

# CAMEROON ECONOMIC UPDATE

## **Revisiting the sources of growth** Enhancing the efficiency of the Port of Douala

January 2015

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# ABBREVIATIONS AND ACRONYMS

ASYCUDA	Automated System for Customs Data
BL	Bill of Lading
CEMAC	<i>Communauté Economique des Etats de l'Afrique Centrale</i> (Central African Economic and Monetary Community)
CNSS	Caisse nationale de Sécurité sociale
DIT	Douala International Terminal
GDP	Gross Domestic Product
IMF	International Monetary Fund
INS	<i>Institut National de la Statistique</i> (National Institute of Statistics)
PAD	Port Authority of Douala
SNH	<i>Société Nationale des Hydrocarbures</i> (National Hydrocarbons Corporation)
SONARA	<i>Société Nationale de Raffinage</i> (National Refinery)

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# EXECUTIVE SUMMARY

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

The Cameroon Economic Updates aim at sharing knowledge and stimulating debate among those interested in improving the economic management of Cameroon and unleashing its enormous potential. The notes thereby offer another voice on economic issues in Cameroon, and an additional platform for engagement, learning and exchange. Pursuing the work started with the seventh edition on the theme: Revisiting the sources of growth in Cameroon, this eighth edition of the Cameroon Economic Update looks at the efficiency of the Port of Douala, the main entry for imports to Cameroon and two other landlocked countries (Central African Republic & Chad) of the CEMAC region.

Growth is projected to remain strong in 2014 at 5.3 percent, slightly less than the 5.6 percent reached in 2013, in spite of the gloomy global economic environment, declining international oil prices, and insecurity crisis in the Far North region of the country. This is mainly due to the stronger performance of the oil sector, projected to grow at 13.5 percent against 8.5 percent in 2013. With the non-oil sector expected to maintain its current performance over the medium term, GDP growth is projected to average 5 percent over the next five years. Although commendable, these rates still remain below the Government objectives set in the Strategic Document for Growth and Employment over the period 2010-2020.

Additional efforts are needed to unleash Cameroon's full potential.

One area that requires an acceleration of reforms is trade facilitation, especially the efficiency of the Port of Douala which accounts for at least 95 percent of the goods exported from and imported to Cameroon. As the natural hub for the Central African region given its strategic location, inefficiencies at the Port of Douala represents a major constraint to growth. The Port of Douala is constrained by a long waiting time at the entry gate as well as a long dwell time. Improving the management of the port of Douala to significantly reduce cargo dwell time and ensuring its complementarity with the ports of Kribi and Limbe will be essential for Cameroon's external competitiveness.

Building on two reports on cargo delays at the Port of Douala by the economic and transport teams of the World Bank as well as additional interviews on the ground, this eighth edition of the Cameroon Economic Update provides policy recommendations on how to improve the efficiency of the Port of Douala. The report shows that the Port of Douala is one of the least efficient of the region and that in spite of efforts deployed over the last years, the objective to reduce the global dwell time to 7 days at the end of the 1990 has not yet been achieved. The global dwell time still represents more than three times that target, mainly due to: (a) weak coordination of frontline stakeholders; (b) monopolies of the inspection and the terminal operators; (c) Ineffective legislation (d) high share of informal and unprofessional brokers; (c) complexity and length of import procedures and; (d) physical and equipment limitations of the Port.

To tackle these constraints that are mainly structural, the report recommends above all the preparation and adoption by all stakeholders of a comprehensive structural reform plan based on an independent audit of the key choke points in any area of port operations. Other options to improve the efficiency of the Port of Douala include: the revision of the legal framework governing the Port, the improvement of the awareness of importers and brokers on trade

procedures, the acceleration of the modernization of the Port of Douala, and the improvement of data collection and analysis of trade facilitation statistics.

The report recognizes that implementing these reforms will require building consensus among various stakeholders and also overcoming the status quo practices and behaviors prevailing within the Port.

## RECENT ECONOMIC DEVELOPMENTS

### Economic developments in 2014 remain positive...

#### Growth

GDP growth rate is projected to reach 5.3 percent by the end of 2014 in spite of the gloomy global economic environment, declining international oil prices, insecurity crisis in the Far North region of the country and the lower than anticipated national oil production for 2014 (figure 1.1). Cameroon's economy still benefits from the positive dynamic observed in past years with growth increasing from 3.2 percent in 2010 to 5.6 percent in 2013. This performance accounts for the stronger performance in the service sector and a notable progress in the commissioning of new dams and thermal plants to improve the quantity of and access to electric power.

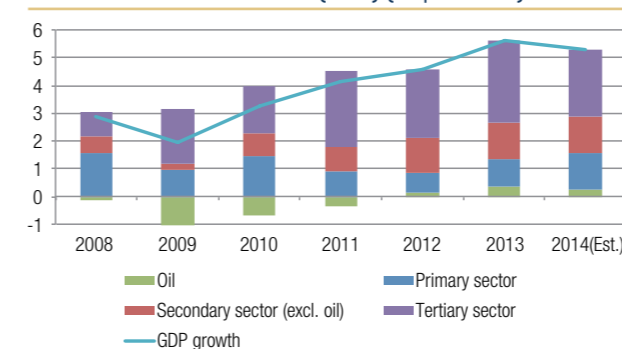
The tertiary sector, which benefited from the momentum of the primary and secondary sectors, remains the main driver of growth with a 2.4 percent contribution. This contribution would have been higher in the absence of the security crisis in the far

north. Indeed, this year, the tertiary sector suffered from the closing of borders at Amchidé and Fotokol in the Far-North region and at Garoua-Boulai in the East region, which has negatively impacted trade between Cameroon and its neighbors Nigeria, Chad and Central Africa Republic.

The performance of the primary sector has been mitigated. The 2013-2014 cocoa campaign recorded a decline of 9.9 percent compared to the previous campaign due to the declining yield of aging plantations and producers, difficult access to high quality materials and the adverse effects of climate change. Agro-pastoral activities dropped due to increasing insecurity in the north and the east. On the other hand, wood production increased by 13.7 percent during the first half of the year 2014. Overall, commodities exports slightly declined during the first nine months of 2014 (year-on-year), except for wood, aluminum and coffee (figure 1.2).

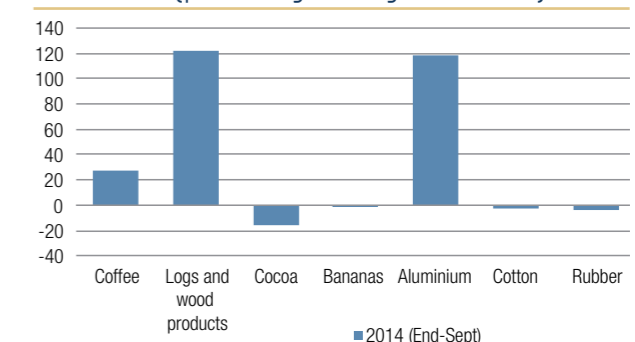
The secondary sector performed well during the first half of the year 2014 thanks to the increase in energy production. The new Kribi Gas thermal Plant

FIGURE 1.1: Sectoral Contributions To GDP Growth, 2008-2014(Est.) (in percent)



Sources: INS, MINFI and WB staff calculations.

FIGURE 1.2: Export Performance, 2014 (End-Sept) (percentage Change in Volume)

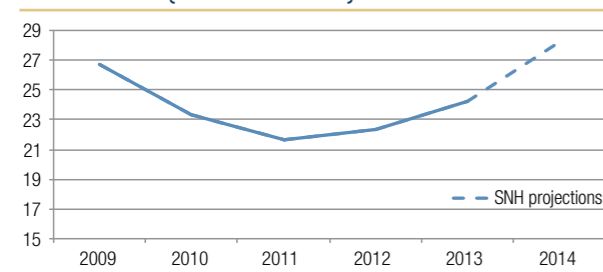


Sources: Customs and WB staff calculations.

has increased by 25 percent the national production to 676, 4 Mwh in 2014. Construction is projected to grow at 7 percent, led by the acceleration of the government major infrastructure projects particularly in road construction and rehabilitation, and the entry into the market of two new cement producers : CIMAF and DANGOTE. However some construction sites (especially roads Maroua-Mora, Dabanga-Kousserie, Batouri-Youkadouma-Ngoura...) have been interrupted due to insecurity in the Far-North and East regions.

According to the National Hydrocarbons Corporation (SNH), oil production in 2014 will slow down to 28.2 million barrels compared to a previous estimation of 30.4 (figure1.3), due to delay in the drilling of some new fields (Tiko, Bodjongo and Yabassi) initially planned for 2014. Still, oil production is projected to grow by 13.3 percent in 2014.

**FIGURE 1.3: Oil Production 2009-14**  
(in Mio Barrels)



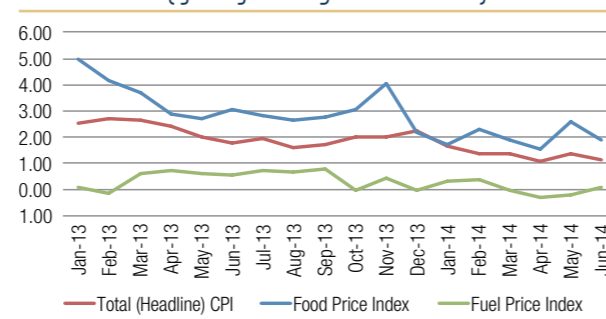
Sources: SNH.

## Inflation

The inflation rate remained below the CEMAC 3.0 per cent convergence criteria in the first semester (S1) of 2014 (figure1.4). It rose by 1.1 percent compared to 2.3 percent in the same period last year.

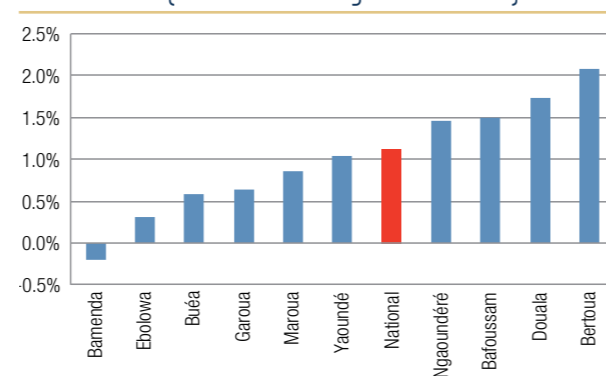
However, the rise in price unevenly spreads across the county's territory (figure1.5). During the first half of 2014 compared to the same period last year, inflation was lowest in Bamenda and Ebolowa with average rates at -0.2 and 0.6 percent respectively. Price pressures were highest in Bertoua (East region) at 2.1 percent. This situation resulted partly from the rising demand of goods led by the presence of refugees from Central African Republic.

**FIGURE 1.4: Selected Prices, 2013-2014(S1)**  
(y-o-y Change in Percent)



Sources: INS and WB staff calculations.

**FIGURE 1.5: Inflation Rate by Major City 2014**  
(S1-o-S1 Change in Percent)



Sources: INS and WB staff calculations.

Recent changes of fuel prices at the beginning of the second semester have started to impact the food and transport inflation pace. In July, the inflation in the two major cities Yaoundé and Douala rose by 2.4 and 2.6 percent respectively owing to transport price increasing by 14.2 and 12.6 percent respectively.

## ...but fiscal performance is still preoccupying...

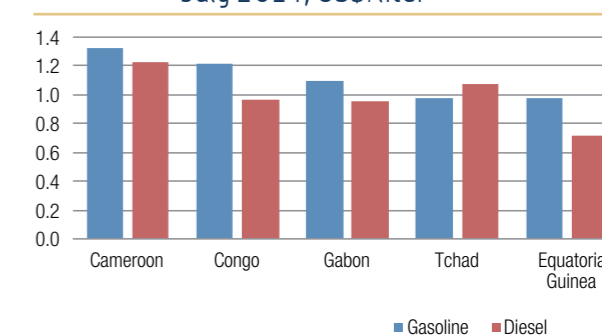
The fiscal performance deteriorated during the first half of 2014, with high cost of oil subsidies continuing to weigh on the State budget. Indeed, as in the past, in order to balance the budget, the government under-budgeted fuel subsidies at CFAF 220 billion in 2014, compared to the projected CFAF 450 billion (about 3 percent of GDP). To address this problem, a presidential decree increasing fuel prices was issued on July 1st 2014. The price of gasoline and diesel increased by 15 percent while that of domestic

gas increased by 8 percent. Cameroon displays the highest fuel prices among oil-exporter countries of the sub-region (figure 1.6).

During the first nine months of 2014, the revenues rose by 12.7 percent compared to the same period in 2013, owing to an 18 percent increase of tax revenues. This performance should be contrasted with the sharp decrease in oil price passing below \$70/bbl in December 2014, a new context that will certainly affect oil revenues collected.

Throughout the same period, expenditures increased by 7 percent, leading to an overall deficit of 1.9 percent of GDP (table 1.1). About 47 percent of the

**FIGURE 1.6: Prices of Fuel,selected Countries**  
July 2014, US\$/liter



Sources: CEMAC member countries.

capital spending was funded by external resources, especially government borrowing on projects.

**TABLE 1.1: Fiscal Performance, 2013-2014 (in Percent of GDP)**

	2013 Est.	2014 Budget	2014 End-Sept	2014 Proj.
<b>Revenue and Grants</b>	<b>18</b>	<b>17.1</b>	<b>13.4</b>	<b>17.6</b>
Oil Revenue	4.8	4.6	2.9	4.0
Non-oil Revenue	12.8	12.2	10.3	13.2
Direct taxes	3.5	—	3.1	3.6
Special tax on petroleum products	0.8	—	0.6	0.8
Other taxes on goods and services	5.8	—	4.4	5.9
Taxes on international trade	2.0	—	1.7	2.2
Non-tax revenue	0.8	—	0.6	0.7
Grants	0.3	0.4	0.1	0.4
<b>Total Spending</b>	<b>21.9</b>	<b>19.6</b>	<b>15.3</b>	<b>22.7</b>
Current Spending	14.6	13.2	10.4	15.1
Wages and salaries	5.4	5.4	4.0	5.4
Goods and services	4.6	4.1	3.1	4.8
Subsidies and transfers	4.2	3.4	3.0	4.5
Fuel subsidies****	1.7	1.4	—	2.1
Pensions	1.1	1.0	0.8	1.1
Other	1.4	1.0	—	1.3
Interest	0.4	0.2	0.3	0.5
Capital Spending	7.3	6.4	4.9	7.5
<b>Overall Balance**</b>	<b>-4.4</b>	<b>-2.5</b>	<b>-1.9</b>	<b>-5.1</b>
Non-oil primary balance***	-9.0	-7.3	-2.1	-9.2

Sources: Tableau de Bord des Finances Publiques, WB staff calculations.

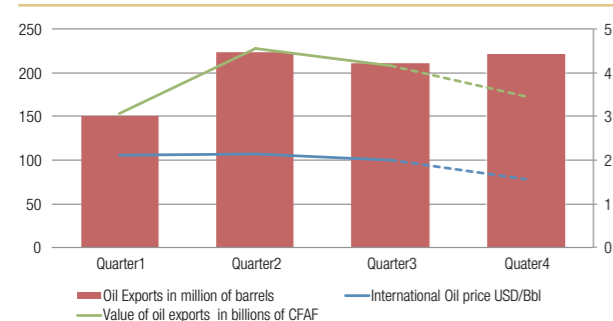
\*\*does not include payment of arrears.

\*\*\*in percent of non-oil GDP.

\*\*\*\* Figures for 2013 is a cash paid; doesn't include the rest to pay to the SONARA(1.3 percent of GDP), projections for 2014 take in to account the effects of reduction in fuel subsidies due to the recent increasing of fuel prices, so the fuel subsidies moved from about 3 percent of GDP in 2013 to 2.1 percent of GDP in 2014.

The budget saving of about CFAF 165 billion (1.1 percent of GDP) resulting from the reduction of oil subsidies is expected to be partially absorbed by the reduction of the special tax on petroleum products and global tax for transporters and a CFAF 30 billion increases of public servant salaries. Overall, the government will save about 0.9 percent of GDP in 2014, with the oil subsidies projected to decrease from CFAF 450 billion to CFAF 330 billion. Furthermore, the insecurity faced in the Far-North of the country due to regular attacks from Boko Haram and the preventive measures to fight against Ebola disease will also increase public expenditure. Accordingly, total expenditure will increase to 22.7 percent of GDP from 21.9 percent of GDP in 2013. Total revenue which will be affected by the downfall of international oil prices observed since the beginning of second half of the year 2014 (figure1.7) is expected

**FIGURE 1.7: Value of Oil Exports Tied To International Oil Price, 2014 (Q1-Q4)**



Source: SNH and staff calculations.

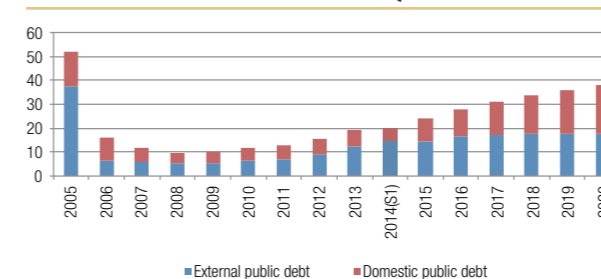
to decline to 17.2 percent of GDP compared to 17.6 percent in 2013. Consequently the overall fiscal deficit (commitment basis) is estimated to widen by the end of 2014, reaching 5.1 percent of GDP compared to 4.2 percent of GDP in 2013.

### ...and the pace of debt and the external balances raise concerns

#### Debt

Thanks to the debt cancellation under the HIPC-Initiative, the public debt of Cameroon is currently at a low level. The stock of public debt is estimated at 20 percent of GDP in the first half of 2014, with an external debt of 14.6 percent of GDP and a domestic debt of 5.4 percent of GDP. The government has been using this fiscal space to externally finance a series of infrastructure projects to address the country's infrastructure needs. The external finance need of the government for 2014 was estimated at 3.8 percent of GDP. If this trend is maintained, Cameroon will exceed its self-imposed debt limit of 35 percent of GDP by 2018, reaching 40 percent by 2020 (figure 1.8). The share of domestic debt is also projected to rise, from 7 percent in 2013 to 20 percent in 2019. Although the external debt remains sustainable, the accelerated pace of debt accumulation in a context of relatively high fiscal deficits is worrisome. It is expected that the National

**FIGURE 1.8: Actual and Projected Stock of Public Debt, 2005-2019 (in Percent of GDP)**



Sources: CAA and Debt Sustainability Analysis.

Comity of Public Debt will closely monitor the government's debt strategy over the coming years.

#### External Balance

During the first nine months of the year 2014, the total exports slightly increased compared to the same period in 2013, thanks to the increase in oil exports. However, non-oil exports decreased by 7 percent in value, widening the non-oil trade deficit by 10 percent (table 1.3). The overall trade deficit increased by 8 percent compared to the same period in 2013.

Non-oil exports are projected to maintain the same pace over the year 2014 mainly due to some current bottlenecks at the port of Douala, and imports will decline by 0.2 percent compared to 2013 (table1.2).

**TABLE 1.3: Balance of Payments, 2014 (in percent of GDP)**

	2013	2014 (Proj.)
<b>Current account balance</b>	<b>-3.8</b>	<b>-4.2</b>
Trade balance	-0.7	-1.4
Oil and oil products	10.5	10.1
Non-oil exports (goods)	10.1	9.9
Imports (goods)	21.2	21.4
Services (net)	-2.1	-2.1
Income (net)	-2.1	-1.9
Transfers (net)	1.0	1.2
<b>Financial account balance</b>	<b>3.2</b>	<b>4.1</b>
Official capital	3.1	2.9
Long-term borrowing	3.5	3.6
Amortization	-0.5	-0.8
Non-official capital (net)	0.2	1.1
Oil sector	0.4	1.2
Non-oil sector	-0.2	0.1
<b>Overall balance</b>	<b>-0.3</b>	<b>-0.1</b>

Source: IMF.

Consequently, the trade balance will deepen from -0.7 percent of GDP in 2013 to -1.4 percent of GDP in 2014. At the same time, the current account deficit (excluding grants) will increase to 4.7 percent of GDP from 4.4 percent in 2013.

#### BOX 1.1: Economic Impact of the Conflict in the Far-North Region

Recent developments in Northern Cameroon have pointed to an alarming deterioration in security conditions due to the presence of Boko Haram. The nature and reasons of this conflict are difficult to capture, but the economic impacts are visible. During the year 2014, the insecurity crisis in the Far-North has negatively affected agriculture activities in the region and trade with neighbors. The crisis disrupts the agricultural schedules and some farmers have abandoned their fields; the network of distribution of inputs and the supplying of border markets have also been disturbed. In addition, the inaccessibility of border markets in Nigeria has caused an oversupply and a decline of food prices and livestock products prices in local markets in the Far North. The closing of borders at Amchidé and Fotokol in the Far-North region has led to (i) the scarcity of products from Nigeria particularly motorcycles, spare parts, soft drinks and (ii) difficulties to sell some products to Chad, Central African Republic and Nigeria. Finally, the banning of motorcycles in the region has disrupted distribution services to large consumption centers.

Source: MINEPAT, DAPE.

**TABLE 1.2: Trade Balance 2013 (Jan-Sept), 2014 (Jan-Sept) Volume in Million of Tonnes, Value in Billion of CFAF**

	2013(End-Sept)		2014 (End-Sept)		2013(Sept) o 2014(Sept)	
	Volume	Value	Volume	Value	Volume	Value
Exports	4079	1542.4	4816.6	1638.7	18%	6%
Oil	2153.5	711.8	2808.3	860.5	30%	21%
Non-oil	1925.5	830.6	2008.3	775.2	4%	-7%
Imports	5520.8	2480	5884	2652.8	7%	7%
Oil	998.8	435.1	1315.3	544.8	32%	25%
Non-oil	4522	2044.9	4568.6	2107.9	1%	3%
Trade Balance		<b>-937.6</b>		<b>-1017.1</b>		<b>-8%</b>
Non-oil Trade Balance		<b>-1214.3</b>		<b>-1332.7</b>		<b>-10%</b>

Source: Cameroon Customs.



## Medium term prospects are mitigated...

Oil production is expected to continue its upward trend over the coming years. The National Hydrocarbon Company (SNH) projects a 12.9 percent increase in production in 2015, following the start of production in the Dissoni oil field discovered last year, the reactivation of production in Lokélé oil field and the use of recovery techniques to optimize the production of mature fields (Rio del Rey). Additionally four new fields (Eroko, Tiko, Bodjongo, and Yabassi) are expected to be drilled by the end of 2015. However, SNH projects a peak in production for 2015 and a decline for the following years unless ongoing explorations lead to new production. In the medium to long term, natural gas could fill this gap, provided investments, such as a liquefied gas terminal, makes its export feasible. The positive prospect on the production side is counterbalanced with the steady decline in crude oil price. Indeed, after fluctuating around US\$ 108 per barrel during the first seven months of 2014, the price of crude oil has hit a four-year low and is currently below US\$ 70 per barrel —approximately a 31 percent decline since June.

The Kribi deep sea port is almost completed. In July 2014 a Chinese ship with two tugs was able to access the dock, indicating that the port can receive heavy vessels from now on. While the construction of the port is estimated at 99 percent, delays with connecting infrastructure, especially the access road, the electricity line and the optic fiber cable, as well as the setup for Customs might impact the start of full operations. The problems at the port of Douala last year have shown that it represents a major bottleneck for international trade. Once operational, the new port in Kribi could help in boosting Cameroon's exports.

On power, the Lom Pangar Hydropower dam is the centerpiece of the Government's strategy to ensure the medium to long term electricity supply in the country. Besides the plant that will supply 30 MW to cover the energy needs for the eastern region of Cameroon, Lom Pangar allows the regulation of the flow of the Sanaga in dry seasons. It paves the way for the construction of new power plants on the Sanaga Basin to tap the full potential of this basin. The Lom Pangar Hydropower

project will therefore complement the multitude of ongoing or completed energy projects, including the Kribi power plant and the Mekin and Memve'le dams and bring the total energy supply to around 1,560MW by 2017. The challenge will be to make this capacity available where it can be more productive. As such the transport of energy to match supply and demand is essential, and a survey of large energy demands, particularly from the industrial sector should be done, and the construction of transport infrastructure to these areas should be planned.

Apart from these projects of dam constructions which could increase the energy supply in the country, Table 1.4 lists other infrastructure projects which could improve in the medium term the country's production backbone and boost its domestic, regional and international trade.

The third telecom operator, Nexttel, is on board since September 2014. The fourth one, Camtel, has received its license and is about to launch its activities. Consequently, increasing competition in the telecommunication sector can be expected, raising expectations in terms of good quality of services at lower prices. The effective implementation of the 3G license will boost the tertiary sector which remains one of the main drivers of growth.

TABLE 1.4: Cameroon's major Infrastructure Projects

Projects	Estimated Cost (Billion of CFAF)	Operational Timeline
Kribi deep sea port	244	2015
Lom Pangar Hydropower dam	220	2016
Mem'vele dam	380	2017
Mekin dam	26	2015
High way Yaounde-Nsimalen	60	2015
High way Douala-Yaounde	241	2017
Asphalting of the road Kumba-Manfé	87.5	2016
Second bridge on the Wouri	120	2017
Entry East and West of Douala	99.2	2016

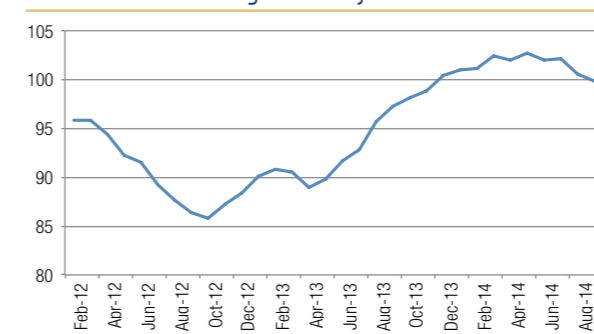
Source: MINEPAT.

## External risks

The prospects for world markets are mitigated. The growth forecast for the world economy has been revised downward to 3.3 percent for 2014, 0.4 percent lower than in the April World Economic Outlook. The global growth projection for 2015 was lowered to 3.8 percent owing to a worsening of geopolitical tensions, a reversal of both the risk spread and the volatility compression in financial markets, the stagnation and the low potential growth in advanced economies, and a decline in potential growth in emerging markets.

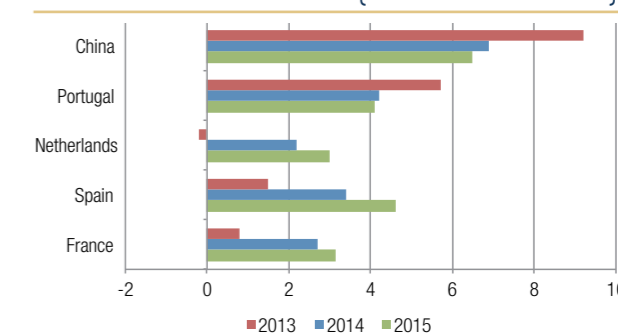
Despite the easing of interest rates by the European Central bank in June and September 2014, growth is expected to remain lackluster and fragile. GDP rate is forecasted at 0.9 percent in 2014, down from 1.1 percent as previously projected. The Euro Zone Economic Sentiment Indicator was stable since January 2014, showing that confidence in the Euro Zone is also stable (figure 1.9). At the same time, some of Cameroon's major trading partners like China and Portugal are projected to import less than the year before (figure 1.10). Moreover, the main destination countries of Cameroon's exports are Europe and Asian countries (table 1.4). Therefore, the downturn in economic activities in the Euro zone and Asia is expected to negatively impact Cameroon's exports, especially commodities.

FIGURE 1.9: Euro-Zone – Economic Sentiment Indicator, 2012-2014 (long-Term Average = 100)



Source: European Commission.

FIGURE 1.10: Actual and Projected Import Volume, Main Trading Partners, 2013- 2015 (variation in Percent)



Source: IMF WEO October 2014.

TABLE 1.5: Cameroon, main export destination countries

Exports goods	Main export destination countries
Coffee	Italy, Portugal, France
Logs and woods	Italy, China, France
Cocoa	Germany, Malaisie, Netherland
Bananas	France, Belgium, United Kingdom
Aluminium	Netherlands, France, Italia
Cotton	China, Malaisia, Turkey
Rubber	Spain, China, Netherlands

Source: Cameroon Customs

## Domestic challenges

Considering the fall in international oil prices international oil price which is expected to continue over the coming months, and its impact on oil revenues (which count for about 25 percent of total revenues), the government is encouraged to continue the reduction of fuel subsidies and the elimination of fiscal expenditures as it continues to handle strategically the security challenge in the far north and its impacts on the economy.

Another issue that requires attention is the high level of poverty. Despite a decade of economic growth, poverty rates in Cameroon remain almost unchanged with a population growth at 2.5 percent. After showing a large decline between 1996 and 2001, poverty trends have remained static. From 1996 to 2001, the incidence of poverty in Cameroon dropped

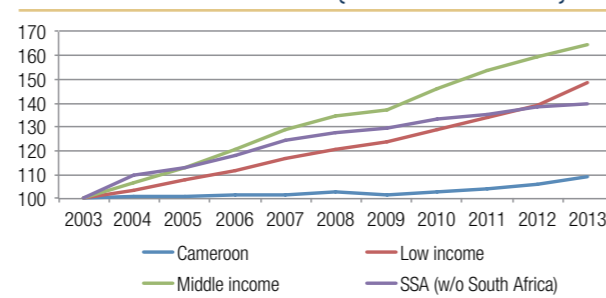
from 53.5 percent to 40.2 percent, while the 2007 data showed a poverty incidence of 38.7 percent. This trend is in line with the trend of per capita GDP over 2003-2013 (figure 1.11). While per capita incomes have expanded by about 45 percent in low income countries and in Sub-Sahara Africa (except South Africa) and even by 65 percent in middle income countries, per capita income has almost stagnated in Cameroon, growing by a mere 9 percent over the period.

Moreover, Cameroon still faces a major infrastructure gap, partly because of its low investment over the last 20 years. This is why the government has pushed an investment agenda over the recent years. Taking advantage of its low debt levels after the debt cancellation under the HIPC-initiative, the government has invested in infrastructure, such as roads, electricity production and the Kribi port. The acceleration of investment, however, poses the problem of decreasing quality of investment. As the number of executed projects increases, so does the risk of investing in projects that do not maximize returns, as institutional capacity to assess the returns on investment are limited. Therefore, an overarching investment strategy with clear priorities is indispensable to avoid 'opportunistic' investments in projects that are not the most pertinent or with suboptimal financing conditions. Public Private Partnerships (PPPs) might also be a source of financing for new infrastructure projects, but only if future costs are accounted for in a transparent way and if it is more favorable than turning to capital markets.

### ....and more efforts are needed to boost Cameroon's growth...

In addition to inadequate infrastructure, economic performance is also hurt by governance shortcomings. The business climate is not yet conducive for growth. In terms of the ease of doing business in Cameroon, the country scored low on international business climate comparisons, such as the Doing Business ranking. It lost ten points

FIGURE 1.11: Per Capita GDP Growth, 2003-2013 (index 2003=100)



Sources: World Development Indicators and WB staff calculations.

moving from 148th to 158th over 169 countries according to Doing Business 2015. Besides the topic of "Protecting Minority Investors" where Cameroon has gained thirteen (13) points, its rank on other topics stay unchanged or low (Table 1.6). "Dealing with Construction permits" (lost of 34 points) is one of the bottlenecks in the ease of doing business. Even if Cameroon made it easier by decentralizing the process for obtaining a building permit and by introducing strict time limits for processing the application as well as issuing the certificate of conformity, dealing with construction permit remains more complex by the introduction of notifications and inspection requirements.

In an effort to attract investment, the government offers fiscal incentives to businesses through its new investment law. However, as a recent study by the Ministry of Finance on the competitiveness of secondary sector companies has pointed out, fighting corruption, cutting red tape and reforming the judiciary system are important to business owners.

This poor business climate could negatively affect capital accumulation or preclude the reallocation of production factors to their most effective uses and hence maintain growth below the targets formulated in the 2009 Strategy Document for Growth and Employment (DSCE). This situation calls for renewed attention to the sources of growth in Cameroon - to identify policy areas that can help Cameroon reach the economic growth levels that are needed to sustainably develop the country and reduce poverty.

TABLE 1.6: Ease in Doing Business in Cameroon

Topics	DB 2015 Rank	DB 2014 Rank	change in Rank
Starting a Business	133	127	-6
Dealing with Construction Permits	166	132	-34
Getting Electricity	52	52	No change
Registering Property	172	172	No change
Getting Credit	116	111	-5
Protecting Minority Investors	117	130	13
Paying taxes	181	178	-3
Trading Across Borders	160	160	No change
Enforcing Contracts	159	159	No change
Resolving Insolvency	123	119	-4

Source: <http://www.doingbusiness.org/data/exploreeconomies/cameroon>.

One area that requires an acceleration of reforms is trade facilitation, especially the efficiency of the Port of Douala which accounts for at least 95 percent of the goods exported from and imported to Cameroon. As the natural hub for the Central African region given its strategic location, inefficiencies at the Port of Douala represents a major constraint to growth. Therefore, an efficient Port of Douala is a key source of growth, as it would ensure that imports (including

intermediate goods for domestic production) are cheaper in the domestic market and exports are more competitive on foreign markets. The next chapter suggests some options on how to improve the efficiency of the Port of Douala on the basis of the analysis of imported cargo dwell times and the institutional and regulatory framework governing the management of the Port.

# ASSESSING THE PERFORMANCE OF THE PORT OF DOUALA

The port of Douala is constrained by a long waiting time at the entry gate as well as a long dwell time. Improving the management of the port to significantly reduce cargo dwell time and ensuring its complementarity with the ports of Kribi and Limbe will be essential for Cameroon's external competitiveness. An abundant economic literature (Wilson et al, 2003a, 2003b, 2004; Clark et al, 2004) has demonstrated that poorly-performing ports can strongly reduce trade volumes and may have a greater dampening effect on trade for small, less-developed countries than many other trade frictions and that port efficiency and services infrastructure have a positive impact on African trade (Djinke et al, 2008). Indeed, trade and transport facilitation has become a vital tool in the process of integrating markets and the performance and efficiency of a Port to help lower trade transaction costs hence reducing the margin between domestic and international prices to benefit consumers and producers.

On average, the global importing time (from departure in origin country to cargo exit at the port) is estimated at 42 days (39 for containers and 56 for non containers). 50 percent of this time is due to maritime transport and the other half to the global cargo dwell time (from vessel arrival to cargo exit) estimated in 2014 at 22 days. This average value has been quite stable in the last 10 years despite strong and consistent growth in traffic. Some consequences of these long delays are the crowding effect in terms of redirection of some vessels to neighboring ports,

notably the port of Pointe Noire in the Republic of Congo. In addition, long cargo dwell times largely contribute to the poor rank of Cameroon (133 out of 166 countries) in the 2014 World Bank logistics performance indicators. Building on two missions that collected data on cargo delays at the Port of Douala<sup>1</sup> and complementary discussions with port stakeholders and a field visit of the Port, this chapter assesses the efficiency of the Port of Douala through a disaggregated analysis of cargo dwell time, the main reasons of cargo delays at the port of Douala and then recommends measures to improve the Port efficiency and competitiveness.

## **The Port of Douala is one of the least efficient of the region...**

### ***Measuring the inefficiency of the Port of Douala***

At least two indicators can be used to assess the efficiency of a port. The time spent by cargos within the port or its extension and payments made by shipping companies or traders to exit the cargos. In this chapter, based on data and information available, the efficiency or inefficiency of the Port of Douala is analyzed based on the cargo dwell time. Moreover,

<sup>1</sup> The first mission was conducted by Gouassou Diarra and Tchapa Tchouawou, consultants for the World Bank. The objective of this mission was to perform an in-depth data collection and analysis to determine the actual drivers of long cargo delays at the port of Douala in Cameroon.

since over 80 percent of the traffic at the Port of Douala is related to imports<sup>2</sup>, the efficiency of the Port is analyzed on the basis of its import operations performance. Also, the statistical analysis of cargo dwell time indicators has been done only for import cargoes since only this category of operations were traded from the manifest to the declaration tables proposed by the Automated System of Customs Data (ASYCUDA). Information on export declaration was not filled during the period analyzed by the present analysis.<sup>3</sup> The analysis is based only on cargo

<sup>2</sup> 82.4% of the 141000 cargoes recorded by the customs authorities in 2013 were imported and 53.64% of them were containerized. 65 % of total cargoes registered in 2013 for local import, around 15% for transit, and 20% for export. The traffic in the Port of Douala has increased up to 9.84% from 2012 to 2013. The vessels discharged at the port of Douala come essentially from Algeciras (44%), Antwerp (21%), Las Palmas (9%) and Singapore (5%). Each vessel having made a stop at the port of Douala during 2013 has unloaded on average 370 containers. Cargoes in these vessels are mainly originated from France (23%), Belgium (16%), China (16%), Arab Emirates (10%), USA (7%) and Germany (4%) and the main destinations of these cargoes are: Cameroon (84%), Chad (13%), and Republic of Central Africa (1%).

<sup>3</sup> According to Cameroonian customs, this issue was solved since May 2014 through a reform which requests to generate for each export declaration a single Bill of Lading (BL) which is linked to a manifest

discharged and assessed in 2013 which excludes cargo discharged in 2013 but assessed in 2014 for instance or cargo discharge in 2012 and assessed in 2013. Therefore the results should be interpreted with this restriction in mind.

The global dwell time measures the time between the vessel arrival or discharge and the exit of cargo out of the port. This indicator aims at appraising the joint performance of all stakeholders in import operations. It is composed of 3 components: the operational dwell time, which refers to the performance of physical operations; the transactional dwell time, which refers to the performance of clearance formalities; and the storage dwell time, which refers to the voluntary storage of cargo in the container yard as part of a wider inventory management strategy.

Various indicators of cargo dwell time can be used to assess the performance of different stakeholders of import at the Port of Douala. The figure 2.1 below presents the list of individual operation dates that have been used to compute the indicators of cargo dwell time used in the context of the present chapter. From these different dates, several combinations of calculation are possible. We have analyzed what we consider as the most relevant for the analysis of the

### BOX 2.1: The Port of Doula

Cameroon has four autonomous ports: the port of Douala, the maritime port of Kribi, the seaport estuary of Lamina and the river port of Garoua. The port of Douala provides near 95 percent of national port traffic. It thus positions itself as the main port of Central Africa and serves neighboring landlocked countries such as Chad, the Central African Republic (CAR) and the North of the Republic of Congo. The regulations on the organization of the autonomous port of Douala are defined by Decree No. 99/130 of 15 June 1999. Built on the estuary of the Wouri River, this port is connected to the ocean by a 50 km channel dredged to an average rating of -7 m. with an annual capacity of 7 million tons traffic, it consists of: 26 berths on 5.5 km long, 7 specialized terminals, 15 warehouses, 65 ha of open area, 25 km of railways and 20 km of paved roads. The container terminal has a front of berthing of 700 m long and 45 m TEUS wide for traffic from 1.2 million tons to 105 000 units. A Single Window for Foreign Trade Operations (GUCE) was created in 2000 to coordinate and host in a single-point all the stakeholders in the process of import and export of goods. It is operational since 2002. Several industrial and commercial activities of the Douala port were privatized in 2003 and 2004: the container terminal was granted to Douala International terminal (DIT), consortium of leading operators of the port which includes Bolloré (Saga, SDV, SOCOPA) and Maersk.

Source: <http://www.logistiqueconseil.org/>.

efficiency of the Port of Douala. However, it should be noted that there are some problems related to the accuracy of some dates, notably the vessel date. For instance we found that for around 10 percent of declared items, the vessel was discharged before it arrival. Therefore these data were excluded from the analysis<sup>4</sup>.

The global dwell time at the Port of Douala is estimated at 22 days for the mean value and 16 days as a median. It is higher for non-containerized cargo (30 days as mean and 21 days as median) than for containerized cargoes for which the average total dwell time is 20 days while the median dwell time is 15 days. As shown in figure 2.2, it is among the longest of the ports of the continent for which data are available. The average global time at the Port of Douala is 5 times higher than the one of Durban, twice of the Port of Mombasa, 1.5 time of Dar Es Salam Port, exceeds by 22 percent the global dwell time at the Port of Lome and by 10 percent the Port of Tema. In major ports of Asia and Latin America, the global cargo dwell time is on average less than a week.

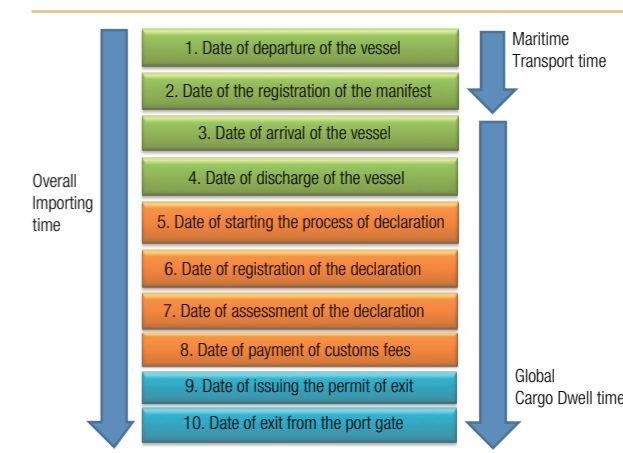
The distribution of imported cargo dwell times (figure 2.3) shows that 25 percent of all cargoes have a dwell time higher than 26 days, while for containerized cargo this value is estimated at 25 days against 34 days for non-containerized cargoes. Figure 2.3 also highlights the presence of successive peaks that confirms the existence of discretionary cargoes clearance behaviors. Indeed

<sup>4</sup> The analysis was completed in five main phases:

- Collect detailed disaggregated data on dwell time for the port of Douala,
- Collect data from logistics services operators (of which freight forwarders, customs brokers,...), to assess their costs and services prices (as well as time data),
- Undertake firm surveys to assess the extent of logistics constraints on importers/exporters, large/small-scale companies, traders....
- Quantitative analysis based on collected data.

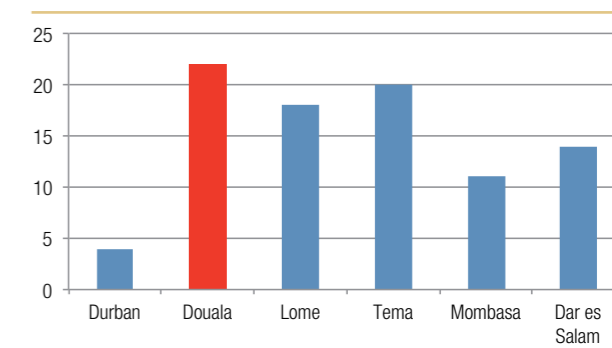
the peak around 11 days can be interpreted as a psychological threshold linked to the expiration of the legal free time period. The analysis shows that around 1.6 percent of declared items of cargoes remains within the port more than 90 days. For containerized cargo this represents 1.1 percent and 4.6 percent for non-containerized cargo. The goods which have stayed more than 90 days are those likely to be sold through public auction.

FIGURE 2.1: Chronological Dates Used for the Construction of Indicators of Cargo Dwell Time



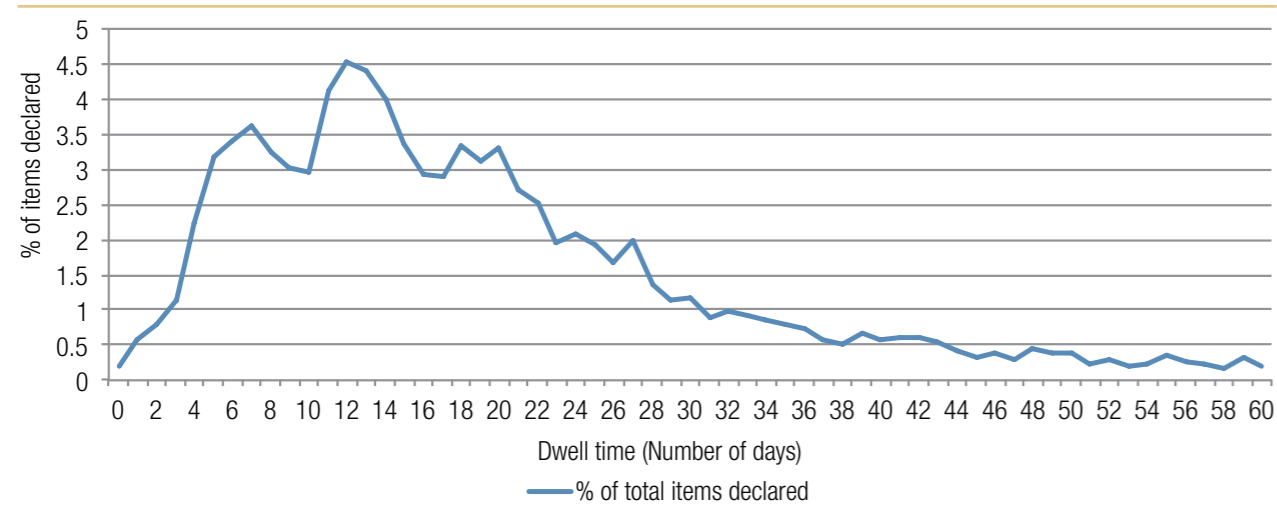
Source: World Bank, based on data from Cameroonian customs.

FIGURE 2.2: Average Dwell Time at Selected Ports of Africa



Source: World Bank.

**FIGURE 2.3:** Distribution of Imported Cargo Dwell Time (from Discharging Vessel To Exiting Cargo) in 2013 at the Port of Douala (% of Total Items Declared)



Source: World Bank using data from Cameroonian Customs.

### Product, Destination and Broker Specific Assessments

For vehicles, the dwell time is greater than 20 days and for rice, maize and others cereals it is estimated at an average of 56 days. By contrast, for fresh products and products containing asbestos, it is estimated at less than 6 days. The legislation seems to be one of the reasons for long delays for rice and others cereals. In 2005, in order to facilitate the country's supply of rice, the Cameroonian government allowed an exceptional 90 days free time (the normal free time is 11 days) for rice as this commodity is the main imported food consumed in Cameroon (about 700,000 tons per year). This decision has not been reversed since then.



Discrepancies on the global time also exist when we consider countries of destination of cargoes, type of brokers, importers and customs regimes.<sup>5</sup> Concerning destinations of cargoes, while containers going to Chad have 18 days as global dwell time, it is recorded 20.3 days for Cameroon, 27.1 days for the Republic of Congo and 44.7 for Central African Republic (CAR).<sup>6</sup> The fact that part of customs fees for cargoes going to CAR are paid at the port of Douala largely explains this long delay. Since part of customs and import fees due to CAR are paid at the Port of Douala, the difficulties related to the mobilization of resources to pay customs fees and deposit necessarily cause delays. This is confirmed by the fact that the average time taken by the containers going to Chad is lower (18 days) than the time of those

<sup>5</sup> **Three selectivity lanes are used by customs to clear cargo discharged at the port of Douala.** The red lane consists in physical check using a scanner; the yellow lane consists in a document check and the blue lane for which there is no immediate check as it seeks to promote facilitation in import operations. The green lane is set for all cargoes after clearance. In 2013, 61.2% of total containers have been cleared through the red lane, 28.9% through the yellow lane and 9.8% through the blue lane. For transit cargo there is no blue lane and the red is essentially the rule. Only a small number of importers are benefiting the blue lane under the agreement of performance contract. This facilitation lane allows reducing up to 1 week the cargo dwell time.

<sup>6</sup> Gaoussou Diarra et al. (2014), P.35.



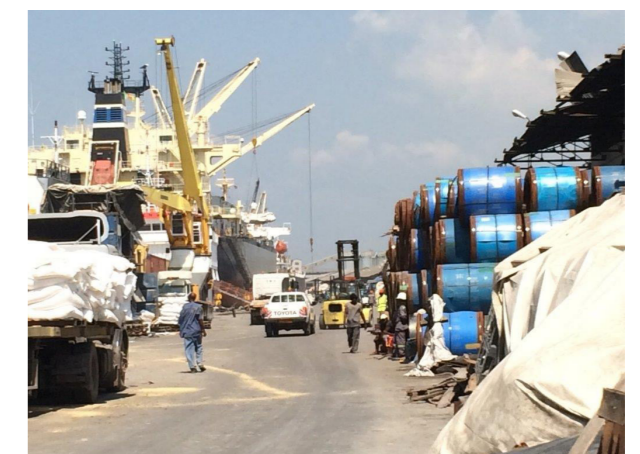
going to CAR (about 44.7). If Chadian importers had to pay a portion of their duties in Douala, their dwell time would certainly increase.

Substantial differences also exist between small, medium and large customs brokers in terms of average global dwell time. Medium brokers who control half of the market seem to have lower global dwell time (19 days) compared to the top 5 largest brokers owning a quarter of the market (21.24 days) and small brokers (22.54 days). The poor performance of small brokers seems to be due to their low mastery of procedures and difficulties to access information on the itinerary of vessels and cargoes. Considering customs regimes, the average time for the red lane is 21 days (16 as a median), 20 for

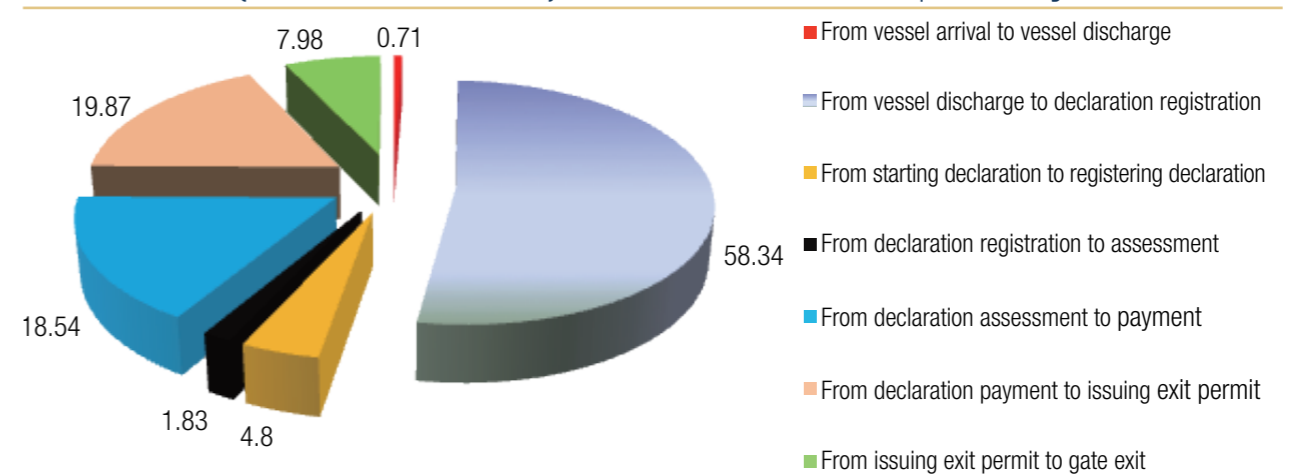
the yellow (14 as a median) and 14 days for the blue lane (9 as a median).

### Decomposition of the Global Dwell Time

The chronological date presented in figure 2.3 allows disaggregation of the global dwell time. The figure 2.4 below shows the share of each component of the global dwell time at the Port of Douala and reveals its main sub-components that should be targeted: (i) the customs declaration registration time (from discharging vessel to registering customs declaration); (ii) the declaration payment time (from declaration assessment to paying customs dues) and; (iii) the time to get exit permit (from declaration payment to issuing exit permit).



**FIGURE 2.4:** Mean Values of the Share of Each Component of Cargo Dwell Times Within the Global Dwell Time (from Arrival To Gate Exit) in 2013 at Douala Port, All Imported Cargo

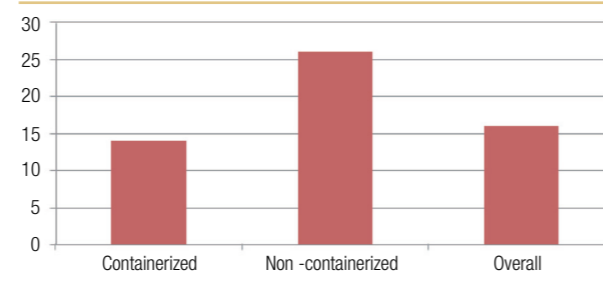


Source: World Bank using data from Cameroonian Customs.



The customs declaration registration time (date of declaration registration minus date of vessel discharging) which assesses the performance of customs brokers and the quality of the relationship between importers and brokers is by far the most important component of the global dwell time. It is estimated on average around 58 percent for overall cargoes (figure 2.4), 57 percent for containers and 64 percent for non-containers. The average value of this component of dwell time is 16 days (14 days for containers and 26 for non-containerized cargoes) while the median value is 11 days (11 days for containers and 15 for non-containers). The third quartile value is 20 days (19 for containers and 34 for non-containers). However, for containerized cargoes cleared through the blue lane and for rice and maize, this component is not the highest one as it represents 38 percent in both cases. These two cases suggest a deliberate willingness to store cargo within the port and allows the conclusion that a large proportion of the customs declaration time is not due to clearance formalities but to behavioral practices (willingness to fraud, lack of anticipation, absence of required documents...). This delay may be imputed to importers and customs brokers because the registration of the declaration cannot be completed if some required documents are lacking. The responsibility of the pre-shipment inspector (SGS) is also of concern since many importers are complaining about its behavior as a monopolistic actor.

**FIGURE 2.5: Average Customs Declaration Registration Time [in Numbers of Days]**



Source: World Bank using data from Cameroonian Customs.

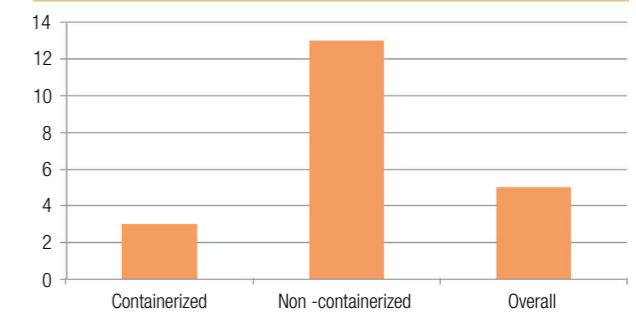
It is worth noting that the discharge of vessels is delayed by the waiting time at the entry of the Port that was estimated in 2013 at 5 days on average with a peak in September (around 10 days). This delay which is an indicator of the inefficiency of port operators in terms of dredging the river and handling equipments for unloading and loading vessels at quay is specific to the geographical and logistic features of the port of Douala. Due to this delay, some shippers are using the port of Pointe Noire (the Republic of Congo) to transit an increasing part of their import cargoes going to Cameroon. The purchase of 4 new gantries by the container terminal operator (DIT) in May 2014 is expected to reduce it.

The Declaration payment time (Date of payment of customs duties minus date of declaration assessment) is an indicator of the performance of importers. On average 4 days (figure 2.6) separate the dates of assessment and payment of declarations both for containerized and non-containerized cargoes (2 days for median values). This time is estimated on average at 2 days for blue lane clearance, 6 days for yellow lane and 4 days for red lane. Small customs brokers displayed on average 1 additional day for this component of dwell time compared to medium and large brokers. We can infer that difficulties of some importers to access finance for paying customs fees is one of the reasons of long declaration payment dwell time.

The declaration assessment time (from registration to assessment), a step before the declaration payment time represents on average less than 2 percent of global cargo dwell time (figure 2.3) and less than 1 percent for 90 percent of cargoes. It is worth noting that while the declaration time has been reduced over the last years as result of customs reforms, this transaction time is actually much higher since some brokers and customs agree on all details when they wish to fraud before lodging the declaration.

The time to get exit permit (Date of issuing exit permit minus date of payment of declaration fees) measures the performances of importers, terminal operators and brokers. It represents on average 20 percent of global dwell time (18 percent for containers and 28 percent for non-containers). After the payment of customs fees, importers spend on average 5 days (figure 2.6) before obtaining the issuing of the exit permit to remove cargoes out of the port (3 days for containers and 13 days for non-containers). 75 percent of cargoes have encountered 5 days as a value of this component of dwell time (4 days for containers and 14 days for non-containers). Containerized cargoes cleared through the blue lane spend on average 1 additional day during this time component in comparison to those cleared through the yellow lane (4 days against 3) and 2 additional days compared to red lane containerized cargoes (2 days). It is also the case for transit, rice and maize cargoes. Transit cargoes takes on average 5 days to get exit permit (it reaches 18 days for cargoes going to the Central African Republic where the political instability might explain this long delay). For rice and maize cargoes, the time to get exit permit is estimated on average at 40 days, which represents on average 70 percent of the global dwell time. The long time to get exit permit reinforces the presumption that some importers, especially large ones benefiting from facilities through the blue lane customs clearance, tend to use the port as a cheap warehouse. Before terminal operators issue exit permit, importers must pay all charges, including warehousing and transport. Therefore the reactivity of importers in formulating

**FIGURE 2.6: Average Customs Declaration Registration Time [in Numbers of Days]**



Source: World Bank using data from Cameroonian Customs.

this demand of exit permit is likely to be affected by financial constraints.

After the issuing of the exit permit, 75 percent of containerized cargoes exit within 1 day against 4 days for non-containerized cargoes. For rice and maize cargoes, this component is estimated at 11.6 days on average. This long delay can be explained by the fact that importers of this category of commodity have to remove their cargoes by using many rounds of trucks due to poor road infrastructures, congestion in port areas circulation in Douala and weak handling of terminals equipments for loading and unloading. Due to these challenges, importers argue that it is impossible to make two rounds per days with trucks. In addition, the quality of trucks remains quite questionable, which contributes also to increase exit delays.

The analysis of the decomposition of the global dwell time allows the conclusion that a large proportion of the global dwell time is neither due to transactional processes nor operational processes but to behavioral practices. It is actually due to what Refas and Cantens (2011) have defined as discretionary dwell time which corresponds to "the sum of all idle times between vessel arrival and exit from container yard that are strictly storage times". The discretionary dwell time results mainly from a business model of some importers that is based on the use of the Port as warehouse.

## ...mainly due to regulation and infrastructure limitations

Raballand et al (2012) have identified several reasons for unusual cargo dwell time in African ports. These reasons range from rent-seeking behaviors among shippers, intermediaries, and controlling agencies, to low logistics skills and cash constraints for most importers and prevailing market structure on which companies use long dwell times as a strategic tool to prevent competition. The situation at the Port of Douala is consistent with this observation. Based on the interviews carried out during the collect of cargo dwell time data and the disaggregation of the global dwell time above, specific reasons of long dwell time at the Port of Douala can be classified into six categories: (a) weak coordination of frontline stakeholders; (b) monopolies of the inspection and the terminal operators; (c) Ineffective legislation (d) high share of informal and unprofessional brokers; (e) complexity and length of import procedures and; (f) physical and equipment limitations of the Port.

### Weak coordination of frontline stakeholders

Regulation of Ports in Cameroon is the responsibility of the National Port Authority (APN), which implements the national port policy as defined by the Government.<sup>7</sup> The Port of Douala is managed by the Port Authority of Douala (PAD). Its mission is to create, maintain, improve and operate all port

<sup>7</sup>As such, it is responsible for the national port development planning; development and control of the implementation of port security and police standards, of the monitoring of the implementation of legislation and regulations on environmental port protection; port performance monitoring; compliance with competition rules in the exercise of port activities; monitoring of the implementation of the reducing port costs plan ; the participation, as appropriate, in the negotiations of the agreements to be signed by the Government in the port field and the definition of the framework of the exercise and transfers of port activities.

facilities<sup>8</sup> to provide customers with a service that meets their ongoing needs and expectations. The International Maritime Transportation Facilitation Committee (FAL) was established in 1997 to ensure the facilitation of maritime traffic. Its main task is to monitor and coordinate the implementation of measures to facilitate and speed up traffic.

Since January 2005, the management of the container terminal was granted by the port authority to a single company: Douala International Terminal (DIT). MAERSK and SDV are the main shareholders with 80 percent of the shares and control more than 80 percent of freight traffic to import and export. DIT is responsible for handling ship (using standalone gantry), handling land, and park management. Handling operations are under the responsibility of private operators grouped in unions. The most important is the GPAC (Professional Association of Stevedores of Cameroon). The Cameroon National Shippers' Council (CNCC) which is a public agency with legal personality and financial autonomy provides assistance and protect interests of shippers.

A Single Window for Foreign Trade Operations (GUCE) was created in 2000 to coordinate and host in a single-point all the stakeholders involved in the process of import and export of goods. It is operational since 2002. It groups in the same place entities representing customs, foreign exchange service; the plant protection service; the Treasury; the PAD; the National Office of cocoa and coffee Board (NCCB); the Société Générale de Surveillance

<sup>8</sup> The port is organized into 11 geographic areas of operation including: (i) an area for various goods, (ii) a modernized containers terminal which covers an area of 23 hectares divided into four storage areas and is intended for container traffic and imported vehicles. It received in 2013 traffic of 350,000 TEUs. The rate of occupation of the terminal was estimated to 90% in 2013 with 65% of boxes for import, 30% for export and 5% of unload boxes and (iii) a terminal for wood treatment; A fruit terminal for mainly traffic of bananas, pineapples and cereals; Mineral terminal for traffic of aluminum; Oil terminal; Fishing area; Ship repair zone; Zone of logistical support to traffic of hinterland countries; Zone of logistical support for oil exploration; The long-term storage areas including warehouses.

(SGS), banks and veterinary and phytosanitary services. In 2007, the Government of Cameroon launched the implementation of the e-Guce as part of the automation on trade procedures with the establishment of an electronic single window which is a computing platform aiming to dematerialize 36 trade procedures. Supported by the World Bank, since 2009, this extensive and ambitious programme aims at accelerating the automation of international trade procedures. The certificate of identification of second-hand imported vehicles (Civio) used by the Société Générale de Surveillance (SGS) and the automation of 16 procedures out the 36 planned are among the achievements of the automation programme.

The implementation of the GUCE has resulted in productivity gains, a reduction in the time of transit of goods, more security, a reliability of transport, and an improvement of the quality of services of the operators. However, the process of physical layout at the one-stop shop of all stakeholders remains unfinished. This is the case of consignees and stevedores who are not physically within the one-stop shop. It seems that the available space of the GUCE cannot accommodate all operators in this sector. The SGS has only a small team making the bulk of the work to be done at its headquarters. On the other hand, although the bulk of the services of Customs are present with the GUCE, the offices of transit and one of hydrocarbons are still out of the platform, which is a burden for some users.

The weak coordination among key Port's private stakeholders also affects negatively cargo dwell time. The consignee does not often inform importers or registrants of the arrival of the ships. Importers have to call the carrier to find out if the boat arrived and have the manifest number and find out if transshipment had happened during the ride. Thus, it may take a day to have the manifest. Also, there may be a difference between the manifest of the vessel owner and the consignee manifest. Once the consignee has validated the manifest, only the customs can modify it. The modification of the manifest may take several days and as long as it is not done, no declaration can be registered.

It is also to be noted that multiple other administrative services, present in the Port and involved in import procedures (marine services and Maritime Affairs, the gendarmerie, the police at the borders, the fire department...) are still not present within the GUCE. They are functioning following their own rules and this tends to generate unpredictability in the list of products to be controlled. This situation leads to several harassments of importers and the need for bargaining that induce additional cargo dwell times. In the same perspective, there is a lack of a real single window for the payment of fees to these various actors and impossibility to pay them electronically. The absence of an electronic platform for sharing information of these various stakeholders is likely to maintain a corruption climate at all levels. With the ongoing activities to reinforce and equip the GUCE's platform, financed by the World Bank through its Regional CEMAC Trade and Transit Facilitation project, there is much hope to uplift these bottlenecks.

### Monopolies of the inspection and the terminal operators

Pre-Shipment Inspection (PSI) complements information provided in customs declarations and can be used to evaluate customs duties. As a result of inspection, the PSI firm issues a certificate of conformity or a certificate of non-conformity. The customs administration intervenes after the PSI firm. As in many others countries, only one of PSI firm has been operating in Cameroon since 1988. Some importers pointed to the difficulty to have a prompt answer of the PSI firm in case of litigation. They argued that PSI firms have a tendency to signal errors only when this increases the payment they receive which results in delays to obtain certification required to register a customs declaration. As a result, importers perceive the behaviors of these powerful operators as monopolistic practice.

Besides, to some brokers and importers, conditions set by ship-owners for the removal of containers tend to penalize Cameroonian SMEs and entail long cargo dwell times. This is for instance the case for the obligation to deposit of CFAF 1 million per container (about 2,000 USD) and delays in

repayment of the deposit. Dealing with such a deposit becomes problematic when a customs broker is facing 30 or 50 containers. He has to find revenue to cover the operation and that can generate additional delays. This practice of deposit of a large amount of money prior to removing the container is perceived as being unfair and a distortion to free trade since the deposit is paid by some importers and not by others. Therefore the system is perceived by local importers as a strategy of unfair competition from large firms. In the same vein, some brokers argued that the containers terminal operator “Douala International Terminal (DIT)” seems to be less neutral and tends to favor importers related to its international shareholders to the detriment of local SMEs regarding the removal of containers. As there are insufficient equipment for terminal operations (only two gantries often down), DIT tends to handle in priority containers that must be inspected through scanner to the detriment of containers with many bills of lading which must be cleared at external warehousing. Four new gantries have just been bought by DIT in May 2014, which is expected to substantially resolve these constraints.

### Ineffective legislation

One of the main causes of cargo dwell time at the port of Douala is lack of an adaptation of legal texts to facilitate private management of the port. The law on port operations which dates back to 1985 and has not evolved despite the privatization of the port management since 1998, which set the free time at 11 days for import and 90 days for transit. It also set the daily storage fees at a very low level of CFAF 600/day (around 1 USD per day). The consequence is that it is economically interesting for importers to keep cargo for long storage within the port as the external storage will be more costly. This is particularly true for the dwell time of refrigerated containers for which the daily fees per container is CFAF 10,000 (around 15 USD) while the cost for the terminal operator is twice higher (CFAF 24,500) due to the cost of electricity. The importers use port installations to keep their commodities because it is cheaper than outside where they should rent a warehouse, pay for electricity and security.

Therefore some large importers do not hesitate to privatize the small park of refrigerated containers as a business strategy to exclude smaller competitor from the market. The current occupancy rate of the terminal is 130 percent because about 4,000 containers which were assessed by customs are currently enjoying long dwell time at the terminal. This represents around 40 percent of the storage capacity of the terminal. These containers are owned by large importers with high influential power. This behavior is detrimental to local SMEs in terms of competitiveness.

### High share of informal and unprofessional brokering market

The role of a custom broker is central within a Port. As elsewhere, in Cameroon, importers must use a customs broker who acts on behalf of the client and is responsible for all customs clearance operations. Specific skills, knowledge, and experience are needed for effectively managing the clearance process, properly assessing the risks, and ensuring profitability. It is not always the case in the Port of Douala. According to a recent study completed by Cantens et al (2014), three broker categories exist at the Port of Douala: (i) formal brokers (working with informal importers), (ii) “Professional” informal brokers with training, education, and experience in the transit sector and a sound knowledge of customs practices, procedures, and documents, (iii) Nonprofessional brokers, otherwise known as bala-balas by their more professional counterparts. Some have an intuitive knowledge of the profession, while others are quite experienced and, in general, are more eager to take on risks with fewer containers. Overall, Thomas Cantens et al have identified more than 200 informal brokers operating in and around the port of Douala (versus 220 official brokers<sup>9</sup>, including official representatives of embassies).

The issue of cargo dwell time is especially problematic for the bala-balas because of their nonprofessional practices and lack of skills. Brokers estimated that

<sup>9</sup> Approximately 200 official certified customs brokers (commissionnaires agréés en douane, CAD) operate in Cameroon.

between 50 and 80 percent of informal brokers are bala-balas (accounting for less than 30 percent of declarations) who have no license and no identification (ID) login to access the IT customs system, which is mandatory for lodging a declaration. They thus “hire” (against payment) an ID from a licensed broker and lodge declarations through the broker’s login. Most of them ignore clearance procedures and the full list of documents required which entails overheads, stress, lead to lower quality of services and therefore contributes to the increase of dwell time.

As shown by Refas and Cantens (2011) this high informality is the consequence of the very concentrated brokering market in Douala, with an aggregate market share of the 20 biggest agents that exceeds 55 percent for container imports destined to local consumption. Despite the increase in the number of brokers in operation (+4 percent annually) the first players gain market share every year. The concentration leads to low negotiating power of clients, especially small and occasional ones who turn to low cost unprofessional brokers.

### Length of import procedures.

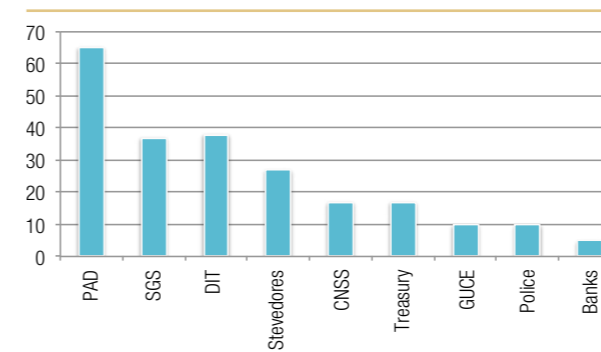
A satisfaction survey of users of the car park, and among brokers and importing firms conducted in 2012 by the regional Institute for Statistics and Applied Economics (ISSEA) identified slow

administrative procedures as one of the main obstacles to the reduction of delays at the Port of Douala. As shown in figure 2.7 below, brokers and importers criticize the clearance procedures, especially at the PAD, SGS, DIT, stevedores and Treasury. These grievances relate to the number of documents, travel and deadlines. Users must still move with a lot of photocopies to adjust certain operations, even if stakeholders, apart from those of the car park and stevedores, are found in the same building. Most importers of second-hand vehicles have suggested grouping through the automation program all the stakeholders involved in the customs clearance procedure. The ongoing automation program should significantly reduce the slowness of procedures.

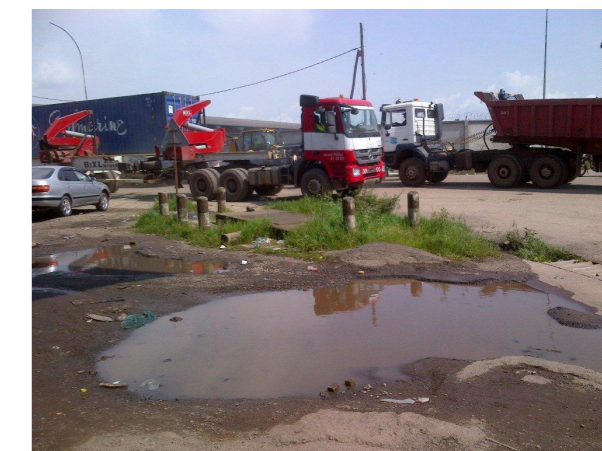
### Physical and equipment limitations of the Port

The infrastructure of the Port of Douala is insufficient and of low quality. According to a report of the national port authority (APN) made public on July 2014, the port of Douala that was designed to accommodate traffic of 10 million tons is running today beyond its capacity. The current traffic, which increased by 9.8 percent between 2012 and 2013 exceeds by 600,000 tons its real capacity. This situation result from several factors, among which: the fluvial nature of the Port, insufficient quays and handling equipments.

FIGURE 2.7: Port Stakeholders Where Users are More Affected by Slow Administrative Procedures



Source: ISSEA.





The first physical limitation is the fluvial nature of the Port. Located in the estuary of the Wouri river 50 km from the sea in the heart of the Gulf of Guinea, the Port of Douala extends over an area of 1,000 ha of which 60 percent are exploited. The total wharf length is 600 meters and the depth has to be maintained at a minimum of 7 m to allow access to ships. The Wouri river does not benefit from regular dredging to remove sand which entails wasting time at landing (saturated quays, 12 in total) and at the entry gate of the port.<sup>10</sup> In addition, the docks of the Port of Douala have been built to accommodate vessels of 150 meters while the tendency today is to use vessels measuring 200 meters for scale economy. The arrival of longer vessels lengthens the time needed for unloading operations. These delays affect both cargo dwell time in containerized and non containerized terminals. These delays have been estimated at 5 days on average during 2013 according to port operators. The situation has worsened in the first semester of 2014 when the average number of waiting days increased to 9.7 days. According to local press articles, in May 2014, more than 20 vessels were waiting for 1 month at the entry point of the port due to congestion on quays of the port where more than 10 vessels were still off loading.

Insufficient number of quays and weaknesses of the Douala container terminal (DIT) also contribute to the weak operational capacity of the Port. Two of the 15 existing quays are defective and on rehabilitation and among the other 13, some are cluttered by ships and wrecks or served for activities that have nothing to do with their purpose.

<sup>10</sup> The Port has two entrances, the north that is reserved for entry of trucks and tractors and the southern for exit. However handling equipment can use both access. The south one is regularly congested due to the poor quality of roads leading to the port which also entail some difficulties or impossibility to make more than one rotations per day by trucks. As consequence, the handling of containers is done only by old trucks. The trucks owners consider that it is a loss to assign new trucks for these operations in such conditions.

Concerning the container terminal, until the middle of the year 2014, DIT had only two Wharf cranes and thus could not use the 3 posts at its disposal to handle the unloading of ships and as such was unable to meet daily requests for removal from importers. Overall, the brokering profession estimates that as a result of the insufficient number and failures of Wharf gantry, container terminal performance declined from 23 containers per hour to 20 containers per hour from 2012 to 2013. This situation has led to the redirection of some vessels to neighboring ports. The brokering profession estimates that an optimal handling situation requires four wharf cranes and eight gantries. At the time of writing, work was underway for the installation of four additional gantries purchased in May 2014.

Furthermore, few trucks in good condition are available to deliver cargoes to consignees due to the bad quality and traffic congestion of the access road to the port. Importers argued that it is impossible to make 2 trips per day per truck. One potential solution could be to define night hours for the truck traffic of large importers. It is the same devices that are used both to unload and deliver containers.

### **Frontally addressing these infrastructure and regulation limitations will enhance the efficiency of the Port of Douala**

The improvement of the efficiency of the management of the ports has been a key component of the government action to promote the attractiveness of the country during the past 15 years. These efforts are today reflected in significant improvement of transport infrastructure, modernization of customs administration, intensification of the fight against corruption and informal practices and border controls. The Government is supported by the donor community through a multi-donor transit and transport facilitation program co-financed by the World Bank, the African Development Bank and the European Commission to help Cameroon, Central African Republic and Chad address their trade facilitation challenges.

Despite of these efforts deployed over the past years, the objective to reduce the global time to 7 days at the end of the 1990 has not yet been able to be achieved. The global dwell time still represents more than three times that target. The decomposition of the global dwell time and the analysis of the reasons of high dwell time above have shown that the high impacts problems of high dwell time are above all structural (weak coordination of stakeholders, monopolies of the Port and the PSI operators, informal trade practice, use of the Port as cheaper warehouse...) than any other. That calls first for the preparation and adoption by all stakeholders of a comprehensive structural reform plan. Others options recommended by the present report to improve the efficiency of the Port of Douala include: the revision of the legal framework governing the Port, the improvement of the awareness of importers and brokers on trade procedures, the acceleration of the modernization of the Port of Douala, and the improvement of data collection and analysis of trade facilitation statistics.

### **The need for a comprehensive structural reform plan**

The determinant step for setting up a comprehensive structural reform plan aimed at achieving a sustainable reduction in the dwell time should be to build consensus among various stakeholders in order to overcome status quo practices and behaviors. This implies to take into account the political economy surrounding import and export activities. Based on the experience of two Ports, a recent study led by Raballand et al. (2012) has identified key components of a reform policy that could lead to a sustainable reduction in dwell time: (a) political impetus of the State, (b) regular meetings of stakeholders at a decision-making level, (c) audit teams to reengineer processes, and (d) a comprehensive approach to changing the behavior of stakeholders. The Box below, shows the main features on how such approach was successfully applied in Durban and Dar es Salaam Ports. These two case studies demonstrate that addressing structural constraints can lead to a sustainable reduction of the dwell time and significantly improve the capacity of the container terminal without any investment in physical extensions.

A starting point of the preparation of such structural reform plan should be an independent audit on choke points in any area of port operations. It should include audits of the monopolies of the container terminal concession and the PSI operator performances due to their strategic role within the Port. These audits could serve as basis for the implementation of performance based management contract for these two operators.

The objective of the audit of the container terminal concession would be to assess its performance compared to the missions that have been assigned to it. The results of the audit could also help to bring clarity on (i) the concessional agreements, on the distribution of roles between the concessionaire and the Port authorities, (ii) the alignment of incentives of the concessionaire and the country's, and (iii) performance targets in concession contract. Such audit would temper the perception that the performance of DIT has increased at the margin while tariffs have tremendously increased.

Concerning the audit of the PSI operator which is in place since 1988, in principle, PSI programs are reputed to be transitory to avoid collusion with others stakeholders (V. Dequiedt et al., 2009). An operational audit would help to assess the performance of the operator and advise whether or not its contract should be maintained.

Similarly, the recent study of Cantens and al (2014) has pointed out the need for Shaping brokers' market structure and practices to changing informal trade practices in an incentive-compatible approach and recommends that for political economy reasons, a coalition between customs and some brokers and importers should be encouraged. However it notes that this would not be an easy task because brokers are sometimes politically powerful and some past initiatives have not led to the expected impacts. For example, the Trade Facilitation Committee, GUCE, and customs wanted to establish a certification program for brokers and freight forwarders, but could not achieve their plans because some "professionals" did not meet the required criteria and sabotaged the whole initiative. A differentiated approach (through contractual incentives) could also be envisioned to

address that matter. The same study also mentions that it is essential that customs officials disrupt information asymmetries and better disseminate information to informal importers on customs processes and official costs and should sanction more strongly some informal brokers in order to reduce collusion with some customs officers.

Finally, the National Port Authority of Douala should prepare and implement an ethics code for the importers and consignees as well as performance contracts for consignees. The code of ethics should be part of the approval of consignee's contracts and subject to an amendment of former contract

### BOX 2.2: Examples of Successful Reforms in Reducing Cargo Dwell Time in Africa

**The case of the Port of Durban.** Following recurrent mutual complaints between Transnet Port Terminals and private stakeholders on dwell time and its causes, an interim advisory board was created, co-chaired by a manager from Transnet and a chief executive officer from the private sector, with the mandate to identify the key measures that should be implemented to reduce dwell time. Over a period of three years, this committee met fortnightly. The committee included the Port operator (Transnet Port), the rail operator (Transnet Freight Rail), cargo owners (container Liner operators forum); landlord and marine services, the National Ports authority and freight forwarders. An audit team was added to the group to provide an independent view on what should be done. This team was commissioned on an ad hoc basis to give technical advice on the measures to be taken. It was composed of a representative of a shipping line, a representative of the road freight association, a representative of Portnet, and a representative of an engineering firm.

The lessons from Durban show that the terminal operator first needs to reengineer its internal processes and procedures and then to agree on measures to change the behavior of private stakeholders, such as shipping lines, transporters, customs brokers, and so on. It is also critical to resolve high-impact problems first and then to agree with port users on the problem to be resolved. In this regard, it is important to demonstrate that dwell time can be reduced. Durban stakeholders used a comprehensive “enabling block” approach which changed the incentives for crane operators, changed port tariffs, altered the opening hours of container yard operators, established a queuing system for trucks, and invested in software and equipment. Average dwell time that stood at seven days in 2002 was reduced to three days in 2004.

**The case of the Port of Dar es Salaam.** In Dar es Salaam, a multistakeholder workshop on dwell time identified 205 issues in June 2008 and proposed actions to improve the performance of dwell time. The process was championed by a high-level intervention led by the president and prime minister, which resulted in the formation of a multistakeholder Port Decongestion Committee, which met fortnightly. Moreover, stakeholders commissioned a committee of specialists to identify key measures to reduce dwell time. The setup and functioning of the Port Improvement Committee (PIC) is similar to the approach taken in Durban. For example, participation is at the chief executive level, both private and public sector agencies are represented, meetings are held fortnightly, and two subcommittees—one on dwell time and another on standard operating procedures—convene to tackle specific technical assignments on behalf of the PIC. The subcommittee on procedures undertakes audits on choke points in any area of port operations. It took about one year to develop the strategy for increasing storage throughput and altering the behavior of the various participants. Out of 205 issues identified through stakeholder consultations, the PIC summarized 10 priority actions to reduce dwell time and improve productivity in the port. Reports by the PIC indicate that dwell time was reduced from 25 days to 15 in 2009 and then to 13 in 2010.

Source: Raballand et al. in *Why does cargo spend weeks in Sub-Saharan African Ports, lessons from six countries*, chapter 6, pp88-92.

It is worth noting that long term commitments from policy makers and private stakeholders will be essential. Indeed, reducing cargo dwell time may not be in the interest of some private stakeholders (terminal operator, customs broker, importers) because the status quo is supposed to contribute in optimizing their profits (the port is a cheap and safe storage solution for some importers and it generates some gains for port warehousing operators).

### Revise the legal framework governing the Port of Douala.

The objectives of this revision would be to discourage the use of the Port as storage. The reform would consist in the revision of the law on port operations which dates back to 1985 to introduce a substantial increase in warehousing fees and an application of financial penalties such as those proposed in the finance law 2003/07 for 2004 fiscal year stating that cargoes carried in Customs offices shall be removed upon the issuance of the authorization granted by the customs (after the payment of duties), except time specially granted by it. Failure to comply with this legal obligation should be sanctioned by the payment of a fixed penalty according to the following scale: 1 to 30 days: CFAF 100 000 (around 200 USD); 31 to 60 days CFAF 200 000; 61 to 90 days: CFAF 300 000; beyond 91 days: CFAF 400 000 per month. The scale of these financial penalties should be increased in order to have an effective impact on behaviors. This financial sanction, although modest, is not currently applied. We suggest that in addition to the strict application of the law, the authorities also consider to significantly increase demurrage after 22 days, except special dispensation of the types of commodities.

Besides, it should be noted that customs do not have a specific area within the port for storing cargoes having passed the deadline of 11 days of free time. Thus, these cargoes coexist with cargoes under free time. Article 108 of the CEMAC customs code defines 90 days as a maximum clearance delay beyond which cargo is confiscated and put under customs bonded storage to be auctioned. In practice, public

auctions are organized each 6 months at the port of Douala. In addition, before public auction some importers seize the judge to oppose the sale and once the order is obtained, no formalities of removal shall be taken until the next sale where the cycle begins again. Therefore, a change in the CEMAC stockpiling regulations should be done. Instead of prescribing a formal deposition at the end of the free time, which is altogether fictitious in fact, it could be like in some countries where in customs areas cargoes are organized in the following manner: free time period; time out; stockpiling after 90 days but the merchandise is considered abandoned and can neither be declared (if not yet) nor removed by the importer as it becomes the property of customs administrations. This organization would have the advantage of avoiding successive delays in cargo sale after a court decision. The Government of Cameroon should also consider the privatization of warehousing and dry port custom clearance spaces outside the Douala port.

However, these reforms should ensure that importers will not translate all financial sanctions due to long dwell time into the final price of goods for consumers. This requires a political support and the general public must be well-informed about challenges underlying reforms aiming at reducing cargo dwell time so that it becomes a driver of change. High level public decision-makers should be involved through an effective commitment to overcome the problem because it impedes the welfare (increase in final prices) and the attractiveness of the country in terms of trade, investments and competitiveness.

Finally, there is also a need to revise the status of the customs staff and those of others stakeholders involved in the functioning of the Port. Legal working hours that are currently from 7:30 am to 3:30 pm need to be adapted to the current situation of congestion of the Port. It would be helpful to make working hours more flexible through allowing customs and others Port operators to maintain a working presence 24 hours a day, seven days a week. This revision of working time could be accompanied by a performance-based pay system for customs.

### **Improve the awareness of importers on trade procedures**

This recommendation has two objectives: to decrease the financial unpreparedness of the importers and reduce rent seeking behavior of port stakeholders. As seen in a previous section, the lack of knowledge of procedures leads to financial unpreparedness of the importer. Two main measures could help address the misinformation of the importers on the procedures of their case: (i) the organization of training and workshops and (ii) the implementation of an alert system on the traceability of vessels and cargoes coming to the Port that will help importers to anticipate the mobilization of various costs payable on the port area.

Concerning the training on procedures, at the request of the FAL, the Cameroon National Shippers' Council projects to organize series of workshops on procedures for trade operators. To be more productive, these workshops should be done on the basis of a "guide to the importer," edited or published by Customs or GUCE and should lead to the delivery of a certificate of importation preparedness to importers that have participated to the workshop. The expected results of this measure should however be tempered due to the fact that many of importers have a business model based on collusion with customs. Extensive trainings were done in the 90s/2000s and did not lead to impressive results since the ones, who wish to fraud, either do not attend training or do not use them.

For the setting up of an alert system (email, SMS) the authorities could use data from ASYCUDA to inform importers directly on the level of progress of their case at every stage. The authorities could put in place a web or SMS application allowing the importer to follow his case, based on data from ASYCUDA and inform the importers on the existence of this tool. The ongoing activities to reinforce the GUCE will make possible these options. The Port authorities should also solicit from carriers to maintain information on transshipments on their websites, or make it available to customs or GUCE so that importers can access information through a website or via the notification system. Additional action to increase the awareness

on procedures could include automatic information to importers by email or SMS to notify them where to find the procedures and regular information in the newspapers about the availability of procedures at the websites of DGD or GUCE. The Port authorities could also provide an online simulator allowing the importer to estimate duties and taxes to be paid before the arrival of his goods.

### **Accelerate the modernization of the Port of Douala**

The modernization of the Port of Douala requires continuation of efforts by the authorities and others stakeholders of the Port on the upgrade and the modernization of the Port of Douala. Douala International Terminal (DIT) has recently invested on the modernization of the container terminal through the acquisition of four new gantry cranes which are operational since August 2014. This investment has increased DIT's productivity through accelerating container handling. The FAL has also decided during his session of early September 2014 to invite DIT and PAD to carry out the necessary construction works within the boundaries of the Port to build a space that can accommodate 10,000 containers in order to free up space in the terminal container. During the same meeting, it was also decided to suspend the admission of logs in the port enclosure and to reorganize the movement of the release of containers. The Government has also carried options to ship from the Port of Kribi. As part this later decision, DIT and PAD should explore opportunities to improve the supply of trucks and truck maintenance for greater availability and SGS should put an effective system for monitoring and maintaining the scanner.

### **Improve data collection on trade facilitation**

Overall, trade facilitation and transport in the CEMAC zone suffers from lack of statistics, both at Member States and the Commission of CEMAC levels. The situation is characterized by several different data according to the sources of information, which can lead to erroneous results and induce users to make risky conclusions. In Cameroon, for calculations of

dwelling time, the GUCE exploits data containers while the DGD uses all eligible data. In addition, the DGD is limited to goods that are not more than 90 days old, which is not the case for the DIT or GUCE. These differences in data samples can lead to differences in results. The updating of indicators and creating statistics being recurring exercises, it would be desirable to continue periodically, while refining the methodology. Similarly, it would be useful to involve all entities producing statistical data on transport and transit, and to establish a mechanism for validation and publication of the statistics

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