Groupement des Entreprises du Cameroun

Streamlining of the investment incentive policy through the Ordinance of 18 July 2025 : The epilogue to a committed plea by GECAM

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Initially designed as a strategic lever to promote and attract productive capital, particularly foreign direct investment (FDI), Law No. 2013/004 of 18 April 2013 establishing incentives for private investment, amended on 12 July 2017 (the '2013 Law'), has now fallen well short of expectations[1]. Far from promoting sustained economic growth, its application has had several counterproductive effects, including significant tax losses for the State without proportional returns, incentives for low value-added sectors, and distortions of competition that are detrimental to established businesses.

Aware of the structural limitations of this mechanism, GECAM has consistently denounced the poor calibration of the incentives implemented in relation to the development objectives set. Through constant and well-argued advocacy, it has drawn the attention of the public authorities to the economic and budgetary impacts of this incentive framework. It was in fact under thethis advocacy that the revision of the 2013 Law was included as a structural benchmark in the economic and financial programme agreed between Cameroon and the IMF under the Extended Credit Facility.

The Order of 18 July 2025 repealing the provisions of the 2013 Act (the 'Order') is thus the culmination of a long advocacy campaign by GECAM and an ongoing process of consultation with the public authorities. It marks a significant step towards better rationalisation of the investment incentive scheme, by making the granting of benefits more rigorous, selective and consistent. However, there is still considerable room for improvement if the investment incentive scheme is to vigorously drive the development of the country's industrial and economic fabric.

AN AMBITIOUS REFORM TO IMPROVE THE EFFECTIVENESS OF THE INVESTMENT INCENTIVE POLICY

1. Rationalisation of eligible investment sectors

- *A break with the permissive approach of the 2013 Act*

The 2013 Act took an open approach, leaving a priori all sectors of activity eligible for incentives, with the exception of those governed by specific regimes (notably upstream oil, mining and gas). This excessive openness, combined with very general eligibility criteria, led to :

- **A dilution of benefits** in projects with little structural impact or low added value;
- **A loss of clarity and consistency** in the government's incentive policy;
- **A tax expenditure with no real return,** linked to the uncontrolled extension of tax exemptions.

By **introducing a list** of eligible sectors based on national strategic priorities, the Ordinance marks a **clear shift** in that it breaks with the permissive approach of the 2013 Act in favour of a **selective policy** based on **national development priorities.**

- *Prioritisation of sectors with high potential for economic transformation*

The investment sectors now eligible[3] clearly correspond to the pillars of inclusive and sustainable growth as set out in the SND30. By targeting incentives at priority sectors, the Ordinance aims to reduce ineffective tax exemptions and improve the return on tax expenditure. This sectoral framework now serves as a compass for investors, who will be able to adjust their investment projects to bring them into line with the priority areas of development defined by the State.

- *Strategic exclusion of low value-added sectors*

The Ordinance excludes the trade and distribution sectors from investment incentives. This exclusion reflects a clear desire to refocus tax incentives on projects with strong positive externalities that do not have a negative impact on the trade balance, which is very often the case with projects in the trade and distribution sector.

[1] The mixed results of the investment incentive scheme introduced by the 2013 Act have been highlighted in several reports by ministerial departments (MINFI, MINEPAT) and development partners (World Bank), including:

- The Country Assessment of the Private Sector, published in December 2022 by the World Bank;
- The Report on Tax Expenditures for the 2022 Financial Year, published in September 2023 by MINFI; and
- The Report on the Cameroonian Economy in 2023, published in April 2024 by MINEPAT.

[2] Article 2 of the 2013 Act.

[3] These are the agriculture, livestock and fisheries sectors; heavy industry, automotive and manufacturing; water and energy; education and health; air, rail and maritime transport; tourism and leisure; large-scale distribution infrastructure; and digital data storage and processing infrastructure (Article 3-1 of the Ordinance).

2. **More rigorous selection of eligibility criteria**

- *More stringent eligibility requirements*

Due to its low eligibility criteria, the 2013 Act allowed many unambitious — even opportunistic — projects to benefit from tax exemptions without any real economic return. This has led to a proliferation of non-structural projects, a loss of tax revenue for the State and a weakening of the credibility of the incentive scheme. The new framework aims to correct these abuses by introducing stricter entry criteria, in order to better target incentives towards high value-added projects. The Order adopts a much more selective and structured approach in that :

- It requires new projects to meet at least two out of five criteria[4], whereas previously only one out of four criteria was sufficient[5].
- It tightens the qualitative requirements relating to employment, exports, value added creation and the use of local resources[6].

This change reflects a desire to better filter the projects that benefit from incentives, targeting those that make a substantial contribution to the national economy.

- *A focus on performance and economic impact*

The new system is based on a return on public investment approach, requiring that projects, in order to be eligible, must have a measurable socio-economic impact, particularly in terms of:

- **The creation of sustainable jobs,** taking into account the development of local skills, technology transfer and the use of subcontracting[7];
- **Local productive anchoring,** by increasing the threshold for national natural resources to be used as inputs for the manufacture of products[8]; and
- **National and international trade integration,** by increasing the thresholds for value added generated, export operations and products of Cameroonian origin marketed[9].

3. **Rationalisation of government tax expenditure in a context of scarce resources**

- *Stronger control of tax expenditure*

- **Reducing the duration of the operational phase from 10 to 5 years**[10], which immediately reduces the period during which exemptions apply, thereby allowing companies to return more quickly to full tax contribution;
- **The abolition of the reduced 5% import rate on consumables**[11], which implicitly encourages the local development of substitute products ;

- *Limiting the use of exemptions by contract*

By removing the possibility of extending tax exemptions to local shareholders, developers and contractors by contract[12], the Ordinance puts an end to a practice that could lead to indirect exemptions that are difficult to control and quantify, as well as complicating tax monitoring and creating a lack of transparency. This measure therefore enhances the traceability and predictability of tax expenditures by refocusing the benefits on the main investor.

- *The introduction of a mechanism for recovering customs duties on transferred*

Exemptions or reductions in customs duties granted on imported materials and equipment have sometimes led certain investors to resell these goods, thereby generating a profit on assets that were imported duty-free, which constitutes a tax loss for the State.

[4] Article 7 of the Ordinance.
[5] Article 4 of the 2013 Act.
[6] This observation is based on a cross-reading of Articles 6 to 8 of the Order, Article 4 of the 2013 Act and Article 5 of the Order of 19 November 2013 specifying the terms and conditions for implementing the tax and customs advantages of the 2013 Act (the 'Decree of 19 November 2013').
[7] This is reflected in Article 6 of the Order, which establishes common eligibility criteria for new projects and extension projects.
[8] Articles 7 and 8 of the Ordinance, which contrast with Articles 4 of the 2013 Act and 5 of the Order of 19 November 2013.
[9] Ibid.
[10] Article 11 of the Ordinance.
[11] Article 11 of the Order, which amends Articles 7(1) of the 2013 Act and 5 of the Order of 19 November 2013.
[12] This possibility was provided for in Article 11 of the 2013 Act.

The obligation to pay any outstanding customs duties and taxes before any transfer of exempt materials and equipment[13] introduces a new conditionality that prevents the free resale of these goods, which were initially imported duty-free. This measure protects tax revenue, limits speculation, and encourages beneficiaries to take responsibility for the use of imported materials[14].

4. **4. The introduction of selective tax incentives to support productive investments**

The Ordinance introduces a set of specific and targeted tax measures aimed at reducing the cost of entry and deployment of investment projects, while encouraging local processing and exports[15]. These incentives are designed to stimulate investment productivity, both during the critical installation phase and during the operational phase. The main new incentives include:

- **VAT exemption on interest on investment-related loans, which reduces the cost of financing and reduces the tax burden on borrowed capital;**
- **Property tax exemption on land and buildings at the investment site, which lowers fixed costs on productive land;**
- **Accelerated depreciation (twice the normal rate), which allows for faster deduction of investment costs, improving cash flow and net returns on projects in the short/medium term;**
- **Exemption from export duties on locally manufactured finished products, which enhances the attractiveness of export sectors and the competitiveness of local products internationally.**

5. **A firm commitment to promoting import substitution**

The Ordinance reflects a strategic shift in line with the import substitution policy, now favouring the development of local production capacities and skills over an overly liberal opening up to imported inputs and products. This reorientation is based on two main instruments:

- **The exclusion of imported goods that have locally produced equivalents from customs facilities, except in cases of a regularly certified lack of domestic production by the competent authority[16];**
- **The removal of full deductibility of foreign technical assistance costs[17], thereby encouraging investors to rely more on local expertise**.

These measures are part of a proactive approach to import substitution of goods and services, aimed at stimulating demand for local industry and experts, thereby reducing dependence on foreign countries.

6. **A significant improvement in legal certainty for investors**

The Ordinance marks a significant step forward in terms of **legal certainty for investors,** by reforming the procedure for implementing the customs facilities provided for in the incentive schemes. Under the 2013 Act, the customs facilities provided for in investment agreements were often **challenged downstream** by the customs administration, due to a lack of prior consultation with the latter. This exposed investors to situations of legal uncertainty: delays, refusal of exemptions, or uncertainties regarding the interpretation and effective application of customs benefits.

To reduce the risk of subsequent challenges by the tax and customs authorities to the incentives contained in the investment agreement, the Ordinance now involves these authorities in the process leading to the validation of the investment agreement. The Ordinance thus expressly provides that the investment agreement is now subject to 'mandatory review' by representatives of the tax and customs authorities within the Single Window, which is a body established by the Ordinance to facilitate the administrative procedures necessary for investors to obtain incentives[18].

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[13] This obligation is now provided for in Article 35 of the Order.

[14] It would nevertheless have been ideal for the Order to specify that customs duties are not payable in the event of total depreciation of the materials or equipment transferred by the investor, provided that they have been used in accordance with the programme set out in the investment agreement.

[15] These new incentives are contained in sections 10(b) and 11 of the Order.

[16] Section 33(5) of the Order.

[17] Section 6 of the 2013 Act provided for a full deduction of technical assistance costs in proportion to the amount of the investment made, determined on the basis of the total amount of the investment. This provision has now been removed from the Order.

[18] Sections 29 and 30(5) of the Order.

With regard specifically to customs incentives, **the Ordinance also requires that the validation of the provisional lists of materials and equipment to be imported** be carried out **upstream** and jointly by the authority competent to grant approval (API or APME) and the representative of the Directorate-General of Customs, whose opinion is mandatory[19]. This new provision should put an end to disputes related to a posteriori challenges by the DGD of the customs facilities provided for in the investment agreement. It should thus enable investors to benefit from greater legal certainty **when carrying out their import operations, as regards the recognition by DGD officials of the facilities granted.**

I. AN INCOMPLETE REFORM IN TERMS OF THE EXPECTATIONS OF THE PRODUCTIVE SECTOR

1. A blind spot in the reform: the lack of regulation of sectors with overcapacity

Although ambitious in many respects, the Ordinance overlooks an essential mechanism for rationalising the incentive policy: the periodic modulation of eligible sectors. This omission is all the more regrettable given that the preparatory work for the Ordinance had provided for such modulation, in particular to exclude sectors that are already mature or in a situation of overcapacity from the scope of the incentives.

As it stands, no provision in the new system allows for the exclusion of sectors which, although eligible, no longer need enhanced support from the State. Eligibility remains defined in general and abstract terms by the Ordinance, with no mechanism for periodic updating based on concrete economic indicators (capacity utilisation rates, market saturation, supply/demand imbalances, etc.). The lack of periodic adjustment of eligible sectors poses several structural problems, including :

- **Inefficient allocation of public resources:** By continuing to grant tax advantages to sectors that are already saturated or well-provided for, the State is unnecessarily subsidising investments with no marginal effect, where needs are greatest.
- **Weakening of the economic fabric :** Maintaining incentives in sectors with overcapacity can significantly reduce market share and thus weaken the overall profitability and attractiveness of the sector, particularly for less resilient SMEs.
- **Sectoral crowding-out effects :** By attracting projects to already saturated sectors, the State potentially diverts investment away from more promising but undervalued sectors, creating a bias in the sectoral allocation of capital.

2. Mixed effects of the reform on distortions of competition

- *Relative progress in levelling the playing field*

The Order marks a commendable desire to reduce distortions of competition between economic operators by introducing or reaffirming several guarantees of fair treatment in access to incentive schemes, in particular:

- **The principle of equal sectoral treatment :** The Order reaffirms that any approved company is entitled to the same incentives as those granted to another operator in the same sector for identical or similar operations[20]. This principle, already provided for under the previous regime, is maintained[21], thereby reinforcing fairness between investors in the same sector operating at different times.

- Fair treatment of investors under the old regime: Companies benefiting from the 2013 Act regime retain their advantages until their expiry, but may opt for the new regime, subject to meeting the new conditions, without cumulating advantages. This transition mechanism avoids a sudden break or a double standard situation, promoting a gradual convergence of the applicable regimes.

[19] Section 33(1) of the Order.
[20] Section 46 of the Order.
[21] Section 32 of the 2013 Act.

- *The persistence of unequal treatment that is unfavourable to existing companies undertaking expansion projects*

Despite its advances, the Ordinance introduces an unexpected source of distortion of competition through the eligibility criteria imposed on expansion projects of existing companies, particularly in terms of job creation. Two alternative conditions relating to job creation are required[23] :

- **Creation of at least one job** per tranche of planned investment of 50 million CFA francs (the same ratio as that applicable to new projects); or

- **Achievement of a minimum rate of 20% new jobs** in relation to the existing workforce.

OHowever, these requirements do not take into account the specific characteristics of existing businesses, which often have a full administrative staff (legal, accounting, HR, etc.) and, in the context of an expansion, do not need to recruit as much as when setting up a new business.

The Order therefore creates a bias against the expansion of existing businesses, insofar as the latter, although already well-established in the national economy, are at a disadvantage in accessing new incentives compared to new entrants, due to an unrealistic job creation criterion.

Similarly, existing businesses making new investments to expand their production capacity remain at a disadvantage compared to new businesses. The new scheme does not provide for an 'installation phase' applicable to expansion work, which would allow existing companies to benefit, solely for this work, from the same advantages granted to new projects during their installation phase (in particular customs facilities in respect of port taxation)[24].

3. Tax and customs incentives that are generally unattractive

Although the Ordinance demonstrates a desire for rigorous supervision and rationalisation of tax benefits, it remains timid in actually granting substantial relief for eligible projects that are nevertheless recognised as relevant. Several provisions reflect a restrictive approach, sometimes contradicting the very objective of incentive legislation, which is to reduce the costs associated with productive investment and encourage the establishment or expansion of value-creating projects

- *Elimination of the exemption from registration fees for financing contracts*

The Ordinance abolished the exemption from registration fees applicable to financing contracts[25]. However, this exemption was essential to reduce the overall cost of financing, while encouraging the mobilisation of third-party resources (in particular intra-group loans, current accounts of partners, etc.). Its removal automatically increases the cost of investment, which is contrary to the fundamental objective of the Order, and could discourage holding companies from investing through local structures.

- *Tax discrimination in favour of foreign services*

Another major shortcoming of the new system relates to the VAT exemption on services related to the implementation of the project, which only applies to services provided from abroad[26], effectively excluding those provided by local service providers. This difference in treatment creates an unjustified tax distortion in that it penalises Cameroonian service providers (consulting, engineering, technical assistance, etc.), contrary to the import substitution policy promoted by other provisions of the Ordinance (see point 5 above).

[22] Section 47(1) of the Order
[23] Section 8 of the Order.
[24] See the definition of the term 'installation phase' in section 5 of the Ordinance, as well as section 13 of the Ordinance.
[25] This exemption was provided for in sections 7(1) of the 2013 Act and 5 of the Order of 19 November 2013.
[26] Section 10(b) of the Order.

- *No VAT exemption on local purchases of equipment*

The Ordinance does not provide for any VAT exemption on local purchases of equipment or materials related to the investment project[27], even though such a measure would stimulate demand for local suppliers (where they exist), while reducing logistics costs and supply lead times for the investor. This omission creates a distortion to the detriment of local content, weakening the knock-on effects of the incentives on the national economy.

- *Possible ineffectiveness of the tax credit mechanism due to the application of a minimum collection threshold*

It would be difficult for the investor to take full advantage of the corporate tax credit as provided for in the Ordinance[28]. Indeed, the application of this credit is likely to reduce the amount of tax due to a level below the minimum collection threshold, which remains set at 2.2% of turnover (this rate has not been adjusted by the Ordinance). In such a case, investors would remain subject to the minimum collection threshold, effectively neutralising the expected benefit of the tax credit.

While the Order demonstrates a desire to regulate and rationalise tax expenditure, it errs on the side of caution when it comes to effective tax and customs incentives for projects with high added value for the economy. A targeted review or corrective enforcement measures would be necessary to restore the consistency and effectiveness of the system.

4. The creation of Priority Development Zones: A welcome innovation, but with uncertain appeal

One of the notable contributions of the Ordinance is the stated desire to promote more balanced regional development through the creation of Priority Development Zones (PDZs). This measure reflects an ambition to redirect investment towards the country's less favoured regions, breaking with the historical concentration of projects in the two major cities of Douala and Yaoundé.

However, this political will to decentralise development risks remaining a dead letter, due to the lack of sufficiently powerful incentives to effectively guide investors' location choices.

- *Ordinary customs advantages*

In terms of customs, several of the announced advantages are limited in scope, as most of the regimes mentioned (Active Processing, Special Temporary Admission)[29] already fall under the common law of the Customs Code. They can therefore benefit any company that meets the required conditions, without the ZDPs conferring any real additional advantage.

- *Modest tax advantages*

In terms of internal taxation, the specific measures planned remain fairly modest: a tax credit increased by just 5 points[30] (which is insufficient to offset the structural handicap of certain regions), and exemptions on minor charges (VAT on leases, employer's contribution on salaries, state property fees)[31], the economic impact of which remains limited.

In short, the incentives specific to ZDPs lack the substance to reverse the economic choices of investors, who will continue to favour regions with better infrastructure, skilled labour, proximity to markets and logistical access. The risk is therefore that this laudable ambition for territorial equity will come up against geographical inertia in investment if it is not supported by more attractive or differentiated incentives.

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[27] However, this VAT exemption is provided for the importation of equipment and materials related to the investment programme (section 10(b) of the Order).
[28] Section 11(b) of the Order.
[29] Section 12(a) of the Order.
[30] Section 11(b) of the Order.
[31] Section 12 of the Order.

II. CONCLUSION AND OUTLOOK

LThe Ordinance reforming the private investment incentive regime is undeniably a step forward in modernising the legal and fiscal framework applicable to investments in Cameroon. By refocusing the benefits on local value creation, rationalising government tax expenditure and strengthening legal certainty for investors, it responds to concerns long expressed by the private sector.

However, the reform falls short of certain fundamental expectations. Indeed, several provisions raise concerns about their relevance to the objectives sought. In particular, the timidity of certain tax levers, the potential distortions induced by certain eligibility criteria, and the inadequacy of incentives for Priority Development Zones call for further adjustments.

In the medium term, a revision of the text should be considered in order to adapt it more dynamically to changing economic needs. It would also be appropriate to strengthen consultation between the public authorities and the private sector during the preparation of the implementing texts of the Ordinance, in order to ensure its effective and consistent application. Finally, transparency in the granting of benefits, rigorous monitoring of investors' commitments and periodic evaluation of the impact of incentives should be key aspects of the governance of the new regime.

It is on this condition that this beneficial reform, although perfectible, will be able to fully play its role as a strategic lever for industrial development, local employment and the structural transformation of the Cameroonian economy.