

Cameroon City Competitiveness Diagnostic

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¹ Social, Urban, Rural and Resilience Global Practice at the World Bank

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Acronyms

ANOR	<i>Agence des Normes et de la Qualité</i>
APME	<i>Agence de Promotion des PME</i>
API	<i>Agence de Promotion des Investissements</i>
BRT	Bus Rapid Transport
CAC	Centimes Additionels Communaux
CARPA	<i>Conseil d'Appui à la Réalisation des Contrats de Partenariat</i>
CBD	Central Business District
CEMAC	Central African Economic and Monetary Community
CUD	<i>Communauté urbaine de Douala</i>
DFID	Department for International Development (United Kingdom)
DO	Divisional Officer
DSCE	Document de Strategie pour la Croissance et l'emploi
ECAM ₄	<i>Enquête Camerounaise Aupres des Menages, 2014</i>
EESI ₁	<i>Premier Enquete sur l'emploi et le secteur informel au camerooun</i>
EESI ₂	<i>Deuxieme Enquete sur l'emploi et le secteur informel au camerooun</i>
FCFA	Central African Franc
FEICOM	<i>Fonds Spécial d'Equipement et d'Intervention Intercommunal</i>
GDP	Gross Domestic Product
GICAM	<i>Groupement Interpatronal du Cameroun</i>
GSURR	Social, Urban, Rural and Resilience Global Practice at the World Bank
ICT	Information communication technologies
ILO	International Labor Organization
LQ	Location Quotient
MAGZI	<i>Mission d'Aménagement et de Gestion des Zones Industrielles</i>
MATEUR	<i>Mission d'Aménagement et d'Equipement des Terrains Urbains et Ruraux</i>
MECAM	Mouvement des Entrepreneurs du Cameroun
MINAGRI	Ministry of Agriculture
MINDHU	Ministry of Housing and Urban Development
MINEPAT	Ministry of Economy, Planning and Regional Development
MINJEC	Ministry of Youth Affairs and Civic Education
MINPMEESA	Ministry of Small and Medium Enterprises
SDO	Senior Divisional Officer
UN	United Nations
USD	American Dollar
WBES	World Bank Enterprise Survey

I. Executive Summary

The purpose of this report is to help policymakers improve economic development and job creation in Cameroon's cities. The report is part of the World Bank's Technical Assistance project on Enhancing Economic Performance of African Cities, supporting clients in the Ministry of Economy, Planning and Regional Development (MINEPAT), Ministry of Urban Development (MINDHU) and the Urban Metropolitan Councils (*Communauté Urbaines*), particularly of Douala, Kribi and Bamenda, in the areas of: a) economic analyses and b) institutional support to strengthen their ability to plan and implement relevant reforms². This study utilized various research methodologies including (1) desk based analysis of quantitative data³; (2) focus group discussions with over 120 local firms and stakeholders in Douala, Bamenda, Kribi⁴; and (3) institutional analysis of Cameroon's decentralization framework to identify appropriate institutional mechanisms for promoting local economic development. The report highlights the importance of investing in Cameroon's cities and makes key recommendations to national and local government for the key investments and reforms needed to improve economic competitiveness and job creation.

Cities are essential to Cameroon's economic development

As a highly urbanized African country, Cameroon's future economic success will, to a large extent, depend on the competitiveness of its cities. Cameroon has one of the highest rates of urbanization in sub-Saharan Africa, with 56% of the population now living in urban areas.⁵ The United Nations forecasts that by 2050, 70% of Cameroon's population will live in urban areas. Whilst it is the policy of the Government of Cameroon to put an explicit cap on the urbanization rate at 57% by 2020⁶, in order to reduce demand for urban services, international evidence suggests that it is almost impossible to cap increases in urbanization. This is due to the push factors making people leave rural areas and pull factors of better opportunities in cities. A more realistic policy priority would, therefore, be to focus on improving livability and productivity of cities so they can cope with increases in population and effectively contribute to the country's economic growth and job creation.

Urbanization in Cameroon offers important opportunities - people in cities are more productive and more able to meet their family's financial needs. Our analysis indicates that cities in Cameroon are at least 1.8 times more productive than rural areas. As shown in Figure 1, urban areas are the only part of the country offering employment at median salaries above the minimum wage, and are also where secondary and tertiary industries are concentrated. Urban employment in manufacturing, professional services and local services appears to be the most productive employment available in the country⁷. This is consistent with the fact that most poverty in Cameroon is rural, with 5.6 million of the poor living in rural areas, and just 1.0 million living in urban areas (World Bank, 2016a). Standards of living, as measured by household's ability to meet basic financial needs, are also slightly higher in Cameroon's cities. Douala and Yaoundé were found to have approximately double the productivity premium of the other cities (suggesting that policies to control the size of the population in the big cities may come at the cost of losing some of the benefits of density).

² In addition to the analytical part of the project, culminating in this policy report, the project is also supporting capacity development efforts for policy makers in Cameroon, including a training on city competitiveness and a transport diagnostic studies in Douala.

³ The study primarily utilized Cameroon National Institute of Statistics (INS) data from the Enquête Camerounaise Aupres des Menages, 2014 (ECAM4); Premier Enquete sur l'emploi et le secteur informel au camerooun, 2005 (EESI1) ; Deuxieme Enquete sur l'emploi et le secteur informel au camerooun, 2010 (EESI2).

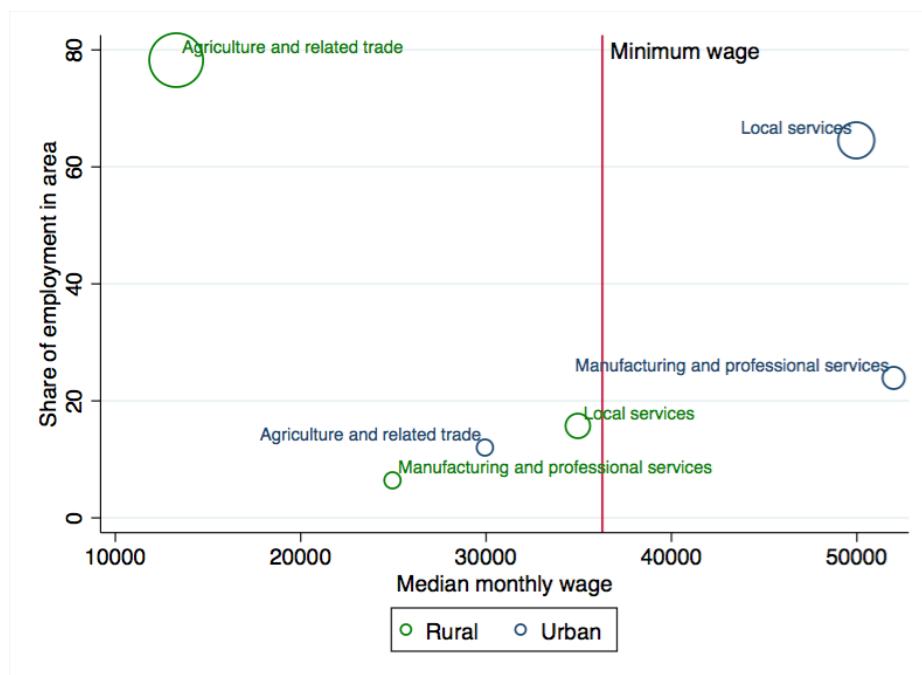
⁴ The three cities were selected in partnership with government as representative of the different types of cities in Cameroon.

⁵ United Nations Urbanizations Prospects estimate for 2017.

⁶ As outlined in the DCSE

⁷ Higher urban incomes are only partially explained by the fact that urban residents have higher education levels.

Figure 1: Urban areas offer the highest wages and are the places in which secondary and tertiary sectors are concentrated



SOURCE: Team analysis using data from ECAM4

Cities' tradable sectors are important for generating better quality jobs, while improving incomes within the informal sector is important given it currently generates more jobs. While urban unemployment is relatively lower in Cameroon than in other African countries (8.1% in 2010 compared with over 10% in Uganda and 17% in Ethiopia), informal, low quality employment is high (representing over 66% of urban employment in 2010⁸). The highest levels of unemployment are in Douala and Yaoundé⁹ and among the highly educated (14.7% of those with tertiary education, compared to just 7.9% of those with secondary education and 5.7% of those with primary education). Increasing the share and productivity of tradable sector activities (manufacturing and tradable services) has the potential for the creation of better quality jobs, as their market price is not limited by the purchasing power of the local market. While natural resources also have an international market, their effects on job creation and increased incomes across the population are weaker. At the same time, improving incomes within the informal sector will continue to be an important focus for poverty reduction and job creation efforts, given that it currently generates more jobs compared with formal and tradable sectors.

Cameroon's cities do have a solid base of tradable industries and services, so the priority is increasing their productivity levels, to lead to better quality jobs in the long term. While 64% of urban employment in Cameroon is in local services, the remaining 36% is split between two classes of goods and services that could potentially be traded: (i) manufacturing and tradable services (24% of urban employment) and (ii) agriculture and related trade and agroindustry (12%). The national consumer market is very important, and assisting firms to grow by selling to consumers in Cameroon's major cities may be a helpful short-term step. As urban populations in Africa have grown, demand for low cost manufactured consumer goods such as soaps, beverages and processed foods have expanded. This implies that Cameroon's cities themselves may provide the country's fastest growing and most easily accessible market for local manufacturing in the short term.

The competitive advantages of each of Cameroon's cities can be considered a function of their revealed advantages for tradable industries, proximity to natural resources and their access to markets. Table 1 lists each of Cameroon's 14

⁸ EES12 data for Cameroon, Uganda Urban Labor Force Survey 2009 and Ethiopia Employment Unemployment Survey 2014.

⁹ Current unemployment statistics are from the ILO Estimates and Projections series, for 2016. Unemployment by education level and rural and urban are reported by the Republic of Cameroon (2011)

Communauté Urbaines and the advantages in each that can be built on. It also shows the number of industries with a location quotient greater than 1, an indicator of “revealed competitive advantage,” or the number of industries which have chosen to concentrate there. By this measure, Douala has by far the greatest competitive edge, with employment in 31 different industries and services more concentrated there relative to the national average. By choosing to locate there, and not in other places, firms have revealed that the city has an advantage for them. Yaoundé, though similar in size, has this same revealed advantage for only 13 industries. Cities with medium competitive edge (with concentration of 7-13 industries) are Yaoundé, Bafoussam, Ngaoundéré, Garoua, Maroua, Bamenda and Kumba. Cities with a currently low competitive edge (concentration of only 3 or 4 industries and services) are Kribi, Limbe, Ebolowa, Edea, Bertoua, Nkongsamba.

However, Cameroon’s cities are currently not playing their role in structural transformation. As shown in Figure 2, Cameroon’s largest cities have essentially the same economic structure today as they had 10 years ago. The share of employment in secondary and tertiary industries has also stayed roughly constant since 2005. Worldwide, rapid urbanization has been associated with rapid income growth and expansion of manufacturing. While Cameroon has experienced a rapid rate of urbanization, increasing from 13% in 1960 to 54% today, real income per capita has grown little. Manufacturing is both a lower share of employment than in most countries, and has grown less rapidly with urbanization relative to other countries. Many African countries, such as Nigeria and Cote d’Ivoire have also experienced similar trends, whereas some countries, such as Botswana, Uganda and Ethiopia, have followed more closely to the international trend, albeit with less industrialization. The economies of Douala and Yaoundé have performed worse than their international peers, with per capita income falling respectively by -1.1% and -2.4% annually between 2008 and 2012. Further, economic growth in the country has also lagged behind Africa, even as high commodity prices drove growth in the rest of the continent.

Perceptions of quality of life are not keeping pace with the aspirations of urban dwellers. Despite large improvements in the urban poverty rate, which has fallen from 17.9% in 2001 to just 8.9% today (World Bank, 2016a), urban residents are 20.7% less likely than rural residents of the same age and education to agree that quality of life has improved for their household since 2007, and 30.3% less likely to agree that it has improved in general. Consistent with Cameroon’s transition through middle income status, urban residents may be looking for improvements in quality of life beyond access to basic services, for which access is now quite high (e.g. between 2007 and 2014, the share of urban households with a water tap or borehole held constant at 85%, and the share of houses linked to power from AES-Sonel grew from 90% to 96%).¹⁰ Moreover, further improvements can still be made in the urban environment. For example, controlling for age and education, urban residents are 10% more likely to have been sick recently compared to rural residents.

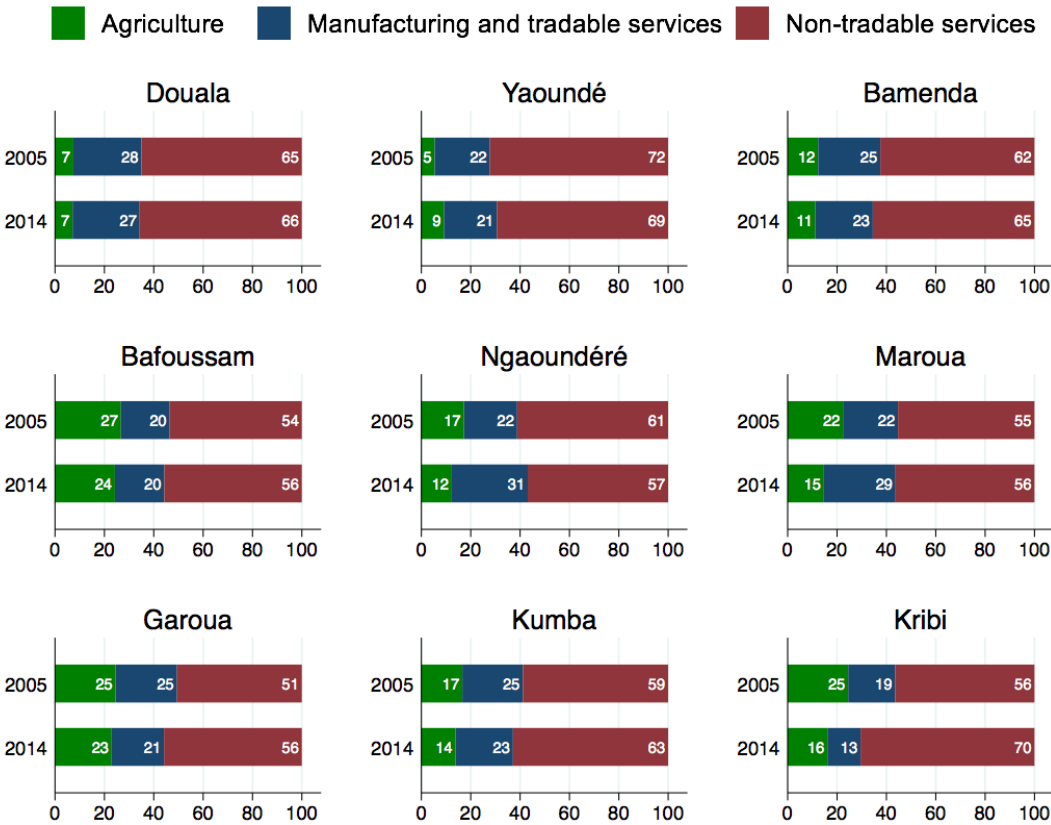
¹⁰ Team calculations using ECAM3 and 4.

Table 1: Overview of Cameroon's Cities and their Competitive Advantages

		Selected for Case Study										
Competitive Edge	City	Revealed Advantage	Access to Markets			Proximity to Natural Resources				Government Incentives		
		Tradable Industries with Location Quotient > 1	International Port	Trade with Nigeria	Rail Access	Population	Cash Crops	Grains	Timber	Minerals	MAGZI Industrial Zone Tenants	ONZFI Industrial Zone Firms
High	Douala	31	✓ □		✓ □	2,720,873	Rubber				275	25
Medium	Yaoundé	13			✓ □	2,690,227	Cocoa, Coffee				140	4
	Bafoussam	10				369,018	Coffee, Tea	Rice, Maize			1	
	Ngaoundéré	9			✓ □	234,679		Sorghum, Millet		Bauxite	24	1
	Garoua	9		✓ □		290,140	Cotton	Sorghum, Millet			7	4
	Bamenda	8		✓ □		339,025	Coffee, Tea	Rice, Maize				
	Maroua	8		✓ □		298,504	Cotton	Sorghum, Millet				1
	Kumba	7			✓ □	146,704	Tea					
Low	Nkongsamba	4				75,140	Coffee	Maize		✓ □		1
	Bertoua	4				145,604	Tobacco			✓ □		
	Edea	4				81,230	Oil Palm					
	Ebolowa	3				90,584	Cocoa			✓ □		
	Limbe	3	✓ □	✓ □		139,320	Bananas, Tea, Oil Palm					1
	Kribi	3	✓ □			67,756	Rubber, Cocoa		✓ □	Iron Ore		

SOURCE: Location Quotients calculated from 2009 Census of Enterprises. Trade with Nigeria is indicated if city was listed as being part of a major trade route in World Bank (2013). Population is from ECAM4. Cultivation of cash crops and grains is from Pamo (2008). Timber indicates active or in allocation sales of standing forest ongoing within 30km as indicated by WDI (2009). Minerals indicates active mining activity reported by Dobbs (2013). Government incentives reported by agencies are current up to 2015.

Figure 2: The percent of labor force employed in each major sector has stayed roughly constant in most cities between 2005 and 2014



SOURCE: Team analysis using EES1 and ECAM4

As Cameroon’s cities continue their inevitable population growth, a key opportunity for policy will be to invest in cities, to reap the benefits of increased productivity, wages and incomes while ensuring a reasonable quality of life for residents. While there have been achievements in delivery of basic services, low investment in other amenities reduces the productivity of the city, and its quality of life. Low investment in public transport and congestion seems to be a major issue, raising the cost of transporting goods within cities and reducing access to jobs. More than 50 percent of trips in Douala are made by motorcycle or foot, the second highest among a set of other African cities¹¹.

While most constraints facing firms relate to national level policies, infrastructure deficits are more locally specific.

The most binding constraints on Cameroon’s competitiveness lie at the level of national policy and institutions. Firms highlight corruption; complexity in tax, customs and regulatory enforcement; and excessive state involvement in most major tradable industries as major constraints. Among managers responding to the 2009 Recensement Général des Entreprises, governance issues were rated as much more important than issues related to infrastructure or skills and inputs. Regulatory barriers particularly stand out in comparison to other countries - with a full 33% of a manager’s time spent dealing with government regulation in Douala, compared to 6.6% in Brazzaville and 8.9% in Dakar. Further, a lack of agreement to reduce

¹¹ IAPT 2010.

tariffs between Cameroon and Nigeria diminishes the ability of the country to take advantage of its neighbor's large market.¹²

At the same time, the city case studies highlighted three key constraints that are both highly relevant to local firms and can be addressed primarily at the city-level. The first of these is basic infrastructure deficits and high transport costs. Transportation costs are high within cities, both due to congestion and to poorly functioning public transit. Poor road quality and the absence of roads that direct traffic around the city rather than through its center is also a big issue, particularly in the big cities and those that have received less investment in the past. Other infrastructure deficits were also highlighted, particularly reliable electricity provision, market infrastructure for informal sector firms, and others. Secondly, entrepreneurs have limited resources to reach markets and upgrade product quality. In particular, entrepreneurs face big difficulties finding sales distribution channels and a consistent supply of key inputs, such as packaging. While a number of business plan competitions exist, these do not provide more holistic business development support beyond capital. Thirdly, there is variable local capacity for urban planning and management. In particular, weak enforcement of zoning and conflict with national government over land titling constraints private and public investments.

Within Cameroon's prevailing political economy, an opportunistic approach to reform and investment that focuses on city-level constraints on growth could be useful in achieving a positive impact. The Systematic Country Diagnostic of the World Bank (2016a) argues for an opportunistic approach to policy, in which one focuses on areas of reform and investment that have the greatest likelihood of success. Focusing on investments and reforms to improve city competitiveness is consistent with this approach, and the analysis suggests these could have a positive impact on the private sector in urban areas.¹³

There is a need for partnership between local and national government and the private sector to invest in cities

Learning from competitive cities worldwide, their improved economic performance has typically involved strategic leadership and critical action from both national as well as local governments. The World Bank's global research on competitive cities¹⁴ identified four drivers of competitiveness that cities typically invest in: (1) institutions and regulations, (2) infrastructure and land, (3) skills and innovation, and (4) enterprise support and finance. Successful cities were also found to have strong local leadership that spearheads a local growth coalition towards economic development, in partnership with the national government and the private sector, and sets a clear vision for the success of prominent economic subsectors.

However, despite progress in Cameroon's decentralization process, the framework for local government action remains very restrictive. Since the 1996 Constitution, there have been concerted efforts to institute a decentralization framework that would allow local government---specifically the *Communauté Urbaine*---to play a more important role, including progressively taking over most of the local service delivery mandate that has traditionally been bestowed on the deconcentrated services.¹⁵ However, three dimensions suffice to illustrate the problematic nature of the decentralization framework. The first is that the competences transferred to local governments remain more akin to a deconcentration of service delivery rather than a devolution of responsibilities. Secondly, the decentralization laws institute a principle of concurrent competencies, whereby the competences transferred to local governments are not exclusive and the central government maintains the right to continue to exercise the same competences, through its deconcentrated services. Hence most ministries have transferred relatively minor competences and tasks to local governments. Lastly, local governments have little ability to generate resources given that the most important taxes are collected by the deconcentrated services of

¹² Cameroon has, for instance, a 23% tariff on nails, and a 21% tariff on cotton fabrics, and a 10% tariff on woodworking equipment from Nigeria, which in Bamenda increase costs for furniture producers, who could in principal procure supplies from across the border. See the World Bank TRAINS database for further detail.

¹³ In the World Bank's Systematic Country Diagnostic for Cameroon, increasing the supply of reliable electricity, reducing transport costs and improving efficiency of city planning were ranked respectively 1st, 3rd and 4th most feasible, out of 7 options to improve the business environment. Ranked 5th, 6th and 7th respectively were reforms to the financial, water and telecoms sectors. Ranked 2nd was reform to the secondary and tertiary education system, an effort around which there is some momentum at the national level.

¹⁴ World Bank (2015). *Competitive Cities for Jobs and Growth: What, Who and How?* Washington D.C. June 2015, p. 9-10.

¹⁵ See articles 26 and 80 of Law No. 2004/17 of 22 July 2004) on the Orientation of Decentralization.

the Ministry of Finance and do not always retrocede on time or in their entirety. Similarly, though their amount has been growing over the years, central government transfers are also irregularly remitted.

While local government competencies encompass local economic development, practical implementation is limited to small and micro projects. Most local economic development projects implemented are more micro, once-off projects with a poverty alleviation approach than one that emphasizes systemic economic competitiveness to foster the structural transformation of the local economy. While constrained by limited financial resources, local governments do have a mandate within the following areas of intervention, relevant to economic development:

- Zoning and urban planning, including earmarking spaces for industrial activities, housing and tourism site development
- Organizing public transport
- Market construction and management
- Urban Road construction and maintenance
- Enterprise development, including promoting local production and support to micro-enterprises
- Urban renewal: e.g. city beautification, development of parks, greenspaces and sidewalks etc.
- Sanitation and solid waste management
- Youth recreation and skilling initiatives

The institutional analysis highlights the need for local economic development efforts to be coordinated through a local growth coalition involving local and national government and the private sector. Action by national line ministries alone cannot achieve the well-coordinated and sequenced interventions needed to maximize impact in each city. Also, local and national government agencies as well as the private sector all play important roles in local economic development. Providing a coordinating platform for prioritizing and sequencing their collective efforts is therefore important.

The “contrat-plan,” which also takes the form of “contrat de ville”, is a promising mechanism for structuring this partnership between local and national government and the private sector. The Contract-Plan has a duration of 3 years potentially renewable and is a specific contract with clear obligations for the signing local government and the central government pertaining to focused investments that would lead to significant economic development in a locality¹⁶. The Ministry of the Economy, Planning and Regional Development (MINEPAT) and the Ministry of Housing and Urban Development (MINHDU) have both used these mechanisms for focused investments in cities (e.g. roads, housing, electricity, water, city beautification, etc.).

To supplement the financial resources at the disposal of local governments, the national government could re-assess local revenue assignments to determine which new sources of own-source revenues would be most appropriate in the Cameroonian context. In addition, it will be important to: a) improve the enforcement of tax collection; b) ensure the timely remittance of resources collected centrally to their cities of origin; and c) consider PPP solutions on a case-by-case basis (as they will not always be appropriate or feasible).

The report recommends the following priority actions that city governments and national government respectively could take to improve urban economic development and job creation – as well as actions that they would need to partner on.

¹⁶ The contrat-plan is provided for by Decree NO 2012/0709/PM du 20 Mars 2012 fixant le regime general des contracts-plans Etat/commune.

Top 5 actions for *communautés urbaines*

Reform

1. Improving regulation of public transport in big cities (through contrat de ville).

In Douala and Bamenda, all firms consulted identified congestion as a key driver of high costs of business. Public transport is inadequate. For example, in Douala, a private firm, with minority ownership from the communauté urbaine, SOCATUR, has a monopoly on public transport, and operates only on 10 lines of 30 planned, stopping at times less frequently than an hour. Towards improving the provision of transport infrastructure, the communautés urbaines, particularly in Douala, could strengthen regulatory bodies for public transportation, and encourage competition in provision of the service.

Invest

2. Investing in urban mobility and connectivity (contrat de ville)

Significant public investments are needed to augment the offer of public transport in big cities. Bus Rapid Transport (BRT) investments are being considered for Douala and Yaoundé, which may alleviate the current lack of public transport services, if complemented by investment in and coordination of feeder transport services, including informal providers. Poor road quality and maintenance within cities also limits market access and raises input costs. Firms in Bamenda, whose experience is relevant for other secondary cities, particularly highlighted the impact of poor internal roads on their cost of production. Others indicated that traffic also reduces the flow of people past their shops, reducing their ability to sell. In Douala, stakeholders highlighted the need for road investments that relieve congestion such as a ring road around the city. Increasing the capacity of local councils for the long-term operations and maintenance of local infrastructure is also critical for sustainability.

3. Investing in economic infrastructure, in partnership with the private sector where possible (contrat de ville)

Making investments in dialogue and partnership with the private sector better ensures the feasibility and sustainability of investments. Communautés urbaines could work in partnership with national Government and the private sector to identify critical infrastructure investments in priority cities. Priorities include: (i) markets for informal sector enterprises; (ii) servicing land for industrial and commercial areas; (iii) greenery and recreation areas; (iv) solid waste management; (v) redevelopment of Central Business Districts (CBDs) and core parts of the city; and (vi) incubators and support centers for local enterprises. Other locally specific infrastructure investments are also important, such as a logistical zone in Douala, as proposed in the City Plan and structured as a build, own and operate PPP, may help to reduce congestion around the port and airport, and reduce costs of transport in and out of the city.

4. Promoting local products, innovation hubs and incubation

Entrepreneurs interviewed in Douala, Bamenda and Kribi indicated that, in addition to scarce financing, another key challenge was marketing, in particular finding sales distribution channels and a consistent supply of key inputs, such as packaging. Establishing innovation hubs, incubators or marketing outlets for local enterprises is within the remit of communautés urbaines and, with appropriate capacity and partnering with the private sector, they could support improved product quality and upgrading as well as access to markets for local firms.

Plan

5. Better enforcement of land use zoning for effective land management, clustering and access to markets for local firms

Better zoning and zoning enforcement will be key to effective management of land within the city to promote the benefits of agglomeration. The ability of firms in similar industries to locate together, for example, has been shown to be important for increased productivity. Also, the coordination of economic infrastructure (markets, industrial and commercial areas, etc.) with transport infrastructure is important to support firms' access to markets. The study found that major threats to the enforcement of zoning bylaws include limited capacity or control by communauté urbaines due to issues such as limited means of transportation for staff, availability of qualified staff, and corruption. Another threat is that, given their limited

financial resources, communautés urbaines may approach the issuing of construction permits more as an income generating activity than as a policing/regulating activity.

Top 5 actions for national government

Reform

1. Increasing the decentralized autonomy of communautés urbaines to invest in local economic development

Given the ambiguities in de facto and de jure decentralization, two measures seem critical to accelerating the implementation of Cameroon's existing decentralization policies. The first is a better delineation of responsibilities of the communautés urbaines vis-à-vis national government on reforms and investments in the area of local economic development. As a first step, this could perhaps be done within specific *contrat de villes* for specific cities. The second is identifying sources and means of increasing local authorities' unearmarked revenue, which is important for financing investments that meet local priorities e.g. road maintenance and other underfunded infrastructures. These sources could potentially include an increase in unconditional and timely transfers from central government, increase in own source revenue collection, or leveraging private sector investments through PPPs.

2. Port and customs reform

Congestion and slow processing times at the Douala port were listed as a major constraint on producers of goods that rely on imported inputs. Moreover, the port itself is one of the least efficient in the region. Average dwell times are 22 days, 5 times higher than in the port of Durban, twice the Port of Mombasa, and 1.5 times the Port of Dar es Salaam. The Doing Business indicators also show deficiencies in the regulatory framework for customs. Firms report the average cost of border and documentary compliance to import a 15-metric ton container of auto parts as \$2,256, more than twice the sub-Saharan African average of \$996. Comprehensive port and customs reform is therefore critical, particularly for Douala's competitiveness vis-à-vis other port cities in the region.

3. Restructuring MAGZI towards more effective infrastructure and service provision within industrial zones

The national government has shown itself to be a poor manager of key infrastructure within cities. For instance, firms in the Bonaberi industrial zone in Douala, managed by the *Mission d'Aménagement et de Gestion des Zones Industrielles (MAGZI)*, complained of lack of enforcement of zoning regulations, and of low quality and unpaved roads within the zones. To improve the quality of infrastructure, MAGZI could be restructured and modernized so that it could better mobilize capital for investment.

4. Promoting local One Stop Shops, with decentralized services of APME, API and ANOR and promoting e-governance for obtaining local permits and licenses

There have been recent efforts towards establishing One Stop Shops (guichets uniques) for accomplishing land transactions, for example. These could be strengthened and widened to cover other important services that entrepreneurs need. Entrepreneurs with limited resources do not have ready access to key government agencies that interact with the private sector, such as *Agence de Promotion des Investissements (API)*, based in Yaounde, which provides access to tax exemptions for capital equipment, and the *Agence des Normes et de la Qualité (ANOR)*, based in Yaoundé, which provides quality certifications helpful in marketing. A potential quick win to improve local firms' access to quality certification and other government services is to decentralize the services of APME, API and ANOR to guichets uniques at the city level, including cities outside of Douala and Yaoundé. Another quick win in the area of combatting corruption could focus on streamlining and simplifying processes for the provision of permits (such as construction permits) and promoting e-governance to reduce face to face interaction.

Invest

5. Investing in energy, internet and transport connectivity between cities and in their hinterland

Investments, in road and rail transport, that improve the ability of firms to trade between cities and with their hinterlands may be a "low hanging fruit" in terms of expanding the domestic market to which firms have access. Better access to energy is also critical given that, for instance, 95% and 91% of workers in firms in Douala and Yaoundé respectively, reported

experiencing power outages in the 2016 World Bank Enterprise Survey. Improved internet access can also help entrepreneurs looking to export tradable services. Other African cities, such as Lagos and Nairobi, have built on their advantage of relatively well-educated work force, to begin to export computer programming services, much as India did 10 years ago.

Top actions for partnership between city and national government

1. Establishing a Contrat de ville for each city, to coordinate infrastructure investments (e.g. public transport, urban roads, markets and other PPP projects)

Local planning and coordination of capital investments helps ensure that investments undertaken by various sectors achieve maximum impact on each city. Cameroon's cities are not lacking in well-developed plans but what is missing is an effective institutional mechanism for implementation. Douala, Bamenda and Kribi all had several useful plans such as urban development plans, land use plans, etc. but these remain unimplemented and unenforced. One key reason is the lack of clarity on the respective responsibilities of local and national governments and financing sources. Establishing contrat de ville for selected cities to coordinate priority infrastructure investments would be a good starting point. This would also allow for the identification of land for each project from the outset and securing agreement between local and central government to avoid the conflicts over land allocation by central government for locally planned projects. The contrat de ville would also allow for dialogue and partnership with the private sector over the choice of infrastructure investments, which would increase the chances of feasible and viable investments going forward.

2. Supporting communautés urbaines to tap into alternative sources of financing, including PPPs, where feasible

Central government could support local governments to increase their own source revenues, based on an assessment of revenue sources that could be appropriate in Cameroon. Capacity building from the *Conseil d'Appui à la Réalisation des Contrats de Partenariat* (CARPA), the national agency established in 2010 to support all spheres of government in undertaking PPP projects, could also help communautés urbaines to better structure PPPs for local infrastructure. Build, operate and transfer PPP structures for bus stations and market development, are being used in Douala, for example, as well as other cities. A key constraint to future PPP projects at this scale is likely private sector demand – but with more experience and support from CARPA, communautés urbaines could become more credible partners and gain further interest from the private sector. It is important to note, however, that PPPs are not feasible or desirable in many cases and therefore communautés urbaines should be supported to assess the viability and relative merits of various sources of financing.

3. Integrating public private dialogue in each city within the framework of the Cameroon Business Forum

To activate a local growth coalition to support each city to identify and implement feasible reforms and investments, including stakeholders from local and national government and the private sector, city specific forums could be organized within the framework of the Cameroon Business Forum.

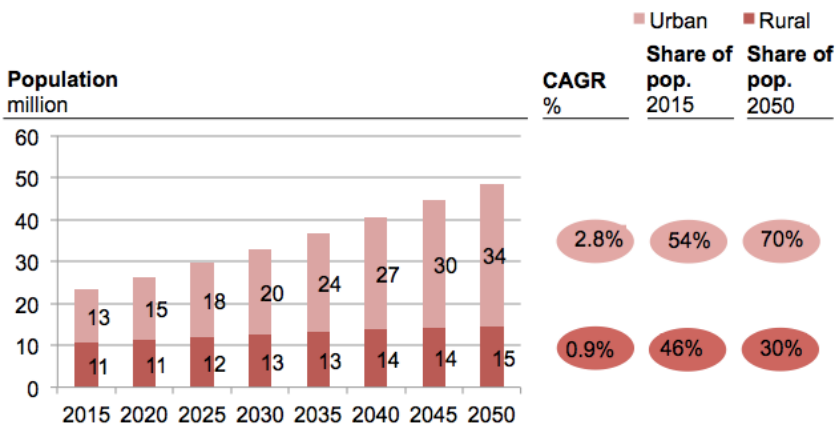
II. Introduction

The importance of investing in Cameroon’s cities

As a highly urbanized African country, Cameroon’s future economic success will, to a large extent, depend on the competitiveness of its cities. Cameroon has one of the highest rates of urbanization in sub-Saharan Africa, with 56% of the population now living in urban areas, a rate 12 percentage points higher than in the year 2000.¹⁷ Cameroon’s Vision 2035 document envisages three transformations that the country needs to achieve, and city competitiveness will be central to the first two: 1) structural transformation, from a mainly primary-sector economy (agriculture and extraction) with informal services to manufacturing and professional specialized services that creates decent jobs; 2) Spatial transformation in terms of urban/regional development, and environmental protection – given that, if current trends persist, 70 percent of Cameroon’s population will live in urban areas by 2050; and finally, 3) Social transformation and greater cohesion.

Cameroon’s accelerated urbanization is set to continue, placing increased demand on the government to deliver urban services. The United Nations forecasts that by 2050, 70% of Cameroon’s population will live in urban areas. Figure shows these forecast trends. The Strategy Document for Growth and Employment of the Government of Cameroon (2009) aims explicitly to put a cap on the urbanization rate, at 57% by 2020, to reduce demand for urban services. However, international evidence suggests that it is almost impossible to cap increases in urbanization. This is due to the push factors making people leave rural areas and pull factors of better opportunities in cities. A more realistic policy priority would, therefore, be to focus on improving livability and productivity in cities so they can cope with increases in population.

Figure 3: The urban population is set to grow at 2.8% annually through 2050



SOURCE: UN Urbanization Prospects

High population growth rates are already placing pressure on cities to create more and better jobs.¹⁸ Currently, while unemployment under the ILO definition in Cameroon remains low at 4.5%, compared to 8.5% in lower-middle income African countries, unemployment has been higher in urban areas, at 8.1% versus 1.4% in rural areas in 2010, and even higher in Douala and Yaoundé than for urban areas as a whole.¹⁹ Urban unemployment is also higher for those under age 35 (10.0%)

¹⁷ United Nations Urbanizations Prospects estimate for 2017.

¹⁸ Despite the fact that the average annual rate of growth in the urban population is forecast to slow from approximately 3.5% in the current decade, to 2.3% in 2050, Cameroon will remain at that time one of the most urbanized countries in Africa. A number of countries in Africa have urban populations that are growing faster than Cameroon’s, at rates in the range of 3.5%-5.6%, though most, with the exceptions of Kenya and Nigeria, have substantially lower rates of urbanization, making the share of urban population lower. Urbanization is also likely to continue even after 2050, with overall forecast population growth at the time, 1.7%, being lower than the rate of growth in the urban population.

¹⁹ Current unemployment statistics are from the ILO Estimates and Projections series, for 2016. Rural urban unemployment uses the same definition and are reported by the Republic of Cameroon (2011)

compared to those above 35 (4.1%), and for women (10.8%) compared to men (5.8%), suggesting inequality in access to jobs between these groups. Finally, urban unemployment hits the highly educated the hardest, at 14.7% for those with tertiary education, compared to just 7.9% for those with secondary education and 5.7% for those with primary education. This indicates that cities in Cameroon are not creating the types of jobs that match the aspirations of their youth.

The formal sector seems to have low capacity to generate additional jobs. Further, informality is very high with informal employment accounting for 77.7% of the labor force in urban areas in 2010²⁰. These informal jobs are most often in low wage and low productivity activities. For example, average annual employment growth within firms in Cameroon at 3.9 percent has been much lower than the leading countries in the region: Angola, Benin, Chad, Malawi, and Niger²¹. Understanding the key constraints inhibiting the generation of better jobs in the formal sector will, therefore, be key to structural transformation.

The economies of Douala and Yaoundé have performed worse than peers, with per capita income falling respectively by -1.1% and -2.4% annually between 2008 and 2012, and unemployment is higher there than in other urban areas. Job creation in cities remains a challenge as the majority of job creation is still in the informal sector. Obtaining more and better jobs in Cameroon's cities will depend on their ability to generate higher rates of growth and productivity. The root cause of these problems has been a lack of structural transformation: labor remains engaged primarily in low value added and non-tradable activities, rather than tradable sectors with larger markets and greater value added per person. Major supply side constraints, corruption and excessive state involvement in the productive sector are some of the factors holding back Cameroon's structural transformation.

Investments should be evaluated on their ability to create formal sector jobs and raise income per capita. Our analysis indicates that 2.5 million additional urban jobs will be required by 2030 in order to keep current unemployment / informality rates constant.²² Policy makers are keenly aware of this issue and are interested in identifying investments that they can make which could play a role in stimulating job creation and increasing incomes.

The scale of Cameroon's urbanization presents a unique challenge to deliver services at scale and prioritize investments. While some Sub-Saharan African countries have greater urbanization rates, than Cameroon, these countries generally have much smaller populations overall, and have most economic activity and population concentrated in a single city. In such countries, urban development policy then requires less national-level coordination across multiple localities, as compared to Cameroon, which has two major urban centers, Douala and Yaoundé, each with populations of over 3 million according to most recent UN estimates.²³ Further, the intermediary cities of Bafoussam and Bamenda in the West, and Ngaoundéré, Garoua and Maroua, in the North also face unique challenges as they grow.

Background to this report and international experience

The purpose of this report is to help policymakers in Cameroon identify the actions needed to unlock the potential of cities for economic development and job creation. The report is part of the World Bank's Technical Assistance project on Enhancing Economic Performance of African Cities. The project aims to apply the learning from the World Bank's global report on Competitive Cities²⁴ to support policy makers in selected African cities to plan reforms and investments that would alleviate constraints to cities' productivity and employment creation performance. The work in Cameroon supports clients in MINEPAT, MINDHU and the communauté urbaines in two main areas of (i) economic analyses that fill knowledge gaps that policy makers face, and (ii) institutional support and capacity development to strengthen their ability to plan and

²⁰ Tchakounte Njoda, M. and E. P. Feubi Pamen (2016). The Effects of the Cameroonian Informal Sector on the Scale and Composition of Output.

²¹ World Bank (2016c)

²² This calculation assumes 57.4% of the population is over 14, and a labor force participation rate of 62%, both calculated from Enquête Camerounaise Aupres des Menages, 2014.

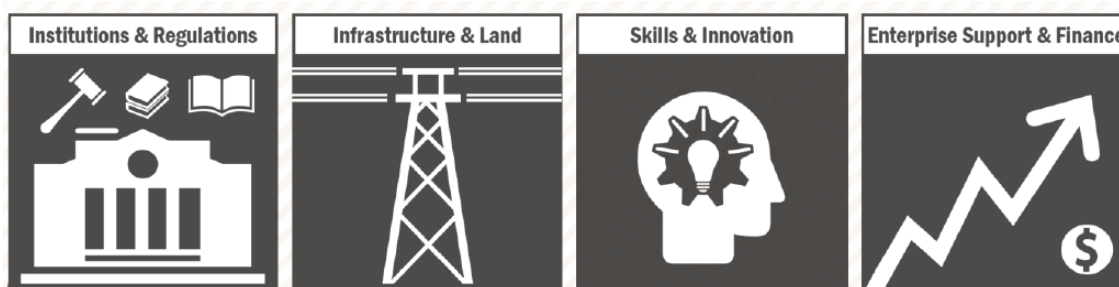
²³ Other sub-Saharan African countries with higher urbanization rates are Botswana (57%), The Gambia (59%), Mauritania (59%), Sao Tome and Principe (65%), Congo, Brazzaville (65%), Cape Verde (65%), and Gabon (87%).

²⁴ World Bank (2015). Competitive Cities for Jobs and Growth: What, Who and How? Washington D.C. June 2015, p. 9-10.

implement relevant reforms²⁵. The study also provides detailed case studies of three cities---Douala, Bamenda, Kribi---which were selected in partnership with the government as representative of the different types of cities in Cameroon.

Learning from competitive cities worldwide, their improved economic performance has typically involved strategic leadership and critical action from both national as well as local governments. The World Bank’s global research on competitive cities²⁶ identified four drivers of competitiveness that cities need to invest in: (1) institutions and regulations, (2) infrastructure and land, (3) skills and innovation, and (4) enterprise support and finance (see Figure 4). Successful cities were also found to have strong political leadership that spearheads a growth coalition of public and private stakeholders towards economic development, setting a clear vision for the success of prominent economic subsectors.

Figure 4: Successful cities need to invest in four drivers of competitiveness to increase growth and job creation



SOURCE: World Bank (2015). Competitive Cities for Jobs and Growth: What, Who and How? Washington D.C. p. 9-10.

The World Bank’s recent research on the Spatial Development of African Cities²⁷ shows that African cities are crowded, disconnected and costly, due to lack of functioning land markets and coordinated infrastructure investments. The study finds that African cities are crowded with people, yet not economically dense and that investments in infrastructure, industrial and commercial structures have not kept pace with the concentration of people. Cities are disconnected, developing as collections of small and fragmented neighbourhoods limiting workers’ job opportunities and preventing firms from reaping scale and agglomeration benefits. And that African cities are expensive - 55% of urban households face higher costs relative to other countries with comparable per capita GDP. These high costs of living raise nominal wages making African industries less competitive both regionally and internationally. The study argues that as long as African cities lack functioning land markets and regulations and early, coordinated infrastructure investments, they will remain local cities trapped into producing only locally traded goods and services, and limited in their economic growth. For African cities to take advantage of agglomeration forces, city and national governments will need to resolve structural problems in land policy, urban planning and coordinated infrastructure investments.

This report outlines the findings and recommendations for Cameroon’s cities, based on analysis using a variety of research methodologies. These included: (1) desk based analysis of quantitative data²⁸; (2) focus group discussions with over 120 local firms and stakeholders in Douala, Bamenda, Kribi (the three cities were selected in partnership with the government as representative of the different types of cities in Cameroon)²⁹; and (3) institutional analysis of Cameroon’s decentralization framework to identify appropriate institutional mechanisms for promoting local economic development. This section provides the background to the report and highlights the importance of investing in Cameroon’s cities. Section III and IV respectively present data showing the opportunity for economic development and poverty reduction that cities

²⁵ In addition to the analytical part of the project, culminating in this policy report, the project is also supporting capacity development efforts for policy makers in Cameroon, including a training on city competitiveness and transport diagnostic studies in Douala.

²⁶ World Bank (2015). Competitive Cities for Jobs and Growth: What, Who and How? Washington D.C. June 2015, p. 9-10.

²⁷ See Lall, Somik Vinay; Henderson, J. Vernon; Venables, Anthony J. (2017)

²⁸ The study primarily utilized Cameroon National Institute of Statistics (INS) data from the Enquête Camerounaise Aupres des Menages, 2014 (ECAM4); Premier Enquete sur l’emploi et le secteur informel au camerooun, 2005 (EES1a) ; Deuxieme Enquete sur l’emploi et le secteur informel au camerooun, 2010 (EES12)

²⁹ The three city case studies are based primarily on qualitative interviews with owners and managers of 127 firms in sub-sectors in which each city had a revealed comparative advantage, supplemented by interviews with local government authorities and a review of each city’s planning documents.

provide for Cameroon, as well as the challenges still faced to unleash the potential of cities. Section V provides a spotlight on the informal sector in Cameroon's cities, given its major contribution to employment, and examines the potential impact of policies that could improve the performance of the sector. Section VI outlines the findings of the institutional analysis on the role that city councils can play vis-à-vis the role of national government in promoting local economic development. Section VII presents the findings of the deep dives on Douala, Bamenda and Kribi, and finally, Section VIII concludes with the common constraints facing local firms in Cameroon's cities and recommendations for action at the city, as well as the national level. More information on the research analyses undertaken in the study as well as detailed profiles for each of Cameroon's cities can be found in the Annexes.

III. The Opportunity

Cities are more productive than rural areas

Internationally, skilled workers and productive industries concentrate in cities because of three benefits of density. The sources of the urban productivity premium have been described by a long literature in economics (i.e. Marshall 1920, Krugman, 1991, and Ciccone and Hall 1996), as falling into three broad categories. First, firms in cities have access to larger markets, and so can generate economies of scale: they are both closer to more customers in the city. Firms may also be closer to transportation infrastructure that allows them to import materials. Second, firms in cities may benefit from having greater access to a larger pool of workers. Finally, firms are thought to benefit simply by being around firms who use the same technology, and the opportunity to learn from one another. Policy options to help industries better capture these benefits of density will likely increase productivity.

Globally, larger cities are more productive.³⁰ The benefits of being around other people and other businesses are typically labelled “agglomeration economies.” High population density makes it easier for workers to reach their jobs, reducing time lost to commuting. In principal, density also helps people learn from one another, as workers in the same industry can share experiences, allowing cities to become centers of knowledge (Duranton and Puga, 2004). Finally, and perhaps most important from the perspective of government, certain public goods—like basic services such as waste management and public transportation—are also cheaper to provide when populations are large and densely packed together.

In Cameroon, we also find evidence that urban areas make a disproportionate contribution towards economic output and productivity. While Douala and Yaoundé have 24% of Cameroon’s population, they produce a total of 44% of GDP.³¹ This implies that these two cities are approximately 1.8 times more productive than the rest of the country.³²

Wages are higher in urban areas relative to rural areas, indicating higher levels of productivity.³³ It is an established economic principle that in a well-functioning labor market, the prevailing wage is equal to the marginal productivity of labor. Figure shows the median monthly wage and share of employment across the three sectors for urban and rural areas in Cameroon. The relative size of the dots indicates the total employment in that industry in the area. Two observations are clear. First, in each industry the urban (blue) wages are substantially higher than the rural (green) wages. This suggests, at least at first glance, that productivity in urban areas is greater. If cities were not as productive as rural areas, this would be reflected in lower wages. Second, in urban areas, local services and manufacturing and professional services pay roughly the same wage and are the only sectors that offer median employment above the statutory minimum wage.^{34,35} This suggests that urban employment in these two sectors is likely the most productive employment available in the country.

³⁰ International evidence reveals that the elasticity of income with respect to city population is between 3% and 8%. Each doubling of city size increases productivity by 5% (Rosenthal and Strange 2004; Glaeser and Gottlieb 2009; OECD 2015).

³¹ Oxford Economics provides city level GDP data. Population data is taken from the United Nations Urbanization Prospects.

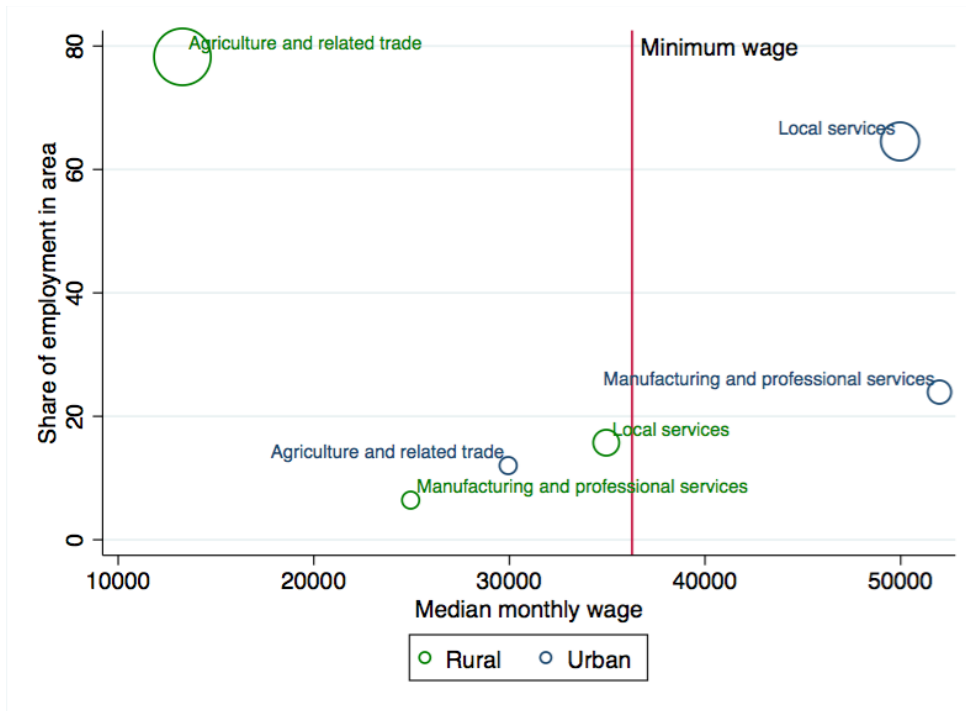
³² This premium has been falling however, indicating an increasing role of secondary cities in production of output. In 2000, the two cities produced 41% of GDP, but had only 18% of the population, implying they were 2.3 times more productive at that time. Other urban areas, not including Douala and Yaoundé, today comprise 29% of the population.

³³ Higher wages do not necessarily imply that workers would all be better off if they moved to cities from rural areas. Rents and the cost of living are also higher in cities, and so may erode welfare gains from migration. As we discuss below, higher earnings of urban workers may also reflect the fact that on average, they have more skills.

³⁴ At the PPP conversion factor for private consumption of 240 FCFA per USD, and assuming 30 days per week, this minimum wage provides a daily income of \$5.04.

³⁵ One caveat to this analysis is that wages in cities may be higher not because firms produce more output worker, but because in cities firms can charge higher prices for the same goods. This is because the wage equals the marginal *revenue product* of labor, indicating how much in currency the firm gets from adding a worker, as opposed to the marginal *physical product* of labor, which indicates how much physical output it gets from adding the worker. The regression analysis in Appendix A presents some evidence to suggest that while some of the wage premium may be explained by higher revenue products of labor as opposed to higher physical products, this likely does not explain all of the difference, in particular in the manufacturing and tradable service sector.

Figure 5: Urban areas are the only part of the country offering employment at median salaries above the minimum wage

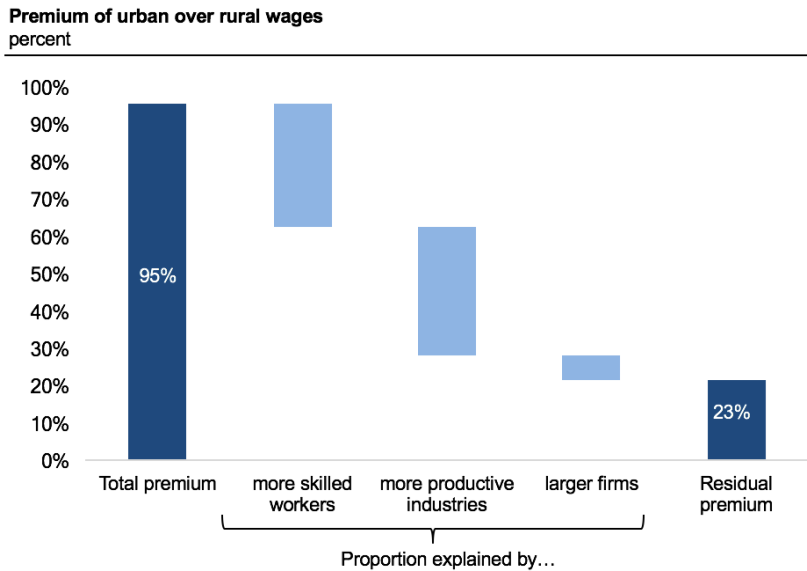


SOURCE: Team analysis using data from ECAM4

Most of the urban wage premium is explained by the fact that cities have more educated workers, more productive industries, and larger firms. Figure 6 presents a breakdown of the average premium of urban over rural wages based on a regression analysis described in detail in Appendix A. On average, across all sectors, wages in urban areas are 95% higher than in rural areas. Approximately 1/3 of this premium is explained by the fact that workers in cities have more education and experience.³⁶ Another 1/3 is explained by different industries, which suggests that, to the extent that Cameroon is undergoing a structural transformation that makes workers more productive, this transformation is occurring in cities. Finally, a small portion of the premium is explained by the fact that larger firms, which on average pay higher wages, are more likely to locate in cities. Overall, these results show that higher urban productivity is driven, in large part, by the ability of cities to attract skilled workers, a concentration of more productive industries in cities, and the ability of firms in cities to grow and become large. The residual, at 23%, is either due to unobserved characteristics of urban workers (i.e. “soft skills,” which are uncorrelated with education or experience), or simply due to something about cities which makes the same worker in the same industry and firm size more productive.

³⁶ Globally, cities are generally home to more skilled workers. Bernard, D’Aoust and Jones (2017) find similarly that education and experience explain about 1/3 of the urban wage premium in Nigeria, Tanzania and Uganda, indicating that the urban wage premium is also a general feature of African economies. Glaeser and Xiong (2017) find similar results in China and Glaeser and Maré (2001) find similar results in the United States.

Figure 6: Higher urban wages are explained by more skilled workers and more productive industries



SOURCE: Team regression analysis using data from ECAM⁴

Douala and Yaoundé have a larger productivity premium than smaller cities. The analysis in Appendix A shows that the residual wage premium, after accounting for worker skill and industry, is approximately double in Douala and Yaoundé relative to other cities. Here we see that Douala has a slightly higher residual wage premium (42.6%) relative to Yaoundé (37.0%), but both have a higher residual premium relative to secondary cities (20%). This suggests that the benefits of density for firms may be increasing with city size. All else equal, a city of 3 million in Cameroon is roughly twice as productive as cities with population less than 400,000. This suggests that policies to disburse population into secondary cities may come at the cost of losing some of the benefits of density.

Quality of life in cities is better than in rural areas

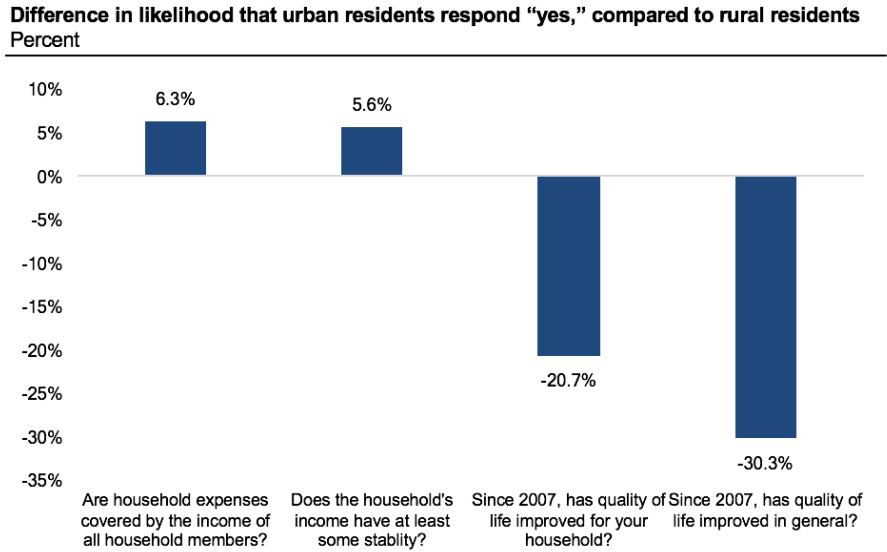
Urban residents in Cameroon are better off economically than rural residents³⁷. The analysis described in detail in Appendix B and in Figure 7 shows that urban residents are 6.3% more likely to report that household expenses can be covered by income, and 5.6% more likely to say that their household's income has some stability. These results are consistent with a view that cities do provide citizens with some opportunity for a better life. Further, in Cameroon most poverty is rural, with 5.6 million of the poor living in rural areas, and just 1.0 million living in urban areas, and indeed, those are the areas that have seen the largest improvements in poverty, from 17.9% in 2001 to just 8.9% today (World Bank, 2016a),

At the same time, however, perceptions of quality of life are not keeping pace with the aspirations of urban dwellers.

The second two columns in Figure 7 show responses to survey questions about whether quality of life has improved. Here the picture is quite different. Urban residents are 20.7% less likely than rural to agree that quality of life has improved for their household since 2007, and 30.3% less likely to agree that it has improved in general. Appendix B also presents results that urban residents are 10% more likely to have been sick recently compared to rural residents. This suggests that as cities grow, political pressure to deliver basic services, public health and improvements in the quality of life may also grow.

³⁷ Though wages are higher in cities and overall output per worker is greater, it may not be the case that workers in cities are better off. Indeed, in cities they must pay higher rents, and so many of the benefits of their higher productivity accrue not to workers but to their landlords. Figure 7 shows results from a regression analysis that tests whether this is true, by comparing survey responses regarding quality of life between urban and rural residents of comparable education and experience.

Figure 7: Urban households are better off financially, but have seen less improvement in quality of life



SOURCE: Regression analysis of ECAM4

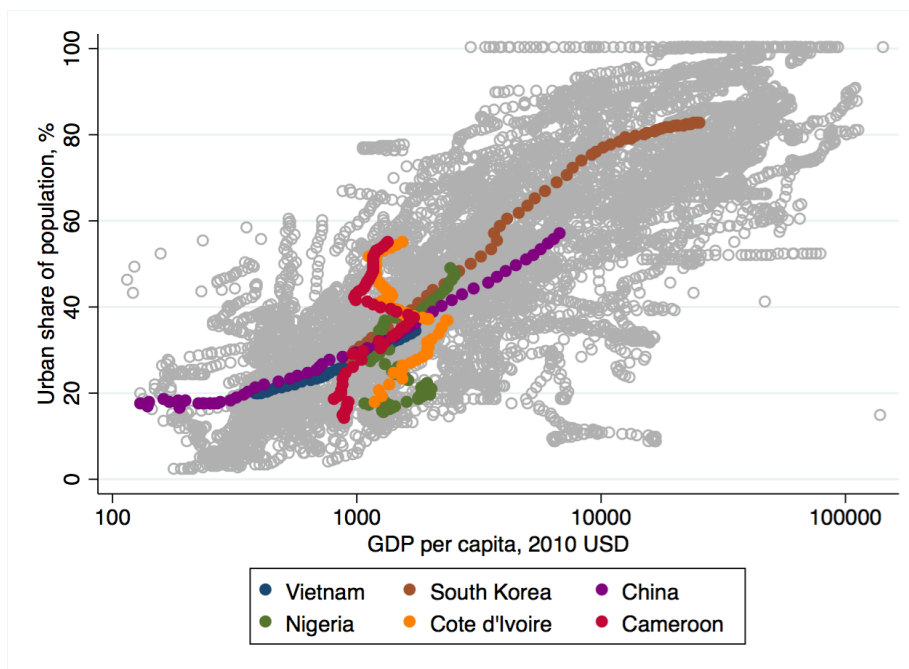
In summary, therefore, cities are important to economic productivity and income generation in Cameroon. As Cameroon’s cities continue their inevitable population growth, a key opportunity for Cameroon’s policy makers will be to invest in cities, to reap the benefits of increased productivity, wages and incomes while ensuring a quality of life that meets the aspiration of urban residents.

IV. The Challenge

Cameroon has experienced urbanization without industrialization

While globally, urbanization has usually coincided with increased economic development, this has not been the case in Cameroon and many other African countries. Figure 8 shows the relationship between (real) GDP per capita and urbanization over time for all countries in the world, with Cameroon, Nigeria, Cote d'Ivoire, and three of the "Asian tigers," Vietnam, China and South Korea, highlighted. Strikingly, while Cameroon's rate of urbanization increased from 13% in 1960 to 54% today, real income per capita has been stagnant. The pattern is similar for many other African countries, which experienced urbanization despite sharp declines in income per capita during the 1980s. In contrast, Vietnam, which started out with even less income per capita, experienced substantially faster growth in income with much slower urbanization over the same period. China, which has a similar level of urbanization to Cameroon today, achieved this with steady growth in income. The Government of Cameroon (2009, pp. 62) is acutely aware of this problem of lagging growth with urbanization and has made slowing the rate of urbanization an official policy target. International evidence, however, indicates that increased urbanization is inevitable and that countries that have tried to slow it down have not succeeded.

Figure 8: Urbanization has coincided with growth in other major countries, but not in Cameroon and many parts of Africa

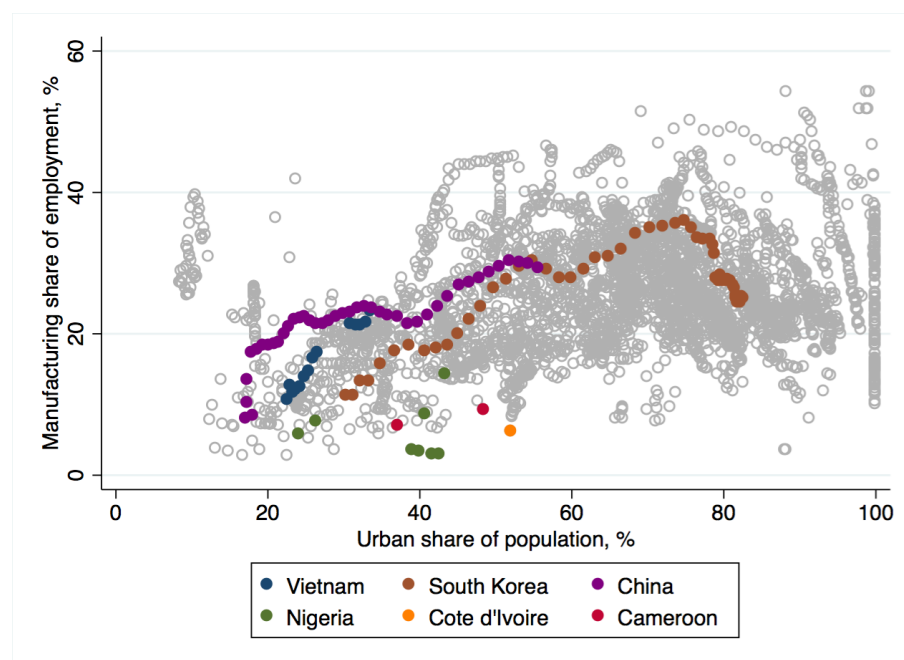


SOURCE: World Development Indicators

Similar to other African cities, Cameroon is urbanizing without industrializing, which could explain why urbanization has not produced greater increases in income levels. Figure 9 shows the paths of manufacturing as a share of employment with respect to the urbanization rate, again for all countries with the same comparators highlighted as in Figure 8. At levels of urbanization below 55%, urbanization usually coincides with an increasing share of employment in manufacturing as can be seen in the experience of China, South Korea and Vietnam, which in these countries was associated with rapid growth in incomes.³⁸ In Cameroon, manufacturing is both a lower share of employment than in most countries and has grown less rapidly with urbanization relative to other trends. Similarly, Nigeria and Cote d'Ivoire also have low shares of manufacturing for their level of urbanization relative to most other countries.

³⁸ As can be seen in the path of South Korea, at higher levels of urbanization, the expansion of manufacturing tends to slow, and even contract.

Figure 9: In Asia, manufacturing employment has grown at the early stages of urbanization, but not Cameroon



SOURCE: World Development Indicators

Cameroon’s urban residents work primarily in local services that are limited by the purchasing power of the local economy. 64% of overall employment in Cameroon’s urban areas is in this class of local services.³⁹ The majority of local service employment is in consumer-focused businesses such as retail trade (32% of local services), domestic or personal assistance (12%), restaurants and bars (11%), taxi driving (7%); and construction (8%). This is in addition to public employment, in education (9%), public administration (5%) and health (3%). These sectors tend to have lower productivity than those producing tradable goods⁴⁰.

Increasing the share and value of tradable industries and services will be important for increasing incomes in Cameroon’s cities. The implication of concentration of employment in local services is that the demand for urban workers’ output, and thus wages and employment opportunities for urban workers, is constrained by the income of those in the city. Gollin, Jedwab and Vollrath (2017) argue that the growth of the urban local service sector in Africa in particular has been driven by income from natural resources, which “trickles down” to stimulate demand for local services, and further urbanization. This is likely part of the story in Cameroon, where crude petroleum makes up 35% of exports by value and funds a substantial public-sector payroll.⁴¹ In countries such as Vietnam and China, in contrast, it was the income of manufacturing workers that supported the growth of urban local services. Since natural resources provide direct income primarily for the government and a small number of individuals with high levels of education, rather than broad segments of workers as does manufacturing, it is thus unclear whether income from that source will be sufficient to stimulate the kind of sustained growth that has taken other countries to upper middle-income status. Further, given current low commodity prices, it is especially unlikely that natural resources will provide sufficient income to support that growth in the short and medium term.

Cameroon’s cities do have a solid base of tradable industries and services, so the priority is increasing their value added and productivity levels, to lead to better quality jobs in the long term. The remaining 36% of urban employment that is not in local services is split between two classes of goods and services that could potentially be traded, and may provide a

³⁹ We estimate shares of total employment using the primary economic activity listed by individuals in ECAM4.

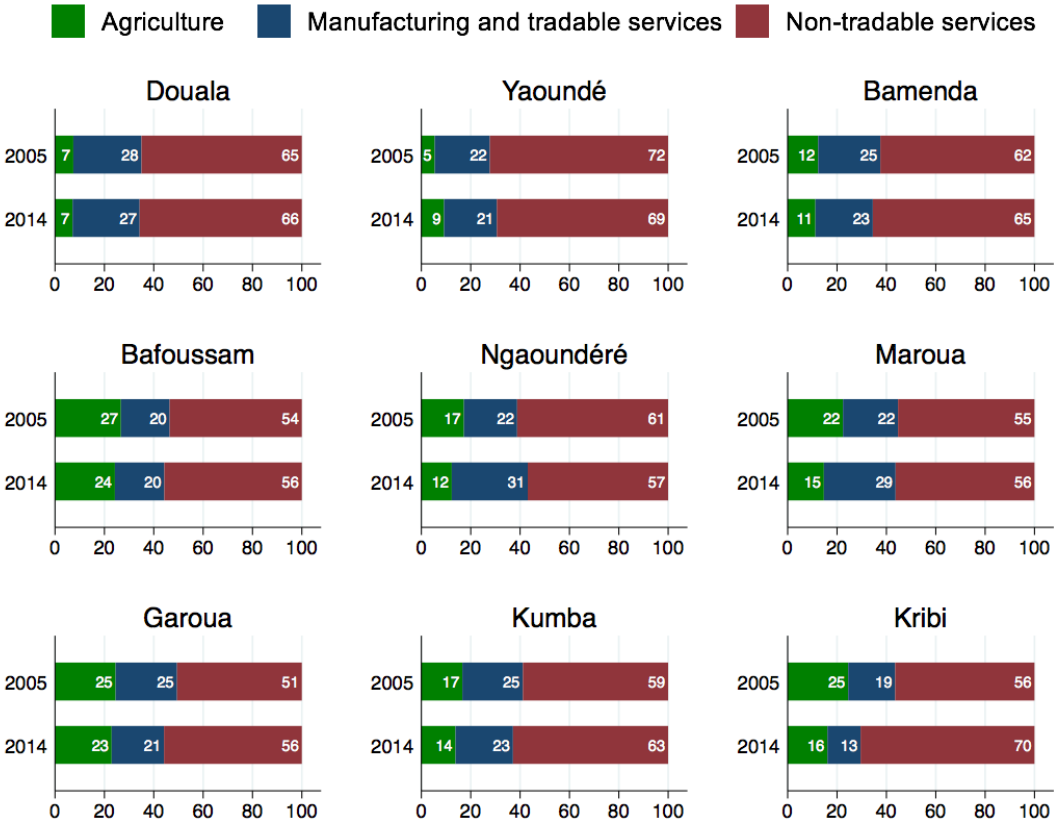
⁴⁰ in the sense that one cannot readily expand output (and thus income) without adding additional workers (Baumol et. al., 2012).

⁴¹ Export data from the United Nations Conference on Trade and Development, UNCTADSTAT, 2015

basis for growth separate from natural resources. These sectors are manufacturing and tradable services (24% of urban employment), and agriculture and related trade (12%), which comprises both agricultural cultivation and agricultural processing. If these industries become more productive, incomes should increase. Within manufacturing and tradable services, the top products are clothing (16% of urban manufacturing and tradable services), baking (7%), wood products and furniture (5%), and metal products (5%). This observation emphasizes how the bulk of manufacturing is still small scale and artisanal (e.g. tailors producing clothing). Financial intermediation and insurance, the largest tradable service, comprises (6%) of this employment. Wholesale trade (13%) is also included in this category as it is a service related, potentially, to trade outside the city. Within agriculture and related trade, the biggest activities are cultivation of tubers and bananas (18% of urban agriculture and related trade) and of cereals (17%), indicating that, at least in some cities, a good deal of agricultural cultivation takes place within the city. Agricultural processing itself is only 17% of employment in this category, consistent with the fact that most agricultural processing takes place in rural areas.

There has been little change in the sectoral specialization of Cameroon’s largest cities over time. Figure 10 shows the composition of employment by sectors in nine cities in 2005 and 2014. Over time, there has been little noticeable structural transformation in the largest four cities, Douala, Yaoundé, Bafoussam and Bamenda, with the share of employment in manufacturing and tradable services holding roughly constant. Smaller cities have, however, seen more transformation. Agricultural employment in Ngaoundéré and Maroua, for instance, has largely converted into manufacturing and tradable services. Garoua, Kumba and Kribi have all seen an expansion of non-tradable services.

Figure 10: The percent of labor force employed in each major sector has stayed roughly constant in most cities between 2005 and 2014



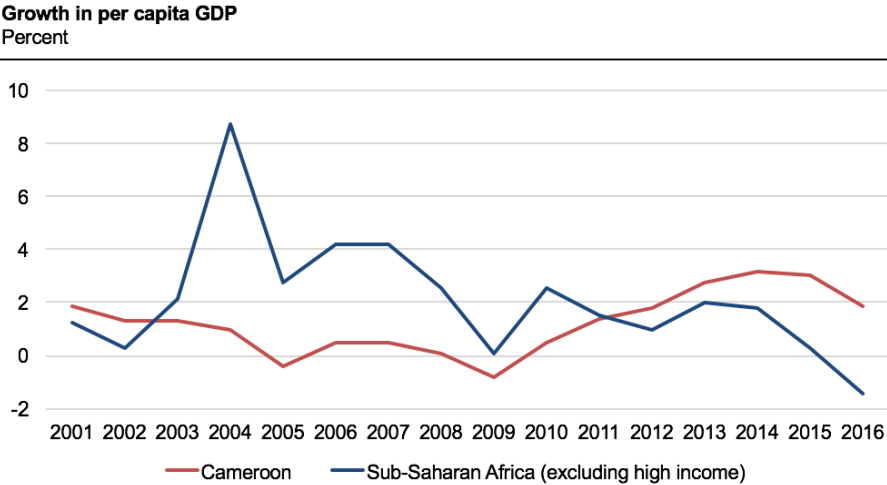
SOURCE: Team analysis using EES1 and ECAM4

National level policies are main constraints to growth while infrastructure deficits are more locally specific

National level constraints are likely a major contributor to negative urban growth rates. As shown in Figure 11, between 2003 and 2011, when sub-Saharan Africa experienced a phase of accelerated growth, Cameroon generally lagged behind, despite having substantial reserves of petroleum, whose high prices fueled growth directly and indirectly in Angola and Nigeria. This trend has changed since 2012, though a large share of this new growth is likely due to a recent expansion in oil output as new fields have come online.⁴² National level factors, in particular corruption in tax administration and excessive state involvement in the economy, which are described in detail by the World Bank (2016c), play a large role in slowing the rate of growth in Cameroon’s cities.

In particular, widespread state involvement in the productive sector tends to limit domestic competition. Cameroon ranks 109 out of 144 countries in terms of local competitive intensity, 65 in terms of the extent of market dominance, and 78 in terms of the effectiveness of competition policy. High market concentration and state ownership are among factors limiting domestic competition. Only a few large firms operate in most sectors and subsectors of the economy: 31 percent of manufacturing firms operate in oligopoly, duopoly, or monopoly markets, whereas in Kenya and Ghana, only 25 percent and 22 percent, respectively, operate in such markets (World Bank, 2016c). In subsectors that are key inputs for other activities—telecommunications, transport, and electricity— only one firm is in operation. Government participation in multiple companies tends to increase market concentration limiting rivalry among firms. This is the case for electricity generation, palm oil, and bananas. Even when the government does not have shareholder control, it often has special rights that increases its influence on business decisions.

Figure 11: From 2003 to 2011, Cameroon grew more slowly per capita than low and middle income sub-Saharan Africa



SOURCE: World Development Indicators

Firms report that the greatest obstacles to private sector growth relate to problems that do not vary substantially across cities: institutions and finance. As Table 2 shows, taxation, corruption and access to credit are by far the most common obstacles mentioned, regardless of city⁴³. While some corruption will be at the local level, it is likely that national level agencies have a substantial share of responsibility, given the major role of national government in tax collection,

⁴² African Development Bank (2016) "Africa Economic Outlook"
⁴³ During the 2009 Census of Enterprises, if the CEO of an enterprise was available for an interview, the CEO was asked, "what are the most important obstacles to entrepreneurship in Cameroon?" The responses give a broad view of which constraints are top of mind for business people, and allow one to test whether they vary across cities. Table 2 reports, for cities in which at least 20 CEOs were interviewed, the share of CEOs that list a particular obstacle as being one of the top three most challenging.

regulation and service delivery. This suggests that alleviating the greatest obstacles to private sector growth will likely require a nation-wide strategy focused on reducing corruption, regulatory reform, and improving access to credit.

Table 2: Percent of CEOs reporting that a constraint is one of the top three barriers to entrepreneurship in the city

	Institutions		Adminis		Finance		Infrastructure		Skills and Inputs		Observation	
	Taxation	Corruption	trative formalities	Insuffic -nt public private dialogue	Acces to credit	Cost of financ e	Infrastr -ucture	Trans port	Power and water	Procurin g raw material s		
Bertoua	81%	53%	32%	11%	51%	13%	9%	8%	9%	4%	0%	53
Douala	69%	52%	26%	6%	39%	14%	14%	5%	6%	4%	5%	2,567
Ebolowa	76%	43%	29%	0%	48%	10%	10%	0%	14%	5%	5%	21
Edea	67%	63%	21%	5%	42%	12%	14%	5%	5%	5%	9%	43
Garoua	51%	43%	11%	9%	24%	10%	2%	9%	3%	5%	1%	98
Maroua	63%	73%	18%	16%	37%	16%	12%	20%	8%	10%	8%	51
Nkongsamba	77%	60%	11%	4%	46%	17%	19%	5%	7%	6%	9%	81
Yaounde	68%	52%	26%	8%	43%	14%	9%	4%	6%	4%	6%	1,091

SOURCE: 2009 Enterprise Census

Similarly, when benchmarking Douala and Yaoundé to international comparator cities, deficiencies in the tax and regulatory environment are clear. Table 3 benchmarks constraints on firms in Douala and Yaoundé against other comparator cities by summarizing responses of firm managers in the WBES.^{44,45} Institutional challenges stand out, with a full 1/3 of a manager’s time spent dealing with government regulation and wait times of over a month for basic licenses. In contrast, in comparator African cities, Brazzaville and Dakar, only 6.6% and 8.9% of time is spent dealing with regulation, and in Asian comparators it is even less. Corruption is also a problem, particularly at the local level. In Douala, 61% of firms who applied had been asked for a bribe in exchange for a construction permit. Even in Turkey, where managers spend 41% of their time dealing with the government, wait times for construction and import licenses are substantially shorter. This underscores the observation above, that nation-wide institutional constraints on growth may limit what can be achieved at the local level.

Infrastructure quality lags behind international comparators and Table 3 also shows that firms experience power outages more frequently, and are more likely to rank transportation as an obstacle to growth than in many comparator cities, particularly those in Asia. Security also appears to be an issue, with firms spending between 6.6% and 8.1% of sales on security in Douala and Yaoundé respectively.

Specific deficits in availability of infrastructure can be identified in specific cities. Taking a localized approach to alleviating infrastructure constraints is important, given that priorities differ by city. For instance, in Table 2, infrastructure is ranked by 19% of firms in Nkongsamba as a top constraint, and water and power are ranked by 14% of firms in Ebolowa, whereas as few as 2-3% rank these as top three constraints in other cities. This finding suggests that planning for investments in infrastructure should take a localized approach in which local and national government works through public private dialogue to identify specifically which infrastructure investments will be most beneficial.

⁴⁴ For the comparator cities Gaziantep, Hanoi and Coimbatore, responses are reported for the region in which the cities are located, as city specific responses were not available.

⁴⁵ Responses are representative of the private non-agricultural sector in each city or region.

Table 3: Douala and Yaoundé rank poorly relative to comparators, particularly regarding institutions and infrastructure

	Douala	Yaoundé	Brazzaville	Dakar	Nairobi	Southern and Central Anatolia	Red River Delta	Tamil Nadu State	Wen-zhou
	CMR	CMR	COG	SEN	KEN	TUR	VNM	IND	CHN
	2016	2016	2009	2014	2013	2012	2015	2014	2012
Institutions									
Manager's time spent dealing with gov't regulation (%)	33.51	15.31	6.58	8.86	8.68	41.36	3.17	1.90	1.91
Days to obtain construction permit	59.20	42.54	11.88	64.14	32.94	9.75	19.29	54.06	25.24
Days to obtain import license	24.68	38.51	65.74	15.19	12.13	4.62	18.35	15.30	
Days to obtain operating licenses	35.64	20.00	7.00	27.77	18.67	61.52	8.21	34.36	13.06
Corruption									
Firms asked for informal gift for electrical connection (%)	0.62	14.39	11.52	9.10	25.39	0.00	11.45	46.22	0.33
Firms asked for informal gift from tax auditors (%)	15.64	22.29	28.66	7.77	22.54	0.97	12.77	16.76	0.00
Firms asked for informal gift for construction permit (%)	61.10	23.24	19.78	16.77	47.62	0.13	30.88	29.97	0.00
Finance									
Firms with overdraft facility (%)	54.91	48.10	40.43	57.65	34.66	42.47	9.89	64.64	34.89
Sales paid for after delivery (%)	30.36	7.78	37.31	19.30	40.57	35.41	52.04	29.32	53.47
Infrastructure									
Firms experiencing power outages (%)	94.56	90.66	92.54	84.89	91.33	65.07	15.20	77.43	49.37
Firms experiencing water shortages (%)	16.40	15.78	N/A	20.18	32.30	17.01	5.61	9.61	1.83
Share of sales spent on security (%)	6.56	8.08	8.30	5.74	4.45	11.01	7.76	2.56	1.24
Firms ranking transportation as major obstacle (%)	35.09	23.25	51.01	24.12	26.50	29.72	5.54	21.94	9.62

V. Spotlight on the informal sector

Cameroon labor market is characterized by a large informal sector. The informal sector employs around 90% of the occupied workforce in Cameroon. In 2010, there were approximately 2.5 million (90.5%) of Informal Production Units (UPI) in Cameroon. The regional distribution of households with informal businesses revealed that the highest number of informal businesses were in the Littoral, including Douala (19.0%) region followed by the Centre, including Yaoundé (17.4%), Far-North (14.4%), and the Western (12.1%) regions. The regions with the least number of informal businesses are respectively the Southern (2.1%), Adamawa (4.3%), and the Eastern (4.3%) regions.

Within cities, the informal sector employs more than two-thirds of the urban workforce in Cameroon and accounts for about one-third of the economy-wide output (INS 2010). As expected, despite this substantial contribution, the Cameroon informal sector mainly consists of micro-units, often with one worker, very low-paid jobs and low labor productivity. As Table 4 shows, 13% of urban informal enterprises are involved in manufacturing and industrial activities while 84% are involved in commerce and other services. The average size of informal units decreased from 1.5 employee in 2005 to 1.3 employee in 2010. This is driven by an increase in the share of informal units that have only one employee (from 69.4% in 2005 to 86% in 2010), and a decrease in the share of informal units with more than 3 employees (from 4.5% in 2005 to 3.6% in 2010). The Cameroon National Institute of Statistics documents that labor productivity, as measured by output per worker-hour in the informal sector seems to be declining over the period 2005-2010, and the optimal productivity is attained by a typical firm in the informal sector when it has at least three workers plus the entrepreneur. In addition, less than 1 percent of employment is a salaried job, and for those with a salary, more than 50 percent of them earn less than the statutory minimum wage. Compared to the formal sector, productivity per worker remains relatively low in the informal sector.

Table 4: the sectoral specialization of the urban informal sector in Cameroon

Sector	Enterprises		Jobs	
	Freq.	Percent	Freq.	Percent
Agriculture	105	0.13	5,318	2.74
Breeding	73	0.09	413	0.21
Forestry	8	0.01	759	0.39
Fishing and fish farming	5	0.01	37	0.02
Sub-total Primary	191	0.25	6,527	3.36
Mining	10	0.01	205	0.11
Food industry	507	0.65	5,557	2.86
Other Manufacturing	9615	12.34	23,879	12.30
Electricity water and gas	50	0.06	5,723	2.95
Construction	353	0.45	2,411	1.24
Sub-total Secondary	10,535	13.52	37,775	19.46
Commerce	42,752	54.87	72,567	37.38
Transport	210	0.27	3,072	1.58
Bank and insurance	248	0.32	3,308	1.70
Other tertiary	22,750	29.20	69,464	35.78
Sub-total Tertiary	65,960	84.66	148,411	76.45
Unknown	1,227	1.57	1413	0.73
Total	77,913	100.00	194,126	100.0

Source: Background paper to this report (Bougna and Nguimkeu 2018)

International evidence shows that various factors influence the extent of informality in the economy, including the extent of regulatory and tax burdens, corruption, skills and access to credit. Djankov and others (2002) show how lengthy and costly registration procedures hamper the formalization process of firms. Also, several papers have emphasized the tax burden as a constraint to formalization (see, e.g., Fortin and others, 1997; Amaral and Quentin 2006; and Ordonez 2014). Nguimkeu (2014, 2015) showed that skills and access to credit play a significant role in the productivity and formalization of informal firms as well as the creation of new formal firms. Informality also seems to be explained as rational sorting of firms and workers based on inherent productivity characteristics and so formalization per se may not address the fundamental determinants of productivity (Oviedo, 2009). Corruption or poor public services may also reduce workers' and firms' willingness to formalize and pay taxes (World Bank 2007).

Given the major contribution of the informal sector to urban economies in Cameroon, it is important to understand the potential impacts of policy on the performance of the sector. A background paper to this report, by Bougna and Nguimkeu (2018), simulates the impact of policy on the performance of informal firms. The paper examines the constraints hindering the creation of new formal firms, the formalization of informal firms and firm productivity in Cameroon. The paper estimates an occupational choice model using firm survey data in which entrepreneurs decide both whether to create a firm, and whether to become formal (i.e. register with the tax authority). The model allows one to predict how the results of these choices will change with various investments⁴⁶.

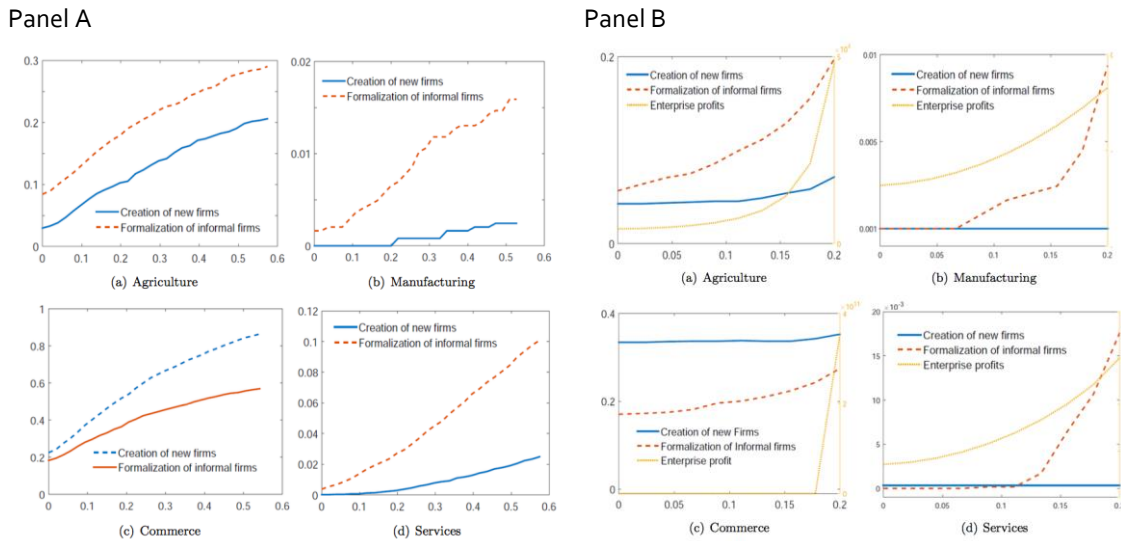
Our economic modelling shows that both national level reforms as well as local infrastructure investments are associated with economic benefits relating to the informal sector. The background paper modelled the impact of three policies (reducing interest rates, tax reforms and infrastructure investment) on formalization, business creation and productivity. While reductions in the interest rates, a proxy for increasing access to credit, has no impact on the creation of new firms, it was found to have a large and significant impact on formalization. Similarly, tax reforms were also found to be have an impact on formalization but a minimal impact on firm creation.

An increase in paved roads, was found to have a substantial impact in terms of output, productivity, and formalization of informal firms. Improving road infrastructure⁴⁷, which expands firms' access to markets, was found to be likely to increase the formalization of informal firms across all sectors and to create new firms, but only in agriculture and commerce. It has a much lower effect on manufacturing and services. A 15% increase in paved roads would generate the creation of twice as many new firms in agriculture and commerce, compared with an insignificant amount in manufacturing and services. In contrast, relatively higher amounts of informal firms would formalize in the manufacturing and services sectors compared to the agriculture and commerce sectors as a result of increased infrastructure. In terms of output, a 10% or lower increase in infrastructure only has a modest effect on output, whereas increases of 20% and above have a more significant effect on output. In the industrial sector, a 20% increase in infrastructure more than doubles initial productivity in all sectors.

⁴⁶ The paper tests the implications of the model using reduced form estimations techniques, based on a cross-section of micro-enterprises. The paper uses data from the Cameroon National Survey of Employment and Informal Sector (EESI) for 2005 and 2010 and the General Enterprise Census (GEC) for 2009.

⁴⁷ Measured as increased road density (which includes road or bridge construction or paving of existing roads).

Figure 12: Investments in roads (Panel A, left) and reductions in the borrowing rate (Panel B, right) are expected to have their largest impacts by inducing the formalization of informal firms, while also increasing the creation of new firms and increasing firm profits in some sectors.



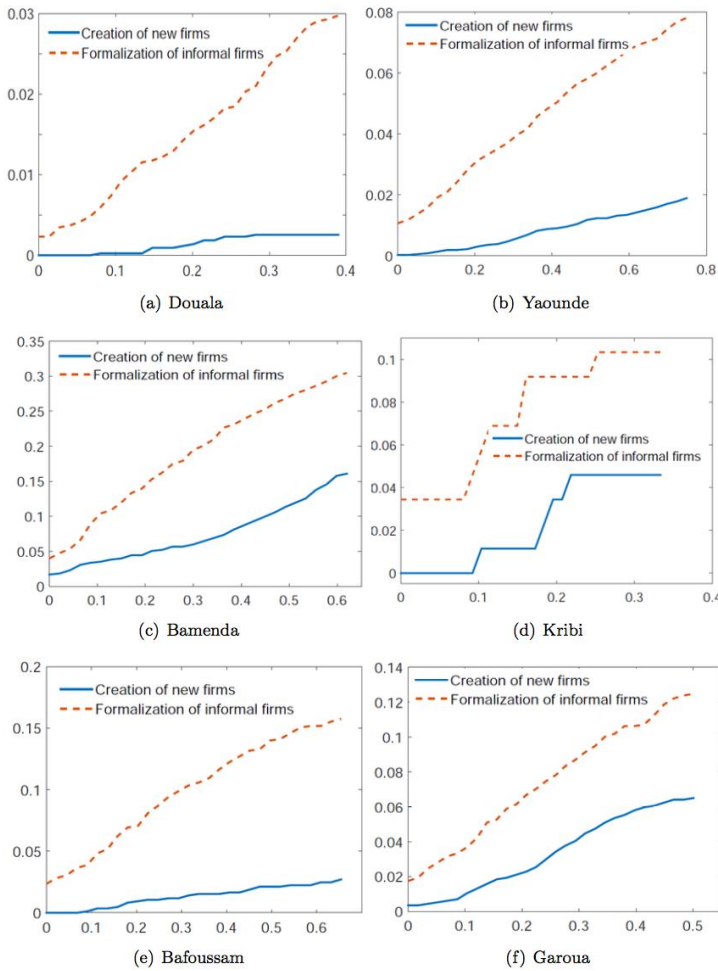
SOURCE: Bougna and Ngumkeu (2018). The Y axis shows the transition probabilities, and the right-hand axis is enterprise profits. In Panel A, the X axis shows proportions of the average road density. In Panel B the X axis is the decrement in borrowing rates.

The availability of paved roads seems to encourage informal firms to formalize and increases their productivity. This could be either because paved roads make it easier to do business by increasing productivity so that informal entrepreneurs quickly grow and graduate to the formal sector or because paved roads provide more access to tax inspectors to otherwise remote areas, which discourages in-formality as informal entrepreneurs become easily detectable. The patterns of productivity are all similar across the cities: increasing availability of paved roads, increases firm productivity. This suggests that paved roads make it easier to do business in general.

Infrastructure investments would have greater impacts in the cities that have received less investment in the past. Initiatives to improve infrastructure will have their largest impact in the more geographically isolated cities, for instance Garoua and Bamenda. Bougna and Ngumkeu (2018) also report how effects of initiatives may vary across cities. For instance, Figure 13 shows the impact of road investment as it varies by cities. Here we see that in places which are more remote, and have lower baseline levels of road infrastructure, such as Bamenda and Garoua, the construction of more roads will have the largest impacts on the creation of new firms. These cities should therefore be prioritized for investment.

Figure 13: Investments in infrastructure will have the largest effects on firm creation in secondary cities.

Panel A



SOURCE: Bougna and Nguimkeu (2018). The Y axis shows the transition probabilities, and the right-hand axis is enterprise profits. In Panel A, the X axis shows proportions of the average road density.

In summary, our economic modelling suggests that both national level reforms as well as local infrastructure investments are pertinent interventions for improving the economic performance of informal firms. The international evidence is cautionary against expecting a quick growth dividend from policies to encourage formalization. Our analysis provides evidence that investing in local infrastructure, as well as national level policies, specifically to increase access to finance, and implementing tax reforms have better dividends in terms of entrepreneurship, formalization rates, output and productivity.

VI. Institutions: Who Has the Competencies to Lead Urban Economic Development in Cameroon?

The context of limited and ambiguous decentralization highlights the need for better coordination

The 'government' at the subnational level in Cameroon comprises two sets of players: the deconcentrated services of the central government and the local governments (decentralized entities). Given the centralized nature of the Cameroonian state, public services at the local level have traditionally been delivered through the deconcentrated services and remain so to a large extent. These deconcentrated services comprise the regional, divisional and sub divisional structures of each of the ministries of the central government which are tasked with implementing the programs of the ministries at these local levels. The activities of these deconcentrated structures are coordinated at the sub-divisional level by a Divisional Officer (DO)⁴⁸, at the divisional level by a Senior Divisional Officer (SDO)⁴⁹, and at the regional level by a Governor. Each of these three authorities (DO, SDO, Governors) hierarchically oversees all deconcentrated services within their administrative area. All three are appointed by the President of the Republic and are his representatives in their geographical area of command. They operate under the day to day supervision of the Ministry of Territorial Administration and Decentralization (MINATD) which is also the ministry which exercises supervisory authority over local governments.

At the subnational level, the Governor and the SDO equally exercise "supervisory power" over local governments. Figure 14 schematizes the parallel nature of the deconcentrated services and decentralized entities. Situated within the same geographical boundaries as the deconcentrated services, the decentralized structures comprise 10 regional councils⁵⁰ (regional level) and 374 councils (of which 360 are municipal councils at sub-divisional level, and 14 are city councils at divisional level - comprising 43 district councils at sub-divisional level.⁵¹ The 14 city councils, known in French as *communautés urbaines*, represent a special status of municipal councils. By law⁵², the President has the power to make certain areas into city council by reason of their importance and level of development. The 14 city councils are thus the 14 major cities in the country. The particularity of the city councils is that they are an "umbrella organization" under which smaller municipal councils are included. The largest cities like Douala and Yaoundé have respectively 6 and 7 urban councils each. The city council is also unique in that, unlike municipal councils whose executive, the mayor and councilors, are elected, the head of the city council, known as "the Government Delegate", is appointed by the President. The city council model thus in practice places elected mayors in major cities under the leadership and control of an official (the government delegate) who is not elected but rather appointed by the central government and acts as the overall mayor of the city.

Although local governments have existed in Cameroon since the colonial period, their role has always remained rather marginal.⁵³ Since the 1996 Constitution, there has been concerted efforts to institute a decentralization framework that would allow local governments to play a more important role including progressively taking over most of the local service delivery mandate that has traditionally been bestowed on the deconcentrated services.⁵⁴ This push for greater decentralization has witnessed significant progress since 2010 with the beginning of effective transfer of competences to

⁴⁸ *Sous-préfet* in French.

⁴⁹ *Préfet* in French.

⁵⁰ Although provided for by the 1996 Constitution and decentralization laws, regional councils as a decentralized tiers of government have not yet been implemented.

⁵¹ Commonwealth Local Government Forum (CLGF), (2013).

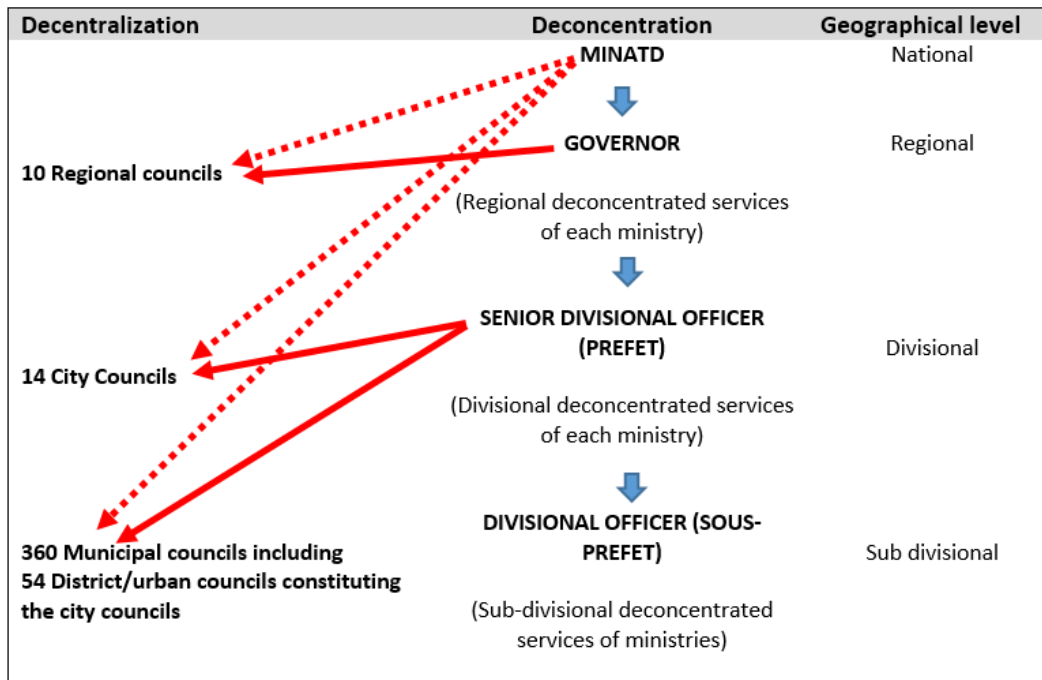
⁵² Art. 109 of the Law No. 2004/18 of July 2004 to lay down Rules Applicable to Councils

⁵³ There is a difference though between, on the one hand, the Anglophone regions of Cameroon where local governments instituted in 1922 by British colonial authorities have played a more important role till 1972 when the federal system was abolished and the unitary state introduced, and, on the other hand, the Francophone regions in which local governments were introduced by French colonialists in 1941 but which always operated under a more centralized tradition of governance (Ministry of Territorial Administration and Decentralisation, (n.d.)).

⁵⁴ See articles 26 and 80 of Law No. 2004/17 of 22 July 2004) on the Orientation of Decentralization.

local governments. The Government now estimates that 93 % of the competences stipulated in the decentralization laws have already been transferred to local government.⁵⁵

Figure 14: Sub-national government entities: Decentralization versus Deconcentration



← Day to day supervisory authority ← Higher level supervisory ↓ Hierarchical authority

Source: Adapted from World Bank (2012).

Despite progress, previous studies, including a World Bank assessment of the process of decentralization process in Cameroon, have concluded that the framework remains restrictive and ambiguous. See World Bank, 2012; Desbrosses, 2014; Kofele-Kale, 2011. Three dimensions of the decentralization framework may suffice to illustrate the restrictive nature of the decentralization framework in Cameroon. The first dimension pertains to the competences transferred to local governments. As Desbrosses (2014) noted, the 'transfer of competences' provided for by the decentralization laws does not really amount to a transfer of competences in a real devolution sense. The competences transferred appear more as 'specific sub-contracted assignments' that local governments must perform on behalf of a central government ministry and for which they are allocated dedicated funding and must report biannually on the implementation of these specific assignments. As the World Bank assessment noted, these transfers of competences follow a top-down approach that is more akin to a logic of deconcentration than a logic of devolution (World Bank, 2012). Secondly, the decentralization laws institute a principle of concurrent competencies, as one of the general principles of the decentralization in Cameroon, by virtue of which all the competences transferred to local governments are not exclusive; hence the central government maintains the right to continue to exercise the same competences. This principle of concurrent competences has meant that the logic of transfer of competences is not sectoral (e.g. transferring a full sector of activities to local governments) but rather had been hierarchical within sectors. Hence as the World Bank (2012) assessment concluded, most ministries have transferred relatively minor competences to local governments. The last dimension pertains to local governments' limited ability to generate resources.

⁵⁵ Statement of the Minister of Communication on the state of the decentralization in Cameroon, 12 April 2017. Retrieved from: <http://crtv.cm/fr/nouvelles/top-news-24/dcentralisation-97-des-comptences-transfres-aux-communes--19075.htm>

Mobilizing financial resources

As in most countries, local taxes and direct transfers from the central government constitute the two main revenue sources of local governments in Cameroon. However, unlike in more decentralized countries, all local taxes in Cameroon are established by central government and local governments cannot independently institute new taxes.⁵⁶ The collection of the most important local taxes is also directly administered by central government and disturbed through a Treasury Single Account (TSA) system. These centrally collected local taxes comprise: Centimes Additionels Communaux (an additional 10% levy on personal income tax, corporate tax and VAT, providing nearly 2/3rds of all local government revenues); local development tax, business licenses, liquor licenses, stamp duties on cars, tax on gambling and entertainment, land tax on real estate, transfer duty on properties, forest taxes, etc. Aside from the above which are often shared between levels of government and are subject to equalization⁵⁷, local governments do directly collect various fees, user charges and minor taxes such as market tolls, parking fees, health and sanitation tax, municipal stamp duties, parking tax and fees, construction permit, etc.

The second source of revenues, direct transfers, comprise two components: the General Allocation for Decentralization (DGD) and Decentralized Investment Budget (BIP). Since 2014, the DGD has stagnated around 10 billion CFA with typically 50 % assigned for investment, 40% for recurrent expenses (mainly the payment of the salaries of elected local officials), and 10% for the operational cost of various central government committees in charge of overseeing the implementation of the decentralization process. In 2017, the DGD represented only 0.26% of the national budget. The BIP on the other hand represents the accompanying transfer of funds made by central government ministries to local governments for the execution of the specific sectoral competences transferred as discussed above. Some estimates put the figures of BIP for the year 2015 between 35 to 42 billion CFA franc representing about 15 % of total investment budgets of concerned ministries.⁵⁸ Overall, local revenues have increased significantly over the last decade. One assessment is that local budgets may have tripled over the last 10 years.⁵⁹

Despite their rapid increase over the years, local resources managed by local governments remain limited. Local government spending currently represents about 5 % of the national budget, up from an estimated 2.57 % in 2008 (Kuate, 2014) and about 3.5 % in 2014 (Desbrosses, 2014). The national association of local governments, supported by the Association Internationale des Maires Francophones (AIMF), has been lobbying for this figure to be increased to at least 10%. Beyond concerns with the limited amount of local revenues, serious problems exist in the administration of local revenues notably the irregularity and uncertainty around the transfer of funds from national treasury to local governments. Collected local taxes and budgeted transfers are not always remitted on time or in their entirety to local governments. Given the prevailing TSA system in force in the country, central government spending is often given priority over local governments' leading to major delays and deficits in local governments own budget execution. Lastly, there appears to be lack of transparency in the mechanisms/formula for sharing centrally collected/earmarked revenues among local governments.⁶⁰

⁵⁶ Local governments can however determine the tax rates for certain taxes within the brackets preset by national laws.

⁵⁷ This distribution is administered by FEICOM which acts as both the central body in charge of distributing local taxes collected nationally and as a development bank for local governments.

⁵⁸ Despite FEICOM playing some function in this regard particularly as concerns funds that are distributed through its channels, no agency appears to comprehensively monitor all local government revenues and hence estimates across studies vary to some degrees and must be treated with some caution.

⁵⁹ *Association Internationale des Maires Francophones (AIMF) (June 2017), Plaidoyer des Maires sur les Finances Locales - Synthèse Atelier Cameroun – Rapport 4.*

⁶⁰ The 2012 World Bank studies on fiscal decentralization in Cameroon has made a number of recommendations on how these constraints could be addressed.

Table 5: Transfers to local governments have increased but remain limited in level

	1986-87	2003	2015
GDP (current)	6 791 191	7 477 692	11 795 900
Per capita (current US\$)	1 115	836	1 217
National Budget (current)	650 000	1 363 300	3 746 600
Tax revenues	435 000	1 039 200	2 096 530
Local Governments' (LG) Budget	34 996	59 658	193 282
LG Budget (Titre 1) in revenues	29 163	52 040	110 087
- Communauté Urbaine de Douala	12 873	16 022	42 498
- Communauté Urbaine de Yaoundé	4 081	8 132	20 787
- Other Communautés Urbaines		8 508	15 237
- Municipal councils	12 209	12 493	20 350
- Communes d'arrondissement (district councils)		6 885	11 215
CAC⁶¹ & transfers for recurrent expenses		27 517	74 000
- CAC earmarked for LG		27 517	70 000
- DGD (expenses excluding steering operations)			4 000
Transfers for investments		3 000	70 000
- DGD (Investments)			5 000
- Decentralized Investment Budget (Ministries)			35 000
- Subsidy / Loans & Investments FEICOM		3 000	30 000
Not registered in LG budgets		39 618	83 196
Central government solid waste subsidy (Hysacam)		4 618	13 196
MINHDU (urban investments)		35 000	70 000

Source : Association Internationale des Maires Francophones (AIMF) (June 2017), Plaidoyer des Maires sur les Finances Locales - Synthèse Atelier Cameroun – Rapport 4.

Given the resource constraints they face, city councils in Cameroon have been eager to pursue innovative sources of external financing. Beyond conventional external funding such as bank loans and loans or grants from FEICOM (*Fonds Spécial d'Équipement et d'Intervention Intercommunale*), city authorities have shown significant interest in leveraging private funding for investments. So far, efforts have included issuance of municipal bonds, which the Communauté Urbaine de Douala pioneered in 2005 through a 7 billion Franc CFA bond issued at the Douala Stock Market. Another vehicle which Douala has also pioneered is the recent launch of the Société Métropolitaine d'Investissement de Douala which is currently seeking to publicly raise 10 billion Franc CFA in capital for investment in infrastructure projects in the city. The last vehicle is Public Private Partnerships. At least three city councils in Cameroon (Douala, Yaoundé and Bamenda) currently have PPP-structured projects, ranging from public transport, markets and bus-station construction, that are at various stages of implementation under CARPA's technical guidance. Given the centralized nature of Cameroon, these external sources of funding require pre-authorization by central government.

To supplement the financial resources at the disposal of local governments, government could conduct an assessment of local revenue assignments to determine which new sources of own-source revenues would be most appropriate in the Cameroonian context. In addition, it will be important to: a) improve the enforcement of tax collection; b) ensure the timely

⁶¹ CAC : Centimes Additionels Communaux.

remittance of resources collected centrally to their cities of origin; c) PPP solutions to be considered on a case-by-case basis (as they will not always be appropriate or feasible).

Who has the competencies?

The restrictive decentralization framework raises the question of which institutional actor should lead local economic development efforts in Cameroon? The tradeoffs appear to be as follows. First, the city councils, on the plus side, are fully concentrated on the city, they have the ability to foster local participation and, at least at the level of their constitutive district councils, have been doing so through participatory budgeting initiatives. Although the city councils lack the crucial element of local democratic accountability given the fact that the Government Delegate (the city council head) is appointed rather than elected, this is partly mitigated by their legislative arms that comprise elected councilors and mayors of their constitutive district councils. Generally, the city council has legitimacy to speak on behalf of the city although it also seems to suffer from the same low public trust as the central government (Afrobarometer, 2016). However, on the down side, the city councils lack the autonomy, powers and financial resources to effectively drive needed interventions for the structural transformation of their economy. Second, the central government, on the other hand, concentrates much power and resources but is driven primarily by the national agenda and macro-economic considerations that are often distant from the types of hands-on, bottom-up interventions needed for a local economic development strategy. In theory, the deconcentrated services of the central government could drive a locally driven strategy but, as a World Bank assessment of the deconcentration vs. decentralization trends in Cameroon noted, their orientation is primarily national as the public servants that constitute these deconcentrated services remain primarily accountable to their hierarchy in the capital rather than to the local population.

The restrictive nature of the decentralization framework means that implementing interventions to foster city competitiveness in Cameroon would have to rely on a partnership between national and local government and the private sector. This intergovernmental cooperation is critical given that most of the interventions required to foster city competitiveness, as we see below, are within the realm of the central government and the actions of the local governments themselves require the pre-approval of the central government. At the same time, local coordination of interventions and investments are critical to maximize impact in any given city. Relying solely on top down action of sectoral line ministries will not respond to local priorities or coordinate and sequence investments in a way that maximizes their impact. Moreover, the private sector is a critical partner, both in terms of leveraging financial resources for investment as well as know-how regarding the feasibility and implementation of investments.

Within the existing Cameroonian institutional framework, a hybrid mechanism that seems to provide a possible institutional arrangement for city competitiveness is the “contrat-plan” which also takes the form of “contrat de ville”. The Contract-Plan has a duration of 3 years potentially renewable and is a specific contract with clear obligations between the signing local government and the central government pertaining to focused investments that would lead to significant economic development in a locality⁶². The Ministry of the Economy, Planning and Regional Development (MINEPAT) has used the contrat-plan as an instrument for focused investments in certain local governments. Similarly, the Ministry of Housing and Urban Development (MINDHU) has used contrat de ville, that has a similar rationale as the contrat-plan to provide focus investments on urban development (roads, housing, electricity, water, city beautification etc.) in cities. The value of both the contrat-plan and contrat de ville is that they provide for the dual leadership of the city council and the central government in interventions whose prime rationale is fostering economic development with specific commitment and defined performance goals to reach.

Economic development mandates of local and central government

The Constitution and the laws on decentralization posit ‘local development’ as one of the core goals of decentralization. Kuate (2014, p 15), one of Cameroon’s lead experts on decentralization laws, observed that while this notion of ‘local development’ is not defined in the legislations, it is nevertheless generally understood to include, among others, the concept of “local economic development which refers to the creation of wealth and jobs at the local level.” The

⁶² The contrat-plan is provided for by Decree NO 2012/0709/PM du 20 Mars 2012 fixant le regime general des contracts-plans Etat/commune.

specific economic development competences of local governments⁶³, which we discuss below, appear to support this view. However, it appears also that the notion of economic development practiced by Cameroon's local governments resembles more a micro, one-off projects with a poverty alleviation approach than one that emphasizes systemic economic competitiveness understood as interventions to foster the structural transformation of the local economy. This orientation is visible in local development plans which tend to be made of a catalogue of micro-projects rather than a comprehensive governance/structural plan to foster local economic development (Desbrosses, 2014). Another major constraint to local economic development appears to be the top-down manner in which the City Urban Master Plans (that is the cities' main strategy documents) are prepared. Presently, these Master Plan are prepared for each city with a strong oversight and, in most cases, total management by the MNDHU instead of the city technical services. Thus, planning take place without much local leadership and ownership of the process and/or the outcome. Table 6 presents a summary of the responsibilities of the central government, local government and the private sector in Cameroon. The mandate/role of each of these actors is identified with regards to each of the four drivers of competitiveness which cities internationally invest in (see Figure 4)⁶⁴, and described in greater detail below.

Institutions and regulations⁶⁵

Institutions and regulations actions are primarily within the remit of the central government with the exception of zoning, urban planning and issuance of construction permits. The main role of the city council pertains to zoning and urban planning although even this function is strongly controlled by MINDHU particularly as regards the development of the City Master Plans and other related land use plans. Cities are relatively autonomous in the issuance of all construction permits and enforcement of zoning bylaws but they often lack the capacity to do so proactively. Major threats to the enforcement of zoning bylaws include limited capacity or control such as in Kribi where the city council complained of limited means of transportation for its staff; availability of qualified staff in some of the city councils to properly assess proposed constructions plans; and corruption. Another threat is that, given their limited financial resources, city councils may approach the issuing of construction permits more as an income generating activity than as a policing/regulating activity. Yet, the enforcement of zoning by-laws is key if the cities are to avoid expanding urban sprawl, generating congestion and slum development, affecting the ability of the city council and central government to provide adequate infrastructure and services.

⁶³ stated in Article 15 of Law No. 2004/18 of July 2004 to lay down Rules Applicable to Councils

⁶⁴ World Bank (2015). Competitive Cities for Jobs and Growth: What, Who and How? Washington D.C. June 2015, p. 9-10.

⁶⁵ This pertains to taxes, business licenses and permits, duties, legal regulation, property registration.

Table 6: Institutional Responsibilities for Economic Development for national and local governments and the private sector

	Institutions and regulations	Infrastructure and land	Skills and innovation	Enterprise Support & Finance
Central government	<ul style="list-style-type: none"> Economic development planning Taxation and custom duties including instituting & collection of local taxes on behalf of local government Business registration and licensing Regulating/fixing the prices of 'basic commodities' Quality control and certification 	<ul style="list-style-type: none"> Construction, and maintenance of all "classified" roads Regulation, and determination of electricity and water tariffs. transportation policy and regulation and subsidies for urban transport Provision of ICT broadband infrastructure Licensing & regulation of private ICT operators All land registration and regulations Technical assistance and oversight on urban planning and zoning Institution, construction and operation of industrial zones (MAGZI) 	<ul style="list-style-type: none"> Organizing and supervising education at all levels including provision and operation of all public educational and VT facilities Authorizing private schools and universities. Workforce development Funding research and provision of (modest) incentives for R&D to firms Patent registration 	<ul style="list-style-type: none"> Promotional and branding activities to attract investors Providing incentives for investment attraction Export promotion Facilitation of business visas Technical assistance and training to SMEs Promotion of local products & protection measures for local manufacturing Supporting youth and entrepreneurship Industrial Free Trade Zones and 'points francs' Tourism promotion
Local government	<ul style="list-style-type: none"> Local development Planning Provision of building permits and control thereof Collection of a few local taxes, fees from market and other city council properties 	<ul style="list-style-type: none"> Create, build, maintain and operate urban (municipal) roads Participate in electrification and water provision (where there is no sufficient national coverage) Cleanliness and solid waste management including creation of landfills. Organizing urban transport and bus stations Urban planning and zoning Construction and maintenance of periodic markets 	<ul style="list-style-type: none"> Limited support to nationally run public schools Provision of local youth, cultural, VT centers and public libraries. 	<ul style="list-style-type: none"> Promotion of local production and support to micro-enterprises Development of local tourist sites May take minority share (max 33%) in businesses Promotion and branding of locality
Private sector	<ul style="list-style-type: none"> Monitoring of compliance with quality control and laws. Professional registration Self-regulatory function of Business Associations. 	<ul style="list-style-type: none"> Provision of end-user electricity, water, and telecommunication services Provision of most transportation services (passengers and freight) 	<ul style="list-style-type: none"> Create private schools and VC centers Workforce development Business competitions, incubators, accelerators, and co-working spaces. 	<ul style="list-style-type: none"> Providing training programs for business and lobbying central government for reforms. Private funding through loans (banks and MFIs) and equity

Infrastructure and land⁶⁶

The main investments within the remit of city councils are urban roads, parks and recreational places, solid waste collection and transport. The majority of infrastructure investments are implemented by central government, particularly the MINDHU and Ministry of Public Works, as well by specialized agencies for electricity, water, communications and industrial zones. So far, the action of city councils is focused on construction and maintenance of urban roads, construction of parks and public recreational places, solid waste collection, and transport⁶⁷. Given the principle of concurrent competencies discussed above, the competences of city councils pertaining to most of these mandates is not exclusive as these functions continued to be exercised with direct support and subsidies from the central government, particularly for urban roads, solid waste management and urban transport.

City councils also have an exclusive mandate in building markets and bus stations and have been exercising this mandate in an increasingly ambitious manner in the last few years. For example, the Bamenda City Council has plans to build an ultra-modern bus station worth over CFA five billion (about \$10 million) and three ultra-modern commodity markets, worth about CFA 20 million (about \$40 million)⁶⁸. Similarly, the Douala City Council has plans for major reconstruction of its markets with the same ambitious outlook of significantly modernizing the facilities.

City officials interviewed during this study repeatedly mentioned access to land as one of the major constraints they face. Major projects of city councils such as construction of markets and bus station have often been delayed or indefinitely blocked because the city could not secure the land on which to execute these projects. The prime custodian of public land in the country, including urban land, is the central government through the Ministry of State Property, Survey and Land (MINDCAF). The law provides for the city councils to acquire land by way of application to the MINDCAF for a plot of public land to be allocated to them. However, this application process is nearly similar to the process by which private individuals apply for land title or other land usage rights to the MINDCAF. Thus, city councils do not appear, in practice, to have any special privilege as far as access to land is concerned. The Law also provides for city councils to do land banking, but in practice, the cities have not been able to do so.

Skills and innovation⁶⁹

The skills and innovation mandate is primarily the remit of the central government through ministries of education, Ministry of Labor and Vocational Training and the Ministries of Scientific Research and Innovation. Competencies that have been transferred to city councils include building classrooms within existing central government managed schools as well as participating in the renovation of some schools. These competences do not as such represent 'discretionary' or fully-fledged competences of local governments but rather 'delegated tasks' that the ministry of basic education assigns annually to the local governments with dedicated budget transferred, terms of references for their execution and biannual reporting on implementation.

Further action by local government in this area is limited by lack of funding. Examples show that through decentralized cooperation funding, city councils and other local governments have ventured into building public libraries (such as the Limbe City Council) and incubators (e.g. the Douala Vème Council⁷⁰). The main limitation to the initiatives of city councils here appears thus to be lack of funding. In the absence of sufficient funding, the city councils are thus likely to stick to the restrictive 'delegated tasks' assigned to them by various ministries.

⁶⁶ This pertains to Roads, electricity, water, transport, communications and access to land (including land allocation for different types of lands, land use regulations, SEZs).

⁶⁷ So far, the role of city councils in transportation, and this applies only for Douala and Yaoundé, consists in partnering with a private operator to provide public bus services in the city. The city councils typically take minority share in the company and provide a monopoly on public transportation to the company. A study undertaken as part of the design of the Douala BRT shows that this public transportation service represents far less than 10 % of total transportation services in the cities given that the bulk of transportation is provided by private actors (moto-taxi and taxi).

⁶⁸ The feasibility of such ambitious investments needs to be seriously assessed.

⁶⁹ This pertains to basic education, vocational training and workforce development, innovation policy (including R&D grants, competition, business incubators and accelerators, university-business collaboration, shared services facilities etc.).

⁷⁰ The Douala Incubator was created as a decentralized cooperation initiative between the Commune d'arrondissement (a District Council) de Douala 5ème and Italian partners (Centre des Relations avec l'Afrique de la Société Géographique Italienne (CRA-SGI) and le Park Scientifique de Biotechnologie de l'Université de Rome Tor Vergata (Eurobiopark)).

Enterprise support & finance⁷¹

The legal framework for enterprise support in Cameroon is provided for in the Investment Charter and in the 2013 Law on financial incentives for investments. A number of national agencies have been created to facilitate support to enterprises. These include the Investment Promotion Agency (API in French), and the SME promotion Agency, the Export Promotion Agency, the Chamber of Commerce, Industries, Mine and Craft (CCIMC) and the Industrial Development Board (MAGZI). Table 7 outlines the services offered by these specialized agencies.

Table 7: Main specialized business promotion agencies and their core services

Agencies	Main services
The Investment Promotion Agency	All assistance to major foreign and national investors pertaining to starting their businesses, obtaining business visas, negotiating incentives, monitoring companies' compliance with their obligations in return for incentives, promoting and branding Cameroon internationally.
The SME promotion Agency	All assistance to SMEs including registration formalities, business training, access to finance, and promotion of entrepreneurship.
The Export Promotion Agency	Assistance to companies regarding export formalities and facilitation of the process.
The Chamber of Commerce, Industries, Mine and Craft	Assistance to businesses including business training, economic intelligence, facilitating access to market and the stock exchange, and networking.
Mission d'Aménagement et de Gestion des Zones Industrielles (MAGZI)	Provide businesses with developed land at flexible rental prices in dedicated industrial zones across the country which it establishes and manages.

As far as large companies and major investments are concerned, the API appears to be the prime interlocutor and business people have pointed to its good performance. Similarly, the API has the prime mandate for promotion and branding of Cameroon internationally. Until recently, the API was under the supervisory authority of the Ministry of Industry, Mining and Technological Development. However, it has recently been placed under the supervision of the Presidency which is an indication of the government's commitment to this issue. The API is currently based Yaoundé with an office in Douala, and there have been calls for it to establish regional offices. There has also been some suggestion that elevating the rank of the Director of the API to one equivalent to minister may enhance its ability to mobilize sectoral ministries into quick action.

Thus, most of the support to enterprises is facilitated by the central government through the above listed specialized agencies and through special programs administered by ministries. In particular these ministries are the Ministry of agriculture (MINAGRI), Ministry of Small and Medium Enterprises, Social Economy and Handicraft (MINPMEESA) and the Ministry of Youth Affairs and Civic Education (MINJEC). These specialized programs include among others:

- *The Support Programme for the Creation and Development of SMEs* in the processing and preservation of local products of mass consumption (PACD/PME) of MINPMEESA which provides 10-year loans to SMEs;
- *The Integrated Support Programme for Informal Sector Actors*, (PIASSI) which provides funding from 100,000 to 2 million cfa to micro (informal) enterprises;
- *The Support Programs to the Rural and Urban Youth PAJER-U* of the MINJEC which provides entrepreneurship grants and loans as well as technical assistance to unemployed youth.
- *The Promotion of Agropastoral Youth Entrepreneurship (PEA-jeunes)* of the MINAGRI and Ministry in charge of fisheries and livestock which aimed to support youth in agriculture.

⁷¹ This pertains to access to capital (loans, co-financing, guarantees etc.), subsidies, incentives, export assistance, training and capacity development for operational activities (legal, financial, administrative), promotion and branding.

In addition to the central government, the private sector comes next as a purveyor of enterprise support services. Private sector initiatives include management, accounting and bookkeeping trainings, access to finance and promotion of entrepreneurship. Major players include organized business associations such as *Groupement Interpatronal du Cameroun* (GICAM); *Mouvement des Entrepreneurs du Cameroun* (MECAM); and *Entreprises du Cameroun* (E. CAM) which provide their members (enterprises) with many enterprise support programs including training, networking and lobbying central government for reforms. We may also mention the (traditional) role of private banks and micro-finance institutions in providing funding as well as an emerging market of investment funds, business angels and crowdfunding for entrepreneurs.

The role of local governments in enterprise support remains limited to supporting micro-enterprises. So far it is geared towards micro-initiatives in line with the decentralization principle of subsidiarity that appears to set a logic whereby micro firms are the competency of local governments (1st tiers of government), small and medium firms that of the regional councils (2nd tiers of government, still to be created) and large firms that of the central government. It being understood that by virtue of the principle of concurrent competencies, discussed above, the central government does exercise competencies at all levels of firms through the projects of its various ministries' projects and agencies, as mentioned above.

The core of local governments' competences in enterprise support are stated in Article 15 of Law No. 2004/18 which grants a broad though not "deep" mandate for economic promotion. This mandate covers agriculture, facilitation of trading activities through the construction of markets and organization of commercial exhibitions, pastoral and fishing activities, handicraft, micro-projects generating income and employment and tourism promotion. Table 8 presents these economic development competences as stated in Law 2004/18 and the actual competences transferred to local governments by the relevant decrees of application.

Table 8: Economic development competences transferred to local government

Competences as stated in Art. 15	Ministry concerned with transfer	Actual competences transferred as per decree of application
Promotion of agricultural production activities of local interest	Ministry of Agriculture & Rural Development	Provision of seeds and pesticide, control of phytosanitary diseases, development of mini rural infrastructure and community mobilization for local development ⁷²
Construction and maintenance of markets	Ministry of Trade	Local governments have had broad competencies on markets. This include identifying sites, constructing and operating markets ⁷³
Organization of local commercial exhibitions	Ministry of Trade	There appears to be no specific decree of application relating to this yet but local governments generally organized local exhibitions that tend to be mainly cultural in nature though also showcasing local businesses.
Promotion of pastoral and fish production activities of municipal interest	Ministry of livestock fisheries and animal industries	Includes the organization of "livestock days", support to micro projects, construction of communal facilities, construction of market for livestock, establishing and regulations of greasing areas etc. ⁷⁴
Promotion of artisanal activities	Ministry of Small and Medium Enterprises, Social Economy and Handicraft	Organization of handicraft exhibitions, assistance for the commercialization of craft products and support to artisans and craft enterprises. ⁷⁵

⁷² Decree No 2010/0242/PM of 26 February 2010.

⁷³ Decree No 2011/0092/PM of 18 January 2011 reinstates this mandate.

⁷⁴ Decree No2010/0224/PM of 26 February 2010.

⁷⁵ Decree No 2011/0003/PM of 13 January 2011.

Support to micro-projects generating income and employment	Ministry of Small and Medium Enterprises, Social Economy and Handicraft	(Small) in-kind donations to local cooperatives and associations mainly those involved in agriculture. ⁷⁶
Development of local tourist sites	Ministry of Tourism	Inventory of local tourist attraction sites, development of infrastructure for these sites (roads, equipment, signposts, accommodation facilities), promotion of the destination, implication and training of neighboring populations, collection of statistical data on visits to sites and ensuring hygiene and security of sites ⁷⁷

The actions of local governments remain marginal in this field except in cases where there is an outside partner that brings funding and thus helps scale up aspiration and vision. These economic development competences are funded by transfers from the concerned ministries to local governments. The budget and practices of city councils does not appear to allow funding some extra activities beyond those 'sub-contracted' by the concerned ministries on these competences. In any case, there appears to be few, if any, high profile initiatives that local governments have done on their own funding pertaining to these economic development competences. However, examples realized beyond the limited contracted tasks include major investments in tourist facilities such as the *Musee des civilisation* and related projects of Dschang which is generally cited as *the* success story of decentralized cooperation in Cameroon. Other examples of decentralized cooperation include a local government led microfinance scheme by the Yaoundé Vème council, and a business incubator in Douala V council⁷⁸.

The above institutional analysis highlights the need for city competitiveness efforts to be coordinated through a local growth coalition involving local and national government and the private sector. Action by national line ministries alone cannot achieve the well-coordinated and sequenced interventions needed to maximize impact in each city. At the same time, local and national government agencies as well as the private sector all play important roles in local economic development. Providing a coordinating platform for prioritizing and sequencing their collective efforts is therefore important.

⁷⁶ Decree No. 2012/0878/PM of 27 March 2012.

⁷⁷ Decree No 2011/0005/PM of 13 January 2011.

⁷⁸ The Douala Incubator was created as a decentralized cooperation initiative between the Commune d'arrondissement de Douala 5ème and Italian partners (Centre des Relations avec l'Afrique de la Société Géographique Italienne (CRA-SGI) and le Park Scientifique de Biotechnologie de l'Université de Rome Tor Vergata (Eurobiopark)).

VII. Opportunities to Build on the Competitive Advantage of Cities

Understanding the local economy is an important first step in promoting city competitiveness. Understanding cities' sectoral specialization and which sectors are important to structural transformation and better-quality jobs, can help policy makers better target reforms and investments to alleviate some of the constraints that these sectors face.

A central principal of place-based policy making is that it should build off long-term competitive advantages. Given that labor markets within the country are broadly integrated, and individuals can migrate if a city's industries decline, place-based policies should as much as possible build on persistent advantages that are unlikely to decline in the short run. Similarly, given that firm's location decisions include substantial sunk costs, and are difficult to reverse, it will be very difficult to entice firms to locate in places without clear advantages for their business (Duranton and Venables, 2017).

We use three factors to measure the competitive advantage of cities: i) "revealed advantage," that is how many tradable industries already concentrate in the city. A simple measure of whether a particular city is advantageous for an industry is whether that industry has concentrated in the city to some extent.⁷⁹ ii) access to markets, both for inputs and outputs, and iii) proximity to natural resources, which could be transformed to improve value addition. Table 9 provides an overview of each of these advantages in each of Cameroon's cities.

⁷⁹ Quantitatively, this will be true if the location quotient of employment for an industry in a city is greater than one. The location quotient is defined as the city's share of employment in an industry divided by the national share of employment in that same industry. If firms are profit maximizing, they should choose to locate and employ workers in the locations that are most productive, and so a high location quotient of an industry in a city can be taken as evidence of a "revealed advantage" for that industry in that city. Calculations of the location quotient used in this analysis are from the 2009 Enterprise Census.

Table 9: Overview of Cameroon's Cities and their Competitive Advantages

		Selected for Case Study										
Competitive Edge	City	Revealed Advantage	Access to Markets			Proximity to Natural Resources				Government Incentives		
		Tradable Industries with Location Quotient > 1	International Port	Trade with Nigeria	Rail Access	Population	Cash Crops	Grains	Timber	Minerals	MAGZI Industrial Zone Tenants	ONZFI Industrial Zone Firms
High	Douala	31	✓ □		✓ □	2,720,873	Rubber				275	25
Medium	Yaoundé	13			✓ □	2,690,227	Cocoa, Coffee				140	4
	Bafoussam	10				369,018	Coffee, Tea	Rice, Maize			1	
	Ngaoundéré	9			✓ □	234,679		Sorghum, Millet		Bauxite	24	1
	Garoua	9		✓ □		290,140	Cotton	Sorghum, Millet			7	4
	Bamenda	8		✓ □		339,025	Coffee, Tea	Rice, Maize				
	Maroua	8		✓ □		298,504	Cotton	Sorghum, Millet				1
	Kumba	7			✓ □	146,704	Tea					
Low	Nkongsamba	4				75,140	Coffee	Maize		✓ □		1
	Bertoua	4				145,604	Tobacco			✓ □		
	Edea	4				81,230	Oil Palm					
	Ebolowa	3				90,584	Cocoa			✓ □		
	Limbe	3	✓ □	✓ □		139,320	Bananas, Tea, Oil Palm					1
	Kribi	3	✓ □			67,756	Rubber, Cocoa		✓ □	Iron Ore		

SOURCE: Location Quotients calculated from 2009 Census of Enterprises. Trade with Nigeria is indicated if city was listed as being part of a major trade route in World Bank (2013). Population is from ECAM4. Cultivation of cash crops and grains is from Pamo (2008). Timber indicates active or in allocation sales of standing forest ongoing within 30km as indicated by WDI (2009). Minerals indicates active mining activity reported by Dobbs (2013). Government incentives reported by agencies are current up to 2015.

Some industries are highly concentrated in certain cities in Cameroon, indicating specific competitive advantages. Table 10 below shows the industries that are most clustered in Cameroon, and the cities that specialize in them. For more information, see Appendix E for detailed City Competitiveness Profiles for each of Cameroon’s cities, which detail the specific industries which have developed a revealed advantage in each city. Regression analysis presented in Appendix C shows that wages are higher in an industry in a city when there is a high location quotient, indicating a relationship between worker productivity and concentration.

Table 10: Industry clusters that are highly concentrated in certain cities

Location quotient	Activity	City	Share of formal employment	Formal jobs	Formal firms
39.9	Coffee processing	Nkongsamba	1.8	25	6
25.2	Metal products	Edea	32.6	774	8
24.0	Vehicles	Edea	0.3	7	1
20.6	Animal rearing	Nkongsamba	3.0	41	7
14.5	Petrol refining	Limbe	3.3	545	1
13.4	Fishing	Maroua	0.1	5	1
12.7	Basic agriculture	Limbe	75.6	12,491	6
11.0	Animal rearing	Ngaoundéré	1.6	50	1
7.6	Wholesale agricultural trade	Bafoussam	1.3	82	2
7.3	Wood processing	Kribi	9.0	89	6
7.2	Bakeries	Ebolowa	9.2	117	4
7.1	Textiles	Bafoussam	4.9	312	17
7.0	Soap	Bafoussam	2.4	153	2
5.4	Coffee processing	Bamenda	0.2	23	1
5.3	Forestry	Bertoua	9.4	135	1
4.6	Bakeries	Ngaoundéré	5.9	186	11
4.0	Machines	Garoua	1.0	57	4
3.9	Pasta	Garoua	0.2	9	3
3.8	Leather and shoes	Bamenda	0.3	28	17
3.4	Bakeries	Bertoua	4.3	62	1

SOURCE: Recensement d’entreprises, 2009.

Location quotients with a value higher than 1 indicates industry concentration in a city

Douala has revealed advantages for many more tradable industries than other cities, and so should be a major focus of local initiatives to promote competitiveness. In Table 7 we see that Douala has by far greatest revealed advantage, with 31 different industries concentrating there. From this we infer that at least 31 industries find that Douala has some specific advantages. Yaoundé, though similar in size, has a revealed advantage for only 13 industries.

Access to markets, both for inputs and outputs, is an important competitive advantage for cities. Wagner (2007) observes that firms tend to become the most productive sellers in their local market before exporting, rather than gaining experience as exporters first. The same “home market” principal is likely true between cities. Douala likely leads in revealed advantage both because of its access to the international port, from which firms procure inputs, and the ability of firms there to serve a large population, both those in the city, and those in other cities which are connected to Douala by rail. The cities that are either connected to the rest of the country by rail (i.e. Douala, Yaoundé, Ngaoundere and Kumba), or have large populations (i.e. Douala, Yaoundé, Bamenda and Bafoussam) have revealed advantage for more industries than those that do not have similar access to markets. The City Competitiveness Profiles in Appendix E highlight certain industries that have

emerged only in cities with access to output markets, and provide some observations about how cities can support their growth:

- **Fast moving consumer goods manufacturing tends to emerge only in cities with large local markets of more than 250,000 people.** For instance, soap has a revealed advantage only in Bafoussam, Bamenda and Douala. Beverage production has a revealed advantage only in Douala, Yaounde and Bamenda. Pasta manufacturing and fruit and legume processing have revealed comparative advantages in Douala and Garoua. The largest quantity of firms in all these industries is in Douala. This suggests that market infrastructure that helps these consumer goods companies better reach customers are potentially valuable investments in these cities.
- **Cottage industries only have a revealed advantage in large and medium sized cities, though they have not reached scale in any.** Clothing production, or tailoring, has only a revealed advantage in Bafoussam, Bamenda, Douala, and Ngaoundere. Furniture has a revealed advantage in Bafoussam, Ebolowa, Kumba, Yaounde. All however have average firm sizes of 1-2 people. This suggests that cities which wish to build their cottage industries, and potentially help these firms scale, will require support specifically tailored to small firms, such as incubators or an SME free trade zone that allows the importation of inputs.

Proximity to natural resources will be important for scaling specific tradable industries that rely on those resources.

Timber is especially important as it is a sector in which Cameroon has established an international comparative advantage in trade, exporting \$620 million worth in 2015, or 15% of exports.⁸⁰ The City Competitiveness Profiles in Appendix E highlight certain industries that have emerged only in cities with access to specific endowments, and draws a few specific lessons:

- **Coffee processing is a sector that could grow in cities with nearby farms.** Coffee processing has a revealed advantage in all cities with nearby coffee Nkongsamba, Bafoussam, Bamenda, except for Yaoundé, though this is because coffee processing in Yaoundé occurs outside the city limits, closer to farms. Coffee processing, including roasting, requires few inputs other than beans, and so can take place near the site of production. This suggests that support to coffee farmers will likely support value-added growth in these cities. Further, specific support for the coffee processing sector, such as tax exemptions to import capital equipment, concessional financing, and assistance with quality certifications may help these cities become exporters of processed coffee.
- **Wood processing and or production of wood products have emerged in cities with active timber extraction nearby, such as in Bertoua, Ebolowa and Kribi.** This shows that there may be an opportunity for value addition, specifically in wood, paper and pulp processing, in these smaller cities. A key advantage of wood processing from the perspective of smaller cities is that there is a strong case for doing it near the source of extraction---transporting logs to processing facilities involves transporting pieces of wood that will ultimately be discarded as waste. However, the fact that wood processing also has a revealed advantage in Douala and Yaounde, both cities with connectivity to the port, either directly or by rail, suggests that access to the export market and likely also basic infrastructure such as electric power is important. Key investments in power and connectivity infrastructure will help wood processing production locate in smaller cities.
- **Cacao processing, however, appears to rely more on access to markets rather than proximity to the crop itself.** The sector, which includes chocolate manufacturing, has a revealed advantage only in Douala, and not in Kribi, Ebolowa and Yaounde, which have nearby cacao production. This makes sense in part also because chocolate manufacturing relies on imported inputs, such as sugar. The example of cacao highlights the challenges of establishing processing facilities without direct access to markets for inputs or outputs, even if the crop is nearby.

In the rest of this chapter, we provide case studies of three cities---Douala, Bamenda and Kribi---in order to highlight specific opportunities that Cameroon's cities, have to build on their competitive advantages. The three cities were selected in order to provide a broad view of the diversity of advantages and constraints faced by cities in Cameroon. Douala was selected because of its status as the economic capital, with 31 industries having a revealed competitive advantage. The next largest city, Yaoundé, has substantially less, at 13, making it much less suitable to study the constraints faced by a

⁸⁰ UNCTADSTAT

diverse set of industries. Among cities shown in Table 7 with a medium-level competitive edge, Bamenda was selected because it provides a unique opportunity to study the potential benefits of proximity of a city to the border with Nigeria, and also the growth of a city near to the production of multiple cash crops (i.e. coffee and tea). Among cities with a small competitive edge (<8 industries with a location quotient greater than 1), Kribi was selected because it has been identified as a priority for future development by the government, and also because it is home to both the timber sector, which comprised 18% of exports⁸¹ in 2015, and the cocoa sector, which contributed 14%.⁸² Ebolowa is the only other city that is as linked to existing export flows as Kribi. While only three cities were feasible to be covered by this study, it is hoped that the questionnaire developed, which is provided in the appendix, may be used to replicate the case studies in other cities as needed.

The three studies review the specific leading sectors of each city economy, identify the city-specific constraints that firms in those sectors face, and then discuss initiatives being taken at the local and national levels to alleviate them.

- **Douala shows the importance of access to the market for imported inputs, and also a large output market for consumer goods.** Given Douala's proximity to the port, and large consumer market, it is likely to persist as Cameroon's main center of tradable production. Investments to lower costs of production in the city, by improving urban transport, water and power, as well as complementary investments in improving the port are high priorities to make the city more competitive.
- **Bamenda highlights the constraints on entrepreneurship, and also the challenge of building agricultural processing businesses with constrained supply.** Despite a large consumer market, and substantial agricultural production in the surrounding areas, few firms in Bamenda have been able to achieve scale. Firms in this city will benefit from planned investments to improve road infrastructure and connectivity to the rest of the country, as well as national level efforts to reduce corruption in the tax system that keeps firms from growing, and local level support for entrepreneurs.
- **Kribi offers a view of how small cities may benefit from proximity to natural resources.** The city has the potential to grow a wood processing industry based on proximity to timber, and also has unique potential for growth through tourism, which builds on the natural resource of beaches and natural beauty.

⁸¹ Includes rough wood, sawn wood and veneer sheets.

⁸² Includes cocoa beans, cocoa paste and cocoa butter.

Douala: The Importance of local and international market access

Douala is Cameroon's hub for manufacturing and tradable services, having the greatest diversity of sub-sectors within the country. Douala is more specialized than the national economy in 31 tradable sub-sectors. Table 11 lists all of them. Those which have also obtained some scale in production, as measured by an average firm size of over 30 employees, are highlighted in orange. Within agricultural processing and other manufacturing production, consumer products stand out as those that have achieved scale, ranging from for instance, beverages to pasta to soap. Basic building materials, such as plastics (i.e. piping) and cement are the other manufacturing sectors which have achieved scale. Yaoundé is the only other city of similar size, but it has a location quotient of 1 in only 13 tradable industries. See Annex E for further details on Douala's sectoral specialization and opportunities for growth by sector.

Table 11: Tradable sub-sectors in which Douala has a revealed competitive advantage

Sector	Sub Sector	Average firm size ≥ 30			
		Share of Employment	Location Quotient	Firms	Average Size
Agricultural processing	Vegetable and animal oil	2.1%	1.1	16	208
	Beverages	1.2%	2.2	13	151
	Milk products	0.7%	1.8	9	117
	Starch processing	0.4%	1.4	21	30
	Cacao processing	0.3%	2.0	4	105
	Pasta	0.1%	2.1	2	66
	Tobacco	0.1%	1.3	1	114
	Beef and fish processing	0.0%	2.4	2	2
Other manufacturing	Metal products	1.6%	1.2	315	8
	Bakeries	1.4%	1.1	114	20
	Wood processing	1.2%	1.0	116	17
	Textiles	1.2%	1.7	86	22
	Wood products, except furniture	1.0%	1.3	67	24
	Printing	0.8%	1.1	172	8
	Chemicals	0.8%	2.1	26	49
	Plastics	0.5%	1.8	14	63
	Soap	0.5%	1.6	10	88
	Machines	0.5%	2.0	43	19
	Other mineral products	0.4%	1.4	49	14
	Transport materials	0.4%	2.4	4	147
	Cement	0.3%	2.3	5	108
	Paper	0.3%	1.3	32	16
Leather and shoes	0.1%	1.7	51	4	
Technical equipment	0.1%	1.7	15	13	
Vehicles	0.0%	1.7	6	6	
Resources	Forestry	3.2%	1.8	24	217
	Petroleum and minerals	0.6%	2.1	17	61
Tradable services	Finance	4.3%	1.3	226	31
Commerce and transport	Wholesale trade	5.8%	1.3	1428	7
	Regional transport	2.5%	1.5	104	38
	Wholesale agricultural trade	0.2%	1.2	30	11

SOURCE: Team calculations using 2009 Census of Enterprises. All tradable sectors with a location quotient greater than 1 are reported.

Douala's largest competitive advantage is likely to be its proximity to the port, which provides access to the international market for manufacturing inputs. The Douala International Terminal processes 95% of the goods exported from and imported to Cameroon. For the majority of Cameroon's leading export products, which rely on natural resources, firms find it optimal to undertake processing near the site of extraction or harvest, rather than near the port. These include petroleum oils, which represented 45% of exports in 2015; cork and wood, 15%; and cotton, 3.6%). Interviews with forestry firms, for instance, indicated that this is because they prioritize spending money transporting only finished product, as opposed to some of the raw good which will become waste. On the other hand, manufacturing firms interviewed in Douala indicated that proximity to the port, was a key competitive advantage, as they rely heavily on imported inputs.⁸³ This was particularly true for agricultural processing companies, which process imported food products for sale in the local market, and also building materials companies. This highlights the challenges that will face the establishment of inland manufacturing facilities, and also the impact that the overall efficiency of the port has on the city's competitiveness. Limbe and Kribi can learn from this experience.

Douala also provides a large market, for its own consumer goods and industrial products. All firms interviewed emphasized that a key benefit of locating in Douala was ease of access to customers, 2.7 million of them in 2014. This highlights the value of density for the tradable sector: firms prefer to operate in larger and denser markets, and where they can be closer to their customers. Yaoundé, and to a lesser extent Bafoussam and Bamenda, can also learn from Douala about how to better take advantage of a large consumer market through the production of consumer goods and industrial products.

Douala attracts workers with high levels of tertiary education. With 19% of the workforce having completed tertiary education, Douala, like Yaoundé is a desirable location for the educated to reside.⁸⁴ This has made it a center for the tradable service sector, which comprises 7% of employment, more than half of which is in financial services. It is also a hub for creative services, such as graphic design. Among a number of large firms operating in the two other cities, Kribi and Bamenda, managers indicated that managerial staff preferred to live in Douala, and commute to the cities for the week. This was driven both by a preference for the amenities of Douala, and, in the case of Kribi, a desire to have their children go to a good school. Investments to make Douala more livable, therefore, may help it continue to attract and retain skilled workers.

⁸³ 44% of input value for manufacturing firms is imported according to the World Bank Enterprise Survey of 2016. 80 percent of the traffic at the Port of Douala is related to imports (World Bank, 2015).

⁸⁴ Other high tertiary attainment cities are Yaoundé (21% of the working age population), Bamenda (18%), Limbe (17%) and Ebolowa (17%), according to the 2014 fourth annual household survey.

The Importance of the Domestic Market

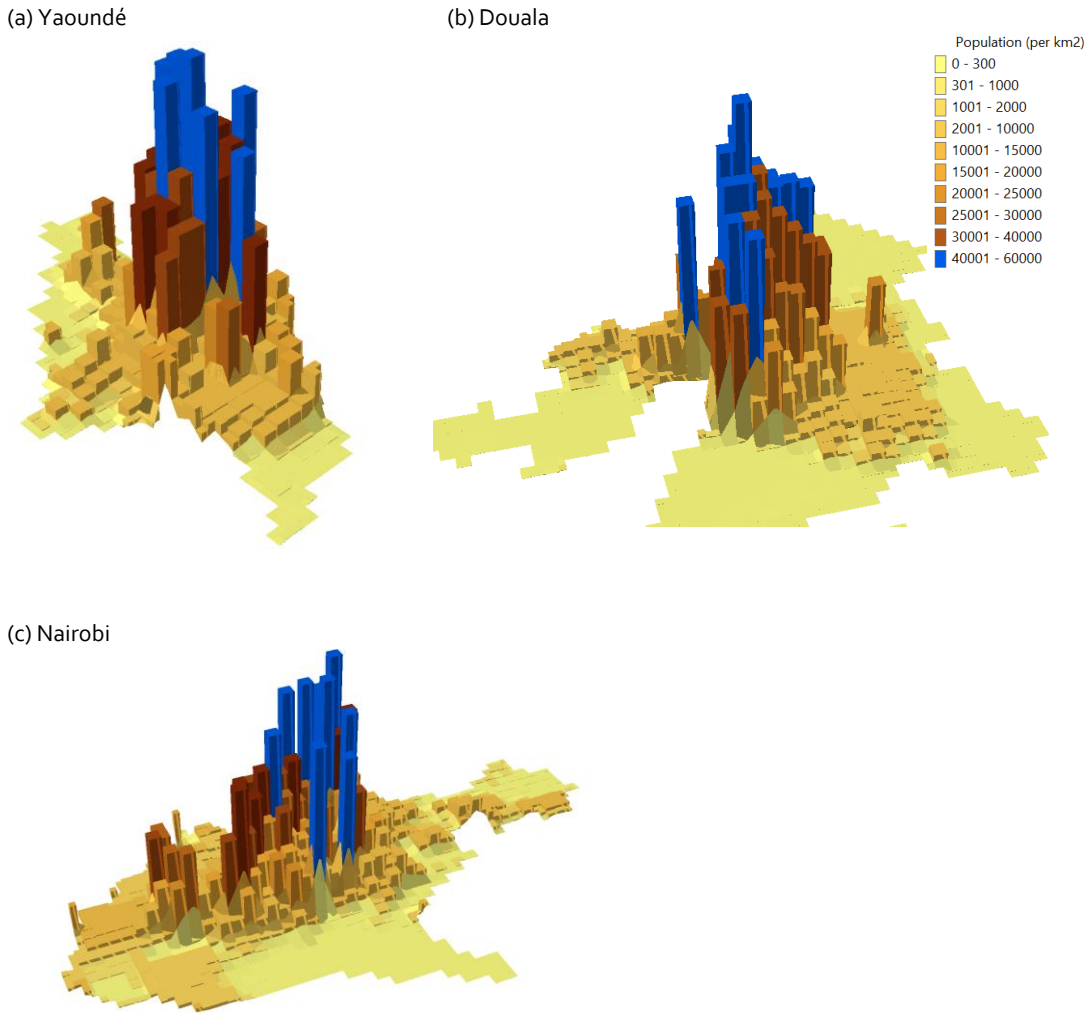
While increasing exports will be important for growth, the urban consumer in Cameroon's cities also provides an important potential market for manufactured goods. The most recent World Bank (2016a) Systematic Country Diagnostic argues that given Cameroon's relatively low income and population size, its greatest chances to obtain middle income status are to pursue a growth strategy that focuses on expanding exports to the global market. However, many barriers remain for firms that may wish to export. According to World Bank (2016b) Doing Business Indicators, Cameroon ranks particularly badly in ease of trading across borders, almost last, at 186 of 189 countries. In the indicators, to export, it takes 202 hours to comply with border regulations, and costs USD938. The average of these indicators are roughly half in sub-Saharan Africa, at 103 hours and USD583, and roughly a quarter in South Asia, at 59 hours and USD376 respectively. This suggests that in the short run, export led growth faces substantial constraints due to inefficiencies at the port and customs.

Assisting firms to grow their markets by selling to consumers in Cameroon's major cities may be a helpful step in the short run to help them expand their businesses and hire more workers. As emphasized by McKinsey and Company (2012), as urban populations in Africa have grown, demand for low cost manufactured consumer goods such as soaps, beverages and processed foods have expanded. For instance, Ogun state in Nigeria, has in the last decade become a major manufacturing center and destination for foreign direct investment, largely for firms seeking to serve the consumer market in nearby Lagos. This implies that Cameroon's cities themselves may provide the country's fastest growing and most easily accessible market for local manufacturing. Cameroon's policy of import substitution, which gave it in 2014 the second highest average import tariff on goods in the world according to the World Trade Organization, implies that firms serving this market will also be shielded from international competition, which makes the potential market even larger. Research by Wagner (2007) and others has also shown that firms that move into exporting often begin first by selling at scale to the domestic market, indicating that Cameroon's cities may be a useful stepping-stone for firms as they develop capabilities to eventually export. This observation suggests that investments, for instance in road and rail transport, that improve the ability of firms to trade between and within cities may be a "low hanging fruit" in terms of expanding the market to which firms have access.

Maximizing on the benefits of density

Yaoundé and Douala have urbanized in a way that has allowed for more density than other African cities, which implies that sprawl may not be as great a constraint as in other cities. Density is important for cities because it is typically associated with: (1) increased firm level productivity (through agglomeration economies); (2) more efficient delivery of municipal services; (3) freeing up land for investment and redevelopment in the city. Figure 15 shows ambient population density – this is the average population over 24 hours – at approximately one-kilometer resolution at a comparable scale for both Douala, Yaoundé and Nairobi. Both cities look relatively compact, with concentrated, dense centers around the CBD. This is in stark comparison to Nairobi, which is more dispersed and exhibits various peaks of population density far from the center, where large slums have developed. This implies that Cameroon's cities are comparatively well placed to take advantage of density: there is large potential for redevelopment efforts within historic city centers.

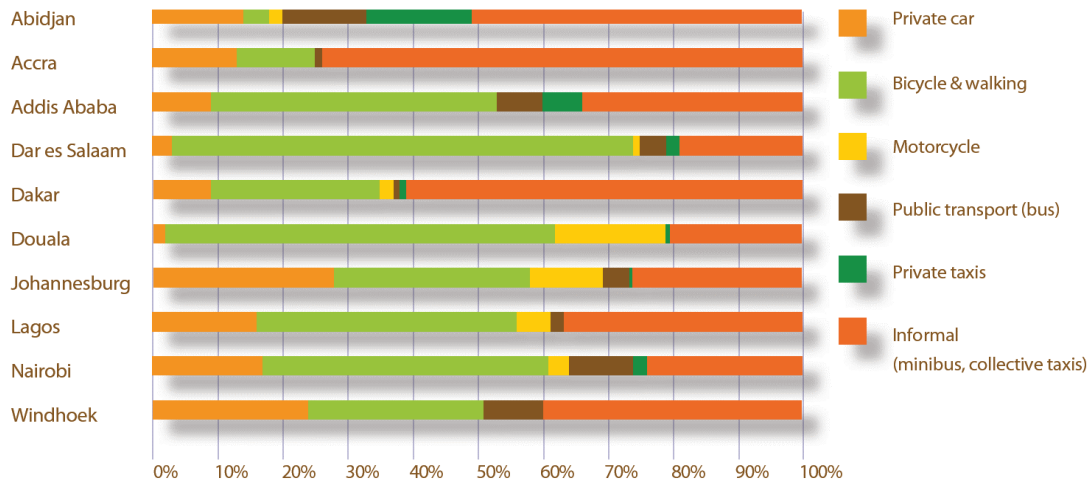
Figure 15: Yaoundé and Douala are less sprawling than Nairobi



Source: Landscan ambient population (average over 24 hours) data (2012); Henderson and Nigmatulina 2016.

Lack of public transportation options limits some of the benefits of density. An efficient public transport system is needed to connect people to jobs and firms to each other, in order to reap the benefits of agglomeration. A study undertaken as part of the design of a possible Douala Bus Rapid Transport (BRT) system shows that nearly 50 percent of transport trips in Douala are made by motorbikes, and another 40 percent are made by private taxi along main road corridors. Another survey, from the International Association of Public Transport, whose results are displayed in Figure 16, found that more than 50 percent of trips in Douala overall were made by bicycle or foot, the second highest among a set of other African cities. While this may partially reflect the city's relatively high density, it also reflects a lack of alternative public transport options.

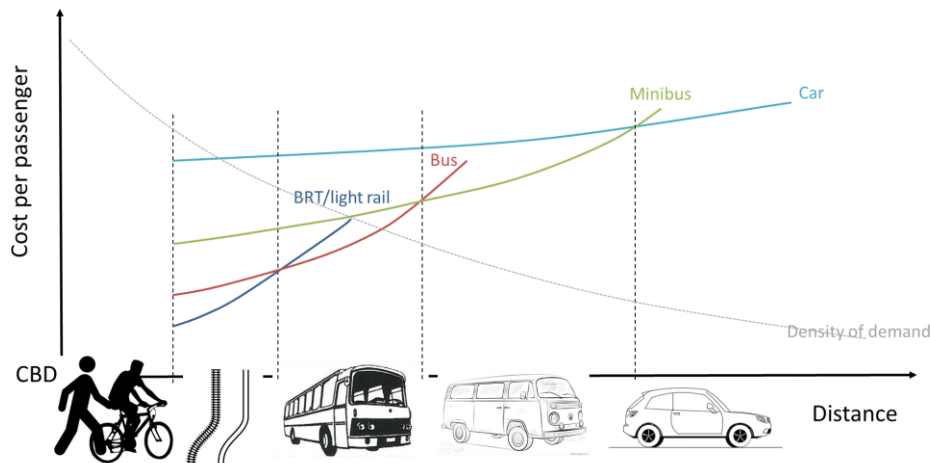
Figure 16: Douala has one of the highest shares of use of bicycles or walking within African cities



SOURCE: International Association of Public Transport (2010)

Given the relatively high level of density, Douala and Yaoundé are likely to benefit from a multimodal transport system, including bus, minibus systems, and potentially a bus rapid transit. Guerra and Cervero (2011) find that to be in the top quartile of cost effective investments, a BRT system would need about 18 jobs and residents per acre within a half mile of the stations. Average population density in Douala is relatively high relative to comparators cities, which indicates that a BRT investment might be a sustainable solution if there is enough demand along the chosen corridors, according to heuristic cost curves shown in Figure 17. Other systems are also likely to deliver lower overall cost per passenger than cars, which are currently used.

Figure 17: BRTs are cost effective only at high levels of demand, relative to buses and minibuses



SOURCE: Eskeland and Lall 2015

City-Specific Constraints

Road Congestion and Inadequate Transport Infrastructure

Among constraints in the span of control of local government, all firms identified congestion as the most acute driver of high costs in their business. *"The configuration of the city does not allow one to work,"* said one. *"The city does not move,"* said another. Managers indicated it can take 2-3 hours for workers to travel to work, and described how travel to a single meeting in a different part of town could take an entire day. This was particularly true for firms located in Bonaberi, who must cross the bridge for meetings, for instance with professional service firms in town. Transporting of goods, as well as people, is also a factor, with firms frequently citing extra charges for fuel costs associated with traffic. *"There is no line,"* said another, referring to the fact that the public bus company, SOCATUR's, buses do not run with enough predictability to be useful.

Market Infrastructure

Consumer goods firms emphasized that their ability to distribute product to consumers within the city was a major constraint. Food producers listed in particular Central, Sandaga, and Mboppi markets as major outlets within the city. Their problems accessing markets are two-fold. First, broad congestion around markets increases time taken for transport: *"We spend 3-4 hours from the loading point to the delivery point,"* indicating that one delivery, including unloading times, can take a full day, if not longer. Second, markets themselves are in poor quality, implying that wholesale buyers face risks, for instance, of fire, which may reduce their willingness to hold inventory.⁸⁵ Market construction, which will give these firms more sales outlets, and complementary work on reducing congestion through transport infrastructure investments, will likely have first order effects on the industry.

Access to Land

Access to land in industrial zones only appears to be an issue for smaller firms. Within Douala, four major areas are zoned for industrial activity. Two of these, in Bonaberi and Bassa, are owned and operated by MAGZI (Mission d'Aménagement et de Gestion des Zones Industrielles), a government agency. Two other zones exist which are not operated by MAGZI, but are rather simply zoned industrial land by the communauté urbaine. Another zone has also been demarcated in the Yassa area, to the south of Douala. MAGZI is currently trying to acquire land to rent for industrial purposes, but interviews suggest firms are already renting land privately. Larger firms indicated that they had been able to get access to space within industrial zones when they wanted, either by identifying new land or trading with existing owners. Smaller firms, however for instance those in the plastic sector, indicated they could not get access to space in MAGZI zones, and instead needed to develop their own locations. This may be less of an issue in the future, as the western Bonaberi and Yassa zones evolve under private ownership. This observation does suggest however that if MAGZI does continue to function as landlord in industrial sites, some accommodation should be made for smaller firms and entrepreneurs.

Access to land, specifically parking areas near the logistics zones, is an important need for firms in the transportation services sector. Construction of a logistics park, or at least more parking adjacent to the port and industrial zones could ease congestion.

Enforcement of Industrial Zoning Regulation

Congestion is an issue, not just along major thoroughfares but also near production facilities, within the industrial zones in Bassa, Bonaberi and Yassa. Informants, particularly those from the Bassa industrial zone, complained that informal residential and retail developments have emerged around their facilities, meaning that access to their facilities could frequently be blocked by cars and pedestrians. *"The principal constraint is the means of access [to the factory],"* said one manager. Concern was also expressed about the health hazards associated with informal settlements. In metallurgy in particular, firms emit pollution and hazardous waste, which can be a substantial health hazard to those living nearby. Firms also expressed fears that uncontrolled development in the areas outside of MAGZI's control, in particular the far east location in Bonaberi and in Yassa, were increasingly becoming developed as residential, so that demarcating a fixed industrial zone would be difficult.

⁸⁵ The press reports a number of market fires annually in markets across Cameroon.

Beyond the industrial zones, the main challenges of the city are lack of land reserves and inadequate land value capture. Both the city and even the central government have little reserve of land that can be used for development. Land in most of the neighborhoods right in the core of city (New Bell, Bepanda, Deido etc) is privately owned, even if informally or under traditional claims, and generally under-exploited and slum-like. The city has expressed interest in undertaking a number of land redevelopment initiatives including the development of a CBD that features in its Strategy document. The city has established a holding company (*Société d'économie mixte*) which can jointly invest in projects alongside private sector members and which will execute many of the city flagship land development projects. In the light of these developments, the city has expressed strong interest to be supported for "land sharing" and "land readjustment" schemes of the type that helped urban regeneration in East Asian countries.⁸⁶

The Port of Douala

The Port of Douala is one of the least efficient in the region, and all informants relying on it for imported inputs listed it as a key concern. A recent report by the World Bank (2015b) on the efficiency of the Port estimated that the mean global dwell time at the Port of Douala is 22 days, 5 times higher than the port of Durban, and 2 times that of the port of Mombasa. In the major ports of Asia and Latin America, the global cargo dwell time is on average less than a week. Once goods leave the port, numerous agencies request payments. A transporter indicated that each time his firm picks up an import shipment, there are five separate regulators check the goods and at times ask for bribes: customs, police, gendarmerie, control du port, vigile du port. A comprehensive plan for port reform, options for which are described in World Bank (2015b), was demanded by many informants.

With the emergence of the deep-sea port of Kribi, there will be, in the medium to long term, a risk of reduction of shipments at the port of Douala and potentially a relocation of port-dependent firms to the Kribi region. A previous strategy document of the city recognized this risk and recommended that eventually the city port would have to become more specialized.⁸⁷ This strategy document identified products such as grains, clinker, and fresh fruits (banana, pineapple, etc.) as products for which the Douala Port would likely remain more competitive than Kribi's. This strategy document also suggested that the city's economy would likely have to become more dependent on non-port dependent firms such as financial services and commercial activities. In addition, it seems ICT, outsourcing services and more generally the digital economy are potent sectors of the future for the city given the skills and educational attainment of its working population. The response of the city to the potential risk of the Kribi port should thus both include diversification of its economy and entrepreneurship promotion to scale up its emergent clusters.

Key institutions that can influence city competitiveness

Port Autonome de Douala

The Autonomous Port of Douala is a state-owned enterprise, regulated by the National Port Authority, but under the direction of the Ministry of Transportation. So far, the Douala Port Authority appears not much involved in the development of the city. Inspired by the example of the Kribi Port Authority, many informants have expressed the view that the Douala Port Authority should contribute and be more implicated in the development of the city for example through direct infrastructural investments that can serve the port while also serving the city population.

Communauté urbaine

The Communauté urbaine de Douala is a high capacity organization, which has shown substantial capacity for planning and execution. The city has achieved a number of goals set for itself in the City Development Strategy of 2009, including developing a master plan of the city, and constructing a number of roads and drainage systems.⁸⁸ Other plans, such as reorganizing the system of markets within the city, are still ongoing.

One area in which the commuanuté urbaine has not been able to exert leadership is in the area of public transportation. While in 2008, the commuanuté urbaine invested a minority share in the city's bus company, SOCATUR, it has not been able

⁸⁶ See page 129 - BOX 5.5 Land sharing and readjustment: Two ways to include residents in urban redevelopment plans- Lall, Somik Vinay, J. Vernon Henderson, and Anthony J. Venables. 2017. "Africa's Cities: Opening Doors to the World." World Bank, Washington, DC.).

⁸⁷ Communauté urbaine de Douala (2009) "Stratégie de Développement et de son Aire Métropolitaine a l'Horizon 2025.

⁸⁸ Idem "

to provide SOCATUR with the funding it needs to expand. Despite setting a plan in 2013 to reach a stock of 500 busses in 5 years, SOCATUR currently has a stock of just 100 busses, approximately 70 of which function. They simply cannot meet the needs of the city. At the same time, the commuanuté urbaine has not set up an agency to regulate okada drivers, or apportion minibuses to routes not covered by SOCATUR. The City's contemplated *Autorité organisatrice de transport* appears to be the premise of such a regulatory body but it is not yet effective and it is unclear whether the task would be best served by a city-established body or by a legislatively enacted (national) body like is the case of Senegal and Cote d'Ivoire which are seen as good practice in this field in francophone Africa.

MAGZI

MAGZI is a government agency which rents government owned land in the city's primary industrial areas, Bonaberi, near the port, and Bassa. The agency's mandate is to develop infrastructure around the industrial zones in order to better service firms within it, but it has not performed well. Firms that were tenants of MAGZI land responded generally that MAGZI provides little services at all. Because the land is operated by MAGZI, there is little scope for the commuanuté urbaine to invest in these areas. Some of the major roads, for instance, in the Bonaberi area are essentially unpaved, and the area was felt to be generally insecure. MAGZI does not regularly operate a guard checkpoint in and out of the zone, for instance. Further, the industrial zoning meant that there were not basic amenities for workers, such as restaurants.

Bamenda: Constraints on Entrepreneurship

Bamenda is home to 8 specialized clusters related primarily to agriculture and cottage industries, but despite many absolute advantages, few firms in the city have been able to attain scale in production. Table 12 shows the tradable sub-sectors in which the city has a revealed comparative advantage. The city is notable for its relatively high location quotients in certain sectors, such as clothing (3.1), leather and shoes (3.8) and coffee processing (5.4). These are higher than the maximum of the location quotients observed in Douala, so the city can be considered highly specialized in these goods. At the same time, however, few firms in these industries have been able to attain sufficient scale. The only industry with an average firm size over 30 is the beverages sector, where there is just one producer. The average firm size in clothing, furniture and leather and shoe production is just 2 people, indicating a dominance of micro-enterprises. See Annex E for further information on Bamenda's sectoral specialization and opportunities by sector.

Table 12: Tradable sub-sectors in which Bamenda has a revealed competitive advantage

Sector	Sub Sector	Share of Employment	Average firm size ≥ 30		Average Size
			Location Quotient	Firms	
Agricultural cultivation	Animal rearing	0.3%	2.3	3	10
Agricultural processing	Beverages	0.7%	1.2	1	64
	Coffee processing	0.2%	5.4	1	23
Other manufacturing	Clothing	9.0%	3.1	482	2
	Furniture	1.9%	1.7	95	2
	Soap	0.5%	1.4	2	23
	Leather and shoes	0.3%	3.8	17	2
Commerce and transport	Wholesale trade	4.4%	1.0	183	2

SOURCE: Team calculations using 2009 Census of Enterprises. All tradable sectors with a location quotient greater than 1 are reported.

A key advantage, which Bamenda shares with Garoua and Maroua in the North, is its proximity to the border with Nigeria. Though in 2013, the border post at Ekok, near Bamenda, processed only 8% of imports from Nigeria and 1% of exports to Nigeria, it has likely expanded its share, both due to the completion of Ekok-Bamenda highway funded by the African Development Bank, and due to the Boko Haram conflict, which has made border crossings in the North less viable. Cameroon has a substantial trade deficit with Nigeria, so the proximity to the border, is valuable primarily as a source of Nigerian material inputs and equipment for manufacturing. In 2013, \$67 million in imports are estimated, largely manufactured goods from Aba, Nigeria and re-exports of equipment, building materials and automobile spare parts and accessories from Onitsha, Nigeria. Just \$2 million in exports were estimated along the Ekok crossing, primarily *erua* a local crop, tomatoes and rice.

Local business and government leaders have recognized the importance of trade with Nigeria for local industry and proposed in 2009 a bonded warehousing scheme (i.e. a "Commercial Free Trade Zone") to enhance trade⁸⁹. Under the scheme, importers could import goods from Nigeria duty free and store them in the warehouse until sale. Customs duties would be collected only upon final sale to a wholesale buyer, or manufacturers within Bamenda.⁹⁰ The effect of the warehouses would be to substantially reduce trade costs for importers, thus potentially increasing the scale of their business. In principal, this scheme would also increase customs revenues, by ensuring duties are collected not based on the weight of shipment, but on each unit of goods sold. The bonded warehouse scheme could be expanded to include all imports from Nigeria, not just intermediate goods for the furniture industry. Given the recent announcement that MAGZI is developing a new industrial zone in Bamenda, it should be considered again whether such a bonded warehouse scheme

⁸⁹ See "Report of the Ad Hoc Committee on Socio-Economic Revitalization of the North-West Region of Cameroon." Bamenda, July 15, 2009. This committee was chaired by the Prime Minister, and included business leaders from the region, journalists and current and former members of government from all political parties. While the zone was conceived of as specific to the North-West region, the concept could easily be developed in another city along the Nigerian border.

⁹⁰ As is standard in bonded warehouse facilities in China, South Africa and the United States, importers would bear a liability for the duties payable on the goods, which they would remove only after all the customs requirements had been met.

would be feasible there. It should be noted however that while this policy has potential for increasing trade, it is certainly a second-best solution. The first best would be simply to reduce tariffs on imported inputs now imported through Bamenda. Further, bonded warehouse schemes have substantial logistical costs (for example, containers must be sealed by customs during transit from the border to the zone, for instance), and notable successful examples come primarily from countries with stronger government capacity, for instance China and the United States.

Though Nigeria's large population represents a large potential export market for Cameroon, part of the current export opportunity is not driven by a real comparative advantage of Cameroon, but by weak customs enforcement at the Nigerian border. For example, Nigeria has placed a 35% import duty on household soaps, which keeps the price of soap in the country artificially high. A World Bank (2013) study of border crossing indicated that revenues collected at the borders were substantially lower than official rates, as customs officials prefer to under report flows and keep some revenue for themselves. Nigeria has also placed high tariffs on other consumer goods produced in Douala, for instance a 20% tariff on pasta, and a 60% tariff on cigarettes, which may inflate the prices of goods locally and make arbitrage attractive.⁹¹ Any strategy focused on expanding the Nigerian import opportunity should however be viewed with some caution, as exports may be substantially less viable with full enforcement of tariffs.

Another advantage is the surrounding North-West region's agricultural fertility, both in terms of livestock, food crops, such as maize and rice, and cash crops, such as coffee. Bamenda's experience may in particular be useful for Bafoussam, Nkongsamba and Yaoundé, all of which have coffee production nearby. Unfortunately, while the region boasts many small-scale processing businesses and cooperatives, few have been able to achieve substantial scale. Informants identified that binding constraints on this sector are largely at the farm level, including factors such as storage infrastructure and rural roads, as well as a lack of access to basic inputs and technology.

The city also boasts a notable education sector, which provides reliable demand for consumer goods and basic manufactures. Bamenda is home to a number of elite boarding schools, such as Our Lady of Lourdes College, for girls, and Sacred Heart College, for boys, both in Mankon as well as many university learning institutes such as the university of Bamenda. Informants indicated that the steady demand for consumer items---food, furniture, uniforms, and printed textbooks---was the basis of demand in most sectors. Entrepreneurs thus have a reliable source of initial demand on which to build businesses, though this has been less reliable as of late as schools shut in October 2016 as part of a political protest, and have yet to reopen.

City-Specific Constraints

Road Quality

Cottage industries in particular broadly agreed that road quality within the town was their most pressing challenge, as it limits market access, and raises input costs. Road quality within the city directly impacts production costs: One furniture maker indicated that just moving timber to his work shop was more expensive because of bad internal roads: "*The transporter will tell you the roads are bad and you will have to increase the price [you pay].*" Others indicated that traffic also reduces the flow of people past their shops, reducing their ability to sell: "*For a local customer to get to your place for a service it is not easy.*" The quality of the road from Bamenda to Babadjou, where it connects to a route to Douala, is also first order. All workers agreed the quality of this road limited their ability to export, and reduced the number of customers that would come to buy their services. Encouragingly, both Bamenda's urban roads, and the corridor to Babadjou are planned to be rehabilitated as part of a \$192 million loan as part of the Transportation Sector Development Project, approved by the World Bank in 2016.

Entrepreneurship challenges in marketing and quality upgrading

Entrepreneurs developing new products also face specific challenges marketing their goods, accessing government services, and sharing knowledge with one another, indicating that the sector is not taking advantage of potential agglomeration economies in the city. For instance, entrepreneurs indicated they lacked a central retail location where goods could be displayed and ordered, and instead rely on individual sales efforts to hotels and restaurants, which are costly.

⁹¹ Tariffs are the sum of the import duty and levy reported by the Nigeria Customs Services <<https://www.customs.gov.ng/Tariff/sections.php>>

Further, quality certification services, for instance by ANOR (Agence des Normes et de la Qualité), were not available in the town, making it more difficult to develop credibility with customers. Finally, given their small scale, they found it is difficult for producers to source a consistent variety of packaging.⁹² Finally, few were knowledgeable about one another's business, given that their offices are generally in rural areas on the outskirts of town. For instance, a coffee producing firm indicating that it was in the market for a new coffee roaster, had not heard of a local coffee trader that recently started producing machines for the local market. This observation highlights Bamenda's need to better capture the benefits of density which allow entrepreneurs to better share ideas.

Long term viability of industries and investments in skills

If the businesses are not able to grow and offer good wages, cottage industry workers worry they will not be able to pass skills on to the next generation. One leatherworker indicated a common theme across all cottage industries: *"I love to train those children, mostly the one that dropped school [...], but, when they know a little bit and have money, they do not invest in what they do, they prefer to ride motorbikes,"* which provides quick cash. This is not surprising, however, given that few enterprises in the sector have achieved scale and or have brought wealth to their owners. In furniture, workers suggested that a program that provides carpenters with learning on new techniques and access to machinery, would increase the value added of their business, and make it more attractive to apprentices.

Rural Development

Informants in the food processing sector reported that the constraints on the business were primarily rural infrastructure, indicating that investments in rural productivity and aggregation are necessary to grow urban food processing. Bamenda is a substantial market for food goods, but low farmer productivity and absence of storage facilities at the farm gate made the sourcing of agricultural output difficult, because no one farmer is able to provide produce at sufficient scale. Similarly, transport costs on poor quality roads are spread across many farmers, driving up costs. Aggregation of farmers in cooperatives or other schemes could help them collectively supply sufficient quantities and benefit from joint warehouses, equipment and transport.

Rural electricity supply, which is available but non-constant, was cited by all agricultural processors as a fundamental constraint, indicating how essential power is to the development of the manufacturing sector. This is because many production facilities are located in rural areas. As one yoghurt producer said, *"It costs me FCFA 50,000 to run a generator for one day to keep my refrigerator going, but a cup of yoghurt sells for just FCFA 200. How can I make a business on that?"* He emphasized that though the cost of production was only FCFA 100 per cup, implying a 100% gross margin if electricity costs were not included. For this business, borrowing at the annual interest rates offered by local credit unions would be feasible without the excessive electricity costs. Local governments could look into public private partnerships for alternative sources of local energy supply such as solar energy.

Institutions that can influence city competitiveness

The Communauté urbaine

Firms in general expressed skepticism about the role that the communauté urbaine could play in development. *"Local government has nothing to do with business in Bamenda,"* said one respondent, citing the poor quality of Bamenda's urban roads as evidence that the communauté urbaine is ineffective. It is unclear, however, whether the communauté urbaine was capable of mobilizing resources to repair the roads, or was constrained from doing so at the national level.

The communauté urbaine has undertaken a set of ambitious, and costly, feasibility studies for bus stations and markets, which are of questionable return. Local business people expressed skepticism about the projects. Many felt that the projects would be so expensive such that their costs could not be recouped with rent payments at standard levels. They also pointed to other markets that the communauté urbaine had constructed which remained occupied below capacity, because they had been built in disadvantageous locations. This is a typical pitfall of market investments by local governments throughout African countries due to insufficient attention to public private dialogue with businesses and consumers that would occupy or use these facilities. This often results in markets being built in locations that do not provide

⁹² One noted for instance, that the availability of a specific size of bottle, for instance 100ml or 250ml, or a specific type of bag, varies from month to month, and so firms cannot offer customers consistent packaging.

sufficient access to consumers or that charge an unrealistic amount of rent, etc. and leading to low occupancy rates and wasted investments.

Other Local Economic Development Actors

Three Christian Churches are major landholders in Bamenda and are important actors in the development of public infrastructure and provision of social services. The Presbyterian Church, Roman Catholic Church and Baptist Churches of Cameroon all hold substantial land assets as a legacy of missionary activity during the colonial period, which they lease commercially and for social use. For instance, the Presbyterian Church owns PresCraft, a wholesaler of handicrafts, one of few large exporters in Bamenda, and also operates 15 secondary schools with between 800-1200 pupils each, a hospital, health clinics and youth centers. The Roman Catholic and Baptist Church together also operate a similar number of schools, and some clinics. Given their landholding and substantial operational expertise, they will be important partners in a growth coalition for the city.

The Fon, or traditional chiefs, are also owners of land in the region, and have shown willingness to sell or lease land for commercial purposes. For instance, the Fon of Mankon, Angwafo III, recently sold land to a carpentry cooperative, which the group is now trying to develop for the large-scale treatment and processing of wood. The Fon will be an important partner in any growth coalition.

Kribi: The Opportunity in Natural Advantages

Kribi is the smallest of Cameroon’s communautés urbaines, with a population of just 67,000 estimated in 2014, but the population has the potential to grow by 2-3 times over the next 10 years as jobs are created by the newly constructed port and its planned industrial zone. Over the next 10 years, the port development has potential to create skilled employment in high value added manufacturing and industrial activities, with locally sourced inputs, for example wood and cocoa processing, and also those that rely on imported inputs, such as automobile assembly. Within the next 5 years, there is potential for broadly shared employment growth in the small and medium scale production and trade of food, as the influx of salaried workers at the port stimulates local demand. The gains from growth will be shared broadly if the city is able to build both housing and amenities to attract and retain skilled workers with spending power on the one hand, and supportive infrastructure for food producers and traders on the other. See Annex E for more detailed information on Kribi’s sectoral specialization and opportunities by sector.

Table 13: Tradable sub-sectors in which Kribi has a revealed competitive advantage

Sectr	Sub Sector	Share of Employment	Average firm size >= 30		Average Size
			Location Quotient	Firms	
Commerce and transport	Regional transport	4%	2.3	1	37
Manufacturing	Wood processing	9%	7.3	6	15
Tradable services	Hotels	27%	4.4	44	6

SOURCE: Team calculations using 2009 Census of Enterprises. All tradable sectors with a location quotient greater than 1 are reported.

Kribi has developed a specialization in only three tradable sub-sectors, regional transport, wood processing and hotels, but these location quotients are generally high, indicating specific advantages. The advantage in hotels (LQ of 4.4) stems from Kribi’s scenic beaches, which have made the city a prime destination for tourism, primarily national firms hosting conferences. The advantage in wood processing (LQ of 7.3) indicates the proximity of the city to many active timber operations. Processing of wood close to the point of harvest is advantageous, so as to minimize the weight of scrap wood that is transported to the port. Regional transport (LQ of 2.3) is a business focused primarily on importing food from Douala to serve the growing town.

Beside the above three sectors, the fishing sector also appears one of the major tradable sectors in the city. Probably due to its informal nature, the contribution of this sector has not been properly reflected in formal surveys such as the Enterprise census upon which the above analysis is based. However, key informant testimonies and field observation suggest that an important part of Kribi’s production in this sector is exported to Douala and Yaoundé.

Kribi’s growth may also be shared with rural areas in the region if further investments are made in regional connectivity. Given the broader South region’s competitive advantage in production of timber, cacao and other cash crops, Kribi has an important role to play as a trading zone for these commodities, which themselves are produced and processed outside of, but near to, the city. Benefits to rural areas will increase with investments in arterial roads that connect the city to the region, and link traders to their supply.

City-Specific Constraints

Infrastructure

The primary constraints on the expansion of manufacturing will be the availability of water, power and connective infrastructure, administrative time and costs of trade at the port. All of these policies are the remit generally of the national government, but the Port Autonome du Kribi will have some role to play in facilitating these investments. For instance, in 2015, the agency in concert with the Ministry of Public Contracts commissioned a feasibility study detailing road

connectivity requirements for the potential industrial and manufacturing zone.⁹³ Further, it may play a lead role in developing public private partnerships around infrastructure projects. Finally, as with port logistics and transportation, these sectors will require the migration of skilled workers, which will require the planning and development of housing, amenities and public services to support them and their families.

Tourism Specific Constraints

Other than weak demand, the key constraints on the sector are primarily regulatory. For instance, hotel and restaurant operators complain that numerous different ministries or delegations come monthly or even weekly to demand payment of various taxes and fees, taking substantial management time. Opaque permit requirements hinder firms from making improvements to their property. For instance, though water is not provided, the Ministry of Energy and Water demands fees in order to dig boreholes. The Ministry of Environment demands fees in exchange for various environmental assessments. Firms complained of being charged fees to place chairs on the beach. A consolidation of government interaction with the sector into a one-stop shop could ease some of the administrative burdens that currently prohibit hoteliers from making basic improvements to their property.

In the longer term, environmental degradation due to urban growth, poses the greatest risk to the sector. A visible consequence of urban growth in Kribi has been the erosion of beaches, due to the removal of sand for purposes of construction, and the accumulation of plastic bottles in the sea. These threaten to diminish the city's value as a destination. If mitigation efforts are not taken, degradation will accelerate as the population grows due to growth in other sectors. Further, a municipal solid waste management strategy that specifically targets plastic waste reduction and disposal will ensure that value of the environment for tourists is not degraded.

Skills

The manufacturing sector will likely demand skills which are so specialized that they cannot be efficiently provided by vocational training programs. For instance, respondents in the forestry sector report that technical training typically occurs on the job, as machines used vary across different types of wood processed. An individual trained on one piece of equipment will still need to learn on another. Vocational training will therefore likely be unable to target specific skills required. Rather, respondents indicated that methods to help them identify skilled workers in other parts of the country that would be willing to migrate and learn, would be most useful.

An operational port will also generate demand for skilled technical workers, in the short term particularly those that may provide repair services for automobiles and generators. Informants report that such skills are in short supply. Local vocational training centers however are few and agreed to be of poor quality, and so it is likely that workers can most efficiently be procured from other regions of the country.

Institutions that can influence city competitiveness

Kribi is unique in that it has two local institutions that may play a leadership role in the city's economic development. First there is the *communauté urbaine*, which is seen to have a niche role to play in promoting the tourism and food production and trade sectors, as well as to continue its leadership in the long-term planning for housing development and public services that will be required to meet the demands of a growing population. Second, there is the Port Autonome du Kribi, which is uniquely suited to lead growth in the manufacturing and industrial sector by facilitating public private partnerships to develop the sector's requisite infrastructure. The efficacy of both local institutions, however, needs to be enabled by the national government, which has the main responsibility to facilitate investments in roads, water and power, and reduce the administrative burden placed on firms by delegated branches of individual ministries.

The Communauté urbaine

The ability of the communauté urbaine to effectively enforce zoning plans is limited by capacity and corruption issues. Generally, cities in Cameroon have not been able to effectively implement their zoning plans due to factor ranging from lack of proper sensitization on zoning bylaws, inadequate control and corruption. According to informants, all of these

⁹³ STUDI International and Bureau d'études d'ingénierie. "Etude de faisabilité du Backbone reliant le complexe industriel iet portuaire de Kribi (CIPK) a la ville d'Edea. Rapport No. 3: Elaboration de la stratégie de l'hinterland." October 2015.

challenges manifest themselves in Kribi. However, Kribi has a unique opportunity to set a different trend of enforcing zoning bylaws in Cameroon given that it is a relatively 'new' city into whose development significant pre-planning has been undertaken and in which most of the chaotic development that has already taken place in other major cities in the country can be avoided.

The communauté urbaine also appears to have limited engagement with the private sector. For instance, while plans exist for the development of an *office de promotion du tourisme*, informants in the tourism sector were unaware of these plans. They reported that most interaction with government occurred through the office of the *prefet*, who is seen as having more of a direct line to the national government.

Port Autonome du Kribi

To be successful, the Port Autonome will require technical support to develop public private partnerships that facilitate the development of the road, water and power infrastructure required for these new businesses. In interviews, agency functionaries report that they expect such PPPs to be substantially more complex than the port concession with which they have experience, and so international expertise will be especially valuable. Further, support for government contributions to PPPs, either in the form of guarantees or financing, will likely be required.

VIII. Common Constraints and Recommendations Across Cities

Constraints on city competitiveness

While the most binding constraints on Cameroon's competitiveness lie at the level of national institutions, focusing on specific areas of reform and investment that alleviate constraints at local level provides some opportunity for impact.

Corruption and complexity in tax, customs and regulatory enforcement, and excessive state involvement in most major tradable industries were highlighted as the most binding for firms and require action by national institutions. High tariffs on imported inputs also raise costs, and the lack of a mutual agreement to reduce tariffs between Cameroon and Nigeria diminishes the ability of the country to take advantage of its neighbor's large market.⁹⁴ Regulatory barriers also stand out in comparison to other countries - with manager's time spent dealing with government regulation in Douala being over triple that of managers in Brazzaville and Dakar. Finally, though international evidence shows that firms that export tend to become productive first by serving the domestic market, only later transitioning to export (see, e.g., Wagner, 2007), many industrial support programs, such as ONZFI tax exonerations, are only available to firms that export. Reforms that tackle these policy issues will have the greatest impact on the success of the private sector in Cameroon.

Three key constraints that are both highly relevant to the tradable sector, and can be addressed primarily at the level of particular localities have emerged from the case studies and analysis above. Relaxing them could potentially contribute to growth and job creation in certain cities. These are: 1) Transport costs and basic infrastructure deficits; 2) Limited resources for entrepreneurs to reach markets and upgrade quality; and 3) Variable local capacity for urban planning and management. The following subsections outline how these constraints affect the tradable sector using examples from the three cities studied.

Transportation costs and basic infrastructure deficits

Transportation costs within cities, both due to congestion and poorly functioning public transit, particularly in larger cities, make it more difficult for producers to reach markets and for workers to reach their jobs. Also, other major infrastructure bottlenecks continue to be faced by firms, with for instance 95% and 91% of workers in Douala and Yaoundé respectively working at firms experiencing power outages in the 2016 World Bank Enterprise Survey. In the same survey, 16% of workers in the two cities worked at firms that had experienced insufficient water for production.

In Douala, whose experience may also be relevant for Yaoundé, all firms consulted identified congestion and specifically access to the port as a key driver of high costs of business. In terms of public transport, a private firm, with minority ownership from the communauté urbaine, SOCATUR, has a monopoly on public transport, but in general has not been able to provide services: it operates only on 10 lines of 30 planned, stopping at times less frequently than an hour, and is not financially sustainable, given low ridership tariffs of FCFA 200-250 depending on the line. In addition, the city is not designed to accommodate flows of traffic in and out of the port, which currently flow through the city center, causing congestion. Further, inadequate parking facilities require transporters to park alongside roads and in gas stations while waiting for access to the port and industrial zones. Many roads in the Bonaberi MAGZI zone are unpaved and degraded slowing transit and raising vehicle maintenance costs. Finally, large consumer goods and agro-processing firms emphasized that congestion, and poor market infrastructure specifically, made them less able to distribute products to urban consumers. Frequent fires in markets, as a result of dilapidated infrastructure, destroy inventory and distribution channels, as well as livelihoods for retailers. Finally, congestion and slow processing times at the Douala port are a major constraint on producers of goods that rely on imported inputs.⁹⁵

In Bamenda, whose experience can be relevant to other secondary cities, firms highlighted poor urban roads; access to power and water; rural roads and storage infrastructure as constraints. Cottage industries, such as furniture manufacturing, in particular broadly agreed that road quality within the town was their most pressing challenge, as it limits

⁹⁴ Cameroon has, for instance, a 23% tariff on nails, and a 21% tariff on cotton fabrics, and a 10% tariff on woodworking equipment from Nigeria, which in Bamenda increase costs for furniture producers, who could in principal procure supplies from across the border.

⁹⁵ Moreover, the port itself is one of the least efficient in the region. Average dwell times are 22 days, 5 times higher than in the port of Durban, twice the Port of Mombasa, and 1.5 times the Port of Dar es Salaam. The Doing Business indicators report the average cost of border and documentary compliance to import a 15 metric tonne container of auto parts is \$2,256, more than twice the sub-Saharan African average of \$996.

market access, and raises input costs. All agro-processing firms indicated that a lack of access to consistent power and water services raised costs and made production of some goods, for instance yoghurt, infeasible. Water is a particularly bad problem in the city, with taps frequently running brown water that is unsuitable for use in food production. Finally, limited rural road and storage infrastructure makes it more difficult for producers to source inputs.

In Kribi, whose economy, with the exception of the new port, can be compared with the smallest cities, firms highlighted water and power, dry and cold storage and rural roads as their major constraints. Many firms in the tourism industry, which require constant water and electricity supplies to serve clients, reported digging boreholes and running generators to overcome limited supplies. Fishing firms and traders of agricultural goods in particular listed a lack of dry and cold storage as a key constraint to their ability to aggregate products and reduce the city's reliance on imports from Douala. Finally, as in Bamenda, rural roads were also a constraint on these businesses, reducing their ability to source inputs.

Limited resources for entrepreneurs to reach markets and upgrade quality

Entrepreneurs interviewed in Douala, Bamenda and Kribi indicated that, in addition to scarce financing, key challenges were marketing, in particular finding sales distribution channels and a consistent supply of key inputs, such as packaging. While a number of business plan competitions exist⁹⁶, these programs do not provide more holistic support beyond capital, for instance linking entrepreneurs to sales contracts. Further, entrepreneurs who come from a technical background, for instance a pharmacist patenting new medicine, or a chemist developing a new food product, do not necessarily have the commercial skills required to scale their businesses, and so may need support in terms of mentorship. Limited industrial clustering and congestion makes informal sharing of skills more costly.

Further, entrepreneurs with limited resources also do not have ready access to key government agencies based in Douala or Yaoundé, and as a result lack of information on quality standards, available tax exceptions, and other benefits that are available. Specifically, these agencies are the API, based in Yaoundé with an office in Douala, which provides access to tax exemptions for capital equipment, and ANOR, based in Yaoundé, which provides quality certifications helpful in marketing. While some agencies do operate roadshows to sensitize firms to their services, a majority of entrepreneurs consulted were not aware of how to access these agencies beyond visiting their headquarters.

Variable local capacity for urban planning and management

Weak zoning enforcement, and conflict with national government over titling, constrains the private and public sectors. In Douala, where MAGZI industrial zones have 275 tenants, firms in the zones in particular complained of lack of enforcement of zoning regulations. Informal residential and retail developments have emerged around some facilities, often blocking access, and exposing people to health threats by locating near production facilities that emit hazardous waste. Further, intragovernment conflict over land ownership the ability of government to build infrastructure. A PPP project to develop the Bonamoussadi market in Douala, for instance, is delayed because registered in the name of another government agency, the *Mission d'Aménagement et d'Équipement des Terrains Urbains et Ruraux* (MAETUR). This agency has so far not agreed to transfer the title to the *Communauté urbaine de Douala*.

Lack of enforcement of zoning regulations also leads to dispersion of industries across the city. In Bamenda, for instance furniture manufacturers complained that the lack of a central area zoned for their activity makes it difficult, for tradespeople meet each other and share skills, and raises the time and transport costs of procuring basic inputs such as wood. There is no "furniture village," complained a local trade association.

Lack of dialogue between some Communautés urbaines and the private sector is affecting their ability to plan and implement feasible infrastructure projects. For instance, in Bamenda, the communauté urbaine has completed a feasibility study for a \$10 million dollar, "ultra-modern" bus terminal. Informants indicated that the project would not be feasible in

⁹⁶ MINPMEESA already runs a competition called through the "PME Exchange" program, which in 2016 gave one FCFA 1 million grant, and two smaller prizes. Entrepreneurs were judged primarily on judged primarily on how "innovative" the companies were.⁹⁶ MTN, Orange and Total have run similar competitions in Douala.

terms of covering the costs of construction at the rents they would be able to pay. They indicated that simply space for parking, a covered waiting area and public toilets would be sufficient.

Finally, the ability of Cameroon's cities to make necessary investments will depend, in part, on the efficiency of the local tax system to fund urban services. Increasing collection from existing revenue lines, and developing new lines, particularly around property tax, will help cities to meet their development ambitions.

Principals for alleviating constraints

Based on international experience and the analysis above, we recommend that the three principles described in this subsection apply while making policy to alleviate key local constraints. These principles guide our recommendations below.

Build off existing advantages

As the case studies highlight, cities' competitiveness stems largely from real competitive advantages, namely proximity to markets, or access to natural resources. Initiatives to promote competitiveness at the city level should prioritize cities that have revealed advantages for specific industries, otherwise, returns to investments may be low. This implies that reforms and investments in cities outside Douala should be justified by a strong case that they will help the particular tradable industries that have emerged in that city, such as timber and cocoa processing in the case of Kribi, or furniture and agro-processing in the case of Bamenda.

Support the tradable sector, not specific firms

Excessive state support for individual firms is a key driver of weak competitiveness in Cameroon. Support takes two forms, either i) direct government ownership, such as in the cotton and palm oil industries, or ii) tax exemptions, for instance from API, which give firms artificial advantages, allowing them to maintain market share even if they are not the lowest cost producer, and create barriers to entry for smaller producers. Such advantages may cause production to be more concentrated and less efficient than in other countries, reducing Cameroon's competitive advantage.

In order to avoid this problem, efforts to support the tradable sector should focus on infrastructure and services that can be shared across many firms, as opposed to incentives and exemptions for specific firms. Investments in infrastructure are less likely to entrench less-efficient producers relative to current investment promotion initiatives. Infrastructure, such as water, power, roads and, in principal, effectively run industrial parks could be accessed by any firm willing to pay, as opposed to only those with the resources, and connections.

Build public private growth coalitions

Given the limited remit and financial resources that Cameroon's city councils have to promote city competitiveness, action by a broad group of public and private stakeholders is needed. As the case studies of the three cities highlight, there are a number of important institutions in each city which can influence city competitiveness. The communauté urbaines have an opportunity to lead a growth coalition for their city, bringing together important stakeholders from national government agencies and the private sector to plan coordinated reforms and investments that can improve the enabling environment for firms in the city.

Recommendations to improve the competitiveness of cities in Cameroon

This report has argued that investments to improve the productivity of prioritized cities in Cameroon will be critical to structural transformation and competitiveness. The majority of Cameroon's population live in urban areas and cities were found to be more productive and offer higher wages than rural areas. Yet, deficits in key infrastructure and enterprise support prevent firms from taking advantage of density.

Specifically, the report recommends a partnership between national and local governments in prioritized cities to achieve the recommendations below. While it is up to the government to prioritize which cities receive investment, the hierarchy of city competitiveness developed in this report based on the revealed advantage of the city for particular industries is

instructive for this process. By this measure, investments in Douala should be a high priority, given the number of industries that have concentrated there. Investments in cities with medium levels of competitiveness, including Yaoundé and other secondary cities, should be carefully tailored to respond to the needs of the tradable industries that have developed an advantage there. Finally, investments in the smallest cities, with low levels of competitiveness, are unlikely to have large effects on national competitiveness given the small share of activity there, unless they help build on a very specific local advantage, such as access to timber for wood processing, or, as in the case of Kribi, access to the new port.

Three recommendations to REFORM, INVEST and PLAN, are detailed below. The tables that follow summarize potential actions around each recommendation at local and national levels. Table 14 below describes potential actions related to each of these three tasks for both the commuautés urbaines and the national government. Table 15 provides more detail for each of the three cities covered in the case studies: Douala, Bamenda and Kribi.

REFORM institutions that provide key services that affect private sector performance in cities

Public Transportation

A new multi-modal transportation strategy for Douala and other major cities could improve availability of public transport. A first priority is to develop a financially sustainable model for SOCATUR. While further study is required, the transportation strategy could also involve releasing SOCATUR's monopoly, and allowing minibus operators to ply some lines. Minibuses could follow planned routes and would be complementary to SOCATUR. Given their smaller capacity, these could operate on routes with smaller ridership that the large bus companies do not service. An institution would be needed at the local level to regulate such informal minibuses. There are lessons to learn from Senegal and Ivory Coast on how to institute such an autonomous body.⁹⁷ At the same time, reform will need to make accommodations for taxi and motorcycle drivers, who comprise 4.5%⁹⁸ of the workforce in Douala and Yaoundé and stand to lose if passengers are consolidated into buses, reducing demand for drivers. Motorcycle drivers have shown themselves to be a powerful union in Douala, at times blocking down key roads when attempts have been made to regulate them.

Private Sector Outreach and Reducing Avenues for Corruption

Entrepreneurs would benefit from easier access to national government agencies providing services to the private sector and local action could reduce avenues for corruption. Decentralizing services of API, ANOR and APME to some of the secondary cities could improve outreach. Also, streamlining and simplifying procedures for obtaining local level permits (e.g. construction permits) together with exploring opportunities for e-governance would reduce avenues for corruption.

Industrial Zone Administration

MAGZI has been an ineffective manager of industrial zones in major cities, and its reform could accelerate stalled developments and the environment for firms in current zones. Large firms complained of poor infrastructure in MAGZI zones, for instance dirt roads in the Bonaberi district of Douala. Smaller firms also indicated that administrative burdens made it difficult to get access to space in MAGZI zones, though space is available in some cases. Potential reforms to MAGZI, which have been under consideration at the national level, include converting it to a private or state-owned enterprise that can charge market rates for plots and raise capital independently to support further development. Further, easing access of firms to imported inputs, for instance through the proposed bonded warehouse scheme, should be explored in the context of industrial zones near the Nigerian border, such as that in Bamenda.

Port Autonome de Douala

Potential options to reform the port, and experience from other port reforms have been outlined in World Bank (2015).⁹⁹ Important components include the automation of port documentation, reductions in the length of import

⁹⁷ The Dakar agency is CETUD (see http://www.codatu.org/wp-content/uploads/La-r%C3%A9forme-des-transports-urbains-%C3%A0-DakarBilan-et-perspectives-apr%C3%A8s-15ans-dactivit%C3%A9s_Alioune-Thiam_CETUD.pdf) and the Abidjan agency used to be AGEDU which was dissolved in 2014 and replaced by the Centre intégré de gestion (<http://www.cgi.ci/web/index.php>).

⁹⁸ Team calculations using the 4th annual household survey, 2014.

⁹⁹ Reforms in the direction of improving port operation have been ongoing for nearly two decades, but so far appear not to have been effective. These reforms include the institution of the "One-stop Shop of External Trade Operations (GUCE)" created on 07 July 1999 and whose goal is reducing the costs

procedures, professionalization of brokers, and revisions to the legal framework that raise storage fees so that importers stop using the port for storage and seek warehousing outside. Reform would begin with a detailed audit to identify bottlenecks in the import and export processes, and work, as in the successful case of Durban, South Africa's port reform, through a working group including all the relevant stakeholders.

INVEST in local infrastructure in dialogue and partnership with the private sector

Transport and roads

Continued improvement of urban transport will be essential for reducing transportation times and costs within cities. In addition to the transport reforms discussed above, priority transport investments could include BRT systems in priority cities, urban roads, bus stations, etc. For example, ongoing road upgrading is being supported by the World Bank in Bamenda as part of the Cameroon Transportation Sector Support Project, and in Batouri, Douala, Kumba, Ngaoundéré and Youandé by the Cameroon Inclusive and Resilient Cities Development Project. An assessment of further needs and funding gaps in other cities should be continued. Further, larger investments to ease key congestion chokepoints in Douala, for instance in a ring road around the city could be considered.

Further, key highways connecting cities to one another, and rural areas to cities, will help expand access to markets for all producers in Cameroon. In Bamenda, for instance, where road access to Yaoundé and Douala is still poor, firms reported that poor roads, and a high number of checkpoints along them, made sourcing inputs and marketing output difficult. Kribi will be constrained in its ability to serve as an export hub, or a hub for assembly of goods with imported inputs, if the road connecting it to Edea is not maintained. Further rail developments, for instance between Kribi and Edea, may also be beneficial in this regard.

Market and Logistics Infrastructure through PPPs

Small-scale build, operate and transfer (BOT) PPP structures for bus stations and market development may help to leverage more private capital to improve public infrastructure. For example, while bus station development to improve interurban transport has stalled in Bamenda, likely due to unrealistic scale of the \$10 million project planned by the Communauté urbaine, private bus operators in the city pointed to two examples in Buea and Limbe that were successful. There, an operator paid a fee for the right to develop a bus station and operate it for 10 years, after which she will transfer it back to the city council. In Douala, two markets, one in Bonamoussadi and the new Congo market, have been developed similar BOT structures with the support of CARPA. A key constraint to future PPP projects at this scale is likely private sector demand. Further study will be required to understand specifically why private interest has thus far been limited.

A logistical zone, structured as a build, own and operate PPP, may help to reduce congestion around the port and airport in Douala, and reduce costs of transport in and out of the city. The Master Plan for Douala has since 1983 included a vision logistics zone to the southwest of the city center, abutting the port to be developed in the plain north of the "Crique Docteur". Such a zone would provide additional parking, container storage and warehousing facilities to importers and exporters to reduce congestion in and around the port. It would be operated privately, and the land would have to be procured from multiple parties. Further feasibility studies and testing of market interest would be required to move forward with this project.

Other urban infrastructure

Other urban infrastructure could also be locally identified based on local priorities and hopefully executed, in part, through PPPs, including: (i) solid waste management; (ii) urban greenery and recreational facilities and (iii) redevelopment of CBDs and core parts of the city. Such infrastructure that would lead to upgrading and urban renewal would improve the environment for business and investment in key cities.

and time for the clearance of goods. Recent direction of reforms is towards so-called 'dematerialisation' which essential refers to moving to electronic services as way of fast-tracking the process and reducing face to face contacts that tend to foster corruption.

Incubators to support local firms

Incubators could help local firms improve quality and technology standards and access further markets, and better establish the role of cities as centers of innovation. Incubators are typically office spaces with an exhibition area, which is open regularly, where entrepreneurs display their goods, and advertise quantities available for sale, which could include: i) desk space, with electricity and an internet connection, which can be rented; ii) entrepreneur networking events, for entrepreneurs to meet one another and also potential customers, investors or suppliers, and iii) local outreach facilities from key private sector facing organizations such as API, ANOR and APME. For the most part, competitions and incubators have been led by the private sector¹⁰⁰, and government should seek to build further partnerships with such private providers.¹⁰¹ One example of such a partnership by local government is the Douala Incubator, created as a decentralized cooperation initiative between the *Commune d'Arrondissement de Douala 5ème* and some Italian partners, specifically *Centre des Relations avec l'Afrique de la Société Géographique Italienne (CRA-SGI)* and *le Park Scientifique de Biotechnologie de l'Université de Rome Tor Vergata (Eurobiopark)*.

Sponsor and publicize business plan competitions that focus on linking entrepreneurs to markets. In Nigeria, business plan competitions have been shown to be effective in generating jobs at costs that compare favorably to other programs such as vocational training (McKenzie, 2017).¹⁰² Government could partner with major multinationals, which already sponsor such competitions, to scale the size of grants, and reach more cities. In addition, part of the prize could be a sales distribution contract with local retailers. Involving retailers and wholesalers as prize givers could benefit all parties, help leverage additional resources into the competition.

Internet Connectivity

Improved internet access can help Cameroon develop as an exporter of tradable services. Creative and technical service workers, for instance in computer programming and graphic design, currently sell services to firms in other cities. Other African cities, such as Lagos and Nairobi, have built on their advantage of relatively well-educated work force, to begin to export computer programming services, much as India did 10 years ago, through global companies such as Andela, which trains local programmers and links them to clients in the United States and Europe.¹⁰³ In Cameroon, the experience of a nascent tech cluster in Buea known as 'Silicon Mountain' suggests that much gain can be made in the sector if investments are made in developing internet connectivity. In short, Cameroon's ability to take advantage of its domestic technical talent depends crucially on internet connectivity.

PLAN and coordinate capital investments in cities through a growth coalition of local and national government and the private sector

Public private dialogue on PPPs

While communautés urbaines tend to have detailed and large investment plans, in many cases with feasibility studies for some projects, more dialogue with the private sector would be useful. Prioritizing investments, in dialogue with the private sector and firms in key tradable industries, will be helpful in determining which investments are most feasible and would have the highest impact.

¹⁰⁰ Prominent incubators with international partnerships are Activspaces, Jokkolabs. Major domestically incubators include KMR STARTUP HUB and Start-up Academy. The KMR STARTUP HUB has often operated in partnership with Ecam (one of Cameroon Private sector associations focusing on SMEs).

¹⁰¹ Examples of such partnerships include recently opened the Ocean Innovation Center in Kribi, which aims to serve as an incubator for youth talents in the digital economy. This PPP project is worth 607 million CFA, of which 155 are provided by MINEPAT and the rest by the private promoter of the project. Another example is the *la Pépinière Nationale Pilote d'Edea* an incubator launched in Edea by MINPMEESA.

¹⁰² Cost per job created estimated in this program was \$8,500. Appendix 8 of McKenzie (2017) benchmarks this against other programs that have also been evaluated using randomized controlled trials. Costs per job of vocational training programs range from \$11,209 - \$80,950, and a majority of studies have found them to have statistically insignificant effects on job creation.

¹⁰³ See Lohr, Steve, "Start-Up Bets on Tech Talent Pipeline From Africa," *New York Times*, October 10, 2017
<<https://www.nytimes.com/2017/10/10/business/andela-start-up-coding-africa.html>>

Dialogue with national government over access to land

An improved planning process for development activities, that specifically works with the central government to identify land for projects, may increase the number of projects executed. This will help avoid intragovernment disagreements over land titling, for instance the current conflict between the *Communauté urbaine de Douala* and MAETUR over title of the land zoned for the Bonamoussadi market.

Encourage industrial clustering through zoning

In order to help firms better capture the benefits of density, zoning and plans for city development should provide infrastructure and land so that firms in similar industries can locate together. This would be particularly relevant for smaller, cottage industry firms in the informal sector. An example to build on may be the “Handicraft Villages” operated by MINPMEESA, a network of facilities in regional headquarter towns that helps firms display their wares. While these are essentially only exhibition areas, if serviced areas with security and storage were added, they could become centers of production as well. In Douala, where the Master Plan calls for the development of 7 secondary centers¹⁰⁴ in addition to the CBD, the new centers should be developed in such a way that allows them to become centers for specific industries. Increased capacity for zoning enforcement by the communautés urbaines will also be important to increasing productivity and efficiency in cities.

A platform for coordinating all urban investments

Local planning and coordination of capital investments would ensure that investments undertaken by the various sectors (electricity, water, roads, etc.) achieve maximum impact on each city. A growth coalition of local and national government and the private sector would provide the benefits of: 1) provide a platform for coordinating investments by the various sectors; 2) promoting dialogue between local and national government to ensure access to land for planned investments; and 3) promote PPPs and greater feasibility and viability of proposed investments.

¹⁰⁴ These are planned in Ndokoti, Bonamoussadi, Ngwele, Bonassama, Logbaba, Yassa, and PK14/Université

Table 14: Potential actions for all cities

Potential Actions			
Task	Feasible Time-Horizon	National Government	Communauté urbaine
REFORM	1-3 years	<ul style="list-style-type: none"> Support decentralization of APME, API and ANOR to provide outreach to entrepreneurs in cities outside of Douala and Yaoundé 	<ul style="list-style-type: none"> Establish regulatory bodies to regulate public transportation, and encourage competition in provision of the service Increase e-governance to reduce avenues for corruption in the enforcement of construction permits
	3+ years	<ul style="list-style-type: none"> Reform MAGZI owned industrial areas to promote investment in roads and infrastructure Comprehensive port and customs reform 	<ul style="list-style-type: none"> Continue to clarify roles and responsibilities for policy implementation with national government
INVEST	1-3 years	<ul style="list-style-type: none"> Support communauté plans to invest in urban transport and other locally prioritized infrastructure investments Identify sources and means of increasing local authorities' unearmarked revenue to finance capital investments e.g. road maintenance and other underfunded infrastructures 	<ul style="list-style-type: none"> Leverage PPP structures for investments such as markets, bus stations, solid waste management and redevelopment projects. Let private investors determine the scale of the project to ensure feasibility Partner with private sector to establish innovation hubs or incubators, that allow entrepreneurs to show case products, meet, and compete for grants, etc. Hubs should target vibrant local sectors, such as agriculture or IT
	3+ years	<ul style="list-style-type: none"> Invest in road and rail connectivity of cities to the ports in Douala and Kribi to enhance market access Invest in internet connectivity, particularly for secondary cities 	
PLAN	1-3 years	<ul style="list-style-type: none"> Develop capital expenditure plans in concert with communautés urbaines, with a specific focus on unlocking national government controlled land for local development 	<ul style="list-style-type: none"> Initiate a growth coalition with national government and the private sector to coordinate capital investments in the city Use zoning and planned investment to promote clustering of specific industries and strengthen zoning enforcement

Table 15: Potential actions for Douala, Bamenda and Kribi

		Potential Actions		
City	Competitive Advantages	Task	National Government	Communauté urbaine
Douala <i>May be relevant to Yaoundé</i>	<u>Access to Markets:</u>	REFORM	<ul style="list-style-type: none"> Improve stewardship of MAGZI owned industrial areas, to allow for road and service improvements. Initiate comprehensive reform of the Port Autonome de Douala, and the Autorité Portuaire Nationale (APN) to reduce dwell times and minimize costs for importers and exporters 	<ul style="list-style-type: none"> Establish more functional regulatory arrangements for public transport within the city, including a financially viable operational model for SOCATUR, and potentially a clearly defined role for the informal sector in public transportation Increase e-governance to reduce avenues for corruption in obtaining construction permits
	<ul style="list-style-type: none"> Large consumer market Port de Douala provides access to imported inputs Rail connectivity 			
	<u>Natural Resources:</u>			
	<u>Revealed Advantage:</u>	INVEST	<ul style="list-style-type: none"> Assess feasibility of transport projects to reduce transport costs and improve traffic flow through the city center e.g. ring road, BRT, etc. Assess feasibility of PPP logistics zone around the port and airport 	<ul style="list-style-type: none"> Continue road developments Leverage PPP structures for locally prioritized projects such as markets, bus stations, solid waste management, greenery and redevelopment investments Work with multinational firms and local operations to establish and fund innovation hubs, that allow firms to show case products, and compete for quality upgrading grants
<ul style="list-style-type: none"> Largest cluster of service and manufacturing firms in the country Large cluster of IT and design workers 				
		PLAN	<ul style="list-style-type: none"> Support communauté urbaine in procuring land for developments in the city plan 	<ul style="list-style-type: none"> Initiate a growth coalition with national government and the private sector to coordinate capital investments in the city Improve zoning enforcement

Potential Actions

City	Competitive Advantages	Task	National Government	Communauté urbaine
Bamenda <i>May be relevant to Bafoussam, Ngaoundéré, Garoua, Maroua, Kumba</i>	<u>Access to Markets:</u> <ul style="list-style-type: none"> Proximity to Nigeria Local schools provide a stable consumer market 	REFORM	<ul style="list-style-type: none"> Deconcentrate or decentralize ANOR service provision to the Communauté urbaine level, targeting in particular producers of cosmetic and food products Re-examine the feasibility of a bonded warehousing scheme associated with the Bamenda industrial zone to promote access to inputs from Nigeria; consider making zone accessible to small scale entrepreneurs serving the local market 	<ul style="list-style-type: none"> Increase e-governance to reduce corruption in obtaining construction permits
	<u>Natural Resources:</u> <ul style="list-style-type: none"> Coffee and tea production Rice and maize production 	INVEST	<ul style="list-style-type: none"> Improve road connectivity with Yaoundé and Douala, as planned as part of the Cameroon Transportation Sector support project Improve internet connectivity, to allow creative and other service workers to connect with the rest of the country Support agriculture in the area, through rural electrification near key processing sites, storage and rural roads 	<ul style="list-style-type: none"> Leverage PPP structures for locally prioritized infrastructure e.g. markets, bus stations, solid waste management and redevelopment projects. Let private investors determine the scale of the project to ensure feasibility Develop an agriculture innovation hub for entrepreneurs, which provides a display location for locally produced goods, operates regular business plan competitions for new entrepreneurs and provides support for quality upgrading Continue urban road developments
	<u>Revealed advantage</u> <ul style="list-style-type: none"> Cluster in printing and graphic design Cluster in furniture manufacturing, with many skilled trade workers 	PLAN	<ul style="list-style-type: none"> Assess the potential of industrial cluster developments using a PPP structure, which provides serviced production facilities for cottage industries 	<ul style="list-style-type: none"> Initiate a growth coalition with national government and the private sector to coordinate capital investments in the city Enhance zoning enforcement to improve clustering of firms

Potential Actions

City	Competitive Advantages	Task	National Government	Communauté urbaine
Kribi <i>May be relevant to Nkongsamba, Bertoua, Edea, Ebolowa, Limbe</i>	<u>Access to Markets:</u>	REFORM	<ul style="list-style-type: none"> Establish a <i>guichet unique</i> to streamline interactions for the tourism sector specifically with key ministries responsible for permitting land improvements, especially the Ministry of Energy and Water Resources and the Ministry of Environment and Nature Protection in Cameroon 	<ul style="list-style-type: none"> Increase e-governance to reduce corruption in obtaining construction permits
	<ul style="list-style-type: none"> Port de Kribi 			
	<u>Natural Resources:</u>	INVEST	<ul style="list-style-type: none"> Partner with timber companies to fund construction of roads through cocoa producing areas, under the condition that sustainable forestry practices are enforced Develop rail connectivity with Edea 	<ul style="list-style-type: none"> Engage the private sector to develop PPPs for locally prioritized infrastructure e.g. road, markets, parking infrastructure, etc. Develop PPPs around the fishing sector to help local fishermen serve demand at the Port. Specifically target investments in dry and cold storage infrastructure
<u>Revealed Potential:</u>		PLAN	<ul style="list-style-type: none"> Develop international marketing strategy for Kribi industrial zone Work with Ministry of Tourism to promote Kribi within CEMAC as a conference destination 	<ul style="list-style-type: none"> Initiate a growth coalition with national government and the private sector to coordinate capital investments in the city Develop a solid waste management and environmental and coastal protection strategy to protect tourism endowments and the port Revise land use plan to improve efficiency of land allocation Improve zoning enforcement

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Appendix A: Urban Wage Premium Regressions

Here we present the key results of the regression analysis used to create Figure . Row 1 of Table1 reports the coefficient θ from the regression:

$$\ln(\text{wage}_{ik}) = \delta_k + \theta(\text{Urban}_i) + \beta X_i + \varepsilon_{ik},$$

where wage_{ik} is the wage of worker i in industry k , Urban_i is an indicator for whether or not a worker lives in a city, δ_k is a fixed effect that captures the average wage in industry k , X_i is a vector of individual controls, age, age squared and educational attainment, and ε_{ik} is an idiosyncratic error term. Multiplying the reported coefficient by 100 shows, in percentage terms, how much higher the wages are if the worker lives in the city.

Table 1: The urban wage premium

Worker location and characteristics	(1) Log(Wage)	(2) Log(Wage)	(3) Log(Wage)	(4) Log(Wage)	(4) Log(Wage)	(5) Log(Wage)
Urban area	0.954*** (0.0332)	0.627*** (0.0331)	0.281*** (0.0397)	0.216*** (0.0425)	0.505*** (0.100)	
Employer's firm has 2-10 employees				0.310*** (0.0379)		
Employer's firm has >10 employees				0.769*** (0.0537)		
Urban area and works in agriculture and related trade					-0.248** (0.126)	
Urban area and works in non-tradable services					-0.277** (0.113)	
Douala						0.351*** (0.0541)
Yaounde						0.373*** (0.0537)
Urban area other than Yaounde or Douala						0.179*** (0.0414)
Urban area and is female						
Female						
<i>Number of observations</i>	7,304	7,267	7,246	6,590	7,246	7,246
<i>R-squared</i>	0.132	0.259	0.990	0.990	0.990	0.990
Education and experience controls	NO	YES	YES	YES	YES	YES
Industry fixed effects	NO	NO	YES	YES	YES	YES

Robust standard errors in parentheses. Education and experience controls include age, age squared and indicators for primary, secondary or tertiary educational attainment. Industry fixed effects are indicators for each 3 digit industry code.

*** p<0.01, ** p<0.05, * p<0.1

SOURCE: ECAM4

Cities are more productive in part because they have more skilled workers. Column 1 presents the simple regression of (log) wage on whether the worker works in the city. Here, the coefficient is equal to 0.954 (s.e. = 0.033), indicating that, on average, workers in cities make 95.4% more than workers in rural areas. Column 2 includes in the regression controls for the worker's experience, education, and here the coefficient falls by 33% to 0.646. This implies that approximately 1/3 of the wage premium in column 1 is explained by differences in education and experience across individuals. People in cities are more skilled.

Cities also have a more productive set of industries, with larger sizes that can better take advantage of economies of scale. An additional 1/3 of the urban wage premium in Cameroon is due to the fact that a more productive set of industries exists in urban areas relative to rural, and 1/10 is due to the fact that firms in cities are larger, and so may better achieve economies of scale. To see this, column 3 adds fixed effects for the industry, which control for the average wage in the industry, regardless of location. This causes the coefficient on urban residence to fall to 0.31. This indicates that 1/3 of the wage premium in column 1 was due to urban areas having more productive industries, as opposed to higher productivity in the same industries. This suggests that, to the extent that Cameroon is undergoing a structural transformation from agriculture that makes workers more productive, this transformation is occurring in cities. Column 4 of

Table reports a regression that also includes indicators for whether the worker's firm has either 2-10 employees, or more than 10. These indicators both have positive coefficients, indicating that larger firms pay higher wages. Having included this variable, the coefficient on urban residence drops again slightly to 0.21, but remains statistically significant at standard levels. Overall, these results indicate that, even controlling for education of workers, industry and firm size, there is still something about cities that make them approximately 22% more productive than rural areas.

Some of the urban wage premium may be explained by the fact that prices are higher in urban areas relative to rural areas, but this likely does not explain all of it. Column 5 provides a test of the hypothesis that the urban wage premium is driven by higher urban prices by including coefficients that show how the urban wage premium differs if the worker works in non-tradable services, or in agriculture and related trade, relative to manufacturing and tradable services. It is likely that the urban productivity premium, if it exists, is lower in these industries than in manufacturing and tradable services.¹⁰⁵ If this is true, and all the advantage of urban areas is due to higher prices, one should see a similar wage premium in all industries; whereas if some of it is due to greater output per worker, it is most likely that the premium will be greater in manufacturing and tradable services. In Column 5, we see that, with these controls, the premium in urban areas is 50%: given controls this refers to the premium in manufacturing and tradable services. The other coefficients indicate that this premium is indeed 25% lower in agriculture and 28% lower in non-tradable services. If we assume that the premiums in agriculture and non-tradable services are entirely due to higher prices relative to rural areas, and not greater productivity, given the arguments above, this means that there still exists approximately a 25% wage premium in the manufacturing and tradable services sector.¹⁰⁶ Overall, this result provides reassurance that the wage premium reflects real differences in marginal physical product per worker: cities are more productive, at least in manufacturing and tradable services.

Douala and Yaoundé are more productive than smaller cities. Column 6 breaks up the premium between Yaoundé, Douala and other cities. Here we see that Douala has a slightly higher wage premium (42.6%) relative to Yaoundé (37.0%). Other cities have a lower premium (20%), but it is still greater than zero.

¹⁰⁵ For instance, a restaurant, while in a city may have a greater volume of customers and thus sell more meals per worker, the restaurant will also be likely to have fewer tables per worker, given higher rents. The economy of scale it achieves from being in a city is thus likely reduced. In agriculture, while in a city prices of output sold may be higher, land is also more expensive, implying that there may be less land per worker, again reducing economies of scale. In manufacturing, economies of scale are likely limited more by the availability of capital (i.e. machines) rather than by physical space. In addition, the benefits of density described above, in particular the availability of inputs and ability to learn from those with similar technologies, are likely to be more important. Finally, given that the output of manufacturing and tradable services is traded, it is likely that at least relative to local services, prices will vary less across space within the same country, and so it is less likely that wage premiums across space will reflect difference prices.

¹⁰⁶ This argument also assumes a common rate of substitution between the three sectors among urban and rural consumers.

Appendix B: Quality of Life Regressions

This appendix describes in detail the results of the quality of life regressions displayed in Figure . Table 22 reports the results of a regression of an indicator for an affirmative response to various questions on an indicator for whether the respondent lives in an urban area, controlling for their education and experience. Specifically, the coefficient reported is θ from the regression:

$$outcome_i = \delta_i + \theta(Urban_i) + \beta X_i + \varepsilon_i,$$

where $outcome_i$ is an indicator for whether respondent i responded "yes" to the question, δ_i is a constant that captures the average response, X_i is a vector of individual controls, age, age squared and educational attainment, and ε_i is an idiosyncratic error term. Multiplying the reported coefficients by 100 gives the percentage point increase in the chance a respondent responds, "yes" if he or she lives in an urban area.

Even controlling for a worker's experience and education, workers in cities are slightly better off than rural workers financially. In columns 1, 2 and 3, one sees that by some measures of financial well-being, urban residents are better off. Urban household heads are 3 percentage points more likely to agree that all household expenses can be covered by income (a 6% increase compared with the 48% that agree in rural areas); they are also 2.5 percentage points more likely to agree that income has some stability (a 7.8% increase compared to the 45% that agree in rural areas); and are 2.6 percentage points less likely to have missed a payment on children's school fees (10.8% less than the 24% that have missed a payment in rural areas).

Table 2: Differences in quality of life between rural and urban areas

	(1)	(2)	(3)	(4)	(5)	(6)
	Are household expenses covered by the income of all household members?	Does the household's income have at least some stability?	Has a child in the household missed a school fee payment in the last year?	Have you been sick at all in the last two weeks?	Since 2007, has quality of life improved for your household?	Since 2007, has quality of life improved in general?
Percentage point increase in share answering "yes" if in urban area	0.030** (0.013)	0.025* (0.013)	-0.026** (0.013)	0.032*** (0.006)	-0.056*** (0.012)	-0.091*** (0.011)
Share reporting yes in rural areas (percent)	0.48	0.45	0.24	0.31	0.27	0.3
Number of observations	10,269	10,269	7,094	43,687	10,269	10,269
R-squared	0.014	0.032	0.016	0.023	0.015	0.012
Education and experience controls	YES	YES	YES	YES	YES	YES

Robust standard errors in parentheses. Education and experience controls include age, age squared and indicators for primary, secondary or tertiary educational attainment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

But on measures of health and life satisfaction, urban residents are worse off. Looking at columns 4, 5 and 6 of Table 22, however, some outcomes are worse for urban residents. Respondents are 3.2 percentage points more likely to have been sick in the last two weeks (10% more likely than the 30% that have been sick in rural areas); 5.6 percentage points less likely to report that things have improved for their household since 2007 (21% less likely than the 27% in rural areas that believe things have). Most strikingly urban residents are 9.1 percentage points less likely to believe life has improved in general since 2007 (30% less likely than the 30% of rural respondents that agree).

Appendix C: Specialization and Productivity

Specialization and concentration within manufacturing and tradable service industries seems to increase their productivity. Evidence in this Appendix shows that manufacturing and tradable services, industries that have high location quotients¹⁰⁷ are likely the most productive (if we take higher wages as a proxy of higher productivity). If cities have productivity advantages that are specific to a particular industry, one would expect that cities in which an industry has chosen to concentrate, and thus has a higher location quotient, also have more productive workers, and thus higher wages. This suggests that development strategy in a given city should be *localized*, and respond to the needs of the particular industries that have concentrated there.

Table 3: The concentration wage premium

	(1)	(2)	(3)	(4)	(5)	(6)
	Log(Wage)	Log(Wage)	Log(Wage)	Log(Wage)	Log(Wage)	Log(Wage)
Location quotient	0.0660*** (0.0215)	0.0582*** (0.0182)	0.0100 (0.0115)	0.0145 (0.0115)	0.0361 (0.0261)	0.0485** (0.0242)
Number of observations	849	847	487	486	2,191	2,178
R-squared	0.992	0.993	0.987	0.987	0.992	0.992
Sector	Manufacturing and tradable services	Manufacturing and tradable services	Agriculture and related trade	Agriculture and related trade	Non-tradable services	Non-tradable services
Education and experience controls	NO	YES	NO	YES	NO	YES
Sub-sector fixed effects	YES	YES	YES	YES	YES	YES
City fixed effects	YES	YES	YES	YES	YES	YES

Robust standard errors in parentheses. Education and experience controls include age, age squared and indicators for primary, secondary or tertiary educational attainment. Sub-sector fixed effects include indicators for manufacturing, resources, tradable services and wholesale trade and transport (in manufacturing and tradable services); cultivation and processing (in agriculture and related trade); and local services, public services and construction (in non-tradable services). City fixed effects are indicators for residence in each city. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 3 presents a test of this hypothesis using a regression of an individual's (log) wage on the location quotient of the industry in that city.¹⁰⁸ Multiplying the coefficient on location quotient by 100 indicates, in percentage terms, how much higher a worker's wage will be if the location quotient of the industry increases by 1.¹⁰⁹ Columns 1 and 2 present the results for the manufacturing sector. The coefficient 0.0660 (s.e. = 0.0215) in Column 1 indicates that increasing the location quotient by 1 raises wages by 6.6%, relative to other wages in the city. In Column 2, which includes controls for experience and education, the coefficient falls to imply an increase of 5.8%, but is still statistically significant at 1%. This indicates that even within a city, more experienced and educated workers migrate to the industries that have higher location quotients.

¹⁰⁷ A location quotient is an industry's share of total employment in a city divided by that industry's share of total employment nationally.

¹⁰⁸ Specifically, the coefficient reported is θ from the regression: $\ln(\text{wage}_{ijk}) = \pi_j + \delta_{s(k)} + \theta(\text{Location Quotient}_{ik}) + \beta X_i + \varepsilon_{ijk}$, where wage_{ik} is the wage of worker i in city j and industry k , π_j is a fixed effect that captures the average wage in city j , $\delta_{s(k)}$ is a fixed effect that captures the average wage in sub-sector s in which industry k exists, X_i is a vector of individual controls, age, age squared and educational attainment, and ε_{ijk} is an idiosyncratic error term. The sub-sector fixed effects control for the fact that more productive sub-sectors may have systematically higher location quotients. City fixed effects control for the average wage in the city.

¹⁰⁹ The mean of the location quotient across all city industries, including rural areas, is 2.7, with a standard deviation of 5.4

Concentration of employment in agriculture and related trade, however, does not imply increased wages, indicating that at least on average, city specific advantages are less relevant in agriculture. One can see this result in columns 3 and 4 of .

Table3, where the estimated effect sizes of location quotient are smaller in magnitude than in columns 1 and 2, and are also not statistically significant at standard levels. This result is consistent with urban agriculture being a subsistence sector for urban residents that have not yet been able to make the transition to local services, or manufacturing or professional services. Recall that the median wage in this sector in urban areas was also much lower, indicating lower overall productivity of the sector. This also suggests policies to promote further specialization of cities in urban agriculture (either in cultivation or in processing) are unlikely to yield increases in productivity. One caveat to this analysis is that since it is only an average, specialization may still be important for productivity in very narrowly defined industries. A candidate outlier here may for instance be the processing of tree crops, which can only take place in areas close to where land is suited for cultivation of those crops.

There is some evidence that concentration of non-tradable, local services implies higher productivity in that sector, implying that there may be benefits to investments, such as market construction, that increase the concentration of non-tradable activity. We see this in columns 5 and 6 of .

Table3. Here the effects are roughly $\frac{1}{2}$ to $\frac{2}{3}$ of the effects estimated for manufacturing in columns 1 and 2, though their statistical significance is lower, despite still obtaining 5% significance in column 6. This observation provides a caveat to the hypothesis introduced earlier that the wages in local service sector could only grow when income enters from another sector. This result suggests that there may be some economies of scale in non-tradables as well.

Appendix D: Case Study Methodology and Questionnaire

The three case studies are based primarily on qualitative interviews with owners and managers of 127 firms in sub-sectors in which each city had a revealed comparative advantage, supplemented by interviews with local government authorities and a review of each city’s planning documents.¹¹⁰ An important caveat about this screen is that it only identifies *existing* industrial clusters. This has been done so that focus groups may target the entrepreneurs that are most able to give insight into what will help them grow existing businesses in *short and medium term*. In order to identify potential new industries, local informants were also asked to help identify entrepreneurs undertaking new activities which were not readily identified in the Census of Enterprises.

The 127 firms interviewed covered the full distribution of firm sizes, and experience in the market. Once industries had been identified, the team worked with the commuanuté urbaine and local trade associations to identify both large and small, and new and old firms within each sector, and invited them to participate. Table shows the distribution of number of employees and years of operation for each city: both very small firms, with as few as one employee, were included, but also large firms with more than 380 employees. Large firms were more concentrated in Douala, and in most sectors the largest firms were interviewed. Broadly, firms interviewed had a substantial amount of experience in the market, with the median years of operation ranging between 10 and 17 by city, though new firms were also included.

Table 4: Characteristics of private sector informants

City	Firms Interviewed	Number of Employees			Years of Operation		
		percentile			percentile		
		15	50	85	15	50	85
Douala	40	6	34	380	5	13	22
Bamenda	48	4	9	48	7	17	31
Kribi	39	6	15	87	2	10	17
TOTAL	127						

Firms were interviewed either as part of a focus group for their sub-sector, or in a one-on-one interview. The script for the interviews is provided below. The questions first asked informants to provide an overview of the sector, and then given the chance to identify key constraints they faced, and also identify opportunities for growth. The discussions closed by asking for concrete suggestions about how to improve the sector. In the write up of this analysis, focus groups and interviews were supplemented by a comprehensive review of secondary source material, including city plans, feasibility studies of city projects, and industry reports on different sectors.

The script and questions used to guide the focus groups are as follows.

Introduction : La Banque mondiale prévoit de faire un prêt au gouvernement du Cameroun pour améliorer la compétitivité des villes camerounaises, c’est-à-dire améliorer spécifiquement la capacité des villes à produire et à échanger des biens qui peuvent être exportés. L'année prochaine, la phase de préparation débutera afin de décider quels seront les investissements spécifiques à réaliser à Douala et dans d'autres villes. Préalablement, nous tenons ces consultations avec les entreprises, pour nous renseigner sur vos points de vue sur ce qui peut être fait et ce qui serait le

¹¹⁰ Within cities, a sample of sub-sectors was derived by selecting industries identified from the 2009 Census of Enterprises., using a three-step process. First, sub-sectors were included if the output was tradable. Practically, this excludes non-tradable services, the main components of which are construction, transport, retail trade, restaurants and education, but retains manufactured goods, agriculture, resources, professional services and also hotels. Second, sub-sectors were included if the city had obtained some specialization in that product, and the location quotient of the sub-sector in the particular city is greater than one. Third, sub-sectors were selected from the remaining industries based on input from informants in local government and trade associations, who provided additional detail on which sectors were prominent in the city, either in terms of employment or in terms of value creation. In some cases, informants identified sub-sectors, particularly in agricultural processing, that were active outside of the city limits, but nonetheless used the city as a trading point. This was particularly important in the case of Kribi, which had only three sub-sectors with a location quotient greater than one.

plus utile. Vos réponses resteront anonymes, mais notre rapport sera rendu au MINEPAT, à la communauté urbaine et à la Banque Mondiale. Nous prenons donc cette recherche très au sérieux.

Voici le déroulé de la séance : Tout d'abord, nous voulons que chacun se présente personnellement et présente également son entreprise. Deuxièmement, nous allons discuter de votre secteur en général et de sa performance au cours des cinq dernières années. Troisièmement, nous allons discuter des contraintes auxquelles vous faites face et de ce qui peut être fait à ce sujet. Quatrièmement, nous discuterons des opportunités que vous envisagez pour la croissance du secteur. Enfin, nous voulons discuter de ce que le gouvernement peut faire pour améliorer l'environnement des affaires.

Questions:

1. Commençons par la présentation de votre entreprise. Depuis combien de temps opérez-vous? Quels sont vos principaux produits ? Où se situe votre production dans la ville?
2. Quelles sont les principales caractéristiques du secteur à Douala?
 - Nombre d'entreprises, taille moyenne (employés, chiffre d'affaires)
 - La plupart des entreprises exportent-elles (quelle part du chiffre d'affaires?)
 - Où sont les principaux marchés, à l'échelle nationale et internationale?
 - La plupart des entreprises importent-elles? Quels produits (machines, autres intrants)?
3. Comment évalueriez-vous la performance de votre entreprise au cours des 5 dernières années (en termes de croissance des ventes, d'embauche etc.)
4. Quelles sont les causes de la performance économique ?
5. Quels sont les principaux facteurs qui limitent l'expansion des ventes, le nombre d'employés, etc ? Et Comment affectent-ils vos entreprises?

Instructions: Qu'en est-il de ce qui suit ?

- Matières premières (droit de douane et réglementation ?)
 - Main-d'œuvre qualifiée
 - Réglementation et fiscalité
 - Infrastructure (routes municipales, transport public, électricité ?)
 - Accès à la terre (Zone industrielle ?)
 - Accès au financement
 - Accès aux clients (droit de douanes à l'exportation, réglementation, et marchés potentiels ?)
6. Quelles sont les 3 principales contraintes à votre activité à Douala?

Suivi: les entreprises de votre secteur d'activité, collectivement ou individuellement, ont-elles fait quelque chose pour atténuer ces contraintes? Qu'avez-vous fait?

Suivi: Que recommanderiez-vous au gouvernement de faire pour supprimer ou atténuer certaines de ces contraintes? En bref: Qu'en est-il du gouvernement local.

7. Qu'est-ce que vous considérez comme vos trois principales opportunités de croissance dans votre secteur? Que faut-il faire pour atteindre ces opportunités?

Instructions: Qu'en est-il de ?

- Nouveaux produits

- Nouveaux clients

8. Avez-vous reçu un soutien spécial du gouvernement. (C'est-à-dire opération dans la zone industrielle, les exonérations fiscales de l'Agence de promotion des investissements) Comment cela affecte-t-il votre entreprise?

Instructions: Avez-vous des recommandations pour améliorer l'efficacité de ces programmes?

9. Avez-vous des suggestions concernant des éventuels associant entre le gouvernement et le secteur privé afin d'améliorer l'environnement des affaires ?
Avez-vous des forums de dialogue avec le gouvernement?
Sinon, quelle serait selon vous le meilleur moyen que votre point de vue soit entendue par le gouvernement ?

Instructions: Qu'en est-il du gouvernement local?

Appendix E: City Competitiveness Profiles

Bafoussam

Statistics (2014):

- Population: 369,018
- Working age population: 55%
- Labor force participation: 65%
- Labor force primary school attainment: 98%
- Labor force secondary school attainment: 59%

Overview:

Bafoussam is Cameroon's third largest city, with the majority of tradable employment in agriculture (24%), and 10 tradable industries with location quotient greater than one. Despite the city's size, wages are still substantially lower than in Douala. Wholesale trade and transport are important here, indicating its role as a trading city. Construction is only 1% of employment indicating relatively slow growth of the built environment, which indicates potentially the need for further investment.

Tradable industries with large employment

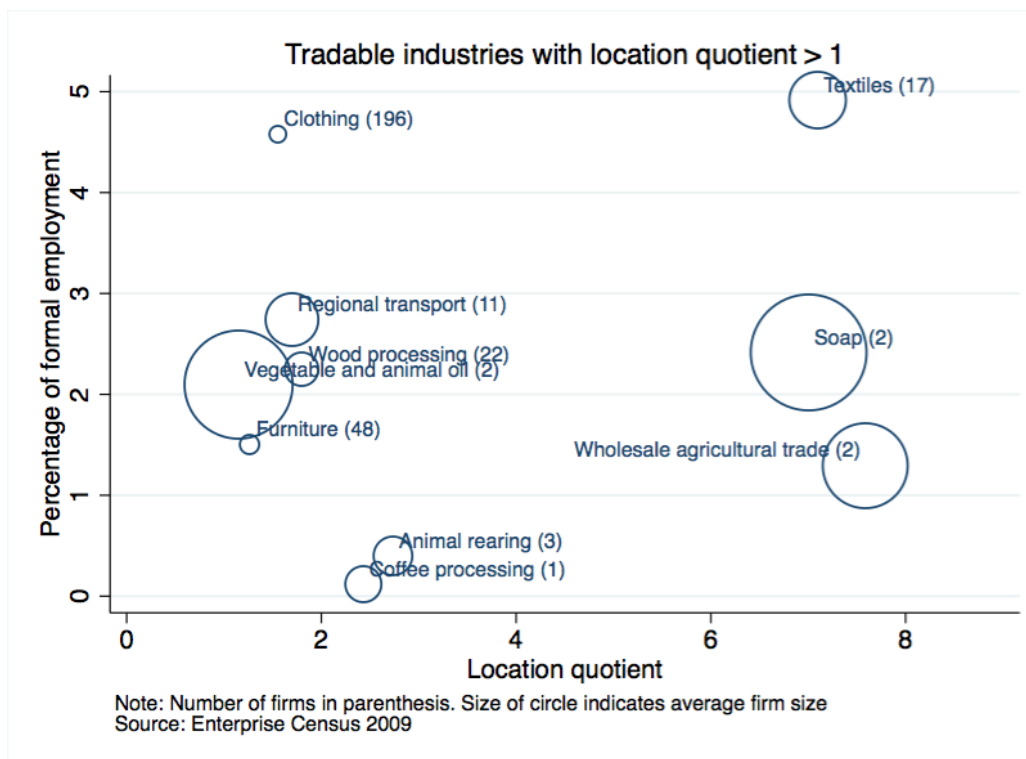
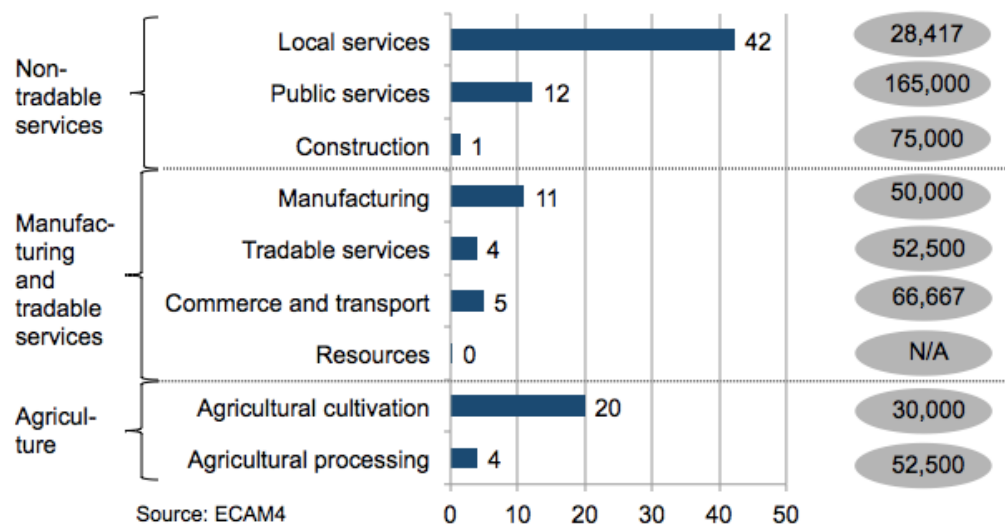
The textile and clothing industries are large in Bafoussam, with clothing production among 196 small scale tailors comprising 4.5% of formal employment, and textiles, which produces threads and cloth, employing 4.8% in just 17 firms. This indicates that there exists both some scale of production, particularly in textiles, and potentially a pool of workers with the right skills for the industry, on which further production could expand.

Tradable industries with highest potential

Given its large location quotient in wholesale agricultural trade (7.6), an industry which is dominated by two large firms, as well as substantial employment in large firms producing vegetable and animal oil and soap, which require local agricultural products as inputs, the city is well suited for a development strategy focused on backwards integration of agriculture. Industries related to coffee processing and animal rearing also have potential, as the industries have location quotients greater than 2, but shares of employment less than 1%.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Bamenda

Statistics (2014):

- Population: 339,025
- Working age population: 64%
- Labor force participation: 64%
- Labor force primary school attainment: 97%
- Labor force secondary school attainment: 55%

Overview:

Bamenda is Cameroon's fourth largest city, and capital of the northwest region. The city is Anglophone.

Tradable industries with large employment

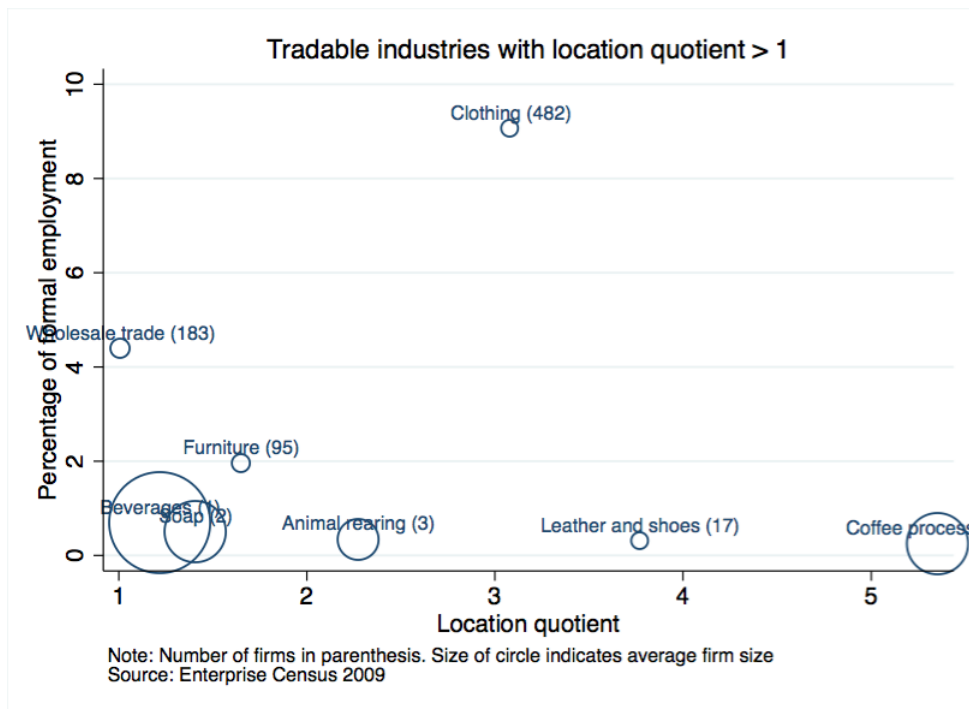
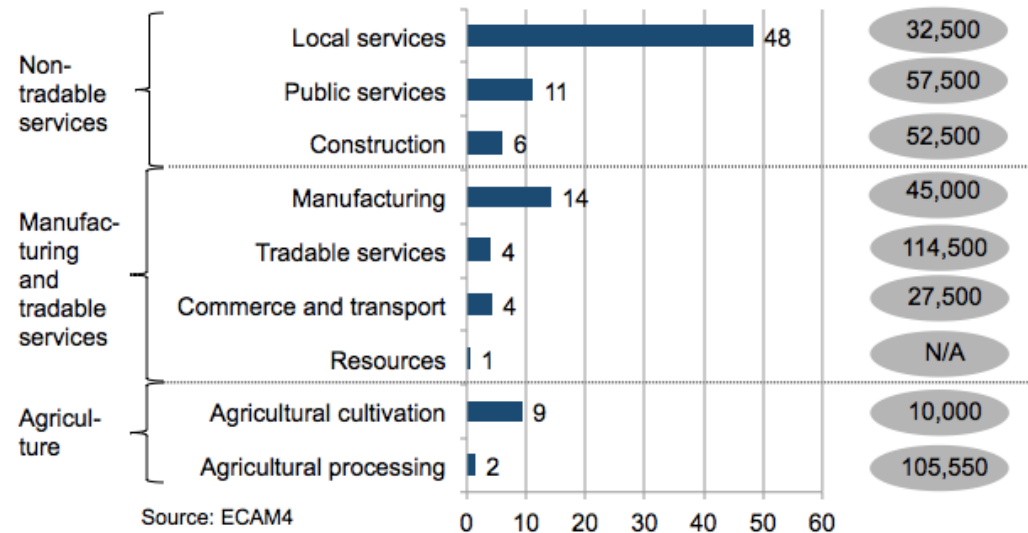
The greatest employment in Bamenda is clothing production; operated by 482 small-scale firms, wholesale trade, which is again dominated by small firms, and furniture production. This reflects a city with a large share of employment in manufacturing (14%), but very few industries that have achieved scale in production. Policies to help these industries scale could be beneficial, but the presence of many small-scale artisans also may reflect a paucity of other opportunities. Beverages and soap processing have obtained scale of production in a few large firms, but their location quotient is close to one, indicating limited city specific advantages.

Tradable industries with highest potential

A high potential industry with substantial location quotient (5.4) is coffee processing. Firms here have obtained some scale as well. Leather and shoe production is also an industry that may have potential to scale and export to the rest of the country, given the large location quotient, though like in clothing and furniture production, firms are small.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Opportunities by Sector

Food Processing

Coffee is a major cash crop in the region, and local firms are investing heavily in the supply chain, despite supply side constraints. The largest local coffee trading company, for instance, recently transitioned into coffee processing and sells processed coffee throughout Cameroon. It was also able to obtain finance to import capital equipment from Spain (via Nigeria), which allows the company to produce both wood and coffee processing machines locally. It also runs a vocational training center, it provides training for the production, use, and maintenance of processing equipment. Cameroon's coffee exports, however, have been stagnant, fluctuating steadily between \$44 million and \$87 million since 2005, despite increases in the international price.¹¹¹ One reason for this may be price controls which are enforced, to varying degrees on the coffee sector, and prohibit farmers from responding to international price signals.

Bamenda is a hub of innovating in agricultural processing, but entrepreneurs will require resources in order to scale. Informants described new products they had developed such as chili oil, garlic powder and cosmetic products made from mushrooms. None of these businesses however appears to have achieved substantial scale, beyond 5 employees. It is unclear whether this is due to lack of capital, which many claimed, a lack of a market for the products, or both. There is potential scope for business plan competitions, which would allow some entrepreneurs to attempt to scale their businesses through cash grants. A randomized controlled trial of such a competition in Nigeria, showed that competitions could be successful in creating jobs (McKenzie, 2017).

Cottage Industry

Bamenda is home to a plurality of skilled trade workers in leather, handicrafts, tailoring, carpentry and masonry, some of which export, but all operate at small scale. These workers serve primarily the local market, with the exception of handicrafts, where a single large wholesaler, PresCraft, aggregates production from workers across the region for export and retail distribution. Some furniture and leather goods producers report exporting to CEMAC countries and other cities in Cameroon. Given the preponderance of small scale firms, the sector may continue to provide employment as the city grows, but its ability to develop value added through economies of scale has been limited.

Prospects for export growth in the short term are primarily in the handicraft and furniture sectors. Workers in leatherwork and tailoring indicated they face substantial competition from clothing imports, and leaders of their associations agreed they could not find one example of a firm that had obtained scale in production. *"I did not enter [leather work] because I wanted to,"* one respondent said, indicating that like many others, he had entered for a source of subsistence rather than because he saw an opportunity. The masonry industry that has developed producing bricks faces stiff competition from cement blocks. Given the ability of handicraft firms and furniture makers to already export to other cities, albeit at small scale, indicates that the city has some comparative advantage in those sectors that could be built upon.

The furniture and leatherwork industries in particular relies heavily on inputs from Nigeria, indicating that freer trade with the country could boost the sector. Key inputs procured from Nigeria are equipment, such as molding machines, staplers and drills. Materials such as nails and glues are also sourced from Nigeria, and also upholstery fabrics. *"In Douala, you will not have designs,"* one carpenter indicated. Informants indicated it is common practices to place orders from China for delivery to Onitsha, Nigeria, where they travel to pick up the goods. Informants emphasized that the selection of products was much greater in Onitsha, and the cost of importing, was lower, in part because traders in Nigeria are able to source in bulk and offer lower prices. This also reflects the high transport costs from Douala: the road from Babadjou to Bamenda is heavily potholed and essentially unpaved, and requests for bribes at the multiple customs checkpoints (the team counted 3 between Babadjou and Bamenda) raise costs of importation to Douala above the import tariffs. *"You have a paper from customs, but they tell you they cannot eat paper, they need money,"* one respondent said of the checkpoint on the road to Douala.

¹¹¹ UNCTADSTAT

Printing and Related Industries

Bamenda's large education sector has provided for the development of a cluster in off-set printing, which has potential to expand. Respondents counted approximately 10 firms in the sector, consisting of 6 major ones, and 4 smaller ones, with some of the largest having existed for over 20 years. Respondents estimated that approximately 70% of sales are to schools, which every year provide steady orders of printed text books, with the remaining sales being to churches, credit unions, hospitals, and private individuals. Entrepreneurs indicated that the in the long run, stable demand from the education sector could allow for the accumulation of cash to support investment in new products such as paper processing (cutting of rolls of paper into sheets), digital printing, exercise books, or toilet tissue, both of which could be exported to other cities within CEMAC.

The sector relies on trade with Nigeria to source inputs. Printing films and plates, required for the commonly used off-set printing technology, are in many cases ordered from China, and then imported from Nigeria. Respondents report that it is logistically less complicated than importing through Douala.

Creative Services

The printing industry also provides a small base on which to grow Cameroon's creative service sector, in which collaboration may take place over the internet. Printing firms employ individuals locally to operating printing presses, but also engage in contract work with graphic designers across the country. For instance, one printer contracts with 2 designers in Bamenda, 3 in Douala and 4 in Buea. Road quality prohibits printers from locating production in Bamenda and shipping to other cities, but, in principal, if roads were of better quality they indicate they would do so. This example emphasizes the importance of internet connectivity in helping firms across the country collaborate.

Tourism potential

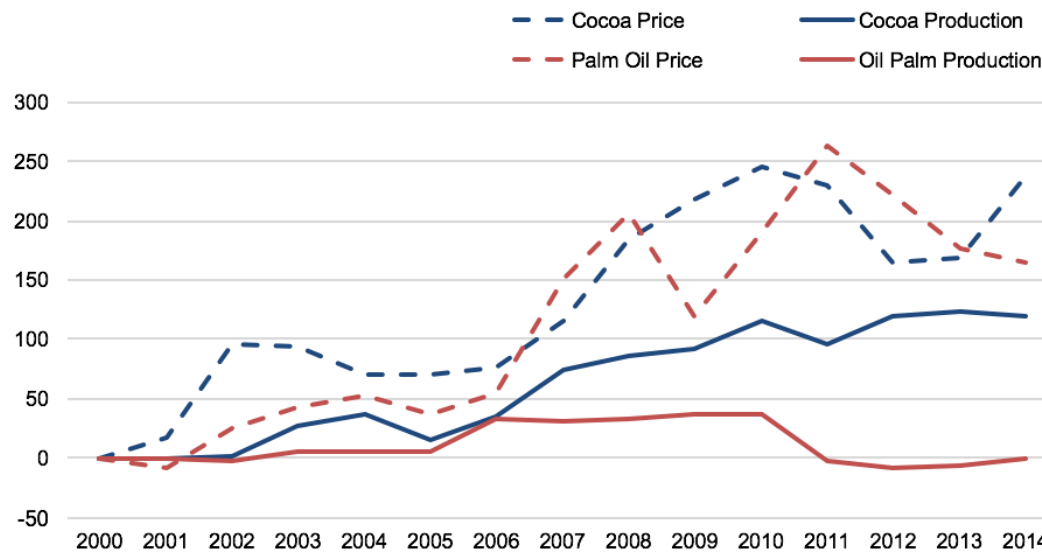
Over the recent years, the number of tourism visiting Bamenda has grown steadily leading also to an increase in the number of hotels; about 15 hotels now exist in the city. Based on this trend, the city views tourism promotion as one of its main economic development strategies – a view that seems to be shared by many stakeholders in the city. The city major attractions comprise the rich culture of the region including major yearly cultural festivals, the fon (chief) palaces, museums, its beautiful landscape and temperate climate. The city 's large student population which comes from all over Cameroon has also proven a major magnet for attracting visitors (the students' family and acquaintances). However, the city would have to invest much more in promotion for this tourism potential to fully materialize. Further the ongoing socio-political crisis in the region has greatly affected the sector.

State Involvement in Agriculture

In the agricultural sector in particular, state involvement is likely holding back supply, hindering the growth of downstream processing industries in secondary cities. **Error! Reference source not found.** shows prices and quantities of cocoa and palm oil, normalized to zero in the year 2000, so that each line shows percentage growth since 2000. Cocoa is a good without state involvement in the sector. In the palm oil sector, the state owns shares in multiple producers, hindering competition and regulates prices. Further there are price controls and import restrictions, which exacerbate the effects of a concentrated market. In **Error! Reference source not found.**, it is clear that cocoa has been the only sector to respond to international price signals. While prices in 2014 are 240% their level in 2000, production has risen 125%. In palm oil, though prices have risen 160%, quantities have not risen at all. This suggests that one should expect growth in processing only in the case of goods without heavy state involvement, cocoa being the leading among them. In the palm oil sector, price controls and import restrictions should be abolished to allow consumer goods manufacturers to take advantage of cheaper inputs, and grow value added.

Cocoa production responds to international price signals but palm oil production does not

Prices and Quantities of Cocoa and Palm Oil
Percentage Growth from 2000



SOURCE: Team analysis using production data from FAOSTAT and nominal commodity prices are from the World Bank Global Economic Monitor Commodities database.

Bertoua

Statistics (2014):

- Population: 145,604
- Working age population: 56%
- Labor force participation: 57%
- Labor force primary school attainment: 88%
- Labor force secondary school attainment: 57%

Overview:

Bertoua is the capital of the Eastern region. The population is relative young, with only 56% of working age, a share which is above 60% in most cities, and also relatively low labor force participation. The city has developed concentrations in only 4 industries, which may be a function of the city's lack of connectivity.

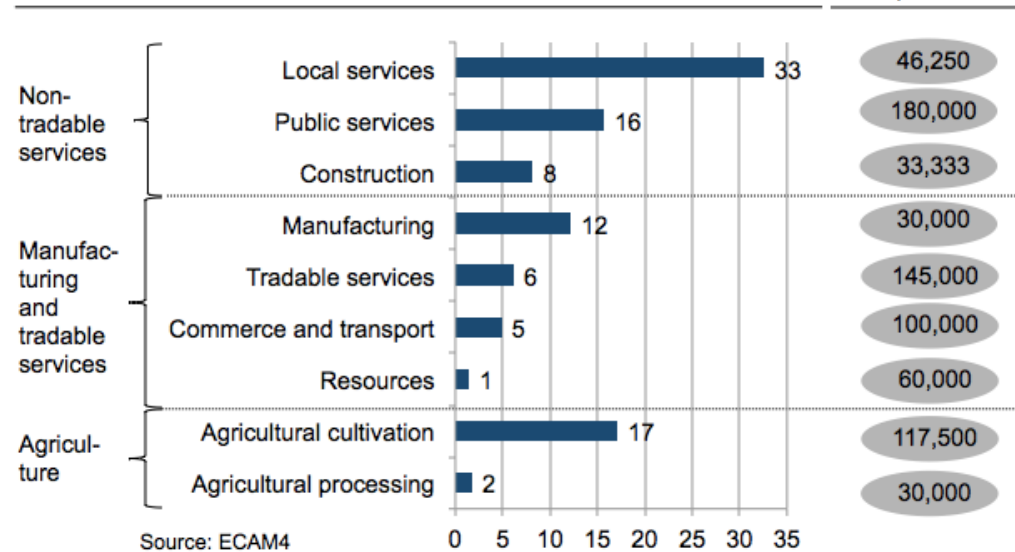
Tradable industries with large employment

The major industry of formal employment is forestry, with one major firm, and a large bakery.

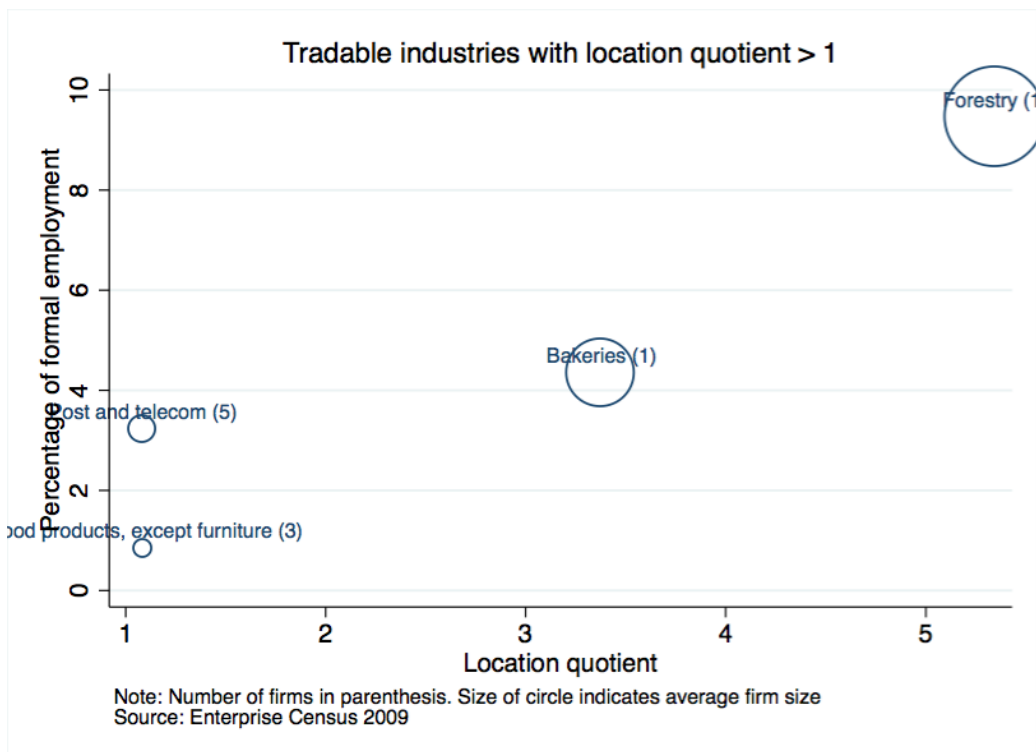
Tradable industries with highest potential

Given the size of the forestry sector, and the presence of one large firm, wood working and timber related products are likely to be potential areas in which the city could expand. However, no such products, except for wood products other than furniture have developed a location quotient greater than one. Self-discovery of new industries should be encouraged in the city.

Structure of employment
Percentage, 2014



Median monthly wage
FCFA, 2014



Douala

Statistics (2014):

- Population: 2,720,873
- Working age population: 65%
- Labor force participation: 63%
- Labor force primary school attainment: 95%
- Labor force secondary school attainment: 73%

Overview:

Douala is Cameroon's economic capital with the largest diversity of industries: 31 with a location quotient greater than one. The bulk of exports pass through the city's port, Cameroon's largest, and the city is well connected to major cities via rail and road. By population, it is the country's second largest consumer market after Yaoundé.

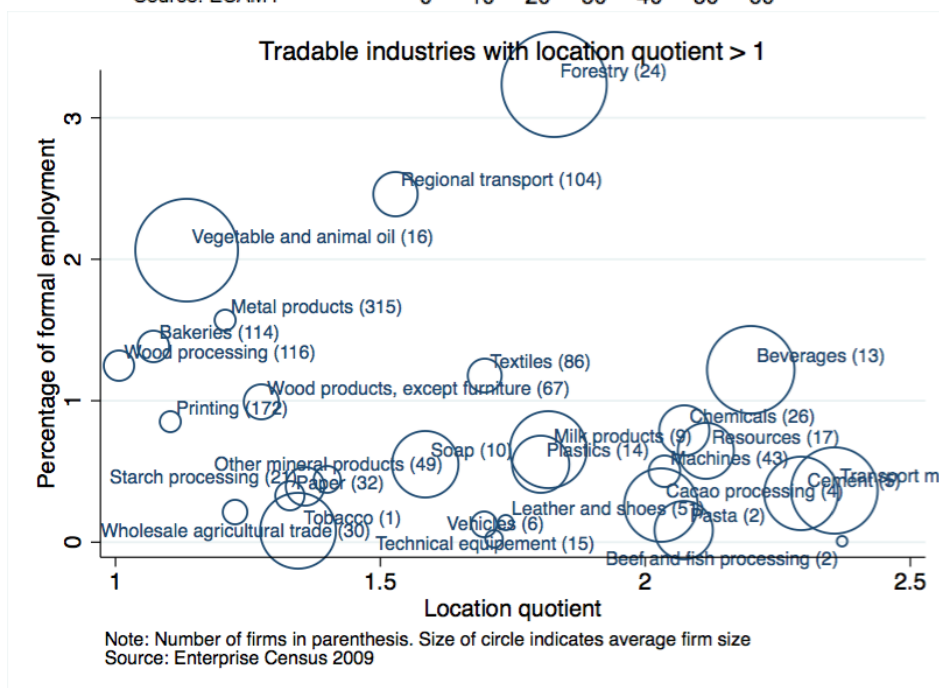
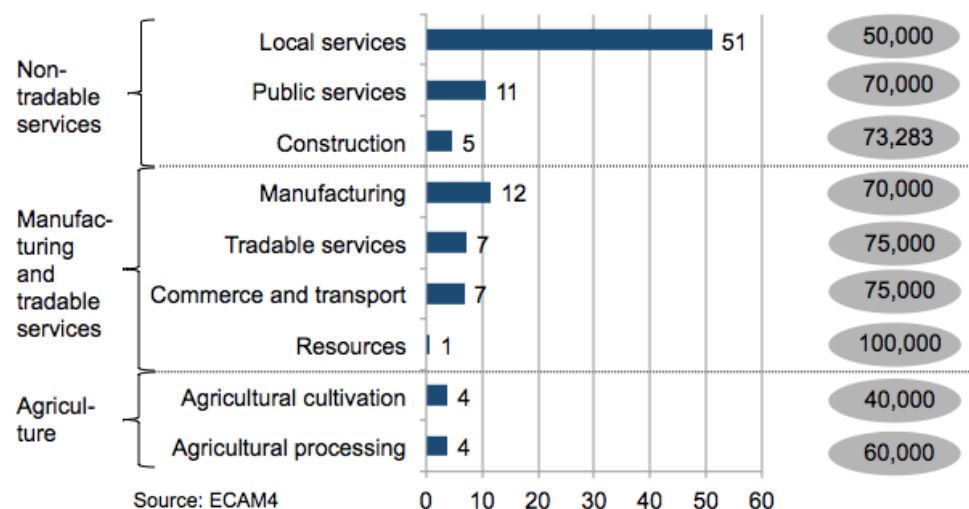
Tradable industries with large employment

Among tradable industries with a location quotient, wholesale trade, not shown¹¹², is the largest employer, with just under 6% of employment. Firms in this sector however, are small on average. Regional transport is similar. Forestry and vegetable and animal oil based processing are notable for their large shares of employment, 3.2 and 2.1%, respectively, and also large firm sizes, indicating firms are achieving economies of scale. Metal products production employ a large number of workers, but the average firm size is small with over 315 firms; indicating a small-scale informal industry.

Tradable industries with highest potential

Chemicals, milk products, beverages, soap, plastics, other transport equipment, pasta, cement and cocoa processing are all industries with location quotients greater than 1.5 that also have firms of relatively large size, but a relatively low share of employment. These are industries one can look to for potential growth in employment, given that some firms have shown it is possible to achieve scale.

Structure of employment
Percentage, 2014



Opportunities by Sector

Consumer Goods

Given its location close to the port and its status as the country's largest consumer market, Douala is likely to continue to be the center for production of tradable consumer goods in Cameroon. Douala is home to the main production facilities of Cameroon's key producers of consumer goods, especially food products produced from imported grains, such as for instance pasta, milled flour and beer, and personal products, such as soap and cosmetics. The advantage associated with being close to the port may decline over time if local agricultural production increases, but the advantage of being close to a large market is unlikely to diminish.¹¹³ Firms making cooking oil products, for instance, indicated that even if local production of oil palm expands, it would be preferable to locate in Douala in order to easily access the national market.

While firms interviewed focus today primarily on the domestic market, many saw export opportunities in the region, and indicated that their location in Douala, near the port, will be critical to reach that demand. The key opportunities identified were Central African Economic and Monetary Community (CEMAC) and Nigeria. Given that Cameroon is the largest country within CEMAC by population, it has potential to reach scale economies in producing consumer goods for the region. The free movement of goods allowed by the region's trade treaty should facilitate this process. Given limited road access to the highest income CEMAC members, Congo (Brazzaville), Gabon and Equatorial Guinea, however, the port will have to serve as a conduit for this trade. This emphasizes how the efficiency of the port, both in terms of dwell times and administrative procedures, which all firms identified as a key constraint, will limit the ability of consumer goods firms to expand their exports.

Consumer goods firms also viewed Nigeria as a large potential market, which recent road construction projects are making more accessible. According to recent World Bank (2013) estimates, soap comprises 23% of exports from Cameroon to Nigeria, or \$14.5 million annually, though this trade is not recorded in official trade statistics. Trade is conducted primarily via road routes that pass through Bamenda, Garoua and Maroua, and the trade is expected to be growing given the recent completion of a highway between Enugu, Nigeria and Bamenda, funded by the African Development Bank.

Consumer goods companies rely heavily on market infrastructure in Douala, and in other Cameroonian cities, to distribute their goods. Many firms interviewed report that distribution of their products within cities is a challenge, particularly when goods cannot be sold in bulk to wholesalers, and must be spread across smaller traders. Informants suggested that investments in market construction, which give wholesalers a place to congregate would help them better access their customers. Investments in markets in cities nationally can then contribute to the growth of the consumer goods manufacturing industry in Douala.

Building Materials

Douala has developed a comparative advantage and scale of production in the manufacturing of building materials, such as for instance plastics and cement. Metallurgy, which produces for instance iron rods for construction is another key sector, employing 1.6% of workers across 315 small firms. The key advantage of Douala for these firms is primarily the large market given the active construction sector, and connections to the port, where many key imports are sourced. Oil companies, for instance, which are building gas stations were listed as principal customers.

Procurement of local content in urban infrastructure projects is a potent opportunity for the sector to expand sales and employment. Import substitution policy already provides protection for these industries, which should make them more competitive against imported content. For instance, there is a 27% tariff on tubes and pipes of plastic. Articles of cement face an average 25% tariff, and articles of iron face a 15% tariff, according to the World Bank TRAINS database.

¹¹³ Though it is a stated priority of government to expand agricultural production, progress has been limited in recent years. Total oilcrop production has fluctuated, falling slightly from 576 thousand tonnes in 2010, to 539 thousand in 2014. Total cereals production has also grown little, moving from 3.01 million tonnes in 2010 to 3.05 million in 2014, according to FAOSTAT.

However, tax exonerations given to construction firms building infrastructure may nullify these incentives for local production. During a focus group, a plastic producer in Douala relayed the story of a FCAF 1 billion contract for water piping in Yaoundé. The construction firm was given, through government discretion, an exoneration from paying VAT and import duties on plastic tubes procured for the project. With the exemptions, the firm chose instead to import piping instead of purchasing local production. Another producer of building materials in Bamenda told a similar story of a Chinese construction company which was given the right to mine its own aggregate for the road, so it did not have to buy from local firms. Investment incentives, may be given freely to contractors “on account of the duly assessed importance of the project,” under Article 11 of the Law No. 2013/004 of 18 April 2013 to lay down private investment incentives. If the government does wish to pursue an import substitution policy towards these industries, financing of urban infrastructure projects should be reviewed to ensure that it does not run counter to the spirit of the policy.

Ebolowa

Statistics (2014):

- Population: 90,584
- Working age population: 57%
- Labor force participation: 66%
- Labor force primary school attainment: 97%
- Labor force secondary school attainment: 76%

Overview:

Ebolowa is the capital of South region, and has obtained concentrations in only 3 industries, likely given its remoteness.

Tradable industries with large employment

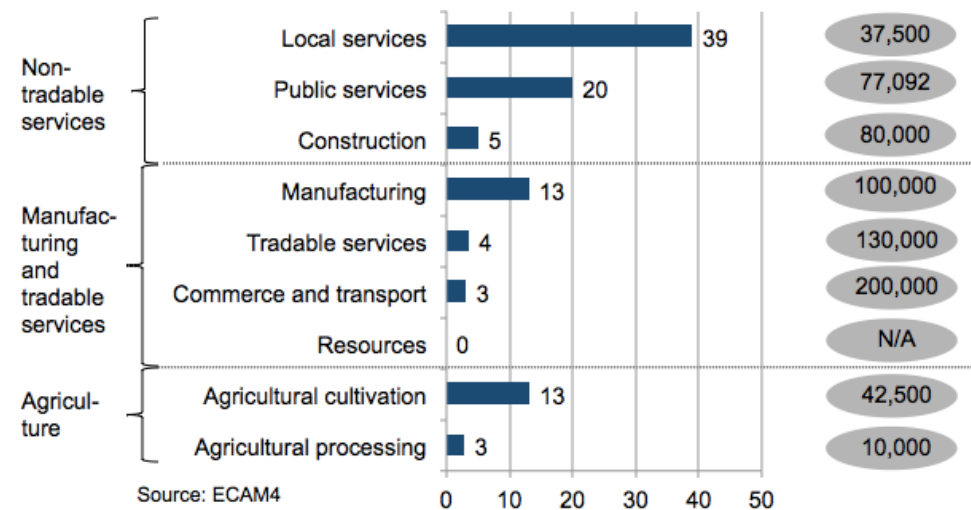
Among total employment, public services is a major employer, with 20% of the labor force, and also relatively high wages, indicating that the local consumer market has potential. Manufacturing is also substantial, with 13% of employment, however, few have achieved a location quotient greater than 1. This is consistent with the view of a town, which must produce many things at low productivity because it is difficult or expensive, due to low connectivity, to import them from the rest of the country.

Tradable industries with highest potential

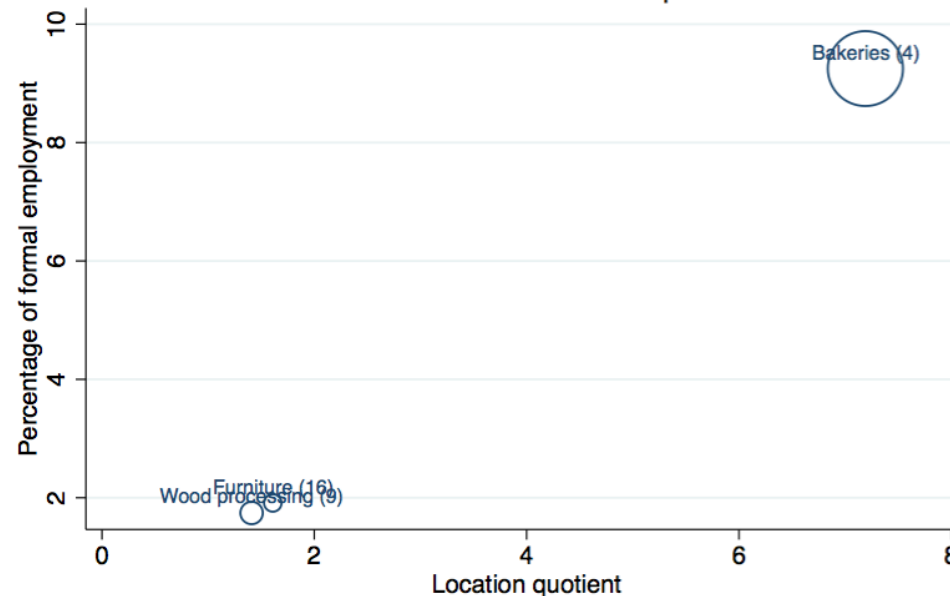
Timber related industries, including furniture and wood processing are the only two industries other than bakeries with a location quotient greater than 1. Each has approximately 2% of formal employment across a small number of firms. These sectors are likely areas of next potential growth.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Tradable industries with location quotient > 1



Note: Number of firms in parenthesis. Size of circle indicates average firm size
Source: Enterprise Census 2009

Edea

Statistics (2014):

- Population: 81,230
- Working age population: 59%
- Labor force participation: 63%
- Labor force primary school attainment: 96%
- Labor force secondary school attainment: 67%

Overview:

Edea is an industrial town along the Douala-Yaounde railway in Littoral province. It is serviced by 264 megawatt hydroelectric plant, which sends the majority of this power to an aluminum smelter.

Tradable industries with large employment

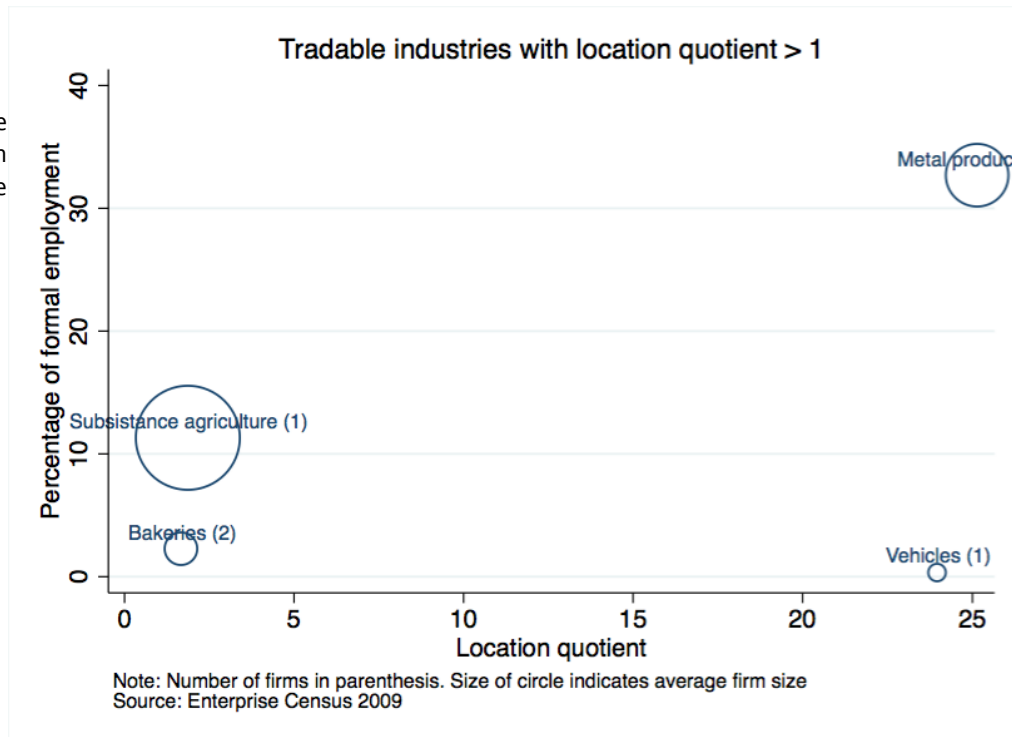
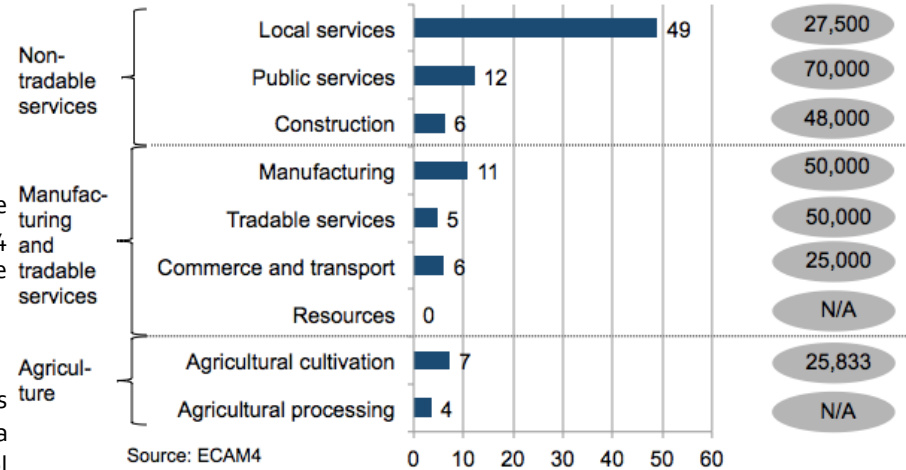
A large share of formal employment (33%) is engaged in production of metal products, across a number of firms, in industries such as steel processing and aluminum processing.

Tradable industries with highest potential

Manufacturing industries that use products of the metal industries are likely to be highest potential in this city. Self-discovery of such industries should be explored.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Garoua

Statistics (2014):

- Population: 290,140
- Working age population: 60%
- Labor force participation: 58%
- Labor force primary school attainment: 80%
- Labor force secondary school attainment: 42%

Overview:

Garoua is the capital of the North region of Cameroon.

Tradable industries with large employment

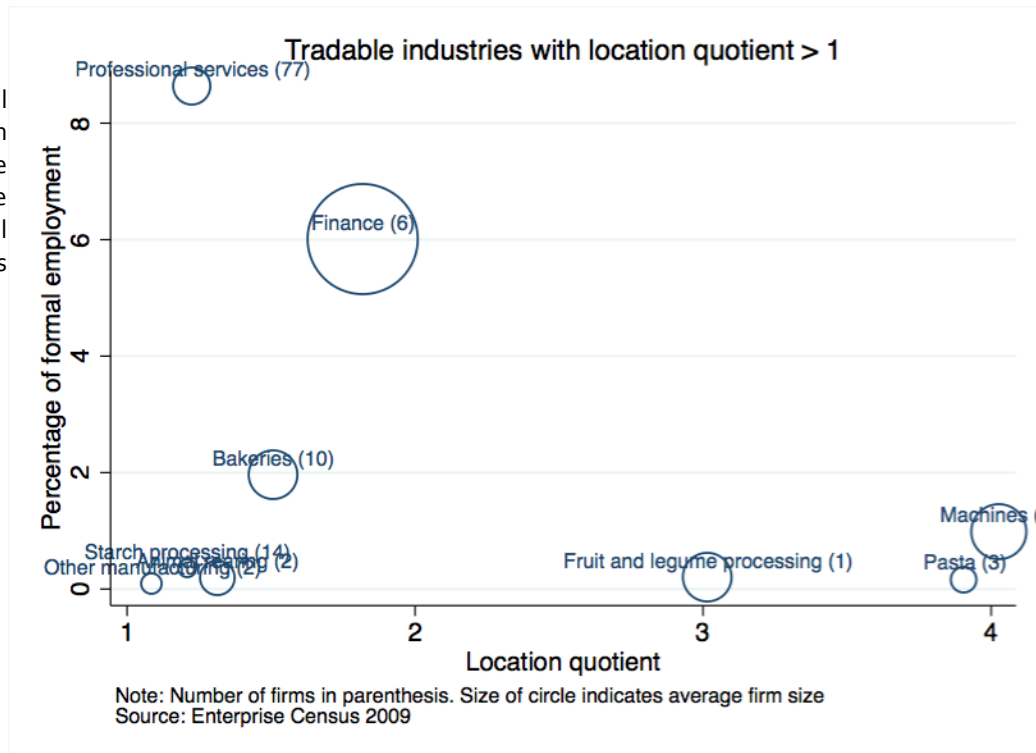
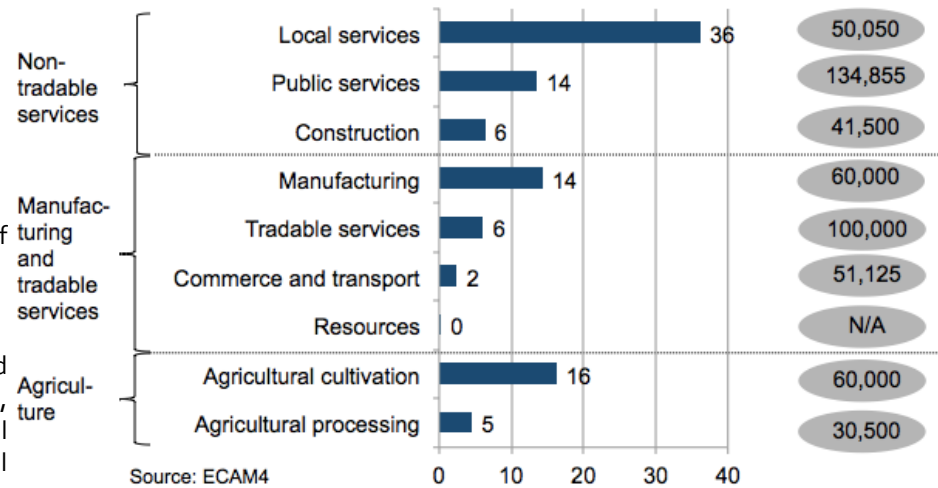
Tradable services, including professional services and finance have location quotients greater than one, and also relatively high shares of formal employment. Manufacturing and agricultural cultivation are also major employers.

Tradable industries with highest potential

Given the large share of employment in agricultural cultivation, agricultural processing, and high location quotients particularly in fruits and legumes and in the production of pasta, as well as large firms in these industries, backward integrated agricultural processing could be a useful growth strategy for this city.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Kribi

Statistics (2014):

- Population: 67,756
- Working age population: 57%
- Labor force participation: 62%
- Labor force primary school attainment: 95%
- Labor force secondary school attainment: 72%

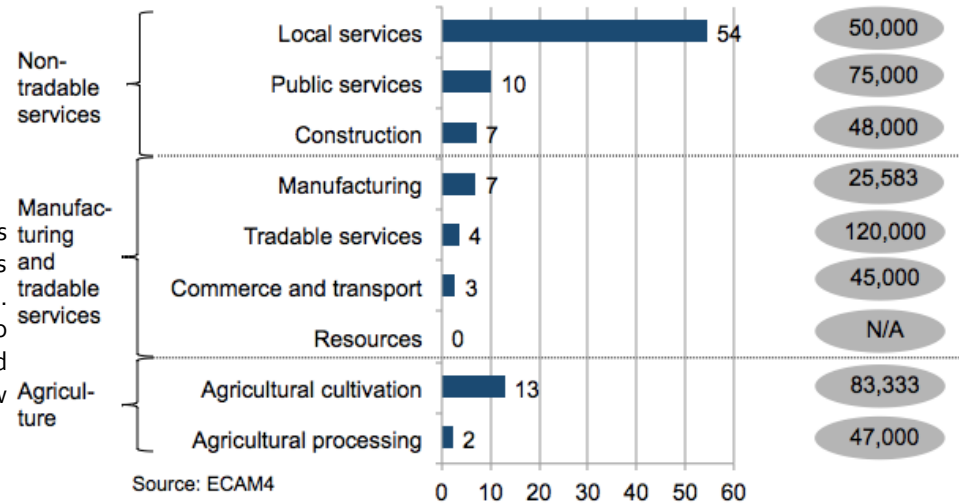
Overview:

Kribi is a small coastal town in South province. It lies near an under construction deep sea port, and also is near the terminus of the Chad-Cameroon oil pipeline. It's large local services industry serves tourists, who arrive for the beach resort, and also workers related to the construction and operation of the port. A new road connects Kribi to Douala.

Tradable industries with large employment

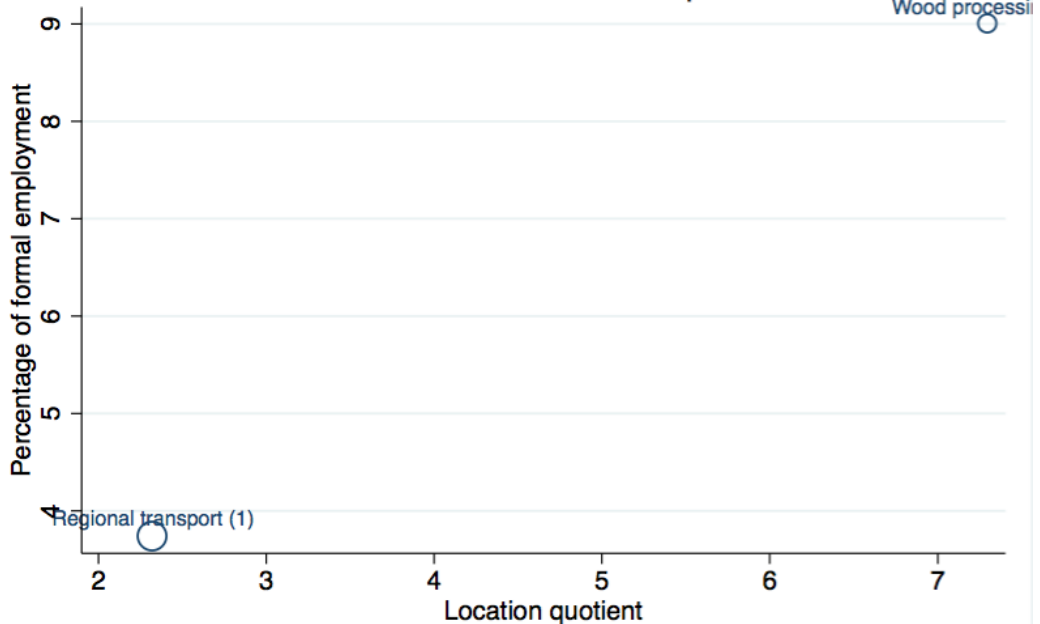
The city only has two industries with location quotient greater than one in formal employment. The first is regional transport, having to do with servicing the construction industry around the port project, and the other, with 9% of formal employment is wood processing.

Structure of employment
Percentage, 2014



Median monthly wage
FCFA, 2014

Tradable industries with location quotient > 1



Note: Number of firms in parenthesis. Size of circle indicates average firm size
Source: Enterprise Census 2009

Opportunities by Sector

Raw Materials Extraction

The South region, which surrounds Kribi, has substantial endowments of timber. The experience of Kribi as a trading point for timber exports may be useful for other small cities with nearby exploitable forests, in particular Ebolowa and Bertoua, as they seek to better leverage the sector to promote regional development.¹¹⁴ Other resource endowments include natural gas and petroleum, the local benefits of which are limited as production is offshore, and iron and bauxite. Current international prices for the latter two commodities make further exploitation unfeasible in the near term.

While raw materials extraction provides limited opportunities for employment growth, firms involved in extraction may prove to be valuable partners in developing the regional road network. Informants in the forestry sector agreed that poor road quality, which can halt production in the rainy season and increase maintenance costs of transportation equipment, was a key constraint on their sector. Cocoa traders and food producers also identified regional road quality as one of the most binding constraints on their business, as it hinders their ability to transport goods to the markets in Kribi.^{115,116} An internationally owned forestry firm, SCIEB S.A., has however shown willingness to invest in regional roads to solve its transportation problems, having recently paid for and executed the construction of a dirt road in the forest between Campo and Nyabessan, southeast of Kribi, which is now open as a public route.

Regional road infrastructure in raw materials producing regions of Cameroon could potentially be enhanced by further developing public private partnerships.¹¹⁷ A firm such as SCIEB S.A. could for instance be approached for public private partnership specifically in the roads sector. Such a program will have the highest likelihood of success if a capable, independent local development institution like the Port Autonome du Kribi is able to lead the development of the partnership, supported by technical assistance from international donors.

Logistics and Transportation

The Port of Kribi is set to become a substantial employer once it is operational. Construction of the deep-sea port was completed in 2015, and though it is not yet commissioned, is expected to create between 1,500-1,800 jobs directly once phase II of its construction has been completed, in 4-5 years if current schedules are maintained. Informants in the Ministry of Employment and Vocational Training estimate that an additional 2,000 jobs may also be created indirectly, providing for instance repair, transportation, janitorial and food services to the port and its employees. National government will need to act on speeding administrative processes, constructing key roads, and putting in place the water and power infrastructure that the port will require.

Port jobs will pay relatively high wages, providing a substantial boost to local demand for food and housing. There is however limited capacity for supply to respond. Port jobs are expected to pay approximately 200K -400K CFAF monthly compared to the current average of 50K CFAF in the local service sector, and so will provide a substantial boost for demand for food and local services. Current local food production however is not currently equipped to scale up sufficiently to meet this demand. It is considered unfeasible, for instance, to procure fish from the local small and medium scale artisanal sector to serve the canteen at the port; fish will instead be imported from Douala. Further, informants in local government report that the current supply of housing is insufficient to accommodate these workers. There is anxiety that residential development may accelerate in an unplanned manner, increasing congestion in the city.

The port will attract higher wage managerial staff, but they are unlikely to take up residence in the city unless substantial investments are made in amenities, in particular primary and secondary education and health, and also in housing. Between Phase 1 and Phase 2, 60-100 jobs will be created directly

¹¹⁴ A key concern with any forestry related project will be whether appropriate safeguards exist and are followed to promote the sustainable management of the forest. Further research on this topic should be undertaken before engaging the sector further. Some discussion of Cameroon's forestry resources and management can be found in Matthew Steil et. al. "Atlas Forestier Interactif du Cameroun (Version 3.0)" World Resources Institute, October 2012. < <http://www.wri.org/publication/interactive-forest-atlas-cameroon-version-30>>.

¹¹⁵ This a particularly challenging problem for the cocoa sector, as a substantial part of the harvest takes place during the rainy season.

¹¹⁶ Priority arteries identified for improvement were the road between Campo, at the border of Equatorial Guinea, and Kribi, and the road between Kribi and Ebolowa. Improving the road to Campo, where there is a river and ecological reserve, may also promote the development of eco-tourism.

¹¹⁷ The World Bank's Cameroon Transport Sector Development Project, approved in October, 2016, has a specific subcomponent on the identification and preparation of pilot transport infrastructure PPP projects, and may be helpful in this regard.

for managers as well, expected to make approximately 1.2 million CFAF per month. However, informants at the port suggested that initially, as is practice for instance among managerial staff at ALUCAM, the aluminum smelter, in Edea, these workers are likely commute from Douala weekly rather than relocate Kribi unless high quality schooling is available for the children. A concerted approach to make Kribi a more livable city for highly skilled workers could ensure that these workers and their families stay, and further contribute to local demand for food and service.

An operational port will also stimulate demand for the transport sector. As the population increases, yellow taxis are likely to become economically viable in addition to the stock of approximately 1,000 motorcycles which currently serve as the main mode of public transport. The typical model of building taxi systems in Cameroon is through PPPs, and so some technical support in this area may be useful as the sector develops. As regards intercity transportation, the private sector appears well able to provide this service. The city has one major freight company (Vegas Transport) and it appears other freight companies based in Douala have little problem serving the Kribi area. The construction of parking lots to allow for the expansion of the sector is included in the city plan. While there has been a call for an airport, the rationale for such an investment needs to be further examined. Sea-based transportation of passengers to and from Douala and perhaps other countries has not been considered in plans, but may be viable.

Manufacturing

The greatest opportunities in manufacturing lie in processing of raw materials and agricultural goods from the region. The only substantial manufacturing activity currently operating is the basic sawing and treatment of wood, which comprised 9% of formal employment in the 2009 Census of Enterprises. Higher value-added processing of wood, however, for instance into plywood, paperboard and rubber products does occur Cameroon, but primarily in Douala, near the port. The same is true of cocoa. Although Kribi is a substantial entrepot for the crop, all processing is done in Douala.

As Kribi develops, however, and the port becomes active, manufacturing firms may find it advantageous to locate high value-added processing in Kribi, close to the point of export. In the timber sector, it is particularly advantageous to process near the site of extraction, since transportation of raw logs means the costly shipment of some weight that will be eventually discarded during processing. Cameroon's current industrial policy also creates incentives for local processing, as firms are restricted in the quantity of raw wood they can export. For primary and intermediate cocoa processing, the advantage of local production is less clear, and the success of such businesses will depend on the speed of administrative import and export procedures that allow goods to quickly reach final good producers in international markets. Given proximity to the port, Kribi may also provide a location for higher-value added manufacturing that relies on imported inputs, for instance the assembly of automobiles, though the success of this business will depend on the ability of producers to transport final goods to the major local consumer markets in Douala and Yaoundé.

Tourism

Kribi has high potential for tourism, particularly as a destination for national and regional meetings and conferences. The restaurant and hotel sector provided 39% of formal employment in the 2009 Economic Census, across over 100 firms. Occupancy rates at hotels, however, are low, estimated by informants at 10-20% daily, and only a small minority of customers, estimated by informants at 5-10%, are international. Given the substantial wait times and costs associated with procuring a Cameroonian visa, as well as the high cost of air travel from Europe relative to other tourist destinations such as Morocco and Senegal, the greatest short-term opportunity for tourism appears to be in serving the national and West and Central African market for conferences and corporate meetings, as well as holiday tourism.

Tourism

Tourism is a tradable service in the sense that it brings demand into the city from outside. The country's primary draw for tourists is the Waza national park in the extreme North, though there are may be opportunities for certain cities to promote tourism. Kribi and Limbe may benefit from beach related tourism, though Limbe's sector is much smaller, with only 56% of the employment in the hotel sector that Kribi has in 2009, despite its larger size. Yaoundé is home to most of Cameroon's national monuments, and has a number of museums, as does Douala. As discussed above, however, given high transport costs from Europe and the difficulty of obtaining visas, it is unlikely that Cameroon will become a highly trafficked tourism destination in the short run. City efforts to promote local tourism should focus on the local market, and attempt to attract Cameroonians for weekend and business trips.

Food Production and Trade

Food production and trade in the city and region have a great opportunity to expand, and storage and market infrastructure will be helpful in accelerating the trade. The most substantial local food production is in the artisanal fishing sector, which is based at small ports within and in the outskirt of the city. Fishermen in particular listed that the absence of cold storage infrastructure was an important constraint on their ability to save stock and serve large orders. Other foods, such as manioc and vegetables, and cash crops such as cocoa, bananas, palm oil and cassava, are grown in the region, and traders in these crops noted that the absence of organized markets or market days caused challenges.

Kumba

Statistics (2014):

- Population: 146,704
- Working age population: 68%
- Labor force participation: 65%
- Labor force primary school attainment: 94%
- Labor force secondary school attainment: 47%

Overview:

Kumba is an anglophone town in the Sowthwest region at the vertex of the major N8 and N16 highways, which makes it a regional connector city. It has relatively lower educational attainment than other cities, with secondary school attainment at just 47%, and low public service employment.

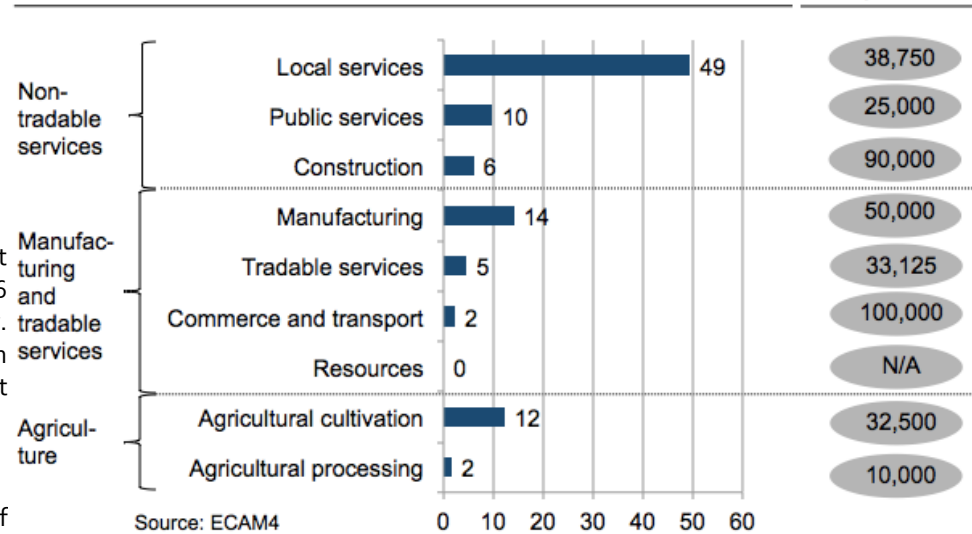
Tradable industries with large employment

Clothing production (tailoring) comprises 8% of formal employment, but these firms have yet to scale. The next largest industry is wholesale trade, which employees approximately 7% of the population. The main market, which attracts many traders from Nigeria, is a prime source of revenue for the city council. Agricultural trade has a large location quotient, but employs many fewer people than wholesale trade in manufactured goods.

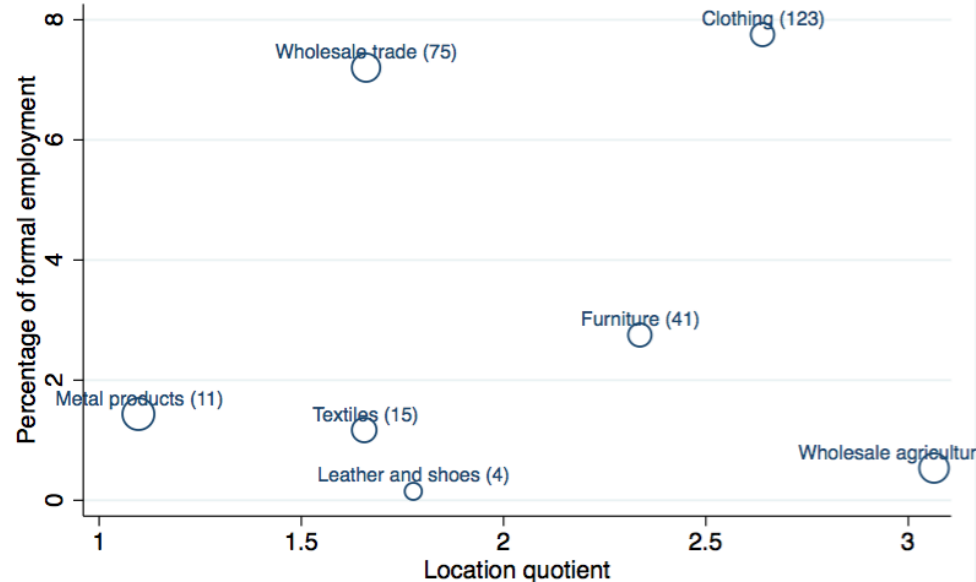
Tradable industries with highest potential

The manufacturing industries in which Kumba has established a location quotient greater than 1.5, but not yet established a share of employment higher than 4 are textiles, furniture, leather and shoes. Given the trade linkages between this city and Nigeria, these goods could potentially be exported via road. More broadly, infrastructure to improve the ease of trading in the market could attract more trading activity to the town.

Structure of employment
Percentage, 2014



Tradable industries with location quotient > 1



Note: Number of firms in parenthesis. Size of circle indicates average firm size
Source: Enterprise Census 2009

Limbe

Statistics (2014):

- Population: 139,320
- Working age population: 68%
- Labor force participation: 58%
- Labor force primary school attainment: 94%
- Labor force secondary school attainment: 65%

Overview:

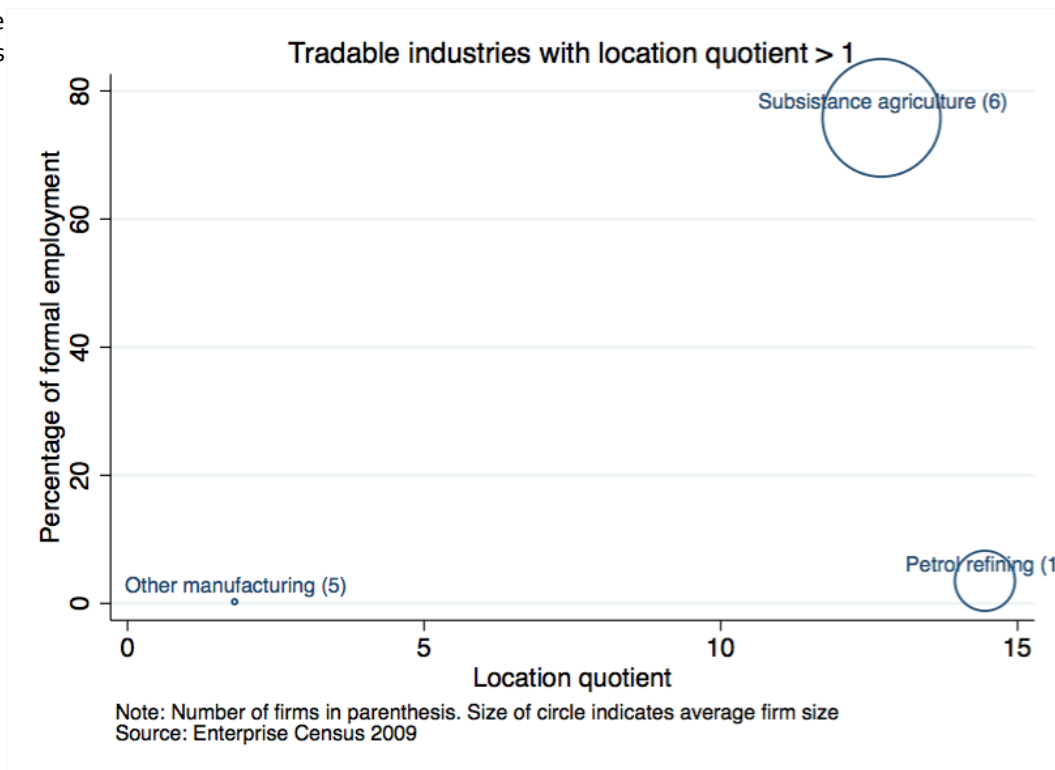
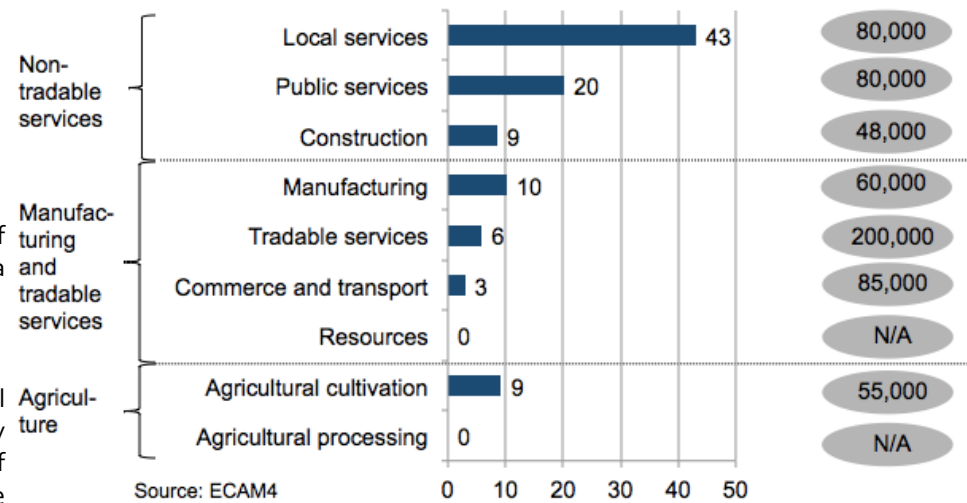
Limbe is a coastal town in the Southwest region of Cameroon. Limbe is a tourist destination, featuring a wildlife center, gardens and many hotels.

Tradable industries with large employment

Limbe is home to a number of firms of substantial scale. First, it is home to a large oil refinery owned by SONORA. Second, it is home to the headquarters of the Cameroon Development Corporation, a large Parastatal firm focused on agriculture. A large share of formal production is in firms oriented towards agriculture.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Maroua

Statistics (2014):

- Population: 298,504
- Working age population: 57%
- Labor force participation: 57%
- Labor force primary school attainment: 68%
- Labor force secondary school attainment: 33%

Overview:

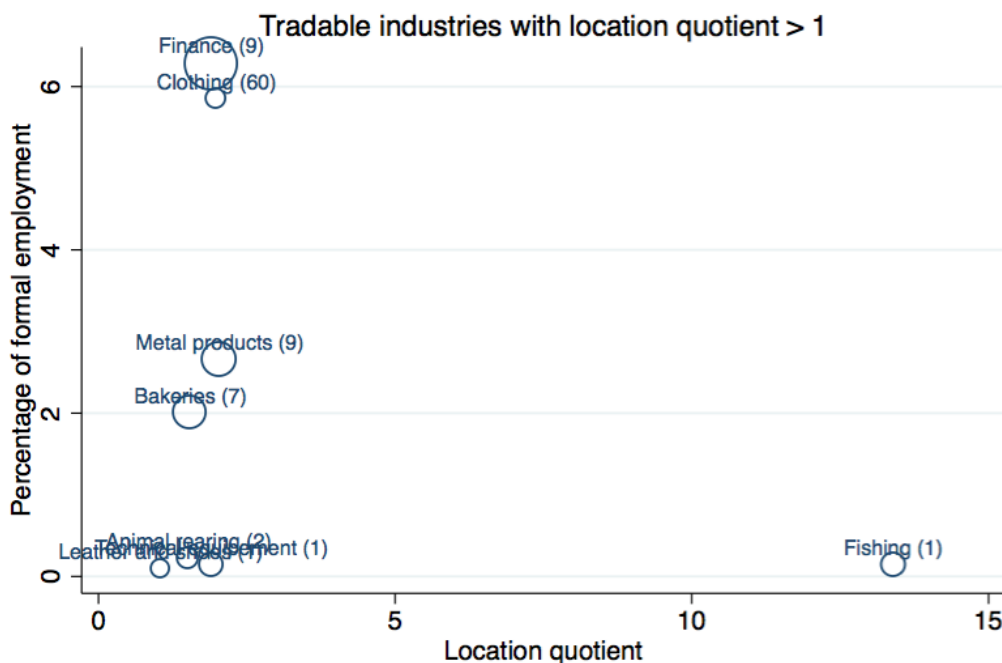
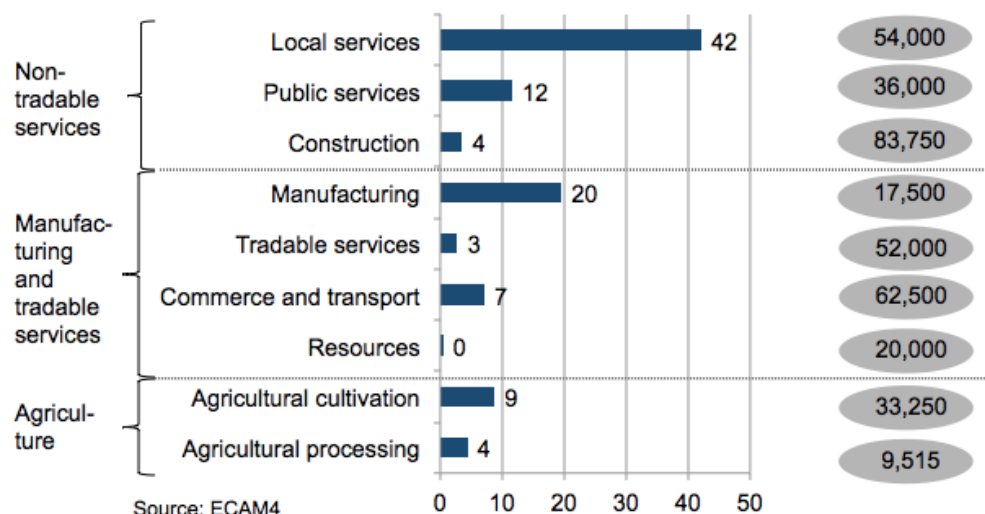
Maroua is the capital of the Far North region. It has relatively low human capital, with secondary school attainment at just 33% of the labor force, and primary school attainment at 68%.

Tradable industries with large employment

Finance and clothing production have the largest shares of formal employment, at approximately 6% each. However, as in other cities, production in clothing is largely small-scale tailors. Metal production employs 2.7%.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Ngaoundere

Statistics (2014):

- Population: 234,679
- Working age population: 60%
- Labor force participation: 55%
- Labor force primary school attainment: 75%
- Labor force secondary school attainment: 44%

Overview:

Ngaoundere is the capital of the Adamawa region, at the terminus of the Yaounde-Ngaoundere railway line. It has relatively low human capital, with secondary school attainment at just 44% of the labor force.

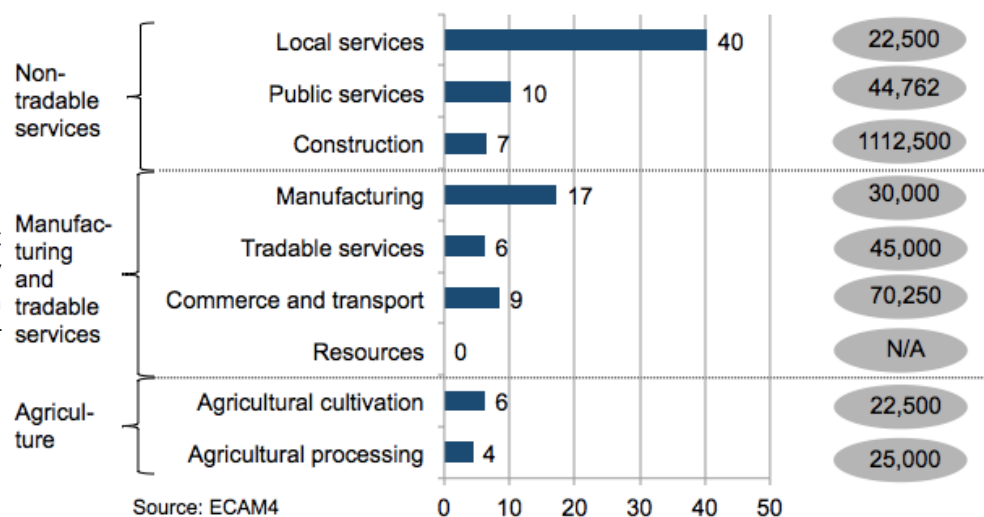
Tradable industries with large employment

Bakeries, wholesale trade, production of clothing and regional transport all have shares of formal employment greater than 2%. The transportation and trading industries reflect the city's position at the end of a railway line.

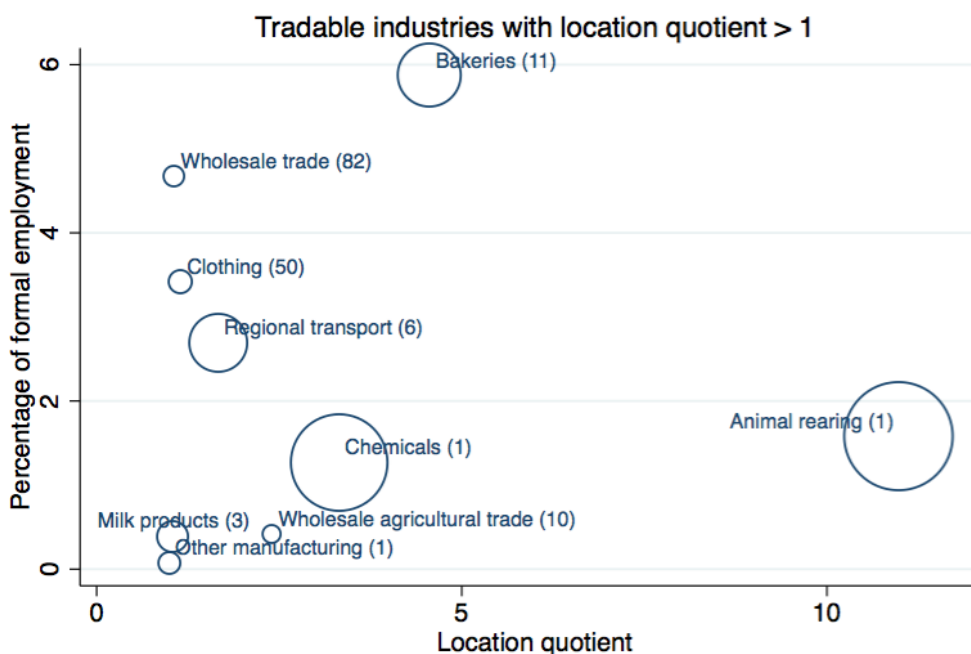
Tradable industries with highest potential

Two industries, animal rearing and chemical production have a single large firm with a location quotient greater than 2.5. These industries are relatively unique to this city, and could have potential for future growth, particularly if their output could be shipped along the railway to the large consumer markets in Yaoundé and Douala.

Structure of employment
Percentage, 2014



Median monthly wage
FCFA, 2014



Note: Number of firms in parenthesis. Size of circle indicates average firm size
Source: Enterprise Census 2009

Nkongsamba

Statistics (2014):

- Population: 75,140
- Working age population: 60%
- Labor force participation: 63%
- Labor force primary school attainment: 90%
- Labor force secondary school attainment: 61%

Overview:

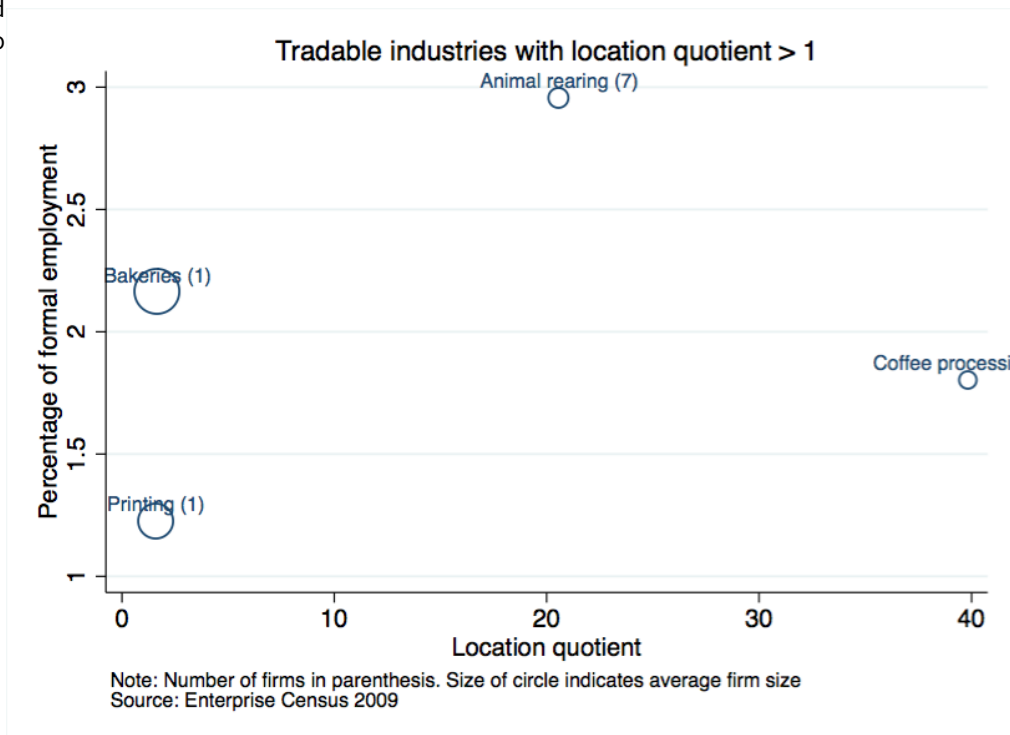
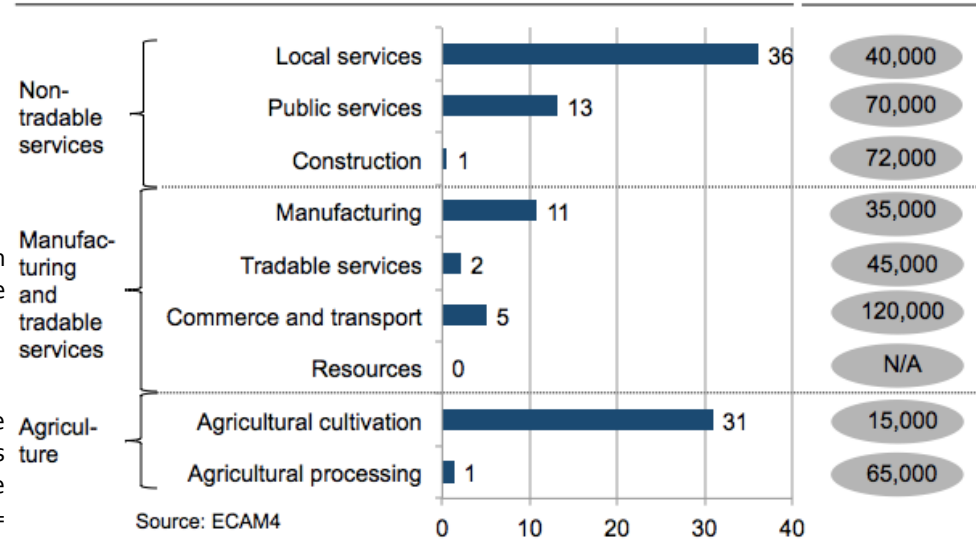
Ngaoundere is an agricultural center in Littoral with over 31% of the labor force dedicated to low-wage agricultural cultivation.

Tradable industries with highest potential

The city has only 4 tradable industries in which the location quotient is greater than one. Two industries that have especially high location quotients are animal rearing (LQ = 22) and coffee processing (LQ = 40). These agricultural industries are dominated mostly by small firms, but may have potential to grow given the city's specialization in them.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014



Yaounde

Statistics (2014):

- Population: 2,697,227
- Working age population: 62%
- Labor force participation: 61%
- Labor force primary school attainment: 93%
- Labor force secondary school attainment: 73%

Overview:

Yaounde is Cameroon's capital, and primarily a service center, with public services comprising 18% of employment. Reliable salaries in the public sector, along with high wages in some sectors such as tradable services make the city a large consumer market. The city is also highly educated, with 73% of the labor force having attained secondary school. That 6% of employment is in the high wage construction sector also indicates fairly rapid growth of the built environment.

Tradable industries with large employment

Given the prominence of the public sector in the city, the dominant industries are primarily in tradable services, with professional services employing 12% of workers at major firms, finance providing 4% and posts and telecoms providing 6%. These industries, generally require higher levels of education for employees and remunerate well, creating substantial demand for non-tradables.

Tradable industries with highest potential

Few industries outside of tradable services have location quotients greater than 1.5. There is some small-scale manufacturing in other mineral products and other manufactured goods, but this employs a small share of the population and the firms have not achieved scale. Investments to continue to make the city livable for educated workers, and potentially efforts to promote the export of professional services could benefit the city.

Structure of employment
Percentage, 2014

Median monthly wage
FCFA, 2014

