I. Project Context

Country Context

Cameroon is a medium sized (475,000 square km) country with a population of about 21.7 million growing at around 2.2 percent per annum, located in Central Africa, neighboring Nigeria, Chad, the Central African Republic, the Republic of Congo, Gabon, and Equatorial Guinea. It is a low middle income country with high levels of poverty, weak social indicators, giving it a Human Development Index country ranking of 150. Gross Domestic Product (GDP) per capita (PPP) stood at United States Dollars (US$) 2,330 in 2013. Economic growth has been modest over the past decade (3.3 percent average growth per annum between 2003 and 2007), and the economy was also negatively affected by the global crisis of 2009, which led to weaker demand for Cameroon’s non-oil exports. Since 2010, however, economic growth has increased, with GDP growth rates reaching 4.2 percent in 2011, 4.6 percent in 2012 and an estimated 4.8 percent in 2013. Forecasts for 2014 are around five per cent.

After declining in value in 2009, due to the drop in commodity prices and volumes, Cameroon’s exports rebounded in 2010, while oil production also expanded. Given these trends, the Government of Cameroon’s 2012 (GoC) fiscal strategy was guided by a re-prioritization of public
expenditure away from current spending, where Cameroon substantially increased its investment budget in view of scaling-up capital spending in priority areas such as energy, transport, telecommunications and agricultural sectors. Nevertheless, economic growth in Cameroon remains below potential—and below rates needed to sustainably develop the country and reduce poverty. This is largely due to poor infrastructure, an unfavorable business environment, and weak governance.

Poverty rates declined between 1996 and 2001 by some 13 percentage points, but have since stagnated at around 40 percent of the population. Chronic poverty stands at about 26 per cent, which is high compared to other countries in the region with similar economic characteristics. There are wide regional disparities in poverty and levels/depth of poverty in Cameroon. The poor—in terms of numbers and level of poverty—are concentrated in the three northernmost provinces, the Far North, North, Adamawa, and in the East. These provinces are also where the majority of the chronic poor are found and where, in fact, poverty increased during the 2001 – 2007 period. Poverty is primarily a rural phenomenon, with about 87 percent of the poor living in rural areas. There are—in addition to regional disparities—also widespread differences in poverty within many regions. From 2001 to 2007, urban poverty decreased by 5.7 per cent, while rural poverty increased by 2.9 per cent. Social sectors paint the same picture as for poverty: widespread regional disparities in terms of human development indicators and access and quality of services, with the North (Far North, North, Adamawa) and the East lagging significantly behind the other provinces; a significant rural/urban divide; and a decline in some human development indicators. Cameroon is not likely to reach the Millenium Development Goals, except possibly the ones linked to access to primary education and water.

Cameroon’s development priorities are laid out in two main official documents, the 2009 ‘Growth and Employment Strategy’ (DSCE) and ‘Vision 2035’. The ‘Vision 2035’ sees Cameroon become a middle income, industrialised country with poverty levels at less than 10 percent. The DSCE identifies inadequate infrastructure and an unfavourable business environment as the main factors impeding economic growth and employment creation in Cameroon. The strategy emphasises need for agricultural diversification, increased productivity, and large-scale public investment projects. The priority areas identified in the strategy are:

- Infrastructure development in energy, telecoms, and transport;
- Development of the rural and mining sectors;
- Improvement in human resources through health, education, and training;
- Greater regional integration and export diversification;
- Financial sector deepening and strengthening.

**Sectoral and institutional Context**

Cameroon plays an important regional role in the context of transport and transit, connecting Chad and the Central African Republic—Cameroon’s two land-locked neighbouring countries—to the Port of Douala, the Douala – N’Gaoundere railway line, and the Douala – N’Djamena and Douala – Bangui transport corridors. Internally in Cameroon, the rail and road networks are key to transporting goods and people across a country that covers an area of 475,000 square km.

The CEMAC region suffers from major transit bottlenecks—a result of poor physical infrastructure but also non-physical barriers and transit logistics inefficiencies. Previous trade and transportation work undertaken by the World Bank and other donors have identified soft bottlenecks to transit as
the most urgent trade facilitation issue in the region. Some of these issues, including efficiencies at
the level of the port and customs, are currently being addressing through a regional IDA-financed
CEMAC Transport/Transit Facilitation Project and supplementing Trade Facilitation Facility
funded Technical Assistance.

In order to improve transit efficiencies and reduce transport costs, CEMAC member countries
adopted legislation regarding the community’s transit system and the single bond mechanism in
October 2010. It will be first applied to the Douala - N’Djamena / Bangui corridors and will then be
expanded to other corridors in the sub-region. The Cameroonian custom has a key role to play in
this coordination process - to ensure regional interconnection of the customs systems and to consult
with the CEMAC Commission.

Despite these constraints, trade exchanges between Cameroon Chad and CAR are slowly
increasing: between 2005 and 2008, the annual flows of freight increased from 1.31 to 1.43 million
tons (+10 percent) . About 79% of all of Chad’s imports pass through the Port of Douala. The bulk
of trade flows are from Cameroon towards Chad (460,940 tons in 2010, of which 150,190 tons for
construction materials and 119,829 tons for food and other consumable products), while flows from
Chad to Cameroon (30,332 tons in 2010) mostly involve cotton exports (26,419 tons).

Trade Facilitation. Operational and transactional dwell times at the Port of Doula (freight traffic
reached about 10.3 million tons in 2013, i.e. a 7.9 percent increase compared to 2012 and 340,000
twenty-foot equivalent unit (TEU) were handled in 2013) have been reduced to 6.3 days, exceeding
the 2010 Country Assistant Strategy (CAS) objective of 8.8 days. However, efforts are needed to
reduce the current total dwell time of 15.6 days. Non-infrastructure bottlenecks are gradually being
addressed, in part through the ongoing World Bank Economic and Monetary Community of Central
Africa Trade and Transport Facilitation Project (CEMAC TTFP) that will close in 2016, these
persisting issues include the need to reform policies on bonds for shipped goods, and delays in the
transit of goods (lengthy transit procedures, lack of competition and transparency in the trucking
industry, and excessive amount of check-points).

Road subsector. The Cameroonian road network is the second largest in the Economic Community
of Central Africa States (ECCAS) with about 28,700 km of classified roads, out of which 19.3
percent is paved against an average of 15 percent in the ECCAS. However, road density in
Cameroon is estimated at 9 km/1000 km2 and 0,280 km/1000 inhabitants, significantly below
countries such as Côte d’Ivoire (16; 0.384) and Ghana (25; 0.354). It is estimated that by the end of
2015, up to 90 percent of the 1,842 km-long Douala–N’Djamena intra/inter regional road transport
corridor will be in good to fair condition, compared to a baseline of 40 percent in 2007. This has
already started to improve the connectivity and integration of the Northern regions of the country to
the more economically dynamic parts of the country in the South, and created easier access to the
port of Douala. It also helps reduce the high transport costs and transit logistics inefficiencies that
have been identified as one of the main barriers to trade along the Douala - N’Djamena Corridor.

11. Following years of neglect and a severe reduction in the budget allocated to the sector,
funding dedicated to road rehabilitation and maintenance has substantially increased over the last
10 years, partly as a result of the GoC complying with development partners’ conditions regarding
the Road Fund. The National Road Maintenance Fund (RMF), which now has the potential to
mobilize an annual budget of up to Central African Franc (XAF) 100 billion (about US$213 million
equivalent), is only allocated XAF55 billion (about US$117 million equivalent) due to its poor
planning and weak capacity to execute the actual amount. A recent European Union (EU) financed audit of maintenance contracts financed by the RMF, found that the technical quality of only about 45 percent of the civil works executed were of good or fair quality. 48 percent of the paved road network and 85 percent of the total unpaved road network is in poor condition. To address these issues, the Ministry of Public Works has engaged in a policy dialogue with all donors active in the road sector on how best to optimize the use of Road Fund resources and pilot performance-based maintenance contracts have been proposed, so that larger-scale, more effective maintenance contracts can be carried out to ensure efficiency and sustainability of the current investments. Furthermore, the GoC plans to soon increase the RMF allocation to XAF70 billion (about US$145 million).

In its "Growth and Employment Strategy Paper" the Government projects that 95 percent of its classified road network should be in good condition by 2020 (100 percent by 2025). To reach this target, much needs to be done in terms of proper planning, increased resources dedicated to the sector as well as putting in place efficient road asset management practices.

Cameroon is often cited as an example in Africa for the way the country has enforced axle load control, which is, of course critical for the sustainability of road investments and the success of performance-based maintenance contracts. The percentage of overloaded trucks has steadily decreased from 85 percent in 1998 to 9.5 percent in 2012 (13 percent in 2011). The network of weighing stations is still being extended (17 are currently operational, all managed and maintained by the private sector) and the number of trucks actually controlled annually increased from 606 thousands in 2010 to 1.178 thousands in 2011 and 1.544 thousands in 2012. 99.0 percent of the overloads are below 5 tons.

Road safety on major transport corridors is another important policy issue. A 2008 European Union (EU)-financed study shows that between 2004 and 2007, the accident rate on the Douala–Yaoundé road was 35 times higher than on a similar road in Europe. While human behavior is responsible for three quarters of the accidents, some infrastructure “black spots” were also identified. Car crashes do not only cost lives and injuries, they also have an economic cost that contributes to the high transport and transit costs along the Douala-N’Djamena corridor. It has been estimated that the direct and indirect costs of poor safety conditions in developing countries such as Cameroon typically amount to about 1.5 percent of GDP. The existing CEMAC TTF Project is already including a road safety component that will carry out a diagnosis of road safety along the Douala-Kousseri corridor, and propose treatment of accidents black spots (e.g. by signage, speed restrictions, improving sightlines, etc.). US$2.5 million have been set aside under the CEMAC TTF Project for these investments, It is also worth mentioning that four railroad crossings (two in Douala, two in Yaounde), used by up to 40,000 motorized vehicles and 8 to 15 trains per day, have recently made the headlines for sometimes deadly collisions between vehicles and trains.

On the key regional Douala – N’Djamena/Bangui transport corridors covered by the proposed project, major investments by the GoC and its development partners have already resulted in significant improvements in road conditions and trade facilitation. Part of the investments has been funded under the CEMAC TTFP. However, high transport costs and transit logistics inefficiencies remain challenges to trade in the CEMAC sub-region. While progress has recently been observed as a result of both the on-going road improvement works and trade facilitation activities financed by IDA and others, more effort is needed to reach target objectives.
About 67 percent of the Yaoundé-Kousseri corridor is in good to fair condition. On rehabilitated sections, travel time has been more than halved and a significant increase in traffic and economic development has been observed since end of 2012. Similarly between 2007 and 2013, the transit time for the Douala-N’Djamena corridor has decreased from 15 days to about 7 days. The customs bond time release has also been significantly reduced, from 63 days in 2007 to 12 days in 2013.

Railway subsector. In the railway subsector, Cameroon Rail (CAMRAIL, the concessionaire) plays an important role in serving northern Cameroon, Chad and Central African Republic (CAR). The CAMRAIL concession is performing well and the initially obsolete rolling stock and deteriorated rail track infrastructure is gradually being renewed. Since 1999 when the concession was signed, passenger traffic has grown by 70 percent (1.45 million passengers in 2012) and freight traffic by 50 percent (1.62 million tons in 2012). To ensure that the railway network remains competitive in the movement of freight and passengers and to ensure the long term sustainability of the concession, CAMRAIL and the GoC through the second amendment to the concession agreement signed in 2008, have agreed to invest respectively US$270 million and US$204 million between 2009 and 2020 for a total of US$474 million. Since then, CAMRAIL has already invested about US$78 million (US$32.8 million for the rolling stock, US$37.2 million for the infrastructure, US$8 million for spare parts) and the GoC US$71 million (US$9.2 million for the rolling stock, US$61.9 million for the infrastructure).

The annual turnover of CAMRAIL reached US$120 million in 2012 and operating profit US$13.4 million. Through the 2nd amendment to the concession agreement, the fixed concession fee paid by CAMRAIL to the conceding authority was increased from US$ 3 to 4 million, to which is added a variable fee amounting to 50 percent of CAMRAIL’s operating profit. As a result, aggregated financial flows from CAMRAIL to the conceding authority since the beginning of the concession in 1999 amount to about US$270 million (fixed and variable concession fees, taxes, import duties, etc.) and reached US$24 million in 2012. This is a major turnaround from the situation before 1999, when annual operational losses which had to be covered by the GoC oscillated between US$7 million, and US$12 million.

The number of derailments has decreased by 92 percent from 180 in 1999 to about 15 in 2012. Rail modal share for freight between Douala and Ngaoundere is about 39 percent (90 percent for petroleum products) and rail transports more than two thirds of Chad’s imports and a large share of CAR exports, especially timber. However, due to increasingly obsolete signaling infrastructure, remaining deteriorated railway sections, bridges exceeding their life span, the rail system is not able to meet the growing demand for transport services for passengers or freight.

Rail modal competition is increasingly putting downward pressure on road-based transport prices. More specifically, tariffs per ton-km and per container are approximately 10 percent lower by rail than by road, all of which benefits the end consumers. More specifically, the price to transport a 20-feet container (28 tons) in 2012 from Douala to N’Djamena was about US$6,000 (FCFA2,700,000 by rail and road vs. FCFA3,000,000 by road only), and between US$0.13 (rail and road) and US$0.15 (road only) per ton–km. These numbers show a 15 percent decrease in transport prices between 2008 and 2012. However, the per ton-km rates on the Douala-N’Djamena corridor remain among the highest in Sub-Sahara Africa (SSA), compared to US$0.06 to US$0.08 in West Africa corridors (i.e. Lome–Ouagadougou and Cotonou–Niamey), and in East Africa corridors (i.e. Mombasa–Kigali and Mombasa–Kampala), and also above the costs observed in Southern Africa (US$0.05 to US$0.06 for the corridors Durban–Lusaka and Durban–Ndola). However, because of
non-competitive practices within the freight transport industry and inefficiencies of institutions and agencies involved, as well as weak sector governance, the reduction in vehicles operating costs are only partially transferred to users of transport services. In this regard, the Ministry of Public Work will benefit from a Trucking Industry study initiated by the World bank Poverty Reduction and Economic Management unit (PREM). The survey fielded in 2014 will provide data to the Ministry on (a) the different business models of trucking firms operating on the corridors, and will help the Ministry engage policy dialogue with stakeholders and define policies enhancing business climate and competitiveness. The study will also provide (b) detailed data and lessons learned on monitoring transport prices and costs that the Ministry could follow up on, and (c) some data that could be used to assess the social impact of regulatory or policies change affecting the Trucking Industry.

II. Proposed Development Objectives
24. The overarching objective of the project is to facilitate intra/inter regional trade along the Douala–N'Djamena Corridor. The project development objective is to increase multimodal transport efficiency and effectiveness along the Yaoundé–Kousseri Corridor.

III. Project Description
Component Name
1. Roads Infrastructure Improvements
Comments (optional)
The activities to be financed under the proposed project include a combination of rehabilitation and routine maintenance works with the piloting of a Performance-based Contract (PBC)

Component Name
2. Rail Infrastructure Improvement
Comments (optional)
The proposed activities will include: (a) modernization of the switch points; (b) the rehabilitation of selected bridges; (c) purchase and installation of safety lights; (d) a feasibility study

Component Name
3. Transport Sector Institutional Strengthening and Program Management
Comments (optional)
This component will finance capacity building and infrastructure sector institutional strengthening and program management, including studies following up on the ongoing CEMAC TTF Project.

IV. Financing (in USD Million)

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<td>Total</td>
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V. Implementation
Institutional and fiduciary arrangements for the proposed project will remain the same as for the
ongoing regional CEMAC Transport and Trade Facilitation Project, except for procurement as large contracts will now be handled by the Ministry of Public Procurement (Ministère des Marchés Publics, MINMAP). The Project Implementation Units (PIU) will remain the "cellule BM-BAD", a shared WB-AfDB implementing agency hosted in the Ministry of Public Works (Ministère des Travaux Publics, MINTP) for component A and C, and CAMRAIL for component B.

The Project implementation teams in both the Ministry of Public Works and CAMRAIL are fully in place and have been working on the ongoing regional CEMAC Transport and Trade Facilitation Project since its inception, and their performance is satisfactory. The FM performance of the ongoing regional CEMAC Project is equally satisfactory. As a result, it is agreed that the FM arrangements of the proposed Project will build on the achievements of the ongoing CEMAC Transport regional Project while keeping the full fiduciary responsibility respectively under the “cellule BM-BAD” for component A and C, and CAMRAIL for component B. The Project implementation teams are adequately staffed with the right skills mix to work out the technical project preparatory details and liaise with IDA during the preparation and implementation phases.

These PIUs (“cellule BM-BAD”, and CAMRAIL) have proved effective in managing project activities, even though some delays in managing procurement activities have been observed (in large part due to factors that are external to the units), but part of the workload related to procurement will now be absorbed by the MINMAP for the case of the “cellule BM-BAD”. Additional capacity building and training activities to MINMAP will be financed under the third component of the proposed project. The safeguards unit in the MINTP has been strengthened through training and equipment acquisition.

The additional workload generated by the proposed project will require additional resources, especially a dedicated road engineer and a part-time Monitoring and Evaluation (M&E) specialist who would equally supervise facilitation activities in close collaboration with the respective focal points designated by the beneficiary agencies. The road engineer and M&E specialist will be recruited, or redeployed from the currently ending road sections upon a positive performance evaluation. The subsequent incremental operating costs will be supported by the project.

VI. Safeguard Policies (including public consultation)

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Comments (optional)
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