both in Cameroon and Nigeria. The frequency of their deployment depends on traffic on the route and availability of personnel.

73. **In addition to various customs checks, traders also have to pass numerous police, gendarmerie, and local government checkpoints.** Some of these are permanent and are legitimately authorized, while others are temporary when traders are expected to pass through, and seem to be unauthorized. Local government officials in municipalities along the transport corridors also frequently collect fees from traders and transporters when they stop cars on bad roads by closing the road with a simple rope.

Private Sector

Loaders or Forwarding Agents

74. **Loaders or forwarding agents (*transitaires* in French) are one of the most important players in cross-border trade.** Usually male, they are responsible for ensuring that goods are transported from their point of purchase to the final market. They have a good knowledge of the complex process that takes place in transporting goods across the border. They hire the trucks needed to transport the goods, negotiate payments at control points, and engage other agents where the loader may not be the best person to negotiate with road control entities such as customs and other officials.

75. **Loaders are particularly involved in handling trade that moves from Nigeria to Cameroon while traders in the south often manage the processes themselves for products moving the other way.** The differences exist in part because of the nature of products that each country exports and in part because of existing market structures. Products originating in Cameroon in the West, North-West, and South-West Regions tend to be mainly agricultural, and they are being traded in a larger number of smaller markets rather than large central markets as in Onitsha, Lagos, or Aba. Traders involved in this trade are often small entrepreneurs moving

[29] While the Standards and Quality Agency (ANOR) of Cameroon intends to establish presence at border crossings, this was not yet the case when the work for this study was undertaken.

their goods in small vehicles that can carry 1 to 5 tons of products. Exports from Nigeria, however, are concentrated in manufactured goods and these products usually originate from well established markets such as those in Onitsha, Lagos, or Kano. The centralized markets allow traders to pool resources and hire loaders. Traders in the north, on the other hand, often use loaders (or *transitaires*) in both directions because of the larger shipments being made.

76. **Where loaders are involved, their role starts at the market where traders purchase goods and ends at the final market where the goods are delivered.** Once the traders purchase goods, they aggregate all of their goods into so-called "tied cartons", containers of about 100-150 kg, and hand them over to the loader. A price is agreed on for transporting the goods and the traders or their clients wait for them at the final destination. It is then up to the loader to make all the necessary arrangements. The number of days that it takes to deliver the goods to their final destination can vary from days to weeks, depending on distance, condition of road, number of road blocks, and the season. On the Onitsha-Bamenda corridor, loaders use 20 ton trucks for transport. In the north, truck sizes vary from about 5 tons up to as much as 50 tons when the trucks are severely overloaded.

77. **Loaders need to ensure that the payments they receive from traders whose goods they are consolidating are sufficient to cover all costs.** In accepting the goods from traders and negotiating a price to charge for transporting the goods and covering all transactions costs en route, the loader has to make sure that the overall price he charges is enough to pay for all these costs while leaving him with some profit margin. Along the Enugu-Bamenda corridor, loaders claimed to set themselves a target of 5 million FCFA for a full 20 ton truck. This can sometimes be difficult to achieve, since the weight, volume, or shape of the goods can vary considerably, and the loaders negotiate with each trader separately. On any given trip, a loader may deal with anywhere from a handful of big traders to more than 100 small traders. Overall, profit margins for loaders range from 3 to 5 percent of the total they charge to transport a 20 ton truck, which amounts to about 150,000 to 250,000 FCFA. In the north, the system is similar to that to the south.

Escorts

78. **When needed, the loader hires an escort to provide the specialized service of negotiating payments at various road control points along the route.** The primary responsibility of the escort is to accompany the goods from the point where the goods are first loaded to the border, or from the border to the point of delivery. They often travel with the trucks, although sometimes escorts drive in separate vehicles ahead of the trucks in order to make the necessary payments to road controls in advance of the arrival of the goods. In either case, the escort is responsible for negotiating payments at various road control points along the route. These controls include mobile customs units, police checkpoints, drug control units, highway patrol, local government representatives in each state or region, and several other state security personnel. Escorts are more common in the southern part of the Cameroon-Nigeria

border. In the north, it appears that loaders incorporate the functions of the escort into their own operations.

Crossers or Customs Brokers

79. **A crosser or customs broker serves as a clearing agent, with the primary responsibility of dealing with the import/export procedures involved in moving goods from one side of the border to the other**. Like most cross-border trade actors between Cameroon and Nigeria, crossers are usually male. They tend to live close to the border areas, where they have longstanding work relationships with the various government officials present at the border posts. Crossers have a good understanding of the official and applied import/export procedures, although much of the cross-border trade between Cameroon and Nigeria does not follow the official procedures.

80. **Crossers are specialized service providers who are hired by the loader to assist in moving goods across the border.** Crossers operating on the Onitsha- Bamenda corridor handle goods flowing in either direction. For goods exported from Nigeria, often arriving in 20 ton trucks, crossers receive the goods at Ikom, some 20km before the border, and their service ends when the goods have left Nigeria and are delivered to the loader in Ekok, Cameroon. The goods will then have to clear the Cameroonian customs. The process of clearing goods in Cameroon and making payments to the various Cameroonian entities is generally handled by the loader. When they receive the goods in Ikom, crossers first travel to the border post at Mfum in small vehicles and make unofficial payments to the various Government entities along the Ikom-Mfum road. There are at least six different control points, excluding the various government entities at the border, on this 20km stretch.

Role of Women

81. **The proportion of women involved in cross-border trade is quite low. Based on actual observations and interviews with male and female traders and other informants, it is estimated that women account for less than 5 per cent of the traders on the major Onitsha – Bamenda corridor.** Even fewer women were observed on the border between Cameroon and Nigeria in the north as social norms affect their participation. However, women do engage in trading activities in other ways. For example, the business structure, where men do the traveling and women manage the shops, appears common and widespread. Most women also run other business, such as small restaurants, bars, and convenience stores, which are linked to cross-border trade.

82. **In *eru* trade, however, harvesters, intermediaries, and exporters involved in the value chain are mainly women (estimated at more than 70 per cent).**[30] Most of these women are married and they tend to be active and entrepreneurial, with *eru* trade being just one aspect of their business. The profits contribute on average up to one third of harvesters' income and serve as a safety net during low seasons of agricultural output while they contribute on average about 58% of exporters' household income. Incomes of women who trade *eru* can be substantial as daily profit margins during the main season are estimated to range between $16 and $160, but a number of constraints prevent them from benefitting even more strongly from the opportunities that the *eru* trade could offer (see box 2). While women do not often actually travel across the border, they dominate the harvesting as well as the internal trade in *eru* leaves, selling them for export at border markets.

Actors in the North

83. **As the general structure of trade in the North is very different from the trade in the southern part of the border, procedures and actors involved also differ significantly.** Volumes are substantially larger than in the south and opportunities for smuggling are much greater because of the open geography that allows crossing the border at many points during the dry season. Generally, Nigerian traders come into Cameroon to buy the products and hire loaders to transport them to Nigeria without the use of escorts and crossers. The loaders themselves travel with the goods and handle payments at road blocks, customs clearance, and hiring transport. Cameroonian traders may order by phone or they may travel to Nigeria to buy the goods in Onitsha, Kano, Lagos, or other commercial centers. They then hire loaders to transport the goods to the border, where they are unloaded and loaded onto Cameroonian trucks and transported to their final destination. Again, customs clearance (described below) and payment at roadblocks is done by the loaders.

[30] The forest has a huge diversity of biological resources, notably two Gnetum species -*Gnetum africanum* and *bucholzianum* species (jointly referred to as *eru*), a leafy vegetable used for cooking. *Eru* is known as *okazi* in Nigeria.

Box 2: The role of women in cross-border trade – the case of *Eru*

Eru, a leafy vegetable used for cooking, is one of the most important products exported to Nigeria, and the trade has been increasing rapidly. In 2009, exports were estimated at in excess of 4000 tons, a more than 10-fold increase from levels traded in 1992. Authors estimate that about 3464 tonnes is exported from the Idenau port, which is located in the South-West region (CIFOR 2009 and Ingram et. al 2012). Prices are approximately USD 2 per kilogram in Cameroon, and eru is sold for about USD 3 in Nigeria.

In contrast to other products, women play a key role in eru trade. The harvesters, intermediates, and exporters involved in the eru value chain are mainly women, and the activity is perceived as a women's activity, partly because harvesting does not require owning land. The business is a key source of income for the household a of women's empowerment. Focus group discussions (FGD) with 60 women and 20 men revealed that this business requires limited starting capital (mainly obtained from savings in other women associations ('Njangi')) and does not demand a high level of education. The profits contribute on average up to one third of harvesters' income and serve as a safety net during low seasons of agricultural output. For exporters, they on average are about 58% of household incomes. FGD also reveal that women feel empowered by having their own business and an independent source of income.

Several constraints impair the export potential and women's ability to benefit even more from this business. The following possible interventions could (partially) address these constraints:

- *Improvement in infrastructures and reduction of delays:* The poor nature of the Mamfe–Ekok road and high transportation costs discourage road transport. Transport costs alone were estimated to account for 23 per cent of exporters' costs (CIFOR 2009) and 42 per cent of gross margins (our estimates). Unloading and reloading the *eru* leaves at the border, as well as the time to clear customs, were also reported to be major barriers, particularly because of *eru*'s perishable nature.
- *A transparent and well-designed licensing system to regulate eru exploitation and trade*: The current licensing system aims at ensuring a sustainable exploitation of the product, and gives local communities the right to use *eru* for personal use. To trade, however, small traders need to obtain licenses from central government, which they are generally unable to acquire, as these are allocated to larger broker companies who on-sell way bill quotas above the established regeneration tax prices. As direct access to obtaining these permits seems to be extremely cumbersome, this reduces exporters' profits, or pushes smaller traders into informal trade relationships.
- *Domestication related training for eru*: With transport costs expected to fall, the exploitation of *eru* might become increasingly unsustainable. So far, however, FGD revealed that ongoing domestication and training activities sponsored by development agencies are often oriented to male dominated activities.
- *Training of officials for eliminating harassment:* FGD revealed that women face pervasive harassment by male officials and buyers. The evaluation of an ongoing project in Congo DRC, which is improving the conditions at the border (procedures and infrastructure), increasing security of cross-borders traders, particularly women, and providing an environment in which small-scale traders can become better informed and organized, could provide examples of interventions.
- *Interventions to foster female entrepreneurship:* Experiences in other countries suggest that increased profit opportunities may lead men to take over production opportunities (see Fontana, 2003). Improving infrastructure or designing a transparent licensing system is important for increasing the profitability of eru trade but might favor male traders, who have better access to finance and business knowledge compared to women, and are thus better placed to seize new opportunities. Training in the areas of access to finance, networking, and business skills for women could help in mitigating this effect. An ongoing Business Incubator project in Tanzania could provide lessons and be adapted and applied in this environment. Improving networking skills could also help increase market power of *eru* traders in Nigeria to counteract the alleged buyers' cartel in Nigeria.
- *In depth reforms in the gender equality agenda.* Constraints faced by women include limited ability to reinvest earnings, which are used for household or male activities, time constraints due to household chores, and limited power regarding reproductive choice. Finally, limited land rights for women preclude diversification possibilities for female harvesters and limit their access to finance. Deeper reforms to address these gaps could include the removal of discriminatory law in Cameroon. Even if laws do not formally discriminate against women in Cameroon, discriminatory customary practices continue to restrict women's access to land (OECD, at http://genderindex.org/country/cameroon) and the legal texts are silent about the role of customary law (2012 WDR).

Trade Procedures in Practice

84. **The relationship between public and private sector operators during actual cross-border transactions is complex and characterized by multiple formal and informal payments.** Payments are negotiated, procedures are nontransparent, and the outcome is influenced by the power balance between the different actors and their options. Procedures and barriers differ depending on the location (geographical characteristics of the border area), weather (seasonal variation), specific border crossings, scale of operation, type of product, and personalities involved; they are ultimately determined on a case-by-case basis through negotiations, reducing transparency and complicating forward-planning entry of new traders into the business.

85. **The major objective of customs agents is to meet revenue targets set at regional headquarters (or slightly exceed them to demonstrate strong performance) without creating too much antagonism in the private sector, as their relationship can be described as a repetitive game.** Customs officials aim at keeping a substantial part of the revenue for themselves by collecting informal payments, by collecting bonuses at the end of the year if customs posts meet revenue objectives, or through revenues obtained from the sale of confiscated goods. Customs officials receive 10 percent of the value of these goods. An important additional objective in this context, however, is to limit the burden on trade and on the traders, particularly in the north of Cameroon, where the population is quite hostile to customs and other officials, most of whom are not from the local community.

86. **Private sector operators usually have a choice between different routes (and consequently customs posts), or they can move into more informal trade, thereby limiting the ability of customs officials to charge exorbitant fees.** Each of the options that traders can choose from comes with different costs. It is generally more risky and costly to break larger shipments down into smaller consignments for smuggling on motorcycles or the backs of donkeys, but this will be done if customs officials charge too much. Trucks can sometimes bypass customs posts by traveling overland, but this may be very difficult or impossible, especially in the rainy season. Evaluating these costs and benefits of different options becomes an important element in the relationship between public and private agents. As a result, the threat of diverting goods flows to alternative customs posts or outside the formal framework creates a countervailing power to the authority of customs. Traders therefore are partners rather than ‘victims’ in this relationship, and seem to have a strong position in the negotiations determining payments.

87. **Controlling trade flows not passing through border posts is particularly difficult in the North due to geographic factors and the long and porous border.** Effectively securing the entire border would require substantial financial and human resources, which are likely to cost more than the additional revenue that could be generated from deterring this informal trade.

In addition, these traders are often small-scale operators and the trading activities reflect their only source of income. Government officials therefore claim that too rigid controls would leave people without source of income in a region with already high unemployment, especially among the youth, an outcome the government of Cameroon is keen to avoid.[31]

88. **In the South-West and North-West regions of Cameroon, the geographical setting results in different kinds of arrangements, with trade-related transactions in this region highly structured and arrangements made in advance for all the trucks using the route.** On the one hand, the number of usable roads along the border is limited because of the mountains, rivers, and thick forests. On the other hand, significant potential for profitable cross-border trade exists. Customs officials have an interest in keeping trade flowing to receive revenue but that means that these flows have to be profitable for traders as well. Traders and loaders make arrangements with customs officials and with most police/gendarmes regarding the amount that should be charged per given size of truck. The rates are usually fixed for a whole season but if customs officials and the police/gendarmes intend to change the rates, for example because revenue targets for specific border crossings are adjusted by customs headquarters, they inform the traders about their intention to increase the rates. This leads to a new round of negotiations until a new rate is acceptable to all parties, often accompanied by public accusations in public media.[32]

Basis of Tax Assessment

89. **The Cameroonian regional customs bureaus in the (Extreme) North and western part of the country have formally issued guidelines for assessing minimum duties collected per vehicle arriving from Nigeria. They have effectively become target values and represent a significant reduction compared to the statutory duty rates published in the CEMAC customs code.** For most commodities, these minimum tax assessments are significantly lower than official Customs tariff rates, but the guidelines are not strictly in violation of the official customs code as they are minimum values. However, these values have effectively become reference values for duties to be applied, and regional customs offices are aware of this, as they recently reduced the minimum values with the objective to "boost" trade with Nigeria. These circulaires[33] are publicly available and even explicitly state as their objective to foster regional imports. While there are some differences across regions in the minimum amount assessed on a truck, the valuation systems are broadly similar.

[31] GICAM, « Rapport: Mission d'Exploration …. »

[32] In the west of Cameroon, it is the Igbo-based Bamenda Traders Association that is leading these negotiations, and they subsequently apply for all members of the association, but not necessarily for others who want to engage in this trade, making returns from entry into the business for others less predictable. It was not clear if the Bamenda Traders Union, which comprises Cameroonian traders, undertakes similar negotiations.

[33] See a number of official circulaires and other documentation that describe the procedures to be applied at border crossing in selected Regions of Cameroon.

Table 5: Minimum Import Tax Assessment in Far-North Customs Sector

Vehicle	Assessment
10-wheel truck	3.30 million CFAF
6-wheel truck	1.76 million CFAF
Mitsubishi	1.10 million CFAF
Peugeot 404 pickup truck	660,000 CFAF

Table 6: Minimum Import Tax Assessment in South-West, North-West, and South Customs Sectors

Vehicle	Assessment	
	General Merchandise , not heavily taxed	**Goods made of plastic and babouche**
22-ton truck	2.80 million CFAF	1.50 million CFAF
20-ton truck	2.50 million CFAF	1.20 million CFAF
15-ton truck	1.40 million CFAF	850,000 CFAF
10-ton truck	900,000 CFAF	500,000 CFAF
7-ton truck	700,000 CFAF	300,000 CFAF
3-ton truck	500,000 CFAF	200,000 CFAF

90. **These guidelines are not fully applied at land border crossings but these minimum values have effectively become the starting point to negotiate actual (formal and informal) payments between officials and traders.** While being registered as minimum duties to be perceived per vehicle, they actually function as guideline. Minimum customs payments for non-sensitive goods[34] are based on the size of the vehicle, with some additional adjustment being made for the type of goods that a truck is carrying (see Tables 5 and 6 for two examples of the minimum values published).

91. **Formal duties collected and recorded in official documentation are usually lower than the indicated minimum values, but formal and informal payments jointly exceed the indicated minimum values.** Part of the negotiated payment is recorded as formal payment to customs, while another part of the negotiated amount goes unrecorded. As a rule of thumb, between half and two thirds of the total payment at the border is registered as official customs duty. In addition to the payments retained informally by customs officials at the border, informal payments are made during subsequent checks by customs along the trade corridor.

92. **The result is a well-structured negotiation scheme that takes place between the customs officials and the traders or their representatives.** The traders appeal to the customs officers on the basis of their limited margins and the poverty that prevails in the region. Customs officials claim to be mindful of these conditions and have an interest in keeping trade flowing

[34] A detailed list with minimum collection rates for a number of other products, including washing powder, cosmetics, fruit juices, and alcoholic beverages has also been circulated by the authorities.

through "their" customs posts to keep revenue up. For example, a newly arrived customs director at a border post in the Demsa area was openly criticized by his colleagues for insisting on collecting statutory import duties. As a result, revenues at that border post fell by more than 50 percent while revenues at neighboring customs posts increased. While there might be additional reasons for the diversion of traffic, the anecdotal evidence seems to demonstrate this diversion when rates levied by customs are perceived as too high.

93. **Customs declarations forms are subsequently filled in backwards, starting with total formal payment made and turned in to headquarters, and then calculating the hypothetical value of the goods that would result in such a payment.** Reported trade data is based on the hypothetical value of the goods that would correspond to customs payments actually made (not vice versa as expected). Using the duty rate per product as published in the customs code, and the duty rates for all other formal taxes that are in principle payable, customs calculates the "correct value of the shipment" and fills in the customs declaration form accordingly. As a result, the customs declarations forms seem to be correctly filled and all taxes seem to have been correctly applied and collected, but the underlying value of the declared goods is only a fraction of the actual value.

94. **The recorded values for goods crossing the border that are reported to the central customs authority are consequently significantly below the actual value, we estimate by as much as 98.7 percent.** Because we know the value of goods on a representative truck, and have information on the amount of formal payments that were made, we can estimate the amount of undervaluation in official customs declarations (see Box 2). Recorded trade flows are consequently low because of substantial underreporting by customs at the border, rather than because of outright smuggling taking place completely outside formal channels. Given the scale of operations it is unconceivable that staff in customs headquarters is not aware of this practice.

Box 3: Underestimation of Trade Value for General Merchandise

Cameroon applies a statutory customs duty of 30 per cent on general merchandize imported into the country, and levies a value added tax of 19.25% on the CIF price plus the customs duty. Adding a couple of other minor taxes, the total tax rate (t) on imports is close to 56.85% of the CIF price, i.e., Duty +VAT*(1+Duty) +Other Taxes. Customs revenue (R) equals t times the CIF value. At the border post in Ekok, formal customs payments of FCFA 700,000 per truck are relatively consistent for trucks we estimate carry goods worth about USD 200,000. Using these values and approximate exchange rates, we can calculate the implicit overall tax rate. Dividing both sides of the equation by the total duty rate, we obtain the implicit sales value reported by customs: CIF = R/t = USD 1400/0.5685 = 2463 USD, which is only 1.2% of the actual value of the merchandize on the truck. In other words, official statistics as recorded at the border undervalue cross border trade by as much 98.8 percent. Even for a truck goods worth half that value, the underreporting would still amount to 96.4 percent. Another example of undervaluation was observed in the north, where a truck carrying 4 tons of vegetable oil (approximately valued at CFA 3,000,000 (USD 6,000)) paid overall duties of CFA 200,000 (USD 400), with the value of the vegetable oil reported as CFA 327,466 CFA (USD 655) corresponding to an overall tax rate of less than 7 percent and undervaluing the goods by approximately 89 percent.

95. **We estimate traders currently pay possibly between 10 and 20 percent of what they should pay according to the official tariff schedule, but pay more than the minimum values indicated in the issued guidelines.** Fully applying statutory duties and levies to cross-border trade at the observed crossings would therefore likely have severely negative effects on the profitability of these traders and on trade flows. At the same time, consistently applying the minimum values, and removing all informal payments, would reduce trade costs to traders and increase revenue collected for state coffers.

Transport

96. **Goods are generally un- and re-loaded onto trucks of the importing country when crossing the border, even though cross-border delivery of transport services between Cameroon and Nigeria is legally permitted.** In Cameroon, road transport activity (merchandise and passengers) is formally reserved for companies established under Cameroonian law, although in practice some services are provided by operators in the informal sector. In Nigeria, no independent regulator for transport services seems to exist, as the new National Transport Policy of Nigeria foresees its establishment. Currently, ECOWAS regulations are broadly applicable but there is widespread recognition that these are not enforced at borders or inland, including with regard to severe overloading that occurs regularly. It seems that Cameroonian trucks are de facto not able to deliver or pick up goods in Nigeria and Nigerian trucks are de facto barred from operating in Cameroon, even though de-jure restrictions do not seem to exist.[35] Regulations for axle load limits, maximum load and length differ between ECOWAS and CEMAC frameworks (and are said to be often obsolete) and the transport regulations in CEMAC and ECOWAS countries are not harmonized. Trucks need to meet these requirements, need to fill paperwork, and deposit a bond at the border, which seem to be very cumbersome and costly, but more analysis is needed.

Checkpoints

97. **Traders, and specialised service providers working for them, face a large number of road barriers along major corridors, and road barriers become increasingly frequent with proximity to the border.** These behind-the-border control points set up by customs, the police, gendarmerie, and a plethora of other state security agencies are mainly used to collect fees from traders and other road users, rather than achieving other policy objectives. For example, an escort is paid a flat fee of 40,000 naira to accompany a 20 ton truck from Onitsha to the border town of Ikom, with total payments to agencies at this section estimated at 35,500 naira.[36] The crosser who takes over the goods at Ikom has to pay an additional 30,000 to 35,000 naira to various

[35] In the North, Nigerian trucks regularly traverse Cameroon to enter Chad with transit trade, though the usual informal tolls are levied on these roads. An agreement between Chad and Cameroon reserves road transportation of goods between the two countries for companies registered in one or the other country.

[36] Payments differ depending on the time of the day and some crossers prefer to travel at night when there are less police control points, thereby reducing their costs and increasing their profit margin. However, travel at night also increases the possibility of theft and banditry.

agencies for the 20km from Ikom to Mfum and at the Nigerian border. At the border, to leave Nigeria, the crosser pays a fee to various customs units,[37] gendarmes, and immigration officials, Standards Organization of Nigerian, drug control units, local government, and state and federal security agencies. Nigeria does not officially apply taxes on exports (except a few sensitive items), so payments to customs along this route are usually unofficial. Once the goods clear customs and all the payments are made to the various government agencies, the crosser delivers the goods to the loader in Ekok, Cameroon, to clear customs there. After clearing customs, traders continue to face a large number of control points along the major corridors.

98. **For the 570km trip from Onithsa to Bamenda, traders expect to deal with about 37 road blocks and control points (in addition to the border checks).** However, the actual number of actual control points varies depending on the time of the day and specific circumstances,[38] with usually fewer control points being in place at night. At each of these stops, a multitude of agencies can be present. For example, traders report that they encounter over 40 different control agents at 12 different control points between Ekok and Bamenda.[39] At the border town of Ekok a trader or his agent would have to deal with customs, quarantine unit, SPS, and a "customs inspector". In addition, various state and local government security agencies are present at the border, including chief of brigade, police, gendarme, army intelligence, but also representatives of sector ministries, including phyto-sanitary inspection posts, drug control units, local government officials, and immigration officials. There are also customs points at Mamfe and Bamenda, in addition to a number of mobile customs units and a large number of police and other stops along the road. On the Mamfe-Bamenda road, for example, payments of subsequent customs posts increased the total official payments to customs from CFA 700,000 paid at the border to a total of CFA 1,650,000.

99. **In the north, it appears that there are fewer control points on the Nigeria side of the border but the precise number could not be determined due to the severe security situation in Nigeria.** This might be because the conditions of the roads are better in Nigeria, which would allow trucks to travel faster and avoid easy stops by makeshift control points. It could also be because of the higher volume of internal traffic in Nigeria, which could disguise Cameroon or Chad-bound trucks.

100. **Trade along the sea routes suffers from similar problems, with so-called "pirates" extracting payments from ships in Nigerian waters for each trip, while there do not seem to be similar control points within Cameroonian waters.** The pirates are paid in cash and in

[37] Crossers claim that there are at least five different customs units, including those who inspect the goods, others who assess duty (although no official duty is paid), and representatives of the assistant and deputy controllers.
[38] For instance, in late 2011, tribal disputes in Ebonyi state resulted in the establishment of new control points along the main road that connects Enugu to Cameroon. While the security forces at these control points did not have the mandate to control border trade in particular, they are reported to nevertheless having stopped traders and charging payments per truck.
[39] See table in Annex C for a detailed list the various payments traders have to make to the government agents along the Onitsha-Bamenda corridor.

goods and usually make up to 500,000 naira (USD 3,300) per trip for the standard ships of 400 metric tons capacity that operate along these routes. In addition pirates often demand as payment part of the goods the ship is carrying, which usually consist of rice, soap, electronics, plastics, and other household material. The payment is made by the shipping agencies, but the cost is passed on to the traders and passengers. While payments to "pirates" seem to be larger per trip than on roads, the size of the vessels is up to 20 times larger on the sea, reducing the average cost per ton of loaded items.

Barriers to Cross-Border Trade and Their Relative Importance

101. **The report finds that fundamental trade policies as well as hard and soft infrastructure constraints constitute barriers to cross-border trade that are closely integrated and re-enforce each other.** High tariffs and outright import and export bans impact trade flows even though these policies are often not fully applied. Physical infrastructure constraints, nontransparent procedures, multiple checks and informal payments, and non-tariff barriers such as visa charges and de-facto barriers to cross-border trucking, and cumbersome procedures for product registrations, also heavily distort the trading environment and create high costs.

102. **While many of the regulatory barriers and delays are currently not binding given the severe infrastructure constraints, these will undoubtedly become increasingly important and costly once infrastructure rehabilitation advances, and will have to be addressed.** This is because the relative importance of delays caused by the multiple roadblocks, informal payments, non-transparent procedures, lengthy product approval procedures, and lack of integrated transport services will significantly increase as high transport costs due to bad infrastructure will fall.

103. **Currently, existing road conditions remain a key barrier to cross-border trade as they increase real costs and generate opportunities for rent extraction, and road conditions are particularly bad on roads leading towards border crossings.** Even during the dry season, traffic on roads leading to the borders is very slow, trucks break down frequently, and the bad roads increase truck maintenance costs significantly. In the rainy season, many roads such as the road between Mamfe and Ekok or the crossing between Maiduguri and Kousseri become impassible, and physically crossing the border can become extremely cumbersome, for example in Demsa or Abonshie. These road conditions are especially problematic for the transport of perishable goods. As a result, real transport costs increase due to delays, need for repairs, or breaking bulk into smaller shipments to cross rivers, and rent extraction becomes easier as trucks can only move slowly and are easily stopped, for example by municipal authorities. While substantial investment is flowing into the rehabilitation of North-South corridors, infrastructure

investments in border roads has lagged behind, with the exception of the Enugu-Bamenda corridor which is currently being rehabilitated.[40]

104. **Infrastructure at customs posts along the Cameroon-Nigeria border is also dilapidated, opening possibilities for rent extraction and limiting control of operations.** Irregular power supplies and absence of computers or computerized customs valuation systems prevent the timely transfer of trade data and their verification. These deficiencies increase waiting times and subject traders to arbitrary procedures, while reducing central government control and likely reducing effective revenue collection.

105. **Vehicles crossing the border need to obtain some documentation and deposit a performance bond equivalent to 30 per cent of the value of the vehicle at the border post, effectively preventing most cross-border movement of trucks.** The bond is meant as an insurance against the potential risk of vehicles not returning, and therefore avoiding the applicable duty. However, it appears that this fee is applied to all vehicles, regardless of the level of risk involved in a vehicle not returning, and traders and transporters who frequently use these border crossings are subjected to the same rules as applied to casual users of the road. It could not be determined how the value of the vehicle is initially assessed, whether the bond has to be paid in cash, how the bond can be paid/recouped, and if there had been any issues with the repayment of such bonds that might contribute to the observed absence of cross-border trucking.[41] For entering Nigeria, trucks also need to fill a form called 'sell 34' that allows a temporary stay in Nigeria for a maximum of 90 days. The original documents of these trucks have to be deposited at the Customs Post and can be retrieved on return from Nigeria. Trucks then receive a certificate of compliance with this requirement to facilitate easy passage at further security posts while in Nigeria. A Nigerian truck entering Cameroon will need a "Lettre de Voiture Internationale" issued by the Ministry of Transport (at the border offices), documentation from customs, and will have to pay some fees to the Land freight Transport Agency (BGFT). More research is needed to better understand how this process works in practice and what the key barriers to cross-border trucking are.

106. **The absence of cross-border trucking as a result of existing regulations prevents the emergence of integrated transport service providers, and increase costs, particularly for perishable and delicate goods.** While the necessary unloading and reloading onto trucks of the importing country at borders only generates limited direct observable costs, it is likely to increase overall transport costs significantly as traders need to find two transport providers, these need to coordinate shipments, and trucks generally return empty on both sides of the border. But for perishable and delicate goods, such as *eru*, the need to reload vehicles at the border was cited

[40] This has been recognized by the authorities; see Ministère des Travaux Publics, 2009, Cadre de Depenses à Moyen Terme (CDMT) 2010-2012. The CDMT stresses the increasing importance of maintaining roads connecting frontier regions, even though the plan currently does not foresee investment in roads outside the Fotokol-corridor.
[41] There are reports of Nigerian trucks carrying oranges that cross into Cameroon because of their perishable nature, but this could not be independently verified.

by traders as the most cumbersome and challenging barriers to trade (see case study in Annex A). More integrated service providers are likely to find more easily return cargo, thereby likely reducing overall transport costs. Likewise, it will be important to allow for stronger competition in transport services to ensure that the cost reductions resulting from infrastructure improvements get passed on to consumers and users.

107. **Regulations such as visa procedures or meeting product standards remain cumbersome, even though many of them are applied ad-hoc and not in line with those developed in Yaounde and Abuja.** While regulations and fees-for-service can in principle pursue legitimate policy objectives, these regulations and procedures often end up generating unnecessary costs and hindering potential expansion of cross-border trade if they are applied in an overly burdensome manner. For instance, many Nigerian immigrants have resident permits that allow them to engage in trade, but they do not have visa waivers. When crossing the border, they have to pay a fee of 52,000 FCFA (about USD 104) per trip, which consists of a 1000 FCFA application fee for an exit visa, another 1000 FCFA application fee for a re-entry visa, and a fiscal stamp of 50,000 FCFA.[42] These visa applications forms and procedures are cumbersome and are often applied arbitrarily. To avoid the official requirements, some traders hire agents at the border who specialize in paying off officials, allowing them to cross the border without going through official channels. Others simply bypass the whole system by taking footpaths that avoid the main crossing area. As a result, many procedures are not fully applied and public policy objectives not achieved, for example where product standards are not controlled at borders but shipments allowed in for a standard fee.

108. **A multitude of behind-the-border control points exist on both sides of the border, generating significant additional costs as agencies collect fees from traders and other road users, but these barriers do not seem to achieve other policy objectives.** These barriers are officially justified by agencies such as customs, the police, gendarmerie, and a plethora of other state security bodies as being necessary to ensure security and to prevent illegal movement of unauthorized goods or persons. For example, customs claims additional control points are needed to ensure proper duties have been paid at the border, and to intercept goods having entered outside formal border crossing. The amount that traders have to pay at these road blocks varies with the types of goods loaded on the truck. For agricultural goods and non-timber forest products, the fee tends to be lower than for general merchandize and other manufactured goods. However, these control points often do not achieve the intended public policy objectives, for example where traders pay informal fees and trucks are allowed to continue.

109. **The frequency of these control points, as well as the payments necessary at each differ widely, and trucks with foreign number plates (in the few cases they enter) are said to be subject to particularly high payments at roadblocks.** Table 7 provides information about the number of control points along major corridors, and presents average payments that

[42] These procedures are based on Law n.97/012 from 10 January 1997, and Decree n.2000/288 of 12 October 2000.

standard trucks incur on these corridors. For example in the North, one control point is located on average every 11 kilometers, while along the Enugu to Bamenda corridor, traders face a roadblock every 15 kilometers. However, the road blocks are not evenly distributed along the corridors and the frequency of control points increases significantly once trucks get closer to the border, where control points can be found every five kilometers or less. Average payments per stop also vary significantly between corridors, from USD 40 on the Maga-Limani corridor to USD 169 on the Garoua-Demsa corridor.[43]

Table 7: Frequency of Road Controls and Associated Costs

Frequency of Road Controls and Costs Associated				
Corridor	Distnace (km)	No. of Control Points	Average Cost per Truck (USD)	Size of Truck
Ekok - Mamfe - Bamenda	250	12	633	20 MT
Abonshie - Kombo - Bamenda	220	11	581	20 MT
Maga - Limani	150	13	521	40 MT
Boukoula -Guider	80	7	290	40 MT
Demsa - Garoua	45	4	676	40 MT
Onitsha - Mfum	320	25	461	20 MT

110. **Two thirds of the road blocks along the Onitsha-Enugu corridor are located on the Nigerian side, but the average costs per truck are nearly forty percent higher for the section in Cameroon than for the section in Nigeria.** Rates at police checkpoints differ significantly between Nigeria and Cameroon, and rates increase the closer these checkpoints are located to the border. On the Nigerian side, police checkpoints normally charge 500 naira (USD 3) per truck, mobile customs units charge 2,000 naira (USD 13), and drug control units charge up to 5,000 naira (USD 33). Rates in Cameroon are even higher where most checkpoints charge a minimum of 20,000 FCFA (USD 40). The amount that the escort pays at the checkpoints increases as the truck gets closer to the border. This is because those at control points farther from the border do not necessarily know if the goods are simply moving within the country or if they are for export or are being imported. It is only after trucks pass a major crossroads, such as Abakaliki, in the south, that those at control points know that the goods are destined for export. As a result they usually charge more than what is typically charged to domestic traders.

111. **The multiplicity of institutions and checks at the border as well as limits to the mandate of specific border posts generate additional delays and costs.** Customs clearance and other border-crossing formalities are conducted separately on each side of the border, resulting in substantial duplication. For instance, goods coming from Maiduguri, Nigeria and

[43] Due to the variety in goods transported, it was impossible to assess whether these payments are influenced by the goods that a specific truck is carrying.

passing through the Limani border have to first clear all the Nigeria (export) formalities and procedures, including customs, food safety, SPS, standards, and state security measures. Once the goods are cleared, similar (import) procedures are then applied in Cameroon. Many, though not all, procedures are similar, including inspection of trucks and their loads, SPS and food safety measures, as well as security-related examinations.

112. **Some border posts do not have the mandate or capacity to provide the full functions of customs and will have to be upgraded.** For instance, the customs post at Mfum (on the Nigeria side) does not have the legal status to assess duty and other taxes on imports. All importers of goods subject to import tariffs coming through this corridor have to leave their trucks parked at the border, travel to Calabar (eight hours round trip), and declare their goods there. They pay duty and all other taxes in Calabar, they come back with a form showing payment, customs officials at the border post check whether what they declared corresponds to the goods, and the traders then pass the Ekok/Mfum border. Because of the time and cost associated with this requirement, there are not many manufactured goods exported from Cameroon to Nigeria. It is of particular importance to upgrade the status of this border post, as it is supposed to be transformed into a joint border post once the Enugu-Bamenda corridor will be finalized in 2014.

113. **As outlined earlier, different customs post "compete" with other posts for traders to bring goods into the country through their customs post, and formal and informal payments are effectively negotiated between border officials and traders.** This behavior is facilitated by the fact that there is limited oversight from central government at land border posts which are remote and poorly connected. In this situation, state agencies, such as the police, gendarmerie, and other officials can extract rents from traders, as public and private sector actors make their own rules and negotiate ad-hoc payments that they consider "fair" for each party. Competition among border posts somewhat limits the power that state agencies have.

114. **Recognizing these difficulties, the Cameroonian regional customs bureaus in the (Extreme) North and western part of the country have formally issued guidelines for assessing minimum duties collected per vehicle arriving from Nigeria. They have effectively become target values and represent a significant reduction compared to the statutory duty rates published in the CEMAC customs code, but are open to interpretation by customs officials.** These "informally formal" guidelines recognize the unique circumstances of cross-border trade and the practical difficulties that a full implementation of import procedures would present to both traders and the officials at small land borders. Under this system, customs officials do not check every item loaded on a truck, but assess import tax based on the size of the truck and the type of good loaded. For most commodities, these minimum tax assessments are likely to be significantly lower than official Customs tariff rates, but not strictly in violation as they are *minimum* values. However, these values have effectively become reference values for

duties to be applied, and regional customs offices are aware of this, as they recently reduced the minimum values with the objective to "boost" trade with Nigeria.

115. **Despite all informal payments, however, traders currently pay significantly less formal and informal payments than according to CEMAC statutory rates, although they pay more than the minimum values stipulated under the guidelines issued by regional customs offices.** Trucks carrying Nigerian exports along this route are generally 20 metric ton vehicles and are loaded with general merchandize. The value of the goods on such as truck was calculated to be around NGN 20 to 30 million, or about USD 130,000 to USD 200,000.[44] As shown in table 8, such a 20MT truck with merchandise imported into Cameroon is charged on average about USD 1,500 in official customs fees at the border, and pays an additional USD 3,500 in other informal charges. The total approximate payments of more than USD 5,000 exceed the official payments under the "informally formal" customs regime of less than USD 3,000. These payments compare to somewhere up to USD 110,000 in duties, levies, and VAT that a truck would have to pay if all statutory duties were being applied as stipulated in the customs code. Even though there is no official Nigerian export tax levied and goods should be able to leave Nigeria without paying any duty,[45] in practice about USD 1,150 are paid to various customs officials at the border and along the road. This amounts to an effective export tax of about 0.5 per cent.

Table 8: Various Transfer Cost Scenarios along Onitsha- Bamenda Corridor

(USD per 20MT truck of general merchandize)		
Transfer Cost Category	Nigeria	Cameroon
Unofficial customs payments at border	450	644
Other unofficial payments at border	262	191
Unofficial payments behind border	461	2,738
Current official customs payments at border	-	1,478
Payments if simplified customs procedures were applied	-	2,745
Potential charges if full tariff assessment were applied	-	75,800 - 113,700

116. **Collecting minimum duties as per the guidelines issued by the Cameroonian regional customs bureaus, and concurrently significantly reducing informal payments, would therefore reduce costs to traders, while increasing government revenue, at the detriment of rents extracted by individuals.** For instance, a 20MT truck loaded with general merchandize would be charged CFA 1.3 million (about USD 2,700). Under the negotiation-

[44] Valuation of trucks carrying merchandise was determined at loading stations in Onitsha. To calculate this value, traders, loaders, and crossers were interviewed. Since it takes more than one trader to fill a 20 ton truck, enough traders were interviewed as were necessary to fill the truck. Each trader was asked the value of his or her goods and these values were added to come up with the value of the full truck. The result of this exercise was that a 20 ton truck filled with general merchandize has a value of about Naira 20 to 30 million, or about USD 130,000 to USD 200,000.

[45] In the North, exports are actually inspected in Maiduguri when being loaded onto the truck to the border.

based system, such a truck currently is charged on average USD 1,500 but has to pay an additional USD 3,500 in informal charges. The value will differ for a truck carrying lower-value goods, such as 20 tons of vegetable oil worth approximately CFA 15 million. Paying the prescribed CFA1.3 million for a truck with 6 wheels (a typical 20 ton truck) would correspond to an import duty of about 8.7 percent. Currently, such a truck would pay about CFA 700,000, corresponding to an import duty of about 4.7 percent. Including informal payments of CFA 250,000 at the border and CFA 710,000 along the corridor, overall customs related duties would translate into an import duty of 11.1 percent, of which more than half are informal payments. However, this is about one fifth of the total CEMAC statutory border taxes of about 57 per cent, including the 30 percent statutory customs duties and VAT.

117. **Fully applying statutory rates would have severe negative effects on cross-border trade, as traders currently pay only between 10 and 20 percent of the statutory duties, even after factoring in all informal payments.** A full application of the statutory duties would therefore increase total transfer costs significantly and reduce trade flows or bring them to a halt.

118. **Lack of formal money transfer channels were also frequently mentioned as a factor increasing trade costs, and ethnic networks seem to play a role in overcoming such barriers.** Consultations with the formal banking sector support the sentiment that most traders, with some exceptions, do not use the formal banking system to process the payments for their transactions. This seemed to largely result from a general reluctance of formalizing transactions, and foreign exchange regulations in both countries (for example, a justification for international transfers is needed that traders are reluctant to give). Traders usually travel with significant amounts of cash that they exchange with informal money exchangers once they arrive. Frequently, they change local currency into large denominations of an international currency to minimize the physical weigh of their funds, before changing them again into local currency when buying goods. Due to the lack of security while travelling, anecdotal evidence suggests that traders hide their funds very creatively when traveling. At times they take apart commonly traded goods, conceal cash inside, and seal the object. Changing funds twice, and undergoing large efforts to hide funds creates additional costs. Traders also claimed that they did not use formal Banks to exchange funds because they thought they would be too easily identified as potential victim for a robbery, but it was impossible to ascertain to which degree this is true. Ethnic networks seem to play an important role in this environment, as they function as a way of accessing supplier credit when necessary.

119. **The security concerns and highway thefts along the trade routes add to concerns for traders and transporters.** Along the northern corridors, the deteriorating security situation in northern Nigeria is contributing to acts of banditry and theft, adversely affecting the ability of traders and transporters to engage in cross-border trade. Also in the southern part of the border, traders also commonly complain about the lack of security along the trading routes. The main

theft and extortion deterrence strategy used by traders is group travel. When large numbers of traders travel together, they are able to pool resources and even hire protection along the route.

120. **In particular, the security situation negatively affects the number of women who participate in actual cross-border trade.** In addition to regional cultural norms which discourage women from becoming traders, gender-based insecurity is the second most important reason for women not to participate in cross-border trade.[46] Traders travel for several days on the road, often spending nights in small towns. With dilapidated roads and vehicle breakdowns more the norm than the exception, traders often stay in relatively unsafe places. While the team did not hear about any direct gender-based violence, it may still occur and most women interviewed expressed fear about the possibility of finding themselves in such situations.

Quantitative Assessment of Importance of Trade Barriers

121. **Putting these barriers into relative perspective and ranking them according to their importance for and impact on trade outcomes is challenging, particularly because the security situation in the North of Nigeria did not allow for detailed analysis during the period of report preparation.** Consequently, the following analysis focuses mostly on the Onitsha/Enugu-Bamenda corridor, although the corridors in the north are also examined. The focus on the Enugu-Bamenda corridor supports ongoing work aiming to upgrade the corridor, as a result of which increased traffic flows are expected. Details of the case studies on which much of this analysis is based are found in Annex A.

122. **The analysis reflects the current costs of the identified barriers, but these relative costs are likely to change significantly once key barriers related to weak infrastructure are removed.** Delays at borders and roadblocks that are currently relatively unimportant given transit times of a week or more will become relatively more important as transit times fall to somewhere around 5 hours once the road is completed. For example, the African Development Bank estimated border crossing time at 12 hours in 2007, which would be longer than total travel time if not addressed.[47] As vehicle operating costs and transport fees fall, the importance of informal payments will increase, and potential changes in trade policies will further impact the structure of trade costs.

123. **More than half of total transfer costs along the Enugu-Bamenda corridor are due to informal payments, costs associated with the non-transparent trading environment, and costs resulting from regulations that effectively prevent trucks from crossing the border.** While total costs relating to transport represent 41 per cent of transfer costs, unofficial payments

[46] It is common and acceptable for women to own small retail shops, but traveling across borders is seen as not being in the sphere of women's work.

[47] African Development Bank, 2008, Report No. ADF/BD/WP/2008/118 – Appraisal report for the Transport Facilitation Programme for the Bamenda-Mamfe-Abakaliki –Enugu Corridor.

at borders to various agencies make up 14.7 per cent of transfer costs, and unofficial payments behind the border another 30.3 per cent. Official customs payments for which a receipt is issued only represent 14 per cent of total transfer costs. Tables 9 and 10 present a detailed breakdown.

124. **Formal and informal payments to customs represent nearly 42 per cent of total transfer costs along the corridor, and only a third of these charges are issued with a receipt.** The remainder of the informal payments is made at the border (10.4 per cent), at stationary customs check points along the corridor (16.7 per cent) and at mobile check points (0.8 per cent, all of total transfer costs). Informal payments to other agencies at the border represent only about 5 per cent of total transfer costs, while road control payments to the police, gendarmerie, and local authorities account for 12.8 per cent of total transfer costs. Crossers receive 5.7 percent of total transfer costs to help manage the trading environment, and about 3 per cent need to be paid for unloading and reloading activities at the border because trucks cannot cross.

125. **The informal charges in the border region between Cameroon and Nigeria are significantly higher than comparable charges in East Africa, and even higher than along other corridors in Central Africa.** A recent study finds that bribes as a share of total variable costs are between zero and two per cent in Southern and Eastern Africa, 6 per cent in West Africa, but 13 to 27 percent in Central Africa.[48] Additional work in East Africa shows that even after adding local council taxes, which often are legal within certain limits, informal charges comprise only about 9.7 per cent of total transfer costs in Kenya, 3.5 per cent in Tanzania, and 4.2 per cent in Uganda.[49]

126. **At the same time, current formal and informal charges when crossing the border are significantly lower than statutory duty rates issued by CEMAC, but are higher than minimum values indicated in the guidelines for cross-border trade with Nigeria issued by regional customs offices.** We estimate that traders pay not more than 10 to 20 per cent of statutory CEMAC duty rates in Cameroon. The reduction in informal payments will therefore only have a positive impact on trade if the simplified customs regime would continue to apply. If customs started to apply full statutory customs duties, overall transfer prices would increase significantly, and the relative importance of other costs would decrease. Under a full application of the guidelines and the parallel removal of informal payments, however, government receipts would increase while trade costs for traders would fall. Formalizing current arrangements, and making them consistent in the broader regional policy framework will therefore be essential to keeping direct trade costs low.

[48] See Teravaninthorn and Raballand, 2009, " Transport Prices and Costs in Africa: A Review of the International Corridors", World Bank, Washington, D.C.
[49] World Bank, 2009, " East Africa: A Study of the Regional Maize Market and Marketing Costs", AFTAR Report 49831, Washington, D.C.

Table 9: Transfer costs along Onitsha-Bamenda corridor (USD per 20MT truck)

Corridor	Customs Charge with Receipt	Customs Charge without Receipt	Transport	Road Control Cost	Loading & Storage	Others
Onitsha→Mfum	-	612	1,511	491	310	141
Shareoftransfercost(%)	-	(0.20)	(0.49)	(0.16)	(0.10)	(0.05)
Ekok→Bamenda	1,478	2,333	2,009	1,198	433	42
Shareoftransfercost(%)	(0.20)	(0.31)	(0.27)	(0.16)	(0.06)	(0.01)
EntireCorridor	1,478	2,945	3,520	1,688	742	183
Shareoftransfercost(%)	(0.14)	(0.28)	(0.33)	(0.16)	(0.07)	(0.02)

Table 10: Detailed transfer costs along Onitsha-Bamenda corridor (USD per 20MT truck)

Corridor and Share of Total Transfer Cost	Charges at Border with Receipts	Charges at Border Without Receipts					Behind the Border Charges (Without Receipts)				Transport Related Costs			
	Customs	Customs	Police/ Gendarme	Food Safety	Phyto - sanitary	Immigr ation	Stationary Customs	Mobile Customs	Police/ Gendarme	Local Cess	Handling at Border	Handling behind Border	Transport Price	Loader Escort Crosser
Onitsha → Mfum	-	450	169	14	15	63	148	14	229	70	-	380	1,126	385
Share of cost (%)	-	(0.147)	(0.055)	(0.005)	(0.005)	(0.021)	(0.048)	(0.005)	(0.075)	(0.023)	0.000	(0.124)	(0.367)	(0.126)
Ekok → Bamenda	1,478	644	110	21	32	28	1,615	74	1,007	42	317	116	1,795	214
Share of cost (%)	(0.197)	(0.086)	(0.015)	(0.003)	(0.004)	(0.004)	(0.216)	(0.010)	(0.134)	(0.006)	(0.042)	(0.015)	(0.240)	(0.029)
EntireCorridor	1,478	1,094	279	35	47	91	1,763	88	1,236	113	317	496	2,921	599
Share of cost (%)	(0.140)	(0.104)	(0.026)	(0.003)	(0.004)	(0.009)	(0.167)	(0.008)	(0.117)	(0.011)	(0.030)	(0.047)	(0.277)	(0.057)

127. **Product-specific analysis supports these findings. On the Nigeria side, unofficial export taxes are applied to almost all the goods traded, account for on average four per cent of total transfer costs.** For example, Nigeria customs levies about 1,000 FCFA per carton of *Ozone*, a cosmetics product, even though Nigeria does not have official taxes on exports. On the Cameroon side, that carton pays official duties of 2,500 CFA (or 1.8 percent of the product value, much less than the official tariff of 30 percent) and nearly 4,000 FCFA in unofficial customs charges.[50]

128. **Comparing data for Nigeria and Cameroon shows that road blocks seem to be a particular problem in Cameroon, as compared to Nigeria.** While accounting for less than forty per cent of the geographic distance, total payments to the police and local authorities are more than three times larger in Cameroon. This confirms a common complaint traders have about police and gendarmes, especially those on the Cameroon side, where police and gendarmes extract a total of USD 1,117 from a typical 20MT truck travelling from Ekok to Bamenda. This is about 15 per cent of total transfer costs. On the Nigeria side, payments to police are about USD 400 per truck, still a significant amount relative to all transfer costs within Nigeria.

129. **Payments to providers of specialized services, which are facilitating trade in the non-transparent trading environment, are also important but are likely to decline as transparency increases.** Overall, these service providers generate direct costs of about USD 600 per truck, but it is important to emphasize that these service providers represent a response to the multitude of trade barriers that exist. Their services are a way of overcoming the structural barriers observed and the costs each individual trader would have to incur to deal with the authorities on his/her own are likely to be significantly larger. The additional cost they add to the overall transfer cost is therefore likely to decline to the extent the underlying barriers are removed.

130. **Restrictions on the movement of transport service providers create significant delays and indirect costs at the border, and these costs will increase in relative importance as transit times and transport costs fall.** Regulatory requirements that have yet to be better understood seem to necessitate the offloading of goods at the border and their transfer onto other trucks. This generates significant delays, and additional costs as trucks return empty on both sides of the border.

131. **Payments to other agencies at the border, such as food safety officials, phytosanitary control units, and immigration officers, do not add any appreciable amount to the total transfer costs, but create additional delays.** Currently, the costs generated by these delays are unlikely to be substantial, as delays resulting from inefficient transport services are significantly larger. If transport rules between Nigeria and Cameroon were harmonized and vehicles could

[50] While *Ozone* as product is not listed in the list of specific product minimum duty payments issued by the regional customs authority, similar products are listed with minimum values of at least CFA 10,000 per carton.

cross the border easily, the costs of delays caused by agencies at the border would increase in relative importance.

132. **Transport costs are another important component of total transfer prices, and transport costs in Cameroon are considerably and consistently higher than those of Nigeria.** They range from USD 0.42 for the Limani-Maroua corridor to USD 0.72 along the Mubi-Guider road. This compares to between USD 0.11 and USD 0.16 per ton-km in Nigeria (see table 11). Take the Onithsa to Bamenda corridor as an example. On the Nigeria side, costs along this corridor are USD 0.15 per ton-km while on the Cameroon side of this same road, the costs are almost three times the amount – USD 0.44 per ton-km. It is difficult to say how much of this cost is avoidable, but it is fair to say that the debilitated conditions of the road are an important factor in inflating it. With transport costs for the 200km section Ekok-Bamenda currently at CFA 650,000 during the wet season and CFA 350,000 during the dry season for a 20 ton truck, traders estimated that prices could fall to CFA 200,000 all year round.[51] While a very broad estimate, it gives an indication that transport cost could fall between 40 and 70 percent, or by up to 10 percent of total transfer cost of bringing the goods from Onitsha to Bamenda. With widely differing road conditions, it takes for example 3-4 days to complete the 710km inside Nigeria from Kano to the border, but another 7-10 days to complete the remaining 90km on unpaved road from the border to Maroua.

Table 11: Distances and transportation costs along various corridors (20-40MT trucks)

Corridor	Distance	Transit Time	Truck Capacity (MT)	Transport Cost (US$ per ton-km)
Nigeria				
Onithsa → Mfum	330	2-3 days	20	0.15
Onithsa → Abonshie	570	3-5 days	20	0.16
Onitsha → Calabar	310	1-2 days	20	0.16
Kano → Limani	710	3-4 days	40	0.11
Cameroon				
Ekok → Bamenda	190	3-14 days	20	0.44
Bamenda → Ekok	190	1 day	1	2.67
Jimeta/border → Garoua	120	1-2 day	20	0.49
Mubi/border → Guider	105	1-2 day	20	0.72
Limani → Maroua	90	7-10 days	40	0.42

[51] This estimate seems largely in line with transport prices along major corridors in Cameroon, which seem to be about CFA 60 per ton/km. For example, rice is transported from Douala to Maroua (1300km) at CFA 54 per ton/km, while vegetable oil is transported from Garoua to Maroua (200km) at CFA 60 per ton/km. These broad estimates are also in line with those presented by Teravaninthorn and Raballand, 2009, "Transport Prices and Costs in Africa: A Review of the International Corridors", World Bank.

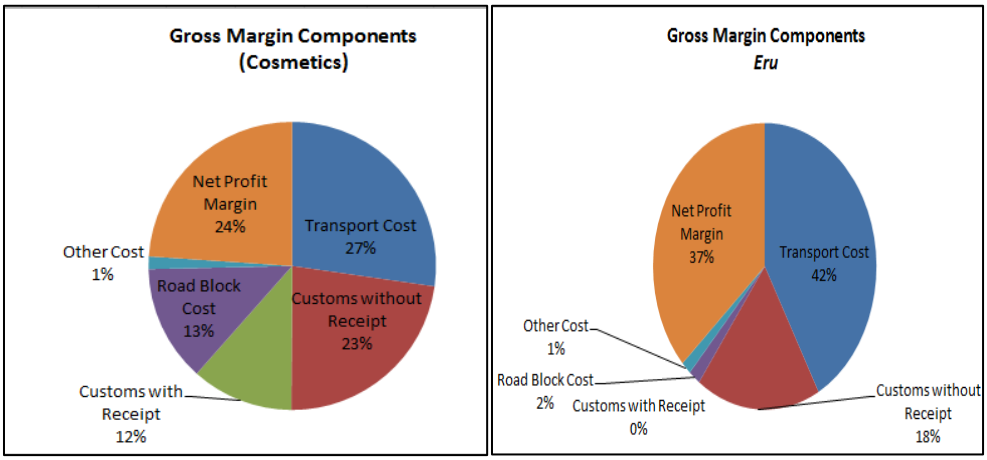
133. **Costs vary significantly depending on the size of the vehicle, with transport costs per ton-km on a small vehicle up to six times higher than on large trucks.** For instance, traders who are able to hire 20MT trucks at the border town of Ekok can expect to pay a transport cost of USD 0.44 on the Ekok to Bamenda road. Products coming from Nigeria along this route are often transported by 20MT trucks. However, Cameroonian exports along the same route, mostly agricultural goods or non-timber forest products are usually transported by light trucks of about 1MT capacity, and they face significantly higher transport costs. Small traders engaged in the export of *eru*, bananas, and plantain incur average transport costs of USD 2.67 per ton-km.

134. **Product specific analysis shows that the importance of various costs differs for products.** Chart 1 shows a breakdown of the various costs and net profit margins, as a percentage of the gross margin, associated with transporting a representative sample of products (cosmetics) from Onitsha to Bamenda. The largest costs are related to transport, accounting for about 31 per cent of the gross margin. Looking at the products exported from Cameroon to Nigeria along this corridor, we see a similar pattern, but the relative importance of the various barriers differs.

135. **For *Eru*, a typical non-timber forest product, exported to Nigeria, transport costs make up a staggering 42 percent of the gross margin.** Roads on the Cameroon side are particularly bad, *eru* is transported in relatively small vehicles, and it is a particularly perishable good. *Eru* leaves are used mainly for food and especially prominent the preparation of soups. Chart 2 shows that transport is the single most important cost that *eru* traders face. Travel from Bamenda to the border—a distance of about 250 kilometers—takes almost a full day in the dry season. In the rainy season, the road is almost impassable and goods are often transported by a small boat across the river.

136. **Unofficial fees are also important for the export of agricultural products from Cameroon to Nigeria.** For instance, e*ru* traders pay an unofficial amount of 30,000 FCFA per vehicle carrying 500 kg to Cameroonian customs, police, gendarmes, and other agencies at the border (equivalent to approximately 6 percent). In principle, Cameroon applies the 2 per cent export tax, but in practice the payments vary greatly, depending on the content, border crossing, and whether they cross during the day or at night. Once on the Nigeria side, traders hire crossers who charge 4,500 naira per vehicle for customs clearance, transport to Ikom, and unofficial payments to all the other agencies at the border.

Figure 1: Gross Margin Components – Cosmetics and *Eru* Trade



137. **Along with cosmetics and eru, there are a multitude of other products traded along the Onitsha-Bamenda corridor, and tables 12 and 13 give a breakdown of the various transfer costs associated with moving them along the corridor, and how they differ by product.** The costs are presented separately for each side of the border by type of transfer cost (Customs with Receipt, Customs without Receipt, Transport, Road Control Cost, and Other Costs). The last section of the table shows the cost of purchasing the goods that are shipped, total transfer costs of shipping them, the final sales price received by the trader, the gross price margin (equal to the final sales price minus the purchase price), and the net profit margin (equal to the gross price margin minus total transfer costs). Net profit margin is also expressed as a percentage of sales. The effects are shown of reducing various transfer costs on net profit margin, both in absolute terms and as a percentage of sales.[52]

138. **In the north, it was only possible to construct similar price margin analysis for two goods.** Re-exported milled rice is coming through Maroua and paddy is being shipped from Maga to Banki, where it is parboiled and milled on the Nigerian side of the border. Even here, there is no breakdown of transfer costs on the Nigerian side. Furthermore, no data are available on the potential reduction in transport costs that would result from road improvements. However, we do have estimate of total transfer costs, and there were broken down into their various components using the same classification as in the south.

[52] Reduction in transport costs in tables 8 and 9 are based on the percentage decrease of 36% that is projected for the Enugu-Bamenda Road Improvement Project, as shown in Annex B.

Table 12: Price Margin Analysis for Selected Products along the Onitsha-Bamenda Corridor

						Disaggregated Transfer Costs												Potential Savings								
						NIGERIA						CAMEROON														
Product	Corridor	Unit	Unit Weight (kg)	Purchase price	Total interme-diary costs	Customs with Receipts	Customs w/o Receipts	Road Control Cost	Transport	Other Costs	Transfer Cost per Unit	Customs with Receipts	Customs w/o Receipts	Transport	Road Control Cost	Other Costs	Transfer Cost per Unit	Purchase Cost	Total Transfer Costs	Price at Final Market (Sales)	Gross Price Margin	Existing Net Profit Margin (% of	Removal Customs w/o Receipts	Removal Road Blocks	Improved Road	Potential Net Profit Margin (% of
Food stuff (Viju milk, big)	Onitsha-Bamenda	20 Carton of 12	120	64,000	27,890	-	1,740	1,394	4,294	400	8,708	4,200	6,630	5,708	3,404	120	21,292	64,000	27,890	110,000	46,000	18,110	8,370	4,798	3,601	34,879
																						16.5%	7.6%	4.4%	3.3%	31.7%
Cosmetics (Ozone,small)	Onitsha-Bamenda	Carton of 24 pieces	72	138,000	16,734	-	1,044	836	2,576	240	5,225	2,520	3,978	3,425	2,042	72	12,775	138,000	16,734	160,000	22,000	5,266	5,022	2,879	2,160	15,327
																						3.3%	3.1%	1.8%	1.4%	9.6%
Foodstuff - Biscuits	Onitsha-Bamenda	Carton of 144 pieces	115	175,000	26,774	-	1,670	1,338	4,122	384	8,360	4,032	6,365	5,480	3,268	115	20,440	175,000	26,774	250,000	75,000	48,226	8,035	4,606	3,457	64,324
																						19.3%	3.2%	1.8%	1.4%	25.7%
Construction material (toilet seat "Twyford")	Onitsha-Bamenda	1 set	40	54,000	9,297	-	580	465	1,431	133	2,903	1,400	2,210	1,903	1,135	40	7,097	54,000	9,297	70,000	16,000	6,703	2,790	1,599	1,200	12,293
																						9.6%	4.0%	2.3%	1.7%	17.6%
Construction material (toilet seat "normal")	Onitsha-Bamenda	1 set	40	38,000	9,297	-	580	465	1,431	133	2,903	1,400	2,210	1,903	1,135	40	7,097	38,000	9,297	55,000	17,000	7,703	2,790	1,599	1,200	13,293
																						14.0%	5.1%	2.9%	2.2%	24.2%
Motocycle parts caterpiller tire 300X18	Onitsha-Bamenda	Pack of 30	150	261,000	50,000	-	2,900	2,323	7,157	667	13,047	7,000	11,050	9,513	5,673	200	33,437	261,000	50,000	345000	84,000	34,000	13,950	7,997	6,001	61,948
																						9.9%	4.0%	2.3%	1.7%	18.0%
Eru	Bamenda-Ikom	0.5 MT Vehicle	500	500,000	110,550	-	1,500	3,000	13,500	2,550	20,550	-	30,000	60,000	-	-	90,000	500,000	110,550	675,000	175,000	64,450	31,500	3,000	26,460	125,410
																						9.5%	4.7%	0.4%	3.9%	18.6%

Note: All prices in FCFA

Table 13: Price Margin Analysis for Rice and Paddy in the North

				Disaggregated Transfer Costs																Potential Savings			
				Cameroon											Nigeria								
Product	Corridor	Unit	Unit Weight (kg)	Customs with Receipts	Customs w/o Receipts	Road Control Cost	Transport	Other Costs	Transfer Cost per Unit	Customs with Receipts	Customs w/o Receipts	Transport	Road Control Cost	Other Costs	Transfer Cost per Unit	Purchase Cost	Total Transfer Costs	Price at Final Market (Sales)	Gross Price Margin	Net Profit Margin (% of sales)	Removal Customs w/o Receipts	Removal Road Blocks	Improved Road	Potential Net Profit Margin (% of sales)
Rice 5%	Maroua-Banki	metric ton milled rice	1	4.0	4.7	5.6	15.6		29.9	1.78	2.78	2.93	1.46	0.05	9.0	370.0	38.9	424.0	54.0	15.1	7	7	7	36
																				3.56%	1.8%	1.7%	1.6%	8.6%
Rice Paddy	Maga-Maidiguru	metric ton milled rice	1	4.0	5.6	6.7	21.0		37.3	5.40	8.45	8.93	4.46	0.15	27.4	373.1	64.7	449.7	76.6	11.9	14	11	11	48
																				2.65%	3.1%	2.5%	2.4%	10.6%

139. **The most noteworthy observation from this analysis in the north is the very low level of net profits that are being made in this export trade**. Without a reduction in the barriers to trade, these margins are only about 2.5 per cent to 4 per cent of the final sales price. Even with a substantial elimination of these barriers and improvement in roads, these margins rise to about 8 to 10 per cent. However, there is a large volume of this trade in the north, while in the south volumes are much smaller. Again, were full import duties levied, or the import ban for rice enforced at the Nigerian border, this trade would cease to flow. So while informal payments seem to be a major barrier, a full application of trade policies would generate substantially higher and prohibitive costs.

140. **Due to the extremely fragmented and small scale nature of transport services and prices, as well as the large variety and unpredictability of costs resulting from cross-border trade, it is impossible to estimate the costs of individual barriers to trade precisely and their relative order of magnitude must be used.** Similarly, it is difficult to precisely estimate the expected payoffs from proposed reforms, as detailed data that would allow estimate of trade flow diversion and the creation of new trade opportunities, is not available.

141. **Improving road conditions will reduce transport costs, and the effects of these investments will be magnified if regulatory reforms are addressed concurrently.** As shown earlier, fully applying the "informally formal" trade procedures will lower overall transaction costs to traders while increasing government revenue. Increasing transparency at borders and opening up transport markets will further reduce overall costs and increase payoffs from the investments in hard infrastructure. But complementary reforms will be essential to significantly improve the trading environment.

Potential for Expanded Trade and Economic Activity

142. **Removing or reducing the identified barriers would likely increase existing trade as trade costs fall.** At the same time, if policies were fully enforced at borders, trade costs would significantly increase as effectively higher customs duties were collected, and some trade flows generated by policy distortions might disappear if policies such as import bans were fully enforced at borders. The net effect would depend on a number of factors and on which procedures were to be used.

143. **Estimating a cross-country gravity model for 2009, we find that the potential of non-oil trade between Cameroon and Nigeria is many times higher than officially recorded trade data.** The empirical framework explains global bilateral exports based on a number of explanatory economic and geographical variables, and indicates that bilateral trade lags far behind the potential trade flows given the country characteristics (see Annex for a description of the model). This result is robust to estimate the model for previous years. Comparing our

estimates for the trade potential with our estimates for current trade flows, however, the picture somewhat changes. Excluding re-exports which should not be influenced by the country characteristics we measure, our broad estimates indicate that Nigeria exports nearly twice as much to Cameroon as the model would predict, while Cameroon reaches only about 40 percent of its estimated potential. A few caveats are in place however: we are comparing data for 2009 with our estimates for 2011, which cover the most important products but might miss some others, therefore representing a lower bound estimate.

144. **There seems to be significant export potential for food products from Cameroon to supply cities in densely populated areas of southeastern Nigeria.** The western regions of Cameroon are a breadbasket of the country (10% of plantain, 64% of palm oil, 28% of cocoyam, 20 % of egusi, 14% of cassava, and 13% of okra). Plantain, cassava, and palm oil are primarily smallholder crops and are important for employment and poverty reduction. About 80% of food production of these regions is sold on the markets of major urban centers, such as Yaoundé, Bamenda, and Douala, but products are also exported to Abakaliki and Enugu, and products such as tomatoes and beans are exported to neighbouring countries in the South.[53] The Western Highlands region also has a strong potential for pineapple, potatoes, and market vegetables, which could be exported to Nigeria.[54] With trade policies in Nigeria remaining protectionist but likely continuing to be weakly enforced at land borders, additional potential for trade in these products seems to exist, for example in rice, cotton, poultry, palm oil, and soap.

145. **Nigeria appears to have a large potential to increase exports of manufactured products where economies of scale and agglomeration are important, but agricultural potential is also enormous.** Nigerian urban areas are important commercial centers for many products produced or traded within Nigeria, Onitsha is an important trading center for many manufactured goods, Enugu is a major industrial area, and Abakaliki (capital of Ebonyi State) is a key commercial center for agricultural products such as cassava, rice, and yams. As trade costs fall, there seems to be significant scope for Nigeria to expand her exports and increase the range of products available to consumers in Cameroon, such as cosmetics, plastic goods, processed food products, and other locally produced manufacturing goods. Potential for increased agricultural production and exports is also enormous in Nigeria as less than half the agricultural land area is currently under cultivation, and Nigeria has large potential for irrigation, but key policy issues need to be addressed.[55]

146. **With ongoing reforms in the power sector in Nigeria, and large hydroelectric potential, there is also increasing export potential for electricity from Cameroon to Nigeria.** Nigeria is embarking on extensive reforms to reform the power sector, and a critical element will

[53] CIRAD, 2006, « Quantification des flux transfrontaliers - Etude des flux transfrontaliers de produits agricoles et horticoles sur les frontières sud du Cameroun – Rapport Final ».
[54] World Bank, *Cameroon Agricultural Value Chain Competitiveness Study*, 2008, pp.6-7.
[55] Babatunde (2012), The role of Nigerian agriculture in West African food security, IFPRI Nigeria Strategy Support Program Report no. 11, IFPRI Nigeria, Abuja, Nigeria.

be the unbundling of the national utility's distribution and generation assets, and the gradual opening of those unbundled entities to private sector investment.[56] As distribution companies in Nigeria are being reformed over the medium term, and the stability of the electricity grid increases, interconnection, also across borders, will become easier, and offer export opportunities from new generation projects, including potential joint projects on the Benue River. The export of electricity from the dam at Kpep is also foreseen.[57] Cameroon's hydroelectric potential also seems to give it a comparative advantage in production of aluminum products.

147. **Reductions in the cost of trade will likely increase net profit margins, while increases in transparency will facilitate entry into the profession of cross-border trade, contributing to trade growth.** Improved road conditions are likely to reduce transport costs, while fewer control points and more transparent procedures will reduce informal trade costs and make trade transactions more predictable. Similarly, increased transparency and more efficient customs procedures and inspections will reduce delays at border crossings. In addition, where procedures are clear and less costly, traders will face fewer incentives to use smaller crossings where road conditions are bad. Assuming relatively constant gross margins, net profit margins will increase due to lower effective trade cost and fewer delays, and increase opportunities for cross-border trade.

148. **In addition, removing restrictions to cross-border trucking would facilitate the emergence of more fully integrated transport companies and reduce trade costs further.** Such integrated service providers would also be more easily accessible by potential users, making entry into cross-border trade easier for current outsiders. More transparent rules and procedures and more formal relationships with transporters would also allow traders to establish more formal relationships with suppliers or buyers in Nigeria, stabilizing their operations and generating more stable and productive jobs. At the same time, local government authorities would find it easier to effectively enforce standards for consumer protection, and generate more stable revenue streams from customs revenue and other taxes.

149. **Increased trade is likely to take place along the corridors where improvements in infrastructure and reduction of non-tariff barriers will occur.** Gross price margins that give rise to trade are determined by supply and demand conditions in the regions of origin and destination. These conditions are related to the factors determining comparative advantage and the public policies that distort this advantage, as discussed in the preceding sections. To the extent that these factors are not influenced by the trade that takes place between the origin and destination, the gross price margin will persist after the barriers have lessened or been removed. This will be the case if the trade that takes place is small in relation to the total volume of

[56] Nigerian Government (2012), Roadmap for Power Sector Reform, Nigeria. The World Bank is supporting these reforms.
[57] Jeune Afrique, no. 2684, Juin 2012.

production and consumption in each region, and if the policy environment that induces trade in the first place is stable.

150. **The rehabilitation of the Dschang-Melong corridor in West Cameroon resulted in significant increases in production and exports of agricultural products, and this is expected to continue as the work is completed.** Farmers along the corridor have increased the area under cultivation and diversified their production following the rehabilitation of the corridor, and exports from the area to Gabon are said to have significantly increased with buyers from Gabon coming to this area which is actually located close to the Nigerian border. Since the rehabilitation, the area has become a large center of supply for the West and Littoral regions, while it had previously only been reachable by 4-wheel drives. Export of Marantaceae leaves from the region to Gabon have increased significantly, harvesters are said to have doubled their incomes, and some people are reported to having started to domesticate the plant, allowing them to sell it outside the season as well.[58]

151. **Similarly, the opening of the road between Brazzaville and Ouesso in the Republic of Congo, has led to Cameroonian goods from the West reaching Brazzaville, demonstrating the competitiveness of agricultural products within the sub-region.[59]** Prior to the opening of the road, goods only arrived in Ouesso, an economic center in the North of Congo and close to the Cameroonian border, but now potatoes from Dschang are being sold in Brazzaville, some 1600km away, despite the fact that transport costs are approximately twice as high as original production costs.

152. **A similar response in agricultural production and increase in rural incomes is also likely in the areas using the Enugu-Bamenda corridor, as areas get better access and post-harvest losses fall.** A recent study in the area estimated the post-harvest losses that resulted from the bad state of the road at between 20 and 40 percent, depending on the exact locality.[60] According to the same study, between 70 and 80 percent of the agricultural production is exported from a number of villages in the Batibo arrondissement, and a number of farmers have already bought additional land after the rehabilitation of the road was announced. Because more than 70 percent of employment in Cameroon is in the informal agricultural sector,[61] better access to markets and increased production is likely to have a large impact on rural incomes and poverty.

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[58] Université de Dschang, Faculté d'agronomie et des Sciences Agricoles, 2012, « Etude de suivi et d'évaluation des impacts du projet d'aménagement de la route Mélong-Dschang », mimeo.
[59] Samba, Jean-Jaques, 2011, « Cas de commerce des produits agricoles entre le Cameroun et le Congo Brazzaville », presentation by the SG of Unicongo during the PROMOTE 2011 conference, Yaounde.
[60] Université de Dschang, Faculté d'agronomie et des Sciences Agricoles, 2010, « Etudes de suivi et d'évaluation des impacts du projet d'aménagement des tronçons routiers Batibo-Numba et Mamfe-Ekok sur le développement et la réduction de la pauvreté - rapport préliminaire », mimeo.
[61] World Bank, 2012, Unlocking the labor force – an economic update on Cameroon, Issue No.3.

153. **Initial work on the Numba-Bachuo Akagbe section of the corridor has already resulted in increased traffic and lower transport costs.** Dschang University undertook an impact assessment of rehabilitating the Numba-Bachuo Akagbe section of the corridor, a section that was particularly difficult to travel.[62] The analysis demonstrated the positive impact of the work, with traffic more than doubling between Mamfe and Bamenda, even though only 50 percent of the work on the Numba-Bachuo Akagbe had been completed when the study was finalised. As a result of these works, transport prices for goods also fell by about a quarter, while transport prices for passengers fell 60 percent during the rainy season, and 20 percent during the dry season, with transport prices for passengers now being identical during both seasons.[63]

154. **However, as key constraints to economic activity and trade are removed, others emerge as new "binding constraints" that will have to be addressed as well to maximize the return on investment in the road.** As road infrastructure improves and travel time falls, delays generated by agencies and resulting from the lack of integrated transport services will increase in importance. The partial impact assessment on the rehabilitation of a key section along the Enugu-Bamenda corridor asked farmers for key constraints they were facing. While the data are not fully comparable due to changes in the question, the state of the road no longer seems the critical constraint as it only accounts for 12 percent of the answers (instead of 86 percent prior to the start of the work). At the same time, difficulties of accessing a car, low product prices, and lack of access to intermediate inputs have increased in importance as barriers.[64] Unfortunately, the study does not allow us to analyze if these factors result from increased demand for transport and increased supply of products, or if other factors drive these changes.

155. **Reducing trade costs by formalizing current trade procedures, removing import and export bans, increasing transparency and removing informal payments would likely lead to lower consumer prices in both countries.** Assuming full pass through of a reduction in transport costs, consumer prices for some products, mainly imported from Nigeria, could fall by roughly 4 to 6 percent. Where markets in Cameroon are largely supplied from sources other than Nigeria, this effect is likely to be smaller but would nevertheless put some downward pressure on prices, and as it gets easier for traders to benefit from these arbitrage opportunities and trade increases, the effect should further strengthen.

[62] Université de Dschang (2008) reported zero traffic on this part of the corridor during the rainy season, while the appraisal report for the Bamenda-Mamfe-Abakalikienugu-Enugu corridor (African Development Bank, 2008, Report No. ADF/BD/WP/2008/118) reported zero traffic for an unspecified moment during the year.
[63] Université de Dschang, Faculté d'agronomie et des Sciences Agricoles, 2012, « Rapport de la deuxième phase du projet routier Numba-Bachuo Akagbe », mimeo.
[64] Université de Dschang, Faculté d'agronomie et des Sciences Agricoles, 2012, « Rapport de la deuxième phase du projet routier Numba-Bachuo Akagbe », mimeo.

Response to Trade Stimulus

156. Improved road infrastructure along the Enugu-Bamenda corridor would divert existing traffic on other routes toward this corridor, and if procedures were formalized and informal payments reduced, higher profit margins would generate additional trade. At least some trade from the sea route and the Enugu-Abonshie–Kumbo corridor would likely shift towards the improved corridor.[65] Although being only a diversion of existing trade, it would represent a net gain because transport costs would be lower and there would be less need for unofficial payments. As consumers, producers, and traders respond to new market opportunities, trade flows are also likely to increase with prices to producers of exported products in both countries increasing, and consumer prices for imported goods falling.

157. **An overall conservative estimate of these effects would be a fourfold increase in the volume of trade passing along the Onitsha-Bamenda corridor and a growth in its value by three and one-half times.** Table 14 presents estimates of the growth of trade based on both a diversion from other corridors and net expansion resulting from a reduction in trade barriers along the Onitsha-Bamenda corridor. The analysis is conservative in that it assumes that only about one-third of trade will be diverted to this corridor from routes to the north and by sea, given that the other corridors also serve different markets and sources of supply. On the other hand, the expansion of trade beyond that diverted is assumed to be fairly significant, with an elasticity of exports with respect to the percentage change in average net profit margins (taken from Table 12) equal to one. These estimates are conservative, as for example the traffic on the Melong-Dschang road following rehabilitation increased by 700 percent for persons, and nearly 35-fold for goods. Daily tonnage transported on the road has increased from 557 tons in 2003 to 19,791 tons in 2008.[66]

158. **The estimated expansion of trade is predicated to result primarily from the traders' reactions to new opportunities and their ability to increase marketing for export in the regions that have traditionally served as a source of supply.** In Cameroon, this is primarily the North-West, South-West, and West Regions. In Nigeria it refers to the major production and collection centers in Enugu, Onitsha, Kano, Maiduguri, Aba, and Lagos. Expansion of trade with Cameroon from these cities and the larger population in Nigeria faces no constraints on either the demand or the supply side, given the relative size of the Nigerian and Cameroonian markets, so further expansion beyond that shown in Table 14 will depend primarily on demand and supply in Cameroon. On the demand side there would not appear to be much of a constraint given the large size of the market relative to the amount of trade involved. However, it may mean transporting the goods longer distances to additional urban centers such as Douala and Yaoundé. Tapping

[65] Currently, the Enugu-Bamenda road is only passable during the dry season. During the rainy season (July-October), traffic shifts towards alternative routes, including sea traffic, so these corridors serve the same markets and a reduction in costs along the corridor is likely to attract additional traffic.

[66] Université de Dschang, Faculté d'agronomie et des Sciences Agricoles, 2012, « Etude de suivi et d'évaluation des impacts du projet d'aménagement de la route Mélong-Dschang ».

additional sources of supply will also involve enlarging the areas drawn upon to include the Littoral and Center Regions in addition to expanding into the South-West Region, in order to gain access to their cassava, plantain, and oil palm production. This will be possible to the extent that reductions in transport and transactions costs allow traders to go further afield.

Table 14: Actual and Projected Volumes of Trade along Onitsha – Bamenda Corridor

	Enugu-Bamenda		Sea Routes		Abonshie	
	Quantity (MT)	Value (mil USD)	Quantity (MT)	Value (mil USD)	Quantity (MT)	Value (mil USD)
Existing Trade	8,320	67	46,627	269	1,560	15
After Diversion	25,507	168	30,000	173	1,000	10
After Diversion and Expansion	35,200	232	30,000	173	1,000	10

Parameters: *% change in net profit margin: 38%; Elasticity of exports with respect to change in net profit margin: 1*

159. **The increased trade flows that would result from the removal of restrictions to trade and that have been observed for similar projects would significantly increase the returns to investment for infrastructure projects.** For example, traffic estimates that were used for the AfDB's economic analysis for the Bamenda-Enugu corridor were based on past trend traffic growth rates (which were doubled for the post intervention period), but other analysis indicates that growth rates are significantly larger, with traffic volume initially more than doubling after partial intervention on a selected section. The actual internal rate of return is therefore likely to exceed the initially estimated 28%.

Main Findings and Prioritized Policy Recommendations

160. **Cameroon and Nigeria have a unique opportunity to expand their mutual trade and provide a strategic link between the two regional trade communities of ECOWAS and CEMAC.** Cameroon's export potential with Nigeria is estimated at more than twice current estimated trade flows, and a large multiple of officially recorded trade flows.[67] With a GDP in 2010 of over 200 billion USD and with over 158 million people, Nigeria represents a vast consumer market for Cameroon's exports that significantly exceeds Cameroon internal market or other regional markets within Central Africa. Nigeria's economic growth is 8-9% annually and is likely to continue at this rate as FDI is expected to surge and commodity prices remain high. Regional trade into markets with similar preferences and cost structures will create trading prospects for companies in both countries, and offer larger markets for selling niche products.

[67] Trade flows between both countries are significantly higher than official figures, and are estimated at approximately 1 billion USD, including re-exports. We estimate that existing official trade statistics undervalue cross-border trade by as much as 98.7 percent.

Given high costs of getting goods across the border, there also seems to be significant scope for Nigeria to expand her exports and increase the range of products available to consumers in Cameroon, such as cosmetics, plastic goods, processed food products, and other locally produced manufacturing goods, but also agricultural products over the medium-term.

161. **Improving market access across borders, making trade more transparent, and costs more predictable will be important for closer economic integration, and it will particularly benefit those people living in remote border areas.** The border areas in both countries are relatively remote from economic centers in their economies, and at the fringes of the two economic integration bodies, ECOWAS and CEMAC. Generating linkages between these relatively isolated areas will increase the choice of consumers and allow producers to benefit from larger markets, better access to the intermediate inputs they need, and allow them to exploit economies of scale. This could generate substantial income and employment opportunities for the population in border areas but also beyond. Already currently, vegetable oil from Kano is exported to Cameroon, and soap produced in economic centers in Cameroon is exported to Nigeria.

162. **Existing road conditions remain a key barrier to cross-border trade as they increase real costs, and road conditions are particularly bad on roads leading towards border crossings.** Even during the dry season, traffic on roads leading to the borders is very slow, trucks break down frequently, and the bad roads increase truck maintenance costs significantly. In the rainy season, many roads become impassible, and physically crossing the border can become extremely cumbersome, as often no bridges exist. These road conditions are especially problematic for the transport of perishable goods, and transport costs are particularly high for small-scale traders.

163. **Trade policies such as numerous import and export bans and high statutory tariff rates severely distort the trading environment.** Many of these policies are, however, not fully applied. Imports to Cameroon and Nigeria seem to pay less than the extremely high statutory duty rates and can enter despite import bans such as in the case of rice. Generally, goods are traded despite existing import and export bans.

164. **Trade procedures, including valuation of goods, remain extremely nontransparent—demanding multiple formal and informal payments—and actual trade relationships and barriers differ according to a large number of characteristics, making it nearly impossible to describe the "typical" trade relationship.** Procedures and barriers differ depending on the location (geographical characteristics of the border area), weather (seasonal variation), time of day, specific border crossing, scale of operation, type of product, and personalities involved. They are ultimately determined on a case-by-case basis through negotiations, reducing transparency and complicating forward-planning entry of new traders into the business.

165. **Regulatory requirements, including effective restrictions on cross-border trucking, and procedures are not clearly spelled out and accessible to traders, and generate delays and costs, without necessarily achieving the policy objectives they are meant to achieve.** A large number of agencies are present at the borders and at a multitude of control points along the major corridors, generating delays and often demanding informal payments. These include Standards and Food Safety agencies, immigration authorities, line ministries at borders, but also police, gendarmerie, and municipal authorities along main corridors. Procedures seem to be complex in principle, but more often than not, they are not fully applied and public policy objectives not achieved. In practice many requirements are ignored while formal and informal payments are collected, for example where product standards are not controlled at borders but shipments simply allowed in for a standard fee. Though cross-border trucking seems to be permitted in principle, procedures and costs involved seem to effectively prevent the occurrence of cross-border trucking, but more analytical work is needed to understand this phenomenon better.

166. **As a response to nontransparent procedures and the barriers to trade, functional specialization in cross-border trade is very pronounced, and ethnic networks play an important role in trade outcomes, particularly in the west of Cameroon.** Traders buy and sell products in markets of origin and destination, transporters group goods from up to 100 traders per trip and physically move the goods, and a large number of specialized service providers are active during transportation and border crossing. Loaders or freight forwarders accompany the goods and make arrangements for transport and with some specific officials at origin or destination, or make necessary payments en route, a task also undertaken by escorts in specific circumstances. Crossers or customs brokers deal with and make payments to customs and other officials at borders, while some workers at borders are specialized in unloading and reloading goods from trucks, which generally do not cross the border. Generally, informal charges along cross-border corridors seem to be significantly higher than in East Africa, or even along other corridors in Central Africa.

167. **Cameroonian regional customs bureaus in the (Extreme) North and western part of the country have formally issued guidelines for assessing minimum duties collected per vehicle arriving from Nigeria to respond to the challenges of cross-border trade. These "minimum values" have effectively become target values, are seen by traders as an acquired right, and represent a significant reduction compared to the statutory duty rates published in the CEMAC customs code.** The "informally formal" customs procedures recognize the practical difficulties that a full implementation of import procedures would present to both traders and the officials at small land borders. It also recognizes that long delays and high statutory duties encourage traders to avoid official channels or choose between border posts based on where they encounter least costs/control, effectively putting border posts in competition

for traffic.[68] Under this system, customs officials do not check every item loaded on a truck, which can contain goods up to 100 traders, but assess import tax based on the size of the truck and the type of good loaded. For most commodities, these minimum tax assessments are likely to be significantly lower than official Customs tariff rates, but not strictly in violation as they are *minimum* values. However, these values have effectively become reference values for duties to be applied, and regional customs offices are aware of this, as they recently reduced the minimum values with the objective to "boost" trade with Nigeria.

168. **These procedures exist in parallel to formal CEMAC tariffs, and as a result border procedures continue to lack transparency, at least for those outside the network of specialized service providers.** While statutory tariff rates are set at the CEMAC level and are applied in major ports in Cameroon, the "informally formal" regime issued by regional Customs bureaus in Cameroon is generally applied at land borders in Cameroon. While the values have been set as "minimum values" to be collected, they however effectively are used as targets and seem to have become an acquired right. Payments are negotiated between officials and traders, often far in advance, and we estimate that traders probably make formal and informal payments of not more than 10 to 20 percent of statutory CEMAC duty rates to various customs agencies. However, traders pay less in formal fees than stipulated in the simplified trade regime, but including all informal payments significantly more than the minimum values outlined.

169. **Ongoing rehabilitation of the Bamenda-Enugu corridor is likely to reduce transport costs on the Cameroonian side significantly, but regulatory reforms will be needed to complement the investment in hard infrastructure.** Improving the infrastructure leading to the border to a level similar to those roads connecting cities within each country will likely reduce basic transport costs on the Cameroonian side by between 30 and 60 percent in the dry and rainy season, respectively. Removing all informal payments along the corridor would lead to a similar reduction, with physical improvements and policy reforms estimated to reduce total transaction costs from Onitsha to Bamenda by up to 12 and 16 percent, respectively, or more than a quarter overall. Estimates undertaken at the beginning of the corridor rehabilitation project also indicated that travel time during the rainy (dry) season could fall from 24 (20) hours for a private vehicle in 2007 to eight hours year-round following completion of the work and implementation of policy reforms.[69] As road conditions have further deteriorated since 2007, the relative fall in travel time will be even more pronounced. This will also enable traders to travel much further into Cameroon and Nigeria to reach potential consumers and suppliers.

170. **This is because the costs of meeting the regulatory requirements and barriers to cross-border trucking will become relatively more important, once infrastructure**

[68] For example, a newly arrived customs director at a border post in the Demsa area was openly criticized by his colleagues for insisting on collecting statutory import duties. As a result, revenues at that border post fell by more than 50 percent while revenues at neighboring customs posts increased.
[69] See Annex B

constraints are removed, and need to be addressed. Delays at borders and roadblocks that are currently relatively unimportant given transit times of a week or more, will become relatively more important as transit times fall to somewhere around 5 hours once the Enugu-Bamenda corridor is completed. Current border crossing times in excess of 10 hours would be longer than total travel time if not addressed. Effective restrictions on cross-border trucking prevent the emergence of integrated transport service providers and limit competition along the corridor. They increase transport costs, particularly for small traders which have difficulties consolidating shipments in this environment and pay particularly high costs, and because goods need to be un- and reloaded at borders, often incurring wait times. Complementary policy reforms will be critical to maximize the impact of the road rehabilitation.

171. **The role of women in physical cross-border trade is limited largely due to security and social norms, particularly in the North.** Their role is restricted to managing shops at home where traded products are sold, rather than traveling across the border to buy and sell goods. Women are particularly active in the harvest and sale of *eru*, a wild-growing vegetable that is exported from Cameroon to Nigeria. A box presented earlier describes their challenges in greater detail.

Policy recommendations

172. **A key area for policy reform will be an overhaul of the import and export restrictions that currently exist, and to review the overall trade policy environment.** Attempts of removing the import bans in Nigeria, however, have to date not been successful largely due to strong opposition from the Manufacturers Association of Nigeria (MAN) and large sections of government supporting mercantilist policies. Recent discussions that seem to equate food security with food self-sufficiency exemplify this thinking. There is a general need to reforming the trade policy environment in Nigeria to allow companies integrate into global supply chains, get access to lower quality intermediate inputs, and ensuring low prices for key food staples to the poorer members of society. Significant work on this has recently been undertaken by the World Bank which could give additional guidance.[70]

173. **As traders currently pay significantly less in customs duties as compared to full statutory rates and VAT, which would often require payments of more than 50 per cent of the product value, efforts should aim to formalize, or develop, trade schemes reflecting the realities of cross border trade, similar to those currently applied.** Such schemes could establish a ceiling for duty-free trade and apply to small-scale traders using trucks to consolidate their shipments, formalizing existing procedures and better monitor them to ensure compliance and avoid subsequent additional payments to other customs brigades. They could for example

[70] See de Melo and Ugarte (forthcoming), "Leveraging Regional Integration for Growth in Nigeria", World Bank, mimeo; and Treichel et al. (2012), Import Bans in Nigeria Create Poverty, Africa Trade Policy Note No.28, Washington, DC.

apply to registered (transport) companies, which would encourage increased compliance and consolidations of loads. The formalization of such schemes would potentially demand discussions at the CEMAC and ECOWAS level to ensure these schemes are compatible with both countries' international commitments at the regional level. Formalizing the currently applied system in Cameroon—and removing informal payments in parallel—is expected to increase formal payments to customs, reduce informal rents to individuals, while reducing overall costs to traders. Reforms are likely to face significant opposition from those currently capturing these rents. As long as traders feel that a formalization of procedures will lead to higher payments for them, they are also likely to oppose such reforms.

174. **Increasing transparency of existing procedures and regulations for product registration and services, such as cross-border trucking, will be essential to increase predictability of cross-border trade operations.** An important element would be to take stock of all Non-Tariff Measures (NTM) in both countries in collaboration with standards agencies and private sector organizations, and possibly in collaboration with the African Development Bank, ITC, UNCTAD, and the World Bank under the Transparency in Trade initiative. In this context, it will be important to make more transparent and streamline the registration requirements and procedures for manufactured products that need to be registered before being traded. As other barriers to trade are gradually removed, such non-tariff barriers are likely to become increasingly important. The WB published NTM toolkit could provide guidance on such processes and help make them more inclusive.

175. **Publishing a list of all procedures and payment rates, as well as the rights and obligations of public officials and of traders, such as outlined in a Traders' Charter that is currently being discussed in southern Africa,[71] would increase the predictability of the trading environment and increase transparency.** Eliminating the visa requirement, or making it cost-free, would add to facilitating trade, bringing down costs and reducing the incentives for traders to avoid official border crossings. Improvements in transparency should be complemented with training on these rights and obligations to encourage behavioral change. Impartial enforcement mechanisms will be needed as well, which could be phased in following an initial period during which infractions are only notified with clear warnings, but do not immediately result in penalties.

176. **It will be important to complement investments in hard infrastructure, such as the rehabilitation of the Enugu-Bamenda corridor, with important and difficult regulatory reforms to make sure that reductions in transport costs are passed on to consumers through increased competition and to avoid potential rent capture by transport providers or other agents.** High priority should be placed on reducing unofficial payments to customs, police, and other officials at control points along the cross-border corridors. In the current situation, which would be similar to a situation where existing border arrangements were

[71] For more information see Brenton and Izik (2012).

formalized, about one third of total cross-border transfer costs accrue to physical transport costs and one third are for informal payment of various kinds, with the remainder being divided between formal customs payments and the net profit margin. While it seems logical that better roads will reduce the opportunities for stopping vehicles and extracting rents as traffic becomes more fluid and control points become more accessible and controllable by central state authorities, experience from West and East Africa suggests that active policies will be needed to remove these roadblocks, and keep them from returning.

177. **Both countries have committed to reduce the number of control points along the Onitsha-Bamenda corridor from about 30 to two as part of the rehabilitation project, but a comprehensive plan to address this issue and implement the commitment is still lacking.** Reviewing in detail the political economy of these road blocks, including who are beneficiaries at various levels of government, will be essential to develop a comprehensive and realistic reform plan than could subsequently be implemented. It is likely that this initiative is going to face significant push-back from current beneficiaries who often might depend on the income currently generated and perceive it as an established right. These reviews could be undertaken independently for both countries and each corridor, including assessing the political economy at border crossings in greater detail.

178. **Further analysis of the barriers to cross-border trucking should be undertaken to better understand the factors that create additional costs and prevent fully integrated transport service providers from operating across the border**. This analysis should identify all regulations and their application, and more accurately quantify the impacts and costs resulting from current policies such as the unloading and reloading of goods at the border and the absence of integrated transport service providers. As overall travel time will decline with road improvements, delays generated by these policies will become relatively more important and costly. It should also try to estimate the benefits and costs of possible reforms, and try to identify potential beneficiaries and those negatively affected. Possible outcomes will likely include legal changes in both countries and could include making transport policies compatible to allow trucks cross the border and continue to their final destination without having to offload goods and transfer them to another truck at the border.

179. **The establishment of a joint border post along the Enugu-Bamenda corridor is foreseen, but the facility should only be established after procedures on both sides have been significantly simplified, and increased support to the process is needed from both governments.** The post will be established under the joint leadership of the ECOWAS and CEMAC Commissions, but no meaningful progress has been made to date.[72] Key issues such as the location of the joint border post have not been agreed, and a number of legal changes will

[72] In early 2012, the ECOWAS Commission was in the process of hiring a consultant to look at the harmonization of regulations for cross-border traffic and engineering design for the building but no significant dialogue seemed to have taken place with national authorities.

have to be undertaken to allow full functionality of the joint border posts, for example because the Nigerian post currently does not have the legal status to assess duty and other taxes on imports. Recognition of documentation issued by the other authorities and exchange of information will be essential. Without comprehensively addressing the procedural aspects which currently delay customs clearance, the physical construction of a joint building will not contribute to reducing crossing times, and significant efforts should be put into first simplifying and streamlining procedures of all agencies present in each country before moving towards joint operations such as joint inspection and increased information sharing.[73] Building of a joint facility or investment in processing equipment and computerization should come last in this process.[74]

180. **Implementation of complementary reforms could be started on a pilot basis or comprehensively where possible, but all such governance reforms at borders could serve as a first step to broader governance reforms in the two countries**. For example, undertaking measures to increase transparency, or reduce corruption could be undertaken at pilot locations, while others reforms, such as regulatory reforms or the formalization of the existing trade regime could be undertaken more comprehensively. Defining the necessary control functions and responsibilities of agencies for these functions would be a first step. Consolidating these control functions in one specific location (the border) with clearly defined and well monitored mobile spot-checks based on risk assessment (for example for customs) would likely reduce legitimate resistance to such measures and would help optimize processes and identify key threats that might result from a restructuring.

181. **A key component for this policy reform would be to establish a transparent monitoring and evaluation system for the intervention, as well as to develop an impartial complaint mechanism for traders.** Such a system would allow measurement of the impact in terms of prices and the flow of goods, and a complaint mechanism that traders could use to raise issues of non-compliance, informal payments, and harassment will help ensure that informal procedures, additional road blocks and control points do not reappear once the focus of policy makers turns elsewhere. Once the pilot reforms have been evaluated and their impact on streamlining and improving the current system understood, reforms should be extended to other regions, or to other agencies in the context of broader governance reforms. Reforms in the public sector and the improvement and potential simplification of procedures could be coupled with more stringent control of illegal trade that completely bypasses official border posts.

[73] This should also include giving the Mfum customs post the capacity and authority to collect customs charges, which it currently is lacking.

[74] Experience from the construction of the Cinkassé joint border post between Togo and Burkina Faso is not encouraging. While the infrastructure has been completed at approximately twice the estimated cost, the border post is not yet fully operational, procedures have not been simplified and truckers complain about an additional fee of CFA 50,000 (USD 100) that they are supposed to pay to use the new facility (West Africa Trade Hub, 2012, " Transport and Logistics Cost of the Lome-Ouagadougou Corridor", Technical Report No.47).

182. **To support the export of paddy rice and trade in a number of agricultural commodities in the North, it will be important to rehabilitate and upgrade the road from Mora to Limani to "all-weather" status.** This major crossing point currently carries the highest volume of traded but suffers high costs and delays because of the very poor quality of the road. Trucks break down on a regular basis, often blocking the road for other road users who have to divert to secondary roads that are also of extremely poor quality. The feasibility study for upgrading this road should take potential traffic expansion in the North into account.

Table 15: Policy Recommendations

Overall focus	The study recommends that additional analysis, policy reforms, and monitoring and evaluation focus initially on the Enugu-Bamenda corridor due to the importance of that corridor for linking agricultural and industrial areas in both countries, and to ensure that investments in physical infrastructure are maximized by complementing them with critical policy reforms. This recommendation is largely focused on the south in light of the current adverse security situation in Northern Nigeria, which means that trade facilitating measures are unlikely to be very successful there in the near-term.
	Recommendations in bold could be priority reforms
Trade Policy	• Review the overall trade policy framework in Nigeria, remove import bans, substituting them with tariff rates. Agree on ECOWAS CET, and remove levies and other restrictions not in line with the to-be-confirmed CET. • **Develop/formalize preferential access scheme for small scale traders between Cameroon and Nigeria that would help keep effective trading costs constant compared to the current situation, particularly for small-scale exporters from Cameroon. In Cameroon, this could be done by clarifying the relation between the CEMAC statutory duty rates and the guidance issued by Cameroon Regional Customs offices before formalizing the existing customs procedures in Cameroon to ensure its compatibility with commitments made at CEMAC level. In Nigeria, develop and implement a simplified trade regime for traders crossing from Cameroon, while making sure that the agreement would be compatible with Nigeria's commitments under ECOWAS.** • In the long term, a preferential access scheme could be negotiated as part of a bilateral trade agreement that could eventually lead to a Free Trade Area between West and Central Africa. • In both countries, take stock of all Non-Tariff Measures (NTM), possibly in collaboration with the African Development Bank, ITC, UNCTAD, and the World Bank under the Transparency in Trade initiative with a view of assessing their importance on cross-border trade. Work with standards agencies and private sector organizations in both countries to make more transparent and streamline the registration requirements and procedures for manufactured products that need to be registered before being traded. As other barriers to trade are gradually removed, such non-tariff barriers are likely to become increasingly important. The WB published NTM toolkit could provide guidance on the process.
Trade Facilitation: Short-term priorities	• **Increase transparency at borders by taking stock of all procedures and payments at border posts, identify duplicating procedures, and publishing all procedures and payments, as well as rights and obligations of traders and government officials (Trader's Charter), possibly starting with one pilot crossing (Ekok/Mfum, which is the location of the future joint border post along the corridor under rehabilitation)** • **Complement this initiative with training to encourage behavioral change, at the same pilot crossing.** • **Develop and establish an impartial, and anonymous, complaint mechanism where traders can raise issues of non-compliance, informal payments, and harassment** • **Prepare inventory of all transport regulations affecting cross-border trade, and undertake more detailed analysis of the reasons for the lack of cross-border trucking** • Develop Monitoring and Evaluation Framework for subsequent impact assessment at the pilot crossing

	• In collaboration with ECOWAS and CEMAC, and following a political economy analysis, develop a comprehensive and realistic strategy to reduce the number of control points along the Enugu-Bamenda trade corridor from 30 to 2. Remove unofficial control points and informal payments, and ensure that no new unofficial control points are set up spontaneously, other than legitimate spot checks • Set up a, or strengthen the existing but largely dysfunctional, mechanism for bilateral discussion around trade policy issues that could serve as a focal point for discussing compliance issues at borders, and could serve as an entry point for more formal negotiations between the two economic blocs. • Undertake feasibility study for upgrading Limani-Mora road
Trade Facilitation: Medium-term priorities	• Define the necessary control functions and identify which agency should be responsible for each function, including considering partial delegation of responsibilities to other agencies with a view of reducing the number of agencies at border crossings and the number of interactions between agencies and traders • Revise and simplify procedures and documentation requirements on both sides of the border in a coordinated manner and with extensive exchange between customs and other border agencies in both countries, to prepare for the subsequent establishment of the joint border post • Support ECOWAS and CEMAC Secretariats in their work on developing and implementing the joint border post on the Enugu-Bamenda corridor, including technical support for information exchange and interaction between both countries to agree on simplified joint procedures, necessary legal changes, and their implementation: Work with the Nigerian Customs Administration in Abuja and Calabar (regional command) to upgrade the legal status and decision making powers at Mfum border post • Start a policy dialogue to investigate whether immigration legislation could be amended to allow smoother cross-border trade, for example by removing the visa requirement (or simplifying procedures, or removing payments) for cross-border traders • Pass legislation in both Nigeria and Cameroon that will facilitate cross-border trucking • Review the allocation of trading licenses for *eru* to allow smaller traders to access them
Trade Facilitation: Long-term priorities	• Extend computerized system to the border posts, but only following improvements in procedures of how data are actually recorded to ensure accurate data will be transmitted • Upgrade Limani-Mora road and start of similar policy reforms as on the Enugu-Bamenda corridor
Key counterparts for policy dialogue	Policy dialogue in Cameroon should start with presenting the findings of this report to a wide range of stakeholders, including the private sector, to get a better understanding of potential responses to formalizing trade flows, which is likely to increase official payments but not necessarily all overall payments. Policy dialogue in Nigeria will have to focus on agencies at the federal level (customs, standards agencies), as well as agencies at the state level. It will also be critical to involve the governors of the states in Nigeria and regions in Cameroon along the border, most initial work will focus because of corridor rehabilitation and the adverse security situation in northern Nigeria. Work on taking stock, simplifying, and publishing border procedures and payments will have to be undertaken with all involved agencies in a joint process that will demand significant investment of manpower and dialogue. Experience has shown that having customs take the lead in such exercises is unlikely to deliver good results, as other ministries are effectively not under line-control of customs. The dialogue, which should include the police forces, will therefore have to be anchored at a higher level of government, or count on high-level support.

Annex A: Case Studies

In order to gain a more detailed understanding of the existing barriers to cross-border trade, four case studies were undertaken. The primary purpose of the case studies is to identify product-specific barriers, such as particular trade policy barriers, standards, or issues relating to transport and durability and to help prioritize these barriers depending on the importance of their impact on trading activities and costs. Below we present the criteria used to select the case studies, the products that were chosen, and the analysis of the case studies.

Criteria Used for Selecting Case Studies

The criteria for selecting the case studies comprised five factors:

Volume of trade. The volume of the trade in the selected products relative to overall trade was considered to be important in identifying goods that would be appropriate for the case studies. The team decided that the products need to be among the top 10 most traded goods in volume, but not necessarily in value. There is recognition that putting emphasis on volume may miss some important products, but the team determined that focusing on volume of trade would provide better insight into the most important barriers that traders face. In part this decision was made for practical reasons. Determining value of trade for products, and especially for heterogeneous products, is challenging. For example, the team observed that a relatively high volume of electronics is traded along the Nigeria and Cameroon border, but choosing a specific product within this category would be very arbitrary since electronics includes a myriad of products. If on the one hand electronics are lumped together, that would limit the extent to which detailed quantitative analysis could be carried out. On the other hand, if one specific electronics product is chosen, the volume woul be too small to allow any meaningful analysis. It was against this background that the team decided to focus on the volume of trade rather than value.

Comparative and/or competitive advantage. Comparative advantage is especially important when we are concerned about the first-best case in which major policy distortions do not exist. However, shorter –run competitive advantage is also important. For example, Nigerians appear to have a taste preference for Cameroonian soap, but access to this soap is facilitated by the Cameroonian government's subsidy on the palm oil used in its manufacture. The team therefore decided to consider both comparative and competitive advantage in selecting products that would be appropriate for the case studies.

Importance of trade policy distortions. Trade policy distortions are considered in the context of the role they play in determining the direction of trade. The idea is to capture goods that may be traded in large volume, but where comparative/competitive advantage is not the driving force. We do not consider absence of policy distortions a criterion, since policy distortions apply to most of the products that are important.

Dynamism and growing market share. In selecting products for the case studies, it is important to consider the dynamism of the industry and prospects for expanding market share. The aim is to put emphasis on products whose consumption in the region is likely to grow rapidly. Supply constraints and other factors may limit the extent to which specific products respond to growing demand, but the aim is to select products that show dynamism and ability to take advantage of growing markets.

Homogeneous versus heterogeous goods. Here, the basic criteria is to focus on products are relatively homogeneous and for which one can get good price data. This makes it possible to calculate the quantitative importance of the barriers to trade and to analyze the impact of policy distortions.

Products Selected for and Contents of Case Studies

Based on the criteria described in the previous section of this report, four products were selected for case studies. The distribution of products between the countries was done evenly, with each country exporting two out of the four selected products. For Cameroon exports, rice (both re-exported and locally produced paddy) and *gnetum/eru* were selected. For Nigerian exports, vegetable oil and Nigerian-made cosmetics were identified.

Case Study #1: Rice

It was noted earlier that Cameroon and Nigeria have very different policies towards rice imports. Following the food crisis of 2008, Cameroon eliminated rice import tariffs to cushion the impact of escalating food prices. Despite the subsequent decline in world market prices for rice, Cameroon's zero tariffs on rice have remained in place. Nigeria, on the other hand, has a very high tariff as well as a current ban on rice imports. This has made the Nigerian rice market very attractive to Cameroonian traders.

Although one might think that these differences in tariff rates are ephemeral and could disappear, so that Cameroon should not depend on re-exports of rice to Nigeria, in fact this policy environment has persisted over many years and is not likely to be easily altered. Because of its heavy dependence on exports of petroleum, the naira tends to be overvalued in relation to the U.S. dollar and the euro. This threatens domestic production and results in the persistent use of protective measures on what are considered to be strategic products such as rice. The result of the Nigerian trade policies is a substantial incentive to import rice into neighboring countries, such Benin and Cameroon, and to re-export it to Nigeria usually without paying full customs duties and levies, despite the fact that these re-exports are illegal in both Cameroon and Nigeria.

In addition to re-exports, Cameroon also exports substantial quantities of paddy produced in the SEMRY project in the north. This trade, too, has been going on for many years.[75] There are

[75] J. Dirck Stryker *et al*. *Study of Tariff, Trade Tax and Incentives Policies in Nigerian Agriculture*, Federal Ministry of Agriculture, Water Resources and Rural Development. 1987.

several reasons for it today in addition to the relatively high price in Nigeria. One is that Nigerians consume a substantial amount of parboiled rice whereas this form of rice is seldom consumed in Cameroon. Thus there is an incentive to transport the paddy to where it is par-boiled across the border in Nigeria. Second, the rice milling situation in the SEMRY region is in disarray. The large state owned mills no longer function and have not been replaced with smaller hullers and intermediate-size mills because of the competition for paddy from Nigeria. Third, it is very difficult for the rice produced in the north in the SEMRY project to be transported all the way to the south, where it would have to compete with imported rice. It makes much more economic sense to export this rice or paddy to the market in northern Nigeria and import rice for consumption in the southern Cameroon.

Re-exports of rice to Nigeria were estimated by a Cameroonian exporter to be about 50,000 bags per month for 8 months a year. This translates into about 20,000 tons annually. In addition, an average of 10 40-ton trucks pick up paddy each day from Maga over three months, which equals about 36,000 tons of paddy, or 24,000 tons of rice equivalent.

The costs of Cameroon exporting rice and paddy to Nigeria are compared with gross price margins in Table 11. All costs and prices are expressed in FCFA/kilogram of milled rice equivalent. Data on customs costs in Nigeria are missing, as are some of the unofficial payments involved in re-exporting milled rice, though the latter were estimated on the basis of existing data for other products.

The table shows price of purchase and sale, costs of road transport, official payments to customs on the Cameroonian side, and unofficial payments to road control points and to customs on the Cameroonian side. Unofficial payments are probably included in the cost of transportation in Nigeria, as they usually are in Cameroon, but it was not possible to break these out for Nigeria, as was done in Cameroon, because data collection in northern Nigeria was made impossible for security reasons resulting from the bombings in Northern States.

The table shows the importance of unofficial payments in reducing traders' net profit margins (as a percent of sales) from 5.4% - 6% without the payments to 2.6% - 3.5% with the payments. This only considers actual cash transfers and not the inconvenience and wasted time involved, which can add up to several hours a trip.

Case Study #2: Gnetum/Eru

The leaves of the plants *gnetum africanum and gnetum bucholzianum,* also jointly known in Cameroon as *eru* and in Nigeria as *obono or okasi*, have become a significant part of Cameroon's informal exports to Nigeria. The plant grows mostly in the South West and Littoral regions of Cameroon. *Eru* leaves are used mainly for food, especially in the preparation of soups, which are eaten with cassava, rice, and potatoes. *Eru* leaves are very popular among

Nigerians, especially those communities inhabiting the southeastern part of the country. According to some estimates, more than 2,000 people are directly employed by *eru* trade, with an additional 400 indirectly engaged in this process. Prices for *eru* harvested in Nigeria seem to be significantly lower that for *eru* harvested in Cameroon, reflecting lower preference for that product compared to *eru* imported from Cameroon.

The port town of Idenau is an important assembly center. It is there that buyers from Nigeria meet *eru* suppliers from Cameroon. Most of the trading takes place three days a week in anticipation of the boat's weekly departures. The price of a 1kg bundle in Idenau during the dry season is about 850-1000 FCFA and is resold in Oron at 1,350-1,500 FCFA/kg.[76] Oron is mainly a distribution center and most of the *eru* continues on to major urban centers in Nigeria, including Enugu, Onitsha, and Lagos, where it is processed into fine slices and sold to consumers.

On the Bamenda-Enugu corridor, *eru* harvested in the Littoral region is reassembled in Bamenda and loaded onto smaller vehicles. The price of 1kg in Bamenda is about 1,000 FCFA, although this price may vary depending on the season. It is usually higher in the rainy season, when rains make harvesting and transporting difficult. A typical small vehicle used by a typical female intermediary carries 500 kg of *eru* from Bamenda to Ekok[77] (valued at about 500,000 FCFA), and interviews with traders indicated that the cost of transportation and customs payment comes to 90,000 FCFA. The biggest share of this cost is for transport, which accounts for two thirds of the total transfer cost in Cameroon. Other costs include unofficial payments of 30,000 FCFA per vehicle made to customs, police, gendarmes, and other agencies at the border. Taking a wider range of costs such as formal and informal forestry, council and quarantine taxes, into consideration, another recent study estimates that transport costs accounts for about 23 percent of exporters' total costs, while payments to the police account for about 14 per cent of total cost.[78] This confirms the relative importance of transport costs compared to unofficial payments, where transport costs are about 50 percent higher than unofficial payments along the corridor.

On the Nigerian side, which is much shorter in distance, the overall cost is 20,550 FCFA per vehicle carrying 500 kg of *eru*. Cameroonian traders hire crossers who help with the process of getting the products (and the traders themselves) through the Nigeria customs and immigration. In theory, Cameroonian *eru* traders are required to obtain visas to travel to Nigeria, but they usually just pay unofficial fees at the border and are allowed to cross and sell their products in Ikom. Immigration officers charge 500 naira per trader and, since it is normally two traders who travel with each vehicle, the usual charge is 1,000 naira per vehicle. It is not clear how much customs collects per vehicle, but traders pay a lump sum of 4,500 naira to the crosser. The

[76] For a detailed analysis of prices along the supply chain see also Ndumbe and Ewankume (2012), The Constraints of Women in Cross-border Trade of *Gnetum africanum* and *buchholzianum* from Cameroon to Nigeria, World Bank, Washington, DC, mimeo.
[77] ibid
[78] ibid

crosser then uses this payment to pay unofficial import duty applied at the border and fees to other agencies at the border. In addition, the crosser arranges for transportation from the border to Ikom. The profit margin for the crosser is the difference between the payments he makes to the various agencies and the lump sum he receives from the traders.

Once in Ikom, the product is sold the same day. The wholesale price of one bundle (one kg) is 500 naira, or about FCFA 1,500, which comes to about 750,000 FCFA in sales per vehicle. This leaves a net profit margin of about 64,000 FCFA per vehicle, or 8.6% of sales.

Traders interviewed cited the process of unloading the *eru* from one vehicle and reloading onto another as most cumbersome and challenging. Second, the time it takes to clear customs and immigration offices was mentioned as an obstacle that is hindering the smooth functioning of this trade. Handling the leaves too many times can damage their integrity, which heavily affects the price they can fetch at the final market. *Eru* is also perishable and deteriorates within a week after harvest. If too moist and there is no proper ventilation, it can rot and become unusable within a few days. If too dry, it shrinks and desiccates, in both cases becoming unsellable.

It is difficult to estimate the cost of such delays at the border, but we can estimate how price margins would change if various quantifiable barriers were removed. Road blocks and unofficial payments along the Bamenda-Ikom road along with high transport cost are the most visible and measurable barriers that can be analyzed. We estimate that transportation cost accounts for 49 percent of the gross margin, while road blocks and other similar costs account for 4 percent. The other significant cost is the unofficial payments made to customs officials, which accounts for 21 percent of the gross margin.

If road blocks alone were removed, it would mean an increase in the trader's profit margins from the current 7.5 percent (of sales) to 8.1 percent. Furthermore, if the unofficial payment to customs officials is removed and traders could transport their goods free of harassment, their profit margin would go up to 14 percent of the gross margin. In addition, if roads were improved and we assume a 36 percent decline in transport cost (based on the AfDB appraisal report), traders' margins would increase by another 5 points to a total of 19 percent.

With such high margins, it is reasonable to assume that the overall *eru* trade volume would increase. Seeing the high net margins, more traders would engage in the trade, which would ultimately put downward pressure on prices. The amount by which this trade volume increases would depend on several factors, including supply constraints and the price elasticity of demand for *Eru* in Nigeria. Given Nigeria's population (and especially the densely populated southeastern region), demand is unlikely to be a constraint. But there is reason to believe that, with an expanded market, supply would be the major problem. In Cameroon, *eru* is already listed as an endangered plant species. It is regulated under the 1994 Forest, Wildlife and Fisheries Law (No 94/01), which stipulates that all forests belong to the Cameroonian State and that the state can decide how those resources are used. According to this law, communities living in the areas

where *eru* grows have user rights for their own use, but not for commercial purposes. Commercial use requires annual permits granted by the government. In theory quotas are based on population surveys, but in practice they are allocated primarily to larger enterprises on a demand basis. Since 2005, 82% of all quotas requested were granted. These enterprises are rarely harvesters but brokers, selling on quota waybills. But it is also import to note that most communities are unaware of the law and harvest *Eru* freely, using it both for personal consumption and for commercial use.

Case Study #3: Vegetable Oil

A significant volume of vegetable oil is exported from northern Nigeria to Cameroon. The area surrounding Kano has long been a traditional region for growing groundnuts, much of which was processed into vegetable oil. More recently, the sources of oilseeds have diversified to include sunflower, oil palm, maize, soya, and sesame, which are grown throughout much of Nigeria even though Kano still remains an important assembly point in the north.

The organization of trade is such that Cameroonian traders typically travel to Kano to purchase the oil, although some Nigerian traders also bring the oil to Cameroon. Trucks of 30MT capacity are used to transport the vegetable oil from Kano to border towns such as Jimeta where it is loaded onto smaller 10MT trucks, which cross the border at Demsa. It appears that this border crossing is preferred by most vegetable oil traders in northern Cameroon because of lower customs duty payments that they are able to negotiate.

As shown in Table A-1, the price of a 5 gallon container (often referred to as *bidon* in Cameroon) is roughly 19,000 FCFA in the Kano market. Although detailed data on road blocks could not be collected in northern Nigeria because of deteriorating security conditions there, we

Table A - 1: Price Margin Analysis for Vegetable Oil in the North (FCFA)

				NIGERIA		CAMEROON						
Product	Corridor	Unit	Purchase price	Transfer Cost to Jimeta including transport and road blocks	Loading & unloading	Transfer Cost Jimeta to Garoua	Transport Cost Garoua to Maroua	Loading & unloading	Total Transfer Costs	Price at Final Market (Sales)	Gross Price Margin	Net Profit Margin (% of sales)
Vegetable Oil	Kano to Maroua	5 gallon (*bidon*)	19000	500	75	1100	300	75	2,050	23,000	4,000	1,950 8.48%

can estimate the cost of road blocks that exist by comparing overall transfer cost along the Kano-Jimeta route with transport costs for similar corridors in the north. Elsewhere in this report (see Table 8) we calculate transport cost along the Kano-Limani road at US$ 0.11 or about 50 FCFA per ton-km. Applying this rate to the Kano-Jimeta 630 kilometer road, we calculate transport cost of 635 FCFA per bidon. However, the transfer cost from Kano to Jimeta, including any unofficial payments, is reported to be only 500 FCFA per bidon, which indicates a lower overall transfer cost along this route. Several possible explanations for the difference may include (a) transport cost along the Kano-Jimeta road may indeed be lower than along other corridors in the

north, (b) there may be relatively few road blocks along this corridor, reducing the overall transfer cost, or (c) a combination of both those factors may contribute to the observed differences.

At Jimeta, vegetable oil is unloaded from the 30MT trucks and transferred to 10MT trucks that transport the oil to the border with Cameroon. Here, the vegetable oil is unloaded and loaded onto Cameroonian trucks as Nigerian trucks effectively do not cross into Cameroon, and transported to Garoua on other 10MT trucks. At Garoua, the oil is loaded onto larger trucks again and transported to Maroua. Each time the contents of the truck are offloaded or loaded, traders incurs a cost of 25 FCFA per bidon, where unloading and immediate reloading counts as one operation. Overall handling charges in Nigeria are 75 FCFA, reflecting the fact that the bidons have to be loaded in Kano, re-loaded in Jimeta on a small truck to take the oil to the border, and re-loaded onto a Cameroonian truck. Because goods are often stored at the border for significant amounts of time as transport is arranged, un-loading and re-loading are often two separate operations.

Transfer costs from Jimeta to Garoua, including payments to customs officials and other unofficial payments, are estimated at 1,100 FCFA. This means that traders pay an effective duty that is significantly lower than statutory CEMAC rates of less than 5 per cent (we were not successful in getting a breakdown of how much of the 1,100 FCFA went to customs, and how much was for transport and other charges). If the product is destined for Maroua, there is an additional transport cost of 300 FCFA per bidon.

Overall, then, it costs a little over 2,050 FCFA to get a bidon of vegetable oil from Kano to Maroua, with Cameroon's side of the border accounting for 72 percent of this cost. The wholesale price of a bidon of vegetable oil in Maroua is 23,000 FCFA, which leaves a gross margin of 4,000 FCFA per bidon. The net margin is calculated to be 1,950 FCFA or 8.48 percent of the sales value.

Case Study#4: Cosmetics

Cosmetics, especially those used for relaxing and conditioning hair, are one of the main merchandize products that Nigeria exports to Cameroon. Their share of total exports from the major Onitsha market is 15-20 percent, easily making them among the ten most traded goods along the Lagos-Onitsha-Bamenda and Onisha-Calabar-Douala/Yaoundé corridors. The most popular cosmetic product is the hair relaxing and conditioning cream known as Ozone. This product comes in different sizes and shapes, but they all carry the name Ozone.

Ozone cosmetics are produced by N. N FEMS Industries Limited, a fully indigenous Nigerian company incorporated in 1992. The company first started production at Egbeda in Lagos State, but later moved its Head Office to Lagos. It has a wide distribution network all over Nigeria and abroad, with Cameroon, Senegal, Niger, Chad, and Gabon being among the biggest importers.

The Ozone product's success in the Cameroon market is the result of various factors. One of the major factors is the comparative and competitive advantage that it enjoys in the region. Similar cosmetics products imported from Asia, Europe, and North America have the disadvantage of incurring significant transportation cost, making the prices of such imports relatively high in Cameroon. Cameroon also applies a 30 percent duty on cosmetics imported through the main port of Douala, while imports from Nigeria in reality do not pay this rate.[79] As described in previous sections of this report, duty applied to goods imported from Nigeria is negotiated and is based on the size of truck. Another factor that makes Ozone cosmetics competitive is their unique quality tailored to the hair texture of the population in the region.

The Ozone products are ubiquitous in the Onitsha and Lagos markets. Traders from Cameroon usually purchase them in Onitsha, although some travel to Lagos where prices are slightly lower. The price of a carton of small Ozone containing 24 units is 2,300 naira in the Onitsha market. To make transportation more manageable, traders normally put 20 cartons of the Ozone into a bigger container that is popularly known as a "tied carton". The transport cost negotiated with the loader is per tied carton, and is around 18,000 FCFA (the loader is normally paid in FCFA). The trader pays part of the charges, leaves the goods with the loader, and waits in Bamenda for their arrival, where he will pay the remaining transport charges. The trip takes around 5 days in the dry season, in part because of the bad road conditions but more importantly because of the misaligned transport policies in the two countries which do not allow trucks from either side to cross the border. This means that goods are unloaded at the border where the Nigerian truck's journey ends and are transferred to a separate Cameroon truck.

Overall, it costs a little over 5,000 FCFA to transport a tied carton of Ozone from Onitsha to the border, including customs payments. On the Cameroon side, which is comparable in distance, the overall cost is significantly higher at almost 13,000 FCFA, more than twice the cost on the Nigeria side. This substantial difference in costs is the result of several factors. Chief among them is the negotiated customs duty applied to imports, which accounts for about 30% of the total intermediary cost on the Cameroon side. Since Nigeria does not tax exports, there is no comparable customs cost on the Nigeria side. But the absence of official export taxes does not imply that loaders, and ultimately traders, do not pay customs officers. For a tied carton of *Ozone*, the unofficial customs charge is more than 1,000 FCFA or about 20 percent of the total intermediary cost. But unofficial customs charges on the Cameroon side are even higher at nearly 4,000 FCFA per tied carton.[80]

Actual transport cost is another factor that makes the Cameroon side more expensive. The cost to transport goods in a 20-ton truck from Onitsha to the border is about 530,000 FCFA. A similar truck traveling the same distance on the Cameroon side costs 800,000 FCFA, in large part

[79] It is not clear which standards and registration requirements *Ozone* products need to meet officially in Cameroon.
[80] Official and unofficial customs duties amount to approximately 4,7 percent of the value of the goods on the Cameroonian side, and to 0,8 percent on the Nigerian side for informal export duties.

because road conditions on the Cameroon side are much worse. There are also more road blocks in Cameroon involving more police, gendarmes, and other state security agencies.

Once the goods arrive in Bamenda, traders are informed. There are several designated stations in Bamenda where traders can pick up their goods after they pay the remainder of the transport charges. The wholesale price of a tied carton of Ozone in Bamenda is 160,000 FCFA, which leaves a fairly high gross margin of 22,000 FCFA per carton. However, once all the various intermediary costs are taken into account, the net margin is only 4,000 FCFA or 2.5 percent of the sales value. If only road blocks are removed and all other costs stay unchanged, the net margin as a percent of sales rises to 4.3 percent, suggesting that road controls have a significant impact on trade. Furthermore, if all unofficial payments are removed, the net margin goes up to 7.4 percent.

The ongoing road improvement project along this corridor is expected to lower transport costs on both sides of the border by 36 percent, according to AfDB appraisal report. This should lead to a substantial saving, which in the case of Ozone cosmetics translates to a cost saving of about 2,500 FCFA per tied carton. If these cost savings do materialize, road blocks are lifted, and all unofficial payments are removed, the combined cost savings are substantially higher, pushing net margins close to about 9 percent of sales. If these steps are implemented, one implication is the substantial net margin will attract more traders to engage in this business, which will ultimately push prices down in Cameroon, though by how much is very hard to say. It does not appear that supply will be a major constraint.

Annex B: Assessment of Economic and Financial Impact of Enugu-Bamenda Road Improvement

According to the African Development Banks' appraisal report, the following benefits are to be derived from the reconstruction of the road between Enugu and Bamenda:[81]

- Average Vehicle Operating Costs (VOC), which in 2007 were US$ 1.99 per km for heavy vehicles and US$ 1.47 per km for light vehicles, are reduced by 36% from 2013.
- Travel time between Bamenda and Enugu, which ranged from 8 to 12 hours in 2007 depending on the season (dry or wet), is reduced to about 5 hours from 2013
- Transport fees paid by transporters (estimated at US$ 240 per trip in 2007) are reduced by 40% and visa fees of US$ 120 for crossing in 2007 are either reduced or suppressed for cars and trucks drivers.
- Average border crossing time is decreased from 12 hours in 2007 to 3 hours from 2013.
- Trade by road between Enugu and Bamenda increases by 15% from 2013.
- The thirty or so (30) checkpoints identified in 2007 between Bamenda and Enugu are reduced to two in each country in 2013.

In our opinion, these projections are both pessimistic in that they allow for only a 15 percent increase in traffic. This may be because road conditions were somewhat better in 2007 than they are today. In any case, given the substantial amount of trade that takes place over other routes that are in very poor condition, the creation of an improved road with the reduction in transport costs and times envisioned should cause a very substantial amount of traffic to be diverted to the improved road. With the Western part of Cameroon being a strong agricultural production area and urban areas on the Nigerian side being major commercial centers for agricultural products but also major production areas for manufactured goods, it seems that a 15 percent increase in traffic is a low estimate. Table 9 in the text of this report estimates, instead, a fourfold expansion from these two sources.

This growth will partially depend on a reduction in the number and cost of control points and here the projection of a decrease from 30 to 2 points seems optimistic. However, a comprehensive plan to address this issue and the related political economy constraints has not yet been developed and commitment seems to be lacking. A comprehensive and realistic reform plan will be needed to meet these projections. Regarding the simplification at the border, the plan foresees the creation of a joint border post which will be entrusted, on concession or lease, to a private or semi-private structure, and will be paid for by a fee charged to transport operators, equal to about 3% of current transport costs. However, such a mechanism has so far failed to deliver the expected improvements at the Cinkassé border between Togo and Burkina Faso.

[81] African Development Bank, 2008, Report No. ADF/BD/WP/2008/118 – Appraisal report for the Transport Facilitation Programme for the Bamenda-Mamfe-Abakaliki –Enugu Corridor.

Annex C: Official & Unofficial Payments along the Onitsha-Bamenda Corridor

Transport, Customs Duty, and Unofficial Payments Along the Onitsha-Bamenda Corridor for a 20 MT Truck Carrying General Merchandize (FCFA)

					CAMEROON						NIGERIA					
City	Country	Type of Cost	Justification	FCFA	customs with Receipts	customs without Receipts	transport	Road Control cost	Loading & Storage	Others	customs with Receipts	customs without Receipts	transport	Road Control cost	Loading & Storage	other costs
Onitsha	N	Truck rental		533,333									533,333			
	N	Customs		40,000								40,000				
	N	Mobile customs unit		6,667								6,667				
	N	Storage of goods		23,333											23,333	
	N	Comission	To those operating the park	33,333												33,333
	N	Local government		10,000												10,000
	N	Loading fees		40,000											40,000	
	N	Other workers	Assistants who deal with customers/traders while loa	66,667											66,667	
	N	Warehouse fees	Storage while in Onitsha (while truck is loaded, which	16,667											16,667	
	N	ESCORT		-												
	N	mobile police	security	1,667										1,667		
	N	Highway petrol unit	security	3,333										3,333		
	N	Police	security	3,333										3,333		
	N	Drug Control Unit	security	16,667										16,667		
Enugu	N	Customs		6,667								6,667				
Abakaliki	N	Customs		6,667								6,667				
	N	Joint army, police control	security	16,667										16,667		
Ikom	N	Customs in Ikom before crosser		16,667								16,667				
	N	"Local Youth"		6,667												6,667
	N	Local government		6,667												6,667
Enugu - Ikom	N	20 other police stops	security	33,333										33,333		
		Subtotal of costs		118,333												
		Loader pays escort		133,333												
		Escort Margin		15,000									15,000			
		Margin as a share of total payment to escort		11%												
	N	CROSSER		-												
Ikom	N	Ikom Youth		6,667										6,667		
	N	Police	security	3,333										3,333		
	N	Mobile police unit (2 units)	security	6,667										6,667		
	N	CIB police	security	10,000										10,000		
	N	2 general security checkpoints	security	6,667										6,667		
Mfum	N	Mobile police unit	security	6,667										6,667		
	N	Immigration		13,333										13,333		
	N	Two more immigration checkpoints		16,667										16,667		
	N	ETUN Local government		10,000												10,000
	N	Army checkpoint		23,333										23,333		
	N	MESA Army		6,667										6,667		
	N	Customs		-												
	N	Five Customs Area Commands		163,333								163,333				
	N	One federal Unit (FDU)		50,000								50,000				
	N	Drug Control Unit		23,333										23,333		
	N	State Security Services		6,667										6,667		
	N	"General Table"	Bomb disposal unit, DMI, intelligence unit, etc	13,333										13,333		
	N	Plant quarantine		7,333										7,333		
	N	Produce control unit		6,667										6,667		
	N	Officers at gate on Cameroon side		3,333				3,333								
		Subtotal of crosser costs		384,000												
		Loader payment to crosser		450,000												
		Crosser margin		66,000									66,000			
		margin (as a share of total payment to crosser)		15%												
Bioko	C	Truck rental (carressafe)	Nigerian trucks do not go beyong Mfum	800,000			800,000									
	C	Loading		150,000					150,000							
	C	Drivers food	additional payment made to drivers	50,000			50,000									
	C	Customs		950,000	700,000	250,000										
	C	Chief of brigade		35,000		35,000										
	C	Police		47,000				47,000								
	C	Quarantine services		5,000				5,000								
	C	Forestry services agents		5,000				5,000								
	C	Army intelligence		5,000				5,000								
	C	phytosanitary		5,000				5,000								
	C	Local government	maintaining roads	20,000				20,000								
	C	SGS - Inspection	ensures receipt and load match	10,000		10,000										
	C	customs inspector	goes through goods in warehouse	10,000		10,000										
	C	Other expense		20,000						20,000						
Mojo	C	Gendarme		47,000				47,000								
Mamfe	C	Customs		200,000		200,000										
	C	Customs registrar		10,000		10,000										
	C	Routier		30,000				30,000								
	C	Police		20,000				20,000								
	C	Gendarme		20,000				20,000								
	C	Special security branch		20,000				20,000								
	C	Emio	state security	20,000				20,000								
	C	BMI		20,000				20,000								
	C	Company commandant	in charge of all security	20,000				20,000								
Nunbers	C	Gendarme	security	20,000				20,000								
Windunou	C	Mobile customs	security	10,000		10,000										
	C	Gendarme	security	20,000				20,000								
Batibo	C	Police	security	15,000				15,000								
	C	Gendarm	security	15,000				15,000								
	C	Mobile customs	security	25,000		25,000										
Bali	C	Routier	security	20,000				20,000								
	C	Gendarm	security	15,000				15,000								
	C	Research	unclear what this unit does	15,000				15,000								
	C	Police	security	15,000				15,000								
	C	BMI	security	15,000				15,000								
Bamenda	C	GMI	Mobile police	20,000				20,000								
	C	Customs	at offloading place	500,000		500,000										
	C	Commerce	security	10,000				10,000								
	C	Army intelligence	security	10,000				10,000								
	C	BMI	security	10,000				10,000								
	C	POlice	security	10,000				10,000								
	C	First Commandant	security	35,000				35,000								
	C	Second Commandant	security	35,000				35,000								
	C	Overtime	For customs officers working overtime	10,000		10,000										
	C	Extra payment to customs		30,000		30,000										
	C	Feeding and transport for customs	For leaving office and coming to offloading site	15,000		15,000										
	C	Offloaders	workers offloading	35,000					35,000							
	C	Storage		20,000					20,000							
		Total cost incurred by loader		4,797,333												
		Amount loader charges traders for a full 20 MT truck		5,000,000												
		Margin for loader		202,667			101,333						101,333			
		Margin for loader as a percentage of total transport cost		4%												
		Sum of Transport Customs, and Road Control Costs			700,000	1,105,000	951,333	567,333	205,000	20,000	-	290,000	715,666.7	252,333	146,667	66,667
		Share of the Cost of each Segment Relative to Total Cost for Each Country			19.75%	31.14%	26.81%	15.99%	5.78%	0.56%	0.00%	19.98%	49.31%	16.01%	10.11%	4.59%
		Share of the Cost of each Segment Relative to Total Cost for Overall Corridor			14%	22%	19%	11%	4%	0.40%	0.00%	6%	14%	5%	3%	1%

Annex D: Benchmarking Cross-Border Trade between Cameroon and Nigeria

We use an African centered cross-country gravity model to assess the actual level of trade between Cameroon and Nigeria with respect to its potential. This empirical framework allows us to categorize bilateral export relationships as over-traders or under-traders, depending on the comparison between realized bilateral export values and the model's prediction of bilateral flows.

For this exercise, we regress bilateral exports of each Sub-Sahara Africa country with all trading partners in 2009 (using mirror data[82]) on the following bilateral characteristics: distance, contiguity, common language, colony, common colonial power, and GDP. We also incorporate three innovations to the standard gravity model. First, a measure of remoteness is computed by summing distances weighted by the share of GDP of the destination in world GDP. This is to take note of the fact that relative distances matter greatly, alongside absolute distances. Second, we control for zero trade flows with the use of Heckman sample selection correction method. When observations with non-existent bilateral trade are dropped, as OLS does, our dependent variable is not really measuring bilateral trade, but trade contingent on an existing relationship. An important variable left out of the model therefore is the probability of being included in the sample, i.e. having a non-zero trade flow. To the extent that the probability of selection is correlated with GDP or distance, this has the potential to bias OLS estimates. Third, we address heterogeneity of firms, following the Helpman, Melitz, and Rubinstein (2008) approach, controlling for firm heterogeneity without using firm-level data by utilizing the fact that the features of marginal exporters can be inferred from the export destinations reached. Our exclusion restriction is a dummy indicating if a pair of countries were the same country at some point in time; arguably this variable should explain the existence of trade relationships but not the level of bilateral exports. With these steps, the gravity results are better grounded on modern trade theory. The equation we estimate in the second stage of the Heckman procedure follows.

$$\ln(X_{ij}) = \beta_0 + \beta_1 \ln(D_{ij}) + \beta_2 \ln(GDP_i) + \beta_3 \ln(GDP_j) + \beta_4 \ln(Rem_j) + \beta_5 cont_{ij} +$$

$$\beta_6 lang_{ij} + \beta_7 col_{ij} + \beta_8 comcolij \quad + \beta_9 \hat{\hat{\eta}}^*_{ij} + \beta_9 \hat{\hat{z}}^*_{ij} + \beta_9 \hat{\hat{z}}^{*2}_{ij} + \beta_9 \hat{\hat{z}}^{*3}_{ij} + \varepsilon_i$$

Where X_i is the value of exports from country i to country j in year 2009. We define distances between country-pairs (D_{ij}) as the "great circle" distances between the respective capitals. Besides controlling for the level of each partner's GDP, we control for remoteness of the destination country (Rem_j). $Cont_{ij},\ lang_{ij},\ col_{ij},\ and\ comcol_{ij}$ are dummy variables that are

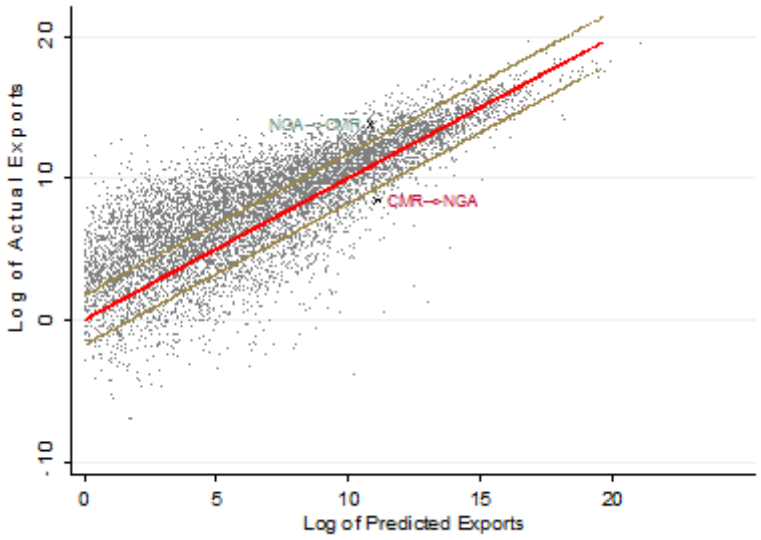
[82] This technique infers export data by using partner-import data. That is, rather than requesting export data as being reported by country i one requests import data reported from each country in the World as being imported from country i. This technique is commonly used to minimize the risk of underreporting due to the fact that customs agencies usually monitor imports more closely than exports.

equal to 1 if countries share a border, language, have ever had a colonial link, or had a common colonizer after 1945, respectively. $\hat{\hat{\eta}}^{*}_{ij}$ is the standard inverse mills ratio which takes into account the possible selection bias given that we also observed bilateral flows with positive exports. The last cubic polynomial takes into account the fact that firms participating in international trade are highly heterogeneous in terms of characteristics and outcomes.

Results are depicted in Figure 1.It shows all bilateral trade relationships with annual exports larger than $1,000 USD (light grey dots). If an observation is above (below) the 45-degree line, the observed export relationship is more (less) than what the gravity model predicts and the exporter is said to be over-trading (under-trading) with its trading partner. Additionally, if the observation is above (below) the band parallel to the 45-degree line, the exporter is said to be significantly over-trading (under-trading). Nigeria-Cameroon bilateral trade relationships are market by a black X and labeled according to their 3-digit ISO codes. Controlling for size of the trading partners, trade frictions, sample selection, and firm heterogeneity, this analysis suggests that Cameroon significantly under-trades with Nigeria whereas Nigeria significantly over-trades with Cameroon.

Figure A - 1. Benchmarking Nigeria-Cameroon Cross-Border Trade

Merchandise Trade
2009



This result is heavily influenced by oil exports from Nigeria to Cameroon. Estimating the gravity model excluding oil exports, we find that for both Nigeria and Cameroon cross-border trade is significantly lower than its potential (figure 2). This finding implies that the observed non-oil export value of Nigeria's exports to Cameroon in 2009 are less than 8% of its potential level. Accordingly, Cameroon's export value to Nigeria are less than 2% of its potential level. These results are robust to estimate the gravity for years before 2009 as well as to estimate a worldwide

gravity model, as opposed to a African centered model.. Table 1 presents the estimated gap between realized values and their potential for the period 2006-2009.

Figure A - 2 . Benchmarking Nigeria-Cameroon Cross-border Trade
Merchandise Trade, excluding oil
2009

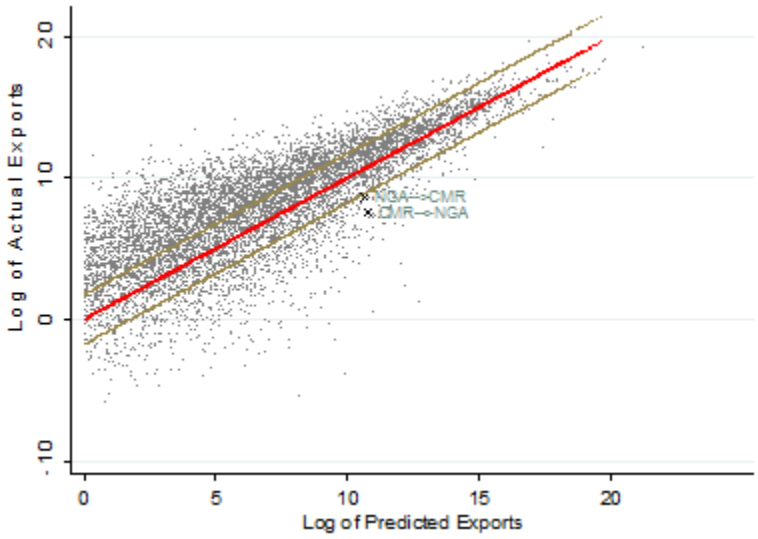


Table A - 2. Realized Bilateral Trade vs. Trade Potential (2006-2009)

Year	Realized	Potential	Gap
Exports from Nigeria to Cameroon			
2006	1,831	40,063	4.6%
2007	9,392	68,100	13.8%
2008	7,085	86,316	8.2%
2009	7,299	91,484	8.0%
Exports from Cameroon to Nigeria			
2006	478	88,337	0.5%
2007	3,941	130,927	3.0%
2008	1,393	199,086	0.7%
2009	1,928	162,997	1.2%

Note: No-oil exports. Values are in thousands of US dollars. The gap is computed as the realized value as a share of its potential.

Source: PRMTR computation using COMTRADE data.

However, although use of a gravity model allows evaluating bilateral trade relationships based on robust empirical relationships, an important caveat must be noted when applying this analysis to Africa. Informal cross-border trade is fundamental to understand trade relationships in Africa. According to UNECA (2010)[83], unreported cross-border trade fells into five main categories: unprocessed products (most primary commodities, such as cereals, roots and tubers, oil-seed, leguminous seed, livestock and fisheries), artisanal products (mainly products worked in animal skin, masks and statues of vegetal origin, trunks of wood and stone, necklaces, clothing made of traditional cloth, among others), pharmaceutical products (mainly antibiotics, analgesics, and sedatives), and products for re-export. This important unreported trade is of course not captured in the gravity model and partly, which means that potential trade, as well as actual trade, for African countries is substantially underestimated.

Because of this, actual trade between Cameroon and Nigeria would still likely be substantially less than potential trade if correct trade data were used to estimate both. This suggests the existence of large barriers to cross-border trade between the two countries. The large and significant gap between realized trade flows and their potential levels indicates the existence of trade costs related to border-related issues, transport, behind-the border issues, and compliance with different product regulations. These costs may be sector-specific or economy-wide and they may also impact differently Cameroon and Nigeria.

[83] Economic Commission for Africa, 2010, Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade, Addis Ababa.

Annex E: Trade Policies in Cameroon and Nigeria

Trade Policies in Cameroon

Procedures

Customs procedures in Cameroon are legally governed by the CEMAC Customs Code and administered at the national level by the Customs Directorate, under the Ministry of Economy and Finance. Importers and exporters must be registered with the Commerce and Personal Property Credit Register and with the list of importers and exporters held at the Ministry of Trade. To register, importers must pay the Cameroon National Shippers' Council (CNCC) an annual fee of CFAF 10,000, pay the revenue officer of the Directorate of Trade CFAF 15,000, and hold a valid importer's license.

Documents required for import vary depending on the value of the shipment and can include the final invoice, freight invoice, insurance certificate, bill of lading or airway bill, and, if necessary, import declaration, SGS inspection report, or certificate of exemption from duties and taxes. Other documents may be required to comply with particular regulations (e.g., certificate of origin, phyto-sanitary certificate, fumigation certificate, certificate of conformity, certificate of health, temporary admission authorization, and importer's trading license). Special authorizations are required for importing goods such as pharmaceutical products, and weapons and ammunition.

Imports of CFAF 1 million or more must be inspected by the *Société Générale de Surveillance* (SGS) before shipment, at the cost of the importer. Inspection fees are paid by the importer at the official rate of 0.95 per cent of the c.i.f. value, but a minimum flat-rate tax that is applied in practice means that the fee can be as high as 5.5 per cent. For imports valued at less than CFAF 1 million, the customs declaration must be submitted to the competent customs service together with a copy of the commercial invoice, a letter of contract or the registration document (if it is a vehicle), a copy of exemption from inspection tax (if necessary), and a receipt for CFAF 1,000 or 3,000 depending on whether the operator is or is not registered on the list of importers

A customs export declaration must be filled out for all exports and needs to be accompanied by relevant documentation. This includes the order form, the final domiciled invoice, the EUR1 certificate for exports to the European Union or the movement certificate for exports to CEMAC member countries, the stuffing certificate (for exports in containers), and a sanitary certificate and/or certificate of origin if required by the importing country. For some products, additional documents must be presented, such as an authorization from the Ministry of Culture for exports of works of art or the CITES permit for protected species. For exports worth CFAF 500,000 or more, the exporter must also obtain an export declaration from the SGS. The

export file must be delivered to the SGS at least 72 hours before shipping and an inspection and control tax of 0.95 per cent of the f.o.b. value is levied.

In addition, export transactions worth more than CFAF 5 million must be domiciled in a CEMAC-approved bank. Export revenues must be recovered and repatriated within 30 days following the date stipulated in the contract (or for services, 30 days after the due for payment date) unless a waiver has been issued by the Ministry of Finance.

Payment

In principle Cameroon applies the CEMAC CET, which is entirely *ad valorem* and is made up of five bands, but duty rates applied by Cameroon differ from the CEMAC CET rates for about 300 tariff headings. A zero rate, applied mainly to certain pharmaceutical preparations and articles, books and brochures, as well as aviation products (0.7 per cent of tariff lines); 5 per cent, applied to staple goods (3.7 per cent of tariff lines); 10 per cent, applied to raw materials and capital goods (42.7 per cent of tariff lines); 20 per cent, applied to intermediate goods (12.2 per cent of tariff lines); and 30 per cent on other goods (40.7 per cent of tariff lines).

Apart from customs duties, a number of other taxes, including VAT, are levied at the border. A community integration tax (TCI in French), at the rate of 1 per cent of the c.i.f. value of imports from countries that are not CEMAC members, was introduced in 2001 to provide the CEMAC Secretariat with funds. An OHADA tax of 0.05 per cent is applied to imports from outside CEMAC, and a computer fee of 0.45 per cent is applied on imports whose declarations are processed in computerized offices, irrespective of their origin. Phyto-sanitary (TPS) or sanitary/veterinary inspection taxes and storage fees are also levied where relevant.

The VAT of 17.5 per cent is levied together with a communal tax equivalent to 10 per cent of VAT, bringing the overall VAT to 19.25 per cent. VAT in Cameroon is applied to all imported or locally produced goods and service, though some products that are considered to be basic necessities are exempt from VAT, whether applied to imports or local production. [84] VAT on imports is calculated on the c.i.f. value plus customs and excise duties.

The country has no import licensing regime but a number of products are subject to authorization for reasons of health or security. A "technical visa" or "import permit"

[84] Milk (including powdered, not concentrated and concentrated in liquid form); eggs; wheat (hard wheat); husked rice; other rice, whether semi-milled or milled, polished or glazed; preparations for children's food using products from HS 0401 to 0404 not containing cocoa powder; bread; wheat, corn and meslin flour; unrefined, non-iodized salt; pharmaceutical products; insulin and its salts; antibiotics; plates and films for X-ray; fertilizers; insecticides; fungicides; herbicides; disinfectants; books and brochures; cocks and hens; edible meat and offal, fish; sugar; flour and fish meal, shellfish, meat and offal that unsuitable for human consumption; bran, sharps and other residues of rice, wheat, other grains and leguminous plants; oil-cakes of soya-beans, linseed, sunflower seed, rape/colza seed, coconut or copra, and oil-cake and other solid residues of other vegetable oils and corn; animal feed preparations (no more than 2 per cent concentrate); kerosene and domestic gas.

(depending on the administration involved) from the competent ministries is needed for edible meat and offal, livestock and fishery products, food products for animals, pharmaceutical products, cooking salt, medical soaps, weapons and munitions, prepared explosives other than propellant powders, pyrotechnic products, minerals and precious stones, radioactive substances, kerosene, fuels (petrol and gas), gas cartridges, transceivers and other receivers, approved pesticides, and certain chemical compounds. Certain products are, in addition, prohibited for import for environmental, health or security reasons. Quantitative restrictions are maintained on imports of poultry.

In accordance with CEMAC provisions, Cameroon also levies an excise duty of up to 25 per cent on some domestically produced and imported products. Within CEMEAC, excise duties must not exceed 25 per cent, and must be levied on tobacco and beverages. Cameroon levies excise duty on fruit juices, aerated beverages, mineral waters, malt beers, alcoholic beverages, tobacco products, foie gras, caviar and its substitutes, salmon, precious stones and metals, and jewellery.

Cameroon continues to use reference prices or minimum values for some second-hand goods, textiles, meat and offal, biscuits, salt, imported sugar, alcoholic beverages, and cigarettes, and all imports from Asia. For other goods, Cameroon has applied the WTO Customs Valuation Agreement since July 2001.

Products from the other CEMAC countries are granted duty-free entry, provided that the rules of origin are respected and valid certificates of origin **presented.** However, the principle of single entry is not applied within the Community, with the result that a product made available for consumption in one CEMAC country and then exported to another member country generally no longer benefits from duty-free status. Such products imported from third countries may thus be taxed at least twice (at the entry point into CEMAC and where re-exported to other member countries.).

Cameroon applies export taxes (*droits de sortie*) of 2 per cent of the f.o.b. value of exported goods, with the exception of logs, which are subject to a higher rate. Local products from the soil and subsoil are, in principle, not subject to any export taxes, though in practice it appears that this tax is assessed. In principle, exports are subject to zero-rate VAT, but to fight fictitious exports, sales made by producers to traders carrying out export operations are subject to VAT. Application of a refund of this VAT can be made with a proof of export. Exports of fish and meat are subject to a sanitary inspection tax at the same rate as imports. Upon re-export, products initially imported under the temporary import duty suspension scheme (such as fish, rice, wheat flour, and cement) have to pay these import duties retroactively when being exported on top of the 2 per cent export tax.

Standards and Technical Requirements

While quality management is not yet a widespread practice in Cameroon, standardization and quality control are beginning to assume a strategic position in the maintenance of market shares and the search for new outlets. A large number of technical regulations for food products, construction material, and labelling have been developed and the Standards and Quality Agency (ANOR) was created in 2009 to work with the relevant departments and public and private bodies on setting out, developing, implementing, and monitoring government policy on standardization and quality in Cameroon. It will be responsible, *inter alia*, for preparing the regulations on standardization, for the analytical quality control of products subject to technical regulations, for accrediting certification bodies, and for dealing with certification of conformity.

In principle, every product (whether local or imported) is put through quality and conformity control before being marketed, but standards for many products have not yet been developed. So far, priority has been given to adopting standards that are likely to be important at the national level, that may threaten the health or safety of the population, that concern products for export, or that are required in order to protect the environment and control pollution. Insufficient human and financial resources clearly affect the current system.

In practice, standardization in Cameroon is still faced with a number of constraints, including a multitude of players with poorly defined roles, unclear legislation, and laboratories that only offer partial services. As part of its industrial policy, the Government aims to develop the National System of Standardization and Quality Control in order to protect consumers and the environment, and to promote exports. Companies are often unable to grasp export opportunities as they cannot meet standards or compliance requirements. Because standards are often not properly enforced on the domestic market, regulatory objectives are not always achieved. Cameroon has not yet signed any mutual recognition agreements and does not accept foreign tests and certifications.

Cameroon joined the FAO International Plant Protection Convention in 2006 and is a member of the FAO/WHO Codex Alimentarius Commissions and the World Animal Health Organization (OIE). At the national level, considerable efforts have been made with legislation assuring phyto-sanitary protection, procedures for carrying out plant quarantine operations, and organization of the National Phytosanitary Council. The competent authority for sanitary protection is the Ministry of Livestock, Fisheries and Animal Industries (MINEPIA) and for phyto-sanitary protection is the Ministry of Agriculture and Rural Development (MINADER).

According to current legislation, imports of plants, plant products, soil, or growing media require a phyto-sanitary certificate. The Minister of Agriculture also publishes annually lists with those items needing a declaration of production, importation and exportation, or whose import is prohibited. The phyto-sanitary certificate and import permit (needed for some products)

are issued by the agencies responsible for sanitary and phyto-sanitary policing (such as the Ministries of Agriculture or Health) and are paid for by the person applying for the permit.

Verification of phyto-sanitary conformity at overland border posts and ensuring adherence to existing regulations, however, often does not take place even though inspectors regularly charge a nominal fee to all trucks crossing the border, regardless of the content of the vehicles. This is in part because the shipments of individual traders at these border crossings are relatively small and there are hardly any traders who transport large quantities of goods that would be subject to strict phyto-sanitary control. In principle, conformity assessment should be carried out by the laboratories of the department responsible for quality control and phyto-sanitary regulation, or by any other laboratory approved by the Ministry of Agriculture.

The phyto-sanitary tax (TPS) amounts to 50 CFAF per ton, the maximum tax per shipment being 15,000 CFAF, and the veterinary and sanitary inspection tax (ISV) varies by product from 2 to 3 per cent. For imports a flat tax per head is levied of 4 CFAF per head (for day-old chicks), 5 CFAF per egg, or 2,000 CFAF per head for bovine animals. For local marketing of livestock products, this tax is lower and ranges from 0.5 CFAF for eggs, 1 CFAF per head for chicks, and 200 CFAF per head for bovine animals.

Trade Policies in Nigeria

Procedures

Imports into Nigeria are subject to the Customs and Excise Management Act (CEMA) of 2004, as well as earlier legislation and other customs and excise notices, decrees, and guidelines set out by the Federal Ministry of Finance.[85] All commercial goods importers need to complete and submit an import declaration form (M) to an "authorized dealer bank."[86] In addition to form M, the importer must provide a detailed description of the goods, including the commercial name, make, whether new, used, or refurbished, the quantity and total cost of the goods, shipment details (i.e. full container load, bulk , loose or low container load), any charges stated on form M, a pro-forma invoice with complete contact details of supplier, a combined certificate of value and origin (CCV), a packing list, clean on board bill of lading, airway bill, way bill, or road way bill; a manufacturer's certificate of production showing the standards to which the goods were produced (ISO, BS, DIN, etc.) or, where relevant, the sanitary or phytosanitary certificate along with laboratory test results.

Import procedures are complex and involve a number of organisations and entities who have to approve the process, including an authorised dealer bank, the scanning service, and the customs service. The "authorised dealer bank" is required to verify information provided on

[85] This act is currently being revised with funding from USAID to allow for risk-management.
[86] Form "M" is used to verify foreign exchange requests by importers as well as to monitor exports. "Authorized Dealer Banks" are banks that have been designated by customs to conduct import and export transactions.

the form, and to submit the completed and approved form to the office of the scanning service.[87] The scanning office reviews the documents, and if accepted, forwards the documents to customs for clearance of goods. The scanning companies are also required to generate a risk assessment report. Form M only becomes valid for importation after having been accepted by the scanning service. The form is valid for six months, or one year for plant and machinery, but requests for revalidation may be made to the Trade and Exchange Department of the Central Bank of Nigeria.

Following approval by the scanning office, the Customs Service assesses duty based on the c.i.f. value of goods. The authorized bank that processed the importer's form M issues the importer a draft for the sum of the duty, which is then deposited into a designated bank. The designated bank issues the importer a receipt and the goods are cleared. A self-assessment scheme for customs duty was introduced in 2006. Under the scheme, all importers or agents are required to prepare an ASYCUDA single goods declaration and conduct a self-assessment of customs duty payable, which is to be paid at a customs-designated bank. Once the duty has been paid, the bank notifies the Nigerian Customs Service (NCS), which releases the goods after either a scan or physical verification.[88] In the event of any discrepancies, the importer or the agent must pay any additional duties at the designated bank before goods can be released. At present about 90% of imports enter through the self-assessment scheme but that there continue to be risk management problems both at customs and at the service providers.

Regarding the export of goods, all exporters must be registered with the Nigerian Export Promotion Council (NEPC) and be incorporated or registered as businesses in Nigeria. Exporters are required to complete and register an export proceeds (NXP) form with an authorized dealer (commercial or merchant bank) of their choice. The processing bank sends a copy of the form to the Central Bank of Nigeria (CBN), as well as to the Nigerian Customs Service (NCS) for inspection purposes. Other export documents include: a pro forma invoice; a sales contract, if applicable; NEPC registration certificate; relevant sanitary and phyto-sanitary certificates; shipping documents; and other completed forms as required by the importing country, such as a Federal Produce Inspection Service quality certificate. After shipment of the goods, NCS sends endorsed copies to the CBN, NEPC, and exporter.

All export proceeds must be repatriated into the exporter's non-oil domiciliary account, maintained at the processing bank, within 180 days of shipment. However, a currency retention scheme allows exporters to retain 100% of their foreign exchange earnings in their non-oil domiciliary accounts.

[87] The scanning and risk management services have been outsourced to private sector operators, whose contracts expire in 2012, when Customs will assume responsibility for these services.
[88] The revision of the CEMA will likely streamline this procedure for importers who are considered to be good risks.

Payment

Nigeria applies a schedule of customs duties on imports that reflects past negotiations within ECOWAS to reach an agreed set of CET duty rates . Duty-free rates apply, *inter alia*, to medication, agricultural inputs, and educational material. The 5% rate applies mainly to milk, grains, seeds and nuts, sugar, and industrial raw materials. A 10% duty applies to intermediate inputs. Most other goods are taxed at 20%, with the highest band, i.e. 35%, being applied to protect some domestic industries.[89] There is as of yet no region-wide agreed application of these CET rates to each tariff line, but Nigeria applies the five-band schedule of 0, 5, 10, 20, and 35 percent.

In addition to import duties, Nigeria applies additional taxes on a number of products at the border, including VAT and product specific levies. These include an ECOWAS Community Levy of 0.5%, a Comprehensive Import Supervision Scheme charge of 1% on the f.o.b. value of imports, and a Port Development Levy of 7% of the duties payable. Additional product specific taxes such as a National Automotive Council Levy of 20% on automotive wheel rims, a special levy of 10% on the import of sugar, and of 20% on the import of rice are also applied.[90] In addition, Nigeria applies a minimum reference price on imports of rice, which is substantially above the c.i.f. price. The rationale for a low import duty on rice and sugar, but then also imposing additional levies on them, is to bring the import duties in line with the prospective ECOWAS CET, while protecting local rice and sugar producers. VAT is applied at 5% on all goods and services (domestically produced and imported), with the exception of those on an exclusion list, covering many food products. The VAT is calculated on the basis of the c.i.f. plus duty value of imports or the sales price of domestically produced goods. Exports are zero-rated.

Nigeria imposes a large number of import prohibitions, mainly to protect domestic industries. The Import Prohibition List includes products such as live or frozen poultry, rice, pork, beef, most refined vegetable oils and fats, spaghetti/noodles, soft drinks, bagged cement, many medicines, soaps and detergents in retail packs, textile fabrics, footwear, most furniture, ball points, and numerous other products. A second list of absolute prohibition covers items on grounds of security, health, or morality, but also includes second-hand clothing. The importation of vehicles, drugs, pharmaceutical raw materials, and all containerized goods through Nigeria's land borders is also prohibited.

The importation of goods on the import prohibition list is possible, as the President can grant waivers to the importation of these products in a very nontransparent manner. This allows companies who obtain these waivers to earn significant rents as prices for protected

[89] This duty rate classification is that found in the 2011 Nigerian tariff rate schedule. Some of these rates will change should the Heads of State and Government agree on the CET later in 2012.
[90] The treatment of rice is much more complicated than this, a topic that will be discussed in greater detail later in the report.

products are significantly higher than prices on world markets.[91] Applications to import prohibited goods or restricted products need to be made three months in advance of intended importation. The quantity allocated to each importer, or to be imported from each country, is determined on a case-by-case basis and stated in individual permits, but is not published.

Nigeria applies a range of excise duties on a number of products.[92] For example, excise duties amount to 5% on perfumes and cosmetics, non-alcoholic beverages and fruit juices, soaps and detergents, spaghetti and noodles, telephone recharge cards, corrugated paper and paper board, and toilet paper and cleansing tissues.[93] It is applied at a rate of 20% on cigarettes and tobacco and alcoholic beverages.

For approximately 80% of imports entering through the ports, import duties are based on transaction value, in line with the WTO valuation agreement. However, this process can often be quite arbitrary. At ports, most consignments are physically inspected or scanned. Nigeria abolished pre-shipment inspection in 2006. Processes at land borders are very different, as will be seen later in the report.

Duty exemptions or concessions to attract investment can also be obtained, particularly for agricultural inputs such as fertilizer, seeds, and machinery. All goods imported into export processing zones are exempt from customs duty and other taxes.

Imports of goods from within ECOWAS should be duty-free and face no quantitative restriction, but intra-regional trade continues to face significant barriers as a recent policy note has confirmed.[94] The ECOWAS Trade Liberalisation Scheme (ETLS), aiming to ensure the free movement of goods and persons within ECOWAS, was established in 1983 but not launched until 1990. To benefit from the scheme, companies need to show that they meet the restrictive rules of origin specified under the scheme. Companies can register their products using a lengthy, two-staged approval process (first by a national committee, which then forwards the decision to a regional committee). That takes about 4–6 months. In reality, however, imports from the region continue to often pay formal and informal payments as producers find the registration system too cumbersome and claim it does not fully function.

Nigeria's Export Prohibition Act allows for certain exports to be prohibited for purposes of domestic food security, value-added considerations, preservation of cultural heritage, and protection of the environment and wildlife. Exports of many unprocessed products, such as raw hides and skins, timber, unprocessed rubber latex and rubber lumps, and maize, are

[91] Recent research has shown that the prices for products on the prohibition list in Nigeria were on average 77 percent higher than in a comparator market, taking general cost-of-living differences into consideration (Treichel et al., 2012).
[92] WTO, 2011
[93] Some of these products are also on the import prohibition list.
[94] Hoppe and Aidoo, 2012

prohibited to encourage domestic value-addition. Exports of any imported goods (re-exports) are not allowed. Nigeria's food safety regulations require export licenses for unprocessed food products, and, in certain cases, the Minister for Agriculture is empowered to prescribe grades and standards of quality for these products. A bill currently before the National Assembly would repeal export prohibitions, but there is no evidence that this has been approved or even come to a vote.

An administrative levy of 5 USD per ton is applied to exports of cocoa and 3 USD per ton of exports of other raw materials. Additionally, a 0.5% levy is imposed on all exports in lieu of pre-shipment inspection. This effectively serves as an export tax because it is payable on all exports regardless of whether a pre-shipment inspection is required by the importing country.

Standards and Technical Requirements

Safety of food and other products is ensured by the National Agency for Food and Drug Administration Control (NAFDAC) and the Standards Organization of Nigeria (SON). Processed food, drugs, drug products, or packaged waters require certification by NAFDAC while products subject to other mandatory standards issued by SON need to demonstrate compliance as well. SON is the sole statutory body responsible for standardizing and regulating the quality of all products, services, systems, materials, and measurements and processes in Nigeria, and is also actively involved in inspecting imports for quality assessment at Nigeria's ports and borders.

NAFDAC Certification is complex and burdensome, and registration fees are excessive, and disriminatory.[95] Products need to be registered before landing in Nigeria, and certification and registration require that a product sample has to be imported into Nigeria first. This requires an additional import license prior to the importation of the sample, accompanied by a certificate of manufacture and free sale from the competent regulatory body in the exporting country, and authenticated by the Nigerian Embassy in the country of origin. Despite recognizing the testing and certification procedures of the competent conformity-assessment bodies in third countries, NAFDAC tests all products itself. Products can also only be registered by a locally registered subsidiary company or a local partner, who needs to have the power of attorney from the producing company, which can create legal problems. Registration needs to be renewed every five years. Such products also require export certificates from NAFDAC for exportation.

Demonstrating compliance with the Standards Organization of Nigeria (SON) is burdensome as product types have to be certified by a SON office in the exporting country, none of which exists in Cameroon. The Nigerian Conformity Assessment Program (SONCAP) ensures that imports comply with Nigerian specifications. Exporters must supply their local SON country office with a valid test report and photographs of the product they wish to export to

[95] EU, 2010

Nigeria. The SON country office reviews the test results and if these are satisfactory, a product certificate is issued against payment of 648 USD. As there was no such office in late 2011 in Cameroon, it is unclear what process exporters would have to follow. In addition to the type-certification, an exporter is required to submit a request for shipment certification and a final invoice to obtain a SONCAP certificate for customs clearance for each subsequent shipment.

SON is a member of the Codex Alimentarius Commission (CAC) and the World Organization for Animal Health (OIE), and **is a contracting party to the International Plant Protection Convention (IPPC).**

According to current legislation, fresh plants and plant products require certificates issued by the authorities of the exporting country, as well as phyto-sanitary certificates issued by the Nigeria Agricultural Quarantine Service. The importation of animals, animal products, and birds requires a license issued by the veterinary authorities. Animal hatching eggs or poultry must be examined, disinfected, or inoculated and quarantined. The importation of any animal product (e.g. semen or egg) is prohibited unless a permit has been granted. There is currently a ban on the importation of all types of meat, though this does not apply to imports of live animals. Imports of genetically modified products are also prohibited if not for research purposes.

Annex F: Major Trade Corridors between Cameroon and Nigeria

Most trade between Cameroon and Nigeria takes place along 10 major corridors, both inland and on the coast. These cross-border corridors are linked in with domestic transport networks in each country, often covering long distances. Seven of these corridors are situated in the northern part of the border, two in the West, and the last corridor covers products that are transported by sea. This section describes the major corridors in greater detail, focusing on the transport linkages that are relatively near the border or serve the nearest large commercial center.

Most traffic in the north (Far-North and North Regions) flows along the following three main and some additional minor corridors:

a. **Maiduguri – Dikwas – Ngala – Fotokol –Maltam – Kousseri:**
This serves primarily as a transshipment route between Chad and northern Nigeria. The section between Maiduguri and the border at Fotokol is paved and in reasonably good condition. That between the border and Maltam is 85 kilometers of unpaved gravel road, which is impassible in the rainy season due to flooding. The 25 km section from Maltam to Kousseri at the Chad border is paved and is used mainly by Chadian traffic. During the rainy season, trucks have two alternatives. One is to travel over the open ground south of the flooded area. The other is to cross the border at Banki and continue on to Mora in northern Cameroon (see next corridor), where Route N1 is taken north to Maltam and then to Kousseri. Trucks in transit between Chad and Nigeria obtain a visa, which allows them to transit Cameroon without paying customs duties, though informal payments must still be made along the road and at customs posts.

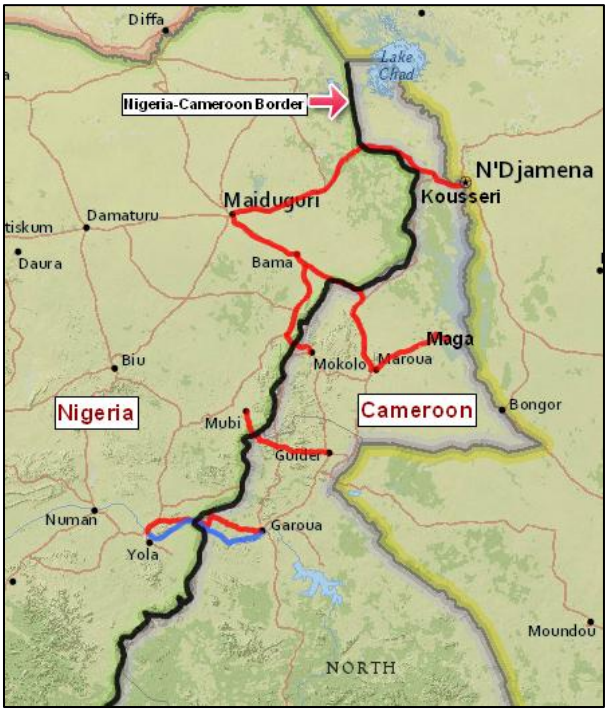
b. **Maiduguri – Bama – Banki – Limani – Mora –Maroua:**
This is the major cross-border trade route in the Far North Region. The road on the Nigerian side to the customs post at Banki is paved and in good condition. However, that from the Cameroonian customs post at Limani to Mora is in very bad condition. It is deeply rutted and trucks break down on it frequently, hindering passage. Although it is only about 30 kilometers in length, even in the dry season a truck may take a week to complete the passage. In the rainy season, it may at times be impassible but traffic volumes increase by fifty percent nevertheless as traffic from further North diverts to this crossing. Although not in great condition, the Route N1 road from Mora to Maroua is manageable. Other traffic goes to the north towards Kousseri and Chad. This section of Route N1 is quite bad but is passable even in the rainy season.[96] Overall travel time from Banki to Maroua has increased significantly from 45 minutes to 2.5 hours over the last few years even for smaller vehicles.

[96] Work on that corridor is currently being undertaken in line with the Cameroonian Cadre de Depenses à Moyen Terme (CDMT) 2010-2012.

c. **Maiduguri – Bama – Banki – Limani – Bogo – Maga:**
On the Nigerian side, this route is the same as the one to Maroua. However, the road from Limani to Bogo and Maga in Cameroon is singled out because this is a very important route for the transportation of rice paddy from the SEMRY project to northern Nigeria, where it is parboiled and milled. The road from Maga to Bogo is paved and in good condition, but the route from Bogo to Maroua is unpaved and the condition of this part of the road can be bad in the rainy season. However, since much of the paddy is transported during the dry season, the Bogo-Maroua road is not a major constraint.

d. **Maiduguri – Bama – Gwoza – Touron – Mokolo:**
Trade along this route is much less than along the Limani – Mora – Maroua route. Nevertheless, it is important because the Mandara Mountain range, in which Mokolo is the regional capital, is a major route for the smuggling of goods. Many of these are transported up the slopes of the mountains by motorcycle or donkey. Key among these goods are motorcycles and motorcycle parts, as well as electronic and other relatively high-value goods. Touron is a very small town that provides easier access to the mountains than some of the steeper areas. Small 5-7 ton trucks may be loaded here with goods coming from Nigeria, in which case they will usually pass through customs in Mokolo. Transportation to either Maroua or the south is easy given an excellent road that connects Mokolo with Highway N1.

Map 2: Corridors in the North



e. **Mubi – Boukoula – Guider:**
This is an alternative trade route between those that link Maroua and Garoua with northern Nigeria. Goods passing through Mubi, Nigeria can originate in or flow through either Maiduguri or Yola. After passing across the border at Boukoula, Cameroon, the goods continue in a number of directions. Guider, to the east, is the closest large town. Customs posts are located at the border in Nigeria and on the Cameroonian side at Kozala, Dourneye, Nagadji, and Guider.

f. **Jimenta – Demsa – Garoua:**
This is the principal route between Yola (Jimenta), Nigeria and Garoua, Cameroon. It is a paved road to the border at Bélel on the Nigerian side. However, the passage there across the river is almost impossible in the rainy season, except by boat. The road from Demsa to the customs post at Gaschiga is unpaved but in fair condition. That from Gashchiga to Garoua is paved and in good condition.

g. **Yola – Bardanké -- Garoua via the Benoué River:**
An alternative route between Yola and Garoua is via the Benoué River, which passes the frontier near Bardanké, Cameroon. This route, which is only available during the rainy season, has been made increasingly impracticable with construction of dams along the river which has made the water level less predictable, making it difficult for bigger boats to operate.

Trade in Western Cameroon (North-West and South-West Regions) flows along two key corridors, as well as a number of waterways:

a. **Enugu – Abakaliki – Abong – Abonshie – Ako – Nkambe – Ndu – Kumbo:**
This is an alternative to the road through Ekok during the rainy season. Although longer and unsafe for large trucks, the route is passable and less expensive than the more direct route. Nigerian customs is located at Abong: there are Cameroonian customs posts at Abonshie, Nkambe, and Ndu. After reaching Kumbo, the traffic may go on to Bamenda or continue into the West Region.

b. **Enugu – Abakaliki – Ikom – Mfum – Ekok – Mamfé – Bamenda (Kumba):**
This 443 km long corridor comprises the Cameroonian Bamenda-Mamfé-Ekok road sections on N 6 (203 km), the bridge over the Munaya River in Cameroon (100 m), the border bridge over the Cross River (230 m), and the Nigerian road sections (240 km) from Mfum to Enugu. Road conditions on the Nigerian side are generally good, while large sections of the road from Ekok to Mamfe and Bamenda on the Cameroonian side are in very bad condition and are virtually impassable during the rainy season. During the rainy season traffic from Nigeria reaches Mamfé directly by boat. Some traffic from Nigeria continues from Mamfé southward towards Kumba, though the road from Mamfé to Kumba is in an extremely bad state. The Nigerian customs post at Mfum technically

cannot clear goods, but traders are charged nevertheless. In Cameroon, customs post are located at Ekok, Mamfé, and Bamenda. The AfDB is currently leading a project, which the World Bank is supporting, to improve and rehabilitate the corridor by 2014. Among other things, the project will develop or reconstruct the road and two bridges, carry out periodic maintenance of 192 km of road, remove obstacles to the free flow of traffic by building a joint border post, limiting the number of checkpoints, and controlling axle load, and build the capacity of agencies responsible for monitoring implementation of the project.[97] While this project has the potential to radically change the nature of trade relationships between Cameroon and Nigeria, the component on removing obstacles and simplifying procedures at borders seems to be less developed than the physical reconstruction.

Map 3: Land Corridors in the South

Cameroon and Nigeria are also linked by sea. The most important linkages are Tiko/Limbe – Calabar and Idenau – Oron. Douala is less important because of the high cost of clearing customs there. On the Cameroonian side, Tiko is most important in terms of volume. Trade between Idenau and Oron is highly specialized in Cameroonian exports of *eru*. Once goods have cleared customs in Limbe, Tiko, or Idenau, most are transported by road to Douala. This sea-road corridor has the advantage that it is relatively fast and secure, and large shipments can be made at one time, e.g., a ship carrying fifteen to twenty 20-ton trucks per trip. Ships often operate twice a week and work on a set schedule.

[97] African Development Bank, 2008, Report No. ADF/BD/WP/2008/118 – Appraisal report for the Transport Facilitation Programme for the Bamenda-Mamfe-Abakaliki –Enugu Corridor.