

DOING BUSINESS IN CAMEROON - A RISK ANALYSIS

Executive Summary

This briefing examines the changing business environment facing Western companies in Cameroon. It concludes that even firms with experience of working in unstable, corrupt and developing countries should think twice before investing time or money in Cameroon.

Notable concerns are:

- A rapidly deteriorating security situation with little prospect the government will negotiate or compromise with separatist militias or moderate opposition groups;
- Cameroon's opaque banking system;
- Lengthy and expensive export requirements;
- A biased and unpredictable legal system;
- The difficulty of enforcing contracts and legal title to property;
- The unreliability of basic infrastructure and utilities;
- Terrorism, piracy, banditry, arson, kidnapping and two insurgencies put Western staff in danger, adding legal liability issues to the costs of doing business.

The **World Bank** ranks Cameroon **166th out of 190** countries it monitors for ease of doing business, and **146th** on the ability to enforce contracts (1).

The **Economist Intelligence Unit**, which measures business risk, places Cameroon **155th out of 167** countries surveyed (2).

The **Global Innovation Index** ranks Cameroon **117th out of the 129** nations it analyses (3).

Transparency International, measuring corruption, gives Cameroon **152nd out of 180** nations surveyed (4).

The **World Justice Project**, which assesses legal systems in practice (as opposed to their written legal codes), ranks Cameroon **95th out of 102** countries (5).

The **World Economic Forum**, which measures bribery, ranks Cameroon as **104th out of 140** countries it assesses (6).

The **Mo Ibrahim Index** ranks Cameroon as **36th out of 54** African countries, in its worst category, commenting that governance (safety, rule of law, participation and human rights, sustainable economic opportunity, human development) continues to deteriorate (7).

Introduction

Cameroon is blessed with natural resources (oil, LNG, bauxite, iron ore, timber, hydro), offering commercial opportunities for extractive industries and engineering businesses. The potential is undeniable, with 50 active offshore oil fields. But so is the downside, due to the nation's rapidly deteriorating security environment. The safety threats to international and local staff and facilities should prompt concerns about legal liability, in the event of injury, death or damage to property. There is also a risk of reputational damage.

Western companies familiar with violent, underdeveloped nations may believe they are well-equipped to handle countries burdened by corruption, poor infrastructure, opaque banking and legal systems, and security concerns. However, doing business in Cameroon currently presents challenges of a different magnitude.

President Paul Biya has ruled Cameroon since 1982. He has consolidated and centralized his power, favouring the Francophone majority at the expense of the marginalised Anglophone minority (20% of the population). Deep-seated Anglophone grievances exploded in 2016 when Biya imposed French-speaking teachers and judges on English-speaking institutions. The Cameroon armed forces' disproportionate response to peaceful demonstrations only exacerbated the situation. Now, an increasing number of Anglophone Cameroonians seek independence for their region, which they call Ambazonia. The continuing brutality of the armed forces has polarised public opinion, with little room for moderate Anglophone voices seeking a peaceful solution through federalism or decentralisation.

Biya is old and unwell, famously spending several months each year in Switzerland. He shows little sign of wishing to hold genuine, credible inclusive negotiations with moderate opposition figures, and has ignored pressure from the Vatican, US, UK and EU, urging him to compromise. According to the **Economist Intelligence Unit**, "The government faces serious political risks stemming from the country's restive provinces," potentially leading to a full-blown civil war (8). When the **UN's** envoy Michelle Bachelet, the former Chilean leader, visited in May 2019, she concluded the situation "risks spiralling completely out of control." (9)

Quantifying the conflict: According to the **International Crisis Group** (10), an impartial NGO reporting on Cameroon, 530,000 people (out of an estimated population of five million Anglophones) have fled their homes in the Anglophone North West and South West regions because of violence, while another 35,000 have taken refuge in Nigeria. 170 Anglophone towns and villages have been burnt or destroyed by government forces. The death toll to date: 650 civilians, 235 members of the armed forces, and 1000 separatists. 800,000 children or 80% of school-age children are unable to attend school.

Anecdotal evidence: Ambazonian separatist activists contacted for the purposes of this report were clear that "Ambazonians are not pleased with anyone doing business with Cameroon as they believe they are the ones sponsoring Biya."

CAMEROON'S ECONOMY

The Cameroonian economy depends on oil and LNG extraction. It also exports timber, bauxite and iron ore. It is therefore vulnerable to the volatility of the international commodity markets and fluctuating energy prices. The **Economist Intelligence Unit** has recently downgraded Cameroon from a B rating to CCC, concluding, "The economy is heavily exposed to shocks, given its dependence on commodity exports and external demand from the Eurozone and emerging markets." (11)

However, most Western companies operating in the extractive industries are accustomed to this volatility. What is noteworthy about the business environment in Cameroon is how rapidly violent disputes in the North West and South West regions have spread. Much of the oil and LNG reserves are in the unstable regions engulfed in a growing war between Anglophone separatists and the Francophone government. No Western extractive company should be under the impression that work in the region is risk-free or manageable.

Western companies which are considering whether or not to invest in Cameroon should bear this in mind, as should those already working there. Media censorship stops the worst of the conflict being reported in the French-speaking areas. Francophone Cameroonians are surprisingly unaware of the extent of the disruption, destruction and anger in Anglophone regions. The government's strategy has been to crush peaceful rebellion, hoping it would extinguish calls for decentralisation or federalism. But, their actions have had the opposite effect, fuelling discontent and narrowing the political space for moderate Anglophone voices.

For Western businesses which are still assessing the risks and rewards of starting new companies in Cameroon, this report points out the other impediments to running a successful project, quite apart from the legal liability risks concerning staff and property due to the escalating potential civil war.

KIDNAPPING AND TERRORISM

Increasingly violent conflict makes the North West, South West and Far North regions of Cameroon unsafe, even for armed, experienced local soldiers and police. There is no end in sight to these conflicts, despite the vast sums poured into crushing the insurgencies. Western business executives must contend with substantial risks because of corporate legal liability in the event that staff are kidnapped or killed. Moreover, the **British Foreign Office** warns of "increasing reports of piracy in the Gulf of Guinea. Take great care when travelling in coastal waters, including the coastline and the Douala port." (12)

The United Kingdom Foreign and Commonwealth Office also advises against travel in large parts of Cameroon (the North West, South West and Far North as well as the eastern border). "Violence and travel disruption are regularly reported" on the days chosen for action by insurgents. There is a heightened threat of kidnap of Western nationals in the north of Cameroon (where the Islamic State offshoot Boko Haram operates), and along the border between the Far North and Nigeria. Elsewhere, there are highway bandits and there

is hostage-taking, putting the safety of staff at risk, and thus the legal liability of companies. “Travel at night across Cameroon should be avoided unless absolutely necessary due to criminality, poor infrastructure and erratic driving.” (13)

The **US State Department** warns, “Violent crime such as armed robbery and car-jacking is common throughout Cameroon.” There is kidnapping due to armed conflict in the Anglophone regions. The **French Foreign Ministry** echoes concerns about terrorism and piracy, including the danger of traveling between Yaoundé and Douala (14). The **Canadian Foreign Ministry** warns, “Avoid all travel to the Gulf of Guinea, due to piracy and kidnappings by rebel groups. These attacks have become increasingly frequent, even targeting larger vessels and petroleum platforms.” (15)

CORRUPTION

The anti-corruption watchdog **Transparency International** provides a sobering summary of its conclusions about doing business in Cameroon, which it gives its lowest rating (16). Cameroon has often promised to address corruption, signing international conventions. Yet, corruption in Cameroon is systematic, it reports.

Western companies intending to work overseas often look for local partners or fixers to handle the practical aspects of doing business and establishing a base. In recent years Cameroon has suffered from brain drain as talented people leave. The result is a shortage of qualified local staff.

The international community, recognising the extent of corruption in Cameroon, has financed sundry initiatives to tackle the problem. However, **Transparency International** concludes that the nation “shows little progress in modernising its fiscal and tributary system or making it transparent.” (17) Cameroon has adopted laws on corruption, conflicts of interest, asset declaration, procurement, etc. It also has agencies (the National Anti-Corruption Commission and the National Financial Investigation Agency, both appointed by President Biya). Critics suggest these bodies are cosmetic veneers, and only go through the motions. More effective is the Ministry of Public Contracts and Public Procurement Regulation Agency, in which World Bank consultants have intervened.

The GAN Business Anti-Corruption Portal warns, “Companies should beware that legal rights, including contract and property claims, can be difficult to protect due to extensive corruption in courts. The process of dispute settlement is ineffective and oppressive as a result of courts being unreliable, very slow and selective in enforcing legislation. Companies also find the courts to be inefficient when it comes to challenging government regulations.” (18)

Anecdotal evidence: it is suggested that Shell and Total “walked away” from Cameroon because of corruption and appalling infrastructure, in addition to decreasing productivity (19).

GOING INTO BUSINESS IN CAMEROON

The most comprehensive study of the barriers to doing business in Cameroon is produced by the **World Bank**. Its report, “**Doing Business in Cameroon**” is worth quoting at length (20). The Bank ranks Cameroon 166th out of 190 countries – in company with Somalia, Yemen, Haiti, the Democratic Republic of Congo, Afghanistan, South Sudan, Venezuela and the Central African Republic:

- Registering ownership of property takes an average 81 days compared to 1 day in New Zealand or 53 days in the average sub-Saharan economy.
- Paying taxes consumes an average of 624 hours a year, compared to 49 in Singapore and 250 in the rest of sub-Saharan Africa. The corporate tax rate is 33% of profits or 2.2% of turnover, whichever is the higher.
- Exporting goods is particularly arduous in Cameroon. It takes twice as long (202 hours) to complete border compliance documents in Cameroon than in the average sub-Saharan country (97 hours). It is also costly to pay for export documents (averaging \$306 compared with \$168 for sub-Saharan Africa versus \$35 for the OECD). It also takes an average of 96 hours to go through the compliance process (21).

Any interface with public servants can require payment of a bribe. **Transparency International** surveyed Cameroonians about their dealings with local and national government officials in positions to grant licenses or services: 48% had paid a bribe in the previous twelve months (22).

The **World Bank-Enterprise Survey** in 2016 found firms in Cameroon spent more time dealing with government regulations and obtaining licenses than in 2009, when they completed their previous survey of more than 300 companies (23). The percent of senior management time spent dealing with regulations (“time tax”) increased from 7% in 2009 to 18% in 2016. Furthermore, this figure is much higher than the average for firms in sub-Saharan Africa (9%). Senior management in large firms spend far more time dealing with regulations than in small or medium firms. “Time tax” is 32 % among large-sized firms, 13% for medium-sized firms, and 18% for small-sized firms.

Commenting on the banking system, the **Economist Intelligence Unit** warns it is undermined by a high level of non-performing loans and exposure to the public sector which has been hit hard by weak oil revenue. There is a “poor business climate, weak regulation and insufficient information on borrowers, particularly for small businesses.” (24)

Anecdotal evidence: according to an expat in the energy sector, “It is really hard to set up a business in Cameroon. Most projects end up being delayed or unrealised because of the bureaucracy and corruption.”

CAMEROON'S LEGAL SYSTEM AND THE ENFORCEMENT OF CONTRACTS

Cameroon's legal system is based on French codes and practice. Therefore, if a Western business wishes to pursue a commercial or contractual dispute through the courts, it is the judge, not the prosecutor or police who will investigate. This works in France, but in Cameroon, the executive appoints and controls the judiciary. Hence it lacks independence. Moreover, the court system is handicapped by a lack of resources.

The **World Economic Forum** (25) found that 55% of those coming into contact with the judiciary paid bribes (a finding mirrored by **Transparency International**). There were long delays getting translators, where needed, and no time limit on cases, meaning that companies were vulnerable to malicious and time-wasting prosecutions. **Transparency International** also commented on "lack of judicial capacity," and rampant bribery and corruption within the legal system (26).

The **World Bank** awards the quality of Cameroon's judicial system 5 out of 18 (worse than Congo, and considerably worse than the average sub-Saharan African country). Enforcing a contract can take 800 days, costing 46% of the value of the claim (27) making it much worse than war-torn Syria. Protecting minority shareholder rights is also problematic, coupled with lack of shareholder information publicly available.

Transparency International points out that Cameroon is a party to various international conventions which should be legally enforceable, were its judiciary independent (28). The **Global Innovation Index** ranked Cameroon's rule of law at 116th out of 129 nations (29).

Anecdotal evidence: expats working in Cameroon complain about the abuse of the rule of law, its arbitrariness and inconsistent due process.

INFRASTRUCTURE

Investing in infrastructure is not a priority for the Cameroonian regime. **The Global Innovation Index** (30) ranked poorly Cameroon's supply of reliable electricity (109th out of 129 nations). **The World Bank** reckons it takes an average of 50 days after payment to receive a water connection. It rates reliability of electricity supply as 0 on a scale of 0 to 8 (31). **Transparency International** found that 39% of Cameroonians had to pay a bribe to get utilities (32).

Anecdotal evidence: expats repeatedly mention "staggering power cuts," poor maintenance and dilapidated infrastructure.

Conclusion

Cameroonian officials want Western businesses to believe Cameroon is a land of untapped potential. Yet, most world-weary international executives should heed warnings from the impartial conclusions of the World Bank, etc.

Doing business in Cameroon is not as straightforward as operating in the Gulf or Nigeria, for instance. Taken alone, economic instability, unpredictable courts, archaic banking, politically influenced contract and property law, corruption, and poor infrastructure might be manageable for a company used to working in underdeveloped countries. But Cameroon features all of these challenges, plus an increasingly violent escalating conflict using kidnapping and intimidation to further its aims.

Cameroon's citizens are resourceful and patient; when they finally have a say in how they are governed, Cameroon will deserve the world's support, investment and trade. In the meantime, the Biya regime is more likely to listen to the concerns of international businesses rather than diplomats and politicians.

- (1) www.doingbusiness.org/en/data/exploreeconomies/cameroon/starting-a-business#
- (2) <https://store.eiu.com/product/country-report/cameroon>
- (3) www.globalinnovationindex.org/gii-2018-report#
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- (25) www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf
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- (30) Ibid
- (31) www.doingbusiness.org/en/data/exploreeconomies/cameroon/starting-a-business#
- (32) <https://www.transparency.org/country/CMR>