

STARTING A BUSINESS IN CAMEROON:

A CRITICAL ANALYSIS

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STARTING A BUSINESS IN CAMEROON: A CRITICAL ANALYSIS

By

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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



Cameroon has undertaken several reforms to improve its business environment. The country aims to attract the local and foreign direct investment necessary for its economic growth, job creation and living conditions of its populations. However, there are many bottlenecks to improving the business environment and promoting business creation. The country's performance on the annual World Bank Doing Business Index (DBI) has continued to deteriorate. In 2019, it lost three places and was ranked 166th out of 190 economies in the world with a score of 47.78 out of 100 points. This year, the country has lost another one spot and is now ranked 167th with a score of 46.1 out of 100 points. The only positive point was the improvement of transparency in business creation and in accessing the credit information. In this report, the authors have provided a more detailed level of information on business creation in Cameroon and have identified more precisely the bottlenecks that negatively impact the launching of business ventures/enterprises in the country.

Cameroon is a unitary decentralized state located in central Africa. Administratively, the country is made up of 10 regions, 58 divisions, 360 subdivisions, 374 councils. The decree N°2019/3179/PM of the 02nd September 2019 declared the regions of the Far-North, South-West, and North-West economically disastrous due to the insecurity that reigns there as a result of the escalating Anglophone conflict. However, according to the National Institute of Statistics (NIS, 2020), the growth rate in 2019 was 4.2% compared to 3.8% in 2018 and 3.5% in 2017. However, the overall underemployment rate for people aged 15 and over is 69.6% and the poverty rate is 37.5% (NIS, 2015). There was also an increase in the inflation rate to 2% in 2019 compared to 1.1% in 2018, 0.6% in 2017 and 0.9% in 2016 (ibid).

The country has also seen an increase in trade deficits. In 2018, the trade deficit reached CFAF 1,438.3 billion, almost doubled that of 2016 when it was CFAF 737 billion (NIS, 2019) implying that the country produces fewer goods and imports more. According to Fitch Ratings, outstanding loans granted by commercial banks in Cameroon increased by 7.6% over the 12 months ending at the end of August 2017. In addition, the overall balance of loans granted to the economy was expected to increase between 8% and 10% in 2018. The number of bad debts decreased slightly from 14.1% at the end of 2016 to only 13% at the end of August 2017.

All this begs the question of why the business creation rate has remained very low in Cameroon over the years?

From 1965 to 1985, growth was sustained (more than 15% per year on average), driven by the prices of raw materials. However, the economic situation then deteriorated sharply until the devaluation in January 1994 of the CFA franc that saw a drastic reduction in wages by more than 70%. To date, and despite revaluation, the situation has not changed much. The majority of Cameroonians earn less than 50,000 FCFA per month, which is very precarious in a context where the cost of living continues to rise. In November 2018, the NIS announced a 10% increase in prices on the national market: 0.8% in Yaoundé, 9% in Douala, 12% in the North West and South West, etc. Market forces imply consumers will be attracted by low prices that the local producers, unfortunately, are not able to supply. In Cameroon in 2020, it is easier to import many products than to produce locally.

Consequently, the informal sector dominates the economy by more than 90% and exposes formal businesses to unfair competition. Added to this is the high tax burden on the few formal business ventures. The membership of GICAM represents 57.7% of formal businesses in the country, a situation that unfortunately exacerbates corruption.

While policy makers have put in place new plans the business environment is yet to improve. It adopted a New Industrialization Master Plan (PDI) on March 15, 2017, with its entry into force in 2018. In 2013, a new investment code was adopted and modified in 2017 to facilitate the installation of investors. Each year, the country organizes a Business Forum (CBF) to discuss reforms necessary to improve its business environment but these improvements have not been materialized.

This report is the first in a series of six reports that will highlight six Doing Business Indexes (DBI) in Cameroon. It will surely contribute in better understanding areas requiring urgent policy reforms. This work has been made possible by a generous grant from the Atlas Network in Washington D.C.

Good reading!

William Herman Arrey, PhD
Interim Chief Executive Officer
Denis & Lenora Foretia Foundation



« The entrepreneurs' perception of Cameroon should change to create a system that generates sustainable economic opportunities for all. »

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- Ulrich D'Pola Kamdem, Economic Policy Analyst
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This exercise enabled us to encounter the reluctance of some civil servants to provide us with certain data and information that could have been crucial for a more precise assessment of the environment for starting a business in Cameroon. The clutches of bureaucracy and lack of information have been the main obstacle to obtaining certain up-to-date data. The analysis below is proportional to the volume of information that we were able to access for the production of this kind of report.



LIST OF ABBREVIATIONS and ACRONYMS

- API:** Agence de Promotion des Investissements
APME: Agence de Promotion des PME
CBF: Cameroon Business Forum
CFCE: Centre de Formalité et de Création des Entreprises
ECAM: Entreprises du Cameroun
FCFA: Franc des Colonies Françaises d’Afrique
FDI: Foreign Direct Investment
GDP: Gross Domestic Product
GICAM: Groupement Interpatronal du Cameroun
GIIN: Global Impact Investing Network
IFC: International Financial Corporation
ILO: International Labour Organization
LEAP: Liberating Enterprise to Advance Prosperity
LLC: Limited Liability Company
MECAM: Mouvement des Entrepreneurs du Cameroun
MINADER: The Ministry of Agriculture and Rural Development
MINCOMMERCE: The Ministry of Commerce
MINEP: The Ministry of the Environment and Nature Protection
MINEPIA: The Ministry of Livestock, Fisheries and Animal Industries
MINFOF: The Ministry of Forestry and Wildlife
MINIMIDT: The Ministry of Industry, Mines and Technological Development;
MINMIDT: The Ministry of Industry, Mines and Technological Development
MINPMEESA: The Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicrafts
NIS: National Institute of Statistics
NPI: Nkafu Policy Institute
OHADA: Organisation pour l’Harmonisation du Droit des Affaires en Afrique
PME: Petites et Moyennes Entreprises
SARL: Société A Responsabilité Limitée
SBEC: Small Business & Entrepreneurship Center
VAT: Value Added Tax

OVERVIEW

For ten years, Cameroon has under its framework of the Cameroon Business Forum (CBF), undertaken several reforms to improve its business environment. The country aims to attract the local and foreign direct investment necessary for its economic growth, job creation and living conditions of its populations. However, there are many bottlenecks to improving the business environment in Cameroon to promote business creation. The ranking in Doing Business is a serious reminder of those obstacles each year.

Business creation in Cameroon is plagued by many obstacles that can be identified at various levels:

1. The legal framework: The OHADA reforms to which Cameroon is a signatory have not yet succeeded to stimulate the creation of Limited Liability Companies but have favored the proliferation of 'Etablissements'. In addition to this, the required documentation to start a business is still cumbersome, corruption and fiscal pressure remain a discouraging factor for business owners.
 2. The governance aspect: At this level, entrepreneurs continuously face many constraints as administrative barriers, the tensed relations between representative's institutions of the private sector and the State authorities in charge of taxation, the Centers for business start-up formalities (CFCE) that are not effective countrywide, lack of transparency, low effectiveness of procedures, etc.
 3. The gender aspect: Here we see that women still have a lot of issues when they want to invest. Most of them do not easily have access to land and their willingness to invest is subject to their husband's approval. Apart from that, women are usually misinformed concerning their rights and what they can benefit from while investing. The facilities and/or difficulties in creating a business in Cameroon between men and women are not of the same magnitude. This is due to many factors among which traditional African stereotypes about women is key- relegating them to the background of home management.
 4. Concerning trade agreements: there is no transparency and free competition in the market, the fiscal policy is counter-productive, and we have unfair economic policies. The informal sector seems to have more advantages than the formal sector in Cameroon.
 5. Finally, with regards to impact investment, government subsidies must be limited to the advantage of businesses with social impacts.
- This report is a summary of the progress that Cameroon has realized in the field of the business environment and what needs to be done to achieve an effective free-market society with a constant proliferation of businesses.

Chapter 1

LEGAL ASPECT: IS THE CURRENT LEGISLATION FAVORABLE TO BUSINESS CREATION?

This section presents the various facilities and difficulties related to starting up a business in Cameroon from a legal perspective.

1.1. Stylized facts

The “Starting a Business Indicator” of the Doing Business Index by the World Bank measures “the number of procedures, time, cost and paid-in minimum capital requirement for a small-to-medium-size limited liability company to start up and formally operate in each economy’s largest business city.” In Cameroon, the largest business city is Douala in the Littoral region. According to the Doing Business Index by the World Bank, Cameroon was ranked 104 across 190 economies in 2020. In other words, the country is among the worst countries in the world where starting up a business is easy for entrepreneurs. We observe the same trend from 2007 to 2020. The table below gives an overview of the situation:

Table 1. Ranking of Cameroon in Starting a Business across the globe

Starting a Business Indicator	Ranking (over 190 economies)
2020	104
2019	92
2018	122
2017	149
2016	137
2015	133
2014	132
2013	125
2012	128
2011	131
2010	174
2009	171
2008	160
2007	152

Source: authors (from the Doing Business Index Reports, 2007-2020).

1.2. Legal framework: OHADA Law and Cameroon’s Law

Cameroon is a member of the Organization for the Harmonization of Business Law in Africa (OHADA¹) since 1993. The country is one of the first signatories of the OHADA Treaty. The objectives of OHADA are double fold. First, promoting economic integration in (francophone) Africa. Second, attracting foreign investment in OHADA countries.



1 In Full – Organisation pour l’Harmonisation du Droit des Affaires en Afrique.

The Law that governs business creation in the OHADA Zone¹ was adopted in 1997. This Law was revised on the 30th of January 2014. According to the 2014 OHADA Revised Uniform Act on Companies, it is no longer mandatory that the registered capital of a private limited company shall be at least one million FCFA. In other words, the minimum capital of one million only applied in case there are no national laws that state otherwise. A kind of flexibility was given to member states through this reform as the minimum required capital in Cameroon is 100,000 FCFA.

Another innovation of the OHADA Revised Uniform Act on Companies is the creation/introduction of a Simplified Public Limited Company (SAS²) which can be created by one or several shareholders. It provides greater flexibility for contractual arrangements among shareholders. It was adopted as a solution for investors willing to adopt a flexible legal structure and limiting their liability to their capital contributions among others. Also, the Articles of Association freely lay down the amount of the registered capital and the face values of shares when creating a SAS.

Following the above-revised Act, Cameroon's authorities promulgated Law No. 2016/014 of 14 December 2016 setting the minimum registered capital

and the procedures for using the services of the notary in the context of creating a limited liability company (SARL¹). Indeed, Limited Liabilities Companies are the most common legal form of business entities found in Cameroon's entrepreneurial ecosystem.

Cameroon's 2016 Law brings two important measures. First, it lowers the minimum registered capital of the Limited Liability Company to one hundred thousand (100,000) Francs CFA. Second, it makes it optional to use the notarial deed for the establishment of a Limited Liability Company, for example, when the company is a single person or when its capital does not exceed one million (1,000,000) Francs CFA.

1.3. Evaluation of the various reforms

The above reforms have not yet permitted an increase in the creation of Limited Liability Companies. Instead, in Cameroon, the majority of people seem to prefer "Etablissements" rather than "Limited Liability Companies" or "Public Limited Companies". Companies called "Etablissements" already benefit from simplified withholding tax – with turnover below 10 million Francs CFA, the same threshold as the Limited Liability Companies.



1 Members states of the OHADA Zone include: Democratic Republic of Congo, Central African Republic, Gabon, Cameroon, Chad, Niger, Republic of Congo, Equatorial Guinea, Togo, Benin, Niger, Burkina Faso, Ivory Coast, Guinea, Guinea Bissau, Senegal, Mauritania, Mali.

2 In Full – Société par Actions Simplifiée

1 In Full – Société Anonyme A Responsabilité Limitée.

The Graph below gives us a depiction of the current situation in the country:

Graph 1: Companies creation in Cameroon (LLC versus other forms)



Source: OHADA and IFC Report 2018 (Data from APME¹ Cameroon).

From the graph above, we can easily observe that the number of newly registered “Etablissements” is fast growing while the number of newly created Limited Liability Companies is low in comparison. This might send out positive information about the dynamism of entrepreneurship in the country. But there is a problem associated with “Etablissements” as they usually describe a high degree of informality in an economy.

Also, it is still difficult to understand why the OHADA Revised Uniform Act on Companies prohibits spouses from being partners in a private company.

Indeed, according to Article 9, spouses are prohibited from being partners in a company in which they will be indefinitely or jointly and severally liable for the company’s debts (e.g. private company).

Moreover, it is also difficult to understand why French companies have the possibility of bringing their lawyers to defend their existing companies in the OHADA zone; and OHADA members are not allowed to bring their lawyers before French jurisdictions to defend OHADA companies. In other words, the OHADA Law is non-reciprocal at this level.

¹ The SMEs Promotion Agency in Cameroon. In Full – Agence pour la Promotion des Petites et Moyennes Entreprises.

1.4. Documents required to open a business (LLC) in Cameroon

The number and the cost of the required documents to create a company are important. For example, according to the authorities (APME, Ministry of SMEs and the Center for Enterprises Creation Formalities¹) citizens willing to create a Limited Liability Company should provide the Center for Enterprises Creation Formalities with the following documents:

- a. **05+N Copies of Articles of Association; N= number of shareholders;**
- b. **05+N Copies of Declaration of Conformity;**
- c. **02 Attestation of Non-Conviction of each shareholder and manager;**
- d. **01 Photocopy of ID card of shareholders;**
- e. **01 Photocopy of ID card of the manager;**
- f. **01 Localization Plan of the company;**
- g. **01 P.O. Box Address;**
- h. **01 Phone Contact;**
- i. **Creation Fees: 41,500 Francs CFA;**
- j. **Legal Announcement: 13,125 Francs CFA;**
- k. **Fiscal Fees (1000 Francs CFA per page of the Articles of Association).**

The Center for Enterprises Creation Formalities usually responds within 72 hours by delivering the company registration and the Tax Payer ID to entrepreneurs. But in practice, this exercise can take more than 72 hours.

From the above description, it is obvious that given the alarming poverty level in the country, any young entrepreneur or project holder will find it difficult to satisfy the above conditions plus the minimum required capital (i.e. 100,000 Francs CFA).

Therefore, the cost of complying with these obligations (producing legal documents) acts as an entry barrier for many aspiring entrepreneurs. That is why the majority of them prefer to go for "Etablissements" and avoid dealing with eventual hassles related to the creation of an LLC.

1.5. Regulatory and fiscal repression

As shown by Kakdeu (2019)¹, the image of Made in Cameroon is still negative and many consumers still consider importation as a guarantee of good quality. A lack of investment in the promotion of local products and entrepreneurs is the cause of this lack of awareness necessary for business take-off. Added to this is the persistence of price control mechanisms despite the liberal option chosen in the 1989 law. The country still practices the concept of price approval defined in Article 2 of Ordinance No. 72/18 of October 17, 1972, on the general price system. In reality, it is the approval of the prices offered by the economic operator who has the obligation to justify any increase. Article 4 (c) speaks of a deposit of scales or tariffs with prior approval or not from the administration. This practice reduces suppliers' incentives to expand their offer, thereby reducing the depth of the market. The state mistakenly believes that it can control prices to save purchasing power. However, it is rather necessary to increase the supply to hope to see prices lowered. Better still, the positive externality would be the fight against global underemployment and poverty, the rates of which in 2015 were 69.6% and 37.5% respectively according to the National Institute of Statistics (NIS).

The rigidity of regulations on aspects such as standardization is a burden that weighs heavily on young companies and prevents them from growing or simply from coming and surviving on the market. Compliance with standards is costly to companies and constitutes an additional drain on their time and resources.

Many companies are handicapped by the standards imposed on them despite the existence of less stringent requirements from their customers. Worse, we observe that most of the innovations are subject to authorization or homologation before marketing, which is a form of closure of the market and public space.

¹ Cameroun : pourquoi la survie des entreprises est-elle menacée ?, link : <http://www.libreafrique.org/Kakdeu-entreprises-camerounaises-en-danger-200519>

¹ In Full – CFCE: Centre de Formalité et de Création des Entreprises.

For example, a young entrepreneur who invents a simple oximeter to allow patients to measure their blood pressure independently must submit his product to the authorization of the Ministry in charge of public health. To transform seasonal fruit into organic fruit juice, you must undergo a series of costly certifications. The Tanty brand, one of the few taking off in the food industry in the country, had preferred to close its peanut oil production line rather than invest in standardization. The problem is not the rejection of the standard but the lack of flexibility and support procedures favorable to the growth of companies. As it stands, employers through GICAM estimate the pressure on companies at 57.7% of their results, which remains very high.

1.6. Corruption and instability of the legal framework

The tax burden on companies exacerbates fraud and pushes them to choose between taking refuge in the informal sector or going bankrupt. In 2020, the informal sector still represented more than 90% of the economy, which means that only 5 to 10% of businesses were subject to the tax burden of the state. According to the NIS (year), more than 2.5 million informal production units (UPIs) were operating on Cameroonian territory in 2011.

To deal with the unfair competition from these UPIs, 49% of formal businesses admitted to having used fraud and corruption of tax officials according to the Doing Business. For 20 years, Cameroon has remained in the hit parade of the most corrupt countries in the world according to Transparency International. The situation is exacerbated by the instability of the finance law. Not only does it change every year, but new business charges are unpredictable. For example, on April 24, 2019, the Minister of Finance made the decision n° 00000262 / MINFI / DGD to increase the customs fees on certain imported products. Whatever interpretation one may make of it in terms of opportunity or threat, the timing in the middle of a fiscal year is indicative of the level of instability in the legislative environment. However, this instability obliges companies to remain in a 'short-termist' logic not favorable to investment. Thus, a project which is profitable with a finance law of year N can become unprofitable in N + 1, which puts businesses in difficulty. In short, starting a new business in Cameroon inevitably requires a more favorable business climate characterized by intelligent regulations, non-punitive taxation, and a legal and political framework securing people and goods to promote market density, and hence the sustainability of Cameroonian companies.

Chapter 2

GOVERNANCE ASPECT: ARE BUSINESS CREATION STRUCTURES FULLY OPERATIONAL?



In terms of business creation, the quality of governance applied by State institutions remains a significant prerequisite for promoting the emergence of efficient, effective and sustainable enterprises that contribute to the well-being of society by creating wealth, generating jobs and providing solutions. For the past few years, the Cameroonian government has been working to introduce several measures to allow an environment more conducive to business creation. Between the establishment of institutions to facilitate business registration and the reduction of time and costs, significant progress can be noted. However, some improvements are still needed in the measures applied to companies in Cameroon, especially since around 3 million of them are today in the informal sector for various reasons. This section is an evaluation of the State systems of current governance enforced when creating businesses.

2.1. The legitimacy of business creation procedures in Cameroon

In the area of public governance, the legitimacy of the governing bodies remains an important prerequisite for the fluidity of relations between the actors and therefore, a climate favorable to the smooth running of businesses. We are in Cameroon in a system still dominated by Jacobinism¹. The entrepreneurial spirit is not preponderant in the policy of the government which is rather engaged in promoting “special” recruitment in the public service. Since 2011, massive «special recruitment» in the public service has been the workhorse of the government. The interest in creating businesses is only perceived in the sense of job creation (bureaucracy). From year to year, the Cameroonian government touts the number of jobs created and not the creators of these jobs. Consequently, many citizens still expect to be «employees» and very few expect to become «employers».

By legitimacy of the governing bodies, we also mean the principle of least constraint². When applied to the context of starting a business, it could be compared to ensuring the least possible obstacles when a business is set up by an individual. The legitimacy of the procedures also raises the question of the trust placed in the institutions of the republic in charge of managing the private sector³. It is in fact up to the governments to be able to reconcile the sometimes contradictory interests of the governing bodies with those of the creators of wealth that are the companies, to establish a lasting relationship of trust⁴. This requires the implementation of flexible measures favorable to a good business climate.

In this sense, Cameroon has made significant progress since 2010 with regards to the time required when setting up a business. The Business Creation Formality Centers (ECFCs) have reduced the official registration deadlines from 90 days to 72 hours⁵.

¹ It means the rule of one man or an elite to govern on behalf of the general good that may correspond to the supremacy of the legislature or the supremacy of one man. Or the government in which one man speaks on certain vital national issues for the will of all. Jacobinism has been also used to uphold central governance—the centralized French “administration,” speaking for the interests of all.

² Voir les Cinq principes généraux de la gouvernance, Centre national de la fonction publique territoriale, <https://www.fun-mooc.fr/c4x/CNFPT/87002/asset/cinq-principes.pdf>

³ Les principes de la gouvernance au 21e siècle, Fondation Charles Leopold MAYER, http://www.alliance21.org/fr/proposals/finals/princgov_fr.pdf

⁴ Légitimité du dirigeant et performance de l'entreprise, Centre de ressources en économie de gestion, https://creg.ac-versailles.fr/Legitimite-du-dirigeant-et-performances-de-l-entreprise_2020

⁵ Créer une entreprise au Cameroun: Tout savoir, Article Wikicrea-Cameroun, <https://www.creerentreprise.fr/creer-une-entreprise-au-cameroun/>

However, several other aspects remain to be improved to further streamline the business creation process in Cameroon. Those ECFCs are not generalized to the rest of the country. Therefore, the deadlines to create a business has changed only in 4 cities. This is less than 10% of the main cities in the country. It means that the impact is still limited.

2.2. Sometimes superfluous and unfounded documentation

The concentration of all the registration procedures in one point « ECFC » also called « Guichet unique » has certainly made the registration procedure less tedious for entrepreneurs, but the volume of documents to provide when registering a business remains the same. The problem of red tape, therefore, remains until today, an element always so discouraging for many entrepreneurs. This raises questions about the very relevance of the documents required when setting up a business.

For example, for a sole proprietorship, obtaining an Attestation of Registration in the Trade and Credit Register (RCCM) is subject to the establishment of a plethora of official documents, namely:

- A stamped application
- A copy of the birth certificate
- A photocopy of the wedding certificate if applicable
- A sworn statement forming an integral part of the single signed form of the applicant and certifying that he is not subject to any ban on carrying on business / an extract from the criminal record (a foreigner must also provide an extract from the criminal record by the authorities of his country or any other document in lieu thereof)
- A declaration on honor forming an integral part of the single form attesting to the residence of the applicant;
- In the event of acquisition of a fund or lease management, a copy of the act of acquisition or the lease management act;
- A copy of the title deed or lease of the main establishment, if applicable
- A location plan signed by the applicant

Apart from the problem of the density of the documentation to be supplied and the red tape which comes to this level, the usefulness of certain documents appears to be seriously questionable.

First, the photocopy of the wedding certificate required when the file was created. It seems difficult to establish a direct link between an individual's marital status and his ability to manage a business. This is even more questionable in a Cameroonian context where free unions have multiplied not only because of the modernization of the society but also and above all because of the economic difficulties that the country has known for more than 20 years ¹. Worse still, if this provision concerns married women, it would be regrettable if the husband's authorization was required to judge the advisability of the woman to start a business. One would be tempted to ask whether an unofficially engaged individual is incapable of running a business effectively. The civil status act remains a serious obstacle to the legalization by some small entrepreneurs of their business because of the cost that can generate it. It would be wise to put aside such an element in the constitution of the file of the creation of businesses.

In the same vein, the extract from the criminal record as part of the file also seems to be an important caveat. According to article 47 paragraph 4 of the Uniform Act relating to the general commercial law of OHADA², the extract from the criminal record is a legal obligation for each entrepreneur when registering his business in the register of trade. . It is a file that contains the criminal convictions that an individual has already shown. And according to the same OHADA act, «No one may exercise a commercial activity, directly or through an intermediary if he has been the subject of a conviction for a crime of ordinary law» (Article 10).

It is a sanction that can only be lifted after a request to the court which pronounced the prohibition and this after at least five years after the prohibition to practice has become final (Article 11) ³.

1 See <https://www.afrik.com/cameroun-mariage-collectif-a-la-mairie-de-douala>

2 Official journal of OHADA, <https://yaounde.eregulations.org/media/OHADA%20-%20AU%20Droit%20commercial.pdf>, 2011

3 Idem

These provisions are bureaucratic and seem to be a major obstacle to the possible retraining of innovating ex-prisoners into entrepreneurs. The prerequisite establishing legitimate public governance remains the reduction or even the removal of obstacles linked to the free enterprise of all citizens, which is not the case with the limitations applied to certain categories of individuals. On the contrary, it would be interesting to make it more flexible or to introduce special incentives for the procedures for setting up businesses for ex-prisoners or returnees to assure their social integration.

2.3. Relationship between the private sector and regulatory bodies

The events of the beginning of 2020 between certain institutional bodies and companies in the private sector are an indicator of the deleterious climate that currently reigns between the State and the private sector in Cameroon. In a letter addressed to the President of the Republic on January 14, 2020, the president of the Inter-Patrimonial Group of Cameroon (GICAM) speaks of a «consummate break between the Director-General of Taxes and businesses». He accuses the latter of «undermining relations between the state and the private sector, of ignorance of the realities of the business but also of the inability to conceive a fiscal policy¹». This climate of constant jousting between the most representative organization of the private sector in Cameroon and a key body such as the Directorate General of Taxes (DGI), seems to have serious consequences such as the closing of businesses which are multiplying (2316 businesses closed between 2009 and 2016)², or their entry into informality to avoid excessive tax pressures.

According to the Director-General of « Entreprises du Cameroun » (ECAM), 80% of Cameroonian companies close after only 2 years of existence and this is because of the abundance of taxes to which they are subject but also because of the amateurism of certain leaders³.

When we know that governance is legitimate if it is exercised effectively by trustworthy leaders¹, we can affirm that the management of the private sector in Cameroon needs authorities moved by the perpetual search for a common objective, namely economic growth, which unfortunately does not seem to be the case today.

2.4. The rule of law in the process of setting up a business

In general, it requires the application of the rules of law, impartiality, equity or even respect for the rights of everyone. In Cameroon, however, certain measures that are taken to facilitate the procedures for registering companies are beset by many bottlenecks, mainly in terms of the application of legal rules. As an illustration, the ministerial circular of May 30, 2012, delegated the signing of the Chief Registrars in the courts, to registrars serving in the ECFC, to facilitate the registration of companies in the Trade and Credit Register (RCCM). However, this measure remains difficult to apply due to the refusal of certain Chief Registrars to delegate their signatures, further complicating the procedure for setting up a business in 72 hours at the level of ECFCs and reducing their colleagues assigned to them to mere 'brokers'. This way of operating in defiance of the legal framework harms the diligence in the process of creating businesses in Cameroon and requires adequate repression measures, which is still not the case.

Another aspect that seems to point out the lack of equity in the process of business creation in Cameroon is the duration of creation time in rural areas which is relatively long compared to that in urban areas. It is true that in a rural context, the typology of businesses has been adapted to the context of surrounding poverty. Because in reality, 90.4% of the poor populations of Cameroon are housed in rural areas².

1 The incident between the General Directorate of taxation and GICAM had been massively reported by several written press, <http://www.cameroon-info.net/article/cameroon-colere-le-president-du-gicam-denonce-le-directeur-general-des-impots-chez-paul-360801.html>

2 Situation des entreprises au Cameroun, Actu Cameroun, <https://actucameroun.com/2019/11/18/situation-des-entreprises-au-cameroun-2%e2%80%89316-entreprises-sur-6%e2%80%89458-fermees-entre-2009-et-2016/>

3 Investir au Cameroun, novembre 2015, <https://www.investiraucameroun.com/entreprises/1611-6892-80-des-entreprises-creees-au-cameroun-disparaissent-au-bout-de-2-ans-selon-le-dg-d-ecam>

1 Les principes de la gouvernance au XXIe siècle, Fondation Charles Léopold MAYER, Op.cit.

2 Business in Cameroon, December 2018, <https://www.investiraucameroun.com/gouvernance/1212-11865-au-moins-8-millions-de-camerounais-vivent-en-dessous-du-seuil-de-pauvrete-avec-moins-de-931-fcfa-par-jour>

Consequently, the State has decided to give priority to the collective property by focusing on cooperatives¹ all the more so since the majority of the populations live there on agro-pastoral activities. However, the duration of the creation of cooperatives which is 3 months appears long and needs to be reduced, as well as the voluminous documentation which is required there. For example, during the second stage of the registration process, a written request addressed to the head of the tax center is required in the constitution of the file for obtaining a certificate of registration in the Register of Cooperative Societies. This measure can prove to be an obstacle when it is known that rural farmers have no account books and that the literacy rate is very often low in rural areas. The third general population census indicates 30.7% in the Far North, 35.2% in the North and 42.2% in Adamawa for example. The business creation process should be further simplified for rural entrepreneurs.

2.5. Lack of transparency, responsibility, and accountability

The E-regulations service is one of the most remarkable advances in recent years to promote the creation of businesses in Cameroon. Proposed by MINPMEESA, it aims to facilitate the procedures of entrepreneurs and investors who wish to develop economic activity in Cameroon. This service, the first window of which, MyBusiness.cm, was launched on May 19, 2016, in Yaoundé, has improved administrative transparency and the quality of service offered to economic operators.

Cameroon thus became the first OHADA country to offer an online business creation system². However, the platforms are more explanatory. It would be interesting to accompany them with a method of payment of direct taxes by Mobile Money or Mobile Banking systems, with traceability allowing the investor to be informed of the routing and the usefulness of its funds.

Also, there is so far no formal and available audit report from institutions like the CFCE. And the information on tax revenue management at the level of the DGI remains opaque and not accessible to companies. The provision of information on online one-stop-shopping platforms tends to be more exhaustive on the many taxes that must be paid at the expense of the benefits that the entrepreneur could gain by registering formally.

Another striking observation is that the availability of the main CFCE website is not functional. The fact that it is constantly under maintenance limits the possibility for potential entrepreneurs to have access to key information that can determine their willingness to initiate a regularization procedure. Moreover, when the website is accessible or tends to be functional the available services only cover three towns: Yaoundé, Douala, and Garoua¹.

2.6. Lack of effectiveness and efficiency of the procedures

This principle requires that the devices be adapted to the aims pursued. The establishment of ECFCs, also known as « Guichet Unique » in 2010, made it possible to group all administrative procedures in one geographic location.

Only, these structures present enormous operating difficulties: hence,

- The reluctance of some authorities to decentralize some of their powers or the delegation of some of their powers. For example, the refusal of certain court clerks to submit to new measures that may facilitate the registration of businesses. Attitudes so far not sanctioned by the government.

1 Agriculture in Cameroon, <https://www.agricultureaucameroun.com/2019/07/comment-creer-gic-cooperative-cameroun.html>, July 2019

2 <http://news.businessfacilitation.org/fr/mybusiness-cm-creer-son-entreprise-en-ligne-au-cameroun/>

1 See <https://cfce-cameroun.cm/>

- Despite the introduction of the online registration procedure (E-regulations), the operation remains unstable despite the internet penetration rate that the « Agence pour la Régulation des Télécommunications » (ART) puts at 34.7%¹. The fiber optic installation project in Cameroon seems to be a real obstacle. Despite funding by the World Bank of 30 billion FCFA for the realization of this project for 3 years, only 15% of the installation works were carried out on the whole Cameroonian territory, thus affecting a considerable part of the wealth creation process via online platforms². The internet connection is therefore not available in all ECFCs and does not always allow for speed in the processing of files.

- Electricity coverage in Cameroon is inequitable from one area to another. Certain areas, especially urban ones, are 95% covered while the rural environment barely benefits from 22% coverage (East Cameroon, North and the Far North among others³) This considerably limits the functioning of ECFCs in these areas and therefore the creation of businesses. The lack of an alternator does nothing to fix things, coupled with a glaring deficit in computer equipment.

Another questionable situation is that in 10 years of existence of ECFCs, there are only 5 effective centers out of 10 regions in Cameroon, namely the CFCEs of Yaoundé, Douala, Bafoussam, Garoua, and Bamenda. When we know that the establishment of these Centers enabled the creation of 8,280 new businesses in 2017⁴, we wonder why their presence is not yet extended to other regions of Cameroon. The procedures for setting up businesses should be outsourced to the municipal level to make it easier for rural entrepreneurs to invest, with tax rates suited to the cost of living in these regions.

1 Article journal du Cameroun, November 2018, <https://www.journal-ducameroun.com/cameroun-3564-de-taux-de-penetration-de-linternet-rapport/>

2 Fibre optique: Pourquoi ça coince?, Actu Cameroun, January 2020, <https://actucameroun.com/2020/01/03/fibre-optique-pourquoi-sa-coince/>

3 Cameroun-Electrification Rurales, Actu Cameroun, August 2017, <https://actucameroun.com/2017/08/11/cameroun-electrification-rurale-217-de-localites-couvertes/>

4 Cameroun: Plus de 8000 entreprises créées durant le premier semestre cette année, Septembre 2017, <https://actucameroun.com/2017/09/10/cameroun-plus-de-8-000-entreprises-creees-durant-le-premier-semestre-de-cette-annee/>

2.7. Inclusion or partnership between actors

As far as decision-making is concerned, the Cameroonian State has been trying since 2009 to give voice to companies in the private sector through constant meetings. This is what led to the creation of the Cameroon Business Forum (CBF), a public-private dialogue mechanism set up to work to improve the business climate. The CBF was created by the government in January 2009 as part of the reforms aimed at involving the private sector, which is the engine of economic growth and the main source of jobs, to allow Cameroon to reach its objective of becoming an emerging economy by 2035. In 2017, 16 of the CBF's recommendations out of 25 were implemented, including the establishment of a system for transmitting electronic receipts at the level of the management of large companies and taxes for medium-sized enterprises, as well as the legal framework for the dematerialization of public procurement procedures¹.

However, the state seems to remain deaf to calls for lower taxes by the private sector. The 2020 finance law contains increased taxation for many businesses, namely an increase to 36% of wood exported in logs, 25% of taxation on video game consoles and machines and 50% on cosmetic products containing hydroquinone².

We can see there the will by the State to combat certain practices such as exports, leisure or even depigmentation of the skin, but it is also a means of keeping local businesses operating in this sector, in the informal sector. How can the State tax innovation? Maintaining informality has as its direct consequence the absence of quality controls on the products delivered by these companies and therefore the increase in social dangers that these imply.

1 Business in Cameroon, February 2020, <https://www.investiraucameroun.com/climat-des-affaires/1303-10438-le-gouvernement-camerounais-va-reformer-le-cameroun-business-forum>

2 La loi des finances 2020: Enjeux et controverses, Camer.be, December 2019, <https://www.camer.be/78254/30:27/cameroun-la-loi-de-finances-2020-enjeux-et-controverses-cameroun.html>

It would be rather interesting to liberalize the cosmetics market or even tourism and leisure, which are sectors with high growth potential. The cosmetics sector in Cameroon is growing by 10% per year ¹, while the leisure sector, for example, generated tax revenue of more than 560 billion in 2016². Taxation should be reduced there to encourage the creation of businesses in this sector.

In conclusion, the management of enterprises in the private sector by the State is still encumbered with a multitude of governance measures which it is important to relax, to considerably improve the process of business creation in Cameroon.

« The Cameroonian State has been trying since 2009 to give voice to companies in the private sector through constant meetings. »

¹ Les secteurs a industrialiser en Afrique, AfrikaTek, February 2020, <https://www.afrikatech.com/fr/entreprendre/les-secteurs-a-industrialiser-en-afrique-le-secteur-de-la-cosmetique/>

² Cameroon-info.net, April 2017, <http://www.cameroon-info.net/article/cameroun-le-secteur-touristique-a-generer-560-milliards-de-recettes-en-2016-285681.html>



Chapter 3

GENDER ASPECT: IS BUSINESS CREATION FREE AND EQUAL FOR WOMEN?



In Cameroon, women constitute a relatively large potential and workforce; more than half of the population (50.5%). They provide almost all of the food products intended to feed many populations in urban areas. Indeed, for women working in both the formal and informal sectors, in rural and urban areas, the creation and development of businesses is an effective way of achieving their autonomy. Numerous income-generating activities and multiple projects carried out by women help to increase the country's national wealth while creating jobs that contribute to the development of women and the family. The African Development Bank (AFDB) and the International Labor Organization (ILO) report (2009) shows the proportion of female-headed households at the urban (22.4%) and rural (14.5%) levels. Besides, the contribution to family life is important because around 73.55% of them (from 15 to 49 years old) cover at least one household expense, compared to 61.84% of men even though the sources of income remain the prerogative of men. Despite this proven dynamism, the economic situation of women remains fairly precarious. Why? We will examine the advances made in the status of women by the Cameroonian government and focus on the bottlenecks that persist and which harm female entrepreneurship. Finally, we will make concrete proposals on the measures to be taken by the Cameroonian government to improve the condition of women in business.

3.1. Some advances by the Cameroonian government

To give women entrepreneurs the same chances of success in business as men, the Government has opted for an action based on three axes ¹:

- » The definition of an institutional framework for the promotion of female entrepreneurship;
- » The promotion of education and vocational training for women;
- » The multifaceted support for women entrepreneurs.

3.1.1. The institutional framework for the promotion of female entrepreneurship

The first action was the creation in 2004 of a Ministry in charge of Women Empowerment and the Family. One of the missions was to ensure the increase of guarantees of equality about women in the political, economic, social and cultural fields. To this end, the following actions have already been undertaken:

- Development of the national policy for female entrepreneurship: The Government of Cameroon signed in October 2014 the Country Program for Decent Work (PPTD) to promote decent work for all. It is at the level of Priority 1: «Increasing opportunities for decent jobs and promotion of Income Generating Activities (IGA) especially for women, young people and vulnerable groups» that the implementation of the National Action Plan for the Development of Female Entrepreneurship (PANDEF) developed by the ILO and included in the PPTD has been planned. This is about «Promoting a new generation of more dynamic and more numerous female entrepreneurs capable of running sustainable businesses for decent jobs that are conducive to growth, to get out of poverty».



1 These data are from the Ministry in charge of the Promotion of Women and the Family (MINPROFF).

- Development of the support program for the promotion of female entrepreneurship (PAPEF): The Ministry of Finance, in collaboration with all stakeholders in the sector, has drawn up a National Strategy Document for Inclusive Finance adopted in 2013, intending to reduce poverty significantly and lastingly through the provision of basic financial and banking services at low cost for consumers in difficulty and excluded from traditional financial services, especially women and young people, thus enabling them to improve their working conditions through access to financing for their activities. MINPROFF thus developed a project to improve women's access to financial services because, in Cameroon, more than 92% of Cameroonian women work in the informal sector. This is the Support Program for the Promotion of Female Entrepreneurship (PAPEF), a funding mechanism for women's income-generating activities (IGAs)
- Implementation of the gender and women's economic empowerment project (PGAEF) in the Transport Sector Support Program, Phase I: Development of the BATCHENGA - NTUI - YOKO - LENA Road: This program takes into account the problem of inclusive growth through the implementation of a major economic and social development project in the project area of influence, through related activities including the development of rural roads, bus stations, market hangars, and specific activities for the benefit of women and young people.
- Connection of women and family centers (CPFF) to the internet: A partnership agreement between MINPOSTEL and MINPROFF, to connect the various CPFFs on Cameroonian territory, was signed on July 31, 2015.
- It aims to facilitate access to information for the learners of these structures and those around them on government actions and economic opportunities, to exchange knowledge, skills, and attitudes of the modern world, to have fun and thereby improve their living conditions.
- Setting up digital houses: digital rooms with computers, tablets, servers, allowing women to be trained in the mastery of the computer tool, to use it in the management of Income Generating Activities (IGAs). It is about reducing unequal access to ICTs and enabling as many women as possible to link up with the digital economy. This project is framed in Cameroon by an Agreement signed between MINPROFF and ORANGE-Cameroon.
- Central African Backbone (CAB): The arrival of the Central African Backbone (CAB) project aims to provide the CPFFs placed along road projects financed by the AfDB with TCPs (Polyvalent Community Telecentres) for their equipment in computer equipment, solar energy, and design support, the implementation of training programs (ICT, Entrepreneurship, etc., and monitoring/evaluation of the project. At the national level, this project is coordinated by MINPOSTEL and financed by the AfDB.
- The 5by20 project: This concept is the fruit of the MINPROFF-UN-women-Coca-Cola partnership. The initiative aims to support more than 5 million women entrepreneurs by 2020. Women are trained in financial management, with the key, certificates, and kits of Coca-Cola products, for the promotion of self-employment.

Other ministries and institutions also have an entrepreneurial component where women are not excluded. It is about:

- *the Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicrafts (MINPMEESA) which implements the national policy for the development of this sector;*
- *the Ministry of Industry, Mines and Technological Development (MINIMIDT) whose support relates to the assistance, advice, monitoring, and supervision of promoters;*
- *the Ministry of Agriculture and Rural Development (MINADER) which provides technical support to women's agricultural activities;*
- *the Ministry of Commerce (MINCOMMERCE) which assists women in organizing trade trips and exports and imports;*
- *the Ministry of Livestock, Fisheries and Animal Industries (MINEPIA) which supervises producers of animal proteins and to boost this production;*
- *the Ministry of Forestry and Wildlife (MIN-FOF), which involves women in logging while highlighting their contribution to sustainable forest management;*
- *the Ministry of Industry, Mines and Technological Development (MINIMIDT) which supervises women in mining;*
- *the Ministry of the Environment and Nature Protection (MINEP) through the popularization of improved stoves program;*
- *the Chamber of Commerce, Industry, Mines and Crafts and the National Investment Company (SNI) who support entrepreneurs in their mission;*
- *Technical and Financial Partners (PTF) like the ILO which financed a study on the implementation of the Support Program for the Economic Promotion of Women (PAPEF) and developed the National Development Action Plan of Female Entrepreneurship (PANDEF). All these actions in favor of women in general and the promotion of female entrepreneurship, in particular, have as their postulate the operationalization of the National Gender Policy Document. We can also quote civil society activities like those of the Buy and Sellam Association (ASBY) in the promotion of women's activities through fares.*

3.1.2. The promotion of education and vocational training for women

To resolve gender imbalances in education and training, positive discriminatory measures are implemented, such as:

- the allocation of scholarships and incentives to encourage girls in scientific and technical fields;
- the awarding of prizes to the best female pupils for the continuation of their studies; sensitizing communities on non-discrimination in the education of young girls;
- the proliferation of technical and vocational education schools;
- The creation of Appropriate Technology Centers (CTA);
- The creation of Women's Promotion Centers, 94 of which are currently operational.

Several other projects and programs have been set up for the economic advancement of women with the support of bilateral and multilateral cooperation and international women's organizations, such as the Association of Women Entrepreneurs (FCEM) or the Cameroon - Senegal Female Entrepreneurship Forum (FEF).

In 2017, the Cameroon Women Business Leaders Association (CWBLA) had been created in the same vein to obtain facilities for women in business. The Cameroonian government has created a framework favorable to the emergence of micro-finance institutions that constitute the most appropriate channels for women because they adequately meet their needs. This framework is illustrated by the declaration of the National Microfinance Policy which was adopted by the Government on April 10, 2001.

3.2. The bottlenecks in the promotion of female entrepreneurship in Cameroon

3.2.1. Lack of operationalization of the existing institutional framework

The first bottleneck observed is the lack of operationalization of the existing institutional framework. Many things are provided for in the text, but little is achieved. There is a gap between what is planned and what is done. For example:

- The 5by20 project launched in 2017 in Cameroon to support more than 1000 women entrepreneurs is not operational. The first phase concerned the cities of Yaoundé and Douala. It was expected to gradually spread to other cities. As it is often the case in Cameroon, the launching took place but, the implementation did not follow.
- A national action plan for the development of female entrepreneurship had been drawn up for the period from 2010 to 2014. At the time of the review, we can see that the activities were not effective and that the expected results have not been achieved. For example, the only priority within the framework of this plan was « the promotion of the establishment of an institutional and legislative environment that is incentive and favorable to the implementation of policies and strategies for the economic strengthening of women capable of initiating and to manage growth-oriented businesses that generate decent jobs and sustainable income ». Between 2010 and 2014, such an institutional and legislative environment was not put in place.
- The internet connection of Women and Family Centers is not operational. According to the Orange Foundation, only 18 Digital Houses have been implemented to date out of a potential of 94 CPFFs created.

All these help to show that the actions of inclusion of women in business or the digital world have had only a very limited impact and that it is necessary to focus on the operationalization of existing programs.

To show its political will, the government can, for example, increase the budget of the ministry in charge of women empowerment and the family. The definition of a national policy is ineffective without the means for its implementation. Also, the government must work to speed up the legislative process. For example, two major bills have been sleeping in government drawers for several decades. These are the Family Code Bill and the Land Code Bill. The two Bills are important for the promotion of female entrepreneurship since one must once and for all define the status of women as being equal in law and duty.

3.2.2. Lack of economic, financial, material and intellectual resources

Carrying out income-generating activities, women are frequently confronted with a lack of economic, financial, material and intellectual resources constantly reducing their daily development. In Cameroon, only 9% of women had access to loans according to the data of both AfDB, Minproff and ILO. Also, 89.5% of female businesses were unable to access credit at the market rate. Besides this financial obstacle, Cameroonian women would not have the information necessary for better exploitation of commercial opportunities and business success. Almost 50% of the women did not know the conditions for granting credit (formal status, commercial register, basic training, personal contribution, business profitability, collateral guarantees, etc.).

Cameroonian women entrepreneurs do not ask for formal support structures. Two reasons explain this: the prejudices (gender stereotypes of society) and the lack of guarantees required. It demonstrates the place occupied by informal structures in the process of accompaniment when starting activities.

These informal ways of financing a business are first of all the family, followed by friends and the spouse or local relational network. Membership in associations allows them, thanks to the tontines (savings club), to have borrowing facilities. Also, the practice of usury, despite being prohibited, remains a habit of Cameroonian entrepreneurs.

Cameroonian women are sufficiently represented in services and more in the traditional agricultural sector, as they live mainly in rural areas. But, there is an imbalance of their representation in the industrial sector where they are almost non-existent. According to the report on the Cameroonian population in 2010 from the Directorate of Statistics and National Accounts, the illiteracy rate is 45% among women against 25% among men. The same study shows that the unemployment rate is 60% for women against 23% for men. Women often have good business ideas, but they do not always have the intellectual resources to implement them. Until now, the masculinity rate is high in Cameroon. Almost 67% of persons in society continue to think that the place of women is in their home and that girls have to learn household tasks. The absence of basic education goes hand in hand with the exacerbation of exclusion. This specific point has to be addressed. Setting up a policy is not sufficient. A budget should be assigned to this.

The insufficiency or lack of means of production, especially raw materials, tools, and equipment, is also a problem often raised by women entrepreneurs. We also have the difficulty of access to training, which can be explained in part by the fact that it has never been considered as an investment in business development and sustainability, but rather as an operating expenditure. This is also a problem of mentality.

3.2.3. Lack of psychological and cultural supports

The situation of women is a worrying subject because of its implication in the development of the entire society. Psychologically, it is believed that the feeling of marginalization in women leads to stress. This situation influences her personality and can affect the mental health of children. Besides, the female victim of discrimination and segregation at the workplace is more marked and develops an inferiority complex that can depersonalize her (Eyraud and Saget, 2005) ¹.

The traditional conception of women in her reproductive function is heavy (Bourdieu, 1998)¹ to the point of giving her a feeling of inferiority.

This situation pushes many women to step aside and leave the leadership positions to men. Thus, we observe the little interest of women in socio-political and economic activities, yet they constitute the bulk of the electorate. Women do not elect many women (whom they find incapable of competing with men), however, they could organize themselves to assume decision-making positions to move the lines.

Even if women wished to invest, patriarchy and masculinity would slow down their economic activity. The Cameroonian woman, despite real advances relating to her emancipation, remains entangled with social and cultural burdens. From their social condition and the realities linked to customs, women have limited access not only to land ownership and inheritance but also to the exercise of a certain class of activity. People (clients) do not see with a good eye, a woman exercising certain trades formerly devolved to men (transport, construction sector, mechanic, etc.).

It can be said that the Cameroonian woman remains the victim of a social structure largely favorable to men, in particular in matters of inheritance rights. These distorting elements are far from working for the better emancipation of the woman. We believe that the more stable women are in their use of sources of finance, the more the turnover of their company increases. We also believe that the more educated women are, the more profitable projects they carry out. Education is the best tool to fight against cultural barriers.

Besides these obstacles, which we would describe as exogenous because they are linked to the external environment, it is essential to highlight those which are linked to the very personality of the female entrepreneur. Brush and Gatewood (2008)² evoke a number of them such as the lack of self-confidence, the lack of determination, the lack of ambition which characterizes certain women entrepreneurs and especially the fact of resigning and thus destroying its entrepreneurial potential. The low level of business partnerships can be one of the reasons.

¹ François Eyraud and Catherine Saget, The fundamentals of minimum wage fixing, International Labor Organization, Geneva, 2005.

¹ Pierre BOURDIEU, La domination masculine, Paris, Seuil, 1998, coll. Liber, 134 p.

² Candida G. Brush and Elizabeth J. Gatewood. Women growing businesses: Clearing the hurdles. Business Horizons, 2008, vol. 51, issue 3, 175-179

Less than 10% of businesswomen are in association or business partnerships in Cameroon. They need to overcome this situation to find technical and financial partners necessary for a big investment like in industries. For the moment, women remain in small businesses. Reluctance or inability to take calculated risks are all problems that also hinder the development of their business.

3.2.4. Lack of legal support

We will conclude by the legal imbalance between men and women. In Cameroon, there are still some disparities between men and women in the active population and high inequality. For example:

-In terms of land acquisition, we observed that women are almost absent from the land registers. Although Ordinance 74-1 of 6 July 1974 guarantees, without discrimination, to any natural or legal person having landed property, the right to freely enjoy and dispose of it, in practice, the situation does not seem hardly favorable to women.

Consequently, women have fewer chances to access credits or the capital necessary for the development of their business because they do not have physical assets that can serve as guarantees for repayment of bank loans. Even if the Constitution of the Republic of Cameroon seems to be formally impartial on gender issues, it allows customary rights to prevail. Thereby, a woman will wait for inheritance issues: while the civil code recognizes a woman's inheritance vocation, custom prohibits her from being an heir.

- In terms of female status and the matrimonial property regime: Articles 213, 215, 220, 1421, 1428 of the Civil Code confer more authority and power on the husband concerning the administration of community property and inheritance. Legally, the husband can oppose the exercise by the wife of a job that would harm the happiness of the household. This opposition may in particular lead to the refusal to grant a commercial register (article 4 of the Commercial Code). The husband visa can be required even to open a company.

It can be seen that the marriage certificate is a document required in the constitution of the file for the creation of a business in Cameroon.

The OHADA Revised Uniform Act on Companies still prohibits spouses from being partners in a private company. Indeed, according to Article 9, spouses are prohibited from being partners in a company in which they will be indefinitely or jointly and severally liable for the company's debts (e.g. private company). Also, the Family Code, which provides for equality between men, women, and children, drafted over the past decades is still to be voted.

- The Investment Code can be favorable to sexual harassment. This Code also offers tax reduction incentives for registered businesses, under its regime. Unfortunately, to access it, the investor must produce at least eight documents and meet the tax authority to have its favor. The institution has to protect women and not sending her to meet people, especially men in their offices.

These negative aspects of the law can lead to demotivation or even to the choice of the informal sector. Lines have to move.

« The insufficiency or lack of means of production, especially raw materials, tools, and equipment, is also a problem often raised by women entrepreneurs. »

Chapter 4

TRADE AGREEMENTS: IS MARKET ACCESS FREE AND COMPETITIVE FOR ALL?



Cameroon is open to international trade. It is a member of the Commonwealth, of CEMAC (Economic and Monetary Community of Central Africa), of the Economic Community of Central African States (ECCAS) and has signed the African Continental Free Trade Agreement. Cameroon opted for a market economy on July 28, 1989, by Law No. 89/01. It had ratified the Marrakech agreement establishing the WTO by decree n°5/194 of September 26, 1995, and had instituted competition by law No. 98/13 of July 14, 1998. On July 18, 2014, the parliament of Cameroon adopted law No. 2014/013 authorizing the ratification of the Economic Partnership Agreement with the European Union. This had been done by presidential decree No. 2014/267 of July 22, 2014. This agreement entered into force on August 04, 2014, and tariff dismantling began on August 04, 2016. Besides, Cameroon also has trade treaties with countries such as Tunisia, Nigeria or China. The country has signed the agreement establishing the World Intellectual Property Organization (WIPO). Normally, the market is open and the structures of starting a business with protection of intellectual property are in place.

As a member of the CEMAC which includes Congo, Gabon, Equatorial Guinea, Central African Republic, and Chad, the country pays duties and taxes defined according to the Common External Tariff (CET). The applicable customs rates depend on the category to which the imported product belongs:

- basic necessities: category I, 0%
- raw materials and capital goods: category II, 10%
- intermediate and miscellaneous goods: category III, 20%
- everyday consumer goods: category IV, 30%.

The question is to know if all the companies have the same treatment in the market. The response is no, the reason being that Trade agreements are not fair and equitable.

4.1. Imbalance of the Trade Agreements

As discussed by Kakdeu (2016)¹, gaps exist between the EPA as formulated today and the principles of free trade. So if the free trade agreement is welcome, it must respect its philosophy and its essence.

However, the trade policy practiced by many foreign countries is rather akin to commercialism aimed at the enrichment of nations through a foreign trade tendentiously organized to dump its products on the Cameroonian market while maintaining internal protectionist measures. Free trade does not conceive trade as a power issue or a zero-sum game in which the gain made by one agent results in the loss of another agent. Rather, it is a positive-sum game in which each party freely develops its comparative advantage. In the EPA with the European Country, for instance, Europe wins the equipment market in which it outperforms Cameroon and neutralizes Cameroon's comparative advantage in agriculture, for example by non-tariff barriers (sanitary and phytosanitary standards, environmental, labor; the rule of origin, size of products, etc.) and subsidies.

1 Cameroon : Faut-il admettre les APE sans réserves ?, lien : <http://www.librefrique.org/kakdeu-APE-cameroun-180516>

On this subject, Paul Bairoch said that the Western world is «an ocean of protectionism»¹. There is a clear difference between free trade and this mercantilism in that the former is favorable to competition and merit, while the latter encourages the monopolies of multinationals and protectionism.

Free trade is not an «economic war» between nations. It does not favor the special interests of a few industries to the detriment of the general interest. For example, the EU used to devote 90 million euros (around CFAF 60 billion) per year in the poultry sector to the export of profitable chicken to a few multinationals to the detriment of the rest of the market actors. The EPA agreement does not exclude these subsidies generously granted to European companies and thus, represents a threat to free trade in Cameroon as it opens the way to unfair competition and dumping practices.

Better still, the EPAs are inspired by the practice of exogenous comparative advantage (already given by nature or geography, etc.), which, by its static nature, could justify the exclusion or non-participation in exchanges in the absence of an advantage to assert at a given time. So when the EPAs position Europe in the equipment market, it pretends that equipment companies cannot develop in Cameroon. Rather, Cameroon should be inspired by an endogenous conception of comparative advantage which supposes the development of competitiveness through a trial-and-error learning process. It is the practice which makes perfect!

The exogenous plan to modernize the Cameroonian economy with a view to the entry into force of the EPA, which was a kind of general subsidy to existing companies between 2014 and 2016, had not been activated. So much the better since it would have been necessary to replace these subsidies with targeted program-contracts (performance-based).

It should be said that the opening of the Cameroonian market must be gradual and conditioned by the effectiveness and the follow-up of these reforms guaranteeing the improvement of the business climate.

Also, free trade implies equal treatment in the market. Cameroon has also signed several agreements with other trading partners, including China and Nigeria, the country's largest and second-largest suppliers, respectively. For example, Cameroon and Nigeria signed a trade agreement on April 11, 2014, devoid of all non-tariff barriers and advantageous for cross-border trade (nearly CFAF 500 billion in trade volume in 2013). This makes the EPA deal, a kind of «fiscal dumping».

Indeed, free trade only works when there are transparency and free competition on the market: On December 10, 2015, the date of the holding in Yaoundé of an information seminar on the state of implementation of the EPA-Cameroon agreement, there was no precise information on the tariff dismantling in question. On the EU side, the draft common regime on rules of origin in the context of the EPA was not validated and it was impossible to know what «products from the EU» meant.

The EU suggested that the rules of origin applicable to its exports to Cameroon be those of the Market Access Regulation (RAM) 1528/2007, but they were obsolete concerning Regulation 1063/2010 / EC more recent and more advantageous to the Cameroonian economy.

In conclusion, Trade Agreements will only provide mutual benefit when it will observe the principles of free trade and use democratic methods in its implementation, which implies reforming the governance of these agreements. For its part, Cameroon should undertake reforms (rule of law, fight against corruption and rent, improvement of the business climate, etc.).

These reforms also concern the establishment of a laboratory for the sanitary control of incoming products. For example, in a press release dated April 21, 2016, the Ministry of Commerce ordered the withdrawal from the Cameroonian market of certain confectionery unfit for human consumption.

1 Paul Bairoch, *Mythes et paradoxes de l'histoire économique*, La Découverte, 1994.

These examples are legion and harmful to the economy and public health in Cameroon. Cameroon's trade balance is structurally negative, a trend that should continue. In 2018, the deficit in the trade balance reached CFAF 1,438.3 billion, almost the double of the situation in 2016. This worsening of the trade deficit is worrying and unfavorable for the creation of businesses in Cameroon.

4.2. An unfair economic policy and a counter-productive fiscal policy

In November 2018, the National Institute of Statistics (NIS) already announced a price increase of 10% on the national market: 0.8% in Yaoundé, 9% in Douala, 12% in the North West and South West, etc. For example, between May 2017 and May 2018, the price of grain increased by 23%. Some argue that this is highly desirable for boosting growth. What is it?

As shown by Kakdeu (2019)¹, advocates of rising prices argue that this is profitable for businesses because they could earn more, bypassing it on to the price charged to the end-user, for making productive investments. However, the reality is quite different, higher prices are not necessarily synonymous with higher margins for businesses and purchasing power for consumers. In this case, the price increase is the consequence of the tax burden and corruption felt in several sectors of activity.

In the 2018 finance law, the government had effectively acted favorably on their margins of brewing companies, for example by lowering the basic duties on the raw material, which had enabled them to increase their share of the order on the local market.

For example, Guinness Cameroon had increased its local sorghum order from 4,000 tons in 2017 to almost 17,000 tons in 2018; this had helped boost production within the Regional Council of Peasant Organizations in the Northern Part of Cameroon (CROPSEC) and had enabled the redistribution of margins in the chain. Better still, the producers' present and the future market were guaranteed.

On the other hand, by the accentuation of the fiscal pressure in 2019, the government compromised this initiated development dynamic: it handicapped the national economy and then seek to borrow from the IMF which could worsen with the economic slowdown and the failure to achieve the projected 4% growth rate.

Instead of working to reduce the deficit, it seeks to widen it. The government should have pursued its logic of reducing the burdens on businesses to allow economic operators to make productive investments in their production apparatuses to locally create the wealth necessary for the fight against deficits.

Since the hunger riots in 2008, the Cameroonian government seems focused on consumption (demand policy). In 2019, the government did still not act on the factors of production (supply policy).

A kilogram of rice that has become a widely consumed product in Cameroon costs 165 FCFA to import to Thailand against around 630 FCFA for cultivation on site in Cameroon (case of the Santchou basin). How is it possible? Because the offer is not very competitive quantitatively and qualitatively due to the high cost of the factors of production. On the list of products already dearly taxed, was added in 2019 cellphones and software yet tools of production and even agricultural insurance.

Also, vehicles and tires were added, which raises the question of how the government intends to solve the transport problems in the post-harvest losses which represent 40% of production. Under these conditions, the increase in the tax burden will surely translate into a higher cost of living without this being a factor of growth since less wealth will be created at the local level. The country will continue to import to consume where it is necessary to borrow to invest and create wealth.

¹ Cameroun : pas de croissance en 2019?, lien : <http://www.libreafrique.org/Kakdeu-pas-de-croissance-en-2019-Cameroun-020119>

4.3. More advantages for the informal sector

Most of the sources place the weight of the informal sector in Cameroon around 90% of the active population. For example, in Douala, the country's economic lung, the formal sector employed only 3.7% of the population in the private sector and 5.8% in the public sector in 2013.

This figure remains constant. Why? Because there are more advantages for economic operators to stay in the informal than to enter the formal, because of the problems of fiscal and social charges, the judicial system, bureaucracy, access to finance, governance, etc.

In 2020, the Cameroonian government continues to penalize those who choose to work in the formal sector and therefore to be taxpayers. By increasing the tax burden on the latter, it incites them to more fraud to manage to face unfair competition from the informal sector. In 2011, fraud represented 6% of GDP.



Chapter 5

IMPACT INVESTMENTS: ARE THERE PROMOTION OF COMPANIES WITH SOCIAL IMPACT?

Popular opinion holds that it is very common that subsidies should be granted to those having start-ups to support their businesses. Thus, the government subsidizes production in several forms, but always in vain. The business promoter is not the main beneficiary of the subsidies and Cameroon productivity is still not sufficient. As a result, the country is heavily dependent on imports.

5.1. The limitation of subsidies' approach to support businesses

First of all, The Government and its donors choose to subsidize prior studies, which has proven inadequacy. For example, the Dias' Invest 237 system launched in 2017, a very new project of the Ministry of External Relations of Cameroon carried out with the financial support of the French Development Agency (AFD) which aims to create an environment favorable to productive investments of 70 entrepreneurs in the Cameroonian diaspora in France, supports studies and training.

In the same vein, the AfDB set up in 2013 a Fund for Accelerated Agricultural Development (FADA) which provides grants to cover project design costs (feasibility studies, market studies, financial modeling, business plan development, and environmental and social impact studies). However, this has very little impact on productivity for the simple reason that the African market, even within each country, is not homogeneous. As it stands, the donors claim to replace the consular chambers of the country (chamber of commerce, chamber of agriculture) who have the competence at the local level to conduct relevant studies and generate more social impact. The macroeconomic studies are inadequate for business creation at the local level. Instead, the structuring and empowerment of consular chambers should be supported (impact investing) so that they can provide up-to-date and relevant information on economic activity in their respective localities to foster local entrepreneurship.

The centralization of business promotion has proven its limits. In Cameroon, the government has created at the central level since 2006 more than fifty projects to support or better, «subsidize» some aspect of agriculture but, in vain. From the central level, the government cannot control the implementation of policies in the field. In the end, farmers shun consular chambers, adopting rentier behavior in response to State incentives.

These projects have completely altered the meaning of entrepreneurship as they have created a reliance on producers to live up to the pace of financing. As it stands, farmers have become «officials» of different projects instead of being entrepreneurs. Also, they only go to capacity-building workshops where they are paid (full pay) for the simple reason that funders have accustomed them to make workshop participation a real cost-effective job more than their production work.

Finally, the best-trained producers no longer produce; they live to the rhythm of multiple requests for projects that keep them away from their farms. The payment of the annuity (perdiems) must be stopped and the producers' participation in their growth should be encouraged.



The idea of starting businesses for free must be replaced by that of self-financing or impact financing. Why? Because nowadays, the free habit has pushed participants to expect to be paid even for the implementation of the resolutions of the workshops in which they participate. A subsidized production project ends the day after the subsidy is stopped. Hence the need to empower producers and make them responsible for seeing business take off.

Also, subsidies feed clientelism and smuggling. Today, production projects are funded upstream. This means that the subsidy is paid at the beginning of the economic activity, which creates perverse effects insofar as it does not come as a breath of fresh air but as a rent. Instead of supporting the existing and acting on the bottlenecks, it develops rather a clientelism system that conditions the obtaining of facilities to the grant of a counterpart. Thus, the producer who receives a subsidy pays a portion to the crooked agents, which in some cases feeds traffic networks into the market. This practice of clientelism is the solution found by the corruptors to launder their practices of misappropriation of all or part of the subsidies granted. Worse, localized subsidies are a practice of unfair competition to the extent that they create an imbalance in trade. Nothing should be given for free: It should solve a social problem.

5.2. The scarcity of impact investing solution in Cameroon

According to the Global Impact Investing Network (GIIN), impact investing intends to generate a measurable social and environmental impact alongside a financial return.

It is an investment strategy seeking to generate synergies between the social, environmental and societal impact on the one hand, and neutral or positive financial return on the other. It is applicable in all asset classes (private equity, debt, etc.), in various activities (environment, employment, housing, energy, etc.).

UNDP said Impact investment is described (and differentiated from other forms of investment) by three guiding principles: The expectation of a financial return, the intention to tackle social or environmental challenges, a commitment to measuring and reporting on the social and environmental impact.

The impact investing financial assets are already available on the African continent since 1965. According to UNDP, in 2014, Africa received 15% of the impact investment of Assets under Management (ASG). As JP Morgan's 2015 Global Impact Investing Network (GIIN) survey of 146 impact investors shows, investors collectively managed the US \$ 60 billion in impact investments. This amount is much higher than the \$ 46 billion managed by 125 investors in 2014.

5.3 Is Cameroon implementing this solution?

The social impact investment in the real estate sector is possible and it consists of the acquisition of physical properties to obtain a financial return (rent, appreciation of the value of the property) and achieving socio-economic or social objectives. In Cameroon, more than 90% of the country's housing stock is held by the informal sector. The little formal existing is largely controlled by the State through the Société Immobilière du Cameroun (SIC) and the Crédit Foncier du Cameroun (CFC). However, the funds available to finance real estate in Cameroon barely cover 8% of demand.

« A subsidized production project ends the day after the subsidy is stopped. »

This comes in a context where the housing deficit in the country is officially estimated at 1.3 million units. In 2016, the Crédit Foncier du Cameroun created in 1977 had granted credits totaling 261 billion CFA francs, which had enabled the construction of 69,500 housing units and the development of 15,700 building plots.

The SIC created in 1952 had only built 11,000 homes in 2013, all standings included, in only 6 major cities of the country. The Urban and Rural Land Development and Equipment Mission (MAE-TUR) created in the 1980s had only developed and equipped in 2013 around 10,000 plots in five cities only. This result cannot be satisfactory. As a measure taken to contribute to the loosening of the noose of financing around real estate developers, the Cameroonian government had decided, in the 2016 Finance Law, to exempt from interest from VAT (19.25%) the interest on loans of real estate as well as on social housing transactions.

As we can see, the government is not actively engaged in the liberalization of the sector, in particular through its opening to new players and investors. Few investor groups have been announced in Cameroon in this sector for 20 years: Some Italians, Chinese, and Spanish but always cosmetically. For example, we still have no result from the sixty memorandums of understanding signed by the Cameroonian government in 2013 for the construction of 300,000 social housing units.

The government's plan through the Ministry of Housing and Urban Development was rather to market 1,675 witness homes to constitute a «financial mattress» to finance the construction of other homes. This centralization measure has shown its limits.

It is much more effective to introduce the Venture Capital Social Fund (SOVEC) which offers early-stage financing to sustainable social enterprises and SMEs. It offers long-term capital to companies in the form of equity and debt, through transaction amounts ranging for example from 100,000 US dollars to 2 million US dollars.

Among highly appreciated action, we also have social impact contracts (social impact bonds) which are instruments intended to finance programs with a social vocation and carried by associations or structures known as the social and solidarity economy, regardless of their status. Their principle is based on a quadripartite partnership between public authorities, financiers, and evaluation body and field operators to set up a specific social action. The four parties agree on a result objective, which can be social or financial. The investor finances the social organization and bears part of the risk associated with the project. If the goal is met, or the criteria re-evaluated, the investor will receive a return on investment rate, and if it is exceeded, the remuneration will be increased.

Another possible financing vehicle is social impact crowdfunding through internet platforms. For example, Monaco Crowdfunding, an international Monegasque platform, wants to take part in the financing of African entrepreneur projects by promoting them on its website. A mode of financing by SMS is under study to enable the inhabitants of Francophone Africa to contribute to the development of their economy.

Social impact investing can also take the form of investment in forestry, agroforestry or sustainable agriculture, or sustainable land and biodiversity management (also known as Conservation Finance). The investor is paid through the valuation of carbon credits, the sustainable production of agricultural products, etc. This system is to be put in place in Cameroon through new legislation. It can concern also Private equity with a social impact.

It corresponds to the investment by taking shares of capital in unlisted companies aiming at a social impact and a reasonable financial return, at different levels of maturity (seed, venture capital or social venture capital, capital development, etc.).

The issue of access to the stock market (or «public equity») is notably to allow social enterprises to make a public offering (and thus private equity funds to be able to sell their holdings) and to give access to «social impact» securities with greater liquidity to institutional investors. All financial assets are not yet developed in Cameroon.

Summary of business creation reforms to be done in 2020

The conditions required to succeed in investment in Cameroon are:

1. Reduce the instability of budgetary bills. It is not a good practice to create new taxes or suppress existing taxes, and change finance bills every year. This leads to instability in companies' revenues and market anticipations are not clear. It does not permit entrepreneurs to smoothly plan their activities. Instead of investing in their businesses, and focusing to make great products/services, entrepreneurs invest to attend seminars and training sessions that will permit them to better understand new finance bills. It is a waste of time and resources for a very fragile entrepreneurial ecosystem.

2. Imposing international norms to the local market will not boost industries' creation. Rather, we advocate for creating local norms for the local market and gradually help local industries to meet international standards. Indeed, it is very difficult for young companies to meet international norms from the European Union or other trade regions. They do not have financial capacities to meet those very high standards. But, if we give them the chance to gain hold of the local market through simplified norms and procedures, they will have enough resources to access international markets.

3. We strongly advise the Chamber of Commerce and the Chamber of Agriculture to guarantee a market for local companies by continuously evaluating the gap between local production and national demand. In other words, they should publicly disclose every quarter, what is needed in terms of goods in the economy.

This will avoid importing what is already being produced. It will also become a strong incentive to start businesses. Indeed, people will know that there is an existing market while creating their ventures. Their ventures will be dedicated to meet that existing gap. Switzerland is implementing such a mechanism to boost its private sector.

4. There is an emergency to establish an agency that will promote local products and female entrepreneurship. Several agencies are promoting entrepreneurship in the country. So far, no agency was dedicated to local products and female entrepreneurship. However, another agency created from scratch will surely increase the government's size in the economy. That is why we believe government bodies should transform the MIRAP¹ agency into the agency for local products and female entrepreneurship. Indeed, MIRAP is close to the general public and it can be very useful in disseminating local products and promoting female business initiatives. The new agency shall also extend its activities by including entrepreneurship education for female aspirant entrepreneurs.

5. This report has shown that the majority of Cameroon's entrepreneurs prefer to create Etablissements instead of Limited Liability Companies. Therefore, they are two things involved. First, policymakers should work towards fiscal legislation related to Etablissements. Second, they should make the cost of creating an LLC equals to zero. This can be done by suppressing the various creation fees and reducing the required documents to create an LLC from approximately 11 documents to 3 documents. Besides, online business creation should become a reality and not a wish. This will help to avoid hassles and corruption. In that perspective, access to the internet should be a very good catalyst.

6. The absence of legal categorization: Currently, there is no legal categorization available in Cameroon that can offer credibility and legitimacy to sustainable social enterprises, and that gives investors

¹ In Full - Mission de régulation des approvisionnements des produits de grande consommation.

and clients comfort in protecting mission and creating social value and thus enabling sustainable social enterprises to attract investment and customers. There is also no favorable and stable regulatory and political context for investors and sustainable social enterprises.

7. The highly profitable investment race: Cameroon is seen much more like a market or a trading post than a country to develop. Many investors are interested in the country to take advantage of its opportunities. Therefore, established businesses are either the legacies of colonization or the fruits of bilateral and multilateral cooperation. Entrepreneurs' perception of Cameroon should change to create a system that generates sustainable economic opportunities for all.

8. It is difficult to find adequate exit options for investments: Most Cameroonian capital markets are still at a relatively early stage of development. According to a study by JP Morgan Social Finance and the Global Impact Investing Network, while Africa had the second largest number of impact investment outflows (17%) from the 10 geographic areas studied by GIIN in 2015,

the only one exit by Initial Public Offering (OPI) has been reported in South Asia, and none reported in Africa.

9. Finding offers and funds that match investors' risk and return expectations is a challenge. Transaction structures and fund structures that incorporate instruments such as the «first loss reserve» and guarantees that can mitigate this risk are still difficult to find in Cameroon. The various stakeholders in the entrepreneurial ecosystem should work towards this.

10. We also need to solve the problem of exclusion from financial services: Despite the growth of the financial sector in Cameroon in recent decades, many individuals and businesses are still excluded from access to financial services. Indeed, a majority of small and medium size enterprises continue to rely on informal financial arrangements to finance their activities. To reduce the financial gap between entrepreneurs and the formal financing schemes, we highly recommend the development of crowdfunding and venture capital units coupled with a strong and vibrant business angel's network.

Cameroon is a unitary decentralized state located in central Africa. The majority of Cameroonians earn less than 50,000 FCFA per month, which is very precarious in a context where the cost of living continues to rise. Consequently, the informal sector dominates the economy by more than 90% and exposes formal businesses to unfair competition.





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