



BRIEFING NOTE ON THE STATE OF BUSINESS IN CAMEROON

THE NEED FOR A STARTUP ACT IN CAMEROON

► November 2023

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The SBEC team

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ACRONYMS

AfDB	African Development Bank
ANTIC	National Agency for Information and Communication Technologies
APME	National Agency for SME Promotion
OECD	Organization for Economic Cooperation and Development
WEF	World Economic Forum
SMEs	Small and Medium-Sized Enterprises
MINPMEESA	Ministère Des Petites et Moyennes Entreprises, de l'Économie Sociale et de l'Artisanat
GEM	Global Entrepreneurship Monitor
MINPOSTEL	Ministry of Post and telecommunications
B2B	Business to Business
B2C	Business to Costumer
C2B	Costumer to Business
C2C	Costumer to Costumer
DLFF	Denis and Lenora Foretia Foundation

FOREWORD



The Cameroonian government, in its National Development Strategy-2030 (NDS30), aims to bring about the structural transformation of the economy by making fundamental changes to economic and social structures to promote more inclusive and sustainable development. As the global market

continues to evolve and innovate at an unprecedented rate, the role of startups in driving economic growth and fostering innovation has become undeniable. Startups have proven to be the bedrock of job creation in Cameroon, especially in a country where, even if the unemployment rate has fallen from 12.4% to 7%, the percentage of the working population in the informal sector has continued to rise from 56% in 1993 to 90% in 2017 (ILO, 2017). There is no doubt that startups can bring technological innovation and socioeconomic development to a country, as is the case in many countries around the world.

Cameroon, like many other nations, stands at a critical juncture where nurturing and supporting a vibrant startup ecosystem is imperative. The country is blessed with a young and enterprising population and remarkable potential for growth. However, to fully harness this potential,

we must create an enabling environment that empowers entrepreneurs, reduces barriers to entry, and encourages innovation. The Startup Act seeks to improve this climate for entrepreneurs in Cameroon by focusing on five particular goals. The proposed policy framework will improve infrastructure, reduce regulations, and increase access to capital, ultimately strengthening the nation's startup environment.

This briefing note aims to shed light on the pressing need for a Startup Act in Cameroon, which will serve as a comprehensive framework to nurture and support the growth of startups across various sectors. It presents a thorough analysis of the current entrepreneurial landscape, identifies challenges faced by startups, and proposes key recommendations for policy reforms and legislative measures. The importance of this report lies not just in advocating for the creation of a Startup Act but also in showcasing the immense benefits and opportunities that can be unlocked through such an initiative. It provides a road map to foster an ecosystem in which entrepreneurs can flourish, investors can participate with confidence, and the government can actively support and promote startups as a driving force for sustainable economic development.

Lenora Ebule

Co-Chair, Denis & Lenora Foretia Foundation

EXECUTIVE SUMMARY

Startups in the World are renowned for being more inventive, competitive, and creative, with diverse ways of raising capital. Despite the existence of well-known sources of funding such as crowdfunding, personal financing, loans, and investor funds, no startup in the Cameroonian startup ecosystem can claim an attempt to raise more than one billion FCFA successfully. No Cameroonian start-up ranks among the major start-ups in Africa, especially in countries like Senegal, Nigeria, and Tunisia. Also, the majority of startups fail before their second anniversary due to a lack of talent, ideal products, insecurities, and the lack of a legislative framework to steer the existing startups and act as a pathway for new ones. This report presents, therefore, the relevance of a Startup Act for sustainable and inclusive startup development in Cameroon. Using secondary sources of information from a documentary approach and expert experiences and feedback, results from the study show that Startup Acts are catalysts for startup development by facilitating access to finance, promoting talent pool development, and acting as a source of tax incentives for startups. The Cameroonian Development Strategy seeks to transform the Cameroonian economy into an emerging nation by 2035 in view of realizing the Sustainable Development Goals (SDGs) and attaining Agenda 2063. To achieve this vision, it is imperative to develop productive startups by drafting and enacting laws and regulations that address the challenges faced by startups in Cameroon. This report recommends the implementation of an inclusive policy that addresses gender-related issues in startup development as well as an objective strategy that clearly defines the labeling process and financing of startups in Cameroon. Finally, this report proposes the implementation of a strategy that promotes media startups. Future studies could elaborate more on start-up investment.

RÉSUMÉ EXÉCUTIF

Les startups dans le monde sont réputées pour être plus innovantes, compétitives et créatives avec diverses manières de lever des fonds. Malgré l'existence de sources de financement bien connues telles que le crowdfunding, le financement personnel, les prêts et les fonds d'investisseurs, aucune startup de l'écosystème camerounais ne peut se targuer d'avoir réussi à lever plus d'un milliard de FCFA. Aucune start-up camerounaise n'est classée parmi les 100 principales start-up d'Afrique, alors que des start-up de pays comme le Sénégal, le Nigéria et la Tunisie figurent dans la liste des 100 premières. En outre, la majorité des startups échouent avant leur deuxième anniversaire en raison d'un manque de talent, de produits idéaux, d'insécurité et surtout de l'absence d'un cadre législatif pour guider les startups existantes et servir de voie d'accès pour les nouvelles. Ce rapport présente donc la nécessité urgente d'un Startup Act pour un développement durable et inclusif des startups au Cameroun. En utilisant des sources de données secondaires issues d'une approche documentaire et des expériences et retours d'experts, les résultats de l'étude montrent que les Startup Acts sont des catalyseurs pour le développement des startups en facilitant l'accès au financement, en promouvant le développement d'un vivier de talents, et en agissant comme une source d'incitations fiscales pour les startups. La stratégie de développement du Cameroun vise à transformer l'économie camerounaise en une nation émergente d'ici 2035 en vue de réaliser les Objectifs de développement durable (ODD) et d'atteindre l'Agenda 2063. Pour réaliser cette vision, il est impératif de développer des startups productives en rédigeant et en promulguant des lois et des règlements qui répondent aux défis auxquels sont confrontées les startups au Cameroun. Ce rapport recommande la mise en œuvre d'une politique inclusive qui aborde les questions liées au genre dans le développement des startups, ainsi qu'une stratégie objective qui définit clairement le processus de labellisation et de financement des startups au Cameroun. Enfin, ce rapport propose la mise en œuvre d'une stratégie de promotion des startups dans le domaine des médias. De futures études pourraient se pencher davantage sur l'investissement dans les startups.

The background of the slide features a faded, high-angle photograph of a diverse group of people, likely professionals or students, gathered in a meeting or workshop. They are seated and appear to be engaged in discussion or listening. The image is rendered in a light, monochromatic tone that blends with the overall beige background.

01. OVERVIEW OF THE STARTUP ECOSYSTEM IN CAMEROON



The Cameroon government has always put forth its interest in improving the environment for startups and investors. In its National Development Strategy for the 2020–2030 decade (NDS20–30), the government intends, among others, to: (i) achieve double-digit economic growth; (ii) reach a manufacturing share of GDP of 25%; and (iii) reduce poverty to less than 10% by 2035. To achieve these objectives, Cameroon, in its strategy, intends to promote business incubators, startups, and junior companies. According to the Organization for Economic Cooperation and Development (OECD, 2018) and the World Economic Forum (WEF,

2019), a startup is a newly formed business venture that seeks to market innovative goods, services, or business models with the potential for quick growth and scalability. Therefore, startups are specified by their focus on technology, disruption of established businesses, and high risk/reward characteristics.

Since some years now, the Cameroonian entrepreneurial ecosystem has entered the rhythm of startups. In the entrepreneurial ecosystem's realm, a startup is a recently created business venture with significant development potential, frequently propelled by ground-breaking concepts and cutting-edge technology (GEM, 2020). However, the advent of startups represents a considerable challenge both from an economic and institutional point of view, as well as in terms of meeting the specific needs of managers of small and medium-sized enterprises (SMEs). For instance, in Cameroon, the majority of entrepreneurs do not understand what a startup is, what resources are needed to build one, and, most essentially, which regulatory framework matches well with its success. Also, when launching a venture, they do not know what they are trying to build or what the difference is between a small business and a startup. Failing to clearly differentiate the business model will lead to a poorly designed strategy.

Startups are grouped into six different categories. These include :

- **Buyable startups:** these are businesses that are created to be sold later, mostly on mobile apps and the web.
- **Large company startups:** these are companies that sustain their growth through constant innovation; based on their core product, they offer new products.

- Lifestyle startups are businesses where the startupers live the lifestyle they love so that they can fund their loved product.
- Scalable startups: these are the true versions of startups where the founders have a very big vision of reaching world dominance. Some examples include startups like Facebook and Google.
- Small business startups: even though they are small enterprises, they still develop new products.
- Social startups: these startups prefer to share their wealth instead of scaling up their businesses.

Even though small businesses and startups are business models that are wrongly used interchangeably, they are fundamentally different. The key differences between them are their strategy and objectives. Hence, while a small business only requires a sizable standard (in terms of number of workers, market target, and revenue), a startup is identified through its scalable business model, which is aimed at growing rapidly and disrupting an industry.

Because startups focus on a broader geographical area and have global ambitions, they must make use of technological support to orient their business model towards bringing solutions to an unsolved problem in the market. To achieve this, they must necessarily have innovative products that will differentiate them from other businesses. On the other hand, small businesses focus on

their customers' needs to earn profits. This means their products do not necessarily require innovation. Regarding finances, both startups and small businesses tend to be self-funded at the seeding phase of their investment. But because of their growth and innovative perspectives, which constitute the "raison d'être" of startups, they need more funding for their different series of projects until they reach profitability.

Startups in Cameroon use digital technology to excel in domains including mobile apps, e-commerce platforms, AgriTech, HealthTech, Transport and Logistics, entertainment, and FinTech solutions to address regional problems and provide novel solutions. In this innovative setting, startups may react to shifting market demands and present distinctive value propositions thanks to this technology-driven strategy. These include a few startups like Ejara, UpOwa, Waspito, Kiro'o Game, and Bee, which figure among the top 10 startups in Cameroon in 2020, with a cumulative funding of over \$30 million (Table 2 and Figure 1). Since then, multiple startups have seen the day, especially in Buea (one of Cameroon's anglophone cities in crisis), which appears to be the most promising startup ecosystem. Occupying the 3rd position nationally after Yaounde and Douala, the 4th in the Central Africa region, and the 1,120th position after advancing by 65 spots in the Global Ecosystem Index (Table 1).

Table 1: City ranking of Cameroon startups in 2023

City	National Ranking	Regional Ranking	Global Ranking	Proportion in the Cameroon startup ecosystem
Yaounde	1st	2nd	901 (+244)	50%
Douala	2nd	3rd	1,049 (+108)	31%
Buea	3rd	4th (+1)	1,120 (+65)	19%

Source : authors form the StartupBlink, 2023

Since the economic growth of Cameroon is heavily dependent on agriculture, AgriTech startups focused on raising productivity, strengthening agricultural methods, and linking farmers to markets. Examples include “Njorku”, an online platform for connecting employment in agriculture, and “Agrix-Hub”, which offers farmers real-time market information (Nkemngu, 2019). These startups aid in the development and modernization of Cameroon’s agriculture industry.

FinTech known as the financial technology sector, is expanding quickly in Cameroon. For payments, money transfers, and financial inclusion, startups in this industry provide cutting-edge solutions. For instance, “NjorkuPay” offers an online payment platform, whereas “Maviance” offers mobile payment solutions. These startups help people and businesses access financial resources and contribute to the financial sector’s digital transformation.

Cameroonian health IT businesses seek to address the nation’s healthcare

concerns. They create telemedicine platforms, health data analytic tools, and mobile health applications. Some notable examples include “Waspito” and “Healthlane”, online platforms for scheduling medical appointments, and “GiftedMom”, which offers maternity and child health services via mobile. These firms make better use of technology to increase accessibility, affordability, and healthcare delivery.

Even though startups in Cameroon are recognized as among the most dynamic at the regional level of Central Africa, they face a number of challenges that impede their full explosion. According to the National Institute of Statistics, more than 2,000 start-ups have ceased trading in eight years due to an unfavorable ecosystem for start-ups to flourish. In fact, Cameroon has an unfavorable environment that ignores the real needs of this type of business, particularly in terms of taxation, lack of finances, difficult access to credit, and misinterpretation of Cameroonian realities. In Cameroon, lengthy and complicated licensing and registration processes are a problem for businesses (GEM, 2018).

Table 2: List of Top 10 Startups in Cameroon

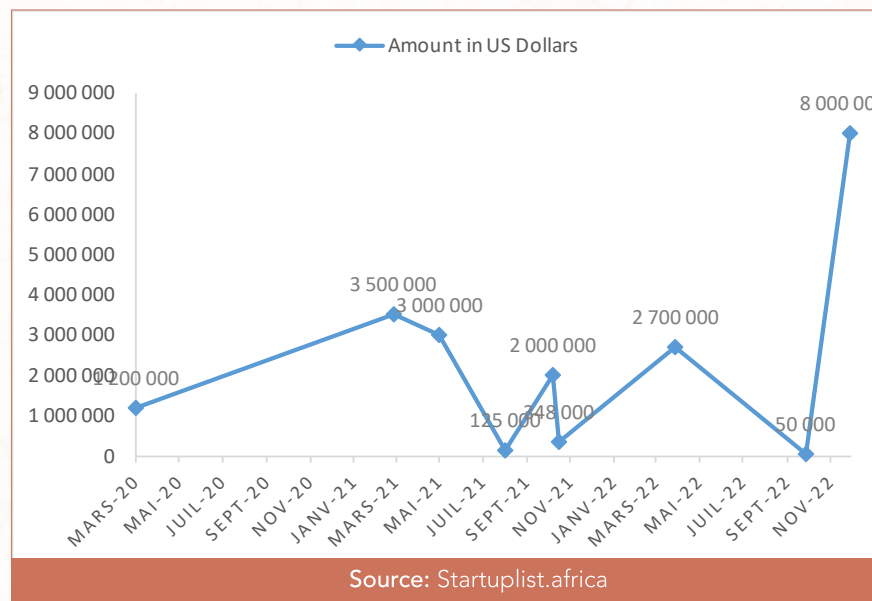
Rank	Start-ups	Domain of intervention	last round	Year of creation	Amount raised in US Dollars
1	Ejara	FinTech	Series A	2020	10,000,000.00
2	UpOwa	Energy	Series A	2014	7,086,000.00
3	Diool	FinTech	Funding Round	2015	5,600,000.00
4	Maviance	FinTech	Funding Round	2012	3,000,000.00
5	Waspito	Health Care	Non-equity Assistance	2020	2,700,000.00
6	Kiro'o Games	Entertainment.	Seed	2013	655,000.00
7	Taaply	FinTech.	Pre-seed	2019	500,000.00
8	PaySika	FinTech	Pre-seed	2020	348,000.00
9	Infiuss Health	Health Care	Venture	2018	175,000.00
10	BEE	Transport and Logistic	Grant	2017	Undisclosed

Source : Startup list Africa, 2020

Of course, the Cameroonian government is making some efforts to boost its startup ecosystem, but much follow-up is needed. It facilitates easy access to capital, coupled with the strong entrepreneurial ecosystem, which all contributes to the rapid expansion of startups in recent years (GEM, 2020; MINPMEESA, 2019; African Development Bank, 2019). The government of Cameroon has put laws and programs into place to support entrepreneurship and offer funding to aspiring business owners (MINPMEESA, 2019). The rise of venture capital firms, angel investors, and crowdfunding platforms has enhanced access to investment (African Development Bank, 2019; Maviance, 2020; Njorku, 2020). For example, the

State of Cameroon, through the will of President Biya, is providing young Cameroonians with young startup projects. In 2016, from November 10 to 13, 80 projects were selected, and all of them were submitted to incubation for 6 months of training. To date, most of them have never been financed for a number of untenable and incomprehensible reasons (it is impossible to finance those over 35 years of age, particularly those aged 35, 37, 38, 39, 40, 41, 42, 43, and 45). All having been selected, trained, and graduated, others perceive the financing by affinity, and others have no notion of the projects. At this pace, it becomes unfavorable to the Cameroonian startup ecosystem.

Figure 1: Cameroon Startup Funding in Africa



In this context, the Cameroonian startup ecosystem cannot really take off without government involvement and the introduction of legislation specifically designed to favor the creation and development of startups in Cameroon through the Startup Act. A “Startup Act” refers to a legislative framework or policy put in place by the government to encourage and assist the expansion of startups in the nation. It includes a collection of rules, rewards, and assistance initiatives designed to encourage creativity, entrepreneurship, and the growth of a thriving startup ecosystem (MINPMEESA, 2019).

Incubators, accelerators, universities, and research facilities that constitute the entrepreneurial ecosystem work together to support

startups (ActivSpaces, 2021; Cameroon Angels Network, 2021; National Advanced School of Engineering, 2021). And even though two policies and programs (the National Agency for Information and Communication Technologies, ANTIC, and the National Agency for SME Promotion, APME) are designed to assist startups in Cameroon, there is an urgent need for a regulatory framework since about 90% of businesses in Cameroon are invested in informality. Cameroon has the potential to grow into a successful hub for startups in Africa despite obstacles, including poor infrastructure (World Bank, 2021). As reported by the Global Startup Ecosystem (2023), Cameroon is ranked in the top 1,000 countries, showcasing rapid growth in its global ecosystem index. This ranking enabled Cameroon to be ranked 116th worldwide and 2nd in the Central African region in 2023 (StartupBlink, 2023).

At this level, a well-established startup act is required to facilitate the creation and development of startups, which in turn contribute to economic development by giving them access to capital, mentorship, networking opportunities, and more employment (World Bank Group, 2021). A startup Act includes a variety of policies, incentives, and support initiatives aimed at fostering an environment that is conducive to startup growth, innovation, and entrepreneurship (World Bank Group, 2021; European Startup Network, 2019).

To assist the development and sustainability of startups in Cameroon, it is imperative for the government to accelerate the legislation process of the Cameroon Startup Act, which was initiated a couple of years ago in July 2021. Hence, this report **examines the urgent need to legislate a Startup Act for Cameroon with the aim of strengthening the startup ecosystem.**

To achieve this goal, this report will present the Startup Act as a catalyst for startup development in Cameroon (Section 1); identify successful Startup Acts in Africa (Section 2); draw opportunities for adopting a Startup Act in Cameroon (Section 3); present limitations in the existing Cameroon's legal and regulatory framework for startups (Section 4); identify key areas for change (Section 5); and finally suggest some policy recommendations in the implementation of a Cameroon Startup Act.

This research is based on secondary research sources using a documentary approach and experiences from countries that have successfully implemented the Startup Act. The findings are supported by feedback and suggestions from the expert evaluators, which helped reinforce the conclusions.





02. **SUCCESSFUL STARTUP ACTS IN AFRICA**



In recent years, several African countries have successfully enacted Startup Acts to guide the establishment and functioning of businesses in their economies. These countries include Tunisia (2018), Senegal (2019), Nigeria (2022), and Congo (2022). Other African countries, such as Egypt, Ethiopia, Ghana, Rwanda, Kenya, South Africa, and Uganda, have also proposed and are working on their Startup Acts. Emerging evidence seems to suggest that these economies have the most developed business ecosystems in Africa, and the enactment of Startup Acts has further accelerated business creation in those countries.

• The Tunisian experience

The Tunisian Startup Act was adopted in April 2019 with the objective of making Tunisia “a country of startups at the crossroads of the Mediterranean, the MENA region, and Africa”. Immediately after going public with the Startup Act, it received 416 startup label applications. By 2020, 248 labels were granted, representing a total acceptance rate of 70%. The average age of the labeled startups was 2.5 years. Also, 2,829 new jobs were created within the period following the enactment of the Startup Act (with 28% within the first year); each label generated an average of 3 new jobs, and 61% of the jobs were taken by men while the rest (39%) were taken by women. Before the Startup Act, only \$18.7 million was raised for startups, but the amount increased to \$21.8 million in 2019, and it was 100% self-financed. The main sectors that saw a spike in startups included business Software & Services, Creative Industries, EdTech, HealthTech, and Marketplace (Mehouachi et al., 2020).

• The Congo, D. R. Startup Act

The business ecosystem in the Democratic Republic of the Congo is characterized by an expansion of innovative companies, catalyzed in part by easy access to loans, participation in innovation award competitions, and crowdfunding (Kabue, 2023). To accelerate and support new businesses in the country, the government adopted Ordinance Law No. 22/030 of September 8, 2022, to govern startups in the country. The Act has a legal framework that guides conditions for the activities of startups in the DR Congo, such as obtaining a label, tax and customs regimes for start-ups, and access to funding sources.

Accordingly, an individual or a company can register a startup in Congo, D.R., and the business must have been existing for less than 7 years from the date of registration. It must also employ less than 50 people, have a total turnover of less than 1 billion Congolese francs, and at least two-thirds (2/3) of the shares must be owned by Congolese citizens. The government's priority is to provide support for economic models that have strong innovation and growth potential. Labels are granted once, valid for five years, and renewable for another five years.

Prior to its launch, startups in Congo raised close to a million USD from VC firms. From this amount, \$350,000 was raised by female-founded fintech Maxicash, which was quite large when compared to the total amount raised by Senegalese startups (\$353 million), despite ratifying the Startup Act in 2019. Less than one year after adopting the Startup Act, the World Bank also launched a \$300 million project, which aims to support an estimated 2,500 formal businesses that could potentially create 28,000 new jobs in Congo.

Additionally, the government of Congo also created the Entrepreneurship Guarantee Fund in Congo (FOGEC) with the objective of helping citizens access financing for new businesses (Adeyemi, 2022). A Congo-based cryptocurrency startup called Jambo also reportedly raised \$37.5 million at the beginning of 2023, while another \$60,000 was raised by B2B food marketplace Wenzemobile from DRC Impact Angels and Catalytic Africa. These important developments suggest that the Democratic Republic of Congo means business, as the Startup Act is already living up to expectations.

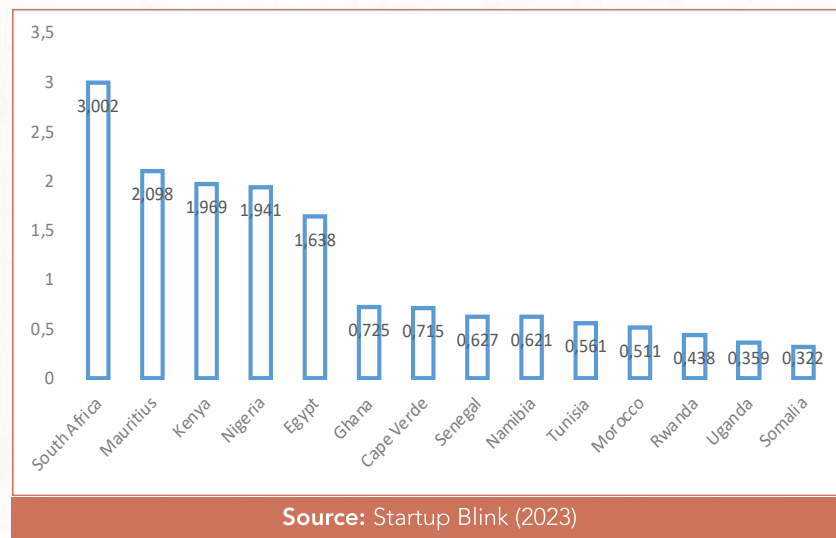
• The Senegalese Startup Act

Senegal adopted its Startup Act in 2018 to govern the promotion and growth of new businesses in the country. The West African nation became the only second African country to do so, despite several ongoing initiatives to develop the Act across the continent. Like the Startup Act in D.R. Congo, the Senegalese government aims to promote innovation within the framework of the country's "Digital Senegal 2025" strategy (Afrikan Heroes, 2021). Additionally, the business must be created in Senegalese territory, and one-third of the shares must be owned by Senegalese citizens. The law also applies to Senegalese citizens living abroad who own 50% or more of the capital. Sequel to compliance with the regulations in force, the Senegalese government approves a three-year tax exemption. Having a legally registered business also qualifies businesses to have direct public or private credits, access to capacity-building programs, and other things.

The Startup Act has accelerated the emergence of innovative businesses that rely on technology. Cauri Money, for example, received a grant of \$350,000 in 2021. Kwely is another global marketplace that also received a seed grant of one million USD in 2019, while Chargel is a startup that matches shippers to the right carriers. The company raised \$3,250,000 in 2021 (Startuplist.Africa, 2023). In 2019, a Senegalese startup specializing in agriculture, Bayseddo, enabled farmers to raise \$400,000 through crowd investment in agriculture. While there has been progress in raising funding for startups in Senegal since the promulgation of the Act, there is still very little documentation of the number of startups that have benefited from the new policy. Also, there is no recent appraisal of the successes and failures of the Startup Act in Senegal, which are important areas for future assessments.

03. STARTUP ACT AS A CATALYST FOR STARTUP DEVELOPMENT IN CAMEROON

Figure 2: Startup ecosystem in Africa



Startup acts are primordial for startup creation and development. It is well established in the literature that startups are very important for economic growth and job creation. Many countries have made significant strides to accelerate the creation and financing of startups in Africa. According to StartupBlink (2023), South Africa lost 4 points in the global ranking of countries with the most startups but remained at the top of the list, while Tunisia, Morocco, and Rwanda lost 8, 14, and 11 points, respectively. Additionally, Mauritius and Senegal jumped 10 points in the ranking, while Uganda is the only new African country that was added to the list of the top 100 countries in the global startup ecosystem from the continent. Figure 1 shows the full ranking of 14 African countries in 2022 by startup.

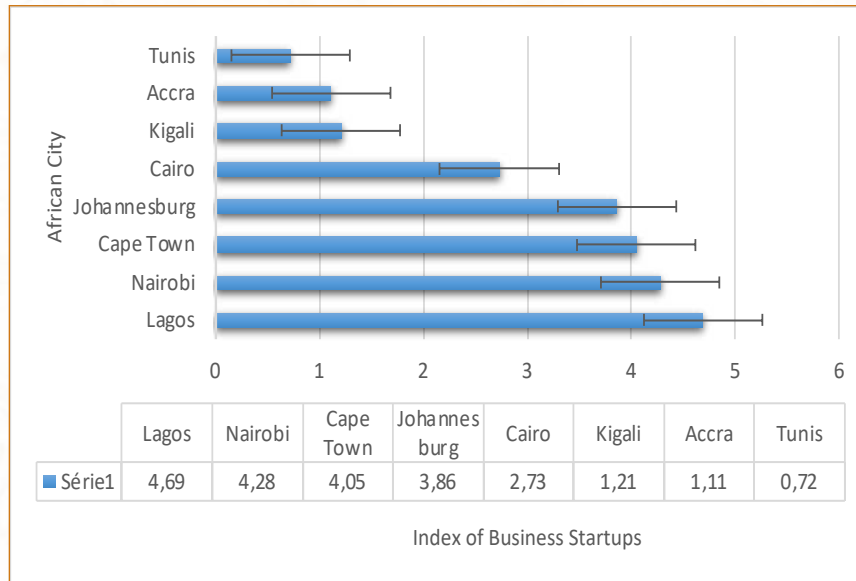
Additionally, African countries raised \$407.86 million in startup deals, with South Africa topping the list with an estimated \$215.7 million (52.7 percent) in 2021. Accordingly, a total of 23 countries sealed funding deals, with financial services raising \$199.10 million (8 deals), e-commerce (\$112 million), mobility and logistics (\$61 million), and education (\$20.10 million) recording three deals, respectively (Aro, 2022). A majority of the startups were concentrated around major cities on the continent, as shown in Figure 2.

The indices on Figure 2 are based on quantity (number of startups/accelerators), quality (number of unicorns, exits, pantheons) and business scores. It can be observed that Nigeria's Lagos city tops the chart for most startups with an index of 4.69, while Tunisia's Tunis is at the bottom of the chart. Cameroon on the other hand has not yet established a startup act in the country and the country is not ranked among the classification of business startups in Africa. Therefore, it is necessary to have a startup act which will foster the development of startups in Cameroon.

Access to Funding

Access to finance is essential for business growth. Lack of access to finance is one of the major challenges that startups face in Africa in general and in Cameroon in particular. Many businesses in Cameroon failed in less than five years of existence due to a lack of finance. An example is the Cameroonian startup Afrostream, which came into existence in 2014 with the aim of providing streaming services for African and African-American content. This startup, despite the great idea behind its creation, only existed for 3 years and died in

Figure 3: Index of African cities with most startups in 2021



Source: Startup Blink (2023)

2017 due to a lack of finances. Many startup acts include the provision of grants and loans that can help startups cover their initial costs. This is very important, especially for early-stage startups that find it difficult to get access to finance. According to the ICREPORT (2021), the implementation of a startup act in Tunisia, for instance, has fostered the development of startups. This is because the Tunisian Startup Act has provided over 200 million euros to startups in the country. Also, in 2020, Smart Capital granted financial support to startups in Tunisia, which

included funding of \$84 million to finance innovative projects, about \$1 million to assist startups that were negatively affected by COVID-19, and support funding of \$7 million to finance research.

Reducing regulatory burdens

Cameroon ranks 167th out of 190 countries in the World Bank's Doing Business report and 149th out of 180 countries in Transparency International's Corruption Perceptions Index in 2020. This implies that it is very difficult to start and run a business in the country, partly due to the fact that most business transactions require government approval, which is often cumbersome and susceptible to corruption. These burdensome procedures include lengthy registration procedures and too much paperwork. A reduction in these administrative burdens will enable startups to focus more on their main business activities and accelerate their development. Startup acts make it easier for startups to operate and grow without having to worry about excessive administrative bottlenecks. Startup acts facilitate collaboration between startups and regulatory bodies through the creation of platforms for dialogue. The Nigerian Startup Act has made provision for this reduction in bureaucracy through their collaboration with the Security and Exchange Commission and the Corporate Affairs Commission, which oversees the administration of companies in Nigeria (Ogbu, 2022). Involving startups in the regulatory decision-making process helps to better understand their needs and promote their development. Through the reduction of bureaucracy, startup acts create an enabling environment that encourages innovation.

Capacity building for start ups

The lack of capacity-building opportunities and appropriate mentoring is one of the main causes of startup failure in Cameroon. According to the African Development Bank in 2023, the lack of skilled human resources in Cameroon poses a major threat to the country's entrepreneurial ecosystem. There's often some degree of lack of coordination between various sectors and institutions that slows down entrepreneurship education and training. Startup acts boost young business development through coordinated training and the creation of new strategies and support measures that positively impact the life cycle of these startups. These measures include new ways to approach human resource management and the payment of workers, how to get easy access to capital, creating opportunities for startups to participate in beneficial challenges and programs, and access to information. Additionally, education and awareness programs organized under startup acts help startups understand their obligations and navigate the regulatory landscape effectively. The Senegalese Startup Act, for example, provides platforms for capacity building for startups to assist them and foster their development.

Tax incentives

The amount of tax benefits accessible to start-ups in Cameroon has been clearly defined by the country's 2023 finance law, although there are some minimum prerequisites for application. The Nigeria Startup Act, for instance, provides tax incentives that allow eligible startups to apply for tax relief and incentives. The tax incentives provided in Cameroon to startups are allegedly overly generic and do not target certain industries.



Introducing a Startup Act in the country would provide startups with more oriented or targeted tax incentives or tax breaks, which would enable them to save money and make greater investments in their companies.

To sum up, startup acts foster startup development by providing funding opportunities, tax incentives for investors, reducing regulatory burdens, and providing a platform for capacity building for startups. The implementation of a startup act in Cameroon will greatly promote startup development in the country.

04. OPPORTUNITIES FOR ADOPTING A STARTUP ACT IN CAMEROON

Named after “Africa in miniature”, Cameroon has shown tremendous potential for economic growth and development in recent years. As the country aims to diversify its economy and foster innovation, the adoption of the Startup Act presents numerous opportunities.

In recent years, the global startup ecosystem has witnessed exponential growth, revolutionizing industries and leading to economic development. As the heart of Africa, Cameroon possesses immense potential to leverage the benefits of this startup revolution. To fully harness its entrepreneurial spirit, it is crucial for Cameroon to adopt a Startup Act specifically tailored to foster the growth and success of startups. This section aims to explore the opportunities that arise from implementing a Startup Act in Cameroon.

Cameroon has a vibrant entrepreneurship ecosystem characterized by a young and tech-savvy population. In fact, the Ministry of Post and Telecommunications runs a program for rewarding the best startups as well as a committee in charge of digital space (Minpostel, 2022). Establishing a startup act may constitute an opportunity for boosting entrepreneurship in the country.

Creating a Favorable Regulatory Environment

Implementing the Startup Act would enable the government to create a business-friendly regulatory framework tailored explicitly for startups by putting in place a participatory process. Research shows that countries with favorable regulations for startups attract more investment and experience higher rates of entrepreneurial activity (ICREPORT, 2021). This framework would include simplified registration processes, tax incentives, and streamlined bureaucracy.

By streamlining unnecessary red tape and bureaucratic processes and introducing incentives, Cameroon can foster innovation and entrepreneurship and contribute to economic growth.

Seeking for finance and Investment

One of the significant challenges faced by startups is access to adequate funding (Sulillari, 2023). Access to capital is crucial for startups to scale their operations and implement innovative ideas. Empirical studies highlight the positive impact of a startup act on increasing investment opportunities for startups. In that view, the evaluation of the Italian Start-Up Act in 2018 shows that the adoption of the act



in the country brought an increase of 10 to 20% of firms' revenues and value added, and that access to credit improved the magnitude of these effects (OCDE, 2018). Also, by offering tax incentives for angel investors and creating public-private partnerships, the government can attract both local and foreign investors, catalyzing the growth of the startup ecosystem. A startup act in Cameroon represents a good opportunity for investment incentives or the establishment of a national startup fund. Such initiatives would encourage both local and international investors to invest in Cameroonian startups. Increased access to funding would, thus, provide a vital lifeline for early-stage ventures, allowing them to scale and thrive.

Job Creation and Economic Development

Startups have been proven to be significant contributors to job creation and economic development. By supporting startups through a dedicated Startup Act, Cameroon can unlock its entrepreneurial potential and drive job creation in various sectors. The growth of startups also leads to a multiplier effect, stimulating other industries such as logistics, technology, and services. Calvino et al. (2014) show that young firms contribute more to job creation than to total employment share. Indeed, young firms in the OECD area, which account for around 20% of total employment, represent 47% of job creation (OECD, 2018). This economic growth has the potential to lift communities out of poverty and reduce unemployment rates.

Fostering Entrepreneurial Education and Innovation

Another crucial aspect of the Startup Act is the promotion of entrepreneurial education and innovation. By creating incubators, accelerators, and entrepreneurial hubs, aspiring entrepreneurs would have access to mentoring, networking opportunities, and the necessary resources to develop their ideas into viable businesses. According to Calvino et al. (2016), one of the transmission mechanisms through which young firms impact job creation is through firm entry but also by the growth of young incumbents, particularly those less than 3 years old, through incubators. The example of the USA is proof that innovative entrepreneurship can promote inclusiveness (Aghion et al., 2016). Additionally, a start-up act in Cameroon is an opportunity to enhance collaboration between universities, research institutions, and startups that can spur innovation, leading to the development of groundbreaking technologies and solutions unique to Cameroon.

Global Competitiveness and Recognition

The competitiveness of firms is another interesting determinant of business growth. By establishing a favorable regulatory environment for startups, Cameroon would gain favorable attention on the global stage. Attracting international investment and fostering innovation can position Cameroon as a hub for entrepreneurship in Africa. This could lead to increased collaboration with foreign companies, partnerships with international organizations, and participation in global startup events, ultimately boosting the country's competitiveness in the global market.

Fostering Networks of Entrepreneurs and their Funders

If money is an important key for businesses to grow, another key to their success is their access to networks with other entrepreneurs and with funders, which will be key determinants for their future. The adoption of a Startup Act has the potential to create a thriving ecosystem for startups in Cameroon. By implementing a supportive regulatory framework, providing access to funding and investment, fostering entrepreneurial education and innovation, catalyzing job creation, and enhancing global competitiveness, Cameroon can unlock its entrepreneurial potential and drive sustainable economic growth, thus laying the foundation for a thriving startup ecosystem that will shape its future.



05. LIMITATIONS IN THE EXISTING LEGAL AND REGULATORY FRAMEWORK FOR STARTUPS IN CAMEROON

Limitations

To improve the business climate and make it more attractive and favorable to investment and economic growth, Cameroon has initiated several reforms designed to enhance the economic efficiency of its legal system. Various legal tools have been put in place. Investors benefit from a wide range of support and incentive instruments. These tools are numerous, but they do not take into account the specific needs of startups. This is because startups do not follow traditional business models. They are businesses with specific financial and market models. This poses a number of legal and regulatory constraints. Four such constraints can be identified.

The absence of a strategic environment that promotes innovation

The absence of both a national strategy and specific public policies to promote startups. Although in its “Cameroun Numérique 2020” plan, the state intends to support the development of a digital industry and, among other things, improve the entrepreneurial ecosystem, the specific objectives and guiding strategies are not yet clearly defined. It is therefore essential to define and implement inclusive and innovative approaches that ease the development of the startup ecosystem in Cameroon.

Insufficient recognition of the special nature of innovative digital companies

The growth of innovative companies is considerably hindered by the ordinary law regime that is applied to them in the same way as to SMEs in all sectors. The great growth potential of startups is largely due to the culture of diversity and innovation that underpins their business models. However, in a rapidly evolving sector, such business settings will tend to

be inappropriate for startups. The reason is that the framework must be specific and consider the characteristics of national startups. Moreover, as the global market is highly competitive, it is appropriate to legislate on legal and regulatory provisions that derogate from ordinary business law in Cameroon. In addition to these considerations, there is a need to promote a high-performance digital industry that creates value.

The inadequacy of current financing arrangements for innovative digital business projects

One of the major constraints in the current financing arrangements in Cameroon is the fact that conventional means of financing are not adapted to the specific needs of young Cameroonian businesses. The financing offered by the conventional banking system is hardly compatible with the great instability of startups’ assets, the limited financial resources with which they are endowed, and the high degree of speculation in the valuation of innovative companies.

The absence of legal and institutional regulations

Efforts to promote innovative companies are also hampered by the lack of a specific legal framework that takes account of the unique nature of these key players in Cameroon’s digital industry.

Key areas for change

Cameroon is one of the countries that have not yet adopted a Startup Act. Nevertheless, a law on startups has been in preparation since July 2021 at the Ministry in charge of Telecommunications. Although the elements of this bill are not publicly available, the legislative experiences of other states in this area can be used to think about Cameroon’s Startup Act. In fact, several relevant elements need to be considered and integrated into



the law currently under review to guarantee the effective creation and operation of startups in Cameroon.

The first element is the establishment of an institutional and organizational support system for startups. This system will help startup promoters to master the technical, administrative, financial and even human aspects of setting up and running their businesses. The problems regularly encountered by entrepreneurs in Cameroon, such as corruption, administrative delays, the difficulty of finding financing and the lack of infrastructure or local industries to manufacture the equipment used or sold by startups, are all aspects that will have to be managed by the institutional and organizational system created by the law.

The second element to be taken into account is the incentives and facilitating measures for the creation of startups. More explicitly, Cameroonians need to be encouraged to innovate by adopting appropriate legislative measures such as special financial exemptions. These special incentives must be different from the general incentives set out in Law 2013-004 of 18th April 2013 on incentives for private investment in Cameroon. They must consider relevant sociological and socio-professional elements to eradicate the gender, inter-generational and economic barriers that limit entrepreneurship in Cameroon. Indeed, research is increasingly showing how difficult it is for women, young people and the less well-off to set up innovative businesses. It is also possible to draw inspiration from the legislative frameworks that already exist in some African countries.



06. POLICY RECOMMENDATIONS

Even though the Startup Act is still comparatively new worldwide, a well-designed one can significantly improve the business ecosystem and tackle the high rates of unemployment in Cameroon. Besides a few countries like Tunisia, Senegal, and Nigeria, which have already embarked on such regulatory frameworks, Cameroon is still in the process of adopting one. Interested in legislating a Startup Act since July 2021, the Cameroon government intends to address challenges encountered by startups. For this purpose, relevant elements need to be accounted for and integrated into the Cameroon Startup Act to secure the effective creation and development of the startup ecosystem. These include:

An inclusive strategy in the drafting of a startup act

It is essential to include collective action in the policy-making process in order to better identify and present existing problems within the entrepreneurial ecosystem. Joint policy development by decision-makers and other stakeholders will help them better understand the requirements of the target audience and incorporate the audience's needs into the law. Any policy that seeks to promote entrepreneurship



begins with the identification of a problem or challenge faced by the enterprise. Challenges can be influenced by the gender of the entrepreneur, given that female entrepreneurs face cultural problems and gender violence in the creation of project networks compared to their female (female or male) counterparts. The development of these policies should not be subject to stakeholder pressure (Cirera et al., 2017 and 2020).

An objective labeling policy will be an asset to the growth of startups.

According to the results, corruption is one of the main challenges facing startups. To avoid the risk of corruption in the startup ecosystem, it is necessary to implement an objective selection process. Companies included in this process are based on a clear mission, vision, and business model. Startups can be B2B, B2C, C2B, or C2C. Two approaches are used to label startups: the rights-based approach and the discretion-based approach. Applying discretionary selection criteria presents certain difficulties, such as developing, calibrating, and applying eligibility criteria for creative and innovative startups (Hill 2018). The goal-based approach offers advantages such as rapid growth of the entrepreneurial ecosystem and increased creativity and innovation. Whatever the startup model, when the labeling process is conducted objectively, it leads to growth and development.

A strategy for follow-up in the intervention of startups

Although it is recognized that the need for monitoring and evaluation

is essential for startups, many existing regulations in Africa do not contain specific guidelines for their implementation. Cameroon can therefore introduce a mechanism in the startup sector that monitors and evaluates the performance of startups in both the public and private sectors. This framework will clearly define the method for monitoring and evaluating startup interventions in Cameroon.

A policy defining the technique of financing startups

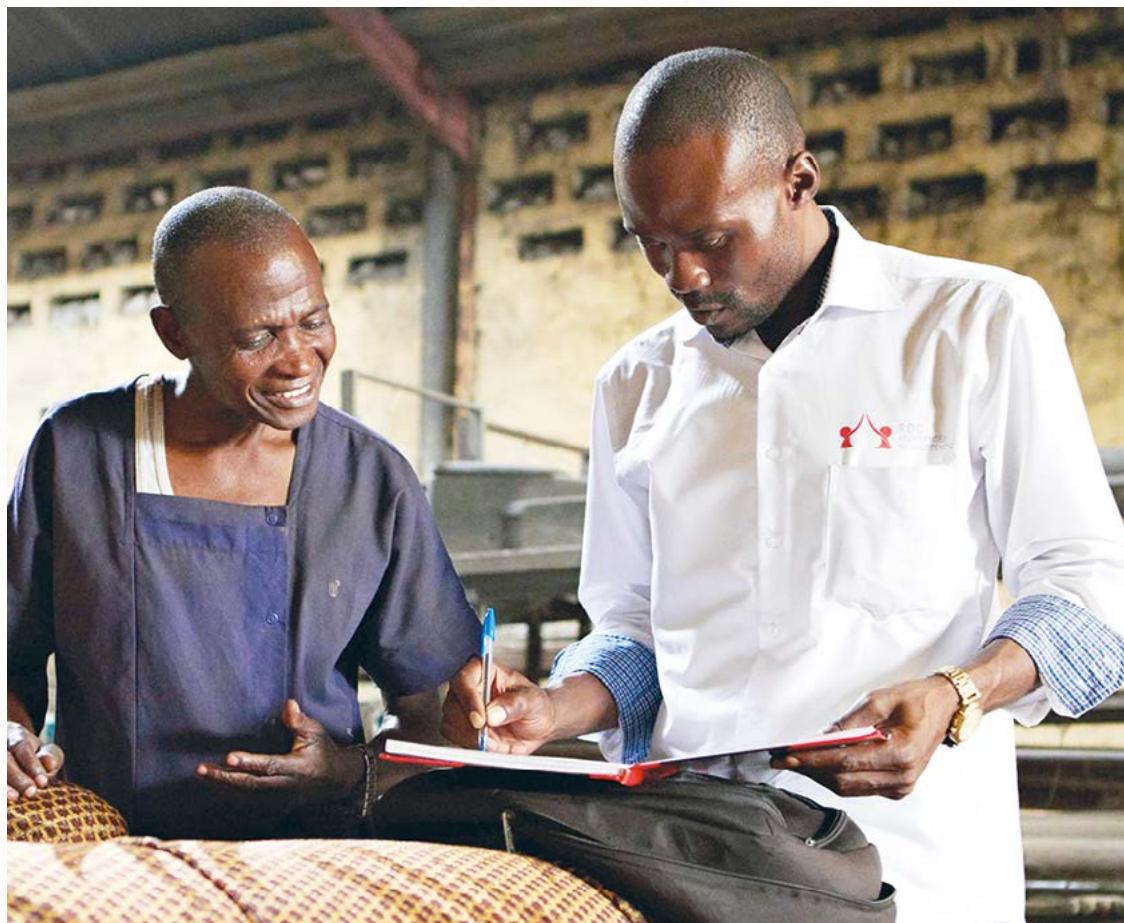
The growth of startups in Cameroon is directly influenced by their ability to finance their activities. This financing can take the form of internal or external funding channels. The funding methods include using personal funds, friends and family, seeking a loan, angel investors, venture capitalists, crowdfunding, enrolling in a startup incubator, public sector grants and donations, and micro-credit. These main sources of funding can be supported by the Startup Act, which will greatly help to increase their productivity and sustainability.

A strategy that promotes media startups

In most African countries, startup laws, such as the Nigerian Startup Act passed in 2022, do not take the media sector into account. Media startups are companies that provide enabling technologies and emerging content that help media startups build their business models. Therefore, introducing this sector into the startup law and increasing the labeling process in this sector will reinforce the growth of other sectors because media startups will create awareness and content about the products and services developed by other startups.

Summary and Pathway Forward

The aim of this study was to pinpoint the urgent need for a startup law in Cameroon. Among African countries, Cameroon is among the vast majority that have yet to adopt a startup law. Startup laws in countries such as Nigeria, Senegal, and Tunisia are important tools that provide a favorable environment for businesses and investors by simplifying business transactions, providing tax incentives, providing access to financing, and promoting innovation. Challenges faced by startups in countries where the law has been successfully implemented include limited access to finance, inadequate business support services, a complex regulatory environment, and a lack of supportive policies. From the above, it is clear that a startup law can be adopted in Cameroon by taking into consideration a broad basic strategy for drafting a startup law, media startups, startup financing techniques, startup intervention support, and the startup labeling process.



The background of the slide features a faint, sepia-toned photograph of a group of people, likely a business meeting or conference. The individuals are seated around a table, engaged in discussion. The image is semi-transparent, allowing the text to be clearly visible.

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