

Ministry of Small and Medium Enterprises,
Social Economy, and Handicraft
The Republic of Cameroon

The Study
on
Formulation of Master Plan
for
Small and Medium-sized Enterprises
Development
in
Republic of Cameroon

FINAL REPORT
(Summary)

JANUARY, 2009

JAPAN INTERNATIONAL COOPERATION AGENCY

UNICO INTERNATIONAL CORPORATION

Abréviation (Abbreviation)

<u>Abréviation</u>	<u>Anglais (English)</u>	<u>Français (French)</u>
A ACEP	ACEP Cameroon Co., Ltd	ACEP Cameroun SA
AFD	France Development Agency	Agence Francaise de Developpment
AGOA	African Growth and Opportunity Act	La loi sur la croissance et les possibilités économiques en Afrique
B BAD	African Development Bank	Banque Africaine de Développement
BDS	Business Development Service	
BEAC	Bank of Central African States	Banque des Etats de l'Afrique Centrale
BF	Banque de France	Banque de France
BIP	Budget for Public Investment	Budget d'Investissement Public
C CAEMC	Economic and Monetary Community of Central Africa	Communaute Economique et Monetaire de l'Afrique Centrale
CAMCCUL	Cameroon Cooperative Credit Union League Limited MFI	La Ligue Des Caisses Populaires Cooperatives Du Cameroon EMF
CAMTEL	Cameroon Telecommunication Co., Ltd	Cameroon Telecommunication (CAMTEL)
CCIMA	Chamber of Commerce, Industry, Mining, and Crafts	Chambre de Commerce, d'industrie, des Mines et de l'artisanat
CCS/PPTE	Advisory Committee on the management of HIPC resources	Comité Consultatif de Suivi et de Gestion des Ressources PPTE
CDC	Cameroon Development Corporation	Cameroon Development Corporation
CDMT		Cadre de Dépenses à Moyen Terme
CEEAC	Economic Community of Central African States	
CEP	Postal Savings Bank	Caisse d'Epargne Postale
C.E.T.	Common External Tariff	
CFA	Central Africa Financial Cooperation	Coopération Financière en Afrique Centrale
C.G.C./ICMU	Cameroon Investment Code Management Unit	Cellule de Gestion du Cdde des Investissements
CHAGRI	Chamber of Agriculture Animal Husbandry and Forest	Chamber d' Agriculture, de l' Elevage et des Forets du Cameroun
CICAM	Cotton Processing Corporation	Cotonnières Industrielles du Cameroun
CIDA	Canada International Development Agency	
CNPS	National Social Insurance Fund	
COBAC	Central African Regional Banking	
COOPEC	Cooperative Savings Association	Coopératives d'Epargne et de Crédit
CRC	Competition and Regulation Board	Conseil de Régulation et de Compétitivité
CTS	Technical Committee for Monitoring Economic Programmes	
CTSE- PSRP	Technical Committee for the Monitoring and Evaluation of PRSP Implementation	
CTSE/DSRP	Technical Monitoring and Evaluation Committee of the PRSP	Comité Technique de suivi et d'évaluation des activités de la mise en œuvre du DSRP
D DSRP	Poverty Reduction Strategy Paper	Document de stratégie de réduction de la pauvreté
E ECAM	Cameroonian Household Survey	Enquête camerounaise auprès des Ménages
EDS	Population and Health Survey	Enquête Démographique et Santé
EDS III	Third Population and Health Survey	
EESI	Study on Employment and the Informal Sector	Enguete lémploien le Sectuer Informel
EMF		Etablissement de Micro Finance
EPA	Economic Partnership Agreements	Etablissement Public Administratif
EU	European Union	
F F/S	Feasibility Study	
FAO	Food and Agriculture Organization of the United Nations	ORGANISATION DES NATIONS UNIES POUR L'ALIMENTATION ET L'AGRICULTURE

<u>Abréviation</u>	<u>Anglais (English)</u>	<u>Français (French)</u>
F FCFA		CFA Franc
FDI	Foreign Direct Investment	
FENAP	National Federation of Small and Medium Enterprises	Federation National des Petites et Moyennes Entreprises
FEPEC	Federation of Small- and Medium-Sized Enterprises	Federation De La Petite Entreprise Et Du Commerce Au Cameroun
FIDA	International Fund for Agricultural Development	
FMO	Netherlands Development Finance	
FNE	National Employment Fund	Fonds National de l'Emploi
FOGAME		Fons de Garantie aux Petites et Moneynnes Entreprise
FRPC		Facilité pour la Réduction de la Pauvreté et la Croissance
G GDI	Gross Domestic Investment	
GDP	Gross Domestic Product	Le produit intérieur brut
GDS	Gross Domestic Savings	
GEX		Groupment des Exporteurs du CACAO and du Cafe
GFBC		Groupment de la Filiere Bois du Cameroun
GIC		Groupment Interpatronal du Cameroun
GICAM	Cameroon Business Association	Groupement Interpatronal du Cameroun
GNI	Gross National Income	
GTZ		Deutsche Gesellschaft fur Technische Zusammenarbeit
GUCE	One-Stop Shop for Foreign Trade Single Processing Window for Foreign	Guichet Unique au Commerce Extérieur
H HACCP	Hazard Analysis and Critical Control Point	
HIPC	Heavily Indebted Poor Countries	
I ICT	Information and Communication	
IEC	Information, Education, Communication	
IFC	International Finance Corporation	
ILO	International Labour Organisation (ILO)	O.I.T.
IMF	International Monetary Fund (IMF)	Fonds Monétaire International
INS	Institute of National Statistics	Institut National de la Statistique
IRIC		Institute de s Relations Internationales du Camcroon
J JBIC	Japan Bank for International Cooperation	
JETRO	Japan External Trade Organization	
JICA	Japan Imitational Cooperation Agency	l'Agence Japonaise de Coopération Internationale
M M/M	Minutes of Meeting (M/M)	
MDG	Millennium Development Goals	Objectifs du Millénaire pour le
MECAM	The Entrepreneurs Movement of Cameroon	
MFI	Microfinance Institution	
MINADER	Ministry of Agriculture and Rural Development	Ministère de l'Agriculture et du Développement Rural
MINCOM	Ministry of Commerce	Ministrere du Commerce
MINEDUB	Ministry of Basic Education	
MINEFI	Ministry of Economy and Finance	Ministère de l'Economie et Des Finances
MINEFOP	Ministry of Employment and Vocational Training	
MINEPAT	Ministry of Economic Affairs, Planning, and Regional Development	
MINEPIA	Minister of Economy, Finance and Privatization	

<u>Abréviation</u>	<u>Anglais (English)</u>	<u>Français (French)</u>
M MINESEC	Ministry of Secondary Education	
MINESUP	Ministry of Higher Education	Ministère de l'Enseignement Supérieur
MINFIB	Ministry of Finance and the Budget	
MINIMIDT	Ministry of Industry, Mines and Technological Development	Ministère de l'industrie, des Mines et du Développement Technologique
MINJUSTICE	Ministry of Justice	
MINLFAH	Ministry of Livestock, Fisheries and Animal Husbandry	Ministère de l'Élevage, des Pêches et des Industries Animales
MINPLAPDAT	Ministry of Planning, Development Planning, and Regional Development	Ministère de la Planification, de la Programmation du Développement et de l'Aménagement du Territoire
MINPMEESA	Ministry of Small and Medium-Sized Enterprises, Social Economy and	Ministère de Petites et Moyennes Entreprises, de l'Économie Sociale et de
MINTP	Ministry of Public Works	Ministère des Travaux Publics
MOEPT		Ministère de l'Emploi et de la Formation Professionnelle
MTEF	Medium-Term Expenditure Framework	
NEAP	National Energy Action Plan for Poverty Reduction	
N NEF	National Employment Fund	
NEPAD	The New Partnership for Africa's Development	
OHADA	Organization for the Harmonization of Business Law in Africa	
O OJT	On-the-Job Training	
ONEFOP		Observatoire National de l'Emploi et de la Formation Professionnelle
ONG	Non Governmental Organization	Organisation Non Gouvernementale
P PADC	Community Development Support Program	Programme d'Appui au Développement Communautaire
PFNL		Syndicat des Exploitants Transformateurs Industriels Exportateurs des Produits
PHS III	Third Population and Housing Survey	
PIAASI	Integrated Project for Support to Actors of the Informal Sector	Programme Intégré d'Appui aux Acteurs du Secteur Informel
PIB	Public Investment Budget	
PME	Small and Medium-Sized Enterprises	Petites et Moyennes Entreprises
PMI	Small and Medium-sized Industry	Petites et Moyennes Industries
PNDP	National Community-driven Development Programme	Programme National de Développement Participatif
PNG	National Governance Programme	Programme National de Gouvernance
PPMF	National Support Program for Microfinance	Programme d'Appui au Programme National de la Microfinance
PPP	Public-Private Partnership	
PRGF	Poverty Reduction and Growth Facility	Un programme de réduction de la pauvreté et de promotion de la croissance
PRO-PME		PRO-PME Financement S.A.
PRS	Poverty Reduction Strategy	Stratégie de réduction de la pauvreté
PRSP	Poverty Reduction Strategic Paper	Document stratégique de réduction de la pauvreté (DSRP)
R RGPH	General Population and Housing Census	Recensement Général de la Population et de l'Habitat
S S/W	Scope of Works	
SAC III	Third Structural Adjustment Credit of the Society for International Development	
SGS		Société Générale de Surveillance
SME	Small and Medium size Enterprise	

<u>Abréviation</u>	<u>Anglais (English)</u>	<u>Français (French)</u>
S SMIs	Small and Medium-Sized Industries	
SNI	National Investment Corporation	Societe Nationale D' Investissement du Cameroun
SNV	Netherlands Development Organisation	Organisation Néerlandaise de
SODECOTON	Cameroon Cotton Corporation	
SOSUCAM	Cameroon Sugar Corporation	
SYNDUSTRICAM		Syndicate des Industriels du Cameroun
T TDR	Terms of Reference	Termes de références
TIC	Information and Communication Technology	Technologies de l'Information et de la Communication
U UN	United Nations	Organisation des Nations Unies
UNCTAD	United Nations Conference on Trade and Development (UNCTAD)	Conférence des Nations Unies sur le Commerce et le Développement
U UNDP	United Nation Development Programme	Programme des Nations Unies pour le développement (PNUD)
UNESCO	United Nations Educational, Scientific and Cultural Organisation	Organisation des Nations Unies pour la Science et l'Education
UNEXPALM	National Union of Palm Oil Producers	Union des Exploitants nationaux de Palmier à Huile
UNIDO	United Nations Industrial Development Organization	Organisation des Nations Unies pour le Développement Industriel
USAID	US Agency for International Development	
V VAT	Value Added Tax	Taxe à la valeur ajoutée
W WB	World Bank	Banque Mondiale
W WTO	World Trade Organization	L'Organisation mondiale du commerce

Currency:

CFA Franc (FCFA) is pegged to Euro at 655.957 FCFA/Euro.

Table of Contents

I Introduction

1	Framework of the Study.....	SI-1
1.1	Objective of the Study.....	SI-1
1.2	Background of the Study.....	SI-1
1.3	Scope of the Study	SI-2
2	Implementation of the Study.....	SI-2

II Analysis of the Current State of SMEs and Issues Relating to Their Development

1	The Economy and Economic Development Plan in Cameroon	SII-1
1.1	Cameroon's Economy and Its Features	SII-1
1.1.1	Socio-economic Outlook.....	SII-1
1.1.2	Economic Growth and Industrial Structure.....	SII-4
1.1.3	Trade	SII-5
1.1.4	Financial Balance.....	SII-5
1.1.5	Foreign Direct Investment.....	SII-6
1.2	Industrial structure and development challenges.....	SII-6
1.3	Development Strategy in PRSP and Expectation Regarding SME Development	SII-7
2	Overview of SMEs in Cameroon	SII-8
2.1	Overview of SMEs	SII-8
2.1.1	Overview	SII-8
2.1.2	Informal Sector.....	SII-10
2.2	Current State of Statistics Relating to SMEs.....	SII-10
2.2.1	SME Statistics in Cameroon	SII-10
2.2.2	Current State of SMEs Viewed from the Statistical Surveys	SII-11
2.3	Analysis of Questionnaire Survey Results.....	SII-12
3	Key Industrial Sectors and SMEs	SII-15
3.1	General Background.....	SII-15
3.2	Agriculture, Forestry and Fishery Sectors	SII-15
3.2.1	Agriculture Sector	SII-15
3.2.2	Stockbreeding, Forestry, and Fishery.....	SII-17
3.3	Mining, and Petroleum and Gas Production Sector.....	SII-18
3.4	Industrial Sector.....	SII-18
3.5	Commerce and Service Sectors	SII-22

4	Provisional Analysis on Development Issues of SMEs, and Challenges	SII-23
4.1	Support Needs of SMEs.....	SII-23
4.2	Analysis of Major Development Challenges	SII-24
4.2.1	Promotion of Shift of Enterprises in the Informal Sector to the Formal Sector	SII-24
4.2.2	Promotion of Business Startup.....	SII-25
4.2.3	Required Support for Small Enterprises.....	SII-25
4.2.4	Required Support for Medium Enterprises	SII-27
4.2.5	Required Support for Micro Enterprises and Individual Proprietors in Sustenance Businesses	SII-28
4.2.6	Financial Support	SII-29
5	SME Development Policy and System, and Development Challenge	SII-31
5.1	Basic Government Policy on SME Development and the Relevant Governmental Agencies	SII-31
5.1.1	Economic Development Plan and Policy, and Basic Strategy for SME Development	SII-31
5.1.2	Laws and Government Agencies Relevant to SME Development.....	SII-31
5.1.3	Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicraft (MINPMEESA).....	SII-32
5.2	Non-government Organizations Engaged in SME Development	SII-32
5.2.1	Industrial and Economic Organizations	SII-32
5.2.2	Private Business Development Service Providers.....	SII-33
5.2.3	Public Business Development Service Providers.....	SII-34
5.3	International Supports.....	SII-34
5.4	Financial Service Available for SMEs and Their Issues	SII-34
5.4.1	Overview and Issues	SII-34
5.4.2	SMEs Finance by Commercial Banks.....	SII-35
5.4.3	Non-Bank Financial Institutions	SII-35
5.4.4	Microfinance	SII-36
5.4.5	Venture Capital	SII-36

III SME Development Plan Proposal

1	Establishment of Basic Principles of SME Policy	SIII-1
1.1	Positioning of SME Development in the Country's Economic and Industrial Development.....	SIII-1
1.1.1	Positioning of SME Development in PRSP	SIII-1
1.1.2	Expectations for SMEs in the Economic and Industrial Development Process	SIII-1
1.2	Development Goals (Development View) of SMEs in Cameroon	SIII-2
1.3	Definition of SMEs.....	SIII-3

1.3.1	Current Definition in Cameroon	SIII-3
1.3.2	Definition of SMEs in the Present Report.....	SIII-3
1.4	Role of the SME Development Master Plan.....	SIII-5
2	Program Deployment Proposals Targeting Specific Development Goals	SIII-5
2.1	Promotion of Expansion to New Business Areas (Main target groups: medium-size and upper medium-size enterprises)	SIII-6
2.2	Support for Expansion of the Business Base from Local Market to Regional or National Market (The major target group: small enterprises that have a strong desire for business expansion).....	SIII-7
2.3	Enhancement of Management Base (The main target group: small and micro-sized enterprises that need public support for the interest of ensuring continuous contribution in terms of job creation and poverty reduction)	SIII-8
2.4	Provision of the Business Environment to Facilitate Startup (The main target group: would-be entrepreneurs)	SIII-9
2.5	Promotion of Formalization of Informal Sector Enterprises (The main target group: new startups and informal sector enterprises).....	SIII-10
3	Institutional and Organizational Setup for Implementation of SME Development Policy and Measures	SIII-11
3.1	Basic Policy for the Institutional and Organizational Setup	SIII-11
3.1.1	Role of the Government in SME development	SIII-11
3.1.2	Use of Private or Non-government organizations in providing the support services ..	SIII-12
3.1.3	Coordination between MINPMEESA and the relevant Ministries	SIII-12
3.1.4	Facilitation, Supervision and Monitoring of Implementation	SIII-13
3.1.5	Organizing SMEs into Area-Based Associations.....	SIII-13
3.2	Recommended Institutional and Organizational Setup for Implementation of SME Development Measures	SIII-14
3.2.1	Institutional Setup for Policy Planning, and Coordination Among the Relevant Government Agencies.....	SIII-15
3.2.2	SME Support Delivery System	SIII-16
3.2.3	Human Resource Development System for Staff involved in SME Promotion (Development of human resource development systems for staff members of SME promotion organizations and SME counselors/advisors).....	SIII-18
3.2.4	System for Collection and Analysis of SME Information.....	SIII-19
4	Proposed Development Measures	SIII-19
4.1	Framework and Required Factors of the Development Measures	SIII-19
4.1.1	Measures to Support Market Development and New Business Development of SMEs.....	SIII-20

4.1.2	Improvement of Access Environment to Finance for SMEs, and Support for SMEs in the Field of Finance.....	SIII-23
4.1.3	Support SMEs in Their Efforts for Enhancement of Their Management and Technological Capability	SIII-25
4.1.4	Improvement of the Business Environment of SMEs	SIII-26
4.2	Contents of Main Development Measures.....	SIII-27
A	Support Measures on Marketing and New Business Development	SIII-27
B	Development Measures on Improvement of SMEs' Access to Finance, and Financing Support	SIII-31
C	Development Measure on Support for Enhancement of Management base.....	SIII-35
5	Implementation Schedule of the SME Development Plan, Cost Estimation, and Monitoring Plan	SIII-41
5.1	Implementation Schedule.....	SIII-41
5.2	Estimation of Costs Required for Implementation.....	SIII-44
5.3	Monitoring Plan	SIII-47

I Introduction

I Introduction

1 Framework of the Study

1.1 Objective of the Study

The objective of the Study is to formulate the Master Plan for Small and Medium-sized Enterprises Development in Cameroon, placing special emphasis on strengthening of competitiveness in the SME sector.

1.2 Background of the Study

Reduction of poverty is the most important agenda item in the country's national development policy. The government has been implementing a series of policies and programs to promote poverty reduction and economic growth pursuant to the Poverty Reduction Strategy Paper (PRSP) announced in 2003. In particular, it positions SME promotion as the key subject on its agenda, in that the SME sector can serve as a driving force for economic diversification, vitalization of the private sector, and ensuring and strengthening of human resources. The importance of SME promotion is also advocated from the viewpoint of improving competitiveness of "domestic industry.

As part of efforts to address the issues, the Government of Cameroon launched institutional reforms in December 2004, including the establishment of Ministry of Small and Medium-Sized Enterprises, Social Economy, and Handicrafts (MINPMEESA) for the formulation of SME promotion policies and programs. Unfortunately, however, actual programs have not yet been implemented due to resource constraints (of manpower, capacity, and budget), although preparation is underway to enact the basic law on SME promotion. To effectuate SME promotion, the government needs to define the role of the MINPMEESA clearly, establish its networks with various organizations relating to SME promotion, and create the foundation to drive comprehensive SME support measures, which will provide benefits for the SMEs and Micro Enterprises throughout the country, besides improving the business environment.

Under the above background, the Government of Cameroon (MINPMEESA) made a formal request to the Government of Japan in 2006 to provide assistance in the "formulation of a master plan for development of a system and organization for SME promotion, including policy recommendation." In response, the Japan International Cooperation Agency (JICA) on behalf of the Japanese Government carried out a project formulation study in February 2006 to

ascertain the current state of SMEs and the SME promotion policy in the country. In March 2007, JICA also sent a preliminary study team to validate the proposed project and the scope of assistance, that was followed by the signing of the Scope of Work (S/W) and the Minutes of Meeting (M/M) with the Cameroon Government for the current Study.

1.3 Scope of the Study

The scope of the Study as agreed in the above S/W is as follows.

- 1) Analysis of the position of SME sector in National Development Policies, Strategies and Programs.
- 2) Analysis of the present conditions and problems / constraints of the SME sector in Cameroon.
- 3) Analysis of the present conditions and problems / constraints of the private sector focusing on the manufacturing or processing sub-sector.
- 4) Review of Policies / Strategies / Programs, and institutional and legal frameworks / regimes, either existing or under preparation.
- 5) Analysis of present conditions and problems / constraints of public and private institutions related to and/or supporting SME sector development.
- 6) Analysis of the impact of the external and internal socio-economic environment (globalization, trade liberalization, economic and export diversification, privatization, decentralization, governance, poverty, unemployment, etc.) on the SME sector.
- 7) Identification and prioritization of economic / business areas for SME sector, especially focusing on the manufacturing / processing sub-sector.
- 8) Identification and prioritization of policy needs for SME development.
- 9) Training of government officers in charge of the above-mentioned process.

2 Implementation of the Study

The study process was designed to consist of the following steps.

1. Understanding of the overall picture of SMEs in the country, including those in the informal sector
2. Understanding of issues which the SMEs are facing, and issues relating to the business environment
3. Setting of tasks and development targets for SME promotion
4. Development of the master plan and action plans for SME promotion
5. Recommendations on SME policy and implementation procedures

Questionnaire Survey on SMEs

A questionnaire survey was conducted as a part of the Study, by means of a contract with local consultants, to understand the situation of SMEs and their support needs for development. The survey was conducted targeting 600 enterprises each having less than 250 employees. Filled-in questionnaire sheets were collected from 413 enterprises, including 241 in manufacturing, 99 in trade, and 66 in the service sector.

II Analysis of the Current State of SMEs and Issues Relating to Their Development

II Analysis of the Current State of SMEs and Issues Relating to Their Development

1 The Economy and Economic Development Plan in Cameroon

1.1 Cameroon's Economy and Its Features

1.1.1 Socio-economic Outlook

Cameroon is categorized in the “Lower middle income economy,” group by the World Bank, as is another country in the central African region, the Congo Republic.

Main socio-economic indicators are shown below.

Table 1-1 Main Socio-Economic Indicators

main indicators	1985	1990	1995	2000	2005	
1 Population (million people)	10.5	12.2	14.1	15.9	17.8	
2 Annual population growth (%)	2.9	3.0	2.8	2.4	2.3	
3 Income poverty (% of population below US1\$ a day)					17.1	(2001)
National poverty line (% of population)					37.3	(2007)
	2002	2003	2004	2005	2006	2007
4 GDP (billions US\$, at current price)	10.888	13.630	15.784	16.593	17.957 ^(e)	-
5 Annual GDP growth (%)	4.0	4.0	3.7	2.3	3.2	-
6 Per capita GNI (Atlas, US\$)	590	670	810	920	980	1,050
	Cameroon	Sub-Saharan Africa average	Middle Income Countries average			
7 Urban population (% of local population)	54.6	-	-	-	-	(2005)
8 Life expectancy at birth (years)	49.9	49.6	70.9	70.9	70.9	(2005)
9 Infant mortality rate (per 1,000 live births)	87	102.0	28	28	28	(2005)
10 Under-5 mortality rate (dying by age 5 per 1000 live births)	149	172.0	-	-	-	(2006)
11 Population undernourished (% of children under 5)	26.0	32.0	11.0	11.0	11.0	(2002-04)
12 Population using an improved water source(%)	66.0	55.0	84.0	84.0	84.0	(2004)
13 HIV prevalence (% aged 15-49)	5.4	6.1	0.6	0.6	0.6	(2005)
14 Adult literacy rate (% of aged 15 and older)	67.9	-	89.9	89.9	89.9	(1995-2005)
15 HDI-index rank (Total 177 countries)	144th					
16 Labor force population (mil. people)	10.6	-	-	-	-	(2006)
17 Unemployment rate(%)	6.4	-	-	-	-	(2006)

(e) --- estimate

Source

Data 1-2 --- United Nations Population Division, The 2006 Revision Database

Data 4-5 --- IMF, World Economic Outlook Database, April 2008

Data 6 --- World Bank (2007) World Development Indicators

Data 3, 7-15 --- United Nations Development Programme (2007-8) Human Development Indicators and Human Development Report

Data 16 --- ILO(2008) Labour Market Indicators Library

Data 17 --- AfDBOEC(2008) African Economic Outlook, Cameroon

(1) Population and Population Structure

The growth rate was 2.3%, According to the United Nations Population Division, 54.6% of the total population inhabited urban areas in 2005. The trend for population growth rate has been a decline from a peak in around 1990, and the total population is likely to increase by about 1.5 times of the 2005 level to 26.86 million by 2030. The population pyramid shows a

bell shape as can be typically seen in many developing countries, and the young adult bracket occupies a large share in the total; 18.7 years old as a medium variant (2007, estimated).

From the viewpoint of population growth by city during a recent 14-year period (1987-2001), the growth rate was 180-190% in the large cities of Douala and Yaounde, while other high growth cities were Garoua (250%), Bamenda (290%), and Maroua (220%).¹

(2) Labor Force

The major indicators on labor force are: labor force growth rate, 1.9%; labor force participation rate, 65.7% (males, 79.9%; females, 51.8%); unemployment rate, 7.2% (males, 9.0%; females, 5.9%). The AfDB/OECD reported that the unemployment rate was 6.2% in 2007, and notably that in urban areas reached 14.1%.

(3) Poverty

The percentage of citizens living under the national poverty line was reduced from 41.4% in 2003 to 37.3% in 2007, whereby it was evident that progress could be seen in regard to the Millennium Development Goals (MDGs).

(4) Education

As for the MDGs, progress can be seen in regard to “Achiev(ing) universal primary education” the target for which is expected to be achieved.

At the level of secondary education, no significant change can be seen in the gross enrolment rate; it was 25% in 1999 and 24% in 2006.

(5) Disparity Between Urban and Rural Areas

Currently 55% of the total population lives in urban areas and 45% are in rural areas, and a significant disparity exists between urban and rural areas.

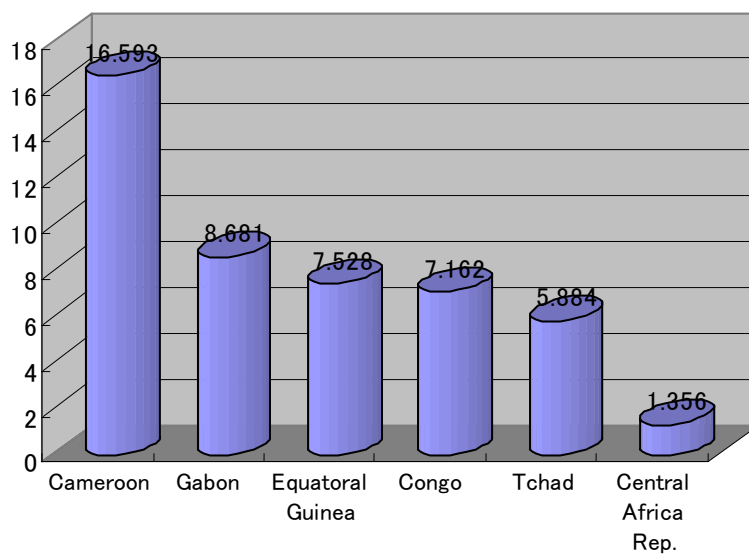
(6) Cameroon Economy and CEMAC

Cameroon belongs to the five-nation Central African Economic and Monetary Community (CEMAC) which has a common central bank and issues a common currency. CEMAC established a common market and the five nations enjoy the benefit of no custom duty on intra-CEMAC trade.

GDP growth among the CEMAC members was relatively stable, between 2.3% and 5.1%. During a recent 10-year period, the GDP growth in Cameroon has been less than the average of

¹ Garoua city is a provincial capital of the Nord province and Bamenda city is that of the Nord Quest province, while Maroua city is that of the Extreme Nord province.

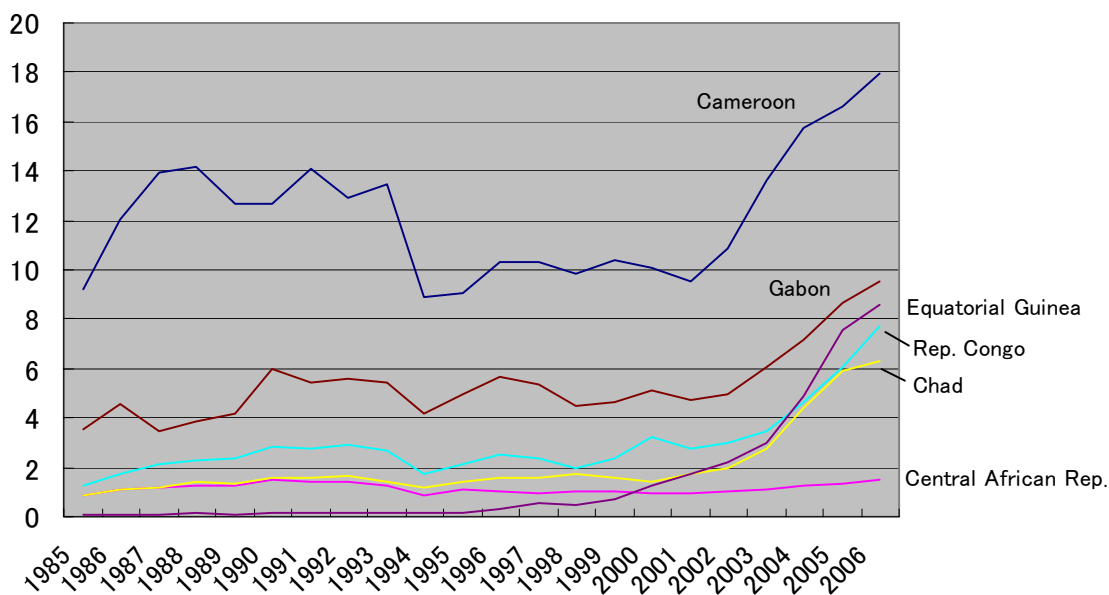
CEMAC nations except for 1999-2000. In 2005, however, Cameroon achieved a high growth rate and exceeded the CEMAC average (See Figure 1-1 and 1-2)



Source: Study Team, based on IMF, "World Economic Outlook Database."

Figure 1-1 GDP Scale of the CEMAC Countries (Current Prices; US\$ billion)

(bil. US\$)

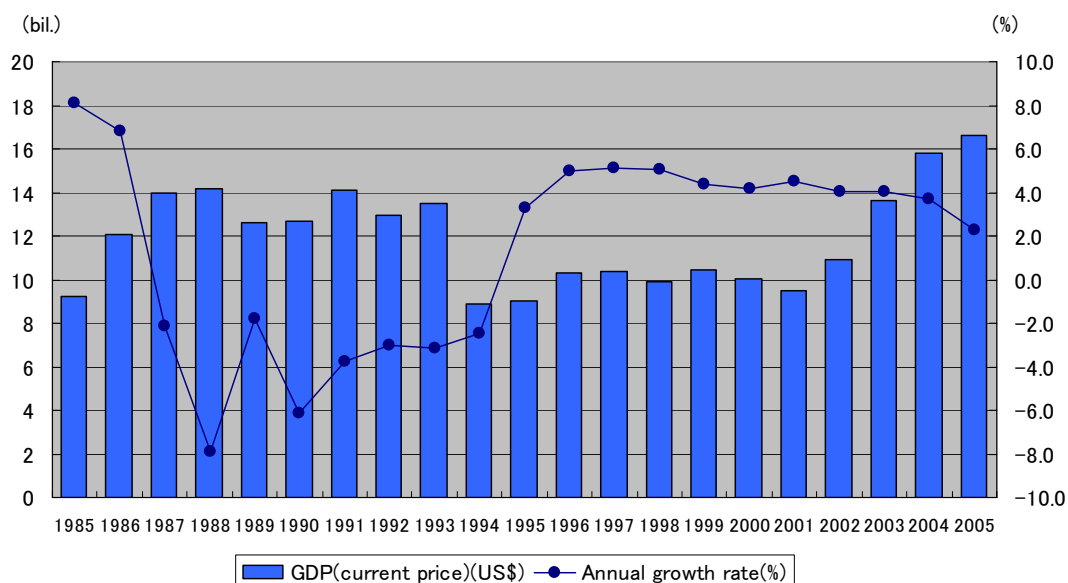


Source: Study Team, based on IMF, "World Economic Outlook Database."

Figure 1-2 GDP Trend of the CEMAC Countries (1985-2006) (Current Prices; US\$ billion)

1.1.2 Economic Growth and Industrial Structure

(1) Economic Growth



Source: Study Team, based on IMF, "World Economic Outlook Database."

Figure 1-3 Trend of the Cameroon GDP (1994-2006)

Cameroon's economy experienced a serious recession in the middle of the 1980s, influenced by the falling prices in international markets such as those for crude oil, coffee, and cacao. The country, however, undertook structural reforms including the liberalization of the economy, a shift of macroeconomic policy, and administrative reforms under a Structural Adjustment program of the IMF and World Bank during the 1990s. The Poverty Reduction Strategy Paper (PRSP) was adopted in 2003, and Cameroon also reached the completion point of the Heavily Indebted Poor Countries (HIPC). Currently, the Poverty Reduction Facility (PRF) is taken and socio-economic reforms are being continuously promoted.

The average growth rate of the GDP during a recent 10-year period was 4.2%, and the Cameroon economy has recovered and is making stable GDP growth (Figure 1-3). The return to a growth path during the most recent five years, however, has decelerated due to the reduction of crude oil production and stagnation of the domestic economy. The growth rate in 2005 was 2.3%, the lowest level during the recent 10 years.

(2) Industrial structure

In the GDP in 2006 the tertiary sector had the largest share (41%), while the primary sector's share was 23% and that of the secondary sector 36%.

In terms of sub-sectors, “commerce, restaurants and hotels” was the largest at 24%, followed by “agriculture,” 15%, “manufacturing except for oil and mining sub-sector,” 12%, “oil and mining,” 12%, “other services,” 11%, and “agro-processing”, 7%.

The oil industry dominates the “oil and mining” sector. The share of “export cash crops” (1.6%) is relatively small compared to those of “agriculture” and “agro-processing industry” in the primary industry.

1.1.3 Trade

The trade structure of Cameroon is characterized as (1) being heavily dependent on export of primary industry products of oil resources and agro-forestry products which are very susceptible to influence from fluctuating international market prices, and (2) import of crude oil/ fuel oil/ lubricant, processed products like machine and electric products, and chemical products, and cereals. This basic structure of trade has not changed much during these five years.

In terms of trade destination, the EU has been historically the most important partner. According to data for 2005, exports to the EU increased to become about 70% of the total export value, while other main regions taking exports were Africa (14%), Asia (6%), and North America (4%).

The top three regions and their shares as suppliers are the EU (39%), Africa (34%) and Asia (16%).

According to import data for the world, the top six countries and their shares are Nigeria (26%), France (18%), China (5%), US (5%), Germany (4%), and Japan (3%). Imports from Nigeria are mostly crude oil, that increased 220% in 2005 from the previous year, and Nigeria came to occupy first position in total imports for the first time, supplanting France. As for exportation, nearly half of exports in value is shared by fuel oil/lubricant, followed by beauty products (8%), soap (8%), soup preparations (7%), cosmetic products (7%), and crude cotton (3%).

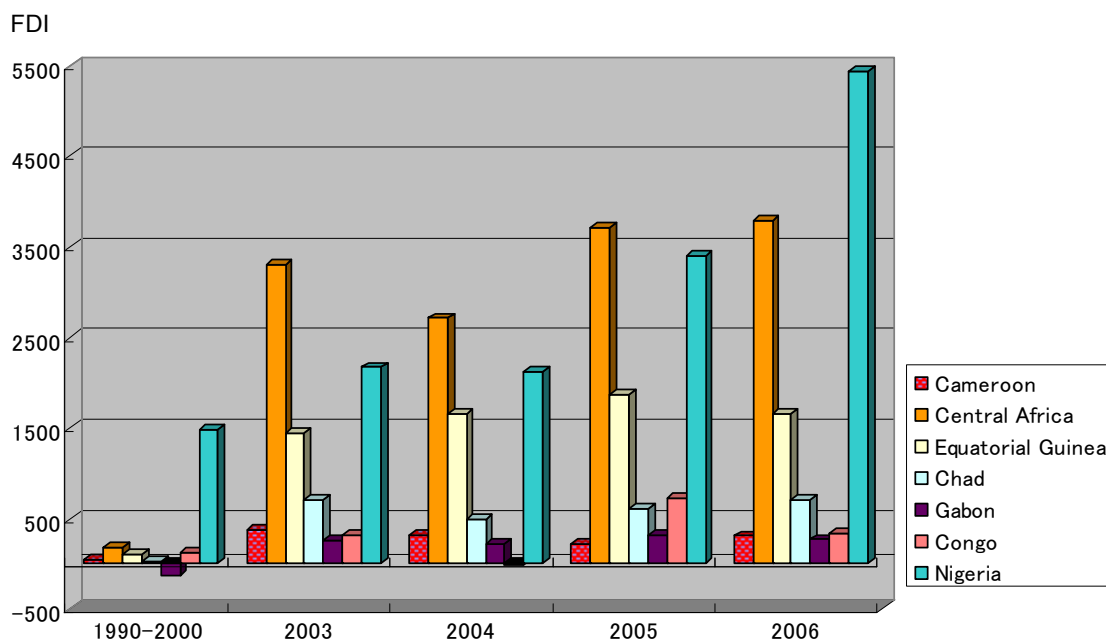
1.1.4 Financial Balance

The revenue was equivalent to 19.6% of GDP, of which 18.2% was from taxes and 1% from oil.

Meanwhile, expenditure accounts for 14.6% of GDP, consisting of 11.7% of current expenditure and 2.9% of capital expenditure. The ratio of expenditures to GDP has tended to decline due to a reduction of wage and salaries, and a reduction of interest payments for debt relief.

1.1.5 Foreign Direct Investment

Foreign direct investment, however, accounts for US\$300 million and is at a low level. **(Figure 1-4)** In comparison to CEMAC member countries in 2006, the investment amount of Cameroon is fourth in CEMAC, equivalent to about 4% of total investment in CEMAC.



Source: Study Team, based on UNCTAD (2007), "World Investment Report 2007."

Figure 1-13 Trend of Foreign Direct Investment to CEMAC and Nigeria (1990-2006) (Million US dollars)

1.2 Industrial structure and development challenges

The outstanding features of the industrial structure in Cameroon are indicated as below.

- 1) Exports are heavily dependent on plantation agriculture and oil
- 2) It is necessary to develop the non-oil sector with raising the competitiveness, in view of the slowdown of the oil sector growth
- 3) In the manufacturing industries, only about 20 foreign-capital companies and large companies (mainly public corporations or privatized former public corporations) account for 70% of employees and 60% of the total.
- 4) Development of the manufacturing sector is not appropriate, and an excessively large part of industries in Cameroon is occupied by tertiary industry.
- 5) As the result, Cameroon relies on imports for half of materials for final products, and main consumable goods, and has resulted in high-priced economy including high-priced.

An important challenge is to develop supporting industry and downstream industry in order to strengthen the industrial structure in Cameroon, whereby small and medium-sized enterprises, which have the potential of playing a vital role, should be developed.

1.3 Development Strategy in PRSP and Expectation Regarding SME Development

The PRSP has the following seven medium-term objectives.

- Priority 1: Promoting a stable macroeconomic framework
- Priority 2: Strengthening growth by diversifying the economy
- Priority 3: Revitalizing the private sector as the main engine of growth and a partner in delivering social services
- Priority 4: Developing basic infrastructure and natural resources while protecting the environment
- Priority 5: Accelerating regional integration in the framework of CEMAC
- Priority 6: Strengthening human resources and the social sector and facilitating the integration of valuable groups into the economy
- Priority 7: Improving the institutional framework, administrative management, and governance

SME promotion was regarded as one of the most important challenge indicated in Priority 3 and Priority 6.

The progress in carrying out the PRSP was evaluated by the IMF and the World Bank in 2005, the third year after the PRSP adoption, and it was marked by judgment of satisfactory performances.

The progress in the private sector promotion, capacity building of SME/SMIs and continuous removal of constraints in private sector was evaluated. From the viewpoint of fostering economic competitiveness, a lack of financial provisions on behalf of SME/SMIs, and of a guarantee structure, and poor organizational structure of the private sector, were pointed out. Also, progress was acknowledged in the extension of the ALCAM project which ensures the absorption of at least 30% of this project's total expenditure by local SME/SMIs. It was regarded important for developing industrial partnerships.

An additional evaluation was made regarding a plan for a 270% increase of the MINPMEESA budget for SME promotion. Some recommendations were made in an proposal to install administrative services for supervising SME, and the necessity of developing a sector strategic plan for the promotion of SME/SMIs.

2 Overview of SMEs in Cameroon

2.1 Overview of SMEs

2.1.1 Overview

Enterprises in Cameroon may be categorized into the following in terms of their managerial features and constraints: (1) large-size enterprises of state-established enterprises, enterprises which were formerly state-established but have been privatized, and foreign capital enterprises which are targeting their businesses mostly on export markets, etc., (2) medium-sized enterprises, (3) small-sized enterprises, and finally (4) micro enterprises and individual proprietorships, some with a few family workers.

The enterprises in Cameroon under the category of large-size enterprises include: (1) foreign-capital or foreign-affiliated enterprises operating in the agro- and forestry-based export industries, (2) state-established enterprises in essential industries of Cameroon, large plantation sectors, the agro-processing sectors, service industries such as finance, transportation and communication sectors, and the enterprises which were privatized after being state-established enterprises of these categories, (3) foreign-capital or foreign-affiliated enterprises established in Cameroon targeting the domestic market in Cameroon or regional markets in neighboring countries of Cameroon, and (4) enterprises in the modern distribution sector, or those which moved into manufacturing of the commodities they have formerly distributed.

The medium-sized enterprises are those of: (1) foreign-affiliated or local-capital manufacturers targeting domestic markets in Cameroon and regional markets in the neighboring countries of Cameroon, and (2) distributors, whether financed by foreign or local capital, in the modern distribution sector. The manufacturing enterprises of (1) above are those which are established for import substitution, and seen in such manufacturing industries, namely food, textiles, paper products, and chemical products including paints, soaps and detergents, pharmaceuticals, and cosmetics, etc.

The distributors in the category (2) above include two major types of distributors. One is the distributors established by foreign investors having their head offices abroad, and operates the business in Cameroon under the supervision of the head office. Another is the distributors established and grown with the aid of capital from Cameroon or neighboring countries. Both distribute such goods as foods, home appliances, and building materials, or operate supermarkets. Some of them have moved to manufacturing of products which they have imported and distributed before, by an enterprise in their corporate group.

Small-size enterprise is the category of enterprise with the largest number of enterprises among other categories. Their management features are quite diversified.

In the upper level of this category, there are two types of small-size enterprises: (1) One is the enterprises, which have a certain level of internal management organization and are operating in such sectors as furniture and wood product manufacturing, textile and garment manufacturing, processing of food and agro-based products, and manufacturing of building materials, etc. (2) Another is the local-capital enterprises that have developed and are being operated in the field of supporting industries underpinning large enterprises, although number of this type of enterprise is still small.

There are many small-size enterprises, which are still in an infant stage as an enterprise, in the lower level of this category next to the above, being operated in the same manufacturing industries as that of (1) above. They are also targeting customers in the neighboring areas of their operating site, processing the products manually and having very limited facilities.

In the lowest level of the category of small-size enterprises, there are micro enterprises and individuals undertaking small businesses, including individuals who have skills in a certain job areas and are categorized as craftsmen.

Many individuals undertaking businesses for their survival are also included under this category. Their areas of activity include various types of service industries operating in the informal sector, such as repairing, passenger and cargo transportation, personal and home services, social services, catering, micro-finance and computer related activities, etc. The number of enterprises or individuals under this category is hard to estimate, but has grown steadily.

There are many such enterprises involved in the “conventional” distribution sector, which include street marketers, trading with nearby residents at street stands or small shops, small-size retailing at a central market or markets specialized in specific products such as food, daily necessities, sundry goods, soap, and batteries for radios, etc.

In the agricultural sector, there are enterprise-type plantation operations of small holders under the Small Holder Development Programs of CDC for growing rubber and oil palm. Further, in the marine product sector, there are some micro enterprises and individual proprietors for processing drying fish and smoked fish. On the other hand, the husbandry sector is operated basically by farmers instead of having enterprise base operators.

In the mining sector, many micro-enterprises and individual proprietors are reportedly engaged in mining operations, but no detail information is available.

2.1.2 Informal Sector

In Cameroon, it is widely known that the informal sector accommodates the bulk of population engaged in economic activity, but there are no official statistics or report accounting for its current state throughout the country. Coupled with the fact that the informal sector has a variety of problems such as the lack of job security, the poor working environment, and old working style (labor-intensive and old production equipment), the government is increasingly paying attention to the sector and intends to study its actual conditions and take up the sector's upgrading and modernization in the policy agenda.

INS conducted a survey of the current status of the informal sector in 2005.

Based on the survey results, major characteristics of the informal sector in the country are summarized as follows.

- 1) Self-employment enterprises accounted for 69.4% of the total, and enterprises consisting of an owner and non-salaried workers 26.2%. Thus, these micro-enterprises (presumably operated by family members) dominate the sector (with a combined share of 94.6%).
- 2) Thus, establishments that have salaried employees (seemingly operated as a formal business enterprise) represented a mere 4.7% of the total.
- 3) In urban areas, the commerce sector holds a slightly higher share, followed by the service and manufacturing sectors that have more or less the same share. In contrast, the manufacturing sector holds a dominant share in rural areas. Note that the rural manufacturing sector primarily consists of enterprises making handicrafts, processing of agricultural products, or providing repair services.

2.2 Current State of Statistics Relating to SMEs

2.2.1 SME Statistics in Cameroon

(1) Definition of SMEs for Statistical Purposes

In Cameroon, no formal definition on SMEs has been established. The MINPMEESA is planning to set standard definitions for SMEs. In July 2008, the ministry proposed the following definitions.

Large enterprises	101 or more employees
Medium-sized enterprises	51 – 100 employees
Small enterprises	6 – 50 employees
Microenterprises	1 – 5 employees

(2) Current State of SME Statistics

The INS is the organization in charge of the country's statistics. It has been conducting the following surveys relating to SMEs (basically conducted as an industrial statistics).

- a) Enterprise Sample Survey (1993 – 1999)
- b) National Enterprise Survey 2007
- c) Quarterly Outlook Survey
- d) Study on Employment in the Informal Sector 2005

In addition, the MINPMEESA plans to conduct a census of SMEs.

In addition, one-time SME surveys are conducted by other organizations. The Netherlands Development Organization (SNV) is conducting a joint survey of around 1,000 enterprises, with GTZ and GICAM, as part of a project to establish a nationwide SME database.

Under the present study, a survey was conducted, between September and December 2007, of companies with 250 or less employees in the manufacturing, commerce and service sectors. It covered enterprises both in the formal and informal sectors and responses were obtained from 413 establishments.

2.2.2 Current State of SMEs Viewed from the Statistical Surveys

(1) Enterprise Sample Survey, 1993-1999

Table 2-1 Enterprise Sample Survey (1993-1999)

Category	1993	1994	1995	1996	1997	1998	1999
Total number of enterprises	1524	1515	1486	1427	1971	1876	1693
Distribution of the enterprises by big sectors							
Primary sector (Non-Industries)	48	40	40	44	66	62	53
Industry & Mines	402	392	363	342	462	432	392
Commerce	576	594	582	540	732	707	588
Services	499	489	501	501	711	675	660
Employment (salaried)							
SME - 20	1126	1140	1138	1056	1508	1428	1286
21-50	173	164	146	155	190	198	177
51-100	96	91	78	79	115	98	96
101-500	104	94	98	108	125	118	108
501-	25	26	26	29	33	34	26

Source: Institut national de la Statistique.

(2) National Enterprise Survey 2007

Geographical Distribution of SMEs by Employment Size in Cameroon

Ville	Less 20		20 - 50		50 - 100		100 - 500		More 500		Total	
DOUALA	2,392	80.8%	251	8.5%	133	4.5%	157	5.3%	26	0.9%	2959	56.3
YAOUNDE	1,267	88.0%	78	5.4%	49	3.4%	39	2.7%	7	0.5%	1,440	27.5
GAROUA	158	92.9%	8	4.7%	1	0.6%	2	1.2%	1	0.6%	170	3.2
EDEA	45	72.6%	8	12.9%	2	3.2%	5	8.1%	2	3.2%	62	1.2
BAFOUSSAM	35	64.8%	7	13.0%	5	9.3%	7	13.0%	0	0.0%	54	1.0
Others	476	83.8%	40	7.0%	20	3.5%	25	4.4%	7	1.2%	568	10.8
Total	4,373	83.2%	392	7.5%	210	4.0%	235	4.5%	43	0.8%	5,253	100.0

Source: INS.

2.3 Analysis of Questionnaire Survey Results

The results of the SME Questionnaire Survey conducted from September to December in 2007 are summarized below. The target enterprises surveyed were: (1) enterprises in the manufacturing, commerce or service sectors, (2) with 250 or less employees, and (3) either in the formal sector or in the informal sector².

(1) Oversea Sales

In the case of micro-enterprise (0-9 employees) in the manufacturing sector, only one enterprise earned their sales from the CEMAC countries, while almost all enterprises currently were not able to export their products. At the next larger scale of the enterprise, it was found that some small enterprises (10-29 employees) and medium size enterprises (30-49 employees) made sales not only to CEMAC but also other parts of Africa, and Asia. Some medium size enterprises (50-149 employees) and large enterprises trade with customers in the US.

(2) Expecting Markets for Export and Expecting Percentage of Export Sales among Total Sales

The most expecting area for export is CEMAC (129 enterprises), followed by Other African regions (50 enterprises), EU (25 enterprises), and US (15 enterprises).

(3) Expansion of Business Activity

Approximately half of the responding enterprises answered that they intend to expand their business in the future. On an enterprise scale base, such answers from medium-size enterprises (30-49 employees) were the highest percentage, at 63%, while the rates at micro-size enterprises

² The number of valid responses were 413 in total.

(less than 9 employees) and large enterprises (more than 150 employees) were relatively low, at 43.8%.

(4) Training of Employees

All enterprises with more than 150 employees answered that they had provided training to their employees; it is believed that these companies had enough financial and human resources to do so. The smaller the enterprise scale, the lower the percentage of enterprises which give their employees training. Nevertheless, 70% of enterprises with less than 9 employees conduct training.

(5) Use of BDS

Less than 30% of microenterprises (less than 9 employees) and small enterprises (10-29 employees) utilized BDS, thereby it could not be said that it is fully utilized. In contrast, medium and large enterprises (more than 30 employees) tend to utilize BDS; approximately half of them has used BDS.

(6) Current Financial Sources

In terms of current financial source, “informal financial institutions” (34.9%, 204 answers), “others” (25.0%, 146 answers) and “commercial banks” (24.8%, 145 answers) are the top three, and these responses combined have a share 85% in the total. From the viewpoint of enterprise scale, micro and small enterprises (0-9 or 10-29 employees) secure financing from informal financial institutions; the percentages are 42.6% and 36.8% respectively. The significance of informal financial institutions is evident. Commercial banks are the biggest financial source in most enterprise scale groups with more than 31 employees.

(7) Necessity for Loans or Credit

Overall, about 80-100% of enterprises answered that they need external financial resources and there were no differences according to scale of enterprise.

(8) Use of Loans or Credit

As for use of loan or credit by manufacturing enterprises, “purchase of machinery and equipment” (73.3%), “working capital” (63.1%), and “purchase of inspection / measuring equipment” (27.7%) were the top three responses. It could be said that a distinctive feature for manufacturing enterprises was use of loan or credit for purchasing machinery and equipment. On the other hand, enterprises in the commercial and service sectors tend to utilize loans or credit for “working capital” and this purpose was cited most frequently by enterprises in these

sectors. A common feature in all sectors could be seen in the point that all enterprises need loans or credit for working capital.

(9) Biggest Problem for Starting-ups

In the manufacturing sector, “financial difficulties” (25.9%), fiscal pressure (tax problems),” (22.6%), “administrative sluggishness” (12.4%), and “bribes and corruption” (12.0%) were the top four problems for starting up their business. This trend is similarly seen in commercial and service sectors.

It could be a distinctive feature that “administrative sluggishness” and “bribe and corruption” is strongly recognized in medium size enterprises (150-250 employees), even compared to “financial difficulties.”

(10) Difficulties in Promoting Exports

As for difficulties in exports, “marketing” (45.4%), “financial problems” (18.8%), “procedures for the external trade”(15.0%), “contracts” (14.2%), and “insufficient production capacity to meet lots of orders” (11.3%) were the top five areas of difficulties.

(11) Problems in Ensuring Human Resources, and their Management

The top three problem areas related to human resources were “training and education in the company”, “increase in salaries and wages” and “lack of discipline and moral for their jobs.” The larger the enterprise scale, the greater do enterprises tend to feel difficulty in “recruiting highly educated persons.”

(12) Communication Gap between Borrowers and Financial Institutions

At least half of enterprises, or about 60-70% of them except for upper-medium size enterprises (50-149 employees) felt there was a communication gap with the financial institutions.

(13) Communication Gap Point with Financial Institutions

The most frequently cited problem was “loan procedures,” named by 30-50 % of all enterprises, while “business strategy” was mentioned by about 30% of the total. Almost half of the microenterprises (less than 9 employees) and small enterprises (10-29 employees) felt that there was a communication gap when they applied to a loan at financial institutions.

(14) Difficulty in Using of External Institutions

The significant feature was that “expensive service charge” is overall the biggest constraint as voiced by many enterprises. Also, another remarkable point, relatively, is that 20% of the

enterprises answered that “lack of information about the service and function they provide” and “obsolete equipment and technology in the institutions” were the most serious problems.

(15) Current Major Problems of SMEs

The biggest challenge for SME enterprises is “difficulties in borrowing loans or financing” (642 points), and this clearly indicates that it is a seriously difficulty for SMEs to borrow money from financial institutions in Cameroon. As the next-most-serious problems, the responses were “high import duties of raw materials, intermediates or parts” (333 points), “increase of employee salaries and wages” (235 points), “unstable purchasing order from customers” (209 points), and “insufficient production capacity to meet a lot of orders” (168 points).

3 Key Industrial Sectors and SMEs

3.1 General Background

In the country’s GDP, the primary sector accounts for 22.5% of the total as of 2005, the secondary industry 28.1%, and the tertiary industry 49.4% (Table 3-1). In a recent five-year period, the primary sector’s share dropped by 6.3 percentage points and the secondary sector by 2.9 percentage points, whereas the tertiary sector gained 9.2 percentage points.

In terms of working population, on the other hand, the primary sector is largest with a 49% share, followed by the tertiary sector’s 36% and the secondary sector with 15%.

As far as SMEs with less than 50 employees (not including business entities and individuals in the handicraft and social business sectors) are concerned, their role in industrial activity is very limited. They account for only 3.85% of the total value added and have approximately 120,000 employees.

3.2 Agriculture, Forestry and Fishery Sectors

3.2.1 Agriculture Sector

The agriculture sector is the country’s key industry sector responsible for 14% of GDP.³ It is roughly divided into modern plantations and traditional farms.

³ Estimated figure as of 2006.

(1) Export-oriented agricultural production

1) Banana

In Cameroon, bananas are cultivated and exported by plantations operated by two companies (including one state enterprise). In addition, small farms grow bananas that are consumed in the local market.

2) Coffee and cocoa

Coffee and cocoa are produced by small farms. Most of them are exported to Europe and some are processed within the country.

The coffee and cocoa industries were originally under government control. In 1995, they were privatized and hundreds of companies entered the coffee export business. At present, however, it is dominated by a handful of foreign-owned companies.

Small companies process and sell coffee by themselves, but their market is limited within the country due to quality and packaging.

3) Cotton

Cotton is cultivated by over 300,000 farms in the Northern Province. Cotton farms are under control of the state enterprises, Sodecotton.

4) Rubber

Rubber is commercially produced by three companies (two state enterprises and one privatized (foreign-owned) company). Most of produced rubber is exported to Europe.

The state enterprise, CDC, has fostered farms growing rubber recently.

(2) Oil palm

Palm oil production is made by three types of farms, namely modern plantations, newly fostered farms and village plantations. The need for intensive cultivation by village plantations and the improvement of the oil producing process are recognized, and the Village Palm Grove Development Program by the HIPC Fund is scheduled to be implemented.

(3) Farm products for food

They are generally grown by village plantations. Main products are as follows.

- 1) Edible roots and tubers
- 2) Grains
- 3) Banana
- 4) Plantain (cooking banana)

Some vegetables and fruits are exported to the CEMAC market. Recently, the government is moving to encourage exports of small farm products (such as pineapples, avocado, and plantain) in addition to traditional export products.

3.2.2 Stockbreeding, Forestry, and Fishery

(1) Stockbreeding

From 17% to 20% of farm animals are raised in rural villages, and around 30% of the rural population appears to earn income from stockbreeding.

(2) Forestry

Forestry in the country was traditionally the second largest earner of export revenue next to crude oil (by selling wood in the form of logs). In 1999, however, the government launched measures to restrict log exports and protect traditional tree varieties for the purposes of preventing overcutting and encouraging local production of sawn wood products. As a result, log exports decreased from 3 million m³ in 1999 to 2 million m³ in 2004. Sawn wood products are mainly exported by large foreign-affiliated companies.

Logs that are not exported are processed by local industrial saw mills or artisans. However, the wooden furniture industry is facing difficulty in obtaining materials. Especially, it is very difficult for SMEs to obtain logs that have been authorized for production of export furniture.

It is reported that there are around 600 tree varieties that are marketable, of which only 60 are commercially used, suggesting the existence of high development potential.

In addition, charcoal, barks, and medicinal herbs are commercially exploited, albeit in limited scale.

(3) Fishery

Fishery operations are mainly carried out by small fishing boats (including canoes), where as medium-sized and large enterprises are not active in terms of share. This is because coastal fishery resources are not rich and there are no adequate storage facilities. No deep-sea fishing is carried out due to the lack of funds to obtain a large fishing boat or bear a substantial fuel cost.

There is no processing industry for fishery products, which can meet strict quality standards required for export.

3.3 Mining, and Petroleum and Gas Production Sector

There are as many as 15,000 miners engaged in small-scale mining of gold and diamonds. To improve their working conditions, the government has established an organization called Support Framework for Small-Scale Mining (CAPAM) to organize small miners in cooperatives and provide technical assistance including the leasing of mining, processing and transportation equipment.

3.4 Industrial Sector

Table 3-1 shows the relative position of key industrial sectors in terms of value added, export value, and employment.

Table 3-1 Structure of the Cameroonian Industrial Sector

(Unit: % of total)

	Value Added	Exports	Employment
Food, beverage and tobacco	40.7	10.3	29.0
Chemicals, refinement of oil, rubber and plastic	16.6	19.7	40.9
Wood products	14.2	47.2	15.0
Textiles, garments, leathers and shoes	12.2	0.8	6.2
Materials of construction, metallurgies	9.5	19.4	3.0
Paper, printing and publishing	3.3	0.3	3.4
Metallic works, electric and equipment of transportation	2.3	1.9	1.9
Other articles manufactured	1.2	0.4	0.6
Total	100.0	100.0	100.0

Source: UNIDO (2005), "Report on the industrial competitiveness of Cameroon".

According to the Strategy Document prepared on the basis of the INS's limited data, the agro industry shows the largest value of production made by SMEs in the entire industrial sector, accounting for 42.28% of the total, followed by the wood industry 27.06% and the electric, mechanical and transportation equipment industry 23.65%.

Table 3-2 SME Activities in Industrial Sectors (2005)

	Production		VA		Employee (%)	Efficient employee
	Value (10 ⁶ FCFA)	%	Value (10 ⁶ FCFA)	%		
Industries extractives	10,500	1.92	10,500	10.42	1.6	790
Agro-industry	230,925	42.28	26,867	26.66	34.2	16,574
Chemical and petrochemical industries	17,119	3.13	3,670	3.64	7.5	1,711
Industries of the textile of the confection and leather	7,186	1.32	3,726	3.70	3.2	1,570
Industry of wood and derivative	147,759	27.06	35,009	34.74	39.5	19,092
Metallurgic industries	3,503	0.64	796	0.79	0.5	235
Industry of the non mineral products and materials of construction	0	0.00	0	0.00	0	0
Electric, mechanical industries and of transportation material	129,139	23.65	20,220	20.06	17.4	8,401
Secondary total	546,131	100	100,787	100	100	48,374

Source: The Study Team, after INS statistics.

(1) Beverage industry

Medium-sized enterprises are seen in the mineral water industry, and SMEs and microenterprises in the juice production sector.

(2) Agro industry

In terms of type of operation, the industry is divided into large enterprises that are engaged in mass production by, medium-sized enterprises that supply import substitutive products, and small enterprises and microenterprises that serve to satisfy local demand.

Medium-sized enterprises produce cooking materials and juice at mechanized factories by using imported materials and sell them to the local and CEMAC markets.

Small enterprises and microenterprises are engaged in the processing of locally produced vegetables, cereals, and fruits to dried food, powder, jam, or juice. In response to recent changes in eating habits, many microenterprises make a variety of ready-to-cook food materials. Many small enterprises produce yogurt. While small enterprises have production equipment, microenterprises operate in a facility slightly larger than a home kitchen.

SMEs are also engaged in production of coffee and cocoa products. As both products were originally cultivated by small farms and are supported by large domestic markets, small enterprises and microenterprises are attracted to the processing business. Nevertheless, coffee and cocoa products produced by these enterprises are intended for the local market and are sold in very simple packaging.

Palm oil is mainly produced at small factories. Modernization of production equipment and efficient operation are called for if the industry is to improve international competitiveness. Many SMEs produce soaps from palm oil.

(3) Wooden furniture and woodworking

In this sector, large local enterprises and foreign-owned companies are engaged in sawing and production of plywood for export. Furniture and fixtures (doors, etc.) are mostly made by small enterprises or microenterprises, which presumably include those in the informal sector.

Small furniture makers are often concentrated in certain areas. In particular, they form an industrial cluster with small shops making parts or painting furniture.

Some of small enterprises have expanded to the office furniture business. On the other hand, there are medium-sized enterprises that have reduced their operation due to sluggish demand or difficulty in obtaining raw materials in recent years. Medium-size enterprises own kilns for drying wood.

(4) Textile, garment, and leather

The garment industry is dominated by SMEs. Some of medium-size enterprises are specialized in the manufacturing of uniforms. Some small manufacturers mass produce apparel products using CICAM's printed cloth. In any case, most SMEs are essentially tailors who make item by item. A large order is handled by subcontracting to other manufacturers that form a network. There are a large number of these small workshops, which is said to be an obstacle to the emergence of garment factories.

Small- and medium-size enterprises do not use automatic cutting machines or a computer and rely on manual work and traditional sawing machines. As a result, they cannot meet volume orders for export purposes.

Few SMEs are engaged in production of leather and shoes; there are a few artisans. Leather is mostly exported, except for some portion being used for craft products. (Previously, a foreign company made leather products.)

(5) Paper products

A few companies import paper materials (semi-finished products) and make them into toilet paper, tissue paper, napkin, notebooks, and stationery paper. They are medium-sized and use special machinery. However, they have lost sales to imported (smuggled) products due to the lack of price competitiveness and are operating far below capacity.

(6) Chemical products, soaps, detergents, and cosmetics

Soaps and detergents are produced from local oil palm by many companies including local SMEs, and they are exported to the CEMAC countries. In addition, glazing agents, paints, cosmetics, and pharmaceutical products are produced from imported semi-finished products.

(7) Cement and construction materials

In the construction materials industry, medium-sized and large enterprises that are engaged in distribution of these products have entered and are active. On the other hand, there are many SMEs and microenterprises that make concrete blocks and cement tiles for road pavement; these producers are mostly in the informal sector.

(8) Machinery, electrical equipment, and engineering

Large local enterprises and foreign companies are engaged in shipbuilding and engineering business, mainly in relation to oil exploration and drilling. Only a few medium-sized enterprises serve as suppliers or contractors for the above large enterprises. While there are many skilled workers in the fields of construction and repairing, who are classified as handicraftsmen, their skill levels do not seem to meet requirements of modern engineering companies.

As for electrical equipment, retailers and other sellers have repair skills as they are required by law to repair products they sell, including imported products. In addition, there are reportedly a number of manufacturers that produce batteries, watt-hour meters, radio receivers, TV accessories, and engine winding, but accurate data and information are not available.

As for automotive parts, there are microenterprises that are engaged in production of second-hand or copied parts.

In the field of metalworking, there are microenterprises that make gates, fences and other metal products by using a variety of techniques such as welding, sheet metal working, and grinding. They belong to the informal sector or serve as GICs.

(9) Metal industry

In the aluminum industry, ALCAM makes aluminum ingots from aluminum imported from Guinea. Some of them are converted to aluminum components and parts for construction and household goods, which are sold to the local market. However, there are not many SMEs that are capable of manufacturing such downstream products.

3.5 Commerce and Service Sectors

In the service sector, distribution and computer-related industries are increasing their importance.

(1) Distribution industry

The distribution industry is dominated by traditional business operators, who account for 70% of the total. The traditional distribution sector is primarily operated in the form of street marketing and local trade by small stalls and retail shops.

Meanwhile, modern distributors are rapidly emerging in recent years. There are a number of supermarkets (selling groceries), large-scale retailers (electrical products, household goods, furniture, and construction materials), and department stores. They mostly sell imported products.

(2) Computer-related service industry

At present, the largest segment of the computer-related service industry is Internet access service, which is provided by a large number of informal sector enterprises, with type of serving being diversified.

(3) Other service activities by small enterprises and microenterprises

Small enterprises and microenterprises, led by those in the informal sector, are engaged in a variety of services, including repairing, wholesaling, retailing, passenger and freight transport, personal and household service, social service, catering, microfinance, and computer-related service.

4 Provisional Analysis on Development Issues of SMEs, and Challenges

4.1 Support Needs of SMEs

The SME Questionnaire Survey implemented as part of the Study asked respondents to point out three major problems they are facing.

Among the above problems, improvement of financial access is recognized by the enterprises as the most necessary challenge regardless of their size of operation. Meanwhile, improvement of the business environment is mainly expected by medium-size enterprises and the relatively upper layer of small size enterprises. Management capability development (marketing, technology, business management) is expected particularly by the upper layer of small size enterprises.

It is necessary, however, to interpret these survey results from the following two points of view. First is the extent of respondents' expectation to the government. An overwhelming majority of enterprises chose the answer option that "they do not need any support from the government," responding to the question "what kind of support do you expect from the government?" This is a distinct trend of responses especially from medium-size enterprises. The above answer is thought to have been prepared after considering how much their expectation of the government can be realized. In other words, the responses should be understood considering the fact that they responded to the question taking into account the limitation of the current government in providing supports.

Another is the limitation of SMEs' recognition of international competition. Their current customers are mostly those in domestic markets (including domestic buyers of export goods for resale to neighbor countries). It is necessary to note that the enhancement of SMEs' capacity will not be achieved, even if all the problems perceived currently by the SMEs are solved.

In addition to the SME Questionnaire Survey, a list of requests to the government prepared by PADIC, an SME association, provides us with useful information.⁴ Their requests are summarized in the following.

- 1) Lack of a partner for dialogue with SMEs
- 2) Lack of finance
- 3) Too long a time to define financial benefit by the taxation office (until final decision on the statute of limitation on taxation by tax office).

⁴ "Obstacles and Hindrance for SME Blooming"

- 4) Lack of modern equipment with high technology.
- 5) Development constraints of local products by charging VAT on local products
- 6) Difficulties of advertisement and communication
- 7) Insufficient financial knowledge
- 8) Lack of social recognition of entrepreneurs
- 9) Lack of support for export business

4.2 Analysis of Major Development Challenges

4.2.1 Promotion of Shift of Enterprises in the Informal Sector to the Formal Sector

Issues

While the informal sector is said to employ 60% to 65% of the working population in the country, and to contribute 25% to 30% of the GDP, its current state has not been accurately surveyed or understood, including vital data and information representing its operating conditions. Meanwhile, as enterprises in the informal sector (self-employment business) are not formally registered, they cannot get bank loans (a loan application must be accompanied by a registration number given to the enterprises). Also, they are not entitled to participate in government procurement tenders or support programs. In regard to distribution, informal sector enterprises cannot sell their products at foreign-owned supermarkets and relatively large retail stores because they do not pay tax.

Development Challenges

Promotion of business registration serves as an instrument to encourage normal (official) business activities, especially the wider use of the accounting system and to establish legal status (taxation, etc.). However, registration itself will not necessarily lead to enhancement of the business. Deregulation to lower hurdles should be promoted for business startups in the formal sector, at the same time.

The interview survey results at informal enterprises indicate that the major obstacles to business registration include the minimum capital requirement, costs relating to business registration procedures, and the taxation system, that lacks transparency.

4.2.2 Promotion of Business Startup

Issues

“Business startup,” here, is defined as “starting new business with registration.

In the formal sector, there has been no significant increase in the number of business establishments or employees in recent years.

Most medium-size enterprises have seen little opportunity for expansion of their business in the current field of businesses due to the limited market size, but they are positive for diversifying their businesses in other prospective fields of industry, if available, having their own funds. However, they have been discouraged from doing so because they expected difficulty in raising additional capital or faced prevailing dull business conditions.

On the other hand, startups of small businesses have shown insignificant progress, although many startup plans have been prepared and attempted. Generally, there are two reasons for this. One is the limited funds available, that prevents many new businesses from sustained operation. Another is lack of an elaborated business plan, which by itself often results in business failure.

Development Challenges

To promote the startup of SMEs, which can be a vital tool for economic development, key requirements are the improvement of the business environment to support startups, the upgrading of the infrastructure and capability relating to the development of a business plan, and the improvement of financial access.

4.2.3 Required Support for Small Enterprises

Issues

In the upper layer of the category of small enterprises, there are many enterprises motivated for expansion, upgrading, and moving towards selling to export markets on one hand. However, the category of small-size enterprises also includes microenterprises and individual proprietors, community-based social economic activity units such as GICs, and business units, which are still small in size currently at the just-started stage of their businesses, on the other hand. There is no distinct gap in size of enterprises between those included under the category of small-size enterprises and those in microenterprises and individual proprietors; where one category ends the other begins.

Small enterprises have a significant disadvantage in achieving stable management and growth, compared to the medium and large size “ordinary” enterprises (or non-SMEs), in terms of information gathering, fund raising, ensuring and nurturing human resources, etc., because of their scale of operation (or insufficient internal managerial organization). In the case of Cameroon, since the system to support SMEs in these areas is not developed yet in addition to the fact that the business environment is not favorable enough for carrying on business, small enterprises must make great efforts by themselves to overcome the problems. In this connection, they are facing many problems.

Development Challenges

Small enterprises, which are expected to be the seedbed of new businesses and growing enterprises, and therefore, may be regarded as a core target of SME development policy. Generally, they are quite aggressive for improving and expanding their businesses, but at the same time they face various constraints. They need multifaceted support. However, the support should be prepared carefully, taking into account the different needs that exist, such as for support for developing their business target from the local market to all parts of the country, support for moving towards becoming exporters, or support for competing with imported goods, etc., depending on the development position of the small enterprises.

The support for this category of enterprises should be provided in such a way as to encourage their aggressive efforts for their improvement. The support may be provided in two ways, namely (1) policy considerations for discharging from some existing obligation, improvement of the business environment, and institutional development and (2) direct intervention for the enterprises by providing the following support:

- 1) Support to enhance capacity to be able to satisfy large-scale orders from customers,
- 2) Support for aggressive exposure of their products to potential markets, instead of waiting for the customers to visit to their sites
- 3) Support for encouraging efforts of small enterprises to improve the quality of their products
- 4) Support for material and product transportation

Further, since the category of small enterprises also includes enterprises operating on a sustenance basis, and business entities operating for the sake of broadbased social and economic objectives, there is a need to support these types of enterprises to continue in operation, and raising the level of operations.

4.2.4 Required Support for Medium Enterprises

Issues

Most of the enterprises under the category of medium-scale enterprises in Cameroon have been established to satisfy growing demand for imported goods with their products, and with the expectation that there will be preferential treatment by the government at the initial stage of business start-up. Their competitiveness decreased significantly with termination of the special treatment period, and with limited demand available for the products due to inflow of imported goods at low prices. They have been forced to operate at low rates of utilization of their installed capacity. They are not interested in investment for expansion and upgrading in their current fields of industry.

However, it should be noted that the many owners of these medium-scale enterprises are active members of GICAM, SYDUSTRCAM and FENAP, organizations playing a leading role in industry in Cameroon. They will be aggressive in making investments if they can find opportunities for promising investment, as they have financial capability. Policy that encourages their motivation to undertake new businesses is very essential for industrial development in this country.

Development Challenges

Policy support for the medium-scale enterprises must be provided from the standpoint of globalization of Cameroon industries. They do not now feel a need for outside support. Rather, they are expecting improvement of business environment.

Their scale of operation size is small, and rate of utilization of production capacity is low. They are far from efficient in view of economic scale. They are forced to depend mostly on imports for their supply of raw materials, since the industrial structure in Cameroon is not developed. They have to use generic packaging materials, since the small size of the domestic economy prevents use of materials of their own design. They cannot acquire technological know-how, nor develop their own technology, due to the fact that for technology they have to depend on what is available only with installation of production lines specialized for the specific products. The cost of raising funds is high, and further, long-term loans for upgrading facilities is not available under the existing financing system in Cameroon.

Taking into account the above conditions, support particularly for the medium-scale enterprises is needed so as to reactivate existing enterprises and encourage new investments.

Such support should be follows: (1) policy initiatives that encourage motivation for enhancement of international competitiveness, and (2) alleviation of constraints in business environment in Cameroon.

4.2.5 Required Support for Micro Enterprises and Individual Proprietors in Sustenance Businesses

Issues

The category of microenterprises and individual proprietors includes (1) individuals and family operations in sustenance businesses, (2) community-based social economic activities such as GIC, (3) artisan craftsmen who have a certain field of skills and receive job orders individually, and (4) business units which are still small in operation, in the start-up stage.

They are expected to be the seedbeds of new business and growth on one hand, but they include businesses upon which the owners cling for survival, and social economic activities on the other hand.

They also need to make their own efforts to improve their operation and enhance competitiveness as other SMEs do, but in actuality, they have a significant disadvantage in doing business on an equal footing.

Nevertheless, these business operations have played important roles in absorbing unemployment among family members and community. In this context, there is a need for providing support for them from the different stand point of view, compared to the support for enterprises categorized in upper and medium layer of small enterprises.

Development Challenges

The support for these enterprises and business entities has the nature of raising the level of operation for them to be able to operate on equal footing to other SMEs. The support may include (1) provision of small amounts of capital for sustaining their operation, (2) supplementary support, guidance, policy considerations or a combination thereof to mitigate their disadvantage over other SMEs in collecting information, human resources development, acquiring basic managerial skills, or in other fields, and (3) policy consideration to improve the standard of living of the entrepreneurs, and their family employees and community employees.

They have difficulty in contacting the right person in the government to ask for support. There is a need to develop organizational channels, through which information on support measures available will be conveyed to these enterprises and business entities, enabling them to contact the government for support.

4.2.6 Financial Support

Issues

Even though they have a strong will to expand production capacity or improve productivity through modernization of their factories, SMEs face difficulties in finding financial sources for those investments.

Two factors are relevant for the above situation. One is underdevelopment of the financial system and its structure and the other is weakness in SMEs' management capability

Underdevelopment of the financial system and structure is reflected in the following facts. The capital market has not been developed yet and financial depth is still shallow. As a result, it is difficult for SMEs to find long-term funds which are indispensable for expansion of their factories and output. Development of financial schemes for collateral-free finance is not advanced and this forms a serious bottleneck for SME finance since their ability to post collateral is low. High interest rates caused by underdevelopment of the financial system also poses a serious problem to SMEs which are not able to absorb the higher financial cost resulting from those rates. The underdeveloped financial infrastructure in the socialized and institutionalized market for collateral disposition makes SMEs' access to finance difficult, since SME finance is totally collateral based.

SMEs' weakness in management capability also increases their difficulty in accessing finance. SMEs often lack corporate governance and basic management know-how on formulation of business and investment plans, on marketing and on production management. Due to such weakness, commercial banks tend to become reluctant to extend loans to them. The high interest rates charged to them is also attributable in part to SMEs' weak management capability which increases default risk.

On the other hand, micro- or individual enterprises also face financial difficulties, although these problems are somewhat different from those of the SMEs. In addition to lacking start-up funds, they also lack working capital. This is because by nature of their business it takes a long time to recover the expenses of production and sales by selling their manufactured products or purchased products. As the result, it could easily happen that they cannot get raw materials necessary for the next round of production. There is an urgent need of loans accessible by them for the small amount of working capital.

Development Challenges

(1) Creation of a New Financial Institution Specialized in SME finance

Current SME finance problems, namely lack of long-term funds, underdevelopment of non-collateral based finance, and high interest rates, cannot be solved only by efforts by each commercial bank. Instead, it should be tackled by the bank industry as a whole. Further, the current financial problems faced by SMEs cannot be solved by leaving everything to the market mechanism. Governmental intervention and support is indispensable. Since commercial banks are strictly required to comply with BIS guidelines and under such conditions, they tend to become reluctant to provide SME finance which is risky. While commercial banks' role in SMEs finance is respected, it is necessary to set up a new financial scheme to supplement their role. Creation of a credit guarantee scheme is one of ideas to realize it.

(2) Development of a Socialized and Institutionalized System for Registration and Disposition of Collateral

In connection with the idea of a new financial institution, it is urgent to develop a formal system related to mortgage registration and foreclosure..

(3) Creation of an Organization Which Supports Strengthening of SME Management Capability

For SMEs to obtain finance from commercial banks, it is necessary to enhance their management capability. Especially, capability in corporate governance, formulation of business plan, marketing and production management should be strengthened.

(4) Creation of a new system extending small amount of money to micro or individual enterprise

The financial needs of micro- or individual enterprises are small in terms of the amount of money. Even so, it is not easy to get even such small amounts because they do not have enough collateral and their business risk is high. However, as is observed in GIC, their will or motivation to continue operating their small businesses is high. It is necessary to develop a new finance system which serves these entrepreneurs. The new system would ideally attach more value to their entrepreneurship spirit or personality than their physical collateral.

(5) Support for Strengthening of Management Capabilities for Microfinance Institutions The following are main areas recommended for support.

- 1) Support for institutions to obtain funds necessary for steady growth through collaboration with commercial banks.

- 2) Support for institutions to facilitate the expansion of business through improvement of EDP systems with use of the latest information and communication technology.
- 3) Support for institutions by extending assistance for training of the operations staff which is needed to cope with the rapid growth in the business.

5 SME Development Policy and System, and Development Challenge

5.1 Basic Government Policy on SME Development and the Relevant Governmental Agencies

5.1.1 Economic Development Plan and Policy, and Basic Strategy for SME Development

The basis for the unified recognition of SME development in Cameroon is indicated in PRSP, with the statement on importance of SME development and the basic strategy for the development.

5.1.2 Laws and Government Agencies Relevant to SME Development

(1) Related government organizations

MINPMEESA is assumed to play a central role in SME development among the government agencies. Each government agency, however, is taking its responsibility to SMEs in the concerned sectors of the agency in line with its respective policy on the sector, since SMEs and micro enterprises are found in various industries.

In the case of activities which involve more than one government agencies, a Coordination Committee (or Technical Committee, or Coordination Council) is assumed to be formed for collaboration among them. Such committee is not yet established on SME development. Further, if it is the case, it is not necessarily clear, legally, whether MINPMEESA can take a lead in providing fine-tuned support measures among the relevant government agencies.

(2) Major related laws

While there is no basic Cameroon law for SME promotion, several laws address relevant issues, namely two presidential decrees governing the foundation of the MINPMEESA and its internal organization, and another concerning the handicraft industry.

5.1.3 Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicraft (MINPMEESA)

In Decree No.2004/320, issued on 8th December 2004, the mission of MINPMEESA is defined as promotion of SMEs, including both formal and informal enterprises. The decree deals with the following issues.

- Promotion and supervision of SMEs
- Promotion of SME products
- Monitoring of the activity of organizations providing support to SMEs
- Monitoring of professional SME organizations
- The establishment with professional organizations of a databank and projects for investors in the SME sector
- The identification, mentoring and training of informal sector actors to foster their migration towards SMEs

The MINPMEESA is still in the stage of constructing the basis of their policies and activities. The following are the major challenge MINPMEESA faces in making progress in this work.

- 1) Development of Ministry Strategy
- 2) Establishment of an Agency for Facilitation and Development of SMEs
- 3) Establishment of a Financial Institution Specialized in SME Financing
- 4) Comprehensive SME Survey
- 5) Establishment of a Standard Definition of SMEs
- 6) Establishment of a Guarantee Fund for SMEs
- 7) Establishment of a Development Fund for SME Development

5.2 Non-government Organizations Engaged in SME Development

The Government has emphasized the formation of partnerships with private sector and its use in the process of policy implementation. The non-government organizations, including those with minor participation by the government, engaged in SME development are as follows (for non-government organizations engaged in SME financing, see 5.4).

5.2.1 Industrial and Economic Organizations

(1) Chamber

There are two chambers in Cameroon, the Chamber of Commerce, Industry, Mining and Crafts (CCIMA), and the Chamber of Agriculture (CAAFC).

The CCIMA was established in 1922 under the authority of the Chamber of Commerce and Industry Law. It is a public organization supervised by the government (MOI) but independently operated.

While the member companies include large enterprises, most of them – both local and multinational – are also GICAM members. In fact, they concentrate more of their efforts on the latter's activity.

The local organization has still to be established.

The CCIMA has 10 offices in major cities; each office either has its own facility or rents office space within the provincial delegation director's company. Thus, their activity scale and scope vary greatly between provinces.

The CCIMA is the leading organization serving as the counterpart representing the private sector in relation to the government's economic policy implementation.

(2) Organization of Entrepreneurs

The major entrepreneur-related organizations in Cameroon are GICAM, SYNDUSTRICAM and MECAM. Besides these three, FENAP is an organization of entrepreneurs of SMEs. GICAM is an umbrella organization for 200 enterprises and 17 trade associations, representing 85% of total annual sales in the formal sector in Cameroon.

5.2.2 Private Business Development Service Providers

Among the private business development service (BDS) providers available in Cameroon, some are mainly targeting comparatively medium and large scale enterprises and others are mainly dealing with micro and small enterprises, or business start-up support for entrepreneurs. These two types of BDS providers differ not only in targets but also in characteristics.

The former might include BDS providers usually offering training programs for executive officers of companies (Okalla Ahanda & Associates, etc.) and those principally extending consulting or marketing services to the companies (Stratégies, Cible, etc.). They are, however, generally dealing with a wide range of themes like management, banking, tax matters, information management, marketing, project management, participation in public tenders, personnel management, logistics, and so forth, in terms of training and support for business development. They are operated on for-profit basis..

The latter could include AGRO-PME of which experience in this field goes back more than 30 years, CFE and so forth. They provide services to community-based business entities, micro and small enterprises and entrepreneurs in various sectors like agro-aliment processing, wood processing, handicraft manufacturing, etc. in part by mobilizing supporting funds provided by donors. However, only a few SMEs can benefit from these activities due to the insufficient

number of such BDS providers compared to that of SMEs that could benefit from such supported.

5.2.3 Public Business Development Service Providers

Support extended by the public BDS providers are essentially those for business start-ups through training and business plan formulation. These public BDS providers include Enterprise Cameroon established in Douala by UNDP and the Cameroon government that aims at supporting entrepreneurs, the National Employment Fund (FNE), under the Ministry of Employment and Professional Training, that aims at supporting business start-ups from a job creation point of view, and so forth.

Some public BDS providers, like FNE, offer financial assistance at low interest. These public BDS providers usually depend on the government finance. For instance, one percent of all the company employees' salary is collected and allocated to the FNE, through the government.

5.3 International Supports

So far, various types of international support have been implemented in the field of SME promotion (see the following table). This support has been initiated basically by donors, considering the needs of SMEs and expected benefits from implementation, since there was a lack of national SME promotion policy and, therefore, no strategic priority in SME promotion.

In implementing the supports, the donor organizations have usually nominated an implementation body from among local, private or government-related BDS providers, or private sector partner organizations such as chambers of commerce and industry or economic associations etc. Some of the implementation bodies have been privatized and have continued operations successfully and independently, after the completion of projects.

5.4 Financial Service Available for SMEs and Their Issues

5.4.1 Overview and Issues

Currently, the main source of finance to SMEs in Cameroon is not commercial banks but non-bank financial institutions and other informal sources such as relatives and friends. It is not rare that an SME's finance source is only its own funds. However, this does not mean that SMEs do not need external finance. On the contrary, they strongly need it regardless of the size of the company. Actually, most of SMEs feel that if they could access finance more easily, they could carry out their business operation more smoothly than now.

Companies whose number of employees exceeds 51 obtain finance mainly from commercial banks even though they also depend on the informal sector such as relatives to some extent, while companies whose number of employee is less than 50 have to mostly rely on microfinance institutions and informal sectors such as relatives. The fewer number of employee, the stronger the tendency.

5.4.2 SMEs Finance by Commercial Banks

Current lending activity to SMEs by commercial banks in Cameroon is limited. In the most active case, one bank's loan exposure to SMEs counts for 90%, but this is exceptional, and in other banks, the exposure is generally less than 10 %.

Salient features of Cameroon's commercial banks are summarized as follows. First, the size of their assets is relatively small. The bank with the largest assets, BICEC, holds only US\$600million. Second, except Afriland, UBC and NFC, they are oriented to activities for big enterprises and of overseas. They are reluctant to engage in local SME finance. Third, their financial networks are weak in terms of number of branches. Even the biggest bank, BICEC, has only 27 branches. Fourth, the number of employees is low. This may mean that their business is not retailed oriented but wholesale oriented.

The above mentioned limit of SMEs finance by commercial banks can be taken to mean that there is urgent need to examine the necessity of a new financial institution which is specialized in SME finance.

5.4.3 Non-Bank Financial Institutions

(1) PRO-PME

PRO-PME was established as a supplier of funds for SMEs in Cameroon at the initiative of the Canadian government with 3.5 billion FCFA in 1994. Currently the institution has extended loans of 7 billion FCFA to 200 SMEs. Terms and conditions for this finance is almost the same as at other commercial banks.

(2) National Investment Corporation

The National Investment Corporation was established by the government in the 1960s for developing strategic industries in Cameroon. A part of the corporation's fund has been privatized. Up to now, the corporation has been involved in development of 150 companies and most of these companies are joint ventures with foreign capital participation. Some of them are SMEs.

(3) PIAASI

The scheme has been planned and managed by the Ministry of Employment. The institution extends loans in informal sectors in rural areas under HIPIC fund.

(4) National Employment Fund

This scheme, National Employment Fund (NEF) is planned and managed by the Ministry of Employment. The fund was created in 1992, with the purpose of creating job opportunities. The fund extends loans to small business in handicraft industry. Because of budget constraint, applicants are obliged to wait long time until they obtain the loan.

5.4.4 Microfinance

Microfinance has achieved rapid growth in the past several years. However, its presence as a financial force in Cameroon is still modest in terms of credit volume with a 3.6% share in total national credit⁵.

Some microfinance institutions are involved in SMEs finance. However, SME finance is not the main business for them. The following are the main reasons they are not in a position to deal with SME finance. First, their loan amount for each customer is generally so small and there is a wide gap between their microfinance loan capacity and SMEs' expectations. Second, microfinance institutions face their own funding problem because their source of funds is quite limited. Further, they cannot meet the market requirement of providing long term loans. Third, while SMEs finance is corporate finance, microfinance is personal finance and the two are asked on different principles. In the case of SME finance, evaluation of the future prospect of business is a key, while in case of microfinance, analysis of borrowers' short term cash flow is a key. When microfinance institutions, which lack business sense, are involved in corporate finance, they are likely to accumulate bad loans.

5.4.5 Venture Capital

Besides seed money for new business, which is supplied by NEF as mentioned above, there is few venture capital.

⁵ Commercial banks' share in the total national credit is 86%, while remaining 10% is occupied by insurance companies and other financing institutions.

III SME Development Plan Proposal

III SME Development Plan Proposal

1 Establishment of Basic Principles of SME Policy

1.1 Positioning of SME Development in the Country's Economic and Industrial Development

1.1.1 Positioning of SME Development in PRSP

The PRSP that sets basic direction of the country's social and economic development posts the following seven medium-term strategic goals.

SME development is recognized as one of the most important challenges that must be faced in order to achieve the strategic goals. In particular, the importance of SME development is emphasized in Strategic Area 3 and Strategic Area 6.

In Priority Goal 4, "reinvigoration of the private sector" is set forth the following five objectives for SMEs and small industries.

- (1) *To reinforce private sector participation in capacity building*
- (2) *To enhance competitiveness*
- (3) *To diversify and adapt financial instruments and develop microfinance in order to mobilize financial resources for SME/SMIs and micro-enterprises*
- (4) *To foster greater organization and professionalism among small enterprises and the handicraft subsectors*
- (5) *To improve the impact of the privatization program on the subcontracting of services to SME/SMIs.*

1.1.2 Expectations for SMEs in the Economic and Industrial Development Process

The SMEs as the target of SME policy, are those with handicaps compared with "ordinary" enterprises because of their small size of operation. They are considered unable to be competitive under the current market mechanisms unless provided with support⁶.

The major players in the economy in Cameroon have been small numbers of large enterprises in the essential industries, and plantations in the export-oriented agricultural sector. Otherwise, the majority of enterprises and people have played only a minor role in the economic activities in the country. Most materials and equipments necessary for production and daily life

⁶ In these days, not only the industrialized countries, but also the increasing number of developing countries have developed their SME policy, focusing attention on the advantage of SME over the large enterprises. In such case, the SME is necessary to be defined using factors other than the "handicaps". However, the definition described here can be still applicable in the case of definition of SME in Cameroon.

have been imported, and the domestic industries are still weak in supplying their necessities. As a result, the lives of the people have been affected seriously by the high cost of materials and low level of their wages.

It has been recognized all over the world that the SMEs play an important role if not a critical role in economic and social development of a country. This is also applicable to Cameroon, in the following aspects:

- 1) SMEs are relatively easy to establish, and play the supplemental role of providing niche services, a function that is not viable for large businesses. Their activities help encourage diversification of the industrial structure.
- 2) Development of SMEs will contribute to diversification of local industries, and increase domestic local value added. They will help reduce the disparity between urban and rural areas and reduce the inflow of population into urban areas where excess in-migration threatens to create a large number of jobless or under-employed people.
- 3) Development of SMEs generates employment and contributes to poverty reduction, resulting in increase in domestic demand for industrial products, and formulation of a strong base of industrial development.

1.2 Development Goals (Development View) of SMEs in Cameroon

SME policy is the policy to promote the potentials of SME in contributing to social and economic development, and enable SMEs to deploy their capability effectively.

In view of the above, it is recommended to adopt those SME policies which target the following development goals:

Firstly, to enable SMEs to play positive role in growth and stability of economy and diversification and deepening of industry, a major role which large-sized enterprises alone have played up to now.

Secondly, to support small- and micro-size enterprises, which often face formidable difficulty in just staying in business, by improving the performance of their management to enable them, at least, to remain in operation and contributing to avoidance of social insecurity by absorbing significant numbers of employment, even without contributing significantly (in quantitative terms) to economic development.

Thirdly, to facilitate the starting up of new businesses and support the new operations so that they are stable, in view of ensuring and expanding the contribution of SME to social and economic development.

1.3 Definition of SMEs

1.3.1 Current Definition in Cameroon

The standard definition on SME is yet to be established in Cameroon.

In Document 1 “Development Strategy for the SME Sector” announced in July 2008 (Strategie de Developpement du Secteur des Petites et Moyennes Entreprises, de L’economie Sociale et de L’artisanat), the following definition is proposed.

Table 1-1 Criteria Proposed by MINPMEESA to Define the SME

Category \ Criteria	Micro Enterprise	Small Enterprise	Average Enterprise	Big Enterprise
Effective Employee	0 - 5	5 - 20	20 - 50	more than 50
Initial investment (FCFA)	up to 200,000	up to 500,000	up to one billion	more than one billion
Turnover (FCFA)	up to 500 million	up t 500 million	up to one billion	more than one billion

1.3.2 Definition of SMEs in the Present Report

The major bottleneck in establishing a definition of SME is lack of sufficient data on SMEs.

A questionnaire survey was conducted on SMEs as a part of the current study to understand the current situation of SMEs. Responses were collected from 430 SMEs. The interview survey was also conducted at many SMEs at the same time to analyze the SMEs’ situation, and required challenges for development.

Based on these results, this report adopts the following definitions.

The proposed definition for the purpose of the study is : “Micro, small and medium sized enterprises are defined as those with less than 150 employees, excluding foreign affiliated enterprises and enterprises established with privatization of former state enterprises.”

Size category in terms of number of employees	Definition	Typical features and constraints of the enterprises under the category
Enterprises with less than 150 employees, but 50 employees or more	Upper level medium-sized enterprises	<ul style="list-style-type: none"> • Sales through own sales network or modern distribution sector • An internal organization is established, but the organizational ability of marketing, information collection and analysis, and human resource development, are still weak in terms of international competitiveness • Production technology depends on the installed process line facilities, which is designed for production of the specific products, and therefore, there is almost no technology development capacity • The scale of production is far smaller than the scale of economy in view of international competitiveness • Funds may be available as loans from commercial banks
Enterprises with less than 50 employees, but 30 employees or more	Medium-sized enterprises	<ul style="list-style-type: none"> • Sales partly through modern distribution sector • Internal organization may have been established, but is imperfectly functioning • Production technology depends on the installed process line facilities, which is designed for production of the specific products • Forced to operate at low capacity utilization due to the limited size of local market, and severe competition with the imported goods, resulting in further weakening of competitiveness • Capable of offering security for loans, but reluctant to access outside funds because of high costs (interest rate)
Enterprises with less than 30 employees, but 10 employees or more	Small-sized enterprises	<ul style="list-style-type: none"> • Sales depends mostly on demand from the limited local area • Small internal organization, or personnel specialized in some functions such as sales and accountant • Positive motivation for expansion and upgrading of the business exists, but is discouraged due to fund constraints • Capable of offering security for loans, but reluctant to access outside funds because of high costs (interest rate) • Technology based on experience of the owner
Enterprises with less than 10 employees	Micro-sized enterprises	<ul style="list-style-type: none"> • Sales depends on the demand from the limited local area • Operation by self employment or family, without internal organization • Difficulty in securing working capital

Some SMEs in the above definition, particularly those with more than 50 employees, have not been regarded as SMEs in the definition prevailing in Cameroon, including the definition by NSI. They may be “ordinary” enterprises, if one compares them with local enterprises in Cameroon alone. However, if they are assessed in comparison with enterprises of international business scene, they are definitely facing constraints caused by their small scale of operation, and should be regarded as the target of SME policy.

1.4 Role of the SME Development Master Plan

Many ministries and government agencies have been involved in development of SMEs in Cameroon, in planning and implementing the relevant policies. Many issues are yet to be solved, as analyzed so far. Therefore, funds and human resources need to be concentrated selectively to the strategic policies and programs, to optimize their effects. The convergence of and collaboration among supporting agencies are necessary to be established in line with the clearly defined framework of national strategy.

The Master Plan for SME Development will be formulated to serve this purpose. The Master Plan will play also important role in the SME development through the process of planning and implementation of the Plan, as follows:

- 1) In the planning stage, the plan makes it possible to gain the recognition and consensus of relevant government agencies and organizations, on the necessity of SME development, through its validation process.
- 2) The Plan defines the priority areas of support, and makes resource allocation more efficient and effective.
- 3) The Plan also identifies the responsible agencies and institutions so that the co-ordination and co-operation among the agencies and institutions can be established.
- 4) The medium-term review of the Plan enables the policy planners to identify any gap between the plan and results of implementation, and enables them to take necessary action for improvement.

2 Program Deployment Proposals Targeting Specific Development Goals

The Master Plan sets the final development goal to enable SMEs (including micro enterprises, business cooperatives, and handicrafts workers; this definition applies to the rest of the report unless otherwise stated) to make a positive contribution to the country's social and economic development process, to unleash their potential, and to make effective use of it.

The target SMEs vary depending on the development goal, which are set in III-1.3, and the required development challenges vary depending on the target SMEs. The following table summarizes target groups for key development goals together with their corresponding issues.

Development perspective (Goal)	Major target groups (Types of SME)	Major issues relating to development
Development of SMEs that have international competitiveness and can play an active role in the country's economic development process.	Medium-sized and upper medium-sized enterprises	Encouragement of expansion to new business area
	Small companies that have strong desire to expand business	Expansion of the business base from local market to regional or national market
Support for reinforcement of SME management base from bottom up, to ensure continuous contribution in areas of job creation and poverty reduction.	Microenterprises and small enterprises (personal enterprises, handicrafts workers, GICs and social business organizations with SME business registration)	Reinforcement of management base of microenterprises and small enterprises
Promotion of new startups and formalization	Potential entrepreneurs	Provision of a business environment that encourages startups
	New startup companies and informal sector enterprises	Promotion of formalization

2.1 Promotion of Expansion to New Business Areas (Main target groups: medium-size and upper medium-size enterprises)

(1) Development Target and Issues Identified

The major target group here consists of medium-size and upper medium-size enterprises, which are considered to play an active role in vitalizing the national economy. According to the aforementioned definition (see III-1.3 "Definition of SMEs"), they are the enterprises employing more than 30 and less than 150 workers each. They are founded to primarily meet domestic demand and serve a wide variety of local markets as well as the CEMAC market. However, they are currently facing competition with cheap imported products and are losing their competitive edge since they are operating only on the basis of small-scale demand. Their motivation for expanding their businesses has been discouraged at least within their current field of businesses.

Nevertheless, these enterprises form the leading middle tier of the country's industrial structure. They have relatively rich internal funds and are willing to make investment if a new business opportunity is found. Basically, they do not expect direct government support. Rather, they want a business environment to be provided to allow them to expand business under their initiative.

Meanwhile, the government are expecting that these enterprises will improve competitiveness and engage in export business, thereby promoting social and economic development. In Cameroon, this particular group of companies are often viewed as business entities that have attained a status above that of SMEs, but they still do not have true

competitiveness according to an international standard. It is therefore proposed to implement programs that stimulate and encourage their more active operation and business expansion.

(2) Proposed Program Deployment

From the above standpoint, it is proposed to deploy the following programs for the target group.

1. Improvement of the business environment, as the center program, and
2. Support to facilitate self-help efforts to explore new business opportunities or bring operations and management to a more advanced level
3. Support and provide incentive for improvement of international competitiveness and promotion of exports to foreign markets other than the CEMAC

2.2 Support for Expansion of the Business Base from Local Market to Regional or National Market (The major target group: small enterprises that have a strong desire for business expansion)

(1) Development Target and Issues Identified

The target group here is comprised of companies that are expected to become a new source of growth employing 10 – 29 workers according to the afore-mentioned definition of SMEs. Although it includes small enterprises that are characteristically similar to microenterprises and private enterprises, the majority is strongly motivated to expand business. Nevertheless, they are mostly operated by relying on the owner's personal skills and experience. Their organizational strength is limited. They cannot execute and manage corporate business using the power of internal organization, as contrasted with large enterprises, particularly in the areas of information gathering, sales, and human resource development. They have to overcome the unfavorable business environment by their own effort, under the current immature business environment, it is very difficult to do this, due to their limited ability and resources and thus this inability works as a major obstacle to growth and expansion. Under these circumstances, it is desirable to focus government support on the upgrading of their business base from the present local scale to the regional or national scale, which is expected to provide opportunities for them to gain organizational ability in various elements of corporate management.

(2) Proposed Program Deployment

For these reasons, the following priority programs are proposed for the target group.

1. Support for exploration of new sales and business opportunities relating to demand that covers a wider geographical area or consumer group or that requires a higher level of product or service in terms of quality and technology used, as well as support for the

advancement of management capability and promotion of self-help efforts for improvement of product or service so as to improve the organizational ability to meet the customer's demand

2. Development of the financial system to promote the advancement of management capability and realization of the goal to expand business

2.3 Enhancement of Management Base (The main target group: small and micro-sized enterprises that need public support for the interest of ensuring continuous contribution in terms of job creation and poverty reduction)

(1) Development Target and Issues Identified

The development target here should focus on small and micro enterprises that do not benefit from market economy, including private enterprises, handicraftsmen, and small business entities based in local community. They are generally characterized by companies with less than 10 employees, although some GICs employ more than 10 persons. Also, one-person enterprises are included. However, business entities in the informal sector are not assumed as the present target. (See III-2.5 for the program targeting informal sector companies.)

While these companies are expected to serve as a spawning ground for business startups and growth, many of them are operated to make household ends or to serve to local community. They play an important role in view of social economy by absorbing surplus labor in the family or community or by spurring new business startups. However, they are severely handicapped to compete with other SMEs on a level playing field, so that public support is needed to make them more competitive by reinforcing the management base.

It is therefore proposed to limit the program coverage solely to companies, individuals, and organizations that show intention to continue business activity. In order to confine the target to those who have such intention, it is necessary to make the business registration as a prerequisite to program eligibility. This requirement should apply to other types of organizations and individuals as well. Here, "business registration" means registration made under the eased requirements as proposed later.⁷

(2) Proposed Program Deployment

Companies and other business entities in this target group are highly diverse as well as vulnerable in terms of business stability and management capability. Thus, programs aiming for creation of business opportunities or promotion of sector-focused development, as proposed

⁷ See III-2.5

earlier, are not appropriate. Their management and technical capability is insufficient to meet the level required by the customers of the proposed programs. Further, many companies and business entities under this category are not involved in the businesses, which these programs are targeting. There is a need for placing focus on comprehensive measures specifically targeting this particular enterprises and business entities.

In this context, priority should be placed on provision of support to induce self-help efforts by individual companies, to improve their management capabilities, and development of effective channels to provide support programs on a continuous basis. Then, support for business continuation is important because ongoing business is the basis of future expansion and growth, which should then be followed by support measures to maintain self-help efforts.

Finally, support for reinforcement of management capability is critical. Small companies, especially those that are considered to be included in the target group, are not in a position to benefit directly from business and sales opportunities to be created by the above-mentioned support programs. It is therefore imperative to provide technical assistance and advice in parallel with such programs, in the areas of production technology, management, marketing, and financing of capital investment as well as working capital. In particular, small enterprises, microenterprises, and personal enterprises need to strengthen their management base by means of joint operation or resource sharing as the primary impetus for business continuation and growth.

2.4 Provision of the Business Environment to Facilitate Startup (The main target group: would-be entrepreneurs)

(1) Development Target and Issues Identified

The encouragement of business startups should be positioned as one of major goals for SME promotion. In Cameroon, new business startups in the formal sector are relatively small in number. Thus, the number of companies in the formal sector does not grow much and their employment does not increase significantly.

Generally, it is relatively easy to establish an SME, and promotion of startups in diverse areas is very effective in economic development as it leads to industrial diversification. In Cameroon, however, there are many restricting factors of business startups, which explain the small number of startups. In this paragraph, a major issue is how to mitigate difficulty in starting up business.

(2) Proposed Program Deployment

If there is an increasing prospect or opportunity for financing the initial capital, there will be more potential entrepreneurs who decide to start a venture. At the same time, one reason for

difficulty in securing the startup funds is the inability to make a viable business plan, together with the lack of information required for business planning. These factors work together to discourage business startups in the country.

In addition, public support for ensuring business continuation and growth after startup, is desirable.

2.5 Promotion of Formalization of Informal Sector Enterprises (The main target group: new startups and informal sector enterprises)

(1) Development Target and Issues Identified

In Cameroon, there are a large number of business establishments in the informal sector, i.e., not formally registered or otherwise authorized business persons and entities, although their actual state and condition are not well known. They cannot obtain commercial loans, participate in government procurement (bidding procedures), or they are not entitled to public support programs. Furthermore, they cannot sell their products through the modern distribution channels.

The programs aiming for promotion of SMEs and microenterprises, as discussed earlier, are also applicable to various issues facing informal enterprises. At present, however, there is no channel to deliver these supports to potential beneficiaries in the informal sector.

It is essential to understand that formalization creates opportunity for upgrading by making them eligible for public support that helps improve their management capability.

(2) Proposed program deployment

As the first step, it is proposed to establish a SME registration system to encourage informal sector enterprises to be registered according to simplified procedures⁸.

Furthermore, periodical surveys of the informal sector should be conducted to maximize effectiveness of the policy measures intending their formalization.⁹

⁸ This registration system will be applied not only to private enterprises, but GICs and social economic organizations that conduct business activities.

⁹ Prior to promotion of formalization, understanding the current state of the enterprises in the informal sector should be given of priority. However, it is proposed to promote registration as the first step because such study requires considerable time, while the easing of registration requirements has a promotional effect.

3 Institutional and Organizational Setup for Implementation of SME Development Policy and Measures

3.1 Basic Policy for the Institutional and Organizational Setup

3.1.1 Role of the Government in SME development

(1) Need for Government's SME Support

SMEs in Cameroon, including relatively large enterprises, are based on business activities targeting the domestic and CEMAC markets. Recently, they have been facing intensifying competition with foreign products imported and sold in the domestic market. Competition with industrial products that are mass produced in countries having sufficient production infrastructure is hitting medium-sized enterprises particularly hard, forcing them to operate at very low capacity utilization rates. The unfavorable business environment caused by competitive pressure from imported products causes the country's SMEs to face difficulty in terms of unstable management and impediments to growth.

The government is expected to take appropriate action to support SMEs in their efforts to overcome a number of difficulties encountered in the globalization process.

(2) Government's Role in SME Support

A division of responsibilities under the "free enterprise" principle should also be applied to SME support.

In reality, however, government's direct support in the form of market intervention is desirable to some extent in countries where a large number of SMEs are not ready to compete in the international marketplace, and at the same time, liberalization of the national economy has been selected as a major development goal. In these countries, that include Cameroon, government is expected to provide active support to reinforce SMEs from their foundation up, so that they can compete with large companies as well as foreign companies on a level playing field.

(3) Sustainability and Feasibility of Government Support

Governmental support programs should be implemented so that they produce benefits that can be justified from the cost/benefit point of view, in particular that of national economic perspectives. At the same time, benefits should not be limited to measurable benefits that are directly produced from a support program.

For these reasons, the argument that governmental support service for SMEs should be financially feasible and should therefore be provided on a fee basis is not appropriate. As discussed earlier, SME support programs are designed to carry out activities that cannot be

undertaken by SMEs on their own. If each project is to be financially feasible and its cost is to be entirely recovered from beneficiaries, it will become inaccessible to many SMEs or discourage them from receiving support, resulting in small coverage and loss of effectiveness.

3.1.2 Use of Private or Non-government organizations in providing the support services

In implementing the development measures, the efficiency and effectiveness, and consistency of the implementation are necessary.

In the case of SME development in Cameroon, various development projects have been implemented by the international donor organizations while private enterprises, organizations and public institutions have been deployed for their implementation. However, on the other hand, the number of staff of MINPMEESA, who have been involved in SME development before the establishment of the Ministry, is limited. Further, personnel reshuffles in the Government offices are quite frequent. The working-level officials are also subject to reshuffles.

In order to assure the efficiency and effectiveness of development measure implementation, and ensure the consistency of the development measures, the Government should entrust the implementation to enterprises or organizations, which have appropriate implementation capability.

Moreover, activities relating to policy formulation, implementation and monitoring, as well as those to ensure effective implementation of a support program or project should be carried out by the government.

3.1.3 Coordination between MINPMEESA and the relevant Ministries

Policies relating to SME development are not limited to SMEs alone and often target a variety of entities, and the MINPMEESA should not be necessarily involved directly in all of the related policies.

However, it is imperative for the MINPMEESA to establish a mechanism, as part of its SME development support system, to identify the needs of SMEs and propose programs and measures to address them properly.

Under the current government administration structure, the Prime Minister makes decision on the matters which need coordination among the different ministries. Nevertheless, the MINPMEESA is recommended to be designated as the competent authority to bring to the attention of the Prime Minister, agendas which require coordination, regarding the matters relating to SME development.

3.1.4 Facilitation, Supervision and Monitoring of Implementation

The MINPMEESA is the competent authority for planning and proposing SME development policy for government decisions.

The implementation of most of the projects and programs has been contracted out by the Ministry, and the administrative work related to the contracts is handled by DEPP, including preparation for contracts, supervision and acceptance of contracts, etc. All of these works, such as preparation of the terms of reference, evaluation and selection of contractors, supervision and monitoring of implementation, and acceptance of the completed project, require professional knowledge and skill. It is important to develop the professional capacity of the staff involved in this work, in order to implement development measures, while at the same time making the most of the experiences and the know-how of the private or non-government sector.

SME promotion policy formulation and implementation requires a variety of human resources, in addition to policy planners, including: (1) personnel who have professional knowledge and experience in management or technology and are thus capable of providing support for SMEs (such as advisers); (2) personnel who understand the government's SME promotion policies and programs and are capable of communicating and promoting them to the public (such as counselors); and (3) personnel who develop program plans, implement them, and monitor their progress.

As it is difficult to train these persons in a short period of time, it is important to establish and maintain a formal mechanism to select and train them from the current pool of human resources.

3.1.5 Organizing SMEs into Area-Based Associations

As one of the measures to promote SMEs, it has been proved to be effective to organize the SMEs in certain types of organizations. Currently, in Cameroon, there are industry associations of SMEs organized by limited sectors of industry, and SME associations organized on various occasions and with various objectives, with FENAP as their national-level association. However, these are neither organizations which seek to organize SMEs all over the country, nor organizations which intend to carry out the activities for development of SMEs in an organized manner.

As a result,

- 1) Many SMEs are still difficult to be accessed, resulting in incomplete communication and dissemination routes of public announcements to SMEs.

- 2) At the same time, SMEs have no established channel to feed their opinions to the Government.
- 3) There is no basis to conduct activities for SMEs for local development.

SME organizations which are organized on the basis of the regional community will be effective for information exchange among the SMEs, and activities for economic development of the area. Therefore, organizing SMEs into region-based associations, and providing support measures through the associations will be useful for SME development and activation of local industries in the area.

The associations will function, at the initial stage of organization, as the entrusted organ of administrative works of disseminating the public announcement of supporting measures, and providing assistance for SMEs in actually providing the government supports. In the future, they will function as the key organizations to implement guidance programs for improvement of SME management. They are also expected to represent the region in the field of economy with integrated activities for SME development and local development. They can function, further, as the counterpart of regional delegation of the Government in the field of economy, when the functions of the regional delegation are developed.

3.2 Recommended Institutional and Organizational Setup for Implementation of SME Development Measures

The following shows the framework of recommended institutional and organizational setup for implementation of SME development measures. The institutional setup in the field of finance is shown as a part of recommended development measures in III-4.1.2, since it is closely related to the development measures of financing.

Institutional and Organizational Setup to Be Developed		Description
(1) Institutional Setup for Policy Planning, and Coordination among the relevant Government Agencies		<ul style="list-style-type: none"> • Establishment of Basic Law for SME Development (Law for SME Promotion) to authorize MINPMEESA as the core ministry for SME development • Creation of a “National Committee for SME Development” chaired by the Prime Minister and consisting of the relevant Ministers as the members
(2) Institutional setup for providing support to SME	1) Agency to coordinate and promote implementation of the supporting measures	<ul style="list-style-type: none"> • Realization and practical application of the measures, decision to confide the execution of the activities to the executors (private beneficiaries of support services to the enterprises (BDS)), establishment of a "organism of execution of the activities of promotion of the SME " loaded of the control of follow-up and supervision of the execution conditions

Institutional and Organizational Setup to Be Developed		Description
	2) Contact window of the Government	<ul style="list-style-type: none"> Establishment of an organism assigned to provide a support of OSS (" Center of support to the SME ") type
	3) Channel to connect the Government and SMEs	<ul style="list-style-type: none"> Organization of the SME thanks to the establishment to the local and regional level of Rooms of gossip and industry destinies to SMEs
	4) Clear definition of target enterprises for support	<ul style="list-style-type: none"> Development and implementation of SME registration system, which is operated with reduced requirements for the registration
(3) Development system of human resources to be engaged in SME promotion	1) SME promotion-related human resource development system	<ul style="list-style-type: none"> Establishment of a human resource development system for personnel in SME promotion organizations and consulting service
(4) System to collect and analyze the information related to SME	1) Improvement of the system of SME statistics	<ul style="list-style-type: none"> Establishment of a permanent statistics service concerning SMEs by the official Direction of statistics of the State
	2) Organizational setup to analyze the SME information, and reflect them on the policy planning	<ul style="list-style-type: none"> Periodic analysis of the information concerning the SMEs by the MINPMEESA and supply of data to the parties charged with the establishment of the policies from the individual reports established by the SME

3.2.1 Institutional Setup for Policy Planning, and Coordination Among the Relevant Government Agencies

3.2.1.1 Creation of National Committee for SME Development and Establishment of Basic Law for SME Development (Law for SME Promotion)

The program is designed to establish the Basic Law for SME Development (Law for SME Promotion), including the creation of the National Committee for SME Development and the authorization of the MINPMEESA to perform the function of coordination of ministries related to SME promotion and to formulate SME promotion plans. In particular, the law should give power and authority to the MINPMEESA by having certain features.

The basic law should essentially cover the following items, and the actual scope and depth should be decided in consideration of positive and negative impacts, including the facilitation of consensus formation on SME promotion on the part of the public or among related organizations, and loss of policy flexibility as a result of the written law.

Rather, the original law should be limited to a basic framework including the basic principle and policy, together with a basic system and institution (e.g., the establishment of a coordinating committee and the leadership of the MINPMEESA in policymaking and

coordination of policy implementation), while details are to be left to future amendments or additions.

3.2.2 SME Support Delivery System

3.2.2.1 Establishment of the SME Support Project Implementation and Promotion Organization (Tentative name: SME Development Agency)

It is proposed to establish the “SME Development Agency for Implementation of SME Support Projects” (to be referred to “SME Development Agency” hereafter) as the organization monitoring the program implementation status.

3.2.2.2 Establishment of OSS-type Support Delivery System to Represent Relevant Ministries (SME Support Center)

The program is to be designed to create an integrated service center capable of helping productive use of promotion and support programs provided by the related ministries and organizations.

This is considered to be the first step to develop a SME consultation system that can address issues facing SMEs through preliminary and more specialized consulting services.

3.2.2.3 Organization of SMEs into the area-based SME associations of commerce and industry as a communication channel between the government and SMEs

It is proposed to organize SMEs into associations according to geographic areas where they operate in order to establish them as information channels as well as contact point for consulting service.

At the same time, the new associations will conduct activities to participate in other economic activities on behalf of the owner or staff of the member SMEs and to speak for SMEs publicly.

In the future, local associations will form a nationwide organization (federation) that will act under supervision of the MINPMEESA as well as the MINADER.

Organizing SMEs takes a lot of effort, including sustained promotional activities, such as those shown below.

- Holding of management seminars
- Undertaking of joint business activities
- Information exchange meetings for companies in different industries

The association’s activities will consist of basic and additional activities, and the former will be conducted by all associations and the latter by associations according to their operating status and condition..

The basic activities correspond to “OSS-type support” and are carried out by the commerce and industry association under the contract with the SME Development Agency.

Additional activities

- 1) Implementation of technical guidance and advice programs for improvement of SME management
- 2) Mobilization of local initiatives such as promotion of local products and invigoration of local economy
- 3) Other activities relating to SME promotion

The additional activities will be carried out according to the plans made by association members.

The commerce and industry association should start serving as a contact point for SMEs and should be strengthened step by step. In the process, each association is expected to add activities in response to the local needs, rather than expansion under the government’s guidance. If possible, collaboration with local governments should be appropriate.

The concept of the SME support system is schematically shown in **Figure 3-1**.

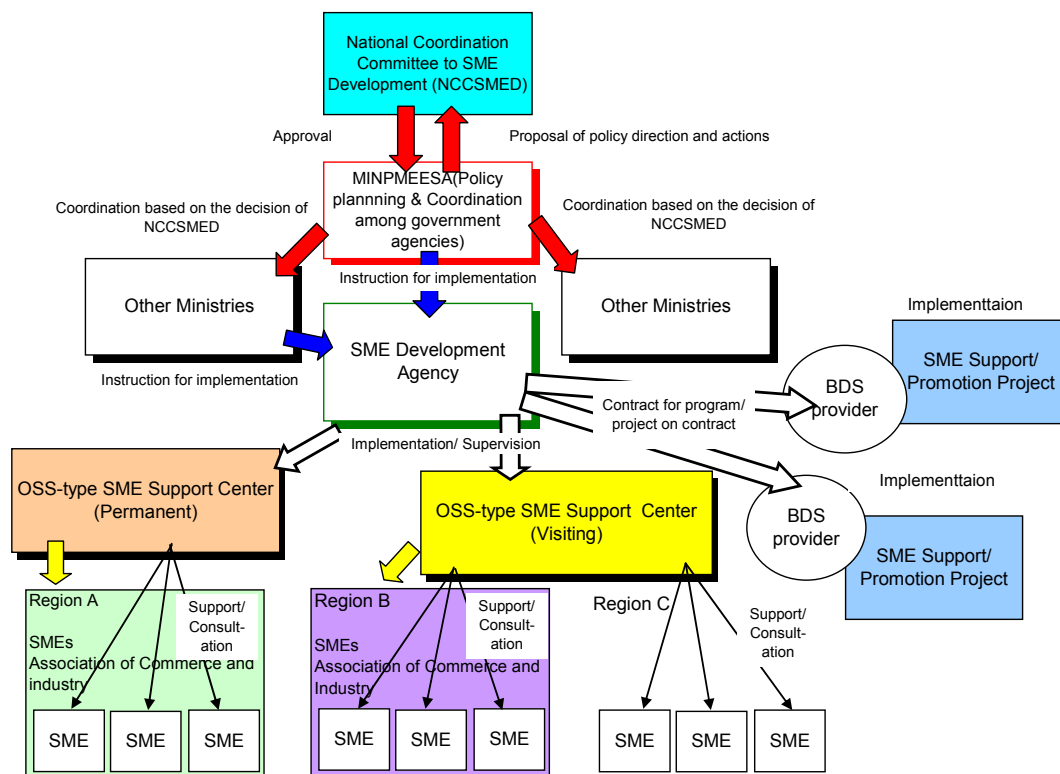


Figure 3-1 SME Support Delivery/ Implementation System

3.2.2.4 Development and Implementation of the SME Registration System using Eased Registration Requirements

This is to establish the SME registration system that requires less strict conditions compared to that of present enterprise registration, so as to encourage registration by business entities in the informal sector. The target enterprises are any business entity that intends to continue and develop its business. There will not limitation in type of business or ownership, so that any organizations conducting business activity, including GICs and social economic organizations, are eligible. Also, private enterprises can be registered.

More importantly, SMEs that will receive the government's support under SME policy will be limited to those registered under the system. Any business entities, including companies registered with other organizations, private enterprises, and GICs or social economic organizations, are required to register if they want to receive public support as part of the government's SME promotion policy.

3.2.3 Human Resource Development System for Staff involved in SME Promotion (Development of human resource development systems for staff members of SME promotion organizations and SME counselors/advisors)

It is proposed to develop a system to provide on a permanent basis training opportunities for key personnel relating to SME promotion, including staff members of the SME Development Agency, SME Support Center, BDS providers responsible for training under the support scheme for strengthening of management capability, and local commerce and industry associations.

To buildup a permanent staff training system, the following activities will be conducted: (1) development of staff training programs and curriculums; (2) development of the implementation system for staff training; and (3) creation of a skills certification system.

SME Support Center is expected to hire private BDS providers as SME counselors (consulting service for SMEs, information service, and support for program application procedures) and SME advisors (advice and guidance relating to the improvement of management and technological capabilities). To keep them updated, follow-up training will be conducted. Furthermore, a formal certification system for SME counselors and advisors will be established for personnel who had completed the follow-up training program. This way, knowledgeable personnel can be retained on a continuous basis and knowledge and experience in relation to consulting service for SMEs can be accumulated.

3.2.4 System for Collection and Analysis of SME Information

3.2.4.1 Development of the SME Statistics System

The primary objective is to develop a system to conduct periodical SME statistical surveys. SME statistical surveys are divided into two types: (1) surveys which results are used as part of business establishment statistics (business census) and which are designed to understand the general operating status of SMEs, their position in the entire industry, distribution by size, region, and industry type, including the number of establishments, the number of employees, the value of assets, and sales; and (2) surveys to understand operating conditions of SMEs and to determine impacts and effectiveness of a specific policy and the changing business environment.

Here, it is assumed that SME surveys that are conducted as part of business census statistics work be conducted by the NSI, whereas SME current status surveys will be conducted by the MINPMEESA, and formal systems to conduct these surveys are proposed.

The SME surveys to be conducted as part of business census statistics will use the currently available population list. The list will be enhanced in cooperation of the MINPMEESA in order to make coverage closer to 100%. As for the SME current status surveys to be conducted by the MINPMEESA, a formal system to ensure sustainable implementation will be established within the MINPMEESA.

3.2.4.2 System for Analysis of SME Statistics and Feedback of Results for Policymaking

It is proposed to establish a formal system to feed back the results of the current state surveys to the policymaking process. Also, publication of statistical data and information will enable government agencies and related organizations to use them for a variety of useful purposes.

4 Proposed Development Measures

4.1 Framework and Required Factors of the Development Measures

SME development programs need to be designed and delivered in consideration of relevant factors, including the industrial development stage in a country, expectation for SMEs in relation to economic and industrial development, and managerial strength of SMEs. The following sections propose effective development programs for the country's SMEs by specifying, for each area: (1) how the program should be designed and structured (required conditions of development measures); and (2) how the program should be delivered in

consideration of required challenges and the target group (recommendation on institutional and organizational setup, and methods in providing the development measures).

(See Figure 4-1, which is attached to this Chapter)

4.1.1 Measures to Support Market Development and New Business Development of SMEs

(1) Required Conditions of the Development Measures

In order to provide this support to SMEs, the development potential of domestic industries and resources should be tapped as much as possible, since whether the actual opportunities of businesses is provided or not affects the success of this support.

Generally, SMEs in Cameroon are not ready to export their products other than primary products. On the other hand, in light of the fact that large enterprises, foreign companies and plantations (primary products) are export-oriented in nature, and that there are local resources (albeit small in quantity or volume) that can be used to reach export markets by finding demand niches, the program is designed to support SMEs in the improvement of export competitiveness by allowing them to leverage such local potential and develop it into sustainable business.

Nevertheless, the provision of business opportunities alone will not be sufficient, particularly for small- and micro-size enterprises. Most of them will have difficulty to meet the requirements of the potential customers, without guidance for improvement of management, technology, marketing, and support in obtaining the working capital. Further, since their scale of operations is often too small to meet the minimum size of orders which is requested by large-scale customers, the implementation of guidance and advice to encourage joint operation among SMEs will be a very important component of this development measures.

1) Provision of information on potential markets and products

This method, to provide information on potential markets and products, will be effective if the markets and products can be identified as having potential for the target SMEs. However, development of the system and gathering of the information will be time- and cost-consuming in general. The impact of the system will tend to be insignificant compared to the necessary efforts. Further, the system is required to update the information time to time. Particularly, in the case of Cameroon, such information on the potential markets and products is not easy to identify. Therefore, this measure is not recommended at this time of SME development.

Gathering the information on export markets in general, without targeting some specific markets, will be a more difficult job compared to that of domestic markets and products. Further, updates of the information will be further time- and cost-consuming, and will be

inefficient work. However, there is a scheme developed by UNCTAD and in operation in around 70 countries around the world: the Trade Point Scheme, which enables the participated countries to utilize export market information available from the Scheme. It is recommended to implement the Scheme, and receive information on export markets worldwide, rather than develop a Cameroon-only information system.

2) Provision of contact opportunities to potential markets and customers

Currently a very limited number of SMEs have the potentiality to penetrate into the export markets other than that of CEMAC. It is recommended, therefore, to provide SMEs with opportunities to contact potential buyers in the local markets, instead of export markets, including large enterprises, state operated enterprises, foreign affiliated companies, modern distribution sectors, and others, who have experience in doing business in the global scene, and support SMEs in their efforts to improve their management and technology, with the opportunity for possible transaction with them as a motivating force.

Objectives	Applicable Measures	Remarks
1) Ensuring business opportunities	<ul style="list-style-type: none"> Reserve a certain portion of order for small and micro enterprises in the Government and public procurement 	Currently under way
2) Assist marketing efforts of SMEs introducing specific potential business opportunities and customers to SMEs, or providing information on the potential buyers	<ul style="list-style-type: none"> Provision of opportunities of subcontracting 	Including subcontracting of services, parts production, production of downstream products, production of parts and semi-processed materials currently imported, etc.
	<ul style="list-style-type: none"> Provision of opportunities for business deals between SMEs and distributors in modern distribution sector 	Through business seminars
	<ul style="list-style-type: none"> Business matching services 	
3) Facilitate marketing activities of SMEs with providing opportunities for SME products to be exposed to potential customers/ consumers	<ul style="list-style-type: none"> Encourage establishment of marketplaces which are located conveniently to potential customers 	Such as establishment of border markets
	<ul style="list-style-type: none"> Provision of showrooms for SMEs 	Encourage establishment of firms to establish and operate showrooms
	<ul style="list-style-type: none"> Participation in trade fairs 	In practice by Ministry of Commerce
4) Provide tools for marketing, or carrying out marketing for SMEs	<ul style="list-style-type: none"> Provide internet environment for SMEs promoting their cyber trading 	Provision of environment for SMEs for cyber trading, including access to the Internet, payment collection, and dispatching products
	<ul style="list-style-type: none"> Provide services of cyber trading for SMEs 	

3) Provision of information on potential resources for development

There are various local resources which are considered to have development potential, but are not tapped well. This is partly because the information on the resources is not disseminated among those who have development capability, and partly because the marketing or product development capability of those who are producing or handling the resources, is insufficient. It is recommended to gather such information on potential resources, and provide the information to those who are seeking for business seeds. Further, encourage and assist formation of partnerships between firms currently handling the same or related types of goods and between firms looking for business seeds for development of the businesses or product development using the resources.

It is recommended to make concerted efforts at development of the potential on a region, or sectoral basis. These projects include:

- ✓ Implementation of “One Town One Product Project”
- ✓ Development of a specific product producing area, using the cluster development method
- ✓ Economic stimulation project of the area using resources or activities specifically endowed with the area

(2) Recommendation on Institutional and Organizational Setup, and Methods in Providing the Development Measures

MINPMEESA is assumed to be responsible for the final decision on the development measures to be implemented, order of implementation, final specifications and TOR of the projects/programs, and budget allocation for the implementation.

As for the implementation, a Government agency (call it “SME Development Agency”) is assumed to be in charge, with the suggestion on implementation from the Ministry. The Agency will prepare basic specifications of the project or program for public tender, calling for the tender BDS providers having knowledge and experience in projects or programs of similar nature,. By means of the tender, the Agency can take advantage of experience and know-how of the private sector in project or program implementation. Until the Agency is established, the Ministry will undertake all the necessary procedures for tender.

For use of or applying to the support measures, which require direct contact by SMEs to the Government, such as in the case of providing an IT environment for cyber trading, creation of SME Support Centers is assumed as their contact window in the regions over the country.

The key players expected in most of the region-based projects and programs are SMEs and not the Government. In this context, the organization of SMEs in a given region, into a region-based association (that may be called a Regional SME Association of Commerce and

Industry), is highly recommended, so that they can act as the key players in economic activities in the region.

4.1.2 Improvement of Access Environment to Finance for SMEs, and Support for SMEs in the Field of Finance

(1) Required Conditions of the Development Measures

The causes of the difficulty of SMEs in raising funds are (1) lagging development of the financing system in this country, and (2) vulnerability of management of SMEs.

The measures required in response to the development issues noted above, will be firstly, to build up the environment in the field of finance, to make it effective in meeting the needs of SMEs and prevailing conditions, while considering the current position of financing institutions. Secondly, support for SMEs is required, to upgrade their management capability in response to the operational requirements of the financial institutions. These measures are mainly applicable to upper-medium size enterprises, medium size enterprises and small size enterprises, which are aggressive for improvement of their business performances.

However, as for the small- and micro-size enterprises, and individual proprietorships, their level of vulnerability is different significantly from the enterprises described above. There is a need, therefore, to provide support measures which are different from the above, namely, third, the measures which are responses to the difficulty caused by lack of small amounts of working capital, as it is necessary to ensure a supply of working capital to raise the level of their management and assist the continuation of their operation. Also, a small-loan system to provide startup funds should be considered to serve entrepreneurs who plan to start up their own business.

Target SMEs	Development Issues		Required Measures
Overall SMEs	Difficulty in raising funds	Difficulty due to immature system and organization of finance	Creation of a financing institution specialized in SME finance
			Development of soft infrastructure to facilitate the SME financing
		Difficulty due to vulnerability of management of SMEs	Provision of support measures to enhance management capability of SMEs

Target SMEs	Development Issues	Required Measures
Microenterprises and individual proprietorship of survival businesses	Lack of small amount of working capital required for continuing their business operation	Provision of small scale loans without requiring collateral
Small entrepreneurs	Shortage of startup fund	Establishment of a non-collateral loan system to provide startup fund

1) Improvement of accessibility to finance for SMEs

Development of a system for SME financing, which can specialize in financing SMEs, is the highest priority challenge in this context. The system should be developed as a set of the following three institutions (functions).

1. Creation of a financial institution specialized in SME finance

- ✓ A financing institution to be operated in line with international bank standards, providing long-term funds and low-interest funds, with partial infusion of government funds
- ✓ Provide loans without physical collateral, taking advantage of financial engineering
- ✓ Contribute to realization of policy objectives of SME support taking timely steps towards realization of the policy in the fields where the market mechanism does not work satisfactorily, providing loans with favorable conditions including preferential rates of interest, easing collateral requirements, etc.

2. Establishment of a credit guarantee system for SMEs

3. Establishment of a support system for SMEs to enhance their management capability

2) Financial support for small and micro enterprises and support for startup financing for small entrepreneurs

The loans provided by the new institution still assume continuity, viability and creditworthiness of the businesses of the applicant SMEs. This requirement, however, can constitute a major limiting factor for small and micro enterprises as well as small entrepreneurs who plan to start up their own business. Further, the difficulty they are facing is commonly that of obtaining the small amounts of working capital needed to sustain their operation. In this connection, there is a need for establishing another type of financing scheme, which will provide funds with reduced requirements.

(2) Recommendation on Institutional and Organizational Setup, and Methods in Providing the Development Measures

The agency to take major responsibility in supporting SMEs in the financial area is the above-mentioned financial institution.

The financial institution will also handle the financial support programs for specific policy objectives, such as “Loan program to provide small- and micro-enterprises with small scale funds for their working capital,” by establishing a section for this purpose.

In implementing these financing support measures, it is particularly important to ensure easy physical access of SMEs to the financial institution. The institution will establish a certain numbers of branch offices for this purpose.

Further, the SME Support Centers are assumed to disseminate (or introduce) the available services of the financial institution and financing programs prepared by the Government for a specific policy objective.

The SME Support Center will introduce the “Scheme to help enhancement of the management capability of SMEs” to the small- and micro-enterprises, and function as the receiving window of the applications for the “Loan program to provide small- and micro-enterprises with small scale funds for their working capital,” which will be available for SMEs who have received the guidance to enhance their management capability for a certain period, using the above-mentioned scheme.

4.1.3 Support SMEs in Their Efforts for Enhancement of Their Management and Technological Capability

(1) Required Conditions of the Development Measures

Enhancement of management and technological capability is the challenge to be faced by all the SMEs regardless of their size or category, though the immediate target for enhancement might vary by the category.

Educational and training programs could be such programs, but a specific program to provide guidance for the SMEs focusing on the specific target of business upgrading will be more effective particularly for small- and micro-size enterprises. Implementation of the program in combination with the programs to provide new/expanded business opportunities, and/or financing will be more effective.

Many of the enterprises of small size and medium size have been suffered from low levels of product quality and performance, which do not meet the requirement of the markets and customers, due to their obsolete facilities and equipment. Most SMEs do not have facilities and equipment which are critical for assuring their quality and performance, and what they do to try

quality and performance is done manually. Introduction of these facilities and equipment should be encouraged at an early date, since they are the fundamentals for management and technological upgrading.

Joint business undertakings should also be encouraged particularly for small- and micro-size enterprises, including common use of essential facilities and equipment, in order to tackle the difficulties they face due to their small scale of operations.

Group initiatives, which are organized on the basis of local communities, should be promoted, particularly for the projects to develop local products featuring the special resources and the traditional technologies in the area. Provision of support and encouraging measures for such initiatives will be useful for local industry development.

(2) Recommendation on Institutional and Organizational Setup, and Methods in Providing the Development Measures

For implementation of these development measures, an implementation agency, or SME Development Agency, is assumed to be formed, and will promote implementation and supervise and monitor the progress of implementation. The Agency will gain the skill and know-how in contracting out the projects and programs in the process of implementation.

The SME Support Center will play an important role in certain types of projects and programs as the contact window of SMEs to the Government.

The Regional SME Associations of Commerce and Industry, which are assumed to be organized mainly by small- and micro-size enterprises in the area, will be important in promoting the joint business undertakings and in taking initiatives in local area development projects, as key players for economic development in the region.

4.1.4 Improvement of the Business Environment of SMEs

(1) Required Conditions of the Development Measures

Terms and conditions of business practices at large-size firms might be the cause of damage to SMEs in some cases, due to vulnerability of SME's management. In other cases, support for internal activities of SMEs will be required in the field of personnel affairs and information gathering, which require organizational strength, and where SMEs tend to be weak. Further, development of relief systems in case of an emergency involving SME owners should be considered in the future.

It is essential to provide these measures step by step taking into consideration the extent of needs of SMEs on the agenda.

- 1) Regulation on terms and conditions of businesses with SMEs
 - Regulate to prevent large and medium size enterprises and the Government agencies from delaying payment to SMEs.
 - Ease the bidding requirements for organized groups of small and micro enterprises
- 2) System to assist information dissemination on job offers and job applications
- 3) Development of mutual benefit systems for SMEs that encounter emergency situations
- 4) Provision of an IT environment for small- and micro-size enterprises

4.2 Contents of Main Development Measures

A Support Measures on Marketing and New Business Development

A-1 Support for export development particularly in the strategic export markets

The CEMAC market, although it provides access equivalent to the domestic market, is a fairly small and saturated for Cameroon industries that are not highly competitive. If Cameroon industries are to penetrate the markets of industrialized countries successfully, such as the EU, they have to meet a number of challenges such as expansion of production capacity and the improvement of competitiveness.

At present, Cameroon products are exported to Nigeria (coastal region) and Equatorial Guinea, areas with strong purchasing power, as buyers from those areas come to Cameroon to buy a variety of goods available there. If Cameroon sets up markets (creates a Market Places) in the border areas and products are offered there, further trade expansion can be expected by attracting more buyers.

The program is intended to encourage and promote investment in companies that will operate the proposed Market Places and to provide government backup for local SMEs in exploration of new business opportunities.

The government will provide the following support measures.

1. Promotion of investment in a company operating the Market Places (granting of incentives in terms of land acquisition, investment, and operation by positioning it as priority project, and designation as a free trade zone)
2. Application of favorable terms to tenant companies
3. Support for buyers in relation to related approvals

The proposed Market Places represent a marketing concept under which permanent booths for business negotiations (and display) are installed and made available to local manufacturers and distributors. It also aims to attract a large shopping facility to create a commercial nexus that would attract many buyers as well as local consumers.

The program implementation system will be developed and operated under the leadership of MINCOM. In the interests of SME promotion, however, the MINPMEESA should take a leadership role for formulation of action plans including program proposals and implementation, their submission to the SME Coordination Committee, and the monitoring of progress up to actual implementation.

A-2 Encourage establishment of “Exhibition Centers” to support SMEs to market targeting domestic buyers and consumers

The program is primarily designed for small enterprises, which generally wait for customers to visit their production shops. A limited number of small enterprises have their own showrooms. Few of them market their products through modernized distribution networks.

To help small enterprises to explore and expand markets by making their products known to potential customers in large cities, the program aims to establish a company specialized in planning and operation of product exhibitions for small enterprises. The new company will be principally privately owned, with partial capital participation by the government or a government organization, as required, to support smooth operation.

The company will hold exhibitions at facilities that can attract many visitors, such as shopping centers, rather than build its own exhibition facility. The exhibition will accommodate a wide range of products made by local SMEs, which will be arranged and displayed according to product type, such as furniture, processed food, and apparel. In particular, it will emphasize actual sales of displayed products.

Finally, the exhibition company will feed back sales information obtained from actual exhibitions to exhibitors in order to provide information useful for future product development.

The program implementation system will be developed and operated under the leadership of the MINCOM. In the interests of SME promotion, however, the MINPMEESA should take the lead in formulating action plans including program proposals and implementation, their submission to the SME Promotion Council, and the monitoring of progress up to actual implementation.

- A-3 Provide opportunities for SMEs to contact distributors in the modern distribution sector to achieve a wider scope of domestic markets, and support the SMEs in enhancing their capability to distribute products to the wider markets**

Most small enterprises have very limited sales channel, i.e., their production sites that serve as sales outlets. On the other hand, modernized distributors in the country operate their sales outlets in major cities, where they market and sell imported products as well as local products made by medium- or large-size enterprises.

The program is designed to create opportunities for small enterprises to expand their markets from local to regional or national in scale by arranging business matchmaking events that link small enterprises and their products with nationwide distributors.

Also, useful information obtained from each matchmaking event, including the need for product improvement and lessons learned, will be provided to SMEs.

The program will be implemented under the MINPMEESA's leadership. The SME Development Agency will be responsible for program planning, preparation and implementation.

- A-4 Provide opportunities for subcontracting, with the cooperation of large enterprises**

The program is designed to provide a place for SMEs to explore business opportunities as supplier of large enterprises by holding a seminar with cooperation of a large manufacturer as a potential customer.

SMEs that participate in each seminar will receive training and education in the field of management.

A company (or company group) who has successfully won a contract through a seminar will receive education and training relating to technology and management prior to the start of the supply contract.

These experiences suggest that the project to promote subcontracting should be preconditioned on the formation of a group of suppliers and technical training prior to the implementation of the project, because it is generally difficult to find a supplier that has sufficient expertise and the ability (resources) to fill the order.

The MINPMEESA serves as the leading agency and leads the process up to the finding of large enterprises that express their willingness to develop local subcontractors. The SME Development Agency will be responsible for program planning, preparation and implementation.

A-5 Promotion of SME products in the government / public procurement

The program is designed to create business opportunities for SMEs by mandating the purchase of their products under government procurement and public work projects.

For the following product items, a minimum percentage of purchase of products is set for those manufactured and supplied by small enterprises.

- Products purchased by government offices (furniture, fixtures, office supplies, etc.)
- Products purchased in relation to public work (construction materials such as tiles and cinder blocks)
- Products used by public educational institutions (furniture, apparatuses and tools, toys, etc.)

The MINPMEESA will examine and select products and services to be covered by the program and will propose them to the National Coordination Committee for SME Development. It will also propose a definition of small enterprises eligible for the program support, together with conditions relating to favorable treatment.

The program will be implemented as part of each ministry's duties.

Prior to program implementation, priority purchase conditions set for each ministry and agency will be communicated to the MINPMEESA, which will then publish them through the SME Support Center. Then, the center will give advice on application procedures to candidate SMEs, as required.

Each ministry and agency will report the progress of contract awards to eligible SMEs to the MINPMEESA, which will then compile the overall results to the Committee (or Prime Minister) for monitoring and evaluation. Besides the monitoring and evaluation, MINPMEESA will propose improvements as required.

A-6 Participation to "World Trade Point" Scheme

Exports from Cameroon to countries other than the CEMAC area are made by local large enterprises and foreign companies. On the other hand, SMEs do not export their products outside the CEMAC countries.

This development measure will support for SME to access to export and provide an opportunity with a provision of basic information on export market. The Center will provide also information on export markets by utilizing the World Trade Point Scheme to SME.

If the MINCOM has difficulty to become the leading agency, the MINPMEESA will assume the position in close cooperation of the MINCOM.

Participation in the Trade Point Scheme will be led by the MINCOM.

A-7 Development of a database on business seeds and needs, to assist new business development

The program is proposed as the means to promote use of local resources and encourage investment in new business areas. Main activities are to collect, store, and make available to the public information on exploitable resources and materials, information on research institutes and their research projects, information on products, semi-finished products, and raw materials that can be supplied by SMEs, information on materials wanted by companies, information on case studies relating to productive use of locally available but unexploited resources and materials, and information on business needs or needs relating to resources, materials and products.

As part of the SME support center's function,

1. To Collect and provide technology and market information on selected resources and materials, including their availability, distribution, and commercial exploitation, in the form of a periodical publication.
2. To make the above information available all the time at the SME Support Centers.

The following tasks relating to the development of The following information service system will be developed by the SME Development Agency or the MINPMEESA.

- Development of a database system
- Initial information gathering

B Development Measures on Improvement of SMEs' Access to Finance, and Financing Support

B-1 Creation of a financing institution specialized in SME finance

In recognition of the fact that existing financial institutions cannot offer an effective solution for SMEs that face difficulty in obtaining funds, it is proposed to establish a financial institution specialized in SME finance.

The new institution will be established to provide SMEs with loans, including long-term ones, at interest rates lower than the market and without strict collateral requirements.

Major characteristics and features of the proposed financial institution are summarized as follows.

1. It will be positioned as a private financial institution, although it will receive support from the Cameroon government.
2. It will be specialized in corporate finance and perform a wholesale function.
3. Major shareholders will be commercial banks (including foreign banks (Note 4), microfinance organizations, insurance companies, individuals, and foreign-affiliated investment bankers.
4. It will be established under a law drafted for this specific purpose. The period for government support will be specified in advance, say 10 years.
5. It will collect deposits from SMEs and other organizations and will issue bank debentures as source fund for loan service. The maximum amount issued will be specified under a new bank law, e.g., 20 times as much as its capital, provided that it should preferably be increased in keeping with expansion of the bank's business. Bank debentures will be underwritten by the government and financial institutions (including insurance companies) and will be sold to the public in the future. The government will guarantee the bank debentures as required. When the bank's business becomes well established, it will raise foreign loans from the international financial market.
6. The funds raised from issuance of bank debentures will be entirely used for SME financial service, namely loans and investments.
7. The new institution will have expertise in research and analysis, loan application evaluation, consulting service, development of new financial products for SMEs, and so on.
8. It will also offer management support service, which will be provided as part of the management skill upgrading program.
9. Through the issuance of bank debentures, the new institution will be able to make a significant contribution to the development of the country's capital market.
10. It will assume the function relating to the implementation of the government finance program for SME support.

The new institution will meet the following requirements that form key elements of a financial institution specialized in SME finance:

1. Provision of low-interest loans by using government funds and issuing bonds in the international market
2. Loans not requiring collateral by using most advanced financial technology

3. Supply of long-term funds by setting three-, five- and seven-year loan period, with diverse low-cost financial sources including the new institution's own capital, government funds, and bonds underwritten by commercial banks, microfinance organizations, insurance companies, and other non-bank financial institutions.

The new institution will act as a government agent in two fields, i.e., the funding channel for SMEs by obtaining funds from the market, and policy implementation in the field relating to development of SMEs.

It is assumed that the new institution will be established as an integral part of the SME support system, including a consulting system for SME management and a credit guarantee system.

In implementing the new SMEs Bank, it is recommended to use a two-stage approach.

In the Stage 1, existing commercial banks organize a syndicate and it distributes the Government funds to SMEs. However, the syndication members will bear the credit risks.

In Stage 2, the new institution will be created and it will provide loans to SMEs. Commercial banks forming the syndication are expected to investment in the new institution.

B-2 Establishment of credit guarantee system for SMEs

The program is designed to establish a credit guarantee scheme as one of key elements for facilitating SME finance.

The establishment of the proposed SME management skill upgrading system is expected to contribute to the improvement of governance and management capabilities of SMEs. Nevertheless, creation of credit guarantee scheme is indispensable, considering the vulnerability of financial base of SMEs, and the weak resilience of SMEs against business fluctuation.

The program is to establish a credit guarantee system, which assumes strict appraisal of loan application, and covers selected industries.

The credit guarantee organization's capital may partially come from public funds (government investment) and it will be established as a semi-governmental organization. On the other hand, the management will be represented by the private sector, including personnel from the SNI.

B-3 Streamlining of Mortgage Procedures

In Cameroon, mortgage loans are not fully functioned because a mortgage value is generally assessed at very low levels as a result of the lack of a formally regulated market for foreclosed property.

As it takes considerable time and effort to establish a formal market for foreclosed property, the program proposes to improve mortgage procedures for land and building properties with view to streamlining the registration process and facilitating the foreclosing procedures.

Based on the resolution by the SME Promotion Council, the program will be implemented by Ministry of Justice.

B-4 Establishment of a scheme to supply small amounts of working capital on a non-collateralized basis

Since small and micro enterprises such as subsistence-level micro enterprises, individual enterprises, and GICs (businesses operated by a community-based group) start their business with very limited funds, it could easily happen that they face difficulties in getting even funds necessary to continue their early-stage business operations. That is, since it takes some time to recover their production or sales cost, they may face need to burn up their capital base, even to the extent that it becomes impossible to continue operations. In principle, they should qualify for SME finance, but under the current SMEs finance system, they are left behind.

These small and micro enterprises play an important role to absorb unemployed labor in local communities and support families by providing income for daily living. Further, their business are seeds for their business expansion. However, they are left out of the scope of current SMEs finance schemes because they lack of collateral and their business base is still weak and fragile.

Therefore, it is necessary to devise a system for supporting these small and micro enterprises by providing small amounts of working capital.

As many small and micro enterprises often need a small amount of funds to finance daily operations, while not being able to provide collateral for commercial loan, it is proposed to establish a small-scale finance scheme that accepts loans on the basis of reliability of the applicant him/herself in place of physical collateral.

The funds for the small-scale finance scheme will come from the government's contribution, and commercial loans from banks and other financial institutions.

The small-scale finance scheme will provide two types of loans, non-interest and low-interest.

The program will be operated under the MINPMEESA's budget and will be implemented by the SME Development Agency. The SME Support Center will act as the contact point for applicants.

C Development Measure on Support for Enhancement of Management base

C-1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability

While the establishment of the financial institution specialized in SME finance is intended to ease financial difficulty of SMEs, the reinforcement of the SME management base is considered to be prerequisite to the successful functioning of the new financial institution. Similarly, the small finance scheme for small and micro enterprises is expected to work synergistically with efforts to reinforce the management base of SMEs, rather than working as a mere fund supply source.

In providing sales and business opportunities for SMEs and microenterprises, creating such opportunities alone do not warrant that potential recipient companies can take advantage of them. In particular, it is important to enable them to improve management and technological capabilities so as to meet quality, performance, price, delivery requirements acceptable to markets and customers. Government support is essential in this respect.

The proposed management consulting and support system has the primary purpose of creating a system to provide consulting service focusing on the strengthening of the management base of SMEs.

Target companies according the three module levels are defined as follows.

Module 1

- SMEs that are requested by the SME Support Center to receive management consulting service before receiving a small finance loan
- SMEs that receive management consulting service as part of a local industrial development project implemented by a local commerce and industry association
- SMEs that are recommended by the SME bank to improve their business plan as the condition for the loan for startup fund

Module 2

- SMEs that are recommended to receive management consulting service, during the support project to develop business or sales opportunities
- SMEs that are recommended by the SME bank or other commercial bank to receive management consulting service as the condition for the loan.

Module 3

- SMEs that express their intent to receive management consulting service for the purpose of improving management capability

The program will be planned and managed by the SME Development Agency. Actual consulting service will be rendered by consultants of BDS providers, who are registered in advance and are assigned to each company upon request by the leading agency.

C-2 Provision of a scheme to encourage SMEs to introduce facilities and equipments which are basic for enhancement of their capability

To improve competitiveness of SMEs in terms of production technology, the program aims to encourage SMEs to introduce basic equipments required to maintain a standard level of product quality and performance.

Namely,

- Provision of information relating to equipment required for advancement of production technology, including technical specs and economy
- Low-interest loan for equipment procurement
- Tax incentives for procured equipment

At present, the following two priority sectors are identified. They should be reviewed and revised, time to time, according to the actual progress of industrial development in Cameroon and competition with imported products.

1. Sectors for which improvement of export competitiveness is intended
2. Sectors for which business expansion is expected for SMEs, including distribution of their products in the local modern channels and winning of orders from large enterprises and foreign companies

The program will be implemented for the two priority sectors, with responsibility being divided between the Ministry of Industry and Technology Development, and the MINPMEESA accordingly, i.e., the former will take care of the priority sector relating to export promotion and the latter promotion of domestic distribution and marketing. Selection of specific industries and

basic equipment will be made in consultation with the chamber of commerce and industry, GICAM, SYNDUSTRICAM, and the Ministry of Science Research and Innovation.

C-3 Encouraging joint activities of small and micro sized enterprises to meet the requirement of minimum size of order by customers

One of the major weakness of small and micro enterprises (including handcrafters) in Cameroon is the lack of ability to market their products through a modernized distribution network, because each enterprise is very small in size of operation and cannot meet the distributor's volume order. Also, they often cannot purchase adequate production equipment because of a small business size that does not justify investment. The program addresses the issue by promoting joint (cooperative) operation by SMEs in a specific business (or part of it).

The following support services will be provided for business activities of SMEs that are considered to encourage joint (cooperative) operation.

1. Provision of consulting and advice service in the fields of technology and management
2. Application of tax incentives
3. Low-interest loan for procurement of production equipment

The program will be planned by the SME Development Agency and will be implemented as an individual project. The MINPMEESA will take charge until the agency is established. It is recommended to receive guidance and advice from large enterprises or foreign companies in respective industries, as much as possible.

Figure 4-1 Goals and Challenges for SME Development, and System for Development Measures

Development Goal	Development Challenges and SMEs Targetted	Development Measures Framework	System for Development Measures					
			Support for market and business development	Improvement of financial environment and support for financing	Support for reinforcing management and technical base	Improvement of business environment and development of support system		
Development of SME's competitiveness and contribution to a part of Cameroon economic development	(Medium-sized and upper medium-sized enterprises)	Improvement of business environment	Improvement of access to finance	B1	Creation of a financing institution specialized in SME finance	C1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability	
			Improvement on taxation	B2	Establishment of credit guarantee system for SMEs			
		Encouragement of expansion to new business area	Support for independent efforts on developing new business opportunity, and enhancement of management base	Buckup for developing new sales opportunity	A1	Support for export development particularly in the strategic export markets	C1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability
				Collection and provision of information on development of new business opportunity	A7	Development of database on business seeds and needs to assist new business development		
				Support for enhancement of management base	A1	Support for export development particularly in the strategic export markets		
	(Small enterprizes tha have strong desire to expand business)	Support for developing new sales and business opportunity	Provision of sales and business opportunity utilizing exportation and distribution capacity of large enterprize, foreign affriated enterprize, modern retailing/distributing enterprize, and exporting enterprize	A3	Provide opportunities for SMEs to contact distributors in the modern distribution sector	C1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability	
				A4	Provide opportunities for developing down stream products, with the cooperation of large and foreign affiliated enterprises			
			Provision of exposure opportunity for market	A4	Provide opportunities for developing down stream products, with the cooperation of large and foreign affiliated enterprises			
				A5	Promotion of SME products in the government/ public procurement			
			A2	Encourage establishment of "Exhibition Centers" to support SMEs to market targeting domestic buyers and consumers				
Expansion of the business base from local market to regional or national market	Establishment of financial system accessible for SMEs	Improvement of access to finance	B1	Creation of a financing institution specialized in SME finance	C1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability		
		Support on enhancement of management and technical capacity	B2	Establishment of credit guarantee system for SMEs				
	Support for enhancement of management base	Development of support channel	A7	Development of database on business seeds and needs to assist new business development				
		Facilitation of collective business operation and installment of common facility						
	Support on enhancement of management and technical capacity	C2	Provision of a scheme to encourage SMEs to introduce facilities and equipments which are basic for enhancement of their capability					
Collection and provision of information on development of new business opportunity	C3			Encourage collective activities of small and micro sized enterprises				
Support for reinforcement of SME management base from the view point of job creation and poverty reduction	(Micro and small enterprizes)	Support for self-independent efforts by development of support center	Support for sustainable business of micro and small-sized enterprize	B4	Establishment of a scheme to finance small scale working capital on non-collateral basis	C3	Support for reinforcement of management base by organizing business	
								Support on strengthening management capacity based on reinforcement of managemnet base
		Support on enhancement of management and technical capacity						
		Support for product development and marketing						
		Promotion of new startup and formalization	(New startup enterprizes and informal sector enterprizes)	Setting up tempered conditions for formalization and enhancement of formalization	Setting up tempered conditions for formalization	A7	Development of database on business seeds and needs to assist new business development	C1
Enhancement of formalization								
Understanding the current situation and promotion of formalization	Understanding a current situation on informal enterprize							
(Potential entrepreneurs)	Improvement of access to finance of startup fund		Improvement of access to finance	B1	Creation of a financing institution specialized in SME finance	C1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability	
			Financing of small startup fund	B2	Establishment of credit guarantee system for SMEs			
Provision of the business environmnet to encourage startup	Provision of necessary nformation on developing business plan	Support for developing business plan	B4	Establishment of a scheme to finance small scale working capital on non-collateral basis	C1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability		
			A7	Development of database on business seeds and needs to assist new business development				

(Note) "A1", "D", "SB" etc are the reference number of development measures in III-4.2 in draft final report.

5 Implementation Schedule of the SME Development Plan, Cost Estimation, and Monitoring Plan

5.1 Implementation Schedule

All development goals, as described in III-2 previously, are crucial for the SME development in Cameroon and are presumed to be challenged concurrently. Under this presumption, the implementation schedule of each development measure is shown in Table 5-1. The establishment schedule of implementation system for SME development policies is shown in Table 5-2.

Because most of the implementation system for each development measure is currently not established, it will be necessary to dedicate an energy to the establishment of the implementation system at initial stage.



Table 5-1 Preparation and Implementation Schedule of SME Development Measures

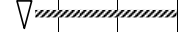
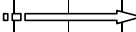

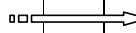
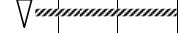

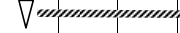

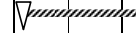

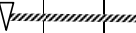

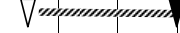

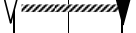

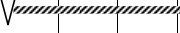

Note: ▽ Stage of preparation, development and initial operation

◻ Stage of continuing operation

Ref. No. for Development Measures	Development Measures and Implementation Process	Responsible agency	Short-term				Medium-term		Long-term				
			2009				2010	2011	2012	2013	2014	2015	
			1	2	3	4							
(1)	Development Measures to Support Market Development and New Business Development of SMEs												
A-1	Support for export development particularly in the strategic export markets	Ministry of Commerce (Dept. of International Trade)	▽	▨	▨	▨	▨	▨	▨	▨	▨		
A-2	Encourage establishment of "Exhibition Centers" to support SMEs to market targeting domestic buyers and consumers	Ministry of Commerce(Dept. of International Trade), MINPMEESA				▽	▨	▨	▨	▨	▨	▨	
A-3	Provide opportunities for SMEs to contact distributors in the modern distribution sector for wider scope of domestic markets, and support the SMEs in enhancing their capability to distribute products to the wider markets	MINPMEESA	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
A-4	Provide opportunities for subcontracting, with the cooperation of large enterprises	MINPMEESA				▽	▨	▨	▨	▨	▨	▨	
A-4	Provide opportunities for developing down stream products, with the cooperation of large and foreign affiliated enterprises	MINPMEESA				▽	▨	▨	▨	▨	▨	▨	
A-5	Promotion of SME products in the government / public procurement	National Coordination Committee to SME Development (Prime Minister Office / MINPMEESA)	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
A-6	Participation to "World Trade Point" Scheme	Ministry of Commerce (Dept. of International Trade)	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
A-7	Development of database on business seeds and needs to assist new business development	SME Development Agency / MINPMEESA	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
(2)	Development Measures on Improvement of Financing Environment and for SME and Financing Support												
B-1	Creation of a financing institution specialized in SME finance	Minister of Economy, Finance and Privatization	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
B-2	Establishment of credit guarantee system for SMEs	Minister of Economy, Finance and Privatization	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
B-3	Streamlining of Mortgage Procedures	Ministry of Justice					▽	▨	▨	▨	▨	▨	
B-4	Establishment of a scheme to finance small scale working capital on non-collateral basis	Minister of Economy, Finance and Privatization/ MINPMEESA	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
(3)	Development Measures on Support for Enhancement of Management base												
C-1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability	SME Development Agency / MINPMEESA	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨	
C-2	Provision of a scheme to encourage SMEs to introduce facilities and equipments which are basic for enhancement of their capability	Ministry of Industry, Mines and Technological Development/MINPMEESA				▽	▨	▨	▨	▨	▨	▨	
C-3	Encouraging collective activities of small and micro sized enterprises to meet the requirement of minimum size of order by customers	SME Development Agency / MINPMEESA					▽	▨	▨	▨	▨	▨	
(4)	Development Measures on Improvement of Business Environment of SMEs												
D	Review and rationalization of business environment of SMEs import duty on production facility, equipment and raw materials in view of equal footing of local industry with imported goods	National Coordination Committee to SME Development / CCIMA / MINPMEESA				▽	▨	▨	▨	▨	▨	▨	

Table 5-2 Establishment Schedule of Implementation System for SME Development Measures

Note:  Preparation, development and initial operation /implementation stage
 Continued routine operation/implementation stage

Ref. No. for Development Measures	Development Measures and Implementation Process	Responsible agency	Short-term				Medium-term		Long-term			
			2009				2010	2011	2012	2013	2014	2015
			1	2	3	4						
(1)	Institutional Setup for Policy Planning, and Cordination among the relevant Government Agencies											
SA-1	Institutional Setup for Policy Planning, and Cordination among the relevant Government Agencies	MINPMEESA										
SA-2	Establishment of "National Coordination Committee to SME Development"	MINPMEESA										
(2)	Institutional Setup for Policy Planning, and Cordination among the relevant Government Agencies											
SB-1	Establishment of "SME Development Agency"	MINPMEESA										
SB-2	Creation of SME Support Centers in main areas of small business concentration	SME Development Agency / MINPMEESA										
SB-3	Organizing SMEs by area into Regional Associations of Commerce and Industry	MINPMEESA										
SB-4	Implementation of SME registration system with reduced requirements for registration	MINPMEESA										
(3)	Development System of Human Resources engaged in SME Promotion											
SC	Establishment of a Human Resource Development System for Personnel in SME Promotion Organization and Consulting Service	SME Development Agency / MINPMEESA										
(4)	System to Collect and Analyze Information on SMEs											
SD-1	Improvement of System of SME Statistics	SME Development Agency / MINPMEESA										
SD-2	Periodical surveys on the enterprises in the informal sector	MINPMEESA										

5.2 Estimation of Costs Required for Implementation

Table 5-3 estimates costs required for the above implementation plan.

Table 5-3 Estimated Required Costs and Expenses for Establishment of Implementation System of Development Measures for SME Development

(Unit: '000FCFA)

Ref. No. for Development Measures	Implementation System/Development Measures	Year:	1	2	3	4	5	6	7
			2009	2010	2011	2012	2013	2014	2015
(1) Establishment of Sysmte for SME Development									
SA-1	Establishment of Basic Law for SME Development (Law for SME Promotion)								
SA-2	Establishment of "National Coordination Committee to SME Development"								
SB-1	Establishment of "SME Development Agency"			161,760	283,080	363,960	404,400	404,400	404,400
SB-2	Creation of SME Support Centers in main areas of small business concentration			119,012	321,823	543,612	694,480	1,060,873	935,308
SB-3	Organizing SMEs by area into Regional Associations of Commerce and Industry			1,620	21,066	56,978	128,802	217,012	266,170
SB-4	Implementation of SME registration system with reduced requirements for registration								
SC	Establishment of a Human Resource Development System for Personnel in SME Promotion Organization and Consulting Service		9,180	8,100					
SD-1	Improvement of System of SME Statistics		0	48,600	37,800	0	37,800	48,600	37,800
SD-2	Periodical surveys on the enterprises in the informal sector								
(2) Implementation of Development Measures for SME Development									
A-1	Support for export development particularly in the strategic export markets			7,200	3,600	3,600	0	0	0
A-2	Encourage establishment of "Exhibition Centers" to support SMEs to market targeting domestic buyers and consumers				7,200	3,600	3,600	0	0
A-3	Provide opportunities for SMEs to contact distributors in the modern distribution sector for wider scope of domestic markets, and support the SMEs in enhancing their capability to distribute products to the wider markets		1,890	3,240	1,890	3,240	1,890	3,240	1,890
A-4	Provide opportunities for subcontracting, with the cooperation of large enterprises, Provide opportunities for developing down stream products, with the cooperation of large and foreign affiliated enterprises			1,890	6,480	1,890	6,480	1,890	6,480
A-5	Promotion of SME products in the government / public procurement								
A-6	Participation to "World Trade Point" Scheme		4,320	2,160	2,160	2,160	2,160	2,160	2,160
A-7	Development of database on business seeds and needs to assist new business development		8,640						
B-1	Creation of a financing institution specialized in SME finance			900,000	500,000	900,000	500,000	500,000	500,000
B-2	Establishment of credit guarantee system for SMEs		500,000						
B-3	Streaming of Mortgage Procedures								

Ref. No. for Development Measures	Implementation System/Development Measures	Year:	1	2	3	4	5	6	7
			2009	2010	2011	2012	2013	2014	2015
B-4	Establishment of a scheme to finance small scale working capital on non-collateral basis		250,000	200,000	200,000	200,000	150,000	0	0
C-1	Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability			14,192	16,507	21,135	30,392	48,905	56,311
C-2	Provision of a scheme to encourage SMEs to introduce facilities and equipments which are basic for enhancement of their capability				73,620	62,620	52,620	42,620	32,620
C-3	Encouraging collective activities of small and micro sized enterprises to meet the requirement of minimum size of order by customers				51,240	44,240	37,240	30,240	24,240
D	Review and rationalization of business environment of SMEs import duty on production facility, equipment and raw materials in view of equal footing of local industry with imported goods								
	Total required costs and expenses		774,030	1,481,967	1,667,832	2,335,030	2,170,116	2,481,706	2,380,550
	Total required costs and expenses with 20% contingency		928,836	1,778,360	2,001,398	2,802,036	2,604,139	2,978,047	2,856,660

5.3 Monitoring Plan

To ensure successful implementation of the SME development Plan, the implementation status needs to be monitored and any delay should be analyzed to identify its cause, followed by adequate measures to correct the situation.

In the case of a master plan, its content cannot always be used for monitoring purpose because it does not include details and/or it is concerned with a variety of organizations including outside organizations. Thus, it is important to develop an implementation plan when the master plan is finalized, and a monitoring sheet should be prepared on the basis of the implementation plan.