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**Project on Supporting
Investment Promotion in Africa**

**Data Collection Survey on
Investment Promotion
in the Republic of Cameroon**

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Table of Contents

Summary

Chapter 1	Outline of the Project and the Study.....	1-1
1.1	Background of the Project.....	1-1
1.2	Objectives of the Project.....	1-1
1.3	Implementation Structure of the Project.....	1-1
1.4	Scope and Methodology of the Study on Investment Promotion in Cameroon.....	1-2
Chapter 2	Outline of the Republic of Cameroon.....	2-1
2.1	Land.....	2-1
2.2	Political Situation.....	2-2
2.3	Social situation	2-4
2.4	Economic Situation.....	2-7
Chapter 3	Investment in Cameroon	3-1
3.1	Investment Trend	3-1
3.2	Impact of the article IV consultation by IMF.....	3-4
3.3	Foreign Investment	3-4
3.4	Major Foreign Investment	3-7
Chapter 4	Analysis of Investment Potentials	4-1
4.1	Current overview of industry in Cameroon.....	4-1
4.2	Current Status of Factors Which May Influence Investment Potentials	4-13
4.3	Potential of Foreign Direct Investment based on the Present Industry Situation in Cameroon.....	4-16
Chapter 5	Investment Policy in Cameroon	5-1
5.1	Investment Policy in Cameroon	5-1
5.2	Coherence of Investment and Other Economic Development Policies	5-1
5.3	Transparency of Legal System for Business and Investment.....	5-8
5.4	Analysis on the Investment Promotion Related Legal System.....	5-10
5.5	Policy and Regulation regarding Investment Promotion	5-12
5.6	Coordination among Stakeholders Regarding Policy Making Process and Policy	

Implementation, and Current State of their Effectiveness.....	5-24
5.7 Evaluation of Investment Promotion Policy, Regulation, Initiatives and Coordination Mechanisms among Stakeholders.....	5-28
Chapter 6 Analysis of Investment Climate in Cameroon	6-1
6.1 Overview of Investment Climate in Cameroon and Method of Analysis	6-1
6.2 Current State of the Business Environment.....	6-3
Chapter 7 Analysis on IPA and its Function in Cameroon	7-1
7.1 Organization and Function of API	7-1
7.2 Overview of API's investment-promotion activities.....	7-6
7.3 Evaluation of API's Organization and Function and Investment Promotion Activities	7-10
Chapter 8 Conclusion.....	8-1
8.1 Overall Evaluation of the Situation for Investment Promotion	8-1
8.2 Entry Path of Foreign Investment and Observed Problems	8-5
8.3 Suggestions for Promoting Foreign Investment	8-9

List of Tables

Table 2-1 Main Social Development Statistics.....	2-5
Table 2-2 GDP share by industry.....	2-9
Table 2-3 Exports by product	2-11
Table 2-4 Imports by product	2-12
Table 2-5 Imports and exports of crude oil.....	2-14
Table 2-6 Share of Imports and Exports by region.....	2-14
Table 2-7 Export and Import Value by Major Trade Partner (2011)	2-15
Table 2-8 Export and Import Value by Major Trade Partner (2014).....	2-15
Table 2-9 Progress of Regional Integration in RECs.....	2-16
Table 3-1 Breakdown of the Gross Capital Formation.....	3-1
Table 3-2 Approved investments by investors	3-2
Table 3-3 Investments Approved by Sector.....	3-3
Table 3-4 Foreign Direct Investment by Sector (Jan. 2003-Jul. 2015)	3-5
Table 3-5 Foreign Direct Investment by industry (Jan. 2003-Jul. 2015).....	3-6
Table 3-6 Foreign Direct Investment by Country of Origin (Jan. 2003-Jul. 2015)	3-6
Table 3-7 Patterns of Companies' Expansion to Abroad	3-7
Table 3-8 Foreign Investment by Sector and Country	3-8
Table 4-1 Annual turnovers by the secondary industrial sector	4-3

Table 4-2	Secondary industrial establishments by region and sector (2009)	4-4
Table 4-3	Secondary industrial establishments by sector (2009)	4-4
Table 4-4	Number of employees by industrial sector (2009)	4-5
Table 4-5	Company list of the SNI portfolio	4-6
Table 4-6	Labor Wage in Cameroon and Other Asian and African Countries...	4-14
Table 4-7	Power Tariffs between Cameroun and African and Asian Countries	4-15
Table 4-8	Power Outage in Cameroon and Other African and Asian Countries	4-15
Table 5-1	Investment Charter Law 2002/004	5-5
Table 5-2	Priority Industries for Investment Promotion	5-8
Table 5-3	Major Incentives Regarding Tax and Customs under the Investment Incentives Law (Loi n° 2013/004)	5-13
Table 5-4	Outline of the organizations for the Development of Industrial Land	5-18
Table 5-5	Roles of Each Organization for the Development of Industrial Land	5-18
Table 5-6	Outline of Industrial Zones in Cameroon	5-19
Table 5-7	Special Industrial Zones by Location and Sector	5-21
Table 5-8	Types of SEZs	5-22
Table 6-1	Overview of Corporate Forms in OHADA	6-4
Table 6-2	Number of companies registered at the Yaoundé office	6-6
Table 6-3	Definition of Micro, Small, and Medium Size Enterprises in Cameroon	6-8
Table 6-4	Overview of Taxes Imposed on Companies in Cameroon	6-13
Table 6-5	Minimum Corporate Tax Amounts Imposed on Companies Operating in Cameroon	6-14
Table 6-6	Summary of Land System in Cameroon	6-19
Table 6-7	Land Registration Procedures in Cameroon and Sub-Sahara Africa	6-22
Table 6-8	Summary of Foreign Exchange Management in CEMAC	6-26
Table 6-9	Overview of Commercial Banks in Cameroon (as of end in 2014)	6-28
Table 6-10	Banking Access Indicators between Cameroon and Sub-Sahara Africa (2014)	6-29
Table 6-11	Overview of company liquidation procedures in Cameroon	6-30
Table 6-12	Necessary Procedures for Export from Cameroon	6-32
Table 6-13	Necessary Documents for Export and Import in Cameroon	6-33
Table 6-14	Import Customs Clearance Documents in Cameroon and other Countries	6-33
Table 6-15	Categories for Customs Risk Management System (Import) in	

Cameroon	6-34
Table 6-16 Duty and Charges for Importation in Cameroon	6-34
Table 6-17 Common External Tariffs (TEC) of CEMAC	6-35
Table 6-18 Average Customs Duty Tariffs in African and Asian Countries	6-35
Table 6-19 Single Window for Operation of External Commerce and the Plan for E-GUCE.....	6-36
Table 6-20 Cameroon's Major international transportation routes	6-40
Table 6-21 Handling Volume of Air Cargo by Airport.....	6-42
Table 6-22 Passenger and Cargo Handling Volume (2013)	6-43
Table 6-23 Import Transport Cost for Imports to Douala and Other Countries	6-44
Table 6-24 Time Required for Import	6-44
Table 6-25 On-going and Planned Project in Power Sector	6-46
Table 6-26 Comparison of Time and Cost of Getting Electricity	6-48
Table 7-1 Roles of each IPA by size and type	7-1
Table 7-2 Members of the Board of Directors	7-2
Table 7-3 Main Duties and Responsibilities of API	7-3
Table 7-4 Authorized number of staff at API (as of September 2016).....	7-5
Table 8-1 Types of Foreign Investment and the Problems and Mitigating Measures for Newly Entrants into Cameroon	8-6

List of Figures

Figure 1-1 Workflow for Standardized Approach	1-2
Figure 2-1 Comparison of Governance Indexes	2-3
Figure 2-2 Corruption Perceptions Index in Africa (2015).....	2-4
Figure 2-3 Population and percentage of urban population	2-4
Figure 2-4 Population Pyramid (2014)	2-5
Figure 2-5 Education System in Cameroon	2-6
Figure 2-6 Number of pupils by province and by system.....	2-7
Figure 2-7 Nominal GDP of CEMAC countries	2-7
Figure 2-8 Nominal GDP of Gulf of Guinea countries	2-7
Figure 2-9 Real GDP growth and nominal GDP per capita	2-8
Figure 2-10 Share of the secondary industry by industry (2015).....	2-9
Figure 2-11 Share of the primary and tertiary industries by industry (2015) ..	2-10
Figure 2-12 Trade Balance	2-10
Figure 2-13 Share of imports and exports by main products (2013).....	2-13
Figure 3-1 Share of Gross Capital Formation in GDP	3-1

Figure 3-2	Capital Account.....	3-2
Figure 3-3	Foreign Direct Investment (stock and inflow).....	3-5
Figure 4-1	Map of Mineral Resources and Agricultural Products in Cameroon .	4-1
Figure 4-2	Development of industrial production	4-2
Figure 4-3	Development of industrial production by sector	4-3
Figure 4-4	Overview of the Value Chain for Cacao	4-9
Figure 4-5	Overview of the Value Chain for Coffee	4-10
Figure 4-6	Overview of the Value Chain for Cotton	4-11
Figure 4-7	Overview of the Value Chain for Palm Oil.....	4-12
Figure 5-1	The Procedure to approve industrial zones	5-20
Figure 5-2	CBF Structure.....	5-26
Figure 6-1	Life Cycle of Direct Investment and Administrative Procedures	6-1
Figure 6-2	Cameroon Distance to Frontier Score of Doing Business.....	6-2
Figure 6-3	Process flow from Start-up to Follow-up services in Cameroon.....	6-3
Figure 6-4	Process of Obtaining Investment Re-approval	6-11
Figure 6-5	Comparison of corporate tax rates	6-18
Figure 6-6	Land Registration Flow in Cameroon	6-20
Figure 6-7	Flows of Administrative Procedures for Importation	6-31
Figure 6-8	Logistics Sector Performance of Cameroon and African Countries .	6-38
Figure 6-9	International Transportation Routes and Logistics Facilities	6-39
Figure 6-10	Cargo Volume Handled at the Port of Douala	6-40
Figure 6-11	Exported and Imported Products Handled by the Port of Douala .	6-41
Figure 7-1	Organizational Structure of API (as of September 2016)	7-3
Figure 7-2	API's website	7-6
Figure 7-3	Leaflets for investment promotion	7-6

List of Abbreviations

Abbreviations	: English or French
AAFEX	: Association Afrique Agro Export
AGOA	: African Growth and Opportunity Act
AMU	: Arab Maghreb Union
API	: Agence de Promotion des Investissements
APME	: Agence de Promotion des Petites et Moyennes Entreprises
APZE	: Agence de Promotion des Zones économiques
AU	: African Union
AfDB	: African Development Bank
B/L	: Bill of Lading
BC-PME	: Banque Camerounaise des Petites et Moyennes Entreprises
BEAC	: Banque des Etats l'Afrique Centrale
BESC	: Bordereau Électronique de Suivi des Cargaisons/ Cargo Tracking Note
BIT	: Bilateral Investment Treaty
BRICs	: Brazil, Russia, India, China
BSTP	: Bourse de sous-traitance et de la partenariat du Cameroun
CARPA	: Conseil d'appui à la réalisation des contrats de la partenariat
CBF	: Cameroon Business Forum
CCVO	: Combined Certificate of Value and Origin
CEMAC	: Communauté Économique et Monétaire de l'Afrique Centrale
CEN-SAD	: Community of Sahel-Saharan States
CFCE	: Centre de formariétés de creation d'entreprises
CICC	: Conseil interprofessionnel du cacao de du café
CNCC	: Conseil National des Chargeur Camerounais/ Cameroon National Shippers Council
COBAC	: Commission Bancaire de l'Afrique Centrale
COMESA	: Common Market for Eastern and Southern
DGD	: Direction Générale des Douane

Abbreviations	: English or French
DGI	: Direction Générale des Impôts
DSA	: Debt Sustainability Analysis
DTF	: Distance to Frontier
EAC	: East African Community
EBA	: Everything But Arm
ECCAS	: Economic Community of Central African States
ECOWAS	: Economic Community of West African States
EPA	: Economic Partnership Agreement
EU	: European Union
FENAP	: Fédération Nationale des Associations de PME
GESP	: Growth and Employment Strategy Paper
GICAM	: Groupement inter patronal du Cameroun
GSP	: Generalized System of Preference
GUCE- CE/GUCE	: Guichet unique des opérations du commerce extérieur
ICSID/ CIRDI	: International Centre for Investment Disputes
IFRS	: International Financial Reporting Standards
IGAD	: Intergovernmental Authority on Development
JETRO	: Japan External Trade Organization
JICA	: Japan International Cooperation Agency
MAGZI	: Mission d'Aménagement et gestion des zones industrielles
MFN	: Most Favored Nations
MIGA	: Multilateral Investment Guarantee Agency
MINCOMMERCE	: Ministère du Commerce
MINDAF	: Ministère des Domaines, Du Cadastre et des Affaires Foncières
MINEPAT	: Ministère de l'Économie, de la Planification et de l'Aménagement du Territoire
MINFI	: Ministère des Finances
MINMIDT	: Ministère de l'Industrie des Mines et du Développement Technologique

Abbreviations	: English or French
MINPMEESA	: Ministre des Petites et Moyennes Entreprises de l'Economie Sociale et de l'Artisanat
NGO	: Non Governmental Organization
OAPI	: Organisation Africaine de la propriété intellectuelle
OECD	: Organisation for Economic Co-Operation and Development
OHADA	: Organization for the Harmonization of Business Laws in Africa
ONCC	: Office National du Cacao et du Café
ONECCA	: Ordre National des Experts Comptables et des Comptables Agrées du Cameroun
ONZFI	: Office National des Zones Franches Industrielles
OSS	: One Stop Shop
PAD	: Port Autonome de Douala
PFI	: Policy Framework for Investment
PPP	: Public – Private Partnership
REC	: Regional Economic Community
REDD+	: Reduction of Emission from Deforestation and Forest Degradation+
SADC	: Southern African Development Community
SME	: Small and Medium-sized Enterprises
SNI	: Societe Nationale d'Investissement
TEC	: Tarif extérieur commun
TICAD V	: Tokyo International Convention for Africa Development V
UMAC	: Union Monétaire de l'Afrique Centrale
UNCTAD	: United Nations Conference on Trade and Development
UNIDO	: United Nations Industrial Development Organization
VAT	: Value Added Tax
WAIPA	: World Association of Investment Promotion Agencies
WIPO	: World Intellectual Property Organization
WTO	: World Trade Organization

Summary

1. General Background

The Republic of Cameroon (Cameroon) is located in the central Africa with the land size of 475,000 km², which is 1.25 times larger than Japan. It is located next to Nigeria with the largest population in Africa in West and is surrounded by Chad in North West, the Central Republic of Africa in East, Congo Republic in South East, and Gabon and the Republic of Equatorial Guinea in South. Cameroon faces the Gulf of Guinea of the Atlantic Ocean in South West.



Source: Ministère des Affaires étrangères et du Développement international, 2016

Figure 1 Map of the Republic of Cameroon

Cameroon has rich potential in the field of minerals including oil, forest, hydroelectricity, agriculture, livestock, and fishery. Also, since Mr. Paul Biya elected as the president of the country under the democratized election in 1988, Cameroon enjoys relatively stable political situation. However, the northern Cameroon has been attacked by Boko Haram, one of Islamic militant groups based in the north-east Nigeria, which makes the area unstable. The outline of Cameroon is shown as below.

Table 1 Country Outline

1	Size	475,650km ² (2010)
2	Population	21.143 million people (2013) (estimate)
3	Capital	Yaoundé
4	Climate	There are mainly 3 types of climate in Cameroon: tropical rainforest climate (coastal area and south), savanna climate (central), and step climate (north). Dry season in the north is July-August, but the one in south is January to February and March to October in the south is rainy season. Central has 2 dry seasons (June-August and November-March) and 1 rainy season (August-October)
5	Language	French, English (both are official languages), other tribal languages
6	Religion	Catholic, Protestant, Islam, and other traditional religions
7	Politics	Republic under Paul Biya as the president

Source: 1—2 and 4: Institut National de la Statistique (2013) Annuaire statistique du Cameroun、3 and 5—7: Ministry of Foreign Affairs in Japan (<http://www.mofa.go.jp/mofaj/area/cameroon/data.html>)

Table 2 Main Economic Statistics

	Item	Index	Year
1	Nominal GDP	USD 32.1 billion	2014
2-1	Real GDP growth	5.9%	2014
2-2	Real GDP growth	5.4%	Average of 2012-2014
3	Inflation	2.7%	2015
4	Export	USD 5.76 billion	2014
5	Import	USD 6.5 billion	2014
6	FDI inflow	USD 0.5 billion	2014
7	Exchange rate (USD)	494.4FCFA	2014

Source: INS (2014) Annuaire Statistique du Cameroun、BEAC (2014) Annuaire Statistique du Cameroun

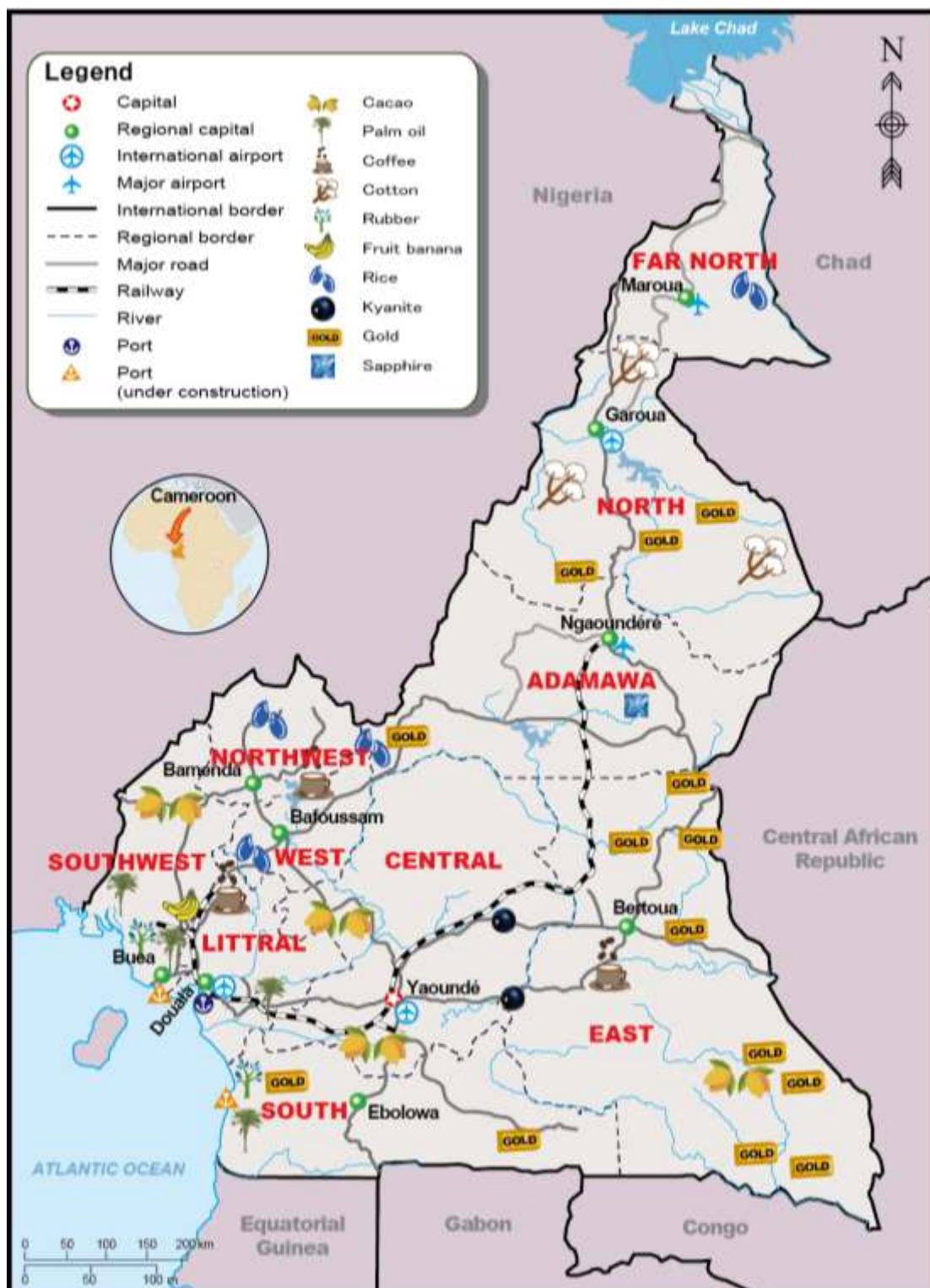
Table 3 Main Social Development Statistics

	Item	Index
1	Life expectancy	55.5 Years old
2	Infant mortality rate (per 1,000)	60.8 people
3	Maternal mortality (per 100,000)	590 people
4	Adult literacy	71.3 %
5	Net enrollment rate (primary school under both French and British systems) (boy)	84.6 %
	(girl)	87.3 %
6	Continuance rate (from primary to secondary schools under both French and British systems)	75 %
7	Graduation rate in junior secondary education French system	54.6 %
	British system	28.7 %

Source: 1-4 : UNDP (2015) Human Development Report, 5-7 : INS (2014) Annual statistical report

2. Investment Potential

The following figure indicates resource availability and major agricultural, forestry and fishery products producing areas.



Source: JICA Study Team based on various documents

Figure 2 Map of Mineral Resources and Agricultural Products in Cameroon

Cameroon's main industries are mining and agriculture and agricultural products processing followed by hydrocarbon resources (crude oil, natural gas etc.), mineral resources (bauxite), timber, cacao and coffee, cotton, banana which are also major exporting products. In some industries including aluminum, cotton and textile, the major state enterprises (often large-scale) take initiatives over structured supply chains of sales and productions. Establishments are concentrated in Douala and the four western regions (Littoral, Nord-Ouest/Northwest, l'Ouest/West and Sud/South) besides in the capital city Yaoundé.

3. Legal Framework

Cameroon is a member country from the early period of establishment of Organization for the Harmonization of Business Laws in Africa (OHADA)¹, stipulating common business related law by the Central and West African countries. The Law stipulates not only the legal requirements on business related areas but also procedures for dispute resolution, thereby measures for investor protection are clear. In line with such international framework, the Cameroon government joined OHADA in 1995 and has been promoting measures to increase legal and judicial reliability and safety for investors.

Investment Charter Law (Loi n° 2004/020) guarantees equal treatment of domestic and foreign investment. Section 10 stipulates free entrants in the production and services and the equal treatment of application of laws. In case of the investors from those countries which have the Bilateral Investment Treaties (BITs) with Cameroon, protection of investors' rights, expropriation by the state and the compensation are also regulated in respective BITs.

In terms of dispute settlement, the Section 10 of the Investment Charter Law (Loi n° 2004/020) states that arbitration of international commercial disputes and protection of investors are based on the New York Convention which provides the rules and framework for arbitration of international commercial disputes., the Convention of the International Centre for Investment Disputes (ICSID) and the rules of arbitration by the International Chamber of Commerce, and United Nations Commission for International Business Law (UNCITRAL). Cameroon is the signatory of the Multilateral Investment Guarantee Agency (MIGA).

4. Investment Background

1) Type of companies and incorporation procedures

When establishing a company in Cameroon, one can choose from Société à Responsabilité Limitée (SARL) / Private Limited Companies, Société Anonyme (SA) / Public Limited Companies, Branch, and Bureau de Représentation / Representative Office. The minimum capital for setting up Société à Responsabilité Limitée (SARL) / Private Limited Companies and Société Anonyme (SA) / Public

¹ OHADA was established in October 1993, based on the Harmonization of Business Laws in Africa. Cameroon ratified the Law in October 1995.

Limited Companies is 1 million FCFA and 10 million FCFA, respectively. In establishing a business, corporate registration with the CFCE (Centres of Enterprise Creation Formalities / Centre de formalité de création d'entreprises) is required regardless of the size of the business and whether it is funded by foreign or domestic capital, and the prerequisites and documents to be submitted are the same.

2) Investment approval

Specific incentives for industries outside of the scope of the Investment Incentives Law (Loi n° 2013/004) are prescribed separately in sectoral codes (oil, mining, and gas etc.). The contact organization for providing incentives to large enterprises and foreign companies is API, while the contact organization for providing incentives to micro, small and medium enterprises is the APME.

Common incentives differ in accordance with investment size and sector, and investment approval is decided based on four eligibility criteria - hiring a given number of Cameroonian nationals, share of exports to total turnover, utilizing national natural resources, and amount of value added.

Necessary documents for application are as follows. Although it is not specified in this Order, investor are required to obtain relevant licenses necessary for each type of business activity from pertinent ministries prior to applying for investment approval. API requires investors to submit copies of relevant licenses, together with the following application documents.

< Required Documents >
<p><u>For a new business (enterprise):</u> (i) Corporate information (its legal status, its company name, its headquarters and its address, the names, status and nationalities of its management team), (ii) A notarized expedition of its articles of incorporation, (iii) A list of partners or shareholders specifying the percentage of shares held by each, as well as their nationality, (iv) A certificate of incorporation of the company, (v) a feasibility study of the investment project, and (vi) An economic and financial study of the investment project.</p> <p><u>For an existing business (enterprise):</u> In addition to (i) to (vi), (vii) A copy of taxpayer's card, (viii) A copy of patent, and (ix) tax clearance certificate from the Tax Department.</p>

The following table summarizes the major incentive measures under the Investment Incentives Law (Loi n° 2013/004).

Table 4 Major Incentives Regarding Tax and Customs under the Investment Incentives Law (Loi no 2013/004)

Establishment Phase, Maximum of 5 years
<ul style="list-style-type: none"> • Exemption of registration fee on lease of building • Exemption of transfer tax on acquisition of land and building • Exemption of registration fee on equipment provision contract for construction of building and facility • Exemption of registration fee on concession agreement • Exemption of registration fee on capital injection and increase of capital

<ul style="list-style-type: none"> • Exemption of VAT on services provided from abroad • Exemption of VAT and customs duties levied on import of facilities and materials related with investment project • Exemption of patent • Simplified custom clearance on facilities and materials related with investment project 	
Operational Phase, Maximum of 10 years	
Category A ²	<ul style="list-style-type: none"> • 50% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. • Reduction of 25% of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. • Exemption from registration duties relating to credit facilities, loans, advances on current accounts, bonds, increments, reductions, and reimbursement for five (5) years. • Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, and the reimbursement share capital for five (5) years. • 50% reduction on registration duties on the deeds of transfer of ownership or deeds of possession of real estate or lease for five (5) years. • 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. • Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables.
Category B ³	<ul style="list-style-type: none"> • 50% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. • 25% reduction of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. • Exemption from registration fees related to loans, borrowings, overdraft provisions and guarantees for five (5) years • Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, reimbursement, and the liquidation of the social capital for ten (10) years. • 50% reduction on registration fees on the acts of transfer of ownership or benefit from real estate or lease for five (5) years. • 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. • 25% reduction of the tax on the income of movable (IRCM) on the occasion of the distribution of income from the sixth to the tenth year. • Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables

² Eligibility Criteria for Category A: Any company that is committed to investing over a period of five (5) years at most, an amount less than or equal to one (1) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 20% of the value of the inputs
- Generating an increase in added value of at least 30% for five years

³ Eligibility Criteria for Category B: Any company that is committed to investing over a period of five (5) years at most, an amount more than one (1) billion FCFA and less than or equal to five (5) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries, social housing, cultural sports, health and education sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 25% of the value of the inputs
- Generating an increase in added value of at least 25% for five years

Category C ⁴	<ul style="list-style-type: none"> • 75% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. • 50% reduction of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. • Exemption from registration fees related to loans, borrowings, overdraft provisions and guarantees for ten (10) years • Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, reimbursement, and the liquidation of the social capital for ten (10) years. • 50% reduction on registration fees on the acts of transfer of ownership or benefit from real estate or lease for five (5) years. • 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. • 25% reduction of the tax on the income of movable (IRCM) on the occasion of the distribution of income from the sixth to the tenth year. • Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables
Individual Incentives for Priority Sectors (Target Sectors: Agriculture, Fisheries, Livestock, Tourism, Housing, Industry, Energy, Water Supply, Regional Development and Decentralization, Environmental Protection, Handicraft, Technological Transfer, Research and Development, Export Promotion, Employment and Vocational Training)	
<p>Following incentive measures are applied depending on target sectors.</p> <ul style="list-style-type: none"> • Exemption of tax • Exemption of land tax • Simplified custom clearance • Exemption of registration fee • Exemption of export tax on domestic projects 	

Source: JICA Study Team based on Investment Incentives Law No.2013/004, Order No.00000366/MINFI/SG/DGI/DGD, and information provided by API

Specific incentives for industries outside of the scope of the Investment Incentives Law (Loi n° 2013/004) are prescribed separately in sectoral codes.

Table 5 Major Incentives for Specific Sectors

Industry	Major incentives
Upstream activities regarding petroleum (Petroleum Code)	<ul style="list-style-type: none"> • Exemption of tax levied on profit and investor dividends • Exemption of customs duties and export tax • Exemption of tax levied on sales and VAT • Exemption of direct tax levied on petroleum related projects • Application of preferential tax rate of 5% on customs duties for specific facilities
Mining with granted licenses (Mining Code)	<p>Investors who have been granted research license</p> <ul style="list-style-type: none"> • Exemption of tax and customs duties levied on materials, equipments and spare parts necessary for investment facilities • Full exemption of tax and customs duties levied on lubricant • Exemption of registration fee regarding exploration projects • Exemption of corporate income tax, business tax and income tax on stock exchange as well as tax levied on salary payment to foreign countries

⁴ Eligibility Criteria for Category C: Any company that is committed to investing over a period of five (5) years at most, an amount more than five (5) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries, social housing, cultural sports, health and education, and energy sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 20% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 25% of the value of the inputs
- Generating an increase in added value of at least 25% for five years

Industry	Major incentives
	<p>Investors who have been granted exploitation license</p> <ul style="list-style-type: none"> • Exemption of tax and customs duties on materials and equipments necessary for production, and capital goods • Exemption of tax and customs duties levied on materials and spare parts • Exemption of tax and customs duties levied on importation of materials and equipments used for constructing buildings • Full exemption of tax and customs duties levied on lubricant • Exemption of VAT • Installment payment for one year regarding registration fees on incorporation, renewal and increase of capital of a company
Sub-contractors and Suppliers (Mining Code)	<ul style="list-style-type: none"> • Full exemption of customs duties levied on materials necessary for investment facilities, lubricant and spare parts • Exemption of tax and customs duties levied on materials and equipments necessary for production, construction of buildings, capital goods and spare parts
downstream activities regarding gas industry (Gas Code)	<ul style="list-style-type: none"> • Opening foreign accounts • Exemption of all charges and fees (including sales tax and IT royalty) regarding transportation, distribution, storage, and consumption of natural gas for ten years • Exemption of registration fees on incorporation and increase of capital of a company • Exemption of registration fee on lease of buildings for investment projects • Exemption of registration fee on transfer of rights on ownership of land and buildings for investment projects and concession contracts on the deeds of transfer of ownership or deeds of possession of real estate or lease for five (5) years. • Exemption of registration fee on supply of materials and property development • Exemption of VAT on importation of capital goods • Exemption of registration fee on insurance contract • Deduction from taxable income for the next five years on depreciation and amortization, usually deducted for the first three years • Application of preferential tax rate of 5% on customs duties for materials and equipments, chemical products and spare parts

Source: JICA Study Team based on various documents

3) Restrictions on foreign investments

According to API, the investor promotion agency, the Cameroon government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list), and in principle, there is no limitation of investment except for manufacture of arms and illegal economic activities.

4) Taxation and procedures

Organizations that do business in Cameroon are in principle obligated to settle their accounts after keeping accounting records pursuant to OHADA's Accounting Act, and depending on the business type, to undergo an audit. Tax law is mainly stipulated in the General Tax Code / Code général des

impôts, with the content of revisions being subsumed into the Financial Law / Loi de finance for each fiscal year, which is announced on a yearly basis. The relevant code includes not only substantive law but also partly includes procedural law, and there is a document called the Manual of Tax Procedures, which concerns tax collection. Within the geographic scope of CEMAC (Central African Economic and Monetary Community), an integration of tax codes is being planned, and the tax system is being amended to make it acceptable by international standards.

As the taxing authority, the DGI (Directorate General of Taxation / Direction Générale des Impôts), under the direction of the Ministry of Finance, has the authority to administer all tax-related matters (tax assessment, tax collection, refunds, tax lawsuits, etc.). The major taxes imposed on operating companies in Cameroon are shown in the Table below.

Table 6 Overview of Taxes Imposed on Companies in Cameroon

Type of Tax	Tax Rate (%)	Comments
Corporate tax	33	The statutory tax rate for companies is 30%, which becomes 33% with the addition of 10% of the imposed amount for the Council Tax.
Branch tax	33	The profits the branches earn are subject to the branch tax, in addition to a withholding tax (16.5%) on the after-tax profits. The tax rate is reduced for countries with which Cameroon has concluded tax treaties.
Withholding tax:		
Dividend	16.5	This is a 15% tax onto which the Council Surtax is added. If the dividends are received from subsidiaries of which the parent company holds at least 25% and their corporate registrations are in the CEMAC region, up to 90% of withholding tax can be exempted.
Interest	16.5	
Royalty	15	
Service	15	Assessed on technical and professional services performed by non-residents.
Value-added tax	19.25	Besides tax-exempt goods, this tax is imposed on all products and services upon their provision within Cameroon or upon their import into the country.
Taxes and fees to be paid when importing		
Pre-shipment instruction (PSI)	0.95% of CIF value	MINT is in charge
Cargo Tracking Note (Bordereau electrique de suivi des cargaisons: BESC)	Depending on the port of embarkation and product categories	CNCC is in charge
Import Declaration (Declaration d'import)		
Customs	5, 10, 20, 30 % of CIF value	DGD is in charge
Excise duty	25% or	DGI is in charge

Type of Tax	Tax Rate (%)	Comments
	12.5% of the sum of CIF value and duty.	
VAT	19.25% of the sum of CIF value, duty and excises.	DGI is in charge
Local Tax (Centimes additionnels)	10% of TVA	DGI is in charge
Information charge	0.45%	
Charge of user of GUCE	—	GUCE is in charge
Port handling charges	—	
Local Insurance	0.04% of FOB value	
Taxed items and rate		
Coffee	various types of charges	
Cacao	various types of charges	
Wood (depending on processing level)	0, 2, 15%	Unprocessed timber has 15% of export duty.

Source: JICA Study Team based on various documents

5) Land Acquisition and Registration of Property

According to the interview with the Ministère des Domaines, Du Cadastre et des Affaires Foncières (MINDAF), there are three types of land in Cameroon: 1) Public Land; 2) State/Private Land; and 3) National Land, which are summarized in the following table.

Table 7 Summary of Land System in Cameroon

Types of Land	Feature	Remarks
Public Land	The Public Land is owned by the Government of Cameroon (GOC) and used for public benefit of Cameroonian people (eg. highway, border land, sea shore, river, etc.). If social benefit of a project is approved, land-use (lease) rights can be provided to investors.	Land certificate is not available and land is not registered.
State/Private Land	The State/Private Land is classified into 1) that owned by the state including state owned enterprises, 2) that owned by individual or private enterprise. In the former, similar with National Land case, lease agreement is executed between investors and land owners. There are some cases that state owned enterprise or state participates in a project in the form of capital in-kind as a joint venture partner and receives profit sharing. In the latter case, there are two types of transactions which are based on sale and purchase of land ownership and lease	Land certificate is available and land is registered.

Types of Land	Feature	Remarks
	agreement.	
National Land	The National Land includes the land which is not occupied by anybody excluding Public Land and Private Land, and also includes the land that has been traditionally occupied by local community prior to the above mentioned Ordonnance 1974. As far as transaction form is concerned, temporary concession will be provided to both domestic and foreign investors in the first 5 years. After completing 5 year concession period, permanent concession will be provided for those domestic investors who have good land usage record, but only land use by lease contract (1 to 17 years for short-term use and 18 to 99 years for long-term use) will be permitted for foreign investors. However, even domestic investors will not be allowed for permanent concession if the land size is huge. In addition, in such case, land area for lease agreement is only allowed gradual increase in accordance with business progress and total area is not allowed from the beginning.	Land certificate is not available and land is not registered.

Source: JICA Study Team based on interview with MINDAF

Under the current land system, land registration and land certificate is issued by paper, which often causes conflicts related to land ownership due to incidents of double and triple overlapped registration.

6) Labor system

Regardless of their size or nationalities, businesses undertaking activities in Cameroon are required to follow the obligations provided in the Labor Code. Workers from foreign countries, including foreign expatriates, are required to obtain a work permit from the Ministry of Labour and Social Security, submit the specified documents (application forms, employer information, employment contract, certificate of employment, etc.) to the immigration office, and carry out other prescribed procedures. Moreover, in order to prioritize full employment of Cameroonian citizens, hiring workers from foreign countries is restricted to positions of a certain level in designated fields and to those with specialized qualifications; and with regard to obtained qualifications and experience, employers are required to show that there are no local personnel available with the same level of knowledge and experience.

Policy priorities in the labor area include: 1) increasing the employment opportunities for young people, 2) securing appropriate places of employment, 3) migrating the informal economy to a formal economy, and 4) enhancing and expanding the scope of the social security system. These priorities embody the human resources development and employment strategies described in the GESP (Growth & Employment Strategy Paper). Measures implemented to achieve these include: 1) enhancing the social security system for workers, 2) developing work rules, 3) mandatory rise of the minimum wage, and 4) monitoring work environment by committees consisting of unions, employers, and employees. As a concrete example, to secure funding for enhancing social security,

the proportional burden falling on managers and workers for social security was raised from 4.2% and 3%, respectively, to 4.2% for both managers and workers. The extra funds are apportioned as contributions toward the CNPS (National Social Insurance Fund).

7) Foreign Exchange and Remittance System

Cameroon's financial sector has bank, capital market, insurance, leasing and micro finance, but its financial assets have been dominated by banking sector. At present, there 14 commercial banks which consist of: 5 local banks, 4 Pan-African regional banks; and 5 global banks such as Standard Chartered Bank and Société Général Banque.

In addition to banking sector, although there is a stock exchange in Douala, the market is not functioning due to very limited transaction as only 3 companies (one drinking water, 2 palm oil companies) have been listed in the exchange. Although leasing sector has only one company owned by Afriland bank, it is said to have high potential to grow as an alternative financial tool to banking business. Insurance sector has two companies (one owned by state and one owned by private) and IFC has made USD 5.7 million equity investment to Active Finances owned by French capital.

Cameroon has participated CEMAC since its establishment in 1994 and it has been adopting the Regulation for Harmonization of Foreign Exchange in CEMAC (Règlement n° 02/00/CEMAC/UMAC/CM du 29 avril 2000 Règlement portant harmonization de la réglementation des changes dans les Etats de la CEMAC: CEMAC Forex Regulation). CEMAC 6 member countries have pooled their foreign reserves and their common currency, FCFA is pegged against euro, which has fixed exchange rate ($\text{€}0.001524=1 \text{ FCFA}$). In addition, the Central Bank of France guarantees the exchange of FCFA to euro.

In case of current transaction (trade settlement, repatriation of dividend and interest, etc.), it is totally free without any requirement of prior application. However, it is required prior application for statistical purpose with related to import-export settlement. Also, In CEMAC member countries, capital transaction is principally free. However, it is required to file applications through Authorized Foreign Exchange Banks to check illegal transaction such as money laundering and terrorism support. In addition, in case transaction is related to certain borrowing & lending and foreign security related transaction exceeding 10 million FCFA, it is required to file applications to relevant administration office under the jurisdiction.

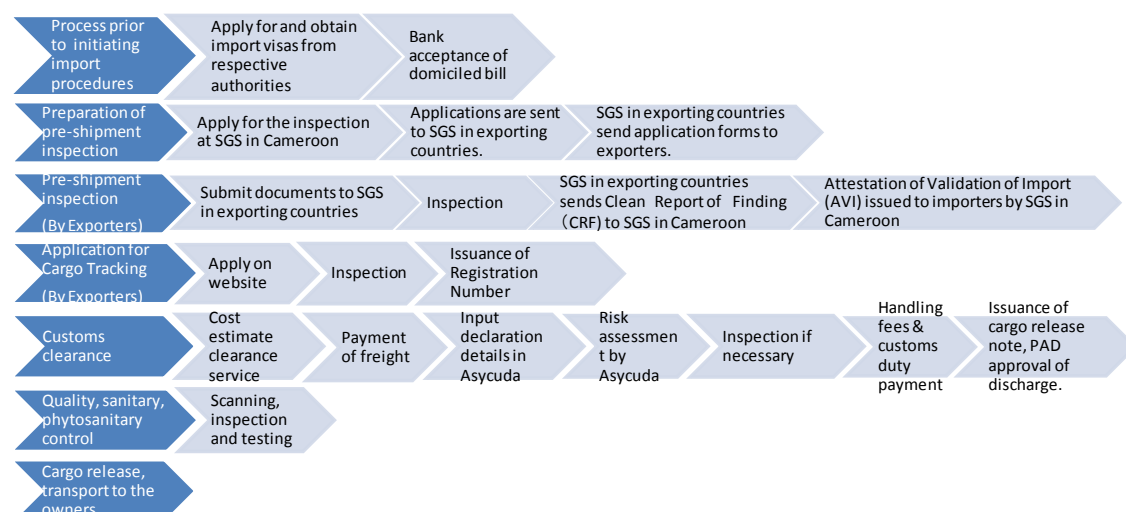
8) Dissolution and Liquidation of a Company

A company operating in Cameroon must follow the procedures in OHADA rules in liquidating its business. Article 200 of the rules gives seven grounds for dissolution. According to a major accounting firm, no particular issues have arisen in either liquidation or downsizing during business restructuring as long as Cameroon's legal

requirements were followed in the process, based on decision-making in business operations.

9) Trade and Customs Clearance

The figure below shows the flows of administrative procedures required for importation into Cameroon. Administrative procedures require attention to export/import registration, cargo tracking note, and pre-shipment inception as they require registrations in advance.



Source: JICA Study Team based on various documents.

Figure 3 Flows of Administrative procedures for Importation

Though much less procedures are involved, exportation also involves some administrative process. It requires the Export Registration. Prior permission is required for exporting some designated agricultural products.

Table 8 Necessary Procedures for Export from Cameroon

Process	Ministry in Charge
Export License	MINCOMMERCE
Sanitary and phytosanitary certificates	MINADER
Payment of special charges (for specific products)	Ministries in charge of products
BESC	CNCC

Source: JICA Study Team based on various documents

10) Infrastructure (electricity, logistics, and economic zones)

The access to electricity is evaluated in comparison with neighboring countries as indicated in the table below.

Table9 Comparison of Time and Cost of Getting Electricity

	Cameroon		Nigeria	Ghana	Côte d'Ivoire	Sub-Saharan Africa
	2017	2016				
Procedures (number)	5	4	9	4	8	5.1
Time (days)	64	64	195.2	79	55.5	115.4
Cost (% in GDP per capita)	1,597.4	1,528.9	442.8	1,265.8	2,589.5	3,711.1
Reliability of supply and transparency of tariffs index (0-8)	3	0	0	0	5.0	0.5
Reference: Power tariff surveyed under Doing Business (¢ /kwh)	15.7	22	20.1	19.3	13.9	—

Source: World Bank, Doing Business 2017, 2016

Note: Cost refers to the cost of subscribing the electricity including the subscription contract, documentary requirement, purchase of equipment and payment for the necessary electric works.

Table 10 Import Transport Cost for Imports to Douala and Other Countries

Country	Ports of embarkation-nearest ports	Cost (USD)
Cameroon*	Japan—Douala	4,200
	Europe—Douala	1,700
Nigeria	Yokohama—Lagos	2,400
Côte d'Ivoire	Yokohama—Abidjan	4,396
South Africa	Yokohama—Durban	2,200
Kenya	Yokohama—Mombasa	4,478
Kenya	Yokohama—Mombasa	4,478

Note: Cost per 40ft Container.

Source: JICA Study Team based on interviews and JETRO website (Comparison of Investment Cost).

Cameroon introduced an industrial free zones regime in 1990⁵. The area for only one company can be approved as an industrial free zone and the area is called special industrial free zone. When the area for more than one company is approved as an industrial free zone, it is called an industrial free zone. The criteria to be approved as either industrial free zone or special industrial free zone are:

- i) All the goods and services have to be exported⁶
- ii) There is no negative impact on the environment
- iii) Goods and services are not dangerous goods (e.g. weapon and gunpowder), substance which has negative impacts on human beings and other animals and plants, and illegal products
- iv) Rules defined in Ordonnance N° 90/001 du 29 janvier 1990 have to be followed

In addition, the SEZ law (Loi n° 2013/011 du 16 décembre 2013 Régissant les zones économiques au Cameroun) was enacted in 2013 and APZE (Agence de promotion des zones économiques) was legally established under MINEPAT⁷. As of September 2016, however, APZE hasn't secured the land

⁵ Ordonnance N° 90/001 du 29 janvier 1990 créant le régime de la Zone Franche au Cameroun

⁶

⁷ Décret n° 2015/178 du 06 avril 2015 pour organisation et fonctionnement de l'Agence de promotion des zones économiques

and staff for operation yet.

5. Support from API

The contact organization for providing incentives to large enterprises and foreign companies is API. According to the decrees, the responsibility of API is as follows.

- Create a positive image of Cameroon as an investment destination
- Improve business environment in Cameroon
- Suggest measures to attract investors to Cameroon
- Publicize information on investment opportunities and advantages of investing in Cameroon
- Establish a database of investments which investors can access
- Assist investors to operate in Cameroon

API has a website (<http://investincameroon.net/en/>) and leaflets both in French and English as basic PR tools. Also, API provides penetration assistance and operation support based on request from investors, though API's virtual investment promotion activities are primarily concentrated to investment approval process.

In addition, API conducts an individual interview to investors and listens to their opinions. API summarizes problems and things to be improved. API presents its policy recommendations to the Prime Minister's Office through its Director-General and implements the efforts to lead up to the formulation of measures to improve business environment. According to API, the directionality that API seeks as an investment promotion agency in the future is to become a collaborator for foreign investors and large enterprises in the all phases of "penetration assistance", "company formation", "operation support", and "monitoring and aftercare" and to provide the one-stop service that unitarily assumes duties.

However, the organizational structure and annual activity plan of API are not properly implemented due to lack of budget and staff. Therefore, the organization reinforcement presupposes the arrangement of API's authorization right and each ministry's official duties. In addition, the following measures are significant: (i) expansion of budget and deployed work force; (ii) improvement of service provision function; and (iii) establishment of management administration system.

6. Conclusion

Under the long-term Biya administration, Cameroon has maintained political and social stability. However, unpredictable future prospects due to the aging President and future transition are regarded by the business community as significant risk factors in the future. Regardless of such situations, the resource of the competitiveness of Cameroon, which is part of its investment potentials, includes the diverse natural environments existing in the country with mineral, forestry, and other natural resources endowments as well as existing agricultural production. Also, the country has population of 24 million which has recorded a growth rate of 2.5% per annum in recent years and the

continuous growth of both domestic market and the labor force are expected.

The Government of Cameroon has developed basic set of policies and legal documents to facilitate private investment. Some key issues such as non-discrimination between domestic and foreign investors, investor protection as well as the provision of incentives are already encompassed in the key laws. In interviews with enterprises, however, the informal sector was raised as a problem. While the formal sector is vulnerable from harassment by tax officers who are pressurized with raising revenue, the informal sector evades paying tax. Where the entry into an industry is easy, informal players start business and take some share of formal business. In order to solve the issues, the Government has set up one-stop center company registration. Support to SMEs is also provided. These measures aim at reduction of the burden for establishing companies and continuous operation of SMEs.

Before direct investment, investors tend to start from trade and sales through their agents in order to be familiarized with the market. After knowing the market with the projection of raising profits, they may gradually consider further investment. The investors further shift the sites of production or service provision from their country of origin or third countries to the countries where they sell the products and services. In Cameroon, for example, a motorcycle manufacturing facility was under preparation for the assembling instead of importing the complete goods.

As suggestions for promoting foreign investment, the strategy for improving competitiveness as an investment destination of the targeted sectors, which are not clearly identified in policies in Cameroon, can be first developed, while the general business environment is to be improved in order to build up broad-based and private sector-led production or service provision basis. Also, the strategy for investment promotion and improvement of business environment may be more effective through the fruitful public and private dialogues. Such dialogues can provide more information on detailed and critical business issues as well as structural issues of industries which cannot be captured in the aspects covered by Doing Business.

As for the development infrastructure, with the newly developing infrastructure such as the ports in Kribi and Limbe, reduction of the time and cost should be promoted. Also, the implementing bodies in the Government have not been established, though the Government of Cameroon has completed preparation of the basic legal framework for setting up the special economic zones (SEZs). Infrastructure development may be largely promoted through the strengthening private sector participation and partnership. As infrastructure projects tend to be large-scale, it is important to manage the risks. Formulation of the viable projects, quick decision making, and easy and fast process of administrative requirements may be contribute to increase the predictability of the project implementation process and management so that the risks can be reduced.

While each has its significance and targeted impact, the diversity may not be effective as they are not

functioning as they are expected. Therefore, it may be advisable to streamline the promotion schemes and organizations in charge and to concentrate on some key mechanisms for resource allocation. In case that it is difficult to manage organizationally, the coordination among the institutions with necessary information sharing and delegations may be necessary.

Chapter 1 Outline of the Project and the Study

1.1 Background of the Project

The Fifth Tokyo International Conference on African Development (TICAD V) was held in June 2013. Active discussions took place on the direction of African development in line with the core themes of TICAD V, namely "Robust and Sustainable Economy," "Inclusive and Resilient Society" and "Peace and Stability". The Yokohama Action Plan, the roadmap for future African development, emphasized the importance of the private sector from the view of promoting economic growth. The plan also points out the importance of promoting investments in various sectors in addition to natural resources and accelerating employment, business linkage between local and foreign companies, and technical transfer. The government of Japan promised to assist African countries (e.g. dispatch advisors to ten countries).

In this regard, the Japan International Cooperation Agency (JICA) already dispatched experts to several countries. JICA also received requests to send experts from other countries, and it realized that it is necessary to provide a wide range of assistance for investment promotion from analysis on investment policies and investment climate (including legal frameworks) to expertise on business conducted by foreign companies.

Hence, the project was designed with two elements: i) Dispatch of the investment promotion experts in Kenya, Ghana, and Zambia, and ii) Data collection survey on investment promotion in Ethiopia, Rwanda, DRC, and Cameroon with the objectives listed below. This approach will make the project more inclusive and effective.

1.2 Objectives of the Project

Based on the background, the objectives of the project are as follows:

- To research investment climates, investment potential, and investment structure of the targeted countries and to conduct survey on the investment intention of foreign enterprises.
- To assist investment promotion of government agencies by dispatching Japanese experts to support developing their capacity, and to provide technical advice to improve the investment climate in the countries.

1.3 Implementation Structure of the Project

Based on the background and objectives, a data collection survey will be conducted and the issues on investment promotion will be identified in Ethiopia, Rwanda, Democratic Republic of Congo, and Cameroon. The survey (especially to study investment climate and IPAs) will utilize a standardized approach (e.g. Policy Framework for Investment (PFI) made by the Organisation for Economic Co-operation and Development (OECD) and Doing Business Index created by the World Bank) so that the results can be compared among countries.

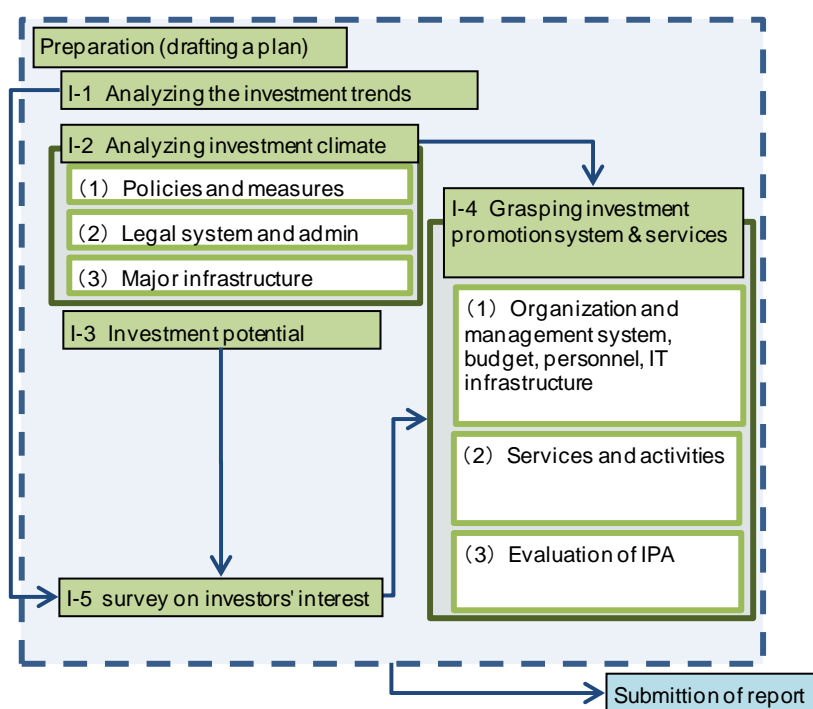


Figure 1-1 Workflow for Standardized Approach

For Ghana, Kenya, and Zambia, the expert in each country will conduct some pilot projects for technical transfer. The lessons learnt from the pilot projects will help JICA to formulate assistance to promote investments in these countries and other developing countries in Africa and in the world.

1.4 Scope and Methodology of the Study on Investment Promotion in Cameroon

Cameroon has rich potential in the field of minerals including oil, forest, hydroelectricity, agriculture, livestock, and fishery. Also, the country has potential and is in an excellent position to promote exports and enhance market access as a member of ECCAS (Economic Community of Central African States) and CEMAC (Communauté Économique et Monétaire de l'Afrique Centrale). Furthermore, it can function as a strategic place for logistics as it sits in the geopolitically important area to connect its ports and land-locked countries behind the country. Therefore, it is important to take effective measures to promote foreign investments and play the role of an engine for economic development in the area.

In this regard, Cameroon formulated the Vision 2035, the long-term national development plan in 2009 and is developing the country under objectives such as (i) to reduce poverty, (ii) to become a middle income country, (iii) to industrialize the country, and (iv) to establish democratic country with diversity. The first 10-year national development plan called “Growth and Employment Strategy Paper 2010-2020 (GESP 2010-2020)” was formulated under the Vision 2035 and the country is proceeding economic development with special focus on infrastructure development, human resource development, employment creation, and market efficiency. In order to promote

especially private investment, Cameroon enacted the Investment Charter of the Republic of Cameroon, which complies with the Investment Charter established by CEMAC. In addition, Cameroon is one of the original members of OHADA (Organization for the Harmonization of Business Laws in Africa) and pursues various measures to simplify the procedures and to increase legal and judicial reliabilities through different mechanisms. In 2005, an investment promotion agency called API (Agence de Promotion des Investissements) was established under the collaboration with the Ministry of Industry, Mining, and Technology Development and the Ministry of Finance and API conducts operations related to investment promotion.

However, Cameroon ranks 166th out of 190 countries in Doing Business 2017 conducted by the World Bank (167th in 2016) and there still is much room to improve business environment.

When it comes to trade structure, Cameroon still depends on a few primary commodities including crude oil, cacao, and logs. As a result, the international price of those products will have a strong impact on economic growth of the country and the further industrialization is necessary. Also, the government of Cameroon pursues economic growth through large scale infrastructure investment, but it is said that the current economic system needs to allow private sector to enter the market in order to improve the efficiency of public service provision.

Reflecting such a situation, the report identifies policy and operational issues and suggests the future policy direction to promote economic development through foreign investment.

Chapter 2 Outline of the Republic of Cameroon

2.1 Land

The Republic of Cameroon (Cameroon) is located in the central Africa with the land size of 475,000 km², which is 1.25 times larger than Japan. It is located next to Nigeria with the largest population in Africa in West and is surrounded by Chad in North West, the Central Republic of Africa in East, Congo Republic in South East, and Gabon and the Republic of Equatorial Guinea in South. Cameroon faces the Gulf of Guinea of the Atlantic Ocean in South West.



Source: Ministère des Affaires étrangères et du Développement international, 2016

Figure 2-1 Map of the Republic of Cameroon

2.2 Political Situation

2.2.1 History

Cameroon was first colonized by the German Empire in the 1870s, became a German colonial empire protectorate in 1884, and Germany had full command of the country in 1911. As Germany lost World War I, the Treaty of Versailles determined that North Eastern part of Cameroon (currently North East and South East Provinces in Cameroon and Adamawa and Taraba Provinces in Nigeria) was a British colonial protectorate and South Western part (Current Cameroon except for North East and South East Provinces) was a French colonial protectorate.

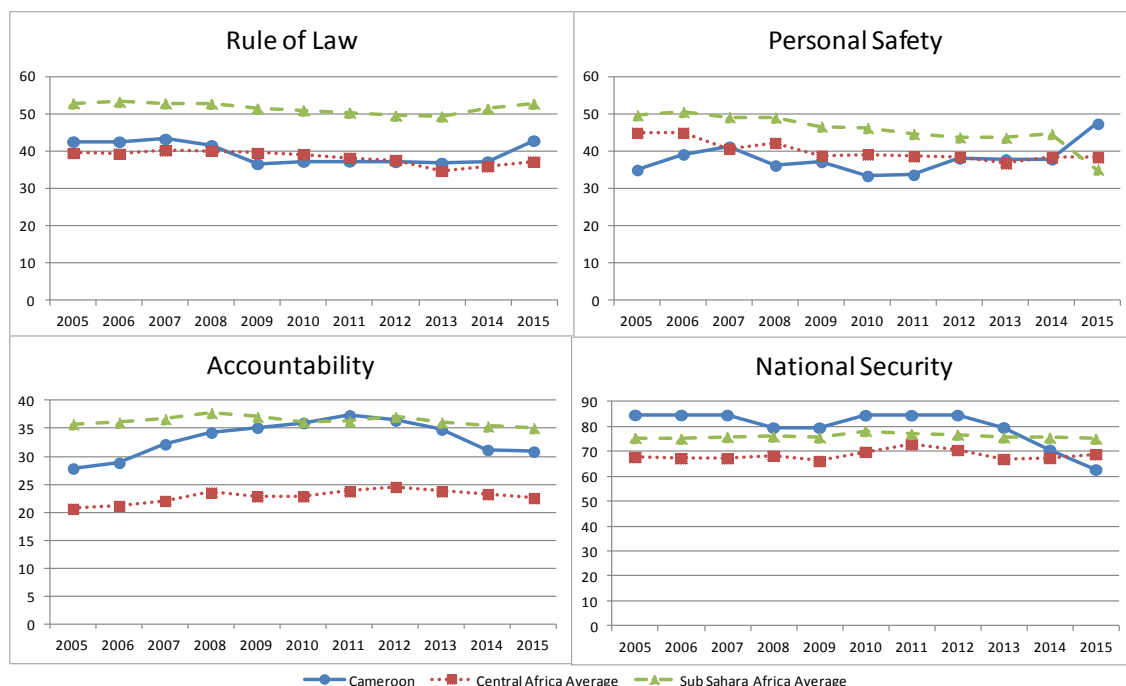
After the World War II, the French colonial protectorate attained independence from France and became the Federal Republic of Cameroon in 1960. Mr. Amadou Ahijo, who was the Prime Minister during the colonial era, became the first president of the country. The British colonial protectorate, on the other hand, held a referendum on integration to either the Federal Republic of Cameroon or Nigeria in 1961. As a result, Northern part of the British colonial protectorate was integrated into Nigeria and Southern part of it was integrated into the Federal Republic of Cameroon. Since then, the president, Mr. Ahijo, was elected 4 times and ruled the country. In 1982, Mr. Ahijo handed over the position to Mr. Paul Biya, the Prime Minister under the President Ahijo. Mr. Biya changed the name of the country as the Republic of Cameroon in 1984 and he keeps strong power to control the country until now.

2.2.2 Governance

The current situation of safety and rule of law in Cameroon can be described by using Ibrahim Indexes made by the Mo Ibrahim foundation⁸ since 2006. The below figures compare the current situation of safety and rule of laws of Cameroon, the Central Africa average where Cameroon is located, and the sub-Saharan Africa average. Though the personal safety index of Central Africa average became higher than that of the sub-Saharan Africa average for the first time in 2015, all the 4 indexes (rule of laws, accountability, personal safety, and national security) of the Central Africa average has been lower than those of the sub-Saharan Africa averages. The index of Cameroon in the field of rule of laws and personal safety is at the similar level to the one of the Central Africa average. The index of accountability and national security is higher than the one of the Central Africa average, but the both indexes have been getting lower in the past 3 years, especially the index of national security decreased from 84.67 in 2013 to 62.80 in 2015, which is even lower than the Central Africa

⁸ Ibrahim Index is an annual statistical assessment of the quality of governance in every 54 African countries. It measures safety and rule of laws, participation and human rights, sustainable economic growth, and human development in order to make it possible to compare among African countries across ages. The indexes are measured by Mo Ibrahim Foundation, which was created when Mr. Mo Ibrahim, the founder of Celtel, sold the company. In addition to the indexes, the foundation also set up and awards the Ibrahim Prize (called Nobel Prize in Africa) to African executive leaders who, under challenging circumstances, have developed their countries and strengthened democracy and human rights for the shared benefit of their people, paving the way for sustainable and equitable prosperity.

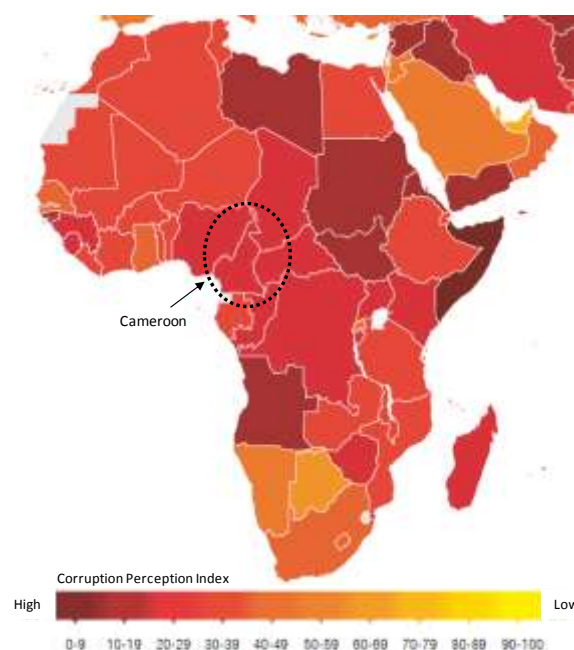
average (68.90).



Source: Mo Ibrahim Foundation (2015) Ibrahim Index of African Governance

Figure 2-1 Comparison of Governance Indexes

The figure below shows the map of Africa colored in different level of red according to the corruption perception index measuring the level of corruption by government officers and politicians as of 2015. This index is determined by Transparency International, an international NGO which advocates corruption prevention. In the sub-Saharan Africa, Botswana recorded 63 points out of 100 (28th in 168 countries), which means it is one of the least corrupted countries in the sub-Saharan Africa. After Botswana, there are 5 countries both in the 50 and 40 ranges followed by 15 countries in the 30 range. The average in the sub-Saharan Africa is 33 points and Cameroon recorded 27 points. Although Cameroon is the second in the Central Africa followed by Gabon (34 points, 99th), the country ranked 30th in 46 countries in the sub-Saharan Africa, which shows the corruption perception in the country is relatively higher than the other countries in the region. Comparing the countries in Asia, The rank of Cameroon (130th in 168 countries) is almost same as Nepal (130th), Bangladesh, and Lao (both ranked in 139th).



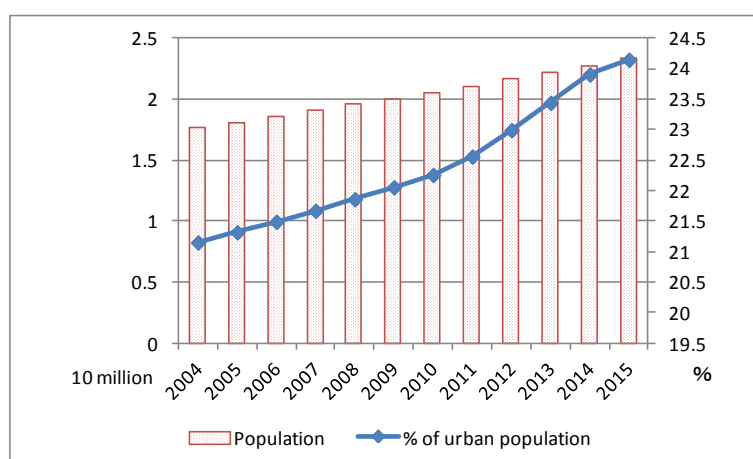
Source: Transparency International (2015) Corruption Perceptions Index

Figure 2-2 Corruption Perceptions Index in Africa (2015)

2.3 Social situation

2.3.1 Population

The population in Cameroon was 18 million in 2004 and exceeded 20 million in 2009 with steady annual population growth rate of 2.5%. Along with the population growth, the percentage of urban population is also gradually increasing from 2004 to 2010. The percentage further increases its growth and became more than 24% in 2015, which shows the population concentration into urban areas is accelerating.

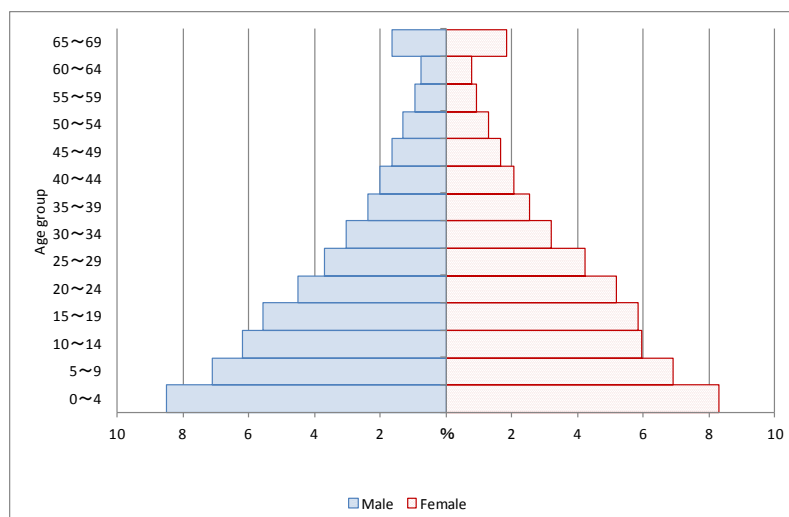


Source: JICA Study Team based on World Development Index (2016)

Figure 2-3 Population and percentage of urban population

The population less than 19 years old accounts for more than 50% of the total, which clearly shows that Cameroon has a huge number of youths. While many countries in the South East Asia are

expected to become aging societies by the 2020s¹¹, Cameroon can supply much labor in terms of demographics. On the other hand, it is necessary to expand the labor market and develop an employment policy in order to absorb increasing population.



Source: JICA Study Team based on Institut National de la Statistique (2014) Annuaire Statistique du Cameroun

Figure 2-4 Population Pyramid (2014)

2.3.2 Health and Education Situation

The main statistics related to health and education is summarized below.

Table 2-1 Main Social Development Statistics

Index		Value	
1	Life expectancy	55.5	Years old
2	Infant mortality rate (per 1,000)	60.8	People
3	Maternal mortality rate (per 100,000)	590	People
4	Adult literacy rate	71.3	%
5	Net primary education enrollment rate (Both French & British systems)	(boy)	84.6 %
		(girl)	87.3 %
6	The rate to continue to secondary school (Both French & British systems)	75	%
7	Junior secondary education completion rate	French system	54.6 %
		British system	28.7 %

Source: 1-4: UNDP (2015) Human Development Report, 5-7: INS (2014) Annual Statistics

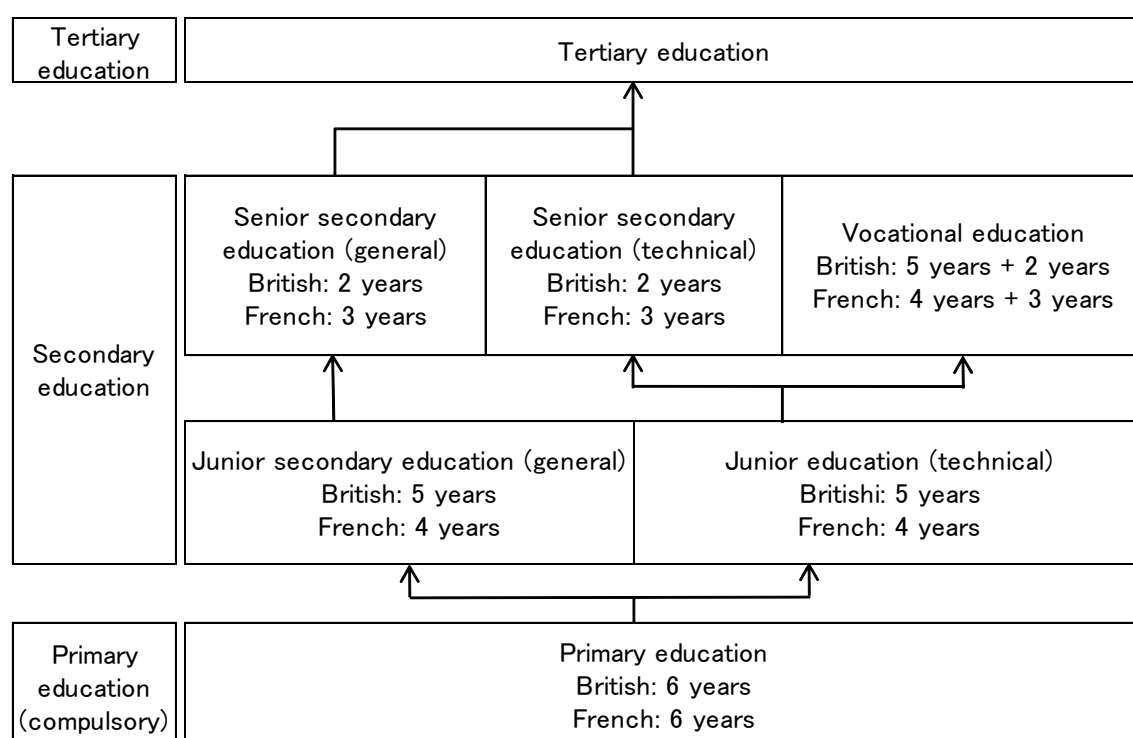
The life expectancy of Cameroon, which is 55.5 years old, is 1-year different from Sub-Saharan Africa (56.8 years old). However, the maternal mortality of Cameroon (590 per 100,000) is more than 1.2 times higher than Sub-Saharan Africa (474 per 100,000)⁹.

The adult (those who are more than 15 years old) literacy rate is more than 70% in Cameroon, while that of the sub-Saharan Africa is 58.4%. Also, the net primary education enrollment rate of boys and

⁹ The life expectancy and maternal mortality rate of Sub-Saharan Africa is also from Human Development Report (2015).

girls under both French and British systems¹⁰ exceeds 80% and the overall rate to continue to secondary school is 75%, which is considered high among the sub-Saharan countries.

The junior secondary education completion rate, however, shows the difference between French and British systems. Because of its historical background, the education system in Cameroon is divided into French and British systems. As illustrated below, the British system has 6 years of primary education, 5 years of junior secondary education, and 2 years of senior secondary education, while the French system has 6 years of primary education, 4 years of junior secondary education, and 3 years of senior secondary education. The total years of education up to secondary are 13 years. The compulsory primary education is from 6 years old to 11 years old. The junior secondary education completion rate under the French system is about 55%, while that under the British system is 29%, which shows a significant difference between French and British systems. The average completion rate in the sub-Saharan Africa is only 37%¹¹, which further shows that the completion rate under the French system is much higher than the regional average.



Source: JICA Study Team based on UNESCO-UNEVOC (2015) World TVET Database Cameroon

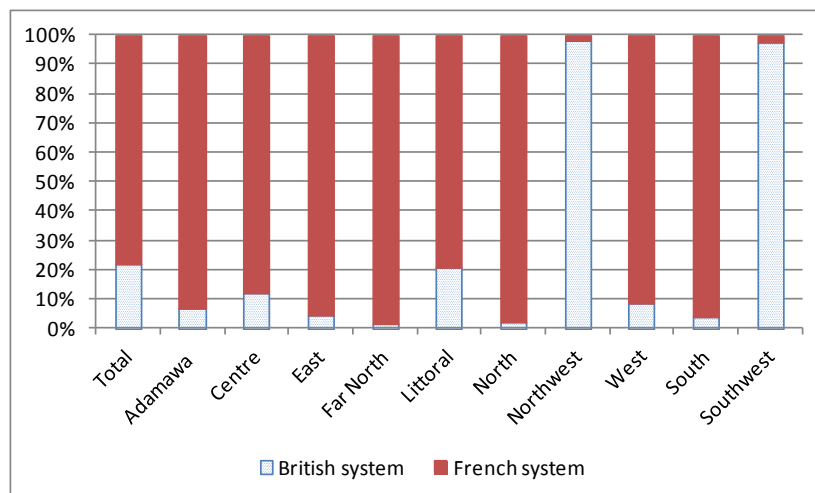
Figure 2-5 Education System in Cameroon

In 2014, 78% of total pupils of Cameroon went to French system schools and the rest of them went to British system schools (INS, 2014). At the provisional level, however, more than 98% of pupils in North West and South West provinces, which are English provinces, went to British system schools, while more than 98% of pupils in Extreme North and Northern went to French system schools. In

¹⁰ The education system in Cameroon will be explained later.

¹¹ Both statistics are from Human Development Report (2015)

addition, it is worth noting that more than 10% of pupils in the Central province (Capital city, Yaounde is located) and the Littoral provinces (Largest industrial city, Douala is located) go to British system schools in spite of the provinces being French-speaking provinces.



Source: Annuaire Statistique du Cameroun (INS, 2014)

Figure 2-6 Number of pupils by province and by system

2.4 Economic Situation

2.4.1 Gross Domestic Product (GDP)

The nominal GDP of Cameroon in 2014 is about USD 32.1 billion, which is the largest economy in CEMAC (Communauté Économique et Monétaire de l'Afrique Centrale)¹². Among the neighboring countries around the Gulf of Guinea, however, the GDP of Cameroon is similar to Ghana and Cote d'Ivoire, following Nigeria with USD 550 billion, which is the largest GDP in the sub-Saharan Africa. Therefore, Cameroon must compete with these countries in consideration of Nigeria's enormous market.

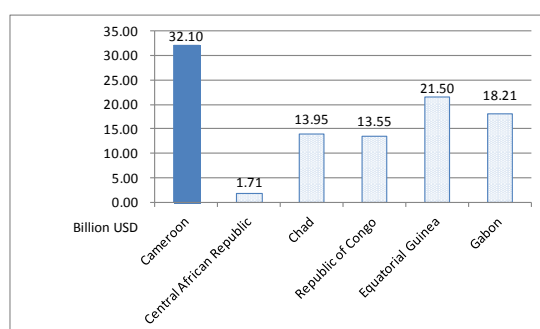


Figure 2-7 Nominal GDP of CEMAC countries

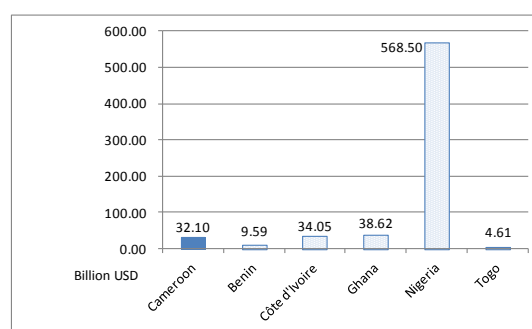
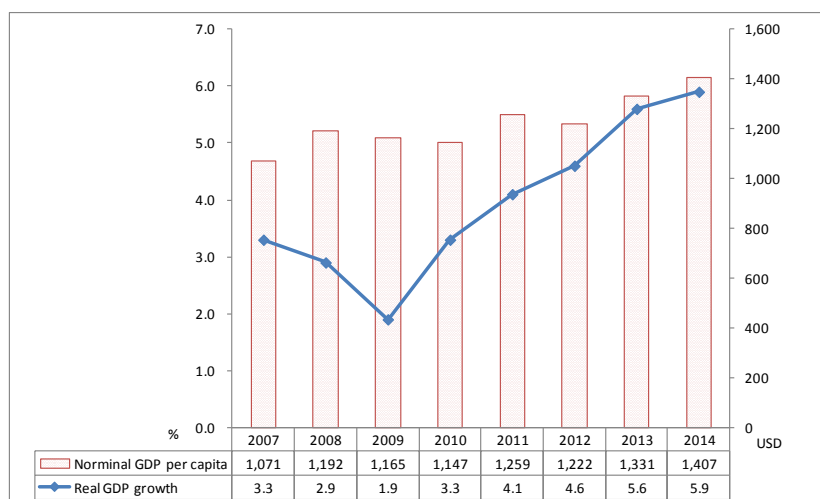


Figure 2-8 Nominal GDP of Gulf of Guinea countries

Source: JICA Study Team based on International Monetary Fund, World Economic Outlook Database, October 2016.

¹² CEMAC is a regional economic community consisting of 6 former French colonial protectorates (Cameroon, Central Republic of Africa, Congo Republic, Gabon, Equatorial Guinea, and Chad). CEMAC is called the Economic Monetary Community of Central Africa (CMCCA) in English. CEMAC already has common currency, parliament body, and court. The details are described in 2.4.4.

The real GDP growth (2000 base) of Cameroon in the last 8 years shows rapid decrease from 3.3% in 2007 to 1.9% in 2009 due to the global financial crisis. After that, however, the economy returned to growth. The nominal GDP per capita is also increasing from USD 1,071 in 2007 to 1,407 in 2014. The average nominal GDP per capita in the sub-Saharan Africa is USD 1,800.



Source: Nominal GDP per capita: World Development Indicator (World Bank)

Real GDP growth: INS (2015) Tendances, profil et déterminants de la pauvreté au Cameroun entre 2001-2014

Remarks: Base year of real GDP growth is 2000.

Figure 2-9 Real GDP growth and nominal GDP per capita

2.4.2 Industrial Structure

The GDP structure of Cameroon shows that tertiary industry accounts for 35%, followed by secondary industry (27%), and primary industry (20%). There is not much difference over the last 6 years.

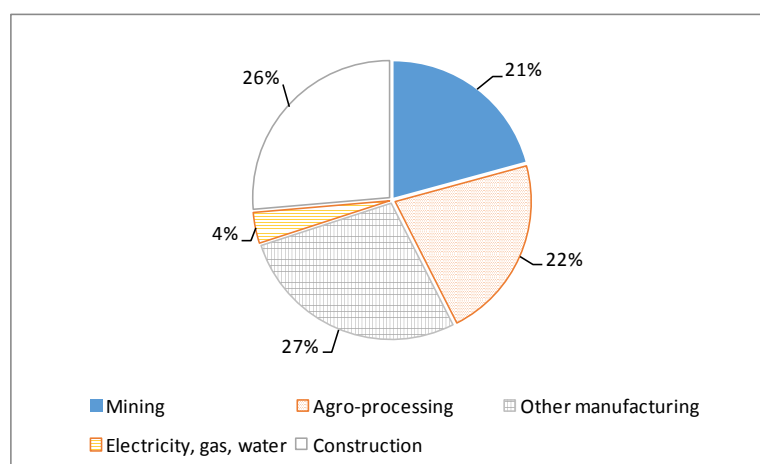
The breakdown of GDP shows that commerce, restaurant, and hotel accounts for 18%, which is the biggest share, followed by Agriculture (14%) and other services (9%). Because of the rapid drop of oil price in 2012, the share of oil and gas decreased from 8.0% in 2012 to 6.9% in 2014. In line with the drop of oil price, the share of other industries including downstream oil industry is shrinking. On the other hand, construction and public works is increasing its share of GDP from 5.3% in 2011 to 6.4% in 2014.

Table 2-2 GDP share by industry

Category	Share					
	2009	2010	2011	2012	2013	2014
Primary industry	21.7%	21.7%	21.7%	21.4%	21.1%	20.4%
Agriculture (food)	14.2%	14.0%	14.5%	14.5%	14.4%	13.9%
Agriculture (industry, export)	1.4%	1.6%	1.4%	1.2%	1.2%	1.3%
Hunting	2.9%	2.8%	2.8%	2.8%	2.7%	2.6%
Forestry, Wood	2.0%	2.0%	2.0%	1.9%	1.7%	1.6%
Fishery	1.2%	1.2%	1.1%	1.1%	1.1%	1.0%
Secondary industry	27.6%	27.7%	27.3%	27.9%	27.6%	27.6%
Mining	7.3%	6.6%	7.7%	8.1%	7.5%	7.1%
of which, Hydrocarbon	7.1%	6.5%	7.5%	8.0%	7.3%	6.9%
Agro-processing	5.7%	6.2%	6.3%	6.0%	5.8%	5.7%
Other manufacturing	9.2%	8.8%	7.1%	7.7%	7.5%	7.4%
Electricity, gas, water	0.9%	0.9%	1.0%	0.9%	0.9%	1.0%
Construction, public works	4.4%	5.1%	5.3%	5.3%	5.9%	6.4%
Tertiary industry	34.2%	34.6%	34.6%	34.3%	34.9%	35.0%
Commerce, restaurants, hotels	18.6%	18.0%	18.0%	18.0%	18.4%	18.3%
Transportation, warehouses, con	6.0%	6.5%	6.5%	6.4%	6.6%	6.8%
Banks, financial institutions	0.8%	0.9%	1.0%	1.0%	1.0%	1.1%
Other services	9.3%	9.8%	9.6%	9.4%	9.4%	9.4%
FISIM	-0.5%	-0.5%	-0.5%	-0.5%	-0.6%	-0.6%
non-market value add	8.8%	8.7%	8.6%	8.7%	8.8%	8.9%
Tax	7.7%	7.4%	7.8%	7.6%	7.6%	8.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: INS (2014) Annuaire Statistique du Cameroun

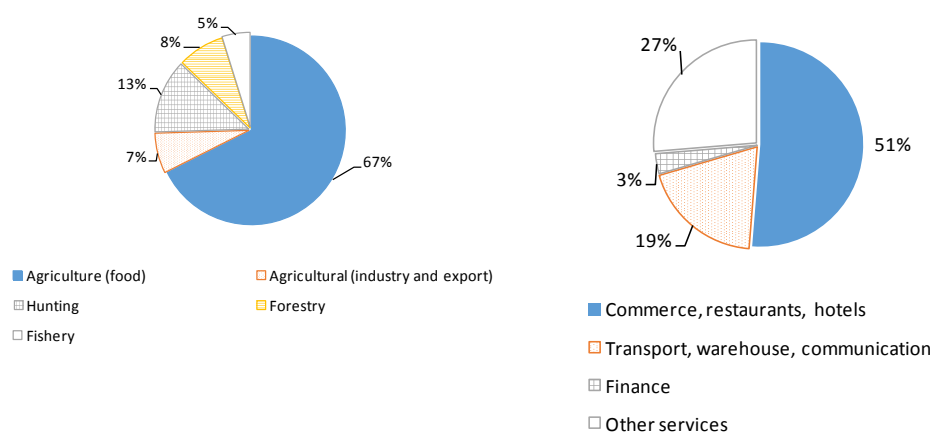
The share of the secondary industry by industry is almost equally divided into mining, agro-processing, construction, and other industries. The trend of the overall secondary industry has been the same for the last few years, but the share of construction is increasing within the secondary industry, while the share of mining is decreasing.



Source: JICA Study Team based on INS, Annuaire Statistique du Cameroun 2015, Les Comptes Nationaux de 2015

Figure 2-10 Share of the secondary industry by industry (2015)

The share of industries in the primary and tertiary industry is shown as below. In the primary industry, food products and agricultural industry accounts for about 75%, while trade, which mainly deal with import goods, and have a high share in tertiary industry (51% in 2015).



Primary industry

Tertiary industry

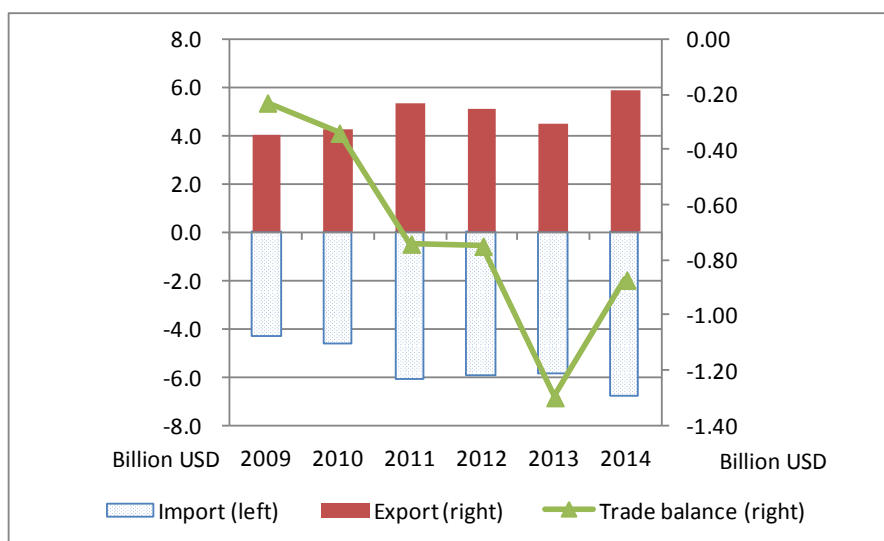
Source: JICA Study Team based on INS, Annuaire Statistique du Cameroun 2015, Les Comptes Nationaux de 2015

Figure 2-11 Share of the primary and tertiary industries by industry (2015)

2.4.3 Trading Structure

Since 2009, the value of imports is more than exports in Cameroon, and the trade deficit is gradually increasing from USD 0.2 billion in 2009 to 0.9 billion in 2012. In 2013, the value of imports decreased by 15%, but the value of exports decreased by 30%. As a result, the trade deficit became USD 1.3 billion. Although the trade deficit decreased to USD 0.9 billion in 2014, it seems that Cameroon still run a trade deficit due to increase of import of capital goods and flagging international oil price.

The sum of exports and imports amounts is generally growing so that the value of imports and exports exceeded USD 6 billion and USD 5 billion respectively in 2011. In 2014, the value of imports exceeded USD 7 billion and exports almost reached USD 6 billion.



Source: INS (2014) Annuaire Statistique du Cameroun

Remarks: FOB is used for both export and import.

Figure 2-12 Trade Balance

(1) Import and Export Trends by Product

In the last 5 years, the value of import increased from USD 4.1 billion in 2010 to USD 5.3 billion in 2014. Throughout the period, minerals and hydrocarbon accounted for more than 50% and increased from 50% in 2010 to 57% in 2014. The share of crude oil and fuels & lubricants is high in the category, but the crude oil increased from 34% to 46%, while fuels & lubricants decreased to half from 12% to 6%.

Following minerals and hydrocarbon, agricultural products account for about 40% of total exports. Half of it is logs, followed by cacao (10%). The share of industrial products is only 3% of total exports and the trend has been the same for the last 5 years.

Table 2-3 Exports by product

(1) Value (USD million)

Items	2010	2011	2012	2013	2014
Agricultural products	1,952.7	2,022.1	1,852.1	1,943.7	2,127.5
Wood	888.5	968.3	902.2	945.4	1,031.2
Cocoa (raw, paste, etc)	714.9	616.4	491.3	554.4	678.0
Cotton	82.1	118.0	146.1	173.8	161.1
Raw rubber	95.2	131.2	121.5	122.0	92.1
Banana	81.8	88.6	74.8	83.5	77.3
Coffee	66.6	72.7	87.3	40.2	64.1
Sugar	11.5	9.0	13.7	11.0	12.1
Palm oil	7.3	10.3	7.7	4.8	4.7
Beans	3.6	5.5	5.2	5.6	3.4
Others	1.3	2.2	2.2	3.0	3.7
Mining, hydrocarbon	2,065.6	2,516.4	2,496.7	2,594.1	3,039.3
Crude oil	1,410.0	1,613.1	1,834.2	2,201.3	2,475.1
Fuels and lubricants	499.4	733.0	527.5	257.9	321.8
Aluminum	143.3	141.5	98.6	102.7	211.5
Bars of iron or non-alloy steel	11.2	25.3	32.7	28.0	26.4
Unwrought lead	1.7	3.4	3.8	4.2	4.5
Manufacturing	111.1	146.1	190.5	167.6	139.7
Soap	31.5	36.8	39.9	66.1	54.8
Food preparation	2.0	21.3	15.2	8.7	20.1
Cosmetics	4.2	10.9	48.3	17.9	13.6
Coke, bitumen	7.4	9.0	10.9	3.9	11.4
Glass bottles etc.	16.7	15.7	15.4	20.2	10.5
Fertilizer	2.7	0.0	7.1	9.3	9.7
Beverages	8.5	12.3	11.0	15.0	9.2
Cement	14.6	10.7	10.0	9.6	4.1
Others	23.5	29.5	32.7	16.9	6.1
Total	4,129.3	4,684.6	4,539.2	4,705.4	5,306.4

(2) Share (%)

Items	2010	2011	2012	2013	2014
Agricultural products	47.3%	43.2%	40.8%	41.3%	40.1%
Wood	21.5%	20.7%	19.9%	20.1%	19.4%
Cocoa (raw, paste etc)	17.3%	13.2%	10.8%	11.8%	12.8%
Cotton	2.0%	2.5%	3.2%	3.7%	3.0%
Raw rubber	2.3%	2.8%	2.7%	2.6%	1.7%
Banana	2.0%	1.9%	1.6%	1.8%	1.5%
Coffee	1.6%	1.6%	1.9%	0.9%	1.2%
Sugar	0.3%	0.2%	0.3%	0.2%	0.2%
Palm oil	0.2%	0.2%	0.2%	0.1%	0.1%
Beans	0.1%	0.1%	0.1%	0.1%	0.1%
Others	0.0%	0.0%	0.0%	0.1%	0.1%
Mining, hydrocarbon	50.0%	53.7%	55.0%	55.1%	57.3%
Crude oil	34.1%	34.4%	40.4%	46.8%	46.6%
Fuels and lubricants	12.1%	15.6%	11.6%	5.5%	6.1%
Aluminum	3.5%	3.0%	2.2%	2.2%	4.0%
Bars of iron or non-alloy steel	0.3%	0.5%	0.7%	0.6%	0.5%
Unwrought lead	0.0%	0.1%	0.1%	0.1%	0.1%
Manufacturing	2.7%	3.1%	4.2%	3.6%	2.6%
Soap	0.8%	0.8%	0.9%	1.4%	1.0%
Food preparation	0.0%	0.5%	0.3%	0.2%	0.4%
Cosmetics	0.1%	0.2%	1.1%	0.4%	0.3%
Coke, bitumen	0.2%	0.2%	0.2%	0.1%	0.2%
Carboys, bottles and flasks	0.4%	0.3%	0.3%	0.4%	0.2%
Fertilizer	0.1%	0.0%	0.2%	0.2%	0.2%
Beverages	0.2%	0.3%	0.2%	0.3%	0.2%
Cement	0.4%	0.2%	0.2%	0.2%	0.1%
Others	0.6%	0.6%	0.7%	0.4%	0.1%
Total	100%	100%	100%	100%	100%

Source: INS (2014) Annuaire Statistique du Cameroun

The imports to Cameroon in 2014 became 1.5 times larger than in 2010 (from USD 4.9 billion to USD 7.3 billion), but the composition hardly changed over the period. To be specific, about 30% of total imports consists of minerals (mostly hydrocarbon), followed by machines and chemical products. The sum of the three categories has accounted for more than half of the total for the last 5 years. As industries, especially manufacturing, diversify, there is a possibility of decrease in the share of minerals and increase in the share of capital goods including machines and transportation.

Table 2-4 Imports by product

(1) Value (USD million)

Items	2010	2011	2012	2013	2014
Minerals	1,485.8	1,933.1	2,149.8	1,775.3	2,366.7
Machinery	708.2	997.1	889.3	1,039.9	1,224.5
Chemicals	503.7	668.0	600.1	638.8	714.5

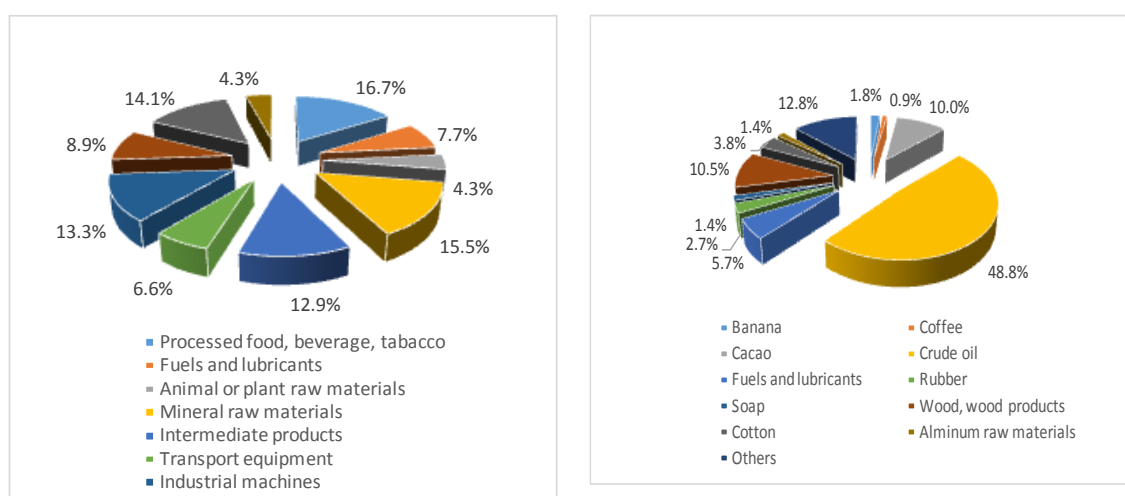
Items	2010	2011	2012	2013	2014
Transportation equipment	444.2	661.8	427.8	403.9	597.9
Vegetables	422.3	573.8	617.5	747.1	583.5
Common metals	298.4	388.2	364.7	421.4	459.0
Animals and animal products	238.7	379.1	307.5	368.2	366.0
Processed food	225.5	314.7	303.5	338.1	312.8
Plastic and rubber products	201.6	229.0	229.5	263.9	281.8
Others	359.4	445.1	400.2	423.9	431.5
Total	4,887.9	6,589.8	6,290.0	6,420.5	7,338.2

(2) Share (%)

Items	2010	2011	2012	2013	2014
Minerals	30.4%	29.3%	34.2%	27.7%	32.3%
Machinery	14.5%	15.1%	14.1%	16.2%	16.7%
Chemicals	10.3%	10.1%	9.5%	9.9%	9.7%
Transportation equipment	9.1%	10.0%	6.8%	6.3%	8.1%
Vegetables	8.6%	8.7%	9.8%	11.6%	8.0%
Common metals	6.1%	5.9%	5.8%	6.6%	6.3%
Animals and animal products	4.9%	5.8%	4.9%	5.7%	5.0%
Processed food	4.6%	4.8%	4.8%	5.3%	4.3%
Plastic and rubber products	4.1%	3.5%	3.6%	4.1%	3.8%
Others	7.4%	6.8%	6.4%	6.6%	5.9%
Total	100%	100%	100%	100%	100%

Source: INS (2014) Annuaire Statistique du Cameroun

Production of crude oil in Cameroon is the 6th largest in Africa, but crude oil in Cameroon is heavy and has been exported as it is because of the lack of sufficient refinery capacity in the country. On the other hand, Cameroon imports light crude oil from Nigeria, Equatorial Guinea, and Angola. Currently, Société Nationale de Raffinage (SONARA) is expected to modernize a refinery in Limbe so that heavy crude oil in Cameroon can be refined into light crude oil, which will decrease the import of light crude oil from other countries.



Source: JICA Study Team based on INS, Annuaire Statistique du Cameroun 2015

Figure 2-13 Share of imports and exports by main products (2013)

Table 2-5 Imports and exports of crude oil

(Unit: USD million)

	2010	2011	2012	2013	2014
Exports	1,738	1,753	2,181	2,369	2,801
	45%	39%	51%	51%	54%
Imports	1,281	993	1,632	1,386	1,576
	25%	15%	25%	20%	21%
Ex/Im ratio	74%	57%	75%	59%	56%

Source: JICA Study Team based on UNCTAD Data Base

(2) Import and Export by Country

Exports and imports by region show the strong connection between Cameroon and EU countries. Especially export to EU countries accounts for more than 50%, followed by Asia and CEMAC countries. When it comes to imports, about 30% of it is from EU countries, followed by West Africa and Asia (the share of both regions is approximately 20-25%). Intra-Africa trade excluding Western Africa including CEMAC countries shows only a few percent in both imports and exports, which clearly shows the intra-Africa trade is not active compared with other regions.

Table 2-6 Share of Imports and Exports by region

Exports	2007	2008	2009	2010	2011
EU countries	65.2%	54.9%	56.0%	57.8%	51.8%
Non-EU European countries	1.0%	0.0%	0.1%	0.1%	0.2%
CEMAC countries	9.2%	10.6%	10.8%	9.9%	11.7%
West Africa	5.8%	5.4%	7.0%	3.9%	4.6%
Other Africa	3.6%	1.7%	2.7%	2.4%	5.1%
North America	5.5%	13.1%	5.3%	7.1%	6.5%
Central, South America	0.4%	0.1%	0.2%	2.2%	0.8%
Asia	9.2%	14.0%	17.9%	16.5%	19.3%
Oceania	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Imports	2007	2008	2009	2010	2011
EU countries	32.9%	33.2%	36.8%	32.2%	29.6%
Non-EU European countries	1.1%	1.3%	1.5%	1.9%	0.8%
CEMAC countries	5.4%	4.9%	3.7%	3.4%	2.2%
West Africa	29.0%	24.9%	16.7%	24.8%	25.2%
Other Africa	2.2%	3.5%	3.8%	3.7%	4.2%
North America	5.9%	5.4%	4.4%	3.6%	4.0%
Central, South America	5.4%	5.3%	5.5%	4.1%	5.8%
Asia	17.9%	21.1%	27.3%	26.1%	27.4%
Oceania	0.2%	0.4%	0.3%	0.3%	0.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: JICA Study Team based on MINCOMMERCE

(<http://www.mincommerce.gov.cm/mincommerce.php?lang=fr&launch=5e875a2e075a1a4>)

The data from MINMIDT revealed the top countries in terms of value in 2011 as below. France, the former imperial country for Cameroon, is in the top 5 countries in both import and export. Nigeria is the largest country in terms of import because of crude oil from the country (USD 1.53 billion). According to the UNCTAD, the rise of China as one of the major trade partner in 2014 is of particular note. As is shown, China is penetrating the Cameroon market by having long-term commerce base in various fields from general consumer products to industrial machines.

Table 2-7 Export and Import Value by Major Trade Partner (2011)

(Unit: USD 10 million)

Country	Imports	Country	Exports
Nigeria	153	Spain	66
France	87	Netherlands	45
China	74	China	41
Armenia	23	France	36
USD	23	Italy	34
Italy	20	USD	27
Thailand	20	India	22
India	18	Chad	17
Japan	17	Democratic Republic of Congo	17
Belgium	16	Congo Republic	13
Brazil	16	Belgium	12
South Africa	13	Nigeria	10
UK	12		
Spain	12		
Vietnam	12		
Turkey	12		
Equatorial Guinea	11		
Mauritania	11		

Source: JICA Study Team based on the material from MINMIDT

Table 2-8 Export and Import Value by Major Trade Partner (2014)

(Unit: USD 10 million)

Country	Exports	Country	Imports
China	176.0	Spain	69.9
Nigeria	110.1	China	59.9
France	85.0	Netherland	41.1
Belgium	30.4	Italy	40.8
India	23.0	France	24.0

Source: JICA Study Team based on UNCTAD Data Base

2.4.4 Regional Economic Communities in Africa and Cameroon

The share of intra-Africa trade in both imports and exports remains at around 10%, while intra-America and intra-Asia are higher¹³. Therefore, African Union (AU), the largest regional organization in the world with 54 countries and territories in Africa¹⁴, recognizes 8 regional economic communities (RECs) and promotes the free movement of people, goods, and money within the RECs. AU's ultimate goal is for Africa to be politically and economically integrated and to solve conflicts within the region. The table below illustrates the progress of regional integration in 8 RECs in Africa.

Table 2-9 Progress of Regional Integration in RECs

Regional Economic Community	Established year	No. of member countries	Free Trade	Custom Union	Common Market	Currency Union
Southern African Development Community: SADC	1992	15				
East African Community: EAC	2000	5				
Economic Community of West African States: ECOWAS	1975	15				
Common Market for Eastern and Southern Africa: COMESA	1994	19				
○ Economic Community of Central African States: ECCAS	1983	10				
Arab Maghreb Union: AMU	1989	5				
Community of Sahel-Saharan States: CEN-SAD	1998	29				
Intergovernmental Authority on Development: IGAD	1986	8				

Source: JICA Study Team based on AU (<http://au.int/en/organs/recs>), AfDB (2014) Tracking Africa's Progress in Figures

Legend: Cameroon is a member of RECs with "○".

Cameroon is a member of ECCAS (Economic Community of Central African States). ECCAS has the headquarters in Libreville of Gabon and consists of 10 countries (In addition to the 6 CEMAC countries, Democratic Republic of Congo, Angola, République du Burundi, and Democratic Republic of Sao Tome and Principe). ECCAS established free trade zone in 2004 and is trying to make a custom union as a next step, but the progress is stagnant. As all the CEMAC countries are members of ECCAS, ECCAS is discussing the possibility of the integration with CEMAC, which has more progress than ECCAS, since 2014.

In addition to the 8 RECs above, there is Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC¹⁵) consisting of Cameroon, Central African Republic, Congo Republic, Gabon, Republic of Equatorial Guinea, and Chad, which are former French colonies, in Central Africa. Although CEMAC is not officially recognized as REC by AU, it already has common currency, parliament body, and court. In addition, CEMAC started to have discussions on adjustment of

¹³ The share of intra trade (export and import, respectively) in other regions is: ASEAN (26%, 23.5%); EU (61.8%, 56.3%); NAFTA (48.5%, 33.7%) (AfDB (2014) Tracking Africa's Progress in Figures)

¹⁴ AU Includes "Sahara Arab Democratic Republic", which Japan does not recognize as a country. Morocco does not participate in AU.

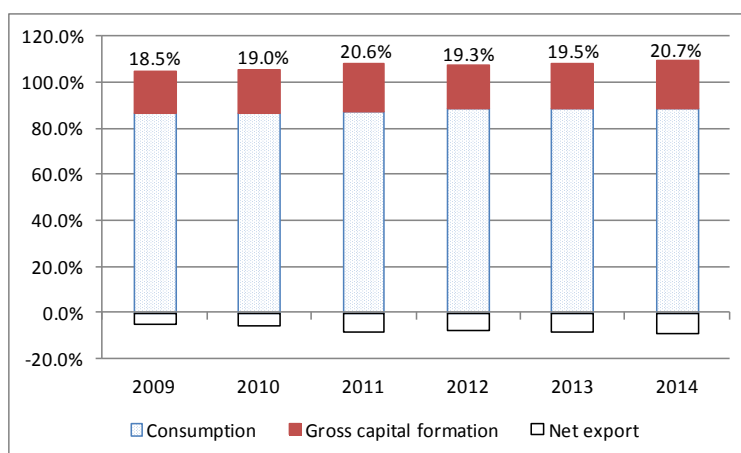
¹⁵ Economic Monetary Community of Central Africa (EMCCA) in English.

customs among the member countries. As mentioned earlier, Cameroon has the largest economy in CEMAC and it is expected to lead the integration of CEMAC and ECCAS with a strong leadership.

Chapter 3 Investment in Cameroon

3.1 Investment Trend

The share of gross capital formation in GDP has been at the level of 20% in the last 6 years. Though the share slightly decreased in 2012, it is again increasing in 2013 and 2014.



Source: INS (2014) Annuaire Statistique du Cameroun

Remarks: The percentage is the share of gross capital formation

Figure 3-1 Share of Gross Capital Formation in GDP

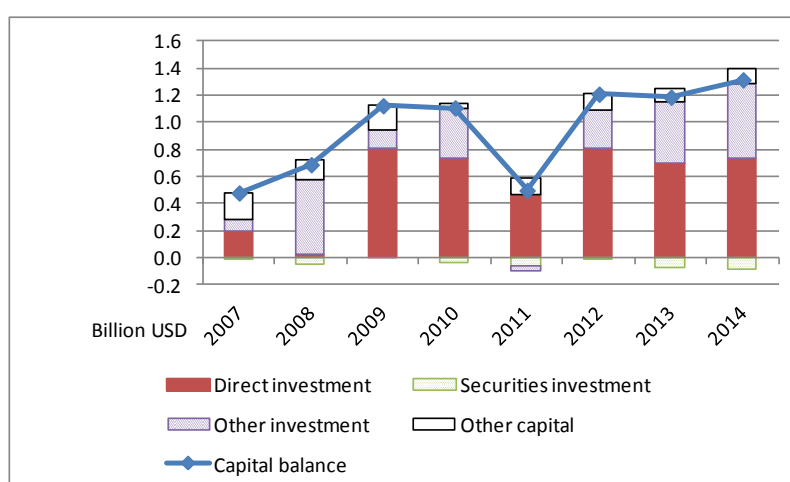
As shown below, the share of capital investment of the total accounts for more than 90% and 60% of it is construction and public works. Over the last 6 years, the gross capital formation increases at the rate of 10%.

Table 3-1 Breakdown of the Gross Capital Formation

	2009	2010	2011	2012	2013	2014
Capital investment	1,877.6	2,133.7	2,482.8	2,492.6	2,692.3	3,100.4
Construction & public works	1,059.3	1,192.9	1,319.5	1,446.3	1,736.9	1,973.3
Housing investment	87.3	86.1	99.9	107.5	141.8	150.4
Inventory investment	79.5	8.0	1.0	18.7	15.1	35.1

Source: INS (2014) Annuaire Statistique du Cameroun

The capital account in Cameroon's balance of payment narrowed surplus in 2012, but recovered to USD 1.2 billion in 2012 and keeps the same level after that. Especially, direct investment accounts for more than 50% of the capital account since 2009. In the direct investment, securities investment is gradually increasing, which seems investors in Cameroon started to purchase shares and securities in other countries. Also, other investment in 2014 became 2 times larger than in 2012, which means the debt is growing.



Source: BEAC (2009-2014) Annuaire Statistique du Cameroun

Remarks: 2014 is estimate

Figure 3-2 Capital Account

In Cameroon, a governmental approval to make an investment is not mandatory and only investors who would like to receive fiscal and non-fiscal incentives from the government is requested to submit an application with necessary documents to API (Agence de Promotion des Investissements)¹⁶. Therefore, the investment trend that API knows is the one for the investors who received incentives. API approved 67 investments between November 2014, when the incentive scheme was introduced, and the end of May 2016¹⁷. In addition, API approved 15 investments between June and September 2016, which shows the speed to giving incentives is accelerating.

Because the incentive scheme is still in the early days of implementation, it is very difficult to analyze the historical trend. However, the data still shows that the number of investment, amount of investment approved, and estimated number of employment is rapidly increasing. For example, the amount of investment approved increased from USD 0.15 billion in 2014 to USD 0.94 billion in 2016. Particularly, foreign investments, which accounted for only 15% in 2014, increased to 28% in 2015 and currently the share is 70% as of the end of May 2016.

Table 3-2 Approved investments by investors

Year	2014 (only Nov. Dec)			2015			2016 (From Jan to May)			Accumulation (from Nov. 2014-May 2016)		
Type	No. of investments	Approved amount (million USD)	Estimated employment	No. of investments	Approved amount (million USD)	Estimated employment	No. of investments	Approved amount (million USD)	Estimated employment	No. of investments	Approved amount (million USD)	Estimated employment
Foreign	1	22.3	610	7	145.3	1,405	13	654.5	12,873	21	822.1	14,888
Domestic	11	127.2	3,391	17	378.4	5,795	18	286.9	6,101	46	792.5	15,287

Source: API

Food sector is the biggest one in terms of both the number of investments and the amount of investment. When it comes to the number of employment, automotive sector plans to employ over 6,000 people in 4 investments. Since the introduction of the incentive scheme, API approved

¹⁶ This system is implemented in other countries including Thailand, Cambodia, Zambia, and Democratic Republic of Congo.

¹⁷ Cameroon made a law on investment incentives in 2013 and started to approve the investment based on the criteria from November 2014.

investments in 21 sectors, but there are only 4 sectors (food, automotive, cosmetics, and manufacturing) which have both foreign and domestic investments. Other 17 sectors have only either foreign or domestic investments.

In total foreign investment, automotive sector is the biggest investment in terms of both the amount of investment approved and the number of employment, while it is food sector which is the biggest domestic investment in terms of the number of investment, the amount of investment approved, and the number of employment.

Table 3-3 Investments Approved by Sector

Sector	No. of investment		Approve amount (million USD)		Estimated employment	
	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic
Food	5	13	99.6	188.4	1,898	2,816
Automotive	2	2	232.3	26.1	5,650	951
Energy	1	0	202.8	0.0	1,114	0
Agro-processing	0	4	0.0	186.9	0	888
Cement	3	0	121.5	0.0	2,313	0
Beer	0	4	0.0	112.2	0	2,403
Iron, steel, metal	0	4	0.0	89.1	0	1,155
Construction material	0	4	0.0	68.5	0	1,915
Cosmetics	1	3	15.2	34.6	496	823
Agriculture	1	0	48.4	0.0	1,167	0
Manufacturing	1	6	5.2	42.6	186	1,934
Wood	2	0	34.2	0.0	395	0
Textile	1	0	27.7	0.0	702	0
Water	1	0	25.0	0.0	500	0
Hotels	0	1	0.0	19.2	0	520
Public works	0	1	0.0	15.9	0	1,591
Renewable energy	2	0	7.5	0.0	302	0
Public housing	0	2	0.0	6.3	0	223
Pharmaceutical	1	0	2.8	0.0	165	0
Iron and steel	0	1	0.0	1.9	0	61
Leisure	0	1	0.0	0.8	0	7
Total	21	46	822	793	14,888	15,287
Grand total	67		1,614.6		30,175	

Source: JICA Study Team based on documents from API

In the article IV consultation by IMF pointed out that the most of the approved investments are existing investments¹⁸. Actually, API data shows that SOCAPALM, which started its operation in 1968 and owned by Bolloré, a French company in 2000, has the biggest amount of investment in the food sector, followed by OLAMCAM, a Singaporean company (OLAM) operating since the 1990s. Also, SOSUCAM, a French company (Somdiaa) operating since 1964, has the biggest approved

¹⁸ In other words, a company which would have made investments without incentives applies for the approval and the government loses the tax revenue by giving incentives to those companies.

investment in 2015. When it comes to implementing an incentive scheme, IMF believes that the government should have clear criteria and should not give incentives to the existing investments, which would have been implemented even without an incentive scheme¹⁹. On the contrary, new investments accounts for only 37% of the total in terms of the amount of investment approved.

3.2 Impact of the article IV consultation by IMF

According to IMF's latest the article IV consultation in November 2015, the risk level under the DSA (Debt Sustainability Analysis) of Cameroon was changed from "moderate" to "high risk". The reason is because the increase on non-concessional borrowing and the drop of the international oil price led to the decrease in the amount of export. Also, the World Bank has rated CPIA (Country Policy and Institutional Assessment) of Cameroon as 3.2 and evaluated as vulnerable for the last 10 years²⁰. DSA determines the percentage of export thresholds corresponding with debt present value based on the baseline scenario (when export turns to negative). Currently, the threshold for Cameroon is that 100% of exports and the country is evaluated as "high risk" if exceeds. If the debt distress increases at the same speed, it is estimated that Cameroon exceeds the threshold after 2021²¹. Having said that, the GDP growth is promising and the inflation rate keeps at low level. Also, as the industry is divesting, the tax revenue from non-oil industries is increasing, and IMF provides technical assistance in the field of customs and taxation, Cameroon's economy is better than neighboring countries.

Donor agencies including international organizations and EU countries decide the assistance to developing countries based on the result of the article IV consultation. As DSA considers Cameroon as high risk, it was revealed that some donors started to consider making a request of a comfort letter from IMF from the interviews made during this study. Also, as is the case in France, there are countries which advise private companies in their countries not to create a joint venture with Cameroon state enterprises and or to reconsider the timing of investment. The private sector, on the other hand, does not respond to the current DSA evaluation of Cameroon by IMF as it has been pointed out for the last 10 years²².

3.3 Foreign Investment

According to the fDi intelligence, the stock of foreign direct investment in Cameroon between 2003 and 2014 is fairly increasing, though the inflow of each year differs. To be specific, the stock was USD 0.3 billion in 2003, increased in USD 1 billion in 2005, and exceeded USD 10 billion in 2010.

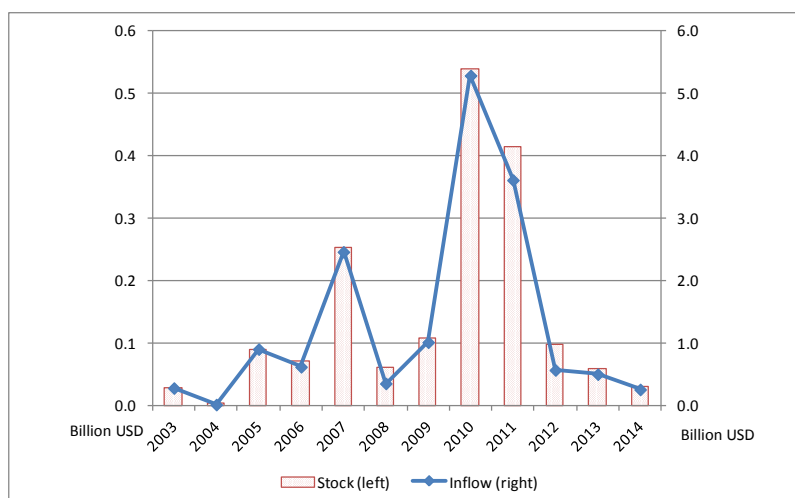
¹⁹ IMF believes incentives should be given only when the investment is new and contributes to the economic growth of the country.

²⁰ The government of Cameroon protests against the fact that the evaluation has been the same over the last 10 years.

²¹ According to the report on the article IV consultation by IMF in November 2015, the percentage is 56.4% as of 2015. IMF estimates that if the government of Cameroon accept the structural adjustment programs from IMF, the governance will be improved, which raise the rate of CPIA. Hence the threshold can be increased.

²² Rather, the private sector is worried about the long term risk on political situations in the country.

Since 2010, the stock has been constantly increasing and is just before USD 16 billion in 2014.



Source: fDi Intelligence (Financial Times Ltd)

Figure 3-3 Foreign Direct Investment (stock and inflow)

There are 59 investments in Cameroon from January 2003 to July 2015 and the accumulated amount of investment is more than 17 billion USD. In terms of sector, communication sector has the largest number of investments (11 investments), followed by metal sector (10 investments) and finance (8 investments). These three sectors account for about 50% of the total. In terms of the investment amount, hydrocarbon and natural gas sector has the largest accumulated and average amounts, which are USD 6.2 billion and USD 1.2 billion respectively, and the metal sector has the second largest accumulated and average amounts, which are USD 51 billion and USD 5 billion respectively. After them, the food and tobacco sector follows in terms of the accumulated amount, while the renewable energy follows in terms of the average amount, which shows that the investment related to natural resource requires rather large amount per investment.

Table 3-4 Foreign Direct Investment by Sector (Jan. 2003-Jul. 2015)

Sector	No. of investment	Accumulated Amount (billion USD)	Average amount (billion USD)
Communication	11	2.5	0.2
Metals	10	50.7	5.1
Finance	8	0.9	0.1
Food and tobacco	7	24.7	3.5
Construction and construction materials	5	4.4	0.9
Hydrocarbon and natural gas	5	61.5	12.3
Renewable energy	3	12.2	4.1
Consumer goods	2	0.4	0.2
Warehouse	2	3.9	2.0
IT service	1	0.1	0.1
Others	5	9.2	1.8
Total	59	170.4	2.9

Source: fDi Intelligence (Financial Times Ltd)

In terms of the number of investment, there are 17 investments in manufacturing sector and 10 in retail sector, which account for about half of the total number of investments. In terms of the accumulated amount of investment, manufacturing sector exceed USD 10 billion, which is about 60% of the total, followed by mining and electricity, which requires large amount of investment including resource and basic infrastructure.

Table 3-5 Foreign Direct Investment by industry (Jan. 2003-Jul. 2015)

Industry	No. of investment	Accumulated Amount (billion USD)	Average amount (billion USD)
Manufacturing	17	100.2	5.9
Retails	10	1.1	0.1
Business service	8	0.8	0.1
Mining	6	35.5	5.9
Sales and marketing	5	2.0	0.4
Logistics and transportation	5	5.8	1.2
Electricity	4	21.8	5.4
Headquarters function	2	0.5	0.2
ICT, internet	1	1.5	1.5
Construction	1	1.3	1.3
Total	59	170.4	2.9

Source: fDi Intelligence (Financial Times Ltd)

Regarding the country of origin, France is the biggest in terms of both the number of investment and accumulated investment, which implies that there still is a strong relationship between Cameroon and France, a former imperial country. However, when it comes to the average amount in investment, Australia has the biggest amount (USD 1.3 billion), followed by France (USD 0.7 billion). This is because a huge investment in mining ironstone by Sudance Resources, an Australian company, is being implemented in both Cameroon and Congo Republic.

Table 3-6 Foreign Direct Investment by Country of Origin (Jan. 2003-Jul. 2015)

Country of origin	No. of investment	Accumulated Investment (billion USD)	Average investment (billion USD)
France	8	56.5	7.1
South Africa	7	0.8	0.1
USA	6	20.5	3.4
Nigeria	5	4.2	0.8
China	5	8.5	1.7
Korea	4	9.5	2.4
UK	3	0.3	0.1
Canada	2	11.7	5.9
Australia	2	26.2	13.1
Italy	2	1.0	0.5
Others	15	31.3	2.1
Total	59	170.4	2.9

Source: fDi Intelligence (Financial Times Ltd)

3.4 Major Foreign Investment

Except for the sectors related to natural resources, foreign investment can be categorized into two types: the horizontal and vertical, and there is an expanded form of the horizontal type called the export platform type²³. The horizontal type produces final goods in the same country where the investor sell products in order to reduce transportation cost. The vertical type produces labor-intensive products in the country where the labor cost is relatively low in order to reduce the production cost. The export platform type of investment is to produce final goods in a country which is close to the market in order to export the goods to the market with low transportation cost. The table below shows the characteristics of each investment type.

Table 3-7 Patterns of Companies' Expansion to Abroad

	Horizontal type	Vertical type	Export platform type
Advantage	Reduction of trade cost	Reduction of production cost	Reduction of production and trade costs
Typical destinations	Countries with large market size	Countries with low labor cost	Countries with low labor cost and close to the market

Source: JICA Study Team based on RIET etc.

As can be seen from the table, market size and the reduction of production cost are the key factor when an investor decides the investment destination. When it comes to production cost, labour cost is one of the main factors to determine the cost, but cost to secure low materials and cost to operate factory (e.g. electricity) are also critical factors for manufacturing sector to decide the location. In case of Cameroon, labor cost is relatively lower than other sub-Saharan countries as explained in the Chapter 4, but it does not have much of a record of vertical type investments. In addition, investors need to be aware of certain characteristics of industry and transportation structure in Cameroon (e.g. impact of the former colonial power of Cameroon, existing value chains of export products)²⁴. In future, there is a possibility for Cameroon to have the export platform type (to invest in Cameroon to penetrate Nigerian market) and the horizontal type (to invest in Cameroon and see CEMAC as one market).

Major foreign investments in the 2000s are summarized as below²⁵. In terms of the country of origin, a predominantly high number of investment is from France (30 out of 82 investments), followed by Nigeria (5 investments). Morocco, Chad, USA follows Nigeria with 4 investments from each country. In terms of sector, the highest number of investment is construction and public works (23 investments), followed by finance (15 investments), and food and other services (8 investments each).

²³ RIETI (2011) International Trade and Trade Policy Research, Cabinet (2012) Japanese Economy 2012-2013, Bank of Japan (2014) Companies' Expansion to Abroad and Earning Power etc.

²⁴ Detailed analysis is conducted in Chapter 4.

²⁵ Based on Ambassade de France au Cameroun Service Economique Regional (2016), Business Cameroon (June/July 2016), and fDi Report (2015).

Table 3-8 Foreign Investment by Sector and Country

Country/sector	Agriculture	Food	Mining	Iron	Construction /public works	Cement	Hydrocarbon	Energy	Chemical	Finance	Communication	Logistics	Tourism	Other services	Total
France	2	3			5	1	3			5	1	5		5	30
UK					1			1		1					3
Italy		1			1										2
Switzerland		2													2
Spain		1													1
Netherland									1						1
Belgium					1										1
Luxemburg										1					1
Egypt					1									1	2
Libya							1								1
Tunisia					3										3
Morocco					1	1		1						1	4
Côte d'Ivoire										1					1
Chad					4										4
Gabon										1					1
Nigeria		1				1	1			2					5
Kenya										1					1
South Africa										1		1			2
Saudi Arabia										1					1
Turkey					1	1									2
China					3										3
Korea				1											1
Singapore	1														1
Vietnam											1				1
US			1						1	1			1		4
Canada					1										1
Brazil					1									1	2
Australia				1											1
Total	3	8	2	1	23	4	5	2	2	15	3	5	1	8	82

Source: JICA Study Team based on various press information

Regarding investments from France, many companies started to operate in Cameroon when the country was a French colony. In addition, there are new companies in the oil sector which started to operate in Cameroon in the 2000s. Some of the companies in the oil sector, however, announced their withdrawal from Cameroon in the 2010s²⁶. Instead, penetration to food-processing and construction sectors increasing as well as the service sector including trade, logistics, finance, and transportation, which grow increasingly diverse. These new sectors are penetrated through re-investment by existing French companies²⁷.

Companies from other countries than France created a foothold in winning public works and related sectors. For example, there are 5 major foreign cement factories in Cameroon as of May 2016 as the demand of construction increases²⁸. Also, foreign companies started to penetrate to the construction sector through construction and maintenance of stadiums for the African Cup of female and male football in 2016 and 2019 respectively²⁹ and public works for road construction and maintenance³⁰.

Also, there are companies which penetrate to Cameroon by merger and acquisition of local companies and/or acceptance of government finance. For example, AES Corporation (USA) bought 51% of the share of SONEL (Cameroon National Electricity Enterprise) when SONEL was privatized and established a foothold in the electricity sector (however, AES sold the share to Actis (UK) in 2014). Also, Hilton (USA) accepted the finance from the government of Cameroon in order to obtain a good location for building a hotel.

After the communication sector was liberalized, CAMTEL (a former state enterprise) was privatized,

²⁶ For example, Total sold oil drilling rights in 2010.

²⁷ This is based on the documents written by French embassy in Cameroon.

²⁸ Medcem Cameroon (Turkey), CIMENCAM (France), CIMAF (Morocco), Dangote (Nigeria), Mira (Switzerland)

²⁹ Piccini (Italy), Sodevi International (Canada), Yenigun Construction Industry (Turkey)

³⁰ Sotcogog (Chad), China road and bridge Co. Ltd (China), Soroubat (Tunisia), Vinci Construction (France) etc.

and Orange (France) and MTN (South Africa) started to do business in Cameroon as well as Nexttel and Vodafone. In addition, Huawei Technologies (China) came into the market in Cameroon by providing operational management service for MTN. These companies target the domestic market of Cameroon.

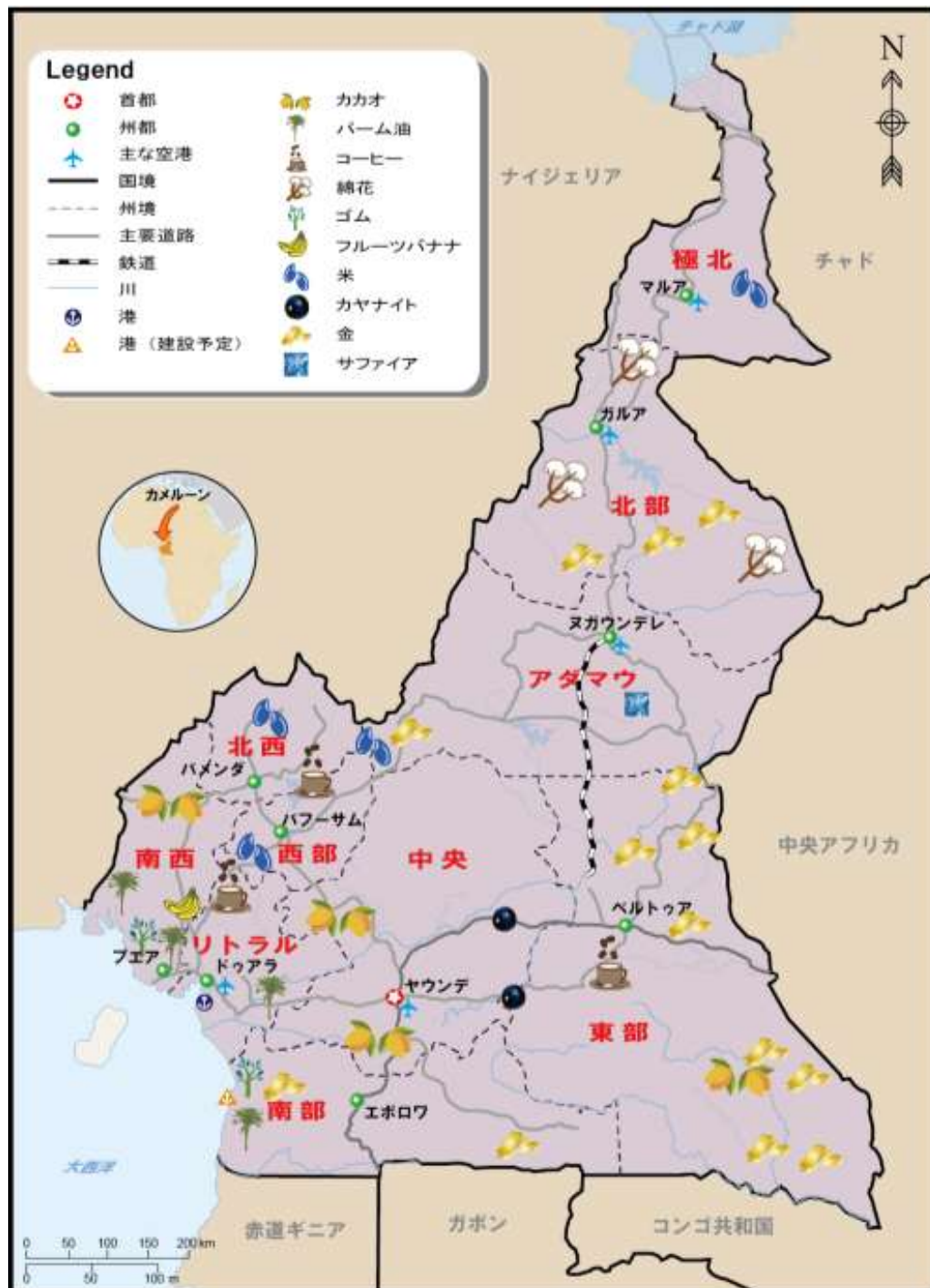
In the agro industry, Compagnie Fruitière (France) bought a state company doing banana plantation and succeeded to diversify productions. In this case, the company gained know-how on the methods of land, production capital, labor, and logistics in the banana plantation sector, which already had a firmly established structure, through acquisition of local company. After stabilizing banana plantation business, the company expanded its business to other new products.

Chapter 4 Analysis of Investment Potentials

4.1 Current overview of industry in Cameroon

4.1.1 Industrial structure

The following figure indicates resource availability and major agricultural, forestry and fishery products producing areas.



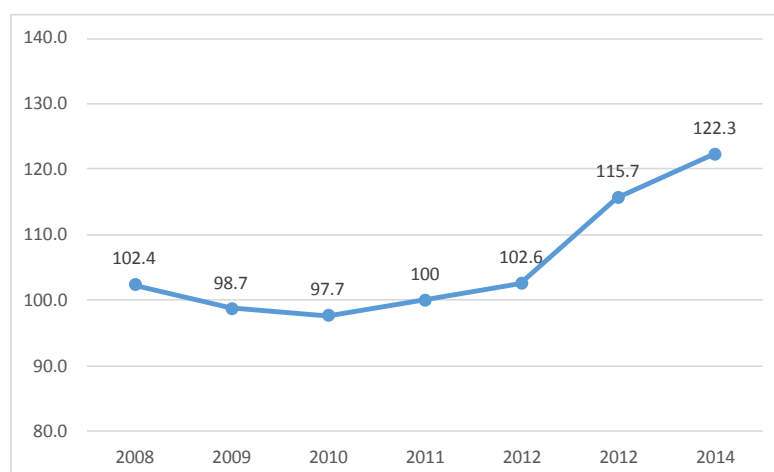
Source: Compiled by JICA Study Team based on various materials

Figure 4-1 Map of Mineral Resources and Agricultural Products in Cameroon

Cameroon's main industries are mining and agriculture and agricultural products processing followed by hydrocarbon resources (crude oil, natural gas etc.), mineral resources (bauxite), timber, cacao and coffee, cotton, banana which are also major exporting products. With regard to the foreign trade characteristics, the constant trade imbalance (deficit) is caused by imports of raw materials and a wide range of general consumer goods, while exporting crude oil and agricultural products. In some industries including aluminum, cotton and textile, the major state enterprises (often large-scale) take initiatives over structured supply chains of sales and productions. Establishments are concentrated in Douala and the four western regions (Littoral, Nord-Ouest/Northwest, l'Ouest/West and Sud/South) besides in the capital city Yaoundé. The manufacturing sector is agglomerated in the western regions. In the following sections, the current industrial structure of Cameroon will be examined and the major characteristic points will be highlighted.

(1) Development of industrial production

Looking at the industrial production in value (output) of Cameroon (as an index with 2011 as a base year), the industry as a whole has been steadily growing since 2011, reaching a level of 122.3 points by 2014.



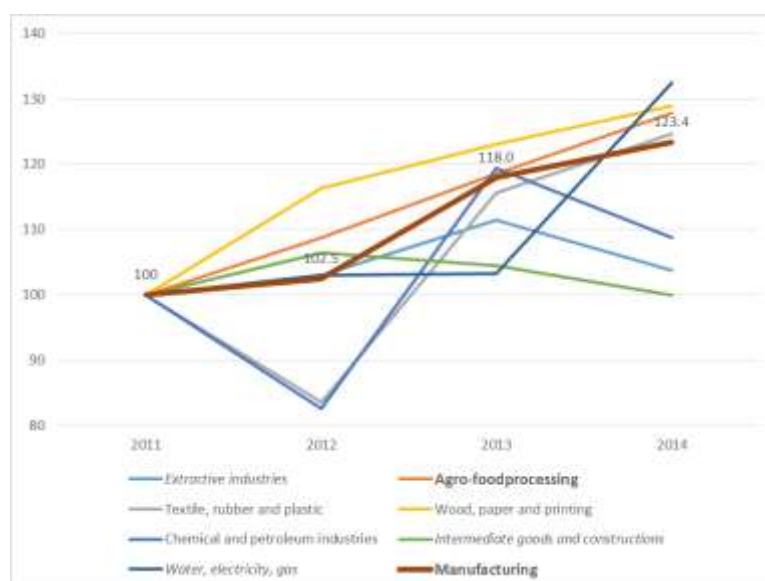
Source : Compiled by JICA Study Team based on "Annuaire Statistique du Cameroun 2015", INS
Note : Base year 2011=100

Figure 4-2 Development of industrial production

Looking at trends by sector, the "Manufacturing" is steadily expanding, showing a growth of 1.1 points higher than the industry's overall growth in production in 2014. In the manufacturing sector, growth in the "Agro-food processing" and "Wood & paper" manufacturing is stable, maintaining approx. 9 points of annual growth. On the other hand, growth is slowing down in the "Mining", the "Petrochemical" and the "Intermediate goods". Considering the fact that the "Construction" sector demonstrated steady growth in recent years³¹, the slowing down impact of "Intermediate goods" as a whole is further than it as shown in the Figure. In the "Agro-food processing", production related to

³¹ Please refer to the overview of the construction sector in the following section.

cocoa and coffee (which are the mainstay) is steady, and the growth of processed products such as wheat, starch and grain has also increased (156.1 and 138.0 points respectively in 2014).



Source : Compiled by JICA Study Team based on "Annuaire Statistique du Cameroun 2015", INS

Note : Base year 2011=100

Figure 4-3 Development of industrial production by sector

(2) Composition and trends of annual turnovers by the secondary industrial sector

The average turnover per one establishment in the whole industry ("Average in total") has increased from USD 33 million in 2011 to USD 47 million in 2013. The "Refining" shows overwhelmingly large share in composition in turnover in 2011 (USD 1,080 million), but it has declined and has halved to USD 588 million in 2013. The "Mining and quarrying" also decreased from USD 400 million in 2011 to USD 23 million in 2013 (see the table below) due to the impact of international decline in mineral resource prices.

Table 4-1 Annual turnovers by the secondary industrial sector

(Unit: USD million)

	2011	2012	2013
Mining and quarrying industries	400.5	97.9	23.8
Agro food processing industries	20.2	38.1	45.7
Textile industries	21.9	55.8	83.2
Wood industries	7.0	10.3	14.9
Paper and printing industries	4.5	6.4	7.8
Refining industries	1080.9	929.9	588.2
Chemical industries	12.3	12.2	17.7
Production and distribution of electricity gas and water	124.5	118.9	149.1
Other industries	18.7	20.8	42.4
Construction	8.4	9.8	14.9
Average in total	33.0	38.2	47.3


Source : Compiled by JICA Study Team based on "l'Enquete Annuelle dans les Entreprises 2012, 2013, 2014", INS

Remarks: The amount is average per establishment

(3) Distribution of industrial establishments by region and sector

The total number of industrial establishments, it totaled was 93,969 at the establishment census of 2009. The industrial agglomerations are observed denser in Douala and Yaoundé (35.1%, 21.9% of the total respectively). Distribution of establishments is concentrated in Douala and the four western regions (Littoral, Nord-Ouest/Northwest, l'Ouest/West and Sud/South) besides in the capital city Yaoundé. Distribution by sector indicates that the numbers of establishments are high in "Textile, rubber, plastic" (6,500), "Wood, paper, printing" (2,777), and "Intermediate goods, metal and mechanical engineering" (1,108).

Table 4-2 Secondary industrial establishments by region and sector (2009)



	Mining and quarrying	Agro-food industries	Other Manufacturing Industries	Electricity, gas and water	Construction	Total
Douala	18	212	3,319	52	281	3,882
Yaounde	5	179	2,810	25	229	3,248
1 Adamaoua	0	35	172	2	15	224
2 Centre (expt. Yde)	0	24	133	33	10	200
3 Est	3	8	75	8	11	105
4 Extreme-Nord	0	13	153	9	19	194
5 Littoral (expt. Dla)	2	29	123	18	10	182
6 Nord	0	113	264	23	39	439
7 Nord-ouest	1	33	1,006	11	32	1,083
8 Ouest	1	75	1,227	8	26	1,337
9 Sud	0	13	198	3	6	220
10 Sud-Ouest	0	33	976	3	28	1,040
Total	30	767	10,456	195	706	12,154

Source: Compiled by JICA Study Team based on "Recensement General des Entreprises 2009", INS

Table 4-3 Secondary industrial establishments by sector (2009)

	Number of Establishment	Share (%)
Mining and quarrying	30	0.2
Agro food processing	736	6.1
Beverages and tobacco	31	0.3
Textile, rubber and plastic	6,500	53.5
Wood, paper, printing	2,777	22.8
Chemical and petroleum industries	71	0.6
Intermediate goods, metal and mechanical engineering	1,108	9.1
Production and distribution of electricity gas and water	195	1.6
Construction (BTP/Public works)	706	5.8
Total	12,154	100

Source: Compiled by JICA Study Team based on "Recensement General des Entreprises 2009", INS

(4) Number of employees by industrial sector

According to the establishment census³² of 2009, the total number of employees in the industrial sector is 386,253. The share of the number of employees by industry is 67.8% in tertiary industry,

³² INS, Recensement General des Entreprises (RGE) 2009

followed by secondary industry 22.8% and primary industry 8.8%. INS conducts the annual survey on enterprises since 2012 (EAE) ³³, and this survey shows development of total number of employees since 2011: 540,000 (2011), 610,000 (2012), and 650,091 (2013).

Table 4-4 Number of employees by industrial sector (2009)

	Number of employees		
	Total	Average per establishment	Share (%)
Agriculture (Primary Industry)	33,905	119	8.8
Manufacturing (Secondary Industry)	87,889	8	22.8
Services (Tertiary Industry)	261,927	3	67.8
N.A.	2,542	2	0.7
Total	386,253	4	100.0

Source: Compiled by JICA Study Team based on "Recensement General des Entreprises 2009", INS

(5) Characteristics of industrial structure

The current Cameroon's industrial structure is developed based on the fact that the government took over the industrial system introduced by the former colonial power, centering on the supply chain of primary commodities and the value chain formed it to secure the market for processed goods. Such characteristics still remain strong in strategic foreign trade products such as coffee, cacao, and cotton. In these sectors, the firm foundation of value chain structure developed from the former colonial era is still a core of business activities not only in trade and sales channels but also procurement and technology introduction. It is often difficult for new business entrants to access to the maturely completed value chain. It is considered also challenging to compete with this type of value chain by introducing new but similar products and/or a value chain itself. On the other hand, it can be advantageous if one can take a part in the value chain in his business as one does not have to take too much effort on introducing a new value chain. Comparing with some countries in Southeast Asia that also experienced French colonial power, not much obvious structural business ties with the former colonial power are observed as for a base of their industrial structure. On the other hand, that of Cameroon plays one of key roles in the industrial activities – which can be noted as one of the major industrial characteristics of Cameroon. Having this historical background, certain public initiatives (or interventional effect by government) still remain to some extent in major strategic industrial sector where the large scale State owned enterprises are still active. Although the company privatization has successfully been introduced in a wide scope of industry, this is another characteristic of industry in Cameroon.

In Cameroon, independence was made between 1960 and 1961. Since then, the plantations of the French and British capital became nationalized or socialized in the agricultural sector. Starting with

³³ INS, l'Enquete Annuelle dans les Entreprises (EAE) 2012, 2013, 2014

this, the government-led nationalization or socialization process took the form of promoting joint ventures in the industrial sector over the enterprises owned by the former colonial powers. The national investment company (SNI : Societe Nationale d'Investissement established in 1963) played a key role in this undertaking as a holding company. In its peak of activities, the number of State enterprises and public corporations that SNI invested reached more than 200 companies. After that, due to the economic crisis in the latter half of the 1980s and in some cases of the government-run business where profitability was not duly pursued, government assistance became difficult and many of them failed and ceased business. After the structured adjustment programs by IMF / World Bank, further restructuring has progressed and currently 119 companies³⁴ remain active (whereas SNI is participating in 25 companies). Approximately 70% of them are companies engaged in nonprofit business activities, the remaining 30% conduct business activities similar to general private companies. In some State-owned enterprises, it is pointed out that government intervention sometimes takes precedence over the rationality of private company management³⁵. In other cases, it is said that the establishment of the company had been delayed due to difficulties in negotiations with government which insisted on participation and certain share in capital for a newly establishing foreign capital company³⁶.

Table 4-5 Company list of the SNI portfolio

Industrial Sector	Name of company	Major business activities
Agro-Processing	SOSUCAM	Sugar, tropical fruits processing
	SFACAM	Natural rubber, coconut oil processing / plantation
	MAISCAM	Wheat, corn oil processing
Banking	DSX	Banking (preparing for listing)
Construction materials	CIMENCAM	Cement
	ECAM-PLACAGES	Building board (veneer)
Petroleum / chemical	SONARA	Crude oil refining
Fishery / cattle breeding	SODEPA	Animal husbandry (cattle), seedlings
Food processing	SABC	Beer, beverage
	SIC-CACAOS	Cacao butter, trout,
	SEMC	Mineral water

³⁴ IMF, "Country Report No.15/332", Dec. 2015, IMF

³⁵ In the case of one State-owned enterprise in manufacturing sector having several production bases, the decision was made from the public share holder side for capital investment only on one production base without considering a disparity in production capacity among other production bases which could cause inefficiency in a total production system.

³⁶ In June 2015, Azad Coach (India) and Gac Gonow (China) agreed to set up a joint venture to launch two lines of assembly of trucks and passenger cars. Negotiations and procedures for the participation of capital from the government delayed. Status pending as of Sept. 2016. Cameroon partner: Cameroon Automobile Industry Company (CAIC).

Industrial Sector	Name of company	Major business activities
Hotel / tourism / advertisement	SGHC	Hotel, motel, construction and management
	SHNC	Hotel, motel, construction and management
	SOHLI	Hotel management
	SHE	Hotel design / construction
	CHC	Hotel management
	CPE	Advertisement, tourism promotion
Metallurgy / electric machinery	SOCATRAL	Aluminum processing (plate material, wire material), alloy
	ALUBASSA	Manufacture of aluminum metal processed products
	ALUCAM	Aluminum smelting
	SOCAVER	Glass manufacture
Textile / garment	CICAM	Cotton yarn, cotton products manufacturing
	SCS	Woven bag (shut down from 2002)
Timber products	ECAM-PLACAGES	Lumber
Transportation	CAMSHIP-CLGG	Shipping
	CAMSHIP I.C.	Bulk shipping
	SCDP	Oil storage

Source: Compiled by JICA Study Team based on the SNI web-site

4.1.2 Overview of the Value Chains and of Industrial Structures of Major Industries

The Government of Cameroon (or MINMIDT to be more specific) has launched a value chain analysis for 27 major sectors. As yet, the government has not disclosed the results of this analysis or even its progress; however, it seems that the analysis has focused on a wide range of items, including the following:

Cacao, coffee, cotton, natural rubber, pineapple, palm oil, maize, rice, millet, sorghum, cassava, plantain, banana, vegetables (potato, tomato, and dried pulse), fertilizer, seeds, agrochemicals, and agricultural machinery

For its part, Groupement inter patronal du Cameroun (GICAM), a leading private sector organization in Cameroon, gives priority to agriculture/agroindustry and public works. From a perspective of business operations, GICAM shows much interest in the lumber industry and the textile industry centering on cotton where Cameroon traditionally enjoys a comparative advantage, as well as service sectors such as ICT and tourism.

The following paragraphs provide an overview of the value chains and industrial structures of some

of these major industries³⁷.

(1) Agro-industry

For coffee and cacao, a favorable business environment is in place with the Conseil Interprofessionnel du Cacao et du Café (CICC)--which has been set up under Law No. 91/007 of 1991 as an NGO designed to promote the coffee and cacao sectors-- working for industrial promotion and the Office National du Cacao et du Café (ONCC) focusing on administrative arrangements revolving around quality control. Also in place for these two products is a solid system for production and sales management along an international value chain that is dominated by three big traders.

Apart from bananas, which dominate exports from Cameroon to Europe, exports of vegetables and other agricultural produce in general are largely handled by companies in Cameroon that are members of the Association Afrique Agro Export (AAFEX), which account for some 80% of fruits and 100% of pineapples.³⁸ They also engage in the primary processing of chiefly vegetables and fruit. AAFEX is made up of exporters of agricultural produce in 16 West African countries. Mindful that export markets (chiefly in Europe) are still growing, AAFEX is considering making production more efficient, improving quality through better production technology, and ensuring quality control as urgent issues to be addressed. In the domestic value chains, AAFEX member companies manage the primary collection of produce from smaller agricultural producers in their geographical domains. These AAFEX members play the pivotal role in technical guidance, adherence to specifications, and joint use of agricultural machinery. The current system for produce collection is rooted in traditional business practices, highlighting opportunities for more efficiency as well as for improvement in terms of product development, quality control, and standardization.

As with coffee and cacao, banana and rubber that have their established international value chains; these two sectors engage in export-oriented production based on their sector-specific international prices. The palm oil sector has much room for production expansion and sophistication, but much time will be needed to make palm oil a strategic export product. While the Government of Cameroon adopts a price support system designed to strike a balance between domestic production and market demand, some industrial sources say that the system prevents taking advantage over the international price by boosting exports. There may be room for rethinking the current administrative arrangements in the context of increase industrial competitiveness.

(2) Cacao

The value chain for cacao, Cameroon's main export product, begins at local producers' cooperatives,

³⁷ Apart from the interviews by the JICA Study Team, the following literature is used for reference:
"Elaboration de la stratégie nationale des exportations du Cameroun", 2015, Commission Européenne,
"Etude de compétitivité de la chaîne de valeur du secteur agricole", 2008, World Bank

³⁸ Based on the interview with AAFEX.

which collect the product. Then the product is either sold directly to buyers for export or transferred to Marche Mensuel Groupe, an industrial organization, and then to domestic processors; these are primary processors (e.g., SIC Cacao) and second processors (e.g., CHOCOCAM). After processing, the finished products are divided into two types, one is sold mainly for the domestic market and the other is sold to buyers for export.

Some 90% of cacao from Cameroon is sold to the big three traders (buyers)--Cargill, Barry Callebaut, and Olam--which buy 70% of cacao from all over the world. Olam became one of the three largest cacao bean traders in 2014 when it acquired the cacao bean business from ADM, a major grain trader. (The big three traders of coffee are Nestle, Starbucks, and Douwe Egberts.)

Cacao is concentrated in the big three as domestic exports and/or foreign importers are agencies of one of the big three. Of all the cacao from Cameroon, 70%-75% goes to Amsterdam, where cacao mass is graded. Eventually the product is bought to chocolate manufactures in France. (This means that France does not appear as an export market in exports statistics.) Barry Callebaut operates primary processing factories in Cameroon. It is unlikely that the other two firms will set up their own factories in the country as the big three seem to engage in geographic complementarity in processing in the world.

ONCC is responsible for quality inspection of cacao to be exported. ONCC is an oversight body under the Ministry of Commerce (MINCOMMERCE). It is staffed with some 150 employees, about 70 of whom are responsible for inspection in the field. ONCC also collects and produces statistics on cacao and coffee.



Source: Compiled by the JICA Study Team from available literature and interview results.

Figure 4-4 Overview of the Value Chain for Cacao

(3) Coffee

Exports of coffee from Cameroon are also under the control of the big three traders of coffee. Large-scale producers sell the product directly to export traders and roasters. The product thus sold goes either to the domestic market or to the regional markets such as Chad, Gabon, the Republic of Congo, and Nigeria. Medium- and small-scale producers ship the product to small-scale buyers and

cooperatives. The product thus shipped is exported to foreign markets in whole or ground form via export traders. These export markets include not only Europe but also other parts of the world, including the US and Asia.

The quality control of coffee to be exported is also the responsibility of ONCC as in the case of cacao; it conducts quality tests. CICC not only serve as a forum for networking and information exchange among its members, which are made up of producers, buyers, processors, and exporters; it also offers various programs, ranging from technical guidance and marketing support to regional market cultivation, branding, and financial access support. CICC is funded by member fees as well as a portion of export duties on coffee and cacao (10 FCFA/kg).



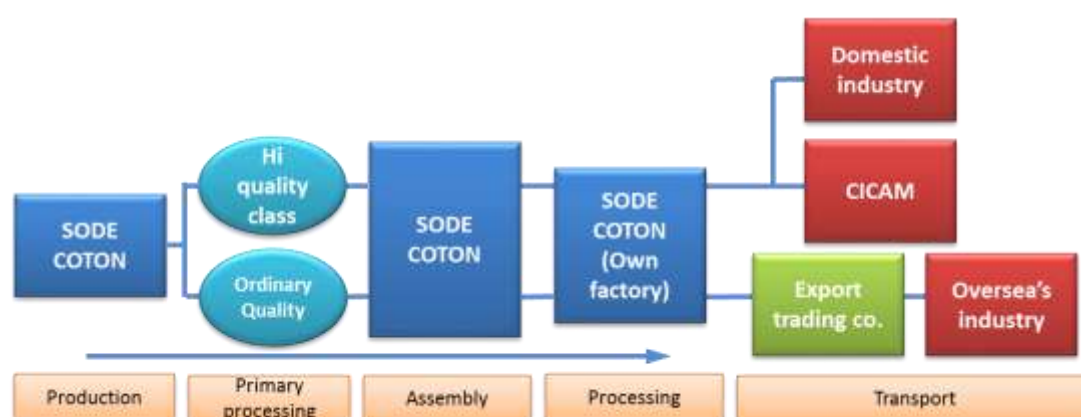
Source: Compiled by the JICA Study Team from available literature and interview results.

Figure 4-5 Overview of the Value Chain for Coffee

(4) Cotton production and the textile industry

Cotton is produced and processed virtually exclusively by state-run SODECOTON (Société de développement du coton du Cameroun). Around 3% of the raw cotton thus produced by SODECOTON goes to CICAM, a wholly state-owned enterprise that has an integrated production system that covers everything from spinning and weaving to sewing. Of the remaining 97%, 95% is exported and about 2% is supplied to the domestic market excluding CICAM, which has a virtual monopoly over the domestic processing market.

Cotton from Cameroon is a potentially competitive commodity in Central Africa that could be supplied in a quality and quantity on par with cotton from Chad. In reality, however, Cameroon fails to ensure stable supply in quality or quantity. For example, the quality of cotton from some producers varies from year to year, although SODECOTOM monitors product quality as the supplier. To ensure qualitative and quantitative stability, some measures are being studied, including the option to harvest cotton before rain affects its quality. Cotton from Cameroon is exported chiefly to Asian markets, with China accounting for about a half of total exports, followed by India and Bangladesh.



Source: Compiled by the JICA Study Team from available literature and interview results.

Figure 4-6 Overview of the Value Chain for Cotton

It may be difficult for additional sewing firms to be competitive in the Cameroonian market, although some small firms have entered the cotton and textile sector. Despite a growing cotton textile market in Cameroon, competition with cheap and low-quality imports is fierce, making it difficult to recover the initial investment in plant and equipment. The competition is not in price alone; imported products that are made only partly from cotton are flooding the market as well.

CICAM focuses chiefly on cotton cloths and towels, accounting for 80%-90% of domestic production. It has run an annual deficit in recent years due in part to aging manufacturing facilities and inefficient management. A change in manager two years ago, however, has led to a smaller deficit as the new manager has been pushing for cost control and product development. CICAM is making capital investment to modernize its manufacturing lines in view of a growing share of low-quality but cheap imports from competitors. But the state-run firm has not secured adequate financing due in part to SNI's policy on capital management and limited government budget allocations. CICAM has financed new manufacturing lines in Garoua but remained unable to modernize its lines in Douala. The resultant gap between the increased spinning capacity in Garoua and the unchanged weaving and sewing capacity in Douala mean inefficiency. This gap has failed to invite reasonable investment due to the inflexibility intrinsic to state-run firms, although such a gap should primarily be filled by private capital including foreign capital.

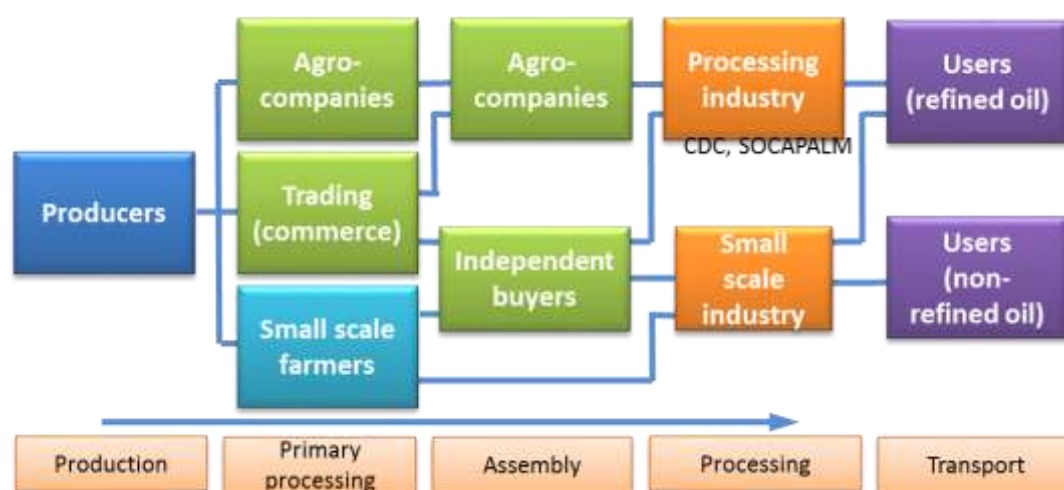
(5) Palm oil

Palm oil is chiefly produced in the southern part of Cameroon. Despite its perceived high potential as a strategic export product, palm oil from the country remains unable to fully meet domestic demand with domestic production, which is made by large plantations and small farmers. The gap, accounting for about 10% of total domestic demand, is filled with imports from Indonesia and Malaysia.

Societe agroindustrielle is a major producer and processor of palm oil in Cameroon. Major refiners and processors include CDC (Cameroon Development Corporation) and SOCAPALM (Societe

camerounaise de palmerais).

Palm oil producers must report their production annually to a committee under the Ministry of Commerce (MINCOMMERCE). When domestic production is below domestic consumption, the committee allows producers to import palm oil subject to an import surcharge. The current regulations call on local producers to report their production to the committee every month. These regulations are designed to secure the product for domestic consumption amid a tight global market for palm oil in recent years.



Source: Compiled by the JICA Study Team from available literature and interview results.

Figure 4-7 Overview of the Value Chain for Palm Oil

4.1.3 Small and medium enterprises (SMEs)

It is vital for foreign companies investing directly to the foreign destinations to procure inputs domestically in the destined countries especially for the manufacturing sector. The following section highlights the current stages of small and medium enterprises (SMEs)³⁹ in terms of direction and potential of future supporting industries for foreign direct investors. As interview survey was conducted in this study mission in the metal processing sector (such as aluminum corrugated sheet, iron / aluminum / brass / copper lathe processing), printing sector, and plastic injection / blow molding sector (bucket, washbowl, container for beverages etc.), the following sections focus on SME's business activities in these sectors.

In the aluminum products processing, the presence of Alucam, the large-scale State-owned enterprise, is significant. The vertical supply chain is firmly structured especially in the supply of raw materials for SME, and, thus, negotiation power is limited in the SME side responsible for processing. Although there is a relatively free and competitive environment in the market of final products, that

³⁹ The definition of SME in Cameroon is based on the number of employees and annual turnover. (Please refer to the section 6.2.2 for details.)

SME players in the market tend to put priority in securing their present share of the market to keep up with low-priced imported products rather than trying to compete with other companies in the same sector or expand one's share for its business development. Their capital investment is often found for increase of productivity (partly quality upgrading) to catch up with price competitiveness over the imported products.

In the printing sector, severe competition has been introduced in the market due to increase of hi-spec but low price PC driven printing devices. It is becoming critical especially for SME which does not have adequate capacity for the large scale capital investment for large scale printing machines for comparative advantages. Some of the SME with foresight have started seeking out niche markets and securing retaining contracts with large scale customers such as banks and foreign-affiliated companies. Instead of large scale capital investment, their investment tends to be much focused and limit minimum for specific equipment that meets those customer requirements. Some SME have started concentrating on advertisement, such as posters and POP design, etc. Some SME have tried to find a way to strengthening design capacity for diversification of business apart from printing business. One SME in printing business in Douala has started manufacturing bags ("eco bags") since last year using biodegradable plastic materials (NOVVOVEN) for the first time in Cameroon. It put about 20 sewing machines at its printing workplace area in the factory, and started providing technical training for sewing workers – this setting is already similar to that of textile / garment sector.

For the plastics processing, raw materials, molds and molding machines are almost all dependent on imports. Molds and molding machines are mainly imported from Europe (Italy etc.), with some from Asian countries such as China. For the plastic blow molding, one leading company is sited in Douala MAGZI that started manufacturing full-fledged beverage bottles for domestic use for the first time in Cameroon. Besides this company, there are 3 to 4 plastic molding companies in Douala area, some in Yaoundé, and one in Bafoussam. Although it is said that there are few operators in the plastic injection molding, there are about 10 companies (three Chinese companies) that mainly operate in Douala.

In general, it is often pointed out that access to finance is the major issue for SME, especially for the long-term capital investment. As the bank's loan terms are often not long enough for their requirements and collateral condition is burdensome, an informal and private fundraising system called "Tontine" similar to so to call "mutual financing association" is conventionally used among many SMEs.

4.2 Current Status of Factors Which May Influence Investment Potentials

4.2.1 Bilateral and Multilateral Trade Agreements

The Economic Partnership Agreement (EPA) between Cameroon and European Union (EU) is under

process for full-fledged implementation. Cameroonian products can also enjoy duty free access to foreign market under other schemes.

(1) EU

Following with the rules set by WTO, EU has been reviewing its system of granting favored access of African, Caribbean and Pacific states based on the Lomé and Cotonou Conventions. While Least Developed Countries (LDC) are granted for the duty free access to EU market under the Everything But Arm (EBA) scheme, EU has been negotiating for EPA with those who are not eligible for EBA. The EPA between Cameroon and EU entered partially in effect in 2016⁴⁰.

(2) Developed Countries: Generalized System of Preference (GSP)

Generalized System of Preference (GSP) is granted by developed countries. Lower customs tariffs are applied to the product with eligibility for the GSP. The products include agro, fisheries, forestry, and mining products.

(3) US: African Growth Opportunities Act (AGOA)

Cameroon is one of the countries eligible for duty free access of products to the US market under AGOA. Data of 2013 indicates 13% of the value exported to US utilizes AGOA. However, the majority is petroleum-related export. Both the overall value of Cameroon's export to US and the AGOA and GSP exports have decreased continuously during the period of 2011 to 2013⁴¹.

4.2.2 Cost Factors

(1) Labor Force and Wage

The labor force (15 to 64 year olds) in Cameroon is expected to increase in the long-term. In terms of wages, the level may not deviate from the situation with regional competitors although the actual data obtained through the Survey is very limited to have confidence. The minimum wage is maintained to be significantly low.

Table 4-6 Labor Wage in Cameroon and Other Asian and African Countries

(Unit: USD/month)

	Cameroon	Côte d'Ivoire (Abidjan)	Nigeria (Lagos)	South Africa (Johannesburg)	Indonesia (Jakarta)
Worker	94~136	161~410	92~	957	255
Minimum Wage	62	100	92	230	223

Source: JETRO, Cameroon: Based on the broadcasted data and interviews with companies.

Note: The wage levels of other countries are those in the cities stated in parenthesis. The minimum wage of Cameroon is based on the revision in 2014 (FCFA36,720/month)

(2) Power Cost and Quality

The power supply grids are laid out in Douala and Yaoundé and their surrounding areas, and the major cities in the eastern and northern areas. The power tariff is rather high. Interviewed enterprises

⁴⁰ Some important issues as the rules of origin have not come to conclusion, the negotiation and adjustments are still on-going at the time of the Survey.

⁴¹ US Department of Commerce, AGOA.Info (URL: <https://agoa.info/profiles.html>)

also pointed out the problems of the quality of supply. The table below shows the comparison of the power tariffs of Cameroon and other African and Asian countries. It uses the tariffs on non-residential use due to the availability of the comparable data across the countries although the power tariffs for industrial use are often lower than the category used in the analysis.

Table 4-7 Power Tariffs between Cameroun and African and Asian Countries

	Cameroon	Côte d'Ivoire (Abidjan)	Nigeria (Lagos)	South Africa (Johannesburg)	Indonesia (Jakarta)
Non-residential Tariff	0.17	0.15	0.15	0.11	0.10

Source: JETRO, Cameroon: ENEO website

Note: Nigeria's data is for lower voltage. The monthly basic charges area also required in Côte d'Ivoire and South Africa, with the rate of USD 1.39~1.65 and USD 17, respectively. Data of Cameroon is for medium voltage. The monthly charge of approximately 60USD/kW is also to be charge.

Data below compares the situation of power outages and usage of generators across African and Asian countries based on the Enterprise Surveys by World Bank. Although Cameroon's data is only available for 2009, highly perceived problems by the enterprises may have some similarities with the results of the interviews through the Survey. In the Enterprise Survey in 2009, the most frequent answers of the problems faced are informal sector, tax, finance and power (13.6% of the respondents).

Table 4-8 Power Outage in Cameroon and Other African and Asian Countries

Country (year of the survey)	Number of electrical outages in a typical month	Duration of a typical electrical outage (hours)	Losses due to electrical outages (% of annual sales)	Percent of firms owning or sharing a generator	Proportion of electricity from a generator (%)
Cameroon (2009)	9.8	2.8	4.3	34.8	4.5
Côte d'Ivoire (2009)	2.0	2.4	2.2	6.5	1.0
Nigeria (2013)	32.8	8.0	10.8	70.7	41.2
Ghana (2013)	8.4	6.6	11.5	52.1	10.5
Indonesia (2009)	0.9	3.3	0.6	6.4	1.7
Myanmar (2014)	12.5	10.3	2.1	75.7	16.8

Source: JICA Study Team based on World Bank, Enterprise Survey

Nigeria reveals outstanding frequency of power outage. International comparison indicates Cameroon's situation of power supply is better, but not very favorable comparing with other African and Asian counterparts. The burden may be the cost of having generators and other sources of power. During the interview, enterprises pointed out the problems of power supply: not only the black out, but also the power tariff was raised.

(3) Transportation and Logistics

International trade flow of Cameroon is predominantly through the Port of Douala. The Port of Douala, however, is not a deep-sea port and with limited capacity of accommodating vessels.

Therefore, the waiting time of vessels for berthing causes long dwell time of cargos.

After opening of the Port of Kribi, large-size vessels with deep draft can berth. It is also expected that the vessel waiting time would be shortened. It would be critical to strengthen logistics network between Kribi and Douala, the currently predominant industrial agglomeration and Yaoundé in order to exploit the potentials of the new port.

Inland transportation infrastructure comprising road and railways is basically developed with its core, Duala and Yaoundé. Nationally, the ratio of paved road in the total length of the major roads is still low. Road network development between rural areas and surrounding countries has been supported by various donor agencies. A part of the fresh produces exported to Europe are transported by air cargo.

4.3 Potential of Foreign Direct Investment based on the Present Industry Situation in Cameroon

Potential of foreign direct investment is analyzed focusing on the following subjects.

- Possibility of supplemental improvement/expansion of value chain
- Possibility of exploring the niche market
- Possibility of the government policy-driven investment (evaluation of the advantages of direct investment by utilizing incentives and other factors which could be derived from the government-initiated strategy)

4.3.1 Possibility of Supplemental Improvement/Expansion of Value Chain

In the current Cameroon industries, the value chain has been structurally established in each sector according to the size of the company and the type of partnerships among business operators, which have been established through their past working relationships. In terms of proactiveness, relatively conservative trend is observed in the industries for their willingness to expand their businesses by going beyond each business territory (the extent to which the business can maintain its operation). For example, in the aluminum processing and plastic processing fields, the companies in each segment are conscious of competitors, but there is no clear sign of trend that these companies proactively seek vertical business development and business diversification. However, it can be seen that some business owners who have entrepreneurship of small and medium-sized business are working on diversification into new business fields. It is necessary to pay attention to these new movements⁴².

⁴² Based on the hearings conducted during this survey, there are companies working on diversification into new business fields such as a metal processing company that has started plastic injection-molding or a printing company that has started eco-bag manufacturing.

Even in the sectors that are expected to be the growth contributors of Cameroon's competitiveness, such as the cotton industry, cacao and coffee industries, there is a tendency to focus only on maintaining the current business structure. These are thought to be improved in line with the growth of industries and economies, because these issues include domination of market share by large enterprises, rigidity of prices due to superior status, or other similar factors. However, it can also be considered that the existing value chain structure itself is a limitation of “business practice” for Cameroon.

When foreign investors consider direct investment in Cameroon, they need to be careful about key players in local commerce, who are backed up by ethnicity or other background, in addition to a difficulty in overcoming multiple business obstacles that are established by the regulatory environment or competition policy, such as the structure of the global value chain and monopolization by state enterprises, etc.⁴³ Under such circumstances, for the time being, it would be more realistic in taking an investment approach by staying within a range where the value chain has already been established and to the extent that it can take advantages of the existing value chain and the major key players on the chain, rather than initiating direct investment by entering a new business area⁴⁴.

The stocks of major enterprises are opened to the public, as represented by Alucam, since these enterprises are public enterprises or the majority of their stocks may be owned by the national government⁴⁵. However, if capital entry into such enterprises is pursued, one must make sure that coordination/adjustment with the capital management entities such as SNI is made thoroughly⁴⁶. It will be important to have a clear understanding on the capital relationship, relationship with the government and other related factors.

On the other hand, as for the current state of small and medium-sized enterprises in terms of the potential for them to be a supporting industry with which investment companies can tie up, it can be said that they are still in an undeveloped stage. Specifically, it is not even a stage of discussion whether or not the small and medium-sized enterprises have a capability of supporting industry, and it appears that they do not have specific vision to overcome the existing business practice of Cameroon and expand businesses by tying up with other major enterprises/foreign capitals or expand businesses to the extent that sufficiently plays the role of supporting industry. Even for BSTP

⁴³ One example is the Bamileke's business method

⁴⁴ Japanese companies started marketing of products (vehicles, electric tools, etc.) through distributors who have a long history of working experience in French-speaking countries in Africa.

⁴⁵ The Government of Cameroon temporarily owns Alucam after withdrawal of Rio Tinto. Sosucam (sugar), Socatral (corrugated sheet steel), Alubassa (cooking equipment), etc.; and the stock is planned to be opened to public at the public enterprise of the Alucam group.

⁴⁶ In 2014, there is a case where coordination with SNI has been taking a time under the request of joint investment from the government, which was made upon the establishment of the automobile assembly business by India-China joint investment project. In addition, the relationship between capital investment of CICAM and SNI addressed below can also be useful information.

(Bourse de sous-traitance et de partenariat du Cameroun, an organization that supports collaboration between small/medium-sized enterprises and large companies established with the support of EU and UNIDO) which started activities in 2013, the main focus of the collaboration is resource development (boring) and labor services from small and medium enterprises to major construction companies, and it has not been producing successful outcomes such as parts supply under specific product manufacturing in the manufacturing industry. As an overview of the current situation, fostering interest in new business fields is the immediate task for these enterprises to be supporting industry; currently, they are still in a stage requiring taking more steps of improvement on the basic capabilities such as their productivity (economization of the scale as a cluster and at each company level), technical capabilities, and so on.

As an example of the market development using the existing value chain, there were some instances where foreign investment enterprises entered into the market by acquiring major local companies in Cameroon. For example, in 1990, Cameroon's leading Beverage Company, Société Anonyme des Brasseries du Cameroun (SABC), was acquired by Castel (France). After that, SABC made business agreements with many European companies such as with Heineken (Netherlands) in 1993, SAB Miller in 2001 (UK, but acquired by Anheuser-Busch-Inbev (Belgium) in 2016), Warsteiner (Germany) in 2008, Nichols International (UK) in 2008, etc. Additionally, when the electricity sector was privatized in 2001, AES in the United States acquired SONEL (National Electric Power Company of Cameroon) and established a foothold for entering the electricity sector (however, it was sold to UK's Actis in 2014).

As an example of sales of new derivative products, the case of Compagnie Fruitière (investor country: France) can be listed. This company is similar to the aforementioned case of market development by taking advantage of the existing value chain as it entered into the market by acquiring the Office Camerounais de la Banane (Banana Plantation), which was originally a public enterprise, in 1991. While the banana plantation has been maintained afterwards, the company has started cultivation of pepper by taking advantage of the soil characteristics. The fragrant pepper that is grown in this area became popular, "Penja Pepper" brand was created, and successful business achievement has been made as it is now being used in well-known restaurants mainly in Europe.

Analysis was also conducted in the area of concerned items, market segmentation, based on information obtained through interviews. European companies, mainly French companies, have traditionally been the main market players for distribution of various products including wholesale and retailing. Among such distribution businesses, there are different types of distributors such as those with multinational enterprises whose operation is mainly the export of the agricultural products as mentioned in the preceding paragraph, distributors focusing on domestic procurements or the like of the government, and those who distribute the products widely among the consumer groups. If the

purchasing capability increases, there is a possibility to gradually see certain level of market integrations or competition among the market segments by product distribution operations. It is also possible to create a cooperation relationship with the existing channel of the related industry, if a major enterprise, which becomes a key player of the established value chain, is included in the marketing target.

4.3.2 Possibility of exploring the niche market

When considering foreign market development, if it is a new business area for foreign capital, so-called niche marketing, such as local production of general consumer products or the like, rather than handling traditional export products, or involving cash crop markets or processing of natural resources utilizing the established value chain as detailed above, it is believed to be necessary that a basic investment entry environment would be a little more suitable for them. As mentioned above, value chains are already established for the areas where a certain market size can be expected to the extent profit is available, and it is inevitable that the risk of market formation by entering niches is still large. At the small and medium-sized enterprise level, there are some movements of niche expansion to a limited scale such as eco-bag manufacturing utilizing environmental regulations that are currently being introduced or diversification of business to achieve leveling of cash flow from sales to collection (metal processing company starts plastic injection molding business etc.), none of them has reached the market size to which a foreign capital can consider directly entry. However, as can be seen in the general trend of small and medium-sized enterprises, it is always an issue that such enterprise faces constraints on capital procurement for the facility/equipment investments. Although it is still small in scale, there is room for consideration of developing markets through ingenuity by utilizing available services for supply market of equipment (tools, machine tools, etc.) such as leasing or other services.

It is not easy for foreign-affiliated companies to invest in businesses for starting new products and services, but there are cases where companies initially started from new product sales and moved to distribution and then manufacturing. For example, KTM Cameroon (a subsidiary of KTM, a subsidiary of Bajaj Auto in India) that originally imported and marketed complete motorcycles has focused on the difference in tariff rates where 62% is imposed on the import of finished goods, while only 25 % applies to the import of motorcycle parts, and decided to invest in a motorcycle assembly factory. Currently, the company is working on the construction of the factory aiming for operation in the summer of 2017. It is believed that a realistic approach to obtain successful outcome is to initially focus on step-by-step efforts as detailed above, such as marketing through resellers, setting up local points of contact, etc., by paying attention to the boundary between foreign capital and local capital within the target area, as well as by utilizing the existing sales network, and then initiate business expansion in the future.

4.3.3 Possibility of the Government Policy-driven Investment

As detailed in Chapter 5, the Government of Cameroon considers that investment and industry promotion are important in the areas of agro industry, resources and infrastructure development. Based on these policies, the implementation structure is now in place. Regarding the investment area, there is an established organizational structure wherein the investment promotion agency of Cameroon (Agence de Promotion des Investissements: API) is responsible for the private investment sector, and the public-private partnership establishment support council (Conseil d 'Appui á la réalisation des contrats de la parnariat: CARPA) is responsible for the PPP/concession-type business investment sector including infrastructures, etc., respectively. As for small and medium-sized enterprise promotion which is the basis of the industrial foundation, the BSTP⁴⁷, mentioned above, is established to support cooperative operations among large enterprises, APME, company founded one-stop center (detailed in Chapter 6). Measures are also taken from the perspective of providing industrial location and promoting industrial activity accumulation (see Chapter 5). Additionally, Cameroon Business Forum (CBF), which was established and operated to provide an important opportunity to have a face-to-face discussion between public and private sectors, has been in operation for 6 years since 2010 when its activities started, and it reaches to a transition point where the administrative function is fully transferred from the IFC, which has been providing support, to the Government of Cameroon side which will happen in 2017. There is no doubt that these will become the main cornerstone, which contribute to the expansion of investment in the future, but as described in Chapter 5, the current situation is that there are issues on implementation of policy, and since it has not been long since its implementation, there are some areas that are still in development stage for establishment of system implementation structure. As for the potential of direct investment from the viewpoint of government policy, there are policies that need to wait for some future development and actual evaluation, but on the other hand, it is also necessary to improve the effectiveness of the policy in order to show the strength of Cameroon when extracting investment potential. As an example of actual implementation of investments that are actually being made in accordance with government policies, there is the fact that companies engaging in agriculture (including agricultural products processing)⁴⁸ account for about 30% of the total, which is the largest sector under the export processing system.

⁴⁷ Established by the UNIDO project. Verification is required as to how the structure will be formed after the completion of the project duration.

⁴⁸ Initially, immediately after the introduction of the system, there were many wood processing enterprises; however, the number decreased after the government has imposed special tax to prevent deforestation.

Chapter 5 Investment Policy in Cameroon

5.1 Investment Policy in Cameroon

The Policy Framework for Investment (PFI) by OECD, the analytical framework for investment promotion policy, identifies policies and practices that are required for promoting investment, namely, strong institution and effective public governance, trust, whole-of-government approaches, inter-governmental coordination, transparency and engagement, innovation in policy design and delivery, and international cooperation. Various issues may be necessary to improve in order to facilitate favorable business environment for investors; these are discussed in the next chapter. In particular, coherence and convergence of various policies, trust, and transparency of the system are important nature for investment promotion.

Therefore, this chapter analyzes; i) policy coherence regarding investment, ii) characteristics of legal system on investment considering the relations with international framework, and iii) legal system on investment promotion. Furthermore, iv) overview of incentives on investment promotion is provided, and v) coordination among stakeholders regarding policy making process, policy implementation, and current state of their effectiveness are reviewed. Lastly, evaluation of investment promotion policy, regulations, initiatives and their coordination mechanism is conducted based on the above analysis and review.

5.2 Coherence of Investment and Other Economic Development Policies

5.2.1 Significance of Improving the Investment Climate for National Development Strategy

National development plans in Cameroon are comprised of Vision 2035 (a long-term national development plan) and Growth and Employment Strategy Paper (GESP) 2010-2020, a first ten-year national development plan prepared under Vision 2035. Vision 2035 has set (i) reducing poverty to minimal levels, (ii) becoming a middle-income country, (iii) becoming a newly industrialized country, and (iv) consolidating democracy and enhancing national unity as goals. At the macroeconomic level, Vision 2035 has put up the importance of investment as an engine to growth – it aims to realize industrial transformation (improvement of production and technology for processed goods using domestic raw materials in agriculture and timber industry etc.) as well as to promote primary and secondary industry with higher value added and more employment generation. GPSP has indicated activation of public and private investment, promotion of access to technological innovations, realization of economic growth through developing competitiveness of production industries with high potential, and modernization of the production mechanism. For example, the government places emphasis on aluminum processing and provides support to ALUCAM, a state owned enterprise. Regarding agribusiness, which is one of the government's priority sectors, a study has been conducted with an aim to develop value chain. Also, the World Bank is providing

competitiveness support program in growth sector. In addition, development partners including EU has been providing support program to enhance capacity of enterprises. Focusing on public investment, the Cameroon government also plans to promote private investment as the engine to economic growth, and thereby to cope with problems regarding infrastructure shortage and access to finance for promoting industry and strengthening competitiveness.

In Cameroon, the Law Instituting the Investment Charter (Loi n° 2002/004 du 19 avril 2002 relative à la Charte sur les investissements, hereinafter “Investment Charter Law (Loi2002/004”),) established in 2002 is the basic law regarding investment policy, and it includes provision regarding foreign investment. However, the government has not prepared a policy specialized in promotion of foreign investment. In addition, as described below, the government is currently preparing policies related with industrial promotion and trade facilitation. According to the Ministry of Mines, Industry and Technological Development (MINMIDT), priority industries for foreign investment promotion are agriculture/agro processing, energy and digital. Policy pillars to promote these sectors are (i) provision of tax and administrative incentives for investment promotion, (ii) development of necessary infrastructures for production and logistics for investment including power, road, water supply etc., and (iii) enhancement of access to industrial land. Regarding (i), Law to Lay Down Private Investment Incentives in the Republic of Cameroon (hereinafter “Investment Incentives Law (Loi n° 2013/004”) was established in 2013, and API, an investment promotion agency, established under MINMIDT is the organization in charge of foreign investors and large companies. On the other hand, APME established under Ministry of Small and Medium Enterprises, Social Economy and Handicraft (Ministère des petites et moyennes entreprises de l’économie sociale et de l’artisanat: MINPMEESA) is in charge of micro, small and medium-sized enterprises. (See “5.5.1 Provision of Tax and Administrative Incentives to Promote Private Investment”) Regarding (ii), Ministry of Economy, Planning and Regional Development (MINEPAT) is promoting public investment and large-scale infrastructure development. In addition, MINEPAT has introduced Public-Private Partnership (PPP) scheme in order to adopt private fund and expertise to public service sectors including infrastructure development. (See “5.5.2 Promotion of Participation of Private Enterprises to Public Investment Projects (PPP/Concession)”) Regarding (iii), Mission for the Development and Management of Industrial Zones (MAGZI) is in charge of development of industrial land. Free zone with special privileges such as import duty exemptions exists as a system, and National Office for Industrial Free Zones (ONZFI) was set up for their approval, however, ONZFI is not operational now (See “5.5.4 Improving Access to Industrial Land”).

5.2.2 Overview of Related Policies

(1) Industrial Policies

The Cameroon government has pushed forward economic development and industrial promotion

policies through national initiatives after independence up to the late 1980s when structural adjustment was carried out. However, since policy priority was on social development sectors (education, health etc.) as a result of structural adjustment, the government has not been preparing concrete policies on production sectors for economic development and industrial promotion. By the instruction of the President, development of comprehensive industrial master plan started in 2013, and a plan covering all sectors and elements in the production sector including agriculture and public works is now being drafted. However, the plan was not completed at the time of this study⁴⁹.

The master plan focuses on 27 sectors, and the sectors include various economic activities, not only manufacturing but agriculture, services and so on. Furthermore, the master plan includes measures for the government to develop win-win relationships through covering activities from production, sale and services in detail, utilizing value chain approach as well as promoting enforcement of the government strategy and private investment through joint ventures and technological cooperation etc. Together with the master plan, action plan and implementation timeframe have been prepared, and they will be legitimized eventually in order to secure enforcement. In fact, prior to the development of the master plan, value chain analysis of each sector and its verification was carried out. For example, digital sector covers the whole value chain from mobile phone production, marketing and distribution, until digital services. MINMIDT considers collaboration between foreign and domestic enterprises is desirable in each sector.

(2) Trade Policy

Cameroon External Trade Law No. 2016/004 (Loi n° 2016/004 du 18 avril régissant le Commerce Extérieur) was established in April 2016, and various rules regarding trade (import and export regime, levy of anti dumping tax and countervailing duty, investigation procedures on trade, review and refund of anti dumping tax and countervailing duty, large-scale import and safeguard measures, national council concerning foreign trade, electronic platform for foreign trade transactions, administrative measures and penal regulations for violation etc.) were established. This Law is aligned with the Export Development Plan of the Ministry of Trade, and the Cameroon government has expressed its intention to further promote export in conformity with rules and commitments under WTO, CEMAC, EPA with EU and other bilateral free trade agreement etc.

On the other hand, the Cameroon government has not prepared export promotion strategy which includes cross-ministerial policy issues (although preparation process was commenced, prospect for finalization is nowhere in sight). Export Development Plan (three-year plan) was prepared in February 2016 within the Ministry of Trade and its main objective is to increase export (in terms of both quantity and quality) and to diversify export. The Ministry of Trade has been promoting export

⁴⁹ According to MINMIDT, coordination among relevant ministries is taking place with the aim to complete the plan by the end of 2016.

of high value-added products, transitioning from the traditional export on primary goods with low value addition to half-finished goods and to finished products. Therefore, the Ministry of Trade is facilitating cooperation between foreign and domestic enterprises, and aiming to realize structural transformation. Following four programs are included in the Export Development Plan.

- Strengthening export of traditional products to existing market (Mainly primary products to EU and China as major export destination)
- Entry into emerging market (Targeting Brazil, Russia, India, China (BRICs), Central Asia and Oceania)
- Entry into neighboring countries and regional market (Targeting CEMAC countries, ECCAS countries, and Nigeria. Nigeria is particularly important because it is a main trade partner)
- Entry into the U.S. market (Although Cameroon is African Growth and Opportunity Act (AGOA) eligible country, current export is very limited. Therefore, export of high value added products produced in particular areas registered with Geographical Indication (GI) such as white pepper, white mango, honey etc. is promoted.)

Major activities currently carried out for export promotion are: dispatching trade mission (until now, missions have been dispatched every year - to Russia, Italy, Turkey and China), participation in international exhibition and business talk (setting up a booth in trade and investment fair in Tokyo International Conference on African Development (TICAD) hosted by JETRO), participation in regional trade fair, participation in various conferences with the aim to expand market in the U.S. and Europe utilizing AGOA and (Economic Partnership Agreement) EPA with EU, and participation in other trade related events in particular fields.

5.2.3 Legal System for Investment

The Cameroon government enacted Investment Charter Law 2002/004 in 2002, after establishing Investment Code of 1990⁵⁰, and has been pushing forward institutional development for investment promotion. The Law was established in conformity with the Investment Charter of CEMAC where Cameroon is a member, and stipulated basic strategies for investment promotion and establishment of new government functions for investment facilitation, encompassing relationship between the government and private sector, strengthening competitiveness, and promoting investment and trade. In addition, the Law sets down principle of nondiscrimination between foreign and local investors as well as investor protection. According to API, the investor promotion agency, the Cameroon government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list), and in principle, there is no limitation of investment except for manufacture of arms and illegal economic activities. The main contents of Investment Charter Law (Loi n° 2002/004) are as follows. (See “5.5.1 Provision of Tax and Administrative Incentives to Promote Private Investment” for Investment Incentives Law (Loi n° 2013/004) established in 2013 based on Investment Charter Law (Loi n° 2002/004).

⁵⁰ The Investment Code of 1990 was abolished by the Investment Charter Law 2002/004.

Table 5-1 Investment Charter Law 2002/004

Items	Contents	Applicable Provisions
Definition of investor	“Investor” is defined as any individual or corporate body of Cameroonian or foreign nationality, resident or non-resident, whose activity involves acquiring asserts with a view to earning interest.	Section 3-5
Scope of the law	This law defines the investment promotion framework in accordance with the overall development strategy aimed at increased and sustainable growth, job-creation in all branches of economic activity and social well-being of the people.	Section 6-7
Role of the state in the economy	The fundamental role of the state in the economy is defined to administer the nation to ensure the exercise of justice and guarantee the safety of persons and of property.	Section 8
Role of the private sector in the economy	The role of the private sector in the economy is defined to generate and produce wealth.	Section 9
General principles of market management	Observation of the specific rules including Organization for the Harmonization of Business Law in Africa (OHADA) and Monetary Union of Central Africa (UMAC) is stipulated.	Section 10-12
Principle of free economy	The adoption of the economic principle based on demand and supply mechanism is stipulated.	Section 13-14
External relations and regional integration	Adherence to the multilateral trade system, in particular the agreements of the WTO and the other mechanisms for the development of international trade is stipulated.	Section 15-16
Incentive system	Specific incentives for investment activities are prescribed separately in sectoral codes, regulation on economic zones etc.	Section 17-22
Establishment of investment and export promotion and facilitation bodies	The following three bodies are to be established for the promotion and facilitation of investments and exports. <ul style="list-style-type: none"> ▪ Regulation and Competitiveness Board ▪ Investment Promotion Agency ▪ Export Promotion Agency 	Section 25
Establishment of institutions to promote private initiative	The following five institutions are to be established to promote private initiative. <ul style="list-style-type: none"> ▪ Industrial Partnership Council ▪ Entrepreneurship Institute ▪ Trade and Industry Observatory ▪ Standardization and Quality Board ▪ Intellectual Property Centre 	Section 26
Tax and customs incentives	Points of attention regarding tax and customs incentives are stipulated.	Section 29-35
Financial system	Adherence to currency and banking system of UMAC, Banque des États de l'Afrique Centrale (BEAC) and Commission Bancaire de l'Afrique Centrale (COBAC) are stipulated. Establishment of financial mechanism targeting SMEs is also stipulated.	Section 36-42

Source: JICA Study Team based on Investment Charter Law 2002/004

Among three government bodies for investment and export promotion, which are stipulated in Section 25 of Investment Charter Law (Loi n° 2002/004), (i) Regulation and Competitiveness Board and (ii) Investment Promotion Agency have been established in a substantial way, however, (iii)

Export Promotion Agency has not been set up substantially although regulation regarding its establishment was enacted in 2006. Regarding item (i), Regulation and Competitiveness Committee was established. According to the regulation on its establishment, the Committee's main role is coordination, monitoring and follow-up. Regarding item (ii), API, the investment promotion agency, was established in 2005 by the Decree on the Organization and Functioning of the Investment Promotion Agency⁵¹ (See Chapter 7). Regarding (iii), Department of External Trade in the Ministry of Trade is currently undertaking the duty. As mentioned above, substantial establishment of export promotion agency is expected as a result of the enactment of Cameroon External Trade Law (Loi n° 2016/004).

5.2.4 Laws Governing Various Industries

Investment Charter Law (Loi n° 2002/004) stipulates principles and the government functions regarding general investment activities. The Law does not specify category of economic activities, which are not covered by this Law as well as negative list. While Sections 17-22 indicates that specific incentives for investment activities are prescribed separately, concrete targeted industries and sectors are not specified in this Law. On the other hand, Part I, Section 2 (3) of Investment Incentives Law (Loi n° 2013/004) established in 2013 prescribes that incentives related with petroleum (upstream), mining and gas sectors are excluded from this Law.

In this respect, the laws regulating industries, which are outside of the scope of the Investment Incentives Law (Loi n° 2013/004), are summarized below. (See "5.5.5 Other Investment Promotion Measures" for specific incentives for each industry.)

(1) Petroleum Code (Code Pétrolier)

Loi n°99-013 du 22 décembre 1999 (hereinafter "the Petroleum Code") was established in 1999 with the aim to promote exploitation activities and investment in petroleum and gas industries. The Petroleum Code indicates that all the sedimentation and accumulation of hydrocarbon resources (oil and gas) in the territory of Cameroon are national possessions and the Code stipulates procedures for providing permits for exploration activities, regulation and obligation of investors (participation of state owned enterprises, requirement of utilization of local contents etc.), transfer of business license and so forth. It also contains articles on dispute resolution. Taxation is stipulated in Article 89 and the subsequent articles.

(2) Mining Code (Code Minier)

Loi n°001-2001 du 16 avril 2001 (hereinafter "the Mining Code") was established in 2001 with the aim to promote exploitation activities and investment in mining industries. The Mining Code stipulates the procedures for providing permits for each step of exploration, examination and

⁵¹ Décret n° 2005/310 du 01 Septembre 2005 Organisation et Fonctionnement de l'Agence de Promotion des Investissements API was substantially established in 2010.

exploitation as well as the protection of the right of investors and their obligation. It also contains articles on compensation for damages and dispute resolution. Furthermore, articles include safety of workers, health management and environmental protection. Taxation and customs are stipulated in Article 93 and the subsequent articles.

(3) Gas Code (Code Gazier)

Loi n°2002/013 du 30 décembre 2002 (hereinafter “the Gas Code”) was established in 2002 with the aim to promote activities related with storage, distribution, processing, transportation, importation and exportation, and sale of natural gas. The Gas Code stipulates the regulation on downstream activities in gas sector, and the procedures for providing permits for each step of storage, distribution, processing, transportation, importation and exportation, and sale of natural gas. It also contains articles on the rights and obligation of investors, and punitive clause. Taxation and customs are stipulated in Article 49 and the subsequent articles.

5.2.5 Evaluation of the Convergence and Coherence of the Policies for Investment Promotion

As mentioned above, the Cameroon government has no specific policy for the promotion of foreign investment. The current effective two laws on investments are the Investment Charter Law 2002/004 and the Investment Incentives Law No.2013/004. The government is also preparing industrial and foreign trade policies, and currently, there is no policy that includes issues across the ministries and agencies. Therefore, we cannot sufficiently check the consistency and conformity among policies and legal system on investment promotion, industrial policies, and foreign trade policies yet.

Actually, when we conducted hearing with government officials about the inter-governmental coordination for policies and systems, we found that while issues that arise across the ministries and agencies are coordinated by the Prime Minister’s Office at the minister level, there is no mechanism to coordinate issues across the ministers and agencies at the working level, which means that collaboration among concerned ministries and agencies on the development of policies on investment, industry, and foreign trade has not been sufficiently established yet. Based on this fact, although the government has already recognized that it is necessary to establish a committee that can coordinate among ministries and agencies at the working level, it has not been achieved yet. As mentioned above, the fact that no mechanism exists to specifically coordinate policies within the government may be one of the backgrounds why industrial and foreign trade policies including cross-sectional policies have not been established yet.

For the priority industries for investment promotion, we received the answers listed in the table below from each ministry on the hearing with government officials. Although there are some areas that are common in three ministries such as agriculture and agricultural processing, the priority areas and coverage are different reflected by the focus of each ministry. The digital sector listed by the

MINMIDT is not included in the priority areas/sectors that are clearly designated in the Investment Incentives Law No.2013/004. Due to such fact, we can say that consistency and conformity have not been ensured for the priority areas for investment promotion on a cross-ministerial basis. Although it is not on the context of investment promotion, Vision 2035 designates the industrialization as a strategic area and focuses on the innovation of agricultural sector, and enhancement of extractive industries such as oil, gas, aluminum, and steel for the purpose of stable supply of raw materials. In GESP 2010-2020, one of the major measures is to improve profitability in which establishment of a new preferential investment measure is included for the purpose of promoting industrial and service sectors in addition to the enhancement of agriculture and mining. Industries such as timber, tourism, ICT, agro-industry, textile, leather, and construction are clearly indicated as sectors for enhancing competitiveness and creating employment.

Table 5-2 Priority Industries for Investment Promotion

MINMIDT	MINEPAT	Ministry of Trade
<ul style="list-style-type: none"> • Agriculture, Agricultural Processing • Energy • Digital Related Industries (Device and Contents etc.) 	<ul style="list-style-type: none"> • Agriculture, Agricultural Processing • Mining • Timber Industry 	<ul style="list-style-type: none"> • Agriculture, Agricultural Processing • Mining • Forestry • Services (Interpretation in International Conferences and Translations etc.) • Telecommunication • Tourism (Ecotourism etc.) • Infrastructure (Low Cost Housing etc.) • Energy
Priority Sectors/Activities Stipulated in Investment Incentives Law No.2013/004		
<ul style="list-style-type: none"> • Development of agriculture, fisheries, livestock, and plant, animal or fishery product packaging activities; • Development of tourism and leisure facilities, social economy and handicraft; • Development of housing, including social housing; • Promotion of agro-industry, manufacturing industries, industry, construction materials, iron and steel industry, construction, maritime and navigation activities; • Development of energy and water supply; encouragement of regional development and decentralization; • The fight against pollution and environmental protection; • Promotion and transfer of innovative technologies and research and development; • Promotion of exports; • Promotion of employment and vocational training. 		

Source: JICA Study Team based on Investment Incentives Law No.2013/004 and interviews with relevant ministries

5.3 Transparency of Legal System for Business and Investment

5.3.1 Efforts for Legal System Development through Participation in the International Framework

Cameroon is a member country from the early period of establishment of Organization for the Harmonization of Business Laws in Africa (OHADA)⁵², stipulating common business related law by

⁵² OHADA was established in October 1993, based on the Harmonization of Business Laws in Africa. Cameroon ratified the Law in October 1995.

the Central and West African countries. The Law stipulates not only the legal requirements on business related areas but also procedures for dispute resolution, thereby measures for investor protection are clear. In line with such international framework, the Cameroon government has been promoting measures to increase legal and judicial reliability and safety for investors.

(1) Overview of OHADA

OHADA is governed and administered by three institutions: the Conference of the Head of States and Governments, the Council of Ministers and the Permanent Secretariat. OHADA also is attached two technical institutions: namely, OHADA Common Court of Justice and Arbitration (Cour commune de Justice et d'Arbitrage de l'OHADA: CCJA) and the Regional Training Centre for Legal Officers (École Régionale Supérieure de la Magistrature: ERSUMA). The distinctive characteristic of OHADA is in the mechanism for decision making for regional legal development and the judicial organ (CCJA).

The laws adopted by OHADA are the following:

- Uniform Act Relating to General Commercial Law (Acte uniforme portant sur le droit commercial général)
- Uniform Act Relating to Commercial Companies and Economic Interest Groups (Acte uniforme relatif au droit des sociétés commerciales et du groupement d'intérêt économique)
- Uniform Act Organizing Secured Transactions and Guaranties (Acte uniforme portant organisation des sûretés)
- Uniform Act on Arbitration (Acte uniforme relatif au droit de l'arbitrage)
- Uniform Act on Organizing and Harmonizing Undertakings' Accounting System (Acte uniforme portant organisation des procédures collectives d'apurement du passif)
- Uniform Act Organizing Collective Proceedings for the Clearing of Debts (Acte uniforme portant organisation des procédures simplifiées de recouvrement et des voies d'exécution)
- Uniform Act Relating to Carriage of Goods by Road (Acte uniforme relatif aux contrats de transport de marchandises par route)
- Uniform Act on Cooperative Companies (Acte uniforme relatif au droit des sociétés coopératives)

(2) Institutional Expansion with the Revision of Uniform Acts of OHADA

It is necessary to follow the Uniform Act Relating to General Commercial Law and Uniform Act Relating to Commercial Companies and Economic Interest Groups of OHADA in order for investors to establish a corporation. Due to revision of Uniform Act Relating to Commercial Companies and Economic Interest Groups in 2014, institutions related with incorporation and financing have been expanded, and corporate governance functions have been strengthened. In other words, institutional expansion has seen in further compliance with the international norm. (See “6.2.1 Establishment of Businesses”)

5.4 Analysis on the Investment Promotion Related Legal System

5.4.1 Non-Discrimination and Equal Treatment

Investment Charter Law (Loi n° 2004/020) guarantees equal treatment of domestic and foreign investment. Section 10 stipulates free entrants in the production and services and the equal treatment of application of laws. It further states that the basic principles on the following issues.

- Freedom of undertaking production and commercial activities irrespective of the nationality
- Equal treatment in conformity of with the principles of the provisions of the law on competition
- Property rights relating to land, buildings, intellectual property and so forth.
- Concessions and land acquisition
- Application of transparent and accountable OHADA Business laws
- Compliant with various international laws and regulations related to areas such as social security, intellectual property right, and insurance

There are no industries with explicit limitation for foreigners for investment. Mineral extraction sector may have the conditions of participation of the Government. For example, the Mining Code has the provision of the state's participation in the enterprise with the share of 10% or less⁵³. Small and artisanal mining are only allowed for Cameroon nationals. In terms of the land ownership, foreigners are not able to own the land.

5.4.2 Protection of Investors' Rights

Section 10 of Investment Charter Law (Loi n° 2004/020) ensures the property rights of investors in terms of land, building, equipment, personal properties, transferrable securities, and intellectual property. For the expropriation based on the public interest, the Law No. 85-9 of 4 July 1985 to lay down the procedure governing expropriation for public purposes and conditions for compensation (Loi n° 85-09 du 4 juillet 1985 relative à l'expropriation pour cause d'utilité publique et aux modalités d'indemnisation) was established abolishing the Order of 1985⁵⁴.

In case of the investors from those countries which have the Bilateral Investment Treaties (BITs) with Cameroon, protection of investors' rights, expropriation by the state and the compensation are also regulated in respective BITs.

In terms of dispute settlement, the Section 10 of the Investment Charter Law (Loi n° 2004/020) states that arbitration of international commercial disputes and protection of investors are based on the New York Convention which provides the rules and framework for arbitration of international commercial disputes., the Convention of the International Centre for Investment Disputes (ICSID) and the rules of arbitration by the International Chamber of Commerce, and United Nations

⁵³ Chapitre II De l'éligibilité, Loi n° 2001-1 du 16 avril 2001 portant code minier.

⁵⁴ l'Ordonnance n° 74-3 du 06/07/1974 relative à la procédure d'expropriation pour cause d'utilité publique et aux modalités et d'indemnisation

Commission for International Business Law (UNCITRAL). Cameroon is the signatory of the Multilateral Investment Guarantee Agency (MIGA).

However, it is difficult to determine the level of protection considering the current land registration system, corruption and governance issues.

5.4.3 Intellectual Property Rights (IPR)

(1) Participation in International Framework

Cameroon participates in the World Intellectual Property Organization (WIPO) and African Intellectual Property Organization (Organisation Africaine de la propriété intellectuelle: OAPI). Bangui Agreement which is the basis of OAPI covers various areas of IPR such as patents, trade names, trademarks, industrial design, copy right, and geographical indications. Cameroon also ratified the following treaties:

- WIPO Convention
- Paris Convention for the Protection of Industrial Property
- Berne Convention for the Protection of Literary and Artistic Works
- Patent Cooperation Treaty (PCT)⁵⁵

(2) Intellectual Property Rights and the Protection

Copy right and IPR for artistic works are administered by the Ministry of Arts and Culture, whereas IPR related to industry is under the mandate of MINMIDT (Direction du développement technologique et de la propriété intellectuelle). In terms of the legal framework, there are the established laws for copy rights, namely, the laws on copy rights and the neighboring rights (Loi n° 2000/011 du 19 décembre 2000 relative au droit d'auteur et aux droits voisins) , the decree for the implementation (Décret n° 2001/956/PM du 1er novembre 2001 fixant les modalités d'application de la loi n° 2000/11 du 19 décembre 2000 relative au droit d'auteur et aux droits voisins). According to the law, the violation of copy rights and IPR of artistic works attracts imprisonment or criminal fines based on the Penal Codes. The arbitration mechanism should be put in place at the Ministry of Arts and Culture.

In terms of the patents, trademarks, industrial designs, utility models, geographical indications, topography of integrated circuits, and plan variety protection, the registration will be made at OAPI through the national agency. IPR under OAPI ensures the rights across the member countries.

5.4.4 Participation in the International Frameworks

(1) Multilateral Investment Guarantee Agency

Cameroon is a member of Multilateral Investment Guarantee Agency (MIGA). The investors may guarantee their invested assets to avoid non-commercial risks such as expropriation, ceasing of

⁵⁵ Based on the WIPO Website.

foreign exchange or foreign transfer of money, war and civil unrest. Since 2005, investments in areas such as banking, mining, retail and maintenance of heavy machineries for mining, and telecommunication facilities have been guaranteed.

(2) Bilateral Investment Treaties

Cameroon has signed bilateral investment treaties (BITs) with China, USA, UK, Switzerland, Germany, France, Belgium, Luxemburg, Netherlands, Romania, and Italy. They are also in effect. Furthermore, Cameroon has signed BITs which are yet to be effective with Canada, Egypt, Mali, Mauritania, Guinea, Morocco and Turkey⁵⁶.

5.5 Policy and Regulation regarding Investment Promotion

As mentioned above, in Cameroon, Investment Charter Law (n° 2002/004) of 2002 stipulates principle of nondiscrimination between foreign and domestic investors. In addition, the Cameroon government has not prepared domestic laws and regulations regarding entry of foreign investment (such as negative list), and in principle, there is no limitation of investment. Therefore, a concept of investment “permission” does not exist in Cameroon. Rather, investors can apply for “approval” of various investment incentives. A brief summary of investment incentive measures is described below.

5.5.1 Provision of Tax and Administrative Incentives to Promote Private Investment

In Cameroon, Investment Incentives Law No.2013/004 was enacted in 2013 with a view to encouraging private investment and boosting national production. The Law seeks “to facilitate, promote and attract productive investment in order to develop activities geared towards strong, sustainable and shared economic growth as well as job creation”, and lays down private investment incentives in Cameroon, applicable to Cameroonian or foreign natural or legal persons, whether or not established in Cameroon, conducting business therein or holding shares in Cameroonian companies. Implementation rules and regulations are stipulated in the pertinent orders under the Incentives Law (Loi n° 2013/004) (Order No.004263/MINMIDT, 2014 establishing the content of the application for approval, Order No.00000366/MINFI/SG/DGI/DGD, 2013 specifying the terms of implementation of the tax and customs benefits, Order No.00000331/MINFI/SG/DGI/DGD, 2014 amending certain provisions of Order No.00000366/MINFI/SG/DGI/DGD). As mentioned above, Petroleum Code, Mining Code and Gas Code are outside of the scope of the Investment Incentives Law (Loi n° 2013/004), and their incentive measures are stipulated in separate laws regulating these industries. (See “5.5.5 Other Investment Promotion Measures”)

The following table summarizes the major incentive measures under the Investment Incentives Law (Loi n° 2013/004). (See “6.2.2 Investment Approval” for definitions and concrete procedures.)

⁵⁶ Based on the UNCTAD Website (<http://investmentpolicyhub.unctad.org/IIA/CountryBits/56>)

Table 5-3 Major Incentives Regarding Tax and Customs under the Investment Incentives Law (Loi n° 2013/004)

Establishment Phase, Maximum of 5 years	
<ul style="list-style-type: none"> • Exemption of registration fee on lease of building • Exemption of transfer tax on acquisition of land and building • Exemption of registration fee on equipment provision contract for construction of building and facility • Exemption of registration fee on concession agreement • Exemption of registration fee on capital injection and increase of capital • Exemption of VAT on services provided from abroad • Exemption of VAT and customs duties levied on import of facilities and materials related with investment project • Exemption of patent • Simplified custom clearance on facilities and materials related with investment project 	
Operational Phase, Maximum of 10 years	
Category A ⁵⁷	<ul style="list-style-type: none"> • 50% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. • Reduction of 25% of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. • Exemption from registration duties relating to credit facilities, loans, advances on current accounts, bonds, increments, reductions, and reimbursement for five (5) years. • Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, and the reimbursement share capital for five (5) years. • 50% reduction on registration duties on the deeds of transfer of ownership or deeds of possession of real estate or lease for five (5) years. • 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. • Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables.
Category B ⁵⁸	<ul style="list-style-type: none"> • 50% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. • 25% reduction of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. • Exemption from registration fees related to loans, borrowings, overdraft provisions and guarantees for five (5) years • Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, reimbursement, and the liquidation of the social capital for ten (10) years. • 50% reduction on registration fees on the acts of transfer of ownership or benefit from real estate or lease for five (5) years. • 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. • 25% reduction of the tax on the income of movable (IRCM) on the occasion of the

⁵⁷ Eligibility Criteria for Category A: Any company that is committed to investing over a period of five (5) years at most, an amount less than or equal to one (1) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 20% of the value of the inputs
- Generating an increase in added value of at least 30% for five years

⁵⁸ Eligibility Criteria for Category B: Any company that is committed to investing over a period of five (5) years at most, an amount more than one (1) billion FCFA and less than or equal to five (5) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries, social housing, cultural sports, health and education sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 25% of the value of the inputs
- Generating an increase in added value of at least 25% for five years

	<ul style="list-style-type: none"> distribution of income from the sixth to the tenth year. Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables
Category C ⁵⁹	<ul style="list-style-type: none"> 75% reduction of corporate income tax or tax on industrial and commercial profits for five (5) years. 50% reduction of corporate tax or tax on industrial and commercial profits from the sixth to the tenth year. Exemption from registration fees related to loans, borrowings, overdraft provisions and guarantees for ten (10) years Registration for free without perception of graduated stamp duties on acts relating to the increase, reduction, reimbursement, and the liquidation of the social capital for ten (10) years. 50% reduction on registration fees on the acts of transfer of ownership or benefit from real estate or lease for five (5) years. 50% reduction on tax on the income of movable capital (IRCM) during the sharing of bonuses or income for five (5) years. 25% reduction of the tax on the income of movable (IRCM) on the occasion of the distribution of income from the sixth to the tenth year. Reduced rate of 5% on customs duties on the importation of equipment, building materials, tools, spare parts, intermediate products, supplies and consumables
Individual Incentives for Priority Sectors (Target Sectors: Agriculture, Fisheries, Livestock, Tourism, Housing, Industry, Energy, Water Supply, Regional Development and Decentralization, Environmental Protection, Handicraft, Technological Transfer, Research and Development, Export Promotion, Employment and Vocational Training)	
<p>Following incentive measures are applied depending on target sectors.</p> <ul style="list-style-type: none"> Exemption of tax Exemption of land tax Simplified custom clearance Exemption of registration fee Exemption of export tax on domestic projects 	

Source: JICA Study Team based on Investment Incentives Law No.2013/004, Order No.00000366/MINFI/SG/DGI/DGD, and information provided by API

API is the contact organization for providing incentives to large enterprises and foreign companies. (See “6.2.2 Investment Approval” for definitions of large enterprise and foreign investment. Also see Chapter 7 for API’s organizations/institutions and investment promotion works.) According to API, the number of investment approval is 82, the cumulative investment amount is FCFA 1,053 billion, and the number of employment generated is 33,765 during the period of about two years since the effectuation of Investment Incentives Law (n° 2013/004) in November 2014 until October 2016. API considers it is too early to evaluate and validate impacts of incentive measures from the perspective of tax revenues and economic effects of the entire country since many investors are still under the

⁵⁹ Eligibility Criteria for Category C: Any company that is committed to investing over a period of five (5) years at most, an amount more than five (5) billion FCFA and complying to at least one of the criteria below (target sectors: industrial, tourism, handicraft, agricultural, livestock and fisheries, social housing, cultural sports, health and education, and energy sectors):

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 20% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 25% of the value of the inputs
- Generating an increase in added value of at least 25% for five years

Establishment Phase⁶⁰ – the Investment Incentives Law (Loi n° 2013/004) went into force only recently. In this regard, API is considering conducting its evaluation a few years later. As mentioned above, contact organization for micro, small and medium-sized enterprises is the APME established under MINPMEESA, and the Agency has one-stop-service functions for providing incentives, and undertakes promotion activities (campaigns) and aftercare services to existing investors and enterprises.

In general, positive assessments were provided from the government side and calls demanding for improvement were heard from private sector and development partners regarding the incentive system during interviews with relevant stakeholders. Concretely, problems are pointed out related with difficult decision making in the government due to insufficient information sharing regarding purpose of the Law⁶¹. Also there are issues on eligibility criteria (investment amount, employment generation, export, and utilization of domestic natural resources, and value addition) for categorization of incentives, which does not meet the actual business situation (for example, ICT does not fall under any categories). Therefore, individual consideration and judgment⁶² is necessary, which creates uncertainty about enforcement. These issues have been taken up in the Cameroon Business Forum (CBF), and the API together with the MINFI (Directorate General of Taxation, Direction Général des Impôts: DGI and Directorate General of Customs, Direction Général des Douanes) has set up working group to discuss the way forward to amend the Law.

5.5.2 Promotion of Participation of Private Enterprises to Public Investment Projects (PPP/Concession)

Institutional framework for public and private partnership (PPP) has been laid out for implementation of large-scale projects which requires technologies and finance. The Law n° 2006/012 of the 29th December 2006 stating general regulations of Partnership Contracts (Loi n°2006/012 du 29 decembre fixant le régime général des contrats de partenariat, hereinafter referred to as “PPP Law (Loi n°2006/012)”) was promulgated in 2006. The law provides the basic framework for the formulation and management of PPP projects including the establishment of institutions as supporting mechanism, le Conseile d’appui á la réalisation des contrats de partenariat (CARPA)⁶³.

⁶⁰ According to API, the number of investment projects moved into Operational Phase so far is less than ten.

⁶¹ Development partners pointed out as follows: “The original purpose of the Law should be to attract new investments and to expand business activities of existing enterprises, thereby to push up and activate the entire Cameroon economy through value added generated from these economic activities. However, MINFI has become a resistance force due to decrease of tax revenue”, “Incentives have been provided mostly to existing enterprises, which indicates that enterprises which had planned to invest even without incentive measures have applied to incentive approval – thus the government is losing tax revenue which could have been collected”. In fact, according to API, around half of the number applied for investment incentives has been approved, and many of the rejected applications were decided by the MINFI (Tax Department and Customs Department).

⁶² According to API, value addition and employment generation are prioritized among these criteria.

⁶³ For the establishment of CARPA, the Decree n° 2008/035 of the 23rd January 2008 which organizes and manages the Board implementing Partnership Contracts (Décret n° 2008/035 du 23 janvier 2008 portant organisation et fonctionnement du conseil d’appui á la réalisation des contrats de partenariat) is in place.

The PPP Law (Loi n°2006/012) stipulates the Board, the decision making organ, comprises the chairman, the technical secretariat, and the advisers' committee with representatives of the Presidency, Prime Minister's Office, the Ministry of Public Works, the National Civil Engineering Order, the National Order of Architects, and other related organizations. The Board assesses the eligibility of project proposals for PPP projects. The assessment is managed by MINEPAT through the Board. Procurement of the contractors is done based on the technical appraisal and evaluation of the proposals. All the public entities are eligible for proposing and conducting PPP projects. The entities include not only the entities of the national government, but local governments and municipalities⁶⁴.

The PPP projects are also eligible for some incentives as stipulated in the Law n° 2008/009 of the 16th July 2008 stating the accounts, financial and tax system applicable to partnership contracts (Loi No. 2008/009 du 16 juillet 2008 fixant le régime fiscal, financier, et comptable applicable aux contrats de partenariat). The items listed below are included in the incentive package.

- Exemption of TVA
- Customs duty and exemption for imported machinery and facilities, exemption of local tax
- Simplified customs clearance and bonded arrangement for imported materials
- Application of the special depreciation rate (25% more than the normal situation)

About 15 projects has been approved and implemented since the establishment of the PPP Law (Loi n°2006/012) until the time of the Survey in September 2016⁶⁵. One of the bottlenecks for promoting PPP projects are the quality of proposed projects by public entities which cannot attract the private sector players. On the other hand, as seen in the concession of the terminal operators of the Port of Kribi, the negotiation of the contracts has continued over one year with the candidates selected as the first in the bidding process⁶⁶. Negotiations with candidates of PPP contractors are headed by the public entities which submit the proposals. It may not be easy to have prompt decisions for PPP contractors due to the decision making mechanism of the public entities or insufficient understanding for PPP. While Cameroon is equipped with basic legal frameworks, it may require capacity of appraisal and implementation of the projects.

5.5.3 Implementation of Investment Projects through Joint Investment with the Government

The National Investment Corporation of Cameroon (SNI), a 100% state-owned company is an organization to be responsible for this area. The SNI was established in December 1964, and is responsible for managing shares of state-owned companies, supporting national strategic investment, and investing in profitable high-quality industries. The SNI only trades with state-owned companies

⁶⁴ According to the interview at CARPA, the number of intended organizations is more than 500.

⁶⁵ According to the 2015 CARPA annual report, there are 11 signed projects and only 4 of them started its operation (CARPA, Rapport de performance 2015).

⁶⁶ Based on the interview at CARPA

or major corporations. It has developed its business based on the national policies such as industrial policy and investment policy, and its priority sectors include agribusiness, mining, telecommunications, tourist, lumber processing, and textile.

The investment projects undertaken by the SNI consists of (i) strategic investment in large-scale projects led by a state-owned company, and (ii) investment as a regular business. In the investment of Type (i), the SNI makes investment in large-scale projects led by a state-owned company in accordance with the decision made by the country, thus it is a highly political investment. For example, SONARA (oil refining) and ALUCAM (aluminum) are categorized into this type of investment. In Type (ii), the SNI examines the business feasibility and sustainability of a business proposed by an investor, and invests in a project that is expected to have high profitability. According to the SNI, it treats proposing companies equally without considering whether it is a foreign or domestic corporation and regardless of the nationality of the company, and the review and selection of the proposed business is conducted by the working group of the Approval Board Committee chaired by the Minister of Industry⁶⁷ based on the business plan and the result of market analysis. The initial shareholding ratio of the SNI in a joint investment project is prescribed as more than 33% to less than 50%, and the contribution and the capital increase by the SNI requires approval from the President.

As of September 2016, SNI has invested in joint businesses with 25 companies.⁶⁸ The SNI and the API have concluded a business collaboration agreement. There are some cases that the SNI jointly invests with an investor who obtained approval of investment incentives from the API (The API introduces a joint investment opportunity with the SNI to investors as one of the options for investing in Cameroon from a viewpoint of promoting investment from foreign companies and large enterprises.)

The SNI has a plan that shares of the joint business in Type (ii) that are held by the SNI would be sold in seven years after the investment in principle to make a new investment that can contribute to the development of the country (Three business operators who made a joint investment with the SNI plan to be listed in a securities exchange in the future.) On the other hand, the SNI manages shares of the joint businesses in Type (i) pursuant to instructions from the government.⁶⁹

⁶⁷ The Approval Board Committee consists of representatives from authorities in charge of the business, the Ministry of Lands and Titles, MINFI (Taxation Office and Tariff Office), and the API.

⁶⁸ One of the examples is CIMENCAN (cement company). According to the API, the current shareholding ratio of the SNI is 30% and that of Lafarge, French major cement company is 70%. Although the foreign investor holds the majority of the shares, the chairperson of the board of directors is appointed by the Prime Minister's Office and the majority of Deputy GMs are people with the Cameroon nationality, which means that the government has a strong influencing power on the company.

⁶⁹ According to the SNI, while SONARA and ALUCAM have not generated profits and the government subsidizes them, the SNI plans to continue holding the shares of these companies pursuant to the instructions from the government.

5.5.4 Improving Access to Industrial Land

Organizations for the development of industrial land in Cameroon are MAGZI (Mission d'Aménagement et de Gestion des Zones Industrielles), ONZFI (Office National des Zones Franches Industrielles), and APZE (Agence de promotion des zones économiques). The outline of each organization is described as below (Table 5-5).

Table 5-4 Outline of the organizations for the Development of Industrial Land

Name	Established year	Supervisory Ministry	Main activities	Remarks
MAGZI	1971	MINMIDT	Develop industrial zones, approve and manage tenants, solve conflicts in industrial zones	
ONZFI	1990	MINMIDT	Approve and manage developers and tenants in free trade zones, solve conflicts in free trade zones	As APZE was legally established in 2015, ONZFI will be either merged or upgraded to APZE.
APZE	2015	MINEPAT	Set up criteria of the development of each type of SEZs, approve and manage developers and tenants in SEZs, solve conflicts in SEZs.	MINFI is in charge of its finance. Though the law of establishment of APZE was enacted in 2015, the organization is still 9.insubstantial.

Table 5-5 Roles of Each Organization for the Development of Industrial Land

Organization for the development of industrial land	Tenant companies in industrial parks	Developer and tenant in SEZs		Other area
		Free trade zone	Other SEZs	
MAGZI	○	×	×	×
ONZFI	×	○	×	×
APZE	×	○	○	×

Source: JICA Study Team based on the interviews at each organization

Remarks: SEZs except for free trade zones do not exist in Cameroon yet as APZE is not practically established yet. Free trade zones are managed by ONZFI until APZE starts its operation.

Each organization for the development industrial land will be explained as below.

(1) Outline of MAGZI (Mission d'Aménagement et de Gestion des Zones Industrielles)

Cameroon has been developing industrial zones through MAGZI (Mission d'Aménagement et de Gestion des Zones Industrielles) since the 1970s. MAGZI was established under MINMIDT in 1971⁷⁰ and started its operation from 1974. MAGZI developed an industrial zone in Bonaberi in 1977 and Bassa in 1983 (both areas are near Douala) and currently manages 7 industrial zones in Cameroon in total. The purpose of the establishment of MAGZI is to develop industrial

⁷⁰

infrastructure for the economic growth in the country based on the government's industrial policies.

The government owns the land of industrial zones, but MAGZI has the right to make a contract with tenant companies and manage the industrial zones in order to pursue the above objective. Tenant companies make a land lease contract, allows to use the land up to 99 years and the land can be used as a guarantee when the tenant companies borrow finance from banks. The government set the lease price in the industrial zones, which is usually very reasonable compared to the market price around the zones (see table 5-6). In addition, the price can be cheaper when the tenant companies have to develop land by themselves (e.g. land development in the pond area), so that it will be MAGZI which burden the cost of infrastructure development in industrial zones.

Currently 7 industrial zones are in operation. In addition, 3 industrial zones are being developed and 4 industrial zones are under consideration. In future, the government plans to develop at least 1 industrial zone in each province. The outline of each industrial zone is described as below.

Table 5-6 Outline of Industrial Zones in Cameroon

Name	Location (province)	Size (ha)	No. of tenants	Lease price (FCFA, m ² /year)	Remarks
Operating					
Bonaberi	Littoral	192	85	719-1,000	
Bassa	Littoral	150	190	508- 800	Fully occupied
Yaounde	Central	316	140	300- 600	
Garoua	North	90	7	200- 400	Roads undeveloped
Bafoussam	West	36	1	300- 500	Roads undeveloped
Ombe	Southwest	133	17	300- 500	Roads undeveloped
Ngaoundere	Adamawa	115	24	200- 500	Lack of electricity Roads undeveloped
Developing					
Bamenda	Northeast	43	-	300- 500	Infrastructure is almost completed
Bertoua	East	225	-	300- 500	
Kribi	South	284	-	400- 600	
Considering					
Mbankomo	Central	210	-	-	Under processing
Edea	Littoral	568	-	-	Land acquisition almost completed Plans to develop a dry port
Dibamba	Littoral	310	-	-	Difficult to acquire land
Dibombari	Littoral	200	-	-	Requested by the local government

Source: JICA Study Team based on the interview from MAGZI

Remarks: lease price for buildings MAGZI developed is 5,000-10,000FCFA (m²/year). Also, the tenant related to oil sector need to pay 2,500-5,000 FCFA (m²/year) as an additional fee.

MAGZI, as a governmental organization, has currently difficulties not to be able to operate effectively and efficiency. Therefore, it is under the process of changing the form of organization as a state enterprise. By doing so, MAGZI will be allowed to gain a revenue by increasing the lease

price and to apply for finance to banks. However, as the government rose only 6 billion FCFA out of 27 billion FCFA (the amount estimated as an initial cost of changing the organization), MAGZI is still a governmental organization, which was supposed to be changed as a state enterprise in 2015.

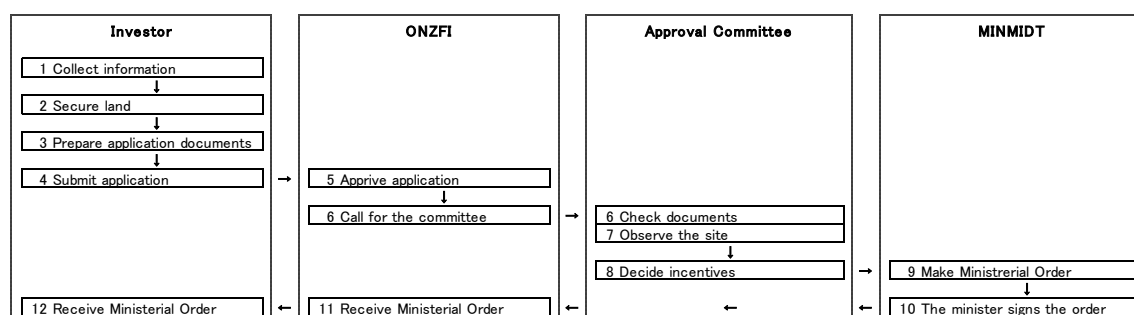
(2) Outline of ONZFI (Office National des Zones Franches Industrielles)

Cameroon introduced an industrial free zones regime in 1990⁷¹. The area for only one company can be approved as an industrial free zone and the area is called special industrial free zone. When the area for more than one company is approved as an industrial free zone, it is called an industrial free zone. Industrial free zones are consisted of developer, operator, and tenants. In order to approve and supervise these companies, ONZFI (Office National des Zones Franches Industrielles) was established under MINMIDT⁷².

The criteria to be approved as either industrial free zone or special industrial free zone are:

- v) All the goods and services have to be exported⁷³
- vi) There is no negative impact on the environment
- vii) Goods and services are not dangerous goods (e.g. weapon and gunpowder), substance which has negative impacts on human beings and other animals and plants, and illegal products
- viii) Rules defined in Ordonnance N° 90/001 du 29 janvier 1990 have to be followed

The application procedure is as follows.



Source: JICA Study Team based on the interview from ONZFI

Figure 5-1 The Procedure to approve industrial zones

The members of the approval committee are representatives from ONZFI, MINMIDT, MINFI, Chamber of Commerce, BEAC, and Groupment des Entreprises en Zones Franches Industrielles⁷⁴. When 50% (minimum, usually 70%) of the total members of the committee approve, the applied

⁷¹ Ordonnance N° 90/001 du 29 janvier 1990 créant le régime de la Zone Franche au Cameroun

⁷² Arrêté N° 51/MINDIC/IG1 du 28 décembre 1990 fixant les modalités d'application de la zone franche au Cameroun

⁷³ Products made by the companies approved as an industrial free zone or a special industrial free zone have to be export 100%. However, if the company applies to ONZFI and ONZFI approves, it can sell the products in Cameroon domestic market within maximum 20% of the products.

⁷⁴ The organization consisting of companies approved as developers/tenants of industrial zones.

company can receive incentives⁷⁵.

When the concept of industrial zones was introduced in 1990s, the government of Cameroon tried to develop suburb of Douala as an industrial zone. However, the onsite infrastructure was never developed and the zone was never completed. Since then, there are no developers to develop an industrial zone, which means there are no developers, operators, nor tenants). On the other hand, there are currently 46 special industrial zones. 65% of the 38 companies (companies approved as of October 2015) exist in the Littoral Province, where the largest industrial city called Douala is located. In terms of sector, agro-processing accounts for about 30% of the total. According to the ONZFI, there are more foreign special industrial zones than domestic special economic zones and main countries of origin are India, France, and Belgium.

Table 5-7 Special Industrial Zones by Location and Sector

Region	No. of company	Sector	No. of company
Adamawa	1	Agriculture	1
Central	2	Agro-processing	12
East	0	Food processing	3
Far North	1	Wood processing	5
Littoral	25	Construction material	3
North	4	Iron and steel	5
Northwest	1	Manufacturing	3
East	3	Recycle of used crude oil	1
South	1	Leather	1
Southeast	0	Textile	4
Total	38	Total	38

Source: JICA Study Team based on the documents provided by ONZFI

Remarks: Manufacturing includes medicine for livestock, soaps, assembling computers etc.

As of May 2016, however, there are only 8 staff at ONZFI (DG, economists, SE technicians, general affairs, accountant, and document management etc.) and the organization faces serious staff shortage.

Tenants in MAGZI can apply for incentives provided by ONZFI, but ONZFI needs to enclose the area by fence and dispatch staff from the Customs after approving the company⁷⁶. As explained earlier, however, ONZFI does not have sufficient number of staff to do so effectively. As a result, though some of the MAGZI tenants were approved as special industrial zones and are eligible to receive incentives, there are no special industrial zones actually operating in MAGZI due to the

⁷⁵ According to Ordonnance N° 90/001 du 29 janvier 1990, all the taxes are exempted if the company is in industrial zones. Also, all the duties are exempted, but the companies in the zone need to pay fees required for the import export procedures. Also, non fiscal incentives (e.g. issuing a work permit to less than 20% of foreigners) will be provided. The period of validity is 10 years. If the approved companies have to submit annual activity report (e.g. progress and financial statement) to ONZFI annually and there is no issue in time of ONZFI's inspection, the license can be extended.

⁷⁶ Ordonnance N° 90/001 du 29 janvier 1990 créant le régime de la Zone Franche au Cameroun, Article 2

serious shortage of ONZFI staff.

(3) Outline of APZE (Agence de promotion des zones économiques)

The SEZ law (Loi n° 2013/011 du 16 décembre 2013 Régissant les zones économiques au Cameroun) was enacted in 2013 and APZE (Agence de promotion des zones économiques) was legally established under MINEPAT⁷⁷. As of September 2016, however, APZE hasn't secured the land and staff for operation yet. According to Décret n° 2015/178 du 06 avril 2015 pour organization et fonctionnement de l'Agence de promotion des zones économiques, ONZFI is the one to manage industrial zones until the operation of APZE actually starts. The asset and staff of ONZFI will be merged with APZE once APZE starts its operation. As a result, special industrial zones approved by ONZFI need to have another approval from APZE and if approve, the name of the type will be changed to free trade zones⁷⁸.

The SEZ Law states various types of SEZs, but the definition of each type of SEZs is not clear except for industrial zones, which was changed to free trade zones under the SEZ Law⁷⁹. Therefore, as of September 2016, Cameroon does not have any of the SEZs yet.

Table 5-8 Types of SEZs

SEZs under the SEZ Law Loi n° 2013/011 du 16 décembre 2013 Chapter VII Article 32		SEZs under the Industrial Zone Law Ordonnance N° 90/001 du 29 janvier 1990 Article 2
Agricultural area		
Handcraft area		
Trade area		
Free trade area	=	Industrial zones
Industrial area		
Logistics area		
Service area		
Technology area		
Special area		
Agricultural city		
Science and technology city		
Competitive city		
Tourism complex		

Source: JICA Study Team based on the interviews from ONZFI and MINEPAT as well as Ordonnance N° 90/001 du 29 janvier 1990, Loi n° 2013/011 du 16 décembre 2013

5.5.5 Other Investment Promotion Measures

As mentioned above, specific incentives for industries outside of the scope of the Investment Incentives Law (Loi n° 2013/004) are prescribed separately in sectoral codes. The following are the

⁷⁷ Décret n° 2015/178 du 06 avril 2015 pour organization et fonctionnement de l'Agence de promotion des zones économiques

⁷⁸ According to the interview from MINEPAT

⁷⁹ According to the interview from ONZFI

incentive measures stipulated in each sectoral code.

(1) Petroleum Code

Petroleum Code covers incentives related with upstream activities regarding petroleum. Investors who have been granted licenses under this Code can obtain the following incentives.

- Exemption of tax levied on profit and investor dividends
- Exemption of customs duties and export tax
- Exemption of tax levied on sales and VAT
- Exemption of direct tax levied on petroleum related projects
- Application of preferential tax rate of 5% on customs duties for specific facilities

(2) Mining Code

Investors who have been granted licenses under this Mining Code can obtain the following incentives.

- 1) For investors who have been granted research license
 - Exemption of tax and customs duties levied on materials, equipments and spare parts necessary for investment facilities
 - Full exemption of tax and customs duties levied on lubricant
 - Exemption of registration fee regarding exploration projects
 - Exemption of corporate income tax, business tax and income tax on stock exchange as well as tax levied on salary payment to foreign countries
- 2) For investors who have been granted exploitation license
 - Exemption of tax and customs duties on materials and equipments necessary for production, and capital goods
 - Exemption of tax and customs duties levied on materials and spare parts
 - Exemption of tax and customs duties levied on importation of materials and equipments used for constructing buildings
 - Full exemption of tax and customs duties levied on lubricant
 - Exemption of VAT
 - Installment payment for one year regarding registration fees on incorporation, renewal and increase of capital of a company
- 3) Sub-contractors and Suppliers
 - Full exemption of customs duties levied on materials necessary for investment facilities, lubricant and spare parts
 - Exemption of tax and customs duties levied on materials and equipments necessary for production, construction of buildings, capital goods and spare parts

(3) Gas Code

This Code covers incentives related with downstream activities regarding gas industry. Investors who have been granted licenses under the Gas Code can obtain the following incentives.

- Opening foreign accounts
- Exemption of all charges and fees (including sales tax and IT royalty) regarding transportation,

distribution, storage, and consumption of natural gas for ten years

- Exemption of registration fees on incorporation and increase of capital of a company
- Exemption of registration fee on lease of buildings for investment projects
- Exemption of registration fee on transfer of rights on ownership of land and buildings for investment projects and concession contracts on the deeds of transfer of ownership or deeds of possession of real estate or lease for five (5) years.
- Exemption of registration fee on supply of materials and property development
- Exemption of VAT on importation of capital goods
- Exemption of registration fee on insurance contract
- Deduction from taxable income for the next five years on depreciation and amortization, usually deducted for the first three years
- Application of preferential tax rate of 5% on customs duties for materials and equipments, chemical products and spare parts

5.6 Coordination among Stakeholders Regarding Policy Making Process and Policy Implementation, and Current State of their Effectiveness

5.6.1 Cameroon Business Forum (CBF)

There is a mechanism for public-private dialogue called Cameroon Business Forum (CBF) for improving investment and business environment of the country. CBF was established in June 2007 with a support from the IFC and acutely commenced public-private dialogue in 2010. CBF aims to (i) promote efficient public-private dialogue, (ii) improve bottleneck of business activities, (iii) accelerate reforms contributing to investment/business environment, and improve Doing Business ranking, and (iv) expand FDI inflow. With a presence of the Prime Minister, dialogues on business environment have been continuing.

Background of establishment of CBF had awareness of the problems regarding declining trends of Doing Business ranking and many governance issues. In addition, it is pointed out that policy implementation requires various ministries on board, their enforcement is inefficient, and coordination mechanism across various sectors/areas for policy formulation and implementation at the working level is non-existent. CBF was set up with the assistance from the IFC in order to cope with such problems.

(1) Mechanism and Function of CBF

The mechanism and function of CBF are as follows:

1) CBF Annual Forum

Annual Forum is the supreme function of CBF and the Chairperson is the Prime Minister. The Forum is convened in March every year, and a concrete action list for improvement of business environment called “Resolution” is announced. The Resolution has been prepared based on public-private dialogues at the Steering Committed and Technical Committee. Furthermore, achievement and progress of Resolution of the previous year is confirmed. Participants are:

representatives of private sector (led by GICAM⁸⁰), ministers of pertinent ministries, representatives of NGOs, embassies, legations and consulates of each country (ambassadors etc.) and development partners.

2) Steering Committee

The Chairperson is the Director General of Prime Minister's Office. The Committee consists of minister-level officials of pertinent ministries and representatives of private sector. Cross-sectoral and holistic discussions are taken place based on public-private dialogue conducted at the Technical Committee (in each working group, established according to issues and themes).

3) Technical Committee

The Chairperson is the Technical Director General of Prime Minister's Office. Working groups have been set up according to issues and themes. Concrete business issues and countermeasures are discussed periodically by relevant stakeholders both from public and private, and draft annual action plan is prepared. Working groups on "Setting up a business", "Tax", "Enforcing contract", "Trade across borders", "Land", "Investment promotion" etc. have been established.

4) Monitoring and Evaluation Committee

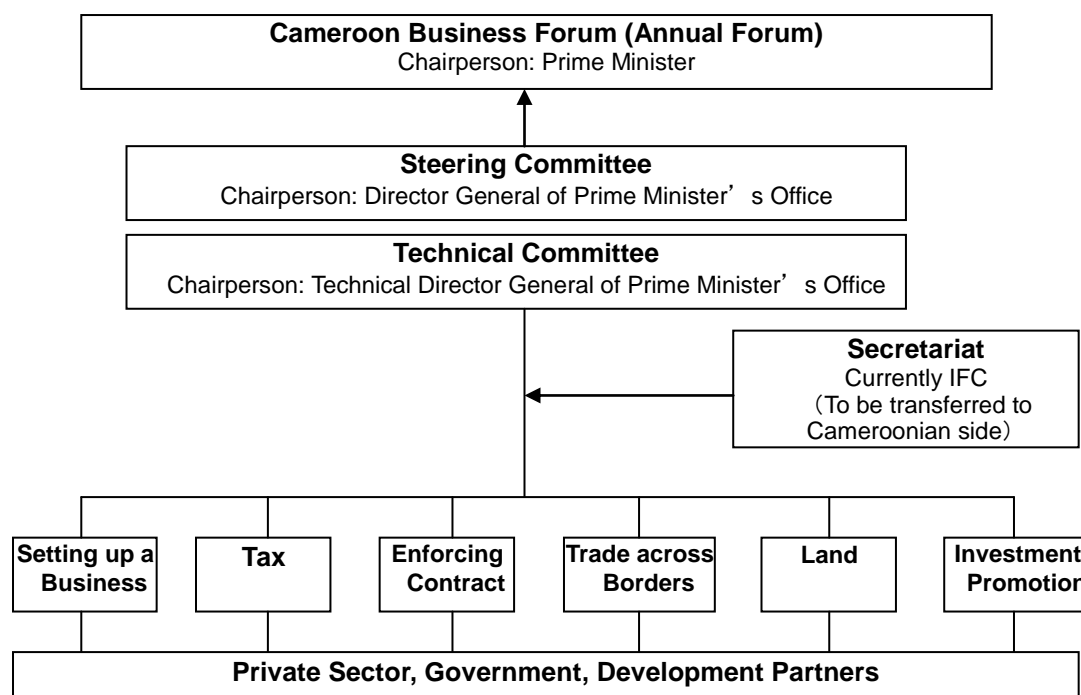
The Chairperson is the Director General of Prime Minister's Office, and the Vice-Chairperson is the Minister of the MINEPAT. This Committee was established in 2012 by the Order No.031 of the Prime Minister's Office. The Committee consists of relevant stakeholders both from public and private, and undertakes periodic monitoring (preparation of reports and recommendations) regarding facilitation and progress of implementation of each action.

5) Secretariat

The Secretariat is in charge of overall management and administration of CBF. The IFC has been undertaking the role of Secretariat, but it will be transferred to the Cameroon side to take initiatives before the end of 2017 as per indicated in the CBF strategy. Coordination among relevant stakeholders in this regard is taking place.

As basic discussion framework of CBF, actions for each issue are established in accordance with the Doing Business indicators. CBF mechanism (working groups) is basically set up in line with these issues and themes. Following figure shows the CBF structure.

⁸⁰ Cameroon Employers' Association.



Source: JICA Study Team based on information from the CBF website (<http://www.cbfcameroun.org/>)

Note: The organizational structure of CBF in the website is not the latest – it does not contain Monitoring and Evaluation Committee

Figure 5-2 CBF Structure

(2) Achievement and Issues Regarding CBF

Since the first Annual Forum conducted in 2010, total of 120 actions⁸¹ have been achieved until the sixth Annual Forum. Creation of Investment Incentives Law (Loi n° 2013/004) established in 2013, and investment approvals based on its Orders is one of the achievements resulted from the discussions at the CBF framework.

On the other hand, overall investment environment is difficult, and public sector norm is a problem. Concretely, reform is delayed due to problems in various areas including corruption, tax, access to land, customs and trade procedures etc. Furthermore, it should be noted that achieving actions is one thing and securing enforcement on the ground is another thing – it is pointed out that intensive reform in the field has not been fully accomplished. In fact, although Investment Incentives Law (Loi n° 2013/004) stipulates legal framework for private investment promotion, actual approval procedures and decision making process are not streamlined. In addition, problems have been pointed out regarding lack of sufficient transparency on enforcement due to unclear eligibility criteria for categorization of incentive measures, which inhibits prompt handling as a result. (See “5.5.1 Provision of Tax and Administrative Incentives to Promote Private Investment”) These

⁸¹ Breakdown is as follows: Setting up a business: 19 actions, Tax: 23 actions, Dispute resolution: 3 actions, Trade across borders: 22 actions, Access to land: 10 actions, Construction permit: 4 actions, Economic governance: 14 actions, Investment promotion: 7 actions, Access to finance: 8 actions, Access to water and energy: 3 actions, Inspection and license: 6 actions, and Bankruptcy: 3 actions.

issues have been brought up in the CBF framework, and currently discussions are taking place for the revision of the Law.

(3) Evaluation of CBF by the Local Stakeholders

According to the local stakeholders, the evaluation of the CBF is mixed. While Cameroon government officers value it positively, those from the private sector and development partners gave severe comments. More concretely, positive comments are as follows: “It is a good news that, under the leadership of the Prime Minister, the discussions on the business environment continue as one of the most important issues for the country, and many people concerned have paid attention to its progress and results”, “Although the private sector initially did not take a unified attitude, it becomes more cooperative as the meeting is held”, “While it takes time to complete the process, the government has changed gradually.” On the other hand, there are some severe comments like, “Communications between the public and private sectors have not been enough, and discussions are usually result in giving an instruction from the public to the private in order to collect and analyze more detailed information, rather than hearing requests from the private”, “There is a difference in a level of efforts and actions among ministries in the implementation of action plans”, “As the President is required to make a decision on all the matters, many issues are centralized in the President side and thus, the process tends to delay”, “Ministries and agencies of the government have not taken a unified action, and decision-making process and cross-sectional coordination and collaboration are insufficient.

Based on the evaluation of CBF by local stakeholders, we found the following problems: (i) The positioning of the CBF is different between the government and the private/development partner side; (ii) Although it is an initiative directly under the control of the Prime Minister, commitments by each minister and agency have not been bounded, and a degree of interest by each ministry or agency is different; and (iii) the monitoring function to check the implementation has not worked sufficiently. We can conclude that while the CBF is established as a platform, the development of systems has not been completed yet and many improvements are still required to well function the CBF practically.

5.6.2 Competitiveness Committee

Competitiveness Committee was established under the MINIPAT as a public-private platform to consider policies and countermeasures regarding strengthened competitiveness⁸². This Committee was established as a part of Support Program provided by United Nations Industrial Development Organization (UNIDO), EU and other development partners.

⁸² The Competitiveness Committee is different from the Regulation and Competitiveness Board that is an organization prescribed in the provision of the Investment Charter 2002/004 Chapter III Section 25 (See “エラー! 参照元が見つかりません。 Legal System for Investment”)

From the Cameroon government side, the Minister of MINEPAT is the chairperson, and the MINEPAT acts as the secretariat. Directors and higher-level officers from each ministry of MINMIDT, Ministry of Trade, APME and infrastructure related ministries (energy, transportation etc.) participate in the Committee. From the private sector side, representative of Chamber of Commerce is the chairperson. Furthermore, there are participants from private sector groups including GICAM and MECAM. The target enterprises are local companies but enterprises with foreign capital operating locally are also included. Technical Committee was established under the entire Competitiveness Committee and review of relevance on value chain studies, consideration of countermeasures, and preparation of draft policy recommendation are carried out. Administrative officers participate from the government side and members of private groups such as GICAM from relevant industries participate from private side in the Technical Committee.

As for difference between Competition Committee and CBF, while CBF adopts holistic viewpoint of private sector regarding investment and business environment – for example, CBF copes with problems on tax, promotion of single window for trade transaction etc. – the Competitiveness Committee deals with problems of targeted priority industries based on value chain. In the Competitiveness Committee, stakeholders gather according to value chain in order to consider (i) measures to reduce operation costs for each value chain, and (ii) activities to promote technological development. Recently, study on timber was carried out (results of the study is unpublished), and study on potato is now conducted. According to relevant developing partners, mid-term evaluation will be conducted, however, no particular achievement seems to be pointed out.

5.7 Evaluation of Investment Promotion Policy, Regulation, Initiatives and Coordination Mechanisms among Stakeholders

In summary, we can point out on policies, systems, and initiatives on investment promotion and the coordination mechanism that (i) The policy on economic development such as industrial promotion that has a close relationship with investment policies is not clear; (ii) Although tools such as investment policies and incentives have already been developed, these have not quite worked well practically; (iii) The CBF that should clarify issues and challenges on the investment environment and activate the private sector has not sufficiently identified issues and taken proper actions, and the effect of its action is limited. It is pointed out that the organization and system of the CBF should be reconstructed for the development of better business environment.

The Cameroon government states the importance of investment promotion as a growth engine in its long-term national development plan “Vision 2035”, and describes the importance of activating the private investment, realization of economic growth through the enhancement of competitiveness of highly potential industries, and promotion of modernization of production mechanism in its 10-year national development plan “GESP 2010-2020.” For industrial and foreign trade policies, the

government has not prepared a policy that comprehensively covers issues on a cross-ministerial basis. In the area of investment promotion, related laws and regulations have not been established yet. Although the law on granting preferential treatment was enacted, there has been no investment promotion policy that includes a strategy actively pushing forward the economic and industrial development and investment promotion. You can find the reason for the current situation as mentioned above in the history of Cameroons economic policies. Cameroon has implemented the state-led economic development and industrial promotion policies since its independence to the late 1980's when the structural adjustment was conducted that required the transformation to the free economic system based on the market principle. Additionally, as the focus of the policies was put on the basic social development, the government had not prepared policies for industrial sectors such as those for economic development and industrial promotion by 2010. Due to such background, the development of policies on investment and business is still underway.

While we will check the details of the practical side in investment and business in the next Chapter, Cameroon has established a long-term close relationship with France that used to be a suzerain state, and thus has been strongly affected by France in terms of systems and commercial practices. Additionally, due to the traditional social and cultural characteristics of Cameroon (such as a closed circle of tribe and an influential power of relatives and connections), foreign companies feels that the business in Cameroon is unclear and difficult to operate. Under such circumstances, the private sector (especially small and micro enterprises) has little trust on the government (for example, they cannot receive administrative services even if they pay a tax properly). This can be a reason why they tend to remain as an informal sector. On the other hand, small and micro authorized business operators are under severe competition with an informal sector in some areas.

In such situation, the Cameroon government has made efforts to establish related laws and regulations, support the establishment of new businesses, promote small- and medium-sized enterprises including micro enterprises, and formalize the involvement of informal sector.

For further economic development, the government has taken various actions such as introduction of incentive system for private investment, promotion of private sector's participation in the public works, and development of economic special areas, for the purpose of promoting investment as a growth engine, activating the entire economy, and expanding the employment. However, due to insufficient systems and capacity of local people concerned, these actions have a feasibility problem, and none of the actions has come up with a winning formula for promoting investment from foreign capitals. In other words, Cameroon is still in the development phase for investment and business promotion systems and local actions. To respond to such situation, the CBF was established as a mechanism for the Public and Private Partnership (PPP) under the leadership of the Prime Minister and now discussions have been made since 2010 between the public and private sectors for the

improvement of investment and business environment. The Competitiveness Committee was also established for discussion between the public and private sectors focusing on issues of individual industries. Such PPP framework is severely criticized by the private sector and donor corporations, which means that the functions and operations of the CBF are still under development.

However, in the current condition, given the fact that there is only limited means that can effectively reflect the voice from a wide range of private sector, it is expected that improving, enhancing, and developing the existing platform (i.e. CBF) is expected to be the first step to improve the investment and business environment for the future. Actually, it is pointed out that one of the major issues for the development and implementation of policy system in Cameroon is the centralized power of the President. Thanks to the introduction of the CBF mechanism, people are now interested in setting to improvement actions based on the approval from the Prime Minister without having a decision by the President. This change of recognition is a positive effect by the establishment of the CBF. In addition, we currently see another change in the private participants that not only GICAM but also other groups such as MECAM also intend to participate in the discussion. Some people suggest the gradual balancing between the public and the private is seen in policy dialogue. Such changes are positive factors for further improvement of investment and business environment in Cameroon.

For the issue of transition from the long-term rule of the same administration and fostering of the next-generation leaders, both of which are potentially critical issues for Cameroon, the local stakeholders seem to start a discussion. It is a steady step with an eye to the future direction of Cameroon, and we can say that it is a positive sign toward the future of Cameroon.

Chapter 6 Analysis of Investment Climate in Cameroon

6.1 Overview of Investment Climate in Cameroon and Method of Analysis

6.1.1 Method of Analysis

Investment climate consists of the combination of various issues which are related to the business operations and launching of investment projects. of the issues include regulatory environment, infrastructure development and other factors which can affect costs and time in business operation. Consideration of whether to embark on direct investment may start long before the establishing an operation in the investment destinations: It may start as trading directly or through agents or partners. In this Chapter, the life cycle of investment only covers from the establishing a company up to winding up of the business where investors expect to follow various operational and administrative procedures. The process before direct investment may be affected the conditions of the size of the market, maturity of industries, marketing channels and competitions which are partially analyzed in the Chapter 4.

Various conditions may affect the cost, quality and delivery of the business. The figure below shows the life cycle of the investment and various types of transactions and administrative processes.

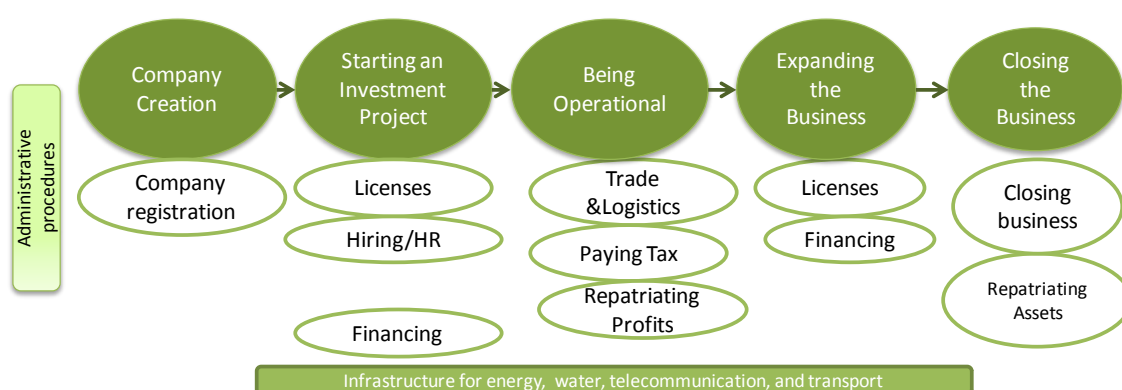


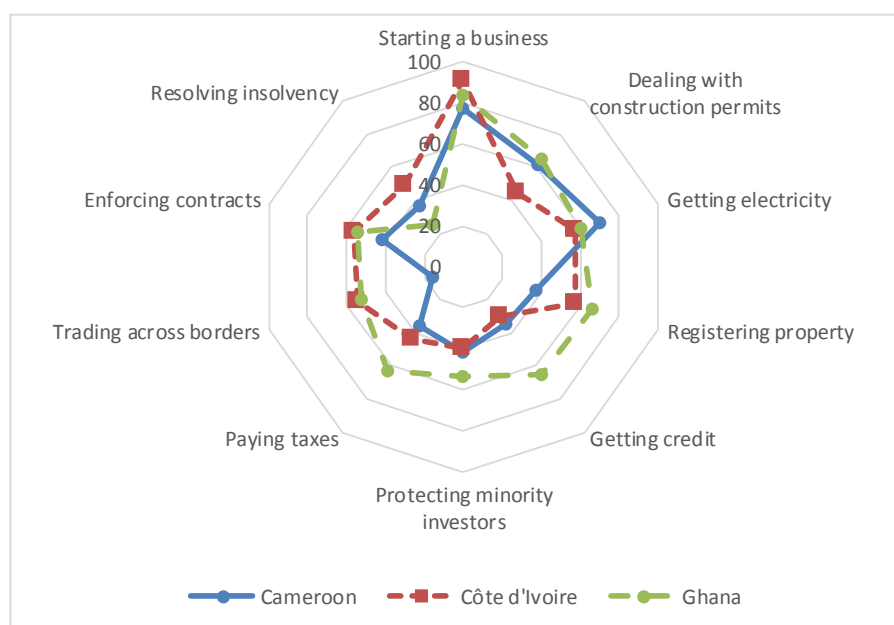
Figure 6-1 Life Cycle of Direct Investment and Administrative Procedures

The number and types of necessary procedures vary depending on the types of industries and businesses. Availability of quality infrastructure is also an important factor for business operation.

The analysis on investment environment in this section looks at the critical issues in regulatory environment and the situations of infrastructure in Cameroon from the following aspects: (i) frameworks and structures including overall flows of procedures, status of development and (ii) actual situations based on the information on the experiences of investors in their business operation with the data on costs, times and other burdens. Following the analysis, the following topics will be described: (iii) identification of the critical problems and (iv) efforts of the Government and other development partners.

6.1.2 Overview of Investment Climate of Cameroon and the Scope of Analysis

“Doing Business” by the World Bank Group gives a rough overview of the business environment through comparison with other countries. The report introduced the Distance to Frontier (DTP) index. DTP is a composite index which calculates the degree of a certain country’s score vis-à-vis the total score of the top country in percentage (0 to 100, where more is the better). DTP score of Cameroon is as shown in the figure below. The data of two other countries are also indicated for comparison. Both Côte d’Ivoire and Ghana have production of hydrocarbon resources as Cameroon.



Source: JICA Study Team based on Doing Business 2017.

Figure 6-2 Cameroon Distance to Frontier Score of Doing Business

Cameroon is ranked 166th out of 190 countries with a DTF score of 45.27. Ghana and Côte d’Ivoire are ranked 108th (DTF: 58.24) and 142th (DTF: 52.31), respectively. Though not appearing in the figure, Nigeria, the neighboring large economy, is ranked 169th with DTF of 44.63. Comparing with Ghana and Côte d’Ivoire, Cameroon’s score is higher in Getting Electricity. Some elements with lower scores are Trading Across Borders (186th with DTF 15.99), Paying Tax (180th, DTF 35.87), and Registering property (177th, DTF 37.33).

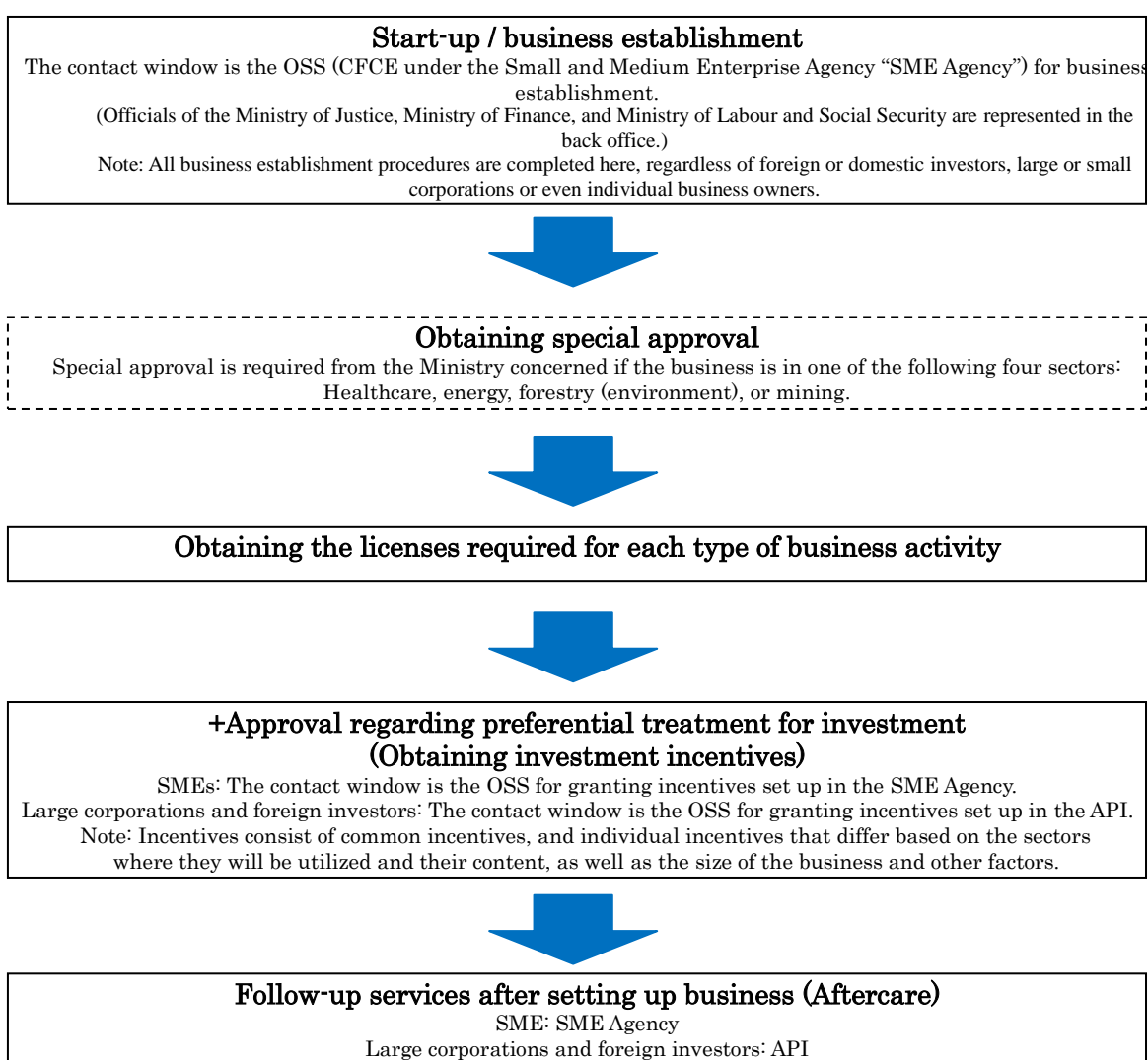
Comparing with 2016, there are some improvements. The overall score of DTF is slightly improved from 44.11 ranked 166th in 2016 to 45.27 ranked 172th in 2017. Dealing with Construction Permit (DTF 54.19 to 61.18) and Getting Electricity (DTF 60.45 to 70.28) contributed to the improvement.

It is also acknowledged that the business climate should consider areas which are not captured by Doing Business and the burdens experienced by investors in total. In this Chapter, the effects of past efforts for improving business climate are reviewed. It also analyzes matters which are regarded as important in the operation of business. The analysis covers both the overview of the institutions and the actual situation of policy implementation.

6.2 Current State of the Business Environment

6.2.1 Establishment of Businesses

The process of launching a business in Cameroon, from start-up / business establishment and approval regarding preferential treatment for investment (obtaining investment incentives) to follow-up services after setting up business is shown in the chart below. This section covers the steps of Start-up / business establishment, Obtaining special approval, and Obtaining the licenses required for each type of business activity, Approval regarding preferential treatment for investment is covered in the next section, and Follow-up services after setting up business is covered in Chapter 7 (7.2.2 Services for Investors).



Source: Prepared by JICA survey group based on interviews with the API and the SME Agency.
Chart6-3: Process flow of Start-up / business establishment, Approvals regarding preferential treatment for investment, and Follow-up services after setting up business in Cameroon.

Figure 6-3 Process flow from Start-up to Follow-up services in Cameroon

(1) Overview of System and Procedures

1) Business Form

As a member country of OHADA (Organisation for the Harmonization of Business Law in Africa), Cameroon is required to follow OHADA's Uniform Act relating to General Commercial Law / Acte uniforme relative au Droit commercial general (UAGCL) and the Uniform Act relating to Commercial Companies and Economic Interest Groups / Acte uniforme relatif au droit des sociétés commerciales et du groupement d'intérêt économique. These laws clarify investor protections and lay out the forms of start-ups, and develop the legal environment through their general provisions on operating companies (establishment, forms, functions, liquidation, etc.), special provisions (detailed articles for each business form) and punitive provisions, as well as those on dispute mediation procedures and the mediation system.⁸³ The following is an overview of the major corporate forms pursuant to these laws.

Table 6-1 Overview of Corporate Forms in OHADA

Company Form	Overview	Minimum Capital
Private Limited Company / Société à Responsabilité Limitée (SARL)	<ul style="list-style-type: none"> An organizational form wherein investors assume a level of liability limited by the amount of their investment, established by one or multiple natural persons or legal persons, and operated by the employees who are investors or by the persons appointed by the investors. Although public reporting of financial results is not mandatory, an audit is required by an independent auditor for companies that meet certain conditions: at least 10 million FCFA in capital, at least 250 million FCFA in sales, and at least 50 full-time employees. In this case, an auditor is to be appointed by the persons providing the majority of the investment and 	1 million FCFA ⁸⁴
Public Limited Company / Société Anonyme (SA)	<ul style="list-style-type: none"> An organizational form wherein investors assume a level of liability limited by the amount of their investment, established by one or more natural persons or legal persons. In terms of organizational composition, the requirements are to set up a board of directors or executive director and to hold periodic general shareholders meetings, with mandatory audits performed by an independent auditor. 	10 million FCFA
Branch / Succursale	<ul style="list-style-type: none"> Branches have a degree of autonomy and conduct their business activities separately, but legally they are part of a parent company and do not have corporate status. 	-

⁸³ For example, Partie 1: Dispositions generales sur la societe commerciale of OHADA contains detailed explanations about matters included in the articles of incorporation and financing methods of businesses.

⁸⁴ At least 80% of start-ups in Cameroon are individual business owners, and the government has expressed its intention to reduce this percentage. On the Cameroon Business Forum held in March 2016, minimum amount for paid-in capital was reduced in order to encourage SARL establishment.

Company Form	Overview	Minimum Capital
	<ul style="list-style-type: none"> Commercial registration is required when conducting business activities on branch offices. Within two years following the establishment of a branch by foreign investors, the branch must become part of a company that has been established or is planned to be established in Cameroon, except when exempted by order of the governing ministries. 	
Representative Office / Bureau de Représentation	<ul style="list-style-type: none"> It is not envisioned that this office will be set up in Cameroon. In other countries, there are examples where a project office is set up and the representative office operates without performing business activities or operating activities. How representative offices are dealt with is up to the judgment of the tax authorities. 	-

Source: Prepared by JICA survey group based on the Uniform Act relating to Commercial Companies and Economic Interest Groups / Acte uniforme relatif au droit des sociétés commerciales et du groupement d'intérêt économique.

In addition to the business forms mentioned above, OHADA's provisions also cover private companies (Société privée), where all constituent members have unlimited liability; sleeping partnerships, which are composed of proprietors (persons who assume unlimited liability) and anonymous partnership members (Society en participation), resembling the form of Japan's anonymous partnerships; and joint ventures, which require no commercial or corporate registration and have no public reporting obligations.

2) One-Stop Service (OSS) for Start-ups

In establishing a business, corporate registration with the CFCE (Centres of Enterprise Creation Formalities / Centre de formalité de création d'entreprises) is required regardless of the size of the business and whether it is funded by foreign or domestic capital, and the prerequisites and documents to be submitted are the same. The CFCE is an organization established in April 2010 with support from the EU and UNCTAD (United Nations Conference on Trade and Development), which provides one-stop services with the aim of improving the investment environment in Cameroon. The organization is under the umbrella of the APME and currently has hubs in eight of the ten regions of Cameroon, with preparations completed for offices in the remaining two regions.

At each office, there is a front desk where new founders are first accepted and a back office where registration and other procedures are carried out. Officers from the Ministry of Justice, Ministry of Finance, and the Ministry of Labour and Social Security are stationed at each office to ensure that procedures are completed within 72 hours after the documents are submitted. The results of company registrations at the Yaoundé office over the past five years are as shown in the following table.

Table 6-2 Number of companies registered at the Yaoundé office

Fiscal year	2010	2011	2012	2013	2014	2015
No. of registration	235	1,700	3,545	5,140	6,369	6,479

Source: Documents from CFCE

The steps in the process of establishing a business in Cameroon are described below. For start-ups in the healthcare, energy, forestry (environment), and mining sectors, a license (authorization) must be obtained separately from the governing ministries. The various licenses necessary for operating activities in businesses outside these four sectors also must be obtained from the relevant ministries. Furthermore, during a year of establishment, a privilege is granted by the government as an incentive, exempting the business from various taxes and expenses until December of the year, but approval from the Ministry of Finance is required in order to continue receiving these benefits from the second year onward.

- Step 0: The founder opens a bank account and pays in the minimum amount of capital. The founder also signs a Certificate of Non-conviction.
- Step 1: The founder brings application forms, articles of incorporation and bylaws notarized by a notary public, and a statement of bank account to the CFCE front desk.
- Step 2: The front desk checks the content of the documents and passes them on to the back office.
- Step 3: The back office, under the authority of the Ministry of Justice, checks the content of the documents and issues a registration of incorporation.
- Step 4: The back office, under the authority of the Ministry of Finance, checks the content of the documents and issues a tax payment card and a certificate of commercial registration and tax payment proof, called “Patentes”.⁸⁵
- Step 5: The founder registers social insurance for the business and its employees, thus completing the procedures for new business establishment.⁸⁶
- Step 6: The founder receives a copy of the registration, along with the tax payment card and the “Patentes”, and may officially commence operations.⁸⁷

The APME, which governs the CFCE, follows up on whether investors are executing business activities as planned. In the first year, tax authorities in the jurisdiction area examines the business to be a SME based on the expected sales and number of employees by the plan from the company, and for subsequent years it is determined by those actual figures. Once sales figures reach 50 million FCFA or higher, it falls under the jurisdiction of the API.

(2) Analysis of Current Situation and Challenges

The CFCE is keenly aware of Cameroon’s current low evaluation results in the World Bank’s Doing Business report (out of the 189 economies covered in the report, it is ranked 137th in the Starting a

⁸⁵ “Patente”, synonymous with a business license, lists the business name, year of establishment, tax payments for prior year and commercial registration fees, tax benefits received during the first year, and other information on a single piece of paper.

⁸⁶ In incorporating a public limited company, 41,500 FCFA fee required in the case of a sole ownership is waived and the back office procedures under the authority of the Ministry of Justice and Ministry of Finance are conducted free of charge since commission fees have already been incurred to a notary public.

⁸⁷ The validity period for registration of incorporation is 99 years, for tax payment cards 2 years, and for patents 1 year (newly obtained patents are valid until December 31 of the year obtained). Patents are under the jurisdiction of the Ministry of Finance and must be renewed every year.

Business indicator). The APME is making efforts toward improvement in light of comments and feedback from investors (the fact that procedures are not completed within 72 hours, the length of waiting times at the CFCE, etc.), but first of all the results will be improved by enhancing customer response at the contact window. In particular, it can be praised for CFCE's fast-tracking system for foreign businesses and the special attention given to them for image-building purposes.⁸⁸

Moreover, because a large number of business established several years have become insolvent due to a lack of business competence, the response has been laudable in many ways in terms of attempting to provide support not just for starting a business but all the way through to its operations. For instance, in order to increase the percentage of businesses that take root after their establishment, the APME assists the growth and development for small- to medium-sized enterprises by cultivating entrepreneurial spirit and providing basic and technical education. Also, three contact points of the National Federation of SME Associations / Fédération Nationale des Associations de PME (FENAP) were set up in Douala with the support of the national government, where it teaches such skills as proper bookkeeping and tax returns preparation to local businesses whose sales do not exceed 100 million FCFA.

(3) Orientation of Improvements

According to interviews with enterprises in Cameroon, procedures of setting up businesses have been simplified owing to the establishment of the CFCE. Previously, it was red-taped to visit the Ministry of Justice, Ministry of Finance, and Ministry of Labour and Social Security individually to submit the required documents when starting a business. However, as a result of those procedures being simplified as an OSS, it becomes a rule that the procedures such as those for company registration and tax payment cards are completed within 72 hours (three days) following the submission of all documents by the founder, which save the time involved in establishing a business. Currently, with the online application system prepared,⁸⁹ investors can now create a profile and pay the application fee, then send the required documents electronically to complete their corporate registration without having to visit the CFCE physically.

In terms of a regulatory framework, OHADA was substantially revised in 2014 in an attempt to conform to international standards. Provisions relating to foreign investors include:

- Addition of the simplified joint-stock company (Société par Actions Simplifiée: SAS) as a intermediate corporate form between the conventional public limited company and private limited company, requiring no minimum paid-in capital
- Enabling the issuance of preferred stock and other hybrid securities to expand the range of financing methods

⁸⁸ Doing Business report uses SARL as a model legal form in assessing "Starting a business" indicator. Minimum paid-in capital required in incorporation is the less valued indicator for Cameroon in the Doing Business report of 2017. Considering the nil requirement in 127 countries, 1 million FCFA for this minimum amount is high, which equals to 137.6% of income per capita in Cameroon.

⁸⁹ URL: <https://mybusiness.cm/>

- Strengthening corporate governance functions that require directors to assume a more proactive role in company operations
- Enabling effective meetings of boards of directors to be held without their physical presence at general shareholder or board of director meeting venues

Going forward, it is necessary for further supportive measures that allow the business operations to take root through enhancing services and a system for post-business incorporation.

6.2.2 Investment Approval

(1) Overview of System and Procedure

Policy on investment promotion and incentive mechanisms in Cameroon are taken up in “5.5 Policy and Regulation regarding Investment Promotion.” Of which, this section analyzes the Investment Incentives Law No.2013/004, and investment approval stipulated in its Ordinance. (See “Provision of Tax and Administrative Incentives to Promote Private Investment”) As mentioned above, the contact organization for providing incentives to large enterprises and foreign companies is API⁹⁰.

< Categorization of Enterprises in Cameroon >

Definition of micro, small, and medium size enterprises in Cameroon is defined in the SME Law No.2010/001, revised in 2015. They are categorized according to turnover and number of employees. Enterprise beyond this scale is categorized as large size.

Table 6-3 Definition of Micro, Small, and Medium Size Enterprises in Cameroon

Category	Turnover (FCFA)	Employees
Micro	Less than 15 million	Five or less
Small	15 million or more to less than 250 million	6 to 20
Medium	250 million or more to less than 3 billion	21 to 100

Source: JICA Study Team based on SME Law No.2010/001, revised in 2015

< Definition of Foreign Investment in Cameroon >

API defines investment whose origin of funds coming from outside Cameroon as foreign investment. In case of joint ventures and technological cooperation between foreign and local enterprises, equity ratio in articles of association will be checked to determine whether the investment is foreign or not. The details are described below.

- When ratio of foreign capital is more than 50%, the investment is recognized as foreign.
- When ratio of foreign capital is 50% or less, the investment is recognized as domestic.

1) Eligibility Criteria

As mentioned above, common incentives differ in accordance with investment size and sector, and investment approval is decided based on four eligibility criteria - hiring a given number of Cameroonian nationals, share of exports to total turnover, utilizing national natural resources, and

⁹⁰ The contact organization for providing incentives to micro, small and medium enterprises is the APME.

amount of value added. Of which, criteria for Category A (investment amount of FCFA 1 billion and below), a category of the lowest investment amount, are as follows⁹¹. Meeting either criterion will suffice.

- Hiring at least one (1) job for every twenty (20) million FCFA
- Annual exports represent at least 25% of the total turnover excluding taxes
- Using national natural resources up to the level of at least 20% of the value of the inputs
- Generating an increase in added value of at least 30% for five years

2) Priority Sectors and Activities

Every sector becomes a target, and specific incentives, in addition to common incentives can be acquired especially when following objectives are achieved (however, Investment Incentives Law No.2013/004 does not cover petroleum, mining and gas sectors, and their incentive measures are stipulated in separate laws regulating these industries.)

- Development of agriculture, fisheries, livestock, and plant, animal or fishery product packaging activities;
- Development of tourism and leisure facilities, social economy and handicraft;
- Development of housing, including social housing;
- Promotion of agro-industry, manufacturing industries, industry, construction materials, iron and steel industry, construction, maritime and navigation activities;
- Development of energy and water supply; encouragement of regional development and decentralization;
- The fight against pollution and environmental protection;
- Promotion and transfer of innovative technologies and research and development;
- Promotion of exports;
- Promotion of employment and vocational training.

3) Approval Process for Investment Incentives and Required Documents

After establishing a business and obtaining relevant licenses necessary for each type of business activity from pertinent ministries, large enterprises and foreign investors apply for investment approval to API to obtain investment incentives. The authorization organizations are API and MINFI (Tax Department and Customs Department). Concrete procedures are stipulated in the Order No.004263/MINMIDT 2014, establishing the content of the application for approval.

< Approval Process for Investment Incentives >

Investors submit application documents to API → API checks the documents and approves within two working days → MINFI (Tax Department and Customs Department) reviews the documents and approves within 15 working days → Minister of the MINMIDT approves within three working days and signs agreement with the applicant enterprise

⁹¹ Arrêté n° 00000366/MINFI/SG/DGI/DGD

Necessary documents for application are as follows. Although it is not specified in this Order, investor are required to obtain relevant licenses necessary for each type of business activity from pertinent ministries prior to applying for investment approval. API requires investors to submit copies of relevant licenses, together with the following application documents⁹².

< Required Documents >

For a new business (enterprise): (i) Corporate information (its legal status, its company name, its headquarters and its address, the names, status and nationalities of its management team), (ii) A notarized expedition of its articles of incorporation, (iii) A list of partners or shareholders specifying the percentage of shares held by each, as well as their nationality, (iv) A certificate of incorporation of the company, (v) a feasibility study of the investment project, and (vi) An economic and financial study of the investment project.

For an existing business (enterprise): In addition to (i) to (vi), (vii) A copy of taxpayer's card, (viii) A copy of patent, and (ix) tax clearance certificate from the Tax Department.

4) Definition of Establishment Phase and Operational Phase

A new investor, after obtaining investment approval, can receive investment incentives up to 15 years. Out of the 15 years, the first five years (maximum) is the establishment phase and the next ten years (maximum) is the operational phase. The details of each phase are as follows.

Establishment Phase: A period of the first five years (maximum) after an investor establishes business and obtains investment approval. This phase is considered as a period for preparation such as construction and installation of facilities for necessary business activities (activities for recruiting staffs and land acquisition are also included). An investor is exempted from tax because "profit" is not generated during this period.

Operational Phase: A period when an investor starts production activities and generates "profit" or a period after an investor completes the above 5-year establishment phase. The maximum period is 10 years.

Note 1) Even if an investor starts production activities and generates "sales", if a "profit" is not created, then this period is considered as establishment phase (with upper limit of five years).

Note 2) In case an investor starts production activities two years of after obtaining investment approval and start generating "profit", then this period has transferred into operational phase.

⁹² However, according to API, prior land acquisition is not necessary – rather it is wise to acquire land after getting investment approval. (Reasons: As part of investment incentives, there are tax exemptions regarding land acquisition. Furthermore, the agreement signed between the investor and Minister of the MINMIDT on investment approval becomes a guarantee for acquiring land, thus acquisition process is facilitated.)

5) Investment Re-approval

An investor who has completed the operational phase and undertaking the same business activities can acquire the same investment incentives of the operational phase. To do so, an investor shall newly apply for investment approval. In such case, the maximum period to receive incentives is 5 years.

Criteria for obtaining investment re-approval:

Either “sales or amount of production rises by 20%” or “a number of the employers increases by 20%” (regarding sales, a proof by a certified public accountant (hired by an investor) is necessary.)

In case the same investor undertakes different business activities, then it is regarded as new investment, and the investor needs to newly apply for investment approval. If approved, then the investor can receive investment incentives up to 15 years (maximum total period of establishment phase and operational phase).

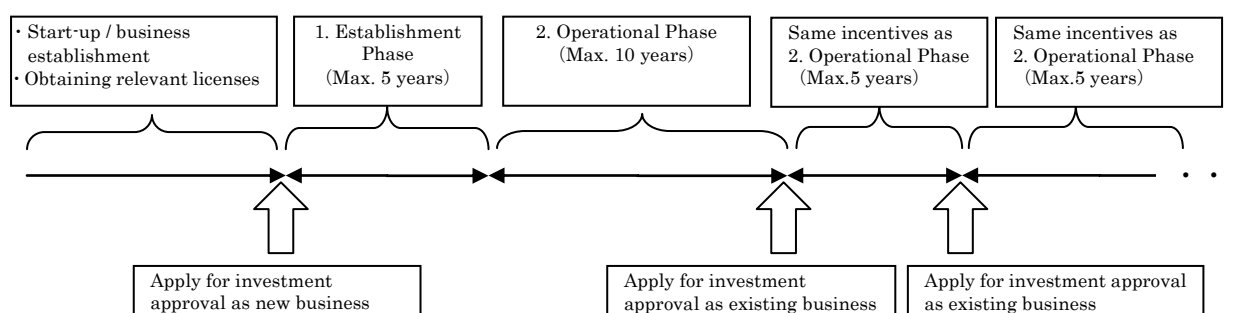


Figure 6-4 Process of Obtaining Investment Re-approval

(2) Analysis of Present State and Issues

According to interview survey to local companies, cases which investors hired private consulting firms to prepare necessary documents for application of investment incentives were seen. Furthermore, it was pointed out that period required to obtain investment approval is taking long time for MINFI’s review – with an average of three to six months after application.

According to API, it provides support to investors in order to facilitate them to acquire investment approval – support for getting pertinent licenses for business activities and land acquisition. If requested by investors, API staffs accompany them to relevant ministries in charge for coordination. However, such cases have not been identified as far as interview survey to local companies was conducted. It is pointed out that API further needs to strengthen human resources (both in terms of staffing and skills) and to secure necessary budget to carry out investment promotion activities – it is not necessarily considered that sufficient support has been provided. (See Chapter 7.) In addition, as mentioned above, the need for amending the Investment Incentives Law No.2013/004 and

improvement of opaque enforcement has been pointed out. (See “Provision of Tax and Administrative Incentives to Promote Private Investment”)

(3) Direction of Improvement

Concerning institutional aspects, there are the following two areas for improvement. Firstly, there are limits to API's services in terms of coverage and effectiveness since process and authority for granting approvals and licenses for land acquisition and for each type of business activity is not consolidated to API. Secondly, it is pointed out that virtual reduction of time to process the investment approval is difficult since MINFI has the authority. Improvement of institutional aspect is necessary to provide necessary investor services.

Realistic adjustment, based on the actual conditions of business is expected when revision of the Investment Incentives Law No.2013/004 is undertaken – individual hearing survey to investors, discussion with relevant development partners, policy dialogues with private sector under the CBF framework is necessary to understand investors' opinions prior to the revision of the Law.

In addition, it is hard to say that API has secured sufficient human resources even if API provides only indirect support to investors for various process mentioned above. It is expected that API increases the quantity and strengthens the quality of human resources. (See Chapter 7.)

6.2.3 Tax and Accounting System

(1) Overview of System and Procedures

1) Overview of Tax System

Organizations that do business in Cameroon are in principle obligated to settle their accounts after keeping accounting records pursuant to OHADA's Accounting Act, and depending on the business type, to undergo an audit. Tax law is mainly stipulated in the General Tax Code / Code général des impôts, with the content of revisions being subsumed into the Financial Law / Loi de finance for each fiscal year, which is announced on a yearly basis. The relevant code includes not only substantive law but also partly includes procedural law, and there is a document called the Manual of Tax Procedures, which concerns tax collection. Within the geographic scope of CEMAC (Central African Economic and Monetary Community), an integration of tax codes is being planned, and the tax system is being amended to make it acceptable by international standards.

As the taxing authority, the DGI (Directorate General of Taxation / Direction Générale des Impôts), under the direction of the Ministry of Finance, has the authority to administer all tax-related matters (tax assessment, tax collection, refunds, tax lawsuits, etc.). The major taxes imposed on operating companies in Cameroon are shown in the Table below.

Table 6-4 Overview of Taxes Imposed on Companies in Cameroon

Type of Tax	Tax Rate (%)	Comments
Corporate tax	33	The statutory tax rate for companies is 30%, which becomes 33% with the addition of 10% of the imposed amount for the Council Tax.
Branch tax	33	The profits the branches earn are subject to the branch tax, in addition to a withholding tax (16.5%) on the after-tax profits. The tax rate is reduced for countries with which Cameroon has concluded tax treaties.
Withholding tax:		
Dividend	16.5	This is a 15% tax onto which the Council Surtax is added. If the dividends are received from subsidiaries of which the parent company holds at least 25% and their corporate registrations are in the CEMAC region, up to 90% of withholding tax can be exempted.
Interest	16.5	
Royalty	15	
Service	15	Assessed on technical and professional services performed by non-residents.
Value-added tax	19.25	Besides tax-exempt goods, this tax is imposed on all products and services upon their provision within Cameroon or upon their import into the country.

Source: Prepared by JICA survey group based on the results of interviews in Cameroon.

2) Overview of Corporate Tax System

The tax assessment requirements for corporate tax originate from the income earned through operating in Cameroon itself. Taxable income is computed based on the net profits calculated on OHADA Accounting Act, covering the period from January 1 to December 31. Returns must be filed by March 15 of the year following the relevant business year.⁹³ The term “operating” as used here is defined in Section 5 (a) of Cameroon’s Law N°2014/026 of 23 December 2014 / Loi n°2014/026 du 23 Decembre 2014 portant loi de finance de la République du Cameroun pour l’exercice 2015. It covers businesses headquartered in Cameroon or with an effective management office in Cameroon, businesses that have a PE (Permanent Establishment) in Cameroon, and businesses that have a dependent representative in Cameroon. Profits earned through business activities that substantially take place in Cameroon, such as trading activities, are also subject to taxation in Cameroon.⁹⁴ There are provisions on minimum corporate income tax amounts as follows. Although monthly tax payments are required, these payments are deducted from the yearly tax amount owed at the end of each period. Any overpaid tax can be deferred to the following period or later.

⁹³ Corporations filing a nil return, including monthly returns, are subject to an additional 1 million FCFA penalty, and there is also an extra penalty for late tax payments, amounting to 1.5% in interest per month and 10% (up to 30%) of the tax amount owed. However, corporations starting their business in July or later are allowed to file their return at the end of the following tax year.

⁹⁴ Losses incurred in previous business years are allowed to be carried forward for four years.

Table 6-5 Minimum Corporate Tax Amounts Imposed on Companies Operating in Cameroon

Businesses Covered	Amount of Corporate Tax to be Paid
Businesses adopting the real earnings tax regime	2.2% of total amount of sales
Businesses adopting the simplified tax regime	3.3% of total amount of sales (trading businesses that do not import)
	5.5% of total amount of sales (businesses besides those mentioned above)

Source: Prepared by a JICA survey group based on the results of interviews in Cameroon

3) Overview of Accounting System

In formulating accounting standards in Cameroon, the ONECCA (Ordre National des Experts-Comptables et Comptables Agréés du Sénégal) was established by Acte N°4/70-UDEAC 133 du 27/11/70 to grant the government the authority to provide expert advice and to draft laws and standards for accounting. This organization is under the jurisdiction of the Ministry of Finance. Companies doing business in Cameroon are obligated to prepare accounting records pursuant to OHADA Accounting Act.⁹⁵ Currently some foreign subsidiaries are preparing two sets of records, according to OHADA standards and international standards (United States GAAP or IFRS) in order to meet the legal requirements of Cameroon and the country where the parent company is headquartered.

The government of Cameroon considered compelling or allowing adoption of IFRS for the consolidated financial statements of listed companies in business years starting in fiscal year 2014 or onwards, but the policy never reached fruition. Consequently, companies listed on the Central African securities exchange, BVMAC⁹⁶ or the Douala Stock Exchange⁹⁷ must adhere to OHADA rules. ONECCA has not announced any plans aimed at adoption of or convergence with IFRS or IFRS-SME, but it provides IFRS information on its website, although irregularly.⁹⁸ Note that the primary objective of the accounting standards previously used in Cameroon was to create records for government taxation purposes. Therefore, while systematizing the conceptual framework, the fundamental objectives of financial reporting, the basic definitions and principles, there was nothing to provide a conceptual structure for financial reporting. For example when undertaking completely new transactions, there was no judgment standard to fall back on whenever there were no accounting

⁹⁵ Businesses in the banking and insurance industries, as well as state pension funds, are also required to follow their own individual accounting standards. There are provisions in OHADA's Accounting Act regarding the requirements for each business entity's account settlement, approval thereof, and auditing.

⁹⁶ BVMAC website: <http://www.bvm-ac.com/index.php/fr/>

⁹⁷ Douala Stock Exchange website: <http://www.douala-stock-exchange.com/>

⁹⁸ The differences between OHADA and IFRS standards are widely known. For example, OHADA sets the accounting period as the calendar year while IFRS allows it to be set freely. OHADA in principle has companies prepare financial statements using historical cost accounting while IFRS requires fair value on tangible and intangible assets and financial instruments. And there are differences in the scope and standards for capitalization of research and development expenses. Other differences include the fact that OHADA allows organization costs to be capitalized while IFRS does not admit them as assets and instead requires that they be recorded as expenses at the time they are incurred, in the form of expenditures related to preparations for opening the business.

standards or provisions regarding similar transactions that should be applied in the accounting process. Thus with Cameroon becoming a member of OHADA, the government develops a conceptual framework and enhances the accounting system.

(2) Analysis of Current Situation and Challenges

1) Challenges in Tax Assessment and Collection

Although Cameroon's statutory corporate tax rate is 33%, the tax rate is not a differentiating factor in investment decisions in that the rate is in the allowable range (25-40%) within CEMAC. On the other hand, since corporate tax rates in Europe with which Cameroon has strong economic ties, are mainly at the 20% range, it is envisioned that foreign investors tend to transfer their profits away from Cameroon in order to avoid being taxed in a country with a high tax rate.

To address this, the taxing authorities in Cameroon are designing a system that enables appropriate ascertainment of taxable amounts. For example, in the transfer pricing tax system, which in principle follows OECD rules, regulations and clerical requirements relating to transfer pricing were announced in General Tax Code Article M19 of 2012, and the tax authorities send personnel to overseas organizations for training officers, and take steps to launch a specialist team within DGI. The criteria for determining arm's length price between independent companies reflect not only the opinions of the authority but other aspects such as the size of transactions with concerned parties overseas, including services and intangible assets; the profit margin compared to other companies in the same industry; and the balance of profit allocation with the parent company. Cameroon has tax treaties with Canada, France, Tunisia, and the CEMAC countries to eliminate double-taxation, and applies a reduced tax rate to withholding taxes on interest, dividends, and royalties.

Foreign businesses follow two investment patterns: active involvement (joint entities, local corporations, branches) and passive involvement (minority shareholders, licensing, agents). In addition to taxation in the source country, Cameroon, investors also factor how their foreign income is taxed in the country of the ultimate parent company.⁹⁹ Moreover, when repatriating investment from a local entity, it is normal for the parent company to consider optimal tax planning comprehensively by shifting profits from a high-tax country to a low-tax one through altering financing methods or restructuring supply chains, as well as legal entity of business and, transaction routes and forms. Below is a list of factors taken into account by foreign investors considering expansion into Cameroon.

<PE status for established hubs>

PE refers to certain "places," "facilities," "functions," and "hubs" when business activities are carried out locally in foreign countries to which a business is expanding. The government is tailoring

⁹⁹ For example, in Japan there are systems that can ease the overall tax burden on an operating company through foreign tax credit, a system for excluding the dividends received from foreign subsidiaries from gross income, etc.

the OECD Model Tax Convention, Article 5 (Permanent Establishment) to fit the situation in Cameroon. For example, even a branch can be a PE in substance if it is the party to a contract, or an entity conducting resource business is considered the taxable entity as a project office. If a non-resident technician performs technical support for a Cameroon subsidiary for a certain period, there is a possibility that the office may be a PE in substance and be taxed, depending on the period dispatched.

<Financing for established hubs>

Whereas dividends for capital investment from the parent company are not deductible expenses, the interest for loans can be included in deductible expenses for the purpose of calculating corporate income, which means the latter is more advantageous for tax purposes. Accordingly, foreign investors tend to reduce their capital contribution and increase their loan amounts, but for practical operations in Cameroon, interest paid to shareholders (related companies, including the parent company) that exceed the 2% annual interest rate set by the central bank is not calculable as a deductible expense. Moreover, the 2014 Financial Law places restrictions on deductible interest expense, stipulating that the interest paid to shareholders who hold 25% of the shares in the Cameroon subsidiary or voting rights in it, either directly or indirectly, is not allowed to exceed 1.5 times the amount of real capital for all shareholders and 25% of the EBITDA.

<Compensation for services, royalties, expertise, licensing, or financial transactions including loans within the same group company>

If tax authorities obtain evidence in their audit that a given entity is transferring its profits or that its transactions are not valid, they will request the related transaction information and documents. Those documents include information about the related or affiliated parties overseas or related corporations (not only direct capital relations but also other ties in the same group through holding companies themselves), business transaction including services and information about intangible assets and size, calculation methods for pricing, and contract details. The 2014 Financial Law requires detailed disclosure of those information and documentation regarding transactions with organizations that control the local subsidiary and organizations of which a subsidiary holds 25% of issued shares. Large enterprises are in particular required to provide information on businesses of which they hold at least 25% of the stock, as well as detailed information on transactions among related corporations, in addition to their tax reporting for the fiscal year.

(3) Challenges and Orientation of Improvements

In Cameroon, the domestic taxation system is constructed with the General Tax Code as its core, with necessary tax policy being announced each year as Financial Law based on local practices. In terms of international taxation as well, Cameroon has been developing a system in line with

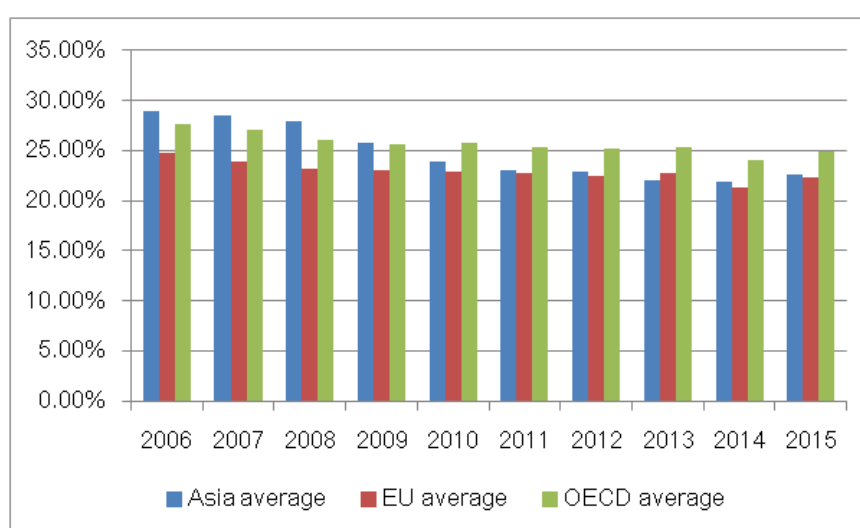
international practices in recent years. Although corporate tax revenue in Cameroon comes mainly from large businesses in the resources and communications sectors, interviews with foreign companies, industry groups, diplomatic corps, and other organizations revealed that foreign companies actually make a decent profit despite the high tax rate, and that few of them pointed out that the taxes were major burdens on their operations. Rather, there were more complaints heard about harassment by tax authorities than about high taxes. According to interviews with local businesses, it was indicated that tax authorities took advantage of the lack of knowledge and experience on the persons in charge of accounting and tax and required all manner of financial burdens and resulted in the business having to pay taxes that they should not have to do so.¹⁰⁰

Cameroon's current corporate tax rate (33%) remains high from an international perspective. Since 2000, each government has begun to reduce corporate tax rates to compete more effectively. A look at the average corporate tax rates in the major regions of the world shows that they are on a downtrend and that they fell below 25% in 2015 (see Fig. 6-5). Furthermore, in looking at the degree of corporate income tax burden, foreign investors are expected to consider not only the nominal tax rate but also the effective tax rate as the actual tax burden.¹⁰¹ According to the Mirrlees Review, it is "effective tax rate" that influences a business's decision on whether to produce in the country where the business is headquartered or in a different country, while "marginal tax rate", taking into account preferential taxation and other policy measures, is what affects the level of investment in a single country, and "statutory tax rate" is an important indicator from the perspective of determining where a multinational corporation will retain its earnings.¹⁰²

¹⁰⁰ The Cameroon tax authorities are concerned that foreign businesses intend to transfer their profits from Cameroon in order to dodge taxation in a country with a high tax rate. Salomon Ferry Heya at DGI mentioned that a certain cement company intentionally procured raw materials with market value of 50 USD per bag for 100 USD per bag when importing them, while sold products at 40 USD per bag for 75 USD per bag in another country in order to avoid taxes deliberately by manipulating their accounting records. DGI considers developing transfer-pricing system to be a major challenge.

¹⁰¹ "Effective tax rate" is a figure with the tax amount calculated using a standard tax rate under a tax code in the numerator and taxable income in the denominator. Taxable income is not the same as accounting profits and simple countrywide comparisons are difficult not only because each country has a different tax code, but also in consideration of preferential tax incentive policy to encourage investment, foreign tax exemptions, loss carryover, and measures for tax dodging by utilizing tax planning to reduce taxable income.

¹⁰² A. J. Auerbach, M. Devereux, and H. Simpson (2007) "Taxing Corporate Income", Paper Prepared for the Mirrlees Review, Reforming the Tax System for the 21st Century



Source: Prepared by JICA survey group based on KPMG Corporate tax rates table

Figure 6-5 Comparison of corporate tax rates

First of all, cutting the current statutory tax rate, which is high from an international perspective, should be prioritized even in terms of reducing the effective tax rate. At the same time, there is a need to reform the taxation base, revamp the distorted economic structure of which informal sector occupies a major portion, and expand the proportion of the economy taken up by the corporate sector. In particular, an unfair business environment due to obstacles to fair competition will be deemed to have a low return on investment risk, and consequently, it is likely that investor change their business forms to general commercial businesses, which do not contribute very much to employment and national revenue, instead of manufacturing businesses.

Under the Cameroon accounting system, all businesses including SME, are required to prepare their records in compliance with OHADA rules. In addition, through support from FENAP and other organizations, it attempts to transition the informal economy to a formal one by teaching SMEs the basics of business management, such as how to perform proper bookkeeping and how to file tax returns. However, the accuracy of accounting records at local businesses remains low, with a few large businesses being the only businesses that are correctly carrying out external audits. The fact that businesses are not undergoing proper external audits means that the financial information they release is not being trusted. Factors underlying this situation include a lack of information provided by accounting authorities, misinterpretation of published information by accounting personnel at company sides, and their lack of experience. Addressing these challenges seems to require continual implementation of awareness-raising campaigns through seminars and other educational activities, arrangement of accounting-related training programs, and capacity-building activities for persons engaged in practical work. Through such activities, it is important to continuously implement efforts to improve the quality of the financial information that is released while increasing the number of accounting experts.

6.2.4 Land Acquisition and Property Registration

(1) Overview of System and Procedure

In Cameroon, due to insufficient development of property registration system as well as the unique features of its land system, it takes long time to acquire land and is expensive. Land acquisition is one of more significant constraints of doing business, as was addressed in Cameroon Business Forum.

Under the current land system, land registration and land certificate is issued by paper, which often causes conflicts related to land ownership due to incidents of double and triple overlapped registration. The land system has legal foundation in two important Ordonnances, namely 74-1 Ordonnance n° 74-1 du 6 juillet 1974 Fixant le régime foncier and Ordonnance n°74-2 du 6 juillet 1974 Fixant le régime domanial. In addition to the above regulations, another important regulation is Circulaire N° 001/CAB/PM du 1 Avr 2014 relative aux disposition applicable aux investisseurs pour l'accès à la terre au Cameroun.

According to the interview with the Ministère des Domaines, Du Cadastre et des Affaires Foncières (MINDAF), there are three types of land in Cameroon: 1) Public Land; 2) State/Private Land; and 3) National Land, which are summarized in the following table.

Table 6-6 Summary of Land System in Cameroon

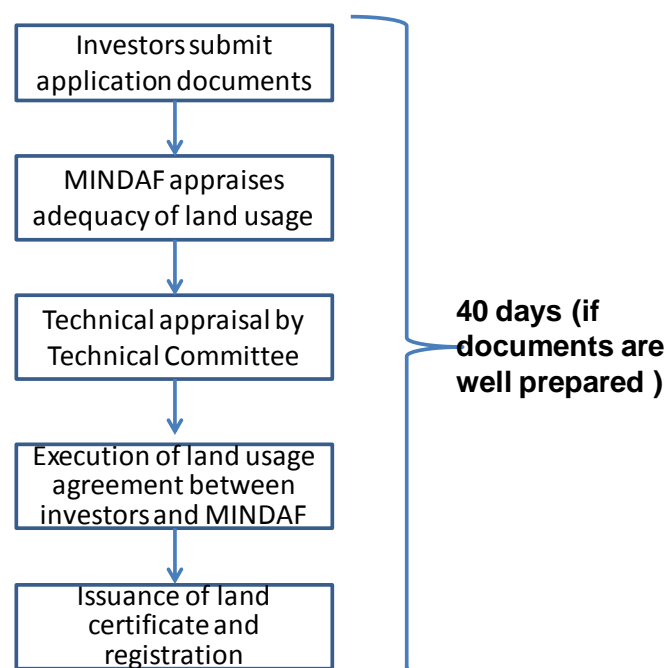
Types of Land	Feature	Remarks
Public Land	The Public Land is owned by the Government of Cameroon (GOC) and used for public benefit of Cameroonian people (eg. highway, border land, sea shore, river, etc.). If social benefit of a project is approved, land-use (lease) rights can be provided to investors.	Land certificate is not available and land is not registered.
State/Private Land	The State/Private Land is classified into 1) that owned by the state including state owned enterprises, 2) that owned by individual or private enterprise. In the former, similar with National Land case, lease agreement is executed between investors and land owners. There are some cases that state owned enterprise or state participates in a project in the form of capital in-kind as a joint venture partner and receives profit sharing. In the latter case, there are two types of transactions which are based on sale and purchase of land ownership and lease agreement.	Land certificate is available and land is registered.
National Land	The National Land includes the land which is not occupied by anybody excluding Public Land and Private Land, and also includes the land that has been traditionally occupied by local community prior to the above mentioned Ordonnance 1974. As far as transaction form is concerned, temporary concession will be provided to both domestic and foreign investors in the first 5 years. After completing 5 year concession period, permanent concession will be provided for those domestic investors who have good land usage record, but only land use by	Land certificate is not available and land is not registered.

Types of Land	Feature	Remarks
	lease contract (1 to 17 years for short-term use and 18 to 99 years for long-term use) will be permitted for foreign investors. However, even domestic investors will not be allowed for permanent concession if the land size is huge. In addition, in such case, land area for lease agreement is only allowed gradual increase in accordance with business progress and total area is not allowed from the beginning.	

Source: JICA Team based on interview with MINDAF

National Investment Corporation (Société Nationale d'Investissement: SNI) makes equity participation in certain sectors and receives profit sharing. SNI sometimes participates in projects in the form of capital in-kind (provision of land) and provides intermediary service of land to foreign investors.

The following figure illustrates procedural flow of land registration.



Source: JICA Team based on various information and interview with MINDAF

Figure 6-6 Land Registration Flow in Cameroon

1) In Case of National Land

The main process of land acquisition and registration is discussed below. Decision is mainly made by MINDAF.

Step 1: Application

In order to acquire land, investors are required to submit application form that specifies project purpose and business plan (The External Services Department of MINDAF acts as a contact window for investors). In the business plan, it is required to fill information such as investment amount, method of financing, investment plan, cash flow plan, employment plan, infrastructure plan, socio-economic benefit, and environmental impact.

Step 2: Assessment

MINDAF reviews the validity of land utilization plan based on business plan and requests the relevant ministries to review validity and benefits of the project. In addition, MINDAF closely collaborates with the Ministry of Environment to assess the impact to environment.

Step 3: Technical Survey

In the next step after confirming validity of the project, the Survey Department of MINDAF conducts technical survey (measurement, boundary determination, and soil investigation, etc.) together with One Stop Service Window (Guichet Unique) of local (Divisional) government 103 where the targeted land is located and the relevant ministries by establishing Technical Commission.

Step 4: Agreement

Based on finding of the above survey, concession or lease agreement will be executed between investors and MINDAF after discussing and agreeing on the terms and conditions. In case of National Land transaction, resettlement cost (compensation money that is paid to targeted residents of relocation by investors) is estimated by Public Utility Committee. As far as concession agreement for National Land is concerned, it is signed by Minister of MINDAF if the land size is less than 50 ha whereas it is approved as presidential decree if it is more than 50 ha.

Step 5: Registration

In accordance with the above agreement, land certificate is issued and registered at office of the concerned region.

According to interview with MINDAF, the above 1) to 6) process takes about 30 business days (40 calendar days). In case the land is for residence, construction of houses should start prior to issuance of land certificate. If the land is used for industry, the business is required to begin to operate within 7 years after the issuance of land certificate or otherwise its registration is invalidated if investors do not have legitimate reasons.

2) In Case of Land Acquisition of Private Land Owned by Individual/Private Companies

In the case that Cameroonian individuals or private companies acquire the land, they can make transfer procedure of land ownership based on private contract, without getting intervention from MINDAF. Such legal procedure takes place at Guichet Unique of local government where the land is located. However, if foreigners or foreign companies acquire the land, at first they have to submit business plans to MINDAF and obtain VISA which is permission of land transaction. Only after obtaining the permission, can they make the similar procedure with Cameroonian individuals or private companies.

According to World Bank's "Doing Business 2017", Cameroon ranks at the 177th in terms of easiness of land transaction, which is one rank declined from the previous year; however, the figure

¹⁰³ The main staff of the office is seconded from MINDAF and not from other relevant ministries. They make measurement, land ledger management, and issue Land Certificates.

of DTF remains 37.33, same as the previous year's figure. When comparing with the relevant indicators with the average figure of Sub-Sahara Africa, the number of procedures is slightly lower but investors have higher burden in terms of time and cost.

Table 6-7 Land Registration Procedures in Cameroon and Sub-Sahara Africa

Indicators	Cameroon	Sub-Sahara Africa
Procedure (number)	5	6.2
Time (days)	86.0	59.7
Cost (% of land price)	18.8	8.0
Indicator concerning the quality of land administration ¹⁰⁴	7.0	8.4

Source: Doing Business 2017

(2) Cameroonian Government's Improvement Efforts and Donors' Supports

At present, land ledger is based on papers and it has not been timely updated, which causes many disputes related to land ownership and boundary due to fraudulent transaction by selling the same plot of land to more than one buyer. To address the above issue, Cameroonian Government is trying to improve land registration system by introducing digitalization of land ledger with the support of AfDB (Projet d'Appui à la Modernisation du Cadastre et au climat des affaires: PAMOCCA). In addition, as MINDAF does not have nationwide detailed information of land ownership in National Land, Public Land and Private Land, and it is implementing National Land Survey by using GPS.

Furthermore, in responding to the recommendation of Cameroon Investment Forum and to enable investors to access finance before obtaining land certificate (normally banks do not provide finance without security of fixed asset as property), MINDAF has issued Décret n° 2015/3580 PM/DU 11 Aout 2015 fixant les modalités d'enregistrement et le régime des garanties et sûretés applicable aux concessions et aux baux domaniaux, which aims to provide guarantee of issuing land certificate by the ministry. However, foreign investors are not eligible for the above guarantee.

MINDAF has a future plan of having "land bank" function that can introduce investors with appropriate land by developing the above mentioned digital land ledger system, as currently they are just responding respective enquiries. On the other hand, as far as industrial land is concerned, it has been established a system that MAGZI develops industrial estates by designating national land and implements long-term lease contracts with investors (See 5.5.4).

6.2.5 Labor System

(1) Overview of System and Procedures

The primary legal basis for Cameroon's labor-related rules is the Labor Code (Loi no 92/007 du 14

¹⁰⁴ The indicator concerning the quality of land administration consists of the following four aspects and is evaluated by 0-30 figure (higher the figure, higher the quality): reliability of infrastructure; transparency of information; geographical coverage; and settlement of land disputes

août 1992 portant Code du Travail) and the Decree, its detailed enforcement regulations, which cover general rules, labor unions, employment types, compensation, work conditions, employment of foreign workers, and other such matters. Since the existing Code was created in 1992, work has continued since 2012 on revising the Code in consideration of recent economic conditions, and it is in the final stages of revision where the relationship with OHADA's Labor Law is being considered so as to achieve common rules within the CEMAC region.

Policy priorities in the labor area include: 1) increasing the employment opportunities for young people, 2) securing appropriate places of employment, 3) migrating the informal economy to a formal economy, and 4) enhancing and expanding the scope of the social security system. These priorities embody the human resources development and employment strategies described in the GESP (Growth & Employment Strategy Paper). Measures implemented to achieve these include: 1) enhancing the social security system for workers, 2) developing work rules, 3) mandatory rise of the minimum wage, and 4) monitoring work environment by committees consisting of unions, employers, and employees. As a concrete example, to secure funding for enhancing social security, the proportional burden falling on managers and workers for social security was raised from 4.2% and 3%, respectively, to 4.2% for both managers and workers. The extra funds are apportioned as contributions toward the CNPS (National Social Insurance Fund).

Regardless of their size or nationalities, businesses undertaking activities in Cameroon are required to follow the obligations provided in the Labor Code. Workers from foreign countries, including foreign expatriates, are required to obtain a work permit from the Ministry of Labour and Social Security, submit the specified documents (application forms, employer information, employment contract, certificate of employment, etc.) to the immigration office, and carry out other prescribed procedures. Moreover, in order to prioritize full employment of Cameroonian citizens, hiring workers from foreign countries is restricted to positions of a certain level in designated fields and to those with specialized qualifications; and with regard to obtained qualifications and experience, employers are required to show that there are no local personnel available with the same level of knowledge and experience.

(2) Analysis of Current Situation and Challenges

The government of Cameroon recognizes that there is no shortage in its labor force in terms of quantity, thanks to an abundant youth population, and that the quality of its secondary education is adequate. Interviews with businesses also revealed no particular problems regarding the work force. On the other hand, due to a lack of vibrant private sectors, there are insufficient employment opportunities for highly skilled human resources not being able to find employment at a stable workplace and highly educated human resources being forced to take low-paying jobs.

It is certain that the government emphasizes the importance of high-level training customized for

specialist fields in its university education, as well as training in designated fields reflecting industry needs, and occupational training facilities are proactively implementing programs commensurate with the government's stance. In addition, general clauses applied to foreign investors in the circular letter No. 005 (Circulaire N°005/PM du 13 Juin 2012) clarified the requirements for foreign investors to employ Cameroonian citizens. The following are some examples of the requirements.

- The local citizens shall be employed preferentially for the positions of laborer, factory worker, clerical staff member, and work supervisor. For each of these positions, at least the following proportion of Cameroonian citizens shall be employed as long as there are enough workers with the qualifications and capabilities to do so.
 - Top management staff (at least 50%)
 - Middle management staff (at least 60%)
 - General workers (at least 85%)
- There is an obligation to implement training programs to transfer technologies to “increase the number of Cameroonians” gradually into positions with responsibilities for Cameroonian workers in related and all departments in order to advance those business activities commercially.

Visa issuance to foreign persons also became more stringent when the provisions were revised in 2010 (Lettre Circulaire N°14/LC/MINEFOP/SG/DRMO/SDIA du 7 Juin 2010). The circular concludes that under current situation employers cannot be deemed to make efforts to increase the ratio of Cameroonians step-by-step and to transfer capabilities to Cameroonian workers. Therefore, labor visas for foreign personnel clearly indicate that this measure is designed to promote employment of Cameroon citizen by the government restricting the flow of foreign workers into the country. And in addition to the previously required documents under Décret no93/575 du 15 Juillet 1993, the government requires the following conditions for each type of application form for labor visas of foreign personnel:

- The nationality of the worker and type of job (total number of managers, supervisors, factory workers, and laborers)
- All positions occupied by foreign workers (specifying each worker's career background and consecutive years working at the organization)
- Short-term employment planned or under consideration (specifying career background sought in hiring)
- Policy on promoting hiring from the domestic labor force

It is often envisioned across the developing countries that foreign personnel employment is restricted, certain management positions are to be replaced with local personnel, and documents to justify visa obtainment are required. Nevertheless, Cameroon government does not exhibit the policy support seen in other developing countries for persons with high-level skills, such as granting them extension of their length of stay or preferential income tax treatment. In light of this fact, it is apparent that the government does not anticipate transfer of expertise from foreign businesses to raise the skill level of local workers.

(3) Challenges and Orientation of Improvement

It is estimated that current provisions applied to foreign investors is intentionally designed by the government to prioritize employment of its own citizens out of concern over their high unemployment rates, and to transfer power to local persons by force in order to, whenever possible, have Cameroonians be put in charge of work that foreign investors are undertaking. Because training by vocational organizations alone is not sufficient to cultivate human resources with specialized technical ability or knowledge, policy measures are needed to secure high-level human resources in order to advance industrial development in a proactive manner. For instance, in Japan the length of stay for foreign workers is determined differently for each of 17 types of residence status(work visas), and Japan has implemented preferential measures in immigration, such as granting those receiving residence status as high-level professionals an unlimited period of stay if they meet certain criteria.

Because foreign labor force would not only bring in new technologies but also expertise and experience that would benefit Cameroon, the government will be demanded as to its serious commitment to improving the business environment in the country and attracting investment from overseas. It seems necessary to implement preferential measures in immigration seen in Japan's examples and set periods of stay flexibly based on the skills that are required from a policy perspective. In cultivating industrial human resources, while JICA is providing support and contributing to human resource development in Cameroon's SMEs, the government will be called upon to enrich its services to cultivate human resources with technical capabilities that meet the needs of investors from now on.

6.2.6 Foreign Exchange and Remittance System

(1) Overview of System and Procedure

Cameroon has participated CEMAC since its establishment in 1994 and it has been adopting the Regulation for Harmonization of Foreign Exchange in CEMAC (Règlement n° 02/00/CEMAC/UMAC/CM du 29 avril 2000 Règlement portant harmonization de la réglementation des changes dans les Etats de la CEMAC: CEMAC Forex Regulation). CEMAC 6 member countries have pooled their foreign reserves and their common currency, FCFA is pegged against euro, which has fixed exchange rate (€0.001524=1 FCFA). In addition, the Central Bank of France guarantees the exchange of FCFA to euro. The member countries have common foreign exchange policy and Banque Ees Etats l'Afrique Centrale (BEAC) has been functioning as the Central Bank of CEMAC. BEAC has opened an account in Central Bank of France and all the external transaction has been settled through the account.

According to articles 1 and 2 of the above mentioned CEMAC Forex Regulation, the regulation is not applied to the transaction among CEMAC member countries and the transaction with other franc

monetary zone. The payment to these countries, in principle, is free (except for gold), certain borrowing, lending, direct investment and foreign security related transactions. In addition, in case of the payment exceeding FCFA 1 million, submission of application procedure and supporting documents are needed for statistical purpose. Furthermore, in case of foreign remittance exceeding FCFA 5 million, an applicant is required to apply through Authorized Intermediary (Article 32, CEMAC Forex Regulation).

The conditions of foreign exchange of current transaction and capital transaction in Cameroon are summarized in the following table.

Table 6-8 Summary of Foreign Exchange Management in CEMAC

Type of Transactions	Necessary Conditions
1) Current Transaction	In case of current transaction (trade settlement, repatriation of dividend and interest, etc.), it is totally free without any requirement of prior application. However, it is required prior application for statistical purpose with related to import-export settlement as mentioned below.
a. Import Transaction	In principle, all import to CEMAC member countries is free, but as far as gold and some commodities are concerned, it is forbidden or restricted by consideration of health & hygiene and security. In case import of goods and services exceeding FCFA 5 million and foreign transaction, importers have to settle through Authorized Foreign Exchange Banks and file application for statistical purpose with supporting documents. In addition, in case the transaction exceeds FCFA 100 million, more strict confirmation is made by the above bank, but even transaction less than FCFA 100 million the bank has to confirm invoice and other relevant payment documents.
b. Export Transaction	All export related transactions requires application to relevant administration office under the jurisdiction. In case the export value exceeds FCFA 5 million, exporters have to settle transaction through Authorized Foreign Exchange Banks in CEMAC area. In addition, all export proceeds should be collected and transferred to home country within 30 days. Furthermore, in case exporters receive foreign currency as export proceeds, the money should be deposited to BEAC within the above mentioned 30 day period.
2) Capital Transaction	In CEMAC member countries, capital transaction is principally free. However, it is required to file applications through Authorized Foreign Exchange Banks to check illegal transaction such as money laundering and terrorism support. In addition, in case transaction is related to certain borrowing & lending and foreign security related transaction exceeding FCFA 10 million, it is required to file applications to relevant administration office under the jurisdiction.
a. Loans that requires post application	Concerning the following loans, it is required to make declaration to BEAC within 30 days after the payment: <ul style="list-style-type: none"> ▪ Borrowing that consists of foreign direct investment approved by concerned authority under the jurisdiction; ▪ Borrowing and lending to and from the approved local banks; ▪ Borrowing related to services provided by subsidiaries or branches of foreign companies in CEMAC area; ▪ Borrowing related to commercial transaction between CEMAC residents/companies and foreign countries; and

Type of Transactions	Necessary Conditions
	• Other lending not exceeding FCFA 100 million
b. Loans that requires prior application	Concerning loans between residents/companies and non-residents/companies in CEMAC area, it is required to make declaration to Ministry of Finance and BEAC by 30 days before the execution of such loans. In case of repayment of the above loans, borrowers should make declaration within 30 days after the repayment.
c. Direct investment ¹⁰⁵	Concerning direct investment (both inflow and outflow) exceeding FCFA 100 million, it is required to make declaration by 30 days prior to execution. However, in case of capital increase by reinvestment of retained earnings, the above declaration is exempted. In addition, investors have to make declaration to Ministry of Finance 30 days prior to execution of remittance associated with liquidation of investment business.

Source: JICA Study Team base on CEMAC Forex Regulation

According to database of World Bank¹⁰⁶, foreign reserve of Cameroon was USD 1.74 billion in 2006 due to sharp rise of oil and mining commodity price in 2000s and it peaked to USD 3.68 billion in 2009, but it slightly decreased to USD 3.54 billion because of the recent decline of resource price (approximately 5 months' of import value) .

According to interview with BEAC, it is unlikely to impose restriction on capital transaction even if foreign reserve in certain country deteriorates as long as foreign reserve pooled in CEMAC countries remains appropriate level as a whole. BEAC controls foreign reserve by domestic monetary policy. For example, in case foreign reserve deteriorates in a certain country, it increases official interest rate and tightens money market and takes policy measures to restrict import in taking account of protecting its currency.

6.2.7 Finance

(1) Overview of Financial System

Cameroon's financial sector has bank, capital market, insurance, leasing and micro finance, but its financial assets have been dominated by banking sector. At present, there 14 commercial banks which consist of: 5 local banks, 4 Pan-African regional banks; and 5 global banks such as Standard Chartered Bank and Société Général Banque.

In addition to banking sector, although there is a stock exchange in Douala, the market is not functioning due to very limited transaction as only 3 companies (one drinking water, 2 palm oil companies) have been listed in the exchange. Although leasing sector has only one company owned by Afriland bank, it is said to have high potential to grow as an alternative financial tool to banking business. Insurance sector has two companies (one owned by state and one owned by private) and IFC has made USD 5.7 million equity investment to Activa Finances owned by French capital.

¹⁰⁵ According to the CEMAC Forex Regulation, "Direct Investment" is defined as more than 10% shareholding of foreign companies outside CEMAC area by CEMAC residents or more than 10% shareholding of companies in CEMAC area by foreign residents outside CEMAC area.

¹⁰⁶ <http://data.worldbank.org/indicator/FI.RES.TOTL.CD>

The brief summary of performance of 18 commercial banks in terms of bank asset and deposit and lending outstanding as of the end of 2014 is shown in the following table. As average deposition ratio (%: amount of loan/amount of deposit) of total banking sector is around 70%, it is far from provision of satisfactory loans in accordance with deposit amount. According to database of World Bank¹⁰⁷, the ratio of Non Performing Loan in the end of 2013 in Cameroon is 10.3%, which is significantly higher than Sub-Sahara Africa's level of 5.4%.

Table 6-9 Overview of Commercial Banks in Cameroon (as of end in 2014)

(Unit: FCFA million)

No.	Name of Banks	Authorized Capital	Total Asset	Deposit Outstanding	Loans Outstanding
1	Banque Internationale du Cameroun pour l'Epargne et le Crédit	12,000	721,283	579,118	449,150
2	Union Bank of Cameroon	20,000	708,405	545,918	437,268
3	Société Générale de Banques au Cameroun	12,500	688,494	539,181	396,253
4	Ecobank Cameroun	10,000	450,220	346,436	233,016
5	Commercial Bank of Cameroon	12,000	437,644	355,094	261,929
6	National Financial Credit Bank	6,127	259,973	223,820	91,428
7	Standard Bank	10,000	248,211	140,479	133,750
8	United Bank for Africa Cameroun	10,000	233,673	188,243	111,299
9	BGFIBank Cameroon	10,000	205,216	148,426	132,804
10	Standard Chartered Bank Cameroon	10,540	125,975	98,975	46,746
11	Afriland First Bank	15,800	93,891	64,943	40,799
12	Banque Atlantique du Cameroun	13,000	89,279	50,473	2,475
13	Citibank Cameroon	10,000	73,356	57,970	33,338
14	Banque Camerounaise des Petites et Moyennes Entreprises (BC-PME)	10,000	NA	NA	NA
Total			4,335,620	3,339,076	2,370,255

Source: BEAC

Most foreign investors in Cameroon have received funds needed for business operation from mother companies in the form of loans or equity, and financing arrangements from local banks seems limited to certain type of working capital such as trade finance. Currently commercial banks offer mainly short-medium loans (1-5 years) with annual interest rate of 17–18%, which is relatively high. Local banks can only provide FCFA denominated loans. Although some loan portfolios are for individuals such as housing loans, most loans are for corporations.

¹⁰⁷ <http://data.worldbank.org/indicator/FB.AST.NPER.ZS?locations=CM>

In comparison with indicators of banking access between Cameroon's and Sub-Sahara Africa's, as it has been indicated in the following table, all indicators (i.e., number of depositors, borrowers, branches, ATMs and loans to private companies) show that Cameroon's figure is lower than Sub-Sahara Africa's.

Table 6-10 Banking Access Indicators between Cameroon and Sub-Sahara Africa (2014)

	Cameroon	Sub-Sahara Africa
No. of depositors per 1000 population (person)	65	149
No. of borrowers per 1000 population (person)	20	23
No. of bank branches per 100,000 adults	1.9	3.9
No. of ATMs per 100,000 adults	3.5	5.3
Domestic loans to private companies (% to GDP)	15.5	29.1

Source: World Bank, World Economic Indicator 2016

Some Western banks have a presence in Cameroon and such banks have been providing different services than those of local banks and Pan-African regional banks as they are mainly focusing on providing investment capital and trade finance to foreign companies that they have already business relations in overseas. On the other hand, according to the interview with local companies, most of them, including SMEs and relatively larger companies, avail of informal scheme of *Tontin*, namely Rotating Saving Credit Cooperation (ROSCAS) in order to overcome shortage of fund. However, if Pan-African regional banks fully make operations, financial services to SMEs that have not been provided by Western banks, are likely to improve.

(2) Cameroonian Government Improvement Efforts and Donor Supports

Cameroonian Government has established the SME Bank (Banque Camerounaise des Petites et Moyennes Entreprises: BC-PME) with a view to strengthening SME financing. The bank has been operating since July 2015; however, it has not realized any loans to SMEs as of the end of May 2016 due to shortage of funding and operational capacity. Under the circumstance mentioned above, in order to improve SME financing, CEMAC member countries have been preparing to establish credit information bureau with the support from BEAC.

6.2.8 Company Liquidation System

(1) Overview of System and Procedures

A company operating in Cameroon must follow the procedures in OHADA rules in liquidating its business. Article 200 of the rules gives seven grounds for dissolution.

1. End of duration period
2. Achievement of the objective of establishment or the disappearance of the objective itself
3. Dissolution of a company's investment contract
4. Resolution of investors under conditions specified in changes to the articles of incorporation
5. Early dissolution order from the court of jurisdiction receiving a request based on proper grounds from an investor
6. Decision by the court ordering liquidation of the company

7. Other grounds provided in the articles of incorporation

The general procedures for a company's dissolution through to its liquidation are as follows.¹⁰⁸

Table 6-11 Overview of company liquidation procedures in Cameroon

Procedure	Specific Details
Decision to dissolve the company	After deciding to dissolve the company at an extraordinary shareholders meeting, the company submits the meeting minutes or other documents proving the dissolution resolution to the register office of the court of jurisdiction.
Public announcement of company dissolution	In a designated newspaper approved for legal notification, the company publishes the documents of dissolution resolution submitted to the court and the content of the dissolution registration in the commercial register.
Selection of liquidator	The liquidator can be selected from shareholders or third parties, and can be a corporation. If the investors do not appoint a liquidator, the liquidator will be appointed by the decision of the court in accordance with the request of interested persons.
Execution period of liquidation	Liquidation must be completed within three years from the day of company dissolution. If the liquidation is not completed in time, the prosecutor or interested persons may file an action with the court of jurisdiction to commence the company liquidation, or to complete the company liquidation if it has already commenced.
Approval of completion of liquidation	After completion of liquidation, an extraordinary shareholders meeting is held, at which the financial statements and the completion of duties by the liquidator are approved, thereby formally completing the liquidation. If the shareholders do not discuss the liquidator's financial statements or refuse to confirm them, the court of jurisdiction approves the statements based on the request of the liquidator or interested persons, thereby formally completing the liquidation.
Submission of financial statements	The financial statements prepared by the liquidator are submitted to the register office of the court of jurisdiction as an appendix to the register. In conjunction with this, the meeting minutes of the extraordinary shareholders meeting approving the completion of the liquidator's duties and the completion of liquidation, or the documents approved by the court, are attached.
Application for removal from register	Within one month from the public announcement of completion of liquidation, the liquidator applies for the removal of the company from the commercial register.

Source: Prepared by JICA survey group based on the Acte uniforme relatif au droit des sociétés commerciales et du groupement d'intérêt économique

(2) Orientation of Improvements

During the survey, no information was able to be obtained regarding cases where the above system was applied in practice for actual company liquidation. According to a major accounting firm, no particular issues have arisen in either liquidation or downsizing during business restructuring as long

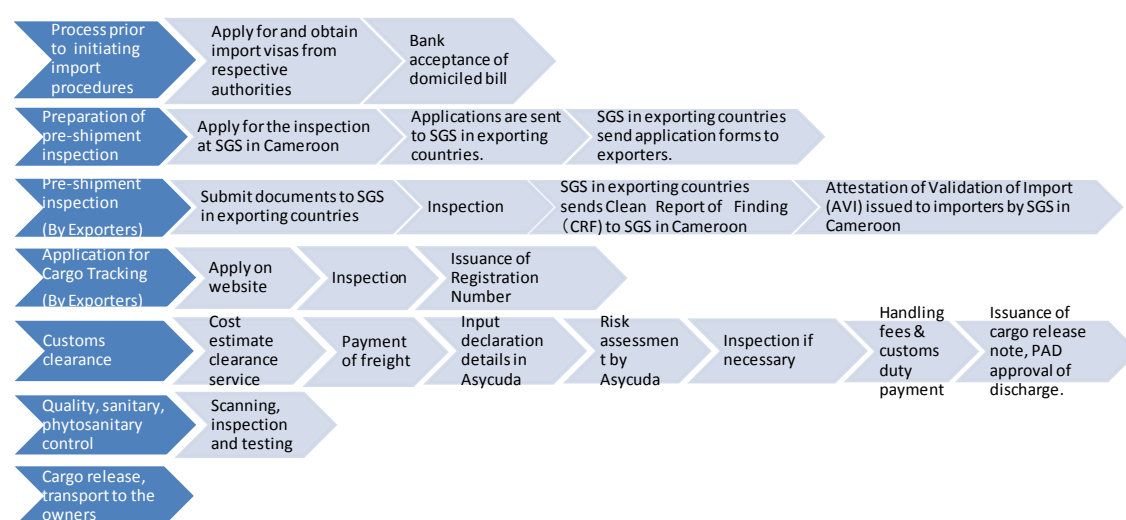
¹⁰⁸ Articles 223-241 have special stipulations for cases where the articles of incorporation have no provisions regarding grounds for dissolution, cases where there is agreement among the parties concerned, and cases where the dissolution is affected by instruction of the court.

as Cameroon's legal requirements were followed in the process, based on decision-making in business operations.

6.2.9 Administrative Procedures for Trade and Customs Clearance

(1) Overview of the Export and Import

Doing Business 2017 scored the situation of Cameroon's trade logistics almost the same level as 2016. The administrative processes with multiple documents cause time and cost burden to importers and exporters. The figure below shows the flows of administrative procedures required for importation into Cameroon. Comparing with export, more procedures are involved in import with longer time.



Source: JICA Study Team based on the interviews with logistics companies.

Figure 6-7 Flows of Administrative Procedures for Importation

Administrative procedures require attention to the following points:

1) Pre-shipment procedures

Prior to the shipment, international logistics requires a few processes. Pre-shipment inspection and cargo tracking are to be dealt by the exporters in exporting countries. In case of importing some specific products which are newly introduced with no prior import in Cameroon, prior registration at the controlling ministries may be required.¹⁰⁹

<Export/Import Registration (Fichier exporteur/importeur)>

The licenses are issued at MINCOMMERCE. They are valid for one year and issued on the products applied for. In case new products are to be added after the issuance of the registration, they are also required to be applied for and added into the registration. Necessary documents for application are (i) a copy of patent, (ii) a copy of trade registration or personal property credit, (iii) TIN number,

¹⁰⁹ For example, heavy machinery with wheels without prior track-record of importation is required to be registered at the Ministry of Transportation.

receipt of payment for the Cameroon National Shippers Council (Conseil National des Chargeur Camerounais: CNCC) (FCFA10,000 per year), receipt of payment for charge of the export/import registration (new application: FCFA 15 million, renewal: FCFA 10 million).

<Cargo Tracking Note (Bordereau Électronique de Suivi des Cargaisons: BESC)>

For cargo tracking from the exporting to importing countries, the system is managed by the CNCC based on Arrêté n°0057/MINT du 11 juillet 2006 and Arrête n°00289/MINT du 05 mars 2007. BESC are required both for export and import as well as the transit and transshipment. An application is made at the designated inspection organization in the country of export. The approval number has to be stated on the Bill of Lading: B/L) and the manifest¹¹⁰.

<Pre-shipment Inspection: PSI>

Based on l'Ordre n°00268 of 15/12/95 and other legal documents by MINFI, all the imported cargo with the FOB value of CFA 2 million or more are obliged to be inspected at the country of embarkation. The inspection is managed by SGS, an international private company providing services of inspection, verification and testing. For import, cargo owners submit the necessary documents to the local SGS agents. Inspected items are quality, quantity, valuation and customs code. The list of products is also inspected to determine whether it contains banned products for importation to Cameroon. Necessary documents are a final invoice, a packing list, other licenses and permits for importation. After the inspection, SGS issues Clean Report of Findings (CRF) which is to be submitted at the time of custom clearance¹¹¹.

<Pre-shipment Process for Export>

Though much less procedures are involved, exportation also involves some administrative process. It requires the Export Registration. Prior permission is required for exporting some designated agricultural products.

Table 6-12 Necessary Procedures for Export from Cameroon

Process	Ministry in Charge
Export License	MINCOMMERCE
Sanitary and phytosanitary certificates	MINADER
Payment of special charges (for specific products)	Ministries in charge of products
BESC	CNCC

Source: JICA Study Team based on the interviews with exporters, logistics companies and so forth.

(2) Customs Clearance

In this section, the import procedures are summarized. The table below shows the list of documents required for customs clearance upon export and import in Cameroon.

¹¹⁰ CNCC Website (www.cncc.cm/fr/bsc/procedure_besc/php), CMA CGM, Cameroon Regulations (URL: <https://www.cma-cgm.com/static/eCommerce/Attachments/Cameroon%2011115.pdf>)

¹¹¹ SGS, Guidelines of imports for the trade Cameroon Pre-shipment inspection

Table 6-13 Necessary Documents for Export and Import in Cameroon

Export	Import
i) Exporter Registration ii) Commercial invoice iii) B/L or Air Way Bill iv) Export Declaration (DE) v) Packing list vi) Sanitary and phytosanitary certificates vii) Certificate of origin viii) Sealing certificate	i) Importer Registration ii) Import Declaration (DI) iii) Invoice iv) B/L or Air Way Bill v) Packing list vi) BESC vii) Attestation of Verification to Import (AVI) viii) Permits and certificates of import (sanitary, phytosanitary etc) ix) Insurance certificate by a local insurance company

Source: JICA Study Team based on JASPRO, Doing Business 2016, materials by logistics companies

The table below compares the necessary documents for importation in Cameroon, Côte d'Ivoire, Ghana, Nigeria and Indonesia. Pre-shipment inspection has been abolished in Côte d'Ivoire in 2013.

Table 6-14 Import Customs Clearance Documents in Cameroon and other Countries

Cameroon	Côte d'Ivoire	Ghana	Nigeria	Indonesia
i) Import License ii) Import Declaration (DI) iii) Invoice iv) B/L or Air Way Bill v) Packing list vi) AVI vii) Permits and certificates of import (sanitary, phytosanitary etc) viii) Insurance certificate by a local insurance company	i) Import declaration ii) Commercial invoice iii) B/L or Air Way Bill iv) Insurance certificate v) Packing list, vi) Certificate of origin, vii) Certificate of quality (for specific products) viii) Cargo tracking (BSC)	i) Import declaration ii) Unique Consignment Reference Manifest (UCR) iii) Final Classification and Valuation Report (FCVR) iv) Commercial Invoice, v) B/L vi) Certificate of quality (for specific products) vii) Manifest	i) Import declaration ii) Combined Certificate of Value and Origin (CCVO) iii) B/L iv) Certificate of standards issued by manufactures v) Packing list vi) Certificate of quality and testing (for specific products)	i) Import declaration ii) Commercial Invoice, iii) B/L or Airway Bill iv) Import permit and other documents (if required)

Source: Cameroon: JASPRO, Doing Business 2016, Côte d'Ivoire, Nigeria: JETRO website, Ghana: Ghana Single Window Website (URL : <http://www.ghanasinglewindow.com/>), Indonesia: JETRO (2013) ASEAN/Mekong Chiiki Saishin Butsuryu, Tsukan Jijo (Latest Situations of Logistics and Customs Clearance in ASEAN and Mekong areas)

The number of required document for importation to Cameroon is relatively larger than other countries. Ghana has been operating single window for trade logistics where the application and issuance of certificates and payment of tax and charges are processed. The streamlined process based on this single window reduces time and cost burdens for importers. The outcome of Doing Business 2017 also shows that administrative procedures in Ghana are much shorter than in Cameroon: While Cameroon requires 163 hours with USD 271, Ghana only requires 76 hours and USD 89¹¹².

The customs office categorizes the cargos into 3 lines as listed in the table below based on the risk

¹¹² World Bank, Doing Business 2017

level. Upon the submission of the request form for the customs declaration online (ASYCUDA++¹¹³ by UNCTAD), the declaration is sorted automatically. According to DGD, the ratio of those categorized as red is 20% in total volume of cargos. However, there are only 25 customhouses out of 60 customhouses (10 are in the Port of Douala) are connected with nationwide online system.

Table 6-15 Categories for Customs Risk Management System (Import) in Cameroon

Category	Overview
Blue	Only approved for those importers with the performance contract. 80% cargo is scanned but cleared with no inspection.
Yellow	Document inspection, physical inspection if necessary
Red	Physical inspection

Source: JICA Study Team based on the interview with DGD

Those importers who have performance contracts with DGD can clear the cargos without inspection. It is the part of the efforts of DGD to ensure the risk management and performance of collecting tax. In order to operate the system stably coping with the fluctuating power supply, the customhouses are equipped with the back-up power supply. The number of the customhouses with the connection of AGYCUDA++ is to be increased with the support of EU¹¹⁴.

(3) Duty and Charges for Export/Import

1) Duty Tariff and Charges for Import

Importation incurs various taxes and charges in addition to customs duty. Depending on the products, fees for sanitary and phytosanitary inspections are charged.

Table 6-16 Duty and Charges for Importation in Cameroon

Tax, duty and charges	Amount	Administering Institutions
Pre-Shipment Inspection	0.95% of CIF Value	MINCOMMERCE
BESC (Bordereau electrique de suivi des cargaisons)	Depending on the port of embarkation and product categories	CNCC
DI (Declaration d'import)	-	
Customs Duty	5, 10, 20, or 30% of CIF value	DGD
Excise duty	25% or 12.5% of the sum of CIF value and duty.	DGI
TVA	19.25% of the sum of CIF value, duty and excises.	DGI
Local Tax (Centimes additionnels)	10% of TVA	DGI
Information charge	0.45%	
Charge of user of GUCE	—	GUCE
Port handling charges	—	—
Local Insurance	0.04% of FOB value	—

Source: JICA Study Team based on information of the materials and websites of relevant organizations.

Note: —: No information obtained or the price depending on the types and number of consignments.

¹¹³ SYDONIA in French

¹¹⁴ Based on the interview with DGD. EU-supported “Programme for implementation of Cameroon Customs Modernization Plan” will introduce fibre optic and establishment of on-line regional network, strengthening transit systems for the cargos to Chad and Central Africa.

2) Institutional Framework of Customs Duty

Cameroon and the CEMAC countries promulgated common customs law (Code des Douanes). The customs duty tariffs apply the common external tariff (Tarif extérieur commun: TEC) with 4 tariff bands with duty free commodities. Other duties incurred upon importation are TVA (19.25%) and Excise Duty (25% or 12.5%).

Table 6-17 Common External Tariffs (TEC) of CEMAC

Categories	Tariff
(Duty free)	0%
Basic Necessity	5%
Raw materials	10%
Semi-finished, intermediary goods	20%
General consumer goods	30%

Source: JICA Study Team based on the interview from DGD

In order to cope with the poor harvest in 2008 which caused the food shortage and political unrest, rice and other basic food items have been duty free. The tariff was finally re-set at 5% as TEC¹¹⁵. TEC is relatively higher than other countries in the region. Regarding the heavy reliance of imported materials, tariff on raw materials and semi-finished goods may be a burden for the local industries. It was pointed out in the Trade Policy Review of WTO in 2013¹¹⁶. The table below compares the average custom duty tariffs for the Most Favored Nations (MFN) of a neighboring country (Nigeria), Western and Eastern Africa as well as the example from Asia.

Table 6-18 Average Customs Duty Tariffs in African and Asian Countries

Country	Average Tariff (MFN, %)
Cameroon	18.2
Côte d'Ivoire	12.2
Nigeria	12.1
Kenya	12.9
Indonesia	6.9

Source: JICA Study Team based on the information of WTO. The data of Cameroon and Indonesia is of 2014 and other from 2015.

The export basically has no customs duty except unprocessed timber where export duty is 15%. The duty is charged on the specific spaces: It is to promote value addition domestically. The products without the certificate of origin of Cameroon are subject of 2% duty upon export. For coffee and cacao, there are various types of charges for export.

¹¹⁵ Finance Law of 2016 (Loi No. 2015/019 du 21 December 2015 portant loi de finances de la republique du Cameroun pour l'exercice 2016). According to the interview with MINADER and DGD, the tariffs were raised from duty free in order to encourage rice production supported by the Government of Japan. However, there were other issues of smuggling of rice to Nigeria with high tariffs. The Finance Law in 2016 also set 20% duty on cement (10% for clinker).

¹¹⁶ WTO (2013), Cameroon Trade Policy Review Annex 1 (WT/TPR/S/285)

(4) Efforts of Simplification of Trade-Related Process

1) Operation of the Single Window for Operation of External Commerce (GUCE)

Single window for operation of external commerce (Guichet unique des opérations du commerce extérieur: GUCE- CE, hereinafter referred to as “GUCE”) was established in Douala in 2000. However, the actual process at GUCE Douala office has not been fully streamlined where the user are demanded to visit one window to another to process different administrative requirements. The payment for each process should be made per process to different entities¹¹⁷.

The administrative processes hosted under GUCE as well as those to be electrified are as indicated in the table below. By utilizing on-line systems, various processes will be streamlined and integrated in future.

Table 6-19 Single Window for Operation of External Commerce and the Plan for E-GUCE

Procedures	Explanation	Plan of E-GUCE
Import Declaration	-	Yes
Cargo Tracking Note (BESC)	Cargo tracking with the registered number. Obligated for import/export as well as transit. Application can be made on-line, but the connection between Cameroon and the export destination are not yet available.	Yes
Sanitary and Phytosanitary Inspection application and charge	Application for sanitary and phytosanitary inspection.	
Application for port handling	Application and payment of charges.	
Process for used car importation	Import declaration, vehicle registration (CIVIO)	Yes
Local insurance for import	—	Yes

Source: JICA Study Team based on the World Bank Investment Climate Advisory Service (2010) Trade Logistics in Cameroon, GUCE and the website.

2) Efforts for Improving Trade-Related Process

DGD has been making efforts to improve the performance of customs management process through (i) modernization of customs management system, (ii) strengthening customs clearance system which are used by the domestic economic actors, (iii) introduction of indicators for performance management and performance contracts for customs officers, (iv) improving the tax collection system at the border and rural areas, (iv) dialogues with private enterprises for improving services. The ethic committee is also set up in DGD in order to prevent the incident of corruption and other malpractices. On-line and paperless customs clearance is introduced based on the discussion at CBF. As mentioned in (2), those operators with performance contracts are allowed to be imported without inspection.

The electronic transaction has been introduced for some of the process hosted under GUCE. For the

¹¹⁷ Based on the interview with logistics companies.

export of the certain products, certificates of the quality and payments of charges are required. The export of coffee and cacao, for example, is now under process of unifying these procedures and making on-line process¹¹⁸.

(5) Issues and Problems Observed for Trade-Related Process

Based on the interviews with private enterprises, the following issues and problems on the trade-related process are identified.

- Some processes such as the registration of the new products for importation and adjustment of customs valuation requires expenditure of time and cost.
- Current service through GUCE is rather services of “single roof” where organizations participating in the GUCE have separate windows in the same building. Therefore, application and payment have to be made process by process instead of unified application and payment.

The cumbersome process of PSI and the adjustment of valuation are a few issues raised by private sector enterprises. However, the large issues mentioned were the time and cost due to the long waiting time for vessels to be berthing at the Port of Douala. Another issue may be found in the optimization of the TEC of CEMAC. Comparing with the other CEMAC member countries, Cameroon has manufacturing and other economic activities which require the importation of the materials from outside the region. Therefore, the customs duty imposed on the raw materials and semi-processed goods have more impact on Cameroon than the rest of the members.

(6) Direction of Improvement

The problems observed in international logistics are found in the procedures at the borders. The Government of Cameroon has made efforts such as the simplifying and modernizing customs clearance process. As a part of the preparation of EPA with EU, increased online connected customhouses and introduction of the new machinery are expected. However, more simplification of trade-related procedures through such measures as reinforcing GUCE is necessary. On the other hand, the larger bottleneck of the international logistics is found in the logistics infrastructure as explained in the following section. While the transportation and handling capacity may be improved in future with the on-going projects, it is further necessary to facilitate the service provision at the new ports based on the optimal design of institutional and physical alignment of service provision.

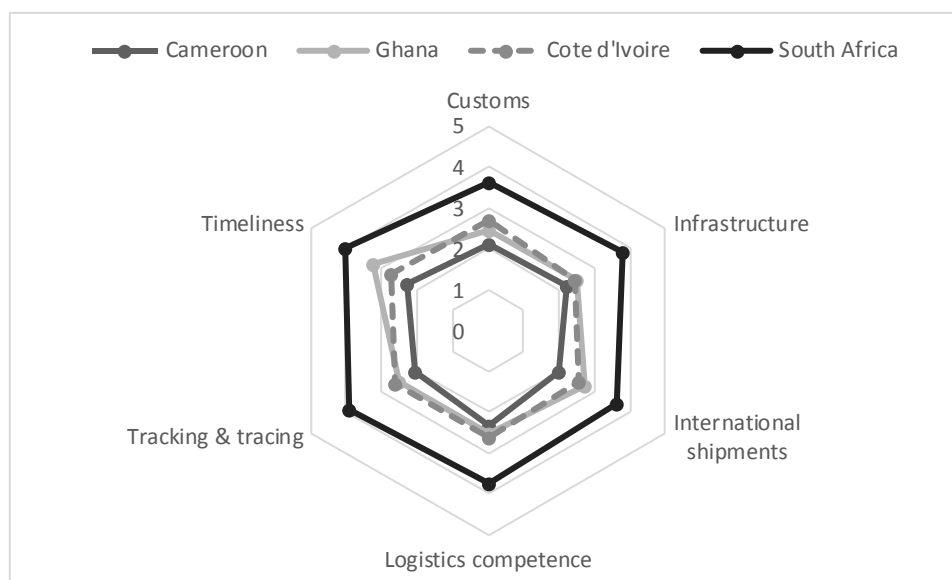
6.2.10 Logistics

(1) Overview of International Logistics and Cameroon

Cameroon is located at the border of Central and Western Africa. It is naturally a hub for the

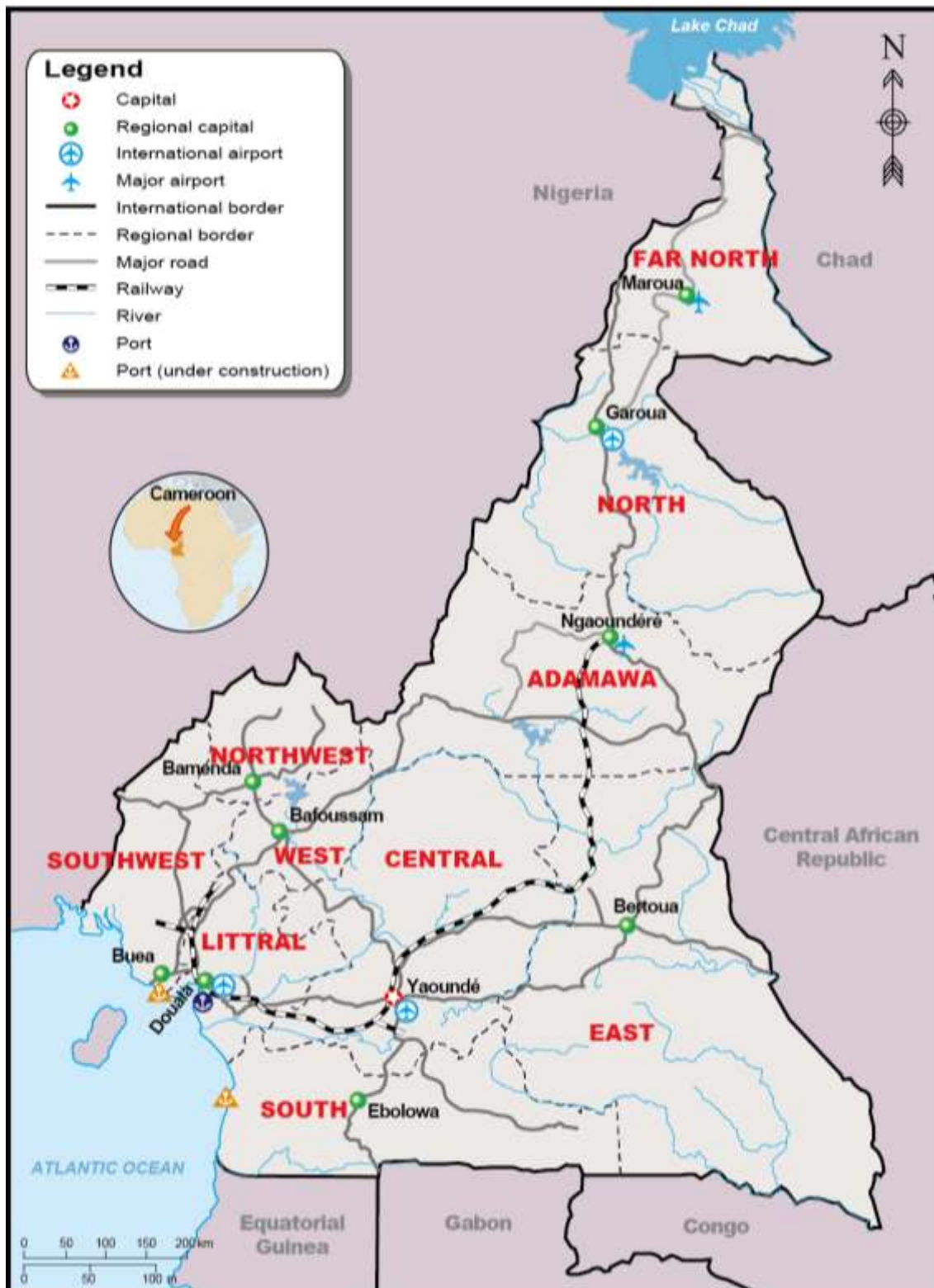
¹¹⁸ Based on the interview with the Groupement des Exporteur du Cacao et du Café

products between the inland countries in Central Africa: International transportation routes of Chad and Central Africa go through the Port of Douala. The quality of logistics evaluated by the Logistics Performance Index (LPI) 2016 ranked Cameroon as 148th out of 160 countries. The rank of International Shipment and Timeliness were below 150th. As seen in the diagram below, all the indices show lower score than the African peers.



Source: JICA Study Team based on the World Bank LPI 2016.

Figure 6-8 Logistics Sector Performance of Cameroon and African Countries



Source: JICA Study Team based on the various materials.

Figure 6-9 International Transportation Routes and Logistics Facilities

The major international transportation routes are as shown in the table below.

Table 6-20 Cameroon's Major international transportation routes

Mode	Overview
Air	<ul style="list-style-type: none"> International airport: Douala, Yaoundé, Garua Direct flight from/to Europe (France, Belgium), African countries (Morocco, Kenya, Ethiopia, Rwanda, Nigeria, Côte d'Ivoire)
Sea	<ul style="list-style-type: none"> International port: Douala, new ports are under development in Kribi and Limbe. Tiko and Idenau are used for the trade between Nigeria. Oil terminal at Limbe and Kribi.
Land	<ul style="list-style-type: none"> Douala-Bangou (Central Africa) Douala- Njamena (Chad) Northern Nigeria(Maiduguri)–Kousseri-Njamena Northern Nigeria(Maiduguri)-Maroua Northern Nigeria (Yola)- Garua Eastern Nigeria (Enugu)-Ekok-Bamenda
Inland waterway	<ul style="list-style-type: none"> River ports at Benue River (Nigeria-Garua), Cross River (Nigeria-Mamfé), Nyong River, Ngoko River, Wouri River

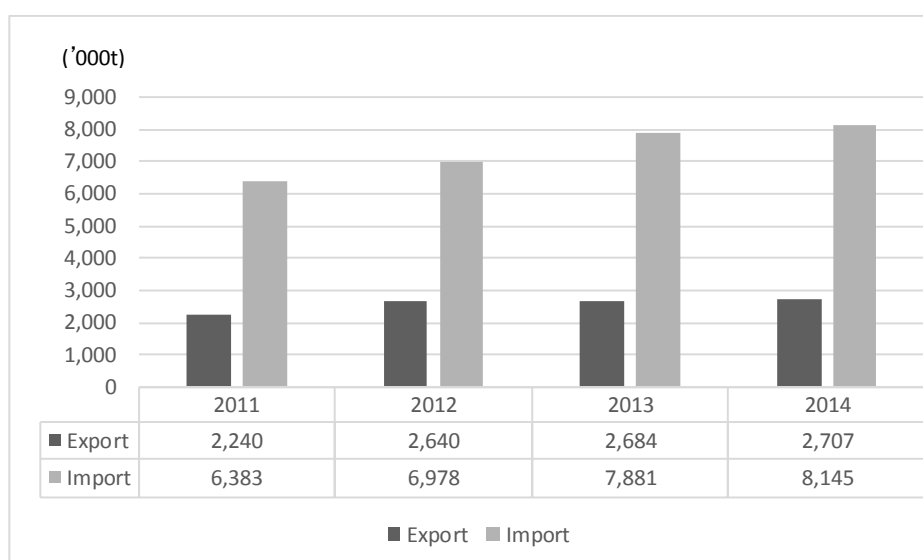
Source: JICA Study Team based on World Bank (2013) Cross-Border Trade Between Nigeria and CEMAC Countries, AfDB (2015) Cameroun : Note sur le secteur des transports.

(2) Logistics Facilities

1) Port

<Port of Douala>

The Port of Douala handles the majority of cargos for both imports and exports¹¹⁹. The port also handles transit cargos bound for Chad, Central Africa, and the northern part of Congo-Brazzaville. Although it is not a deep-sea port that allows large vessels to berth, it is serviced by the regular international shipping liners. The table below shows the trend of cargo handling volume of both import and export volumes at the Port of Douala from 2011 to 2014.

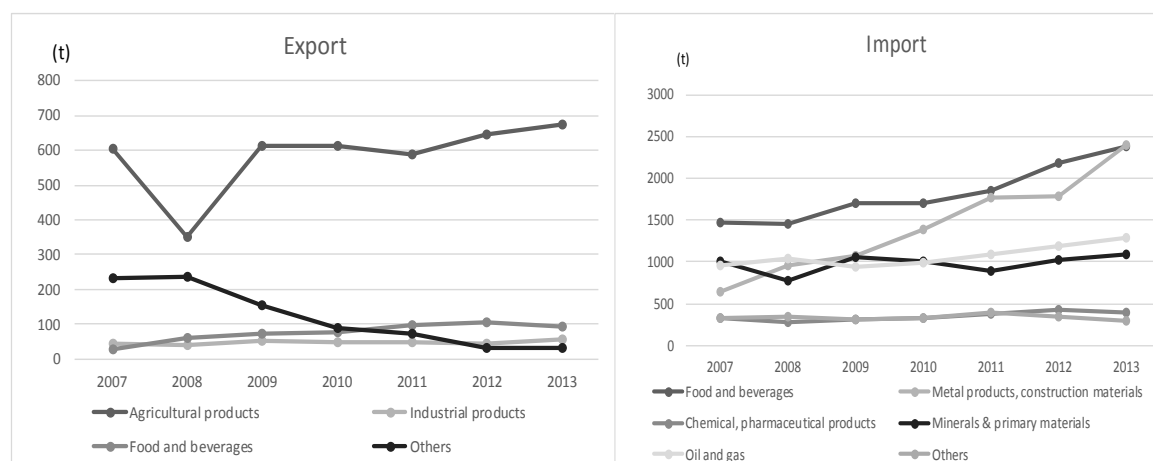


Source: INS, JICA Study Team based on INS, Annuaire Statistique 2014.

Figure 6-10 Cargo Volume Handled at the Port of Douala

¹¹⁹ According to the paper by AfDB, 99% of imported cargo through sea transport to domestic market are through Douala (AfDB (2015) Cameroun: Note sur le secteur des transports).

The trends of product groups exported and imported through the Port of Douala are as shown in the figures below. A large share of exports is agricultural products. Bananas accounts for 40% of the agriculture products. For imports, food and beverages and metal products and construction materials show large increase in recent years.



Source: JICA Study Team based on INS, Annuaire Statistique 2014.

Figure 6-11 Exported and Imported Products Handled by the Port of Douala

As Douala is a major industrial center, goods from Nigeria via Limbe are also transported to Douala by inland transport¹²⁰. Operation and management of the Port is undertaken by Port Autonome de Douala (PAD).

< Kribi >

The Port of Kribi is located about 170 km south of Douala along the shore of Gulf of Guinea. It is a deep-sea port with container and bulk terminals. The construction by a Chinese contractor (CHEC) has been completed. As a PPP project, the private operators for two terminals are under procurement. In contrast to the limitation of the Port of Douala, Kribi is expected to improve the efficiency of international transportation. On the other hand, the goods arriving at Kribi may require further transport to Douala since Douala still is the largest industrial center where a majority of goods are continuously consumed. Therefore, further development and arrangement of transport between Douala and Kribi to maintain the cost competitiveness may be important in the short term. While Kribi is located in a suitable position for export of timbers and mineral production from the southern areas, it is also expected to function as a port for imports in view of the limited capacity of Douala. A road has been constructed from Douala via Edéa; however, according to logistic sector stakeholders, the road may need further reinforcement in order to accept the large daily trailer traffic. Even in case of using the sea route, it is also necessary to maintain the competitive freight costs.

¹²⁰ World Bank (2013) Cross-Border Trade Between Nigeria and CEMAC Countries: Estimating Trade Flows, Describing Trade Relationships, and Identifying Barriers to Cross-Border Trade between Cameroon and Nigeria, Report No: 78283 and ACS276

<Limbe>

Development of the Port of Limbe employs the PPP approach utilizing private finance which also covers construction, operation and management. Limbe Port Industrial Corporation (LIPID) with the participation of Korean funds was already selected as the contractor¹²¹. The multi-purpose berth (with a floating jetty and two fixed jetties) are planned to be constructed to serve a cement factory which is planned to be built in Limbe and import/export of SONARA. It is also expected to stimulate industrial development around the area¹²².

2) Air transportation

There are 8 airports for international and domestic flights in Cameroon. The handling volume of air cargo has increased gradually from 2011 to 2013 after decrease in 2010. The handling volume of the major airports in 2012 and 2013 is shown in the table below. About 70% to 80% of the cargo both for imports and exports is handled by Douala International Airport.

Table 6-21 Handling Volume of Air Cargo by Airport

	2012			2013		
	Arrival	Departure	Total	Arrival	Departure	Total
Total	9,800	11,726	21,526	10,054	12,277	22,331
Douala	7,052	8,827	15,879	7,879	9,305	17,184
Yaoundé	2,608	2,838	5,446	2,089	2,940	5,029
Garua	111	57	168	57	23	80
Marua	29	5	34	29	9	38

Source: INS, Annuaire statistique 2014

For passengers, European airlines (Air France, Brussels Airlines, Swiss Air), African regional airlines including CEMAC regional (Ethiopian Airlines, Kenya Airways, South African Airways, Virgin Nigeria Airlines, Royal Air Maroc) and Cameroon airlines (Elysian Air and Camair) have regular flights¹²³. For cargo, Douala International Airport handles products such as coffee, tea, fruits, and vegetables. Yaoundé-Nsimalen handles tobacco, pineapple, and handicrafts¹²⁴.

3) Road Network

According to data in 2013, the total length of roads was approximately 97,000 km, of which paved roads are limited to 5,800 km¹²⁵. The road density of paved roads (1 km per 1 sq. km) is 0.185 km per 1000 people. Comparing with Ghana with 25 km per 1 sq. km and 0.354 km per 1000 people and Côte d'Ivoire with 16 km and 0.384 km per 1000 people, the current situation requires expedited

¹²¹ CARPA, Rapport de Performances 2015

¹²² Based on the website of CARPA.

(<http://www.ppp-cameroun.cm/index.php?page=projet-quai-multifonction-port-de-limbe-isongo>)

¹²³ Based on the website of the Cameroon Civil Aviation Authority

(<http://www.ccaa.aero/index.php/fr/aviation-civile-au-cameroun-compagnies-aeriennes>)

¹²⁴ Ibid.

¹²⁵ INS, Annuaire statistique 2014

further improvement. The ratio of paved roads among the national roads (Routes Nationales) is only 57%¹²⁶. The road density of the priority routes was 0.95 km and 40 km per 1000 sq. km. Comparing available relatively old international data in 2010, Cameroon's 72 km road density is below the level of middle-income countries average of 318 km, but over the average of African resource-rich countries (59 km).

Road construction and the improvement of quality is a critical issue, not only for Cameroon, but also economic development for the region. The corridors connecting N'djamena and Brazzaville (via Yaoundé), Bangui and Lagos, and Dakar and N'djamena go through Cameroon. The development projects are on-going with partial support by international donors in Yaoundé-Brazzaville Corridor, the part between Enugu (Nigeria)-Garua, Kumba-Mamfé (in Enugu-Douala line), Yaoundé-Ngaoundere, and Sangmélima-Djoum (in the corridor to Congo-Brazzaville).

The annual registered sales of new cars (the sum of passenger vehicles, commercial and long-distance trailers) have been approximately 4000 except in 2009¹²⁷.

4) Railways

The railway in Cameroon is currently operated by CAMRAIL under concession agreement¹²⁸. The company with the participation of the Government of Cameroon operates the Transcam 1 (Douala-Yaoundé, 264 km), Transcam 2 (Yaoundé-Ngaoundere, 622 km), and the ligne Ouest (Douala-Kumba, 92 km), or 978 km in total¹²⁹. The trend of passenger and cargo handling volumes is shown in the table below. After a drop in 2011, the value of cargo has increased, whereas the volume shows only small fluctuation.

Table 6-22 Passenger and Cargo Handling Volume (2013)

	2009	2010	2011	2012	2013
Passenger (million passengers)	1.3	1.4	1.4	1.5	1.5
Cargo handling volume (million ton-km)	1015.2	1077.8	1000.9	1094.3	1088.3
Cargo handling value (million FCFA)	46863.2	50071.9	46601.2	50541.9	51081.0

Source: INS, Annuaire statistique 2014

In 2013, the item with the largest volume handled by the railway was petroleum (210 million ton-km). Multiple products were handled as containers (180 million ton-km in total). Other large volume products are wheat flour and cereals (170 million ton-km), timber (90 million ton-km), construction materials (80 million ton-km), cotton (65 million ton-km), and fertilizer and pesticides (51 million ton-km). Taking advantage of the characteristics of railways which can transport large

¹²⁶ AfDB (2015) Cameroun: Notes sur le secteur des transports

¹²⁷ INS, Annuaire statistiques 2014

¹²⁸ According to the website of CAMRAIL, SCCF under Borollé groupe holds 77.4% of the share, whereas the Government of Cameroon has 13.5%, TOTAL Cameroun 5.3%, and SEBC (Groupe Thanry) 3.8% (www.camrail.net/finances.html).

¹²⁹ Ministère des Transports, Transtat 2013

quantity with cheaper cost, products such as cereals, timbers and construction materials make large users of railways. On the other hand, the difficulty of flexibility and traceability may not be suitable for the certain goods.

In addition to the existing routes, new lines are planned for development in order to connect the newly opened Port of Kribi and the areas producing various natural resources.

(3) Cost and Time for International Transportation

1) Transportation Cost

The table below summarizes the result of the interviews with enterprises in Douala and Yaoundé in terms of the cost of the international sea freight for imports. The data of other countries was obtained from JETRO website.

Table 6-23 Import Transport Cost for Imports to Douala and Other Countries

Country	Ports of embarkation-nearest ports	Cost (USD)
Cameroon*	Japan—Douala	4,200
	Europe—Douala	1,700
Nigeria	Yokohama—Lagos	2,400
Côte d'Ivoire	Yokohama—Abidjan	4,396
South Africa	Yokohama—Durban	2,200
Kenya	Yokohama—Mombasa	4,478
Kenya	Yokohama—Mombasa	4,478

Note: Cost per 40ft Container.

Source: JICA Study Team based on interviews and JETRO website (Comparison of Investment Cost).

Comparing with South Africa (Durban) and Nigeria (Lagos), the freight cost is more expensive in Cameroon. However, it is cheaper than Abidjan and Mombasa (Kenya).

2) Time for Transport

The approximate required time for import from the major trade partners is stated in the table below.

Table 6-24 Time Required for Import

	Country of embarkation & nearest port	Sea transportation (days)	Time in the Port (days)
Cameroon*	China-Douala	35~60	10~28
	Europe-Douala	14~30	

Source: JICA Study Team based on the interview with private companies.

Due to the structure and capacity of the Port of Douala, most of the shipping companies transport cargos using smaller vessels after compiling at their hub ports in neighboring countries. Therefore, the transportation process takes time. It takes a long time to enter into the port due to the waiting time for berthing¹³⁰.

¹³⁰ Based on the interviews with logistics and shipping companies.

(4) Issues and Problems

The large issues in marine transportation arise due to both port infrastructure and the administrative procedures. The access between inland transportation between domestic major cities and those in neighboring countries requires improvement of the quality of roads. While the plans are available, efficient multi-modal transport network including air transport is necessary to fully connect major industrial locations, sources of raw materials and the major markets inside and outside of the country.

While infrastructure development is positioned as public investment in GESP, there are some planned and on-going projects under PPP approach or concession utilizing private finance and know-how. Whereas the framework of procurement process has been established with the support of the international entities such as IFC, the capacity of bankable project formulation, negotiation and implementation may be required to be strengthened. The case of the Port of Kribi shows such a capacity gap.

(5) Direction of Improvement

International and domestic logistics infrastructure was one of the key areas for the economic development policy in GESP. In terms of the capacity expansion of sea ports, deep-sea ports are under construction or to be constructed in Kribi and Limbe. In Kribi, new berths have been constructed with Chinese loan, but the concession contracts with operators were under negotiation at the time of the Survey.

In order to promote economic development through strengthening economic ties with the regional economy, the connectivity between major cities and areas domestically and regionally is important. All modes of transport should be therefore further reinforced. On the other hand, the financing and implementation are matters that impact on the financial condition of the state.

6.2.11 Power

(1) Situation of Power Supply in Cameroon

1) Ratio of Electricification and Supply Capacity

Power supply in Cameroon comprises three large grids: Southern, Northern and Eastern. The large manufacturing facilities and rural areas are partially covered by power generated by their own generators. The total length of transmission line was 28,721 km in 2010. The high-voltage shows 200 km extension by 2013. The Southern Interconnected Grid connects hydropower plants, Yaoundé and Douala and major industries as ALUCAM. The Northern Interconnected Grid connects Lagdo Hydropower Plan and the Northern areas. The Eastern Interconnected Grid supplies power through the thermal plants.

80% of the power demand is covered by hydropower generation¹³¹. The total installed capacity of generation nationally is 1,475MW¹³². The total amount of generated power in 2013 was 1,270MW. The major sources are Song Loulou, Édéa, and Lagdo consisting of one-third of the total supply¹³³. Large companies in mining, agriculture and diesel thermal plants are equipped with their own generation facilities. With the increased capacity of Édéa hydropower plant and increased thermal power generation, the installed capacity has increased from 921.5MW in 2007 to the above-mentioned level¹³⁴.

The amount of generated power was increased from 4,004GWh in 2005 to 6,302GWh in 2012. 53.7% of the population has access to the electricity¹³⁵, but the ratio of electrification in rural area is limited to 17%. The number of subscribers has increased gradually from 816,000 in 2012 to 889,000 in 2013¹³⁶.

In order to cope with the increase in demand, large-scale development projects for power generation have been promoted. The potential capacity of hydropower generation is estimated as 20GW which can produce 115,000GWh per annum¹³⁷. The currently planned or on-going projects for generation plant construction and rehabilitation are as listed below.

Table 6-25 On-going and Planned Project in Power Sector

Name of Projects	Outline	Finding sources
Lom Pangar Dam	Construction of the reservoir, generation facilities with the installed capacity of 30MW	World Bank, AfDB etc
Memve'ele Dam Hydropower Generation Plan	Installed capacity of 211MW, planned to start operating in 2017.	Chinese Exim Bank, AfDB, the Government of Cameroon
Nachtigal Hydropower Generation Plant	Installed capacity of 420MW, planned to start operating in 2020 or 2021	EDF, IFC, the Government of Cameroon (PPP)
Njock Hydropower Generation Plant	Installed capacity of 200MW.	Tender in 2006 as a PPP project
Bini (Warak) Hydropower Generation Plant	Installed capacity of 75MW, EIA under process	—
Menchum Hydropower Generation Plant	Installed capacity of 72MW, a study under process.	—
Song Dong Hydropower Generation Plant	Installed capacity of 280MW.	—
Rehabilitation of Lagdo Hydropower Generation Plant	Installed capacity of 72MW to be expanded to 80MW.	—
Kpep Hydropower Generation Plant	Installed capacity of 475MW, targets to start operation in	Joule Africa (UK) announced the project to

¹³¹ Based on the interview with ENEO.

¹³² USAID Power Africa Website (citing international Energy Agency, Africa-EU Energy Partnership)

¹³³ INS, Annuaire Statistique du Cameroun 2015

¹³⁴ Africa-EU Energy Partnership, Country Power Market Brief: Cameroon

¹³⁵ World Development Indicator

¹³⁶ INS, Annuaire Statistique du Cameroun 2015

¹³⁷ MINEE cited by Annuaire Statistique du Cameroun 2015.

Name of Projects	Outline	Finding sources
	2021.	be implemented as BOT.
Expansion of capacity of the Kribi Gas Thermal Generation Plant	Installed capacity of 216MW to be expanded to 330MW.	—
Limbe Gas Thermal Generation Plant	Installed capacity of 315MW.	The detailed study was supported by the Department of Commerce of US Government. A group company of GE signed MOU with the Government of Cameroon for detailed concept design, construction, and operation.
Makay Hydropower Generation Plan	Installed capacity of 347MW. Plans to start construction in 2017 and to start operation in 2020/2021.	A Moroccan company which is a part of American investment fund finances partially.
Monts Bamboutos Wind Power Generation Plant	Installed capacity of 42MW. Preliminary study is on-going.	MOU with CGOC (China)
Solar power	Installing total of 166 generation facilities.	Financed by Huawei and the Government of Cameroon

Source: MINEE (2016) Projets Structurants des Ministère de l'eau et l'énergie

The MOU was signed with the Congo-Brazzaville for the project to develop Challet located at the border¹³⁸. There are other planned projects by foreign investors such as Grand Eweng with signed MOU or studies for the project formulation¹³⁹.

2) Cost and Quality of Power Supply

According to Doing Business 2016 and 2017, the access to electricity is evaluated in comparison with neighboring countries as indicated in the table below¹⁴⁰.

¹³⁸ Campost April 9th 2015

(<http://www.camerpost.com/barrage-de-chollet-les-modalites-de-construction-definis-par-le-cameroun-et-le-congo-09042015/>)

¹³⁹ MINEE, Project Structurant

¹⁴⁰ The actual rank was based on the composite index based on the evaluation of transparency of tariff and supply stability and power tariff in addition to the number of procedures, time required to the connection and the cost incurred by connection.

Table 6-26 Comparison of Time and Cost of Getting Electricity

	Cameroon		Nigeria	Ghana	Côte d'Ivoire	Sub-Saharan Africa
	2017	2016				
Procedures (number)	5	4	9	4	8	5.1
Time (days)	64	64	195.2	79	55.5	115.4
Cost (% in GDP per capita)	1,597.4	1,528.9	442.8	1,265.8	2,589.5	3,711.1
Reliability of supply and transparency of tariffs index (0-8)	3	0	0	0	5.0	0.5
Reference: Power tariff surveyed under Doing Business (¢ /kwh)	15.7	22	20.1	19.3	13.9	—

Source: World Bank, Doing Business 2017, 2016

Note: Cost refers to the cost of subscribing the electricity including the subscription contract, documentary requirement, purchase of equipment and payment for the necessary electric works.

The Getting Electricity in Doing Business ranked 89th in 2017 whereas it was 113 in 2016. The number of procedures is relatively small comparing with SSA in total. ENEO has introduced on-line application for subscription with provision of detailed explanation of the tariffs, fees and charges on their website. Through such efforts, the reliability of supply and transparency of tariff index was raised. In detail, the improvement in total hours of power outage of the year of the survey was also improved.

The quality of the power supply was explained in the Chapter 4. While the unit cost of the electricity is similar to other African countries, the evaluation under Doing Business which uses the certain occasion to estimate actual cost of power consumption indicates Cameroon's power is cheaper than Nigeria and Ghana. On the other hand, private enterprises interviewed during the Survey indicated that it was difficult to operate without generators as back-up. The quality of supply still requires improvement.

(2) Privatization of Power Sector

Cameroon promulgated the Law (n° 98/922, Loi n° 98/022 du 24 Décembre 1998 Regissant le secteur de l'électricité) in 1998 as the basis of the power sector reform. As a result, two entities were established: Electricity Sector Regulatory Agency (l' Agence régulation du secteur de l'électricité: ARSEL) and Rural Electrification Board. The same law provides the legal framework for concession for generation, transmission and distribution, and the liberalization of generation. In 2001, the former state-owned power company, Société Nationale d'Electricité du Cameroun (SONEL), was privatized and sold its 65% share to ACTIS, a fund based in the US. Consequently, AES-SONEL was established and took over the assets and operation of SONEL. The new company was, then, renamed as ENEO in 2014. ENEO undertakes distribution using the already installed facilities, whereas state-owned SONATREL undertakes transmission.

Chapter 7 Analysis on IPA and its Function in Cameroon

7.1 Organization and Function of API

7.1.1 Legal basis of API and its authority

Cameroon enacted the 2002 Investment Charter (Loi n° 2002/004 du 19 avril 2002 portant charte des investissements en République du Cameroun) and established an investment promotion agency called API (Agence de Promotion des Investissements) in order to provide incentives for investments meeting certain criteria determined in the Investment Law¹⁴¹. In 2005, the Prime Minister Decree on organization and function of API (Décret n° 2005/310 du 1er septembre 2005 portant organisation et fonctionnement de l'Agence de Promotion des Investissements) was enacted and API, with its headquarters in Douala¹⁴², was established under the Ministry of Mining, Industry, and Technical Development (MINMIDT) and Ministry of Finance (MINFI) in 2010.

The modified Prime Minister Decree on organization and function of API (Décret n° 02013/269 du 09 Sep 2013 modifiant et complétant certaines dispositions du décret n° 2005/310 du 1er septembre 2005 portant organisation et fonctionnement de l'Agence de Promotion des Investissements) clearly defined that API is in charge of foreign companies and domestic large companies and APME is in charge of domestic small and medium companies as an investment promotion agency¹⁴³.

As this study focuses more on the issues to promote foreign investment, the report mainly summarizes the outline of API, not the APME.

Table 7-1 Roles of each IPA by size and type

IPA	Foreign	Joint venture between foreign and domestic companies		Domestic	
		Foreign+large domestic company	Foreign + domestic SMEs	Large	SMEs
API	○	○	×	○	×
APME	×	×	○	×	○

Source: JICA Study Team based on the interviews from API and APME

Remarks: Foreign = a company whose share of foreign capital is more than 50%. The definition of SMEs is regulated by the SME law.

API's authorization, duties, and responsibilities are determined by the decrees in 2005 and 2013 mentioned above. According to the decrees, the responsibility of API is as follows.

- Create a positive image of Cameroon as an investment destination
- Improve business environment in Cameroon
- Suggest measures to attract investors to Cameroon
- Publicize information on investment opportunities and advantages of investing in Cameroon

¹⁴¹ Décret n° 2005/310 du 1^{er} septembre 2005 portant organisation et fonctionnement de l'Agence de Promotion des Investissements, Charter I Article 4. However, API is not in charge of investments in the oil, mining, and gas sectors.

¹⁴² According to API, the headquarters was transferred from Douala to Yaoundé in 2014, but the pertinent section of the Decree hasn't modified yet.

¹⁴³ According to Policy Framework for Investment (PFI) by OECD, the role of investment promotion agencies are (i) Public relations, (ii) investment promotion, (iii) services to investors, and (iv) policy recommendations.

- Establish a database of investments which investors can access
- Assist investors to operate in Cameroon

7.1.2 API's Organizational Structure, Budget, and Staff Allocation

(1) Organizational Structure

API consists of Board of Directors and General Directorate. The Board of Directors, which is the highest authority in API, approves API's organizational structure, internal rules, and budget etc. The members of the Board of Directors are listed below.

Table 7-2 Members of the Board of Directors

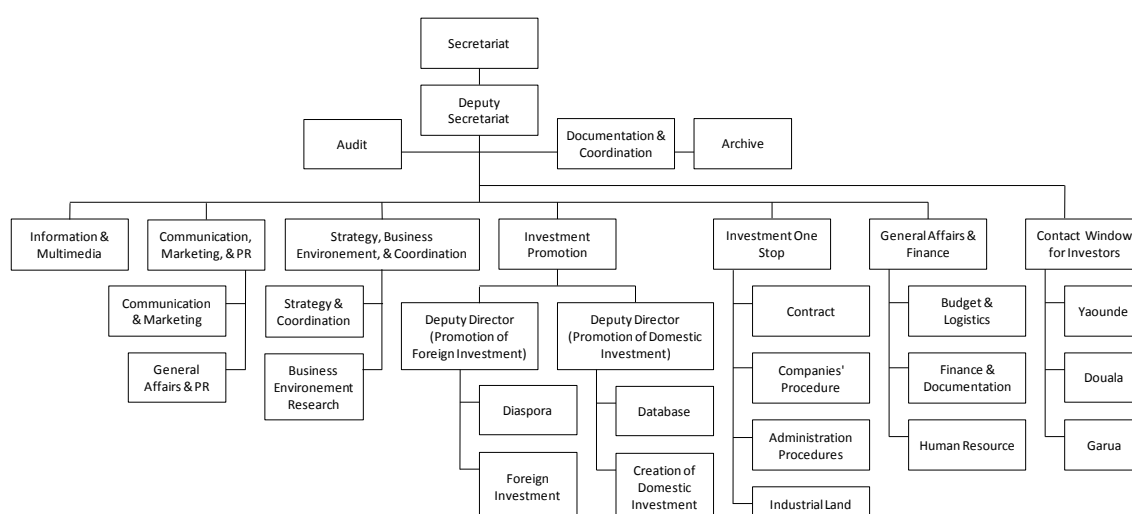
Members	
Chairman selected by the President	1 person
Representative of:	
The Presidential Office	1 person
The Cabinet	1 person
Ministry of SMEs	1 person
MINFI	1 person
Ministry in charge of investment promotion	1 person ¹⁴⁴
Chamber of commerce	1 person
Chamber of agriculture, livestock, and fishery	1 person
Cameroon Business Forum	1 person
Union	1 person
National bar association	1 person
Representative selected by API staff	1 person
	Total 12 persons
*All the representatives are recommended by their affiliation and appointed by the decree signed by the president.	

Source: JICA Study Team based on Décret n°2005/310 1^{er} September

The General Directorate under the Board of Directors has a Director General and one Deputy Director General and both of them are appointed by a decree signed by the president.

API consists of three directorates (investment promotion directorate, investment one stop directorate, and general affairs and finance directorate) and three offices (strategy, business environment and coordination office; communication, marketing, and PR office; and information and multimedia office). In addition, it includes document management and communication department, inventory management section, and consultation service for investors, all of which are directly supervised by the Deputy Director General (see the whole organizational structure as of September 2016).

¹⁴⁴ MINMIDT



Source: JICA Study Team based on the document provided by API

Figure 7-1 Organizational Structure of API (as of September 2016)

The main duties and responsibilities of each directorate/sub-directorate/department are shown below.

Table 7-3 Main Duties and Responsibilities of API

Directorate/Sub-Directorate/Department	Main Duties and Responsibilities
Strategy, Business Environment, and Coordination Office	
	<ul style="list-style-type: none"> To monitor the progress of national policies on promotion of private investment in Cameroon To suggest necessary policies to improve business environment To coordinate with organizations from other countries
Communication, Marketing, and PR Office	
	<ul style="list-style-type: none"> To make an activity plan to market Cameroon to the world To implement a communication policy at API To monitor consultation services setting up at international airports in Cameroon
Information and Multimedia Office	
	<ul style="list-style-type: none"> To manage information security at API To collect statistics and establish a database To manage and operate API's website
Investment Promotion Directorate (in charge of promoting foreign investment)	
1. Diaspora Section	<ul style="list-style-type: none"> To support Cameroonian diasporas to apply for incentives To establish a system which attract diasporas To provide information and documents on investment opportunities in Cameroon to diasporas
2. Foreign Investment Section	<ul style="list-style-type: none"> To participate in events on investment promotion To support providing incentives To provide information and documents on investment opportunities in Cameroon to foreign investors
Investment Promotion Directorate (in charge of promoting domestic investment)	
1. Investment Database Section	<ul style="list-style-type: none"> To collect information on investment from government and private organizations To summarize investment opportunities and make a list of investments To provide information on potential investment

Directorate/Sub-Directorate/Department	Main Duties and Responsibilities
	<p>opportunities in Cameroon with private sectors</p> <ul style="list-style-type: none"> To conduct a survey on financial source for potential investment
2. Formulation of Domestic Investment Section	<ul style="list-style-type: none"> To collect information on domestic investment and potential investment for domestic companies To promote domestic industries in collaboration with other ministries and agencies To examine incentives which contribute to the development of domestic companies (except SMEs) To conduct a study on the development of state enterprises To support to coordinate domestic and foreign companies To promote PPP as a tool for the development of domestic companies
Investment One Stop Directorate	
1. Contract Section	<ul style="list-style-type: none"> To receive and check the application for incentives submitted by investors To prepare documents submitted to the Minister of Finance To check compliance structure in incentives To review incentives written in the Investment Charter
2. Company Administration Section	<ul style="list-style-type: none"> To support investors to make various administration procedures that investors need to do before submitting application for incentives To monitor activities defined by the Investment Charter To simplify administration procedures to provide technical services
3. Government Administration Section	<ul style="list-style-type: none"> To support investors to make various administration procedures that investors need to do before submitting application for incentives To support the investors approved to receive incentives to obtain necessary visas To support investors to access to the public services (e.g. water, electricity, and telephone) To do match-making government organizations and investors
4. Industrial Land Section	<ul style="list-style-type: none"> To support investors to have access to land and buildings To provide information on industrial lands with investors To collect information on demand of investors on industrial lands To coordinate government organizations and investors in terms of land use
General Affairs and Finance Directorate	
1. Budget and Equipment Management Section	<ul style="list-style-type: none"> To manage and implement the budget To prepare and implement public procurement To organize accounting documents To communicate with suppliers To manage inventory at API To manage facilities and equipments at API
2. Finance Section	<ul style="list-style-type: none"> To implement financial procedures To manage finance

Directorate/Sub-Directorate/Department	Main Duties and Responsibilities
	<ul style="list-style-type: none"> To manage taxation To make financial statements
3. Human Resource Section	<ul style="list-style-type: none"> To make trainings for staff To offer welfare benefits To monitor working environment To coordinate with labor related organizations To make office regulations
Consulting Services for Investors	
1. Consulting Services (Yaoundé, Douala, and Garoua)	<ul style="list-style-type: none"> To provide necessary information for foreign investors to enter Cameroon To secure transportation for investors' visits To set up a reception desk at international airports To provide necessary information with investors To organize and manage information to be provided as consultation services

Source: JICA Study Team based on the documents provided by API

(2) Budget and Staff Allocation

The 2016 budget of API is approximately USD 2.3 million, all of which is provided by the government of Cameroon. The budget can be divided into USD 0.73 million to implement activities to promote investments, USD 0.2 million to support investors, and USD 1.37 million as overhead costs (salary for staff at API etc.). That means overhead costs account for about 60% of the total budget. However, API does not receive the budget from the government as scheduled.

API faces serious manpower shortage as there are only about 40 people mainly assigned at the Investment Promotion Directorate and Investment One Stop Directorate when the authorized number of staff at API is 85 as shown below.

Table 7-4 Authorized number of staff at API (as of September 2016)

Directorate/Department	Person
Secretariat	7
Deputy Secretariat	5
Audit	1
Document Management and Communication Department,	4
Strategy, Business Environment, Coordination Office	5
Communication, Marketing, PR Office	7
Information and Multimedia Office	5
Investment Promotion Directorate	12
Investment One Stop Directorate	14
General Affairs and Finance Directorate	14
Consulting Services for Investors	11
Total	85

Source: JICA Study Team based on the documents provided by API

Due to such manpower and financial shortages, some offices are not in operation. For example, there is no staff at the Communication, Marketing, and PR Office, and the activities which are supposed to

be implemented by the office are currently being outsourced.

When it comes to develop capacity of API staff, API seeks support from outside of the organization due to various limitations. For example, API received lecturers from Cote d'Ivoire for internal trainings. Also, API concluded a partnership agreement with the Turkish embassy in Cameroon and Turkey invited some API staff to the investment forum held in Turkey. Recently, the government of China invited some API staff to one-month visit to China and introduced how to set up SEZs and tips to make the operation success.

7.2 Overview of API's investment-promotion activities

7.2.1 PR and Promotion Activities

API has a website (<http://investincameroon.net/en/>) and leaflets both in French and English as basic PR tools.



Figure 7-2 API's website



Figure 7-3 Leaflets for investment promotion

The home page of API's website briefly summarizes sectors with investment potential, the attractiveness of Cameroon as an investment destination, news about the country, and information on investment-related events. Within the website, there is up-to-date information useful to investors, including services that API provides as well as general information on Cameroon economy and society, guides for investment, practical incentives, procedures necessary to start business in the country, legal information on taxes and investment, business environment, and a wide range of other information. It has contact points with email addresses and telephone numbers for consultation as well, as providing the minimum level of data needed to enable potential investors to contact related parties in API directly.

API creates brochures of general investment climate, conduct a marketing study on potential sectors for foreign investments, and translate the law on incentives both into French and English. Also, API is trying to implement a marketing study by sector.

It holds events for investors at irregular intervals, as opportunities for providing information in person. Recently, API organized the International Economic Conference (May 17-18, 2016) and Cameroon Investment Forum (November 25-27, 2016). Also, as the Director General of API is the

former President of the Africa region of WAIPA (World Association of Investment Promotion Agencies), API utilizes networks with other IPAs in the world and participates in various international conferences. The dispatch of lecturers from Cote d'Ivoire and the invitation to an investment forum in Turkey, both of which are introduced in the previous section, are some of the examples.

7.2.2 Investor Services

(1) Services Provided by API

Due to limitation of organizational structure, budget, human resources etc., API's virtual investment promotion activities are primarily concentrated to investment approval process. API provides penetration assistance and operation support based on request from investors. Monitoring and aftercare is also API's responsibility. The following are major investor services provided by API.

< Investor Services provided by API >

Penetration Assistance: (i) supporting foreign investors to acquire entry visa, (ii) providing information regarding investment climate etc.

Operation Support: (iii) providing information regarding business activities, and supporting foreign investors to acquire relevant licenses and to acquire land, (iv) supporting foreign investors to obtain investment approval (covered by the Investment Incentives Law No.2013/004), (v) providing support to secure necessary infrastructure facilities for actual business activities such as power, water and access road.

Monitoring and Aftercare: (vi) confirming the progress of investment plans through actual visits to business sites, (vii) monitoring the agreed incentive mechanisms, (viii) providing support for problem solving.

As regards (iii) under operation support, target sectors exclude petroleum, mining and gas, which the Investment Incentives Law No.2013/004 does not cover. For agriculture sector, for example, API provides results of the study on individual farm products (cassava, coconut etc.) conducted by the government for investors for their reference. In addition, as regards land acquisition, API staff accompany investors to the Ministry of State Property and Land Tenure for consultation as per requested by investors. API has concluded a business collaboration agreement with the SNI, and has been providing information to investors regarding a joint venture opportunity with the SNI as one of the options for investing in Cameroon. (See "5.5.3 Implementation of Investment Projects through Joint Investment with the Government") As regards (iv), see "6.2.2 Investment Approval". As regards (v), API has actually supported a cement factory, which had already transferred into operational phase.

As regards (vi) under monitoring and aftercare, investors are required to report their activities to API every six months; thus, API confirms the progress based on the report. In addition, API staff of Monitoring Department visits the actual business sites every year and check whether the investment projects are smoothly implemented in accordance with the business plans as well as human resource and financial plans etc. Regarding (vii), API monitors whether the agreed incentives are actually provided as agreed. Regarding (viii), API conducts individual hearing survey to investors to check

and consider countermeasures for various problems which investors are facing during operational phase.

(2) Activities by the Monitoring Committee

Aside from API monitoring, a monitoring committee (Monitoring Committee)¹⁴⁵ is established under the Prime Minister's Office (consisting of API, MINFI (Tax Department and Customs Department), and Prime Minister's Office). This committee monitors the situation of compliance with all of the conditions (installation of materials and equipment as agreed, import and domestic procurement as agreed, revenue generation as agreed, and creation of employment as agreed) agreed at the time of investment approval. This committee monitors every year while the investment project is in the establishment phase. After the business moves into the operational phase, the committee reduces the frequency of monitoring and conducts joint field monitoring with related ministries and agencies that grant licenses concerning the operating activities of such business in coordination with them. The committee also approves the transition of the investment projects from establishment phase to operational phase. As for the monitoring, the committee corresponds to the fields including the duty of the monitoring committee. The monitoring that overlaps between API and the monitoring committee is implemented on a joint basis.

In addition, the monitoring committee has an arbitration function to solve dispute between the government and investors¹⁴⁶ and listen to the request and appeal of investors. According to API, when an investor appealed that the investor was called into question of the Customs Department importing the material with no customs duty though that material was not authorized to exempt import duty as investment preferential treatment, the committee arbitrated in a dispute between the investor and the Customs Department. Finally, the suspicion against the investor was cleared. In this case, the committee properly fulfilled the function of investor protection. The organizations constituting the monitoring committee are required to accomplish the common purpose as the committee beyond own self-interest of parent organization.

7.2.3 Current State of OSS

According to API, the directionality that API seeks as an investment promotion agency in the future is to become a collaborator for foreign investors and large enterprises in the all phases of "penetration assistance", "company formation", "operation support", and "monitoring and aftercare" and to provide the one-stop service that unitarily assumes duties. There was a statement that for the necessary administrative procedure, not only CFCE under APME but also API was intended to

¹⁴⁵ The monitoring committee is defined in Part IV, Chapter II of the Investment Incentives Law No.2013/004.

¹⁴⁶ According to API, the party who can ask the monitoring committee's arbitration is limited to the investors that are granted the preferential treatment under the Investment Incentives Law No.2013/004. On the other hand, API offers support to all large enterprises and foreign investors in Cameroon. Even an investor who is not granted the investment preferential treatment under that Law is able to enjoy the service from API.

become a contact to foreign investors and large enterprises when they formulated a company in consideration of investors' usability. Furthermore, API intends to become a contact for the acquisition of various licenses and land necessary for business operation from the related ministries and agencies. In other word, it is ultimately aimed that investors don't need to visit the related ministries and agencies. Refer to the Figure 6-3 of "6.2.2 Investment Approval".

However, in reality, there are restrictions of organizational structure, budget, human resources, and so on. In the existing conditions, even the authorization duty concerning investment preferential treatment, API's primary duty, the decision of granting the preferential tax treatment is still reviewed and finally decided by the Tax Department and the Customs Department of MINFI. The collaboration between API and MINFI is not yet fully established. CFCE is the contact organization for the company formation procedure. Various licenses necessary for business activities need to be obtained from the related ministries and agencies individually.

According to API, in order to materialize the above OSS goals, a lot of decisions and administrative procedures including budget and payroll burden are necessary about the dispatching of employees from related all ministries and agencies to API. However, its realization is not in sight.

7.2.4 Policy Recommendation

Policy recommendation is one of API's missions. API conducts an individual interview to investors and listens to their opinions. API summarizes problems and things to be improved. API presents its policy recommendations to the Prime Minister's Office through its Director-General and implements the efforts to lead up to the formulation of measures to improve business environment. API joins CBF and continues policy dialogue with private sectors through this framework. For the amendment of the Investment Incentives Law No.2013/004 that discusses the necessity of amendment in CBF, the specific countermeasures are discussed in the working group composed of API and MINFI (Tax Department and Customs Department). In this issue, the Director-General of API participate in the meeting held in the Prime Minister's Office every week. In addition, API engages in the policy dialogues with AfDB, UNIDO, and the World Bank. API makes policy recommendations in listening to the suggestions from donors. The current Director-General of API is the former president of Africa region of the World Association of Investment Promotion Agencies (WAIPA). API participates in the international conferences through the activities of WAIPA.

However, API does not have sufficient work force or budget to make an independent-minded policy proposal. Under the circumstances that the service provision to investors, monitoring, and aftercare are not fully workable. It is difficult to evaluate that API has enough capability to find important issues and to form policies toward the solution of such issues.

7.3 Evaluation of API's Organization and Function and Investment Promotion Activities

7.3.1 Evaluation of Organization and Functions and Direction for Improvement

The organizational structure and annual activity plan of API were already made, but actually, those are not properly implemented due to lack of budget and staff. Therefore, the Board of Directors of API is discussing the possibility of receiving assistance from other organizations especially donor agencies. The planned activities are prioritized and API focuses more on those which rather easily can show promising results.

Although API is making efforts to implement as many tasks as possible, the allocation of staff and budget have to be done as schedules as a first step to be an investment promotion agency to support foreign investors to invest in Cameroon.

7.3.2 Evaluation of Investment Promotion Activities and Direction for Improvement

(1) PR Activities

As a PR activity to potential investors in the world, API disseminates basic information on investment in Cameroon through its website. It is noteworthy that API takes advantage of the latest tools such as Facebook and Twitter which make it possible to communicate easily with vast numbers of users, together with traditional publicity tools such as newsletters and blogs. However, their applications do not appear to be very proactive. For example, the latest news on its website is more than 6 months old and the link to newsletters and the one to blogs lead to the same article, which means there is no difference between newsletters and blogs. The sites for Facebook and Twitter are prepared, but no information was released¹⁴⁷. Therefore, it is important to enhance the content of information provided, update the information more frequently, and stimulate the interest of potential investors. To be more specific, API can provide statistics and explain the current situation in Cameroon by using the data to improve the image of Cameroon. There is possibility for utilizing practical knowledge of the companies in the Cameroon market as successful case studies, which are not currently made available.

(2) Investor Service

API's contact service for investors is currently focusing on the approval of investment incentives. To the extent of interviews to the local enterprises, we could not find the specific examples that API assisted the acquisition of various licenses necessary for business activities and the acquisition of land. Some enterprises relied on a private consulting company but not API when they prepared the documents to apply for the approval of investment preferential treatment. Furthermore, the length of time that the investment preferential treatment is approved is not in accordance with the regulations

¹⁴⁷ Facebook shows only one article which is 6 months old and API has never tweeted.

(See “6.2.2 Investment Approval”). In actuality, it takes a lot of time for the screening by MINFI (screening of preferential treatment on tax system and export import duties). An informant said it took three to six months on average after submitting an application. Based on these facts, it is necessary from now on to further improve API’s investment promotion operations.

7.3.3 Direction for Improvement to enhance the capacity of API

The organization reinforcement, as stated in Chapter 5, presupposes the arrangement of API’s authorization right and each ministry’s official duties. In addition, the following measures are significant: (i) expansion of budget and deployed work force; (ii) improvement of service provision function; and (iii) establishment of management administration system. As for item (i), sufficient fund and human resources are essential to provide minimum service currently defined. In doing so, on top of government budget allocation, there is a room to have its own income resources, even small in size, like similar organizations in other countries¹⁴⁸. When the work force is expanded, to hire the human resources with experience in private enterprises enables the provision of customer (investor) oriented service as will be described below.

As for item (ii), it is necessary to understand investor needs and to provide service in a timely manner to meet such needs¹⁴⁹. To do so, besides the collaboration with the related government organizations, to have regular communication with private sectors such as major industry groups and the chamber of commerce and industry enables the provision of more effective service reflecting the actual needs of investors.

As for item (iii), the organization chart to provide the service stipulated as duties is already prepared¹⁵⁰. Hence, it is necessary to develop the human resources fostering system for each staff to operate the organization. By implementing the training concerning the necessary skills and technique to provide the principle services, each staff will improve their skills. The official duties of each section and each person in charge have to be defined in detail. The standard operating procedures have to be created. A job-related goal to be achieved in each operation and a service outline has to be clarified. The operation management method and flow have to be established. Thus, the lead times for output, cost, and quality can be stabilized. In addition, it is important to introduce an appropriate employee evaluation so that the fostered human resources can continue working effectively for API.

¹⁴⁸ For example, they introduce membership system and collect membership fees or provide some services for a price.

¹⁴⁹ For example, to become familiar with a situation concerning the various regulations and procedures that investors will face and the conditions of each sector enables to meet investors’ requests.

¹⁵⁰ However, it is necessary to examine separately that if the organization is appropriately formed to provide all services required.

Chapter 8 Conclusion

8.1 Overall Evaluation of the Situation for Investment Promotion

8.1.1 Political and Economic Background

Under the long-term Biya administration, Cameroon has maintained political and social stability. However, unpredictable future prospects due to the aging President and future transition are regarded by the business community as significant risk factors in the future. Despite the stability, the situation of governance has not been well perceived: Cameroon's positions in comparison in the regions on such issues as rule of law and corruption has not been necessarily high. In terms of the area of security, terrorism poses large concerns around the areas bordered with Nigeria.

While Cameroon's dependency on the oil in national income is relatively lower than the rest of CEMAC members, the risk rating by IMF was raised in the debt sustainability analysis in 2015.

8.1.2 Analysis on Investment Potentials

The resource of the competitiveness of Cameroon, which is part of its investment potentials, includes the diverse natural environments existing in the country with mineral, forestry, and other natural resources endowments as well as existing agricultural production. The country has population of 24 million which has recorded a growth rate of 2.5% per annum in recent years. The continuous growth of both domestic market and the labor force are expected. Trade is larger now with the emerging markets such as China than European countries, the traditional trade partners. The ratio of trade with regional partners is limited. Trade with Nigeria, the regional giant, has been maintained although a significant portion may be assumed to be informal. In terms of the industrial structure, Cameroon has some established production and exporting value chains of mineral resources and agricultural products. Some are predominantly operated by state-owned enterprises as seen in the cotton sector. Some domestic capital is also operating such industries as food processing and trading including wholesale/retail. Recently, multiple foreign operators have entered into the communication sector. In the banking sector, African regional banks have been providing services in addition to the existing European banks.

Foreign investors in Cameroon are categorized based on the analysis in Chapter 3. The first type of investment is "horizontal type" because it is estimated that Cameroon will continuously increase its population and purchasing power, which leads to the economic growth. This investment type aims at the access to the market: They set up the production and/or marketing channels in the investment destination. In Cameroon, it may be a type of investment regarding growing population with stronger purchasing power. The criteria of investment decision are possibility of seizing market access with the satisfiable scale of economy. It is especially important for production. The population of Cameroon is smaller than Nigeria. In the long-run, economic integration in the areas along the Gulf of Guinea including CEMAC and ECCAS can contribute to the investment potentials of Cameroon.

One types of the investment observed recently is the case where a trader started the sale of motor cycles and eventually went to the assembling. This type of investment takes step-by-step approach to secure market and distribution networks. Another type is merger and acquisition. A large-scale beverage company bought the operation of an existing local company. In case of a new product to be introduced in Cameroon market, existing channels of similar goods may be utilized. Combination of services such as maintenance services and financing may be able to induce the demand.

In Cameroon, distribution channels of some products including general consumer goods have been established and under the control of a few dominant entities, either foreign or domestic capital. In such areas, the market may be segmented and served by specific marketing channels for distribution. Apart from consumer goods, products such as heavy equipment and machinery are, for example, sold through European distributors to the large-scale users such as government entities and large-scale farmers. On the other hand, despite the support by the Government and donors, it may take some time to form the supporting industries by existing SMEs to have linkages between large-scale industries.

In the banking sector, French- or British- origin multinational banks mainly provide trade finance, whereas the large portion of the population including the vast majority of small and medium enterprises only has access to informal finance. In some areas where state-owned enterprises (SOEs) have their significant market share, the entry into the market with the partnership with such SOEs may encounter the control or influence of the Government.

The second type of the foreign direct investment may be the “vertical” type. The production or service provision sites established through this type of investment are a part of the vertical chain to create the products or services. In many cases, the invested sites products goods for export to the third countries. In this type of investment, the situation of cost factors is important criteria when investors select the investment destinations. Production sites for many manufactured goods may fall into this category. Taking the example of textiles and garments, Cameroon is granted duty and quota free access to the US market under AGOA. However, AGOA has been utilized only on a limited basis. This Survey could not identify the detailed background, but one of the reasons for limited investment in the garment sector may be the cost incurred by the logistics. In the garment industry, it is important to procure various types of raw materials and parts promptly in order to meet the fast-changing market demand. Such materials and parts are mainly sourced from Asian countries. Textile and garment industries have to be competitive enough with Asian countries by pushing down the various aspects of costs including labor, logistics, utilities and so forth. At the same time, Cameroon also has to compete with the other African countries that are also granted with same favored access to the large markets and located and endowed with similar competitiveness factors.

Apart from two categories mentioned above, access to the natural resources and primary

commodities may be another pattern. It may be more typical and traditional for African countries including Cameroon. Those products with established value chains up to the final market abroad typically fall into this category. In the recent trend, other natural resources may be exploited through investment in areas such as hydropower generation projects and access to the less utilized or new resources taking advantage of biodiversity. REDD++ has been introduced where conservation of forestry resources and economic development are attempted. The hydropower generation projects identified under the Survey periods were explained in the Chapter 6. French EDF, IFC and the Government of Cameroon launched the Nachtigal Hydro Power Company and the project. Other IPP projects have been also announced by the private financiers. The Government has been proposing a few other PPP projects for power generation. In 2011, the first REDD++ project was announced¹⁵¹.

Also, it can be possible to acquire or inject some capital in a whole supply chain (e.g. from agricultural production to export).

8.1.3 Evaluation of Business Environment

In interviews with enterprises, the informal sector was raised as a problem. While the formal sector is vulnerable from harassment by tax officers who are pressurized with raising revenue, the informal sector evades paying tax. Where the entry into an industry is easy, informal players start business and take some share of formal business. One of the root causes of this situation may be found in the lack of incentives for enterprises to be formalized. Regarding the tax pressure and the distrust of public servants as regards the tax, enterprises may select to remain informal. Due to the smallness of the formal sector, the harassment and pressure may be concentrated in a limited number of formal sector companies.

Such situation where fair competition is not secured may be regarded as an environment where profit is less likely to be generated. The risk of doing business may be further perceived to be high. Consequently, potential investors may be less attracted with Cameroon as an investment destination.

The Government has set up one-stop center company registration. Support to SMEs is also provided. These measures aim at reduction of the burden for establishing companies and continuous operation of SMEs. Tax rates are generally higher in an international comparison. Collecting tax is also pointed out as an issue to be improved.

Transport and logistics are also a problem which impacts the business environment. One of the major bottlenecks is the handling capacity of the Port of Douala. However, institutional aspects such as customs duty and other fiscal requirement and administrative process involved in international trade should be also regarded as the burden for business. Together with the infrastructure

¹⁵¹ Global Green Carbon and University of California Los Angeles (UCLA) announced the implementation of pilot project for conservation of forestry resources.
(<http://www.globalgreencarbon.com/news/press-releases/ggc-first-redd-proyect-in-cameroon>)

development, intuitions should be also improved to reduce the burden to business. In terms of infrastructure, power is also raised as an issue by the private sector. The low ratio of electrification, limited coverage of grid, and quality of the electricity supply increases cost of operation. In the area of agriculture, acquisition of existing producers with established value chains may be one of the ways to start investment.

8.1.4 Evaluation of Legal System for Investment Promotion

(1) Evaluation of Laws and Institutional Arrangement for Investment Promotion

Cameroon has some basic laws for securing the equal treatment of domestic and foreign investors, and investor protection. Investor promotion measures implemented so far have four major pillars: namely, fiscal incentives for private investment, incentives to PPP projects, direct involvement of the Government by provision of capitals, and industrial site development and management. Deregulation and regulatory reforms in power and communication sectors have also been undertaken in order to enable private sector participation into the infrastructure development and service provision. Based on these policies, infrastructure needs were observed to select and focus on some areas which are critical for industrial development regarding the limited resources especially regarding the fact that the performance of each policy varies. In some case, the policy measure can be more under control by the state rather than by promoting private investment.

(i) The fiscal incentives for private investment have been provided based on the Investment Incentive Law (Loi n° 2013/004) and sector laws for investment for extraction and exploitation of mineral resources. The Investment Incentive Law (Loi n° 2013/004) was established as a major policy measure for investment promotion. However, as analyzed in sections 5.5.1 and 6.2.2, the implementation process and the capacity of the implementing body require improvement.

(ii) For promoting PPP investment projects, viable proposals with the understandings of the characteristics of PPP projects should be first developed as public entities. At the same time, management of the projects starting from the contract negotiations up to the implementation can be improved through the strengthening the capacity of the Government entities such as CARPA and the implementing agencies.

(iii) The Government participates in investment projects through provision of capital managed by SNI. However, it was observed that the involvement of SNI into the management of companies/ventures is not necessarily based on rational decision.

(iv) In the area of industrial land provision, MAGZI develops and leases lands. Currently, 7 sites are developed and operational. The leasing price and terms are set relatively flexibly in order to have more tenants. On the other hand, SEZ with infrastructure development and fiscal incentives has not yet been operational without the regulatory and implementing body.

As seen in items (i) and (ii), implementation process and the organizations of policy measures can be streamlined and strengthened for entailing positive impacts. As for the type of intervention as item (iii), on the other hand, the Government should respect the rational decision based on the ultimate goal of business and specialized skills and knowledge owned by the private sector partners.

(2) Evaluation on the Efforts for Improving Business Environment

Cameroon Business Forum (CBF) was set up as a forum for a dialogue between public and private. The Prime Minister-led dialogue mainly discussed the issues along the lines of Doing Business and identifying the problems and mitigating measures as well as the action plans which were monitored and reported to the subsequent CBF.

While the Government side stakeholders evaluate the outcomes positively, the private sector and development partners evaluated as it requiring improvement especially on the attitudes of the Government toward the private sector and the implementation process. Since it is a good start for having continuous dialogue, CBF should be re-organized to be a platform for promoting effective communication.

8.1.5 Evaluation of Investment Promotion Agency

Multiple IPAs in the broader term can be identified in Cameroon. Apart from API and APME which are in charge of issuance of agreement for investment incentives under Investment Incentives Law (Loi no 2013/004), other entities can be also named as follows: CARPA in charge of promotion and supporting procurement under the PPP arrangement, SNI in charge of participation of the state capital and portfolio management of state-owned enterprises, MAGZI in charge of the development and management of industrial sites, and the SEZ authority under preparation.

Some of these institutions work under partnership, but it may require more streamlining of the systems for investment promotion or some measures to provide the information in an easier manner in order to increase the quality of services and accessibility of such services for investors.

This Survey reviewed mainly the functions of API. API has wide-range of the responsibility regarding the investment promotion from public relations, promotion, administration of process of the approving investment incentives, up to aftercare. However, the range of the services and their activeness are rather limited due to the limited allocation of human and financial resources. Another problem of limiting the activities of API is the institutional design where the actual approval of the provision of fiscal incentives as well as other permits and licenses are still under the control of other ministries.

8.2 Entry Path of Foreign Investment and Observed Problems

The table below shows the types of foreign investment according to the purpose and the observed obstacles for the promotion for such investment to Cameroon.

Table 8-1 Types of Foreign Investment and the Problems and Mitigating Measures for Newly Entrants into Cameroon

Sector	Current Situation and the Problems for Investment	Possible Ways to Starting Business in Cameroon	Possible Measures Investment Promotion
Food processing, consumer goods, light industrial goods (e.g., wearing apparel) (For the domestic and regional market)	<ul style="list-style-type: none"> • Growing population and economies increase the attractiveness as market. It is necessary to be competitive among the countries with similar conditions in the area of Gulf of Guinea. It is also necessary to embrace the regional market. • More import due to the economic development. • Some may have distribution and marketing channels by European and domestic operators based on the historical background. • In the area of manufacturing, both domestic and foreign investments observed in the food processing. • Some SMEs have some capacity of visions and capacity to make necessary investment to cope with the market trends through embarking on producing the new products. 	<ul style="list-style-type: none"> • Starting from sales, some kind of local business basis (representative offices, distribution and service basis, or production bases) may be established in the future. • Merger, acquisition and partnership with the locally established players may provide the efficient ways to secure the supply and marketing channels. 	<ul style="list-style-type: none"> • Long-term integration of regional economy should be promoted. • In order to be competitive among the countries in the region, it is important to increase attractiveness through strengthening relatively well developed industry, more active private sector and infrastructure development to reduce the cost of operation. • In the short-term, information dissemination on the industrial structure and detailed contacts of existing enterprises at API and other entities may serve for broadening attention of potential investors.
General machinery and transport machinery	<ul style="list-style-type: none"> • Heavy machinery is mainly purchased by the Government for infrastructure development. Large-scale agro and forestry operators are also those who use such machinery. • Knock-down factories were expected to be established with the fiscal incentives provided by the Investment Incentive Law. • The supporting industries for local sourcing may be difficult to find for some sectors with rather premature stage of SMEs. 	<ul style="list-style-type: none"> • Starting from sales, some kind of local business basis (representative offices, distribution and service basis, or production bases) may be established in the future. • In order to secure the market, services, leasing and financing may be also considered. 	

Sector	Current Situation and the Problems for Investment	Possible Ways to Starting Business in Cameroon	Possible Measures Investment Promotion
Communication and other services	<ul style="list-style-type: none"> Market liberalization of the communication sector encouraged multiple carriers to enter into market. In the banking sector, European banks are more focused on trade finance, whereas the African regional banks are tapping the opportunities in retail banking. A Japanese company has a track record of supplying machinery for PPP project with some support for operation. 	<ul style="list-style-type: none"> Supplying machinery, equipment and system as a whole under turn-key may have some possibility with the partnership with local companies. 	<ul style="list-style-type: none"> In the short-term, information dissemination on the pipeline projects and the tender biddings by CARPA and MINEPAT. Windows to answer inquiries among the key government agencies are also necessary. Strengthening the support for project formulation and search for local partners of potential investors. The services may be provided private business service providers as well as private sector organization.
Construction materials and mineral resource processing	<ul style="list-style-type: none"> A private investor of ALUCAM divested which lead ALUCAM nationalized for continuous operation. Cement has been produced by the producers including foreign investors. Infrastructure and housing development is a continuous concern. Substantial demand for construction materials exists. Construction materials are also exported to Nigeria. Crude oil is exported, but import from other countries for refining at SONARA for domestic consumption and export purpose. 	<ul style="list-style-type: none"> It may start with sales of the products and later expand to investment. Merger and acquisition may be one of the ways. 	<ul style="list-style-type: none"> Infrastructure development (e.g., transport and power). For trading, logistics infrastructure should be improved in order to lower the cost burden. In the short-term, information dissemination on the industrial structure and detailed contacts of existing enterprises at API and other entities may serve for broadening attention of potential investors.
Agro-and forestry production and processing (For export)	<ul style="list-style-type: none"> Traditional export commodities have established value chains. Product specific controls exist for such products. For the fresh products, air transport is 	<ul style="list-style-type: none"> Acquisition of the producers with a basis of production and marketing channels. Large-scale producers and processors may be targeted 	<ul style="list-style-type: none"> Strengthening the support for project formulation and search for local partners of potential investors. The services may be provided private business service providers

Sector	Current Situation and the Problems for Investment	Possible Ways to Starting Business in Cameroon	Possible Measures Investment Promotion
	<ul style="list-style-type: none"> utilized together with sea transport. Due to the existence of two different markets, agro-machinery and inputs are with channels which segment the market. 	<ul style="list-style-type: none"> as customers for machinery, equipment, and other inputs. The established channels governed by trading companies exist. 	<ul style="list-style-type: none"> as well as private sector organization.

Source: JICA Study Team

Recent inward investment trend to Africa shows that the horizontal type investment started to increase in addition to the traditional investment to utilize natural resources. The investment of horizontal type seeks the market access. In order to reduce the cost of trade, the investors shift the sites of production or service provision from their country of origin or third countries to the countries where they sell the products and services. In Cameroon, for example, a motorcycle manufacturing facility was under preparation for the assembling instead of importing the complete goods. In order to support such investment, connectivity in the regional market will be the key strategy in the mid- to long-term for offering broader market access. In the shorter term, any support to reduce the costs for operation will contribute to increase attractiveness as an investment destination.

Before direct investment, investors tend to start from trade and sales through their agents in order to be familiarized with the market. After knowing the market with the projection of raising profits, they may gradually consider further investment. As there are some key local distributors in certain products with already established channels, investors may choose partnership with such companies.

8.3 Suggestions for Promoting Foreign Investment

8.3.1 Development of the Strategy for Investment Promotion for Improved Policy Effectiveness

The Government of Cameroon has developed basic set of policies and legal documents to facilitate private investment. Some key issues such as non-discrimination between domestic and foreign investors, investor protection as well as the provision of incentives are already encompassed in the key laws such as Investment Charter Law Investment Charter Law (Loi no 2002/004) and Investment Incentives Law (Loi no 2013/004). However, it does not fully target the sectors or types of investment from the aspects of industrial development and export promotion. Policy measures are not selected in order to have maximum effects.

The strategy for improving competitiveness as an investment destination of targeted sector can be first developed, while the general business environment is to be improved in order to build up broad-based and private sector-led production or service provision basis.

For example, investment promotion targeting the industries for domestic and regional market can start from active promotion using the information on the details of specific industries on market and distribution networks and possible partner companies. The purposes of such activities are to call for attention and awareness of potential investors toward Cameroon. Starting business and establish contacts with potential investors may be first required at this stage. The efforts of improving general business environment may then be able to provide some sense of stability, predictability and reliability to the investors for the further investment. It should be noted that this type of step-wise investment promotion requires more attention than the fiscal incentives. Potential investors are collecting information through trade and business activities prior to the direct investment. Therefore,

broad-based improvement in business environment is critical in the long run.

8.3.2 Public and Private Dialogue for Investment Promotion

The strategy for investment promotion and improvement of business environment may be more effective through the fruitful public and private dialogues. Such dialogues can provide more information on detailed and critical business issues as well as structural issues of industries which cannot be captured in the aspects covered by Doing Business. Thorough review of the process and the outcomes of the Cameroon Business Forum (CBF) should be the basis for the improved dialogue. More stress should be put on the ownership of the Government with clear understandings of the goals of the dialogues. The process should follow basic principles in order to be effective. Especially, (i) communication between public and private, and (ii) commitment of line ministries in charge of the specific issues with the budgetary back up are pre-requisite for the successful outcome.

In the framework of CBF, the Office of Prime Minister has taken the initiatives for actual implementation of the necessary reforms. On the other hand, some people observed that the commitment to the reform varies among the ministries. Reviewing some success stories across the world, the reform for improving business environment requires both the leadership with the commitment with higher level of the Government and effective ways of monitoring and feed-back mechanism which can incentivize the actors in charge for the reform.

8.3.3 Infrastructure and Institutional Development for Building Competitiveness

(1) Trade Logistics

Cameroon naturally has potential to be a hub for logistics and manufacturing and service industries based on the comparative advantage in economic and geographical position in the regional economy. However, the current transport infrastructure in Cameroon starting from the Port of Douala is not in a condition to capture the potential demand. With the newly developing infrastructure such as the ports in Kribi and Limbe, reduction of the time and cost should be promoted. Infrastructure development should take multi-modal transportation network into consideration for facilitating industrial development.

For example, the connection between two new ports and Douala with the largest industrial center may be still important for the time being before the industries may be located around Kribi and Limbe in the future. Therefore, the road and sea transport network will play an important role. Not only the good infrastructure development but the price setting of the various transportation services including feeder services between ports should also be strengthened to provide cost competitive pricing.

In terms of the trade-related administrative processes, GUCE functions may have more room for improvement. Current efforts of introduction of e-processing is a good start. The progress of

simplification and the responses from the users can be tracked and improve the system further.

(2) Facilitation of Easy Access to Industrial Sites with Good Business Environment

The Government of Cameroon has completed preparation of the basic legal framework for setting up the special economic zones (SEZs). However, the implementing bodies in the Government have not been established. As seen in the example of MAGZI (see Chapter 5), well-prepared industrial sites at the favored locations can attract the demand. While it is difficult for business to avoid various administrative controls which may sometimes induce corruption if operating in the normal circumstances, certain areas may be allowed to exclude some administrative requirements. SEZs with such arrangement may be attractive both for domestic and foreign investors.

While it is necessary to target some key investments and provide the favorable operational environment, it is also noted that any policy instruments with the fiscal incentives and government investment can impact on the government financial situation. As seen in the Investment Incentives Law (Loi no 2013/004), it is also important to design the implementing organizations which can function without cumbersome processes.

(3) Capacity Building for Formulation and Implementation of PPP Projects

Infrastructure development may be largely promoted through the strengthening private sector participation and partnership. As infrastructure projects tend to be large-scale, it is important to manage the risks. Formulation of the viable projects, quick decision making, and easy and fast process of administrative requirements may be contribute to increase the predictability of the project implementation process and management so that the risks can be reduced.

8.3.4 Strengthen the Government's Capacity of Investment Promotion

(1) Reviewing and Streamlining Investment Promotion Policies

Cameroon has multiple policies and institutions to promote investment promotion. While each has its significance and targeted impact, the diversity may not be effective as they are not functioning as they are expected. Therefore, it may be advisable to streamline the promotion schemes and organizations in charge and to concentrate on some key mechanisms for resource allocation. In case that it is difficult to manage organizationally, the coordination among the institutions with necessary information sharing and delegations may be necessary.

For example, the streamlining flow and expediting may be considered for investment incentive approval under the Investment Incentives Law (Loi n° 2013/004). Other licenses are required for undertaking various types of economic activities. These licenses are under the mandates of various entities. Therefore, major preparation may be required first to embark on the streamlining. Setting up the focal points, periodic information exchange may be the first starting point to identify the possibly entry points for improvement.

(2) Strengthen the Function of IPAs

1) Improving and Diversifying the Investor Services

The functions of IPAs including API, APME and CARPA should be strengthened in order to undertake the critical tasks starting from information dissemination, project formulation, support for administrative process before and after obtaining approval of investment incentives, and aftercare services. It requires human resource development, organizational capacity building, and financial resource allocation. As explained in Chapter 5, it was observed that the approval of investment incentives provided under the Investment Incentives Law (Loi no 2013/004) was granted not only for totally green field investment but some existing investors. In order to increase the effectiveness of the law to attract the targeted types of investment, more active approach for attracting new investors may be necessary. First, image building of Cameroon, proactive information dissemination and promotion activities are critical tasks. Second, IPAs' accessibility and user-friendly service provision is also required. For investors, IPAs may be the first contact in Cameroon starting for them to explore entering the country. Therefore, IPAs should build their capacity with adequate level of resource allocations as well as the mandates and power to perform effectively.

The Government of Cameroon may first need to confirm the missions and mandates of IPAs and to set adequate guidance and directions for their operation with performance targets before embarking on the capacity building of these IPAs.

2) Reinforce Capacity for Information Collection and Dissemination

Through the Survey, it was found that the collection on necessary information for investment and business operation is time-consuming. It is a generically observed problem for many African countries. It takes some time and effort to identify latest and necessary legal and administrative documents. These types of information are important for the potential and new investors as well as existing business operators.

Improved access to the latest legal documents may be also facilitated through the effective announcement of changes occurred across various government entities. As a part of the after care provided by API, accumulating such information and building some reference functions as well as information sharing based on the inquiry may be considered.

3) Strengthen the Dialogue between Public and Private Sectors for Effective Policy Formulation and Implementation

Investment promotion agencies (IPAs) such as API play the role of absorbing the views and voices of investors through providing investor services including information dissemination and administrative processes. Therefore, these institutions should be more active both in accumulating information on the perception of investors and the private sector, in coordinating both sides, and in advocating and formulating the necessary policies. In order to function as such institutions, API and

other relevant institutions must have an effective status and mandates as well as allocation of optimal human and financial resources.

