

GICAM WHITE PAPER

ON CAMEROONIAN ECONOMY



The Industrial Imperative of Cameroon

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About GICAM



Created on June 12, 1957, the Groupement Inter-patronal du Cameroun (GICAM) is the main employer and business membership organization in Cameroon.

GICAM is the reference point for the promotion of the interests and competitiveness of the enterprises and the place where the voices that contribute to the development of the private sector in Cameroon can be gathered and expressed.

In 2019, there were 21 sectoral business associations, groupings and trade unions in GICAM; including 729 Companies with 306 small-sized businesses, 175 medium-sized businesses, and 248 large businesses.

The members of GICAM are involved in all agricultural, industrial, trade and service sectors. The Cumulated net sales of GICAM member companies in 2019 was CFAF 9,860 billion, representing 76.8% of the cumulative revenue of modern enterprises and 64.8% of all country Companies and Institutions.

The latter employed 221 075 permanent staff for 54.3% of permanent jobs from modern companies and 27.2% of the permanent jobs from Companies and Institutions in Cameroon. In 2019, the tax revenue contributions of GICAM member

companies accounted for 70.0% of total tax revenue and 39.3% of the State's Budget.

GICAM is the main contact for State, Workers' Unions and International and Regional Institutions.

GICAM's action is mainly focused on the representation and defence of members' interests, service to members and companies, promotion of free enterprise and the undertaking of initiatives and projects aimed at improving the business climate and the attractiveness of the Cameroonian economic area.

GICAM has created the GICAM Mediation and Arbitration Centre (CMAG) and the Small Business Development Centre (CDPME). In 2014, GICAM published the "100 Proposals for the Emergence of Cameroon" and in 2018, the "Proposal for Tax Reform in Cameroon."

At the regional and international level, GICAM chairs the Union of Employers' Associations of Central Africa (UNIPACE). It is a member of the International Organization of Employers (IOE) and Business Africa. GICAM maintains partnership relations with foreign employers' associations.

Foreword



Danger in waiting...

In 2009, the Government has set itself the objective of making Cameroon an emerging country by 2035. In a local, regional and global context characterized by multifaceted crises - among other things, security, social, political, economic...-, which strongly jeopardise civil peace, stability of the country and the consolidation of national unity, various indicators that show the country's difficulties to steadfastly take off.

In that respect, while Cameroon has a leadership position in several sectors within the Central Africa subregion, it is now experiencing a relative decrease. For example, while the country accounts today for at least 50% of the CEMAC population, its economic value in terms of GDP had fallen to 40%, whereas thirty years ago it was from 60 to 70%. In particular sectors, where it was a net exporter of products such as the agri-food industry, it became a net importer. In yet others, where it was resolutely initiating a promising industrial dynamic, it has been reversed. Finally, the security crises have not spared it in some parts of the country, impacting the size of the national market, undermining the entire sectors of their main industries, such as tourism. All in all, due to these developments and threats, the goal of emergence by 2035 is jeopardized.

Emergency stage and time of crisis...

At the same time, Cameroon is facing demographic transition challenges, characterized by a population of nearly 25 million, which is constantly growing (2.5% per year) and an urban explosion (7% per year). More than half of this

population now lives in cities. These phenomena combine to increase the pressure on the overall availability of jobs, housing, education, health care, energy, water and sanitation, transportation, and other basic infrastructure.

Covering the period 2013-2016, the Cameroonian economy has remained relatively robust and resilient, with an average annual growth rate of 5.3%, despite various external impacts, in particular security threats on the territory and lower crude prices and other exported products. Unfortunately, this dynamic is gradually fading, with a growth rate of 3.5%; 4.1%; 3.9% in 2017, 2018 and 2019 respectively, and with the shock of the Covid-19 pandemic crisis, it should be negative in 2020.

This trend lasting will widening internal and external macroeconomic imbalances, as a result of the challenges of economic governance to manage debt, fiscal and trade deficits, to curb inflation, improve financial inclusion in an environment where the rate of banking is less than 15%, to reinforce the public expenditure quality, and, finally, to improve the business climate which remains unattractive to private investment, essential for faster growth. The combination of these phenomena would result in increased precariousness and marginalization.

Awareness Moment...

This observation of a hard take-off is also elaborated by the independent reports from various international institutions, including World Bank, IMF, EU, African Development Bank, rating agencies (Standard & Poor's, Moody's and Fitch Ratings). They criticized the stagnation of per capita income (around US\$ 1,200), which is already low, as well as the sharp decline of Cameroon in the light of the same indicator over countries such as Côte d'Ivoire with which it used to be compared thirty years ago, or to others such as Kenya and Ghana which have caught up and then overtaken it. According to the same observers, it all the more regrettable because Cameroon has an extraordinary natural and human potential, and the effective exploitation of which should make it possible to ensure much better living conditions of its nationals.

In this context, all wise observers agree on the need for a strong and inclusive economy building to provide appropriate solutions to these multiple challenges. Hence the need for a sustained high

pace of growth, near or above two figures, over the next two decades, a threshold considered compatible with our ambition to emerge. With this aim in mind, the country must have local companies, able to participate in the international competition, to grasp the various economic opportunities offered by globalization, characterized mainly by an ever-stronger local, regional and global competitions. Therefore, our country must be able, through appropriate public policies, to attract a large flow of foreign private investment, foster the emergence of national champions, while encouraging the Empowerment of all types of resilient local companies, including strong exporting SMEs.

In this context, we are learning at least two lessons from the consequences of the Covid-19 pandemic, which suddenly burst into our lives as entrepreneurs and business leaders in the first quarter of 2020. Firstly, for lack of having sufficiently undertaken the necessary structural reforms for our economy, the country has been particularly helpless to deal with the pandemic, albeit on an unprecedented scale. Secondly, the response to the impacts of this pandemic is a matter for each and every one of us: State, private sector, social partners, civil society. In other words, a non-existent or imperfect dialogue will be a serious obstacle on our individual and collective efforts, which are designed firstly to stop the losses crippling our businesses and then to create the best possible conditions that will ensure the sustainable economic rebound that we wish to see.

It is therefore clearly aware of the decisive role played by companies, alongside public authorities to meet these multifaceted challenges that the Employers Association of Cameroon (GICAM) in a constructive approach, has embarked on this study. This is in line with the "100 proposals for emergence" published in 2013 by GICAM. In the light of underwhelming performance and delays encountered by the country in one of the key areas of the approach, GICAM had mobilized renowned academics in one main ambition: Undertake to launch a study on strategies to accelerated growth.

As the strategy should be adopted for the second step of this approach, the White Paper compiles this citizen-based approach. It aims to help propose ways and means to sustainably strengthen the competitiveness of local businesses in an inclusive process of value creation, a guarantee of a stable and peaceful socio-demographic change, in order to halt the cycle of impoverishment and growing economic inequalities, in a turbulent global environment; as it is true that economic frustrations, induced by unequal processes of wealth creation and distribution, constitute a fertile ground for

outbreak the anger and discontent of a youth, excluded and majoritarian component of the population.

Above all, GICAM is aware that the virtuous circle of vigorous, resilient and inclusive growth results from a fruitful dialogue between the public authorities and the actors of the world of business, fostered by a relationship of mutual trust and complementarity roles, for the benefit of the community. This is the lesson drawn from the experience of the Asian countries, which, in the space of one generation, has managed to address poverty in order to be involved in a momentum of prosperity for the benefit of their population.

In this context, it should be emphasized that the analysis and recommendations resulting from this study are an expression of GICAM's will and determination, and moreover driven by the crucial issues at stake. These have been achieved through a collective process, mobilizing all members of GICAM around its Board of Directors, supported by external multifaceted expertises. This process was initiated by the interpretation of some warning signs in the backdrop of crises, which generated a sense of urgency. This contribute to raising awareness of the issues and challenges, while imposing the requirement to better identify them that would lead to suitable solutions. Otherwise, without reassuring prospects, young generations could become easy victims for all kind of mirages - drugs, violence and other artificial paradises - which could intensifying the threats of insecurity, criminality and instability. The recent experiences of some countries, security shocks that Cameroon has been experiencing for at least three years and the occurrence of the Covid-19 pandemic, show that the consequences of these progressions are as tragic as they are unexpected.

Glimmer of hope...

Finally, though nothing have been lost and everything is possible, the time to act is running out. It can not therefore be devoted to unproductive polemics, the reverse is the case! To meet the challenges described above, it is necessary, as soon as possible, in a collective reaction, to gather all the forces. Otherwise, the decline will be unstoppable and collective. And this in mind, this contribution is a commitment to fight and a glimmer of hope.

Célestin K. TAWAMBA
President of GICAM

Acronyms & References

ACRONYMS

TFA	Trade Facilitation Agreement
ANOR	Standards and Quality Agency
EPA	Economic Partnership Agreement
VPA-FLEGT	Voluntary partnership agreement on Forest Law Enforcement, Governance and Trade
ASAC	Association of Insurance Companies of Cameroon
BEAC	Bank of Central African States
BSTP	Subcontracting and Partnership Exchange
BTP	Building public works
CAA	Autonomous Sinking Fund
CARPA	Board of Support for the Implementation of Contracts
CBF	Cameroon Business Forum
CCIMA	Chamber of Commerce, Industry, Mines and Crafts
ECOWAS	Economic Community of West African
ACCAS	Economic Community of Central African States
CEMAC	Central African Economic and Monetary Community
CIMA	Inter-African Conference of Insurance Markets
CNC	National Accounting Council
CNPS	National Social Insurance Fund
UNCTAD	United Nations Conference on Trade and Development
COMESA	Common Market for Eastern and Southern Africa
CONAC	National Anti-Corruption Commission
CTD	Decentralized territorial Authorities
DaO	Bidding Documents
DGI	Directorate-General for Taxation
GESP	Growth and Employment Strategy Paper
PRSP	Poverty Reduction Strategy Paper
DSX	Douala Stocks Exchange
MFI	Micro-Finance Institutions
F CFA	Franc of the Financial Community of Africa
IMF	International Monetary Fund
FONADER	National Fund for Rural Development
LEs	Large Enterprises
GICAM	Employers Association of Cameroon
FDI	Foreign Direct Investment
HDI	Human Development Index
NSI	National Statistical Institute
EITI	Extractive Industries Transparency initiative
MEs	Medium-sized enterprises
MINFI	Ministry of Finance
MINMIDT	Ministry of Mines, Industry and Technological Development
OHADA	Organization for the Harmonization of Business Law in Africa
WTO	World Trade Organization

ACRONYMS

SAP	Structural Adjustment Plans
IMP	Industrialization Master Plan
ESDP	Energy Sector Development Plan
SE	Small-sized Enterprise
GDP	Gross Domestic Product
PLANUT	Emergency Plan for Growth Acceleration
SME	Small and Medium-sized Enterprise
UNDP	United Nations Development Programme
PPP	Public-Private Partnership
HIPC	Heavily Indebted Poor Countries
RGE	General Census of Enterprises
RIN	North Interconnected Network
RIS	South Interconnected Network
GNI	Gross National Income
SADC	Southern African Development Community
SMIG	Guaranteed Minimum Inter-professional Wage
SNI	National Investment Corporation
ICT	Information and Communication Technology
VSEs	Very Small Enterprises
VAT	Value Added Tax
EU	European Union
WAEMU	West African Economic and Monetary Union
UPI	Informal Production Units
WEF	World Economic Forum

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Preface

In his inauguration statement on June 29, 2017, Célestin K. Tawamba, President of GICAM, announced, among other projects and initiatives, the production of a White Paper on the Cameroonian Economy, a "document that will serve as the basis for alternative proposals of GICAM during the upcoming sensitive negotiations with the government, IMF and other partners".

At the time of writing this foreword, economies around the world are deeply affected by the global Coronavirus pandemic. In addition to the threat the virus poses to public health, the economic and social disruption it has caused continues to threaten the long-term livelihoods and well-being of millions of people. The IOE and its members, including GICAM, have since the beginning of this crisis played a key role in the fight against the pandemic by monitoring its impact on businesses in order to inform administrative decisions and economic policy measures to ensure their sustainability.

I also have in mind the progress made by African employers' unions namely GICAM, the Cameroon's largest and most influential employers' organization, which the International Organization of Employers (IOE) is delighted to have as members since 1995. IOE has been a privileged witness to the gradual and successful transformation of this organization, in which the standpoint of purely vested interests is one small element of broader missions, such as the provision of relevant services to members of the organization, have the ability to influence, as a credible proposal force, the development of economic, social and business policies.

The White Paper is a perfect demonstration of this, as was the Cameroon Tax Reform Proposal submitted to the Government by GICAM in 2018. These are two unpublished facts in Cameroon's employer organization history. With the White Paper on the Cameroonian economy, GICAM clearly shows its willingness to contribute to the change of the Cameroonian economy through efficient industrial and enterprise policies, which are not separable, on the contrary, they reinforce each other. In a nutshell, the White Paper

proposes an alternative economic model that meets the expectations of companies and aspirations of the populations, and gives the performance conditions that come from the business environment.

Thus, GICAM lays itself open to criticism from State and non-State economic actors that it willingly accepted, and which also contributes in facilitating the necessary dialogues and consultations of all kinds of economy and enterprise development issues.

Cameroonian companies, among which GICAM is the internationally recognized voice, are the main players in the economy. It underlines the responsibility of GICAM, which must be strengthened as the appropriate proposals to suggest an efficient and effective economic model that meets the expectations of companies and aspirations of the populations.

IOE is the largest private sector global network. Our roles and actions contribute to the emergence of a sustainable economic environment in the world, which promotes free enterprise and mutually beneficial to businesses and the rest of society. IOE prides itself on this constructive masterpiece of publishing a White Paper by a member with whom it shares the ideals and values of private initiative, efficiency, performance, business ethics..

That is the spirit in which I am sending GICAM my best regards and great confidence.

Erol Kiresepi
President, IOE

Executive summary

Cameroon, country of Central Africa, blessed with natural and human resources and strategically positioned in the Gulf of Guinea and in the CEMAC subregion, is constantly shows mixed economic results. While its performance seemed to improve significantly between 2011 and 2016 and was a source of hope, two major shocks have just reminded us the fragile economy in need of a new impetus.

Structurally and recurrently, the country faced internal and external macroeconomic imbalances, difficulties in economic governance, budget and current balance deficits, weak financial inclusion, quality of public spending gap, and, above all, a business climate that remains unattractive to private investment, which are so essential to faster growth.

To move to a sustained growth rate near or above double figures over the next two decades, an estimated threshold compatible with its ambition to emerge, the country must have local enterprises able to participate in worldwide competition, take advantage of economic opportunities that globalization offers in a competitive environment ever-stronger at local, regional and global levels. The need for robust companies maintaining internal exchange networks has also been recalled by the unprecedented health crisis in early 2020.

It is aware of this crucial role to play by companies, mobilized with public authorities, that GICAM decided, in the extension of the 100 proposals for emergence published in 2013, the elaboration of a White Paper on Cameroonian Economy as employer's contribution to the definition of the strategy for the 2nd stage of 2035 vision.

The analysis of sectoral performance and fundamentals highlights a country that has been slow to reach the category of upper middle-income countries and whose growth is mainly driven by the tertiary sector, which is itself dominated through informal activities. In many areas, Cameroon is down compared to some countries in West Africa and East Africa with levels of development that were previously comparable.

In the primary sector, food crop productions, despite its diversity, remain insufficient to guarantee food self-sufficiency; forcing the country to spend CFAF 500 billion a year on

the import of various foodstuffs. On the other hand, cash crops are still performing below potential, in particular because of the lack of appropriate financing structures. In the meantime, forestry, the second largest contributor to export earnings, is not yet able to drive a real industry of 2nd and 3rd processing of wood while the country is blessed with forest (about 22.5 million hectares) the largest in Africa after that of the Democratic Republic of Congo.

Fisheries and livestock production are insufficient to meet the needs, while the country's agro-ecological diversity offers considerable development potential. Price volatility, low yields and poor infrastructure are among other the major disadvantages whereby these sectors became a marginal contribution to GDP. In the end, the average results of the primary sector deprives entire sections of the secondary sector from what is needed to enable them to play their driving role: local raw materials.

Without the ability to ensure a regular and competitive local supply, agribusinesses and processing industries can succeed only at the level of their ability to be embedded in the global supply chain or be reduced to informal micro units. They are also severely crippled by an unsuitable tax system (tax instability, actual tax rate above 50%, etc.) and inadequacies of support industries (packaging, laboratories, etc.).

In addition, various difficulties still do not allow the country to take advantage of its important mineral resources, including several high-grade deposits such as iron, gold, diamond, deposits that remain underused. Significant prerequisites concern the infrastructures needed for ore production from their operating sites, the development of legal and fiscal incentive framework, control of world prices, environmental issues, and resource mobilization to achieve investments that are very expensive.

If this last difficulty does not seem to concern the oil and gas sectors, the country's potential remains largely untapped despite recent investments in Douala and Kribi. As for oil, its role remains strategic as a source of resources for State, even if integration prospects are now hampered by the fire that damaged the refining plants in May 2019.

The launch of major infrastructure projects in recent years has propelled the Building and Public Works (BTP) ahead of the most dynamic sectors of the economy. Despite all that, overwhelming needs remain, in particular as regard of transport infrastructure (only 6.6% of the asphalted road network); housing (deficit of 1.2 million of housing) and electricity generating infrastructure. Despite the huge potential of Cameroon, including for the development of renewable energy, and the many investments so far made, many localities in the country are not yet electrified. The access rate to electricity is only 61.4% and users regularly have to deal with supply interruptions.

Faced with the apathy of the primary and secondary sectors, the tertiary sector prevails as a source of growth but is dominated by wholesale and retail trade and informal activities. In the absence of a suitable environment (business climate, safety and security, health and hygiene conditions, Human Resources and labour market), efficient promotion strategies and appropriate infrastructures, the country is unable to maximize its potential for developing high value-added activities such as tourism and transportation.

One of the barriers is related to financing, particularly the low level of credits to the economy (only 14.0% compared to an average of 48.3% in sub-Saharan Africa). Although banking services are rapidly changing, they remain ineffective (banking rate below 30%) with very long delays and significant transfer costs. The promotion of non-bank financing did not really take off fifteen years after the launch of a stock exchange. The insurance area operates in a market that is insufficiently developed with the insurance culture (the penetration rate is only 1.2%).

One of the challenges of modernizing the various services is now the digital transformation. In the field of ICT, Cameroon has undergone major changes in both penetration and infrastructure development. Nevertheless, the country seems to be a dwarf with respect to the contribution of digital economy to GDP. Some infrastructures do not keep up with demand, the supply of services remains of poor quality, the costs are still relatively high and the level of protection against cyber-based threats still appears low.

The set of sectoral constraints leads to a business network characterized on the one hand, by the predominance of the number of companies and staff employed of Very Small Enterprises and in the other hand, by economic performance (turnover) of Large Enterprises. In the middle, SMEs appear like the missing element. They represent only 20.6% of the headcount of companies, accounting for 21.7% of the staff employed and only 21.8% of turnover excluding tax. SMEs to compete with VSEs (which operate mainly in informal sector) while meeting administrative and organizational requirements designed with reference to Large Enterprises.

Another major feature emerges from the analysis of business demography in Cameroon: the predominance of informal activities. It contains subsistence activities, traditional farming, displays and trading places in neighborhoods and roadsides, and on the other hand, one-man or family businesses or even relatively large businesses taking advantages of breaches or tolerances in the administrative system. While it is often perceived as a social shock absorber, its negative effects are real and numerous (precariousness, insalubrity, illegal trade, tax inequality, etc.).

According to the demand perspective, final consumption is the main driver of growth in the national economy. Cameroon must absolutely straighten out the balance for net exports, for which the trade balance deficit is worsening consistently. Investment also remains a poor relation in the direction of - expenditure, with gross fixed capital formation being undermined by an overall ineffective incentive policy.

Although Cameroon attracts significant investment in some sectors, its FDI stock remains much lower than that of comparable countries when measured by GDP, and modest compared with several other countries in the CEMAC region. The quality of the business climate illustrated by the country's ranking on international scales appears to be a true shear stress.

In the area of trade exchanges, while the desire to integrate into the world economy is reflected in a steady increase in the rate of economic openness, there are concerns about the growing trade balance imbalance and low intra-Community trade. In the area of public expenditure, the rate of indebtedness and the domestic resource mobilisation level are questionable despite the continuing pressure on companies in terms of tax levies.

And yet, the experience of countries that have achieved remarkable economic performance in recent years shows that their success is based on a number of fundamentals, including a coherent and widely shared strategy, a modern, facilitating, guardian and deliberately interventionist administration, a sound judicial system clearly geared towards the protection of property rights, an effective vocational training policy, an powerful quality infrastructure, a densified infrastructure and logistics capacity, and internal demand gradually built around a growing middle class.

In the case of Cameroon, the analysis of these fundamentals highlights a lack of coherence and ownership of policies and strategies development, an administration in search of modernization but still worrying and inefficient, a skilled workforce but not always suitable to current and future needs, basic infrastructures that are still insufficient, costly and not sufficiently valued and a purchasing power that is still low within an emerging middle class.

In addition to these structural obstacles, specific sectoral barriers remain. They relate in particular to the tax framework, which is characterised by acute instability and high overall tax rate on the productive sector due to a system of levies based on turnover, a role as a facilitator for administrations that is still insufficiently assumed, high production costs that weighed on the overall level of economy competitiveness, corruption that is still widespread despite the legal efforts put in place, recurring problems with bank financing and a Cameroonian courts that needs to be modernised, particularly with regard to the settlement of trade disputes and the protection of property rights.

Due to the many pitfalls thus identified and in order to withstand the adverse effects of the economic crises, the last three of which were security, fiscal and health crises, a new economic model is needed in agriculture, one of the country's major assets, at the service of industrial development. In this perspective, three pillars could serve as a basis for the rebuilding of Cameroon's economy in order to increase its competitiveness around its main assets: Agribusiness, Transportation and Energy. The development strategy should be based on the construction of competitiveness clusters through a cluster and network approach, in particular around national champions in accordance with the guidelines of the Industrialization Master Plan (IMP). Learning lessons from the recent health crisis,

focus should be on the concerns of economic patriotism and sovereignty in certain sectors.

Around these pillars, it would be essential, among other things, to deploy effective support mechanisms in terms of support institutions and economic intelligence systems. The implementation of the new economic model articulated around the three pillars of emergence and these support institutions will need to be accompanied by major reforms in terms of the efficiency of public administration, the government's and its administration's relations with the private sector and civil society, and in key areas such as taxation, financing, skills development, digital economy, subregional integration and budgetary matters.

In the field of public economic governance, this includes focusing on development policy reforms based on international best practices, the modernization of public administration in general and legal institutions in particular, while also giving priority to the fight against fraud, illicit trade, corruption and embezzlement of public funds. As already mentioned, changing the tax framework, stabilizing it and further improving tax procedures are essential, as well as the improvement of the system for public procurement regulation.

In the area of financing, attention must be paid to the design and implementation of a proactive monetary and financial policy, revitalization of the money market and financing of territorial authorities, made easier the banking sector, diversification of investment vehicles, revitalization of financial markets, strengthening of credit and the mobilization of savings. These approaches will need to be complemented by a strengthening of the insurance market through the introduction of targeted contractual obligations from insurance and the establishment of minimum social security for populations.

As knowledge management has become a priority challenge to integrate globalization, it is essential to train visionary leaders and to build human capital compatible with emerging ambitions. This will include rethinking the learning system and knowledge transfer, changing the ways in which society promotes innovation, creativity, risk-taking and entrepreneurship.

In particular, the entrepreneurial dynamism that characterises the population is likely to be deployed in the digital economy if appropriate reforms are adopted, in order to guarantee healthy competition and enable the advantage of the fibre-optic network to be exploited efficiently. As a general rule and in view of the scale of the challenges in the field of infrastructure, building the capacity of the Government for planning and executing related projects must be one of the priority projects. This includes boosting alternative methods of financing infrastructure, reviewing the financial conditions for maintaining roads and considering a fund for infrastructure development.

In the field of infrastructure as in many others, particular attention must be paid to the participation of SMEs by giving priority to the key ways of protection, taxation and financing as far as they are concerned. In addition, the development of supply capacities must necessarily be accompanied by exploration, gaining access of new outlets and consolidation of existing ones. Cameroon will then have to deploy an economic diplomacy to take advantage of its leading position in the CEMAC region and the various trade agreements already signed or under negotiation.

To conclude, the satisfactory implementation of any business model requires at least three prerequisites:

- The proactive approach and strategic capacity of the State, which must be driven by a change in the perception of private enterprise, which foreshadows the presence of a strategic State, a catalyst for entrepreneurial momentum and inclusive prosperity;
- The existence of a strong, independent, legitimate and representative employer representation; able to explain and affirm the role and place of the company in the economy and in the country, in its three main directions: economic, social and societal;
- The development of an effective and fruitful public-private dialogue whose attributes are legitimacy, accountability of actors, transparency and relevance of working methods.

It is through this prism that the commitment of GICAM is based, whose vocation is to be the reference to defend and promote the company's interests, and the place where the voices that contribute to the development of the private sector can be gathered and expressed.



General introduction

Everything remains possible: skylines...

After independence, Cameroon experienced a period of sustained growth, driven in particular by the export of cash crops such as cocoa, cotton, bananas, wood and then oil at the end of the 1970s. This period of growth was interrupted in the mid-1980s with the decline in commodity prices on world markets and the negative impacts of inefficient allocation of public resources. This was followed by a deep economic crisis that completely shaken the embryonic national economic network, which was dominated at the time by the large state-owned companies created after independence to import substitution.

Under the influence and sometimes the constraint of international reference organizations, Cameroon then embarked on successive reform programmes to restore growth and reduce the huge social gaps due to crisis. This was the case with structural adjustment programmes and, later, with the HIPC initiative, which opened a new era with the reaching of its completion point in April 2006, resulting in greater fiscal space from debt relief.

In 2009, new course has been set for the country by the Government: achieve emergence by 2035. To do so, in the first stage, it focused on a strategy of massive investments in infrastructure (dams, ports, bridges, fibre-optic, communication channels, etc.) and an emphasis on the social sectors of health and education. Combined with a particularly favourable economic climate marked by soaring world oil prices, the country's economic performance improved significantly starting from 2011, reaching 5.9% and 5.6% growth rates respectively in 2014 and 2015. But while these results remain well below of the objectives of the path defined as a reference on the path to becoming an emerging country, the fall in oil prices and the disastrous impact of the security crises on the economic, social and human levels have just reminder us the structural vulnerability that continues to characterize the country's economic development model.

In fact, following this double oil and security shock, the limits that had already been

revealed in 2009 - 2010 during the international financial crisis were renewed. Since then, the Cameroonian economy is showing signs of weakness. While the productive sector remained relatively robust and resilient over the period 2013-2016, with an average annual growth rate of 5.3%, this dynamic has unfortunately been eroded since then, with the growth rate falling to 3.5% in 2017 and at a comparable level in 2019. This change is accompanied by a worrying deterioration in a set of indicators: internal (fiscal) and external (current balance of payments) deficits, a sharp deterioration in foreign exchange reserves, an acceleration in debt, a weakening manufacturing sector, and slower growth in per capita income, etc.

All in all, more than twenty years after the launch of the first structural adjustment plans, and twelve years after the cancellation of a significant part of its external debt under the Heavily Indebted Poor Countries Initiative, Cameroon's situation has raised a number of questions and concerns. All the more so as the country is once again undergoing reform with international partners, including the IMF, with which the Government has signed a three-year economic and financial programme for the period 2017-2020, in the wake of the CEMAC Economic and Financial Reform Programme (PREF-CEMAC) adopted in July 2016. These persistent weaknesses reflect a lack of internal dynamics, a real weakness of an economic model constrained by poor integration into the global economy.

Why, then the reforms are not yet produced the expected results? Why are the demons from the past of inefficient allocation of public resources resurfacing? Why is the country struggling to integrate into global value chains? What can be done to ensure that Cameroon participates sustainably in global growth and, finally, what roles should the private sector and the State play in it?

It is in the context of these questioning, and at a time when the Government has just launched the reflections for the elaboration of the strategy for the 2nd step of the implementation of the Emerging Vision by 2035, that the decision was taken to publish this White Paper.

GICAM thus wishes to raise the issue of much-needed reorientation of the development options adopted so far and an improvement of the country's economic governance within an ever-optimised institutional framework, in order to stimulate a dynamic of vigorous, sustainable and inclusive growth. The occurrence of the Covid-19 pandemic at the beginning of 2020 has proved to be a powerful revelation of our weaknesses and shortcomings in economic and social governance.

In a word, the commitment to second generation structural reforms is no longer an option. And the White Paper is on the way of strategies that should lead to sustainable growth and development.

This White Paper is organised in two parts, each with two chapters:

Part One of the book analyses the situation of the Cameroonian economy. Chapter 1, provides a diagnosis of the country's economic and social situation. It highlights the performance of the various economic sectors and their contributions to GDP over the past fifteen (15) years and analyses the engines of growth as well as other macroeconomic fundamentals such as investment and FDI, foreign trade and public expenditure.

Chapter 2, in order to measure the country's growth potential, analyses various determinants of growth and competitiveness, such as infrastructure, taxation, financial intermediation, the investment and business climate, legal certainty, the role of public administrations, etc., whose shortcomings hinder business development.

Part Two proposes various recommendations for a sustainable, inclusive and efficient economic model. Chapter 1, and on the basis of the diagnosis of Cameroon's production structure and trade, proposes the organization of economic production through a cluster and/or network approach. The various fields in which these approaches can be implemented are explored as well as the intersectoral linkages to promote.

Chapter 2 then proposes policies and measures to help clear structural barriers and obstacles to business development. Thus ten (10) themes are treated: (i) economic governance, (ii) taxation, (iii) financing, (iv) skills and labour market, (v) digital economy, (vi) physical infrastructure, (vii) SMEs and entrepreneurship, (viii) subregional integration and export promotion, (ix) public procurement and budgetary reforms.

Chapter 3 addresses the issues related to the existence of a strategic State, a catalyst for private and entrepreneurial dynamics, strong, legitimate and representative employer representation, as well as effective State-private sector dialogue, all of which are essential conditions for the development of the provided initiatives and recommendations.

This White Paper has been elaborate as a tool for information, reflection and in-depth consultation with State, development partners, civil society, academia and other concerned institutions, through which GICAM puts forward possible solutions to increase the competitiveness of enterprises, improve the attractiveness of Cameroon, promote investment and, ultimately, increase job creation opportunities.



Part One: Situational analysis of the Cameroonian Economy:

Comparison with other countries
and fundamental analysis

Introduction

Cameroon, with an estimated population of 25.22 million inhabitants (2018), has experienced a significant improvement in its economic performance since the early 2010's (GDP growth) but without significantly improving its development process (notably its HDI), its business environment (see Doing Business ranking) and its competitiveness (see World Economic Forum indicators).

Overall, the situation is characterized by an average annual GDP growth rate of 4.1% over the last 10 years. After 2006 and reaching the completion point of the HIPC initiative, the country's GDP had so far suffered two major declines in 2009 (subprimes crisis) and in 2015-2016 (oil and security crisis). In 2018, it was estimated at CFAF 21493 billion, which places Cameroon in 100th position in the world (nominal GDP) according to the World Bank out of 210 countries and ranks it 17th in Africa out of 65 countries and territories. Cameroon remains the economic leader in the CEMAC region and its performance is generally above the average of the sub-region.

However, the country's economic performance is slow to become reality in social progress for its population. With a Human Development Index (HDI) of 0.563 in 2018, Cameroon is ranked 153rd out of 189 countries (and 23rd in Africa) in the World Report on Sustainable Human Development published by the United Nations Development Programme (UNDP). According to the National Statistics Institute, 37.5% of its population lived below the poverty line in 2014 (CFAF 339, 715 per adult equivalent and per year), a total of 8 million people.

Many factors limit the country's ability to drive truly inclusive growth. Among these, the quality of the business climate is a major disadvantage. Ranked 163rd out of 190 countries (37th out of 49 in Africa) with a score of 46.1/100 for business facilitation according to the "Doing business 2020" report, the country still appears to be generally unattractive to investors and is below the sub-Saharan African average. Thus, in terms of competitiveness, the

country is ranked 123th out of 141 (18th out of 33 in Africa). Its competitiveness is greatly hampered by deficits in economic and social infrastructure, as evidenced by successive Reports from the World Bank and UNDP and the findings of GICAM members. Infrastructure does not provide satisfactory traffic, communication, working and operating conditions for economic operators.

While the country has chosen the market economy as its preferred mode of organization, the State is still struggling to play its strategic role of promoting, regulating and facilitating economic activity. In addition, public finances are characterized by a chronic budget deficit that continues to grow, reaching in 2017, -3.8% (overall budget balance based on ordinances, including grants). This deficit gives rise to an accumulation of payment arrears (public debt), both domestic and external, which, according to IMF data, reached 39.3% of GDP at the end of 2018, or nearly CFAF 6,400 billion in December 2018. Domestic debt, whose outstanding amount at 31 March 2018 is estimated at CFAF 1,559 billion¹, or 7.6% of GDP, composed in part of arrears, is a major disadvantage for the development of private companies' activities.

As of July 31, 2019, public and publicly guaranteed debt was estimated at CFAF 8,032 billion, including CFAF 2,011 billion of domestic debt.

In early 2020, the Covid-19 pandemic crisis has added to the difficulties. In fact, by its unprecedented nature, it has a considerable impact on the areas of economic growth, company performance and employment. Somehow, companies have been suffering for several months now from the double pain of the traditional historical disadvantages of the Cameroonian economy and the destruction of values against a backdrop of accumulated uncertainty with regard to their future.

¹CAA Economic Outlook as at March 31, 2018

It is in this deteriorated context and crippled by the need to question the viability of our traditional development solutions that GICAM has undertaken to contribute to the formulation of guidelines for achieving the emerging objective set for 2035. This first part of the White Paper sets out and illustrates the observation of an economy that is increasingly falling behind and looking for a new lease of life (Chapter 1). It then makes a comprehensive diagnosis of the Cameroonian economic

system fundamentals and the major obstacles to business development as perceived by Business leaders (Chapter 2).

Such a basic analysis is particularly essential to support the proposal for a pragmatic approach to the development of Cameroon's economy in the short, medium and long term.





Chapter 1 :

An economy looking for a model of sound and sustainable growth

The reasons for a drop-out compared to other
African countries with comparable economies

Cameroon's economy is one of the most diversified in Central Africa. The primary sector contributes an average of 13.5% of GDP, the secondary sector 26.6% and the tertiary sector prevails with 52.7%. This distribution prove its resilience given the sudden drop in world oil and cash product prices experienced in recent years.

However, the country is slow to enter the upper-middle income countries². With a Gross National Income (GNI) per capita estimated at \$3,700 in 2018, Cameroon continues to remain stagnant in the lower part of the country, ultimately due to the lack of an efficient economic model and, above all, an effective governance system for the implementation of economic guidelines.

The country owes its current growth to the tertiary sector. It increased by 4.8% percentage points in the GDP structure from 2000 to 2018 (from 48.1% in 2000 to 52.9% in 2018). The secondary sector declined by 0.7 points (from 27.1% to 26.4%) while the primary sector stagnated at around 13.5%. Cameroon therefore makes very little use of the assets of its agricultural and manufacturing sector. Within the CEMAC region, its exchanges with other countries that accounted for 12% of foreign trade in 1995 drop to less than 4% in 2015.

Different development strategies have been developed by the State, generally influenced by economic or social crises and under the influence of donors. However, their implementation has often lacked cohesion, coherence, consistency, constancy, monitoring and performance evaluation. The Poverty Reduction Strategy Paper (PRSP of April 2001) was succeeded by the Growth and Employment Strategy Paper (GESP 2009) as an extension of the first phase of the Long-Term Development Vision. Nevertheless, in addition to these reference documents, there are many other plans (three-year emergency plan,

special youth plan, master industrialization plan, etc.) and other adjustment programmes negotiated with international financial institutions.

In analysis, the strategies envisaged by the State have always suffered from a lack of ownership; their implementation has not brought together nor enough mobilized the main actors of the private sector and civil society, and also State itself. As a result, countries that once had the same assets and potential at the same level as Cameroon (Côte d'Ivoire, Ghana, and Kenya) have since been significantly better ranked on international economic scales and attract more Foreign Direct Investment (FDI).

Cameroon must therefore adjust its development strategies according to the main pillars of industrialization, the promotion of its natural resources and human capital within a favourable business environment. It must be inspired by successful examples because the growth potential is real and only needs to be exploited. This is the analysis in the following chapter. After a comparison of recent developments in its main economic indicators with those of a few comparable countries, an analysis is made of developments in the main sectors and branches of the economy and, finally, an analysis of the main macroeconomic accounts.

1.1- Comparison of economic performances with those of African countries at the similar levels of development

Taking into account the different areas of performance, it can be seen that Cameroon is gradually falling behind the countries that can now be taken as a reference in West and East Africa (See Table below).

². In the World Bank Ranking, a GNI per capita of \$1,025 or less defines **Low Income Countries**; a GNI per capita of \$1,026 to \$4,035 defines **Lower Middle Income Countries** while a GNI per capita of \$4,036 to \$12,475 defines Upper **Middle Income Countries**; and a GNI per capita of \$12,476 or more defines **High Income Countries**.

Table1 : Performance compared with five reference countries

INDICATORS	CAMEROON	CÔTE D'IVOIRE	SENEGAL	GHANA	KENYA	RWANDA
Recent economic performance						
% GDP growth 2019 (Source IMF)	3,9	6,9	5,3	6,1	5,6	10,1
GDP/Hbts 2019 - (World Bank, current US\$)	1 498	2 286	1 447	2 202	1 817	802
FDI stock as % of GDP 2019 (UNCTAD)	21,6	25,0	26,5	58,7	16,2	25,6
Most popular export products (as % of exports)	23%	33,9%	16,8%	32,5%	15,9%	27%
Number of products representing 75% of Exports	22	7	27	7	40	13
Logistics performance index (LPI 2016) (1 = low to 5 = high)	2,15	2,60	2,33	2,66	3,33	2,99
Structure of GDP						
Primary sector	13,6%	21	15,6	22	30	35
Secondary sector	26,9%	22	24,1	27	19	15
Tertiary sector	52,4%	57	60,3	52	50	50
International rankings						
Doing Business 2020 ranking – 190 countries	167	110	123	118	56	38
Competitiveness index ranking 2019– 141 countries	123	118	114	111	95	100
FDI ranking (as % of GDP) - Attractiveness in Africa	19	7	9	4	2	12
HDI 2018 ranking - 189 countries and territories	150	165	166	142	147	157

When we look at the recent economic performance of African countries or their international attractiveness, these five countries stand apart in one area or another.

- Côte d'Ivoire and Senegal, French-speaking countries like Cameroon, showed an exceptional economic performance. In 2019 they recorded growth rates of 6.9% (almost twice that of Cameroon) and 5.3%. Côte d'Ivoire's GDP has almost tripled since 2011, driven by growth rates that have risen from -4.4 to 8.8%. It even achieved double-digit in 2012 (10.7%).

- Success stories are also found in East Africa. Rwanda now appears as a model in carried out reforms. On the Doing Business Ranking, the country is one of the most advanced countries in the world in transferring ownership (2nd place) and obtaining loans (6th place). Thanks to the efficiency of its land register, 7 days are enough to complete a land transfer, equalling New Zealand's performance. Rwanda owes these results first and foremost to the quality of its economic governance.

- Ghana and Kenya are distinguished by their ability to attract FDI (59% of GDP for Ghana, three times more than Cameroon) and to diversify their exports (40 products are needed to reach 75% of Kenya's exports against 22 for Cameroon).

- In 2016, Cameroon was the lowest ranked country on the World Bank's Logistics Performance Index³. With a LPI of 2.21 (on a scale of 1 to 5), it was ranked 148th out of 163 countries in the world, far behind Kenya (42nd) and Rwanda (62nd). According of infrastructure services quality of this index, Cameroon was also the lowest rated country.

- At the end of September 2019, Standard Chartered Bank published its Trade20 Index Ranking which assesses economies according to their trade growth potential. Côte d'Ivoire, Kenya and Ghana find a good place on the podium of this ranking. Côte d'Ivoire benefits from dynamic growth (7.8%) coupled with faster development of trade infrastructure, moderate inflation, control of public finances, improvement of business climate and promotion of public-private partnerships. For Kenya, its ranking is based on the quality of its infrastructure, the reforms undertaken, in particular in the fields of "business creation, access to electricity, property registration and protection of minority investors". The "Big Four", a development plan launched in 2017, is also an indicator of confidence. For Ghana, the 13th position is due to impressive growth boosted by e-commerce efforts and increased of Foreign Direct Investment (FDI).

³. The Logistics Performance Index (LPI) reflects a country's perceptions of logistics based on the efficiency of customs clearance processes, the quality of trade and related transport infrastructure, the ease of organizing shipments at competitive prices, the quality of infrastructure services, the ability to track and trace consignments and the frequency of arrival of shipments reach the correct address within the expected time limits.

The comparative analysis confirms that of the World Bank according to which the change in wealth (GNI per capita) essentially meets three considerations:

- A favourable business environment that immediately generates FDI;
- A significant improvement in infrastructure that benefits all sectors combined;
- A predominance of the secondary and tertiary sectors.

The examination of GDP structures also reveals that the diversification of the primary sector and its integration with the secondary sector in an agro-industrial axis, for example, remains a distinct advantage in

reducing exposure to price fluctuations; in the same way as the achievement of food self-sufficiency and the seizing opportunities offered by intraregional trade.

1.2- Progression of Cameroonian's GDP in last recent years

The sectoral distribution of Cameroon's GDP is marked in its progression by three structural trends:

- The stagnation of the primary sector;
- The decrease of the secondary sector and particularly manufacturing industries;
- The growing of the tertiary sector.

Table 2 : Progression of the sectoral distribution of GDP in Cameroon from 2000 to 2019

Sectors	2000	2005	2010	2016	2019
Primary sector	14.9%	14.1%	13.6%	13.6%	13.4%
Secondary sector	27.1%	28.1%	26.0%	26.9%	26.4%
Tertiary sector	48.1%	50.7%	54.3%	52.4%	52.9%
Net taxes and duties	10.0%	7.2%	6.6%	7.1%	6.8%
GDP	100.0%	100.0%	100.0%	100.0%	100.0%

Source: NSIs, national accounts

Another strong trend that emerges from the analysis of Cameroon's economic structure is the scope of the informal sector. This sector has grown steadily over the years to reach 30% to 40% of GDP according to various estimates. This expansion partly explains the tertiarization, which is mainly expressed in its trading component.

1.2.1- An under-used primary sector, hardly mechanized, poorly integrated and low-organized

Over the last five years, the primary sector, on average, occupies 61% of the active population and represents 13.5% of Cameroon's GDP (NSIs data).

• Food crops: production still insufficient to ensure food self-sufficiency

In 2015, Cameroon had a deficit of 2.7 million tonnes of food products⁴ (MINEPAT,

Agropoles Program). This observation alone is sufficient to prove that the country can no longer satisfy an ever-increasing local demand, but is far from fulfilling its role as the breadbasket of Central Africa, whose demand for food products is also increasing.

However, Cameroon's basic agricultural production is characterized by its variety of vegetable and foodstuffs, which form the basis of the population's diet. The crops mainly concerned are:

- Cereals (maize, millet/sorghum, paddy rice, etc.);
- Roots and tubers (manioc, macabo, yam, taro, sweet potato, potato, etc.);
- Legumes (cowpea, groundnuts, soybeans, beans, etc.);
- Vegetables products, fruit and vegetables (tomatoes, onions, plantains, pineapples, watermelons, peppers, etc.).

⁴ The main products concerned are: Corn, Rice, Plantain banana, Cassava, Pork meat, Chicken, Eggs, Fish, Milk, Beef.

Production is essentially the work of small family farms (less than 5 ha), most of which are very poorly organised (more than 1,200 Common Initiative Groups - CIGs - identified in 2014) despite the efforts of the authorities to encourage their grouping into cooperatives and agricultural enterprises, in order to disseminate modern techniques to stimulate production in terms of both quality and quantity.

The growth margins of the sub-sector of foodstuffs remain important, as only 17% of irrigable land are exploited, while only 26% of arable land are cultivated. This availability of land, combined with the wide variety of agro-ecological areas, provide the necessary soil for the intensive development of all kinds of food crops or cash crops by operators of all sizes.

The most popular crops are cereals, roots and tubers, and plantain bananas. All are under a specific promotion and development programmes, as well as cash crops (export bananas, cotton, rubber, coffee, cocoa), which the Government has decided to promote in order to boost local markets and improve the trade balance.

Overall, the Government's strategy in the sector aims to increase yields and areas to ensure food security and strengthen the sector's growth. However, government programmes are essentially oriented towards the objectives of job creation, poverty reduction and fight against rural migration.

This agricultural sub-segment still suffers too much from:

- A low upstream/downstream integration;
- The infrastructure deficit because some areas with high production potential remain landlocked and the maintenance

of rural roads remains irregular;

- The small size of cultivated plots (average of 1.5 ha);
- Of a financing system that is still deficient;
- Difficulties in access to agricultural inputs (seeds, fertilizers, phyto-sanitary products), resulting in particular in a low fertilization rate (8kg/ha/year on average compared to 120kg/ha/year worldwide);
- The extent of post-harvest losses, which was in the neighbourhood of 30% of production, due to the lack of packaging, storage, drying or processing equipment.

Other factors, and not the least, further darken this picture, such as the lack of land reform, the insufficient number of cooperatives for pooling resources, low mechanization, insecurity issues, natural hazards (drought, low rainfall, seasonal instability, natural disasters, etc.) due in particular to global warming.

Thus, despite the assets of its agriculture and all its efforts, Cameroon unfortunately bears an annual expense of CFAF 500 billion for the import of various foodstuffs. This is the Cameroonian paradox characterized by an immense agricultural potential but generating low production in a situation of growing domestic, external (cash crops) and sub-regional demand, since countries such as Gabon, Equatorial Guinea, Central African Republic, Nigeria and Chad depend in part on agricultural products from Cameroon, which plays a role as the breadbasket of Central Africa.

• Cash-crops: performances always below the potentialities

Thanks to its agro-ecological diversity, Cameroon offers a wide variety of agricultural cash crops (cotton, oil palm, rubber, banana, coffee, cocoa, tea, etc.)

Table 3 : Production and exports of the main agricultural cash crops (in tonnes)

Years	2013		2016		2018	
	Production	Exports	Production	Exports	Productions	Exports
Cocoa	275 000	192 836	344 753	263 746	325,298	218,793
Arabica coffee	7 000	2 228	7 024	1 943	7,418	1,146
Robusta coffee	31 127	19 280	29 762	30 914	27,798	17,765
Rubber	51 510	54 068	40 983	42 328	45,354	41,560
Seed cotton	240 000		258 000		295,100	
Cotton fibre	88,854	91,532	91,970	101,427	108,628	113,623
Banana	321,814	261,808	381,525	295,180	333,771	217,177
Palm oil	113,940		130,129		171,955	

Source: MINFI, Economic Outlook Report 2020

The cotton industry employs many people. In 2019, SODECOTON supervised nearly 160,000 producers. Cotton produced in Cameroon is generally appreciated for the length of the fibre. Cotton production, which dropped by 306,000 tonnes in 2005 to 110,000 tonnes in 2010, has increased significantly since 2011. Production delivered to SODECOTON reached 320,077 tons in 2019 for a cotton fiber production of 132,995 tons.

This situation is due to the downward trend in international market prices and the US dollar; to the rise in production costs (higher input prices, particularly for fertilizers) and the resulting loss of motivation for producers. One of the challenges facing the sector is to improve yields, which are capped at around one tonne of seed • **Forestry field: Second largest contributor to export earnings despite low local processing** With the largest forest area in Africa after

The cocoa and coffee sectors involve 600,000 families with gross incomes estimated at CFAF 110 billion/year. They represent between 25 and 30% of non-oil exports, or 1.55% of GDP. The problems of these sectors are invariably:

- The ageing of orchards (50% of plantations

are more than 40 years old);

- The low level of cultivated areas (1.5 to 3 ha);

- The ageing of farm managers linked to the rural migration and the difficulties of transmitting land capital;

- Low yields (300 kg/ha);

- The low use of quality inputs because of their high cost;

- The heterogeneous quality of the beans, particularly due to poor drying practices;

- Recent security issues in production areas such as the South West, which accounts for 45% of national cocoa production;

- The inadequacy of support systems for farmers;

- Price fluctuations on international markets, which have led to the abandonment of cash crops in some regions.

Box: Cacao processing: three reforms that change everything (or almost everything)!

Over the last 15 years in Cameroon, cocoa production has doubled thanks to the State measure on the sector (plant liberalisation and distribution) in conjunction with the soaring price of cocoa on the world market. In addition to the measures taken to remove obstacles to the development of the sector, emphasis is now being placed on the local promotion of this product. Three recently adopted reforms now allow favourable prospects for local cocoa processing:

- Extension of the industrial free zone and the special industrial free zone: for cash crop agricultural raw material and without a significant volumes of local consumption, the choice of location of the first industrial cocoa processing units is determined mainly by profitability requirements. They choose either the proximity of the raw material or the proximity of the consumption areas. The extension of the special industrial free zone has enabled the units already installed to maintain an acceptable level of competitiveness.
- Significant increase in the gross cocoa export royalty: This measure has discouraged exports of raw materials and increased the financial attractiveness of local industrial processing.
- EPAs signed to allow semi-finished products from local cocoa processing (butter, mass and twisted) to be exported to Europe without the application of customs duties (such as bananas).

CAMEROON		2012/2013	2019/2020
Production agricole	tonnes	230 000	350 000
Transformation totale	%	14%	52%
Sic Cacaos	Douala tonnes	32 000	56 000
Fapam Industry	Mbalmayo tonnes		17 000
Neo Industry	Kekem tonnes		48 000
Atlantic Cocoa C.	Kribi tonnes		60 000
Transformation totale	tonnes	32 000	181 000

In support of these measures, four new processing units are being installed and should make it possible to increase the local processing rate of cocoa to 52% in 2020, which was 14% in 2013.

Overall, the commodity sectors (cotton, coffee, cocoa, rubber, bananas, palm oil, etc.) are facing difficulties of several kinds, including:

- Higher input prices, particularly fertilizers;
- the absence of appropriate financing structures (production, marketing and processing);
- The permanent fluctuation of the prices of these products on the international market;
- The weakness of the farmers' bargaining power with buyers;
- The low level of local processing of products;
- The weak structuring of the sectors;
- The inadequacy of specific regulations in their design and/or application;
- The difficulties in developing a domestic consumption market;
- The poor quality or simply the lack of road infrastructure.

• Forestry field: Second largest contributor to export earnings despite low local processing

With the largest forest area in Africa after that of the Democratic Republic of Congo, covering approximately 22.5 million hectares, including nearly 18 million hectares for exploitable purposes, Cameroon is 5th in Africa in terms of biological diversity. In addition to its size, the national forest estate is characterized by its variety: 620 different species have been identified, 300 of which are marketable.

The forestry sector plays an important role in Cameroon's social and economic development. With a contribution of 2.1% to Gross Domestic Product (GDP) in 2019, the forestry sector is one of the 10 most important branches of the Cameroonian economy, particularly after wholesale and retail trade (17.1%), food agriculture (8.8%), and hydrocarbon extraction (5.4%). Today, it employs more than 45,000 people. In 2017, the forestry sector even represented the second largest export sector (15.6%) after oil, with a growth rate of 2.9%.

Table 4: Forest sector production and exports (in thousands of m³)

Headings	2015		2016		2018	
	Production	Exports	Production	Exports	Production	Exports
Logs	3,108.7	911.5	2,968.6	807	2,953.5	1,096.7
Sawn timber	1,010.4	584.7	1,114.8	663.8	1,057.1	742.5
Plywoods		4.7		4		4.2
Veneers	84.3	37	104.1	30.1	150	45.9

Source: MINFI, Economic Outlook Report 2019 and 2020

However, this sector is suffering great damage due to uncontrolled felling trees for firewood and charcoal production. Cameroon's accession to the FLEGT process, with the signing in 2010 of the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade in Timber and Derived Products (VPA FLEGT) with the European Union, is a step towards transparency in the sector.

Despite the gradual ban on log exports introduced by Ordinance No. 99/001 in 1999 to promote the processing industry, Cameroon is struggling to derive any added value from the timber sector since the country generally exports its timber after first processing, due to the lack of industrial units.

• Fishing: production representing 45% of consumption needs

Cameroon's fishing resources are very varied thanks to its three hundred kilometres of coastline known for its fish stocks and a vast fishing area of 14,500 km², allowing both industrial and traditional fishing. The exploitation of Cameroon's rich fishing potential provides about 250,000 tonnes of seafood products (252,764 tonnes in 2016) that do not meet the needs of the Cameroonian population, estimated at nearly 550,000 tonnes. Much of the high seas fishing is carried out by foreign fishermen and this production is directed towards the West African and/or Asian market.

To cover its needs, Cameroon imports more than 200,000 tonnes of fish products per year (220,508 tonnes of fish and shellfish in 2017 for more than CFAF 114.9 billion). In addition to these import expenses, illegal fishing induces significant losses of income for the Cameroonian tax authorities. The other alternatives, such as aquaculture, to offset the deficit, are insufficiently exploited because of numerous relative obstacles, in particular access to bank loans and to the training system for those involved in the aquaculture sector.

The major constraints to the development of fisheries production are as follows:

- The lack of transport infrastructure, which has led to the isolation of several villages and fishing camps;
- Difficulties in accessing inputs, particularly fry;
- The lack of effective means of storage and local processing (cold chain) which leads to significant post-harvest losses of between 15% and 35%;
- The lack of sanitary approval of the country for the export of fishery products to Europe, which encourages all the vessels operating in the area to land in West African countries in order to export their catches (fisheries), thus diverting part of the national wealth to third countries;

- The ineffectiveness of storage techniques for the products of continental fisheries, in particular, smoking, which is mainly based on the use of wood, with negative impacts on the maintaining land cover.

• Livestock farming

Despite a growing livestock population, livestock farming practice remains modest. According to 2018 statistics, the livestock population is estimated at 8.7 million cattle; 3.6 million pigs; 81.3 million poultry; 3.6 million sheep and 6.7 million goats. It barely covers national protein consumption because part of this production, already insufficient for the domestic market, is exported to neighbouring countries. Most of the farms are in the poultry sector, contributing 1% to GDP.

The inadequacy of supply compare to growing demand, due to soaring demographics and fast urbanization, increases price volatility. This phenomenon can be observed in the case of local cattle production, whose per capita yield has been steadily declining.

Table 5: Progression of livestock population and quantities of meat from slaughter

Livestock population per capita - Meat in tonnes

Headings	2017		2018		Variation	
	Livestock population	Meat	Livestock population	Meat	Livestock population	Meat
Cattle	8,075,009	133,625	8,777,899	142,436	8.70%	6.59%
Sheep	3,397,994	12,544	3,580,878	14,700	5.38%	17.19%
Goats	6,441,915	37,517	6,706,358	25,114	4.11%	-33.06%
Pigs	3,613,475	62,749	3,632,924	53,878	0.54%	-14.14%
Poultry	82,661,540	163,627	81,289,339	156,430	-1.66%	-4.40%

Source: MINEPIA, Economic Outlook Report 2019

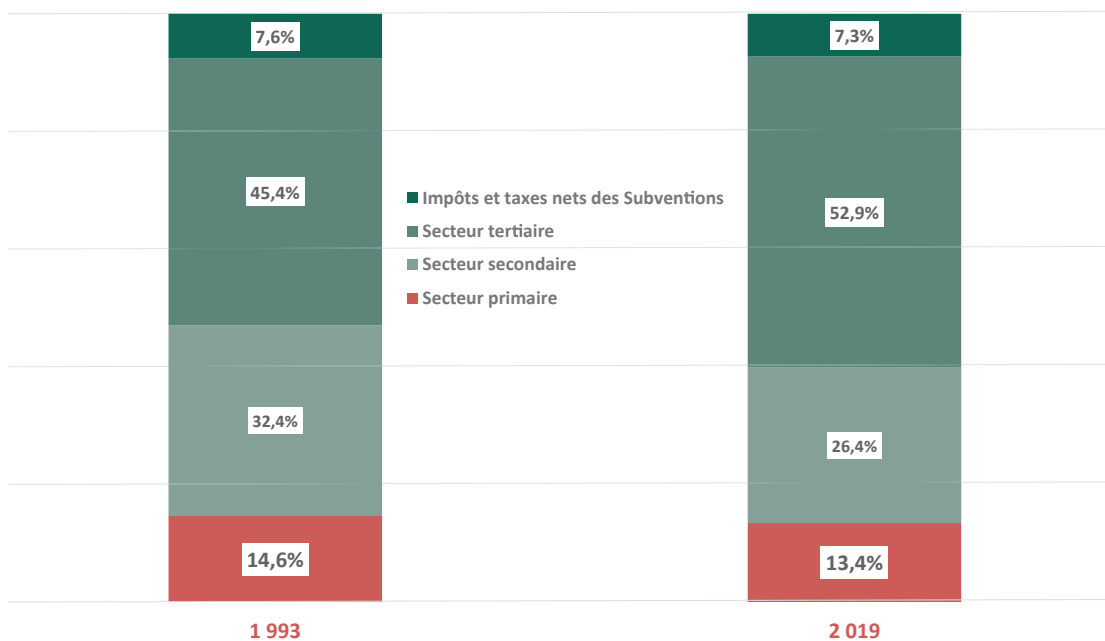
Generally speaking, and by way of conclusion, there is an under-exploitation of Cameroon's agricultural potential generating an import of basic products and non-valuation/support of export sectors, a lack of upstream-downstream integration between the primary and secondary sectors, poor infrastructures, insufficient and sometimes inadequate financing, insufficient mechanization and protection of the sector and a lack of mobilization of the younger generation.

1.2.2- A shrinking, fragile and uncompetitive secondary sector

In 2019, the secondary sector accounted for 26.4% of GDP, with growth of 5.2% and employed 9% of the working population. The country's main industrial units that drive this sector are in play in the agri-food,

sawmill, cotton industry, oil mills, metallurgy, plastic industry and manufactured products. The sector is in decline, although it was once one of the showcases of Central Africa and in 1993 represented 32.4% of real GDP. Its weight dropped to 26.4% in 2019, a loss of 6 points in 23 years.

Figure1: Comparative structure of real GDP between 1993 and 2019



Source: Based on NSIs data

• Mining sector

Cameroon has significant mineral resources, including several high-grade deposits such as iron, gold and diamonds, but which remain under-exploited. Cameroon's mineral resource inventory work covers only 40% of the country's territory and it remains to quantify the opportunities on the 60% of the national territory that have not yet been studied⁵. According to the work carried out by Africommodities in 2009, the assessment of the financial value of the stocks of raw materials in Cameroon's proven/developed and proven/undeveloped deposits would be USD 800 billion, rightly making Cameroon's mining potential one of the most promising in Central Africa. The contribution of the mining sector (excluding oil) to GDP is still marginal (0.53% of Cameroon over 1990-2000 years)

Various mining titles have been awarded to private operators. Those from the mining phase are bauxite, manganese, gold, diamond and are owned by multinationals. This sector is also surrounded by craftsmen who engage in traditional exploitation and produce derivatives that make it difficult to quantify the quantities exploited.

Nevertheless, progress has been announced in limestone mining with new investors in the cement plant such as CIMAF, DANGOTE, EREN HOLDING, who have joined the Lafarge Group to boost local cement production capacity, which reached 7.2 million tonnes in 2018.

An important prerequisite for the development of the mining sector is the infrastructure needed to remove minerals from their mining sites. Most of the major reserves are located in hard-to-reach areas, with very rugged terrain and generally more than 800 km from the facilities of the new deep water port of Kribi.

Other barriers also hinder the development of this huge potential:

- The lack of transparency that still characterizes investments in this sector although Cameroon was declared a compliant country on 17 October 2013, and successfully passed the 2nd post-conformity validation test in October 2017 after joining the Extractive Industries Transparency Initiative (EITI) in March 2005;
- Rivalries and confrontations on the ground between farmers and local communities;
- The still significant burden of underground activities;
- The volatility of world prices;
- The failure to control social and environmental impacts;
- The very expensive nature of the investments required to operate some sites;
- Even so, the exploitation of mineral resources is still widely considered in term of exporting raw materials, with several constraints limiting the possibilities for local processing.

The mining sector deserves special attention in the race towards emergence because of Cameroon's potential. However, the potential multiplier effects of mining projects can only occur if strict regulations are adopted and applied, particularly to encourage the emergence of processing companies, control negative environmental impacts and manage land conflicts. In addition, the development of some resources requires the involvement of powerful international partners and is highly sensitive to changes according to world prices.

⁵. In 2014, the authorities announced the launch of exploration work, through airborne geophysical surveys, to increase the proportion of the territory explored from 40% to 70%.

• Oil and gas

Cameroon's economy is largely based on revenues from oil production, which accounted for 5.4% of GDP in 2019. However, there is an important paradox in this sector. While hydrocarbons represent 43% of Cameroon's exports, i.e. CFAF 808.6 billion, these same products represent 14.5% of imports, i.e. CFAF 431 billion.

There is therefore still considerable room for manoeuvre in the processing of Cameroon's petroleum products to satisfy domestic demand in a declining export market and, above all, to reduce the country's vulnerability to the volatility of world prices. Like its Central African peers who are also dependent on oil, when oil revenues fall, the country often faces public finance difficulties. The last episode of this type is still current. Between January 2014 to January 2016, the price of the barrel lost 71% from US\$ 102.1 to US\$ 29.8, mainly due to the increase in supply and the slowdown in global demand. At the beginning of 2020, the Covid-19 crisis literally led to a collapse in prices. Over the first five months of the year, the average price per barrel was \$39.4, a year-on-year drop of 40%. At the end of April 2020, a barrel of Brent was trading at less than \$20.

As for the gas potential, it seems intact and is currently being exploited to the benefit of the local market. This is particularly the case for the Logbaba gas field (5413 billion cubic feet) operated by Gaz du Cameroun (Victoria Oil & Gas Group). The development of this resource could be developed more rapidly with Perenco and SNH joint venture for the exploitation of the Kribi gas field (500 billion cubic feet).

As oil price trends remain uncertain, it is becoming urgent for Cameroon to shape its strategies towards the industrialisation of its oil/gas sector in order to increase the added value of its products for export and also to improve its domestic energy supply and, consequently, reducing reliance on imports of refining products. Bitumen is indicative of this need. While the refining company does not have bitumen production infrastructure, the Ministry of Industry, Mines and Technological Development (MINMIDT) estimates that national requirements will reach 300,000 tonnes of bitumen by 2020 to meet strong local demand generated by the development of road infrastructure.

Oil and gas thus appear as two highly strategic resources for Cameroon in the implementation of the energy mix essential to achieve its emerging ambitions. Beyond this strategic nature, the country now has real experience and the skills necessary for the appropriate development of these resources, provided a clear, shared and assumed strategy is defined and applied.

• Agro-industry and product processing industries from the primary sector

The agricultural and agri-food industries are very old, relatively numerous (6,000 out of 94,000 companies surveyed and 50% of secondary sector companies) and of medium size and experiencing irregular growth. They have developed in the following main areas: processing of agricultural

commodities, manufacturing of beverages, processing of oilseeds, production of cocoa products, processing of cotton and the production of textiles and leather, the manufacturing of dairy products, the milling industry, etc.

Although numerous, the various agro-industrial sectors are facing significant difficulties.

Textile and leather sector

The textile and leather sectors are experiencing production difficulties due to the ageing of the production tool. The few existing units are under constant threat from the invasion of market by Asian competition, smuggling, second-hand clothing and counterfeiting. Without a proactive expansion strategy, the plans to support CICAM following the departure of the majority shareholder or its merger with SODECOTON do not augur well for the sustainability of this activity. According for various sources, the Cameroonian Fabric sector processes only 5% of the total seed cotton production (320,077 tonnes in 2019 delivered to SODECOTON) and represents only 5% of the market share far behind Chinese (82%) and Nigerian (10%) imports.

The leather and footwear manufacturing industry remains marginal. Despite the potential for raw materials (raw hides and skins of cattle and horses, sheep and goats), this sector is struggling to see the emergence of an industrial-scale unit. The activity is essentially confined to craftsmanship or to the export of raw or semi-finished products.

The lack of organization of collection channels and the inadequacy of processing units lead to supply difficulties both in terms of availability and quality. The tannery and footwear manufacturing activities also face competition from imports. However, the processing of animal skins is a promising sector involving many actors (collectors, tanners, dressmakers, designers and other craftsmen) that could be promising for the economic recovery particularly in the northern regions.

Coffee and cocoa sector

In the coffee and cocoa sector, there are leaders (CHOCOCAM, SIC CACAOS and recently FAPAM, NEO INDUSTRY, ATLANTIC COCOA) who support local cooperatives and family units that produce 325,000 tonnes annually, much of which is exported (35%). Until 2014, only 14% of this local production was processed on site. Three

fundamental reforms (extension of the free zones and the special industrial free zones, increase in the gross cocoa export tax, signature of the Cameroon EPA - European Union) have encouraged the establishment of four new processing units.

However, the sector suffers from fraudulent exports to neighbouring Nigeria, which has been exacerbated since the rise of insecurity in the North West and South West Regions. This situation is a serious threat to the development of the sector, which has nevertheless been launched on the right track thanks to the determined actions of the National Cocoa and Coffee Board (NCCCB) and the Coffee and Cocoa Interprofessional Council (CICC) in particular.

In the coffee sector, 35,000 tonnes are produced per year, of which less than 5% are processed locally and 75% of the coffee consumed in Cameroon is imported. The sector suffers particularly from the lack of industrial locomotives in addition to the constraints imposed by the instability of world prices, the difficulties of access to land and the ageing of plantations and growers, particularly in the Moungo area, which was until then the main production basin.

Pepper sector

In the pepper sector, the situation is different. Out of an annual production of 70 tonnes, only 15 tonnes are exported. The balance is well consumed on site but without processing. A project to introduce pepper into the manufacture of boiling cubes highlights the powerful potential of the local agro-industry to develop the sectors.

Sugar cane sector

The sugar cane sector is covered by the Sugar Company of Cameroon (SOSUCAM), which also owns the raw material but whose production deficit is close to 100,000 tonnes per year. It faced international dumping on the price of sugar and the absence of a national protection mechanism.

Oilseed sector

In the oilseed sector, we find upstream the first processors who supply raw palm, cotton, soybean and groundnut oils to the second processors in terms of raw materials and to households as a finished product of raw palm oil. Downstream, we mainly have the processors who ensure the supply of refined vegetable oils, household soap and margarine to the consumer. The sector is facing difficulties linked to low national production (360,000 tonnes for raw palm oil, 320,000 tonnes for cotton, and 20,000 tonnes for soybean) structurally in deficit. The oilseed sector is also affected by unfair competition from imported products and major regulatory problems.

Cereal sector

In the cereal sector, we find upstream MAISCAM and family producers who supply brewing companies, feed mills and household consumption. There are also flour mills and grain processing units that

are forced to import raw materials, as domestic wheat and maize production is non-existent and insufficient. According to the Food and Agriculture Organization of the United Nations (FAO), a deficit of 3 million tonnes of maize is reported each year. At the same time, producers are facing significant post-harvest losses due to a lack of appropriate conservation and marketing infrastructure. The country is also lagging far behind in terms of performance due to the lack of a policy of supervision and access to quality inputs.

As regards specifically the milling sector, Cameroon has 12 wheat processing units, i.e. more than the entire WAEMU area, thus giving a supply capacity of nearly 1,000,000 tonnes/year for an annual demand of about 600,000 tonnes. The over-investment in this sector, particularly due to the benefits of the April 2013 Law establishing incentives for private investment, unfortunately leads to a distortion of competition in the sector, a destruction of value and a decrease in its tax contributions.

According to official statistics, and by adding to the above-mentioned sectors the contributions of the milk, fruit and vegetable and tobacco industries, the agro-industrial sector contributes to more than 33% of industrial production, 22% of industrial value added and nearly 6% of exports. This sector is definitely strategic ! Despite this presence of the upstream-downstream chain, the development of these sectors faces significant structural problems:

- The inadequacy of local production of raw materials, which does not make it possible to support local processing, by requiring these processing industries to import raw materials;
- An inadequate tax system characterised on the one hand by an effective tax rate above 50% on average and, on the other hand, by the introduction of a multitude of excise duties significantly affecting the profitability of some sectors, following the example of the brewing industry;
- The absence of the canning and packaging sector, which is essential to enhance the value of fruit and vegetables, 30% of whose production is lost.

• Industrial carpentry

When not intended for export, forest products processing remains artisanal and focused on semi-finished products. According to the Ministry Forests and Wildlife (MINFOF), of the 160 wood processing units operating throughout the country, 124 are limited to primary processing, 25 to secondary processing and 11 to tertiary processing, which allows high value-added finished products to be placed on the market.

On an average log production estimated

at 3 million m³, the production of derivatives (sawn timber, plywood, veneers) represents only 41.2%, or about 1.2 million m³. The sector faces regulatory problems (insufficient information on the delimitation of Forest Management Units, illegal logging, etc.) as well as problems of isolation, access to energy, training, insufficient community facilities for artisans (dryers, production tools) and lack of tax incentives that would encourage the processing and local consumption of products from the formal sector.

• **Pharmaceutical industry**

It is estimated that Cameroon imports 90% of its pharmaceutical products and that of the 300 molecules authorized by the Government, only 33 are produced in Cameroon.

However, many private industrial initiatives in local drug manufacturing have been undertaken in Cameroon since the late 1980s. Thus, private investments of about 50 billion have been made since then without convincing results. The reasons for these failures are mainly due to the legislation and policies implemented, particularly (i) a fiscal and customs texts and (ii) the national pharmaceutical "policy".

On the one hand, there have been provisions exclusively favourable to imports rather than local production, particularly at the level of the CGI between the 2012 and 2016 Finance Acts and customs tariffs:

- Only medicines, imported finished products are exempt from customs duties and VAT under HS 3001 to 3006.
- Pharmaceutical inputs code 2801 ... to 2942 ... of the local manufacture of the drug (raw materials, excipients, primary and secondary packaging) undergo the double penalty and are taxed at best 29.5% (DDI 10% + VAT 19.5%) and at worst 49.5% (DDI 30% and VAT 19.5%), and the same applies to all production equipment, subject to Customs duty + total VAT between 29.5% and 49.5%. 49.5%.

On the other hand, the national pharmaceutical "policy" enacted in 2013 by the Ministry of Public Health is completely silent on the development of local production of the drug. A national system of supply of essential drugs was created, but it is almost disintegrated and lead to expose the country to uncontrolled and uncontrollable imported drug inflows for the moment.

Among these initiatives of the 1980s mentioned above, we have internationally renowned French laboratories such as:

- Rhône Poulenc (renamed SANOFI AVENTIS) with its Makepe factory in Douala which manufactures tablets, capsules and antibiotics
- Pierre Fabre: Bonabéri factory, which produces syrups

■ Fournier Laboratories, with Plantecam in Mutenguene

■ The Belgian Besix Group with the SIPP in Yaoundé, which manufactures infusion solutions

Many other national investors took over from 2000 to 2010, investing about CFAF 30 billion in the integral and local production of medicine products in particular:

- Cinpharm Laboratories
- The SIPP
- Africure Laboratory
- GENEMARK laboratory
- Afripharma
- Etc.

Unfortunately, it must be noted that local production contributes to less than 2.5% of the demand with a supply representing less than CFAF 5 billion against nearly 200 billion of drug imports while the installed capacity can cover nearly 50% of national demand.

We can therefore conclude that all our legal and regulatory mechanisms are inadequate for any pharmaceutical industrial development and local production of the drug.

The Covid-19 pandemic proves it sufficiently that a certain level of autonomy in the availability and accessibility of the drug to the major part of our populations through the local production of the Essential Generic Drug as defined by the WHO, is not only a national health security problem but also a major stake of development as medicine product is an essential link of any modern public health policy. In doing so, such a policy will have to address disabling factors such as competition from fraudulent imports, insufficient skilled human resources and inadequate standardisation and quality control system.

• **Other manufacturing industrial sectors**

Other important sectors structure and complement the framework of manufacturing industry in Cameroon. There are:

- Production of paper and paper products;
- Other chemical industries (excluding petroleum refining) where there is plastics and cosmetics industry;

- Metallurgy, foundry and manufacture of metal products;
- Manufacture of electrical machinery and apparatus and other equipment, including transport equipment;
- Publishing and printing industry.

Despite its great diversity, the manufacturing sector has made a significant contribution to economic growth over the past decade. This has resulted in a significant decrease in export volumes of manufacturing products. There-

fore, the “**Made in Cameroun**” label still finding it hard to break through into local market. This latter is dominated by imported manufacturing products from Asia (mainly China and India), Turkey and Nigeria, a large proportion of which are traded illegally (smuggling, counterfeiting, fraud) when they are not used or of questionable quality.

Table 6: Turnover and number of employees in industrial companies

Sub-sector	Number of companies		Permanent staff employed	Turnover excluding VAT in 2009*
	2009	2016		
Extraction	30	64	2,231	434.3
Food industry (including tobacco)	767	2,472	23,280	583.9
Other manufacturing industries	10,456	27,959	84,465	1,981.4
Electricity, gas	128	124	4,289	275.0
Water and sanitation	67	65	4,223	0
Building	706	1,076	12,942	228.2
Total	14,163	33,776	131,430	3,502.8

* In billions of CFAF

Source: NSIs/RGE 2009 and RGE 2016⁶

It should be added that this sector is characterized by the presence of small and medium-sized industries (SMIs) that are appeared and disappeared following the economic cycle. The sectors with a certain vitality are metallurgy, plastics and printing. But they all have enormous difficulties, particularly because of:

- The inadequacy of support/protection measures and incentive programs from State
- The unfavourable business environment (high tax pressure, administrative burdens, competition from imported products);
- The low total productivity of factors that leads to low competitiveness;
- Difficulties in accessing energy;

- Some manufacturers give relatively little consideration to quality standards;
- The significant burden of illegal trade (fraud, smuggling, counterfeiting);
- High reliance on imported technologies and equipment;
- Difficulties of access to land: the industrial zone model (MAGZI area⁷ in particular) has not been amended and most of these industrial zones, particularly in Douala and Yaoundé, have been overtaken by anarchic urbanization, leading to environmental challenges for which no solution has yet been found.

⁶ NSI: National Statistics Institute/RGE: General Census of Enterprises MAGZI: Industrial Zones Deve

⁷ MAGZI: Industrial Zones Development and Management Mission

• Building and Public Works

The launch of major infrastructure projects in recent years has propelled the Building and Public Works (BTP) ahead of the most dynamic sectors of the economy and the largest number of new hires. Its average growth over the period 2013-2019 was 8.1%; bringing the sector's contribution to real GDP at 5.4% on average. The strength of the sector depends on major infrastructure projects (dams, motorways, roads, bridges, stadiums, etc.), which are a fundamental pillar of the HIPC Initiative's post-completion point economic policy, and on the good performance of private building.

Overall, it is estimated that construction sector employs about 140,000 to 150,000 people, more than 90% of whom come from the informal construction sector. According to an analysis of the formal companies in the sector, the staff was 63% of labourers, 24% of technicians and supervisors, 8% of senior technicians and 5% of senior managers. The three sub-sectors (Roads, Buildings and Sanitation) are run by public contracting authorities, a few private companies, the Civil Engineering or Architecture Technical Design Offices, civil engineering laboratories and construction companies often grouped into professional organisations.

The national companies in the building and public works sector are for the most part undersized SMEs. They endure the repercussions of the difficult economic situation and the State's debt. Their absence is obvious in the implementation of the major structural projects currently under way, such as roads and facilities needed for the African Cup of Nations. Foreign companies, particularly Turkish, Italian and Chinese, account for the greater share in the implementation of these projects, including labour import.

As for social housing projects, the financing that supports them has very often imposed the choice of companies to carry out them and national companies are just reduced to subcontracting work in proportion to the quotas set in the structuring projects.

According to studies, a deficit of 1.2 million homes in Cameroon and only 10% of paved roads are in good operating condition without mentioning bridges and other superstructures. This means that this sector have many opportunities. In order to enable national construction firms to benefit from more contracts and promote technology transfer, it is necessary to enforce the rates of subcontracting (30%) and to promote co-contracting, while stimulating the assembly or even manufacture of transport equipment and spare parts as well as the training of dedicated staff.

• Energy and water sector

Cameroon has significant potential deposits of natural gas, hydroelectric power and other renewable energy (solar, biomass, wind, mini hydro) and its hydroelectric potential alone is estimated at 22,000 MW per year.

The installed energy capacity at the end of 2018 in Cameroon was 1,360 MW (998 for Eneo and 362 for IPPs) and remained below the immediate energy needs estimated at around 1500 MW. The consequence of this energy crisis is that energy is not very available and expensive. According to the concession holder of the public electricity utility in its 2018 Report, it had 1 258 340 active customers at that date, for an electricity access rate estimated at 62% by the World Bank (World Development Indicator Database).

Table 7: Cameroon energy mix (as of July 2019)

Power plants	Power (MW)	%
Total Hydro	732.2	52.6%
Total Thermal Eneo	267.512	19.2%
Renewable (solar)	0.186	0.01%
Total Eneo (i)	999.90	71.8%
Thermal of DIBAMBA	86.08	6.2%
Gas Thermal of KRIBI	216	15.5%
Thermal of MAROUA	10	0.7%
Thermal of BERTOUA	5	0.4%
Gas Thermal of LOGBABA	30	2.2%
Hydro Memve'ele	45	3.2%
Total IPPs (Independent Producers) (ii)	392.08	28.2%
Total Cameroon (i) + (ii)	1,391.98	100.0%

Source: ENEO Report, 2018

However, this rate is highly disparate, particularly between urban areas where it reaches 93.2% and rural areas where it is only 21.3%. Despite the huge potential of Cameroon, including for the development of renewable energy, and the many investments so far made, many localities in the country are not yet electrified. Out of nearly 13,014 localities identified, only 2,700 have electricity in 2013, for a coverage rate of 20.7%.

The rate of access by individual or shared connection to the electricity grid is 62% in Cameroon, compared to 79% in Ghana or 66% in Côte d'Ivoire. Kenya's massive investments in infrastructure development and the modernisation of the electricity sector have enabled it to almost double its rate of access to electricity in four years; from 36% in 2014 to 64% in 2017.

There are other more pessimistic estimates, but all of them point to the discontinuity of electricity service due in particular to the overall mismatch between supply and demand, irregular supplies (low water period), the ageing of production and distribution infrastructure, the reluctance of the financial community to support the sector, the lack of reserves to cope with unexpected cash shortages, delays in construction sites, etc. The other remarkable aspect is the lack of interconnection between the RIS (South Interconnected Network) network, which is

slight surplus, and RIN (North Interconnected Network) the most loss-making one.

In the water sector, consumption and the number of subscribers to the distribution network continued to rise, but drinking water supply remains a challenging equation given the proportion of the population with access to drinking water. The drinking water deficit is estimated at 100,000 M3/day, i.e. 40% of daily needs and with a wide disparity between regions and between rural and urban areas.

1.2.3- A predominant tertiary sector, source of growth but sustained by informal activities

In Cameroon, the tertiary sector is very diversified and represents more than half of the GDP, or 52.9% in 2019. This rate remained almost constant between 2013 and 2019. It employs 22% of the active population and dominated by wholesale and retail trade, vehicle repair, public administration and other services, followed by transport, storage and communication. According to the NISs-RGE (2009), 87.3% of SMEs in Cameroon operate in the tertiary sector, particularly in the trade and other services sub-sector.

However, the tertiary sector is largely composed of services with low added value and gathers a significant proportion of informal activities. An analysis by tertiary sub-sector in 2016 shows that the growth rate in the contribution to GDP of 4.5% is based on the increase in results in restaurants, hotels and telecommunications.

• Tourism

In 2016, the tourism industry represents 5.3% of GDP. Because of the diversity of its tourist wealth, Cameroon has seen its ranking on a global scale enhanced. According to the 2019 Travel & Tourism Competitiveness Index ranking, Cameroon ranks 128th/140th in the world with an index of 2.9; losing six places compared to the ranking established in 2015. In the Africa zone, it comes behind Côte d'Ivoire (119th), Senegal (106th), Ghana (115th). Its lowest scores concern infrastructure, facilities in administrative opportunities (visa applications) and attractiveness for business tourism (organisation of

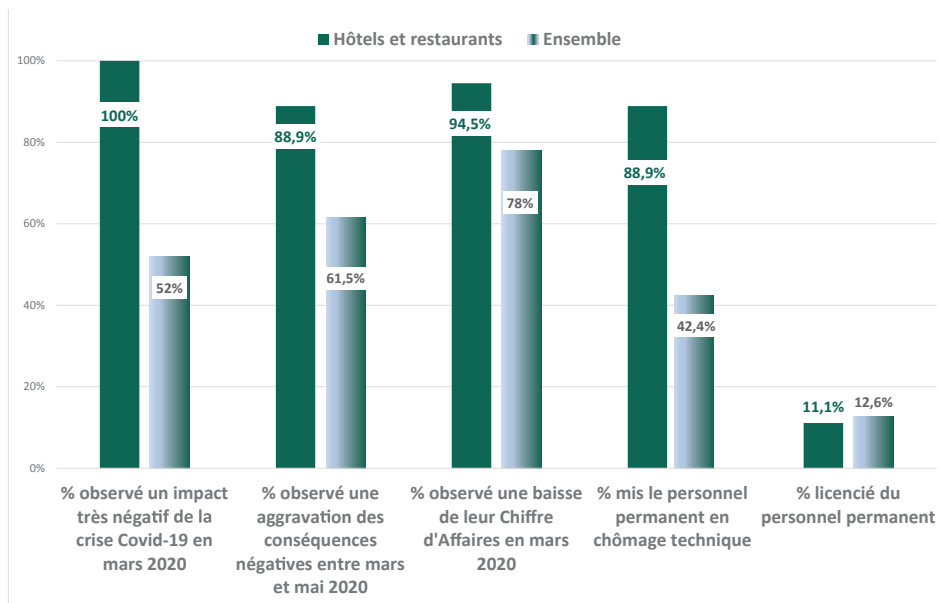
international conferences). The recent security crises have also negatively affected the country's competitiveness in tourism.

The positive points are the number of protected species present on its territory (1,405), the presence of two World Heritage sites (Dja Biosphere Reserve, Sangha Trinational), the maintaining of its plant cover and the number of ratified environmental treaties.

The worrying security situation in the northern and North-West and South-West Regions of Cameroon has contributed to a decrease in the number of visitors to tourist sites in these parts of the country after the upsurge in activity between 2015 and 2016. The Union of Hotel and Tourism Industry Employers (SPIHT) reveals that the hotel attendance rate, which had already been on a downward trend since the beginning of the Boko Haram atrocities and the socio-political crisis in Central Africa Republic, has continued to plummet at a worrying rate to settle around 40%.

The sector has also been undermined by the postponement of the CAN that Cameroon was initially expected to host in 2019. With the global outbreak of Covid-19, the standstill on a global scale of all major sectors of the economy, has particularly affected tourism in Cameroon as elsewhere. The spread of the pandemic has led to a psychosis whose first effect was the cancellation of both business and pleasure trips.

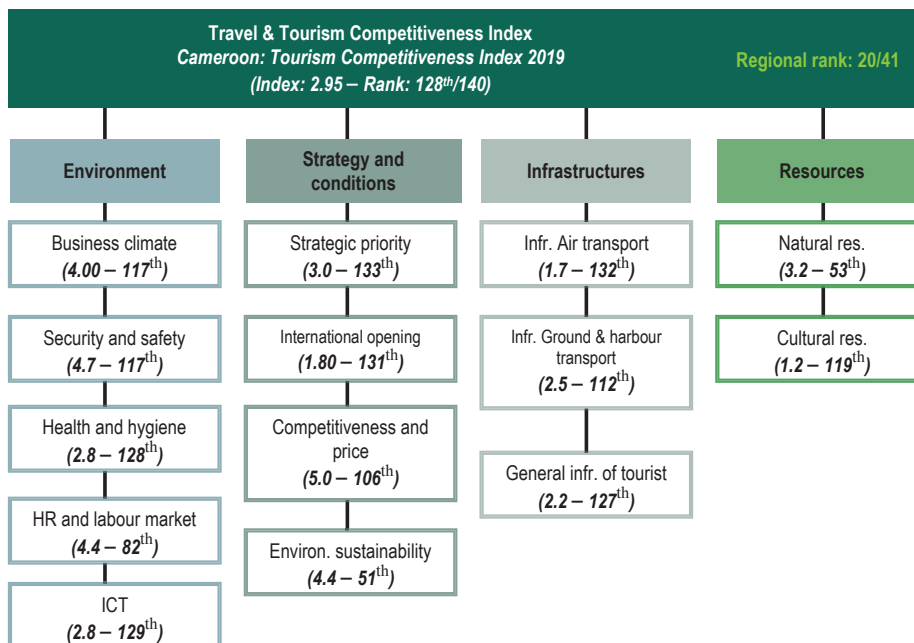
Figure 2 : Impacts of Covid-19 pandemic crisis on lodging and catering in Cameroon



Source: GICAM survey, April and July 2020

According to the World Tourism Organization, the number of tourists in the world had decreased by 44% from January to April 2020. In Cameroon, the entire tourism chain - air transport, business and leisure tourism, travel agencies, tour operators, sightseeing sites, accommodation, events, catering - recorded very significant shortfalls.

Figure 3 : Values and ranks of Cameroon on the 2017 TTCI ranking



Source: Based on data from the *Travel & Tourism Competitiveness Index 2019*

Cameroon has only one 5-star hotel in the whole country (Hilton Hotel in Yaoundé). Are mainly denounced:

- The inadequacies of legal and institutional framework;
- Administrative hassles and delays;
- Lack of appropriate financing mechanisms;
- Low promotion due to a lack of

communication and image;

- Sector specific infrastructure deficit;
- Unprofessional of the main actors;
- Lack of a high-performance statistical system.

Tourism is undoubtedly one of the sectors where our country' have problems to exploit its rich potential. With enormous physical, cultural and social assets, it has to deal with sometimes absurd constraints that prevent the country from joining the club of so-called emerging destinations. The success factors of a tourism promotion policy are known. They range from pre-conditions (Safety, security, health) to enchanting elements (Quality, Innovation, and Marketing), levers (Visas, air connections, and hotels), attractions (Products, culture, business climate, and political support) and accelerators (Services, experiences, and environment). For each of them and at each stage, the private sector has always been committed to supporting the Government's actions because it is not only a matter of attracting more international tourists and developing domestic tourism, but also of focusing on niche opportunities that can generate more added value and jobs. With the Covid-19 crisis, the short term challenge is now that of safeguarding investments and production tools in this sector.

• Transport system

Cameroon is slow to regain its sovereignty in the field of transportation, as well as in its road, air, rail and maritime transport forms.

In air transport system, Airport Cameroon (ADC), is in charge of the maintenance of Cameroon's airports in a sector under the regulation of the Aviation Authority. Internally, air transport remains poorly organised, services are irregular with frequent cancellations. As for international routes, in recent years there has been an increase in competition between about ten airlines companies. Despite numerous reforms, the national company CAMAIR-CO is still looking of a balanced exploitation and performance. At the sub-regional level, the AIR CEMAC project was finally abandoned (see resolutions of the CEMAC summit of March 2019 in N'djamena).

Before Covid-19 pandemic crisis, the number of passengers is about 1.5 million

(departures and arrivals) while the freight volume is 23,000 tonnes an annual average. The restrictive measures taken to curb the spread of the Corona virus, including the closure of borders, have had a real impact on air traffic. ASECNA, which usually handles between 1,000 and 1,800 flights per day, recorded a drop in traffic of more than 70%. Despite the measures taken to ensure its continuity, air freight transported over the period from January to May 2020 at Douala International Airport was down of 29.46% compared to the same period in 2019 (4,426.5 tons against 6,275.0 tons). At the Yaounde-Nsimalen International Airport, the drop in air freight noticed over the same period was 48.5%.

In addition to these cyclical challenges, the quality of infrastructure and especially the standing of airports remains a major handicap for the development of this sub-sector, as well as the lack of strategic priority given to air freight in the development of the sector.

The rail network is about 1009 km long and attracts a lot of traffic. Annual freight is about 850 tons/km for freight traffic. Since 2017, the passenger traffic dropped drastically due to the cessation of the activities of the inter-city train between Douala and Yaoundé and following the removal of non-compliant wagons from the operating fleet after the Éséka rail accident on 21st October 2016.

Despite this, some weaknesses remain, including inadequate infrastructure, poor connections with other means of transport, lack of intermodal structures to deal with road competition. As a result, passenger service remains very poor.

As far as **maritime and river transport** is concerned, developments have mainly concerned the organisation and management of port activities and the modernisation and extension of infrastructure with the major investment in the deep water port of Kribi.

Since 1998, port reform has introduced:

- (i) the separation of port management missions from those of regulation of the port sector;
- (ii) the empowerment of ports resulting in the creation of four autonomous ports : Autonomous Port of Douala (PAD), Autonomous Port of Kribi (PAK), Autonomous Port of Limbé (PAL) and Autonomous Port of Garoua (PAG);
- (iii) concession of industrial and commercial activities and;
- (iv) creation of consultation frameworks between the administration and private operators for a better orientation of choices in each port community.

The said port reform continued throughout 2000 with the creation of the Single window of the Operations of the Foreign trade (GUCE-GIE) to coordinate and house all those involved in the import and export of goods at a single point.

Implemented in 2017, the Deep Water Port of Kribi offers clear competitive advantages in terms of capacity for deep-draught vessels, time and cost in view of its direct access to the sea and its depth of more than 16 m in all seasons. In addition to providing an opportunity for the development of new traffic, it could

divert a significant part of the traffic currently directed towards Douala, particularly for heavy products such as wood. To this end, progress is expected in coastal shipping capacities and the development of associated infrastructure with a view to the operationalization of a real industrial-port complex in the Kribi area. In fact, Douala still concentrated more than 95% of the country's port traffic estimated at around 12 million tonnes, 74% of which is exported and 26% imported.

Despite all the measures already taken and even the ratification of the Trade Facilitation Agreement (TFA), major challenges remain in terms of reducing costs and delays in the movement of goods. The poor state of infrastructure (especially waterways) and the multiplication of hassles regularly encroach on the attractiveness of the corridors, so that Cameroonian ports have to face competition from ports in neighbouring countries, at least as regards the incoming of goods in transit to the Central Africa Republic and Chad. Since 2019, the Port of Douala has undertaken major reforms and modernization work, particularly with regard to dredging and securing the port area.

Moreover, river transport capacity for people and goods is still largely under-exploited due to the lack of proactive strategies in this area, despite the existence of a few river ports (Garoua, Behondo, Mouloudou, Yabassi and Mamfé). Despite its enormous potential and comparative advantages in terms of costs, transit facilities, and transport capacity, the waterway has lost the important role it played in the past to other means of transport.

Road Transport is the main movement mode of goods and people. It accounts for about 90% of domestic passenger transport demand and about 75% of freight transport demand. From a traffic perspective, over the last ten years, road transport has experienced very strong overall growth on both paved and unpaved roads. It is built around a road network of 77,500 km of roads and runways, including 5,133 km of paved roads, representing 6.6% of the network.

The road network is unevenly distributed throughout the territory and is too small to adequately cover current traffic needs and allow companies to reach some markets at reasonable costs. Generally, there is a problem with the maintenance of roads, the poor condition of which is one of the causes of the increase in accidents. In 2016, 2,941 accidents were recorded on Cameroonian roads. For companies, the poor condition of roads is a serious handicap as it burdens operating costs and limits the productivity of both rolling stock and workers (traffic jams due to the state of urban networks).

• Banking services

The banking landscape in Cameroon has about 48 financing companies, including fifteen (15) secondary banks and seven (07)

financial institutions among the 50 members of the Central African Economic and Monetary Community (CEMAC). There are also 1,686 microfinance institutions (MFIs) in Cameroon⁸. The balance sheet total of banks in Cameroon amounted to CFAF 5,849.8 billion at the end of 2018 and an amount of cumulative deposits over the same period of CFAF 4,461.1 billion according to the National Accounting Council (CNC).

In December 2017, credits for economy amounted to CFAF 3,218 billion, or 14% of GDP. They are distributed as follows: 60.1% short-term loans, 37.2% medium-term loans and only 2.7% long-term loans.

Table 8 : Recent banking sector statistics and comparison of private sector lending rates

Headings	2012	2014	2016	2017	2018
<i>(in billions of CFAF)</i>					
Total credits to the economy of which	1,988.0	2,558.1	2,969.4	3,048.5	3,416.9
Loans to the private sector	1,843.6	2,313.2	2,780.8	2,849.0	3,260.0
Credits to SMEs				423.0	
Long-term credits	49.6	64.2	51.9	114.8	107.0
Cameroon's GDP	14,858.6	17,276.3	19,344.8	20,328.4	21,493
Rate of domestic credit provided to the private sector (% of GDP):					
- Cameroon	12.9	14.3	15.4	14.5	15.2
- Côte d'Ivoire	18.5	20.3	17.8	19.6	19.5
- Kenya	29.5	34.1	33.5	29.4	28.0
- Senegal	24.2	27.3	27.8	29.7	29.4
- Sub-Saharan Africa	50.7	45.4	44.1	47.1	45.5
- Morocco	95.5	90.4	86.6	86.6	85.3
- Tunisia	76.3	78.0	81.7	86.6	

Sources: National Accounting Council – World Bank

The bank penetration rate, estimated at 27.5% strictly speaking⁹ according to the National Accounting Council, appears very low. In addition, bank financing of the economy remains oriented towards large companies. Access remains limited for SMEs, particularly for long-term investments. On another level, the velocity of the money supply, which

dropped from almost 6 over the period 2001-2005 to 4.6 in 2017, indicates a slowdown in the money supply turnover, or even a decrease in the strength of financial intermediation.

⁸. 684 of first category; 995 of second category and 07 of third category.

⁹. Banking strictu sensu (Banks only) as opposed to Banking in the broad sense (Banks, financial institutions, CAMPOST, microfinance institutions)

The traditional banking system is competing with alternative mechanisms, notably tontines, which manage about CFAF 200 billion per year, according to the Ministry of Finance (MINFI). The development of Micro-Finance Institutions (MFIs) also characterizes this sector with estimated deposits of CFAF 500 billion.

While banking services are rapidly evolving with the many reforms and means of payment systems implemented by BEAC, they remain inefficient with very long delays and transfer costs, mainly due to a lack of cash and/or financial strength.

In 2018, the rate of domestic credit provided to the private sector is estimated at 15.2% in Cameroon against 19.5% in Côte d'Ivoire and 29.4% in Senegal.

Small and medium-sized enterprises (SMEs), which represent 98% of the business network, receive only 13.15% of bank loans. Bank financing for SMEs faces three categories of constraints:

- Internal constraints to the companies (insufficient capacity, insufficient equity capital, volume effect due to the small amounts requested which leads to high unit costs, lack of quality of economic information on the company, lack of fulfilling commitments);

- Environmental constraints (asymmetric information, difficulties in valuing guarantees, uncertainties of the local and international environment, overweight perception of the risk associated with SMEs financing, insufficient information to assess repayment capacity, lack of incentives for long-term savings, insufficient supervision/support from the State, accumulation of government debt, weak structuring of sectors, inappropriate taxation, etc.);

- The inadequacies of the banking sector (regulatory constraints, predominance of short-term resources, inadequacies of alternative financing methods - leasing, factoring, venture capital/development capital, guarantee companies, specialised financing institutions, financial markets).

The promotion of financial markets, characterized by the creation of the Douala Stock Exchange (DSX), did not really take off fifteen years after its launch. The creation of the exchange was

intended to develop a financial market through which business developers could access capital. This objective remains entirely valid at the time of the merger of the two stock exchanges that had previously coexisted in the sub-region.

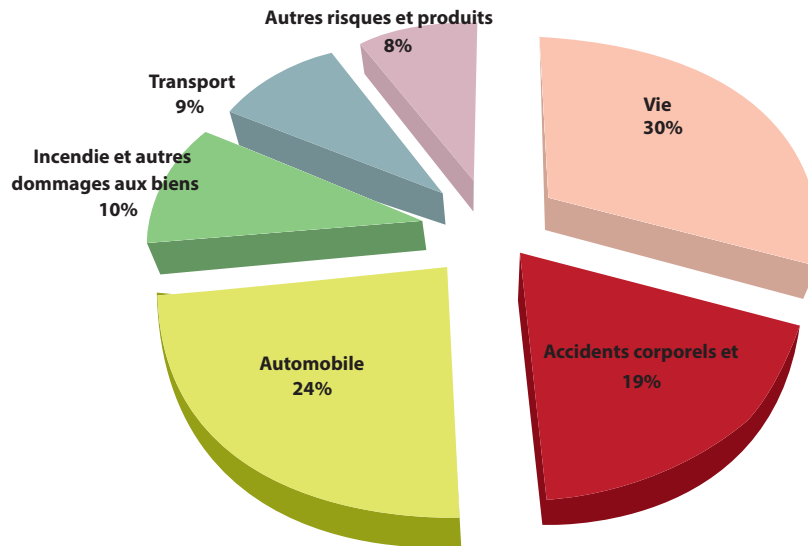
• Insurance policies

In Cameroon, 28 insurance companies¹⁰ shared a total market of CFAF 206.70 billion in 2018, including 69.1% in non-life insurance (CFAF 142.8 billion) and 30.9% in life insurance (CFAF 63.9 billion). Nevertheless, Cameroon is the 2nd market of the Inter-African Conference of Insurance Markets (CIMA) after Côte d'Ivoire. This market is dominated by joint insured persons, who represent 54% of the insurance policies taken out in the country, compared to only 44% for individual insured persons.

Over the period 2012-2016, the sector's revenues increased by an annual average of 5.4%, mainly driven by the dynamism of the Life Insurance (+7.9% on an annual average compared to +4.5% for the Property & Casualty). Depending on the branch, motor insurance (due to the mandatory nature of the civil liability policy) is the most important, followed by the Personal Injury and Sickness branch.

¹⁰. 17 Property and Casualty Insurance Companies and 11 Life Insurance Companies 03 Reinsurers are also present on the market.

Figure 4 : Market share by Insurance sector in Cameroon in 2017



Source: Based on ASAC data

The insurance sector in Cameroon is facing many difficulties. Indeed, insurance is evolving in a market that is insufficiently imbued with the insurance culture: the penetration rate is only 1.2%, (lower than the overall penetration rate of 2%, average in Africa). This proves that this market is small, unstructured and with low purchasing power due to a still small middle class (23%).

Thus, this sector does not fulfilling its role as a provider of resources to the banking sector due to the lack of a clear strategy on funded pension system and appropriate taxation on life insurance schemes. Finally, State does not mandate some number of contractual insurance obligations (life insurance, civil liability, operating liability, fire insurance, rental insurance, construction insurance, etc.). Nor does it provide minimum social security for its populations.

• **Digital economy (ICT)**

Digital transformation has become one of the fundamental trends in the evolution of modern society. Information and Communication

Technologies (ICTs) are nowadays the main driving force behind the transformation of modern society in all areas.

In the economic sphere in particular, many transnational firms use ICT to allocate productive tasks among their subsidiaries abroad, based on each country's comparative advantages. Particularly, "knowledge activities" such as data entry or research and advisory services can easily be carried out via the Internet, E-mail and teleconferencing or video-conferencing.

In Cameroon, we have four mobile phone companies (Orange, MTN, Camtel, Nexttel) and several ISPs (Internet Service Providers) such as Ringo, Yoomee, Creolink, etc. According to a study carried out by the World Bank, the Internet penetration rate, which was 4% in 2010, rose to 20% in 2014. The weight of the number of fixed and mobile telephone subscribers increased from 28% to 87.46% between 2010 and 2017. The number of Internet subscribers now reaches a proportion of 35.64% of the national population or more than 8.27 million subscribers.

Mobile payment services experience exponential growth in 2017, confirming that they are firmly rooted in subscribers' habits. The number of transactions in volume increased by 288.96% to 106 million SMS. On average, a subscriber will therefore have

initiated 13.25 transactions in 2017. According to the regulator of the sector, the number of direct jobs of operators in the sector amounted to 6,725 employees in 2017.

<i>Some performance indicators of the ICT sector in Cameroon in 2017</i>	
<i>Overall level of investment</i>	<i>CFAF 305.355 billion</i>
<i>Number of direct jobs</i>	<i>6.725 jobs</i>
<i>Turnover of the sector</i>	<i>CFAF 596.133 billion</i>
<i>Active mobile subscribers</i>	<i>19.7 millions</i>
<i>Active Mobile Internet Subscribers</i>	<i>7,863,140</i>
<i>Mobile money subscribers</i>	<i>8,003,252</i>
<i>Mobile networks Outgoing voice traffic</i>	<i>15.269 billion of minutes</i>
<i>Data traffic (mobile network)</i>	<i>53.6 billion of MB</i>
<i>Telephone penetration rate (GSM and CDMA)</i>	<i>87.46</i>
<i>Average access rate (internet penetration)</i>	<i>35.64%</i>
<i>Digital contribution to GDP</i>	<i>2.93%</i>
<i>Contribution to national investment (GFCF)</i>	<i>6.539%</i>
<i>Sector growth</i>	<i>3.21%</i>

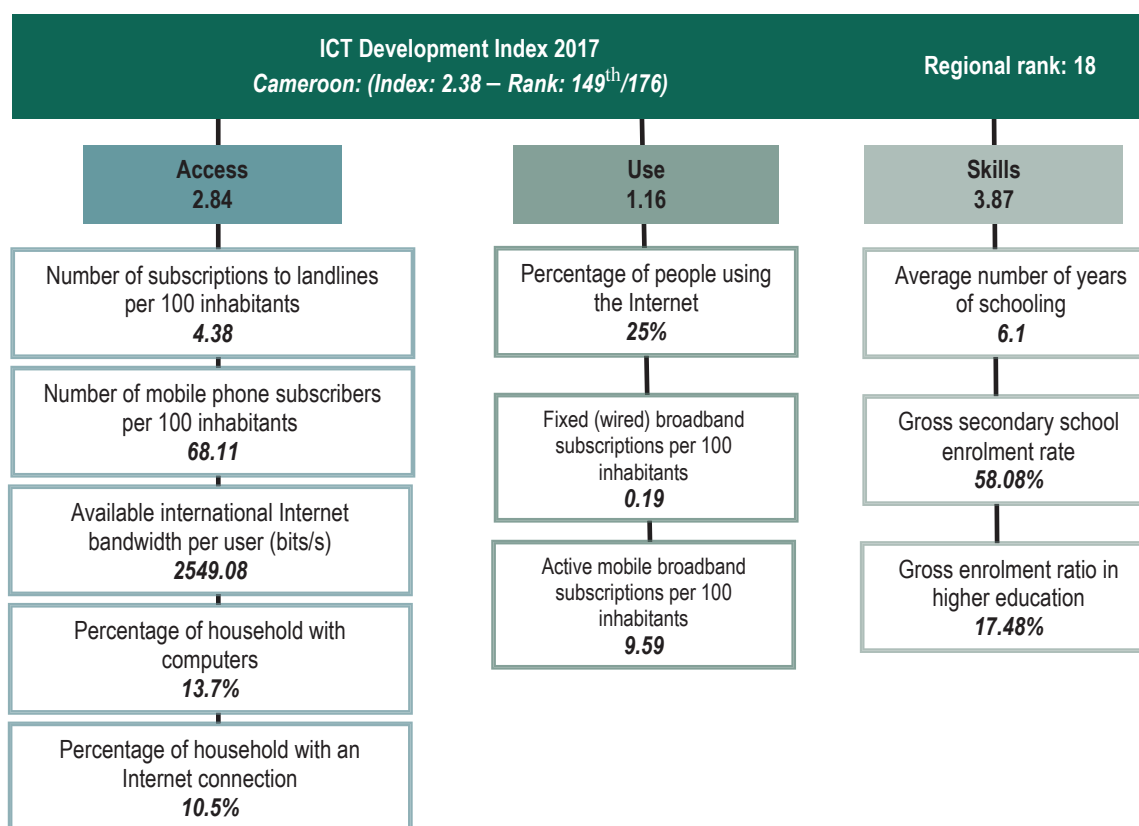
Source: ART, 2017 Annual Observatory of the Electronic Communications Market

In terms of infrastructure, major efforts have been made in recent years and thanks to the combined dynamism of the public authorities and the leading telecommunications companies operating in the country, Cameroon has become the main point of contact in Central Africa for several submarine fibre-optic cables.

Cameroon now has a fibre-optic Backbone of more than 10,000 km compared to 2000 km built in Côte d'Ivoire. The Backbone covers all 10 regions of the country, with connection points to all border countries.

Despite this asset, Cameroon remains relatively behind in the development of ICTs. The global benchmark ranking, the ICT Development Index – (IDI) is based on 11 indicators in 3 categories: Access, use, skills. In the 2017 ranking, Cameroon is currently 149th in the world. 18th in Africa and 2nd in Central Africa behind Gabon. In Africa, Mauritius (72nd in the world), followed by Seychelles (90th in the world) and South Africa (92nd in the world) are at the top of the list.

Figure 5 : Values and ranks of Cameroon on the 2017 IDI ranking



Source : A partir des données du Travel & Tourism Competitiveness Index

In its 2016 ICT report entitled "Innovation in the digital economy", the World Economic Forum (WEF) ranks 139 economies worldwide, according to the degree of integration of ICTs into their various economic and social development policies. Cameroon was 124th, ranking among the 20 nations surveyed that have least integrated ICTs into their economic and social development.

In detail, the WEF reveals that ICTs are used more by public administration than by businesses and the general public. Other disappointments in this ranking include the excessive use of pirated software (82%); high tariffs in the mobile phone market, particularly on prepaid offers, which account for 80% of the country's subscriber

base; and the approximate security of the Internet; low competition between Internet and telephone; low bandwidth capacity; low rates of availability of Internet connection in homes (6.5%), ownership of a personal computer (9.6%) and Internet use (11%), etc.

In a World Bank analysis of the ICT sector in 2017, Cameroon still appears to be a dwarf in terms of the contribution of the digital economy to GDP compared to many other African countries south of the Sahara. In addition, the World Bank notes that the contribution of the Internet is still far below its potential in Cameroon.

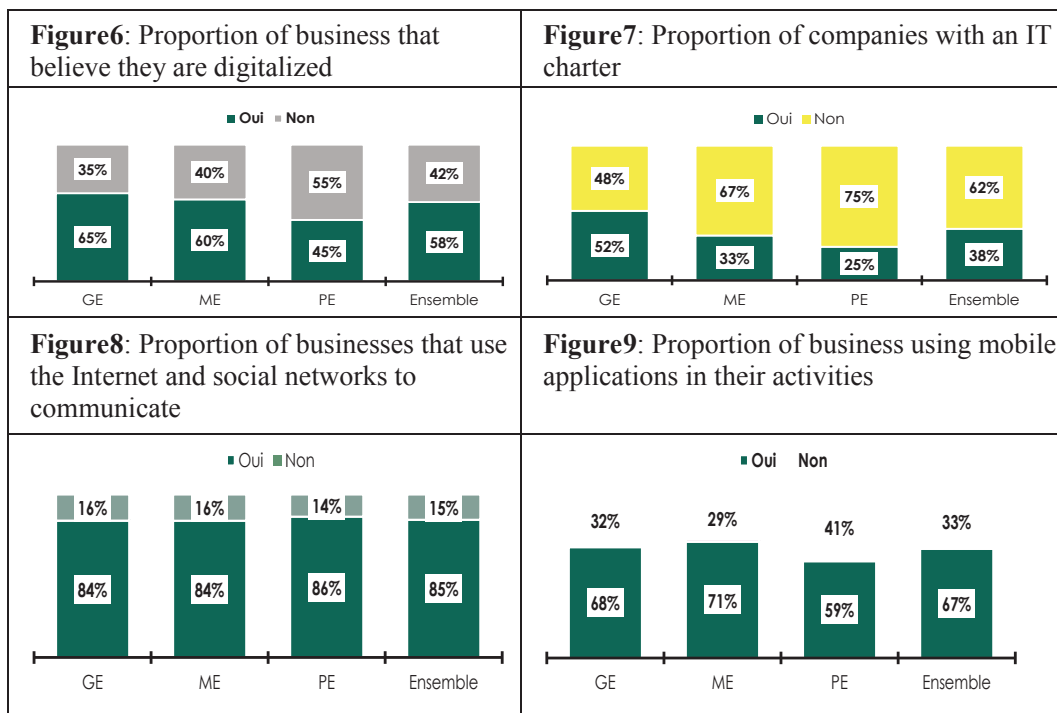
The weight of ICT in GDP is estimated at 3% in Cameroon compared to nearly 5% in Gabon and Burkina Faso. In Côte d'Ivoire, the contribution of the digital economy is estimated at 5.9% and reaches 10% in Senegal.

A recent Government audit found that the infrastructure of current operators is not keeping up with demand. Service offer would be of low quality. This audit revealed the high vulnerability to security threats, the lack of mastery of hacker and other cybercriminals' techniques, and the low incoming speed of Internet packages. The cost of ICT is still relatively high, despite the use of fibre-optics and switch to 4G.

In the field of finance, following the measures taken by the BEAC, "Mobile Money" has emerged in the banking sector in Cameroon and in the CEMAC zone. The use of digital solutions simplifies procedures and it results in cost savings for banks that can be reflected in the prices charged. Digital technology brings this double advantage (simplification and price) which could enable some Cameroonian to renew contact with the banking system. The virtualization of some operations has provided an appropriate response to the problems of the Cameroonian market, in this case the banking.

Cameroon has adopted a National Digitisation Plan for 2020 in the light of the effective emergence of 2035. This plan sets out quantified objectives which include, among other things, increasing the Internet rate from 6 to 20%, increasing the number of homes equipped with high-speed Internet from 4 to 10%, and to equip large companies with high-speed Internet at 95% wherever they are.

To achieve these objectives, the Backbone is a real competitive advantage that must be capitalized through better regulation and best support for the players. The challenge is to reduce the digital invoice while improving the offer as set out in the 2016-2020 digital Cameroon strategic plan. 4G is therefore a major interest. It is about enjoying very high mobile broadband essential in the optimal use of services (easy navigation, fast downloading, etc.). It will also lead to the arrival of new uses (video-phone and others).



Source: Enquête Globale auprès des entreprises, GICAM-EGE 2019

The speediest diffusion of these technologies in Cameroon is also an asset. Technological deployment enables huge opportunities for use in health and in the education system with many advantages: important and varied data, easy access and updating of content, the ability to reach a wide audience, and content that is accessible anywhere and anytime.

• Trade

Trade is one of the most important sectors of the Cameroonian economy in terms of its contribution to GDP and job creation. According to the survey on the Employment and Informal Sector carried out in 2010 by the NSIs, 34.1% of the employed workers were in the tertiary sector, of which 11.1% worked in the Trade branch. In addition, the "Wholesale and retail trade" branch represents on average 16.8% of the total wealth created between 2015 and 2019.

The importance of commercial activity for the Cameroonian economy has been a central focus of Government in its strategies for poverty reduction and economic promotion. Cameroonian Government's ambitions include: (i) internally to ensure a regular supply of the internal market in the conditions of healthy competition and (ii) externally to develop, promote and contribute to the diversification of foreign trade of high value-added goods.

Despite these commitments, the development potential of domestic and international trade remains largely untapped. Trade practice is confronted in particular with insufficient appropriation of developments

at the regional level with the entry into force of the Uniform Acts of the Organisation for the Harmonisation of Business Law in Africa (OHADA) and, at the multilateral level, with the signature of the World Trade Organisation (WTO) Agreements and more recently the Trade Facilitation Agreement (TFA).

These include their translation into the national legal corpus and, above all, their application by the various actors. Without an effective regulatory system (market control, identification of trade-related offences, enforcing sanctions, etc.), deregulation of economic activities and trade liberalization are accompanied by an expansion of illegal trade and anti-competitive practices that hinder the development of the national production system.

Moreover, the development of trade is hampered by a weak organization of distribution channels, the presence of many intermediaries leading in particular to a higher prices for the final consumer. Even so, the protection of this remains largely ineffective, the attention of the authorities that seem to be focused on the price control and less on quality control, metrology, or the fight against counterfeiting.

Box: the illicit trade, a real gangrene

Illegal trade (fraud, smuggling, counterfeiting) is a particular concern that needs to be addressed. The main products affected are: software and intellectual works, pharmaceuticals and cosmetics, consumer products (toilet soap, perfumes, pasta, toothpaste, candles, etc.), textiles and textile products, petroleum products, beverages, confectionery and other agro-industrial products, automotive spare parts, phytosanitary products, etc.

The illicit trade affects businesses as well as households and the Government. For companies, counterfeit or smuggled products lead to reduced sales, loss of turnover and market share, and affect investments. The consequences on households are mainly related to job losses, health and safety damage. Some counterfeit products of dubious quality can cause serious illness among their consumers, not to mention the risk of accidents.

State loses a lot of tax revenue through the illegal sale of counterfeit products and customs revenue through bypass boundaries. State also bears part of the health expenses of the victims of doubtful products and commits funds for the application and protection of intellectual property.

Clearly, the various measures taken so far to curb this phenomenon (creation of a coordination committee for illegal trade operation, introduction of stickers on tobacco and alcohol, Operation HALCOMI¹¹, etc.) have produced only limited results. The private sector is still hoping for the creation of an autonomous Body with an appropriate financing mechanism (e.g. a levy on products and other penalties levied as a part of a crackdown).

¹¹Stop Illegal Trade

As regards foreign trade, the constraints concern the existence of a plurality of formalities and procedures scattered over several texts, the insufficient coordination between the various administrations involved in import and export controls and procedures, the long delays in the passage of goods through the port, which induce additional costs and affect the competitiveness of our economy, the inadequacy of mechanisms to combat unfair trade practices against imports, such as dumping and subsidies, which are a potential threat to the national economy.

However, Cameroon defines integration into the world economy as one of the main credos of its economic policy with an ever-increasing rate of openness. Unfortunately, this growth still unbalanced with imports growing faster than exports. Integrating global value chains remains a challenge that the country is striving to meet by multiplying bilateral and multilateral trade agreements, including the Economic Partnership Agreement concluded with the European Union, through which a dismantling process began on August 4, 2016.

As trade regulation is the counterpart of liberalization and deregulation to ensure the effectiveness of the chosen market economy model, Cameroon must absolutely take up the challenge of dealing with fraud, smuggling and large-scale international trafficking with a threefold objective of ease, security and quality standards control. These include promoting market transparency, ensuring free competition, avoiding harmful monopolies, and promoting sound practices that maintain the solvency and credibility of the financial system as a whole.

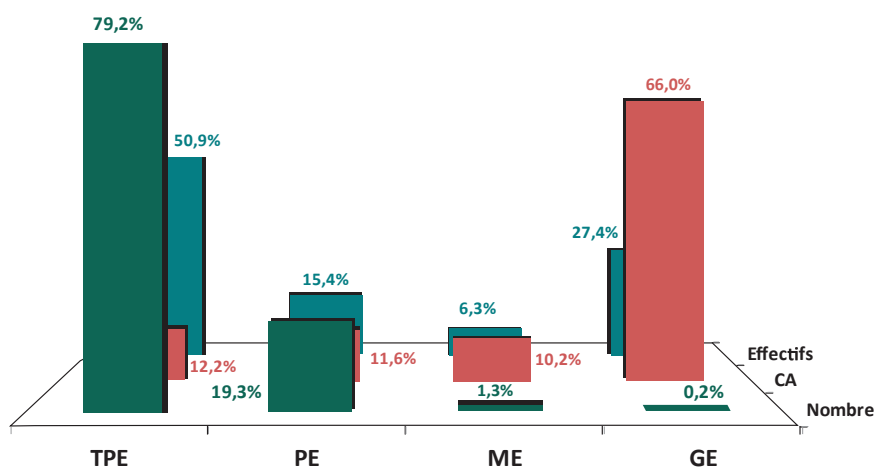
1.2.4- A predominance of SMEs and most in Douala and Yaoundé

At the end of the 2nd General Census of Enterprises completed in 2016, 209,482 companies and establishments were listed, geographically locatable throughout the national territory, operating in a fixed professional premises or a developed site. The Littoral (37.0%) and Central (27.0%) Regions, particularly the economic capital, Douala with 70,082 units (33.5%), and the headquarters

of institutions, Yaounde with 49,970 units (23.9%) remain the country's main economic centers.

Depending on the size, the productive sector is marked by the predominance of Very Small Enterprises (VSEs) and Small Enterprises (SMEs), which represent 98.5% of all companies. On average, they only employ a maximum of 3 people. Medium-sized Enterprises (MEs) and Large Enterprises (LEs) represent 1.3% and 0.2% of the total, respectively.

Figure10: Distribution of firms by size



Source: Based on REG data

The structure of Cameroonian companies is V-shaped, reflecting the predominance, in number, of Very Small Enterprises on the one hand and, on the other hand, the domination of Large Enterprises in terms of economic results (number of employees and turnover). In the middle, the Small and Medium Enterprises (here grouping "Small Enterprises" and "Medium-sized Enterprises" categories) really appear as the missing link. Together, they represent only 20.6% of the headcount of a company, accounting for 21.7% of the workforce and only 21.8% of turnover excluding tax. It is the result of a business environment which is particularly unfavourable to them.

In fact, while VSEs use low-capitalization technologies and require very few assets, SMEs must compete with them while meeting administrative and organizational requirements designed with reference to Large Enterprises; which therefore have greater bargaining power (membership contracts) and are integrated into international networks that ensure them access to technologies and finance.

In addition, one of the characteristics of SMEs is the structural weakness of their capacities. In an environment with several shortcomings,

SMEs display many internal inadequacies: internal organization, structure financial, production tool quality, human resources capacity, human resources management, etc. According to the RGE, 63% of companies operating in the Cameroon are less than five years old. Most of promoters are generally poorly prepared, have very little knowledge of the requirements related to a company's environment, constraints and management and research practices of financing, marketing techniques and sales and accounting management standards, etc.

In the sectoral distribution of companies in Cameroon, the tertiary sector remains prevalent with 84.2% of the units surveyed, mainly driven by trade (purchase and sale in the same condition) compared to 15.6% for the secondary sector, characterised by the predominance of small units mainly operating in the agri-food and clothing industries (sewing workshop). However, it should be noted a surge of the manufacturing industries, although most of them are small garment factories.

Table 9: Progression of the number of companies by subsector of activity, between 2009 and 2016

Sector	Sub-sector	Number		Progress	Proportion (%)	
		2009	2016	%	2009	2016
PRIMARY	Agriculture	192	148	-22.9	55.7	41.9
	Livestock farming	91	132	45.1	26.4	37.4
	Forestry field	55	65	18.2	15.9	18.4
	Fishing and fish farm	7	8	14.3	2.0	2.3
	Subtotal	345	353	2.3	100	100
SECONDARY	Extraction	30	70	133.3	0.2	0.2
	Food industry	767	2,564	234.3	6.3	7.9
	Other manufacturing industries	10,456	28,392	171.5	86.0	87.8
	Electricity, gas, water and sanitation	195	220	12.8	1.6	0.7
	Construction (BTP)	706	1,099	55.7	5.8	3.4
Subtotal	12,154	32,345	166.1	100	100	
TERTIARY	Trade	51,981	107,509	106.8	65.1	60.8
	Transport	735	1,414	92.4	0.9	0.8
	Accommodation and catering	9,036	23,864	164.1	11.3	13.5
	Bank and Insurance	1,588	2,557	61.0	2.0	1.4
	Telecommunication	867	983	13.4	1.1	0.6
	Business service	5,303	1,337	-74.8	6.6	0.8
	Other tertiary sector	10,339	39,120	278.4	12.9	22.1
Subtotal	79,849	176,784	121.4	100	100	
Undisclosed	1,361					
TOTAL	93,709	209,482	123.5			

Source: NISs, Main Report RGE-2

The economic sector is dominated by individual companies, which are growing significantly, with a proportion that rises from 89% of all companies surveyed in 2009 to 97% in 2016. Companies with a corporate form, in particular SA, SARL and SARLU, are few in number and represent only about 2.5% of the business sector. For the most structured, in this case SA, there are about 600 companies (public and private) in this type. The majority of the companies surveyed are registered under the full discharge scheme (86.8%). Companies subject to the simplified real scheme (5.0%) and the actual simplified scheme (3.8%) are a minority.

1.2.5- A large informal sector, growing and urgently needed to be contained

According to a report by the National Statistics Institute (NSI), there are more than 2.5 million Informal Production Units (UPI) on Cameroonian territory, including almost half (49.5%) in rural areas and 33.3% in the cities of Yaoundé and Douala, the country's two capitals. The informal sector has two aspects:

- The one that starts from the displays in the neighbourhoods to invade the sidewalks and shop fronts of the regularly installed merchants who pay their taxes to the State

- The one of one-man or family businesses or even relatively large businesses taking advantages of gaps or tolerances of the "administrative system". These companies only pay reduced flat-rate charges and not proportional to the reality of their activities and are not subject to the rules and obligations imposed on the formal sector. They thus make their margins on the back of the State and compete unfairly with companies in the formal sector. This is nothing more than major economic crime.

The informal sector in Cameroon officially employs 90% of the country's working population, the majority of whom are women. They account for 54.4% of non-agricultural IPU according to the EEES12 report¹². According to some estimates, the informal sector accounts for 20 to 30% of Cameroon's GDP. Two main factors explain the excessive development of the informal sector in Cameroon: the productivity deficit and the deficiencies in economic governance.

According to the NSI, the hourly labour productivity in the informal sector is CFAF 463. In addition to this dimension of survival activities, education and information deficits explain to some extent the scope of this sector: 27.4% of UPI promoters indicated that they did not know that an administrative registration is necessary and 45% thought that such a registration was not mandatory.

While low productivity is the major obstacle to the formalization of enterprises, the expansion of this sector is also due to shortcomings related to economic. The economic regulation system was only marginally integrated the informal sector realities; which has designed its tools with reference to large companies. The case of the tax system is therefore illustrative. Due to complex procedures, high tax rates and inefficient administration, taxation is perceived as particularly oppressive and time-consuming for companies.

The informal sector has many social and economic repercussions. Often considered as a "social buffer" since it provides an income for many citizens. It also makes it possible to offer good at prices adapted to the low purchasing power of citizens. As such, it is often a "down" response to gaps in public services (particularly in the case of transport).

But the negative effects of the informal sector are real and numerous. Socially, it contributes to poverty because of the very low levels of employment offered, which are also precarious. Non-compliance with hygiene standards and rules results in high health risks, due to the quality and dubious origin of products (mainly food and medicines). Economically, the informal sector represents a loss of tax revenue for State. Many parts of the economy are thus tax-exempt, reducing the tax base and requiring the State to make increasingly large releasing grains from the structured and visible sector.

The tax injustice resulting from the low taxation of the informal sector discourages existing formal investors and drives them into concealment and sometimes tax evasion. The informal prepared the way of illegal trade practices (smuggling, counterfeiting, fraud).

¹². Survey on Employment and the Informal Sector, 2nd edition

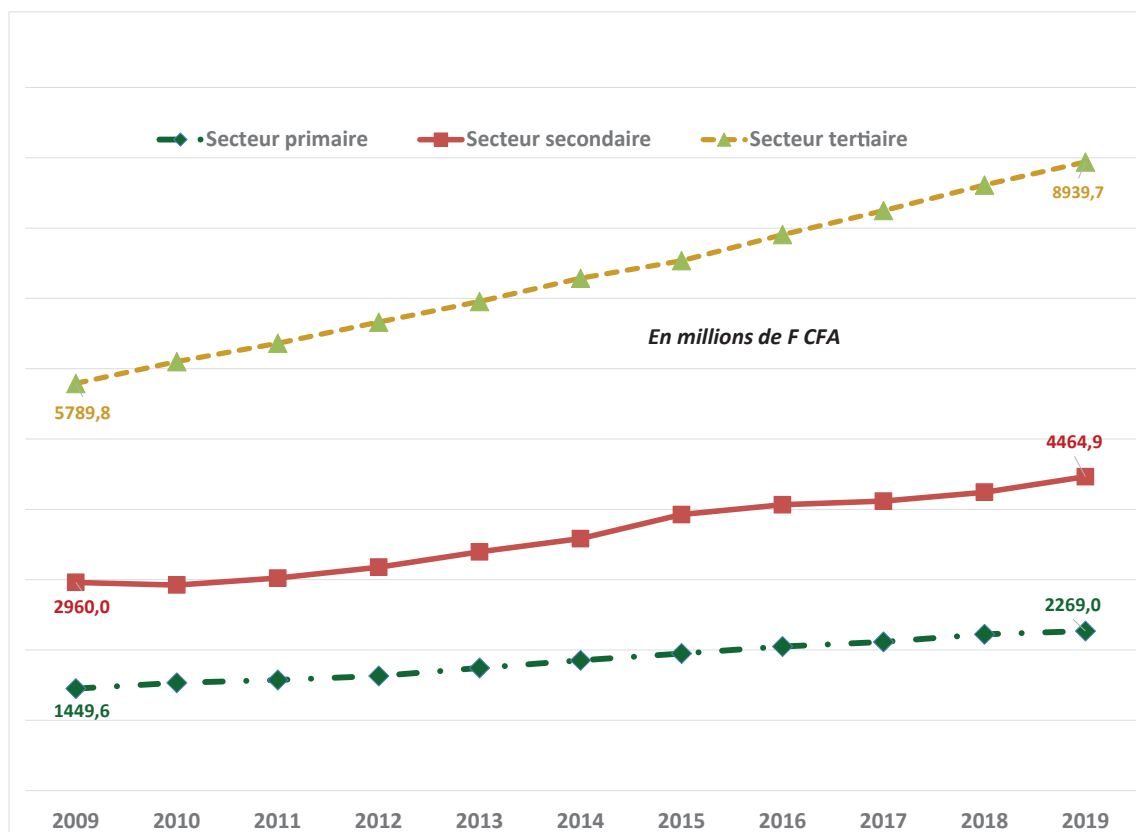
It is important to bring back into the formal system this part of the economy, which is certainly dynamic. The strengthening of support measures and the overall improvement of the business environment remain, in this respect, the lanes we must follow. The formalization process faces many administrative barriers. The specificities of this sector must be integrated into tax policy, and also move towards mandatory banking and the cross-checking of data between customs and the DGI for major economic crime.

1.3- Analysis of Macro-Economic accounts

1.3.1- Drivers of growth: tertiary sector and consumer spending

In 2019, Cameroon's growth stood at 3.9% compared to 4.1% in 2018. This decrease compared to 2018 was mainly due to the decline in the non-oil sector and particularly in the primary and tertiary sectors. The primary sector experienced 2.1% change, led by the under-performance of the Forestry and Logging branch (-2.4%). In the end, over the period 2015-2019, the average growth of primary education is 2.51%.

Figure 11 : Progression of GDP from 2006 to 2016



Source: Based on NSIs data

In 2019, growth in the secondary sector was mainly driven by hydrocarbons (+10.4%). Conversely, the cessation of SONARA's activities and ALUCAM's under-performance weighed negatively. Over 2015-2019, the average growth of the secondary sector is 4.5%; driven in particular by construction and public works whose average growth over the period is 8.2% and energy production with the commissioning of some major infrastructures.

Developments in economic activity has therefore been driven in recent years (2015-2019) by the tertiary sector (trade, administration, transport, financial activities, etc.); which contributed 2.12 points to national growth compared to 1.18 point for secondary and only 0.58 point for primary sector. Over the last five years, the average of the tertiary growth was 4.2%.

Table 10 : Contributions of jobs to actual GDP growth

Wording	2000	2005	2010	2015	2016	2017	2018	2019
Production perspective								
Primary	0.7	0.2	0.8	0.7	0.7	0.4	0.7	0.4
Secondary	0.8	3.9	-0.3	2.5	1.0	0.3	0.8	1.3
Tertiary	1.2	-1.7	2.9	1.8	2.6	2.3	2.3	1.6
Net taxes and duties	0.9	-0.4	0.1	0.6	0.4	0.5	0.2	0.5
Demand perspective								
Final consumption expenditure	4.3	3.2	3.0	4.2	2.7	2.6	3.6	3.3
Investment	2.5	-0.5	0.7	-0.1	1.7	1.1	2.1	2.3
Net Exports	-3.3	-0.8	-0.2	1.5	0.3	-0.2	0.3	-1.9
GDP	3.6	2.0	3.4	5.7	4.6	3.5	4.1	3.7

Source: Based on NSIs data

According to the demand perspective, final consumption is the main driver of growth in the national economy. For an average overall increase in GDP of 4.4% over the years 2015-2019, final consumption expenditure contributed 3.28 points, or nearly 76% of Cameroon's growth. Far behind, investment accounts for 1.42 points on average, while net exports have a negative contribution during the last years.

Of the two components of final consumption, it is essentially private consumption that plays the largest role with an average contribution of 2.7 points between 2007 and 2016. Public expenditure contributed an average of 0.8 points to GDP growth over the period 2007-2016. The main factors behind the strength of consumption are demographic dynamism, the rise of the middle classes in large cities and the lifestyle changes due to the vitality of the ICT offer and banking services. In particular, poverty reduction policies have contributed to a significant increase in household consumer spending.

If there are components on which Cameroon must absolutely straighten out the bar, they are net exports, for which the trade balance deficit has been steadily widening. Investment

also remains a poor relation in the direction of - expenditure, with gross fixed capital formation being undermined by an overall ineffective incentive policy.

Due to structural obstacles, mechanisms such as the Law of 18 April 2013¹³ have detrimental effects of competition in already mature sectors; new investments enjoying the benefits of taxes tend to focus on the same sectors of activity. An improvement in fiscal policies is therefore essential to increase the volume of investment in the State budget (which is one of the key considerations of the GESP) and improve its implementation.

1.3.2- Investments and FDI: under-performing

In 2018, the investment rate in Cameroon was 22.4% of GDP. The country must not only close the huge gap in energy and transport infrastructure but also support the private investment needed for stronger growth. To this end, it relies particularly on the contribution of its development partners.

¹³. Law No. 2013/004 of 18 April 2013 establishing private investment incentives in the Republic of Cameroon.

World Bank, African Development Bank (ADB), European Union (EU), Agence Française de Développement (AFD), European Investment Bank (EIB), Economic and Monetary Community of Central Africa (CEMAC), Development Bank of Central African States (BDEAC), International Monetary Fund (IMF), United Nations and Germany have strengthened their coordination to accelerate the implementation of the principles of the Paris Declaration.

Bilaterally, China has become the leading investor in Cameroon ahead of the European Union. At a time when this partner of choice is showing signs of weakness, Cameroon will have to prepare to enter the FDI race, increase its capacity to absorb projects and the investment execution rate, which is capped at 50%.

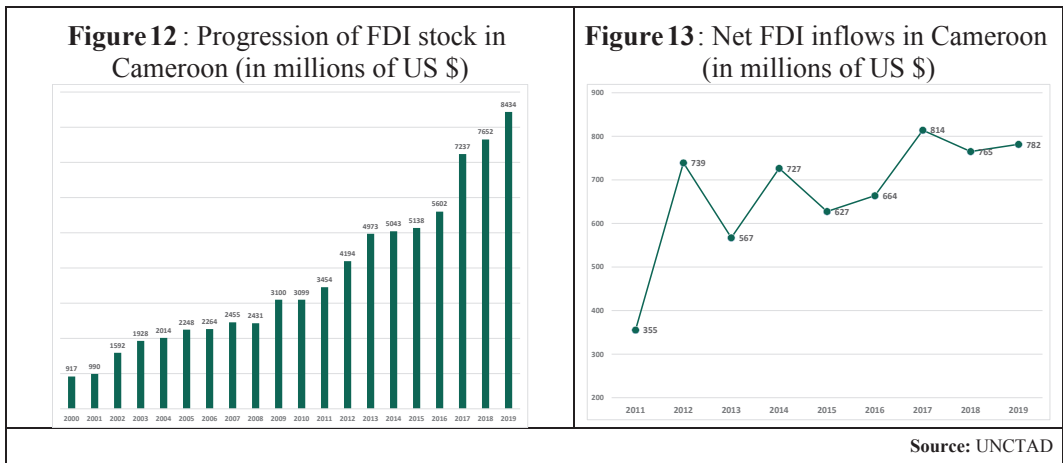
In its World Investment Report 2018, the United Nations Conference on Trade and Development (UNCTAD) estimates that Côte d'Ivoire attracted nearly \$675 million in 2016, an increase of 17% over the previous year. The total stock of FDI in this country was \$9.4 billion, or 25.7% of its GDP. The main investors are the European Union

and Canada. Investments are mainly oriented towards the extractive industries and finance.

According to MINFI, Foreign Direct Investment (FDI) amounted to 425 billion in 2018. The main beneficiary sectors were: oil industries (113.2 billion), manufacturing industries (89.3 billion), trade (85.5 billion), financial sector (37.5 billion), telecommunications (17.9 billion) and transportation (16.9 billion). Investments to Cameroon accelerated starting from 2010 (average annual growth rate of 12.4% between 2010 and 2015), but the economic difficulties experienced by the country since 2014, linked to the fall in commodity prices, have led to a sharp slowdown in investment projects: the stock of FDI increased by only 1.9% in 2016.

Although Cameroon attracts significant investments, its FDI stock remains much lower than that of a comparable country such as Côte d'Ivoire, and modest in comparison with several other countries in the CEMAC zone (Congo, Equatorial Guinea, Gabon), which do concentrate significant investments in the oil sector.

In 2019, the stock of FDI represented 21.6% of Cameroon's GDP, compared with 209.9% in Congo; 120.9% in Equatorial Guinea and 59.0% in Chad and 25.0% in Côte d'Ivoire.



The results of mechanisms to attract investment, in particular the Law of 18 April 2013 governing economic areas, are still remain below expectations. The quality of the business climate illustrated by the country's ranking on international scales appears to be a real damaging constraint. It is therefore necessary to consider a more global approach and to activate the other levers (establishment of economic zones, stabilization of tax regimes, reduction of the infrastructure deficit, structuring of production chains, long-term financing, promotion of national fields, etc.) to promote productive investment and direct FDI in manufacturing industries in particular.

1.3.3- Foreign trade: Marginal subregional trade

Trade within CEMAC and the Economic Community of Central African States (ECCAS) remains very marginal, despite the importance given to the issue of intra-Community trade in official speeches and the many institutional measures taken to promote the subregion's economic integration. This situation is the result of many pitfalls, among them the community's political will, the complementarity of economies, communication infrastructures and the involvement of the various interest groups.

Intra-Community trade in the CEMAC area increased from 12% in 1995 to 7% in 2000 and is now down to nearly 1%. It is even limited to 1.04% in ECCAS in 2015. These figures are well below the dynamics observed in the Economic Community of West African States (ECOWAS), where this indicator is estimated at 8.92%. It is further away from the 19.32% recorded in the Southern African Development Community (SADC¹⁴) and of 11% recorded in the Common Market for Eastern and Southern Africa (COMESA¹⁵).

Intra-CEMAC and ECCAS trade is dominated by high consumption products such as fuels and lubricants, refined sugars, vegetable oils, beer, laundry soaps, aluminium sheets and strips, cement, plywood, tobacco and cigarettes, milk, meat, hides and skins.

1.3.4- Public expenditure: Concerned about the level of internal resources and debt

Given the still predominant role of public administration, public finance reforms have been a major focus of public policy in recent years. In the absence of a monetary policy that truly supports sustainable growth, the Government really only has budget policy as an instrument of macroeconomic regulation.

In this area, the achievement of the HIPC completion point initiative in 2006 encouraged a return to medium- and long-term planning, which was foregone in favour of Structural Adjustment Plans (SAPs) during the recessionary period. To strengthen this new approach, a new State financial scheme was adopted (successively by Law No. 2007/006 of December 26, 2007 on the State financial scheme and

Law No. 2018/012 of July 11, 2018 on the financial scheme of the State and other public entities), which establishes the orientation towards the multi-year program budget.

Beyond the need to transform the annual or tri-annual budget into an operational tool for the medium-term development strategy, the successive reforms of public finances aimed to focus on consolidating and preserving financial balances, improving the way public resources are allocated and managed and, above all, improving the management of the public finance system.

While on the expenditure side, the focus was on streamlining the budget execution chain, on the revenue side, these objectives were translated into the need to broaden the tax base, secure government revenues, ease procedures and improve the business climate. However, the various finance Laws adopted under this prism have been illustrated by the increasingly "one-sided" nature of some measures. They have contributed to making the economic context generally unfavourable, leading in particular to subdued or declining performance for companies and the economy.

Despite the continued pressure on companies in terms of tax levies, domestic revenues remain largely insufficient to cover the State's financing needs, which has led to a compulsive recourse to debt, both internal and external. At end-July 2019, the government outstanding and publicly guaranteed debt was around 8,032 billion (37.8% of GDP versus 19% in 2013). Direct debt was then divided into 74.8% external debt and 25.2% domestic debt. Domestic debt amounted to 2,011 billion, and was composed of 745 billion in public securities, 606 billion in structured debt, 577 billion in BEAC consolidated debt and 83 billion in unstructured debt. In five years, Cameroon has multiplied the public debt stock by 2.6 points.

¹⁴ Southern African Development Community

¹⁵ Common Market for Eastern and Southern Africa

Having reached the completion point of the HIPC initiative, the country had received significant debt relief in 2006. However, in a few years, new debts were repeatedly accumulated. The high rate of external debt growth is combined with increasingly onerous conditions (particularly in China) and an increasing use of bond issues on the regional

and international markets. In addition to the size of the obligated unspent balances, Cameroon is forced to bear sometimes volatile interest rates and a reimbursement service that has increased from CFAF 1,175 billion in 2015 to some CFAF 1,300 billion in 2019.

Table 11: Progression of Cameroon's indebtedness

Headings	31 th Dec. 2012	31 th Dec. 2013	31 th Dec. 2014	31 th Dec. 2015	31 th Dec. 2016	31 th Dec. 2017	31 th Jul. 2019
External Debt	1,495	2,000	2,530	3,477	3,915	4,625	5,982
<i>Multilateral</i>	632	766	948	1,021	1,147	1,451	2,137
<i>Bilateral</i>	790	1110	1,469	1,699	1,981	2,290	2,736
<i>Commercial</i>	93	124	113	757	786	885	1,109
Domestic Debt	748	790	996	996	973	1,578	2,011
Guaranteed debt	208	147	105	105	71	52	39
Total Government outstanding and publicly guaranteed debt	2,450	2961	3,769	4,716	5,189	6,255	8,032

Source: CAA/NSIs - Statistical Yearbook

In 2015, the risk on foreign debt has been increased from "moderate" to "high" according to IMF. In addition to the marginalization of non-state actors in the debates that led to the implementation of the three-year economic plan signed in June 2017, the size of the facility granted to the country (CFAF 390.4 billion) is deemed insufficient in view of the growth potential offered by Cameroon because of its potential and strategic position in the CEMAC sub-region.

With the damages resulting from of the Covid-19 pandemic crisis, the Executive Board of the International Monetary Fund (IMF) approved on May 04, 2020 for Cameroon, a disbursement under the Rapid Credit Facility (RCF) of about CFAF 135 billion (60% of Cameroon's quota) to help the country meet the urgent needs for financing its balance of payments due to the Covid-19 pandemic. The IMF also approved the authorities' request for an extension of the Extended Credit Facility (ECF) arrangement until September 30, 2020.

With regard to external debt management, there is also a need to look at the available and unused debt reserves which are stored at

the level of the Autonomous Sinking Fund (CAA) pending the clear investment plan required by donors.

Domestic debt must be dealt with as soon as possible. In the same vein, emphasis must be placed on continuing to reimburse Value Added Tax (VAT) credits. The establishment of an escrow account for the refund of the VAT credit as well as the online management, from this point of view, received unanimous appreciation from the private sector.

The heavy dependence on debt severely restricts Cameroonian State and its peers in the CEMAC zone. Budgetary imbalances make the business environment unpredictable and reduce the country's attractiveness for FDI. They create a resource crowding out effect, which is detrimental to the private sector and above all lead to an exaggerated accumulation of payment arrears. Generally, the important issue for Cameroon is to define the debt trajectory that the Government wishes to undertake and under what conditions.



Chapter 2 :

Structural bottlenecks to rapid business development

The reasons for a drop-out compared to other
African countries with comparable economies

The previous chapter provided an overview of the various sectors of activity and the macroeconomic environment, from which it emerged that the results were not enough. Despite some welcome progress, there has been an overall economic slowdown in several levels, compared with countries considered to be economically comparable to our own. How can we explain these under-performances?

The GICAM's stance as an umbrella employers' organisation with its experience in public-private dialogue helps to provide a synthesis of the structural bottlenecks to business development. These relate both to economic fundamentals and to some specific sectoral or cross-sectoral factors.

2.1- Disadvantages in the economic fundamentals

The experience of countries that have achieved remarkable economic performance in recent years shows that their success are based on a number of fundamental factors, including a coherent, widely shared strategy with clear priorities, a modern, facilitative, protective and deliberately interventionist administration, an effective vocational training policy, a densified infrastructure and logistical capacity, and domestic demand gradually built up around a growing middle class. The situation of Cameroon highlights significant deficits in each of these areas.

2.1.1- Lacks of consistency and ownership of development policies and strategies

From the rich work records on Cameroon's economy, it can be seen that a series of national strategies have followed one another, with no convergence and the assimilation of them, as well as systematic evaluations of their strengths and weaknesses. The "project" approach adopted by Cameroon nevertheless, indicates a maturity in elaborating strategies, but this leads to a lack of coherence, monitoring and coordination between the various actors,

which ultimately ends up in contrasting results.

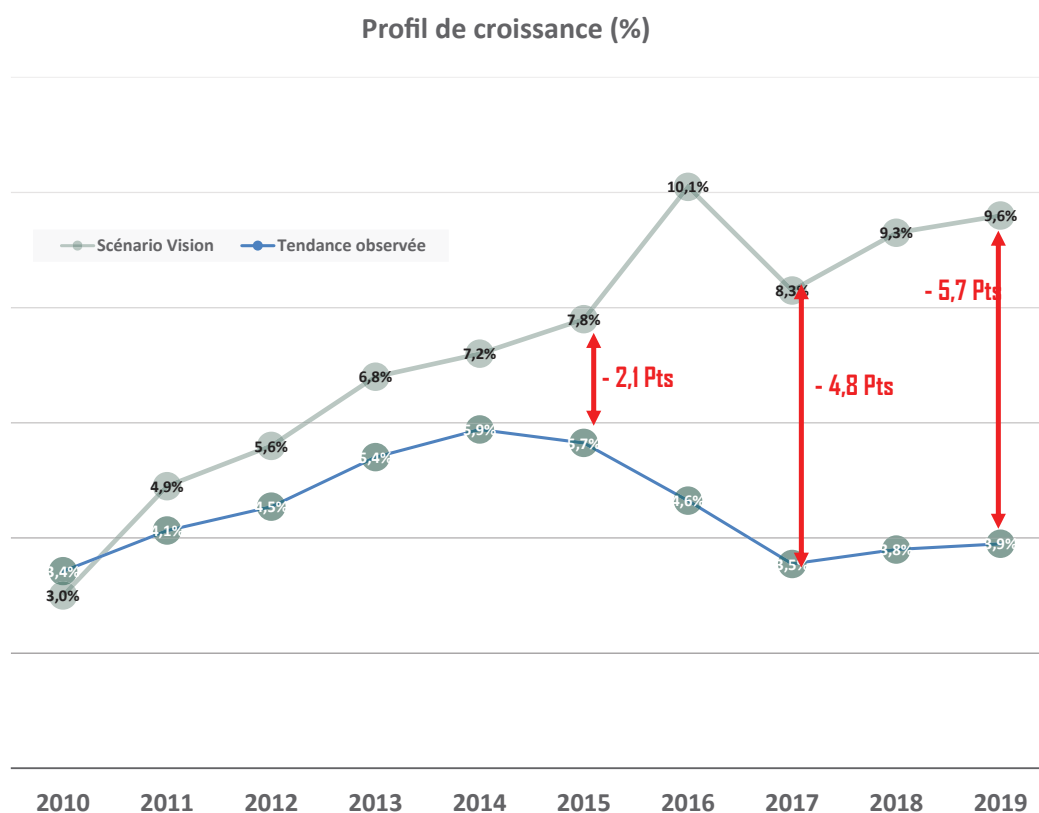
Different development strategies have been developed by the State, generally influenced by economic or social crises and under the influence of donors. The Poverty Reduction Strategy Paper (PRSP of April 2001) was succeeded by the Growth and Employment Strategy Paper (GESP 2009) as an extension of the first phase of the Long-Term Development Vision.

This vision, which incorporated the deep aspirations expressed by people during the various consultations and the commitments made to development partners, had obviously obtained the agreement of most economic actors. However, their turning into priorities, programmes and operational plans had no real impact on the form and content of the State's annual budgets. The glaring discrepancies observed and criticised on several occasions by observers and non-state actors have significantly undermined the credibility of this ambition, which is nevertheless maintained as the course of Cameroon's economic policies.

These discrepancies are evident in the economic performance and in the regular appearance of special short-term plans (most of which are for 3 years) that have been added to the perspective and reference documents (PRSP and GESPS), by creating a conglomerate of unstructured and unintegrated texts or road maps. Moreover, the involvement of stakeholders, particularly the Cameroonian private sector, driver of growth, the civil society and informed actor, is not effective and is too often limited to the matters of form.

This insufficient ownership and other cyclical factors (occurrence of crisis) have thus not enabled our country to come closer to the objective set in the key areas of this vision, including economic growth.

Figure 14 : Growth profile compared to the perspective scenario



Source: Based on NSIs and GESPS data

With the double oil and security shocks of 2014, the GDP growth profile has definitively moved away from the reference scenario that the country had to follow on the path to becoming an emerging country. The differences in growth rates reach 5.5 points in 2016 and 2019 (respectively 4.6% and 3.8% growth achieved, far from the 10.1% and 9.3% of the baseline scenario of the vision). The Covid-19 health crisis has definitively changed the trajectory of the progression of the national economy. According to estimates and even assuming a rapid control of the pandemic, the impact of the crisis will be harder on growth than during the financial crisis of 2008-2009.

2.1.2- Administration seeking modernization but still bothering and inefficient

Cameroonian administrative structures are ageing and sometimes obsolete. Most of them operate on models that are more than forty years old. As a result, significant slowness, routine and inefficient tasks, and a general undertone of an administration that manages

(increasingly complex) procedures and does not account for economic and social results.

Information technology is halfhearted use in administrations, which have undergone very few fundamental restructuring operations, such as digitalisation which would considerably increase their performance.

Progress in the virtualization of procedures faced in several cases, the retrograde habits of old procedures. For example, in the case of the tax authorities, physical validation of documents is still required despite the introduction of electronic procurement. For a simple application for a business or tourist visa, foreign applicants are obliged to contact the nearest Cameroonian embassy, which results in mailings out or move without mentioning **the complexity of the processing derived from the dissociation of an economic (Douala) and political (Yaoundé) capital.**

In Côte d'Ivoire, visa applications are online via the Website of the Ministry of Foreign Affairs, and notification-mail is sent within 48 hours. A real asset to business and tourism development.

The strengthening of public governance, which is essential to support development strategies, should aim to enable Cameroon to have more than in the past, a responsible, dynamic and proactive leadership, which is constantly anticipating economic and structural changes and which has put in place management principles based on a quest for performance, at all levels of responsibility.

In this regard, the Cameroonian administration remains in search of modernization in the application of the principles of transparency, responsibility, accountability, equity, non-discrimination and efficiency. It is particular characterized by:

- Too much centralization of prerogatives in Yaounde to the detriment of the decentralization process which tramples;
- A very insufficient adoption of planning and strategic management principles based on results (committing, executing, reporting, learning and adapting);
- A notoriously poor of steering and decision-making tool and instruments (management charts, road maps, macroeconomic models, satellite accounts, user guides, rating system, etc.);
- The fragmentation of ministerial functions, particularly economic issues compels companies to respond to a multitude of institutions, sometimes to provide similar elements;
- T- A coordinating role poorly assumed by the dedicated administrations (Prime Minister's Office, Ministry of Economy, Ministry of Finance);
- An out to date administrative mechanisms and procedures which results in duplications, insular nature of the programs and the various branches;
- Inadequacies in the modalities of recruitment, management and development of human resources;
- Innovation of State financial engineering still limited;

- A poor knowledge of business and the private sector by public officials, and more generally, a growing inadequacy of the training offered by business schools;

- Etc.

2.1.3- Skilled workforce but not always answer to current and future requirements

Cameroon is generally praised and envied for the richness and quality of its human resources. With an enrolment rate of more than 90% in primary education in particular¹⁶, the country has invested heavily in the training of human resources. However, there remains a challenge of vocational guidance and quality of the vocational training system, its external efficiency, especially the integration of the products of this system into the employment market.

Some sectors, such as industry and services based on new technologies, are struggling to find labour, especially at the intermediate level (electrical mechanics, quality managers, industrial engineering technicians, etc.) with the required skills in terms of knowledge, know-how and life skills. At the same time, there is a proliferation of higher education courses in banking and finance, commercial action and sales force, whose products do not sufficiently find job in an exhausted labour market.

Despite the desired orientation of vocational training towards a system based on a skills-based and demand-driven approach, the professional integration of the mass of new job seekers every year remains a challenge. The shortcomings observed in the internal governance of the training system thus reflect on its external effectiveness. The obvious reason is that:

- The link between the professional sector and the training system remains weak;
- The financing system remains traditional (contributions from parents and the State) even though systems for pooling resources are being used elsewhere;

¹⁶ In 2018, the net enrolment rates were 25.3% in pre-school, 92.87% in primary, 45.99% in secondary according to Unesco (<http://uis.unesco.org/fr/country/cm>). It is equal to the population ratio enrolled in school and of official school age compared to the school-age population of official school age.

- The quality of training in the technological fields suffers from the lack and technological gap of equipment available in the training centres;

- The training procedures remain little diversified, for example, work-linked training is confronted by numerous constraints of adoption and development;

- There are many shortcomings in the training of trainers.

In the absence of a quality training system and a real system of forward planning of employment and skills, many talents leave Cameroon because of a lack of information on career opportunities currently available in the country.

Despite the adoption in 2018 of a new Law governing vocational training, a paradigm shift is needed to position demand from the productive sector at the centre of vocational training management.

2.1.4- Basic infrastructure still insufficient, expensive and not exploited enough

Like most countries at the same level of development, Cameroon suffers from a glaring infrastructure deficit. However,

infrastructure quality is an important determinant of the attractiveness and competitiveness of private investment in a country. In Cameroon, the infrastructure deficit is a real impediment to the improvement of living conditions, economic growth and social progress.

In view of the considerable backlog in the development of basic infrastructure with the collapse of the public service sector, the public authorities are undertaking a two-pronged strategy: (i) the concessioning of public enterprises in the basic infrastructure sectors (electricity, water, port services, rail transport, etc.); (ii) the reinforcement of public investments, especially after reaching the completion point in 2006 with a substantial investment in major infrastructure projects (dams, roads, ports, etc.).

Road infrastructure

Road infrastructure is in a deteriorated condition in the major cities and on the inter-urban network. The road network is 77,589 km long, including 59,657 km of tracks and roads; 12,799 km of unpaved roads and only 5,133 km (6.6%) of paved roads¹⁷. Rural roads are regularly in a state of serious disrepair.

Table 12 : Condition of Cameroon road network

Category	Length (km)	%
Paved roads	5,133	6.6%
Unpaved roads	12,799	16.5%
Tracks and roads	59,657	76.9%
Total	77,589	100.0%

Source: MINTP

While the density of the entire road network is relatively high (16.3 km per 100 km², the average within the ECCAS space being 2.7 km per 100 km²), the bad condition generates additional costs for economic activities (speed deterioration of transport equipment, higher maintenance costs, loss of time in traffic jams, excessive travel time, traffic accidents, particularly in the Douala-Yaoundé-Bafoussam triangle, etc.).

The Douala - Yaounde road axis generally, the Douala-Bangui and Douala-N'djamena corridors, natural extensions of the port of Douala and essential to the Cameroonian economy, are experiencing serious disruptions due to their size and lack of maintenance. If the Yaoundé-Douala highway construction project can not be completed quickly, the current axis must be expanded and consolidated to support Cameroon's vision of a regional hub and service that it wants to assume.

¹⁷Source: <http://www.mintp.cm/fr/projets-realizations/presentation-du-reseau-routier> visited on August 1, 2020

The condition of the urban road network in Douala, the economic capital, deserves special attention. In addition to the recent improvements to the east and west entrances to the city and the construction of a second bridge over the Wouri River,

efforts are still required in the maintenance and extension of the highways. The traffic disruptions generated during the implementation of the above-mentioned projects have highlighted the need for by-pass roads.

Following the example of the recently completed third bridge over the Ebrié Lagoon in Abidjan, these by-pass roads can be built in PPP mode, with a toll system to help defray the costs.

To this end, the construction of a third bridge over the Wouri River could considerably ease traffic congestion, making user's lives easier and enable the city to truly play its role as the economic driving force of the sub-region.

Unfortunately, several studies and reports point to the issue of costs and delays in the construction of infrastructure in policies in Cameroon. In addition to the grievances involving the public procurement system, the issue of liberalization of land holdings and compensation requires a holistic response to enable the country to resolutely improve the procedure of densification and updating of its supply chain.

To this end, the construction of a third bridge over the Wouri River could considerably ease traffic congestion, making user's lives easier and enable the city to truly play its role as the economic driving force of the sub-region.

Unfortunately, several studies and reports point to the issue of costs and delays in the construction of infrastructure in policies in Cameroon. In addition to the grievances

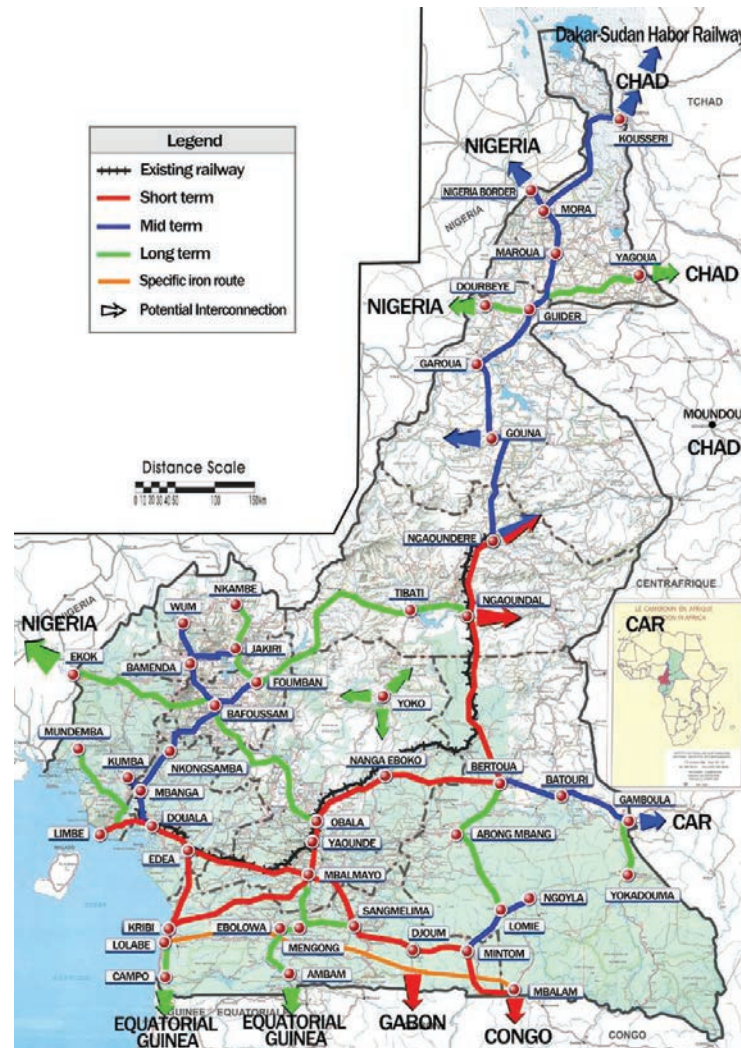
involving the public procurement system, the issue of liberalization of land holdings and compensation requires a holistic response to enable the country to resolutely improve the procedure of densification and updating of its supply chain.

Rail infrastructure

The Cameroonian railway network that is still functioning consists only of a single metric gauge track line over a linear distance of about 1,000 km for the whole country. The railway tracks are at least 40 years old (Transcam I Douala-Yaoundé and Transcam II Yaoundé-Ngaoundéré); some tracks have been almost abandoned (Douala - Kumba). Their decline makes certain areas of the territory difficult to access because the railway not only performs the dispatching of parcels and luggage, but also the movement of people.

The density of the railway network is only 2.32 km per 1000 km², i.e. 1/25 the density noted in Europe.

Figure 15: Cameroon rail network and prospects



Source: The National Railway of Master Plan in Cameroon, 2011

The new National Railway of Master Plan, validated in 2011, which was part of the pan-African vision for railway development, included the following short-term priority projects: upgrading the Douala-Ngaoundéré section via Bertoua, the development of the Edéa-Kribi, Douala-Limbé, Kribi-Mbalmayo and Mbalmayo-Mbalam sections.

The implementation of these priority projects to which it is necessary to add the extension towards Chad (Ngaoundéré-Kousséri) and towards Nigeria (Limbé-Wum) is more than ever an imperative to enable industrialists to profit from the comparative advantages of rail to carry goods within our

own country and in transit towards the hinterland, to sketch out new corridors for export and thus to relieve the main road axes.

Particularly, the deep-water port of Kribi looks forward to receiving its rail link to the Transcameroonian network and its connection to the various potential mining production sites (Mbalam iron in particular). For this project as for the others, the PPP mode deserves to be further developed.

Maritime and river transport

Cameroon, a country open to the Atlantic Ocean on about 400 km of coastline, has an estuary port in Douala, two maritime ports, Kribi and Limbé, and a river port in Garoua. These infrastructures serving its neighbouring countries such as Chad, CAR and Northern Congo. Although considerable progress has been made with the introduction of the issue water port of Kribi, the quality of the supply chain, the procedure issues and transit times as well as the fluidity of the logistics and even industrial links adjacent to these infrastructures are still major concerns.

While the port of Kribi, which has been open for commercial operations since March 2, 2018, is being put into operation, the potential of the port of Limbe should be explored, as it has undeniable advantages such as its proximity to agricultural and mining production basins, an easier connection to Douala, where industries are concentrated, and to the hinterland countries, favourable nautical conditions (deep-water port that does not become sandy), and an interesting opening to West Africa.

On the domestic side, Cameroon does not make sufficient use of its waterways for the movement of people and goods, especially in the coastal regions where this means of transport was more widespread in the past. It would help to relieve road and port traffic congestion by building some baseline boarding.

Air transport infrastructures

While international air services have expanded considerably in recent years with the entry into service of several companies, this has not been the case for domestic lines, despite the re-launch of the national company Camair-co activities. The domestic and regional air market is an important source of opportunities for the private sector, if appropriate policies are put in place to attract investors, particularly in the area of air freight

It is interesting to note in term of traffic flows, the leading airport of Douala is old and now surrounded by building constructions, which could no longer ensure its future development according to international

norms and standards, particularly in security. Despite some work carried out these recent years, the same airport infrastructures are only very poorly developed.

In addition to the upgrading or construction of a new modern airport in Douala, the development of internal lines requires the upgrading/renovation of airport infrastructure in the main cities of Cameroon (Bafoussam, Garoua, Bamenda, Ebolowa, etc.). These rehabilitations appear to be necessary levers for the revival of the national airline Camair-co whose privatization process has been announced.

Maintenance infrastructures and other services to industries

The Industrial Shipyard of Cameroon (CNIC) continues to face multifaceted difficulties, particularly financial, despite its enormous potential in shipbuilding and ship repair. The ports of Douala and Limbe have the necessary infrastructure for this purpose. Its poor performance is attributable to the problems undermining state-owned companies, including a non-performance-oriented operational and supervisory framework.

The most urgent action that could help to rehabilitate this important infrastructure is to opening CNIC capital up to private investors, based on a rigorous bidding process. A financial, industrial and commercial audit should precede this step.

Telecommunication

Telecommunications are gradually developing, but do not yet cover the entire country. The construction of a Backbone of more than 10,000 km of fibre optics represents a significant progress in the sector. Compared to the performance in the sub-region, international costs remain relatively high and Internet access remains limited.

The real distribution of this technology is still limited among businesses and households inter alia due to high prices. Strong measures should therefore be taken to promote the extension of fibre-optic in all strata of economic life and to optimise the costs associated with its installation.

Water

Drinking water and electricity have not yet reached all the hamlets; even in the large cities, access to these services remains very difficult. Despite commendable efforts by the public authorities in recent years, about 40% of the population still does not have access to drinking water. Although the statistics are variable, access to drinking water is undoubtedly an issue in the fight against poverty and inequality. The average prevalence rate of water and sanitation-related diseases is 19% and diseases negatively impact the balance of payments since they lead to heavy imports of the medicines needed for their treatment.

Cameroon suffers from a real lack of investment in the water sector. The investment budget of the public company CAMWATER remains very low and insufficient to maintain the existing capital.

Electricity

In the field of electricity, massive investments with major reforms have been made in recent years to improve the supply capacity and the sector governance. Unfortunately, the deficit persists, as the country has not yet managed to properly develop its potential and make and make best use of the efforts. In particular, the electric power transmission system remains very deficient and requires huge investments, exceeding CFAF 1,500 billion, according to various studies on production, transmission and distribution.

Table 13: Dispatch of energy supply in Cameroon in 2017 and 2018 (in GWH)

Sources	2017	2018	Variation (%)
1-Eneo	5,328	5,462	2.5%
1.1-Hydro	5,008	5,023	0.3%
<i>Songloulou</i>	2,788	2,796	0.3%
<i>Edea</i>	1,920	1,939	1.0%
<i>Lagdo</i>	300	289	-3.0%
1.2-Eneo Thermal Network	236	359	52.4%
1.3-Insulated Thermal Power Plants	84	79	-6.5%
2-Independent producers	1,533	1,515	-1.2%
2.1-Globeleq (Kribi & Dibamba)	1,266	1,463	15.5%
2.2-Altaaqa (Logbaba & Bassa Gas)	259	3	-99.0%
2.3-Aggreko (Maroua)	8	50	562.7%
Total Production (GWH)	6,861	6,977	1.7%

Source: ENEO, Annual Report 2018

In 2018, the total energy produced, all losses included (at the central terminals) of the entire fleet managed by ENEO reached nearly 6,861 GWh, with a contribution of the hydropower fleet estimated on average to be 72%, against 28% for the thermal fleet.

This production comes from three grids: the Southern Interconnected System (RIS), which covers six regions of the country; the Northern Interconnected System (RIN), which covers the three northern regions of the country (Adamaoua, North and Far North); and the Eastern System, called the Eastern Interconnected System (EIS), although it covers only the eastern region.

The generation and transmission infrastructures of RIS and RIE are in an advanced dilapidated state. These networks regularly experience malfunctions due to overloads on transmission lines (cables, poles, connection and protection equipment) and transformer substations (low, medium and high voltage). The quality of the electricity

supply is affected by frequent outages, and some users are simply faced permanent shortages. Economic agents who are highly dependent on electricity supply are thus obliged to get standby power generators. This is obviously detrimental to their competitiveness.

Figure 16: Distribution of electricity generating infrastructures in Cameroon



Source: Energy Sector Development Plan (ESDP)

In addition to the above table, there are frequent brownout caused by urban sprawls and illegal connections affecting the electricity distribution network in cities. It follows a lack of control over the electricity consumed, resulting in significant commercial losses.

The most important reform in the sector concerns the advent of SONATREL, a public and mixed economy company that will now be responsible for developing, managing and maintaining the transmission network. This reform opens the door to IPPs (Independent Power Producers) which will be able, like ENEO upstream, to produce electricity.

According to the baseline scenario¹⁸, the estimated demand for electricity could reach 1,481 MW in 2020 and 2,892 MW in 2035. If the development of major industrial and mining projects is taken into account, it could reach 1,634 to 4,472 at these horizons. This second scenario, on the supply side, takes into account two hydroelectric dams of about 1,100 MW

each at Songmbengue and Grand Ngodi (downstream of the Sanaga River), and thus tripled the current production of the Edéa aluminium smelting plant to 300,000 tonnes, through the construction of the Nachtigal dam (nearly 400 MW).

Table 14 : Projection-based scenario of the electric energy demand in Cameroon

Low scenario		Year	2012	2013	2014	2015	2020	2025	2030	2035
Total Demand	MW	902	958	1 000	1 047	1 481	1 873	2 376	2 892	
	GWh	5 047	5 385	5 641	5 928	8 722	11 247	14 501	17 957	
Total demand after Energy management	MW	902	953	990	1 032	1 441	1 808	2 286	2 777	
	GWh	5 047	4 956	5 203	5 480	8 227	10 775	14 120	17 817	
High scenario –All majors projects included (including RTA project)										
Total demand	MW	902	959	1 003	1 052	2 455	3 725	5 194	6 587	
	GWh	5 051	5 390	5 657	5 956	15 554	24 034	33 578	42 228	
Total demand after Energy management	MW	902	954	993	1 037	2 415	3 660	5 104	6 472	
	GWh	5 051	5 372	5 618	5 894	15 308	23 477	32 487	40 379	
High scenario without RTA project										
Total demand	MW	902	959	1 003	1 052	1 634	2 242	3 079	4 472	
	GWh	5 051	5 390	5 657	5 956	9 539	13 177	18 097	26 746	
Total demand after Energy management	MW	902	954	993	1 037	1 594	2 177	2 989	4 357	
	GWh	5 051	5 372	5 618	5 894	9 293	12 620	17 005	24 897	

Source: ESDP

According to the ESDP, the investment capital, within the framework of the median growth scenario, could rise from nearly FCFA 1000 billion for the period 2016-2020 to FCFA 1500 billion for the period 2021-2025 and FCFA 1800 billion for the period 2026-2030, i.e. a total of FCFA 5250 billion by 2035. Under the high growth scenario, the investment capital would exceed CFAF 2600 billion over the period 2021-2025 and CFAF 3000 billion over the period 2026-2030, i.e. a total of CFAF 8650 billion by 2035. Added to the needs of other infrastructure sectors, they highlight the challenges the State faces in terms of financing electricity infrastructure.

It is urgent that proactive public policies be envisaged, intended to involve private and public capital - needed to finance the investments required in the sector. In addition to the extension of new capacities to meet changing demand, the system (RIS) requires major work on the generation system, including the rehabilitation of hydroelectric dams and thermal power stations, the maintenance and renewal of transformers and related equipment.

The search for an energy mix also requests greater emphasis on the promotion of other energy sources, especially renewable energies (solar, wind, biomass, etc.).

Building materials

Cameroon has enormous under-exploited resources. The local manufacture of building materials suffers from a lack of competitiveness and could disappear confronted by competition from imported products. Quarrying and other site exploitation are still largely traditional. The manufacture of building materials is still based on technical equipment that are not very intensive and which do not adequately meet needs (tiles, iron, conglomerates, etc.).

In spite of the forest potential, for example, the exploitation of wood for housing construction is still carried out by craftsmen, whereas wood is used elsewhere for the production of high quality housing.

¹⁸ The low growth scenario is based on an extrapolation of the current situation based on reasonable growth of the economy and the observed population expansion. The high growth scenario integrates important industrial and mining projects such as the RIO TINTO ALCAN (RTA). With the withdrawal of this investor from Cameroon, an important mortgage now weighs on the extension project of this plant.

Real estate and social housing

The real estate sector, like urbanization, is one of the promising sectors. Despite ongoing programmes, the housing deficit in Cameroon remains glaring and particularly impacts certain sections of society. It is estimated at about 1.2 million dwellings.

In the urban area, anarchic housing characterizes Cameroon's major cities, notably Douala and Yaoundé, while, at the same time, some countries such as Rwanda, have recently implemented successful urban planning policies.

Regarding social housing, various social housing projects launched throughout the national territory (Douala- Yaoundé- Buéa- Bafoussam and Ebolowa) within the framework of PLANUT and other private partnerships are struggling. With regard to costs and certain access modalities, the term "social housing" now seems a bit out of touch with what happens on the ground.

The question of standardization of constructions and materials used is also becoming even more important. In addition to the accidents already recorded, it is not uncommon to find that in some buildings, cracks and signs of subsidence started to appear even before they are delivered.

Land Access

In Cameroon, access to land resources remains a major concern, contentious and conflict in both social concerns and developing the different business units. Specifically, the latter aspect today connects the company which needs space, the communities, often absent in the legal phases but present and active on the ground, national and international lobby groups whose motivations are various, and the State, an actor called upon to play a major role but caught in the cycle of its own needs and the requirements of other groups.

The land issue is thus refers to a governance issue, a socio-logical issue and an issue of availability and legal and physical security of a production factor and a key resource in the economy financing system. The problem has become more acute with the surge in urbanization, a major change that go with the demographic growth of the

Cameroonian population.

Difficulties of access to land for the development of economic activities in general and industrial activities in particular are particularly acute. Industrial areas which already suffering from a planning deficit have been overwhelmed. Nowadays, finding a location to develop one's activities is a real hard battle for both existing companies and new investors.

These difficulties of access have hindered the emergence of industrial free zones, which are supposed to bring together export-oriented companies on the same site. Instead, free zones have been developed and for the latter, recent regulatory changes, including the advent of Law No. 2013/011 of December 16, 2013 governing economic zones in Cameroon, force them to defy the challenge of access to land within a short time.

This law on economic zones which aims at provide a land incentive to investors, also gives the opportunity to the business combinations (within employers' unions or consular chambers), to undertake the creation of economic zones provided that they can identify on the national domain, land free of occupation.

Aware of these difficulties, the Government announces that it has begun to set up land reserves for major agropastoral and industrial projects. In the light of these factors and their structuring nature, the consensus definition of a land reform is becoming a priority issue to be addressed.

2.1.5- Still poor level of purchasing power in an emerging middle class

The purchasing power of the Cameroonian worker is low. With an average per capita income of around \$98/month against an African average of \$141, which has been stagnating for several years. The domestic consumption cannot grow, especially since inflation is "nibbling away" more and more this low purchasing power every year. The Guarantee Minimum Inter-professional Wage (SMIG) has been revised from CFAF 28,000 to CFAF 36,230 in 2014, indicating the State's awareness of this issue. However, its enforcement is far from being widespread and thereby exacerbating distortions between the formal and informal sectors.

With the prevailing precariousness, many sectors are showing worrying signs of vulnerability to reforms and shocks due to the low purchasing power of the population:

- The agro-food sector, and particularly the beverage manufacturing sector for example, recorded a drop in production in 2015 and 2016 due to the implementation of specific excise duties on alcoholic products;

- In February 2016, wage charges increased following the reform of the National Social Security Fund (CNPS), which slowly impacted the purchasing power of workers and increased wages in the context of low productivity.

2.2 – Business environment and sectoral bottlenecks to business development

The many disadvantages noted above relating to economic fundamentals are reflected and have repercussions on the

overall business environment and on the sectoral frameworks governing business activity in Cameroon. Generally, the institutional framework governing economic activities remains broadly of poor quality and the regulatory and sectoral weaknesses (taxation, financing, justice, etc.) are burdensome. These weaknesses have been heightened in recent years by major economic crises (security, foreign exchange, health), which have had an even greater impact on the perceptions of business leaders.

2.2.1- Business environment and perception of business leaders

The following Table, taken from Doing Business 2020, shows Cameroon's position compared to countries such as Côte d'Ivoire, the leader in the WAEMU (West African Economic and Monetary Union) zone, Rwanda and Mauritius ranked No. 1 in Africa in terms of business facilitation.

Table 15: Comparative overview of selected business environment indicators

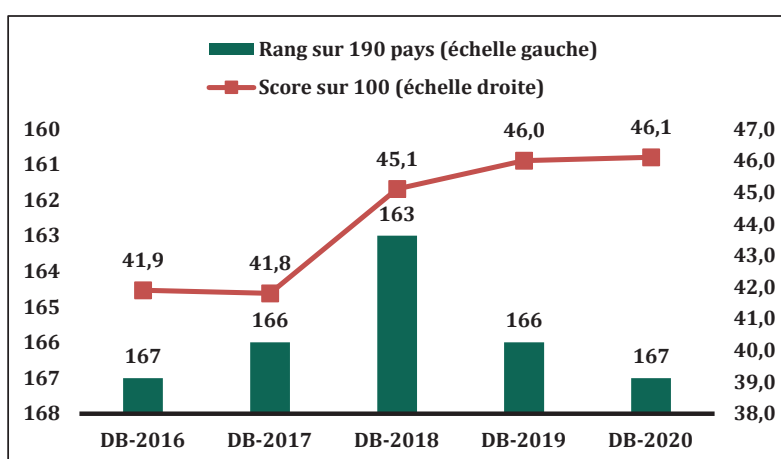
	Cameroon	CEMAC Average	Côte d'Ivoire	Mauritius	Rwanda	Ethiopia	
Rank	167		110	13	38	159	
Procedures length for company creation - Hman (days)	13	30.8	6	4.5	4	32	
Granting of licences and permits - construction - duration (D)	126	192.3	163	95.5	97	136	
Electricity connection - Deadline (days)	64	102.8	53	67	30	95	
Minority shareholder protection index (0-50)	14	12.8	21	39	22	5	
Tax rate (%) ¹⁹	57.7	62.6	50.1	22.2	33.2	37.7	
Export delay: Compliance with cross-border trade procedures (in hours)	202	158.8	239	24	83	51	
Contract enforcement	Duration (D)	800	733.0	525	490	230	530
	Quality of legal proceedings (0-18)	5	5.0	9.5	13.5	16	7

Source: Doing Business 2020 Reports

¹⁹The tax and assessment rate estimates the amount of taxes and mandatory contributions that the company must pay during the second year of operation and is expressed as a share of operating profits. Doing Business 2020 shows the total tax and contribution rate for the calendar year 2018. Excluded are taxes withheld at source (e.g. personal income tax) or collected by the company and remitted to the tax authorities (e.g. value added tax, sales tax or tax paid on goods and services) but which are not borne by the company (see <https://francais.doingbusiness.org/fr/methodology/paying-taxes>).

These indicators, which explain Cameroon's low attractiveness are indicative of shortcomings in several areas. From year to year, the momentum generated by the establishment of the Cameroon Business Forum has faded. Cameroon's score on this scale has only marginally increased (+4.2 points from 41.9 in 2016 to 46.1 in 2020), the rank of our country has continued to stagnate or even deteriorate. In 2020, Cameroon thus finds itself in 167th position out of 190 studied economies. Cameroon therefore remains among the 25 countries out of 190 where the climate is not favorable for business. The country is 9th out of the 15 countries in the Franc zone, i.e. below the median position of the Franc zone.

Figure 17: Change in Cameroon's ranking and DB score



Source: Doing Business 2020 Data

An assessment of the implementation of the CBF recommendations carried out in 2019 by the NSI under European Union funding indicates that in ten years, 83 reforms have been adopted. While a large majority of these (76%) are considered to have been implemented, the report underlines that the impact of each of these reforms comes up against risks related to the reform itself, the actors involved in its implementation and the beneficiaries (companies).

The risks associated with the reform is related in particular to the timeframe for implementation, the satisfaction of some prerequisites and cost control throughout the economy when the reform is likely to

upset certain balances. With regard to administrative factors, the risks relate to the reorganization capacity of the administrations in charge of implementing the reform and its appropriation/geographical spread. Finally, and concerning the beneficiaries, the risks are related to information, equipment and collection.

The report concludes that the performance of the CBF is hampered by the subsistence on the ground of governance problems, the deficit in electricity supply and the land and state issues that business leaders face on a very recurrent basis.

Box: Synopsis of Cameroon's ranking on Doing business

Creation of a company: In contrast to Cameroon, the top-ranked countries stand out for their short time frames, low costs and minimum capital requirements for business creation.

Obtaining a building permit: Cameroon's rating has improved slightly with the establishment of a Single window for operations in the Douala Urban Community. However, the cost of obtaining a building permit remains relatively high, representing 17.6% of the value of construction compared to 1.4% in Gabon and 5.9% in Côte d'Ivoire.

Electricity connection: Cameroon is declining namely in relation to the reliability of supply. In fact, the frequency of power interruptions is not under control, and the country does not have functional and reliable mechanisms for monitoring power outages.

Ownership Transfer: Cameroon has the highest cost of transfer of ownership (13.7% of the value of the property) and the highest transfer time (81 days) in the Franc zone. Cameroon's land administration quality indicator is 07 (out of 30) below the average in sub-Saharan Africa.

Protection of Minority Investors: Weaknesses include the absence of regulations requiring greater transparency from companies, increasing the accountability of directors, and improving shareholders' access to information.

Tax Payment: Dematerialization of tax and social security declarations and payments has been a real step forward, but the method of paying taxes in monthly instalments has increased the number of procedures and the doubling of the minimum collection rate (from 1.1% to 2.2% of turnover excluding VAT) has considerably increased the burden of tax levies.

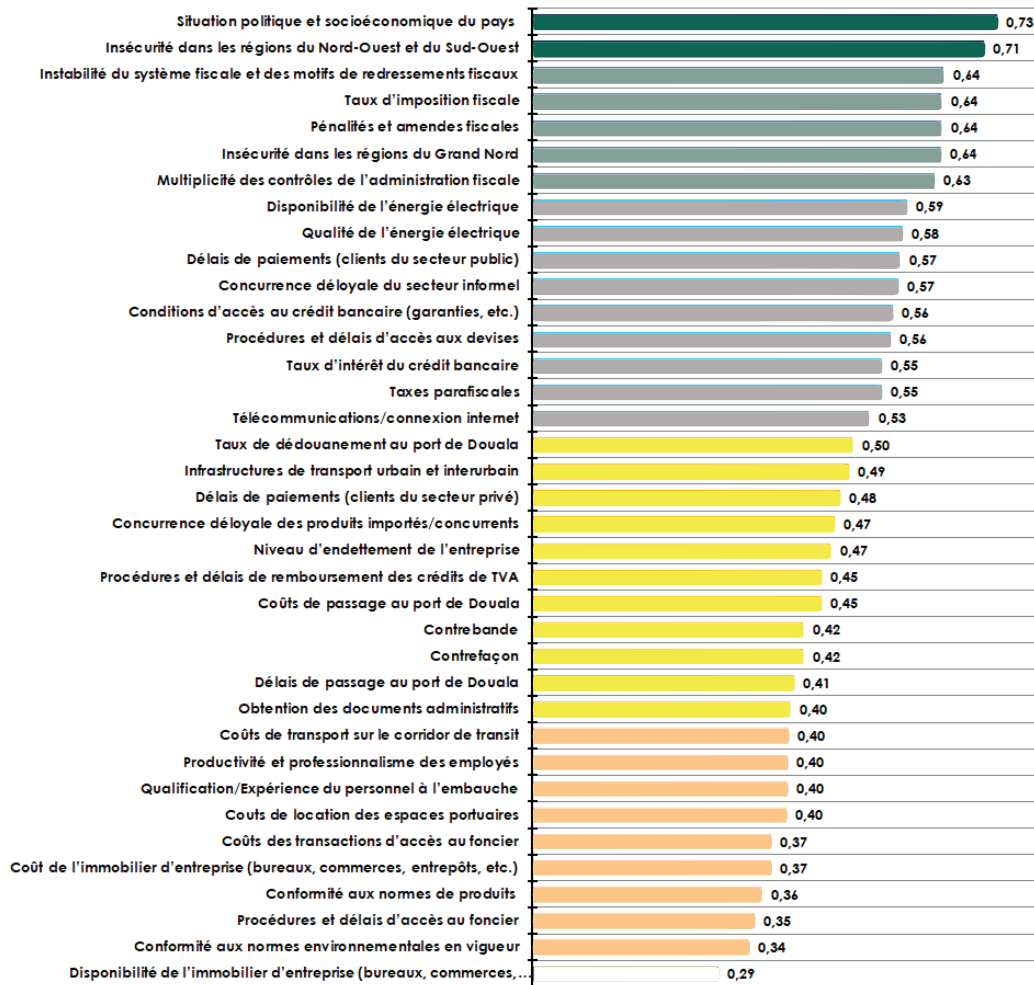
Cross-border trade: Cameroon is ranked 186th out of 190 countries because export and import delays and costs are among the highest in the Franc zone.

Contract enforcement: The quality of legal procedures remains among the lowest in the Franc zone and the time taken to complete a contract in Cameroon is one of the highest. It is 800 days compared to 525 days in Côte d'Ivoire and 380 days in Niger.

Insolvency settlement: The cost of insolvency settlement is the highest in the Franc zone. It is 33.5% of the amount of assets.

The analyses of the INS are confirmed by the entrepreneurs themselves. By placing an emphasis on the economic factors linked to the security crises and the socio-political situation of the country, they point out, to the degree of severity, the problems of taxation, paper burdens, energy deficit (availability, quality), payment delays, unfair competition, conditions of access to credit, and deficits related to telecommunications as major obstacles to the growth of their companies.

Figure 18: Severity Index of Barriers to Business Growth²⁰



Source: Global Business Survey of GICAM (GICAM-EGE) 2019

Factors such as the availability of real estate and compliance with environmental standards generally appear to be smaller barriers.

2.2.2- Unstable fiscal framework and higher overall tax rate

According to Business leaders, Cameroonian tax system is a brake on business development. In addition to the very high level of tax levies, there is the complexity, inequity and instability of tax regulations, the poor

guarantee of the taxpayer's rights, as well as the cost of monitoring tax litigation. Finally, Business leaders are frustrated by the fact that taxation is confiscatory, an anomaly resulting from the increased weight of taxation based on turnover through the payment of the minimum deposit to a high rate in view of the margins achieved in certain sectors of activity.

²⁰The severity index is obtained by weighting the opinions expressed by business managers on the factors considered as obstacles to the development of their activities (0, 1, 2, 3 and 4 respectively to "not a barrier", "minor barrier", "medium barrier", "major barrier" and "very hard barrier". The index ranges from 0 "not a barrier" to 1 "very hard barrier".

The "Paying Taxes" survey, jointly written by the firm PricewaterhouseCoopers (PwC) and the World Bank, establishes an annual global ranking of countries on the basis of a composite index measuring the level of compulsory levies, as well as the burden of administrative tasks related to income statement, tax payments and the formalities prescribed for the income statement. Paying Taxes 2018 ranks Cameroon 183rd out of 190 countries, behind Côte d'Ivoire (175th), Ghana (116th) and South Africa (46th). At the African level, and in terms of time devoted to statements, for example, Cameroon ranks 51st out of 53 countries, behind Côte d'Ivoire (31st), Ghana (25th) and South Africa (20th).

These are why Business leaders have been calling for a new reform of the Cameroonian tax system for several years.

In fact, over the last twenty years, Cameroon has implemented two major waves of tax reforms, the first from 1999 and the second from 2004. These two waves of reforms were introduced in a general context characterised by the decline in oil revenues, tariff dismantling agreements, the upsurge of the informal sector, and insufficient resource mobilization.

These reforms aimed, among other things, to improve tax resource mobilization through broadening the tax base. To achieve this, they focused on tax policy and tax administration.

In recent years, Cameroon's tax system experienced some significant progresses:

In terms of fiscal policy, they have focused on the following:

- The drop of five (5) points in the corporate tax rate;
- The adoption of Law No. 2013/004 of 13 April 2013 establishing private investment incentives which, however, has some shortcomings and negative effects, on which we come back below;
- The implementation of a number of actions to combat transfer pricing;

At the level of the tax administration, the reforms put in place include the streamlining of tax controls, the establishment of a

system of fight against the illicit trade (Halt Illegal Trade HALCOM15) and the simplification of some procedures. On this last point, we can mention the Single-window, operator's performance contracts, the establishment of business start-up centres, the creation of an online taxpayer file, electronic filing, electronic payment, a single tax contact, and the digitalization of certain services of the tax authorities.

However, some of the provisions are the opposite of these innovations. In fact, at the same time as the corporate income tax reduction was introduced, the rate of the monthly corporation income tax instalment and the minimum collection rate, both based on turnover were doubled, and the withholding tax rate were multiplied. The introduction of various ad valorem and specific excise duties, the introduction of export exit duties for some products which had hitherto been exempted from them, and the hardening of access modalities to tax litigation.

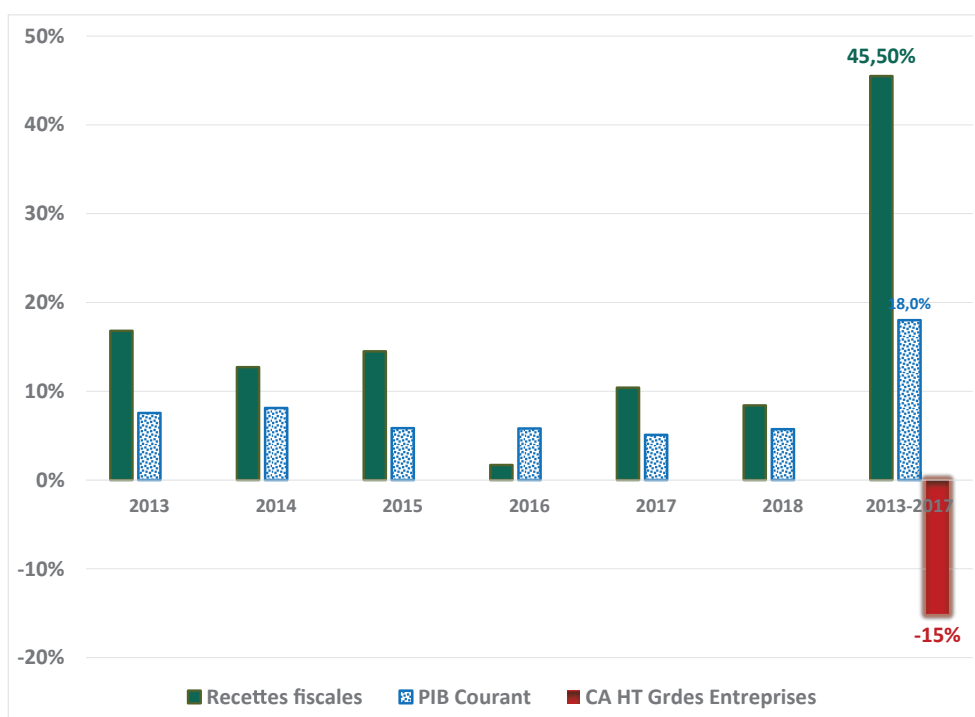
It should also be noted that, with the initial aim of simplifying procedures, a Debt clearance certificate (ANR) has been put in place to replace all other tax documents (patent, tax certificate in particular). However, this ANR, although in principle downloadable automatically on the DGI website, is proving to be a source of hindrance in economic activity as it becomes difficult for taxpayers to obtain it, especially those who have initiated a tax dispute with the Administration.

This is all the more paradoxical since the tax dispute implies the protester of a tax debt, which cannot therefore constitute a tax claim in the absence of a final decision making the contesting taxpayer debtor of the sum concerned. The taxpayer should not be considered as liable for a tax that he contests in the context of a dispute and be denied ANR. However, this document is required for bidding on public contracts or for payment to local or foreign suppliers in particular. Taxpayers who are perfectly up-to-date with their monthly and annual voluntary tax payments are thus prevented from bidding for public contracts or paying their suppliers abroad because of the lack of ANR.

As a result of all these reforms, resource mobilization has increased significantly in recent years. From various DGI reports, over the period 2013-2018, non-oil tax revenues have increased by CFAF 710 billion, or about +58% in relative terms. For its part, the

Current GDP has recorded an increase of CFAF 5 512 billion, or only 34.5% in relative terms. During 2013-2017, large companies experienced a cumulative turnover decreased from nearly CFAF 8,500 billion to CFAF 7,220 billion, i.e. a drop of 15%.

Figure 19: Comparative evolution of tax revenues - current GDP - turnover excluding VAT of large companies



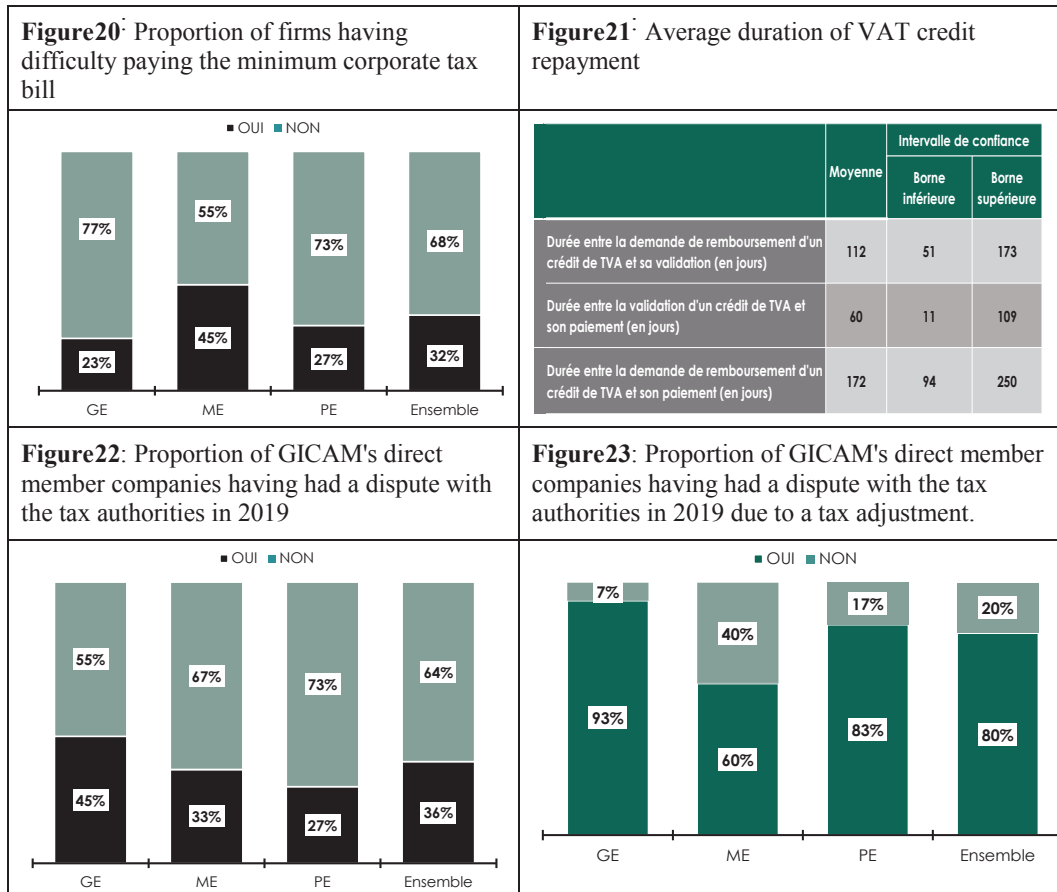
Source: Calculation based on NSIs and DGI data

The tax burden, measured by the ratio of collected fiscal resources/GDP²¹, thus rose from 13.1% in 2006 to 13.6% in 2011 and 15.2% in 2018. It is clear that the increase in tax revenues is the consequence of the increased tax base efforts and modernization of the financial management, and in view of the relatively low of GDP growth rate during the period, it had resulted more and more from the increase in the weight of taxes and duties through the increase in rates and the introduction of new duties and taxes on a virtually stagnant number of "effective" taxpayers. In other words, improvements in tax revenues are achieved at the cost of cash outflow of companies, thus weakening their productivity and competitiveness, as well as their capacity to reinvest and invest.

If, at this level, the authorities consider that the tax burden is low, notably because it is lower than the rates in force in the West (34.3% OECD average) and the African average (around 19%), it is important to underline that this rate of tax burden hides a high overall tax rate (TIG) - taxes and duties in relation to the very high gross profitability.

In fact, according to the Doing Business 2020 survey, the overall tax rate reached 57.7% in 2018, against 50.1% for Côte d'Ivoire, 44.8% for Senegal and 33.2% Rwanda. This overall tax rate, which is much higher than the tax burden rate above, better reflects the reality of the tax wedge. Firstly because, from the point of view of economic rationality, the tax is supposed to be levied on the profit made and not on turnover. Secondly, because, in order to calculate the tax burden, the tax resources collected given in the numerator come from a much smaller number of taxpayers than is the case of GDP in the denominator. It emerges from the DGI's annual report that, in 2018, large companies, which accounted for 0.4% of the DGI's file, contributed 70% of the revenue raised.

This paradox of the Cameroonian tax system, made up of a low tax burden on the one hand and a high overall tax rate on the other, highlights two major disadvantages for taxation: a small number of taxpayers who pay for the whole community and the proliferation of informal economy. At its current level, the informal economy leads to a loss of tax revenue, creates a problem of equity, and complicates the efforts to modernize Cameroon's tax system by increasing distortions of competition, while at the same time encouraging economic actors to remain or even to switch to the informal sector.



Source: Global Business Survey, EGE-GICAM 2019

²¹. Tax burden rate based on overall revenue (including social security contributions) OECD model; Source: DGI Annual Report 2018.

In addition to the excessive burden of taxes and duties, Cameroon's tax system remains a deterrent to potential investors because of its inequitable nature, the lack of any guarantee of taxpayers' rights, and the high cost of monitoring tax litigation. Moreover, for many companies, confiscation-based taxation, especially in sectors with very low margins, whose pre-tax profit is less than 6.7%, because the monthly corporate tax instalment and the minimum tax collection are all based on turnover. Thus, these characteristics of the Cameroonian tax system do not encourage companies to correct their situation in the formal sector. This is likely to aggravate the climate of mistrust between the Administration and taxpayer.

Furthermore, one can deplore the absence of specific taxation for new companies in all sectors, which would allow them to benefit from real fiscal stability during their first years. Certainly, the Law of April 2013 establishing private investment incentives is a step in the right direction. However, by exempting and tax-free product without any real strategy, it produces negative effects such as disruption of competition in otherwise mature sectors, or narrowing of the tax base.

Moreover, it is regrettable that SMEs, which represent a large part of the Cameroonian economy, do not benefit sufficiently from special tax provisions/modalities that take into account their specific constraints. On the contrary, the latter are specifically penalized by higher down payment rates (5% and 10%) and by unfair measures such as the withholding of VAT on open source from a sample of large enterprises established in a discretionary manner by the administration or the raking of the smallest enterprises to the simplified scheme (without the possibility of an option for the real scheme) which does not allow them to recover the VAT invoiced to them.

With regard to VAT, it should also be noted that companies encounter enormous difficulties in obtaining the refund of their VAT credits, which further weakens their cash flow and ultimately makes VAT an additional burden for these companies.

In addition, it can also be noted that there are shortcomings in the efficiency of property taxation, due in particular to the difficulty in understanding the income tax revenues and land tax. This tax could, however, be an important

source of tax revenue, which would make it possible to relax the taxation applicable to companies.

Finally, although the taxpayer identification system has been improved with the introduction of the taxpayer database, it is still far from covering all the players in the economic chain. As a result, the tax base is still far from being circumscribed and many activities still escape taxation even though they generate income.

In order to meet all these challenges, the various players must reflect on an essential tax paradigm shift. The aim is to make the tax system a major asset for the new economic model that is being recommended. In this perspective, it is important to move quickly towards a system that integrates and reconciles the objectives of State revenue with those of wealth and job creation, and ensures an acceptable net profitability of the invested capital. In particular, it is urgent to give priority to industrial units that are now strangled, which are losing competitiveness and profitability every day, making it difficult or even impossible for some companies to finance renewal investments from their own capital.

This necessary fiscal paradigm shift is all the more urgent with the health crisis caused by Covid-19, which has contributed to increase the fragility of the economic base.

2.2.3- Facilitative role of the administrations still insufficiently played

The experience of countries that have begun to economically take off highlights the essential pioneering and facilitating role played by public administrations. As Cameroon has chosen the market economy as the preferred organisational mode, the success of economic policies depends largely on the quality of regulation and the quality of state intervention.

Despite the recent examples of Western countries which have shown that the national interest can command the breach of the all-powerful market legend, Cameroon's economic policies remain dominated by the ideology of free trade and free markets. In a context characterized by the increasingly open borders, Cameroon can no longer do without a genuine strategy to protect and promote the national industrial fabric.

The gaps in the market regulation and monitoring system are particularly detrimental to the efforts of businesses in critical sectors such as agribusiness. They allow anti-competitive practices to flourish (abuse of dominant positions, creation of cartels, illegal agreements), repeated breaches of competition rules, unfair competition practices and illegal trade (fraud, smuggling, counterfeiting).

In this context, unfair competition is evident, particularly through imports, which are compromising local products. The ongoing modernization of the customs administration, virtualization and the publication of performance indicators (customs clearance times, percentage of customs duty collection per sector, average transit time at the port of Douala, etc.) deserve to be strengthened as they should promote customs revenue collection while protecting the formal sector.

In this context, the role of the Standards and Quality Agency (ANOR), which was recently reorganized by Decree No. 2019/143 of 19 March 2019 to have extensive skills, particularly in quality control on the markets (even if this was accompanied by the loss of one position for the private sector on its Board of Directors), deserves to be strengthened. Greater ownership of standardisation activities by businesses should make standards a real tool for competitiveness (line-up with international standards) and protection of the latter (product marking, introduction of more binding compulsory provisions for imported products, etc.).

National preference is one important area where the administration's action still needs to be improved. If the bulk of public contracts are awarded to companies governed by Cameroonian law and if preference clauses are included in the public procurement code, preference must be based on the nationality of the product (and not that of the supplier). The most illustrative example is that of furniture and wood-based products imported to equip administrations, but a referral demand towards locally manufactured products could be a key lever for the take-off of secondary and tertiary wood processing activities.

Another important area concerns subcontracting. In view of their structural disadvantage, many countries include in their public procurement regulations sub-contracting and co-contracting clauses to promote the development of local SMEs and ensure technology transfer.

In Cameroon, the Government's willingness to take this path was reflected by the publication of Circular No. 002/PM of 15 February 2012 outlining the modalities for promoting sub-contracting in the area of partnership contracts and contracts negotiated within the framework of the application of other investment incentive schemes and by the introduction, in the Public Procurement Code, of provisions for these practices.

Unfortunately, there are a number of critical factors that prevent SMEs from taking advantage of these practices. In addition to their operational capacity issues, there are gaps in the supervision and promotion of this practice in Cameroon. On the legislative and regulatory level, the Law on sub-contracting is still being studied and the Public Procurement Code remains somewhat unclear on some aspects (size of eligible companies, nature of services subject to subcontracting, etc.).

The use sub-contracting or co-contracting is at the discretion of the Owners or Delegated Project Owners, who must include the relevant clauses in the Bidding documents (DaO). The particular text of the Public Procurement Authority which will have to specify by field of activity, the list of services likely to be subcontracted remains awaited (Article 132, Paragraph 4 of Decree No. 2018/366 of 20 June 2018 on the Public Procurement Code).

At the institutional level, a Subcontracting and Partnership Exchange (BSTP) has been set up but its operational deployment is hampered by a lack of resources (human, material and financial) and insufficient support from companies, particularly contractors. In addition, no evaluation system has been set up to monitor the share of public contracts, particularly in major projects, that goes to local companies and what this participation consists of.

2.2.4- High level of production costs and low level of competitiveness

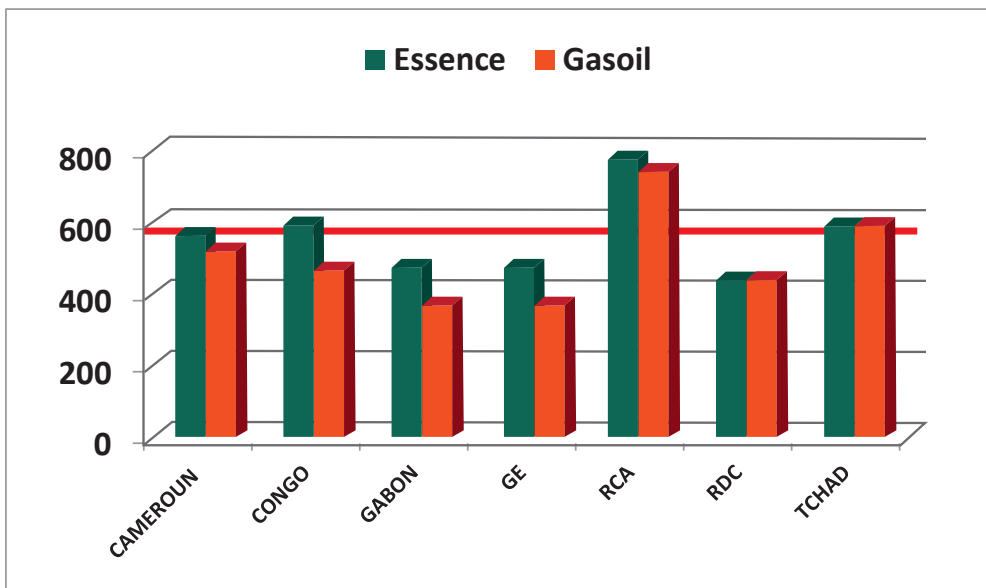
Most factors of production have a very high cost in Cameroon compared to countries with comparable incomes and thus constitute a major obstacle in terms of competitiveness for companies. In addition to the relatively high cost of salaries in Cameroon, the costs of land, electricity, water, fuel, telephone, transport, taxation, customs and insurance are determining factors in the competitiveness of companies, both on the local and international markets.

According to manufacturing competitiveness assessments, the basic conditions of a favorable investment climate (labor and material costs, energy costs, trade, financing and taxation, water, real estate, telephone, electricity, transport, fuel, business services, administrative procedures and authorizations, ...) are crucial to a country's competitiveness in global export markets for simple manufacturers. It is indicative that the countries with the highest infrastructure rankings are also the largest exporters of manufactured goods, including in Sub-Saharan Africa.

In Cameroon, the costs of the main factors of production are among the most important

inputs weighing on firms' productivity. The costs of water, electricity, fuel, telecommunications, real estate, transport, and business services appear restrictive and limit the course of action of companies that operate in a competitive environment. A study carried out by GICAM in 2012 highlighted the restrictive nature of factor costs in Central Africa and the (inexplicable) differences between countries. In fact, the cost per liter of fuel appeared higher in Cameroon than in Congo, Gabon, Equatorial Guinea and DRC. According to the Doing Business 2020 report, the price of electricity is higher in Cameroon (17 US cents) than in Congo (8.1 US cents) and Côte d'Ivoire (12.6 US cents).

Figure 24: Comparative Overview of Fuel Costs in Central Africa in 2011



Source: GICAM study on factor costs in Central Africa

In addition to cost, availability and quality are paramount... For factors such as water and electricity, the lack of constant and permanent national supply systems forces companies to develop individual strategies (acquisition of generators, construction of boreholes, etc...) and to make additional investments that further erode their course of action.

The size of the Cameroonian market and the low purchasing power do not improve the productivity of private sector companies which, because they cannot turn to the regional market, find hard to reach the critical size that would allow productivity gains and significant economies of scale.

2.2.5- Corruption still widespread despite efforts deployed

For several years now, Cameroon has put in place a set of structures and initiated numerous reforms aimed at improving the management of public assets and the fight against corruption. These institutions are responsible, among other things, for auditing public services, decentralised local authorities, public enterprises and parastatals and organisations, as well as religious or secular organizations, institutions and associations benefiting from financial assistance, endorsements or guarantees from the State.

Notwithstanding the existence of this institutional instrument, Transparency International's Corruption Index ranks Cameroon among 153/180 countries in the world. The index of 27, which remains static between 2014 and 2015, fell by one point in 2019. Eradicating corruption also involves:

- The practice of "zero tolerance" so that offenders are be called to account judicially to ensure respect for their rights;
- Raising the level of salaries of civil servants and government employees and the benefits related to their functions;
- The implementation of some legal provisions aimed at the prevention of illicit enrichment, the declaration of assets and the protection of witnesses and whistle-blowers;
- The elimination of the provision allowing civil servants and public officials to create business, without any consideration of their incompatibility with the services falling under their authority.

The commitment of the private sector is evident through initiatives such as the Business Coalition Against Corruption (BCAC) and the promotion of ethical codes by private sector organizations. These initiatives deserve support and encouragement.

2.2.6- Recurring financing issues of companies and economy

As an important link in the business environment, the system of financing the economy is a fundamental factor in the competitiveness of businesses and the economy. When capital flows do not irrigate seamlessly and completely the various channels of an economy, it suffocates. Reason why, in general, economic crises are indicated by difficulties in the banking sector.

The main lesson learnt from the banking sector crisis of the 1990s in Cameroon was the harmful role of state interventionism, at least governmental interventionism, in the process of resource allocation, particularly in the field of credit. This process had led to the selection of investments whose profitability was not proven, with the notorious consequence of the accumulation of a considerable amount of overdue debts and the collapse of banks.

However, it should be noted that with the disappearance of development banks and financial institutions (BCD, FOGAPE, FONADER, Crédit Agricole) and the less preponderant role of the National Investment Corporation (SNI), the need to set up new instruments likely to meet the medium and long term financing needs of Cameroonian industrial, commercial and agricultural enterprises is more than ever a topical issue. From this perspective, the creation of the Cameroonian SME Bank, without the recommended involvement of the private sector in this process, does not augur well for the future.

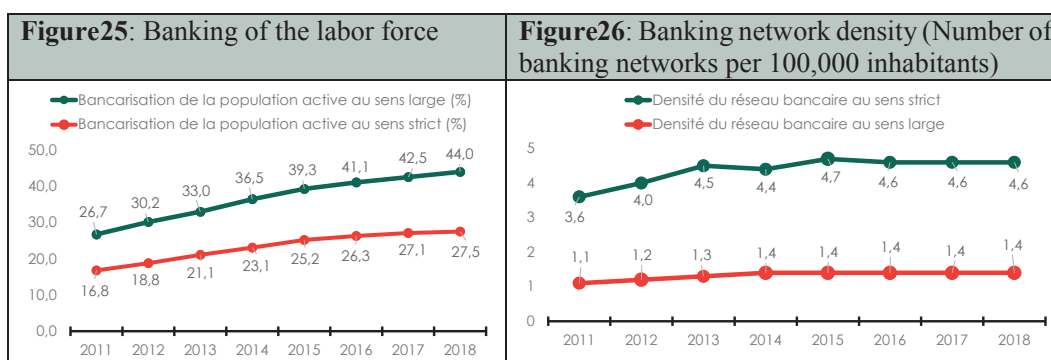
An analysis of the Cameroonian economy financing through the comparison of two periods that are a dozen years apart, those of 2001 to 2005 and 2016 to 2018, reveals that it has not undergone any major structural transformation. The latest Covid-19 pandemic has once again shown the limitations of the current banking system and its inability to respond promptly and effectively to emergency situations for the companies and economies of the subregion. Among the main weaknesses are the following:

- o Insufficient financial inclusion;
- o weakness of long-term financing;
- o high rate of unpaid debts;
- o high credit costs, especially for SMEs.

Indicators relating to the banking of the labor force, the banking network density, bank credit rate (in % of GDP), and equity market capitalization (in % of GDP) point to a depth inclusion low financial.

However, since 2011, the banking rate of the labor force has been increasing. Stricto sensu, it rose from 16.8% of the labor force to 27.5% in 2011 and 2018, respectively. At

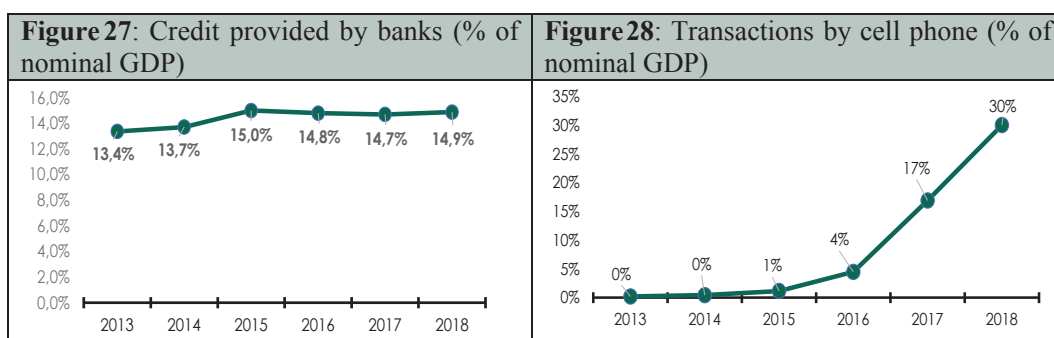
large²², it has increased from 26.7% of the labor force to 44.0% in 2011 and 2018, respectively. Similarly, the network density as a whole increased from 2011 to 2015 from 3.6 to 4.7. However, it stagnated at 4.6 between 2015 and 2018. The network density in the strict sense did not increase significantly over the period 2011 - 2018.



Source: Reports of the National Accounting Council of Cameroon

While total credit to the economy represents only 14 to 15% of GDP in Cameroon, it is 26.5% in Côte d'Ivoire, 29.5% in Senegal and 48.3% on average in sub-Saharan Africa.

In access to credit, some sectors (trade, hotel industry, restaurant sector, food and food-processing industries, manufacturing industries, telecommunications, transport, repairs, banks and other services) are predominant and will harm agriculture in the broad sense, which continues to use the majority of the active population.



Source: Reports of the National Accounting Council of Cameroon

However, it should note that, the exponential development of financial transactions by mobile telephony over the period 2015 - 2018. Mobile Banking is thus booming in Cameroon as in most developing countries in Africa.

Moreover, the rate of access to banking services, less than 27.5% according to studies, appears to be very low, while the velocity of the money supply dropped from nearly 6 over the period 2001-2005 to 4.6 in 2017. This indicates a slowdown in the rotation of the money stock, or even a decrease in the intensity of financial intermediation, which negatively affects the dynamics of wealth creation, despite a BEAC key rate (Interest Rate upon rate for tenders - TIAO-) that is gradually easing from 4% in 2010 to 2.95% in 2015 and on 31 October 2018, to 3.50%. On March 27, 2020, the Monetary Policy Committee decided to reduce this rate from 3.50% to 3.25% in order to assist countries of the sub-region to cope with the Covid-19 health crisis.

Through a policy of quantitative easing (quantitative easing consisting of a central bank massively buying back debt securities from financial players), the Central Bank clearly aims to boost the economy, which remains somewhat hampered by other factors, including the reluctance of commercial banks to divert credit, probably due to a lack of viable projects, aggravated by asymmetric information that reinforces the degree of risk perception or mistrust associated with the environment.

Despite the upward trend in credit to the economy, the share of medium- and long-term credit remains low. Over the 2013-2018 period, long-term loans represented on average only 6.8% of total loans to the economy. And yet, without long-term financing, investment opportunities for increasing production remain limited.

Table 16: Evolution of the share of long and medium-term loans

Years	2013	2014	2015	2016	2017	2018	Average
Volume of long-term loans (in billions of CFAF)	150.1	200.3	205.2	227.2	273.6	268.4	220.8
Volume of medium-term loans (in billions of CFAF)	861.1	918.5	1099.2	1310.8	1363.0	1501.4	1175.7
Total volume of loans	2640.3	2887.1	3296.2	3448.4	3587.3	3713.7	3262.2
Weight of long-term loans (in %)	5.7	6.9	6.2	6.6	7.6	7.2	6.8
Weight of medium-term loans (in %)	32.6	31.8	33.3	38.0	38.0	40.4	36.0

Source: Calculation based on CERBER data

In recent years, the outstanding debts situation in the banking sector has become increasingly worrisome. Indeed, in CEMAC as a whole, there has been a 21.4% increase (CFAF +262 billion) in outstanding receivables (unpaid receivables, fixed assets, doubtful debts) which total CFAF 1 492 billion (January 2018) against CFAF 1 230 billion at the end of January 2017. They represent 17.8% of gross credits, against 14.6% one year earlier. Doubtful debts represent 63.4% of total outstanding debts as at 31 January 2018, i.e. CFAF 946 billion, an increase of CFAF 82 billion (+9.5%) compared to the previous year. In Cameroon, this rate is on average 15.9% over the period 2013-2017 with a particularly high value in financial institutions.

Table 17: Evolution of unpaid debt rate

Years	2013	2014	2015	2016	2017	Average
Banks	14.2%	12.4%	12.6%	14.2%	13.1%	13.3%
Financial institutions	64.2%	37.3%	54.7%	52.1%	48.5%	51.4%
MFIs	20.9%	20.7%	21.7%	21.5%	22.9%	21.6%
Total	17.9%	14.6%	15.2%	16.4%	15.5%	15.9%

Source: Calculation based on CERBER data

This situation led to the constitution of provisions for depreciation of debts, which increased by CFAF 169 billion, i.e. +25.1% in one year. They amount to CFAF 845 billion deducted from the amount of gross credits. Customer deposits come from individuals, public or private companies that maintain an account with these financial institutions. The permanent capital of these financial institutions is a kind of pseudo deposits that generally come from royalties or taxes collected from taxpayers.

Linked to the volume of bad debts, the high cost of loan is also one of the weaknesses of the system. It should be noted that the Overall Effective Rate (credit remuneration including all charges) applied by CEMAC banks was at an average of 9.71% at the end of the second half of 2018. It was 6.65% in the first half of 2017. There is also a significant difference in the practice of rates according to the size of companies. In 2018, the APR for loans to SMEs was 10.3%, compared with 6.8% for large companies, representing a spread of 4.3 points for SMEs. In the end, the share of bank financing allocated to SMEs represents less than 14%.

In sum, the supply of the current financing system remains very selective and concentrated on a narrow segment of the market (low banking rate, loans to the economy totalling only 15% of GDP, insufficient medium- and long-term loans, high proportion of overdue receivables, high rates to SMEs, etc.). The potential, i.e. the challenges of the banking sector remain high. In order to achieve this, financing institutions of all categories must meet the performance challenges resulting from various bottlenecks, including:

- The weak strategic involvement of the State;
- The asymmetry of information between credit demand and supply, which makes it difficult to assess the risk, especially for SMEs and VSEs, a risk aggravated by the large

informal sector;

- Interest rates are still high, even if the trend is downwards;
- The collateral systematically requested, especially for young entrepreneurs, does not encourage creativity, innovation and entrepreneurship;
- The difficulty in selecting viable projects;
- The failures in the judicial system in enforcing securities.

2.2.7- Cameroon courts less and less effective and credible

Despite the Government's efforts to strengthen the judicial system, legal insecurity has increased, encouraged by various abuses. For example, the realization of some security interests related to commercial transactions becomes difficult to enforce for potential beneficiaries. Arbitration process for trade disputes are very cumbersome and detrimental to the necessary fluidity of the business environment. Disrespect for the rules and abuses of all kinds in procedural matters, or even recourse to collusion, become the rule in legal proceedings to the detriment of the application of the rules of law.

The inadequacy of physical and technological infrastructures as well as the declining quality of judicial personnel (incomplete initial training, inadequate in-service training and lack of strict sanctions) are aggravating factors in deviant behaviour. For example, the absence of digital archiving of records (Judgements, written copes, minutes, docket information, etc.) make the process of searching for documents tiresome and expensive, even if the user is prepared to pay for the service, not to mention the many malfunctions noted in the operation of court registries.

Moreover, these weaknesses in the judicial system are currently aggravated by insufficient support from the law enforcement agencies (police and gendarmerie). This deficiency is now illustrated by the increasingly frequent access of some individuals to private militias to settle disputes outside the judicial system.

These abuses contribute to creating an atmosphere of insecurity and mistrust towards Cameroon, which is disincentive to investment. The result is a considerable weakening of the role of the public justice system as the ultimate regulator of living together and of equitable development.

Weaknesses that have contributed to this degradation are:

- Poor justice system staff at all levels both in terms of quantity and quality
- Inadequate infrastructure (Courthouses, libraries, housing, etc.);
- Under-equipment (office equipment, vehicles, furniture, etc.);
- Lack of multimedia archiving and documentation capabilities;
- Demobilization and demotivated staff due to the indigence of treatment; which tends to promote various behavioral drifts, such as laxity, lack of professionalism, arbitrariness, and corruption, among others;
- Lack of specialization in certain specific areas (taxation in particular);
- Etc.

In the commercial field in particular, the reorganization of the judicial system in 2011 (Law No.2011/027 of December 14, 2011 amending and supplementing certain provisions of Law No. 2006/015 of December 29, 2006 on the organization of the judiciary) has introduced commercial chambers in the First Instance Courts and the Regional Courts. These are in particular competent to hear

disputes relating to commitments and transactions between traders, credit institutions, disputes between partners, relating to commercial companies, deeds and bills of exchange, etc.

This reform, which was introduced within the framework of the CBF, is still not well known by companies due to the legal procedures which remain costly, long and complex. Moreover, business leaders note the low degree of operationalization of this reform; most of these chambers have yet to be provided with both human and material resources.

The poor judicial system are compounded by the questionable nature of the decisions rendered. The impression frequently conveyed was that formal companies are sentenced only because they are solvent, thus creating a kind of "solvency offence". Very often, there is flagrant non-compliance with the texts and procedures, and many of the decisions handed down are inadequately reasoned.

The consequences of this judicial uncertainty are considerable for business life creating disincentives towards investment by companies already in business or the arrival of new investors. This is why formal companies often give up the idea, but limited themselves with defensive litigation, as they have a very slim chance of passing. It should also be pointed out that this legal insecurity contributes to limiting lending by banks, as the collateral they obtain regularly become worthless before the court. The poor functioning of the courts leads to a huge waste of energy and money by companies, resources that would be better used for their development.

Although the improving of contract enforcement is a medium-term objective requiring for example, specialised trade courts and trained judges, a shorter-term solution could be the strengthening of alternative methods of settling trade dispute such as Arbitration and Mediation.

Box: GICAM Mediation and Arbitration Center, a reference in Africa

The GICAM Mediation and Arbitration Center (CMAG) was created in 1998 as a legal tool to ensure, in business disputes, a specific, accepted, discreet and fast settlement, with respect of principle of adversarial proceedings and thus, maintain and develop harmonious relationships between partners.

CMAG is part of the effort to modernize and secure the business environment in Cameroon, and is currently the formal reference structure for the alternative settlement of business disputes in Cameroon, and even throughout Central Africa (CEMAC). Its jurisdiction extends to all disputes related to economic or commercial matter opposing companies and/or individuals, at least one of which has its residence in Cameroon, or disputes relating to a contract whose execution is carried out in whole or in part on the territory of the Cameroonian State. It should be noted it does not matter whether a company is a member of GICAM or not to claim the benefit of CMAG services.

CMAG operates on the basis of arbitration rules inspired by the procedures of the largest arbitration centers at the international level. The adjudicators officiating for CMAG come from a list of national and international ones established by the Standing Committee, according to technical competence and moral integrity criteria.

Award shall be made within nine (09) months, starting from the court hearing plans. They are immediately enforceable and are likely to obtain the order for its enforcement from the competent court. If one concerned party is reluctant, the enforcement order of the court is generally required for more efficiency.

CMAG conducts mediation and arbitration procedures and organizes practical training, colloquia and conferences. It has national and international presence through its actions and participation in various events.

On request, CMAG will be happy to conduct the rules of mediation, arbitration and procedure.

2.2.8- Major Economic Crises

a) Security crises

Since 2013, Cameroon is subjected to several upheavals in security and humanitarian issues. Three areas of the country are concerned:

(i) In the East, the country has been affected by the consequences of political and social tensions that are shaking its neighbour, the Central African Republic;

(ii) In the Far North, the atrocities of the Boko Haram sect maintain a climate of insecurity;

(iii) Since the end of 2016, the North-West (NW) and South-West (SW) regions of the country have been plunged into a climate of insecurity with the so-called Anglophone crisis.

While the consequences of these crises are obviously primarily humanitarian (loss of human lives, influx of refugees and internally displaced persons, etc.) and social, the insecurity also has serious economic impacts, particularly detrimental effect on business activity. In the Far North, the crisis has crippled several sectors including tourism and hotels, transport, trade, agriculture and livestock farming. Given this insecurity, there has been a drastic drop in the number of tourists in amusement parks (Waza Reserve, Pics de Rhumsiki, etc.).

In the Southwest (SW) and Northwest (NW) regions, identity claims have gradually drifted towards a latent conflict with economic impacts that has a particularly devastating effect today. The various evaluations carried out by GICAM have highlighted particularly harmful consequences for businesses. The most harmful manifestations of the crisis are in particular:

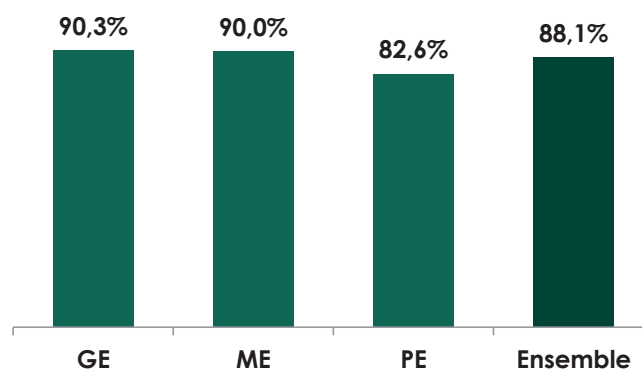
- The "Villes mortes", "Ghost town" and "Lock down" operations, which result in almost generalized business shutdowns equivalent to 30.6% of working days between 2018 and 2019;
- Intimidation, rackets, kidnappings, injuries, amputations and killing of employees and managers of companies that have forced the latter to make costly operational adjustments, restrictions in their deployment and even total shutdowns;
- Targeted attacks and destruction of both private and public economic structures;
- Dysfunctions in social services and other public services that deprive production

units from the supports needed to their activities;

- Displacement of populations, which destabilizes both the labor force and commercial opportunities;
- Interruption of public investment projects;
- Inflationary pressures;
- Some limits that administrative authorities have had to resort to;
- Intensification of security and economic stress to other Regions, notably due to some incursions by armed groups, influx of internally displaced persons, disruptions in supply chains for certain sectors, etc.

In 2019 and according to the opinions expressed by business leaders, insecurity in the North-West and South-West regions affected more than 88% of companies, regardless of their size and location.

Figure 29 : Proportion of companies negatively affected by the SW - NW crisis



Source: Global Business Survey (EGE - GICAM), 2019

Within this general framework, which has been considerably disrupted, some sectors and economic entities have been specifically affected. Among the most important:

- Large agro-industrial companies
- Coffee and cocoa sector;
- Logging and formal wood processing;
- Energy sector;
- Telecommunications sector;
- Tourism sector and;
- Transport sector.

From the assessment carried out in October 2019 by GICAM, it emerged that in terms of asset losses, destruction, looting and theft had already cost nearly CFAF 40 billion to companies, half of which represents the losses of agro-industrial companies. Ghost town, insecurity and the halt of public investment sites had caused a loss of revenue for companies estimated at nearly FCFA 785 billion in three years. Insecurity has notably encouraged the development of informal supply channels, several of which are fed by contraband products.

State revenues also suffered from the crisis with losses estimated at FCFA 18.5 billion in corporate income tax, royalties and various taxes. The impact on formal employment still seemed to be moderated because of favoured partial or global redeployment strategies by companies to avoid an even greater social disaster. But, 16,760 formal job losses were recorded at the time.

b) Budget and currency crises

At the end of 2014, the CEMAC subregion (Economic and Monetary Community of Central African States) moved into economic recession following a double shock: (i) sudden drop in crude oil prices; (ii) security crisis in the Lake Chad area and political crisis in the Central African Republic.

The drop in crude oil prices by more than 40% between 2014 and 2015, the main export product of most CEMAC countries, led to large budget and external deficits financed by the increase in internal and external public debt, excessive recourse to central bank advances and, above all, a depletion of external assets. In one year, assets fell from seven months of export coverage to only 2.5 months, with some countries even having negative reserves.

Given this alarming situation, the six (06) CEMAC Heads of State met on December 23, 2016 in Yaounde to review the economic situation in the subregion and adopt the necessary measures to curb the economic crisis faced by their countries. They then committed themselves to internal adjustment in order to remove the spectre of a devaluation that would have improved external assets, artificially boost the competitiveness of exports, induce a gradual reduction in imports, but also automatically increase external debt (public and private) and fuel inflation.

For Cameroon, the adjustment efforts led, on June 27, 2017, to the conclusion of a new economic and financial reform program with the IMF. According to the letter of intent, the government's ambition at the time was to restore the country's fiscal and external sustainability and promote job-creating growth driven by the private sector.

One of the most important reforms concerned the exchange rate scheme. At it happens, Regulation No. 02/18/CEMAC/UMAC/CM of December 21, 2018 on foreign exchange regulation in CEMAC increased the supervision of banks and enterprises with respect to the transfer and repatriation of export earnings.

Difficulties related to the appropriation of this new mechanism, both by banks and companies, have led to major constraints so that in the 4th quarter of 2018, 71% of business managers consulted by GICAM indicated that challenges in accessing foreign exchange were a major constraint to the deployment of their activities.

According to APECCAM, the processing and response times for foreign exchange requests by commercial banks to the central bank had become uncertain and now ranged from several weeks to several months. In particular, commercial banks are faced with the rejection of foreign exchange requests without reason or for reasons not brought to their attention

Difficulties in accessing foreign exchange have caused client orders to drag on for several weeks or months in the banks, thus undermining the confidence of suppliers and correspondents in CEMAC. The national economy has suffered greatly because entire sectors of the national economy depend on foreign trade, particularly industries that import most of their raw materials. The country is also dependent on imports for some essential products such as medicines products, industrial equipment and machinery and also imports a large quantity of food products.

Concerted efforts between the actors of the banking system with professional world have made it possible to reverse the trend, but, on analysis, the restoration of foreign exchange reserves has been achieved, in part, because of longer transaction times for companies.

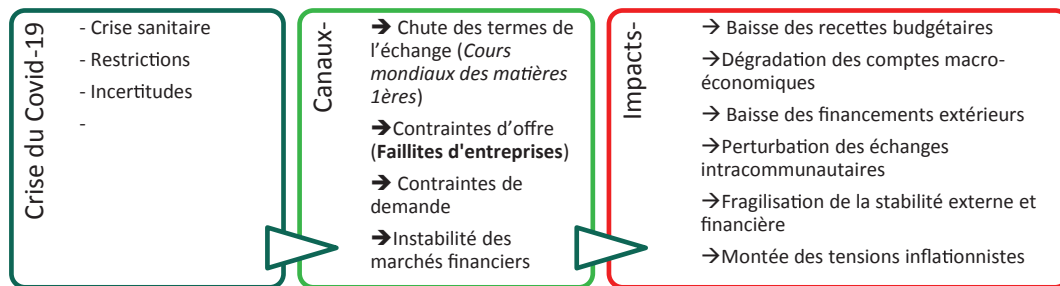
This crisis has once again highlighted the need to strengthen and diversify the national productive base and exports to limit vulnerability to fluctuations in the prices of raw materials and especially oil. In addition to the stricter enforcement of the regulations to which it has led, the mobilization of monetary leverage (currency rationing) should also be reviewed as a tool to support local production, particularly in priority and strategic sectors.

c) Covid-19 pandemic crisis

The coronavirus infection broke out in December 2019 in Wuhan, the capital of Hubei Province in central China. The epidemic spread rapidly around the world and on March 11, 2020, the WHO officially classified it as a global pandemic. The rapid spread of the virus and its humanitarian damage forced countries to take exceptional measures ranging from closing of borders to the serial cancellation of sporting and cultural events around the world, to travel restrictions and even heavy confinement procedures for people, while deploying significant health resources.

The Covid-19 health crisis appears to be unprecedented in several respects. Global economic activity is expected to experience its largest decline since the 1929 Great Depression. Despite the significant fiscal, monetary, and other policy responses by advanced countries, the negative impact of the simultaneous sharp contraction in global supply and demand could not be avoided. In June 2020, the IMF was already anticipating a contraction in global GDP of around 4.9% in 2020.

Figure30: Transmission scheme of the effects of the Covid-19 pandemic crisis

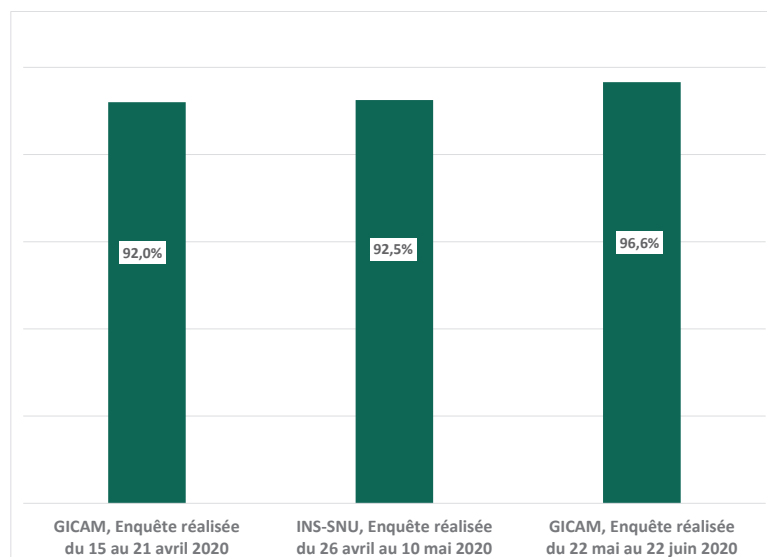


Source: Authors

In Cameroon, the first confirmed case of coronavirus was announced on March 02, 2020. To limit the spread of the virus, the government announced on March 17, 2020, a series of restrictive measures including the closure of borders, closure of schools and the banning of demonstrations gathering more than 50 people, the closure of drinking establishments, restaurants and places of recreation from 6 p.m. and restrictions on sea, rail, air and road transport.

The national economy and businesses suffered greatly. On the one hand, the decline in partner activities especially and in the world in general has led to a drop in demand for exported products and a decrease in the price of raw materials. On the other hand, the restrictions adopted to limit the spread of the virus had a very strong constricting effect on economic activities. At the end of June 2020, 96.6% of companies said they were negatively impacted by the crisis.

Figure 31: Proportion of companies negatively affected by the Covid-19 pandemic crisis in Cameroon



Source: GICAM, Covid-19 Evaluation Reports, July 2020

This affected most of the company's operations (production, sales, purchasing, orders, human resources, etc.) with particular repercussions in the hotel and tourism, transport, food industry and trade sectors. At the end of June 2020, the loss of turnover of companies projected for the year 2020 was about FCFA3150 billion (-26% compared to 2019). Despite the efforts of companies to adapt (staff turnover, use of teleworking, ...), the employment situation had deteriorated considerably with establishment technically unemployed and dismissal of permanent staff.

To reduce the negative economic impact of the crisis, the Government lifted some restrictions as of April 30, 2020 and announced measures to support the most vulnerable businesses and households. Their effect was, however, deemed to be mixed by business leaders, for whom a real paradigm shift is now essential in fiscal policy, repayment of domestic debt and the promotion/protection of local industry.



Part Two:
Guidelines for new sustainable,
inclusive and performing
economy model

The analysis of the various economic sectors and the macroeconomic accounts revealed a structural limitation of the economic model, and also gaps in general governance and sometimes glaring shortcomings in operational capacities.

The diagnosis shows that Cameroon's economic model limits its development capacities. The structure of production and trade remains desperately poorly integrated. Our production, goods and services remain the poor added value, from upstream to downstream of the economic sectors.

Experience has shown that the upward movement of value chains, thanks to industrialization, is the main factor in a vigorous and inclusive endogenous prosperity dynamic. Above all, it teaches that it is not enough to liberalize the economy to trigger a virtuous process of industrialization. To this end, reliance on market forces alone is not sufficient to address the structural and institutional weaknesses affecting industry,

the rural and agricultural world, small producers and the informal sector. These weaknesses prevent them from participating in global economic competition and from integrating into modern economic courses.

There are many challenges to be met in order to change Cameroon's production and trade structure, attract private foreign investment in industry to move up the value chains, diversify and increase the volume of exported manufactured products, improve its balance of payments and create jobs in number and quality for its population, especially for young people.

This second part of the White Paper on the economy elaborated by GICAM explores the alternatives in approaches, models and the sectoral and organisational overruns which are essential to give a new breath of life to the private sector and finally to enable it to develop fullest potential.



Chapter 1 :
Prominent guiding principles for a
new economy model

Even though all current policies have shown their limits in driving inclusive and sustainable economic growth and the interdependence of economies is no longer an option, it is important for Cameroon to adopt a new economic model and to adjust its global planning tools such as the post GESP strategy and the Industrialization Master Plan (IMP) accordingly.

1.1- Structural components of the new model

Three major components are proposed to structure Cameroon's new economic model: (i) promotion of competitiveness clusters around priority pillars (already outlined in instruments such as the IMP); (ii) promotion of a true economic patriotism articulated, in particular, around national champions, the development of short circuits and Made In Cameroon; (iii) construction of a genuine national sovereignty in strategic sectors, in order, in particular, to capitalize on lessons learned from major crises such as the one induced by the Covid-19 pandemic.

1.1.1- Competitiveness clusters with three pillars

Three pillars could serve as a basis for the rebuilding of Cameroon's economy in order to increase its competitiveness around its main assets:

- (1) Agri business;
- (2) Transport system and;
- (3) Energy.

These are the sanctuaries retained in the Industrialization Master Plan (IMP) by the Government, with the difference that the Transport pillar includes freight, in addition to digital.

The aim is to base Cameroon's economy on the above three pillars by giving them all the priorities within the framework of the new development strategy. It will then be a matter of guaranteeing fiscal and legal stability on the basis of a real political will to develop the sectors that are now priorities within these three (03) pillars. The proposed strategy is to base this new model on the construction of competitiveness clusters through a clusters and network approach.

The organization of economic production through a cluster approach allows for greater integration and concentration of production and trade activities, from upstream to downstream, from the primary sector to the tertiary sector. The cluster is thus defined as a set of companies of all categories and all along the value chain of a sector, with links either of suppliers or customers, focused in a geographical area.

Box: Advantages of the cluster approach

The cluster is a powerful lever for the development of a sector, helping to ensure better integration and greater cohesion. It allows the grouping of a set of activities (production of raw materials and other inputs, supply of equipment and accessories, marketing services, training, financing) around a core of processing, logistics and distribution activities.

Companies in a cluster cooperate in activities where the pooling of resources is advantageous (purchasing or marketing activities, research and development, supervision through the organization of seminars and workshops, study trips, etc.), without excluding the dimension of emulation between them. This approach promotes the individual success of cluster members.

In the Ethiopian model, integrated agribusiness parks (PA2I) are concretely clusters of companies grouped together to share the various infrastructures and exploit the opportunities: joint purchasing, training, extension of services and other synergies that generate economies of scale. It is a updating global approach oh the sector that links production to the consumer market.

For example, by adopting the Ethiopian agricultural model, industrial parks in Cameroon will directly integrate production fields, farming systems, research facilities and agricultural infrastructure. In addition, they will benefit from specialized infrastructure such as cold rooms, quarantine facilities, quality control laboratories, raw material storage areas, etc. They will be equipped with modern infrastructures, such as roads, telecommunications, electricity and water networks (drinking water and treatment).

Each park would be supplied by a rural network linking the various producers to each other. The rural processing centres will serve as aggregation points for raw materials within 100 km of the park. These centres will consist of warehouses, input stocks, sorting and classification centres, as well as pre-processing and micro-financing activities. In addition, information/market centres will be opened to provide information on prices, market trends, demand for products and quality, among other things.

These parks of excellence will aim at attracting companies involved in the export of value-added agricultural products, as well as federating the agricultural sector by grouping small farmers. Investment opportunities will be numerous: renewable energy, infrastructure, tools and equipment, food processing, farm tourism, agricultural laboratories, medical centres, etc.

For example, the slaughter and packaging of poultry would form the nucleus or heart of a poultry meat production cluster around which other activities are organised such as, broiler chicken farms, the provision of live chickens by small farmers, the production of chicks and feed for small farmers, and the marketing of products on local, regional and world markets. Slaughter would thus be an essential link in the cluster's dynamics, providing a secure outlet for small farmers, who in turn would drive production upstream from chick and feed producers. Small-scale livestock farmers could benefit from training and supervision modules in farm management, or access funds within the framework of pooling their resources, through financiers reassured by the guarantee of the disposal of their production and a better flow of information.

In the data (digital) transport pillar, a set of industries - operating on Internet or blockchain platforms - could deploy value-added services in the field of information and communication

technologies (ICT), in the form of technopoles combining both cluster and network properties, such as the "Buea Silicon Mountain".

In this respect, a network has the same properties as a cluster, with the difference that it does not require the geographical concentration of all member companies. ICTs thus allow the production of different services through the networking of several geographically dispersed players around the world (examples: mobile services for payment, information communication, purchases and sales, maintenance, remote processing, transport, rental, accommodation, etc.).

The clusters thus created should also aim to promote the integration of the informal sector into the formal economy, with the effect of reducing the informal sector to a small portion.

The recommendations relating to the construction of value chains through the cluster or network approach are similar to those of the IMP based on the notion of industrial sanctuaries (clusters), industrial pillars (heart of the cluster), as well as on the requirement to create national champions.

In the same movement, the bases of emergence are the indispensable foundations for the emergence and development of sanctuaries. These bases concern the financing of the economy, physical infrastructures, cognitive institutional infrastructures (R&D, strategic watch, economic intelligence, etc.).

But beyond the foundations, the Covid-19 health crisis has reinforced two other structural requirements: economic patriotism and national sovereignty in strategic sectors.

1.1.2- Economic patriotism and national champions

The health crisis resulting from the Covid-19 pandemic has created a shock in the conscience with regard to the upheavals it has caused, and following the restrictive measures taken by governments (restriction of movement, ban on demonstrations, closure of bars, places of recreation beyond 6 pm, closure of borders, ...). The weakening of several parts of the economy despite the resistance of some has made people aware of the need to build a certain national economic independence and to get rid of excessive dependence on imports.

Beyond the policies of liberalization, economic patriotism now appears to be a major challenge to establish and ensure the fundamental economic interests of our country and preserve social cohesion. That means building in a proactive manner, a feeling shared by all the actors (central public administrations, local authorities, consumers, companies) of belonging to a national economic and/or social system whose durability must be ensured.

This feeling of belonging to a common economic and social space must be combined with the obligation, at least morally, to support and promote national activities, beyond individual and short-term interests. This economic patriotism must combine the economic dimension, with the sustainable economic growth with social dimension, with respect for intra- and inter-generational equity, and with the environmental dimension, with the preservation of our environmental resources. To this end, the mastery of the market economy and the central role of the State in safeguarding national interests are necessary.

Economic patriotism is furthermore justified, for a State like Cameroon, by the need for industrial catch-up, through the promotion and protection of local industry. A still embryonic industrial fabric is exposed to stiff competition, including that from Chinese and European junk and second-hand goods. The first, suspected of dumping, have won the market thanks to their prices defying all competition. The latter benefit from a prejudice of superior quality.

Without being a protectionism of bad law, nor a systematic withdrawal into oneself, it is a question of setting up policies allowing local products to make their place on the markets and to help threatened sectors of activity unable to emerge in the face of a reactive competition not always healthy (dumping, effects of prior art, monetary manipulations, ...).

Whatever the angle of analysis and sensitivity, economic patriotism is based on the emergence of a strong and conquering State, developer, catalyst of energies and able of set strategic choices to develop its industry. State intervention will have to consist of:

- Set rules and procedures favourable for the industrial initiative;

- Ensuring strict control of product quality through a modern and efficient quality infrastructure;

- Strengthen the preference (national and community) for the local workforce and reserve the recourse to non-nationals only in case of deficiencies;

- Strengthen national preference in the context of public procurement, particularly in the acquisition of consumables and equipment, in public works for projects of a some size or in consulting services (legal, strategic, financial or accounting);

- To intensify the mechanisms for promoting and evaluating subcontracting and co-contracting for larger-scale projects;

- Ensure rational customs protection that favours the import of raw materials necessary for national industry and the export of manufactured products;

- Support, including through equity investments, emergence of a strong and independent industry, particularly in strategic and priority sectors;

- Deploy non-tariff mechanisms and arrangements to protect, at least temporarily, infant

- Fragile industries from harmful competition;

- Implement tax provisions fostering the sourcing of local products and raw materials (such as specific excise duties for beverages) and short supply chains;

- Institutionalize and promote a "Made In Cameroon" label in partnership with the private sector and consumer organizations;

- Supervise and promote representative consumer associations;

- Diversify tools for mobilizing domestic savings for investment financing needs;

- Etc.

For consumers, they should be aware that purchases have social, economic and environmental consequences and move from individual consumer to citizen consumer. This

involves information, organization around organized and credible associations, priority for local products and services, and acquire shareholding interests in local privately held enterprises.

For companies, it seems obvious that disclose the source of products is necessary to facilitate patriotic purchasing. The "Made in" can, indeed, guide the consumer in his consumption choices by sensitizing them on significant aspects regarding the financial criterion of price. However, the commitment of companies should focus primarily on promoting the economic and cultural dynamics of the country, promotion of quality, environmental protection and development of employment, in a spirit of ethics and solidarity. It is a change from looking for capital appreciation to that of sustainability.

Ultimately, economic patriotism means giving a chance to local industrialists and entrepreneurs. It also means ensuring that financing invested in projects shall be the lever for local entrepreneurship, at least in part, that jobs are created, that technology transfer takes place and, eventually, that local businesses can in turn grow and reach the critical size that allows them to become true players in globalization. The examples of the Asian dragons, the South American tigers and, closer to home, the policies adopted in response to the Covid-19 crisis provide important insights into this issue. Finally, what appears necessary and urgent is to build an authentic common culture of national success between the public galaxy and the private sector.

For the implementation of priority sectors, the process for identifying national champions must be clearly developed and adapted within the framework of a process involving the private sector and civil society.

In each sector, the clusters should also aim to create and support **national champions**, in order to create **representative parks of excellence** around them that can serve as examples. A policy to promote **national champions** should first be drawn up on the basis of the type of support and protection that the State might be able to offer them.

In order to ease the development of competitiveness clusters through the approaches described above, it is recommended:

- To undertake in each region an opportunity study aimed at identifying sectors or sub-sectors with high potential for the development of competitiveness clusters through a cluster or network approach;
- To draw up, on the basis of the sectors or sub-sectors selected, operational plans for the establishment of clusters or networks, naturally including the fulfilment of the prerequisites defined above (or the basis for the emergence of the IMP);
- To conduct a campaign to promote these various initiatives on the international level, through various media, with a view to attracting foreign and national direct investors.

1.1.3- National sovereignty in strategic sectors

The Covid-19 health crisis has allowed us to rediscover the risks and critical weaknesses of an excessive dependence on external supplies for both developed and developing countries. The observed "global every man for himself" showed the true face of nations with the essential warning that in extreme situations, it was now necessary to learn to rely first on one's own children.

The future must now be combined with a priority that of ensuring better protection for populations and moving towards more national neo-sovereignty (food, medical, technological...). The trade-off between interdependence and autonomy in activity sectors likely to be exposed to globalization and supply crises is a responsibility that every country is now reminded of. In any case, the question of the economic sovereignty of States over strategic sectors of the economy such as health, food, energy, transport is more than ever become an issue of survival.

An increased incorporation of the notion of national sovereignty in the economic domain in order to prevent vulnerabilities of the order of those observed during the Covid-19 pandemic requires at least three lines of action:

a/ Mapping of crises and products and services elements inherent in national sovereignty

Depending on the products, the Covid-19 crisis has revealed that the balance of some markets is based on just-in-time trade-offs or on oligopolies, or even on a country's near-monopoly of production. As in military strategy, anticipation and foresight must be at the heart of the elaboration of public policies, first and foremost to guard against strategic surprises.

Rigorous mapping of natural, health, political or economic risks should make it possible to identify and estimate events likely to have sudden and significant consequences on society and the economy, whatever their recurrence. Such a mapping would enrich the tools for anticipation, prevention and management by mobilizing research in medical, natural, social, economic and political sciences. This multidisciplinary work could lead to the identification of new chains of causality and the development of solutions to better prepare for future crises.

This identification would be followed by the one of economic sectors and companies likely to provide products and services that constitute national sovereignty depending on the crisis under consideration. Mitigating the associated risks could thus be achieved through public policies to support businesses and build production chains for specific products and services.

b/ Convergence between public authorities and the private sector on national sovereignty

The construction of sovereignty in the economic sphere calls for greater interaction between the State and companies because, in absolute terms, companies remain free to develop and follow their own strategy (in agreement with the State in the case of public companies). National sovereignty in industrial sectors considered strategic must be taken into account upstream of industrial strategies and decision-making, rather than at the execution phase.

A framework of permanent dialogue is thus essential to both sensitize companies in strategic sectors to the needs related to

national sovereignty, and to help these companies in their development on the domestic market as well as for export.

The establishment of this structure could also help prevent the bias that tends to privilege large companies to the detriment of small strategic companies. Its existence would thus make it possible to rebalance public-private relations, still today conceived under essentially vertical modes, whether during the elaboration of sectoral policies by the administrations, or during lobbying actions undertaken by companies and the voice of business.

c/ Incorporation of national sovereignty as an element of CSR

With regard to the industrial fabric still dominated by the subsidiaries of multinational companies, another line of action must be envisaged through the addition of concerns about national sovereignty in their objectives of social responsibility. It could thus be useful, for purposes of awareness and internal reflection, to bring companies in strategic or potentially strategic sectors to integrate in their actions and reflections on their Corporate Social Responsibility (CSR) an axis relating to their contribution to national sovereignty.

This would allow them to communicate their responsibility in this regard. This would lead to both internal and external awareness raising and send a positive signal to clients and consumers, who are likely to turn to them more often.

Similarly, it should be stressed that it is important for subsidiaries of multinational enterprises to promote their economic interactions with SMEs and to provide them with commercial and other facilities, whether these SMEs are strategic or not, and thereby generate a profound ripple effects on local productive structures.

The health crisis in Cameroon is weakening national flagships and is also bringing to light as critical sectors that until now were perhaps not sufficiently regarded as requiring special attention: agriculture and its related sectors, medical equipment sector, local pharmacopoeia and the cultivation of medicinal plants.

The crisis calls for a reinvention of the political tools already put in place by the State, which will have to give itself more incisive missions for concrete results.

1.2- Key pillars for a new economic model

Agricultural value chains, transport and energy systems are proposed as pillars for long-term growth. They must be prioritised and not scattered in mini sectoral plans. For each of these three (03) pillars, a development framework must be elaborated with strategic priority axes to be developed in the framework of specific short term infrastructures programmes ranging from three to five years maximum, focusing on infrastructure and reforms.

1.2.1- Pillar 1: Agriculture and Agri-business model

Cameroon needs to make more optimal use of its comparative advantage in terms of its natural agricultural resources, the biodiversity of its ecosystems, the extent of available arable land and its population. On the basis of the current performance of the agricultural sector, the orientations of the sectoral reference frameworks and the work of the IMP, GICAM proposes the adoption of the "sector" approach as a fundamental principle for the development of an efficient and integrated agriculture.

At a time of globalized trade and increased competition on the market of agricultural products, the organization of commodity chains and the assumption of responsibility for the development of the sector by private actors must be a necessary condition for improving the competitiveness of the Cameroonian label. set up a contractual and partnership framework with the agricultural interprofessions for the development of production chains comprising plant and animal chains.

The objectives of upgrading the commodity chains will be supported by the public authorities as well as by the private sector through professional organizations and national chambers around partnership contracts. Initially, the aim will be to significantly boost agriculture through mechanization and methods for increase productivity and yields. Extensive and productive agriculture will be the basis for the future of Cameroon's agricultural transformation.

Taking the "Green Morocco Plan" model as an example, the agricultural revolution in Cameroon must be based on two main axis:

Axis I: an agriculture that aims at high added value/high productivity, efficient and competitive, organized around mobilizing aggregation projects. The creation of agropoles in Cameroon's major agricultural basins must fall under this axe.

Axis II : a "solidarity agriculture", focused on the fight against poverty, increasing the incomes of small and medium farmers, especially in peripheral or marginal regions.

The objective of this agricultural revolution is to focus efforts on high value-added sectors in each of these two basic axes and then build a national programme for the national agricultural revolution focused on:

- The provision of fertilizers and mechanized tools;
- The introduction of selected and quality seeds;
- A training contribution;
- The enhancement of the farmer and peasant status;
- The creation of schools for agricultural technicians and engineers and veterinarians, and the adaptation of training curricula to the country's needs;
- The rationalization of spaces;
- The establishment of financial institutions to support the sector;
- Setting up bilateral exchanges with countries with a similar economic model for experience sharing (training, technical support, cooperation, etc.).
- Structuring the actors involved and setting up groups by sector.

The socio-economic issues of such a paradigm shift are numerous:

- **Economically:** The agricultural sector has a considerable direct and indirect impact on growth, as it contributes 15% to 20% of Cameroon's overall GDP. Agriculture also has a potentially massive contribution to employment given the large number of workers employed in this sector. Finally, the agricultural sector has a decisive impact on the country's major macro commercial balances, especially the trade balance.

- **In terms of land-use planning and sustainable development:** The first issue is the stabilization of the rural population and the fight against poverty. The second issue concerns land used planning and regional development, in particular for "peripheral disadvantaged" regions such as the far north or forest areas. The third issue is sustainable development, particularly in terms of preserving natural ecosystems in a context of uncontrolled forest exploitation in the Congo Basin.

The deployment strategies of the recommended commodity chain approach will depend on the specificities of each commodity chain.

Specific guidelines by sector

Cash crops

Here, it will be important to distinguish between the following three groups: cash crops whose world price is decisive, cash crops with high growth potential, and cash crops with a high potential for upstream/downstream integration.

Category 1: Cash crops with a high world market price

Coffee, cocoa, sugar, rubber and cotton fall into the first category. These crops must be intensively produced and supported by appropriate mechanisation. They can only become competitive under these conditions, and should be subject, if necessary, to a system of stabilization and/or subsidies (of the former ONCPB type) and an in-depth revision of the land code.

If Cameroon is unable to become a major player in these productions on the world market, it can play on the qualitative aspect in the field of eco-certification or fair trade. A strategy will have to be developed in this direction, as is the case for cocoa in Sao Tome, which manages to sell a small quantity of cocoa at prices 30 to 40% higher than world prices.

These crops can also be subject to a second local transformation, as it is already the case with cocoa butter extracted from cocoa beans, cooking oil with cotton seed and refined sugar with sugar, and cotton fibre with seed cotton.

Category 2: Cash crops with high growth potential

This category includes, but is not limited to, the cultivation of shea, cashew nuts, palm kernels, bananas, spices, tropical flowers and pineapples. For these crops, a quality policy and eco-certification will also have to be deployed. However, a subsidy programme for these crops will have to be set up with the help of international agronomic institutes in order to develop these sectors under growing conditions and profitability that are satisfactory for sustainable agriculture. The example of Mauritius in the field of spices, exotic fruits and flowers can be followed.

Some of them, such as shea currently produced in Northern Cameroon, can also be processed further with shea butter, a sector exploited on a small scale by the cosmetics industry. Products such as the rubber tree, already present, but which is not subject to any first generation local exploitation, can also be included in this category, while the production of pharmaceutical gloves could become local.

Category 3: Crops with a high potential for upstream/downstream integration

Rice, maize and sugar are the main crops concerned. These products can be used as inputs in the agri-food industries already present in Cameroon. As an example, one of the brewing companies buys 10,000 tons of griz maize annually (i.e. MAISCAM's total production) as well as 30,000 tons of sugar (i.e. 20% of SOCUCAM's total production). It will be essential that these crops receive special attention in the field of mechanization and processing (maize silage, sugar refining) so that they meet industrial standards in terms of quality, availability and price.

More generally, a "Qualité Cameroun" eco-label can be created, which will give added value to all products coming from this country to export zones. Packaging and storage units should also be developed to facilitate the export of these products in good conditions. A government agency for the promotion of Cameroonian products could complement this system with an appropriate international marketing strategy.

Table 18: Map of agri-business sectors to be developed

<ul style="list-style-type: none"> - Cotton - textile - Raw coffee - Coffee - Cocoa - Cocoa powder - Chocolate/Butter/Oil - Palm oil - refined oil - soap - cosmetics - Wood - furnishings - building materials - etc. - Wheat - flour - Vegetable essences - pharmacy - perfumery - Vegetables/fruits - cannery/jars - Cattle breeding - milk/cheese 	<ul style="list-style-type: none"> - Fruits - Beverages - canned food - Tobacco - cigarette - Barley - Malt - Beer - Sugar cane - sugar - Corn – Degermed corn – Beer - Salt, pepper, spices - condiments - Shrimp - aquaculture - Cassava-starch - food glue - Flowers - horticulture
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Food crops

Priority should be given to crops that will serve to restore and/or consolidate food self-sufficiency (maize, sorghum, millet, tomato, rice, yam, cassava, barley, etc.). Production will have to be organised around small independent cooperatives in order to be placed on the markets under good conditions (availability, quantity).

Storage silos will have to be purchased to be made available to these cooperatives in order to compensate for climatic hazards and to ensure constant availability of products. The promotion of markets for the sale of agricultural products will have to be done so that trade can take place under good conditions. Initially, a simple mechanization (tiller) is recommended, in order to avoid being overdependent on maintenance and spare parts as well as fuel.

Livestock farming

Livestock development also provides an opportunity for growth in the primary sector. Livestock production, which accounts for 1.5% of total GDP and 11% of the primary sector, has remained small-scale, poorly structured and poorly integrated with agriculture.

The sector must benefit from better supervision of producers and regular sanitary control. Better use must be made of the fodder available. It will be necessary to select the best breeds, organize their feeding from the by-products of the agricultural sector, and set up a slaughter sector and product value chain that complies with international standards. The initiatives will have to extend to the packaging and processing of livestock products and adding value to products from livestock farming.

Specifically, the development of the poultry meat sector would involve the fattening of chicks, the construction of farm buildings, the supply of equipment and accessories, the production of chicks and feed, slaughter, conditioning and distribution.

For the milk and milk products sector, the measures will include the supervision of small dairy farms, milk collection by processing and packaging units, the dissemination of technology and good farming practices, etc.

Forestry and fisheries field

Forestry field accounts for 18.4% of the primary sector and 2.1% of total GDP. A professional group, the Cameroon Forest and Wood Inter-professional Association, mainly runs this sector without any room for manoeuvre on the national policy of the wood sector. This sector, which falls victim of misinterpretations of liberalisation, must be restructured to restore plant species.

The second and third transformation will involve the manufacture of furniture, which will decline various activities: wood production, drying, sawing, woodworking, shaping and machining, design, marketing, etc.

Sea and inland fisheries have also remained small-scale and need to be modernised and developed. Even if we set moderate ambitions, it is however entirely possible to develop conditioning units for fishery products from the entire Gulf of Guinea, which could be placed in a free zone to allow the re-export of fishery by-products.

With regard to aquaculture and shrimp farming, we must learn all the lessons from the failure of some Agropoles projects in an attempt to successfully re-establish this animal breeding industry by focusing on the species in demand. Drawing on Morocco's experience, Cameroon should be able to start processing these by-products and develop the organic and fair trade sector.

The promotion of fishing activities will include the processing, packaging, preparation and distribution of fish, the manufacture of small fishing boats, fishing equipment and accessories, the supervision and training of fishermen and in related trades.

Table 19: Other guideline for action to promote agri-business clusters

Partnership approach	<ul style="list-style-type: none"> - Tripartite private sector/public sector/donors Agreement to be signed with a common roadmap and reciprocal terms of reference - Strengthening the role of the Support Council for the Implementation of Partnership Contracts (CARPA)
Labelling	<ul style="list-style-type: none"> - Creation of a Cameroonian agro-industrial label (concept of labelling to be extended in different sectors).
Protection of local production	<ul style="list-style-type: none"> - Tariff barriers: customs duties differentiated between finished products and raw materials, reference prices, etc. - Non-tariff barriers: phytosanitary controls of imported products competing with the sector, certificate of conformity, compulsory labelling, etc.
Specific taxation	<ul style="list-style-type: none"> - Fiscal protection status (tax stability arrangement) of the sector based on the percentage of raw materials processed in the finished products, local and/or export, no taxation on the resource of farmer.
Physical infrastructure	<ul style="list-style-type: none"> - Principle of priority areas for public investment in the major agricultural basins and in areas where agro-industrial sectors are established - Rehabilitation of roads and tracks to open up the different basins - Development of export logistics
Quality infrastructure	<ul style="list-style-type: none"> - Development of control laboratories for imported products - Branding and quality management - Reinforcement of sanitary and industrial regulations
Training / Recruitment / Research and Development	<ul style="list-style-type: none"> - Inventory of training required for the development of the sector - Creation and/or reactivation of training courses on the target jobs at universities and/or specialized schools preferably located in priority areas. - Priority to on-site training and recruitment - Agrotech and research

1.2.2- Pillar 2: Energy: a real asset in an industrial economy

Energy is a vital sector for the development of the above-mentioned agro-industry and all other sectors of the economy.

However, despite its strong potential, Cameroon's energy supply is still insufficient to meet the needs of its people and support its economy. Load shedding, especially during low-water periods, is an obstacle to economic development. It is therefore important to continue the ongoing modernisation of the sector to ensure a

diversified energy supply, in sufficient quantities and at low cost. The strategy will have to be based on the search for an energy mix that takes advantage of local resources, takes into account the hydro and meteorological profile of the country's main regions and integrates environmental concerns into its debate.

The regional interconnection initiative (Central Africa Power Pool-CAPP), through which the States of ECCAS are grouped in energy pools, is to be concluded. The interconnection will accentuate the achievement of the creation of the CEMAC common market which will thus become a reality in the energy sector.

It is therefore vital to diversify energy sources and reduce the use of fossil fuels (gas, fuel oil) by exploring and developing renewable energy sources, particularly for an energy mix.

The objective of diversification is fully within our scope in Cameroon considering the abundant wind and solar resources in the North, and for which a policy of development could offer significant opportunities for growth and job creation.

To achieve this, Cameroon should invest in partnership with international companies with proven expertise in both renewable energy and the electrical energy sectors to support its industry and reduce by half its dependence on the use of fossil fuels.

The national champions, ENEO and SONATREL, which are active respectively in energy distribution and transport, as well as all the other companies in the sector, will have to be supported by the Government.

With these remarks, Cameroon should take advantage of its Limbé oil refinery, which came on stream in 1981 and which, through the light crude oil it imports and refines, supplies the national and regional market with various petroleum products such as: butane, super gasoline, jet, kerosene, gas oil, distillate, fuel oil. After the crisis due to the fire it endured²³, SONARA could embark on the local production of bitumen, a necessary input for the construction of infrastructure.

It would there be in addition to rehabilitation, to increase its current capacities and support the national structuring projects of the CEMAC countries. Before the fire, SONARA was refining "less than 10% of crude oil", i.e. 2.1 million tons. With the 1^{ère} phase of modernization of its facilities, which started in 2017, SONARA plans to refine larger quantities of crude oil purchased to reach 3.5 million tons and thus meet the demand for products that the Cameroonian and regional markets are demanding, such as diesel and kerosene.

This objective remains marginal with regard to the needs to satisfy the demand of the structuring building sites envisaged by Cameroon and the countries of the sub-region. Given the

current stakes, there is a need to mobilize investment to support the construction of full and partial refining facilities in the hope of producing more and regaining competitiveness.

1.2.3- Pillar 3: Transport system: Establish and assume the point of access position of the CEMAC zone

Cameroon should take advantage of its privileged geographical position which makes it a transit zone at the crossroads of Central and West Africa to become an integrated and efficient transport network, covering the entire national territory and resolutely open to neighbouring countries.

Indeed, it is an illusion to elaborate development policies and aim at the emergence of the economies of the CEMAC member States without solving the problem of energy on a regional basis and that of air/iron/road/water transport infrastructure. Therefore, GICAM believes that CEMAC countries should work together to build a programme of common interest, of the "WAEMU Regional Economic Programme" type, based on the priorities of Member States contained in their Growth Strategy Papers for Poverty Reduction.

Cameroon, in a leading position, will have to ensure that the sub-region's priorities are oriented towards the development of economic infrastructure and energy interconnection, and the construction of the rail loop in the CEMAC and ECCAS zones.

Projects such as the digitization of trade between CEMAC countries, dematerialization of various applications, processing and approval of electronic certificates through a platform for the smooth flow of intra-community trade, certificates of origin, constitute a niche for Cameroonian expertise.

²³ The fire on May 31, 2019 and which ravaged four of the Company's thirteen units is a real huge blow which calls into question the development prospects for this strategic business. The new orientations must necessarily take this disaster into account.

1.3- Support institutions for clusters and networks development

1.3.1- Incentives for investment, especially FDI

Cameroon faces difficulties in attracting foreign private investment. In fact, with 24% of GDP in 2017, the investment rate is projected at 25% in 2020 and 30% in 2025. However, it has stagnated since 2015 at around 22%, or around 18% for private investment. So that, to achieve the objective of economic emergence, it will be necessary to gain 5 GDP points each year, i.e. CFAF 1,000 billion in additional investments each year compared to the previous year.

The design of an investment incentive framework starts with the creation of a favourable business climate, in particular through significant measures to protect property rights. It must be complemented by the comprehensive implementation of the Investment Charter and the preparation of developed industrial zones ready to receive future investors.

Moreover, even well calibrated incentive laws are not enough to attract private investment. The investment market is global and the countries of the world are fighting ruthlessly to attract investment. We must therefore be able to convince the potential investor. In this respect, the OECD has defined criteria to improve the conditions offered to investors, of which the two (2) main ones are:

• Reduce investment cost

The aim is to minimize the costs of complying with the administrative, legal and regulatory framework, including the additional costs imposed by poor physical infrastructure, corruption and administrative burdens. These costs are a disincentive for investors and are also a factor that hinders the integration of enterprises into the informal economy, a dead-weight costs to the economic growth.

• Reducing risks

They are committed to improving the stability of the investment conditions and the actual and perceived predictability of investment profitability, all of which require strategic and institutional reforms and stricter adherence to the rule of law.

With regard to FDI in particular, it is essential for the development of the economy because they power support to the various sectors with substantial foreign exchange inflows and improves the investment-to-GDP ratio. In addition, FDI relieves the financing of local banks and is an indispensable complement to BVMAC's vitality.

While the quality of governance (fight against corruption, respect for rights, predictability and stability of investment regimes, etc.) and political stability are proven to be key factors in attracting FDI, it is essential for Cameroon to capitalize on its geostrategic position in the Gulf of Guinea and its immense potential in terms of human, cultural and natural resources to attract and direct FDI towards strategic sectors. This orientation is also necessary to avoid weakening the already existing mature sectors.

To this end, it would be advisable to:

- (i) Make the Investment Promotion Agency a real one stop shop for foreign investors in Cameroon;
- (ii) Emphasize progress on international rankings (Doing business, Transparency International, ...);
- (iii) Initiate a forum of investors from Cameroon in major developed countries;
- (iv) Etc.

1.3.2- Economic Intelligence

It would be advisable to create an observatory of competitiveness, competition and quality in order to be able to situate Cameroon at any time in relation to the countries of the sub-region and to evaluate the fair exercise of business on the Cameroonian market. This observatory would therefore be able to take into account the conditions in which the professions are practiced. As an example, we can retain the anarchic establishment of economic operators who do not have the necessary qualifications for the professions they claim to exercise and who lower the prices of services. The same is true of the non-standard products introduced on the market, which are often harmful to the health of citizens.



Chapter 2 :
Fundamental sectoral and
cross-cutting issues

The implementation of the new economic model proposed by GICAM, articulated around the three pillars of emergence and support institutions will need to be accompanied by major reforms. At the level of efficiency of public administration, governments and its administration's relations with the private sector and civil society, and in key areas such as taxation, financing access, skills development, digital economy, subregional integration and sound reforms on budgetary matters.

This chapter explores the framework for the implementation of these reforms and makes recommendations based on business concerns, successful case studies from other countries and GICAM's long experience for its involvement in public-private dialogue.

For each of the areas, a brief reminder of the global issues highlighted and detailed in Part 1 was necessary to better contextualise the proposals made.

2.1- Public economic governance

The reforms to be carried out include economic policies, public administration, fiscal consolidation through increased mobilization of non-fiscal revenues, rationalization of public debt management, modernization of the justice system, and the fight against various economic deviations in the public sphere.

2.1.1- Policy and Public Administration Reforms

There is a problem of inefficiency in the deployment of government action in the economic field. It sometimes results in the accumulation of considerable slowness in the implementation of announced initiatives (projects), sometimes in the implementation of initiatives that are not consistent with the political aspect enacted, or simply in projects announced without a future. The same inertia is observed in the monitoring concessions for basic infrastructure services or the recovery of public companies, or progress in other areas (decentralisation, management of land assets, social

housing, health, infrastructure, etc.). The result is a reduction in the economic and social impact of government action at both household and enterprise level.

This phenomenon, which is worsening over the years, is linked to the quality of the institutional environment, be understood as the strategic capacity of the government (all institutions of public governance) to achieve a vision and its multifaceted goals: economic, social, societal, etc. There is also an effective mobilization of human, material and immaterial resources (organization, procedures, decision-making processes, planning, objective setting, execution, monitoring, coordination, impact assessment, etc.).

To remedy this, GICAM encourages:

- The reform of Government structure, in particular by merging some Ministries for greater efficiency and fluidity of action; This is a situation that Cameroon has experienced in the past with the ministries in charge of the economy and finance, the ministries in charge of labor relations and employment, and the ministries in charge of trade and industry;
- The increased digitalization of administrative procedures;
- Publication of the organization charts and missions of each Ministry;
- Creation of some regulatory agencies and/or the strengthening of others such as the high competition authority;
- Publication of roadmaps;
- Setting up of a performance dashboard for Cameroon;
- A periodic audit of all Ministries and public companies as well as the systematic publication of their financial results;
- Simplifying and availability of all legal texts;
- Establishment of a dashboard for the

evaluation of the budgetary policies of the various Ministries;

- Modernization of the administration through the physical regrouping of the main Ministries on the same site;
- Creation/reinforcement of a department in charge of the integration of the informal sector within the Ministry of Commerce;
- Rationalizing the use of vehicles and other administrative means;
- Etc.

Box: Variation offered of specific proposals concerning the Government structure

- *The Ministry of State Property, Surveys and Land Tenure and the Ministry of Urban Development and Housing could be merged under a Ministry of Housing and Urban Planning including land register and land tenure.*
- *The Ministry of Agriculture and Rural Development, the Ministry of Livestock, Fisheries and Animal Industries could form a single Ministry with the position of Ministry of State. Within this Ministry, a cross-functional Secretariat of State dedicated to agriculture and agro-industry would be assigned missions to steer Cameroon's agricultural transformation.*
- *The Ministries of Finance, Economy, Planning and Territorial Development would be grouped under a single Ministry of State.*
- *The Ministry of Commerce, the Ministry of Mining Industry and Technological Development and the Ministry in charge of SMEs would become a single ministerial department;*
- *The Ministry of Labour and Social Security and the Ministry of Employment and Vocational Training could be merged into a single Ministry;*
- *A specific institution could steer the Major Projects and formalize the establishment of priority infrastructure projects, with a view to a more effective mobilization of funding from donors;*
- *The Ministry of Public Works could also be transformed into a Ministry of Infrastructure and Heritage Management, but with a consequent transfer of some competences to the decentralized level.*

through the physical regrouping of the main Ministries on the same site;

- Creation/reinforcement of a department in charge of the integration of the informal sector within the Ministry of Commerce;
- Rationalizing the use of vehicles and other administrative means;
- Etc.

2.1.2- Maximizing Non-Tax Revenue

The integration of regional and global economies implies the removal of customs

barriers as well as the simplification of taxation, which results in lower expected revenues from customs and tax services. The State should therefore seek a *modus vivendi* by strengthening, through an appropriate strategy, the increased mobilization of non-tax revenues.

In this regard, it is essential to distinguish between the different sources of these revenues and to identify the problem that this mobilization poses for Cameroon.

Table 20: Mapping of sources of non-tax revenue

Non-Tax Revenue	Examples
Estate Revenues	Revenues from the State Domain Revenues paid by public bodies Dividends from companies in which the State is a shareholder Net cash flow from operating activities Revenues from natural resource exploitation
Revenues from industrial and commercial activities	Revenues from Industrial and Commercial Public Establishments
Games revenues (PMU, Lotteries)	Revenues from gross proceeds of the games
Fines and costs of proceedings	Revenues from radar traffic control tickets
Donations and bequests	Work of art donated

Source: Authors

A focus should be therefore place on non-tax revenues and mainly income from the State's assets, income from the State's industrial and commercial activity, payments for services rendered and loans contracted by the State.

Non-tax revenues will be mobilized notably through the collection of dividends and assimilated revenues from the State's participation in commercial and financial enterprises; the collection of rents from buildings owned by the State; the collection of duties, taxes and fees from administrative, judicial and state revenues and from participations recorded and liquidated by the generating public services; the a posteriori control of the recording and liquidation of the said duties, taxes and fees; as well as the pursuit and forced recovery of defaulting debtors.

In order to increase the level of revenue collection, it is necessary to strengthen the revenue collection infrastructure that will make it possible to create more transparent institutions. This would require the creation of a structural framework dedicated to the collection of this type of secondary revenue, which would be autonomous and totally separated from the General Tax Directorate in its current configuration.

The missions of this structure dedicated to the management of non-tax revenue would be the scheduling and collection of revenue previously recorded and

validated by the tax base departments, otherwise known as revenue-generating departments.

In this process, the financial management unit will have to ensure that the maintenance of these various accounts will provide the government, the various tax base departments and the department in charge of collecting non-tax revenue, with a Management Chart showing the level of revenue awaiting approval, the level of revenue awaiting settlement, the level of revenue actually collected by the banks and the level of revenue still to be collected. This organization will also provide reliable statistics for the preparation of the State budget.

GICAM's recommendations for boosting this modernization of non-tax revenue include, among others:

Sustainable exploitation of Cameroon's natural resources: The State today has an important natural heritage and many opportunities that can be capitalized on to generate non-fiscal resources. Sectors to be explored include the granting of mining, oil and gas permits or logging concessions, in the context of projects that bring local added value and key infrastructure for the country. This should be done by rationalizing the resulting tax expenditures.

Modernizing the regulations on public-private partnerships (PPPs) and the delegation of public services: Such reforms (tax incentives or the role of CARPA, harmonization of the concession or leasing scheme, etc.) will strengthen infrastructure development at the local and national levels (deepwater ports, highways, passenger and freight rail transport, concession for the development and operation of fiber optics, etc.).

Revitalization of the State's financial and non-financial assets: In addition to faster the transition to asset-based accounting, it is desirable to conduct a general audit of the State's financial and non-financial assets. As a result, and depending on the problems raised by the audits carried out, privatizations should be considered in the light of the current performance of some public enterprises (even though they are commercially oriented). Today this may concern CAMTEL, CAMPOST, CAMAIRCO, ADC, SONARA, SCDP, PALM OIL, CDC, various HOTELS, etc.

In addition, the State's minority holdings in companies through the SNI portfolio (SABC, CIMENCAM, SIC CACAOS, ALUCAM, SOSUCAM, MAISCAM,) can also be called upon. The sale of these shareholdings could be used to boost the sub-regional financial market. Such a wave of privatizations and disposals would have the beneficial effects of reducing domestic debt, lowering government contributions to certain public enterprises, improving revenues (more than CFAF 500 billion) and reducing the budget deficit.

Export of Cameroonian public services in the subregion: The development of fiber optics, the export of gas and oil or energy, can generate revenue through their export to the CEMAC subregion and Nigeria.

2.1.3- Streamlining of Public Debt

With the concern for fiscal consolidation, streamlining public debt and correlatively government spending is becoming an absolute necessity. The weight of debt servicing in the public spending envelope is a factor that must be taken into account to the greatest extent possible, since the risks associated with sudden and major changes in the economic situation call for greater caution in the design of the government's debt policy.

In fact, for more than five (05) years, the weight of public debt service in total spending has been growing steadily, rising from 9.4% in 2013 to more than 25% in 2019. As of December 31, 2019, this expenditure amounted to CFAF 5,083.5 billion. Debt service represented 47% of current expenditure and 78% of capital expenditure. It was 5.6 times the health budget and 1.8 times the education budget.

More insidious, the burden of debt servicing increases the level of fiscal pressure, even though medium and long-term debt sustainability depends on raising the economy's productivity level and, above all, its ability to generate export revenues to meet its international commitments.

With, among others, the challenges of the Covid-19 health crisis, reverse the debt trend is a necessity. One of the lessons of this crisis is to be more prudent in repayment capacity, particularly by avoiding systematically identify the level of debt on the basis of the best activity forecasts and therefore the mobilization of domestic resources.

This is why GICAM recommends five measures:

Strengthen budgetary control: The need for a more explicit and proactive prioritization of public spending has been evident for many years. The aim is to align annual budgets with the priorities of strategic frameworks by using international budget alignment references (share of budget allocated to health, education, vocational training, agriculture, etc.). This requires a strengthening of budgetary control, by reinforcing the roles and means of parliamentary committees, but above all of the Board of Auditors.

Reforming debt governance: Governance reform should be given consideration with an emphasis on project profitability. The role of the Autonomous Sinking Fund should be extended to front-back and back-office missions in debt negotiations to ensure both debt sustainability and viability; its supervision could also be extended to MINEPAT or a Ministry in charge of the economy and finance in the event of a reform as suggested above.

Give priority to "productive" debt (projects/programs): The creation of a National Office of Technical Studies and Development and a General Agency for Major Works seems necessary to ensure both more efficient maturation and better project execution. These structures will have the advantage of centralizing the studies and execution of major projects, capitalizing on the acquired experiences and structuring the national expertise in studies and project implementation.

Intensify the mobilization of domestic resources: The aim is to guarantee the State sufficient domestic resources to perform sovereign tasks and support private investment. This involves setting up innovative financing mechanisms based on local savings (boosting the money market, crowdfunding on social projects, project bonds, dedicated savings products, etc.). In addition, the implementation of the Caisse des Dépôts et Consignations could generate commissions on the State guarantee and channel stable resources. Finally, it remains constant that the existence of more efficient companies, more numerous due to a buoyant tax and enabling business environment, remains a priority.

Drastic reduction in the State's standard of living: The demand for a reduction in the State's standard of living goes hand in hand with the need to reduce the share of operating expenses, notably by (i) a revaluation of subsidies granted to public and private companies, (ii) a strengthening of national preference in the purchase of equipment, and (iii) a greater digitalization of administrative procedures.

2.1.4- Public procurements and budget reforms

There is a causal link between the effectiveness of public procurement and the mobilization of resources for infrastructure financing. In fact, the quality of the procurement process for public goods and services is at the heart of the infrastructure financing issue. Indeed, numerous reports (the most recent of which is a World Bank study on infrastructure spending) have highlighted various deficiencies or inefficiencies associated with the development of infrastructure in Cameroon.

These generally result in a considerable over-pricing of infrastructure compared to countries at a similar level of development in

Cameroon, coupled with an increase in the time required to complete the works from the initial 3 to 4 years to 7 or 10 years, and a reduction in the quality of the infrastructure completed, all of which is accompanied by excessive interest charges resulting from the loans taken out. This is contributing to higher budget deficits and balance of payments deficits. For example, in ten years, from 2005 to 2016, interest on the public debt service has increased fivefold, from about CFAF 45 billion to CFAF 250 billion.

Experience has shown that these abuses are the result of the irregularities observed in the application of the public procurement code at all its phases: from the preparation of tender documents to the choice of the successful bidders. Numerous contracts deviate from this principle and are awarded bilaterally, by mutual agreement. This is the case of many contracts recently awarded in Cameroon for the construction or rehabilitation of infrastructure. This monolithic approach deprives the contracting authority of a varied and competitive offer of technical and financial solutions likely to respond to the set problem.

To equip the country satisfactorily, the financing needs for infrastructure, all categories, are estimated at CFAF 20,000 to 25,000 billion by 2035. This is equivalent to an annual investment expenditure of CFAF 2,000 to 2,500 billion over ten years. These investment needs must be compared with current expenditure of about FCFA 900 to FCFA 1100 billion. To this end, it is noted that, the experience of several countries, including those of the poorest, which shows that the first source of infrastructure financing is internal, through tax revenues collected in an efficient and equitable manner and royalties paid by the companies managing public infrastructure services.

It is with this in mind that it is recommended that:

- Giving priority to internal autonomy with regard to project definition, particularly in relation to the issue that needs to be addressed; this includes paying for independent professional advisory capacities (internal and external expertise) to reflect on the definition of the issues;
- Giving priority to domestic savings (tax revenues, concession fees, budgetary savings, broadening the tax base, better control of

foreign trade, etc.) for the financing of the State budget;

- Increase internal savings through the broadening of the tax base by mobilising the informal sector, improving efficiency in the use of budgetary resources, strengthening the collection of customs duties through better control of external trade, improving the collection of concession fees, especially in mobile telephony and ICT transactions);
- Rigorous selection of projects to be financed on the basis of their economic and financial viability, as well as their real social impact, starting with the implementation of the more profitable projects likely to release funds for the financing of less profitable projects, particularly those with a high social content;
- Systematic use of competition for the procurement of goods and services in both the administration and public companies, increasing transparency in decision-making processes so as to benefit from a wide range of technical and financial solutions;
- Making as little use as possible of bilateral frameworks in order to avoid over-dependence on some bilateral creditors and, where appropriate, multiplying offers from the same partner and comparing them with other alternative offers;
- Strengthen competition in the various sectors such as energy, telecommunications, food imports and distribution, in order to improve the access of the population to these services and commodities;
- Eliminating or reducing subsidies to public enterprises, by improving the selection of their managers, and by renewing the management control system within the framework of performance contracts;
- Strengthening the participation of the private sector in the financing of infrastructure, making use as much as possible of public-private partnerships (PPPs), particularly in the Yaoundé-Douala-Bafoussam-Yaoundé motorway loop, and on the Douala-Kribi via Edéa and Kribi-Yaoundé axis;
- Systematically evaluate the impact of the various loans on the Treasury, in particular by eliminating the fragmented nature of the State's commitment decisions.

2.1.5- Modernization of Justice

The weaknesses and excesses of the judicial system have a very negative effect on economic activity. According to various international reports, legal insecurity is in fact the main obstacles to private investment in the country. In Cameroon, the situation is also worrying because the shortcomings severely affect all links in the judicial chain.

A reform of the judicial system is now essential so that it can deliver fair justice within the required time frame.

For better control of the actions of all stakeholders, procedures need to be reformed, in particular:

- Extend the methods of referral to the High Judicial Council, particularly in disciplinary matters, in order to tighten disciplinary sanctions for magistrates;
- Strengthen the tasks of the Judicial Inspectorate and grant it the necessary means to accomplish its mission;
- Extend the missions and resources of the National Commission on Human Rights and Freedoms in order to strengthen its monitoring role in relation to violations of fundamental rights and freedoms, including in the context of legal proceedings;
- Create a Pre-trial Chamber that would examine the admissibility of plaintiffs' files before they are brought before the courts. Judges should take up a complaint only on the basis of the supporting documents produced by the complainant and reject any complaint that is not justified by written documents;
- Systematize the punishment of magistrates when it is clear that the law has not been said;
- Give a new impetus to the National Anti-Corruption Commission (CONAC) and strengthen the mechanism for preventing personal enrichment through the mandatory declaration of magistrates' individual assets;

In addition, it will also be necessary to:

- Encourage the use of alternative dispute resolution methods, particularly arbitration, but also and above all mediation, and even make them mandatory in certain matters in order to relieve the courts of the burden of some specific procedures;
- Provide a framework for emergency procedures (in judicial and administrative matters) and procedures for the recovery of debts and/or the enforcement of security interests within a limited time frame;
- Make greater use of African and international technical assistance to professionalize the justice system;
- Build infrastructure (palaces and offices) and strengthening equipment (vehicles, office automation, furniture);
- Improve the conditions for motivating and mobilising judicial system staff through various incentives (salaries, bonuses, prizes, incentive trips, etc.);
- The referral of complaints to investigators of the Gendarmerie or the Judicial Police should remain confined to criminal cases. Civil or commercial cases will only be heard by the Civil Magistrate's Court, which may order any investigative measure it deems useful to establish the truth of the facts, based on the documents produced by the parties in support of their complaint.

With regard to commercial cases in particular, it will be appropriate to:

- Provide the specialized chambers with more resources (human, material and financial),
- Specialize some magistrates in specific areas (e.g. taxation);
- Train specialized magistrates and focus on the fight against corruption;
- Publish case law;
- Ensure that the complaints and replies of the parties are examined in the light of the facts and the rules of law only, without

consideration of the social or financial situation of the parties;

- Strengthen staffing at all levels;
- Reform the training system for magistrates and in particular the National School of Administration and Magistracy, capacity building: updating and additional training;
- Establishing an integrated and secure system of electronic archiving of court

The strengthening of the judicial system will also require its computerization (criminal records, case law) and, more generally, the establishment of a decent working environment for its officials.

Businesses should not be left out of this effort to improve the rule of law. They should now be:

- Extremely careful to strict compliance with the procedures laid down in the texts;
- Carry out a follow-up and monitoring of cases pending before the courts, in order to denounce as soon as possible any aberrations and share comparable experiences,
- Increased use of alternative dispute resolution for trade disputes, mainly arbitration.

In short, strengthening the efficiency of the judicial system must become a priority objective for the public authorities, by organizing as soon as possible a Justice Consultation, bringing together all the branches of justice, both English-speaking and French-speaking, to discuss about the problems that undermine this sector and to advocate appropriate solutions.

2.1.6- Fight against fraud, smuggling and counterfeiting

The consequences of smuggling, fraud and counterfeiting are: destruction of the local industrial fabric (loss of many jobs), loss of tax and customs revenues, manipulation and deception of consumers on the quality and properties of the product, health and safety repercussions, deterioration of the investment climate.

Proposals

To stop these scourges, the main actors to be taken into account are: the counterfeit manufacturer of the protected product, fraudster, fence and seller. First of all, the strategy must consist in enabling the Authorities (Customs, Ministry of Commerce, Anor, Police, Gendarmerie and Justice) to have the legal means to fight effectively against these phenomena.

To this end, it is urgent to:

- Put in place special legislation for fraud and counterfeiting;
- Harmonize, or even standardize the sanctions which should be dissuasive against fraudsters and counterfeiters;
- Introduce integrity charters in the Administration level;
- Build capacities of the concerned administrations.

Secondly, a stronger customs-business partnership is essential. In this regard, Cameroonian Customs should increase the

number of Memoranda of Understanding with local companies, as part of the strengthening of actions to fight against smuggling and fraud. Through these agreement partnerships, the Customs are helping to strengthen the effectiveness of upstream and downstream controls.

Thirdly, consumers should be regularly informed about developments in the phenomena of fraud and counterfeiting. As the fight against fraud, corruption and counterfeiting, and therefore cheating, is a mindset that needs to be acquired, this fight must be reintegrated into the educational curricula: ethics, lifestyle, civic education. It also requires a certain type of social justice, the payment of a fair salary to public and private sector officials (fair remuneration for work done).

In addition, with regard to food and consumer goods safety, some recent examples should sound a warning to the Government about the need for the rapid establishment of an institution authorizing the release of products for consumption on the Cameroonian market according to quality and display standards to be defined (e.g. NAFDAC in Nigeria).

Box: National Agency for Food and Drug Administration and Control

La National Agency for Food and Drug Administration and Control (NAFDAC) is a Nigerian federal institution. NAFDAC is:

- *placed under the Federal Ministry of Health;*
- *responsible for regulating and controlling the manufacture, import, export, distribution, sale and use of food, drugs, cosmetics, medical devices, packaged water chemicals throughout Nigeria.*

Its various reforms have, since 2001, introduced the **POWER OF ATTORNEY** system, which is a kind of power of attorney that any manufacturer of products controlled by NAFDAC must give to an entity established in Nigeria to import, on an exclusive basis, the said product. A **TRADE MARK CERTIFICATION** is also required to provide evidence that the product is authorized in the country of origin. *These documents are issued only after inspection of production sites abroad.*

There is an urgent need for the Cameroonian market to be regulated along these lines, which may be the beginnings of a CEMAC quality standard in the future after the Cameroonian standard.

2.2- Reforms for a development taxation

Issues

Various and successive counterproductive measures taken in recent years have resulted in a tax system marked by a continuous increase in the tax burden on a small number of companies (which leads to a general tax burden that is still considered low), the accentuation of the repressive nature of taxation, the inadequacy of existing incentives, the difficulties of forecasting and projecting in the medium and long term and the unfairness of several provisions, in particular the failure to take into account the specificities of SMEs.

There is a pressing need for a development tax system that businesses are calling for. Part of the Proposal for Tax Reform that GICAM presented to the Authorities in September 2018, this taxation does not encumber the competitiveness of companies and it facilitates the tax procedures. At the same time, it guarantees to the State sufficient resources for the exercise of its sovereign missions as well as its economic objectives, the emergence of which by 2035 will require public investments and additional public services in infrastructure, education, health and the promotion of the Cameroonian economic area.

This taxation is characterised by a number of fundamentals:

- The reduction of the overall tax rate on the formal sector;
- Broadening the tax base, including the establishment of a tax framework as part of policies for gradual migration from the informal to the formal sector;
- The introduction of a real tax system on real estate assets;

- strengthening the rights of taxpayers.
- Generally, the need for Cameroon, in its relations with the CEMAC States, to ensure that harmonized duties and taxes are regularly and synchronously applied by all States.

Proposals.

GICAM suggests a return to fiscal orthodoxy and economic efficiency, notably through the adoption of a number of measures relating to both domestic and port taxation.

2.2.1- On domestic taxation

The proposed measures are intended to:

- The revision of the corporate income tax system;
- The broadening of the tax base;
- The rationalization of certain taxes;
- The strengthening the rights of taxpayers;
- The fiscal support of companies due to the consequences of Covid-19 health crisis;
- The promotion of local or regional industries and services;

2.2.1.1- Revision of the corporate income tax systems

The recommended measures are as follows:

- A further reduction in the corporate tax rate, which remains very high compared to countries with a level of development comparable to Cameroon's;
- The reduction of the minimum tax rate and the introduction of a system with a maximum fees; as in many other African countries which have a higher tax burden than Cameroon;
- The modification of calculation of the monthly instalment which would no longer be based on turnover but on the corporation tax of the previous financial year, thus allowing most companies to be taxed not on their turnover but on their profits;
- The standardization of monthly instalments rates and withholding taxes;

2.2.1.2- Broadening of the tax base

The measures to be put in place are related to:

- The abolition of some VAT exemptions (where the social nature of the exemption is not justified) and the introduction of reduced VAT rates for some products;
- The reform of real estate taxation (procedures for collecting property taxes) with the aim of increasing the yield from the property income tax and property tax currently collected by the tax authorities (establishment of close cooperation with the services of the estates, notaries, and local authorities);
- Reducing the rate of registration fees on leases to encourage the systematization of this formality, particularly for residential leases, which will at the same time make it possible to collect property tax from donors;
- The reform of the flat-rate tax with a view to increasing the profitability of this tax;
- The reform of the Law of 18 April 2013 establishing private investment incentives with a view, inter alia, to:
 - i. Limit the tax advantages that exist in terms of corporate income tax, in particular only to companies located in some priority zones or to those justifying a specific number of jobs created;
 - ii. To adapt the type of incentive to the situation of the company according to the different phases of the investment;
 - iii. Ensure equal treatment between old and new investors in a sector;
 - iv. Reduce the period of validity of the advantages granted.
- The reform of the system for identifying and registering taxpayers, making it possible to extend the current file of taxpayers and hence the tax base (registration as soon as the national identity card is issued in particular);

- The introduction of a number of measures to bring the various actors of the informal sector to the formal sector (tax amnesties on past undeclared operations, facilitation of obtaining tax documents such as the taxpayer card, fiscal pause for educational purposes for one year after registration in a tax centre by these taxpayers, etc.).

- Implementation of a system of exemption from minimum tax collection or income tax for new companies engaged in industrial, agricultural, livestock or fishing activities (for a period of two to three years, under certain conditions relating in particular to the reinvestment of any profits) by providing for a limited period of time, controls for purely educational purposes, which would allow these companies to acquire a tax citizenship from the start of their activities;

2.2.1.3- Rationalization of some taxes and tax schemes

The measures would focus on:

- The reform of VAT taxation systems to bring them into line with the new OHADA Uniform Act on Accounting Law and to enable companies under the simplified system to collect and recover VAT, which is important for the development of SMEs, which form an important part of the Cameroonian economy, if not, these companies should at least be given the possibility to opt for VAT;
- The possibility for new companies with an investment program or a significant share capital to be classified, as soon as they are set up, under the real estate scheme or for companies under the simplified system, to opt for the real estate scheme. Such a classification will give them the right to recover VAT;
- Deductibility of vocational training expenses from employers' payroll taxes;
- Deduction of the Special Tax rate on Income (TSR);

- The implementation of a polluter-pays tax for non-compliant companies in lieu of environmental permits and associated constraints;
- Elimination of specific excise duties on non-returnable packaging;
- Revision of fuel taxation, including the removal of the tax from the RMF (Road Maintenance Fund);
- Modification of the current tax provisions of the General Tax Code relating to stock exchange taxation to take into account the merger of the Cameroonian and regional stock exchanges so as to allow foreign investments (Regional stock exchange) to benefit from the same tax measures;
- Setting up of a committee to monitor VAT credit repayments involving the private sector;

2.2.1.4- Strengthening the rights of taxpayers

The recommendations of GICAM concern:

- The replacement of the Debt clearance certificate (ANR) by a Certificate of Fiscal Regularity (ARF) automatically issued to all taxpayers who are up to date with the payment of their taxes and taxes due each month;
- The reduction of the amounts of the deposits required for access to jurisdictional tax litigation;
- The exclusion of late payment interest and penalties from the base of the deposits referred to above;
- The opening of the possibility for companies to present bank guarantees or other forms of guarantees to access tax litigation;
- The setting up of the Caisse des Dépôts et Consignations to collect all the guarantees paid by companies in the context of tax disputes, which would enable the latter to have them returned as quickly as possible when they are successful in their appeal;
- The modification of the time limits for investigation of disputed claims in order to increase them from 30 to 60 days for judicial appeal at the first level and from 60 to 90 days for the preliminary ex gratia appeal;

- Compliance by the tax authorities with the response deadlines provided for by law in administrative tax disputes, by exempting taxpayers from any deposit in the event of a referral to a higher authority following the silence of the authority initially referred to;
- The abolition of the requirement to pay deposits in the event of administrative or jurisdictional tax disputes for companies in a VAT credit situation or with a claim on the State;
- The inclusion in the Law of the mandatory request by the Minister of Finance, after receiving a preliminary ex gratia appeal, of the advisory opinion from the Support Committee for the Investigation of Preliminary Appeals, and the reform of the members of this Committee in order to make it a joint body (administration, private sector), like the Customs Appeals Committee, the Committee on tax offences;

- The institution of a tax magistrate body resulting either from specific training of some tax inspectors to the judiciary, or from specific training of some magistrates in in-depth taxation during the time required for the training of tax inspectors. This measure will strengthen the role of the Administrative Courts in the establishment of a real tax jurisprudence in Cameroon.

2.2.1.5- fiscal support of companies due to the consequences of Covid -19 health crisis

The measures that could be considered are as follows:

- For expenses incurred during the crisis:

- The tax deductibility of the tax bases of the CIT of the expenses incurred by the companies within the framework of the fight against the Covid (health expenses, funeral expenses, purchase of gloves, gels, masks, etc.); ;
- The right to recover the VAT that has been charged on some of these expenses;
- The exemption from taxes and payroll taxes on exceptional bonuses paid by certain companies to staff obliged to remain in the workplace during the health crisis due to specific constraints (bonuses paid with the aim of motivating such staff)

- **For companies experiencing major difficulties following the health crisis and needing to implement restructuring measures**, flexibility, limited in time, should be introduced. There are:

- The exemption from taxes and payroll taxes on exceptional bonuses paid by certain companies to staff obliged to remain in the workplace during the health crisis due to specific constraints (bonuses paid with the aim of motivating such staff)
- Fixed registration fees (instead of the prorated fees) on the assignment of receivables and the admission of the tax deductibility of discounts on the assignment of receivables;
- Easing the conditions for the tax deductibility of the CIT bases for bad debt losses for companies that agree to at least partial debt write-offs;
- Easing the conditions for tax deductibility of provisions set aside for receivables against companies experiencing cash flow difficulties due to the health crisis;
- The removal of the condition for admission to the Investment Code for the application of the fixed registration fee in the context of the assumption of liabilities during the contribution by one company to another of part of its assets (see Article 346 last paragraph of the French General Tax Code);
- The extension for an additional year of losses carried forward and a grace period in order to neutralize the 2020 fiscal year for companies under certain conditions to be specified.

2.2.1.6- Promotion of local or regional industries and services

These measures relate to:

- The application of different VAT rates on locally manufactured products;
- The establishment of a system allowing to benefit from a reduction in the rate of the CIT and the monthly installment, notably either through rebates on the basis for calculating the CIT, following the example of the former investment code, or through CIT credits, or through other mechanisms that would significantly encourage companies to transform their production locally before exporting it;

- The introduction of a reduced TSR rate for services from entities located on the African continent, provided that there is no service provider that can provide comparable services locally;

- The extension of the specific excise duty exemption to all beverages produced and packaged from local raw materials and consumables up to at least 60%;

- The harmonization of internal provisions in VAT on exports of services (services rendered to beneficiaries located outside Cameroon) with those provided for by the CEMAC Directive of 2011 on VAT so as to allow in Cameroon the notion of export of services not subject to VAT.

- The abolition of all measures to encourage the importation of finished products that compete directly with similar products manufactured by industrial firms established in Cameroon;

- The uniform application of the texts in force as regards taxes and duties, in order to allow healthy competition on the domestic market and to avoid the disappearance of Cameroonian industries to the benefit of importing traders.

2.2.2- On domestic taxation

GICAM proposes the implementation of the innovations listed below:

- The abandonment of customs duties for priority capital goods outside the framework of the law of April 2013 on investment incentives, for goods outside the European Union (the EPAs targeting goods originating in the European Union);

- The re-examination of the imposition of duties on downloaded software, because computer media considered as goods must bear customs duties, whereas software that is a service must be subject to the TSR unless the media and the software are presented together and their values cannot be separated;

- The generalization of customs duties at the reduced rate of 5% on all industrial equipment in view of Cameroon's desire to industrialize. This provision should be consistent with the reorganisation of the Law of April 2013 on incentives for private investment in Cameroon.

- Improving the conformity of the customs information system to the main international references (Revised Kyoto Convention, Harmonized System, SAFE Framework of Standards and WCO Data Model, WTO Trade Facilitation Agreement, IMO FAL Conventions and Chicago Convention) and considering the gradual replacement of pre-shipment inspection by systematic data exchange with the customs of countries that have officially concluded a Mutual Administrative Assistance Agreement with Cameroonian customs;

The audit in view of the drastic reduction of discretionary exemptions that call into question the principle of equality before the tax;

- The development and implementation of a joint observatory (Customs/Private Sector) of customs practices for products or groups of products concerned by decisions bearing administrative values or any other strategic product (this would allow all information relating to a product to be shared in order to establish transparency);

- The clarification in a detailed text of the procedures and methods of handling of goods admitted under the customs procedures for processing and under suspensive procedures (in particular the procedure for the discharge of raw materials);

- The impulse of a fiscal transition controlled by the following simultaneous measures:

- Propose at the level of CEMAC institutions a reduction of the maximum customs duty from 30% to 20% (revise if necessary the number of categories but in any case provide for a ceiling of 20%)

- Improve the systematic transmission of customs information for monitoring the effect of the reduction of the tariff peak on domestic taxation.

- Abandoning the levy of customs duties on telephones and software by telephone companies, in order to calm the social climate given the current context;

- The tax exemption of equipment and inputs of factories and companies in strategic sectors such as the pharmaceutical industry (currently the finished product is tax exempt while raw materials and inputs are taxed), education and innovation under certain conditions guaranteeing jobs;

- The elaboration and implementation, with the active participation of the customs and the manager of the international transport terminal, of a public system of notification of the availability of goods unloaded in-bond stores. To initiate the counting of the time of stay of the goods on the terminal as from the day after this notification;

- The study and implementation of a discount of port fees applicable to imports on the equipment and inputs of industrial enterprises;

- The improvement of the application of the provisions of the Revised Kyoto Convention by giving industrial enterprises the capacity to validate, on their own account, their declarations filed within the framework of the processing scheme;

- The introduction of physical visits possibly prescribed by the customs services in the factories of industrial enterprises and no longer within the port. Associate this possibility with the systematic use of GPS for the location of the site of the visit;

- The release of a "Book of Customs Control Procedures" which will help to restore a climate of transparency and trust between the Customs and companies (it will be necessary to clarify the roles played by the Appeals Committee, the Director General of Customs and the Minister of Finance in the case of post-clearance customs controls, as well as the sanctions attached to non-compliance with its procedures by the customs administration, such as the failure to respect the duration of post-clearance controls);

- The updating of the "Revised Customs Regulations" published since 2006 in order to incorporate all the changes that have occurred in the Customs Administration's organization and methods since its publication;

- Accelerating the development of the national active litigation file to be able to objectively address the problems posed by Approved customs commissioners who violate the applicable customs laws and regulations;

- Reflection on the advisability of reviewing the role and place of Approved customs commissioners in an increasingly competitive economic context.

2.3- For a revamped and more diversified financial system

In order to bring the supply of finance up to the needs of companies and the economy in terms of quantity and quality, reforms should focus on strengthening the banking system, broadening the financial infrastructure, deepening financial intermediation, developing capital markets, clearing domestic debt and, secondarily, developing the insurance market.

2.3.1- Coordination of a proactive monetary and financial policy (currency, currency management, domestic debt clearance)

In recent years, the Franc Zone has been highly controversial. This is motivated by fundamental questions (e.g. the issues and challenges of monetary sovereignty) and the persistence of certain tutorship mechanisms inherited from the colonial period (notably the decision-making processes within the central banks of this monetary unit, the place where the currency is printed, the maintenance of part of the foreign exchange reserves within an operations account housed at the French Treasury).

To this end, although exchange rate stability and, to a certain extent, inflation control often appear to be among the main achievements of the advocates of the Franc zone, the relevance of this monetary union has not necessarily been established, compared with other African countries that have sovereignty over their currencies, or even the recent reform that has taken place in the WAEMU zone, in basis of economic and social performance indicators, such as the growth rate, per capita income, poverty rate, degree of inequality, volume of intra-zone trade, level of industrialisation, human development index, etc.

On the other hand, for the advocates of monetary sustainability, it must be clear that it cannot be an end in itself, without being aware of the need to address other types of structural failures that the countries concerned may have in the governance of public affairs. These shortcomings concern, for example, the cumbersome nature of

fiscal policies, which can impact monetary management and thus reduce the effectiveness of monetary policy, as one of the instruments for dynamic regulation of economic management.

In such a context of uncertain conduct of public policy, the lack of monetary discipline can aggravate internal and external imbalances, with the effect of worsening inflation and poverty. These adverse consequences usually lead to an economic recession. For this reason, in the perspective of genuine monetary independence, it is essential to undertake structural reforms that can curb the inherent flaws of bad governance, as reflected in particular by:

- Cumbersome fiscal policies (swelling deficits, accumulation of unproductive debt, inefficient allocation of budgetary resources, counter-performing public enterprises, etc.);
- An inefficient administration which, through prevarication and predation behaviours, paralyses the business environment by strangling decision-making processes and public services and, consequently, reduces the country's attractiveness for foreign investment.

In any case, African countries are faced with multifaceted challenges resulting, at the domestic level, to the demographic and urban explosion, and at the external level, to the acceleration of changes linked to globalization and technological developments. In order to take full advantage of these changes so as to respond effectively to the expectations of their populations, it is imperative that they thoroughly overhaul their economic, industrial and trade policies, particularly their monetary policies.

Beyond the question of sovereignty strictly speaking, other issues are emerging, drained in particular by technological and sociological developments. In this case, BEAC must prepare itself for the forthcoming revolution in the banking profession, as brought about by mobile banking, crypto-money, blockchains, etc.

Internally, it must affirm the need to set an example in the governance of national central banks, anchoring them in values that promote the consolidation of institutions driven by a culture of governance based on performance. On this path, the choice of leaders should be made through reliable and transparent processes, which would make them more accountable. In such a context, central banks must be exemplary models of governance, particularly free from corruption.

With or without currency reform, one particular aspect of monetary policy today is of great concern to businesses: the issue of access to foreign exchange. One of the manifestations of the crisis that the CEMAC zone has been experiencing since 2014 and which peaked in 2018 was the depletion of foreign exchange reserves.

As early as 2017, the processing and response times for foreign exchange requests by commercial banks had become uncertain and now ranged from several weeks to several months. At the end of 2018, the monetary authorities introduced a new exchange rate scheme that further tightens foreign trade conditions for companies. The lack of ownership of this new regulation and misunderstandings between the central bank and commercial banks have led to longer waiting times, higher fees for the transfer and purchase of foreign exchange and even more complex procedures.

The consequences have obviously been disastrous for the economy in general and for businesses in particular. The day-to-day operation of several production units has been affected, particularly the industries which import the bulk of their raw materials. Investment programmes have been stalled due to difficulties in acquiring materials, machinery, equipment and other spare parts.

While BEAC has constantly claimed that the difficulty was essentially due to the behaviour of commercial banks, the abysmal and structural trade deficit (CFAF 1 -1,438.3 billion in 2018) raises fears of a resurgence of currency crisis. Urgent measures are needed to reverse the trend of foreign trade in the medium term but also in the short term so as not to paralyse permanent-

ly the remaining economic core. A policy of currency rationing now appears inevitable to direct the available foreign exchange reserves towards the priority sectors/operations for the economy, in particular the pillars of the proposed new economic model.

In addition, the resorption of domestic debt must be recorded as a top priority for the State. Investment and consumption could thus be revived. Public and private companies should be invited to prepare proof of their claims so that this stage of relations with donors can be carried out rapidly. To date, the identifying of the domestic debt, which is well under way, has stumbled on some debts that have yet to be recognised; a first stage of this work should be agreed and appropriate tax refunds and compensation should be organised.

In the implementation of the economic reform programme of June 26, 2017, the Government should pay particular attention to the problem of the domestic debt it has contracted with the Cameroonian private sector. This domestic debt has been detrimental to a large number of enterprises which are the drivers of growth. Therefore, engaging banks for the securitisation of government debt is an option that the government can explore in order to encourage the private sector to invest.

GICAM therefore recommends to the Government to put in place a specific plan for the clearance of the domestic debt and to continue repaying VAT credits. In view of the cumulative increase in prices that the country has experienced in recent years, the real value of this domestic debt has been reduced. Nevertheless, its repayment would considerably boost the private sector, if only in terms of cash flow and, why not, in terms of investment in capacity expansion.

2.3.2- Boosting the Currency Market

The State's capacity to finance its actions and projects is not without influencing the private sector's financing capacity. This is evidenced by the above issue of domestic debt clearance. So, State is a benchmark player whose performance has a non-negligible influence on the financing market.

In fact, with tax and incidental tax revenue, which provide the bulk of the State's income and the issuance of treasury bills, loans from international banks and donors is the main source of financing for the Cameroonian State. A major grey area is the underutilization of investment credits, i.e. insufficient or slow disbursement of funds for project implementation. This leads to additional costs and severely disadvantages Cameroon's growth potential.

Now, the issuance of public securities (Treasury bonds or fungible Treasury bonds) is the main tool planned in order to reduce the country's external indebtedness. Such issues now enable governments to diversify their sources of financing by directly or indirectly mobilising corporate cash flow, funds from institutional investors and national and international household savings.

It is therefore necessary to promote the introduction of various incentives to stimulate BEAC money market (liquidity policy, diversification of market players, etc.).

2.3.3- Streamline the banking sector

In the current situation, the bulk of business financing is carried by commercial banks. It is important to ensure an efficient functioning of the banking sector through a restructuring of the banking sector driven by the following actions:

- Strengthening the equity of development banks (BDEAC), banks and microfinance institutions;
- Adoption of regulatory measures for the development of long-term resources and foreign currency reserves;
- Development and popularization of structured financing tools and products (securitization, leasing, factoring, Islamic finance, etc.) and risk coverage (derivatives, etc.); creation of "subsidized" lines of credit (guaranteed by the State) with EMFs selected on the basis of performance criteria for intervention in specific sectors for the benefit of entrepreneurs, particularly young entrepreneurs without guarantees;

- Deployment of a capacity building offer for companies in order to develop legal, strategic, financial and accounting skills, in particular through the Business Upgrading Office;

- Improving the realization of securities (especially mortgages) and setting up commercial courts.

In addition to these medium-term reforms, it is essential to support a reduction, by the regulator, of the conditions of classification, accounting and provisioning of unpaid debts to enable banks to support companies brutally affected by the Covid-19 crisis. Such an approach will have to be accompanied by:

(i) The introduction of subsidized rates for loans guaranteed by the State for strategic sectors or sectors of national sovereignty and/or securitization of their debts to the State;

(ii) The creation of a support fund for initiatives for the production of goods and services directly linked to Covid-19 or;

(iii) The setting up of a financing mechanism for the companies affected by the pandemic and failing that the State can take charge of at least part of their unpaid debts with the support of the financial partners.

Once the banking sector has been cleaned up, the policy of granting credits should move positively, competition will have to be played out among the many banks that have set up in recent years. It is therefore essential that the culture of financing bank investments should be oriented definitively towards the formal sector and that the informal sector should be equipped with accounting and ad-hoc financial tools. Other measures to formalize the informal sector could include (i) the end of the tax system based on turnover, (ii) the reduction of the scope of cash payments, and (iii) the implementation of an address system for localisation.

2.3.4- Diversification of investment vehicles

It is urgent to establish medium- and long-term financial instruments for the promotion of industrial and commercial companies. In order to reduce the gap between supply and demand for financing and to involve a large number of entrepreneurs, innovators and creators in the process of wealth creation from upstream to downstream, financial intermediation is one of the priority areas, to which the public authorities and the private sector must give urgent status.

It is a question of supplementing the limits of commercial banks imposed both by prudential rules and their profitability objectives. The architecture of the financial and banking system should thus be completed through the strengthening of banks/development institutions, the creation of a guarantee fund for SMEs based on the private sector, development financial institutions and the State, the promotion of alternative financial products (private equity, crowdfunding, leasing, factoring and reverse factoring) and support for investment funds oriented towards strategic sectors.

In addition, three flagship reforms are to be considered:

2.3.4.1. *Creating a legal and regulatory framework favourable to the "proliferation" of investment funds*

Investment funds (UCITS²⁴, real estate funds, venture capital funds, private equity funds, etc.) are today the most suitable vehicles for seeking investment opportunities in different countries. It is therefore a matter of adopting and promoting tax policies that are likely to make our country more attractive to these players. It is therefore necessary to put in place:

- Mixed funds - public, private and donors - for specific uses (e.g. venture capital, start-up financing, etc.), which will be managed by financial institutions under special windows and in return for payment.
- Mixed funds for financing start-ups/ICTs through the mobilisation of capital from public institutions (SNH, SNI, Special Telecom Fund, etc.), donors and the private sector, and

management would be entrusted to the private sector.

2.3.4.2. *Reform of Cameroon's National Investment Corporation (SNI)*

Faced with the lack of private capital and the need to develop a national productive sector, the creation of the National Investment Corporation of Cameroon (SNI) in 1963 was inspired by a general trend of state capitalism observed in the West in the aftermath of the Second World War. From its inception, SNI concentrated its action on the development of joint ventures with foreign partners, due to the lack of a large number of local entrepreneurs.

However, from the early 1990s, when the crisis considerably reduced the Cameroonian State's capacity to intervene, a remarkable dynamism of local private entrepreneurs was noted, through the emergence, in several sectors, of SME/SMIs, VSEs and micro companies. The existence of this private entrepreneurial sector has enabled Cameroon to mitigate the adverse effects of the economic crisis since the 1980s and to show greater resilience during various crisis. Today, these enterprises should be the main target of SNI support actions for sustainable, competitive, resilient and inclusive growth in our country. In addition, SNI could specialize in the financing of strategic sectors such as agriculture and livestock farming.

With this in mind, it is recommended to redefine the missions and role of SNI. Its action could thus be oriented in three directions: (i) support for the expansion of private investment (consolidation and expansion of existing investments, development of new business) in a context of a liberal economy, regulated by market forces; (ii) promotion and strengthening of national ownership or other forms of investment in the investments thus created; (iii) financing specialized and high operational risk sectors such as agriculture and livestock farming.

²⁴ Undertaking for Collective Investment in Transferable Securities

This reform could be based on three main lines of action:

I- The first axe would focus on the establishment and expansion of financial intermediation, which would aim to increase the mobilization of capital from savers (national and international) to meet the needs of the local private sector. This would require SNI to develop capacity for the development of financial products (shares, bonds, trade paper, guarantees, investment certificates, etc.) and financial instruments (brokerage firms, investment funds, privatization funds, funding of trade unions, investment companies, guarantee funds, venture capital companies, etc.).

- The second axis would concern, depending on the category of company, improving the access of promoters/entrepreneurs to non-financial support services in order to: (i) attracting, developing and making visible new business opportunities, and (ii) strengthen the competitiveness of local enterprises. The implementation of this line of intervention would require SNI to develop (or acquire from third parties) capacities to facilitate the development and provision of paid services in areas such as financial engineering, project development, management and organisation, marketing and promotion, investment advice, vocational training and further training, entrepreneurship development, collection, processing and dissemination of economic information, investment promotion, export promotion, sector studies, cluster and network development, etc.

- The third axis would concern the financing of strategic sectors such as agriculture and livestock farming. The failures of the National Fund for Rural Development (FONADER) and, later, the *Crédit Agricole*, were largely due to approaches which had not integrated these instruments into comprehensive and integrated strategies aimed at the coherent implementation of a set of financial and non-financial support instruments (technological, land, legal, financial, framework, etc.) for the modernisation of the agricultural sector. Here too, implementation of this priority would require SNI to acquire additional capacity in the arrangements and systems for financing investment, farming and vocational and tech-

nical training in agriculture and livestock farming. A study will make it possible to define the conditions under which SNI will be involved in this third priority as part of an integrated strategy for modernising the agricultural sector and positioning agri-business as Pillar No 1 of the new economic model. The development of many of its activities could be carried out through the search for strategic and operational alliances with local intermediary organisations, private investors, other state structures, international financial institutions, international organisations supporting business development, consultancy firms, etc.

2.3.4.3- Ease Diaspora Investment

Diaspora business creation and investment are often heralded as drivers of economic development and positive change. The International Centre for Migration Policy Development indicates in particular that 80% of FDI in China comes from the Chinese diaspora and that Indian diasporas in the United States have played a key role in building the IT sector in India, creating a second "Silicon Valley" in their country.

In Cameroon, remittances from diasporas mainly meet the need to improve living conditions and support in the face of the effects of economic crises. According to a study carried out in²⁵ 2019 financed by United Nations Development Programme, compared to some countries, the Cameroonian diaspora contributes less to the financing of the national economy.

For illustration purpose, current transfers accounted for 13% of GDP in the Comoros, 10% in Senegal, 8.45% in Togo, 6% in Ghana, 7% in Mali and only 0.9% of Cameroon's GDP. In 2017, the Ghanaian diaspora transferred about 3,500 million dollars to the country while the support of the Cameroonian diaspora was only 316 million dollars (less than 10% of transfers to Ghana).

²⁵ Assessment of Financing for Development [FfD] in Cameroon

These figures confirm the need for reforms for greater involvement of the Cameroonian diaspora in the development of the country. It is thus necessary to deploy specific instruments that can encourage "diaspora entrepreneurs" to invest more; even if comparatively they often encounter more difficulties to do so. Examples of such instruments are numerous throughout the world and in Africa:

- Creation of Diaspora Funds ;
- Establishment of institutional mechanisms to organize consultations involving diaspora communities;
- Capacity building of local authorities on diaspora entrepreneurship and investment frameworks to attract diaspora capital;
- Removing structural and citizenship barriers (such as denial of dual citizenship) for diaspora entrepreneurs;
- Etc.

In general, the country success story examples show that there is a need to ensure policy coherence by integrating diaspora issues into national and local development policies, as well as sectoral policies within an overall environment conducive to business, entrepreneurship and investment.

2.3.5- Revitalization of financial markets

The creation of the Douala Stocks Exchange (DSX) some 15 years ago was aimed at promoting non-bank corporate finance through a diversified range of investment products such as equities, bonds, etc. Unfortunately, the DSX is struggling to take off.

One would have expected to have a large number of Cameroonian companies listed to the DSX. The question that would come to mind is whether the investment service providers (ISPs), in this case the 13 banks participating in DSX's shareholding structure, are reaching out to companies in order to generate the largest number of IPOs.

The merger between the Douala Stocks Exchange (DSX) and the Central African Stock Exchange (BVMAC) in Libreville augurs well for the Cameroonian economy, as it may lead to the development of a new shareholder base

that is often unfamiliar with the rules and practices of public enterprises.

It is therefore particularly important to:

Revitalise the CEMAC stock market through a more incentive and adapted regulatory framework and a quality financial infrastructure;

Facilitate the participation in the market of insurance companies, pension funds and other investors (diaspora, etc.);

Diversify the stock markets by setting up dedicated financial markets, particularly for commodities (coffee, cocoa, etc.);

Establish regulations governing crowdfunding and the promotion of dedicated secure platforms;

List securities of certain public companies;

Encourage the creation of a compartment dedicated to SMEs;

Developing the stock market culture and financial education.

2.3.6- Strengthening credit

A guideline should aim to diversify industry players and enhance performance. This will result in a wider range of actors, instruments and products, better adapted to the spectrum of needs, particularly in the short and medium term. From this perspective, policies must be put in place to reduce risks and attract more private capital, in various forms, to finance the activities of industrial and commercial enterprises of all categories.

To this end, the following actions are recommended in particular:

To set up a guarantee fund for credits to SMEs, with a strong involvement of commercial banks during creation and management, and a guarantee fund intended to serve as a counter-guarantee to first-rate commercial banks in the framework of credit operations provided for the import of industrial equipment or materials;

Promote the development of rating and financial information agencies;

Establish a Consultancy Support Fund (so-called FAC), to improve the quality of feasibility studies, whose beneficiaries would pay 30% of the cost of the studies and the balance would be paid by public funds.

In addition, significant volumes of resources are devoted to financing the financing and support structures created by the Government (BCPME, MNB, APME, etc.). These intermediate structures between the State and the beneficiaries are "fund consuming and inefficient. Streamlining of State interventions directed at supporting the private sector should be achieved by transforming and regrouping public structures within a single multi-functional technical organism or by intermediation of State intervention by banks and other financial institutions likely to ensure better selection and monitoring of files.

2.3.7- Increasing savings mobilization

The inventory of CEMAC's financial system shows an undervaluation of existing resources in the zone. The financing capacity which takes several forms (informal savings, capital held outside, significant resources from institutional investors such as insurance companies, etc.) is also made up of idle, unused savings, which largely explains the banks' over-liquidity situation.

In fact, existing and potential savings do not always find attractive investment vehicles. In particular, there is a lack of diversified and remunerative investments, a tax incentive policy, and a legal framework with all the guarantees of investment security; all of which explains the low level of savings mobilization, and, even more so, the modest mobilization of medium- and long-term savings.

To remedy this, it is important to:

- Endow CAMPOST and the Caisse de Dépôt et de Consignations (CDEC) with a mission to mobilize local savings;
- Motivate synergies with payment and/or electronic money institutions (mobile money, etc.) in order to optimize savings collection circuits;
- Accelerate land reform, as land is a basic stone par excellence for building up financial capital;

- Promote life insurance products, funded pensions, schooling insurance, etc.

- Establish a minimum tax-exempt portfolio invested in shares of national or regional companies or government bonds per household;

- Set up popular shareholding for some public companies (CAMTEL, CAMAIR-CO,...);

- Define a minimum rate of ownership by popular shareholders of bank capital and insurance companies;

- Encourage the development of products accessible to rural households: micro-insurance (crop, livestock, drought, funerals), funded pension scheme, money transfers via mobile phones, etc.).

- Operationalize the Caisse des Dépôts et Consignations (CDEC) created by Law No. 2008/003 of April 14, 2008 and organized by Decree No. 2011/105 April 15, 2011. Since then, the appointment of its corporate bodies is still pending. Through its missions of collection, conservation and management of administrative deposits (guarantees for public contracts, candidacy for elections,...), legal deposits and deposits (counterpart funds, funds from inactive bank accounts, funds from the liquidation of public companies, ...), it could play an essential role in mobilizing savings in Cameroon and directing them to the productive sector. More than ever, GICAM recommends the operationalization of this important tool through the appointment of its governing bodies (Board of Directors and General Management).

2.3.8- Structuring the financing of Decentralized Territorial Communities (CTD)

The decentralization process reached an important milestone with the adoption of Law 2019/024 of December 24, 2019, on the General Code of Decentralized Territorial Communities. While the main issue is that of skills transfer another challenge is the financing of decentralized territorial communities (municipalities, regions) and their financial and budgetary autonomy. In spite of the general decentralization allocation for the partial financing of the CTDs, which is provided with a minimum of 15% of government revenues, the need to find public and private instruments for financing their development outside of fiscal and parafiscal revenues is now a necessity.

Indeed, one of the challenges for CTDs is the availability of sources of financing on affordable terms and the ability to use them wisely.

It would thus be appropriate to:

- Increase the envelope of financial and non-financial transfers from the State to the CTDs: the envelope could be increased from 15% to 30% in order to support the transfer of skills to the CTDs and, above all, to give them the means to efficiently launch infrastructure projects in priority sectors (roads, water and energy, health and education). Similarly, the transfer to the CTDs of the land assets belonging to them must be accelerated in order to strengthen their capacity to mobilize financing.
- Transform FEICOM into a credit institution at the service of CTDs: FEICOM would then be able to confidently equip itself with the organisational tools that will enable it to mobilise funds and to place them effectively at the service of the CTDs, via an adapted organization and tools.
- Create a Cameroonian Agency for Local Financing (ACAFIL): ACAFIL would be responsible for supporting the financing of CTDs, particularly on the financial markets, by offering them services (advice, investment, guarantees, etc.), including intermediation services, with a view to enabling CTDs to benefit from better financing conditions thanks to a first-rate rating and better risk management.
- Authorize CTDs to use participatory financing: this would essentially take place in the context of financing public services in education, health, or arts and culture, with tax incentives for companies and even individuals.
- Set up a Local Finance Committee/Local Finance Observatory: this is a framework for consultation between the CTDs, the State and the private sector with a view to making direct local taxation operational for the benefit of the CTDs and to collecting, analyzing and sharing data on local finances.

2.4- Insurance market development

Insurance companies are faced with a serious issue of a lack of insurance culture from customers in the areas they cover. Self-insurance is costly to community,

individual and company and the victim must make way for compulsory insurance. State should help insurance companies by using its services to improve regulatory control.

The main challenge remains the low penetration rate of insurance, mainly due to low purchasing power, a narrow middle class and an insufficient insurance culture. As a result, this sector does not assume its role as a provider of resources to the banking sector. Promotion of the insurance sector is achieved through:

- Defining a clear strategy on funded pension schemes;
- The initiation of an adapted taxation on life insurance plans;
- The introduction of contractual obligations from insurance (life insurance, operating liability, fire insurance, comprehensive rental insurance, construction insurance, etc.);
- The development of micro-insurance;
- The establishment of minimum social security for the population.

2.5- Skill and labor market development

2.5.1- Skill development

Globalization requires a new kind of educational leadership. The priority challenge for integrating globalization is that of knowledge mastery. To this end, it is essential to train visionary leaders, open to the world, able of managing change, anticipating it, to grasp the opportunities offer and protecting against the threats it poses.

For Cameroon in particular, it is importance of moving from the culture of the diploma and to adopt pedagogical approaches that are constantly reassessed. Indeed, to remain sustainably competitive, companies will have to be led by leaders able of operating in a turbulent and unstable environment.

Moreover, lessons learned from the Covid-19 pandemic have shown that it is now important for companies to find ways and means to integrate the management of such risks in any sustainable occupational health and safety management system.

At the national level, the reflection should be to understand the challenges and the need for the State and the companies to redesign their occupational safety and health management system by integrating the threats related to risks of various natures (health crisis, natural disasters, cyber-attacks, ...) and thus, to equip themselves with the appropriate capacities on the human and material level.

With a view to developing skills and strengthening human capital, the following recommendations are advocated:

- Rethink the system of learning and knowledge transmission, in the light of recent discoveries in cognitive processes and the above-mentioned developments, so as to ensure the success of all, so as to enable young learners, each according to their talents, to have the necessary weapons to participate actively in the global adventure of value creation;
- Promote educational content and vehicles for the transmission of knowledge in line with the economic, commercial, technological and geopolitical trends identified in the second part of this book;
- Modify the modes of promotion in society to encourage innovation, creativity, risk-taking and entrepreneurship, in contrast to the current system, which encourages positions of rents, privileges and a culture of connivance;
- Adopt policies to promote public-private partnerships for the development of vocational training institutes;
- Promote multimedia broadcasts to popularise the issues and challenges of emerging new technologies - digital, Internet, blockchain, biotechnology, nanotechnologies, renewable energies, etc. - to all strata of the population;
- Accelerate the professionalization of training and the creation of training centres in relation to the strategic axes and pillars of the IMP.
- Undertake an in-depth reform of the public system of intermediation in the labor market by reviewing the mode of governance of the

dedicated organizations (involvement of the private sector, decentralization, etc.) and building their financial and operational capacities;

- Adopt policies and strategies aimed at adapting the curricula from primary school level to the issues and challenges of this revolution; this means digital literacy for all strata of the population, without which it will be difficult to function in this society;
- Promote academic partnerships with universities and renowned international learning centres.

2.5.2- Labour market

Wage policy needs to be completely overhauled in the private and public sectors. Some provisions of the implementing legislation and the Labour Code are obsolete and no longer take account of any reality. Each sector of activity must have some flexibility to implement its branch agreements following the revision of the Labour Code, but this will have to be completed. These branch agreements will have to take into account the current low competitiveness of the private sector as well as inflation data.

In the search for ways and means to ensure the efficiency of the labour market and, more generally, to strengthen tripartite and bipartite social dialogue, it is important to review the issue of the representation condition of the workers and trade unions. While the social dialogue needs strong and representative social partners, workers and trade unions have weaknesses pertain to:

- Too many central trade union;
- The low rate of union membership in Cameroon;
- The weakness of their financial resources;
- The poor structuring of their secretariats.

GICAM advocates the establishment, supported by public funds, programmes to strengthen the technical and institutional capacities of workers and trade unions, in a more general sense, of representative structures of enterprises and workers.

2.5.3- Social security

Despite the difficulties that may hamper its implementation, social security is today recognized as a universal requirement because it corresponds to a vital human need and is a social and an economic catalyst indispensable for balanced growth. In Cameroon, as in most developing countries, the challenges relate to the extension of coverage²⁶, improvement of the benefit systems²⁷ and modernization of the system. Moreover, the system covers only a minimum number of benefits and its management is crippled by burdens that negatively impact on its efficiency.

This low coverage of the formal social security system leads to the development of palliative protection systems whether regulated or not, such as insurance, mutual health insurance, social savings schemes or tontines, social assistance funds of associations and the micro-finance system for the accident and illness component.

The authorities' long-standing desire to set up an effective social security system comes up

against the reality of an economy dominated by the informal sector, which accounts for 89.1% of workers. Recent reforms have been implemented to modernize the system and, above all, guarantee its financial sustainability (raising the maximum contribution, opening membership to informal sector workers, extending the contribution period, raising contribution rates, etc.).

Setting up a social security system requires special operating mechanisms represented by stable working relationships and the identification of a permanent income, on a contributory basis of the worker and possibly their employer.

Therefore, for the establishment of a social security system that is coherent (components articulated in a relevant way), solid (based on appropriate financing), and sustainable (generalised to the majority of the population), GICAM recommends:

- Greater involvement of the private sector in the governance of the institutions managing the social security system;

In Côte d'Ivoire, a reform of the social security system in 1999 made it possible to switch to a completely private management mode. The Ivorian system is now managed by the social partners. It is the board of directors that appoints the manager, the State having conceded management to the private sector, which has a roadmap and objectives to achieve.

- The definition of a strategy to extend social security in concentric circles by gradually making some coverages compulsory and adopting specific products for each profession;

- The reorientation of some existing taxes (excise duties in particular) to finance universal health coverage (or at least certain benefits); improvement of the organization of existing sectors, but also the establishment of non-existing sectors;

- Decentralization to address the needs of participatory and local management;

- Etc.

2.6- Digital Economy

Despite the advantage it now enjoys from the impressive fibre-optic backbone, Cameroon still has a low ICT Development Index and remains poorly ranked in the WEF ranking based on the degree of integration of ICTs in development policies. The weaknesses are the following:

- Relatively low penetration among businesses and households;

- Excessive use of pirated software;

- High tariffs on the cell phone market;

- Insufficient integration of the different solutions;

²⁶ In 2005, the coverage rate was estimated at only 16.4%. In 2010, NSIs estimated that less than 5% of the population aged 65 years had received a pension.

²⁷ In Cameroon, the social welfare system covers only three sectors: occupational accidents & diseases; family benefits; and old age, disability and death. There is no unemployment insurance and, more seriously, no universal health coverage.

- High vulnerability to security threats;
- Regulatory deficits in certain market segments, including the monopolistic structure of the national and international bandwidth access market;
- The weakness of the local digital content development industry;
- The low level of dematerialization of public services;
- Etc.

Proposals

In a volatile, ambiguous and uncertain world where digital technology is being used in all social and economic sectors, Cameroon's economic emergence is closely linked to its capacity to deploy a shared National Plan for the digitalization of the economy. The ambition of this Plan should be to promote an optimal use of available technologies and their integration in all strata of society so as to ensure a two-digit contribution of digital in priority national economic sectors.

As the digital economy has been identified as one of the priority sectors in the Master Plan for

Industrialization, the National Digitalization Plan will have to be based on objectives affecting all targets:

- Populations: improved quality of service and lower digital costs;
- Business: increased productivity, efficiency and better interaction with administrative and government services;
- Government: stronger proximity and better service to citizens and business
- Country: better positioning in the rankings, improved attractiveness and visibility.

In addition, and in view of the rise in cyber-crime, which by 2018 will have become the most flourishing criminal industry, the National Shared Digitalisation Plan must be must go hand in hand with a national cyber security policy.

Ultimately, on the basis of a joint evaluation, the targets of the Digital Cameroon Strategic Plan must be broadened and projected on the horizon of the new national Post GESP strategic framework.

Box: Baselines and targets of the Digital Cameroon 2020 Strategic Plan

The Strategic Plan for a Digital Cameroon by 2020 developed in 2015 by the Ministry of Posts and Telecommunications had set the following targets to "Make Cameroon a digital country in 2020":

Indicators	2016		2020
ECONOMIC GROWTH			
Digital contribution to GDP*	5%		10%
Number of direct jobs digitally created	10,000	➔	50,000
Average annual tax contribution of the sector	CFAF 136 M		CFAF 300 M
SOCIAL PROGRESS			
% of households with Internet access	6%		20%
% of high-speed Internet access in large companies	ND		95%
% of population with fixed broadband access at home (at least 2 Mbits)	4%	➔	10%
% of population with mobile broadband access	ND		65%
Rural population served by community access point	47,000		10,000
Average cost of Mbit/s per month (CFAF)	23,000		10,000
INTERNATIONAL POSITIONING			
e-Government Development Index (EGDI)	0.2782		0.50
Networked Readiness Index "NRI"	3.0	➔	4.50
Cyber security index "GCI"	0.4118		0.65

Source: Strategic Plan for a Digital Cameroon by 2020

To this end, GICAM makes a number of proposals based on three axes:

Axis 1: Economic and regulatory framework conducive to healthy and fair competition

The recommendations concern:

- Sanitation of telecommunications and ICT sector through the implementation of healthy and fair competition;
- Definition of the wholesale and retail markets and a pricing policy (price) geared to the costs of services, so as not to weigh on the housewife's shopping basket, the final consumer and private enterprise;
- Reorganization of the management of optical fibre in order to make it fair between the various operators, in particular by repositioning the public company CAMTEL;
- Improvement of transparency and the restoration of equity in the allocation of licences and healthy and fair competition (CAMTEL should pay, like the other players, the fees to obtain its 3G and 4G licences);
- Strategic and organizational audit of CAMTEL to better define the future orientations of this company in the ICT landscape in Cameroon;
- Setting up of clear regulatory conditions for the exercise of the electronic banking business by mobile phone operators who would like to enter this sector;
- Monitoring of the implementation of the digital development plan at the highest level;
- Etc.

Axis 2: Reorganization of the digital sectors

With the emergence of new players and new services, it is necessary to:

- Improving accessibility to bank products through digital banking and micro-financing;
- Securing of land tenure through the implementation of a system linking the digital processing of records to their spatial codification;
- Simplification of administrative procedures;

- Modernization of payment tools for public services;

- Reorganisation of this sector of activity and the integration of sectoral regulation mechanisms (telecoms, monetary, education, health, etc.). As an example, banking services call upon several supervisory bodies with non-integrated prerogatives, thus leaving the field open to uncontrolled areas and a fertile ground for tariff deviations, cyber security, and monopolies of activity;

- Etc.

Axis 3: Promotion of local content

The aim is to encourage technology transfer to local businesses, the development of local content and the promotion of the "made in Cameroon".

In terms of indicators, it will be necessary to broaden the indicators already retained in the Strategic Plan for a Digital Cameroon by 2020 by integrating in particular:

- Indicators to assess progress in terms of e-Government, i.e. services rendered to the citizen and the company;
- Indicators to measure the use of digital technology in private companies and the impact on their performance and productivity;
- Indicators to measure the appropriation of digital technology by populations (digital literacy) in general and the weight of ICTs in the household basket in particular.

2.7- Physical infrastructure

The question of infrastructures is at the heart of the challenge for the emergence of Cameroon. The state of the various categories of infrastructure in Cameroon, the associated challenges and issues, and their perspectives were discussed in the first part.

Proposals

In the light of these developments, accelerating infrastructure development and strengthening the government's capacity to plan and implement related projects has been identified as one of the priority areas.

Cross-cutting reforms include the following:

- Establishing a multi-year plan (five or ten years) for the development of road and rail infrastructure in order to provide Cameroon with roads that meet international standards and have a long working life.
- Boosting alternative modes of infrastructure financing, in particular, private sector participation in the financing of infrastructure through the promotion and effective implementation of Public Private Partnership (PPP) contracts;
- Also using PPPs or concessions for the management of some infrastructures such as car parks, airports, toll stations, etc.
- Reviewing the financial conditions for the maintenance of roads, ports and airports through joint public/private management (semi-public company) and digitalisation;
- Open up a broader reflection on the issue of the availability of land holdings and compensation for infrastructure development;
- Study more rigorously the leverage effects arising from each type of infrastructure in a given Region, population and economic sectors;
- Establish an infrastructure development fund to be financed by resources from budgetary economies, efficiency gains in customs revenue control, telecommunications, etc.

Specifically, the following recommendations are made in the different areas and for different types of infrastructure:

Road infrastructure:

- Emergency rehabilitation of the Douala-Yaoundé and Douala - Kribi by Edéa axis, as well as the extension of the Kribi-Yaoundé axis; while consider the use of public-private partnership (PPP) contracts;
- Use the BOT formula with a private toll system to enable the consolidation of these two axes by a two-lane motorway, so as to strengthen the regional role of the autonomous ports of Douala and Kribi;
- Urgently undertake urban development schemes to reserve the necessary space to serve industrial and housing areas in the main cities;

- Develop and finalise the CEMAC integrator network:

- o Sangmélina-Souanké/Ouessou road on the Yaoundé (Cameroon)-Brazzaville (Congo) corridor;
- o Maroua - Kousseri road on corridor No.1: Douala - N'Djamena;
- o Garoua Boulāï – Baboua road on corridor No.2: Douala (Cameroon)-Bangui (CAR);
- o Bata – Kribi road on corridor No.3: Douala(Cameroon)-Bata (Equatorial Guinea);

- Preparing the construction of a third bridge over the Wouri River to enable the city of Douala to truly play its role as the economic locomotive of the sub-region;

- Etc.

Rail infrastructure:

- Developing the railway loop in the CEMAC zone (WAEMU type):
 - o Extension of the Cameroonian railway to N'Djamena over a distance of 684 km;
 - o Extension of the railway from Ngaoundéré to Moundou over a distance of about 400 km;

- Upgrading the Douala-Ngaoundéré section via Bertoua, developing the Edéa-Kribi, Douala-Limbé, Kribi-Mbalmayo and Mbalmayo-Mbalam sections in accordance with the programme set out in the national railway master plan;

- To reinforce access to the port of Kribi by the construction of a railway line so as to enable the new deep-water container terminal and third quay project to play its full role as a major sub-regional port;

- Etc.

Maritime and river transport:

- Dematerialize port procedures and operations by setting up Single Windows in order to reduce costs and transit times;

- Explore the potential of the port of Limbe which has undeniable assets such as an easier connection to Douala;

- Draw up and implement a development plan for river transport, which will include the fight against pollution of the underlying water

- Etc.

Air transport infrastructures:

- Modernise airports and mainly the airports of Douala and Yaoundé, possibly using public-private partnerships (PPP);
- Develop/rehabilitate airport infrastructure in the main cities of Cameroon (Bafoussam, Garoua, Bamenda, Ebolowa, etc.);
- Revisiting the governance model of the national public company by adjusting the conditions for private sector involvement;
- Etc.

Maintenance infrastructures and other services to industries:

- Reform the CNIC by opening its capital to private investors, based on a rigorous bidding procedure.

Telecommunication:

- Impose the laying of fibre-optic in major urban centers;
- Systematize the reservation of space for fibre-optic in road renovations and in the renovation of water and/or gas pipes;

Water:

- Strengthen investment in the water sector in order to modernize existing installations and extend coverage throughout the country.

Energy:

- Put in place a multi-year energy plan, including the construction of power generation capacity and the rehabilitation and extension of transmission and distribution networks;
- Put greater emphasis on the promotion of other energy sources, especially renewable energies (solar, wind, biomass, etc.) in order to improve the national energy mix.

Building materials:

- Support the local manufacture of building materials to reduce their costs and increase their competitiveness;

- Facilitate the obtaining of industrial quarrying authorizations;

- Create a National Wood Board of Cameroon (ONBC) which, as in other countries, would manage supply and demand.

Real estate and social housing:

- Define a new plan to revive the real estate sector;
- Establish a coherent urban space management policy and ensure the application of administrative measures in urban development;
- Complete the social housing construction programmes in accordance with the Terms of Reference of the various specifications;
- Defining an audit system for the equipment used by builders to ensure that standards are respected;
- Etc.

Land:

- Proceed with the land reform planned for several years with a view to simplifying procedures for access to land for agricultural and industrial projects, strengthen the security of rights and better supervise conflict resolution procedures;
- Define and popularize the modalities and criteria for access to land reserves already constituted by the State for the development of agricultural and industrial projects;

2.8- SMEs and entrepreneurship

It is to be welcomed the consensus which seems to exist today between the various players on the inescapable role of SMEs in promoting employment, growth endogenization and capitalising on the efforts made in relation to major projects.

Sharing the observation that, without the development of SMEs, one cannot hope to have a national industrial and commercial apparatus able of guaranteeing sustainable development and an improvement of living conditions through the creation of decent jobs, GICAM recommends, specifically and in addition to the place to be given to SMEs in the three pillars of the proposed new economic model, to pay particular attention to the three problems concerning SMEs: protection, taxation and finance.

Protection

The issues essentially concern the effective activation of levers such as the protective state through the introduction of real protection measures and the consumer state through the increase in consumption of local products by administrations, promotion of subcontracting, promotion of local content, protection of minority local investments, promotion of the solidarity economy, reduction of uncontrolled imports and pooling of their resources by SMEs.

Hence the following specific recommendations:

- Develop and implement a plan for the integration of Cameroonian SME/SMLs in the value chains and in particular the three proposed pillars;
- Promote the local content of projects (sub-contracting and/or co-contracting by national companies and industries, involvement of local skills, national products in public procurement, etc.) to bring it to at least 30% of projects²⁸, particularly in major projects (infrastructure, oil, mining, etc.) and in public procurement. To do so, draw on international and regional best practices;
- Densify and harmonise the public provisions for support and technological and organisational upgrading of national SMEs/SMLs;
- Support the involvement of professional and employers' organisations in supporting SMEs;
- Take trade defence and protection measures against practices distorting competition (dumping, subsidies, massive increase in imports, etc.).

²⁸ Circular No.002/PM of February 15, 2012 outlining the modalities for promoting sub-contracting in the area of partnership contracts and contracts negotiated within the framework of the application of other investment incentive schemes. However, several factors greatly limit its application: the inaccuracy of the Public Procurement Code, the lack of quality of the Tender Documents, the almost always urgent nature of some works, etc.

Box: CDPME, the secular arm of the Employers' Association for the support of SMEs and the promotion of entrepreneurship

The Small Business Development Centre (CDPME) is the specialized body of GICAM in charge of federating, accompanying SMEs and supporting Entrepreneurship. Officially launched on April 17, 2018, the CDPME relays and built on experience acquired from the Business Advisory Services (BAS) which was, until then, the structure of Support and Assistance to Small and Medium Enterprises.

CDPME deploys various support programs for the upgrading of SMEs. It also offers specific services for women entrepreneurs, project leaders, the diaspora and future retirees.

Its main areas of deployment are as follows:

- *The reinforcement of the competitiveness of the SME/SMI;*
- *Support for research and development of funding opportunities;*
- *Development of business opportunities;*
- *Organization of thematic meetings;*
- *Support for entrepreneurship;*
- *Promotion of responsible business relations between SMEs and large companies;*
- *Advocacy for taking into account the specificities of SMEs in reforms to improve the business environment in Cameroon;*
- *Monitoring and dissemination of information useful for decision-making;*
- *Development of synergies for initiatives between SMEs;*
- *Advisory support to the diaspora and business intelligence.*

CDPME serves as a starter for Small Businesses and Industries and accompanies them towards a size and a level of structuring allowing them to become full members of the Group. Proximity, listening, responsiveness and adaptability are at the heart of its interventions.

Taxation

Taxation is even more prohibitive for SMEs. Numerous taxes are added on top of each other and despite their good will, SMEs/SMIs are struggling to pay taxes properly. The challenge as far as they are concerned is the adjustment to take into account their economic realities.

The current organization of the tax authorities illustrates this need. SMEs are considered as entities with a turnover between CFAF 50 million and CFAF 3 billion. At the same time, Law No.2015/010 amending and supplementing certain provisions of Law No.2010/001 of April 13, 2010 on the promotion of SMEs in Cameroon

distinguishes three categories of SMEs: the Very Small Enterprise (VSE) which employs a maximum of 5 employees and whose turnover does not exceed CFAF 15 million, the Small-sized Enterprise (SE) which employs between 6 and 20 employees and whose turnover is between CFAF 15 and CFAF 250 million and finally the Medium-sized Enterprise (ME) which employs between 21 and 100 people and whose turnover is between CFAF 250 and CFAF 3 billion.

The inclusion of all SMEs in the same register by the current tax system naturally leads to the non-inclusion of the realities of the various categories of SMEs and therefore an unsuitable tax system.

Thus, GICAM proposes to:

- Redefine the SME at the fiscal level by making a real distinction according to whether one is in the presence of VSE, PE or ME;
- Modify the income tax system of SMEs according to the type of SME (flat tax whose determination methods should be reviewed for VSEs, implementation of a reduced tax rate applicable according to whether one is a PE or ME with a minimum of collection also specific by providing for example conditions relating in particular to the maintenance of jobs and to the training of the staff);
- Simplify the procedures for access to the real property scheme allowing VAT recovery;
- Continue to simplify and modernise tax administration procedures;
- Abolish the principle of withholding tax for VAT, which introduces a glaring inequality between taxpayers, dries up the cash flow of SMEs and has a negative impact on the activity of collection companies, and therefore mainly SMEs;
- Provide for a reduced income tax for individuals or legal entities investing in SMEs (reduced rate of tax on revenue of Movable Capital applicable to dividends and interest on current account advances);
- Promote consideration of the specificities of SME/SMLs in the trade facilitation process by taking advantage of the provisions of the Trade Facilitation Agreement (TFA) and the revised Kyoto Protocol.

Financing

Quantitative and qualitative information appears to be the factor that differentiates SMEs from large enterprises. This factor explains both price rationing through the application of risk premiums and quantity rationing due to failure rates.

The winning strategy would therefore involve the development of an ecosystem around the improvement of the business climate, strengthening of SME capacities, development of the financial sector and inter-firm relation quality improvement.

One of the major challenges for SME/SMLs is to build a relationship of trust with bank through transparency and a reimbursement habit. Therefore, six (6) recommendations deserve to be formulated:

- Promote financial and culture education among SME/SMLs;
- Strengthen financial information systems on SME/SML;
- Improving domestic public debt processing;
- Complement the banking system and strengthen alternative financing mechanisms for SMEs;
- To promote the support of SMEs/SML; by large companies and encourage the development of quality business relations between the two categories;
- Introduce regulations on payment periods for receivables.

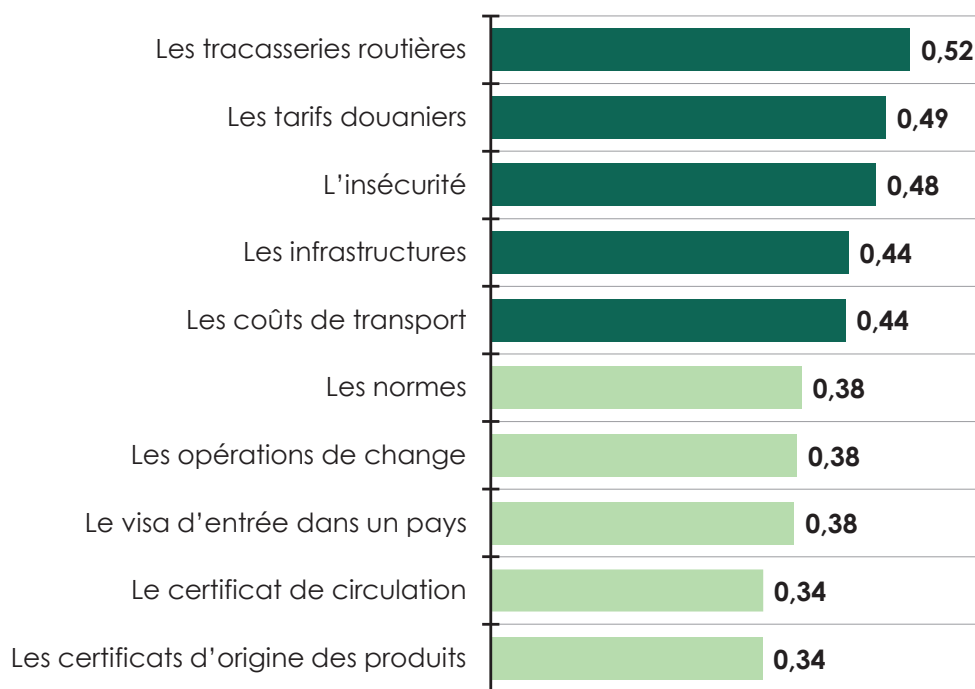
2.9- Subregional integration and export promotion

2.9.1- Subregional integration

Cameroon, like most African economies, suffers from a low level of trade with other African countries. The exchange rate between the 6 CEMAC countries is one of the

lowest on the continent (less than 1% according to the CEMAC commission compared to 15% for the West African region²⁹). This lack of vitality can be explained by the reluctance of some States to implement the resolutions on the free movement of persons and goods, as well as by the lack of infrastructure, which greatly limits intra-Community trade.

Figure 32: Severity Index of Barriers (ISO) to trade between Cameroon and the rest of Africa



Source: Global Business Survey, GICAM - EGE 2019

In order to support sustainable and job-creating growth, Cameroon must exploit its leadership position in the CEMAC zone. Cameroon's trade development and diversification policy should be based on strengthening sub-regional and regional integration and looking for business opportunities or raw materials in European, American or Asian markets.

Regional integration should first and foremost involve the consolidation of the CEMAC region by ensuring that it makes the most of the benefits of treaty provisions on the free movement of people and goods. To this end,

the Cameroonian Government remains fully responsible for stimulating of this integration dynamic and imposing itself by assuming its leadership in the sub-region by starting with the concept of regional port and airport hubs.

The second challenge is the market of the Economic Community of Central African States (ECCAS) with high-potential growth markets such as those of the Democratic Republic of Congo and Angola.

The third challenge is the intensification of economic relations with Nigeria of the EPA type and their channelling towards formal channels.

The inter-regional trade development policy could then be extended to the West African sub-region, Southern Africa, East Africa and North Africa. On the financial level, the pooling of the two CEMAC stock exchanges is already being noted.

In general, Cameroon must deploy its economic and commercial diplomacy around a number of axis, including:

- Taking the leadership to drive and promote at the level of the Heads of State of ECCAS countries solid policies and institutions aimed at deepening integration and stimulating the development of this region so as to create a viable regional market;
- Completion of the Central Africa Consensual Transport Master Plan (PDCT-AC), adopted jointly by CEMAC and ECCAS in 2004, of which a little over 60% has been achieved (which provides for the completion of 14 inter-capital links);
- The construction of regional transport infrastructure (road and rail, ports, airports, etc.) enabling Cameroon to fully play its leading role in consolidating regional integration³⁰ ;
- The promotion of strategies for negotiating economic, financial, monetary and trade agreements with third parties with regional roots, focused on deepening integration and economic and social development in the region;
- The inter-regional trade development policy could then be extended to the West African sub-region, Southern Africa, East and North Africa.

- The promotion of bilateral monetary arrangements (e.g. clearing houses) to facilitate transactions and trade between member countries of the region;

- The creation of regional funds for infrastructure development (energy, railways, roads, ICT);

- Harmonization of fiscal, trade and information and communication technology (ICT) regulations.

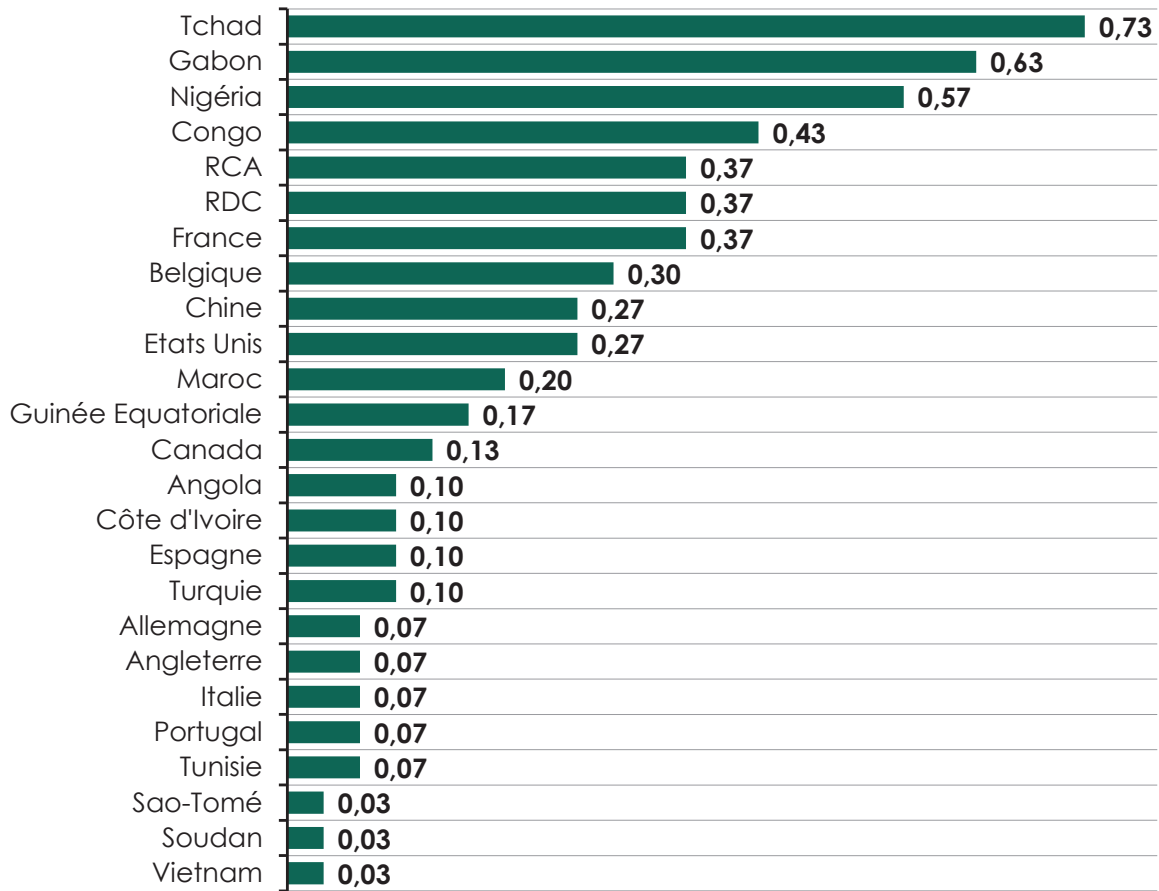
2.9.2- Export promotion

States such as Côte d'Ivoire, Burkina Faso and Ghana have moved resolutely towards export promotion. Cameroon should draw inspiration from their "know-how" to set up export incentives and appropriate logistics. Potential exporters should be informed about the various agreements currently available (CEMAC, ECCAS, AGOA, EPAs, etc.) in order to make the most of them.

It should be stressed that the development of exports will improve the balance of payments and the cash flow situation of banking sector and State. A structured programme of assistance to exporting companies will have to be put in place by all the related ministries.

³⁰ -Kribi-Campo-Bata road, bridge over the Ntem river
- Sangmélina (Cameroon)-Souanké /Ouessou (Congo) road
- Garoua Boulai (Cameroon) - Baboua (CAR) road
- Extension of the Cameroonian railway to N'Djamena
- Extension of the railway from Ngaoundéré to Moundou
- Interconnection of the Belinga (Gabon) - Mbalam (Cameroon) railways
- Construction of the Bata (Equatorial Guinea) - Kribi (Cameroon) railways

Figure33: Country Preference Index (CPI) with which companies wish to guide themselves



Source: Global Business Survey, GICAMEGE 2019

With regard to imports, a review of strategic products necessary for Cameroon's development should be put in place. For example, customs duties on machine tools, computers and means of communication should be reduced and technology transfer should be imposed in some strategic sectors.

The introduction of digitalization in the various sectors favourable to exports must also be effective for the promotion and positioning of the "Made in Cameroon" label.

2.9.3- Trade agreements

In order to conquer foreign markets, Cameroon must build on existing Trade Agreements and consider new ones with its major trading partners. Among the existing agreements, the Economic Partnership Agreement (EPA) signed with the European Union (EU) stands in good position.

The Economic Partnership Agreement (EPA), a free trade agreement resulting from the Cotonou Agreement, which is in the process of replacing the former Yaoundé and Lomé Conventions, aims to abandon unilateral preferences, apply reciprocity, strengthen regional integration, and open our market in a progressive, gradual manner while maintaining a minimum of protection for previously identified production sectors.

It must regretfully be pointed out that Cameroon remains the only CEMAC country to apply the EPA even though the initial agreement was

intended to be regional. Moreover, the development component of this Agreement still needs to be consolidated, especially the additional support aimed at strengthening the competitiveness of companies and the question of the net fiscal impact. Beyond these aspects, it is now a question of looking into the advantages and opportunities available to Cameroon so that it can take advantage of them. As a result of the implementation of the EPA with the European Union, economic operators have various facilities for importing processing equipment, especially agricultural products and tools.

To develop its industry, the implementation of these agreements should enable the Cameroonian industry to update itself in order to conquer the EU area and find opportunities in this area and elsewhere in the world. More than a bonanza, Cameroonian companies must rapidly learn from requirements of the European market and harmonizes its standards and requirements, thus ensuring their competitiveness.

In the drive towards openness, the consolidation of relations with Nigeria must become a priority. With a devalued currency, Cameroon offers a real advantage to Nigerian products which become more competitive and flood the Cameroonian market. In view of this rather detrimental geographical proximity with Nigeria, Cameroon must also develop a new approach in its economic relations with this large neighbour.



Chapter 3 :

Advocacy for government acting as strategist and Renew and efficient Economic and Social dialogue

The processes of elaboration and implementation of economic, corporate and social policies can only reach their optimum with a strategic State, a catalyst of entrepreneurial, social and inclusive prosperity dynamics, and of strong, legitimate and representative employer and worker representations.

These two conditions pave the way for a third, the existence of an effective and fruitful public-private dialogue. This dialogue is divided into two components: the State - Private Sector dialogue which covers the fields of the economy and business, on the one hand, the tripartite social dialogue which brings together the State, employers' organizations and workers' organizations around labor issues and industrial relations, on the other hand.

3.1- The need for the Government to act as a strategist

As an economic actor, the State, for years, faced with an embryonic or developing private sector, has found in economic power a means of mobilizing the people and consolidating its legitimacy. As early as the mid-1970s, it has strengthened this economic power at the level of redistribution by using the oil rent. At that time, it refrained from exercising in due course the option taken under the creation of SNI, to reassign to the private sector part of the titles of ownership of Public and Para-statal companies held by SNI.

The resulting crowding out of the private sector may, to some extent, explain the delays in Cameroon's competitiveness. Even when privatizations take place in a context where public finances are characterized by a chronic budget deficit and where the public sector is dispersed, exaggerated, unproductive and crippling, they are conceived in a regressive logic of the State abandoning its objectives of economy building, and not as a means to boost the economy by spreading efficiency in the productive structures, on times of opening up the economy.

Indeed, the demands of an open environment raised the question of the competitiveness of Cameroonian companies and behind this questioning, is the role and redeployment of State. State has certainly taken these changes into account through the commitment at the end of the 1990s, with a vast programme of liberalisation of the economy

and the clean-up of the business environment, as well as the improvement of the relationship between companies and administrations. Even if outcomes have not yet come up to expectations. The problem therefore remains unresolved.

We do not believe in the State as manager of companies, even if we admit that, under some conditions, it can be so in sectors under national sovereignty or charged with a social utility that is incompatible with the logic of the private sector's operation. The more the State persists in creating or running companies, the more deficits it will generate. And when there are large deficits that need to be covered, the collective fiscal effort is misused to subsidize these deficits. As a result, the tax burden increases and it is the national authority that bears the cost, without the State being able to deal effectively with its sovereign missions due to the dispersion in its action

With regard to the latter, there is a problem of inefficiency in the deployment of government action, which is reflected either in the accumulation of considerable delays in the implementation of initiatives (projects/programmes) announced by the Government, or in the implementation of initiatives that are not consistent with the political vision announced by the political authority at the top, or simply in projects announced without a future.

The same inertia is observed whether in terms of monitoring concessions for basic infrastructure services or the turnaround management of public companies, or progress in other areas such as decentralisation, land management, social housing, health, infrastructure, implementation of action or emergency plans, monitoring of roadmaps or specifications, etc. The result is a reduction in the economic and social impact of government action at both household and enterprise level.

This phenomenon, which is worsening over the years, is linked to the quality of the institutional environment, be understood as the strategic capacity of the government (all institutions of public governance) to achieve a vision and its multifaceted goals: economic, social, societal, etc., through the effective mobilization of human, material and immaterial resources, including organization, procedures, decision-making processes, planning, goal setting, execution, monitoring of execution, coordination, impact assessment, etc.

The illustrations of this drift are numerous and multifaceted. This is the case for the initiatives announced that relate to infrastructure projects, the opening up of production basins, the creation of financing structures for agriculture or VSEs, etc.

Very recently, the withdrawal of the organization of the 2019 Africa Cup of Nations from our country and the delays experienced subsequently, mark a turning point in the perception of the management of public affairs. This is why GICAM continues to plead for the urgent adoption of a set of strong measures:

- To give more clarity and coherence to government action,
- Undertake a drastic reduction in the State's lifestyle, in particular by forming a tighter Government, and a better rationalisation of public expenditure, which, moreover, are prerequisites for a reduction in the tax burden,
- Putting the company at the heart of economic policies.

In a word, GICAM is calling for the advent of a strategic State, a facilitator of private initiative and entrepreneurship, and a guarantor of social peace.

Indeed, GICAM is convinced that the State must now endorse the concepts of efficiency and effectiveness. The State must find in these concepts new sources of legitimacy and dogmas for a new type of interventionism in governmental and administrative, as well as in economic matters.

We advocate that the State's action should resolutely converge towards a role of defining a long-term vision, of coaching and encouraging the economy, and of assisting the most disadvantaged sections of the population. In so doing, it will pave the way for the emergence and the affirmation of an economic agent, the private sector, which must now assume its responsibilities by consolidating its production effort, in particular through the implementation of organisational strategies and investment in high value-added productive sectors.

3.2- The need of an Agenda for GICAM

GICAM's ambition is to be the reference point for the defence and promotion of the interests of the company, and the place where the voices that contribute to the development of the private sector can be gathered and expressed.

General situation of Private Companies

Despite the dynamism and diversity generally recognized in the Cameroonian private sector, one of its weaknesses is that it is uncoordinated, to the detriment of the messages conveyed on behalf of the company and entrepreneur. This important contributor to GDP and tax revenues has not yet realized its real weight in the conduct of public affairs.

These strengths are not yet adequately capitalized in dialogue with the public sector because of various weaknesses, including the disparity of culture among entrepreneurs (due to the nature of their business activity - traders, exporters, non-exporters, the size of their enterprise, SMEs or large local or multinational companies), the absence of a clear community of interest or common identity, the unequal apprehension of the weight of the private sector in the economy and of the need for a public counterpart (infrastructures and policies) to ensure the growth and competitiveness of companies, the unequal apprehension of the challenges for the private sector of recent economic and political changes, and of its role in the development of economic policies, the search for rents and the promotion of individual agendas, the culture of non-transparency conceived as an advantage.

These weaknesses have encouraged the continuous marginalization of the private sector in the public policy processes that affect its growth and competitiveness. This phenomenon is often clearly attested in events involving the public authorities and the private sector. This was the case during the preparation and organization of the International Economic Conference held in Yaoundé in May 2016, at the initiative of the Cameroonian government. Many leading figures from the private sector openly complained about this in the media following this event.

Most importantly, these weaknesses combine to prevent the private sector from developing a community of interest, building a common identity, and strategic approaches to business promotion. This also reduces their ability to form a united front to jointly address common obstacles to improving the business environment and promoting private companies. For all these reasons, GICAM faces four (04) major challenges:

The first challenge is to explain and affirm "the Enterprise" by the role and place it holds in the economy and in the country. More than ever, the Enterprise has become the engine of wealth and job creation. Wealth creation is the growth we need, and this is now commonly accepted. On the other hand, it is not said enough, employment is purchasing power, social security, training, self-esteem, social status, and employment remains the best social multiplier and the best factor for a country's stability. It must therefore be recognised for what it is.

GICAM's second challenge is to promote the restructuring of the business and professional representation in Cameroon and, in so doing, to build a collective force for the promotion of Cameroonian private companies. To this end, it will have to help the whole of the Cameroonian private sector to understand the issues and challenges of the companies and stakeholder, in order to develop a community of interest, and to build institutional and technical capacities to strengthen this community of interest,

The third challenge is to overcome many false images that have "polluted" the collective imagination or subconscious about the private entrepreneur. In this perspective, GICAM will have to make the promotion of private initiative a great cause of national interest. On that point, appropriate communication strategies will have to be deployed so that this revolution will take place at the level of public opinion. GICAM's fight will be all the easier to be led by civil society and widely public when they will integrate the two principles, contrary to popular belief:

- Firstly, that wealth cannot be created by rent and distribution, but by innovation, creativity and risk-taking, which are the merits of the stakeholder;

- Secondly, that the driver of development lies in the freedom and trust granted to individual initiative in a society.

In support of the promotion of this great cause, other information and communication events, such as seminars or media programmes, will be organized on related subjects such as business ethics, clustering, negotiation, culture of transparency, understanding of the issues and challenges of business today, etc.

GICAM's fourth challenge concerns the organization of the General Assembly of private company in Central Africa. This would be an international meeting, and GICAM would mobilize Employers' Association of CEMAC. Their ECOWAS counterparts would be invited, together with representatives of the respective governments and international partners (Europe, Americas, Asia). Subject to its final configuration, the objective of this meeting would be to reach a regional consensus on the role of the private sector in promoting growth and employment. This would include reflection on the following issues, which are linked to the societal goals chosen and to the capacity of African societies to meet the challenge of growth and job creation, with a view of best hopes for next generations:

- Is it relevant to continue to be annuitant and consumer companies at the end of the chain? (Scenario 1)
- Wouldn't it be better to become companies of producers and creators of value in all areas of the human adventure? (Scenario 2).

Which scenario do we choose collectively? Do we choose to continue with a consumption or windfall economic model, or do we choose to become an entrepreneurial economy, able of taking risks, creating and innovating?

Whether they are from the public sector, the private sector, the world of workers or civil society, the vision or purpose of the activities of these different actors will only be a mirror of our collective choice, of our societal goals. The policies, strategies and action plans of the different actors will result from this, each in its activity area.

This choice will have implications in growth, jobs and social progress, as it will determine mentalities and behaviors, institutional business environment, skills and orientation of training, quality of the administrative and economic elite, its mode of recruitment and evaluation and social promotion.

State cannot carry out this type of revolution alone. Moreover, it can be observed that the countries that have been most successful in implementing the reform agenda are those that have made dialogue and consultation with non-state actors a tool and an approach for the development and implementation of economic and social policies.

As targets and beneficiaries of state policies, non-state actors-businesses, employees, civil society-are well placed to express their needs and expectations. However, State has not acted in recent years in the sense of a true recognition of the role and contribution of these actors on the development path it has mapped out for itself. In this case, GICAM notes that economic dialogue, at best, is stagnating, while tripartite social dialogue has narrowed over the years.

The great scale of the challenges linked to the Covid-19 pandemic suggests to what extent the resulting health and economic crises will have lasting effects on our society and economy. Some of its effects are already perceptible: human losses, loss of activities and negative results for companies, threaten employment. It will therefore be illogical to continue to postpone the implementation of the structural reforms already identified as well as the commitment of new measures imposed on us by the Covid-19 pandemic.

For all these reasons, the GICAM launches a double call for, on the one hand, the refoundation of the dialogue State - Private Sector and the reactivation of the tripartite social dialogue State - Employers - Workers, on the other hand.

3.3- Rebuild dialogue between State -private sector

The more the State consults and take into account the complaints of those who know the business world - first and foremost private sector organisations - the more relevant this environment will be. Experiences elsewhere show that the business environment is more favorable in countries

where the State associates the Employers' Association as a responsible partner in this work.

It is then the responsibility of the State to build and organize this dialogue between the State and the private sector, as the latter is an essential instrument for reforming the business environment and the economic governance of a country in general. But for this dialogue to be fruitful, there must be, on the one hand, the political will to dialogue on the part of both parties (the State and the private sector), with a shared vision of Cameroon's economic development, and, on the other hand, an environment of trust must be established between the State and the business community, far from the climate of mutual mistrust that obstructs their relations³¹.

Thus, in the wake of the structural adjustment plans, the Cameroonian Government set up bodies for dialogue, particularly from the end of the 1990s, including the Inter-Ministerial Committee extended to the private sector and bipartite bodies from the Ministries of Finance - GICAM, to name but a few.

As a result, the Cameroon Business Forum (CBF), a joint initiative of the Government and the SFI became operational in 2009. It is the major annual meeting that brings the Government and the private sector face to face, with international institutions. It has allowed us to ask good questions and to take a comparative look at our business environment with other countries through a range of indicators, in order to carry out in-depth reforms aimed at improving the business climate.

Nevertheless, it is clear that the results remain mixed despite the involvement of the Head of Government. Indeed, during all these years, Cameroon has continued to accumulate bad places in the Doing Business ranking, coming out in 167th place out of 190 in the 2020 report. This is the 3rd worst ranking over the last ten years, a period during which Cameroon did not do better than the 158th place, it was in 2015.

³¹ The willingness of these two entities to dialogue would be fake without any real practice of dialogue. Since the actors' accountability is ensured, it is important that the practice of dialogue be based on a mechanism that encourages the involvement and satisfaction of all. Several principles contribute to the achievement of this objective: the sharing of the agenda and timetable, the joint elaboration of implementation schedules, the contractualization of recommendations, established as the rule and not as the exception, the institution of a joint steering body that functions as such, and in-depth preparatory work prior to public and/or official meetings.

But, since 2017, GICAM has formally pleaded with the Prime Minister for reforms aimed at making the CBF more effective:

- First by strengthening its modus operandi, with greater upstream preparation of files, coupled with greater involvement of the private sector; and

- Secondly, by extending the scope of the CBF's reflection beyond the prism of the Doing Business indicators alone, so as to address all the aspects that underpin the quality of the business climate.

Thus, with a view to CBF 2019, it was decided to set up two separate monitoring committees, one reporting to the Doing Business stricto-sensu, the "Doing Business Committee", and the other reporting to the business environment, the "CBF Committee". Thus, the outlines of a transitional CBF were drawn, as a prelude to a new type of CBF 2020.

Today, in the face of the many economic and social challenges facing the government and the growing discontent of businesses, the urgency of rebuilding the partnership framework between the State and the private sector is more real than ever.

Thus, out of the ashes of the CBF, an innovative and effective public-private dialogue structure, placed under the authority of the Prime Minister, Head of Government, should be created to initiate reflections on the business environment in the full sense of the term and on private investment: the Cameroon Business Council, hereinafter referred to as "CBC" or the "Framework".

A bipartite institution chaired by the Prime Minister, Head of Government, and of which the President of the Employers Association of Cameroon would be the Vice President, CBC would form a permanent framework for high-level consultation between the State and the private sector.

Quality and role of the actors

Two types of actors are involved in the business world: employers' and professional organizations, and the Chamber of Commerce, Industry and Mines (CCIMA).

CCIMA is a public institution, whose President is appointed by decree of the President of the Republic. It is subject to the supervision and control of the Ministry of Industry. CCIMA's members are compulsorily registered in the Trade Register by virtue of legal obligations. In fact, CCIMA is the public institution through which the State is integrated into the national economic fabric.

Employers' Association is the emanation of the private sector, it federates companies. The voluntary nature of membership of an employers' or professional association is a guarantee that it is truly representative of its members and that it has full legitimacy to represent them, defend them and promote their interests, without restrictions or fears, assured that it has the political mandate entrusted to it.

So with that, in addition to their legitimacy, employers' organisations must be independent in order to act effectively. They can and must only submit to the will of their constituents. Employers' organisations must be representative of the national private sector, covering a broad spectrum of companies in all sectors of economic life, or of the economic branch in the case of professional organisations.

This explains why, in addition to its public nature and functioning, CCIMA does not have the vocation, in a bipartite State - Private Sector framework, to assume the leadership of private sector representation.

GICAM shares employers association representation with other organizations. Created in June 1957, it is the oldest employers' organization in Cameroon. GICAM is also the largest and most diversified, with almost all the most important professional associations, the largest companies in the country and also a large number of SMEs, the latter representing nearly 70% of the total membership. GICAM is the most representative employers' organization under the ILO and the one whose members have the highest tax burden. It is dedicated and assumes the leadership in representing the private sector in public-private dialogue.

A/ Missions and objective of CBC

The mission of the CBC will be to strengthen the dialogue between the State, the private sector and investors, in order to identify and remove blockages of all kinds, which besmirch and deter the business environment, or hinder private investment in Cameroon.

In that spirit, CBC will be responsible of:

- Lead reflections on all issues related to the development of the private sector;
- Contribute to the elaboration of policy for the promotion of the private sector;
- analyze and propose administrative measures relating to investment activities, production and trade of goods and services with a view to their optimization;
- Contribute to the implementation of any concrete action to ensure the growth, competitiveness and development of the private sector with a view to better integration of the Cameroonian economy in the subregion and the world;
- Propose all measures to improve the business environment; - to examine and propose to the Government business climate indicators, particularly the Doing Business indicators;
- Periodically establish one or more indicators on the level of satisfaction of the private sector in its relations with public administrations;
- Monitor and evaluate the implementation of the measures adopted.

B/ Organisation and composition of the framework

CBC would have three (3) bodies: the Consultative Council, the Technical Committee and the Permanent Secretariat.

a. Collaborative Council

The Collaborative Council would be the policy and decision-making body of CBC. It would oversee the proper functioning of the CBC. It would validate the Technical Committee's action plan and its proposed recommendations.

It would be responsible for (i) ensuring the implementation of the Government's directives on the improvement of the business environment, (ii) ensuring the implementation of the decisions taken by the BCC, (iii) adopting the budget and accounts presented by the Technical Committee, and (iv) taking any decision necessary for the functioning of the Technical Committee.

The Collaborative Council would deliberate on any other matters referred to it by the Technical Committee Framework.

The Collaborative Council would be composed of the Prime Minister, Head of Government, the President of GICAM, the President and Vice President of the Technical Committee, and the Permanent Secretary of the CBC.

CBC would be chaired by the Prime Minister, Head of Government. The President of GICAM would be the Vice President.

b. Technical Committee

The Technical Committee would be in charge of the technical steering of the CBC, the definition of indicators and lines of study and analysis. It would draw up an action plan and submit proposals for recommendations to the Collaborative Council. The Technical Committee would be **the technical coordination and administrative and financial management body of CBA**. It would monitor and evaluate the action of the Permanent Secretariat.

In this capacity, it would be responsible in particular for (i) proposing and implementing all actions likely to promote the achievement of the mission of the CBA, (ii) contributing to the definition of strategic orientations and actions to be carried out in favor of private economic actors, (iii) ensuring the application and monitoring of government measures relating to the private sector, (iv) giving opinions on any proposal for measures or reforms emanating from the State or non-State actors and having an impact on the activity of the private sector and finally (v) submitting the budget and annual accounts of the CBA to the Collaborative Council.

The Technical Committee would be composed of representatives from:

• **State:** the Ministries in charge of issues relating to the economy, finance, the business environment, investment, etc.

• **Private Sector:** the Ministries in charge of issues relating to the economy, finance, the business environment, investment, etc.³².

The Technical Committee would include as many representatives of the State as of the private sector.

The Technical Committee would be chaired by a representative of the private sector designated by GICAM. The Vice-presidency would be held by a representative of the Public Sector designated from among the Prime Minister's staff.

c. Permanent Secretariat

The Permanent Secretariat would be **the forum for facilitating the activities of CBC**. It would be headed by a Permanent Secretary, appointed by the Prime Minister through an international competitive bidding process and supported by up to three (3) staff members.

The Permanent Secretariat would ensure the implementation of decisions and recommendations.

Under the authority of the Chairman of the Technical Consultative Committee, the Permanent Secretary would, in particular, be entrusted with:

- (i) Preparation of the technical files to be submitted to the Technical Committee,
- (ii) Resuming the work carried out by the technical committee and the working groups,
- (iii) The secretariat of the hierarchical bodies, in this case the preparation and the minutes of the meetings of the Collaborative Council and the Technical Committee of the CBA,
- (iv) Execution of the decisions taken by the Collaborative Council and monitor their implementation,

(v) Preparation of the files on the agenda of the work of the Collaborative Council, the Technical Committee and the working groups,

(vi) Draw up a draft budget submitted for approval by the Collaborative Council, after the opinion of the Technical Consultation Committee,

(vii) Ensure the internal and external communication of the CBC,

(viii) Participate in the monitoring of business climate indicators,

(ix) Develop and monitor indicators on the level of satisfaction of the private sector in its dealings with public administrations; and

(x) Coordinate the working groups dedicated to specific CBF projects.

C/ Functioning of CBC

The Collaborative Council would meet two (2) times a year, convened by its Chairman. The Technical Committee would meet once a quarter, convened by its Chairman.

The Collaborative Council and the Technical Committee may invite to their meetings, in an advisory capacity, the personalities they deem appropriate, such as **representatives of international financial or development aid institutions**.

The deliberations adopted by the Collaborative Council would be the subject of minutes validated at the next meeting of the Collaborative Council. After validation, the minutes would be the subject of a communiqué issued.

In the framework of certain projects, the Technical Committee of the CBC could recruit **experts** who would work in collaboration with the Permanent Secretariat. At the same time, **working groups** could be formed on the basis of the themes defined in accordance with the missions and attributions of the Framework for Cooperation between the State and the Private Sector.

³² The representativeness of employers association and professional organizations is determined according to the following cumulative criteria: (i) a minimum seniority in the business and professional field as attested by the organization's statutes, (ii) independence from third parties to the organization, (iii) business and professional organization members, divided into at least five (5) professional branches, (iv) financial transparency, including the publication of accounting and financial accounts, (v) activity as measured by the regular holding of meetings and the taking of positions on matters affecting the life and functioning of companies.

The Cameroon Business Council would prepare and publish at the end of each year various **deliverables** namely an Annual Report of recommendations and perspectives on the improvement of the business climate for the following year, and also more broadly, studies, surveys, polls, reports and any other work relating to the business climate or any other related subjects.

In the same vein, the CBC would organize various events likely to foster public-private dialogue. To this end, Cameroon Business Forum (CBF) would be one of the flagship events organized by the Cameroon Business Council (CBC), with a view to collecting the observations and proposals of the private sector in prelude to the meetings of the Collaborative Council. In addition to the CBF, the CBC could organize sectoral meetings for discussions on subjects specific to a type of enterprise or certain activities, with a view to improving their operating conditions.

The organization and operating procedures of the various bodies of the CBC and of the working groups would be defined by internal rules of procedure approved by Collaborative Council which is the governing body.

3.4- Reactivating social dialogue and tripartism

The International Labour Organization (ILO) defines social dialogue as including all types of negotiation, consultation or simply the exchange of information between or among government representatives, employers and workers on matters of common interest relating to social and economic policy. It may take the form of a tripartite process, with government as a formal party to the dialogue, or a bipartite relationship between employers' and workers' organizations.

In Cameroon, tripartite social dialogue brings together the ministry in charge of labor issues and industrial relations, the most representative employers' association organizations, and the most representative central labor unions, to examine social and labor market policies and the social and labor market impact of the economic policy implemented by the government, including employment, fair employment conditions, decent working conditions, occupational safety and health, and social protection (social security, pensions).

Social dialogue is based on the rights of freedom of association and collective bargaining, which make this dialogue a tool to help stimulate economic growth and preserve and create jobs.

Given the extent to which economic and social issues are closely linked, it is appropriate to call for the revitalization of tripartite social dialogue by giving it more vigour and importance. In fact, to the observation, the practice of dialogue in Cameroon, these last years, is not up to the economic and social challenges of these last years and even less to those expected in the aftermath of the Covid-19 health crisis.

In this view, GICAM has, in April 2020 in the special context of the impacts of the Covid-19 pandemic, initiated a certain number of consultations with the five (5) main trade union centers of workers in Cameroon. The exchanges mainly concerned, on the one hand, the package of restrictive measures and support to enterprises taken by the Government and, on the other hand, the initiatives and positions taken by GICAM in response to the government's response.

From these exchanges, a consensus emerged on the assessment of this response, in particular the inadequacy of the government's response to the scale of the crisis and the lack of real upstream consultation with the social partners, even though this is a step in the right direction.

Persuaded of the importance attached to tripartite social dialogue between the State - Employers - Workers, and equally persuaded of the driving role of bipartism in this respect, the social partners have decided to create the COALITION OF SOCIAL PARTNERS FOR EMPLOYMENT. This Coalition materializes the vision shared by the social partners united in the same will to mutualize reflections, initiatives and actions in favor of employment and enterprise in the fight against the pandemic linked to Covid-19 and against any external threat to employment.

More generally, and in order to restore vigour and importance of social dialogue and tripartism, GICAM and the workers' representation will make proposals based on the following principles:

- Legitimate and representative social partners (employers' and workers' organizations),
- Respect for the independence of the social partners,
- Strengthening of sustainable dialogue structures and their functioning,
- Sharing the agenda and schedule.



General Conclusion

Today, the requirements of economic development and the fight against poverty in a globalized economy put the State and Employer and Business Membership Organizations each before their responsibilities, in a logic of complementarity that they must both fully assume.

This is what GICAM has undertaken through this White Paper. GICAM thus takes the side of dialogue for the construction of an ambitious and strong economy, whose necessary structural transformation will be based on three pillars: (i) an efficient and integrated agriculture, (ii) a quality energy supply whose quantity is in line with the country's industrial ambitions, (iii) an integrated and efficient multimodal transport network that strengthens Cameroon's position as the gateway to the CEMAC zone. In doing so, the organization of economic production will be ensured through a cluster approach and the creation and support of national champions.

With this in mind, the State, in consultation with the private sector, will have to be committed to charting a course and disciplining the approach. For lack of means, the Government's strategy of committing everything across the board, often at considerable risk of wasting all kinds of time, energy and financial resources, can no longer be sustained. The ambitious objectives we have set ourselves will be achieved only if the mass of structural reforms to be carried out is undertaken in a coordinated, planned manner and according to a timetable that integrates rationale intervention.

This is the vital minimum that must be ensured if Cameroon is to embark on a sustainable path of strong and inclusive growth, economic prosperity and social progress. To achieve this, regardless the external aid, it is first of all within ourselves that we must find the necessary impetus to rationalise our action and make it efficient and effective.

In this respect, what the health crisis has revealed beyond the weak capacity of our

health system is the persistence of an economy with low industrial capacity, little room for manoeuvre and high dependence on the outside.

The time has come to break with the well-established temptation in our country to postpone the commitment of far-reaching structural economic reforms, which would certainly have better prepared us to face the imbalances and disruptions caused by the Covid-19 pandemic and to project ourselves more securely into the emerging post-Covid future.

However, while it would seem elementary that, no significant improvement is to be hoped for without enlightened economic governance, rigorous budgetary and fiscal management of the State, an environment conducive to the emergence of competitive and triumphant companies because they are free of the bottlenecks and burdens of all kinds that discourage business leaders, all of which call for foresight and increased alertness from the public authorities.

Globalisation for decades, requires us to take into account the attractions offered by countries other than our own and, at the same time, our structural weaknesses. We must resolutely align ourselves with these countries, if not do better, in order to hope for sound economic performance and substantial social and human progress. At the same time, we need to develop and strengthen our assets: natural resources (land, climate, minerals), a relatively skilled labour force, the spirit of entrepreneurship of the population and preferential access to regional and international markets.

With the advent of the Covid-19 pandemic, which affected all economies, we are progressing in a world of more numerous and more complex uncertainties, which has led to a withdrawal into oneself essentially characterized by the closure of national and community spaces, with the effect of a contraction of international trade.

It is a new facet of globalization that is opening up to us. It is based, among other things, on the resilience of economies condemned to resort to the revaluation of local private initiative. As a result, States are forced to prepare for battle to reinvent themselves at the national or community level because it is absolutely necessary to start by measuring their strengths and potential in order to be able to project themselves in the very short and medium term into the new world that is beginning today.

In a word, the time has come to develop strong, clear and sustainable responses to the urgent need for a double paradigm shift: that of the economic model and that of the State - Private Sector dialogue model.

In order to do so, the voice of the Employers' Association, the voice of the companies, is called upon more and more. Not only to recall the decisive role of the State as strategist and facilitator, the central place of the enterprise in the creation of wealth and employment, but also the new responsibilities of the company

because of its central place in production and in the community such as: business ethics, inclusive value creation, social and societal responsibility.

In the end, the challenge is that of the economic attractiveness of Cameroon and even the attractiveness of the Cameroonian territory, as the economy is not an isolated island in the community. Being penalized for a long time by the lack of physical infrastructure and the extent of the obstacles facing the private sector, this attractiveness has deteriorated in recent years due to insecurity and the uncertainties they create about the future of the country and the progress of its economy. It is urgent to put an end to it quickly. The stakes of Cameroon's attractiveness are a priority to promote the country's economic interests, attract foreign investment, investments from nationals, and support Cameroonian companies.



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Far from perfect, GICAM considers that this White Paper is a contribution to the orientation of the economic policy of our country and will therefore be very happy to receive comments aimed at enriching the next editions or the sectoral notes based on the suggested model.

Célestin K. Tawamba
President of GICAM

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DECISION-MAKING AND REPRESENTATIVE BODIES

The statutory bodies of GICAM are:

1 THE GENERAL ASSEMBLY

Supreme body of the GICAM, it is made up of all members and meets once (01) in ordinary session.

2 THE BOARD OF DIRECTORS

Executive body of GICAM, it is elected for a term of three (03) years by the general assembly and meets once (01) a month. It is responsible for defining the general policy, the strategic vision of the organization and the implementation of its program.

3 THE CHAIRMAN OF THE BOARD OF DIRECTORS

He governs the operation of the Group. He has extensive powers given to him by law, the articles of association and the internal regulations, to act on behalf of the Group vis-à-vis third parties.

4 THE EXECUTIVE SECRETARIAT

The permanent administrative body of GICAM, the executive secretariat is responsible for carrying out the missions of the Group according to the policies adopted by the Board of Directors. Headed by an Executive Secretary, it participates in the formulation of lines of thought on the development of activities as well as the promotion of the values advocated by the Group.

5 THE COMMISSIONS

The ten (10) new committees are assisted by the departments of the executive secretariat, which act as rapporteur. Each is made up of voluntary members and chaired by a member of the Board of Directors.

These commissions are:

- "Tax, parafiscal and customs" commission
- "Digital Economy" Commission
- "Economy and Business Development" Commission
- "SME and Private Sector Funding" Commission
- "Social, Employment and Skills Acquisition" Commission
- "International Affairs and Relations with the Diaspora"
- "Improvement of the business environment"
- "Governance, Ethics and CSR" Commission
- "Legal Affairs, Litigation and Regulation" Commission
- "Female entrepreneurship" commission

The committees are meeting and consultation frameworks, in which company representatives rub shoulders with their peers, get information, share their experiences, analyze situations and make proposals.



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