

Facilitating Business Creation in Cameroon

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Introduction

According to the Survey on Informal Enterprises in Cameroon (OIL, 2017), about 10% of self-employed entrepreneurs registered their businesses with the trade regime and 31% have a tax card, 2% are affiliated with the National Social Insurance Fund (CNPS). Similarly, about 84% of SMEs have already declared taxes since their creation against about 16% that have never done so according to the same survey. These figures are indicative of the difficulties of business registration in Cameroon's entrepreneurial ecosystem, which is mostly made up of hairdressers, motorbike drivers, taxi drivers, street vendors, various traders, garage owners, plumbers, bricklayers, etc. Business creation is the movement of an existing enterprise from the informal sector to the formal sector Hart (1973). Therefore, business creation is seen as the process by which enterprises engage when they formalize their activities. According to a study carried out by SBEC (2023) on the challenges and opportunities of SMEs in Cameroon, findings showed that business creation is still a major issue. In Cameroon, business creation is the process of formalizing, compliance with the tax administration, social security system, judicial administration, and keeping of formal accounts system (Instruction n°011/CAB/PM of the Prime Minister of 18 March 2010, relating to the administrative formalities for the creation of businesses in Cameroon). Based on a critical and empirical analysis, this paper aims to provide policymakers, entrepreneurs, and the general public with information on the techniques and

challenges of facilitating business creation in Cameroon by presenting an overview of business creation in Cameroon (2), highlighting challenges (3), and offering concluding remarks and policy recommendations (4).

Brief Overview of the Policy Options for Business Creation in the Cameroon Enterprise Ecosystem

The state must provide financial and technical support to solve the persistent problem of business performance and viability in Cameroon. But we must remember that the entrepreneurial ecosystem is still made up of two groups of entrepreneurs: those whose main objective is to work in the formal sector and avoid paying taxes; however, it should be noted that 90% of Cameroonian workers are employed in the informal sector; and those whose main objective is to provide for their respective families; these individuals are distinguished by their lack of basic business management skills, vision, planning and organisation. It is therefore logical that Cameroon continues to have a relatively low business registration rate.

In Cameroon, the formalities for creating a business are as follows: Declaration of investment at the Ministry of Finance, filing at the Registry of the competent Court of First Instance, registration in the Trade Register at the Registry of the competent Court of First Instance, statistical registration at the Regional Statistics Service, declaration of existence at the CNPS at the Regional Agency of the CNPS,



declaration of existence at the Regional Labor Delegation and insertion in a legal notice newspaper Cameroon tribune (MINFI, 2020). All these procedures have made it difficult to create businesses by placing the rate of formalization of businesses in Cameroon at 12%. But it should be recalled here that since the creation of the Centers for Business Creation Formalities (CFCE) in Cameroon in 2010, all these formalities of business creation can be accomplished in the said centers, where all the structures involved in the process of business creation are present which allows today to create a business in only 72 hours (Marionne Soofack). According to the Diagnosis on the Formalization of Enterprises and their Workers in Cameroon report (ILO,2017). Several efforts have been made by the Cameroonian government to facilitate business registration in Cameroon: the creation of a center for formalization and creation of enterprises, the adoption of tax incentives for newly formalized enterprises, and the possibility for enterprises to group (cooperatives) to be formalized. However, the number of business start-ups in Cameroon is still very low, with only 14,229 in 2019 according to the INS.

Challenges of Business Formalization in Cameroon

In Cameroon, as in the rest of French-speaking Africa, business start-ups are governed by OHADA law, which aims

to promote economic integration between member countries and is a source of attractiveness and competitiveness for national and foreign companies (IFC's OHADA Investment Climate Program (2007-2017). This is a major challenge for Cameroon due to the difficulties of administrative procedures resulting from the legal framework. This legal framework encourages the proliferation of informal sector businesses, which account for 90% of the Cameroonian economy. Furthermore, the findings of Kakdeu (2021) show that these administrative procedures favour the creation of establishments over the creation of limited liability companies in the country.

In Cameroon, the legal framework requires the provision of a large number of administrative documents and administrative bottlenecks hinder the opening of new businesses. For example, setting up a limited liability company in Cameroon requires a minimum capital of between FCFA 100,000 and FCFA 999,999, followed by registration fees for the trade register - legal entity, fixed registration fees, publication of the legal announcement, photocopies, folders and miscellaneous disbursements, 2 copies for the capital subscription declaration, 2% of the share capital for notary fees if the capital is less than 1000,000 FCFA as minimum capital, followed by the cost of registering the company as a legal entity, fixed registration fees, publication of the legal

notice, photocopies, files and miscellaneous disbursements, 2 copies of the capital subscription declaration, 2% of the share capital for notary fees if the capital is FCFA 100,000, to name but a few, bringing the total cost to FCFA 120,700. Although the Cameroonian government has made great efforts to reduce the cost of formalizing businesses in the country, setting up a business remains a challenge because the administrative procedures require a lot of paperwork, and this paperwork has a high impact on the cost of registering a business, driving most Cameroonians to turn to the informal sector.

Again, governance and the budgetary management framework in Cameroon are characterized by corruption and a judicial system with little independence, it is partly for this reason that Cameroon is ranked 167th out of 190 countries in the Doing Business 2020 ranking. As a result, entrepreneurs have a poor perception of the country's administration, which prevents them from formalizing their activities and therefore paying taxes. While the lack of effective communication on the part of the authorities responsible for formalizing companies in Cameroon remains a problem for the formalization of companies in the country, it should also be noted that newly created companies benefit from a temporary exemption of one (01) year and that this exemption is extended to two (02) years when these companies are members of an approved Management Centre (CGA) (Newko,2022), This is effective if the company is created in January, because if it is created in December, it will only benefit from one month's exemption, for the simple reason that if a company is formalized during the course of the year, it must start paying the patent by 28 February of the following year at the latest. This usually creates tension between tax administrators and entrepreneurs there by creating reluctances from these entrepreneurs to formalize their businesses. It is therefore imperative to harmonize the one-year period, i.e. companies created in January N will have a one-year period ending in January N+1 and companies created in November N will have a one-year period ending in November N+1. This harmonization will encourage business creation in Cameroon.

Conclusion and Policy Recommendations

With the aim of fostering the country's investment ecosystem, the Cameroon government has made a number of efforts, including the creation of the Centre de Formalization et de Creation d'Entreprise (CFCE), tax exemptions for newly created or formalized businesses, etc., but much remains to be done. With this in mind, the aim of this article was to analyse the techniques and challenges involved in facilitating business creation in Cameroon using a diagnostic analysis.

The results showed that cost reduction, business registration time, gender issues and the promotion of good governance are strategy profiles that, if taken into account, will promote business creation. The conclusions led to the following recommendations:

The Cameroonian government should prioritize the facilitation of business creation in order to promote the development of domestic enterprises and improve growth. More specifically, the cost and time taken to set up a business could be reviewed, and other administrative procedures revised, as [La Porta and Schleifer \(2008\)](#) argue that reducing the cost of formalizing a business will encourage entrepreneurs to formalize their business.

Also, the business creation time in Cameroon is currently 72 hours, which is considered long and expensive by entrepreneurs. This problem can be addressed by suspending the elements considered not only heavy (publication in a newspaper), but also expensive required in the said approach because in the digital world it would simply be easier to create a site than where one has up-to-date lists of all newly created businesses in Cameroon. This will not only reduce the time for setting up a business but also the cost of setting up.

Again, the digitization procedures will also facilitate the creation of businesses in that people will not be able to displace themselves to move to creation centers because displacing implies taking all the risks of transportation, cost of transportation, and other transaction costs that could be incurred. If the government digitalizes the services of the business creation centers like in the case of the Passports services will go a long way to increasing business creation.



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