



DENIS & LENORA
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The State Of Small Business In Cameroon

SMALL BUSINESS REPORT, JUNE 2019

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2019 SMALL BUSINESS REPORT

“SMEs – Drivers for Job Creation and Employment in Cameroon”


DENIS & LENORA
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The Denis & Lenora Foretia Foundation was established to catalyze Africa's economic transformation by focusing on social entrepreneurship, science and technology, innovation, public health and progressive policies that create economic opportunities for all.

The Nkafu Policy Institute is a think tank at the Foundation focused on using independent analysis to inform public debates. Its mission is to advance public policies that help all Africans prosper in free, fair and democratic economies. The institute has distinguished itself as a leading research center in Cameroon, engaged in promoting open debate that builds consensus on a democratic future.

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Foreword



I am very pleased to introduce our 2019 report – SMEs as Drivers for Job Creation and Employment in Cameroon. The report examines the challenges and potential of small and medium sized enterprises in Cameroon with key proposals on how to unleash this potential.

The report targets a broader audience, beyond the traditional focus on ministries and policymakers. It is written in a way that makes it accessible to anyone interested in having a bird's eye view of the situation of SMEs in Cameroon.

Given the critical role of SMEs to a country's economic transformation, our report is particularly timely for Cameroon which is currently facing serious social, political, economic and security challenges. The escalating war in the Anglophone regions and the Boko Haram insurgency in the North have substantially curtailed the country's economic output, forcing the government to officially classify these regions as in "economic depression".

Our report on SMEs is therefore very timely. It begins by reviewing the business environment in Cameroon, the Central Africa subregion and takes stock of the performance of small businesses in the continent. It then focuses on Cameroon, examines the constraints to growth and performance as well as better understanding the priorities of the small business sector. The report then highlights the administrative management of SMEs in Cameroon and opportunities for innovation and competition.

The recommendations that follow are based on a deep appreciation of what works in Cameroon and similar countries. If the government is serious on creating jobs for youths and other marginalized groups, it will do well to invest in skills development and strengthening of SMEs. There can be no development in the country without appropriate skills and strong SMEs as the backbone of the economy.

Denis A. Foretia, MD MPH MBA FACS

Founder and Co-Chair

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Acknowledgements

This report was prepared by the team members of the Small Business and Entrepreneurship Centre (SBEC), and the Nkafu Policy Institute, at the Denis and Lenora Foretia Foundation. Precisely, Dr. Fuein Vera Kum, Ulrich D’pola Kamdem, Maurice Nso, Egoh Modi Aziz, Namondo Sylvia, Dr. Hugue Nkoutchou, Divine Ngeh, Juliette Ngole, and George C. NEBA.

A panel discussion on the challenges facing female entrepreneurship organized by the Foundation in March 2018 provided great inputs for this report. The panelists were: Amy Banda, Leila Kigha (Founder – KARA Communications), Paul Eliane Meubeukui (CEO – MIR Consulting) and Tina Monique.

The 2018 SME Forum in Yaounde in September 2018 was critical in developing the draft of this report. The Forum brought together more than a 100 small business owners and entrepreneurs. We acknowledge specifically the technical expertise of Dr. Cornelius Wuchu (ICT University) and Schouame Cyrille (Ministry of Small and Medium Sized Enterprises – MINPEESA).

Over the last two year the Small Business & Entrepreneurship Center (SBEC) at the Foundation has organized multiple workshops, roundtables and trainings to better understand the situation of small businesses in Cameroon. Contributions from these participants have greatly informed the report. An abbreviated list of key contributors includes: Dr. Sosthene Ahanda, Yemte Tcheyo Yves (Ministry of Youth Affairs), Nkwain John Paul Sam (small business consultant),

The report benefited from comments and suggestions from key reviewers including: Dr. William H. Arrey (Interim CEO – the Denis & Lenora Foretia Foundation), and Dr. Louis Marie Kakdeu (Policy Fellow - Nkafu Policy Institute).

Our graphics team designed, edited and laid out the report – led by Epoh Severin Magloire and including Stephane Douanla, Martin Aiyuk and Belder Talla. They were supervised by Ancel Langwa and Clarissa Muam. We remain very indebted to ***** and ***** for assuring impeccable translation of this report.

Financial support from the Atlas Network in Washington D.C was instrumental in making this report possible. The team also recognizes the excellent guidance and support received from the Co-chairs: Dr. Denis Foretia and Mrs. Lenora Ebule,

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Acronyms and Abbreviations

BE: Big Enterprises

BEAC : Banque des Etats de l'Afrique Centrale

CBF: Cameroon Business Forum

CCIMC: Cameroon Chamber of Commerce, Industry, Mines and Crafts

CEMAC : *Communauté Economique et Monétaire de l'Afrique Centrale*

ECFC: Enterprise Creation Formality Centre

EPA: Economic Partnership Agreement

FCFA : *Franc de la Coopération Financière en Afrique*

GDP: Gross Domestic Product GNP: Gross National Product

ICEPS: Inter-ministerial Committee Extended to the Private Sector

ICTs: Information, Communication and Technologies

ME: Medium Enterprises

MINPMEESA: Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicrafts

MSMEs: Micro Small and Medium Sized Enterprises

NGOs: Non-Governmental Organizations

OECD: Organization for Economic Cooperation and Development

OHADA: Organization for the Harmonization of Business Law in Africa

RCCM: *Registre du Commerce et du Crédit Mobilier*

SE: Small Enterprises

SMEs: Small and Medium Enterprises

UDEAC : *Union Douanière et Economique de l'Afrique Centrale*

US: United States

VSE: Very Small Enterprises

WIPO: World Organization of Intellectual Property

Executive Summary

This study analyses the state of small business in Cameroon. The current state of small businesses, and the differences of small businesses between and within African countries are discussed, and some economic policy reforms proposed. This study covers various aspects ranging from the business environment, to innovation and competition among SMEs in Cameroon. The choice of Cameroon was motivated by the fact that despite positive economic growth rates (exempli gratia: 3.5% in 2017 and 3.8% in 2018), Cameroon is yet to significantly reduce the number of households living in poverty.

The World Bank estimates that formal SMEs contribute up to 60% of total employment and up to 40% of national income (measured by the GDP), in emerging economies. These numbers are significantly higher when informal SMEs are included. SMEs are the main engine of economic growth in most developing countries. Developed countries enjoying a growing and booming economy attribute most of their achievements to a flourishing SMEs sector.

Cameroon's vision is to become an emerging economy by 2035. Thus, the country has taken major reforms to boost the growth and development of SMEs, like the introduction of Small Business law in 2010 that was revised in 2015 and a further revision in 2017, a well-established Ministry for Small and Medium Size Enterprises, Social Economy and Handicrafts (MINPMEESA) which was set-up in December 2004, and a state-owned and managed commercial bank to finance the needs of small businesses.

SMEs currently contribute only 36% of Cameroon's GDP, though they have a potential to contribute more. This contribution highlights the co-existence of key hindrances such as payment of taxes, difficulties to access financing, administrative bottlenecks/bureaucracy, insufficient infrastructures, corruption, insufficient technical assistance, etc. However, Cameroon is a good example for assessing the performance of SMEs in Sub-Saharan Africa because Cameroon is the biggest economy in the CEMAC Zone, and its structure is similar to that of most Sub-Saharan Africa countries.

1. General Introduction

Small and Medium Sizes Enterprises (SMEs) play an important role in most of the world's economies. Generally, they are vectors of job and wealth creation. Through their investments and consumption, they create goods and services and serve as tools for wealth redistribution.

In Africa in general Sub-Saharan Africa in particular SMEs account for more than 90% of the total number of firms. It is estimated that more than 70% of African SMEs are micro-firms or very small enterprises. For many authors, if African countries want to foster their economic development, support should be given to the SMEs segment since they are the main source of jobs and wealth. Hence, some countries, like Cameroon, have set up entities dedicated to SMEs.

Supporting SMEs is good but making them sustainable is better. An adequate political framework, a conducive legal and regulatory environment are some prerequisites. However, the situation varies among African countries. Thus, analyzing the state of small businesses in Africa is very important since it presents: (i) the current state in which small businesses are faring, and (ii) the differences of small businesses between and within African countries thus allowing for economic policy recommendations to be made, given the geo-politics.

This report presents the state of small businesses in Cameroon. It covers various aspects ranging from the environment, to innovation and competition among Cameroon's SMEs. The choice of Cameroon was motivated by the fact that despite positive economic growth rates, Cameroon has not yet achieved sustainable economic development. Also, since Cameroon is the locomotive of the CEMAC Zone and commonly referred to as 'Africa in miniature', it can be a good example for exploring the role and performance of SMEs in achieving high economic growth rates and sustainable economic development.

The rest of the report is organized as follow section one introduces the study. It presents the small business sector in Africa and the small business dynamism in Cameroon. Section two studies the past and future performance of small businesses in Cameroon and lays emphasis on the priorities of small businesses and the constraints they are facing. Section three focuses on starting and growing a business in Cameroon. Aspects such as administration and access to business capital are studied among others. Section four concludes and provides economic policy recommendations.

The performance of small businesses in Africa

The expression SMEs covers different types of firms. It is generally assessed according to the number of workers and the level of revenue generated. In sub-Saharan economies, SMEs present the following meaning as shown in Table 1 below:

Table 1: Meaning of SMEs in Africa's economy

SME Dimensions	Employees Size
Micro firms	1-9 employees
Small firms	10-50 employees
Medium firms	50-250 employees

Source: Inspired from MENON Business Economics, 2010

Table 2: Percentage (%) Share of SMEs Categorization in the economy

SMEs Categories	% Share of Employment
Micro	30%
Small	20%
Medium	10%
Large	40%
Total	

Source: Inspired from MENON Business Economics, 2010

Small business in Africa operate in a challenging environment. According to the 2010 report of McKinsey Global Institute (MGI) the potential and progress of African economies can be described as “lions on the move”. Though universally there’s a fall in commodity prices, coupled with political instability that have both slowed growth in North Africa, Africa’s economy is still advancing. Generally, between 2000 and 2010, Africa achieved an average real annual GDP growth of 5.4%.

African Economic Outlook (2019) posits that after peaking at 4.7 percent in 2010–14, Africa’s real GDP growth slowed to 3.5 percent in 2015 and 2.1 percent in 2016 (2.2 percent excluding Libya), due partly to the drastic drop in oil prices and other regional shocks

such as drought in East Africa and Southern Africa. A gradual recovery followed, with growth picking up to 3.6 percent in 2017 (3.0 percent excluding Libya) and an estimated 3.5 percent in 2018. Growth is projected to accelerate to 4 percent in 2019 and 4.1 percent in 2020. While higher than that of other emerging and developing countries, it remains insufficient to address the structural challenges of persistent current and fiscal deficits and debt vulnerability. The challenge is thus twofold: to raise the current growth path and to increase the efficiency of growth in generating employment. The same report highlights that macroeconomic stabilization and employment outcomes are better when industry leads growth, suggesting that industrialization is a robust path to rapid job creation. However, African economies have deindustrialized. Although structural change is occurring, it has been through the rise of the services sector, which has been largely dominated by informality, low productivity, and an inability to create quality jobs. To avoid the informality trap and chronic unemployment, Africa needs to industrialize and add value to its abundant agricultural, mineral, and other natural resources.

The same African Economic Outlook report states that about 40 percent of African countries are projected to see growth of at least 5 percent in 2019, while about 25 percent are projected to see growth of less than 3 percent. While the recovery from the 2016 trough is good news for Africa, the projected medium-term growth of 4 percent is insufficient to make a dent in unemployment and poverty. Population growth of more than 2 percent implies that GDP per capita will increase less than 2 percent, leaving convergence with middle-income and high-income economies slow to materialize. And the growth path is insufficient to create enough jobs for the growing labour force. The working-age population is projected to increase an average of 2.75 percent a year between 2016 and 2030. Assuming average employment-to-GDP elasticity of 0.4, economic growth of 6.9 percent a year is required just to absorb new entrants to the labor force, far above the highest growth rate attained in this decade.

Many African countries are producer of raw materials. The agricultural sector is larger in those economies than in other regions of the world. For example, in 2008, the value added from agriculture was 19% compared to 2% in the Eurozone and 7% in Latin America.

1.2 The Business Climate in Cameroon

Located in Central Africa, Cameroon shares boundaries with Chad, Central African Republic, Equatorial Guinea, Gabon, Congo Republic and Nigeria. Two of its 10 Regions are Anglophone Regions (i.e. the North West and South West Regions), while the other 8 Regions are Francophones. Cameroon is blessed with enormous natural resources

like: minerals, oil and gas, high-value timber species, and agricultural products such as coffee, cotton, cocoa, maize, and cassava. Here are the principal economic indicators of Cameroon:

Table 3. Cameroon's Economic Indicators

Economic Indicators (2018)	Values
GDP	36.166 Billion US Dollars
GDP Per Capita	3,634.924 US Dollars
GDP Growth Rate	3.5% (2017); 3.8% (2018)
GNI Per Capita	1,480.937 US Dollars (Lower Middle Income)
Inflation Rate	1.1% (2018)
Poverty Head Count Ratio (\$1.90 per day and per person)	23.8%
Population	24,053,727
Life Expectancy	58 years (in general); 60 years (female); 57 years (Male)

Source: Extracted from World Development Indicators (2018)

a. Geo-political environment

Cameroon, having been colonized after World War I by France and England adopted the French and English cultures. Thus, Cameroon is a bi-lingual, bi-cultural, bi-jural, and bi-cameral country. It is a lower-middle-income country. By 1960 (at independence), Cameroon had a population of about 5.2 million persons (cameroon-info.net). And despite all odds, Cameroon has witnessed an upward demographic evolution, with a population of about 25.5 million – Douala being the most populated (UNPFA, 2019). Located along the Atlantic Ocean, Cameroon shares borders with Chad, the Central African Republic (CAR), Equatorial Guinea, Gabon, and Nigeria. Two of its border regions with Nigeria (Northwest and Southwest) are Anglophone, while the rest of the country is Francophone (World Bank, 2019). Cameroon's ruling party, the Cameroon People's Democratic Movement (CPDM), has long dominated the country's political landscape, occupying 148 of 180 seats in the National Assembly and 81 of 100 in the Senate. In November 2018, disputed election results returned President Paul Biya to office. At 85 years old, Paul Biya, who has held power since 1982, is now serving his seventh term as the country's president (World Bank, 2019).

Despite its very diverse populace, Cameroon enjoyed peace for many decades. However, the situation is increasingly challenging in its Northern Regions, with Boko Haram insurgency, and in Northwest and Southwest (Anglophone) Regions, with secessionist movements. According to the DTM (IOM Displacement Tracking Matrix Round 17, February 2019), conflict is the cause of displacement for 94% of 442,683 people displaced in the Far North Region (253,813 IDPs, 79,787 out of camp refugees, and 109,083 returnees). Out of the 442,683 people, 62% are children under 18 years old.

UNICEF's March 2019 report on the Humanitarian Situation in Cameroon indicates that there are about 444,213 IDPs and 237,349 returnees in the North West and South West Regions, because of the ongoing conflict. In terms of the returnees, 50% stated lack of livelihood opportunities in the places where they sought protection as a reason for return. 23% of the returnees went back to the Regions because their villages of origin were relatively safe.

b. Social background

The poverty rate of Cameroon at national poverty line fell gradually from 53.3% in 1996 to 37.5% in 2014 (knoema.com). In 2019, the World Bank Group's analysis on poverty and equity portrayed that the rate of poverty reduction in Cameroon lags the population growth rate, despite an acceleration in growth over the past decade. Poverty remained high at 37.5 percent in 2014 (using the national poverty line), slightly down from 39.9 percent in 2007 and 40.2 percent in 2001. The same source indicates that in 2014, about 8.1 million poor were recorded in Cameroon (an increase of 12 percent between 2007 and 2014).

The slow progress is because the considerable drop in the incidence of poverty experienced in the Eastern, Western, Central, and Littoral Regions of Cameroon is neutralized by the progressive concentration of insecurity and poverty in the Northern Regions. With fast population growth, the number of poor individuals increased between 2007 and 2014 by 12 percent to 8.3 million people, of which 90% live in rural areas and 69.1% in the Northern Regions.

Besides, the clustering of investments in the two most populated urban cities, further widens the gap. Increasing gender inequality (gini index) between 2007 and 2014 (from 42.8 to 46.6) partly contributed to the low impact of growth on poverty reduction. Growing economic disparities between rural and urban areas and between the Northern Regions and the rest of the country account for much of this increase. Progress on poverty and equity could be difficult to attain if the Boko Haram-related insecurity

issues in the Far North Region, and the ongoing crisis in the two Anglophone regions, are not redressed quickly and efficiently.

c. Economic situation

Cameroon is endowed with rich natural resources, including oil and gas, minerals, high-value species of timber, and agricultural products, such as coffee, cotton, cocoa, maize, and cassava (World Bank, 2019). The country's economy is commodity dependent. Oil alone accounts for over 50 percent of total exports. Nevertheless, agriculture employs above 50 percent workforce (tradingeconomics.com).

Cameroon is one of the most diversified economies in CEMAC. According to tradingeconomics.com, the economy of Cameroon grew by 4.6 percent year-on-year in the third quarter of 2018, quickening from an upwardly revised 4.2 percent advance in the previous period. It is the fastest growth since Q1 2016, mainly boosted by gains in secondary industry (6.2% vs 1.3% in Q2) of which mining & quarrying (7.8% vs -5.9%), food industries (4.8% vs 0.1%); other manufacturing (7.5% vs 0.6%) and electricity supply (4.6% vs 4.1%). Also, the tertiary sector contributed to the expansion (4.6% vs 5.1%). Meantime, agricultural activity rose much less (1.8% vs 4.5%). GDP Annual Growth Rate in Cameroon averaged 4.38 percent from 2003 until 2018, reaching an all-time high of 8.50 percent in the fourth quarter of 2013 and a record low of 0 percent in the fourth quarter of 2015. The inflation rate averaged 1.71 percent from 2009 until 2018 (at 2.30 percent), reaching an all-time high of 5 percent in June of 2009 and a record low of 0.30 percent in October of 2016.

In April 2017, Cameroon's Economic Memorandum noted that for Cameroon to be an upper middle-income country as projected in its Vision 2035, she must increase productivity and unleash private sector potentials. Cameroon's real GDP must grow by 8% and 5.7% in per capita (World Bank Group, 2017). This will need increase in investment share of GDP from roughly 20 to 30 percent from 2015 to 2035. Likewise, productivity will be expected to grow to 2% over the same period, from its average zero rate over the past decade (World Bank Group, 2017).

Power deficit is also one of the major barriers to business development in Cameroon. But, in 2018, the Ministry of Water and Energy (MINEE) announced that between 2011 - 2018, Cameroon increased energy supply by about 550MW. Besides, the installed capacity grew from 900MW to 1442MW, thanks to the construction of several energy facilities such as the Ahala (60 MW), Mbalmayo (10 MW), Ebolowa (10 MW), and Bamenda (20MW) thermal power stations; the Kribi gas thermal power station (216 MW); the Lom Pangar hydroelectric dam with a 6 billion m³ water reservoir; the Memvé'ele hydroelectric power station (211 MW) and the Mekin hydroelectric power station (15 MW).

During the seven-year period ending, Cameroon also improved the population's access to electricity, connecting 400,000 more people (800,000 to 1,200,000), representing an increase by 50% (businessincameroon.com). Given these hydro-power projects, Cameroon is on the right path to reduce the deficit.

In 2016, IMF criticized Cameroon's debt policy. Cameroon recorded a government debt equivalent to 35.70 percent of the country's Gross Domestic Product in 2017. Government Debt to GDP in Cameroon averaged 45.64 percent from 1990 until 2017, reaching an all-time high of 131.44 percent in 1994 and a record low of 9.30 percent in 2008 (tradingeconomics.com).

In 2016, Cameroon's economy witnessed the interim Economic Partnership Agreements (EPA) with European Union (EU). Its purpose, as part of the national economic strategy, was to boost Cameroon's net exports (*exports minus imports*) to the European Union, to support economy growth and generate more jobs. There is no flow of argument here. After the changes, kindly review and make sure there is a flow of arguments.

d. Development Challenges

Cameroon suffers from weak governance, which impedes its development and attractiveness towards investors. According to Transparency International's corruption perceptions index, Cameroon was 153 out of 180 countries in 2017; and Doing Business in its 2018 report ranked Cameroon 163 out of 190 economies.

In terms of bilateral cooperation, the Observatory of Economic Complexities stated that Cameroon had a negative trade balance of \$1.61B in net imports, compared to 1995 with a positive trade balance of \$879M in net exports.

On the one hand, Cameroon exported \$4.27B in 2017, making it 111th largest global exporter. Exports decreased at -4.1% per annum, from \$5.17B in 2012 to \$4.27B in 2017. Exports were led in the same year by crude petroleum (31.4% of total exports), followed by sawn wood (14.4%). On the other hand, in 2017 Cameroon was ranked 118th largest importer in the world, with imports standing at \$5.88B. Imports decreased annually at -2.6%, from \$6.7B in 2012 to \$5.88B in 2017. Refined petroleum led imports in 2017 (representing 6.74% of Cameroon's total imports), followed by special-purpose ships (accounting for 5.98%).

The same publication depicts that Cameroon's top export destinations in 2017 were France (\$559M), China (\$488M), Italy (\$392M), Belgium-Luxembourg (\$359M) and the Netherlands (\$356M). While, her top import origins were China (\$1.06B), France (\$548M), the Republic of the Congo (\$441M), Thailand (\$275M) and Nigeria (\$253M).

In Cameroon, there is an important breeding ground for small and medium-sized businesses in most industries. These small companies, which are the main providers of jobs in the country, have evolved in time in an environment where their weaknesses were not sufficiently considered – a gap now corrected with the creation of the Ministry of Small and Medium Enterprises, Social Economy, and Handicrafts. This Ministry is responsible for establishing, in conjunction with professional organizations, a data base of projects for the investors in the sectors of SMEs and crafts, promotion of the spirit of enterprise and private initiative; monitoring the activities of SME support organizations, promotion of SME products, monitoring of professional organizations, monitoring the evolution of the informal sector, study of potential migration of informal sector players to craft and micro-enterprises, and more.

According to Christiane Mantey, Head of Enterprise and Chair of Coalition of SMEs Impacts, *'the Cameroonian SMEs are the most important link in the economy, but they are struggling to deploy. Project proponents tend to give up. The current banking system finances only services, production being neglected.'* Cameroonian SMEs make up 40% of Cameroon's GDP (www.crtv.cm).

To reduce the proportion of informality and support the development of young entrepreneurs, a survey of SMEs was launched, as the Minister of SMEs and social economy wants to *'develop a database of structural reliability, which will allow the department to develop and implement policies and strategies for rational development of SMEs in Cameroon, in view of strengthening the domestic private sector, the consolidation of growth and reduction of poverty.'* This census, which covered all sectors where SMEs operate in Cameroon, aimed to identify at least 10,000 in different industries: transportation/transit, banking/finance, new information technologies and communications, insurance, consulting, hospitality/ tourism, legal professionals, mining, agriculture, real estate & rental and business services. This study focused on major cities of the country that concentrate 70% of the structures concerned (www.businessincameroon.com).

1.3 Cameroon as a Business Giant in CEMAC

Cameroon is member state of the Central African Economic and Monetary Community (in French, CEMAC) created on March 16 1994 in N'Djamena-Chad. CEMAC replaced the Customs and Economic Union of Central Africa (UDEAC, in French) created in 1964 in Brazzaville-Congo. CEMAC's countries share a common currency which is the Franc CFA.

CEMAC's objectives include: (i) the promotion of trade, (ii) the institution of a genuine common market, and (iii) greater solidarity among peoples and towards under-privileged countries and regions. CEMAC's economic situation has improved but remains fragile (www.businessamlive.com).

Cameroon is the leading economy in the CEMAC area in terms of GDP even if some indicators like Gross National Income (per capita) place Cameroon behind Equatorial Guinea. However, Cameroon's economy possesses relatively strong fundamentals and is more diversified. For example, the rapid downfall of private investment level following the 2008 financial crisis did not discourage Cameroonian private sectors which remain optimistic about the future. That is why, compared to other economies in the CEMAC, the Gross Fixed Capital Formation (annual % growth) is increasing in Cameroon since 2009. The Gross Fixed Capital Formation is an indicator generally used by economists to capture the level of private investment and the dynamism of the private sector in an economy (www.internationaldemocracywatch.org).

Gross Fixed Capital Formation is essentially net investment. It is a component of the Expenditure method of calculating GDP. Gross Fixed Capital Formation measures net increase in fixed capital. Gross Fixed Capital Formation includes spending on land improvements (fences, ditches, drains, etc.); plant, machinery, and equipment purchases; construction of roads, railways, private residential dwellings, and commercial and industrial buildings. Disposal of fixed assets is taken away from the total (www.internationaldemocracywatch.org).

Table 4: Gross Fixed Capital Formation (% annual growth) in CEMAC countries

				2011		2013				
Central African Republic	N/A	5.4	12.2	-12.6	29.0		18.8	44.7	1.2	36.2
Cameroon	22.5	0.4	3.9	11.8	2.7	5.6	13.0	2.5	6.5	8.8
Congo, Rep.		17.0	2.4	37.1	3.9	16.7	22.7	-1.7	32.9	-48.1
Gabon	10.3	-1.3	32.7	20.9	12.4	7.0	7.8	-14.3	-0.1	N/A
Equatorial Guinea	32.3	30.0	-15.2	9.7	31.4			-39.2		
Chad		43.9	29.8	-15.8	17.0	0.5	12.7		-21.3	

Source: Extracted from World Development Indicators, 2017

Also, Cameroon has launched major projects, called structural projects, to boost its economy. They are many and include among others: construction of two dams (Memve'ele in the South and Lom Pangar in the East), road and rail infrastructures and second-generation agriculture.

Lom Pangar and Memve'ele dams' goals are to improve the production and supply of electricity in Cameroon. This will lead to an increase of 170 megawatts in the production of electricity and an additional 5 million of citizens having access to electricity. These projects will be beneficial to entrepreneurs as access to electricity is a major constraint to the development of their activities.

1.4 Small Business Success and the Economic and Political Infrastructure

Factors affecting SMEs' success can be categorized into two main components. They include macroeconomic factors and microeconomic factors. Macroeconomic variables include economic, socio-cultural, and political-institutional factors, whereas market environment or microeconomic variables includes productive opportunities and market attractiveness factors. The objective of this section is to highlight economic and political factors.

1.4.1 Economic Factors

In general, several economic factors affect small business success. They include:

a. Inflation

Inflation influences entrepreneurship. Infact a high inflation rate means that value of wealth decreases. Consequently, the purchasing power decreases. Consumers tighten up their belts and thus, there are fewer opportunities for entrepreneurs.

According to the National Statistics Institute (INS), prices will continue to rise in Cameroon in 2019. The inflation rate could be around 2% in 2019 compared to 1.1% in 2018.

This more expensive life, as elaborated by INS, is closely related to the 2019 finance law, which provides for an increase in prices on imports of: tires, electronic or digital tablets, telephones and software, passenger cars and other commercial vehicles, public transport cars, etc.

In late October 2018, the Central Bank for Central African States (BEAC) published in its monetary policy report that *'the year-on-year inflation rate is expected to be around*

2.2% at the end of 2019 and 2.4% at the end of the first quarter of 2020, compared with 1.4% in 2017 and 2.2% at the end of 2018. The higher inflation was nevertheless expected to be less than the 3% tolerance threshold set in the CEMAC zone.

b. Interest Rates

Low interest rates ease access to capital and make available resources required for private investment. In the Sub-Saharan region, since banking institutions dominate the financing of the economy, debt financing remains the main source of funding for entrepreneurs. However, entrepreneurs generally face high lending rates and they cite access to capital as the second constraint when they want to develop their activity. This limit both consumption and the amount of capital that can be raised by business ventures. In Cameroon, the benchmark interest rate was last recorded at 3.50 percent. Interest Rate averaged 3.39 percent from 2009 until 2019, reaching an all-time high of 4.25 percent in July of 2009 and a record low of 2.45 percent in July of 2015 (tradingeconomics.com).

c. Unemployment

Unemployment has a two-sided effect on small business success. In fact, when there is high unemployment rate, people are pushed into entrepreneurship for survival. This helps to reduce the number of unemployed, but it can also lead to limited earnings and limited markets. The current enthusiasm about entrepreneurship in Cameroon is all about reducing unemployment rates through self-employment. Unemployment rate in Cameroon decreased to 4.20% in 2017 from 4.30% in 2016. It averaged 5.78% from 1991 until 2017, reaching an all-time high of 8.10% in 1996 and a record low of 2.90% in 2007 (worldbank.org).

d. Taxation

Many studies present taxation as one of the key factors inhibiting SME development. If tax rates are high, they drastically reduce the profit incentive. According to the Laffer curve, 'too much taxes kill taxes.' So, a good taxation system can serve as a catalyst to small business dynamism and development. In the CEMAC zone, high taxes prevent Cameroonian SMEs from growing. Therefore, many businesses prefer to remain small and/or stay informal in order to avoid being charged high taxes. Mention in this section the current corporate tax rate of 33% and the VAT rate of 19.25% in Cameroon. Do the same for other CEMAC countries and analyze the data.

1.4.2 Political Factors

Political factors have an influence on small business development. In developing economies, political factors often serve as a major block to the expansion of entrepreneurship. This is not the case in developed economies where policies tend

to encourage small business growth. Examples of political factors are discussed briefly below:

e. The Judiciary

It is vital for judiciary institutions to be reliable and independent. This provides security for contracts, investments, and persons. They also serve as a legal protection against the violation of intellectual property rights, enforce contractual obligations between parties and implement competition laws. The Cameroon Constitution states that *the judicial power shall be exercised by the Supreme Court, Courts of Appeal and Tribunals; the judicial power shall be independent of the executive and legislative powers; magistrates of the bench shall, in the discharge of their duties will be governed only by the law and their conscience.*

f. Bureaucracy and corruption

There is a high level of bureaucracy in Cameroon. This bureaucracy is generally linked with corruption. It increases business costs and force entrepreneurs to offer uncompetitive products and services. Tax inspectors, police officers, hygiene and epidemiological officers, officials from ministries and other public bodies, customs officers, and electricity officers exercise pressure on business owners most often for informal payment. That is, unofficial payments are costly to SMEs in monetary terms.

g. Political Instability

There is a relationship between business and politics. Business cannot develop without the understanding and support of the politicians. Similarly, business strategy and business activities influence politics and the Government. It is in the interest of businessmen to ensure that the Government is stable and helpful to business. Government should also take the business community into confidence while preparing and implementing plans for the country's development. Current political instability in Cameroon such as the 'Anglophone Crisis' in the North-West and South-West creates a disintegrated regional economy. For example, the internet shutdown in the Anglophone regions originated a loss of at least 3 million US dollars i.e. between 1.5 to 1.8 billion F.CFA (worldbank.org).

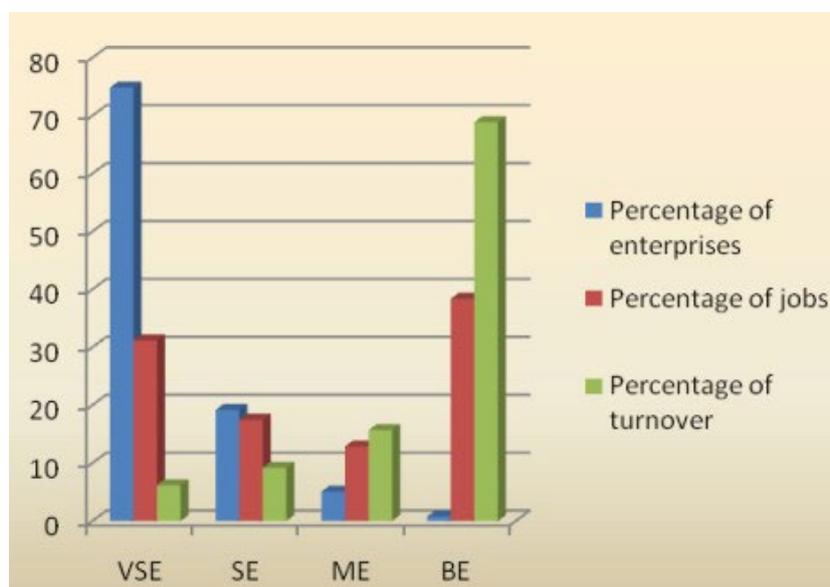
2. Past and Future Small Business Performance

In an economy, there is an efficient resources' allocation process when the business environment is supportive and competitive. So, resources are often directed to the most productive investments and they generally lead to higher productivity. It is possible to measure a business organization performance by using financial and non-financial

measures. The financial measures are made of profit before tax and turnover while the non-financial measures refer to issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover among other things. However, financial measures have the advantage of being objective since they give a broad picture of the overall performance of a business whereas the non-financial measures are mostly subjective.

Looking at the turnover, all the enterprises realized a total turnover of 10,225 billion CFA francs in 2008. The cities of Douala and Yaoundé alone produced 73.8% of this turnover, which are 59.7% for enterprises in Douala and 14.1% for enterprises in Yaoundé. The very small and small enterprises only realized 15.4% of the total turnover. However, they provide 48.7% of the permanent jobs. Meanwhile, the medium and large-sized enterprises produce 84.6% of the global turnover and employ only 51.3% of the workforce. Therefore, the very small and medium-sized enterprises play an important role in the Cameroon's economy in terms of job creation and national income (worldbank.org).

Graph 1: Distribution of jobs and turnover in Cameroon



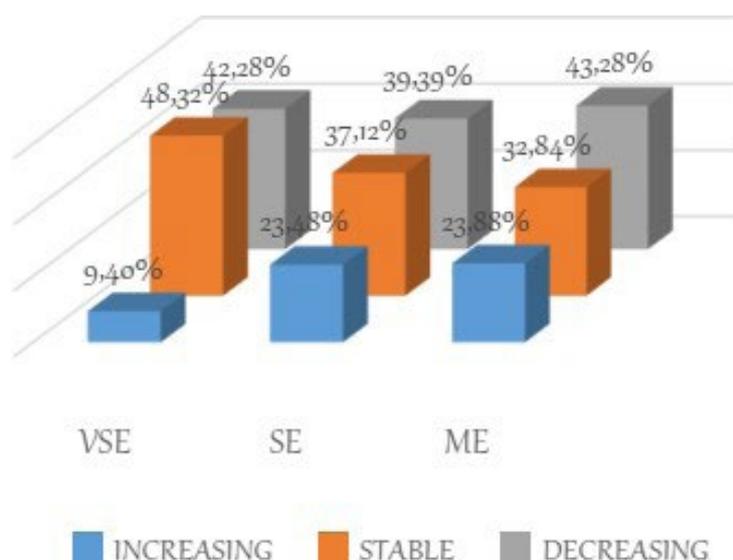
Source: National Institute of Statistics, General Enterprise Census (2009).

Note: VSE = Very Small Enterprises; SE = Small Enterprises;
ME = Medium Enterprises; BE = Big Enterprises.

Looking at the future performance of SMEs in Cameroon, most businessmen believe in decreasing trend of their turnovers according to a 2017 opinion survey of the Cameroon Chamber of Commerce, Industry, Mines and Crafts (CCIMA).

In fact 90.06% of company leaders believed that their turnovers remained stable or dropped during the period under review. In the very small enterprises, only 9.4% believed that the turnover is increased; 48.32% believed that the turnover remained stable and 42.28% believed in a decreasing turnover. In the small enterprises sector, we still have the same trend: 23.48% felt that turnover increased; 37.12% felt that turnover remained stable and 39.39% reported a decreasing trend. Finally, in the Medium size, 23.88% reported an increasing turnover; 32.84% felt that turnover remained stable whereas 43.28% reported a decreasing turnover (statistics-cameroon.org).

Graph 2: Opinions of company leaders on the changes in turnovers



Source: Opinion Survey of SMEs, CCIMC (2017)

2.1. Regional Analysis

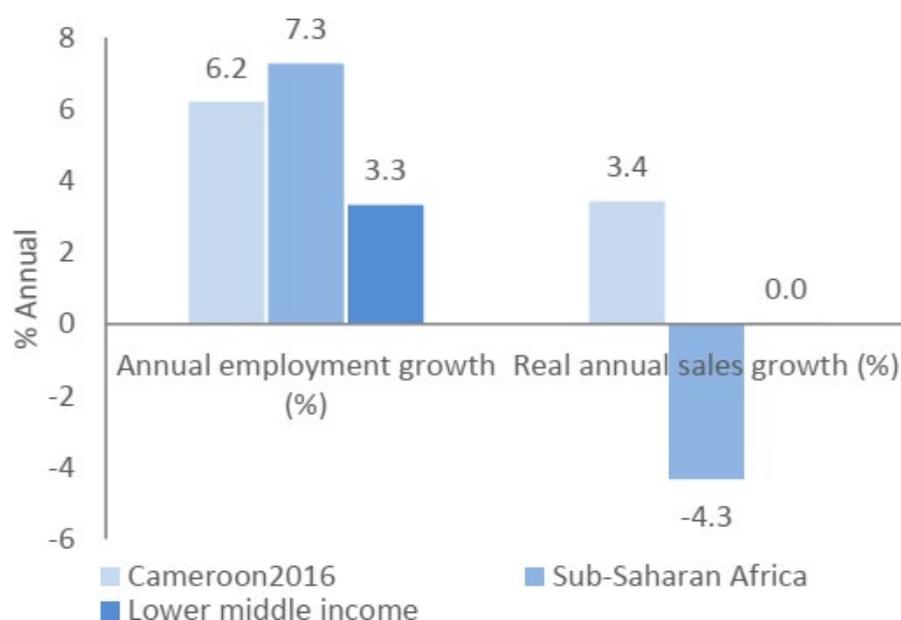
In the long term, there are some powerful positive trends which are likely to sustain Africa's growth. Foremost, its ever growing labour force with a young population considered as a valuable demographic dividend, in an ageing world. It is expected that by 2034, Africa will have the largest global work force of 1.1 billion. For about 2 decades now, Africa has recorded some success in creating jobs – 21 million new stable (formal, wage-paying) jobs over the past 5 years, and 53 million over the past 15 years. Though

stable jobs grew at 3.8% between 2000 and 2015, indicating a 1% faster growth than in the labour force (weforum.org), it is still far from what Africa needs to fuel future growth.

The performance of Cameroon's SMEs is lower than that of Sub-Saharan Africa when it comes to indicators like annual employment growth. Infact according to Enterprise Surveys' Report (2016), the annual employment growth in Cameroon is 6.2% and 7.3% for Sub-Saharan Africa. This means the private sector in Cameroon performs lower than the private sector in Sub-Saharan Africa. In other words, and on average, the private sector in Cameroon provided less jobs compare to the private sector in Sub-Saharan Africa. However, still with the same indicator, it is easy to realize that Cameroon performs better than the lower middle-income group. In fact, the annual employment growth in low middle-income group is 3.3% (www.enterprisesurveys.org).

Looking at another indicator, the real annual sales growth is, it is possible to remark that its value for the Cameroon's economy is higher than that for the Sub-Saharan Africa and the Lower Middle-Income group. In fact, Cameroon scores a 3.4% whereas Sub-Saharan Africa obtains a score of -4.3% (fee.org). It simply tells us that SMEs in Cameroon are dynamic and that there are opportunities in the Cameroon's economy.

Graph 3: Firms' performance in Cameroon



Source: Enterprise Surveys, The World Bank(2016)

2.2. The Contribution of Small Businesses to Cameroon's GDP

Small and Medium Enterprises (SMEs) play a key role in most economies. The World Bank estimates that formal SMEs contribute up to 60% of total employment and up to 40% of national income (measured by the GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. SMEs are the main engine of economic growth in most countries. Developed countries enjoying a growing and booming economy attribute most of their achievements to a flourishing SMEs sector. According to statistics, the economic growth in countries such as Korea, Japan, Taiwan and many others, was meaningfully generated by SME accomplishments. In fact, the percentage contribution of SMEs to GDP ranges from 60% in China, 57% in Germany, 55.3% in Japan and 50% in Korea (worldbank.org).

Since 1977, the contribution of small businesses to Cameroon's GDP (measured by Gross Fixed Capital Formation, private sector (% of GDP)) is generally below 20%. The highest value was 41.01% in 1978 and the lowest value was 9.49% in 1985. For the past 20 years (1997-2017) the evolution of such contribution is declining despite several measures taken by the government. In 2017, the contribution was 14.83% (kneoma.com).

Graph 4: Gross Fixed Capital Formation, private sector (% of GDP)



Looking at another indicator, especially the merchandise trade as a percentage of the GDP, we can easily see that it has the same trend as the former one. We should not forget that Merchandise Trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP, all in current U.S. dollars. The lowest value, 17.61% was in 1988 and the highest value 44.29% was recorded in 1980. Since 2000, the evolution of that indicator has not been stable due to economic fluctuations.

Graph 5: Merchandise trade as a share of GDP

2.3. Constraints to the Growth and Performance of Small Businesses

Despite being the engine of Cameroon's economy, small businesses face several constraints to their growth and effective performance. There is a strong evidence that access to markets, inadequate financing, access to credit facilities, managerial skills, lack of proper education, and corruption are major setbacks.

Financing is very crucial for small businesses. Weak purchasing power and an ever-increasing standard of living have resulted in dwindling disposable income. This makes it difficult for small businesses to raise capital to move their business(es) forward. This is made worst by lack of collateral security required by banks as prerequisite for credit facilities. High rates of interest, additional bank charges, inability to evaluate financial proposals are similar obstacles. These are further compounded by administrative bottlenecks, corruption, and delay in setting up a business.

Cultural differences may require business owners to master more than one language, to trade easily. For example, an Anglophone doing business in Far North needs to understand the culture and language of the people to succeed. Cultural and social hurdles related to borrowing also imply, and so many small businesses shy away from getting loans to further develop their businesses.

In the early phase of business, an entrepreneur can run it solely with minimal help. As business grows it becomes more complex to successfully manage. Thus, managers and entrepreneurs need new skills like bookkeeping, tax management policies, etc. to effectively manage the business.

Inadequate/poorly developed transport infrastructure constrain(s) small businesses.

Small businesses specialized in the agricultural sector, for instance, find it difficult to transport goods from farms to markets due to lack of roads. This sometimes results in great financial losses.

Inaccessibility to markets inhibits businesses given that sales are an integral part of business growth. Corruption, coupled with stifling taxation policies, hinder growth and performance of small businesses in Cameroon. High levels of corruption, misappropriate funds and other resources meant for business, thus creating unfavorable conditions for businesses to thrive. High taxes can force entrepreneurs out of business.

The small nature of small businesses pushes them to use cheap and less efficient technology. For example, most small business owners don't use computers due to the lack of expertise. To improve on their service, they need to gain skills on how to use them, to facilitate business growth.

Political instability is another constraint. A typical example is the on-going Anglophone crisis plaguing the 2 English-speaking Regions of Cameroon. Petty traders in these 2 Regions continue to suffer major setbacks due to the crisis. Most of these business owners find it increasingly difficult to repay loans obtained from financial institutions to scale-up their businesses.

Market research, which entails identifying and meeting needs of a targeted group of people, is still limping in the small business sector. Little or no market research is conducted by some small business owners. This leads to their early business failure, given that they don't understand market demands, and do not recognize business opportunities to design perfect marketing campaigns.

The location choice of enterprises is an important factor as it determines how accessible a business could be. Choices made by small business owners in Cameroon concerning what sector to invest in and where to locate are not very suitable. This is because their enterprises are in areas that aren't accessible. Also, small business investors venture in businesses they have very little or no knowledge and understanding and are therefore prone to failures and other instabilities.

Small businesses often lack technical production materials and thus are unable to meet up with demand, and competition with their foreign counterparts, especially with the Economic Partnership Agreement (EPA) with European Union which went into effect on 4th August 2014.

2.4. Assessing Official Small Business Priorities

As small business owners, it is important to set business priorities straight and clear. It is

obvious that the priority of every businessman is to minimize cost and maximize profit. But this should not compromise product quality. Small business owners need to think about other business priorities that can help move the business forward, as indicated in the graph below:

Graph 6: Business Priorities in Cameroon



Source: Designed by authors (inspired from the economic literature)

In growth priorities, small business owners need to define the type of growth they seek. If they desire to expand their market share and supply more areas, they can do so by making use of the right technology without opening a new location. They may also want to serve a variety of customers and diversify production of goods and services provided.

Efficiency priorities mean establish priorities that focus on efficiency of the business by cutting cost, increase personnel efficiency and level of productivity. One of the strongest strategies is to measure the time and resource cost of existing inefficiencies. Examine and record redundant tasks, redundant efforts, and points of delay or production excess. Another strategy is to measure organization's time spent in recruiting and retaining good people – and analyses how turnover of employees and clients may be related to those inefficiencies.

Staffing priorities generally represent an effective way to help the business. Finding out if the business has the right staff, if the staff possess the skills needed for the business and if the working environment is comfortable and able to boost working morale of the employees.

To build a focused team, entrepreneurs need to answer the question: ‘Why does the company exist?’ This is an essential foundation for all other prioritizing and goal setting. Worldwide venture capitalists including Tomasz Tunguz says that every successful start-up or company has a threefold vision: *product vision* (the dream), *business vision* (the go-to-market strategy), and *team vision* (the culture).

Strategic planning is also an important priority for small businesses. This involves being able to match the strengths and weaknesses of the business to the available opportunities for the business to grow. This is done by analyzing the business environment and by developing a clear objective for the business. Quite often small business owners lose focus on the main objective of their business and tend to pay more attention on the present challenges facing the business.

Strategic planning comes in to help in providing more detailed planning, seeking better advice from those involved in the business domain for a long time—for example—and hence moving the business forward. By assessing their priorities carefully, small business owners will realize that their businesses will flourish.

Furthermore, attracting and retaining clients need to be top of the list when company owners plan their New Year’s resolutions. Customer attraction and retention is the key to develop sustainable clients’ portfolios and sustainable ventures. In fact, a company which does not sell is exposed to failure and closure. That is why an emphasis should be given to marketing with the creation of a customer relationship management unit.

3.0 Starting and Growing a Business in Cameroon

Many sectors contribute to the Cameroon's economic growth. They include: the agricultural sector, the tourism sector, the services industry, and the manufacturing sector.

The agricultural sector happens to be one of the highest employers of the work force in Cameroon. Employment in agriculture (% of total employment) was reported at 62.01% in 2017, according to the World Bank collection of development indicators, compiled from officially recognized sources. Activities in that sector include the cultivation of crops like oil palms, cocoa, bananas, rubber, tea, sugar, coffee and tobacco plus fishing and livestock farming.

3.1 Cameroon's Business Environment

The improvement of the business environment constitutes one of the major axes of government action to making Cameroon a convincing and more attractive destination in terms of investment. In this vein, a consultation framework of all the stakeholders called the Cameroon Business Forum (CBF) has been created on the vestiges of the ex-Inter-Ministerial Committee Extended to the Private Sector (ICEPS) which had become ill adapted to the challenges of the time.

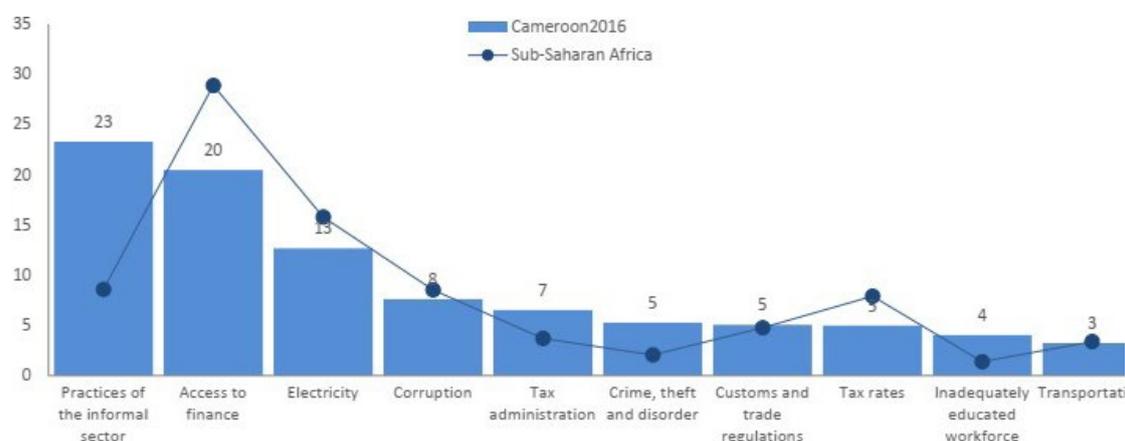
In terms of accounting rules, the fiscal year extends from 1st January to 31st December. The accounting standards are based on the Organization for the Harmonization of Business Law in Africa (OHADA). Exports are zero-rated. Capital gains are treated as business income and taxed at the ordinary corporate tax rate. Capital gains arising from the sale of listed shares or the transfer of rights related to natural resources are subject to a withholding tax of 16.5% on interests and dividends paid to both Cameroon residents and non-residents (taxsummaries.pwc.com), and 33% withholding tax on royalties (import-export.societegenerale.fr).

Social security contributions payable by the employer amount to 11.2% of the salary. The contribution base is capped at XAF 750,000 per month. Employers are also required to pay a 1.75%, 2% or 5% salary contribution to the National Social Insurance Fund. The payroll tax is 2.5% of the total amount of wages and benefits in kind. All companies are subject to a professional tax at varying rates based on their turnover. It amounts to 0.159% of the turnover of large companies (a minimum contribution of XAF 5 million and a maximum of XAF 2.5 billion), 0.283% for medium-sized enterprises (a minimum contribution of XAF 141,500 and a maximum of XAF 4.5 million) and 0.494% for small businesses (a minimum contribution of XAF 50,000 and a maximum of XAF 140,000). Newly incorporated businesses are exempt from this tax in their first year of operation (import-export.societegenerale.fr).

Cameroon signed an agreement at the time of the establishment of the World Organization of Intellectual Property (WIPO). Cameroon is also a member of the African Intellectual Property Organization since 24th February 1999.

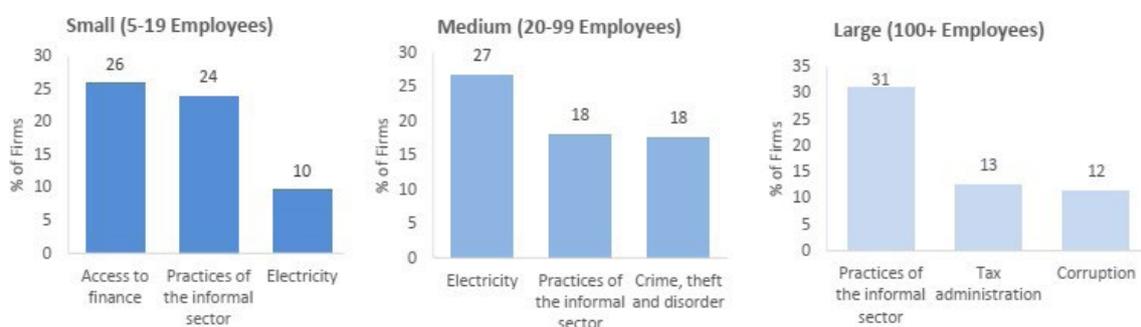
The major business environment constraint in Cameroon are (in ascending order): practices of the informal sector; access to finance; access to electricity; the level of corruption; tax administration; crime and disorder; customs and trade; level of tax rates; inadequately educated workforce and transportation. Those constraints score different positions when it comes to Sub-Saharan Africa.

Graph 7: Business Environment constraints in Cameroon



Source: Enterprise Surveys, The World Bank (2016)

However, according to company size, the results are not the same. For example, access to finance, practices of the informal sector and access to electricity represent the top constraints faced by Small Enterprises. At the level of Medium Enterprises, the main constraints are access to electricity, practices of the informal sector and crime or disorder. Finally, the top three constraints for large companies are practices of the informal sector, tax administration and corruption.

Graph 8: Business environment constraints in Cameroon (company's size)

Source: Enterprise Surveys, The World Bank (2016)

3.2 An Appraisal of Cameroon's Business Environment

The business environment in Cameroon, like any other is equally rocked by some challenges, despite government's efforts in the recent past (through the putting in place of the Ministry of Small and Medium-Sized Enterprises, Social Economy, and Handicrafts) to foster business creation, growth, and sustainability, reduction in enterprise registration/start-up cost, creation of one-stop shops, advisory and supervisory units and other institutional reforms like the Cameroon Bank for Small and Medium Size Enterprises are amongst some measures government has executed to provide a more convenient business milieu. In focus below are some of the difficulties faced, amongst others:

i) Difficulties to access financing

Most small businesses in Cameroon still operate in the informal sector, with no official status or recognition. This coupled with either no track record of their business transactions and poorly kept records, and their lack of collateral make it difficult for them to easily have access to credit facilities. Despite this difficulties majority of them prefer to still operate in the informal sector to avoid excessive and higher tax rates.

ii) Corruption, extra payments and administrative bottlenecks

Another major setback is the additional cost of administration originating from bureaucracy, illegal and unrecorded payments made by business operators to officials for services offered by the latter. Corruption affects even the legal system in place, making it difficult for businessowners to depend on the judiciary to readdress their grievances or unjust losses suffered in the cause of business. This also makes it difficult to have reliable business partners as a result.

iii) Insufficient production capacity to meet lots of orders

The business environment in Cameroon is equally characterized by unskilled manpower due to the low technical capacity of business owners or their employees. This lowers the business output. In addition to unstable purchasing order from customers, planning is made difficult.

iv) Feeble purchasing power

Even when goods and services are available, high cost of living reduce the amount of disposable income per consumer and weaken their purchasing power. This therefore diminishes the available market for commodities, and hence net income earned in business.

v) Insufficient infrastructures

Poor infrastructure adversely affect business in the country. When it comes to road infrastructure, the main sector affected is the agricultural and forestry domain, as a significant percentage of farm produce deteriorates in the farm due to lack or poor farm-to-market roads. Other infrastructural deficiencies are witnessed in telecommunications, restauration/catering, etc. These coupled with inadequate technical equipment go a long way to impede business success.

3.3 The Concept of Entrepreneurship and the Initial Business Size

The perception of Small and Medium-Size Enterprises (SMEs) differ (especially in terms of size, number of personnel, capital, turn over, etc.) from one country or region to another. Most definitions of SMEs include ranges of assets or turnover per year, and number of employees. This perspective is also based on a range of measurable criteria such as the amount of investment and total assets owned. According to the European Commission, SMEs can be defined as ‘the enterprises that meet the criteria of staff head count and either the turnover or balance sheet specifications.’ The table below gives a sense of what constitutes SMEs from the European Commission perspective.

Table 5: Composition of SMEs

SMEs Category	Staff headcount	Turnover	Balance sheet
Medium Size	250	50 M Euros (32.5 Billion F.CFA)	43 M Euros (27.95 Billion F.CFA)
Small	50	10 M Euros (6.5 Billion F.CFA)	10 M Euros (6.5 Billion F.CFA)
Micro	10	2 M Euros (1.3 Billion F.CFA)	2 M Euros (1.3 Billion F.CFA)

Source: European Commission (2005).

The above parameters are only operational for the figures of individual firms. A firm that is not within the prescribed context may need to include staff headcount/turnover/balance sheet data from that group too. Based on the above European Commission definition, small enterprises are those enterprises which have up to 50 employees with a turnover or balance sheet of 50 million euros, while medium-size enterprises fall within the bracket of 250 employees with a turnover or balance sheet of 43 to 50 million euros.

WorldBank's definition of SMEs as described by Molonge, are 'those enterprises with a maximum of 300 employees, 15 million pounds in annual revenue, and 15 million in annual assets.'

The Inter-American Development Bank describes SMEs as 'enterprises that have a maximum of 100 employees and a revenue of not more than 3 million dollars.'

In Africa and specifically Ghana, Stork and Esselar defines SMEs as 'firms that have 6 to 99 workers, with a revenue of not more than 2.5 billion Ghanaian cedi.'

SMEs in South Africa are 'distinct and separate entities including cooperatives and Non-Governmental Organizations (NGOs) managed by a single owner or more which incorporates its partners, if any.'

In Nigeria, Aneola Adeniji postulates that SMEs are perceived by the National Council of Industries to be 'enterprises whose total cost excluding land is not more than 2 million naira.'

In Cameroon SMEs formally came into force through Law No. 2010/010 of 13 April 2010

on the promotion of Small and Medium Size Enterprises and other legal and institutional arrangements that opened up spaces for the sector with many such enterprises being formed. According to the law, *Very Small (Micro) Enterprises are those which have less than 5 employees with annual proceeds of not more than 15 million Francs CFA, while Small Enterprises refer to those with 6 to 20 employees and an annual return of 15 to 100 million Francs CFA. Lastly, Medium-Size Enterprises refer to firms that have the capacity to hire from 21 to 100 employees with an annual profit of 100 million to 1 billion Francs CFA.*

According to a 2009 general enterprise census by Cameroon National Institute of Statistics conducted across the country with focus on sustainability and profitability of jobs, it was recorded that Micro Enterprises accounted for 15.4% of the total turnover but provided 48.7% of the permanent jobs, while Medium and Large Scale Enterprises recorded 84.6% of the global turnover and employed only 51.3% of the work force. This explains the significant role played by the Micro and Small Size Enterprises in job creation.

A more recent research on the Performance Perspectives of SMEs in Cameroon: Innovation and ICTs, published in 2017 by Andre Dumas and Benjamin Kamga attest to the growth of SMEs following their contribution of 61% of the working population and an estimated 31% to GDP. This shows the importance of SMEs in the development of the economy.

SMEs promote the development of a competitive market environment, as they fill consumer markets with goods and services and create new employment opportunities. What would guarantee their continuous growth and survival would solely depend on a persistent enabling environment, and this can only be provided by the state through prudential tax regimes and a favourable regulatory environment.

From the foregoing, whatever definition adopted by a given school of thought, the common denominator is that SMEs are so-called because they operate within circumscribed limits in terms of annual turnover realized and manpower employed — yet contributing enormously to the advancement of every economy.

3.4 Administration of Small and Medium-Size Enterprises in Cameroon

3.4.1 Regulatory/Policy Environment

According to OECD glossary of statistical terms, 'regulation is broadly defined as imposition of rules by government, backed using penalties that are intended specifically to modify the economic behavior of individuals and firms in the private sector. Various regulatory instruments or targets exist. Prices, output, rate of return (in the form of

profits, margins or commission), disclosure of information, standards, and ownership ceilings are among those frequently used.'

The governments of many developing countries have realized the need to create a conducive environment for the growth of SMEs as a strategy to boost economic development. Increasing emphasis has been further laid by the international donor community in line with creating an enabling regulatory and policy environment that guarantees the initiation, growth and survival of SMEs in Africa as a whole. According to a research study on regulation, SMEs performance and growth in Cameroon's manufacturing and retail sectors by Kinfack and Oludele in 2011, two factors were globally identified as key impediments to the growth of SMEs. These included, the regulatory/policy environment and access to finance.

According to the above authors, the only most essential component for an economic growth strategy is an appropriate regulatory environment. Regulations are important to the smooth and sustainable functioning of market economies. However, even the most socially oriented regulations are associated with costs and benefits and some of these costs may be unreasonably high. Regulation is preeminent in the private sector because it encourages competition and fair trade, conversely, excessive regulation distorts the private sector and demotivates the creation of enterprises hence leading to less efficient enterprises and reduced competition. Therefore, to ensure a robust private sector, as suggested above, there is need for an appropriate regulatory environment. As regards the legal aspect, businesses need to function within legal parameters. That is, in order to settle disagreements and facilitate efficient transactions between partners and stakeholders, an adequate legal framework is necessary to guarantee protection of property rights.

3.4.2 Administration of Small and Medium Size-Enterprise

In 2004, the Cameroon government established a new ministry called Ministry of Small and Medium-Size Enterprises, Social Economy, and Handicraft (MINPMEESA). This was in line with the government's objective to reinforce and ameliorate the business environment for SMEs. This was to be realized with the responsibility to (www.minpmeesa.gov.cm):

- Support and control Small and Medium Enterprises;
- Encourage their products;
- Track the activities of organizations providing support to them;
- Monitor professional SME organizations;
- Identify and train informal sector actors to enhance their focus towards SMEs.

The above government responsibilities were to be achieved through the following strategic objectives (www.minpmeesa.gov.cm):

- Rearranging the legal and institutional frameworks to render them more attractive;
- Enhancing the capability of actors while promoting competitiveness;
- Creating more access to finance via the financing institutions as well as guaranteeing mechanisms.

Despite all government efforts to improve the growth and smooth functioning of SMEs in Cameroon, the business environment still seems to be rigid and this impedes the growth of small local enterprises and entry opportunities for foreign investors. This is largely due to, as suggested above cumbersome bureaucracy or bottlenecks at the level of acquiring the necessary documents to establish a business in Cameroon, and the burden of excessive regulation in the course of doing business. To buttress this, a World Bank 2008 report on selected indicators of the business environment and investment climate ranked Cameroon 147th in 2005, 152nd in 2006 and 164th in 2008.

Table 6: Business Regulations in Cameroon

Attributes	2008 rank	2006 rank	2005 rank	change in rank (since 2005)
Ease of Doing Business	164	152	147	-17
Ease of Starting a Business	171	152	149	-22
Ease of Dealing with Licenses	154	151	147	-7
Ease of Employing Workers	124	135	136	+12
Ease of Registering Property	138	131	128	-10
Ease of Getting Credit	131	117	117	-14
Ease of Protecting Investors	113	60	58	-55
Ease of Paying Taxes	171	143	140	-31
Ease of Trading Across Borders	137	140	135	-2
Ease of Enforcing Contracts	172	170	170	-2
Ease of Closing a Business	95	96	90	-5

Source: Extracted from World Bank (several years)

3.4.3 Dealing with Paperwork

Generally, to start up a business (or SME) in Cameroon and elsewhere requires the assemblage of certain documents. This is to ensure that the private sector operates within the confines of the law and requisite regulation that guarantees the security and smooth functioning of enterprises at all levels. In Cameroon, the Chamber of Commerce, Industry, Mines and Craft (CCIMC) is the regulatory body, through its agency known as Enterprise Creation Formality Centre (ECFC) that oversees assessing or ensuring the authenticity of documents needed to establish an enterprise. The enterprise creation centers are in Douala, Yaoundé, Bafoussam, and Bamenda. The reception service of the Chamber of Commerce's ECFC finds out the line of activity the promoter (that is, the person intending to setup the business) intends to execute (whether it is retail business, wholesale business, import/export, manufacturing, production, etc.). The eligibility for approval or authorization by competent government services is achievable, based on certain lines of economic activity. The orientation officer then issues the promoter with a brochure listing the documents to be submitted. In case where the promoter brings a file, the orientation officer checks if the documents to be submitted are in order. If the file is incomplete, the orientation officer returns it to the promoter for rectification of faulty documents.

According to the CCIMC, the official rates for enterprise creation services provided by the ECFC are, business tax (waived for the first two years), Taxpayer Card (free of charge), registration into the Trade and Personal Credit Register (RCCM). The cost of registration for a corporate body is 51.500 FCFA and 41.500 FCFA for an individual.

(a) Documents to be submitted to the ECFC for start-up companies include:

- A photocopy of the national identification card or birth certificate for Cameroonians, and a photocopy of passport or residence permit for foreigners;
- A photocopy of marriage certificate where necessary;
- A declaration on honour forming part and parcel of the single form signed by the applicant certifying that he is not under any ban to engage in trade. This declaration on honour is completed within 75 days of registration by a certificate of non-conviction or, in default, a document serving the same purpose;
- A declaration on honour forming part and parcel of the single form and certifying the residence of the applicant;

- In the event of an acquisition of funds or lease management, a copy of the deed of acquisition or deed of lease management;
- A prior authorisation to carry out business, if applicable;
- A 4x4 passport-size photograph; and
- Applicant's signed location plan.

(b) Documents needed for traders and natural persons (establishments):

- A photocopy of the national identification card or birth certificate for Cameroonians, and a photocopy of passport or residence permit for foreigners;
- A photocopy of marriage certificate where necessary;
- A declaration on honour forming part and parcel of the single form signed by the applicant certifying that he is not under any ban to engage in trade. This declaration on honour is completed within 75 days of registration by a certificate of non-conviction or, in default, a document serving the same purpose;
- A declaration on honour forming part and parcel of the single form and certifying the residence of the applicant;
- In the event of an acquisition of funds or lease management, a copy of the deed of acquisition or deed of lease management;
- A prior authorisation to carry out business, if applicable;
- A 4x4 passport-size photograph; and
- Applicant's signed location plan.

(c) Documents required for local companies and corporate bodies are as follows:

- A copy of the notarised articles of association or of the founding act;
- The declaration of regularity and conformity or the notarised declaration of subscription and payment;
- The certified true copy of list of managers, administrators, leaders or associates who are indefinitely and personally liable or have powers to commit the company or corporate body;
- A declaration on honour forming part and parcel of the single form signed by the manager of the company to the effect that the promoter is not

restricted by law to engage in trade. This declaration on honour is completed within 75 days of registration by a certificate of non-conviction or in default, a document serving the same purpose, which has been signed by all of the aforementioned persons.

- A prior authorization to manage the company, if necessary; and
- A location plan signed by the company manager.

With reference to the above procedures to obtain authorization for the establishment of business, Kinfaek and Olule deposit that ‘business license and the agreement for the operation of business registration takes 15 steps with an average cost of 1,094.2% of the GNP per capita.’ Thus, the duration and cost incurred to register a business are some of the major constraints for undertaking business in Cameroon. Other statistics, like Fraser Institute’s 2017 Economic Freedom Report indicate that Cameroon is amongst one of the least business-free environs. In terms of ease of doing business, World Bank in its 2019 report ranked Cameroon 166th on 190 world economies — with a score of 47.78 out of 100 points, depicting that Cameroon still faces challenges on several fronts.

3.5 Innovation and Competition

According to Cameroon Business Today, the 2016 annual statistics of Ministry of Small and Medium Sized Enterprises, Social Economy, and Handicraft (MINPMEESA) reports that though SMEs constitute the main engine of economic growth, they contribute only 36% of the country’s Gross Domestic Product (GDP). The Minister of SMEs, Social Economy and Handicraft, Laurent Serge Etoundi Ngoa in his interview with Cameroon Bilingual News Daily insinuated that if SMEs could contribute up to 50% to the country’s GDP, it would have been an emerging economy. Against the backdrop of all the accompanying structures put in place by the government, the Minister argues that SMEs are expected to improve and be able to sustain their activities. Cameroon SMEs have one basic problem, a short life span — reports the Cameroon Business Today. Many of them crumble naturally while still at the tender stage. This implies their non-sustainability. They lack the ability to carve a niche through market research on what they intend to specialize on. That notwithstanding, in its 2016 research, the Research and Analysis Centre for Social and Economic Policies in Cameroon’s argues that some sectors have been on a competitive and sustainable track. These are SMEs in the transformation sector with 66.43%, those in agriculture – 46.84%, general commerce – 31.64%, associations and training – 28.16% and 25.86% for SMEs in public works and construction. Thus, SMEs in the transformation domain are most resilient.

Regardless of huge available possibilities, experts (such as Desire Makan) say Cameroon’s SMEs are not very competitive, and that their performances are not in tandem with their

numerical strength. He postulates that there is need for an alternative entrepreneurship mentality in the country, to be able to surmount the hurdles that stifle doing business in Cameroon.

4. Conclusion and Recommendations

4.1 Conclusion

Development of a strong business environment is an essential condition for SMEs dynamism. In fact, new enterprises can only flourish and grow under favourable economic, social and political conditions. Unluckily, economic and social conditions in underdeveloped countries including Cameroon are unfavourable and even prohibitive. This report mentioned the lack of adequate infrastructure and capital. Also, social institutions are desperately traditional in such a way that it inhibits entrepreneurial behaviour. So, entrepreneurship in general, and formal entrepreneurship cannot flourish under such conditions.

The business environment in Cameroon is such that private enterprise can only be organised on a small scale. This report mentioned the various constraints to Cameroon's SMEs growth including shortage of capital, imperfect market, and high taxation rates. This restricts the development of large-scale enterprises. Therefore, most entrepreneurs prefer to remain small and find it easy to imitate rather than innovate.

Cameroon government places emphasis on the small-scale sector as an instrument of economic planning and development, having placed the dynamism of the private sector as a condition for its emergence by 2035. By doing so, Cameroon follows most emerging countries (Malaysia, South Korea, Taiwan, Singapore) originating their economic development from a strong and dynamic SME sector.

Therefore, Cameroon's political ideology should focus on implementing a free enterprise system that guarantees economic freedoms, private ownership of property, reduced government and choice & competition, and the development of a re-organised industrial structure whereby ownership and economic power are mostly distributed and respected. That way, the economy would generate more employment, mobilise local capital, ensure a more equitable distribution of income among the population and move from the small-scale level to large scale.

4.2 Recommendations

Based on the findings of this reports, the following recommendations can be made:

1. Recommendation to SME's owners themselves

- To check the market and respect the market-oriented requirements. This is the adoption of a customer orientation and the understanding of their needs and desires that must be the central point of any managerial action.

- To improve productivity and metrology. They should be capable of producing new products. For that, they should acquire systematically new capabilities in production and product design, improve methods, standards, quality and productivity, recruit and train qualified personnel, establish subcontracting relationships with other companies, use new technologies and other business innovation, organize active prospections to find buyers and sales agents, etc.
- To respect the price-quality ratio in order to realize the best value, that is one that offers a good balance between the best quality and the lowest price of a good or service.
- To experience new financing mechanisms. These are innovative financing mechanisms whose categorization was outlined for example at the Paris conference in 2011. These are voluntary contributions as those put in place by many Foundations such as the Danone Foundation or the Millennium Foundation for Innovative Financing for Health as well as mechanisms for channeling migrant remittances to productive or social investment in the countries of origin; Again, new financing mechanisms like crowdfunding, venture capital, and business angel networks should be developed. They have potential of raising small, short-term funds at relatively low costs, compared to financing from other sources like commercial banks or microfinances.
- To invest in capacity building: To be competitive, SMEs nowadays have to meet the standards of production, processing and marketing. They must also be in control of the constraints related to their societal responsibilities. They must be trained on compliance with technical itineraries of production, market standards, procurement standards, sales techniques, etc.

2. Recommendations to the Government

- To clean the business environment: At the last edition of the Cameroon Business Forum (CBF) held on March 12, 2018 in Douala, 23 recommendations were made to improve the business climate in Cameroon in 2018. Some of these include: more incentives to SME's promotion, prevention/protection of the market from dumping and unfair competition, upgrading of infrastructural facilities and creation of conditions for SME's development, instauration of reasonably norms and regulations to enable SME's growth, establishment of a legal, regulatory and administrative framework conducive to the development of SMEs, etc.
- Besides, to continue upgrading infrastructural facilities in order to align with international standards. It will not only help businesses to grow and flourish, but will also make Cameroon, a destination for international investors and Foreign Direct Investment.

- To guarantee social justice and the respect of basic human rights and dignities. This way, peace and stability would reign, and the setting up, running, and sustainability of small businesses would be further secured.

3. Recommendations to financial institutions and other donors

- To reduce the excessive level of accounting information required in the case of Central Africa by OHADA and other standards. It is difficult for a new company to provide activity reports over several years. It is observed that the requirement of too much documentation is a barrier for promoters who do not know how to write. The informal nature of the economy should be taken into account and results criteria such as turnover should be favored.
- To take into account operating accounts of SMEs while financing them. On one hand, entrepreneurs have an interest in disseminating very limited or even erroneous financial information in order to escape taxation. This situation is widely observed in Central Africa, where SMEs even have a strong propensity to move into the informal sector to escape tax harassment. On the other hand, many entrepreneurs do not know how to evaluate their need for financing. As a result, they ask for insufficient funding to enable their business to break even.
- To request the priority assessment of a certified business advisor before allocating money to a SME's project. For the moment, there is no tool for banks to know the payment behavior of their new customers. Central risk or central payment incidents are either non-existent or inoperative. The certified business advisors should cover this lack.

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