

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

JANUARY, 2009

JAPAN INTERNATIONAL COOPERATION AGENCY

UNICO INTERNATIONAL CORPORATION

PREFACE

In response to a request from the Government of the Republic of Cameroon, the Government of Japan decided to conduct a study on “Formulation of Master Plan for Small and Medium-sized Enterprises Development” and entrusted to the study to the Japan International Cooperation Agency (JICA).

JICA selected and dispatched a study team headed by Mr.Tetsuo Inooka of UNICO International Corporation between August, 2007 and November, 2008.

The team held discussions with the officials concerned of the Government of the Republic of Cameroon and conducted field surveys at the study area. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the promotion of Small and Medium-sized Enterprises Development of the Republic of Cameroon and to the enhancement of friendly relationship between two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of Cameroon for their close cooperation extended to the study.

January 2009

Seiichi Nagatsuka,
Vice-President
Japan International Cooperation Agency

January 2009

Mr. Seiichi Nagatsuka, Vice-President
Japan International Cooperation Agency
Tokyo, Japan

Dear Mr. Nagatsuka,

Letter of Transmittal

We are pleased to submit the Final Report on “The Study on Formulation of Master Plan for Small and Medium-sized Enterprises Development in Republic of Cameroon.” The promotion of small and medium-sized enterprises (SMEs) is one of the vital policy imperatives in Cameroon, in view of the nation’s economic development. The Ministry of Small and Medium-sized Enterprise, Social Economy, and Handicrafts (MINPMEESA) was created, in this context, at the end of 2004, as the government agency responsible for promotion of SMEs.

The present study was conducted to recommend an efficient, effective and comprehensive activity plan for SME development, after defining the requirements for SME development in the country, based on an understanding of issues related to SMEs. During the Study, we had many consultation meetings with government agencies and private sector parties concerned, so as to ensure that our recommendations on policy measures and institutional and organizational arrangements for SME development are matched practically to the conditions in the country.

The recommendations included in this report are not necessarily new, in view of the measures which the MINPMEESA have planned up to now. Rather, we are certain that the present Master Plan recommendations can significantly contribute to enhance opportunities to review systematically the measures they have proposed, and take updated actions to promote implementation of their proposals.

Actually, the MINPMEESA is quite positive in putting the recommended measures into practice, compiling them in a bill for passage of the SME law. Through the Study it was identified that understanding of the situation of SMEs is still insufficient, and that the institutional and organizational arrangements to provide support for SME are weak. These are the challenges for immediate action. In addition, many development measures are necessary, step by step, to be made in detail for implementation, according to the conditions the SMEs are facing. We believe that your continuous support in these areas would be very helpful and important, in view of making use of the outcome of the present study, and further, in promotion of SMEs in this country.

Finally, we would like to take this opportunity to express our sincere gratitude to your Agency, the Ministry of Foreign Affairs, and the Ministry of Economy, and Trade and Industry, for valuable advice and support provided in the course of the present study. We are also deeply

thankful to the Cameroon Government, including the MINPMEESA and other agencies and organizations concerned, for the close cooperation and support rendered to the Study Team during the performance of this Study.

Respectfully submitted

UNICO International Corporation

Tetsuo Inooka

Leader, Study Team

on Formulation of Master Plan for SME Development
in Republic of Cameroon

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	Enquete 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.

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I Introduction

1 Framework of the Study

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

The Republic of Cameroon, having a population of approximately 16.6 million, is a country of rich diversity located in Central Africa. Favored by stable political conditions, the country's economy, which is based on agriculture, has achieved an annual average growth rate of 3.7% in real terms during the last five years.

Nevertheless, the steady economic expansion does not seem to have benefited the country's entire population. The increase in national wealth from exports of natural resources – such as crude oil and lumber – has not been enough to improve the quality of life for the bulk of population. In fact, 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. The Government has requested each ministry to present its activity strategy for this, this year. The MINPMEESA has, in this connection, embarked on developing its activity strategy, and has engaged consultants to assist it.

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 Study is to be carried out in accordance with the agreement made between the Government of Cameroon (MINPMEESA) and JICA – consisting of the S/W and the M/M – on March 2, 2007. It will be divided into two phases, the phase for base-line survey and analysis (first year) and the phase for development of policy recommendations (second year). 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.

I Introduction

2 Implementation of the Study

2 Implementation of the Study

2.1 Implementation Process of the Study

The Study is primarily to develop a master plan for SME promotion in Cameroon and to contribute to efforts at establishing a suitable organizational setup and human resource development of the implementation body for SME promotion. 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

2.2 Overall Study Plan

The Study was planned to be conducted for approximately 18 months, starting in late July 2007. It was defined as consisting of the following three phases.

First phase: Baseline study

(Late July 2007 – Mid-January 2008)

- (1) Preparatory work in Japan: Collection and compilation of relevant data and information, and preparation and submission of an Inception Report.
- (2) Setting up of the fieldwork administration and coordination system, and implementation of the baseline study
- (3) Implementation of transfer of expertise through surveys and workshops
- (4) Identification of company needs for support through a SME questionnaire survey, to will be conducted by a local consultant (to be continued through the second phase)

Second phase: Analysis of current state and identification of issues

(Late January – early March 2008)

- (1) Identification and analysis of issues by theme, and implementation of supplemental surveys
- (2) Analysis of needs survey (by means of the SME questionnaire survey) results, and identification of issues

- (3) Confirmation and discussion on development issues and direction
- (4) Preparation and submission of a Progress Report

Third phase: Development and proposal of policy packages

(Early May – early December 2008)

- (1) Establishment of development goals and target industry sectors
- (2) Development, discussion and revision of preliminary policy and program recommendations, and establishment of time frame
- (3) Presentation of the master plan and action plans
- (4) Preparation and submission of the Final Report on the basis of Draft Final Report

2.3 Progress of the Study and the Succeeding Study Plan

2.3.1 First Fieldwork

The first field survey was conducted from 30 August 2007 to 18 October 2007. The contents of the first fieldwork efforts are indicated as below.

(1) Presentation and Agreement on Inception Report

On 10 October 2007, the Steering Committee met, chaired by the Director of Social Economy and Handicrafts Department, after Opening Remarks by the Minister of Small and Medium-Sized Enterprises, Social Economy and Handicrafts (MINPMEESA), and the Study Team made a presentation mainly on the contents and the procedure of the Study. The Cameroon side agreed them without any particular objection.

(2) Kick-off Seminars

Kick-off Seminars were held both in Yaounde and Douala in order to deepen understanding of the Study and to enhance participants' awareness. The SME development history and experience in Japan and some Asian countries were also presented in the seminar to add to general knowledge about SMEs.

(3) Understanding of the current situation and identification of issues on the relevant institutions and organizations on SME promotion, SMEs, promotion policy and regulation etc.

The following activities and inquiries were carried out including interview surveys at around 40 enterprises, organizations, institutions and government offices.

- 1) Collection of basic information on SME promotion and understanding of the current situation
- 2) Understanding current situation and issues on SME promotion activities by relevant governmental organizations, private organizations, financial institutions, various donor and international organizations
- 3) Implementation of the SME questionnaire survey
- 4) Survey on current situation of policies, regulation and programs of SME promotion

(4) Implementation of workshop for technical transfer

The Study Team provisionally summarized the current situation of SME and the development issues based on the result of the first fieldwork, made presentations and shared the results.

2.3.2 Second Fieldwork

Second fieldwork activities were conducted from 6 January 2008, through 9 February 2008.

After the first fieldwork, the Study Team provisionally developed the basic orientation of recommendations based on the results of analysis on information from the fieldwork. The Study Team validated these provisional recommendations as to whether they reflected the actual situation, and are believed to be effective for SME promotion, during the fieldwork through the following:

- 1) At the inception of the second fieldwork, the Study Team made a presentation of the provisional recommendations to the Ministry of Small and Medium-sized Enterprises and exchanged opinions
- 2) The Study Team collected supplemental data.
- 3) The Study Team exchanged opinions on the relevant issues in the provisional recommendations with the relevant institutions.
- 4) The Study Team analyzed the quantitative aspects of SMEs based on the result of the SME questionnaire survey and evaluated the effectiveness of recommendations.

2.3.3 Third Fieldwork

The Third fieldwork was carried out starting on 22 June 2008, and lasted through 2 August 2008. At the start of the fieldwork, the Study Team made a presentation of the recommendations on SME development goals, issues and challenges, and the framework of the desirable development measures, using an outline and core contents of the key measures, which were prepared based on the discussions in the previous fieldwork. The discussions were also

continued in four group sessions on the individual topics of the recommendations. The Team also carried supplementary surveys based on these discussions.

The Team conducted a survey to collect information on new business seeds and the potential resources for development, with the objective of describing in detail the recommended measures to support new business development of SMEs, and expansion of the business scope of SMEs which are currently based on the limited local demand, so that they can serve a wider range of customers and markets.

Further, compiling the above study results, the Team prepared and submitted the Interim Report to the Cameroon side, and made discussions with the Cameroon side on the contents.

2.3.4 Forth Fieldwork

The forth fieldwork was conducted from 22 October 2008 through 15 November 2008.

The first half period of the fieldwork was used for the survey to collect information on the potential business seeds and resources for development, continued from the previous fieldwork, while giving advice and guidance on marketing and product development of textile products, wooden furniture, interior goods, and folk craft articles. The information obtained from the survey was provided to MINPMEESA and other relevant organizations, as reference for them in giving supports to these manufacturers in the future.

The last half period of the fieldwork was used for presentation and discussion of the Draft Final Report with MINPMEESA for finalization. The Team also had seminars in Yaounde and Douala to disseminate the contents of the Report among the relevant agencies and organizations in private, public and government sectors.

2.3.5 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. The survey results are compiled in II-2.3.

The present Final Report was prepared reflecting the comments and feedbacks from the Cameroon side, which were made in the consultation meetings in the forth fieldwork.

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

1 The Economy and Economic Development Plan in Cameroon

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 borders on Nigeria and the five CEMAC countries (Chad, Central Africa Republic, Congo Republic, Gabon, Equatorial Guinea), and has ethnic and linguistic diversity with nearly 300 ethnolinguistic groups. GNI per capita in 2005 reached US\$1,050 whereby 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.¹

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 US\$1 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	(2005)
9 Infant mortality rate (per 1,000 live births)			87	102.0	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	(2002-04)
12 Population using an improved water source(%)			66.0	55.0	84.0	(2004)
13 HIV prevalence (% aged 15-49)			5.4	6.1	0.6	(2005)
14 Adult literacy rate (% of aged 15 and older)			67.9	-	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

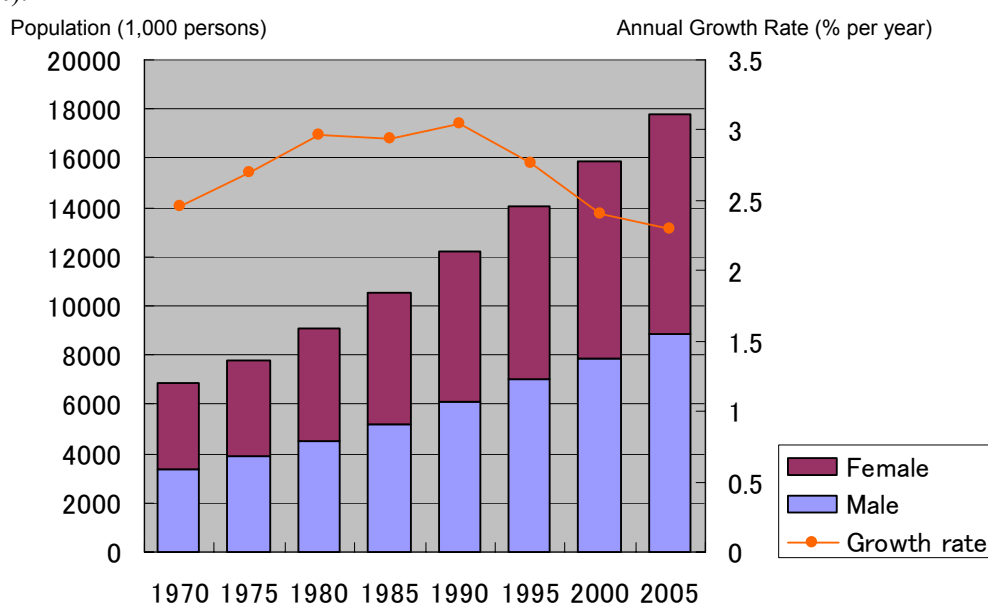
Data 17 --- AfDB/OECD(2008) African Economic Outlook, Cameroon

¹ Classification of the level of a national economy based on GNI per capita by the Atlas method is as follows. Low income economy (up to US\$935); Lower middle income economy (US\$936-3,705); Higher middle income economy (US\$3,706-11,456). According to the same data, GNI per capita of Cameroon by the purchasing power parity method was US\$2,120.

(1) Population and Population Structure

The total population of Cameroon in 2005 was 17.795 million, the second largest in CEMAC after the Congo Republic.² 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).

The following provinces are the largest, in declining order of population (2004): Extreme-Nord (2.94 million), Centre including Yaounde City (2.70 million), and Littoral including Douala City (2.38 million)³ (Figure 1-2). Similar to their rank in population scale, the top three provinces in order of population growth are Extreme-Nord (17.3%), Centre (15.9%), and Littoral (14.0%). The top largest cities are Douala (1.49 million), Yaounde (1.25 million), Garoua (360,000), Bamenda (320,000), Maroua (270,000), as of 2001. 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%).⁴



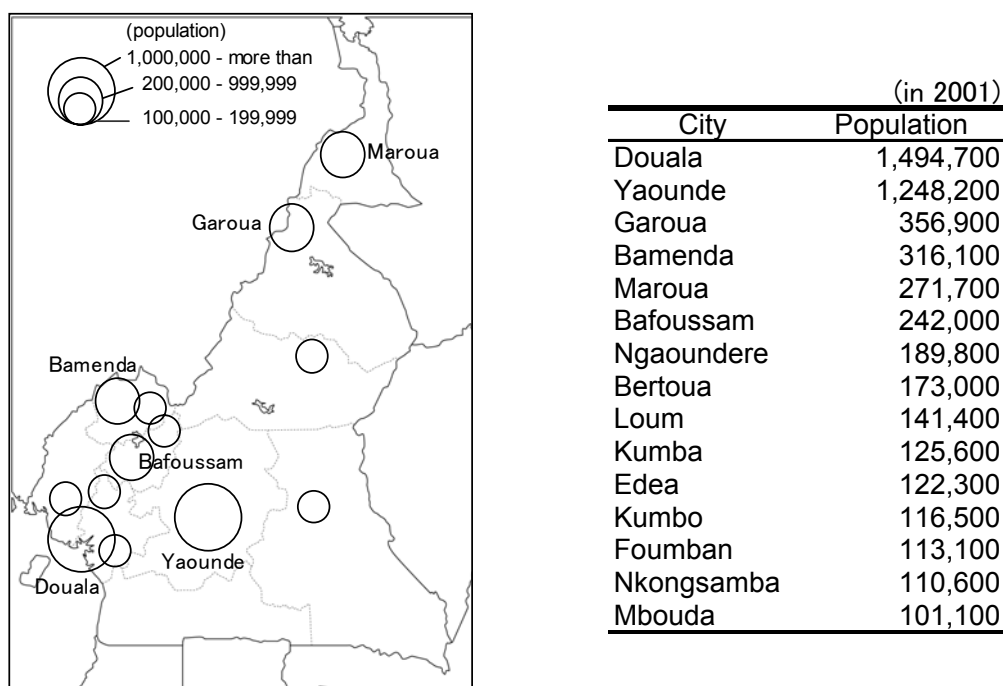
Source: United Nations Population Division, "World Population Prospects: The 2004 Revision Database."

Figure 1-1 Population Trend

² United Nations Population Division, "World Population Prospects."

³ Because population statistics by province and by city do not exist in the above-mentioned UN statistics, this report refers to INS (2006) "Annual Statistic of Cameroon 2006." The total population in Cameroon was calculated at 17.79 million in 2005 in the UN statistics, and estimated at 17.00 million in 2004 in the INS statistics.

⁴ 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.



Source: Study Team, based on INS (2007), "Annual Statistic of Cameroon 2007."

Figure 1-2 Distribution of Population in Main Cities

(2) Labor Force

The total labor force of Cameroon in 2006 was 10.637 million; other indicators 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%).⁵ The AfDB/OECD reported that the unemployment rate was 6.2% in 2007, and notably that in urban areas reached 14.1%.⁶ As for the labor force by sector, the latest available statistics, for 2001, indicate the ratios as primary sector, 6; secondary sector, 1; and tertiary sector, 3. The ratios are slightly different from those in the INS statistics (7:1:2), however the situation wherein the largest share of the workforce was engaged in the primary sector was the same in both sets of statistics.⁷

Concerning differences taken by gender, about 70% of females were engaged in the primary sector, a larger percentage than for males, while the female labor force in the secondary sector was less than 5% in 2001. There are no precise data on the informal labor force, but the "Informal Sector Survey," by INS, indicates that the informal laborers make up about 90% of the total (agricultural laborers, about 55%, and non-agricultural laborers, 35%).⁸ The formal labor force or the remaining about 10% had 4.9% in the public sector and 4.7% in the private sector. Also, it was

⁵ Data in 2006. ILO Labour Market Indicators Library, KILM 5th Edition, <http://www.ilo.org/public/english/employment/strat/kilm/>.

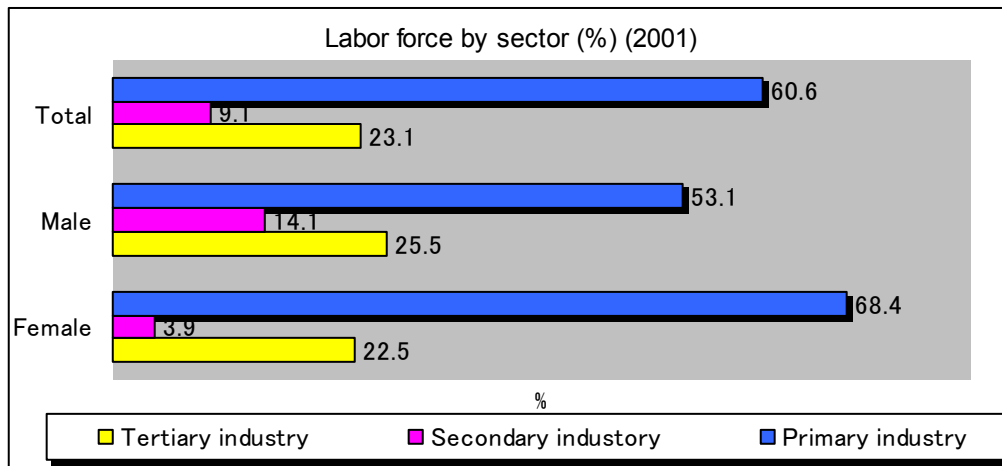
⁶ AfDB/OECD (2008), "African Economic Outlook."

⁷ ILO Labour Market Indicators Library, KILM 5th Edition, <http://www.ilo.org/public/english/employment/strat/kilm/>.

⁸ INS (2005), « Study on Informal Sector (Enquête sur l'Emploi et le Secteur Informel au Cameroun.) »

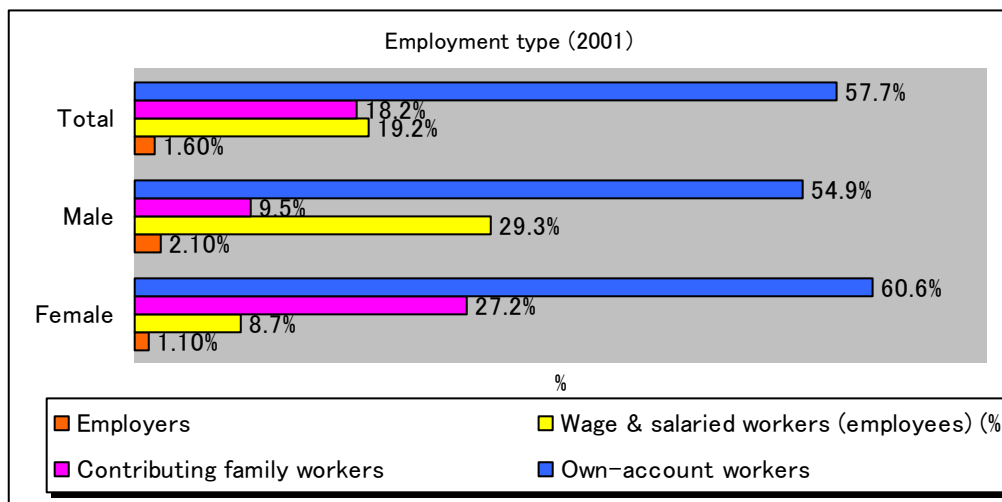
estimated that the labor force in the informal sector was larger in rural areas than in urban areas (95% of total labor force is in the informal sector in rural areas, while it was 78% in urban areas).

Workforce working as entrepreneur with no employees come to about 60% of the total, while 20% are working to enterprises of their families, and only remaining 20% of employees are salaried workers.⁹ From a gender viewpoint, more than 60% of females are doing business activity by themselves and 30% are supporting their family businesses, in contrast to which the share of female wage earners and salaried workers is less than 10% of the total, while it is 30% in the case of male.



Source: ILO, KILM, 5th Edition.

Figure 1-3 Labor Force by Sector



Source: ILO, KILM, 5th Edition.

Figure 1-4 Employment Type

(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

⁹ ILO Labour Market Indicators Library, KILM 5th Edition, <http://www.ilo.org/public/english/employment/strat/kilm/>.

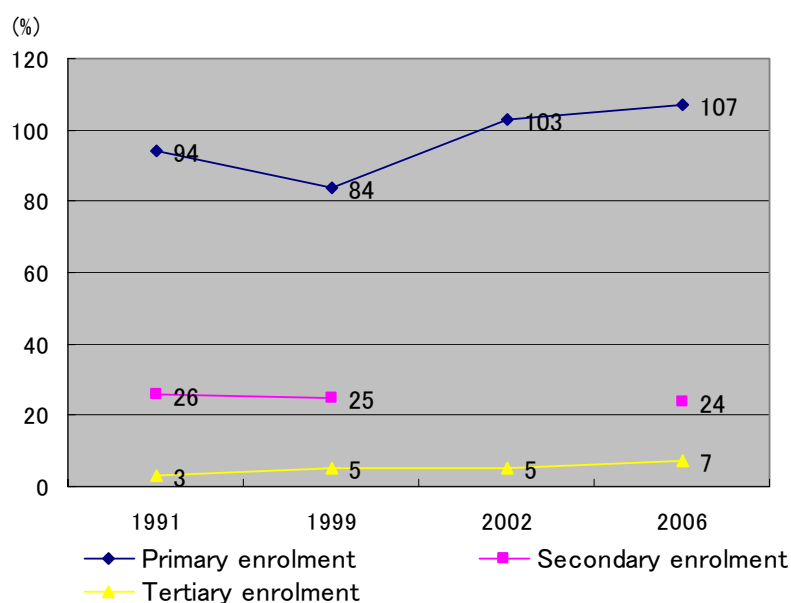
Millennium Development Goals (MDGs).¹⁰ Further, the ratio of the population living on under US\$1 per day (PPP base; in 1993 dollars) was 17.1% in 2001, which showed a large improvement from 32.5% in 1996.¹¹

(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.

The latest data on net enrolment rate was 69% (males, 74%; females, 65%) in 1991,¹² while the gross enrolment rate has improved from 84% in 1999 to 107% in 2006. The rate of completion of primary education was 62.4% (males, 68.1%; females, 56.6%) in 2005 and the improvement of this indicator remains one of main challenges in the education sector.¹³ The Cameroon government has adopted the target to improve the repetition rate from the current 30% to 10% by 2015.¹⁴

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. While Cameroon has made slight progress in terms of the ratio in tertiary education, from 5% in 1999 to 7% in 2006, in comparison to the average of the Sub-Sahara region (primary, 95%; secondary, 32%; tertiary, 5%, according to estimates from UNESCO), the gross enrolment rate in primary education in Cameroon is better, in contrast, than that for secondary education.



Source: UNESCO (2008), “UIS Statistics in Brief.”

Figure 1-5 Enrolment Rate in Primary, Secondary, Tertiary School

¹⁰ AfDB/OECD (2008), “African Economic Outlook.”

¹¹ World Bank (2006), “Interim Strategy Note for the Republic of Cameroon FY07-08.”

¹² UNESCO Institute for Statistics (2007).

¹³ UNESCO Institute for Statistics: 55.9% (males, 60%; females, 51.7%) in 1991.

¹⁴ World Bank (2006), “Interim Strategy Note for the Republic of Cameroon FY07-08.”

(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.

With regard to access to improved water resources, 66% of population (urban, 86%; rural, 44%) were able to continuously utilize a water source in 2004, and 51% of population (urban, 58%; rural, 43%) had access to improved sanitation facilities in 2004.¹⁵ In the case access to electricity, 77.1% in urban areas have such access; by contrast the percentage is only 15.5% in rural areas.¹⁶ The population living in poverty accounts for 77.0% in rural areas, a much higher percentage than the 48.8% in urban areas, according to the somewhat old data for 2001.

Similarly it is also pointed out that there is a large disparity between urban and rural areas in access to health care facilities.

(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.

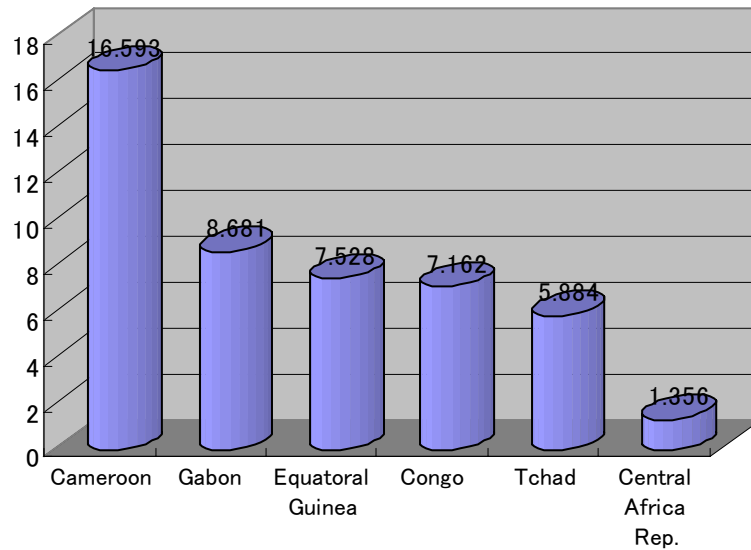
Cameroon had the largest economic share -- 36% -- in the total of the CEMAC nations in 2005. The scale of the economy, about US\$17 billion, is approximately double of that of Gabon, which has the second largest scale following Cameroon (**Figure 1-6**).

The difference of economic scale among the CEMAC members, however, has tended to decrease during the past 10 years in comparison to the largest share as 49.6% in 1998, because of significant growth of economy in Equatorial Guinea, Congo, and Chad. During a recent 20-year period, 1985 to 2006, the GDP of Cameroon recorded a 190% increase from US\$9.2 billion to US\$18 billion, while other countries made more significant high growth: Gabon 270%, Chad 730%, Congo Republic 610%, Central Africa 170%, Equatorial Guinea 1160%. All member countries experienced the largest GDP in the history respectively in 2006 (**Figure 1-7**).

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 CEMAC nations except for 1999-2000. In 2005, however, Cameroon achieved a high growth rate and exceeded the CEMAC average (**Figure 1-8**).

¹⁵ UNDP (2008), "Human Development Report 2007/08."

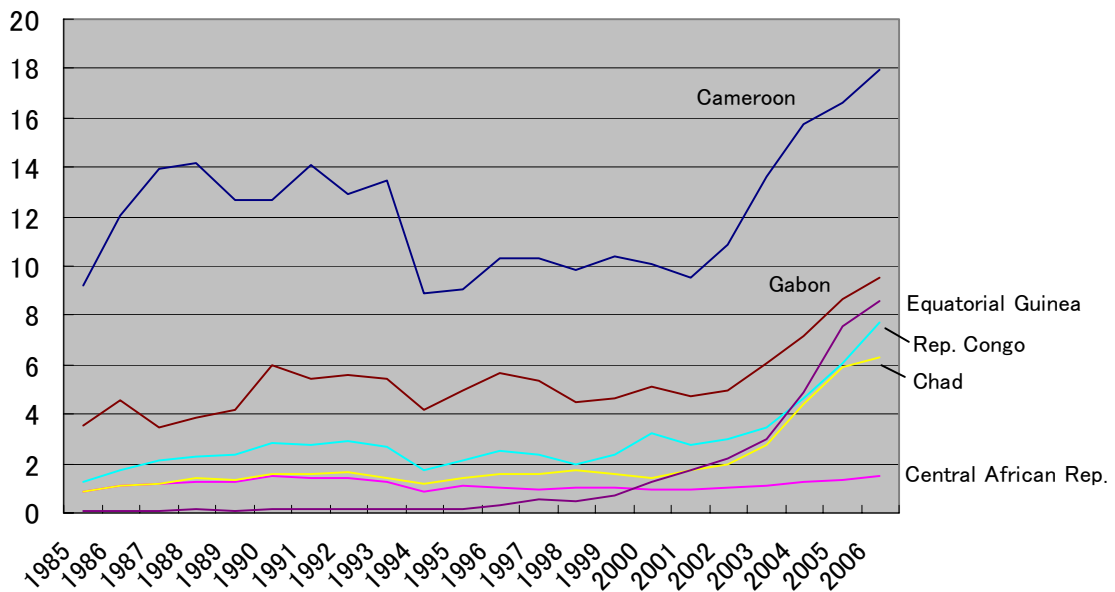
¹⁶ INS (2004), "Cameroon Statistical Yearbook 2004."



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

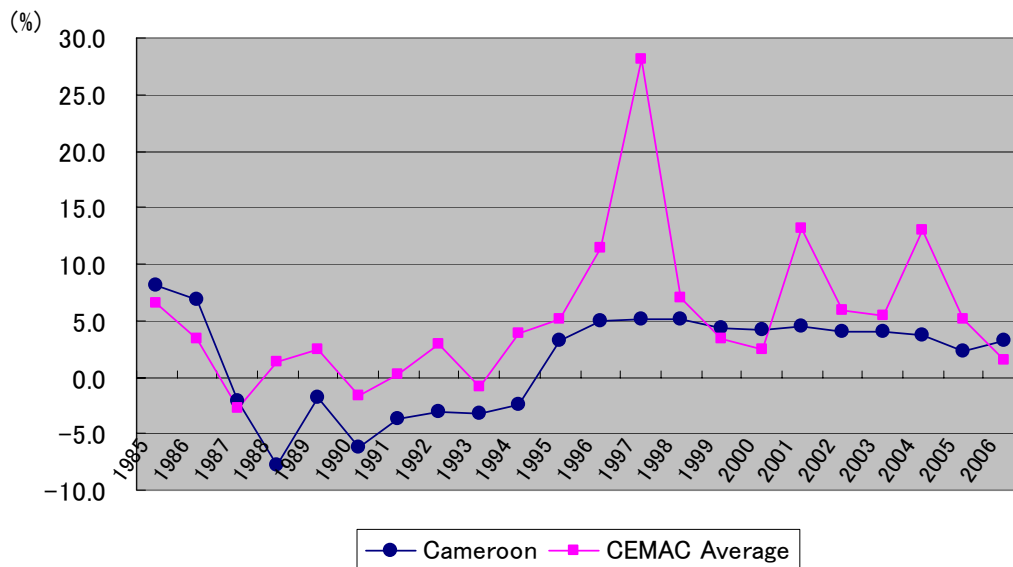
Figure 1-6 GDP Scale of the CEMAC Countries (Current Prices; US\$ billion)

(bil. US\$)



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

Figure 1-7 GDP Trend of the CEMAC Countries (1985-2006) (Current Prices; US\$ billion)

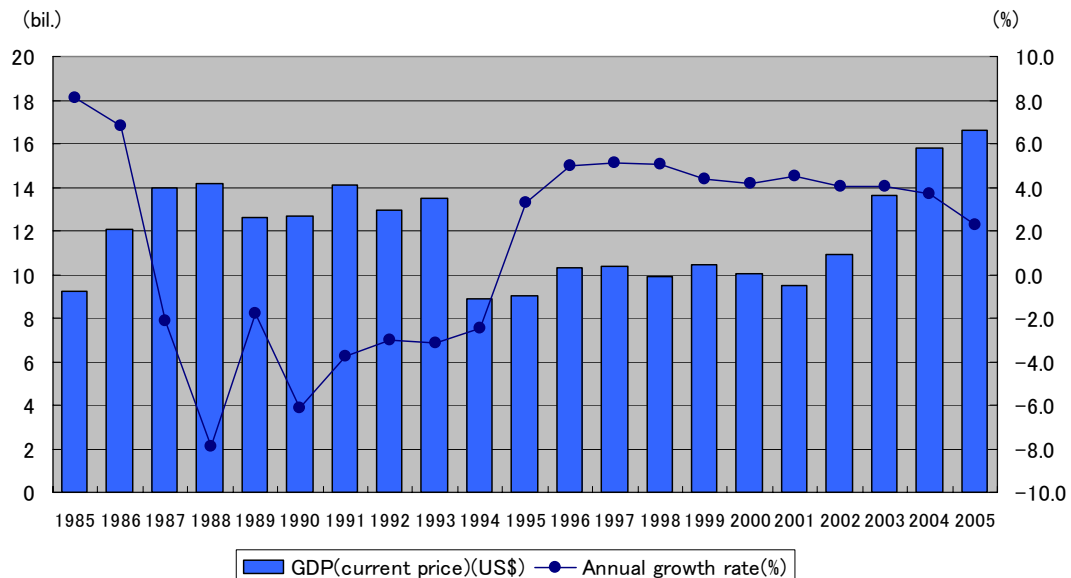


Source: Study Team, based on IMF, "World Economic Outlook Database."

Figure 1-8 GDP Growth Rate (Cameroon and the CEMAC average)

1.1.2 Economic Growth and Industrial Structure

(1) Economic Growth



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

Figure 1-9 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.¹⁷ **(Figure 1-9)** 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% **(Figure 1-10)**.

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%¹⁸, 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.

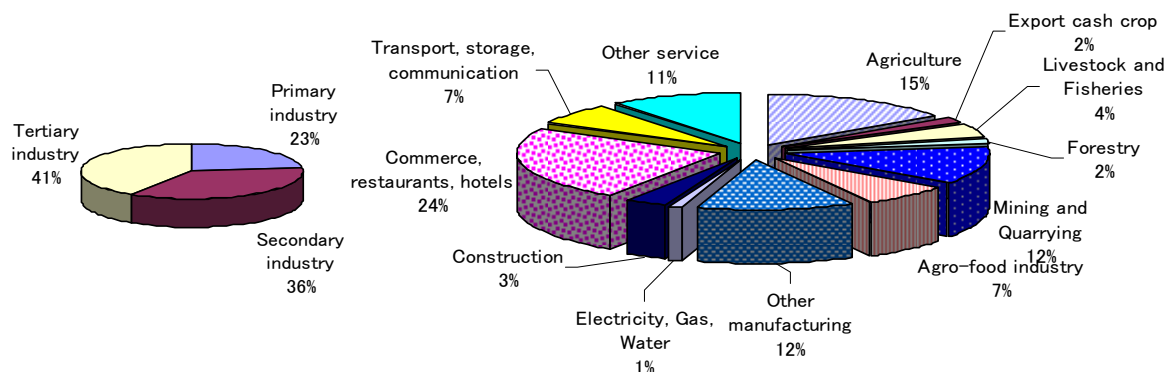
Almost sectors except for "oil and mining" steadily increased their GDP value during the eight years of 2000-2007. The sectors that recorded high growth rates are "transportation, storage and communication," 191%, "commerce, restaurants and hotels," 152%, "livestock and fisheries," 134%, "agriculture," 132%, and "other service," 132%. Thus, overall, the growth rate of tertiary industry is remarkable **(Figure 1-11)**.

The total GDP of primary industry including agriculture, livestock and fisheries has increased by 130%, while "export cash crop" remained stagnant at about 7% growth. In secondary industry the share of the "oil and mining" sector has changed very little, however the total GDP value of the sector declined to about 70% of that in 2000. Steady growth can be seen in "other manufacturing" and "agro-processing industry," that is, between 10-15%, however the growth rate is lower than that of the tertiary industry.

¹⁷ INS (2004, 2006), "Cameroon Statistical Yearbook 2004, Annual Statistics of Cameroon 2006 (National Institute of Statistics)."

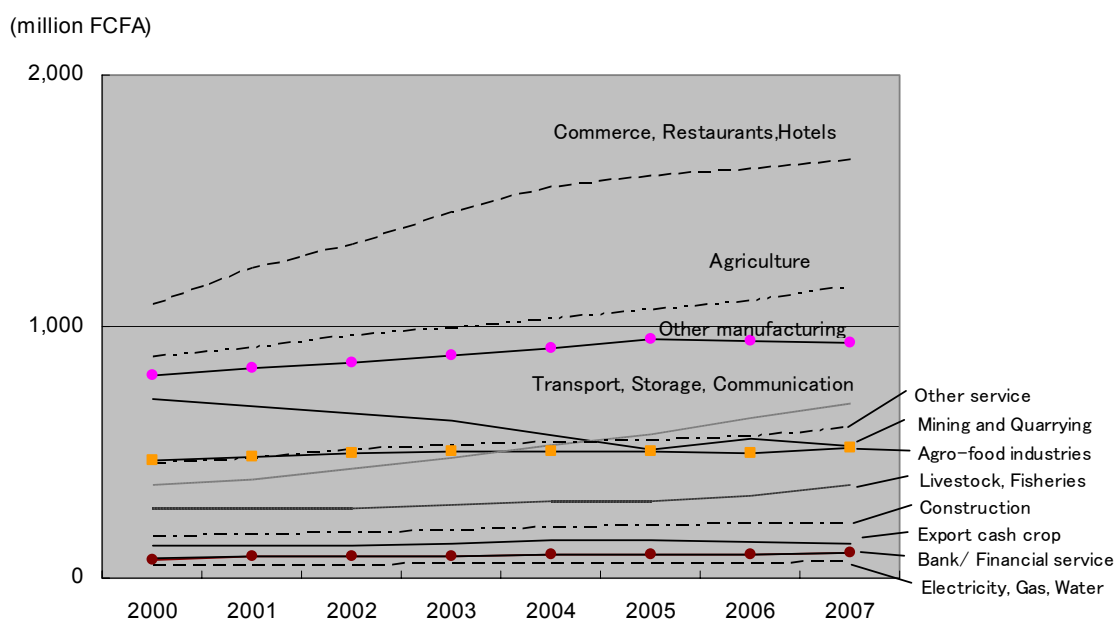
¹⁸ In this report, service sectors except for commercial/restaurant/hotel sector, transportation/storage/communication sector are categorized into "other service."

Summing up, the low growth rates of “export cash crop,” “agro-processing industry” and “other manufacturing,” which are expected to be driving forces in the non-oil part of the Cameroon economy, has emerged as a crucial issue in Cameroon.



Source: Study Team, based on INS (2007), “Annual Statistics of Cameroon 2007.”

Figure 1-10 GDP by Sector



Source: Study Team, based on INS (2007), “Annual Statistics of Cameroon 2007.”

Figure 1-11 GDP Trend by Sector

1.1.3 Trade

(1) Trade Agreements

Since 1962, Cameroon has been committed to establishing a free trade zone for goods, service, capital, and human resource, as a member of the Union douaniere et economique de l'Afrique centrale (UDEAC), which was changed to the current CEMAC, within the member countries.

CEMAC works to foster active trade among its members by mutual granting of exemptions from custom duties.

While Cameroon is allowed favorable access to the EU market under the framework of Generalized System of Preferences (GSP),¹⁹ Cameroon also is a signatory of the Cotonou Agreement, between the EU and 79 African, Caribbean and Pacific countries. Under the agreement, the developing countries can benefit from exemption from customs duty on industrial products, and some agricultural and fishery products exported to the EU. Also, Cameroon has signed an Economic Partnership Agreement with the EU in January 2008.

Regarding relations with the United States, Cameroon receives preferential access to the US market both under the GSP and the African Growth and Opportunity Act (AGOA). Under the GSP in 2006 Cameroon exported to the US agricultural products worth US\$313,000, chemical products worth US\$241,000, forest products worth US\$141,000, other manufacturing products worth US\$68,000, textile and garments worth US\$2,000, and minerals and metal products worth US\$2,000.

Under the AGOA, however, the number of beneficiary companies and cooperatives are very limited, and under it Cameroon exported only bathing towels, handicrafts, and coffee products.²⁰

Additionally, Cameroon has signed trade agreements with Cote d'Ivoire (1962), Japan (1962), Senegal (1974), Morocco (1987), Tunisia (1999), Egypt (2000), China (1972, updated in 2002).

(2) Exports

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.

¹⁹ GSP is a scheme which developed countries voluntarily provide preferential tariff treatment, lower than concessional tax rate, on import goods from developing countries, based on the agreement under the UNCTAD. Main aim is to support economic development of developing countries.

This scheme is categorized into preferential tariff both for general developing countries and for least developed countries(LDC). Particularly import goods from LDC are able to receive benefits such as LDC preferential tariff(substantially no tariff) and no limitation for import volume.

²⁰ According to Cameroon Tribune 15 Jul, 2008, main beneficiary organizations/companies from the AGOA scheme were the BRODWELL company producing bathing clothing, African Women Art with about 2,500 women, producing handicrafts, North West Cooperative Association which was a coffee farmers' association with 35,000 farmers.

In those five years, Cameroon achieved an 18% increase in the total value of exports. The largest share in total export value has been contributed by crude oil, and the dependency on oil has not changed. Total exports of crude oil have gradually increased, but the share in the GDP has been stable at around 40% during the five years. The value of exports of fuel oil and lubricant made 270% growth in 2005, and became the second largest export goods category. **(Table 1-2)**

Crude cacao, coffee, fresh banana, dressed timber, and wooden veneer sheets have been particularly important for exports, and their significance has continued. By products, an increase of export value can be seen for crude cacao by 30%, fresh bananas by 6%, dressed timber by 9%, and wooden veneer sheets by 38%, while in contrast the export value of coffee has tended to decline by 40%.

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%). In terms of countries, the EU showed large shares for Spain (24%), Italy (16%), France (12%), Holland (7%), and the U.K.(5%); other country shares were: US (4%), China (2%), Togo (2%), and South Africa (2%) **(Table 1-3)**. Within the African region, exports to the CEMAC countries occupied about 40-60%; however, exports in terms of value to the western Africa region went up by 46% to have the largest portion **(Table 1-4)**.

Table 1-2 Main Export Products

2001		2002		2003		2004		2005	
Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)
Crude petroleum oils	593,434	Crude petroleum oils	573,398	Crude petroleum oils	579,317	Crude petroleum oils	489,961	Crude petroleum oils	661,157
Dressed timber	162,242	Dressed timber	137,660	Dressed timber	156,930	Dressed timber	190,801	Fuel and lubricants	197,041
Crude cocoa nibs	82,868	Crude cocoa nibs	133,263	Crude cocoa nibs	104,033	Crude cocoa nibs	121,367	Dressed timber	177,378
Fuel and lubricants	71,925	Crude cotton	65,298	Fuel and lubricants	63,958	Fuel and lubricants	72,272	Crude cocoa nibs	111,042
Crude cotton	71,837	Crude aluminium	44,513	Crude cotton	62,663	Crude cotton	76,199	Crude cotton	70,066
Crude aluminium	61,243	Fuel and lubricants	42,840	Crude aluminium	47,377	Crude aluminium	52,741	Crude aluminium	57,827
Coffee	54,036	Coffee	37,123	Fresh banana	41,264	Fresh banana	39,447	Fresh banana	35,930
Fresh banana	33,896	Fresh banana	32,104	Coffee	40,405	Coffee	40,428	Coffee	33,358
Wooden veneer sheets	19,494	Wooden veneer sheets	19,845	Wooden veneer sheets	24,712	Wooden veneer sheets	24,177	Wooden veneer sheets	27,053
Undressed timber	18,475	Undressed timber	18,607	Crude rubber	18,774	Crude rubber	20,677	Crude rubber	23,549
Export total	1,281,902		1,252,866		1,318,157		1,256,789		1,509,215

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

Table 1-3 Main Destinations for Exports (World)

Top 10 Customers

		(million CFA)											
		2000		2001		2002		2003		2004		2005	
		Country	Value	Country	Value	Country	Value	Country	Value	Country	Value	Country	Value
1	Italy	328,305	Italy	346,915	Spain	249,628	Spain	284,633	Spain	223,412	Spain	357,599	
2	France	158,902	Spain	193,224	Italy	238,053	Italy	175,116	Italy	193,006	Italy	246,325	
3	Taiwan	144,986	France	136,655	France	161,068	France	139,820	France	182,681	France	183,036	
4	Spain	86,215	Holland	115,284	Holland	160,460	Holland	138,133	Holland	111,702	Holland	112,549	
5	China	80,819	Taiwan	103,829	USA	84,987	USA	98,044	USA	74,682	U.K.	70,298	
6	Holland	76,462	China	75,619	China	54,197	China	56,932	U.K.	51,541	Belgium	60,671	
7	Belgium	27,945	Belgium	29,126	Tchad	27,001	Taiwan	34,256	Belgium	50,896	USA	58,871	
8	USA	19,533	USA	26,352	Belgium	26,625	Belgium	32,676	China	33,134	China	36,221	
9	Germany	19,356	U.K.	21,119	India	18,815	South Africa	30,863	Gabon	23,860	Togo	32,044	
10	Gabon	9,003	Congo, Rep.	19,869	Germany	17,988	Tchad	26,509	Taiwan	15,922	South Africa	28,837	

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

Table 1-4 Trade Between Cameroon and the African Region

(million CFA)

Main Customer Africa region	2001		2002		2003		2004		2005	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Africa total	69,900	321,937	126,359	254,434	189,373	211,604	158,425	284,881	211,113	521,558
CEMAC	44,936 64%	35,512 11%	71,556 57%	21,561 8%	89,828 47%	15,294 7%	71596 45%	29741 10%	55456 26%	47642 9%
Gabon	11,477	2,520	12,994	2,181	24,866	1,317	23860	3981	15009	1733
Equatorial Guinea	7,328	29,277	6,881	12,096	19,060	5,270	15702	16906	9544	29316
Central African Rep.	3,812	15	9,905	2	7,580	1	5993	4	5989	0
Tchad	8,502	77	27,001	225	26,509	50	14202	81	13865	1
Congo Rep.	13,817	3,623	14,775	7,057	11,813	8,656	11839	8769	11049	16592
Southern and East Africa	13,769 20%	28,437 9%	5,366 4%	29,662 12%	36,310 19%	28,924 14%	21,157 13%	21,695 8%	32729 16%	22627 4%
South Africa	745	23,684	2,801	26,496	39,863	25,589	10778	19215	28837	21360
Angola	10,737	1,135	575	200	1,148	633	3667	6	1516	0
Namibia					2,690	2,337	4628	2015	0	849
Northern Africa	12,562 18%	7,062 2%	13,546 11%	12,579 5%	10,565 6%	11,651 6%	13,234 8%	10,936 4%	11,814 6%	10516 2%
Egypt	77	2,504	303	7,039	638	6,785	221	7375	381	5953
Morocco	6,219	1,878	7,227	2,976	6,359	2,419	8210	2277	4,695	2941
West Africa	28,662 41%	250,922 78%	27,928 22%	190,631 75%	30,892 16%	155,659 74%	41,394 26%	222,506 78%	96,670 46%	440765 85%
Nigeria	9,846	189,559	10,504	139,084	9,669	98,372	13053	176522	8356	396671
Cote-d'Ivoire	2,116	14,647	8,292	19,778	1,438	19,945	8960	17220	11060	13523
Guinea	25	24,819	523	9,514	1,211	14,948	55	3028	16749	390

Source: Study Team, based on INS (2007), "Annual Statistics of Cameroon 2007" and recently collected data.

(3) Imports

During a recent five-year period, the value of total imports increased 12%. The total import value recovered from FCFA1,251 billion in 2003 to FCFA1,524 billion in 2005. In terms of import products, in decreasing order of shares in total imports in 2005 we have: crude oil/fuel oil/ lubricant (about 30%), machine parts and products (7%), motor vehicles and bikes (7%), electric machines and appliances (5%), inorganic chemical products (3%), plastic products (3%), and other processed products like cast iron and steel products, and cereals (7%). In comparison to 2001, cast iron and steel products saw a large reduction in share from 8% (2001) to 2% (2005), and machine parts and products, and motor vehicles and bikes also recently indicate a slight trend toward lower imports **(Table 1-5)**.

The top three regions and their shares as suppliers are the EU (39%), Africa (34%) and Asia (16%). Focusing on imports from Africa, goods and service have been actively traded with western African countries, that together had a share of 85% of the total imports from Africa in 2005. In contrast to this, trade with southern and eastern Africa, and northern Africa, has been limited **(Table 1-4)**.

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 **(Table 1-6)**.

Table 1-5 Main Import Products

2001		2002		2003		2004		2005	
Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)	Top 8 items	mil.(CFA)
Hydrocarbons	249,053	Hydrocarbons	190,407	Hydrocarbons	223,084	Hydrocarbons	229,436	Hydrocarbons	457,443
Mechanical machines and appliances	151,486	Mechanical machines and appliances	167,222	Mechanical machines and appliances	127,997	Mechanical machines and appliances	114,161	Mechanical machines and appliances	101,003
Motor vehicles;tractor	126,281	Motor vehicles;tractor	112,084	Motor vehicles;tractor	116,567	Motor vehicles;tractor	113,639	Motor vehicles;tractor	102,034
Cast iron, iron&steel	110,232	Electric machines and applicants	84,297	Cereal	69,661	Electric machines and applicants	102,993	Cereal	113,117
Cereal	77,714	Cereal	88,001	Electric machines and applicants	63,027	Cereal	89,779	Electric machines and applicants	75,313
Electric machines and applicants	70,236	Pharmatical products	46,151	Pharmatical products	43,901	Inorganic chemical products:	46,482	Inorganic chemical products	46,484
Inorganic chemical products	48,851	Papers and cartons	42,431	Papers and cartons	37,670	Pharmatical products	45,186	Pharmatical products	41,527
Papers and cartons	39,047	Cast irons and steel works	41,791	Inorganic chemical products	36,752	Plastic materials	39,282	Salt, salpher, cement	39,332
Pharmatical products	36,910	Inorganic chemical products:	38,683	Plastic materials	36,636	Papers and cartons	35,674	Plastic materials	38,799
Plastic materials	33,173	Plastic materials	37,002	Cast irons and steel works	32,038	Cast irons and steel works	32,881	Papers and cartons	35,413
Import total	1,356,767		1,294,971		1,251,561		1,365,047		1,524,464

Source: Study Team, based on INS (2007), "Annual Statistics of Cameroon 2007" and the latest collected data.

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Table 1-6 Main Partners for Imports (World)

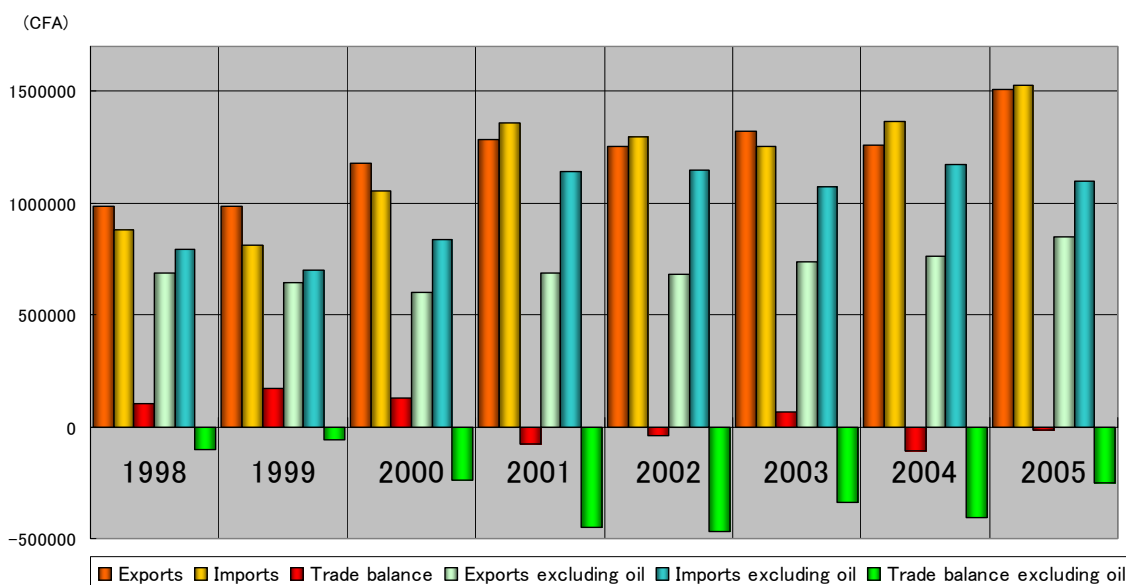
Top 10 suppliers

(million CFA)												
	2000		2001		2002		2003		2004		2005	
	Country	Value	Country	Value	Country	Value	Country	Value	Country	Value	Country	Value
1	France	253,244	France	326,814	France	314,780	France	227,749	France	286,769	Nigeria	396,671
2	Nigeria	203,722	Nigeria	189,559	Nigeria	139,084	Nigeria	98,372	Nigeria	176,522	France	269,611
3	Japan	51,481	USA	106,913	USA	108,433	Japan	70,882	Japan	87,570	China	75,796
4	Belgium	51,290	Germany	101,315	Germany	60,511	USA	59,316	USA	68,065	USA	70,581
5	USA	49,878	Belgium	62,367	Japan	58,691	China	50,331	Belgium	62,439	Germany	55,121
6	Germany	42,856	Japan	61,726	Belgium	51,866	Belgium	49,166	Germany	58,861	Japan	47,779
7	Italy	33,010	Italy	41,371	China	46,331	Germany	44,863	China	58,442	Italy	41,247
8	China	31,474	China	36,629	Italy	43,277	Italy	39,485	Italy	53,255	Brazil	37,247
9	Gunea	25,597	U.K.	32,310	U.K.	41,630	Holland	37,315	Finland	33,074	Thailand	36,324
10	Holland	25,437	Equatorial Gunea	29,277	Holland	36,233	South Africa	25,589	Belgium	29,065	Equatorial Gunea	29,316

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007 and the latest collected data.

(4) Trade Balance

Total exports in terms of value recorded a 150% increase during a recent eight-year period, while at the same time, total imports increased 170%. During these recent five-year period the trade balance was mostly negative. Nevertheless, the import/export ratios have still remained in the range of 92-105%. The trade balance has been negative continuously for the five years, except for crude oil that had a large share both in imports and exports. In 2002, the import/export ratio was a bottom with 59%, then recovered to 77% in 2005 (Figure 1-12).



Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

Figure 1-12 Trade Balance

(5) Trade between Cameroon and CEMAC

The peak for total export value from Cameroon to other CEMAC countries was FCFA89,823 million in 2003, and the volume in 2005 indicates a decrease, to FCFA55,456 million. In contrast, total imports from CEMAC recently experienced rapid growth, from FCFA15,294 million (2003) to FCFA47,642 million (2005).

With regard to the trade balance with other CEMAC countries, the total exports of Cameroon has always shown a surplus. The surplus declined markedly, however, from about FCFA40,000-70,000 million during 2002-04 to FCFA7,814 million in 2005. In decreasing order of export destinations in 2005, Cameroon's trading partners were: Gabon (FCFA15 billion), Chad (FCFA13.9 billion), Congo (FCFA11 billion), Central African Republic (FCFA6 billion), and Equatorial Guinea (FCFA1 billion). In decreasing order of imports in 2005: Equatorial Guinea (FCFA29.3 billion), Congo (FCFA16.6 billion), Gabon (FCFA1.7 billion), and Chad (FCFA1 million).

In terms of trade balance by country, Cameroon had a surplus against Gabon (FCFA13.3 billion), Central African Republic (FCFA6.0 billion), and Chad (FCFA13.9 billion), but had a deficit in trade with Equatorial Guinea (FCFA△19.8 billion) and Congo (FCFA△5.5 billion). Cameroon mainly exports fuel oil/lubricant, aluminium sheet and palm oil to Gabon, fuel oil/lubricant and soap to Chad, aluminium sheet and wood to Congo. Also, Cameroon imports crude oil from Equatorial Guinea, and sugar and crude oil from Congo.

Trade volume in value and the items to the each CEMAC countries (except for Congo²¹) for a recent three-year period are shown in **Table 1-7**.

As for exports by item, fuel oil/lubricant has the largest portion in trade with four countries (Gabon, Equatorial Guinea, Central African Republic, Chad) and makes a major contribution to the total exports. In particular, the main partners in trade volume and in value terms are Chad (FCFA7 billion: 50% of the total bilateral trade) and Equatorial Guinea (FCFA5.7 billion: 60% of the total bilateral trade). Aluminium sheet is mainly exported to Congo (FCFA2.4 billion) and Central Africa (FCFA400 million), and cement is exported to Equatorial Guinea (FCFA1.1 billion) and Central African Republic (FCFA300 million).

In chemical products, a considerable value of soap is exported to Chad (FCFA2.5 billion), Gabon (FCFA500 million), and Central African Republic (FCFA 200 million). In addition, floor boards are exported to Congo (FCFA540 million), Central African Republic (FCFA280 million), and Equatorial Guinea (FCFA100 million), and wood processing and carving products are exported to Congo (FCFA170 million) and Equatorial Guinea (FCFA100 million).

The export products in the food and beverage category are diverse. Major export food products are soup preparations to Gabon (FCFA900 million), Congo (FCFA430 million), Central African Republic (FCFA400 million), and cookies and bakery goods to Congo (FCFA360 million), Central African Republic (FCFA270 million) and Equatorial Guinea (FCFA60 million). Other main export goods are chocolates and other cacao-base products to Congo (FCFA550 million), beans to Congo (FCFA430 million), and food paste to Chad (FCFA410 million).

In the beverage category, beer is exported to Chad (FCFA580 million), Congo (FCFA340 million), and Equatorial Guinea (FCFA140 million), whisky and liqueurs to Congo (FCFA210 million), and Chad (FCFA110 million), sparkling wine to Congo (FCFA380 million), and mineral water to Chad (FCFA 210 million).

It is remarkable that Cameroon imports goods from limited countries, such as Congo (35% of Cameroon imports) and Equatorial Guinea (62%), which together accounted for 97% of total imports from CEMAC. The largest import product is hydrocarbons, having a share of 68% of the

²¹ Due to a lack of trade data by items.

total imports in 2005, from Equatorial Guinea (FCFA29.2 billion), Congo (FCFA3 billion) and Gabon (FCFA20 million). The second largest import in value is sugar and snack foods, notably FCFA3 billion from Congo, while in third place is military weapons and accessories that accounted for FCFA250 million, from Congo. In addition, in the category of machine and appliances, Cameroon is importing machinery and appliances from Congo (FCFA100 million) and Equatorial Guinea (FCFA7 million), and optical apparatus for photographs from Equatorial Guinea (FCFA60 million).

Table 1-7 Trade Between Cameroon and Other CEMAC Nations

Export to other CEMAC nations

Congo	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Aluminium sheets	1,181	1,737	1,284	1,894	1,670	2,400
Plywood	836	236	1,744	541	3,158	890
Chocolates and other cocoa-base products	159	285	83	156	426	554
Floor board	36	120	28	123	25	541
Fuel and lubricants	5,706	932	14,754	2,096	1,787	492
Beans	2,349	467	3,038	616	2,163	432
Preparations for soup and its transport	1,194	1,176	933	862	424	431
Washing soup	750	311	618	240	1,186	394
Sparkling wines	488	117	2,016	435	1,463	381
Cookie and bakery	558	538	415	364	406	361
Beers	639	207	577	214	1,002	341
Other carpentry works	122	219	94	183	143	284
Transportation and packing articles in glass	1,859	631	424	150	741	277
Whiskies and liqueurs	718	863	188	80	303	211
Cigarettes			13	72	43	199
Statue and other wood carvings	131	154	279	268	175	172
Paints and varnish	35	105	54	229	35	154
Other products	8,729	3,717	5,378	3,317	4,264	2,534
Total	25,489	11,813	31,920	11,839	19,413	11,049

Gabon	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Fuel and lubricants	8,597	1,431	22	17	21,671	5,569
Aluminium sheets	1,820	2,720	2,648	4,056	2,134	3,164
Crude and refined palm oil	11,145	7,515	9,209	5,682	2,135	1,189
Preparations for soup and its transport	508	581	846	833	892	898
Washing soup	4,536	1,696	2,309	1,157	1,137	526
Batteries and electric batteries	908	1,324	425	617	278	472
Milk, powder or condensed	72	181	108	306	98	266
Plywood	820	239	3,707	1,063	866	236
Boxes and cartons in paper material	394	324	309	292	173	174
Transportation and packing articles in glass	4,052	1,092	2,784	791	490	149
Polythene bags and sachets	160	176	650	495	151	144
New car tires	7	21	22	70	45	129
Other products	14,689	7,566	18,077	8,482	2,760	2,094
Total	47,708	24,866	41,117	23,860	32,830	15,009

Equatorial Guinea	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Fuel and lubricants	33,844	6,004	64,723	8,427	21,546	5,716
Cements	25,295	1,272	8,031	521	10,731	1,079
Spotlights of profiles	65	244	15	86	89	526
Fuel pump	21	35	21	41	12	232
Floor board	138	246	261	552	72	208
Beers	9,080	3,215	3,590	1,423	281	144
Trailers and semi-trailers	15	61	59	85	75	136
Carving and mortar stick(wooden products)	88	135	26	54	90	98
Redi-made construction materials	83	82	61	44	154	70
Cutting and shaping, sorting machine	16	67	2	17	19	68
Cookie and bakery	2,166	273	217	254	29	64
Other products	15,867	7,427	8,529	4,198	1,178	1,202
Total	86,675	17,646	85,535	15,702	34,274	9,544

Central Africa Republic	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Fuel and lubricants	5,175	972	4,505	806	2,248	494
Preparations for soup and its transport	327	474	211	303	279	401
Aluminium sheets	267	353	134	190	270	375
Cements	2,840	185	6,041	421	4,435	317
Floor board	3	114	23	402	8	282
Cookie and bakery	270	292	161	166	250	274
Batteries and electric batteries	414	623	125	201	130	223
Wrapping bags and sachets	243	256	372	317	152	189
Washing soap	1,028	493	255	123	508	178
Other aluminium articles	52	84	0	2	103	165
Plastic materials for kitchen and tables	108	108	83	85	148	152
Other products	3,825	3,627	4,390	2,977	3,645	2,940
Total	14,552	7,580	16,302	5,993	12,177	5,989

Chad	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Fuel and lubricants	56,216	10,462	52,214	9,881	36,746	6,978
Washing soap	3,603	1,877	2,999	1,333	6,223	2,514
Beers	183	97	412	195	1,154	575
Food pastes	1,208	677	514	280	744	409
Group électrogènes	7	30	19	35	65	223
Water	2,217	347	436	65	1,320	211
Tractors			26	28	49	173
Plywood	381	82	209	74	543	161
Ready-made construction materials	338	218	7	21	199	158
Aluminium material for construction	1,083	1,628			97	156
Minium and orange mine	14	7	11	14	141	149
Paints and varnish	47	102	26	46	71	126
Trailers and semi-trailers	3	13	15	18	60	118
Whiskies and Liqueurs	40	57	52	39	93	113
Boxes and cartons in paper material	238	258	59	87	74	100
Other products	54,747	10,653	2,215	2,086	1,798	1,599
Total	120,326	26,509	59,214	14,202	49,484	13,865

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

Import from other CEMAC nations

Congo	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Sugars and sweets	12,500	4,939	15,140	6,278	28,500	13,088
Hydrocarbons	15,006	3,171	11,544	2,177	14,097	3,043
Weapons, munitions and accessories	87	360	76	294	64	247
Mecanical machines and appliances	8	66			29	103
Iron and steel works					44	83
Other products	642	121	363	19	18	28
Total	28,242	8,656	27,123	8,769	42,753	16,592

Gabon	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Tobacco			120	376	332	1,603
Wood and wooden works	150	96	127	72	111	52
Mecanical machines and appliances	86	48	2	0	3	22
Hydrocarbons	9,109	1,064	21,013	2,739	19	16
Inorganic chemicals	0	0	24	28	12	15
Other products	207	109	2,866	766	91	25
Total	9,552	1,317	24,150	3,981	568	1,733

Equatorial Gunea	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Hydrocarbons	31,920	4,286	119,546	16,833	111,262	29,236
Optical apparatus for photograph, etc	11	5	3	4	13	62
Mecanical machines and appliances	64	128	9	1	1	7
Plastic materials	791	428	35	19	24	2
Other products	3,806	424	270	48	19	9
Total	36,592	5,270	119,863	16,906	111,318	29,316

Tchad	2,003		2,004		2,005	
Products	(t)	mil FCFA	(t)	mil FCFA	(t)	mil FCFA
Live animals	6	0	34	62		
Oleaginous grains and fruits; medical plants	1,600	45	72	9		
Residues and wastes from food industries; animal foods	2,388	5	141	6		
Other products	8	0	3	4	0	1
Total	4,002	50	250	81	0	1

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

(6) Trade Between Cameroon and Nigeria

Although Nigeria is not a member of the CEMAC, it is the foremost partner country for imports and is very important for Cameroon. The total export volume to Nigeria is almost same as the CEMAC total, clearly indicating it is one of the most important partners. Most of the imports in terms of value is remarkably occupied by crude oil (**Table 1-8**). During a recent three-year period, the imports rapidly grew, by 180% in volume and 200% in value because of the rising crude oil price. Increased exports of vehicles and tractors is noteworthy according to data for 2004. 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%).

Nigeria is not able to enjoy trade preferences like the CEMAC countries, however the trade volume to Cameroon is almost same as the top as customer countries in the CEMAC like Gabon and Chad.

The trade trend during the recent five years indicates that Nigeria was the foremost partner for imports in value in 2005, at FCFA319.6 billion, replacing France, but nevertheless it was second place in imports during 2000-2004.

Furthermore it is said that there is considerable smuggling trade based in border towns and cities, and the trade volume would be higher if such invisible dealing is included, but there are no statistics. Considering these points, Nigeria could be a significant country as a partner for exportation in future.

Table 1-8 Trade Between Cameroon and Nigeria

Nigeria (Export)						
Year	2,002		2,003		2,004	
Items	Q	V	Q	V	Q	V
Carburating and lubricant	5,327	905	15,101	2,133	44,940	7,068
Beauty products	678	2,961	366	1,518	502	1,101
Soaps.			25	42	686	1,036
Preparations for soups and soups	638	538	1,783	1,480	1,166	968
Cosmetic products	340	519	311	605	1,030	951
Raw cotton	399	251	999	721	469	375
Plastic matter					200	113
Other product	7,382	5,174	18,585	6,499	48,991	11,612
Total	22,750	10,504	23,310	9,669	50,020	13,053
Nigeria (Import)						
Year	2,003		2,004		2,005	
Items	Q	V	Q	V	Q	V
Hydrocarbon	806,368	157,356	1,025,710	152,908	1,441,512	319,556
Automotive vehicles; tractors	72	41	34	21	299	671
Sugars and sweets	17	16	0	0	314	89
Rubber	367	723	398	935		
Other	806,824	158,136	1,026,141	153,864	200,290	76,356
Total	807,113	158,372	1,028,404	154,399	1,642,416	396,671

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

(7) Trade Between Cameroon and China

China, the eighth most important export counterpart and the third most important import counterpart could be an important partner comparable to the western developed countries.

In regard to exportation to China, crude cotton has a share of about 70%, and main export products are dressed timber (15%), and paper and cartons (7%) (Table 1-9). Cameroon imports various goods from China, among which the main products are plastic products, rubber products, ceramic products, vehicle and motor bikes, daily-life sundries such as socks and clothing, machine parts and products, and vehicle parts and accessories.

According to the trade trend during the recent three-year period, the main export goods showing an increase in value are crude cotton (220%) and dressed timber (150%), and the growth

rates of these export goods in volume are more than that in value, i.e., crude cotton, 260% and dressed timber, 270%. Import volume is rapidly increasing, at the rate of about threefold growth for plastic products, rubber products, ceramic products, and vehicles and motor bikes, and about twofold for other products. Among the various products imported, products from China in particular are becoming widespread as part of the people's daily lives in Cameroon.

Table 1-9 Trade Between Cameroon and China

China (Export)						
Year	2,003		2,004		2,005	
Items	Q	V	Q	V	Q	V
Crude cotton	17,145	12,244	27,289	21,457	44,380	26,917
Undressed timber	19,637	3,598	22,651	3,437	52,901	5,463
Papers and carton	19,698	6,814	22,379	7,514	7,670	2,498
Wooden veneer sheet	436	357	383	275	908	688
Other aluminium works	85	8	37	11	1,320	260
Crude petroleum oils	261,027	33,879				
Other products	50	32	1,290	439	968	395
Total	318,078	56,932	74,029	33,134	108,146	36,221

China (Import)						
Year	2,003		2,004		2,005	
Items	Q	V	Q	V	Q	V
Shoes and their parts	3,555	5,650	5,548	9,840	4,389	8,513
Machines and electric devices	2,154	3,469	3,277	4,855	5,717	7,630
Motor vehicles; tractors	1,700	2,000	2,683	3,596	4,817	6,913
Mechanical machines and applicants	1,694	3,303	2,376	4,160	3,766	5,759
Ceramic products	11,334	2,360	21,205	3,651	30,170	5,487
Cast irons and steel works	2,981	1,641	4,280	2,096	7,309	3,550
Plastic matters	1,609	1,233	1,879	1,501	4,596	3,526
Rubber	1,025	1,180	1,868	1,863	2,956	3,260
Leather works, traveling articles etc	1,368	1,590	1,545	1,794	2,953	3,183
Let's pitch and crustaceans	3,019	360	1,652	162	7,668	2,574
Synthetic or artificial fibres	307	661	839	1,327	1,276	2,320
Furniture and medical furniture etc	1,184	842	1,523	991	2,590	1,881
Pharmaceutical products	183	586	161	602	423	1,633
Hosiery clothing	338	599	691	974	1,244	1,592
Optical photographic appliances, et	316	1,147	487	1,059	617	1,280
Various chemical products	317	684	446	706	679	1,267
Other ready-made textile articles	658	813	690	842	743	1,088
Other products	130,253	22,211	97,300	18,422	30,887	14,340
Total	163,995	50,331	148,449	58,442	112,799	75,796

Source: Study Team, based on INS, "Annual Statistics of Cameroon 2007" and the latest collected data.

1.1.4 Financial Balance

The overall financial balance in 2006 was positive (FCFA588.9 billion, equivalent to 5% of GDP) in Cameroon, with revenue (FCFA2,118.7 billion) exceeding the expenditure (FCFA1,529.8

billion). The revenue was equivalent to 19.6% of GDP, of which 18.2% was from taxes and 1% from oil. The budget execution rate was 82.2% (**Table 1-10**).

Meanwhile, expenditure accounts for 14.6% of GDP, consisting of 11.7% of current expenditure and 2.9% of capital expenditure. In many middle income countries, the revenue and expenditure are equivalent both to about 25% of GDP. In comparison to this percentage, both percentages of Cameroon remain at a relatively low level; therefore it is recognized that it is necessary to raise this percentage in order to achieve stronger economic growth.²² 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.²³

Cameroon has tried to decrease its dependence on oil revenue and to increase tax revenue. The performance in 2006 showed gradual improvement with the revenue being 1.1% from oil revenue and 18.2% from tax revenue. Regarding the expenditure, the Cameroon government plans to preferentially invest in the field of infrastructure improvement, health, education, rural development, governance, and internal debt management.

Substantial debt reduction was achieved, amounted to about FCFA2,058,900 million under the Multilateral Debt Relief Initiative (MDRI) and the HIPC Initiative, and the net public debt (external and domestic) fell to 54% of GDP.²⁴

Table 1-10 National Accounts (1999-2007)

	1999	2004	2005	2006	2007(*)
	(% of GDP)				
Total revenue and grants	15.0	15.4	18.2	19.6	19.3
Tax revenue	12.9	13.2	16.3	18.2	18.0
Oil revenue	2.2	2.0	1.4	1.1	1.1
Total expenditure and net lending	13.9	16.0	14.6	14.6	14.9
Current expenditure	11.5	14.0	12.1	11.7	11.7
Wage and salaries	4.6	5.4	4.7	4.5	4.6
Interest	2.4	2.0	1.5	0.9	0.5
Capital expenditure	1.9	2.0	2.4	2.9	3.2
Primary balance	3.5	1.4	5.1	5.9	5.0
Overall balance	1.1	-0.5	3.6	5.0	4.5

(*)... Estimate

Source: AfDB/OECD African Economic Outlook 2008

²² IMF (2007) 「IMF Country Report No.07/08 Cameroon: Selected Issues」

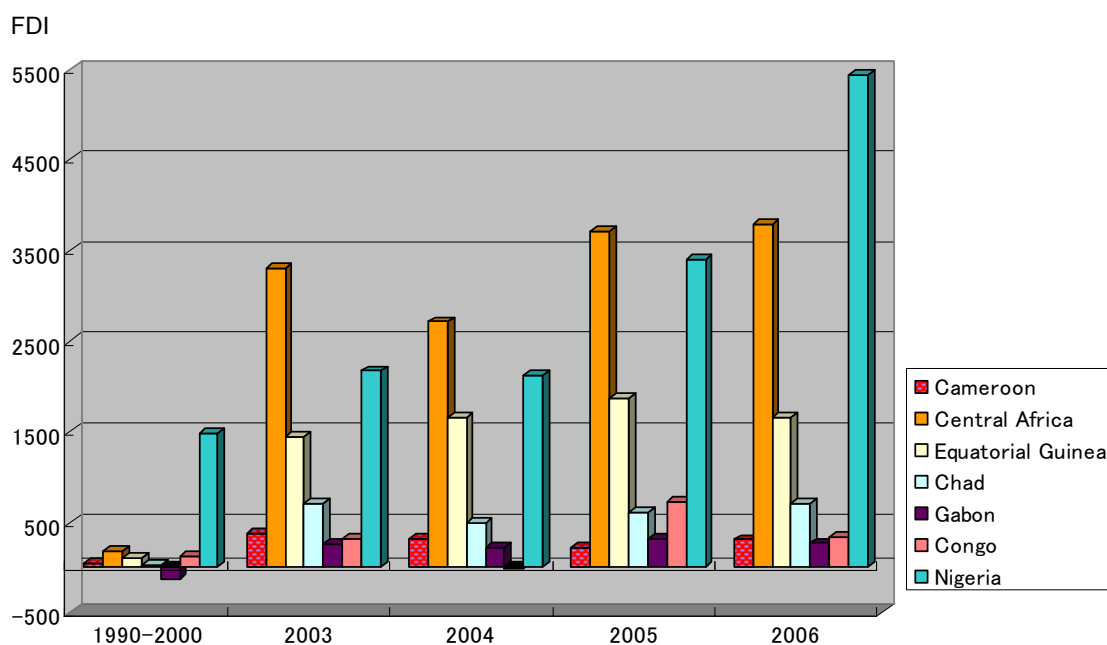
²³ AfDB/OECD (2008) 「African Economic Outlook 2008」

²⁴ AfDB/OECD (2008) 「African Economic Outlook」

1.1.5 Foreign Direct Investment

Among the many politically unstable African countries, the political situation of Cameroon has been relatively stable. In 2002, the government adopted its Investment Code and has tried to improve the investment environment for private sector. Foreign direct investment, however, accounts for US\$300 million and is at a low level (**Figure 1-13**). This amount indicates a steady increase from the average investment during 1990-2000, US\$40 million, but is not necessarily large investment considering the economic scale of Cameroon. In comparison to CEMAC member countries in 2006, the investment amount is less than the top ranked countries such as Central Africa (US\$3.8 billion) and Equatorial Guinea (US\$1.7 billion), and the investment amount of Cameroon is fourth in CEMAC, equivalent to about 4% of total investment in CEMAC. The foreign direct investment scale for Cameroon is only one-seventeenth of that of Nigeria, a neighboring oil producing country.

According to a research on the business environment in Cameroon, targeting 302 private companies,²⁵ the main constraints for entrepreneurs were: (1) the tax legislation system (83.4%), (2) the tax rate (78.7%), (3) electricity (65.9%), (4) financial cost (65.9%), (5) informal competitor activity (53.4%), and (6) corruption (53.1%). Cameroon is ranked at 138th position in Transparency International's Corruption Perceptions Index in 2006, and particularly the World Bank has pointed out that improvement of corruption should be a priority problem.



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)

²⁵ The world bank (2006) [Cameroon Investment Climate Assessment]

1.2 Industrial structure and development challenges

As described above, 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.

Cameroon has a relatively diversified economy in comparison to neighboring countries, but supporting industry, assisting essential industry and materials/service industry, has not developed well. Also, development of downstream sectors like agro-processing and material industry is not adequate. In contrast to the foreign-capital companies and large companies, the small and macro enterprise, handicraft industry, and self-proprietorships have been dependent on low-end domestic final demand.

In addition, except for oil and resource industry, all main manufacturing companies like foreign-capital companies, large- and medium-sized companies have been operated based on imported raw material and imported semi-processed products, and at the same time, domestic and neighboring countries' markets (mainly the CEMAC market), which are still limited in size. Thus, Cameroon is confronting difficulty in acquiring international competitiveness.

In this sense, 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

(1) Poverty Reduction Strategy Paper (PRSP)²⁶

Currently the PRSP is recognized as the key document which indicates a framework for national development.

Since April 2008, the Cameroon government has conducted the poverty reduction strategy based on the PRSP. This strategy is also in a line of the MDGs²⁷ aiming to improve human life sustainably and substantially.

In 1980s many developing countries became increasingly indebted, and even in the 1990s the debt/export ratio was recorded at 200-250%, beyond what is considered a sustainable level at 150%, in some developing countries, and particularly in sub-Saharan countries.²⁸ Cameroon has conducted economic and financial programs for resolving its cumulative debt problem during 1997-2000 under the HIPC Initiative presented by the IMF and the World Bank. As the result, the poverty rate was reduced from 53% (1996) to 40% (2000) and the economic growth rate exceeded 4.7% as an annual average. The implementation of the PRSP was marked by satisfactory performances and achieved the Decision Point.²⁹ Similar to other sub-Saharan countries, Cameroon developed the PRSP as “an integrated framework” in 2003 after the application of the Enhanced HIPC Initiative and is has continued to implement the three-year economic and financial program.

(2) Objectives of PRSP

The PRSP has the following seven medium-term objectives.³⁰

- 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

²⁶ The preparation of PRSP was requested to all the HIPCs and countries receiving loans from the International Development Association (IDA), in the general conference of the IMF/the World Bank, based on the discussions on poverty reduction and debt reduction in the G7 Koln Summit in 1999. The target countries by the HIPCs Initiative are generally requested to prepare the PRSP before the date of Decision Point, which are set basically less than 3 years after the Initiative application.

²⁷ MDGs targets to reduce poverty by half until 2015 in comparison to that in 2001.

²⁸ JICA, Institute for International Cooperation (2004) 「Study on the PRSP process」

²⁹ The Cameroon government (2003) 「Poverty Reduction Strategy Paper」

³⁰ Particularly education, health, infrastructure has been focused as significant areas.

As for Priority 1, a stable macroeconomic framework, it was recognized that the Cameroon's economy has recovered macroeconomic stability. The new short and medium-term objectives were to raise GDP growth from 4.5% in 2002 to around 5.0% between 2003-04, while reducing the inflation rate from 3% to 2%. In public finance, the government decided to increase public expenditure, and to raise the overall investment rate to around 20% of GDP by 2004.

In Priority 2, economic diversity, Cameroon has experienced a steady decline of the oil sector, and the necessity of improving the non-oil sector was pointed out. Cameroon again acknowledged that (1) the industrial sector is the main engine of sustainable driving force for poverty reduction, (2) there is a potential consumer market involving about 200 million people in the central Africa region and Nigeria combined, (3) Cameroon adopted the objective of achieving a 6% average annual economic growth rate during 2005-2015, and (4) to achieve this, it is necessary to foster diversification. The PRSP describes that, particularly in the manufacturing sector, it is expected that there will be support the development of agro-processing sector, textile sector, and wood processing sector and support to raise competitiveness.

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

In the field of strengthening the private sector, the following five objectives were set up, especially targeting SME/SMIs.

- | |
|---|
| <ol style="list-style-type: none">(1) To reinforce private sector participation in capacity building(2) To enhance competitiveness(3) To diversify and adapt financial instruments and develop microfinance(4) To foster greater organization and professionalism among small enterprises and handicraft subsectors(5) To improve the impact of the privatization program on the subcontracting of services to SME/SMIs |
|---|

(3) Progress evaluation of PRSP

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. Under the agreement with the IMF, Cameroon has implemented the Poverty Reduction and Growth Facility (PRGF) program for the 2005-2008 period, including continuous economic and financial reform.

According to the progress report of the PRSP presented in February 2006, the main performance aspects of the PRSP were evaluated as below:

Priority 1: economic growth in non-oil sector slowed down to 2.6% in terms of the annual economic growth rate; nevertheless, significant efforts were made to improve public finances and a satisfactory performance level was attained.

Priority 2: high growth potential sectors were identified and selected, such as the agro-industry, energy, forest/timber, textile/cotton, bauxite/alumina/aluminium, and technological development sectors. In each sector, specific action was taken.³¹

Priority 3: 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.

As of August 2008, the Cameroon government has begun revising the PRSP, and PRSP-II is expected to be developed in the near future. The implementation objectives in draft PRSP-II are: (1) to double income per capita during 2008-2017, (2) to reduce inequality, and (3) to alleviate poverty.³²

With the linkage to SME promotion, it was recommended that the PRSP-II should include the issue of supporting network development of SME/SMIs, and of establishing public-private partnerships efficiently.

Also, as for developing basic infrastructure (mainly road development), it was pointed out to improve the point that support for technical capacity building of SME/SMIs had hardly been made, nevertheless private sector development was selected as a Priority of the PRSP.

³¹ The progress in agro-processing industry was reported that a development program of plantain processing industry was launched, and a study on a support of the production efficiency and the logical processing and transportation was under a research, targeting domestic and the CEMAC markets.

³² MINPLAPDAT(2007) "Revision of PRSP"

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

2 Overview of SMEs in Cameroon

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 medium-sized enterprises of (2) above are not included under the category of SMEs currently in Cameroon. They have been categorized as “large-sized enterprises”. It may be valid in view of the operational features in Cameroon alone, but if one defines SMEs as the enterprises with disadvantages, compared with ordinary operating enterprises, because of their smaller size, and if they are assessed in view of global business operation, then they are definitely the enterprises with disadvantages.

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 main markets of their products are all part of the domestic market in Cameroon and regional markets in CEMAC countries. They are marketing their products using marketing networks of their own, or those of the distributors in modern distribution sector.

They cannot compete with low-priced imported goods, which are manufactured abroad in large volume, and imported without paying customs duties in some cases, resulting in operation at low capacity utilization. Because of this, they have faced difficulty in expanding their businesses and in making investment for upgrading, and hence it has accelerated weakening of their competitiveness.

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.

The enterprises in (1) above are targeting customers in their neighboring area, who will visit the company's site to buy products, compared to the medium-size enterprises, which target all parts of the domestic market. Many of the owners of this type of enterprise are highly motivated, interesting in distributing their products through the modern distribution sector, or even engaging in export business. However, they cannot accommodate large size orders because of their limited production capacity and insufficient facilities and equipment. They also have problems of limited knowledge on technical and managerial requirements in the export markets. Further, they have difficulty in securing the funds needed for their expansion and upgrading, due to high interest rates of the available loans and despite their capability to provide collateral.

The enterprises in (2) above are operated stably, and have the potential for growing further, with assistance from their customers, which are large enterprises, in obtaining technical skills, and in accessing loans from banks.

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. The

quality is insufficient to meet the demand from a wider range of customers, and operation of the business is unstable. They often lack funds for working capital. Preparing funds for upgrading is almost impossible for them.

In the next lower level of the category of small-size enterprises, there are individual proprietors and family operated enterprises, and business units for social economic activities such as GICs and GIEs.

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.

The following table summarizes the category of enterprises as stated in the above.

Category of Enterprises		Characteristics in View of Development Support
Large enterprises (LEs)	State enterprises or corporations	
	Privatized state enterprises or corporations	
	Foreign-capital affiliated enterprises	Focusing mainly on markets abroad
	Other large size enterprises	

Category of Enterprises		Characteristics in View of Development Support
Medium-sized enterprises (MEs)	Foreign-capital affiliated manufacturing enterprises	These businesses were started targeting the local demand by substituting for imports. Weak competitiveness with imported goods. Operated mostly at low levels of utilization of capacity. Reluctant to expand the business, but positive for investment in other areas of business. Capable of providing collateral with a loan application, but does not apply for loans because of high interest rates. Uses own funds in case of business expansion.
	Operation basis of foreign enterprises in Cameroon which have their basis in other African countries (Mixed operation of trading and manufacturing company)	The operation in Cameroon is a part of their larger-scope business. Mostly operating in building materials and food processing sectors.
	LEs' subcontractors providing specialized function to the LEs	Provides supporting service for LEs and foreign-affiliated enterprises. Stable operation due to stable demand from the LEs. Technical guidance is available from the clients. Accessible to finance from commercial banks.
	Other MEs	
Small size enterprises (SEs)	Relatively well-established small-sized enterprises of manufacturing sector	Enterprises at which the owners are interested in upgrading and/or expanding. Exports are difficult to do because of capacity constraints to handle large orders. Interested in technical training for upgrading. Capable of providing collateral, but does not apply for loans due to the high interest rates. Minimum marketing arm is available in the enterprise, but physical distribution is not available within the enterprise.
	Enterprises of manufacturing sector operated by an individual	No measure (managerial methods, technology and fund) is available for business expansion and improvement, despite being willing to expand and improve. Insufficient working capital, resulting in difficulty to obtain materials for the succeeding production if they carry a large stock of products. Waiting for customers to visit the site. Many of this category of small enterprises are not registered, remaining in the informal sector. Typically, work is done manually and facilities and equipment are obsolete.
	Small scale manufacturing and/or repairing enterprises of manual works	
	Small size business operated on a community basis	Operated jointly with people in a given community, using a simple facility and equipment only. Funds are very limited, usually to initial capital only. In most cases, working capital is not sufficient to operate continuously. The product is sold on the site, when customers visit.
	Smallholders and fishermen operating enterprises in agricultural sectors and marine product sectors	Farmers growing rubber, or oil palm, etc. In the case of marine products, it is typically operated by a family to dry or smoke fish.

Category of Enterprises		Characteristics in View of Development Support
Subsistence business	Independent handwork operators	Mostly individual operators on the basis of local demand for their skills, which include pipe fitters, electricians, carpenters, woodworkers, etc. Difficulty to get jobs from customers out of the locality.
	Street marketing and local trading in the form of small stalls	

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.

While the informal sector historically had a strong presence in the national economy, its existence and role is increasingly receiving attention since the early 1990s, when the country faced a major economic crisis that generated a wave of business failures and massive unemployment and many jobless persons entered the informal sector, the overall situation thus making job insecurity a political issue.

According to an official survey of the informal sector in Yaounde, which was conducted by INS in 1993 and 1994, 65% of the region's working population belonged to the informal sector with an annual rate of increase at around 5%. The survey results have become part of the government's perspective on the sector's poor working conditions, such as low wages, and voices were raised to take up the sector's upgrading as an urgent policy agenda. Initially, however, the government did not take any action to grasp the sector's accurate state, such as follow-up surveys to collect relevant data or the establishment of the informal sector's definition. Then, when the MINPMEESA was established in December 2004, it created the Department of Social Economy and Handicrafts (DSEH) to be in charge of the informal sector. Now, preparation for data collection is under way.

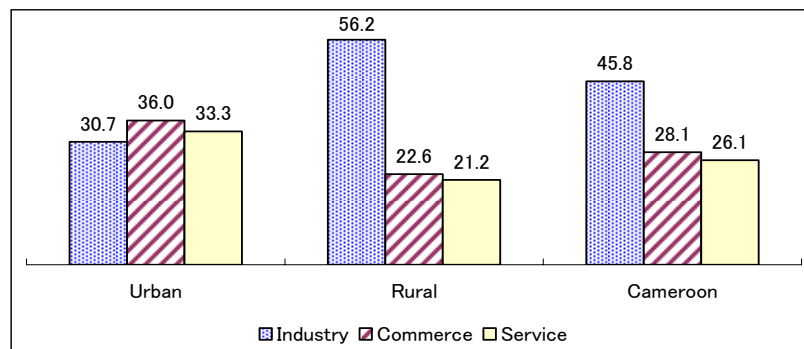
Prior to the establishment of the MINPMEESA, INS conducted a survey of the current status of the informal sector in 2005 and defined the informal sector as follows.

- 1) A business establishment that is not officially registered and does not participate in the social insurance system

- 2) A business establishment that does not maintain an accounting system that complies with generally accepted principles and rules
- 3) A business establishment that does not have a fixed place of business, full-time employees or an operational system.

The survey was conducted of 5,274 establishments and its results were published as “Study on Employment in the Informal Sector” in March 2006.¹ Based on the survey results, major characteristics of the informal sector in the country are summarized as follows.

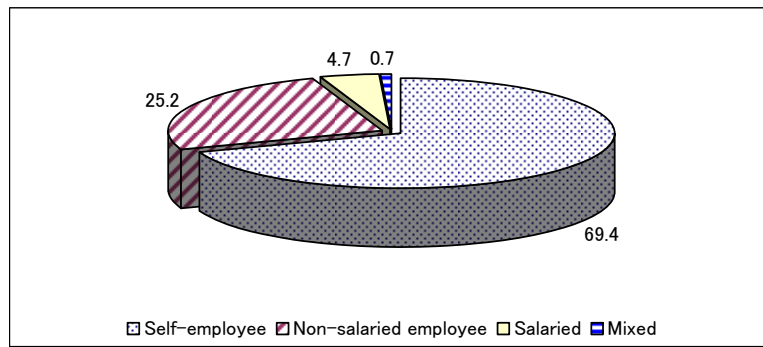
- 1) Self-employment enterprises accounted for 69.4% of the total, and enterprises consisting of an owner and non-salaried workers 26.2%. Thus, these micro-enterprises (presumably operated by family members) dominate the sector (with a combined share of 94.6%).
- 2) Thus, establishments that have salaried employees (seemingly operated as a formal business enterprise) represented a mere 4.7% of the total (see Fig.2-1).
- 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 (see Fig.2-2). Note that the rural manufacturing sector primarily consists of enterprises making handicrafts, processing of agricultural products, or providing repair services.
- 4) Women account for 54.7% of workers in the informal sector, making a sharp contrast to the worldwide trend where female workers dominate the informal sector. According to ISN’s analysis, most non-salaried employees are women.



Source: EESI-INS

Figure 2-1 Distribution of Informal Business by Area and Sector

¹ Enquete sur l’emploi et le Secteur Informel (EESI)



Source: EESI-INS

Figure 2-2 Composition of Manpower in the Informal Sector (%)

In fact, “business establishments or individuals who are not officially registered” are accepted as a broad definition of the informal sector by government as well as financial institutions. Based on this definition, the informal sector accounts for 60% to 65% of the working population and 25% to 30% of GDP in Cameroon.²

² from “Cameroun Tribune” Oct.2.2007

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; see III-1.3 for details. 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

At present, these definitions are not used for official statistics, and currently available industrial statistics are based on the following definitions set forth by the INS.

Large enterprises	51 or more employees
Medium-sized enterprises	21 – 51 employees
Small enterprises	20 or less employees

(2) Current State of SME Statistics

1) INS 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)

This survey covers randomly sampled private enterprises. The sample population in 1993 was 1,524 enterprises and grew to 1,971 in 1997. Then, it declined to 1,693 in 1999.

b) National Enterprise Survey 2007

The survey was designed to cover enterprises throughout the country. The sample population was 6,027 enterprises, of which effective responses were received from 5,243 enterprises.

c) Quarterly Outlook Survey

The survey collects statistical data in the industrial sector, which are used as the basis of the INS's GDP estimation. On a quarterly basis, it collects production and employment data from 120 companies, mainly large manufacturers (although data representing 110 companies are used). It serves as the only periodical sample survey of the country's industrial sector.

d) Study on Employment in the Informal Sector 2005

This is a sample survey of 5,274 establishments in the informal sector and the results were published in March 2006, as “Study on Employment in the Informal Sector” (see II-2.1.2 for details of the survey results).

2) Statistics published by other organizations

The MINPMEESA plans to conduct a census of SMEs (actually, a large-scale sampling survey), covering as much as 30,000 enterprises. If conducted as planned, it will become the largest SME survey in the country. Also, the survey is expected to form the basis of preparing a population list for future SME surveys. (As of January 2008, the implementation schedule is delayed due to a delay in budget allocation, but the ministry has already included the project cost in its 2008 budget; the sample size will be reduced from that of the original plan.)

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 and has collected 617 questionnaires so far.

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 (see II-2.3 for details of the survey results).

2.2.2 Current State of SMEs Viewed from the Statistical Surveys

(1) Enterprise Sample Survey, 1993-1999

The survey was conducted by the INS between 1993 and 1999. Assuming that companies with 50 or less employees are SMEs according to the INS definition, SMEs account for 86.4% of the total sample population in the 1999 survey. On the other hand, if MINPMEESA’s definition of SMEs (100 or less employees) is used, SMEs represent 92% of the survey population.

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

The nationwide survey sampled 6,027 companies and obtained responses from 5,243 companies. Based on the INS definition, SMEs account for 90.7% of the total number of companies surveyed and large enterprises for 9.3%. Under MINPMEESA's definition, SMEs represent 94.7% and large enterprises 5.3%. Geographically, the majority of the surveyed companies (56.3%) are located in Douala, followed by Yaounde (27.5%). The two cities hold a combined share of 83.8%. This indicates that the country's industries are concentrated in the two cities (provinces).

Distribution of SMEs 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 sector. The detailed survey method adopted and the SME questionnaire format is attached as an Appendix at the end of this Report.

2.3.1 Main Features of Responding Enterprises, Non-financial Aspects

(1) Number of Responded enterprises by sector

The number of responses by sector was: manufacturing, 241; commerce, 99; services, 66. (These numbers do not represent the distribution of enterprises by sector in the population. Instead, these numbers only represent the distribution of enterprises in the responses of the SME survey which were designed to obtain such number of responses by sector).

Table 2-2 Number of Responding Enterprises by Sector

Type of Industry	No. of Enterprise	(%)
Manufacturing	241	58.4%
Commerce	99	24.0%
Services	66	16.0%
N.A.	8	1.9%
Total	413	

Source: Questionnaire Survey on SMEs.

(2) Formality of Enterprises

The number of responded enterprises by formality (formal or informal) was 92.3% (formal) and 7.7% (informal).³

Table 2-3 Formality of Enterprises

Formality	No. of Enterprise	(%)
Formal(Registered)	381	92.3%
Informal(Non-registered)	32	7.7%
Total	413	

Source: Questionnaire Survey on SMEs.

³ The definition of formal enterprise in this survey is a company that had a business registration and a tax payer number. Enterprises which did not meet the definition are categorized as informal enterprise.

(3) Geographic Location of Enterprises

Table 2-4 Number of Enterprises by Geographic Location

Province or City	No. of Enterprise	(%)
Adanawa	2	0.5%
Center	9	2.2%
Douala	242	58.6%
East	3	0.7%
Far-North	4	1.0%
Littoral	30	7.3%
North	6	1.5%
North-West	5	1.2%
South-West	7	1.7%
South	11	2.7%
West	8	1.9%
Yaounde	86	20.8%
Total	413	

Source: Questionnaire Survey on SMEs.

(4) Enterprise Type According to Cameroon Legislation

The number and percentage of responding enterprises by enterprise type according to the standard provided by Cameroon legislation was SARL (45.5%), Personal firm (30.8%), SA (17.7%) as shown in the following table.

Table 2-5 Enterprise Type by Cameroon Legislation

Enterprise type	No. of Enterprise	(%)
Personal firm	127	30.8%
GIC	6	1.5%
Association	4	1.0%
SARL	188	45.5%
SA	73	17.7%
Others	15	3.6%
Total	413	

Source: Questionnaire Survey on SMEs.

(5) Number of Responding Enterprises by Number of Employees

The numbers of employee in responding enterprises are indicated below. In total responses, the category of “10-29 employees” accounts for 187 enterprises (45.7%) as the largest, and “0-9 employees” was answered by 96 enterprises (23.5%), followed by “30-49 employees” at 51 enterprises (12.5%). Enterprises with less than 50 employees shared approximately 80% in the total responses.

From the viewpoint of sector types, “10-29 employees” in the manufacturing sector has the largest share at 28.3% (117 enterprises), and the next class was “0-9 employees,” with 12.5% (51 enterprises).

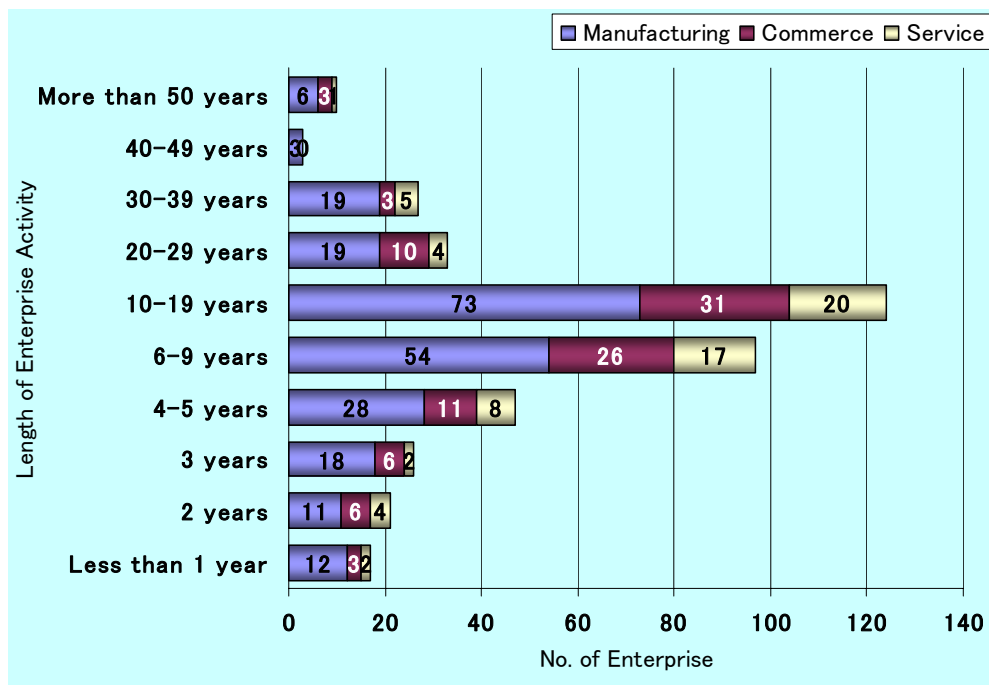
Table 2-6 Distribution of Enterprises by Number of Employees

No. of Employee	Manufacturing	(%)	Commerce	(%)	Service	(%)
0-9	51	12.3%	32	7.7%	13	3.1%
10-29	117	28.3%	43	10.4%	27	6.5%
30-49	29	7.0%	8	1.9%	14	3.4%
50-149	27	6.5%	10	2.4%	9	2.2%
150-	15	3.6%	6	1.5%	2	0.5%
Total	239	57.9%	99	24.0%	65	15.7%
N.A.	10	2.4%				

Source: Questionnaire Survey on SMEs.

(6) Length of Enterprise Activity

The most popular answer on length of enterprise activity was “10-19 years” (124: 31%), then “6-9 years” (97: 23%) and “4-5 years” (47: 12%). The enterprises with more than 20 years experience amounted to about 18% in the total responding enterprises.

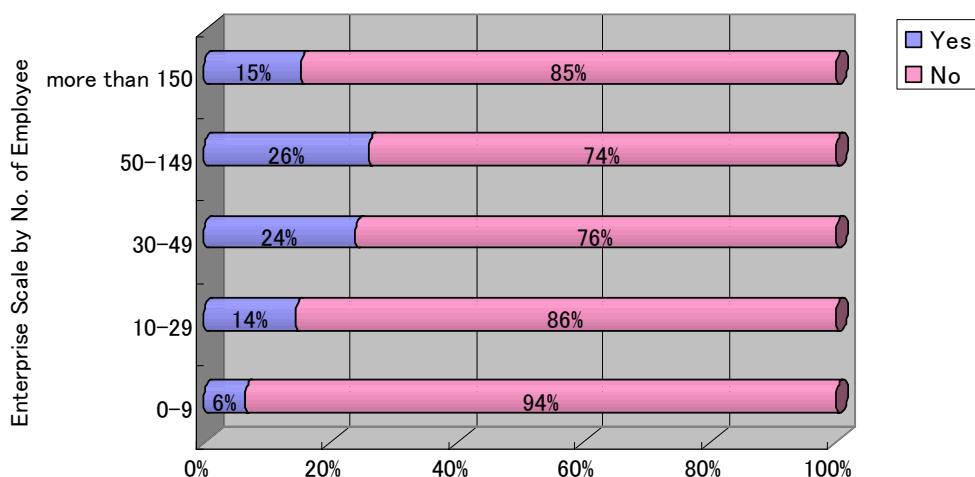


Source: Questionnaire Survey on SMEs.

Figure 2-3 Length of Enterprise Activity

(7) Use of External Educational and Research Institutions

Enterprises that have utilized external educational and research institution resources, such as universities, private research institutions, specialized institutions concerned with technology, marketing, training, or management, etc. are small in number. Such use had been made by only 6% of microenterprises (less than 9 employees), and the percentage increases for the larger enterprises: at medium-size enterprises (30-49 employees), upper medium size enterprises (50-149 employees) the percentage was 25%. In contrast to these results, it was found that use by large enterprises (more than 150 employees) was about 15% of the total.



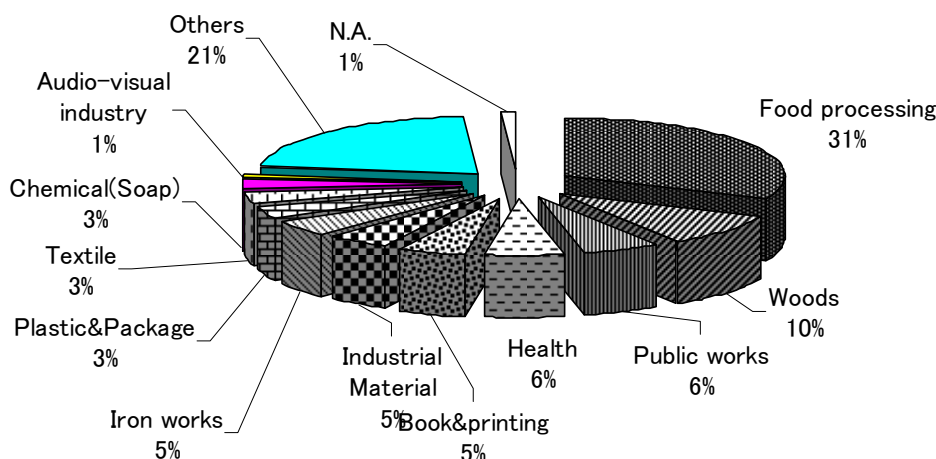
Source: Questionnaire Survey on SMEs.

Figure 2-4 Use of External Educational and Research Institutions by Scale of Enterprise

2.3.2 Main products and Turnover

(1) Distribution of Enterprises by their Main Products, Manufacturing Sector

With regard to distribution of enterprises by their main products of the responding enterprises in the manufacturing sector, it is featured with the fact that food processing enterprises account for 31% of the total as the first place. However, except for the food processing enterprises, a variety of products are seen such as “Woods (10%),” “Public works” (6%), “Health (6%),” “Books and printing (5%),” and “Iron works (5%).” In other words, it could be concluded that the responses and information were collected from the various type of enterprises in manufacturing sector.

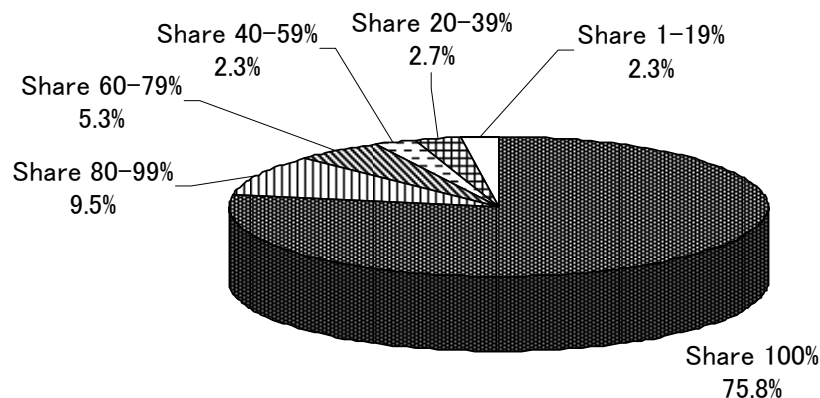


Source: Questionnaire Survey on SMEs.

Figure 2-5 Distribution of Responding Enterprises by Their Main Products, Manufacturing Sector

(2) Share of Domestic Sales (Manufacturing sector)

About 75% of the responding enterprises stated that domestic sales were “100%” of their total. Other responses were: “80-90%,” 9.5%; and “60-79%,” 5.3%.” More than 90% of the responding enterprises gained more than 60% of sales from the domestic market, therefore it could be said that most enterprises heavily relied only on the domestic market.



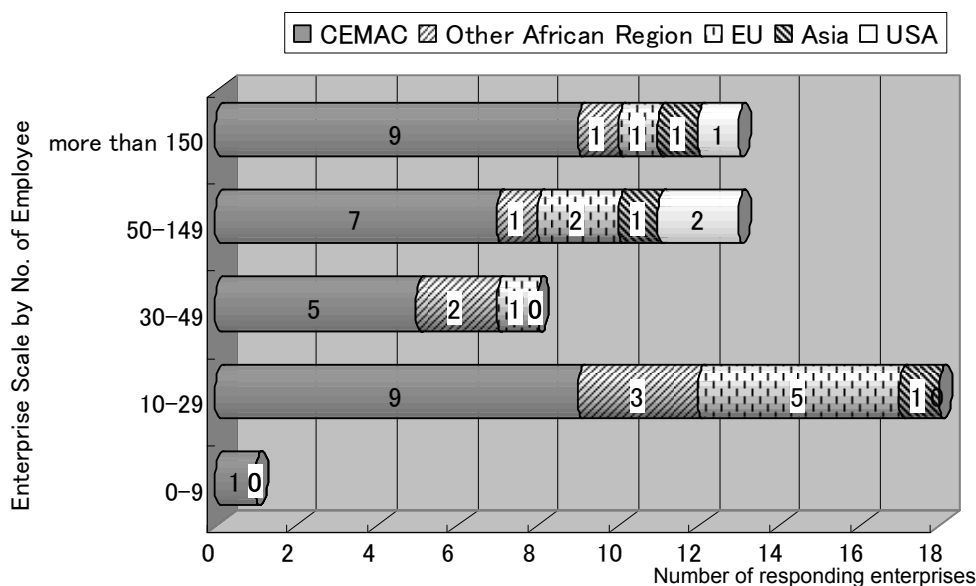
Source: Questionnaire Survey on SMEs.

Figure 2-6 Distribution of Enterprise by The Ratio of Their Domestic Sales in Their Total Sales (Manufacturing Sector)

(3) Oversea Sales

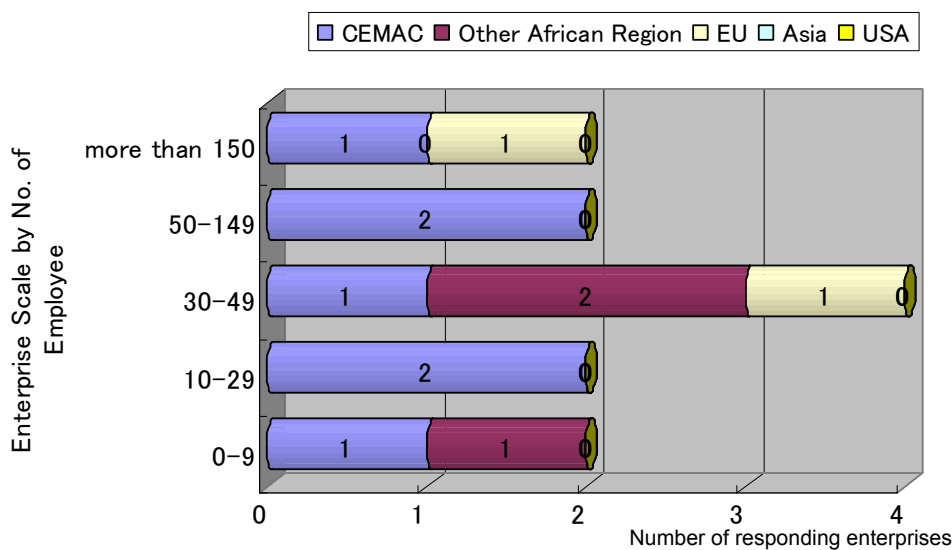
Destination of overseas sales are shown below for those responding enterprises that had overseas sales. In the case of micro-enterprise (0-9 employees) in the manufacturing sector, only one enterprise earned their sales from the CEMAC countries, while almost all enterprises currently were not able to 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. No distinctive features can be seen in enterprises of the commercial and service sectors, due to the limited number of the responses.

Regarding the geographical location of the export markets, the most important overseas market was CEMAC (31 answers) for manufacturing enterprises, followed by the EU (9 answers), and “Other African countries” (7 answers). For commercial or service enterprises, the most important market was, similarly, CEMAC (7 answers), followed by “Other African countries” (3 answers) and “EU” (2 answers).



Source: Questionnaire Survey on SMEs.

Figure 2-7 Destination of Overseas Sales by Scale of Enterprises, Manufacturing



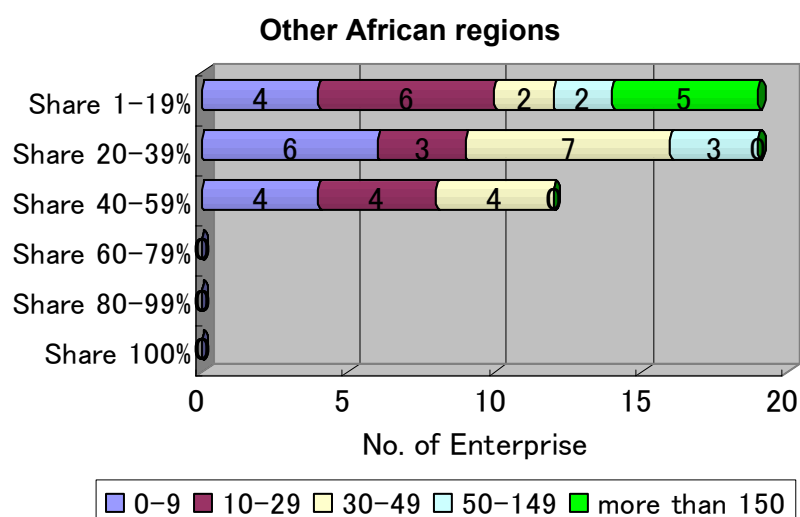
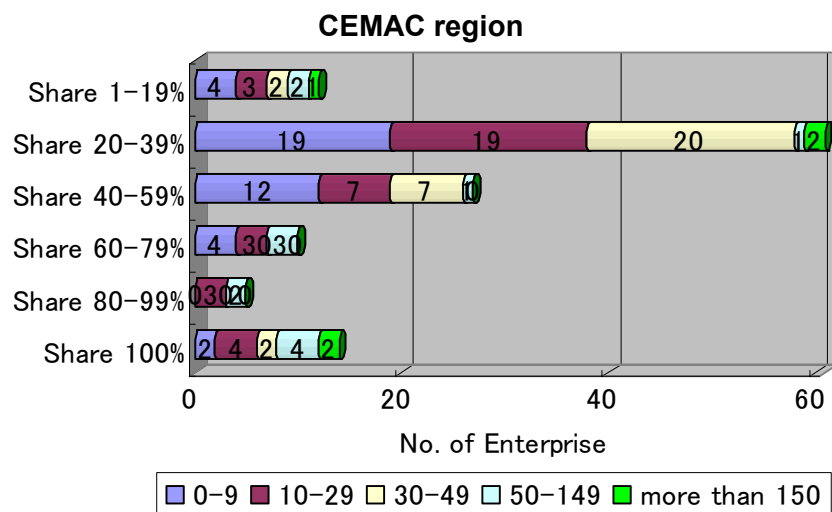
Source: Questionnaire Survey on SME

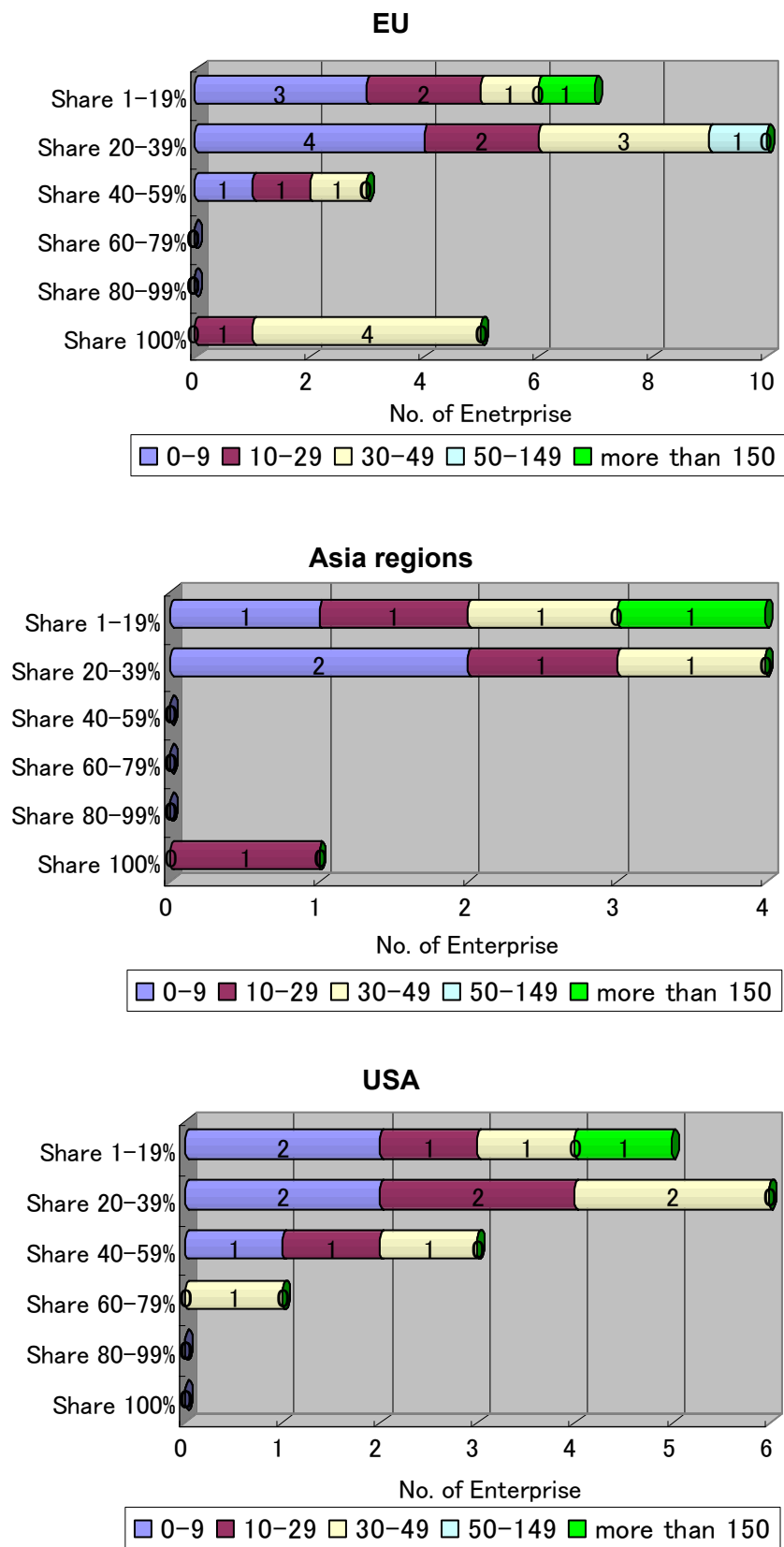
Figure 2-8 Destination of Overseas Sales by Scale of Enterprises, Commerce and Service

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

Expectation for export sales as analyzed by enterprise scale are shown below. The most expecting area for export is CEMAC (129 enterprises), followed by Other African regions (50 enterprises), EU (25 enterprises), and US (15 enterprises). Generally, enterprises see CEMAC as the most accessible area because of preferential treatment with Cameroon.

Regarding the targeting ratio of export sales, enterprises with less than 10 employees are expecting “1-19%” or “20-39%” of the total sales due to constraints caused by the scale of business, while some medium-size enterprises are expecting 60% of the total sales in export.



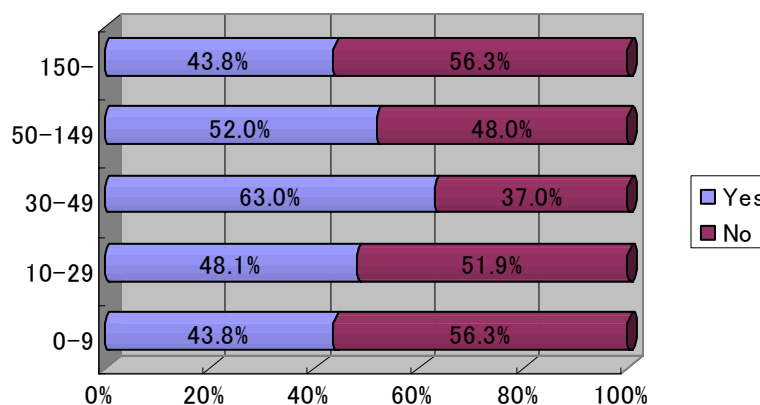


Source: Questionnaire Survey on SMEs.

Figure 2-9 Expecting Export Markets, and Expecting Ratio of Export Sales among the Total Sales

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



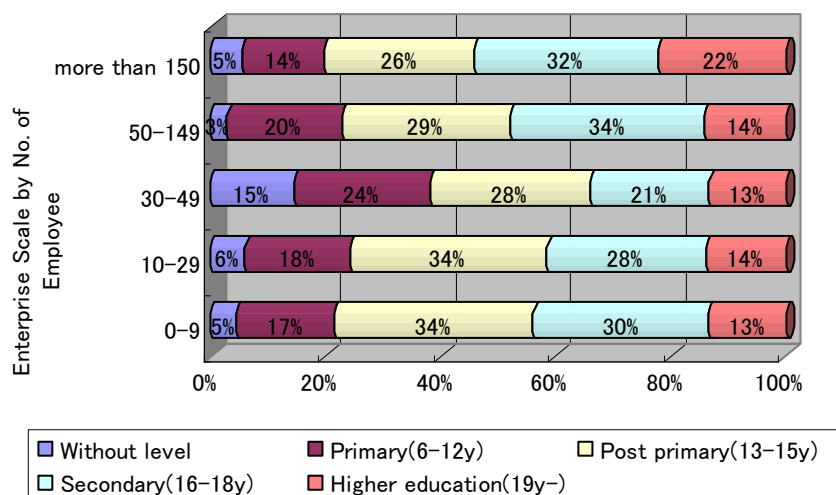
Source: Questionnaire Survey on SMEs.

Figure 2-10 Intention to Expand Business Activity

2.3.3 Human Resources and Training

(1) Employees' Final Academic Background

As for the academic background of employees, although there is a disparity according to enterprise scale, the academic background of “less than primary school” and of “less than junior high school” were 19-39% and 45-67% of the total, respectively. In general, the ratio of employees with low academic background was high. Employees with no education accounted for 3-15% of the total, by contrast those with a high academic background (university level) were 13-22% of the total. In terms of enterprise scale base, the high percentage of 22% of employees having an academic record of attending university can be seen at large size enterprises.

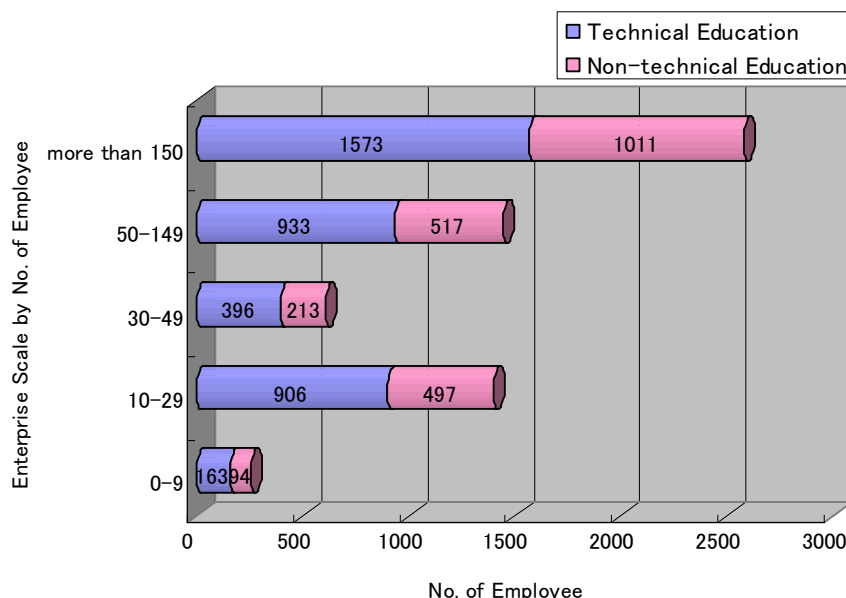


Source: Questionnaire Survey on SMEs.

Figure 2-11 Employees' Academic Background, by Scale of Enterprise and by Level of Education

(2) Employees' Technical Educational Background

Approximately 60-65% of all employees did not have a technical educational background; only approximately 30-35% had such experience. This proportion is generally uniform across all enterprise scales.



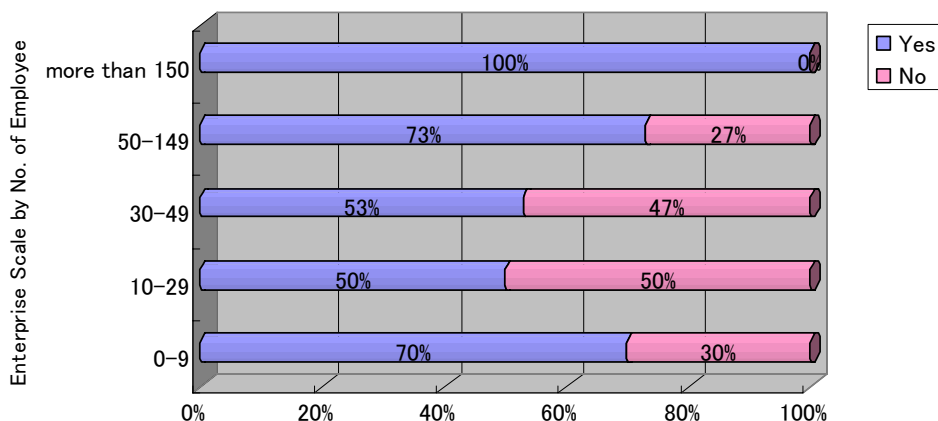
Source: Questionnaire Survey on SMEs.

Figure 2-12 Employees Technical Educational Background, by Scale of Employer

(3) 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. SMEs which provided training were half of the total SMEs.

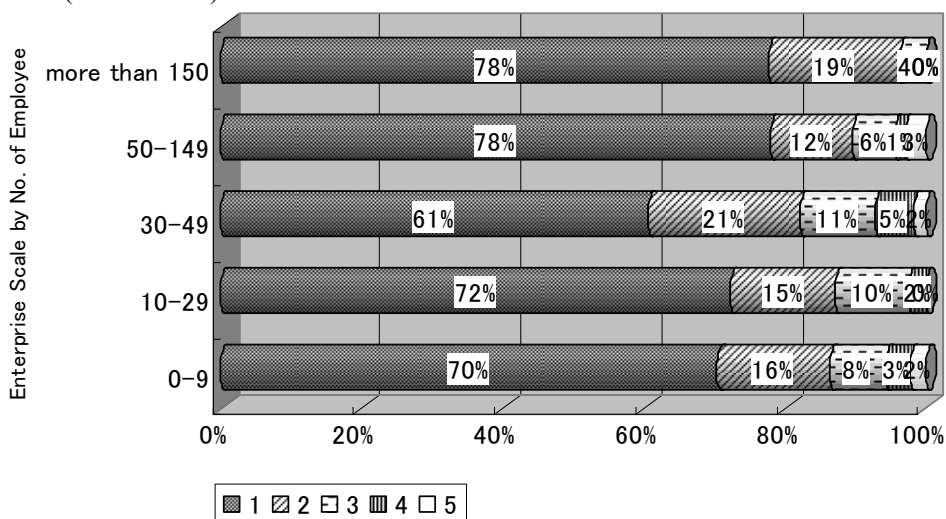


Source: Questionnaire Survey on SMEs.

Figure 2-13 Training of Employees, By Scale of Employer

(4) Type of Training

On-the-job training is common. From 60 to 80% of enterprises in each scale group offers this type of training, since it is practical training and there is little cost. Other than that, “participation in seminars and workshops” (10-20%) and “scheduled training course in school and centers” (10% or less) were used.



Training Type

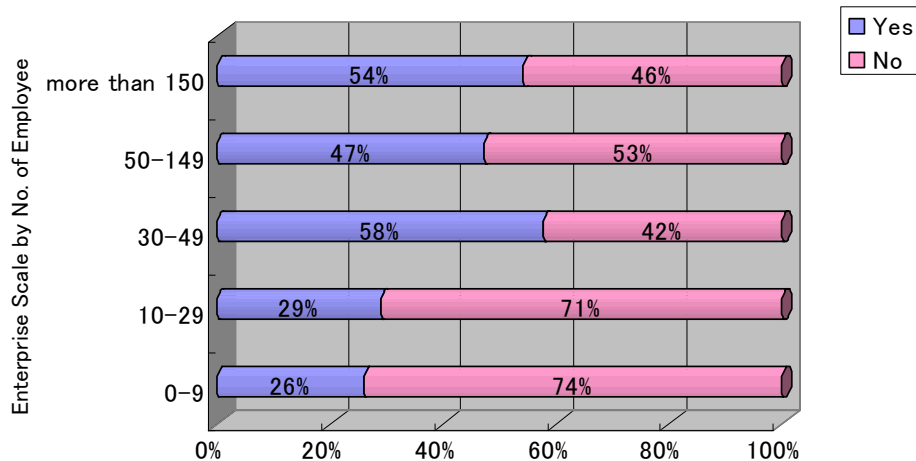
- 1 On-the-job training in your factory or customer's factories
- 2 By participation to seminars and workshop
- 3 By a scheduled training course in schools and centers
- 4 Dispatch to overseas
- 5 Others

Source: Questionnaire Survey on SMEs.

Figure 2-14 Type of Training by Scale of Enterprise

(5) Use of BDS

The situation regarding use of domestic or overseas business development service (BDS) as a form of employee training, is shown as below. 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.

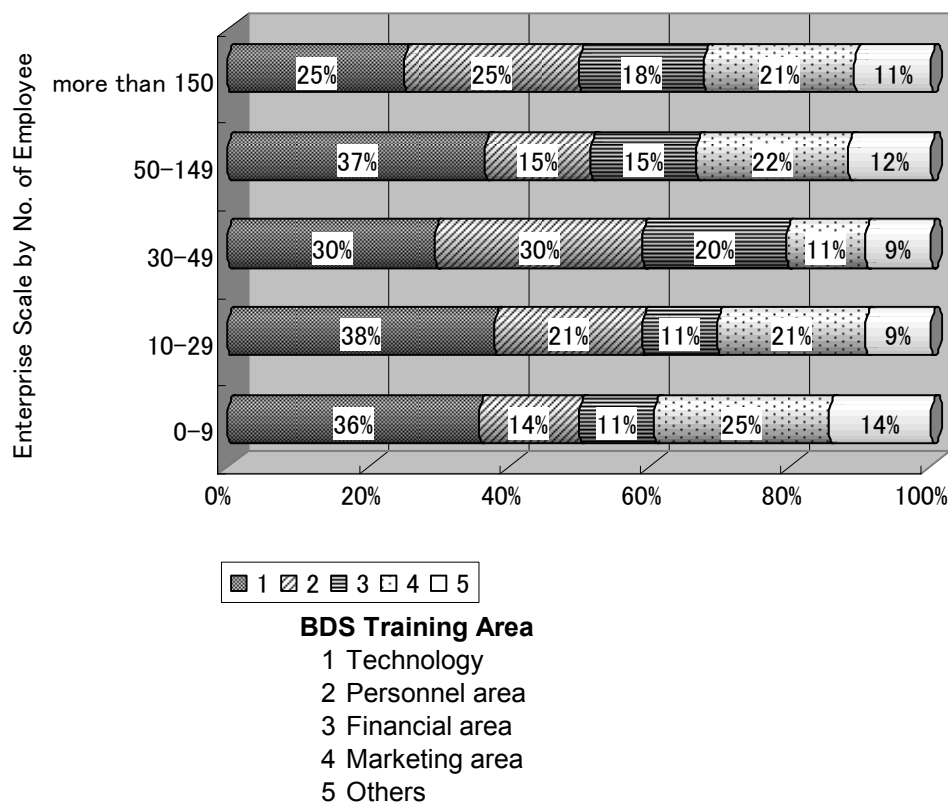


Source: Questionnaire Survey on SME

Figure 2-15 Use of BDS by Scale of Employer

(6) Areas of BDS Used

The most popular area of BDS usage was “technology,” followed by “personnel” and “marketing.” Approximately 40% of micro and small enterprises answered that they utilized BDS in the “technology” area, showing that their evaluation of this was high. It was remarkable that large enterprises (more than 150 employees) use BDS equally in every area.



Source: Questionnaire Survey on SMEs.

Figure 2-16 Areas Where BDS Was Used, by Scale of Enterprise

2.3.4 Main Features of Responding Enterprises, Financial

(1) Annual Financial Statements

The number of enterprises which makes financial statements every year is shown below. Few enterprises with less than 0-9 employees, that is, only 17.2%, make annual financial statements. Among the enterprises which make financial statements “occasionally,” the enterprises with relatively few employees tend to make a poor showing.

Table 2-7 Frequency of Preparing Annual Financial Statements

No. of employee	Yes		No		Occasionally	
0-9	73	76%	16	17%	7	7%
10-29	164	88%	15	8%	8	4%
30-49	47	92%	3	6%	1	2%
50-149	44	96%	2	4%	0	0%
150-	24	96%	1	4%	0	0%
Total	352		37		16	

Source: Questionnaire Survey on SMEs.

(2) Responsible Person for Making Financial Statements

At approximately 35% of the micro and small enterprises (0-9 or 10-29 employees) financial statements are prepared by their own accountants, and external accounting consultants

did so in half of them. Enterprises with 150-250 employees tend to ask external accounting consultants to prepare their financial statements, and only about 17% of them made their financial statement by themselves.

Table 2-8 Responsible Person for Preparing Financial Statements

No. of employee	Responsible person					
	Accountant in enterprise		Consulting accountancies		Other person	
0-9	29	36.3%	44	55.0%	7	8.8%
10-29	66	32.7%	102	50.5%	34	16.8%
30-49	15	31.3%	32	66.7%	1	2.1%
50-149	14	31.1%	27	60.0%	4	8.9%
150-	4	16.0%	20	80.0%	1	4.0%
Total	128		225		47	

Source: Questionnaire Survey on SMEs.

(3) 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. Funds coming from the pocket of owners themselves, or their family and relatives, is categorized as “others.”

Table 2-9 Current Financial Source (Multiple Answers)

No. of Employee	State banks	Commercial banks	Microfinance institution	Non-bank financial corporation	Informal financing	Others	Total
0-9	0.8%	12.4%	8.5%	7.8%	42.6%	27.9%	100%
10-29	1.6%	19.2%	6.8%	8.4%	36.8%	27.2%	100%
30-49	3.0%	28.0%	3.0%	8.0%	28.0%	30.0%	100%
50-149	4.3%	39.1%	1.4%	1.4%	29.0%	24.6%	100%
150-	3.4%	25.0%	1.1%	3.4%	14.8%	52.3%	100%
Total	2.2%	22.2%	5.2%	6.8%	32.7%	31.0%	

Source: Questionnaire Survey on SMEs.

(4) 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.

On a sectoral basis, 82.8% of manufacturing enterprises, 75.4% of commercial enterprises and 66.7% of service enterprises answered that they need loans or credit now. Loans or credit are desired particularly at manufacturing enterprises, for new production equipment or

replacement of old equipment. No significant differences can be seen according to company scale.

Table 2-10 Need for Loans or Credit, by Sector (Multiple Answers)

Industry type	Yes		No	
	Manufacturing	197	82.8%	41
Commerce	4	66.7%	2	33.3%
Service	49	75.4%	16	24.6%
Total	201		43	

Source: Questionnaire Survey on SMEs.

Table 2-11 Need for Loans or Credit, by Enterprise Scale (Multiple Answers)

No. of Employee	Yes		No	
0-9	78	83.9%	15	16.1%
10-29	140	76.9%	42	23.1%
30-49	41	80.4%	10	19.6%
50-149	39	84.8%	7	15.2%
150-	16	100.0%	0	0.0%
Total	315		80	

Source: Questionnaire Survey on SMEs.

(5) 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.

Table 2-12 Objective of Use of Loans or Credit (Multiple Answers)

Use of loan or credit	Yes						No					
	Manufacturing		Commerce		Service		Manufacturing		Commerce		Service	
Working capital	130	63.1%	51	63.0%	32	64.0%	76	36.9%	30	37.0%	18	36.0%
Purchase of machinery and equipment	151	73.3%	37	45.7%	31	62.0%	55	26.7%	44	54.3%	19	38.0%
Purchase of inspection/measuring equipment	57	27.7%	19	23.5%	11	22.0%	149	72.3%	62	76.5%	39	78.0%
Land acquisition	15	7.3%	6	7.4%	6	12.0%	191	92.7%	75	92.6%	44	88.0%
Factory, shop or office building construction	48	23.3%	19	23.5%	14	28.0%	158	76.7%	62	76.5%	36	72.0%
Research&Development	27	13.1%	9	11.1%	12	24.0%	179	86.9%	72	88.9%	38	76.0%
Relocation of factory, shop or office site	29	14.1%	12	14.8%	4	8.0%	177	85.9%	69	85.2%	46	92.0%

Source: Questionnaire Survey on SME

2.3.5 Main Difficulties

(1) 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.

From the viewpoint of enterprise scale, total responses citing “financial problems” and “fiscal pressure (tax problems)” come to 20-30% in each scale of enterprise, and these can be acknowledged as the biggest constraint. However, 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.”

Table 2-13 Biggest Problem for Starting up a Business, by Sector (Multiple Answers)

Difficulties	Manufacturing		Commerce		Service	
	Count	Percentage	Count	Percentage	Count	Percentage
Financial resource	175	25.9%	58	18.1%	52	26.8%
Fiscal pressure	153	22.6%	70	21.8%	36	18.6%
Find a commercial place(Market?)	58	8.6%	24	7.5%	14	7.2%
Slow administration	84	12.4%	70	21.8%	28	14.4%
Employment of qualified human reso	58	8.6%	13	4.0%	13	6.7%
Lack of infrastructure	50	7.4%	16	5.0%	18	9.3%
Bribe and corruption	81	12.0%	43	13.4%	14	7.2%
Others	17	2.5%	27	8.4%	19	9.8%
Total	676		321		194	

Source: Questionnaire Survey on SMEs.

Table 2-14 Biggest Problem for Starting up a Business, by Enterprise Scale (Multiple Answers)

Difficulties	No. of Employee									
	0-9		10-29		30-49		50-149		150-	
Financial resource	72	25.6%	140	27.3%	34	23.3%	31	26.3%	8	12.5%
Fiscal pressure	57	20.3%	121	23.6%	37	25.3%	28	23.7%	16	25.0%
Find a commercial place	31	11.0%	42	8.2%	11	7.5%	8	6.8%	4	6.3%
Slow administration	34	12.1%	70	13.6%	22	15.1%	17	14.4%	15	23.4%
Employment of qualified human resources	21	7.5%	38	7.4%	9	6.2%	13	11.0%	3	4.7%
Lack of infrastructure	28	10.0%	33	6.4%	10	6.8%	7	5.9%	6	9.4%
Bribe and corruption	26	9.3%	53	10.3%	19	13.0%	12	10.2%	12	18.8%
Others	12	4.3%	16	3.1%	4	2.7%	2	1.7%	0	0.0%
Total	281		513		146		118		64	

Source: Questionnaire Survey on SMEs.

(2) 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. Almost half of the responding enterprises recognize the significance of marketing in developing export

business, particularly of obtaining market information and methods of attracting customer inquiries. It is also evident that main constraints are lack of working capital for export business, excessive requirements for correspondence and documentation, and complex legal matters relating to contracts.

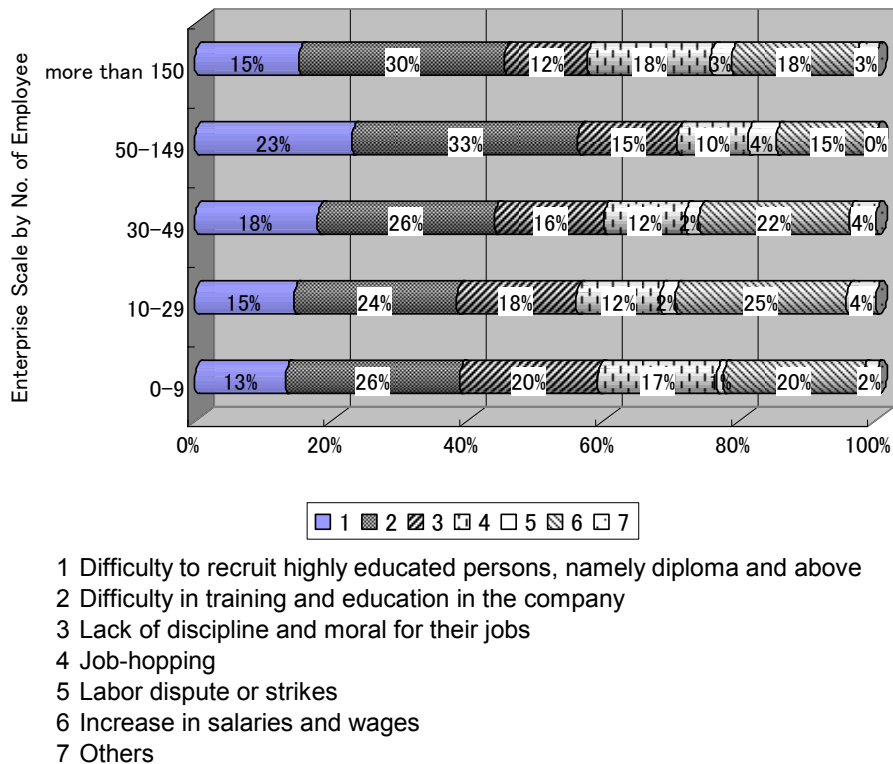
**Table 2-15 Difficulties in Promotion of Exports, in Manufacturing
(Multiple Answers)**

Difficulties	Yes		No	
Marketing	109	45.4%	131	54.6%
Procedures for the external trade	36	15.0%	204	85.0%
Contract	34	14.2%	206	85.8%
Sever requirements of buyers	21	9.3%	206	90.7%
Insufficient production capacity	27	11.3%	213	88.8%
Unstable order	21	8.8%	219	91.3%
Financial problem	45	18.8%	195	81.3%
Intangible barriers	26	10.8%	214	89.2%
Others	13	5.4%	227	94.6%
Total	332		1815	

Source: Questionnaire Survey on SMEs.

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

The top three problem areas related to human resources were “training and education in the company” (24-33%), “increase in salaries and wages” (15-25%) and “difficulty to recruit highly educated persons, namely diploma-holders and above” (13-23%). The larger the enterprise scale, the less important is the issue of “lack of discipline and moral for their jobs.” Moreover, the larger the enterprise scale, the greater do enterprises tend to feel difficulty in “recruiting highly educated persons” except for the large enterprise group (more than 150 employees).

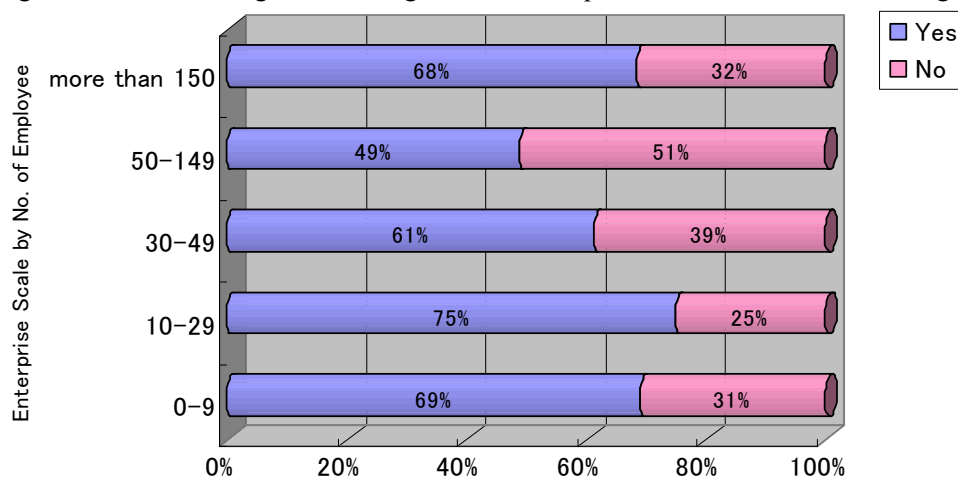


Source: Questionnaire Survey on SMEs.

Figure 2-17 Problems Regarding Human Resources, by Scale of Enterprise

(4) Communication Gap between Borrowers and Financial Institutions

The following figure indicates which points enterprises felt present difficulties when they contacted financial institutions for the purpose of borrowing money. 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. In other words, enterprises' knowledge and understanding of financing were not adequate – this is the cause of the gap.

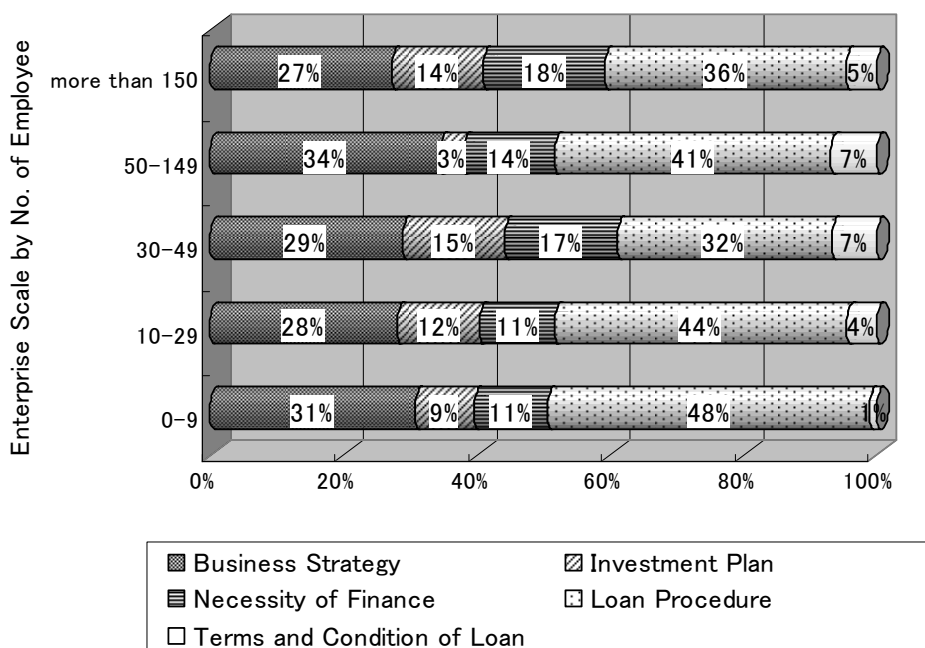


Source: Questionnaire Survey on SMEs.

Figure 2-18 Perception of a Communication Gap between Borrowers and Financial Institutions

(5) Communication Gap Point with Financial Institutions

The following figure shows the areas where the enterprises felt communication gap exist 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.

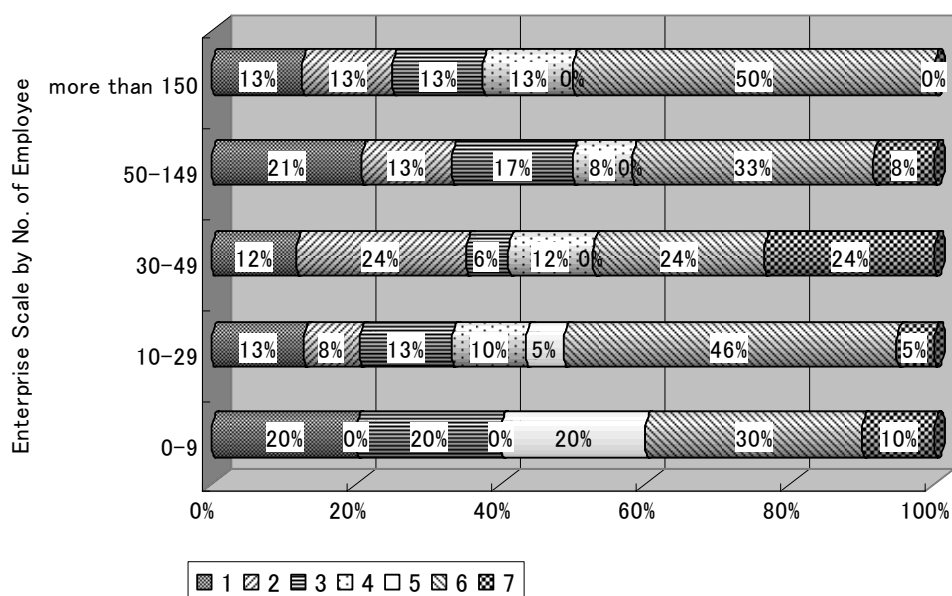


Source: Questionnaire Survey on SMEs.

Figure 2-19 Perception of Specific Communication Gaps

(6) Difficulty in Using of External Institutions

The following chart shows the difficulties for enterprises in use of external educational and research 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.



Major difficulties of using external support

- 1 Lack of information about the services & Functions they provide
- 2 Complicated procedures for application
- 3 Time consuming for the services(Not quick service)
- 4 Those institutions are far in location
- 5 Obsolete equipment and technologies in the institutions
- 6 Expensive in service charge
- 7 Others

Source: Questionnaire Survey on SMEs.

Figure 2-20 Use of External Educational and Research Institutions, by Scale of Enterprise

(7) Current Major Problems of SMEs

Three points were asked to be raised by all responding enterprises of their major issues in conducting their businesses, and the result measured in points is shown below. 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). It is evident that the challenges of “lack of business partner” (44 points), “difficulties in market development” (106 points) and “obsolescence of production technology and/or facilities” (114 points) are not taken as serious in comparison to the abovementioned matters.

**Table 2-16 Current Major Problems for SMEs
 (Three answers required)**

Major problems	Priority1	Priority2	Priority3	Total points*
1	191	22	25	642
2	23	27	25	148
3	37	43	38	235
4	59	64	28	333
5	18	19	22	114
6	25	38	58	209
7	10	15	50	110
8	13	42	45	168
9	9	26	27	106
10	9	5	7	44

*Points rate (Priority1=3 points, Priority2=2 points, Priority3=1 point)

<Major problems>

1. Difficulties in borrowing of loans or financing
2. Low technical capability and/or job-hopping of employees
3. Increase in salaries and wage of employees
4. High import duties of raw materials, intermediates or parts
5. Obsolescence of production technology and/or facilities
6. Unstable purchasing order of customers
7. Severe requirements of customers for quality, price and/or delivery of products
8. Insufficient production capacity to meet lots of orders
9. Difficulties in market development
10. Lack of reliable business partner

Source: Questionnaire Survey on SMEs.

[Attachment]

(1) Survey Method

In order to analyze the current situation of local micro-, small- and medium-size enterprises quantitatively and to assess their support needs, the Study Team conducted the “Questionnaire Survey on SMEs” contracting the implementation with a local consultant. The survey is described in outline below.

Survey period	:	September – December, 2007
Target SMEs to be surveyed	:	<ul style="list-style-type: none">• With 250 or less employees• Either in formal or informal sector
Target sector	:	Manufacturing, commerce, services

A stratified sampling method was adopted in the selection of sample enterprises. Also, the following points were considered:

- Distribution of enterprises among industry sectors was targeted to be approximately 75%, 15%, 15% for manufacturing, commerce and service sectors respectively.
- At the same time, distribution of enterprises among different size of enterprises were targeted to be 80% for enterprises of employees, “10-250 employees” and 20% for those “5-9 employees”.

(2) Questionnaire Survey Form

(The Survey Sheet used in the survey is attached at the end of this Report.)

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

3 Key Industrial Sectors and SMEs

3 Key Industrial Sectors and SMEs

3.1 General Background

(1) General industrial structure

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%.

Table 3-1 Composition of GDP and Working Population by Sector

Sector	GDP (% of total)		Economically Active Population (% of total)
	2000	2005	
Primaire	28.8	22.5	49
Secondaire	31	28.1	15
Tertiaire	40.2	49.4	36

Source : BEAC.

1) Primary sector

The primary sector consists of agriculture, fishery, stockbreeding, and forestry.

Within the primary sector, the agriculture sector holds the largest share of around 60%. It accounts for around 13% of the country's GDP. The agriculture sector is divided into traditional farming (e.g., grain, vegetables, and fruits) and export-oriented plantation agriculture (e.g., banana, cotton, and rubber). In a recent 10-year period, the sector's GDP share decreased by around two percentage points from 15.5% to 13.3%. In particular, production of export products, i.e., cacao, coffee, banana, palm oil, cotton, and rubber, declined significantly due to negative impacts of price fluctuation in international markets.

2) Secondary sector

The secondary sector is comprised of the manufacturing and crude oil production industries. Cameroon is one of the most advanced countries in the sub-Saharan region in terms of industrial diversification. The manufacturing industry includes farm-related equipment and products (accounting for approximately 40% of the total value added), woodworking products, construction materials (iron and steel, concrete, plastics, cement,

and paint), consumer products (plastics products, soap, cosmetics). The oil production sector accounts for 5.3% of GDP.

The production trend in the secondary sector between 1994 and 2006 shows that chemical and petroleum products have had the highest growth (294%), followed by the farm product processing subsector (143%). In terms of GDP share, the oil industry gained share by 1.8 percentage points, whereas farm product processing and other manufacturing sectors lost share slightly by 0.9 points and 0.7 points, respectively.

The manufacturing industries are mainly located in coastal areas including Douala, Limbe, and Edea. According to UNIDO's industrial statistics, approximately 200 companies belong to these industries and employ 53,000 persons. Of the total, around 20 large enterprises account for nearly half of industrial input, around 70% of employment, and 60% of sales.¹ In particular, the farm product processing industry is dominated by seven former state enterprises (CDC, HEVECAM, SOCAPALM, SOSUCAM, SAFACAM, SODECOTON, and PALMOL), which employ a total of around 30,000 persons. Similarly, a small number of large manufacturers are major employers, including CICAM (a garment manufacturer) which has approximately 4,000 employees.

Notably, these manufacturers mostly make products for the domestic market and few of them are engaged in export production. In fact, industrial products represent less than 10% of the total value of exports from the country.

On the other hand, the informal sector continues to show a high presence in the manufacturing industry. In particular, informal sector companies reportedly make up around 80% of the textile and garment industries.²

Generally, companies in the secondary sector derive nearly half of the final product value from raw materials and parts imported from other countries, and some argue that the country's trade policy and tariff/taxation system adversely affects competitiveness of manufacturers to a significant degree.³

3) Tertiary sector

The tertiary sector accounts for around 40% GDP, as of 2006, larger than the primary and secondary sectors. In particular, the sector's GDP share has grown rapidly in the recent five-year period.

Within the tertiary sector, the commerce, restaurant and hotel industries drive growth and account for around 60% of the sector's GDP and 20% of the total. Then, other commerce and

¹ Lest Atouts Economiques (2005)

² WTO (2007) Trade Policy Review Cameroon

³ WTO (2007) Trade Policy Review Cameroon

service holds 10.3% of the total GDP and transportation, warehouse and telecommunications 6.8%.

(2) SMEs

While data on SMEs showing their position in each industrial sector are not available, the INS's data indicates the following conditions⁴ (**Table 3-2**).

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.

Sector-wise, SMEs are most active in the tertiary sector. They generate 5% of the sector's value added. In fact, the tertiary sector accounts for 67% of the total value added by SMEs. On the other hand, SMEs contributed only 4.4% of the secondary sector's value added and a meager 0.13% of the primary sector's.

Table 3-2 Production, Value Added, Export, and Number of Employees by SME by Industry Sector in 2005

	Production (millions FCFA)	VA (millions FCFA)	% of VA by SME in total VA of the sector	Export (millions FCFA)	Employees
Primary	19,933	2,124	0.13	0	1,181
Secondary	546,131	100,787	4.4	0	48,374
Tertiary	554,135	211,090	5.00	566	71,893
Total	1,120,200	314,001	3.85	566	121,448

Source: INS

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.⁵ It is roughly divided into modern plantations and traditional farms.

Modern plantations cultivate a few thousand hectares each to grow a variety of farm products for export, such as banana, rubber, tea, oil palm, sugar, coffee, cocoa, and cotton. They are operated by state enterprises or foreign-owned companies and contribute greatly to the country's exports and job creation.

⁴ As discussed in II-2.2, statistical data on SMEs are very limited and their source is limited to the INS. Note that SMEs are defined as companies with 50 or less employees.

⁵ Estimated figure as of 2006. Source: IMF, "IMF Country Report – Cameroon: Statistical Appendix"

On the other hand, the traditional farm sector employs around 80% of agricultural population. Each farm cultivates 1.5ha on average by using primitive implements.

Recently, Cameroon Development Corporation (CDC) has been fostering small farms to cultivate oil palms and rubber trees by using modern machinery. In fact, many of them include former employees of companies and government agencies, who have saved funds for starting up their own farms.

(1) Export-oriented agricultural production

Table 3-3 shows recent trends in production and export volumes of major agricultural products and their international prices.

Table 3-3 Trends in Production and Export Volumes of Major Agricultural Products and International Prices (2000-2004)

	2000	2001	2002	2003	2004	Increase rate(%) (2001-2005)
<i>Cocoa</i>						
Production (t)	122602	129161	138202	141809	158826	130%
Exports (t)	77952	109796	129210	126805	158037	203%
World price (CFAF/kg)	613.5	845.9	1324.9	870.9	816.1	133%
<i>Arabica coffee</i>						
Production (t)	8500	7824	6580	5281	6401	75%
Exports (t)	10351	9298	6614	5485	5064	49%
World price (CFAF/kg)	1262.4	860.9	752.1	730	854	68%
<i>Robusta coffee</i>						
Production (t)	77746	72070	61548	76713	49864	64%
Exports (t)	78523	61357	41350	47838	45624	58%
World price (CFAF/kg)	543.5	485.3	485.3	484	445.4	82%
<i>Export bananas</i>						
Production (t)	262241	253783	284637	313822	278047	106%
Exports (t)	238172	254102	238412	313723	277947	117%
World price (CFAF/kg)	448.1	544.9	484.9	416.3	505.9	113%
<i>Rubber</i>						
Production (t)	58121	54260	57233	58634	53031	91%
Exports (t)	30886	34538	37717	41194	39457	128%
World price (CFAF/kg)	545.2	498.1	529.6	509.6	603.2	111%
<i>Cottonseed</i>						
Production (t)	196239	204000	246070	233338	306000	156%
<i>Cotton yarn</i>						
Production (t)	85000	96819	102704	95188	96293	113%
Exports (t)	73064	89490	100423	92185	93821	128%
World price (CFAF/kg)	906.6	781.2	676	836.9	730.4	81%
<i>Parlm oil</i>						
Modern production(t)	125000	86768	84419	80526	101231	81%
Local production(t)	136277	144454	153121	162308	172047	126%

Source: MFI (2005), "Economic and Financial Report."

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.

The country exports approximately 250,000 tons of bananas yearly, mainly to Europe. For Europe, Cameroon serves as a major supplier. In reality, however, the country's banana exports to the region are the outcome of the favorable tariff policy by the EU, for Cameroon would not otherwise have competitiveness against the Central American countries. As the WTO decided to sustain the objection filed by the U.S. government in 2006, the future outlook is uncertain and needs to be watched carefully.

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. Around 120,000 tons of cocoa are exported each year, while coffee exports fluctuate significantly from year to year in the range between 60,000 and 100,000 tons. Export volumes of both products are highly sensitive to international price changes.

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 and 60,000 to 80,000 tons are produced annually. In fact, cotton farms are under control of the state enterprises, Sodecotton,⁶ which provides technical assistance, supplies fertilizer and agricultural chemicals, and purchases produced cotton from farms.

Income of cotton firms is highly sensitive to the changes in precipitation and international market price. In recent years, cotton production increased but profitability declined.

4) Rubber

Rubber is commercially produced by three companies (two state enterprises and one privatized (foreign-owned) company). The production volume varies greatly between years,

⁶ It is currently in the process of privatization.

ranging between 32,000 tons and 58,000 tons. Most of produced rubber is exported to Europe.

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

(2) Oil palm

The country produces around 150,000 tons of palm oil annually, which are made by three types of farms, namely modern plantations, newly fostered farms and village plantations. Production remained flat in recent years. While produced palm oil is entirely consumed locally, production needs to be more than doubled on the basis of the present demand outlook (300,000 tons in 2010). In particular, 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 (including cassava, cocoyam, sweet potatoes, and potatoes): A total of 3.5 million tons are cultivated annually throughout the country.
- 2) Grains: Approximately 1.1 million tons are cultivated annually, of which corn is grown throughout the country (741,000 tons), barnyard grass and millet in northern provinces (289,000 tons), and rice in central, northern and central regions (61,000 tons).
- 3) Banana: It is cultivated by village plantations in all regions other than the Extreme North, totaling 700,000 tons annually.
- 4) Plantain (cooking banana): Around 1.3 million tons are produced annually but do not fully satisfy demand.

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.

Finally, the MOA is implementing a reviving/re-launching program to promote productivity improvement for plantain, rice, corn, edible roots and tubers.

3.2.2 Stockbreeding, Forestry, and Fishery

(1) Stockbreeding

Around two-thirds of rural households raise cows, goats, sheep, and chicken in a traditional way, which are basically consumed at home. Most breeders are also farmers. The farm style

raising is increasingly replacing the traditional grazing. Farm animals kept by semi-nomad people in northern provinces serve as a major source of meat in the country.

From 17% to 20% of farm animals⁷ 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. Accordingly, the forestry sector's GDP share fell to 1.6% in 2006. 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.

In Cameroon, the total area of forest is 22.5 million m², accounting for around 40% of the national land. Of total, 1.7 million m² are estimated to be commercially exploitable. Also, 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.⁸

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

(3) Fishery

Around 250,000 persons are estimated to be engaged in the fishing and related industries (70,000 in the fishing industry and 180,000 in related industries, such as canoe manufacturing, engine repairing, and fishnet repairing).⁹

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. **(Table 3-4)**. 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.

⁷ 「Republic of Cameroon, Bilingual guide of Economic Potentials. 'Les Atouts Economiques' 2005」

⁸ WTO (2007) "Trade Policy Review Cameroon"

⁹ Another useful reference is "Republic of Cameroon, Bilingual Guide of Economic Potentials, "Les Atouts Economiques, 2005")."

Shrimp farms are in operation but exports are very small in volume. Also, there is no processing industry for fishery products, which can meet strict quality standards required for export. Local processing is limited to dried and smoked products.

In Cameroon, there is large domestic demand for fishery products, imports of which far exceed exports.

Table 3-4 Fish Catch Trend by Type of Operation (tons)

Type of operation	1997/1998	1999/2000
Large and medium-sized enterprises	8,364	8,737
Small enterprises	45,000	45,000
Coastal and inland fisheries	55,000	55,000
Fish farms	50	50
Total	108,414	108,787

Source: Cameroon Statistical Yearbook 2004.

3.3 Mining, and Petroleum and Gas Production Sector

Petroleum drilling and refining, mining, refining, processing, and distribution are commercially carried out. The country has rich mineral resources with high development potential, especially bauxite, iron ore, rutile, cobalt and nickel. They attract attention from foreign-owned companies, and mining and exploration licenses for cobalt/nickel and bauxite resources have already been granted.

In contrast, 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

(1) General background

Table 3-5 shows the relative position of key industrial sectors in terms of value added, export value, and employment.

In terms of value added, “food, drinks and tobacco” is the largest sector accounting for 40.7%, followed by chemistry and petroleum refining 16.6% and wood 14.2%. On the other hand, the wood sector holds the largest share of 47.2% in terms of export value, followed by chemistry and petroleum refining, construction materials (including aluminium products), and metallic works.

Table 3-5 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".

Table 3-6 shows the production trend by major product category.

Table 3-6 Industrial Production Trend by Sector

Production items	1994	1999	2000	2001	2002	2003	2004	2005	2006
1 Grain processing products(flouer etc.)	96	94.8	98.18	105.78	103.80	97.38	91.50	85.70	98.24
2 Agro-food processing products	1,761	120.9	118.70	132.76	134.18	135.27	133.08	136.60	157.80
3 Bakery and Pastry	31	215.5	267.24	310.57	305.50	310.80	326.32	297.02	318.49
4 Other food products	123	446.1	437.36	161.23	152.12	169.45	169.14	171.44	132.59
5 Beverage	1,313	116.5	127.81	135.53	147.09	161.53	152.56	144.46	131.87
6 Cigarettes	356	144.7	128.06	118.54	113.19	75.22	155.15	138.51	114.58
(Sub-total) Agro-food processing	3,681	132.5	134.13	134.01	137.89	140.35	143.80	140.66	143.21
7 Textile and clothes	947	94.7	119.79	123.65	129.95	114.51	125.56	158.27	100.53
8 Rubber and Plastic products	730	117.4	133.86	117.84	121.52	121.96	107.09	114.03	106.97
9 Other products	103	124.3	159.83	175.23	139.21	167.39	122.83	112.54	94.93
(Sub-total)Textile, Rubber and Plastic pro	1,781	105.7	127.88	124.25	127.03	120.63	117.83	137.48	102.85
10 Wood processing (Except for furniture)	1,032	132.3	107.65	107.66	100.71	107.71	116.79	94.89	99.56
11 Paper, Printing, and Editting	216	107.3	115.62	138.57	158.07	163.23	162.36	138.60	131.46
(Sub-total)Wood, Paper and Printing	1,248	128.0	109.03	113.01	110.63	117.31	124.67	102.45	105.08
12 Chemical products	550	157.8	135.16	133.90	197.28	211.91	263.73	328.29	372.51
13 Oil products	269	116.6	116.03	117.31	91.28	134.61	142.03	145.58	134.86
(Subtotal)Chemical and Oil products	819	144.3	128.90	128.48	162.50	186.56	223.81	268.33	294.52
14 Construction materials	425	147.8	168.17	175.15	167.62	170.56	184.82	183.33	204.07
15 Metal products	761	112.1	119.21	104.77	92.69	98.47	106.92	97.07	108.87
16 Mechanical, Electric and Device products	160	111.3	118.15	121.96	117.86	143.40	97.83	71.97	60.81
17 Construction materials for Transportation	12	102.4	73.63	126.71	92.66	76.85	62.31	91.19	131.07
(Sub-tptal)Construction materials	1,358	123.1	134.00	129.01	119.10	126.13	129.82	121.04	133.19
18 service	1,113	123.9	130.09	127.38	123.23	135.05	143.90	147.41	150.46
Total	10,000	135.9	127.07	136.01	130.43	135.26	141.49	144.83	143.14
(Of which manufacturing total)	8,887	136.0	126.69	137.10	132.45	135.29	141.19	143.47	142.22

Level of production 1994=100

Source: INS (2007) Annual Statistic of Cameroon2007

(2) SMEs

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%. In terms of value added, however, the wood sector has a higher share than the agro industry, i.e., 34.74% vs. 26.66%. Note that the

non-metallic and construction materials industries, which are expected to contain a large number of informal sector companies, do not appear here.

Table 3-7 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.

The oil industry has remained the country's key industry over the past three decades, as evidenced by the predominant share of crude and refined oil that accounts for 30% of the value of exports. The metallurgic sector shows strong presence because of ALCAM, which exports aluminium products to other African countries. Meanwhile, the electric and electronics industries are still undeveloped and are mainly producing storage and other batteries, radio receivers, and TV accessories.

(3) Beverage industry

Beers and soft drinks are produced for local and export markets. Also, mineral water is bottled locally. Beer is mainly produced at large factories, which are operated by two foreign-owned companies that hold a combined share of nearly 90% in the domestic market. These companies are among the top five in the country's corporate ranking as measured by profit. One of them operates large plants that produce both soft drinks and mineral water.

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

(4) Agro industry

The agro industry includes sugar manufacturing, dairy production, and production of a variety of products such as cocoa, coffee, tea, cotton, and stock farm products. 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.

Large enterprises generally intend to meet consumer demand in the domestic and CEMAC markets, including sugar, flour, and pasta. In particular, the cereal processing sector has expanded to meet increasing demand for bread in the local market.

Also, agricultural products made by the modern agro sector (banana, tea, palm oil, rubber, pepper, sugar, cotton, and tobacco) are processed (for export) or refined at large factories, which are operated by seven large enterprises to form the related industries. They are either state enterprises or former state enterprises that have been privatized to foreign-affiliated companies and employ a combined total of around 30,000 workers.

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.

(5) 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. These clusters make furniture made of wood, bamboo or cane. Many microenterprises use circular saws to cut timbers and assemble parts into furniture. They purchase timber from small sawmills that are located nearby.

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.

Most SMEs use production techniques that they have learned from former employers, friends or families. Furniture is generally manufactured item by item. It is difficult to ensure stable supply of wood materials, i.e., wood, bamboo or cane. Many manufacturers face various problems, such as the inability to procure necessary materials for a large order and the shortage of funds to make purchases.

Some medium-sized enterprises are designated as factories for free trade and are specialized in production of garden furniture exclusively for export purposes. They use design and production technology that are furnished by foreign partners and make the same furniture models in large quantities.

(6) Textile, garment, and leather

SODECOTON, state enterprise, purchases raw cotton from farms and exports it or supplies it to CICAM, a foreign-owned company, which makes cotton textile and printed cloth. However, it is facing strong competitive pressure from second-hand clothing that is imported from the US and Europe, as well as printed cloth smuggled from Nigeria and Asian countries.

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.)

(7) 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.

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

The country's chemical industry is still at the infancy stage and many chemical products, including fertilizer, are imported. A few exceptions are soaps and detergents that are produced from local oil palm by many companies including foreign companies and 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.

(9) Cement and construction materials

The cement industry is dominated by CEMENCAM. In addition, a Korean company is building a mill.

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.

(10) 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. For instance, ALUCAM's Extension Project has invited local SMEs to provide construction service. However, companies that have applied for the project are microenterprises or private enterprises that are not capable of providing necessary service on their own, so that ALUCAM is organizing these small contractors for networking, together with technical assistance. 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.

Finally, there are small enterprises engaged in bicycle assembly, automotive repair, production of hardware for local markets, and the manufacture of copper products.

(11) Metal industry

In the aluminium industry, ALCAM makes aluminium ingots from aluminium 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. As a result, most aluminium ingots made by ALCAM are exported to African countries.

3.5 Commerce and Service Sectors

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

The telecommunications industry is driven by cellular phones that are becoming pervasive rapidly in response to the liberalization of this sector. In 1999, there were few cell phone users. In 2005, ownership rose to 7% of the country's population. On the other hand, fixed phones and Internet connectivity are lagged behind in the pace of service delivery, although Internet users in urban areas increased rapidly from around 40,000 in 2000 to 250,000 in 2005¹⁰.

The transportation sector grows slowly due to financial restraints and unfavorable geographical conditions (rainforests and mountainous terrain), despite the fact that national policy recognizes importance of infrastructure development and construction of roads and ports is in progress.

The commerce sector is dominated by traditional distributors and retailers, which are operated in local markets and wayside areas, while there are modern supermarkets and distributors operated by large enterprises.

Finally, the tourist industry (mainly hotels and restaurants) accounts for around 2% of GDP. Despite rich natural resources, the number of visitors remain at 170,000 persons annually and the government plans to develop new tourist attractions, including safari tour, hunting, and eco-tourism.

Most SMEs in the sector do not directly serve the above industries but are engaged in related services, including construction, repair service, real estate, education, and other business services. Again, many of them are informal sector companies and their data are not available.

(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

¹⁰ International Telecommunication Union (2008) website

marketing and local trade by small stalls and retail shops. In large cities, there are traditional markets at the city center as well as specialized markets, where foodstuffs, household goods, general merchandise, toiletry, and radio batteries are available.

Wholesaling is not fully established business. Presence of specialized wholesalers is not known, except for pharmaceuticals. For large volume products, a retailer also serves as a wholesaler. There are some product categories where there is no wholesaler, and retailers make direct imports (single-handedly or jointly).

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. On the other hand, distributors of some products (such as those handling construction materials) have started their own production in response to growth of domestic demand.

(2) Computer-related service industry

Computers are widely used in government offices and are introduced in school education. 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 industries that are established as corporate activities

There are the following business areas that are dominated by large enterprises and foreign companies.

- Transportation service (freight service and airline)
- Banks
- Hotels and restaurants
- Other non-financial sales
- Trade and distribution
- Other services

(4) 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.

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

4 Provisional Analysis on Development Issues of SMEs, and Challenges

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 (see II-2.3) asked respondents to point out three major problems they are facing. According to the results, the most serious problem SMEs are facing is “difficulties in borrowing money or raising funds,” clearly indicating that they have difficulty in accessing financial institutions in Cameroon. The major problems following the above are “high import duties of raw materials, intermediates or component parts,” “increase in employee salaries and wages,” “unstable purchasing order from customers,” and “insufficient production capacity to meet a size of orders.”

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). Currently, their customers purchase SME products even without being fully satisfied with them. However, it is very difficult to provide these products with competitiveness in the international markets in terms of quality, price level, or variety. In other words, 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.¹ The results of the interview survey on SMEs and the relevant organizations were found to coincide with these requests (these requests were compiled during 2002-2003, and a part of them was already realized such as “Establishment of a partner for SMEs”). Their requests are summarized in the following.

- 1) Lack of a partner for dialogue with SMEs
Recommendation: To establish a “Ministry in charge of development of SME, Handicraft and Consumption.” The establishment will help to reduce informal activities and contribute to enhance their performance, etc.
- 2) Lack of finance
Recommendation: To establish a two-step loan and investment company and organization to take on some capital risk, to make a new standard on loans and other credits by banks, and to support the reduction of interest rates and improvement of the relevant information system.
- 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).
Recommendation: To reduce the possible pursuit period by the tax office to one year and to define a financial benefit as soon as possible, and to improve financial instability
- 4) Lack of modern equipment with high technology.
Recommendation: To reduce the value added tax on purchasing equipment to 0% in order to enhance installation of advanced equipment for SME use. To establish public support for research and investment on technological improvement.
- 5) Development constraints of local products by charging VAT on local products
Recommendation: To substantially reduce the VAT rate on local raw materials and to enhance production and consumption of local products.
- 6) Difficulties of advertisement and communication
Recommendation: To give favorable treatment through on access to public radio and television by SME. To promote local SMEs and their products through overseas diplomatic offices for SME promotion. To hold trade fairs for promoting SME products, etc.
- 7) Insufficient financial knowledge
Recommendation: To support to obtain financial knowledge through the relevant education by schools or to improve existing school curriculum etc.

¹ “Obstacles and Hindrance for SME Blooming”

- 8) Lack of social recognition of entrepreneurs
Recommendation: To eradicate dishonest entrepreneurs and to issue public certificates of registration aiming at general improvement of social recognition on entrepreneurs.
- 9) Lack of support for export business
Recommendation: To issue publications regularly on “Local SME development and international trade.” To liberalize public procedures and regulations on exportation. To hold trade fairs. To undertake activities for quality improvement. To establish organizations for promoting SMEs and their goods.

In addition to the issues which are identified in the above, there is a need to consider other issues in view of constraints on the businesses of SMEs which arise from the current economic circumstance surrounding them. From the following analysis, it is clear that problems of SMEs are not homogeneous, and that there are two types of SMEs at least: SMEs which are expected to develop their competitiveness in the international markets and contribute to economic development in Cameroon, on one hand, and SMEs which should be supported to maintain their activities by raising the level of their operation in view of the importance of stable employment and poverty reduction, on the other hand. It is necessary to setup development challenges for SME promotion, duly taking into consideration of these different development goals.

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.

Meanwhile, many new businesses have been started up in the informal sector. In Cameroon, investment in the private sector (formal sector) has stayed at low levels, including

therein foreign investment. As a result, no significant increase is evident in the number of enterprises or employees in the formal sector. Most of enterprises that currently belong to the formal sector originally started as informal business and have made official business registration as a result of successful growth. This is generally the case for small and microenterprises. Thus, the informal sector in the country constitutes a transitional step for many companies before evolving to the formal sector.

Development Challenges

Although many small enterprises started their businesses in the informal sector and stayed in the informal sector, the informal sector itself does not necessarily play a vital role in promoting business startups. Many startup companies opt to retain informal status because it is difficult for them to obtain a business registration and/or develop an accounting system. However, if there is an attempt to regulate the informal sector as illegal and apply a brake to it, it will discourage business startups by denying business activities at the initial stage that takes place in the informal sector.

In this context, the promotion of a shift of enterprises in the informal sector to the formal sector is the activity that encourages transformation of enterprises in view of the benefit thereby obtained, i.e., it allows the enterprises to be officially recognized and receive public support, as required, so as to help improve unfavorable operating conditions and thereby to raise the income of their owners and employees.

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. It could provide good incentives for enterprises preparing to operate in the formal sector, resulting in improvement of their operation to a certain extent. Formulating policy for promotion of such a transformation should be approached from two perspectives, namely public support for strengthening operational capabilities required by enterprises in the formal sector, and deregulation to lower hurdles for business startups in the formal sector. The former is discussed later in “Support for Small Enterprises and Microenterprises.” (4.2.3 and 4.2.5)

The easing of requirements for business registration seems to be effective in promoting business registration. Many enterprises have started as informal businesses despite various disadvantages. 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. The details are as follows:

- 1) Minimum capital: One million FCFA, required for business registration as the minimum capital, is prohibitively high for new business owners (entrepreneurs).
- 2) Registration cost: It is said that business registration requires at least 10,000FCFA including the application fee and other costs including the preparation of documents. (At the same time, it is pointed out that most entrepreneurs lack knowledge relating to business registration.)
- 3) Taxation system: The current taxation system is criticized by companies as lacking transparency. For instance, some companies are required to pay more tax on the basis of an arbitrary decision by the tax office or other relevant government office. (It is also pointed out that the failure to comply with generally accepted accounting rules creates a basis for such an arbitrary decision.)
- 4) Lack of benefits of being in the formal sector: Generally, formally registered companies can enjoy social recognition and business opportunity created by it (especially business with government organizations). However, most business owners in the informal sector do not accept such view and the disadvantages of registration are more strongly felt rather than the advantages.

Despite a wide public understanding of business registration and its importance, many business operators cannot afford to or are not capable of obtaining formal status due to various reasons. Some operators opt for doing business without registration because they are content with an informal business style or are cost sensitive, but these are exceptional cases. Most of business operators want to register in the informal sector, but they have faced many difficulties to do it. Without improving these matters, promotion of transformation of the enterprises in the informal sector to enterprises in the formal sector is considered to be difficult.

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. Accurate data on new business startups is not available, since most of new businesses are started in informal status, and some are discontinued without registration while others continue in business unregistered. 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. Further, the above mentioned conditions have discouraged the entrepreneurs to register their businesses.

Generally speaking, a small business is relatively easy to start, and business startups in various fields helps industrial diversification. If the startup of businesses is successfully promoted in various fields of industry, it will have significant effects on economic development, by filling the gaps among the existing industries, increasing the value of goods with additional processing which are currently exported with low levels of domestic value added, and reducing the dependency on imports as a result of new production. For these reasons, promotion of business startups (or development of SMEs) is an important challenge for economic development.

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. These factors can be explained in more detail by addressing local conditions peculiar to Cameroon.

- 1) Improvement of the environment for business startups: Such improvements include easing of business registration requirements by defining business types so that they are easy to register (such as GIC), and by clear definition of registration procedures. For a good example, in the case of GIC, some Council Offices in the region have provided assistance in registration procedure as part of efforts at regional industry promotion. The registration procedure needs to be simplified.
- 2) Provision of information: It is very difficult to get required information for entrepreneurs (self-employ operators) without the right kind of organization. Information required or useful for a business startup includes that related to markets, distribution, raw materials, machinery and equipment, and technical regulations and standards.

- 3) Improvement of financial access: New financing schemes deserve consideration for the startup businesses or for entrepreneurs who have insufficient guarantees and have as yet not established the creditworthiness for their businesses; these schemes would be other than the general financing programs. An example which has been already shown results is what was done through the National Employment Fund (NEF) or programs sponsored by international donors, and by not making these into a restrictive and temporary case, but establishing them as ongoing systems.
- 4) Support for business planning: It is difficult for entrepreneurs to develop suitable business plans without the above information for startups. There are various types of service providers in the private sector, which provide advice in relation to the development of a business startup plan. Their services are not always easily available to entrepreneurs and SMEs because they charge fees. These entrepreneurs and SME owners often do not have enough funds to pay a service provider for planning advice. As for public support service, NEF and international donors operate support programs that are limited in terms of the possible number of beneficiaries. A constant system which can provide such service is required.

4.2.3 Required Support for Small Enterprises

Issues

The small enterprises discussed in this section are those enterprises categorized under the concept of SMEs in Cameroon. In this Study, SMEs are redefined as enterprises that include more than those currently defined as SMEs in Cameroon, by including medium-size enterprises currently under the category of large-size enterprises. These medium-size enterprises are not the “ordinary enterprises” if they are categorized in view of weak competitiveness in the international business scene due to some disadvantage caused by their smaller scale of operation.

The following section, however, limits its discussion to that of small enterprises, excluding the medium-size enterprises which are explained above.

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, as follows:

- 1) Many small enterprises start their businesses with a limited amount of start-up capital, and continue operation with obsolete, inefficient facilities or depend on manual works, since they face difficulty in raising capital for expansion and upgrading of their businesses (for the cause of difficulty in raising the necessary funds, see II-4.2.6). Therefore, they cannot meet the orders for large volumes and forced to remain small in scale.
- 2) The distribution system is not developed well in Cameroon, and small enterprises have no way of marketing other than waiting for customers to visit their site. Particularly the smaller enterprises, in this context, have faced the subsidiary problem of a shortage of working capital, since they can recoup their capital only after selling the product, which may require a long (and unpredictable) time. Some of them have their own show room apart from the manufacturing site, but this is the case only for a limited number of upper layer small enterprises
- 3) Required business skills mostly come from the experience of owners, who formerly worked at other enterprises and they have transferred the skills obtained there to their own employees. The fact that customers in the local markets do not have very strong complaints on product quality has resulted in discouraging the enterprises to make strong efforts to improve the quality of their products. Small enterprises of the upper layers, however, have realized the need for improvement of their skills, but no support is available in Cameroon for adequate skill training.
- 4) Other problems which the small enterprises are facing besides the above problems, include difficulty in transporting materials and products, since the transportation sector is not developed so as to meet their needs.

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.

Further, the support needs to be provided by focusing particularly on the strategically targeted SMEs in view of the importance of industrial development, since policy dominated by an all-around support approach often tends to fail in terms of effectiveness due to limited allocations of budget and human resources.

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, which may include (1) support for upgrading facilities, (2) provision of information on relevant technology and markets, and (3) assistance for access to finance.
- 2) Support for aggressive exposure of their products to potential markets, instead of waiting for the customers to visit to their sites, which may include (1) provision of opportunities to expose their products to customers of specific targets, together with guidance for preparation for such exposure (such as trade fairs), (2) provision of measures to introduce SMEs to potential users (such as by preparing a database of local resources and their suppliers), and (3) permanent measures to expose their products to users and consumers (such as showrooms)
- 3) Support for encouraging efforts of small enterprises to improve the quality of their products, which may include (1) provision of standard quality and performance information or indexes of specific products with developing industrial standards, (2) development of a testing and analysis service system for industrial materials and products, (3) provision of information on quality requirements of potential users, (4) assistance for upgrading or renovation of facilities (such as policy consideration for exemption/reduction of relevant taxes in introducing facilities which can serve commonly to enterprises in this specific industry sector, etc.), and (5) provision of employee training programs on quality management.

- 4) Support for material and product transportation, such as provision of policy considerations for exemption or reduction of relevant taxes for joint undertaking of transportation operation which can serve a multiple number of enterprises in this specific industry sector.

Support in policy considerations for discharging from some existing obligation, improvement of the business environment, and institutional development are discussed in Section III, since these types of support are required not only for small enterprises, but also medium enterprises.

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. This is discussed in II-4.2.5.

4.2.4 Required Support for Medium Enterprises

Issues

Medium-scale enterprises have been regarded as the backbone of Cameroon industries, as enterprises which are sustainable without any outside support, in view of competitiveness among enterprises in Cameroon. In Cameroon, they are not the target of SME policy, or in other words, not the target for assistance to overcome a disadvantage caused by their smaller scale operation. However, they should be understood also to be a suitable SME policy target in view of need for enhancement of competitiveness from the international standpoint.²

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

² Whether the support for the medium-sized enterprises should be covered under the industrial development policy, or under the SME policy is another matter of discussion, depending on the development stage of industrialization in Cameroon. If the support required for medium-size enterprises is the same nature as that of ordinary support for industry in general, then it should be covered under the industrial development policy.

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.

These medium enterprises have been regarded as “large enterprises” under the prevailing criteria in Cameroon. Their managerial ability, however, is still weak in view of international competitiveness. Their internal organizations for information collection, marketing, product development, technology development, ensuring and nurturing of human resources, advanced management, and R&D, are for the most part not in existence or very limited at best.

There will be need for policy support for enhancement of these capacities in view of industrial development in the future.

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. According to the investment environment survey³ conducted by the World Bank, covering 302 enterprises, they feel the following as constraints for starting business in Cameroon: (1) the tax law (83.4% of responses), (2) tax rates (78.7%), (3) power supply (65.9%), (4) financing costs (65.9%), (5) competition with the enterprises in informal sector (53.4%), and (6) corruption (53.1%).

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

³ The World Bank (2006), “Cameroon Investment Climate Assessment.”

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.

Many of them are registered as enterprises or business entities, but most of them are believed to be unregistered.

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. All the micro enterprises are not necessarily classified definitely as one of these types, but mostly have characteristics of one of these types depending on the management situation and owners attitude.

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. A large number of such enterprises and business entities are believed to exist. However, the exact number is hard to estimate, since most of them are not registered. Based on the interview surveys conducted under this Study of them, the salient features of their operation may be summarized as follows.

- 1) Their business was started with a very limited amount of initial capital. Once production or purchase of stock was made, typically all the initial capital was deployed and no working capital remained until products were sold and costs recovered. Further, the payback money may have been diverted to cover living expenses instead of being invested for purchasing materials or goods for the business, resulting in difficulty in continuing the business.
- 2) Their business is limited to that with customers in the general neighborhood. They wait for customers to visit their site for sales to take orders.
- 3) The scale of operation is very small and operations are carried out by hand, with limited use of obsolete or inefficient facilities if any. They cannot fill a large order not only because of the small scale of operation, but also lack of capital to buy necessary materials.

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.

Further, (4) facilitating business registration, a process which has been an obstacle to many, is an important method of providing support for them to compete with other enterprises on equal footing.

A complete understanding of the present state of these enterprises and business entities is not held by the government. Their registration is handled by the Ministry of Commerce and Ministry of Agriculture. Many enterprises, nevertheless, remain unregistered. Messages and information from the government have not been conveyed to them comprehensively. They also have difficulty in contacting the right person in the government to ask for support. Besides the government channels, in the case of going through the chamber of commerce (CCIMA) too, there is difficulty to use the potential there, since this organization does not cover all regions, though all taxpayers are eligible for membership. In this context, 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

The questionnaire Survey on SMEs conducted by the Study Team revealed that 57.6% of the surveyed companies stated that financial problems are one of their top three priority issues. Further, 48.5% of these companies list financial problems as the first priority issue.

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. This situation is undesirable not only for SMEs who lose good opportunities to expand but also for Cameroon as a nation since she loses opportunities to create jobs.

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. The fundamental issue is not lack of funds that might be directed to SMEs but lack of eligible SME borrowers who have polished management capability. Strengthening of SME management capability is another key for improving their access to finance.

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. The amount of money which they need is rather small. However, these enterprises do not have enough collateral to get loans. Further, their business risk is too large for financial institutions to extend loans. Even though their business

situation is thus very severe, their contribution to local economies cannot be neglected. They absorb hidden unemployment at the family or community level, to cite one aspect of their importance. Their growth potential is also large. These situations considered, it is necessary to develop different financial support than conventional SME finance for them.

In this regard, at present, microfinance institutions provide funds for these enterprises. However, these lenders are not strong enough to support many microenterprises. Another supplemental scheme should be developed by the government. With respect to further development of microfinance institutions, it is necessary to strengthen management fundamentals at microfinance institutions in areas of internal control and funding.

Development Challenges

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

The necessity of creating the specialized SMEs bank is seen to be great for the following three reasons. First, 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. This is because it is a matter of the financial system that is at the core of the situation. Second, for the same reason, the current financial problems faced by SMEs cannot be solved by leaving everything to the market mechanism. Governmental intervention and support is indispensable. Third, 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. In SME finance, land and houses are often pledged by borrowers as collateral for loans made not only by commercial banks but microfinance organizations as well. In the case of default, making a loan unrecoverable, these collaterals are seized. While the mortgage registration and foreclosure process affects the smooth operation of loan servicing itself, the mortgage system in Cameroon appears not to be highly reliable or accepted because mortgage registration often takes considerable time and foreclosure faces a lot of obstacles due to the lack of a formal market that can enforce uniform rules. It is therefore important to develop a reliable system and institutional setup for assuring quick and effective mortgage registration and foreclosure procedures.

(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. However, it is not so easy for each SME, whose human and financial resources are relatively weak, to enhance these capabilities by their efforts only. SMEs need support from outside.

One idea is to support SMEs, through the cooperation of three interests, the government, financial institutions and organizations representing enterprises, extending management service to SMEs' executives and management people by holding special seminars or sending experts to SMEs' sites.

(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. Needless to say, it is difficult to develop such a system within the framework of established financial institutions. The government should take the initiative and share some of the risk for this new business. However, the past bitter experience which the government tasted being taken into consideration, it is recommended that the government should not be directly involved in but should leave its management to experienced BDS providers or microfinance institutions.

(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.

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

5 SME Development Policy and System, and Development Challenge

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. (See III-1.1.1)

After attaining its independence in 1960, Cameroon implemented government-led economic and industrial development policies¹. For this purpose, the government formulated five-year economic development plans up to the mid-1980s. However, the economic crisis in 1986 showed the limitation of the government-led approach to economic development and resulted in serious deterioration of the national economy,² including the failure of most state enterprises that were established to promote the traditional development policy. In 1988, the government terminated the five-year economic development plan and introduced the Structural Adjustment Program developed under the leadership of the IMF and the World Bank.³ This means it steered its economic development policy toward a market-led approach based on economic liberalization and deregulation.

Under the new policy, the government initiated a number of drastic measures in line with the Structural Adjustment Program at an accelerated pace, including restructuring and privatization of state enterprises, and the elimination or lifting of economic regulation and control in a number of areas. Nevertheless, these efforts fell short of changing the monocultural economic structure and left various problems unsolved, such as job creation, development of new industries and businesses, and industrial diversification. The failure of effective reforms,

¹ Including nationalization of plantations owned by French or British capital, foundation or establishment (in the form of equity participation) of state enterprises and development corporations by the National Development Corporation (SNI: Société Nationale d'Investment) that was established in 1963, and nationalization of public utilities, telephone, financial, hotel, and service sectors.

² The direct trigger of the economic crisis was the sharp decline in international prices of petroleum and cash crops, which occurred as a result of turmoil in the foreign exchange market after the Plaza Accord. The crisis revealed structural problems facing the country, including overdependence on primary products, bloated government finance caused by state enterprises, and undue government intervention that neglects market principles.

³ In August 1988, the Cameroon government signed a standby agreement with the IMF. In June 1989, the preliminary Structural Adjustment Loan from the World Bank was approved.

together with external factors, caused Cameroon to undergo a long-term economic recession between 1986 and 1994. As a result, GDP per capita declined by around 60%.

In December 2000, the country became a recipient country for the Highly Indebted Poor Country (HIPC) initiative and started to take a new economic development approach focusing on poverty reduction, together with structural adjustment. Under the initiative, the government formulated the Strategic Document for Poverty Reduction (DSPR) in 2003. While DSPR sets poverty reduction as ultimate goal and does not specifically address economic development issues, it is considered to be a new form of economic and social development plan as it identifies priority development issues and goals.

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.

Since most of the enterprises in Cameroon are SMEs, both the Ministry of Industry and Ministry of Commerce have their own policies and measures related to SME development, though they do not declare the SME related policies explicitly.

In the case of the Ministry of Industry, among 22 proposed industrial projects, there are 5 major projects, which the government is strongly interested in promoting, while others are assumed to be promoted with private sector initiative including foreign capital. These major projects are:

- Extension of the ALCAM project
- Comprehensive project encompassing bauxite mining to aluminium refining, including a project for expansion of power supply
- Iron ore mining project including development of mining, access road development and manufacturing of transportation equipment
- Mining and exports project for nickel and cobalt
- Expansion project for cultivation of plantain banana for processing and exports

All these projects assume involvement of SMEs, particularly with development of subcontracting. However, it is increasingly recognized among the concerned government agencies and organizations that the involvement of SMEs in these projects will not be materialized without fine-tuned support taking into account the constraints of SMEs due to their small scale of operation and weakness in technological and managerial capability. Thus, close

cooperation and collaboration among the relevant government agencies and organizations on this matter is strongly required.

The Ministry of Commerce is promoting trade through the following measures, which are also relevant to SMEs:

- Opening of a domestic trade fair every three years, including provision of guidance and assistance for the participants in the preparation process
- Promotion and assistance for participation in trade fairs abroad
- Establishment and operation of two trade points (domestic)

However, the small-size enterprises and microenterprises have found themselves facing difficulty in meeting the requirements of large scale orders after participation in trade fairs, due to their limited production capacity and lack of working capital. So, again, there is a strong need for fine-tuned support for the SMEs with close cooperation and collaboration among the relevant government agencies and organizations.

In addition to the two ministries, other ministries are closely associated with SME development and promotion in their respective fields, including the Ministry of Employment and Vocational Training (MINEFOP) which is in charge of promotion of new business startups and vocational training, the Ministry of Agriculture and Rural Development (MINADER), concerned with regional development and processing of agricultural products, and the Ministry of Economy and Finance (MINEFI), involved in matters related to SME finance. Furthermore, there are government organizations under these ministries, which are responsible for actual policy implementation relating to SME promotion, such as the Fund for National Employment (FNE) and National Investment Corporation (SNI).

In particular, use of public demand for SME promotion, which did not receive much attention in the past in the context of government support, was initiated in FY2008.

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. In such case, it is not necessarily clear, legally, whether MINPMEESA can take a lead in providing fine-tuned support measures among the relevant government agencies.

Under these circumstances, the MINPMEESA is preparing for the enactment of the basic law for SME promotion that provides for integrated regulation of the relevant programs and activities.

(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. They are described below.

MINPMEESA was established under Decree No.2004/320 of December 2004, with regard to the reorganization of government agencies. The decree sets forth each ministry's missions. For MINPMEESA, the following ten missions are listed.

- Promotion and guidance of SME and handicraft sectors
- Development and promotion of social business projects
- Buildup of service networks for SMEs and handicraftsmen
- Encouragement of private initiative and the fostering of entrepreneurship
- Monitoring of activities of support organizations for SMEs and handicraft industry
- Promotion of original products by SMEs and handicraft industry
- Monitoring of SME and handicraft industry organizations and their activities
- Monitoring and data collection of the informal sector
- Encouragement of conversion of small enterprises for the informal sector to the formal sector
- Vocational training and information service for business establishments in the informal sector

While the presidential decree clearly sets forth the MINPMEESA's position in the country's SME policy, especially promotion of SMEs, social business activities, and the handicraft industry, it is not clear about whether the ministry has the coordinating role in relation to matters concerning SME promotion by other ministries.

Another decree (2004/090 of 29 March 2005) defines the organization of MINPMEESA and responsibilities and duties of each office, including the minister and executive officers, and departments, units and provincial delegation offices, which are discussed in detail in II-5.1.3.

Further, Decree No.2007/004 of 3 July 2007 concerns the handicraft industry (the decree is generally referred to as the "Handicraft Law"). It was drafted by MINPMEESA and sets forth the following matters relating to the handicraft industry.

1. Definition of the handicraft industry and sectors included in it

2. Handicraftsmen and handicraft companies
3. Services provided by government and public organizations for handicraftsmen
4. Other related matters (representation and protection of handicraftsmen and handicraft companies by the chamber of commerce and industry, and the securing of public-private sector collaboration by the National Handicraft Board)

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

(1) Mission

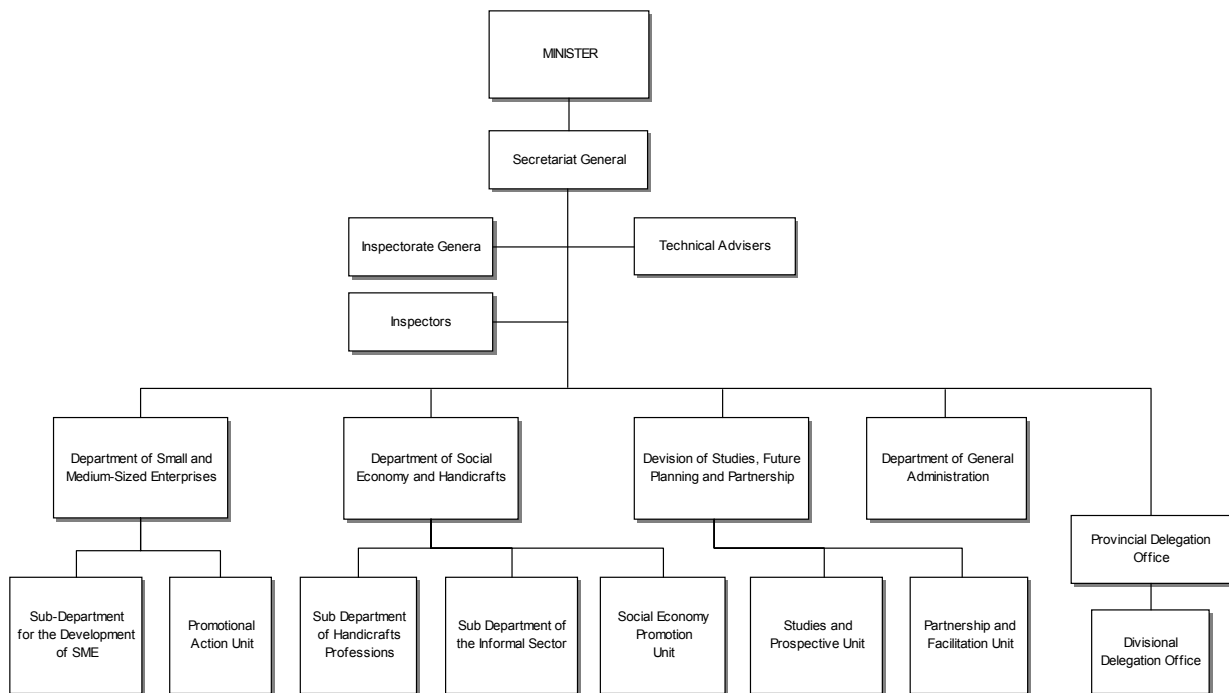
In Decree No.2004/320, issued on 8th December 2004, the mission of MINPMEESA is defined as promotion of SMEs, including both formal and informal enterprises. The decree deals with the following issues.

- 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

(2) Internal organization

The head office of the MINPMEESA is led by the vice minister and consists of three departments and one division. The internal organization of each department and division is shown in the chart below, although some organizations are not functional due to unfilled vacancies. Executive officers under the vice minister are technical advisers and inspectors.

Local parts of the MINPMEESA organization consist of provisional and divisional delegation offices, but only provincial delegation offices have been established. Divisional delegation offices will be established in the near future, starting with major cities. Each provisional and divisional delegation office should be staffed by personnel in charge of SME, social business/handicraft, and general affairs/accounting.



Source: MINPMEESA.

Figure 5-1 Organization of MINPMEESA

(3) Strategic Challenge of MINPMEESA

The MINPMEESA has, broadly, two departments; the DPME, responsible for a policy formulation and implementation to promote SME, and the DESA, responsible for a policy formulation and implementation to promote the informal sector where there are social and economic challenges, and the handicraft sector. Moreover, the MINPMEESA has the DEPP, responsible for studies, planning and cooperation with external institutions, and the general administration department.

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

Each ministry formulates its own strategies. MINPMEESA is also developing strategy⁴ by deploying the consultants for drafting.

⁴ La strategie de developpement du secteur de la petite et moyenne entreprise, de l'economie sociate et de l'artisanat

2) Establishment of an Agency for Facilitation and Development of SMEs

The agency is to be established with the objective of facilitating smooth implementation of the support for SMEs. The agency is assumed to realize the target functions not solely by itself, but through partnerships with the relevant government agencies and organizations.

3) Establishment of a Financial Institution Specialized in SME Financing

Two concepts are under examination as to establishment of the institution. One is the institution having financing function targeting SMEs of good establishment, while another is relating to the financing for individual proprietary and microenterprises. The former proposal was already sent to the President Office for approval. The latter is still in the stage of examination.

4) Comprehensive SME Survey

In order to obtain comprehensive understanding of SMEs, MINPMEESA is planning to implement a large-scale SME survey covering 30,000 SMEs, according to their original plan. Implementation, however, is behind the original schedule due to a delay in budgeting. MINPMEESA is being obliged to implement it on a smaller scale.

5) Establishment of a Standard Definition of SMEs

The work needed to establish the definition is scheduled to be proceeded in parallel with establishment of the ministry's strategy (number 1 above).

6) Establishment of a Guarantee Fund for SMEs

The realization of this concept is progressing as a joint effort with the Chamber of Commerce, GICAM, and LAMP (SME network in Africa). It constitutes a part of the package of establishment of the agency for facilitation and development of SMEs and the financial institution specialized in SME financing (numbers 2 and 3 above).

7) Establishment of a Development Fund for SME Development

This concept is to support SMEs by using the management surpluses gained from operation of surplus funds of public organizations in international markets.

(4) Framework of Activities

The DPME currently is focused on activities related to the following issues, in connection with formal sector SME promotion.

1) Entrepreneurship support

- Financial provision to NGOs, which supports entrepreneurs

- Drafting a manual of how to start a new business
- 2) Provision of market opportunities
- 3) Strengthening techniques of SMEs through providing opportunities of sub-contracting with large and medium enterprises
- 4) Information provision
 - Drafting a document of financial sources (how to access financial sources)
- 5) Promotion of professional organizations of SMEs

The DESA currently is focused on activities related to the following issues, in connection with informal and handicraft sector SME promotion;

- 1) Promotion of SME's transition from informal to formal sector
 - Provision of market opportunities
 - Promotion of a preferential purchase of goods, used at schools from SMEs,
 - Arrangement of a trade fair
 - Implementation of joint supports in both financial and technical constraints of SMEs
- 2) Promotion of handicraft sector
 - Establishment of handicraft center
 - Arrangement of a trade fair

The DEPP currently is focused on activities related to the following issues, in connection with support for two departments (DPME and DESA);

- 1) Information collection on real conditions of SMEs, including the informal sector
- 2) A policy formulation of the MINPMEESA
- 3) Activities as a window to external institutions such as other ministries or donors

(5) Major activities

The organization of the MINPMEESA was formally established from April 2005, following the issuance of the presidential decree in December 2004. In particular, a formal budget to finance its programs and activities was first requested in FY2007. Furthermore, most of SME policies for FY2007, including those started in 2007, are being fully implemented in FY2008. The MINPMEESA's major programs and activities planned to be implemented in FY2008 are summarized in the table below.

Table 5-1 Major Programs and Activities of MINPMEESA Planned for FY2008

Category	Target Beneficiary	Activity Outline	Department in Charge
Current state study and information gathering	SMEs	• To conduct surveys to determine the current state of SMEs (targeting around 5,000 enterprises) (*)	DEPP
Policy formulation	SMEs, informal enterprises, handicraftsmen	• Formulation of ministerial strategy for activities • Formulation and compilation of promotion policies for SMEs, informal enterprises, and handicraftsmen (to be carried out annually)	DEPP
Support for business startup	Young entrepreneurs	• Financial support for NGOs that provide startup support for young people	DPME
	Entrepreneurs in general	• Preparation of the manual “how to start a business”	DPME
Financial support	SMEs, informal enterprises, handicraftsmen	• Implementation of the SME startup/development support program (to provide financial/technical support for entrepreneurs or companies, which business proposal has been accepted; in 2008, around 30 projects are scheduled to be implemented, with 150 projects being targeted in the next five years and the total budget of around 11 billion FCA) (*)	DEPPDPME DESA
	SMEs	• Preparation of the manual “how to access financial sources”	DPME
Marketing support	SMEs	• Promotion of priority purchase of school equipment and supplies made by SMEs (blackboards, notebooks, pencils, etc.)	DESA
	Handicraftsmen	• Holding of national trade fairs for handicrafts	DESA
Support for reinforcement of management and technical capabilities of individual companies	Handicraftsmen	• To conduct preliminary study in three provinces (North, Northwest, Central) in preparation for the establishment of handicraft centers that provide technical support and exhibition facilities (*).	DEPP/ DESA
	SMEs	• Business entry support for SMEs (support accompanying expansion of ALCAM facilities and implementation of technical training required by SMEs) (*)	DPME
	Business organizations	• Provision of activity fund for FENAP and encouragement of the establishment of new business organizations under it	DPME

(*) Projects that are implemented since last fiscal year
Source: JICA Study Team.

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 (CAAFIC).

1) CCIMA's profile, organization, and activity

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.⁵ It is engaged in a broad range of activities, including cooperation with the central and local governments by representing a variety of sectors (commerce, service, mining, manufacturing, or handicraftsmen), support for individual companies, education and vocational training, operation and management of industrial estates and port warehouses, communication and coordination with foreign chambers of commerce and industry, and attraction of foreign investors and provision of services for them. The operating budget is 1.5 billion FCFA (FY2007), of which 60% come from government subsidies and the remaining 40% from its own revenues, such as collection of operation costs for port warehouses. It does not collect any membership fee. While the budget is smaller than the annual budget of the MINPMEESA (2.2 billion FCFA), its activity is considered to be more or less the same size (financial) as that of the ministry when the difference in the number of staff members is taken into account.

Companies in all industrial sectors other than primary industry (agriculture, fishery and livestock) are eligible for the CCIMA membership - essentially the right to vote for election of delegates – so far as they have paid tax. The CCIMA's mission is to serve the interests of its members.

In practice, companies that belong to respective trade organizations and have made commercial registration become members. More precisely, they need to follow procedures for registration with the CCIMA in order to obtain the membership. As a result, all

⁵ The latest amendment was made on November 27, 2001 (Decree No.2001/380), and CCIMA's legal status and organization are basically modeled after those of the chamber of commerce and industry in France.

companies having commercial registration are not necessarily registered with the CCIMA, so that the number of companies in the commercial registry does not agree with the number of companies having the CCIMA membership. On the other hand, there is no company that is registered with CCIMA without having made a commercial registration.⁶ Furthermore, the CCIMA's activities do not always target its members alone and there is a significant difference in awareness levels among the member companies on their own membership of CCIMA.

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. As a result, the CCIMA member companies are roughly divided into two groups with the threshold being annual sales of 100 million FCFA.

The CCIMA organization is primarily comprised of the board of directors, the general meeting of the members, the secretariat, and the provincial delegation. The general meeting is an organization making final decisions for the chamber, including activity-related policymaking. It also selects the president, three vice presidents, four committee chair persons, ten provincial delegation directors, and 160 delegates. The secretariat consists of 110 staff members, nearly half being full-time employees with government employee status.

2) Local organization

The local organization has still to be established. At present, 10 provincial delegation directors have been elected to represent respective provinces and staff members are assigned to each director. There is no organization responsible for day-to-day activities at local level and member companies are not organized according to the province that they represent.

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. There are some provincial delegation offices that have a full-time Provincial Secretary General and staff members to support their activities.

The following table summarizes the number of delegates in provinces. Note that 32 delegates represent Center Province (including Yaounde) and 68 delegates Littoral Province (Douala). Thus, the two provinces account for 62.5% of all the delegates.

⁶ The CCIMA requires its member companies to register, in addition to commercial registration, because it collects their data for the purpose of sending the chamber's formal letters and notices (selection of delegates, etc.) and building a database to provide information on member companies for outside organizations including foreign companies.

Table 5-2 Distribution of CCIMA Delegates

Sector		Commerce	Industry and Mines	Handicraft	Other Services	Total Delegates
		45	55	20	40	160
Provinces	OUEST (Bafoussam)	4	4	3	0	11
	NORD OUEST (Bamenda)	2	2	1	1	6
	NORD (Garoua)	3	5	3	1	12
	ADAMAOUA (Ngaoundere)	1	2	1	1	5
	EXTREME NORD (Maroua)	4	0	1	2	7
	EST (Bertoua)	1	2	1	1	5
	SUD (Ebadowa)	1	2	0	1	4
	SUD OUEST (Limbe)	2	3	3	2	10
	CENTRE (Yaounde)	9	10	5	8	32
	LITTORAL (Douala)	18	25	2	23	68

Source: JICA Study Team

3) Activity

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

Its activities cover not only member companies and organizations but also business establishments and operators in the informal sector, in order to fulfill the role of representing merchants, workshops, and handicraftsmen. (As for information service as well as education and training service, students and job seekers are included.) Note that the CCIMA's activities in the fields of business support, education and training are often conducted jointly with the government, international donor organizations and/or the chamber of commerce and industry in other countries.

A major activity relating to SME promotion focuses on the fostering of subcontracting companies by using the opportunity presented by a large industrial project. Meanwhile, the chamber plans to establish a business development unit that provides support for small member enterprises, including technical training and guidance according to industry type (93 job categories/skills in total) and the issuance of a formal reference letter to a bank for loan application.

As part of the business support service, the CCIMA established a Business Information and Economic Documentation Center in Douala in 2001. The center was originally opened in keeping with technical advice and financial support from the Paris Chamber of Commerce and Industry. Then it strengthened its capacity as an information center with support from the UNDP, the U.S. government, and the French government, such support including the provision of office equipment (PCs and copiers) and books. At present, it serves as the sole source of information in the country, with regard to the Cotonou Accord (trade agreement) with the EU, AGOA with the US, and TICAD between Japan and African

countries⁷. The CCIMA plans to open a second information center in Yaounde, in 2009 at the latest.

(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.

SYNDUSTRICAMSYDUSTRICAM is an organization of manufacturers established in 1960. They have 70 member enterprises, which are eligible for membership on the basis of being enterprises of good performances, regardless of size of capital and number of employees. The organization operates mainly by use of membership fees, and some contributions from international donors in the case of undertaking programs. Activities include lobbying activities, exhibitions, seminars, and issuance of in-house magazine, etc.

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. Being operated on for-profit basis, these BDS providers are usually based in Douala where most of target enterprises are located, in Yaoundé as the capital of Cameroon, or in some other major cities in neighboring CEMAC and West African countries in order to serve similar enterprises in the sub-region.

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

⁷ CCMIA receives relevant documents and information regularly, as the information centers of respective agreements.

donors. In addition to training programs covering business start-ups and development in general, their activities cover support for important development stages of SMEs such as establishment of information systems connecting producing areas and markets, provision of business opportunities by networking producers and enterprises. 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. Such stagnation can also be explained by the fact that these BDS providers are often unable to operate profitably basis and they have to depend upon funds provided by the Government or donors.

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.

FNE has branches in all 10 regions of the country and supports small groups for business start-up, focusing on agriculture and agro-aliment processing activities. 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.

The following table summarizes projects and programs relating to SME promotion, which have been implemented (or being implemented) by international organizations.

Objective	Leading Organization	Target	Activity Outline
Startup support	UNDP	Entrepreneurs	<ul style="list-style-type: none"> To conduct workshops and seminars for would-be entrepreneurs by Enterprise Cameroon, support organization jointly established by the UNDP and the MINPMEESA.
Financial support	AFD	All companies	<ul style="list-style-type: none"> Loan-related support for large and medium-sized enterprises via affiliated companies, i.e., PROPARCO and ACEP
		Small enterprises	<ul style="list-style-type: none"> Direct support in the form of credit guarantee (AFD guarantees 50% of the total loan value to a leading bank)
	CIDA	Microenterprises	<ul style="list-style-type: none"> Financial support for microfinance organizations (PRO – PME)
Support for reinforcement of management and technological capabilities	FAO	Microenterprises	<ul style="list-style-type: none"> Provision of microfinance for the farming and related sectors (to provide non-interest loan of US\$10,000 at maximum for a project of a company in a farm-related sector)
	UNDP	SMEs and microenterprises	<ul style="list-style-type: none"> To conduct workshops for owners and managers of SMEs and microenterprises, focusing on the improvement of management skills, by Enterprise Cameroon, support organization jointly established by the UNDP and MINPMEESA.
	UNIDO	Medium-sized and large enterprises	<ul style="list-style-type: none"> Technical support (focusing on improvement of capabilities and skills of medium-sized and large enterprises (around 30) in the agro-processing, textile and wood sectors, which are willing to export their products and to improve a specific capability (quality control, production management, production, technology, market development, and etc.) (The EU will provide fund and UNIDO will implement support programs and activities; to be continued for three years, starting in April 2008)

Objective	Leading Organization	Target	Activity Outline
	UNIDO	SMEs and microenterprises	<ul style="list-style-type: none"> • Technical support (e.g., project to improve the physical distribution system; the buildup of a system to collect and process agricultural products in a centralized manner in order to reduce physical distribution and processing costs, improve competitiveness of agricultural products, and expand business opportunity for farms that supply such products; the project was ended in 2007)
Current state study and information gathering	SNV/GTZ	SMEs	<ul style="list-style-type: none"> • To conduct nationwide surveys to examine the current state of SMEs (700 companies covered in 2007) as the joint undertaking by SNV, GTZ and GICAM

Source: Prepared by the JICA Study Team.

5.4 Financial Service Available for SMEs and Their Issues

5.4.1 Overview and Issues

(1) Overview

The following table shows how source of funds differs by size of enterprise. The data are derived from Questionnaire Survey on SMEs conducted by the Study Team.

Table 5-3 Source of Funds by Size of Enterprise

Number of Employees	State Banks & Commercial Banks	Microfinance, Non-bank & Informal Sector Finance	Other Sources	Total
10 or less	14.8	42.0	43.2	100.0
11-50	26.2	47.3	26.5	100.0
51-150	44.4	31.8	23.8	100.0
151 or above	56.4	33.3	10.3	100.0
Total	27.2	66.0	6.8	100.0

Source: Prepared by the JICA Study Team.

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.

The Questionnaire Survey on SMEs conducted by the Study Team reveals how the finance source of SMEs differs by size of SME. 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.

The above observation coincides with the result of the interview survey conducted by the Study Team, as shown in Table 5-4, although the sample for the interview was not always selected at random and number of SMEs visited was rather limited.

Table 5-4 Finance to SMEs

SMEs	Business Sector	Size of Business (No. of employees)	Lender	Use of Funds	Interest Rate	Maturity	Collateral or Guarantee	Note
A	Pharmaceutical	45	None	None	None	None	None	Multinational
B	Mechanical	32	Bank	Working capital	13	1 year revolving	None	Local
C	Food products	320	Bank	Working capital	6-7	1 year revolving	None	Multinational
D	Food products	8	Microfinance	Factory expansion	20	4 years	Factory	Local
E	Food products	10	None	None	None	None	None	Local
F	Food products	34	None	None	None	None	None	Local
G	Clothing	4	Microfinance	Working capital	16	1 year	Land. Building	Local
H	Beauty salon	4	Microfinance	Working capital	16	1 year	Automobile, personal guarantee	Local
I	Discount store	85	Commercial banks	Investment capital	n.a	Long term	None	Multinational
J	Paper products	150	Raw material suppliers	Working capital	--	Short term	--	Local
K	Textile products	15	None	None	None	None	None	Local
L	Food products	40	Informal (80%) Commercial banks (20%)	--	--	--	--	Local
M	Furniture	20-30	Microfinance	Working capital	19.25	Short term	--	Local
N	Construction materials	18-20	Microfinance	Working capital	16	Short term	--	Local

Note: Microenterprises are included.

Source: Prepared by the JICA Study Team.

The table shows that only multinational companies and some of non-multinational companies are able to access to commercial banks, and that SMEs feel difficulties in accessing commercial banks. Most SMEs expressed in the interview that they expected to get funds under terms and conditions of lower interest rates and easier collateral requirements. Some of them assert that so long as loans with preferential terms and conditions become available to them,

they are ready to expand their business. This suggests the possibility that SMEs may lose out on opportunities for investment in expansion and job creation due to underdevelopment of institutionalized SME finance.

(2) Issues

Issues of finance policy and institutional settings in SME development are primarily the following three.

First, it is necessary to develop financial institutions and a financial system which could facilitate meet SMEs' financial needs, that is, non-collateral based finance with lower interest rate and longer maturity of loans.

Second, it is necessary to prepare financial policies which support the strengthening of SMEs' management capability which is far behind those of large companies. It is quite often pointed out that lack of basic knowledge and information about finance at SMEs is a main reason why they face difficulties in getting enough funds. Some SMEs do not really understand what finance is, why financial statements are necessary and how to prepare them. High priority should be given to policy and strategy for solving these matters. Only with the improvement in management capability at SMEs can commercial banks become serious about SMEs finance.

Third, the financial infrastructure should be developed especially through creation of standardized and institutionalized market for transaction of collaterals.

5.4.2 SMEs Finance by Commercial Banks

(1) Present status

In Cameroon, at present following 11 commercial banks are in operation.

- Amity Bank
- Banque Internationale du Cameroun pour l'Épargne et le Crédit (BICEC)
- Afriland First Bank
- Commercial Bank of Cameroon
- Citibank
- Societe General de Banque au Cameroun
- Standard Chartered Bank
- Societe Commerciale de Banque Credit Lyonnais
- Union Bank of Cameroon
- Ecobank of Cameroon
- NFC Bank S.A

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 %. When involvement in SMEs finance is measured in terms of number of SMEs instead of loan balances, the share will become large because outstanding balances are smaller for SMEs than for large companies.

Several factors are cited for the above fact. Firstly, most of the influential banks are affiliates of international foreign banks and they are not always aggressive in promoting local SMEs, since their credit risks are intolerably high to them even though there are some exceptions. Secondly, SMEs lack collateral. Thirdly, they face difficulties in obtaining long term funds.

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. This is shown in Citibank's activity. The bank operates two branches including its head office, with only 51 employees. Needless to say, their human resources are too small to become involved in local finance⁸.

The recent IMF Working Paper suggests two interesting facts of the Cameroon banking system. One is that foreign banks' influence is large. Six foreign banks hold 75% of total bank assets. The other is that the soundness of banks in CEMAC differs greatly across countries or groups of banks. The banks are grouped by type of ownership into four categories: Group 1,; foreign-owned banking groups (outside Africa); Group 2, regionally-owned banks or groups (inside African countries); Group 3, local groups (inside Cameroon); Group 4, state-owned banks. In terms of net of provisions/gross loans (NPLs), asset quality is best with 2 to 2.2% for Groups 1 and 3, while it is 3.4% for Group 2 and the worst with 5.6% is Group 4. It is noted that the rate is relatively low in Group 3 as well as Group 1.

The IMF Working Paper also shows evaluation of soundness of commercial banks in Cameroon. Despite a sound banking system, financial intermediation remains still weak. Even though nonperforming loans has decreased in terms of the percentage of gross loans, it is still high. Reflecting the relatively high ratio of nonperforming loans, provisions for these loans is

⁸ Micro-finance institutions complement a part of functions of the commercial banks in a sense. However, the size of loans available from the micro-finance institutions are too small when it is compared to that of commercial banks.

getting larger. The paper points out about the commercial banks' activities: Firstly, in 2005, seven out of 11 banks were found to be solid or in good standing. Two banks were listed in "critical" condition. Secondly, continued vigilance is needed to address potential risks posed by smaller banks. Thirdly, Major obstacles to financial deepening include a poorly functioning judicial system, absence of adequate land registry systems, and lacks of resources and independence in COBAC, which results in some regulatory forbearance.

(2) Limited role of Commercial Banks on SMEs Finance

Notwithstanding that the Cameroon banking sector has made efforts to improve SME finance in the past, SMEs still feel their efforts are not enough. The following are dissatisfaction felt by SMEs⁹.

- Low banking penetration
- Lack of adequate branch infrastructure
- Neglect of SME sector
- Lack of adaptable products for informal SME sector
- Affordability of minimum deposit requirements
- Low level of competition
- Cash orientation of markets
- Remoteness of communities
- Lack of depth in financial intermediation
- Limited coverage of products

In addition, in the course of interviews with SMEs, and the Chamber of Commerce and Industry of Cameroon, the following four were identified as dissatisfaction regarding supply of SMEs finance by commercial banks.

- Indifferent attitude to SMEs
- Severe requirements for collateral
- Unavailability of long-term funds
- High interest rate

Among the above problems, the indifferent attitude to SMEs may be attributable to commercial banks' management style. First, most of them advanced to Cameroon for the purpose of providing financial services to American or European enterprises that had invested in Cameroon and they do not feel much interest in fostering Cameroon SMEs. Second, they

⁹ Source: Mr. Albert Essien "Finance for All What's Next & How to Get There" (Ecobank)

operate their banking business according to international standards and expect to engage in financial transactions under the same international standards when dealing with SMEs. They expect SMEs in Cameroon to strengthen their corporate governance above all the things.

As for strict terms and conditions, commercial banks justify the current situation as follows. Severe request of collateral is due to high risk involved in SMEs loan. Lack of long-term finance is due to lack of measures to secure long-term funds at commercial banks. High interest rates are attributable to two factors. One is the high risk of an SME loan. The other is a high cost factor. In addition, in the case of SME finance, compared to finance for large companies, operation cost tends to higher because of SMEs' lack of knowledge on banking transactions as well as their lack of corporate governance. The large difference in the interest rates between that for SMEs (16 to 17% per year) and large enterprises (6 to 7% per year) may be explained in the following equation.

Interest rate (IR) for large enterprises

IR= international market rate + local factor (small)

Interest rate (IR) for SMEs

IR=international market rate + local factor + *risk premium* + *governance premium* + *transaction cost*

Since the large companies or multinational companies are able to obtain necessary funds in the international financial market and the interest rate they pay is the international rate plus a relatively small country risk. On the other hand, for SMEs, on top of the international market rate and local factor, there is a risk premium as "SMEs," a governance premium, and a higher transaction cost are added. These are in combination the main factor resulting in a large difference in interest rate.

Lack of competition among commercial banks and limited access to banks is another factor contributing to maintaining high interest rate. When competition among commercial banks becomes keen, the above difference will shrink. However, such a situation is not yet observed.

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. The mission of the fund, that is PRO-PME, was to lend money to SMEs who faced a severe shortage of finance under conditions of

the banking sector's restructuring at that time. The institution selected 55 SMEs as eligible borrowers. The financial activity proved to be successful and, then, the fund was transformed into a limited partnership in 2000 and privatized. The Canadian government fund was sold to Cameroon organizations including the Cameroon government, the Chamber of Commerce and private sector interests for 4 billion FCFA. In that 4 billion FCFA 0.5 billion FCFA was paid for by equity and the remaining 3.5 billion FCFA was covered by a 30-year debt. After the transformation, PRO-PME launched a new loan business. The business includes SMEs as its targets.

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, the manager of PRO-PME says.

Also, the manager says that they face problems in the form of lack of good corporate governance at their clients. Around 20% of non-performing assets are eventually written-off.

(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. The corporation currently invests or extends loans to 35 companies. Total investment and loan assets are 50-60 billion FCFA.

The main issue faced by the corporation is the lack of guarantees. In other words, the corporation has some risks for write-off of their loan assets.

(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. The fund is used for promoting development of informal sectors as well as job creation in rural areas. The amount of each loan ranges from 100,000 to 1.5 million FCFA. Interest rates are preferential, at 6%. The scheme does not require collateral. Repayment starts one year later from provision of the loan and ends in 15 months. The fund is a kind of "social fund." PIAASI has extended around 116 million FCFA of credit to 104 borrowers

(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. The agricultural sector is out of

the NEF scope. The target sector covers various areas ranging from printing shops and clinics to barbershops. Interest rates are 6% per annum. The maximum amount of a loan is 1 million FCFA.

NEF does not require any collateral but needs a guarantee by a third party. Since terms and conditions of NEF loans are so advantageous, many applicants have rushed to apply to NEF. Due to budget constraints, in selecting eligible borrowers, the NEF evaluates carefully whether the applicant is eligible as a borrower. For the same reason of budget constraint, applicants are obliged to wait long time until they obtain the loan. Comparing with microfinance, the scheme has an advantage in regard to terms and conditions.

5.4.4 Microfinance

(1) Present status

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 credit¹⁰.

Reportedly, 440 institutions received authorization from the Ministry of Economy and Finance and extend various financial services to micro, small and medium enterprises in Cameroon in 2007.

They are categorized into following three groups, by type of legal status.

Category 1 Cooperative/Credit union. Union members inject capital and savings and only they are entitled to borrow money from the union. CamCCUL falls under this category.

Category 2 Cooperative/Credit union. Union members inject capital and savings. Not only members but also people or enterprises outside the membership are given chances to borrow money. The unions are allowed to raise money from market when necessary. ACEP falls under this category

Category 3 Public in general and private companies establish microfinance institutions and carry out their business for the public in general and/or private companies. MC2 falls under this category. Since financial service is provided to the public in general, the activity of this type of microfinance institution is similar to banking activity.

Since the color of a public entity becomes stronger in the sequence of Category 3 to 2 to 1, the Ministry of Economy and Finance exercises its control according to this order. For example,

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

the minimum reserve requirement at the Central Bank is set more stringent for Category 2 and 3 than Category 1. In terms of operation volume, Category 1 holds a 70% share, while 2 and 3 hold 25% and 5% respectively. Even though microfinance institutions' main business is to extend loans to individuals and small business entities, institutions under Category 2 and 3 also extend loan to SMEs. However, the volume of such loans is not known. The reason why SMEs loans by institutions under Category 1 are few is that most of their members are individuals.

The following are some well known microfinance institutions in Cameroon.

- ACEP/C
- Advance Cameroon
- CamCCUL
- CCA
- CDS
- GECEFIC
- MC2
- MIFED
- MUFFA
- PENAPROV
- SAILD
- SOS Women
- CCED

The number of active borrowers varies from 300 to 38,000 depending on their operation history. The average loan balance per borrower also varies, from (in dollar equivalents) US\$300 to US\$1,300. One of their salient features is that the percentage of woman as borrowers in the total clients is considerably high. The percentage is at least 30% and in some institutions, it is almost 100%. Actually, some of these institutions were established targeting women in order to support women's business activities.

Figure 5-2 shows management efficiency in terms of the loan loss reserve ratio for each institution. The ratio varies from 0% to 20% and is 4-8% on average. However, as is surprising, no correlation between the ratio and scale of loan outstanding is observed.

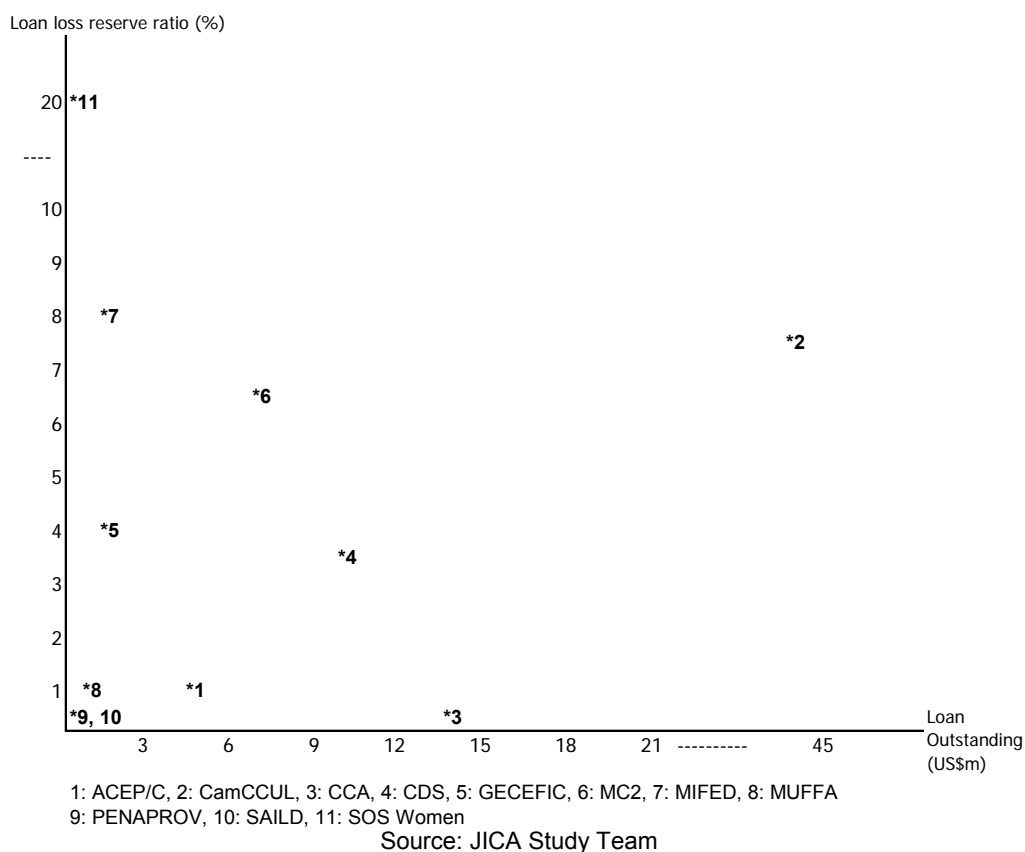


Figure 5-2 Microfinance Institution's Position

Another unique business model for microfinance is observed at MC2 and MUFFA, both of which are affiliates of a commercial bank, Afriland First Bank. MC2 was established as a rural development bank for alleviating poverty in rural areas. This case is a type of new business development by a commercial bank, but there also is a case where a microfinance institution established a commercial bank.

(2) Limited role of microfinance on SMEs finance

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.

Even though financial principles are quite different between SME finance and microfinance, a fact that should not be neglected is that when the customers at microfinance institutions grow and become SMEs, they will knock on the doors of SME finance institutions. It is necessary to consider how to use the function of microfinance institutions to foster SMEs.

5.4.5 Venture Capital

Besides seed money for new business, which is supplied by FNE as mentioned above, there is few venture capital. Afriland First bank is the most aggressive regarding venture capital. The bank holds three venture capital institutions. However, it should be noted that these institutions deal only with advanced industries, not traditional ones, without exceptions.

Under the current situation that there is no strong institution that provided start-up capital, the “tonchin” scheme is the most widely spread measure for local people to collect start-up funds. The system is based on confidence among participants. Participants are generally people living in the same village, friends, and relatives. In this case, the “start-up of a business” means an entrepreneur to become independent, rather than to become a successful businessman.

III SME Development Plan Proposal

1 Establishment of Basic Principles of SME Policy

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 (see II-1.3 for details of the PRSP).

<i>Strategic Area 1</i>	<i>Promoting a stable macroeconomic environment</i>
<i>Strategic Area 2</i>	<i>Strengthening growth by diversifying the economy</i>
<i>Strategic Area 3</i>	<i>Revitalizing the private sector as the main engine of growth and a partner in delivering social services.</i>
<i>Strategic Area 4</i>	<i>Developing basic infrastructures and natural resources while protecting the environment</i>
<i>Strategic Area 5</i>	<i>Accelerating regional integration in the framework of CEMAC</i>
<i>Strategic Area 6</i>	<i>Strengthening human resources and the social sector and facilitating the integration of vulnerable groups into the economy</i>
<i>Strategic Area 7</i>	<i>Improving the institutional framework, administrative management, and governance</i>

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.*

Moreover, “job creation and support for inclusion of the social weak in the economic circulation” points out the need for appropriate support for SME promotion and small industries.

The third year review of the RPSP in 2005 by the IMF and the World Bank, stated that the efforts made under the RPSP had produced certain results.¹

Revitalization of the private sector made sound progress, through the elimination of impeding factors for capacity building of SMEs and small industries as well as the development of the private sector. At the same time, it was pointed out that factors impeding the improvement of competitiveness remained, including a deficiency in financial services for SMEs and small industries and the credit guarantee structure, as well as poor organization of the private sector.

Furthermore, the need for introduction of public services for adequate supervision of SMEs and the formulation of sector strategic plans for SME promotion were pointed out in light of the fact that the Cameroon government plans to increase the budget allocation to MINPMEESA by 270% over the previous year for the purpose of SME promotion.

As of August 2008, the government was to review the PRSP, and plans to formulate PRSP II in the near future.² In this connection, it was pointed out that, from the SME promotion point of view, PRSP II should include support for networking of SMEs and small industries and the efficient buildup of government-private sector partnership. Finally, in Priority Goal 4, Infrastructure Development (to particularly emphasize roads), the development of the private sector was considered as one element. In this connection, it was pointed out that there was little support for improvement of technical capability of SMEs and small industries, a deficiency which should be corrected.

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 support.³

The Cameroon economy operates according to the basic stance of markets being open to the international scene and free economic activities. In view of the importance of ensuring

¹ Cameroon government (2006). “PRSP Progress Report on the Implementation of the PRSP.”

² MINPLAPDAT (2007), “Revision of PRSP.”

³ 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.

stable management with growth, and promotion of new business development under such economic circumstances, expectations for contribution of SME to economic development of the country vary depending on the category of SMEs (reflecting diversification), including medium-sized enterprises, which have not been considered as a part of SMEs up to now (in other words, they have been categorized as large enterprises).

Cameroon has made concerted efforts to meet the challenge given in the PRSP for its development. Diversification of the economy is one of the major challenges in the field of economy and industry.

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 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 is essential as the basis of the SME development policy that is to be developed, to analyze the expected role of SME in Cameroon for the social and economic development of the country.

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. SMEs may be regarded as the seedbed of businesses.

As stated in the PRS, industrial diversification is critical in assuring the country's economic development. As the oil sector's contribution to economic development declines, the improvement of the non-oil sector is a major challenge to be addressed for the following reasons: (1) the industrial sector can be a major driving force for sustainable reduction of poverty; (2) the country's potential markets are equivalent to a population of 200 million (including Central Africa and Nigeria); and (3) the country targets the annual economic growth rate of 6% in the next ten years (2005–2015). Within the manufacturing sector, the PRSP emphasizes development of the agro-processing, textile, and woodworking industries. These sectors have good growth potential due to the ability of

SMEs to meet niche demand, supply parts, partial subcontracting, and downstream activities, in addition to growth of large enterprises.

SMEs can make faster decisions than large enterprises and are good at flexible production (small lots and high variety), so that they are suitable for forming supporting industries that provide niche products and services. If they can be developed so as to function as supporting industries having international competitiveness in collaboration with large enterprises, the country's key industries will be reinforced from the bottom up and become more balanced in terms of structure. As a result, the entire industrial sector can be expected to improve in breadth and depth.

- 2) Development of SMEs will contribute to diversification of local industries, and increase domestic local value added. Domestic products will substitute for imported products that have satisfied local demand. Local production activities by SMEs will create jobs. 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) The capital cost per job created is usually lower in the case of SMEs than that of big business, and there is ample evidence that the labor absorptive capacity of SMEs is high. Development of SMEs generates employment and contributes to poverty reduction. The unemployment rate in Cameroon has remained high for many years. The increase and improvement of distribution of income by means of SME development will increase domestic demand for industrial products, and form 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

How to define the SMEs, as the target of policy towards the development goals, which are set in the above, is the topic to be discussed in this paragraph. Many countries have standard definition of SMEs to define SMEs in view of their the policy target.⁴

The standard definition on SME is yet to be established in Cameroon. The Ministry is in the process of developing the Ministry Strategy, and the establishment of the standard definition, which includes that of SME, Handicraft, and Social Economy, is a part of this work.

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

Meanwhile, the Handicraft Industry Law (Decree No.2007/004) designates enterprises engaged in handicraft business as those with 10 or less (paid) employees and the minimum value of investment equivalent to 1 million FCFA or less, as the target group. The INS adopts the following criteria in its industrial statistics.

Large enterprises	51 or more employees
Medium-sized enterprises	21 – 50 employees

⁴ A “standard” definition means that it may be used for policymaking and implementation purposes, but different definitions may be applied for different policy objectives. Also, there are a number of countries that do not define SMEs. The UK, for instance, sets a general definition only because it is believed that setting a uniform definition is difficult. In Germany, the majority supports the view that there is no interest in defining SMEs.

Small enterprises

20 or less employees

1.3.2 Definition of SMEs in the Present Report

(1) Definition of SMEs in the Present Report

The major bottleneck in establishing a definition of SME is lack of sufficient data on SMEs. The MINPMEESA is in the process of preparing an SME survey of their own, but it will take time to come to the conclusion.

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 provisional result of the survey is presented in II-2.3. The features of SMEs and their constraints in doing business have been analyzed based on the questionnaire survey, and the interview survey, which was also conducted at many SMEs at the same time. (The overview of the SMEs' situation is presented in II-2.1, while their development challenge is described in II-4.2.)

Based on these results, this report adopts the following definitions. They are essentially based on features and constraints of enterprises as determined from the interview surveys, while using the number of employees as quantitative index.

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

Size category in terms of number of employees	Definition	Typical features and constraints of the enterprises under the category
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.

(2) Consideration of SMEs Definition

“How the definition of SME should be made” is highly related to “why the definition is needed”. The definition of SME is utilized for specifying those SMEs for which a specific policy, a policy measure, an intuitional system, and/or an organization target is intended. The target SMEs are supposed to be defined when the need arises, based on the nature of the targets set by the policies, etc. However, if the target SMEs are defined on an as-needed basis, the

system will be confusing on both the implementation side and the beneficiary side. To avoid such confusion and inconvenience, it is good if the standard definition is established in advance and in general, and applied when it is needed. When using the standard definition, consistency and coordination among the different policies become possible. Further, it also enables to make the conditions of SMEs to be clear statistically.

Many countries make a definition of SME in their basic law for SMEs, which also states basic policy on SME development. It is also a fact, however, that different agencies define their own target SMEs with their own methods at the same time. Their definitions are mostly developed using the standard definition as the base of their definition while adding some factors, as specifically required, to the standard definition.

In defining the SME, the features and constraints of enterprises, which the policy intends to target as SMEs, must first be studied, and then, analysis should be made carefully using indices to represent such SMEs by finding out the enterprises which have such features and constraints.

Generally speaking, the basic features of SMEs, which SME policy targets, are the disadvantages and constraints of the enterprises that are caused by their small size of operation and that are hard to resolve through the prevailing market mechanism.

(3) Indices used for the definition

There are two types of indices used in defining SME in general, namely quantitative indices and qualitative indices. The quantitative indices are better than qualitative indices in view of easiness of use. The qualitative indices are often used to supplement the quantitative indices, when the quantitative indices alone are not sufficient to define the target SMEs clearly.

Widely used quantitative indices are the number of employees, the amount of capital, value of assets, and value of annual sales. However, the value of assets is difficult to assess and that value of annual sales tends to fluctuate due to general business trends, so that they are not considered to be appropriate indices for the purpose of this study.

In the case of number of employees and amount of capital, it is necessary for these two indices to have significant correlation between them in order to use them simultaneously. In actuality, however, in the case of Cameroon, the considerable variation is observed as being in-between the two indices. For example, the enterprises of 1 million FCFA of capital are found to employ 5 to 50 employees. If it is 10 million FCFA, the number of employees are 5 to 40, with one enterprise employing 201 persons. Further, in the case of 100 million FCFA of capital, employees are 15 to 100. Figure 1-1 show the correlation between the amount of capital and the number of employees. Based on these figures, it may be concluded that there is a need to collect more data and conduct further statistical analysis on the correlation, before using these indices simultaneously, although a certain level of correlation between the two indices are estimated.

Further, it is found that if the enterprises are classified by number of employees, the features and constraints of enterprises under the same class, seem to resemble significantly. In this context, it is recommended to use the number of employees as the index for classification of the size of enterprises.

In the case of enterprises in Cameroon, many foreign affiliated enterprises are found in the class of 40 employees or more. These enterprises have sufficient organizational ability in raising required funds, collecting and analyzing market information, and developing human resources, under the supervision of the parent company abroad, even if their size of operation in Cameroon is small. The enterprises which were established by privatizing former state enterprises, also seem to have the enough organizational ability as in the case of the foreign affiliated enterprises. In this context, it is recommended to use the qualitative definition of “exclusive of foreign affiliated enterprises, and enterprises privatized from the state enterprises” for the definition of SMEs.

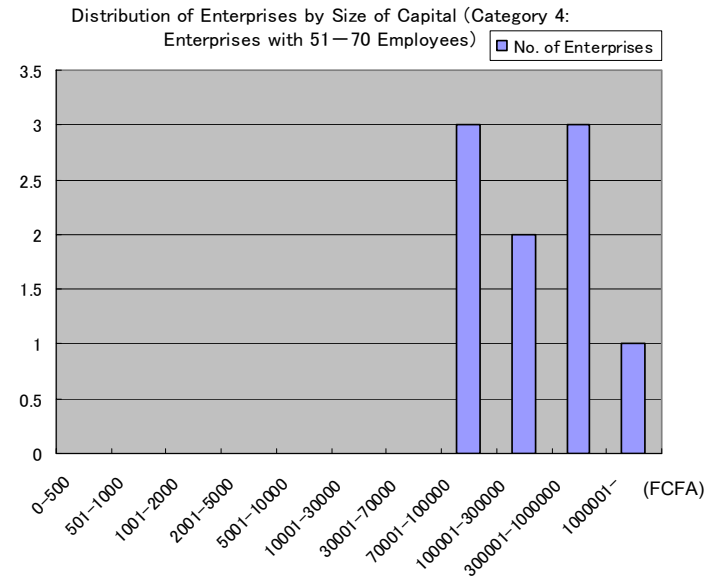
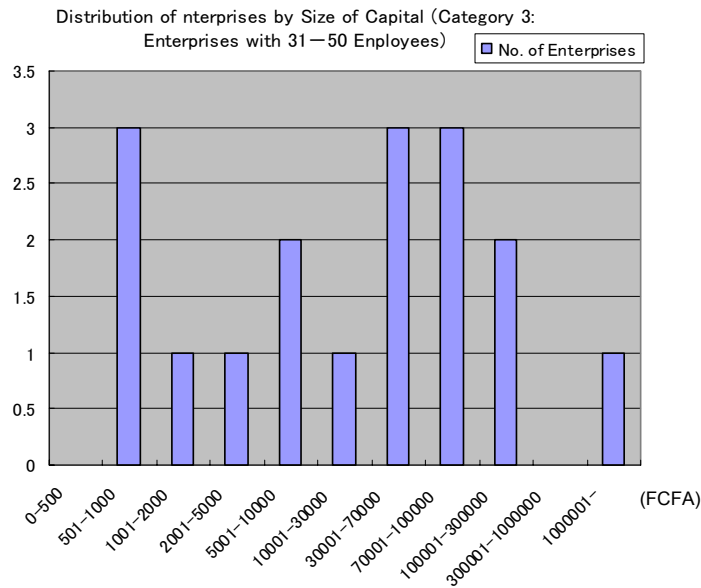
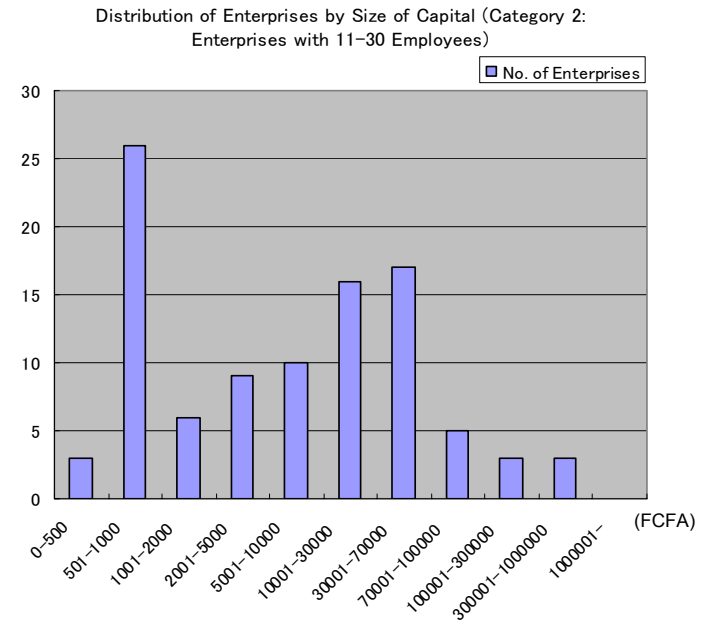
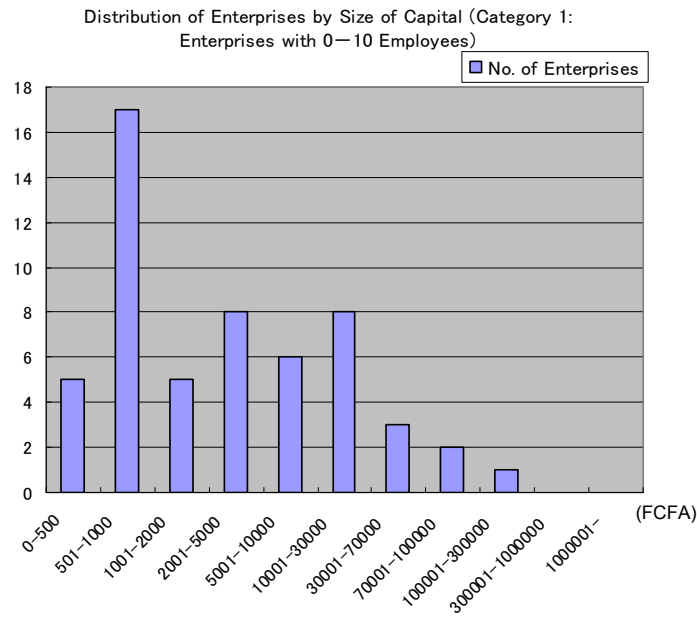
(4) Consideration of other types of business organizations and informal sector enterprises in the SME definition

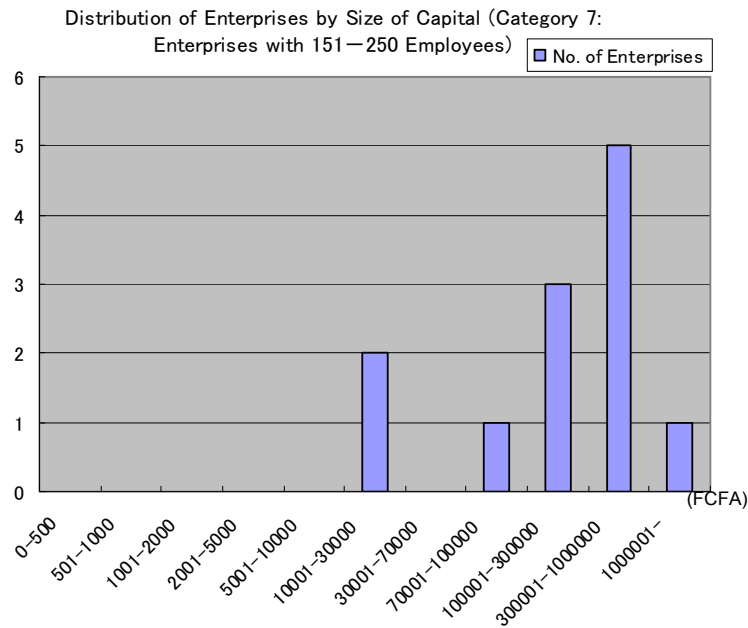
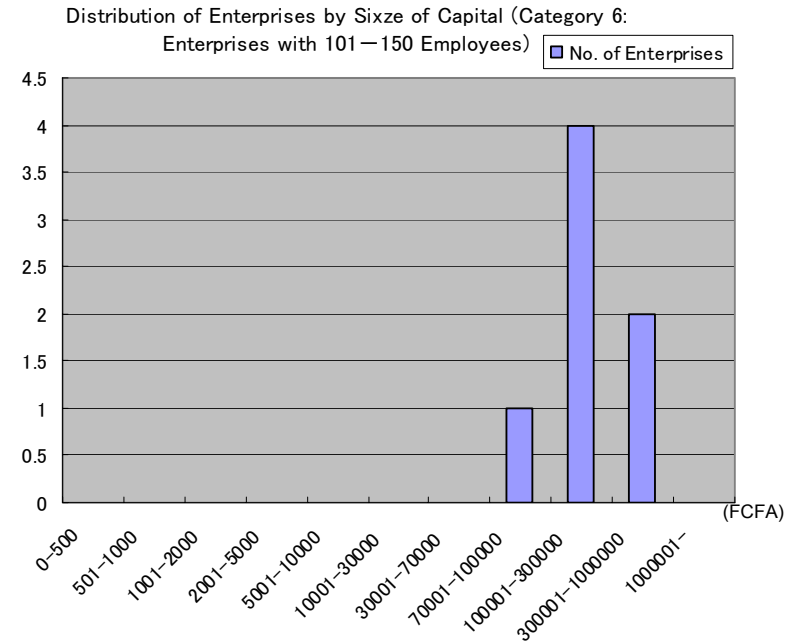
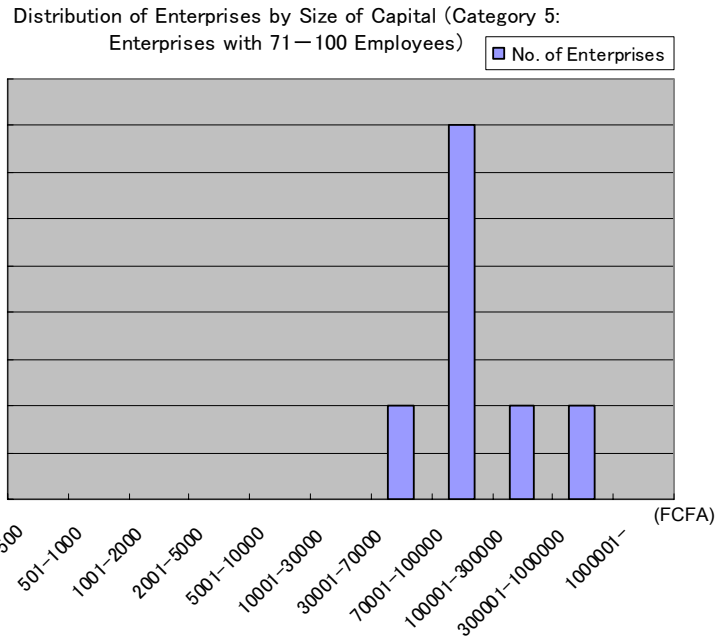
In Cameroon, many GICs and social economic business organizations are operated as small- and micro-sized business entities. The definition of SMEs, which is designed to specify the target group for support programs, should be clear as to how to treat these organizations, which are registered as GIC or small business organizations but have business registration. The SME definition should include GICs and social business organizations, which intend to conduct business activities and obtain business registration, so that they can be treated as a policy target.

This principle should also be applied to enterprises in the informal sector, i.e., those that have completed business registration (formalized) should be included in the proposed SME definition and thus entitled to the MINPMEESA’s policies and programs.

In this connection, business registration requirements should be eased because many SMEs feel difficulty relating to registration procedures. This is discussed in III-2.5.

Figure 1-1 Distribution of Enterprises by Size





Source: JICA Study Team "Questionnaire Survey on SME"

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 in the Progress Report. The funds and human resources available for SME development are still limited, despite the significance of SME development in social and economic development of this country.

In view of the above, 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. Thus, it must show a clear road map for necessary support for the SME development in this country, defining the priority of policies and measures for SME development, which will be identified based on sufficient analysis of relevant issues. 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.

III SME Development Plan Proposal

2 Program Deployment Proposals for Targeting Specific Development Goals

2 Program Deployment Proposals for Targeting Specific Development Goals

The Master Plan sets the final development goal to enable SMEs (including microenterprises, 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. However, SMEs are diverse in nature and size, according to which they require different development perspectives. The Master Plan establishes the following three development perspectives on the basis of results of analysis of the current state of SMEs and development-related issues facing them (III-1.2).

The first development perspective is to enable SMEs to play a positive role in growth and stability of economy and diversification and deepening of industry, where large-size enterprises alone have played major role up to now.

The second perspective is to assist small- and micro-size enterprises, which are facing difficulties in staying in businesses, by supporting efforts of raising the level of management, so as to enable them, at least, to continue operations. Although they cannot contribute to the economic development significantly, they are contributing to avoidance of social insecurity by absorbing labor in significant numbers.

The third perspective is to facilitate starting up of new ventures and support the new operations to make them stable, in view of ensuring and expanding the contribution of the SME sector to social and economic development.

The target SMEs vary depending on the development goal, 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

Development perspective (Goal)	Major target groups (Types of SME)	Major issues relating to development
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

In the following sections, a specific set of individual programs are proposed to address each of the above development issues in an effective and efficient manner.

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-1.3.2 “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

1) Improvement of the business environment

Generally, medium-size and upper medium-size enterprises in the country feel limitation to expansion in their present business fields. At the same time, they are willing to expand into neighboring business areas, although they are reluctant to immediate business expansion due to an unfavorable business environment. This means, if the business environment is improved, they will be encouraged to launch business expansion efforts.

Improvement of the business environment should deal with two major areas. One is concerned with the improvement of the financial system, in particular, to help individual companies overcome difficulty in securing long-term funds for capital investment, as well as reduction of the financial cost of funds. Another area of improvement is related to customs duties. In particular, the largest issue is to correct the present unfair treatment of imported materials in terms of tariffs, from the viewpoint of improving competitiveness and providing incentives for new business development.

Improvement of the financial system cannot be achieved without the establishment of a financial institution specialized in SME finance (II-5.4), which should be accompanied by an appropriate credit guarantee scheme to facilitate smooth supply of SME finance.

Note that other programs are also needed for the improvement of the business environment, especially those adopted for the sake of development of domestic industry by means of infrastructure development and investment promotion. However, they are concerned with the country's industry as a whole, being not limited to SMEs, so that they are not considered as SME-oriented programs.

2) Support for development of new business opportunities

As medium-size and upper medium-size enterprises in Cameroon generally feel that they face a limitation in further growth in their current business fields, it is particularly important for them to find new markets or business opportunities if they are to expand business further. Yet, they are not capable of finding such opportunities in an effective and efficient manner because their information gathering capability is limited.

The business environment surrounding medium-size and upper medium-size enterprises in the country is characterized by a small domestic market, which is under increasing competition with imported products. As for internal conditions of individual companies,

their production systems are generally equipment intensive and are operated at very low rate of capacity, as seen currently, a situation that hurts competitiveness. Furthermore, many of them are processing imported, semi-finished products, resulting in a relatively high production cost. Thus, most of them are not competitive enough to enter export business.

Meanwhile, medium-size and upper medium-size enterprises have been making substantial efforts to sell their products to domestic markets and customers. Thus, government support should focus on the development of untapped markets that are difficult for individual companies to gain access to. It is therefore proposed to provide more intensive support to help find opportunities in undeveloped segments of the CEMAC market as well as neighboring markets that have potential demand for Cameroon products (especially Equatorial Guinea and Nigeria that show high potential).

In conclusion, the immediate support program should aim to collect information on such undeveloped or potential markets. Based on the results of information collected and analyzed, a program could then be developed to provide a platform or platforms for promoting Cameroon products, such as a trade fair planned for a specific target market and the establishment of an ad-hoc marketplace.

3) Collection and dissemination of information for development of new business opportunities

Another key factor for successful development of new business opportunities is availability of information concerning business seeds. The inability to find a prospective business area is one of the reasons why medium-size and upper medium-size enterprises cannot enter a new business domain despite their willingness to do so. These companies are viewed as established enterprises in the country but do not have an organization or resource to collect information on new markets, business opportunities and technologies in a systematic manner. As a result, their chance of discovering prospective business openings is very limited.

Moreover, the country's industry is not fully diversified to create spill-over benefit from collection of business information.

In reality, however, it is difficult for a public organization to collect and provide such information for individual companies. Rather, government is expected to collect and store information on business seeds and needs until industrial diversification reaches a certain level. Collected information should then be compiled as part of an information system that can be used by SMEs, and which should be operated in conjunction with programs to promote their efforts for organizing SMEs or reinforce contact between government and SMEs.

4) Support for advancement of management capability

The target group, medium-size and upper medium-size enterprises, has still to improve competitiveness from international market perspectives. The lack of international competitiveness is found in not only information gathering capability (particularly, information on new markets, technologies and resources) but also management capability including production management techniques and skills, which have to be upgraded if they are to compete strongly in the international market.

However, these companies generally do not feel a strong need for government support relating to the improvement of management capability and production technology, which is critical to new market or business development. There are several reasons for this. First of all, they are not required to have advanced levels of management capability and production technology in their present markets. Secondly, their production systems are especially designed for specific products and they do not need to make further innovation. Lastly, they do not trust government's ability to provide effective support service.

The need for improvement of these capabilities is only recognized when they face a situation where they are required to use them on a commercial basis. At present, however, they do not appear to be ready to accept government support that focuses on the improvement of management capability. It is therefore proposed to create a workable support system and make it ready for companies to use it when they feel the need.

5) Improvement of international competitiveness and export promotion

The target companies primarily serve the domestic market and part of the CEMAC market currently. However, these markets generate relatively small demand that does not justify the introduction of an internationally competitive production system. It is difficult for Cameroon products to acquire international competitiveness even in the domestic market, particularly in manufacturing products that are being produced in large number in other countries. To overcome this situation, they should find a product, business or market where demand is relatively small (a niche product or highly specialized business or market) and they do not have to compete with mass produced products. Their efforts should be sustained by providing government support for improvement of international competitiveness in combination with export promotion measures such as the MOC's support for participation in international trade shows. Specifically, support programs include technical assistance and human resource development in a variety of areas that help local companies to compete with imported products and to explore export markets, such assistance to include, inter alia, product design, improvement and development of packaging, and improvement of marketing techniques.

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

Programs aiming for this development goal should target companies that are considered to be the core group eligible for public support, from the standpoint that they have high potential to become a driving force for the country's social and economic development. At the same time, they are highly diverse in terms of the level of enthusiasm to expand their businesses and their viability. As the target group, therefore, they include many companies that do not promise high possibility to produce the expected effectiveness, in comparison to medium-size and upper medium-size enterprises targeted for the previous development goal.

As a result, a program that aims for all companies in the target group may not produce satisfactory results due to limitations of budget and manpower. Instead, the program should focus on a specific group or area that is selected as a strategic target in order to maximize program effectiveness from the industrial development point of view.

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

- 1) Support for exploration of new sales and business opportunities

Providing sales and business opportunities for the target group, including microenterprises that have a strong desire for business expansion, is expected to serve as effective and desirable support. As small companies are limited in ability to collect information and do not have a dedicated marketing organization, they are generally incapable of developing the market on their own. While some companies carry out sales promotion activities, they generally face difficulty in contacting or meeting potential customers.

On the other hand, large local corporations, foreign companies and plantations supplying or processing primary products, find sources of revenue and growth in the export market. In the domestic market, modern distribution networks are in the course of development such as department stores and supermarkets. If SMEs can make use of export marketing capability and market channels of these large companies in exploring new markets, and if SMEs can enhance their management and technological capabilities to meet demand from national and export markets, they will be able to explore new markets and expand business much faster and easier than they could do from scratch.

In this context, it is proposed to provide sales and business opportunities for the target small enterprises by arranging sales promotion seminars and similar events that are attended by the SMEs and their potential buyers, e.g., large local corporations, foreign companies, government agencies, and department stores and supermarkets. Besides this, another possibility is to ask the cooperation of these companies in providing support for the small enterprises in relation to the development of downstream products using materials supplied by them.

Including other possible programs similar to the above, the following support activities are recommended.

1. Sales promotion meetings by the SMEs attended the large distributors like supermarkets, department stores, and other distributors in modern distribution sector
2. Seminars on subcontracting or procurement opportunities provided by large corporations and foreign companies
3. Favorable treatment of SMEs in government procurement¹

¹ This activity are already translated into practice

4. Seminars to support the small enterprises in relation to development of downstream products using materials supplied by the large and foreign enterprises

It should be noted, however, that effectiveness of the above support activities may be severely limited unless the provision of sales and business opportunities for the target group enterprises is accompanied by support for improvement of their management and technological capabilities.

In fact, small manufacturers cannot take advantage of opportunities created by public support programs in many cases, because their products do not meet quality or performance requirements, including design uniformity, or their supply capacity does not meet volume demand in the modern distribution channels. Also, they cannot seize opportunities due to the lack of funds to purchase raw materials or the lack of transportation to deliver products on time.

Thus, it is critical to provide comprehensive support measures to help the target enterprises to improve quality and performance of products and packaging, to comply with delivery schedules, to increase production capacity to meet demand, and to obtain working capital to support business expansion.

2) Provision of opportunity for market exposure

The small enterprises mostly serve local customers who visit their workshops and buy products on site. They display product samples only to prospective customers. They rarely have a showroom to display their products in a place that is accessible to potential customers. Consequently, their presence is known only by a small number of customers.

If their products are made known to a large number of potential customers, they will be able to enjoy increased sales opportunity and expand business. As they primarily serve end users including general consumers, rather than companies making repeated and volume purchases, the establishment of a permanent exhibition and sales outlet is more effective than participation in trade fairs. In particular, setting up a showroom in a location accessible by potential customers will provide incentive for small manufacturers to learn the customers' needs and supply products accordingly, as well as provide increased sales opportunities.

3) Providing improved accessibility to finance specifically for SMEs

In addition to the lack of sales opportunities, finance is a major obstacle for SMEs to expand business. While financial institutions point out that a limited number of projects are

qualified for commercial lending, small companies complain about high interest rates² and the lack of long-term loans. Furthermore, small enterprises cannot meet collateral requirements demanded by financial institutions.

As these problems are difficult to overcome under the country's present financial system (see II-5.4 for details), it is imperative to establish a financial institution specialized in SME finance, accompanied by a loan guarantee scheme to ensure smooth operation of the new financial institution.

Furthermore, it is important to introduce support measures for improvement of management and technological capabilities of SMEs, concurrently with the creation of the specialized financial institution, so as to improve eligibility of projects for which loan applications are made.

- 4) Support for advancement of management capability through promotion of joint undertaking of business among SMEs and micro enterprises, and introduction of production equipment of basic requirements

As discussed earlier, to promote expansion of the business base from the present local scale to the regional or national scale, expansion of production (supply) capacity and advancement of management capability are essential.

Because supply capacity of these companies has not reached the levels demanded by buyers, they do not have an opportunity to create mutually beneficial relationships with large corporations and modern-sector distributors. In particular, most SMEs, except for upper medium-size enterprises, continue to use outdated or inefficient equipment. In many cases, manual work still prevails to perform tasks that should be done by machine. Consequently, they cannot supply products that can be sold through modern distribution channels.

As far as their supply capacity remains at the present low level, large customers will not likely purchase their products. To overcome this barrier, a feasible solution is to increase supply capacity by organizing small companies into an association or other type of cooperative organization. Also, the introduction of basic equipment and means of transportation for sharing among a group of companies seems to be effective in promoting uniform quality and capacity expansion.

² Interest rates for SME loans are generally set at higher levels than that for large corporations and foreign companies.

5) Establishment of the support system for reinforcement of management capability

As mentioned earlier, to promote expansion of the business base of small and micro enterprises from the present local scale to the regional or national scale, increase in supply capacity and reinforcement of management capability are essential. It is therefore proposed to establish a system to provide necessary training and advice for the management as a means to support self-help efforts of SMEs.

6) Information gathering and provision for exploration of new business opportunities
(see III-2.1)

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.

Meanwhile, care is required as to how much the target group should cover, because potential beneficiaries include diverse types of business entities, including microenterprises, personal enterprises, handicraft workers, GICs, and social business organizations, which are registered and legally authorized. In some cases, GICs and handicraft workers do not conduct business activities, although they are registered under the respective laws. Social economy organizations do not necessarily carry out business activities. If all of these individuals and organizations are to receive public support uniformly, considerable funds and manpower will be required. At the same time, an unduly widened target population may dilute effectiveness

expected from the program, i.e., to allow target companies to maintain employment and social contribution through continued operation.

It is therefore proposed to limit the program coverage solely to companies, individuals, and organizations that show intention to continue business activity. Such intention can be checked by various methods. One is to ask those who want to participate the programs to make business registration as a prerequisite to program eligibility. Although GICs, social economic organizations, and cooperatives are registered with respective regulatory authorities, the recommendation is to ask them to register again as a business entity in order to confirm that they are actually willing to conduct business activity. 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.³

(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 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.

³ See III-2.5

1) Development of channels and widows to deliver supports, and support self-help efforts of small and micro enterprises

Government capacity to provide support has quantitative limitation due to resource restraints. Therefore, self-help efforts of individual companies where possible, are the minimum assumption for the effective Government support. In this context, it is desirable to create an environment that encourages companies to exchange and share information among them to raise awareness of the need for self-help efforts. This kind of activates can be seen under the initiatives of trade associations, etc. However, the target small and micro enterprises, here, are highly diverse in type of business, ownership, and management capability, and difficult to be organized into a trade association. Therefore, it is proposed that they should be organized into a are-based organization (such as a local chamber of commerce and industry). This type of organization is expected to revitalize individual companies through increased interaction among them and to serve as the center of industrial development activity in the respective areas.

While chambers of commerce and industry is organized as an organization of enterprises, and its area-based organizations are supposed to be established throughout the country, they are not ready to conduct full-fledged activities for member companies in many areas except in large cities. Under such situation of regional organizations of chamber of commerce and industry, and taking into account of the immediate needs of area-based organization of SMEs as the channel to deliver government support to SMEs, the importance of start organizing the SMEs at the local level should be stressed, rather than establishing local chapters by top-down approach. This way, companies in each locality will have an organization that promotes and serves their best interest.

At the same time, it is important to develop a government channel for delivery of support service, including a contact points for companies. At present, the MINPMEESA is establishing regional delegation offices, but the contact point should be established separately from it, in view of establishing a system to deliver the support to SMEs.

In the future, the contact points are expected to function as one-stop service center by an organization that implements a variety of support programs for SMEs on behalf of various government offices and international organizations.

All in all, priority programs targeting the development goal should focus on the following activities.

1. Establishment of community-based organizations of SMEs (area-based SME associations of commerce and industry), and provision of SME support through the organizations
2. Establishment of local contact points handling government support programs

2) Provision of unsecured loans to provide a small bridge fund

Most of the target small and micro enterprises do not conduct sales activities and make products upon the order from customers who visit their workshops. While their working capital requirements are relatively small, it takes a long period of time between their procurement of raw materials and the later collection of proceeds from actual sales. Sometimes, the fund is diverted to household expenses. As a result, they face difficulty in continuing business.

Although the required working capital is relatively small, these companies cannot obtain loans due to the absence of collateral. Meanwhile, small loans such as in these cases are difficult to provide under the formal loan scheme of the proposed financial institution specialized in SME finance. Thus, government needs to fill the gap by meeting demand in the form of policy-based finance. In this case, what is needed is a guarantee scheme based on personal reliability of applicants and not on physical-dependent collateral.

3) Provision of support for small and micro enterprises, with emphasis on the enhancement of the management base by encouraging business collaboration and resource sharing

In order for small and micro enterprises can operate businesses on their own and in a sustainable way, the support program should be focused on the measures to assist them to raise the level of their management. In this connection, the highest priority should be given to the promotion of business collaboration (including organization of companies for joint operation). Typical business collaboration is formation of cooperatives by micro enterprises. However, here, the focus is rather on the partial collaboration such as the sharing of basic equipment, collaborative purchase of raw materials to ensure stable supply, or cost reduction by joint operation of means of transportation. The establishment of a joint corporation is also a major option. Through business collaboration, small and micro companies can amass and share assets and resources, which would otherwise be difficult to obtain. It may be combined with the provision of various tools to facilitate business operation by small and micro enterprises.

Furthermore, the support program should be linked to a management training course for managers on a demand basis. The course will teach management techniques including bookkeeping, business planning, and quality control. It should be upgraded, if it is found adequate, to a training project in order to disseminate management techniques throughout the country by featuring a specific area or industry.

In the future, the above-mentioned local organizations (area-based SME association of commerce and industry) may be used as the basis of implementing regional development projects.

The above support programs for small enterprises to provide business and sales opportunities (as proposed in 2.2 above) may be applied to this small and micro enterprises that have achieved upgrading of the level of management and show a prospect for business improvement or expansion.

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.

Business startups in Cameroon have been typically seen in the following cases: (1) new investment by foreign companies or large local enterprises; (2) investment in new business areas by the medium-size enterprises; and (3) startups of small or micro enterprises. The issues here is not concerned with (1), which is the challenges in the field of industry policy. Type (2) is covered in 2.1. Thus, the issue here deals with type (3) and is primarily concerned to facilitate the startup of small and micro enterprises, and their continuous operation. Further, the formalization of startup companies will be discussed in 2.5.

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 (see II-4.2.2), 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

The largest obstacle for persons who intend to start up a small or micro enterprise is to secure the initial funds. 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, it will be discussed in III-2.2 and 2.3.

1) Improvement of access to startup finance

Entrepreneurs who start up their company, manage to secure the required fund in advance. After startup, however, there is often the case that continuation of business becomes difficult as it takes considerable time to collect sales proceeds after the purchase of raw materials and there is great danger that the initial capital is run out. It is difficult for startup companies to obtain commercial loans because they do not have business records that can be used to demonstrate creditworthiness. Even the financial institutions specialized in SME finance, which was proposed to be established, will not accept loan applications from startup companies unless they satisfy certain requirements, such as those who have previously worked for a company or a government office.

In light of the fact that promotion of business startups can contribute greatly to future diversification of the industrial structure, it is recommended to provide the policy-driven finance scheme, which is to supplement the startup funds (i.e., to finance part of it) for companies that are not eligible for regular loans by the aforementioned SME financial institution, providing loans based on credibility of applicants themselves.

2) Provision of information required for business-startup planning

Another challenge facing startup companies is the difficulty in making an appropriate business plan. As seen in many startups including GICs, their business plans are not viable in many aspects. As a result, their products do not sell well or working capital is used up as it takes time to start sales activity. One reason for the inability to prepare a viable business plan is the lack of information required for proper planning, especially information on a specific industry, market or product. For instance, it is difficult to obtain information as to whether a raw material is available on a continuous basis.

However, it is not realistic to build a public information service system to provide startup companies with required information. Instead, it is proposed to start with the following activities: (1) collection and provision of information relating to possible sources of relevant information; and (2) provision of IT infrastructure for information gathering. They should be provided through the aforementioned contact point (SME support centers).

3) Provision of support in preparing business planning

As already pointed out, most loan applications made by startup companies fail to meet requirements set by financial institutions, causing difficulty in obtaining SME loans.

This is originated in the inability of business owners to make a viable business plan, partly because they do not have access to relevant information and partly because they generally lack management knowledge and skills required for development of a business plan acceptable to the potential lender. For this reason, it is proposed to provide a support

program focusing on the improvement of management capability of startup companies by providing technical assistance and advice on business planning together with advice on initial operation.

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. (See II-2.1.2 for detail.) 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 target is enterprises in the informal sector. These business entities (including business persons) employ 60% - 65% of the working population and contribute output equivalent to approximately 25% - 30% of the country's GDP. On the other hand, companies in the formal sector do not increase significantly in number, due to a small number of investment projects including foreign investment, and their employment does not grow much. Under these circumstances, it is important to ensure continuation, stability, and growth of the enterprises currently in the informal sector.

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.

Thus, the major issue is to make enterprises in the informal sector known the public so that they can benefit from SME promotion programs. This is called "formalization" for the purpose of this study.

Note that enterprises classified into the informal sector include newly founded, but not yet registered enterprises, and they are a part of the target enterprises under the current topics.

Promotion of formalization per se does not necessarily help informal sector enterprises in their unfavorable conditions. Instead, formalization creates opportunity for upgrading by making them eligible for public support that helps improve their management capability. As mentioned earlier, however, these programs should target companies that have the intent to continue and grow their business. If they cover business establishments that do not actually conduct business, including informal sector enterprises, effectiveness of policy cannot be expected because limited funds and manpower are spread out. One way to maximize program

effectiveness is to require formalization of informal sector enterprises that feel difficulty in the competitive environment, despite their willingness to continue business. In this connection, it is important to make formalization requirements and the formalization process as simple as possible, in order to create an environment where formalized enterprises can enjoy substantial benefits from formalization in comparison to negative impacts.

(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 procedures⁴.

Furthermore, periodical surveys of the informal sector should be conducted to maximize effectiveness of the policy measures intending their formalization.⁵

- 1) Establishment of eased formalization requirements, and promotion of formalization based on the new requirements

There are several definitions of informal sector enterprises according to different organizations. The minimum or common requirement among them is the business registration⁶.

Informal sector enterprises include business entities that do not make registration because they find no advantage or benefit from becoming the formal sector, or because they believe that staying in the informal sector is advantageous (see II-2.1.2 for detail). However, companies that may want to make registration but cannot do it for various reasons appear to constitute the majority. Major factors for discouraging business registration are as follows⁷.

1. Minimum capital requirement: 1 million FCFA or over
2. Business registration cost: At least 100,000 FCFA including the registration fee and documentation and other service costs relating to registration procedures

From the standpoint of “providing support measures for business entities in the informal sector, which want to continue business but feel difficulty in doing so,” in view of promoting formalization, little effect can be expected by simply applying the above requirements. Instead, it is important to establish formalization requirements that are different from those for business

⁴ This registration system will be applied not only to private enterprises, but GICs and social economic organizations that conduct business activities.

⁵ 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.

⁶ Other requirements include the adoption of an adequate accounting system and payment of tax. Note that they should be additional requirements because some informal sector enterprises pay tax, while some companies in the formal sector do not maintain an adequate accounting system despite the fact that they are required to do so. Thus, business registration should be set as the minimum requirement for formalization.

⁷ While aversion to the opaque taxation system is a major factor for discouraging business registration, tax is collected from companies regardless of their registration status.

registration and that enable to allow support programs to benefit eligible entities in the informal sector.

In establishing new formalization requirements, consideration should be given to handicraftsmen, GICs, social economic organizations, which have made other types of registration with respective regulatory agencies, are conducting business activities, and want to benefit from SME promotion programs.

2) Promotion of understanding of the current state of informal sector enterprises

The most detailed survey of business entities in the informal sector is the one conducted for those in Yaounde by the NIS, which covers a relatively large number of establishments. Nevertheless, no survey with statistical significance has been conducted on an either a national or regional level. Thus, no accurate data on informal sector enterprises are available. Furthermore, periodical surveys to trace the changes in the state of informal sector enterprises have not been conducted.

As it is reasonable to conclude that business entities in the informal sector occupy a fairly large position in the country's business community, their periodical surveys by the MINPMEESA are considered to be necessary in formulating and implementing appropriate development policy for SMEs and microenterprises.

III SME Development Plan Proposal

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

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

If Cameroon is to guide the national economy according to the internationally open market and free enterprise principles, SMEs are required to compete intensively with foreign companies for survival and growth, not only in the export markets but the domestic one as well. Globalization has benefited the country's economy by enabling it to rely on crude oil and agricultural exports and by creating opportunities for market expansion and inducement of foreign investment. And these benefits are expected to continue in the future. At the same time, globalization adversely affects companies that are not ready to compete in the international marketplace. Further, it even amplifies any deficiency of the market mechanism causing it to fail to work properly from time to time.

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. They cannot simply survive in the competitive environment because of their ineffective and inefficient management capabilities and resources including information gathering, financing, and human resource development. Unlike large enterprises, they cannot become competitive by their own effort alone.

Meanwhile, the Cameroon government has recognized the important role SMEs deserve in the country's economic and social development. It has been implementing a number of programs and measures on behalf of this potential, but they have not yet produced tangible results. In particular, 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. Government's functional role in this area should focus on support activities to ensure the smooth functioning of the market, such as simplification of administrative procedures to minimize time and effort required for businesses, and regulatory control to facilitate market activity.

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.

Direct support for SMEs should be justified as compensating for a general lack of resources on the SME side, including the ability to collect market and other information, raise funds, and train human resources, and the market mechanism alone is unable to allow most SMEs to overcome such disadvantage.

(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. Rather, they should include immeasurable effects as well as indirect effects induced by the program (including partial ones). In other words, a support program (project) should not be measured only on the basis of feasibility that is determined from comparison of direct costs and benefits.

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.

In managing a support program that is not financially feasible (i.e., financial benefits (revenues) earned from the project do not cover costs incurred by it), additional funds need to be acquired from other sources (e.g., a government subsidy or donation). If the funds help produce economic benefits in the long term (over a period of years), which exceed economic costs that have been disbursed, the program (project) should be justified and accepted.

This does not necessarily mean that government can implement an unjustified or wasteful support program, including the provision of free service for beneficiaries who can pay and are ready to pay a fee. If a program can be effectively implemented on a fee basis, an adequate fee should be assessed and collected accordingly.

In particular, governmental support service for SMEs should follow the general rules below.

- 1) In principle, it should be provided on a fee basis. Only when the uniform application of the fee would be counterproductive to the implementation of a specific policy, a lower rate (or free of charge, or exemption provision) should be applied to companies that are eligible for and have applied for such favorable treatment.
- 2) When revenues can be expected from a specific support service, such as advertisement, or when sponsors can be found to finance the whole or part of the service cost, such opportunity should be pursued so as to minimize government's financial burden.

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.

It is also recommended to introduce the market mechanism in selecting the firms or organizations to be entrusted with the implementation, and make most of the capability of private/non-government organizations in the process of policy implementation.

However, use of private organizations is not appropriate in the following cases:

- 1) When a service that is essential for small enterprises cannot be provided at an adequate or desirable level or at an affordable price;
- 2) When a guideline for a service standard or an additional activity to protect the interest of consumers or industries is required; or

- 3) When a specific activity is not adequate to rely on the private sector from the public interest and fairness.

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. Activities to ensure program implementation include:

- Securing of funds required for relevant support activities
- Improvement of program development systems and resources, such as the improvement of organizational efficiency and the assignment of competent personnel.

3.1.3 Coordination between MINPMEESA and the relevant Ministries

(1) MINPMEESA's SME Policy and Related Policies of Other Ministries

The policy target of the Ministry of MINPMEESA is SME. However, other ministries such as Industry, Commerce, Agriculture and Rural Development, and others which are responsible for policy for specific industries also include SME as their policy target. In addition, SMEs are also one of the major policy targets of the ministries, which are responsible for taxation, vocational training, and local development. In fact, many policies on economic development and industrial development have been prepared focusing on SMEs, since the majority of enterprises are SMEs in the case of Cameroon.

SME policy targets companies of specific size, whereas industrial policy focuses on a specific industry. SME policies can be roughly classified, from the viewpoint of policy target, into two types, i.e., "general (basic) policy" that covers all SMEs and "specific policy" that targets a specific group of SMEs according to industry or size (e.g., microenterprises). In industrialized countries including Japan, SME promotion is often positioned as a key element of development policy for a specific industry, e.g., the enactment of the SME Modernization Promotion Law in Japan.

(2) Demarcation of Policy Responsibility Among Related Ministries

No one government agency is now responsible for programs under a sectoral approach in general; each ministry concerned with SMEs is so concerned either on the basis of industrial policy for a certain sector, or SMEs are included with other, larger companies in the ministry's policy. Nevertheless, if the government decides to have policy targets according to the scale of enterprises, and specifically adopts a policy that focuses attention on rectifying or compensating for SMEs' weaknesses, then that government agency responsible should be in charge of the policy program for SME development.

On the other hand, there are some cases when a policy or program relating to the development of SMEs may not be suitable for implementation by an agency in charge of SME policy. Such policies and programs are roughly divided into two types: those that affect not only SMEs but also a large number of large enterprises, and those that require a specific or technical consideration other than SME development.

The former type includes export promotion, promotion of foreign investment, and price controls on public service. For instance, an export promotion program should be implemented by an agency in charge of export promotion policy, considering the fact that it is closely linked to tariff and other trade related policies, even if the majority of beneficiaries are SMEs.

Examples of the latter include unavailability of wood resources for furniture manufacturing, and environmental regulation on food processing companies. As these are related to forestry resource management, and environmental policy, respectively, they cannot be suitably or effectively handled by an agency responsible for SME policy alone.

(3) Coordination of Policy Implementation

As discussed earlier, 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.

At the same time, 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. Specifically, such a mechanism should be able to address the issues raised by contact points for SMEs (consultation desks, etc.) and trade organizations that represent the interests of SMEs and should be able to coordinate necessary action with appropriate policymaking organizations from the viewpoint of SME development.

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. Also, the Ministry of SME, SE&H is recommended to be designated as the competent authority in leading the coordination among the relevant Ministries, once the policy of coordination is decided by the Prime Minister.

The present law, regulating establishment of MINPMEESA, does not specify this point.

3.1.4 Facilitation, Supervision and Monitoring of Implementation

(1) Current System and Institution

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 have 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.

(2) Use and Accumulation of Experience Through Use of Outside Service Providers

As discussed earlier (III-3.1.2), a number of programs and projects relating to SME development in the country have been implemented by international organizations, which generally use private and public organizations as BDS providers, including professional service providers in the areas of law, accounting, taxation, and management consulting.

From the resource point of view, those organizations that have sufficient expertise and experience should continue to be used for future program implementation, rather than hire and train government workers for this. At the same time, a formal system should be developed to accumulate and use experience in policy implementation.

(3) Strategic Human Resource Development Relating to SME Promotion

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.

All of these personnel should understand difficulty in and advantages of SME management, the situation facing SMEs in the country, and government policy, in addition to expertise and experience in respective fields.

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.

CCMIA is an organization covering enterprises nationwide which have completed enterprise registration and paid tax. All of these enterprises are qualified as the voters for the directors. However, CCMIA lacks the field organizations to cater for activities in the specific locality.

The GIC is registered with the MINADER and forms upper-level organization as a federation, but it targets the GIC only.

In summary, any of them are still weak in terms of having a comprehensive view of unregistered enterprises, and in organizing small and micro-sized enterprises. As a result,

- 1) Many SMEs are still difficult to be accessed, resulting in incomplete communication and dissemination routes of public announcements to SMEs. At the same time, SMEs have no established channel to feed their opinions to the Government.
- 2) 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, since it is closely related to the development measures of financing. The implementation time framework for institutional set up is described in III-4.1.2.

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
	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)

(1) Objective and Outline

The Basic Law for SME Development (Law for SME promotion) is recommended to be established for the purpose of positioning the MINPMEESA as the formal organization responsible for coordination of ministries and agencies relating to SME promotion.

At present, various ministries and agencies implement programs related to SME promotion, in addition to the MINPMEESA, including the MINIMIDT, the MINCOM, the MINADER, and the MINTP. While the MINPMEESA is positioned as the administrative office in charge of SME promotion under authority of the special law that authorizes its establishment, the law does not specify the ministry's authority to advise other ministries to implement its SME promotion plan or make coordination between its activities and activities of other ministries. In fact, the coordinating function is said to be performed by the prime minister.

As for the projects which require a budget allocation for the costs of implementation, the duplication of the plans, if any, will be coordinated by the Ministry of Planning with implementation being monitored through disbursement of the expenditure.

However, there still will be need for coordination among the relevant ministries, on the overall plan of SME development, and on the business plan of SME development projects, and coordination among the relevant projects.

(2) Main Points

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.¹ In particular, the law should give power and authority to the MINPMEESA by having certain features, as follows:

1. The MINPMEESA is positioned as leading agency responsible for formulation and implementation of SME promotion policy.
2. It is authorized to propose to the prime minister to convene the National Committee for SME Development organized by the relevant ministers.
3. It is authorized to develop annual and medium-term SME promotion plans (including program plans to be implemented by any of the relevant ministries other than the

¹ Details of the law are discussed separately.

MINPMEESA) and budget proposals, and to propose them to the National Committee for SME Development organized by the relevant ministers (or to make coordination with the relevant ministries prior to the development of each plan). In addition, it is authorized to coordinate necessary activities and to implement programs according to the committee's decision.

4. It is authorized to develop draft proposals for ordinances and regulations relating to SME promotion and enforce them upon approval.
5. It is authorized to retain the highest level of control and management over the SME promotion system and organization.

Basic Law for SME Development (Law for SME Promotion)

The law should define and set forth the basic principle and policy that forms the basis of the country's SME promotion policies and programs, identifies the target beneficiary groups, and specifies the support systems and institutions. However, this is not written into statutory law in many countries or is replaced with policy documents that set forth a policy concept or framework. Whether the statutory law is enacted or the policy document is prepared, and the scope of the law (e.g., it should cover basic policy only or include comprehensive provisions) should be decided in consideration of each country's legal system and government organization. For Cameroon, it is recommended to enact the basic law because key points are already set forth in the decrees.

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.

For Cameroon, where SME policy has a very short history and there is an insufficient stock of expertise and experience, the enactment of detailed provisions may limit flexibility in policy formulation. 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.

[Key items of the basic law for SME promotion]

I. General

- 1) Basic principle of SME promotion
- 2) Basic policy of SME promotion
- 3) Definition of SMEs
- 4) Government's role, systems and institutions for SME promotion

- II. Outline of SME Promotion Programs
- III. Government Organization Relating to SME Promotion
- IV. Coordinating Committee on SME Promotion

Establishment of the coordinating committee and the basic law for SME promotion

By mandating the establishment of the coordinating committee on SME promotion, its position can be clearly defined under the agreement between related parties. Meanwhile, it may take considerable time and effort to establish the basic law that constitutes the foundation of SME promotion policy. In this case, the committee may be established separately from the basic law in order to start its activity. Then, its position and role will be officially confirmed in the basic law.

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)

(1) Objective and Outline

In formulating SME promotion programs, selecting target areas, industries or organizations, and implementing programs or entrusting program implementation, 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.

While the law for the establishment of the MINPMEESA sets forth that SME promotion is the MINPMEESA’s responsibility, it does not necessarily mean that the MINPMEESA is responsible for delivering all SME promotion services by its own staff members.

In fact, if the MINPMEESA is required to provide SME promotion services directly by its own staff members, it has to increase its workforce significantly and deploy local organizations nationwide, not to mention sufficient training for staff. At the same time, direct service delivery by the government office runs the risk of resulting in lack of efficiency.

On the other hand, some service providers in the private sector have good experience in SME support by having performed such services under contract from foreign or international organizations.

In consideration of these factors, it is proposed to establish a facilitation agency that is responsible for finalization of project content, the entrusting of the project to an outside contractor, and the monitoring and supervision of project implementation, while implementation of individual SME promotion and support programs will be contracted out to private organizations (service providers) with experience.

(2) Main Points

1) Functions

The program is to establish the SME Development Agency for the purpose of promoting implementation of SME promotion and support projects. Under this institutional framework, the MINPMEESA, the Facilitation Agency for Implementation of SME Support Projects, and the program implementation organization are expected to play the following roles in implementation of SME promotion and support projects.

MINPMEESA (Or other relevant ministry in some cases)	SME Development Agency	Implementation Organization (Service provider)
1) To define basic specifications (outline) for programs required for policy implementation. 2) To secure necessary approvals and permits for program implementation. 3) To secure approval for a preliminary budget.	1) To finalize the program on the basis of the basic specifications and estimate a program cost. 2) To select a program implementation organization and contract the program to it. 3) To monitor and supervise the program implementation status.	1) To propose a program implementation plan on the basis of Main points presented by the facilitation agency. 2) To conclude the program implementation contract with the facilitation agency and implement the program accordingly.

2) Area of responsibility, and internal organization

The agency's area of responsibility, assuming the development measures to be implemented as described in III-4, its internal organization to implement it, and manpower requirements (key personnel, only) are shown in Table 3-1.

**Table 3-1 Proposed internal organization, and their responsibility
- SME Development Agency -**

Division	Directors	Division Chief	Core staff	Responsibility		
1	Local development	1	1	2	SB-2	- Preparation of operation procedures and manuals
						- Budgeting and TOR preparation for bidding
						- Bidding of BDS providers
						- Training of BDS providers
						- Supervising and monitoring of the operation
						- Training of operation for staff at SME Support Center
			1	1	A-7	- Updating of information based on the activities of the SME Support Centers
						- Development of organization manual and action plan
			1	2	SB-3	- Budgeting incl. fund for supporting the operation
						- Training of leaders of the associations
						- Plan and implementation of promotional program of the associations
						1
- Administration of the register						
- Activities to encourage registration						

Note: "Number of core staff" does not include other staff such as secretary and clerical staffs.

(Continued on the next page.)

(Continued from the previous page)

Division	Directors	Division Chief	Core staff	Responsibility			
2	SME Guidance and training	1	3	A-3, 4, 5	Plan, development and supervision of projects to provide sales and business opportunities to SMEs, with cooperation with large and foreign affiliated enterprises	- Promotion for the big companies / distributors in the modern distribution sector	
						- Promotion for SEs&MEs	
						- List of capable BDS providers	
						- Bid and contract procedure with BDS providers	
						- Supervision and monitoring of implementation of pre-guidance for the participant SEs&MEs by the BDS providers	
						- Preparation for the business seminar	
			1	3	C-1	Establishment, and supervision of scheme to enhance management and technology of SMEs	- Development of guidance modules
							- Registration of BDS providers
							- Bid and contract procedure with BDS providers
					C-2	Project to encourage introduction of basic facility and equipment to SMEs	- Orientation for the registered BDS providers on the Guidance Modules
							- Training of operation for staff at SME Support Center
							- Supervision and monitoring of the implementation
C-3	Guidance for joint undertaking by SMEs	- Dissemination and promotion					
		- Guidance and advice					
		- Receiving application					
1	3	SC	Plan, development and supervision of human resource development system for SME promotion	- Dissemination and promotion			
				- Guidance and advice			
				- Receiving application			
				- Development of training modules			
				- Training of trainers			
				- Development of regular follow-up modules for the BDS providers			
3	General Affairs	1	3	B-4	Plan, development, and supervision of operation of the scheme to provide small working / startup funds	- Dissemination and promotion	
						- Guidance and advice	
			2	Other general affairs	- Receiving application		
					- Receiving application		
1	2	2	Planning, coordination and outsourcing				
Total		3	7	22			

Source: JICA Study Team

3) Estimated costs and expenses required

Table 3-2 estimates additional costs to be incurred in relation to the establishment of the agency. The costs relating to implementation of development measures are discussed later in III-4.2.

Table 3-2 Estimated Costs and Expenses for Implementation (1)
Project No. SB-1: SME Development Agency

Item	Estimated Costs and Expenses	Remarks	
Manpower and overhead costs	<u>Annual Costs</u> (’000FCFA)	At the time of full operation of their responsibilities, which are shown in Table 3-1. For the 1st through 3rd year of operation, following % of costs and expenses at full operation are assumed: 1st year: 40% 2nd year: 70% 3rd year: 90%	
	- Salaries and wages		163,800
	- Overhead costs		163,800
	Total		327,600

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- 1) Salaries and wages are estimated based on the following:

<u>Position</u>	<u>Number</u> (persons)	<u>Direct salary per person</u>
- Head of the Agency	1	1,500,000 FCFA/Mo.
- Director	3	800,000 FCFA/Mo.
- Division head	7	450,000 FCFA/Mo.
- Officer (Core staff)	22	300,000 FCFA/Mo.
Total	33	

- 2) Overhead costs are assumed at 100% of the "Salaries and wages, including the following:

1. Salaries and wages of the administrative staffs, including secretaries, clerical staff, guards, and others, including temporary staff. The number of administrative staffs is assumed 1.6 times of that of the core staffs and supervisor/management staffs.

- Administrative staff	53	120,000 FCFA/Mo., including that of temporary staff
------------------------	----	---
2. Office rent and maintenance and utility costs:
 - 605m2 (or 6m2/core staff, 20m2/supervisor and management staff, 2.5m2 for administrative staff, and 120m2 for meeting space). Annual rent is 46,800,000FCFA, assuming that unit rent is 6,000/m2/month.
 - Maintenance and utility costs: 25% of the annual rent.
3. Other overhead costs and expenses, including expenses for welfare, office supplies, transportation and communication expenses, and others.

Source: JICA Study Team

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

(1) Objective and Outline

SME promotion and support programs are provided by various ministries other than the MINPMEESA, including the MINIMIDT, the MINCOM, and the MINADER. Similarly, financial service programs are provided by NEF and microfinance organizations, in addition to commercial banks. Furthermore, international organizations conduct various programs.

To ensure effective use of these promotion and support programs, it is imperative to understand their details including requirements as well as application procedures. 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.

(2) Main Points

1) Preparation Process

To provide OSS-type support service for SMEs in effective and efficient manners, the following preparatory activities are called for.

1. Development of a database containing the details of SME promotion and support programs provided by the relevant ministries and organizations, including user requirements and application procedures (to be provided and updated by each of the relevant ministries and organizations)
2. Development of a database on human resources and organizations that are capable of providing professional service (including information that is based on information provided by service providers and that has been confirmed or updated according to follow-up investigation, and information obtained through consultation service)
3. Development of a database on local products, usable resources, and packaging materials (based on information furnished by service providers)
4. Implementation of training for personnel who are engaged in actual service

2) Scope of service

Under the program, the following services will be provided.

1. To provide information on available promotion and support programs in response to inquiries by SMEs or entrepreneurs, including inquiries on program content and user requirements, and to provide necessary support relating to application procedures.
2. To provide SMEs or entrepreneurs that need professional support with organizations and/or human resources that can be used.

3. To provide matching service relating to local products and resources (including packaging materials), which are covered in the relevant databases.
4. To receive filing of the SME registration under the afore-mentioned SME Registration System (see III-2.5)

The following services is *not* included.

1. To provide customized consulting service for individual SMEs or entrepreneurs, relating to operation and management.
2. To provide matching service relating to local products and resources (including packaging materials), which are not covered in the relevant databases.

3) Service delivery system

a) Outsourcing of SME promotion and support service

Implementation of SME promotion and support service contemplated under the program will be contracted to service providers having appropriate capabilities. The service contract will be renewed periodically (e.g., every three years), including the service provider who may be used continuously or replaced. Meanwhile, each of the relevant ministries is to assign, at its own cost, at least one staff member to the SME Development Agency as previously mentioned. Also, each ministry is responsible for providing basic information for the databases, as indicated in the preparation process, while providing updated program information for its personnel through period training.

b) Service delivery areas

SME promotion and support service will be provided in Yaounde and major regional cities. Field offices will be established basically in the office of area-based SME associations of commerce and industry, as discussed later, or a local delegation office of the MINPMEESA where no area-based SME associations of commerce and industry has been formed.

c) Deployment of the centers

The centers will be first established in large cities where SMEs are concentrated. Finally, they will be deployed to provide service for SMEs throughout the country. There will be two types of Centers; permanent type centers and mobile type centers, in consideration of cost restraint and efficiency of service delivery. The mobile type centers will provide service once a week, visiting a certain day of a week regularly.

Each center will be staffed by 3 – 5 persons in the case of permanent type centers, while it is 2 persons in the case of mobile type centers.

A preliminary plan for deployment of the centers is summarized in Table 3-3. The centers will be established in four phases. Upon completion of the fourth phase, at least

one permanent center will be operated in each province, while a total of 16 mobile teams will provide service throughout the country.

Note that no central organization will be established to control the centers. Rather, a division of SME Development Agency will perform the head office function.

Table 3-3 SME Support Center Establishment Plan

		Permanent Centers	Mobile Team (*)	Remarks
Number of staff / Center		5	2	
Number of Centers to be established	Phase 1	2	1	Douala, Yaounde
	Phase 2	5	3	Bafoussam, Garoua, Limbe
	Phase 3	8	5	
	Phase 4	10	16	One permanent center / province; Mobile teams will visit 48 locations a week

Note: (*) The Team is assumed to visit 3 locations / week
 Source: JICA Study Team

4) Estimated costs and expenses required

Additional costs to be incurred in relation to the establishment of the centers are summarized in Table 3-4, which consist of annual costs required for the establishment of one permanent center and those required for the organization of one mobile team. Note that each center include office space used as a provincial office of a area-based SME association of commerce and industry, which is proposed in 3.2.2.3.

Table 3-4 (1/2) Estimated Costs and Expenses for Implementation (2-1)
Project No. SB-2: Establishment of SME Support Centers
(For establishment and operation of a permanent center)

Item	Estimated Costs and Expenses			Remarks
Contract fee	<u>Annual Costs</u> (’000FCFA)			Annual costs/Center (*) 25% of the remuneration
	- Remunerations	31,320		
	- Administration costs (*)	7,830		
	Total	39,150		
Equipment/ facility	<u>Items</u>	<u>Number</u>	<u>Initial Costs</u> (’000FCFA)	Initial investment/Center
	- Computers	7	4,200	2 for use by the customers
	- Photo-copying machine	1	1,000	
	- Office furniture and fixtures	13	900	
	Total		6,100	
Building/ offices	- Office rent	180m2	12,960	Annual costs/Center
	- Maintenance and utility costs		1,296	- 20m2 for Center Manager, 12m2 /Staff including consultation space, 6m2/ administrative staff, and 60m2 for meeting space (for use by Regional SME Association). Annual rent: 6,000FCFA/m2/year. - Maintenance and utility costs: 10% of the annual rent.
	Total		14,256	

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- All the Center staffs are assumed to be contracted out. The remuneration rates for the outsourcing are assumed as follows:

<u>Position</u>	<u>Number (persons)</u>	<u>Remuneration rates</u> (per person)	
- Center Manager	1	450,000	FCFA/Mo.
- Staff	4	300,000	FCFA/Mo.
- Administrative staff	8	120,000	FCFA/Mo.

Source: JICA Study Team

Table 3-4 (2/2) Estimated Costs and Expenses for Implementation (2-2)
Project No. SB-2: Establishment of SME Support Centers
(For operation of Mobile Teams)

Item	Estimated Costs and Expenses			Remarks
Contract fee	<u>Annual Costs</u> (’000FCFA)			Annual costs/Team (*) 25% of the remuneration
	- Remunerations		15,120	
	- Administration costs (*)		3,780	
	Total		18,900	
Equipment/ facility	<u>Items</u>	<u>Number</u>	<u>Initial Costs</u> (’000FCFA)	Initial investment/Center
	- Computers	5	4,000	1 for use by the customers
	- Photo-copying machine	1	1,000	To be equipped at the permanent center, where they will belong to.
	- Office furniture and fixtures	6	415	
	- Vehicles	1	6,000	
Total		11,415		
Building/ offices	- Office rent	30m2	2,160	Annual costs/Team
	- Maintenance and utility costs		216	Additional office space for the Mobile Team at the permanent Center, where they will belong to.
	Total		2,376	- 6m2 /Staff. Annual rent is assumed 6,000FCFA/m2/year. - Maintenance and utility costs are assumed 35% of the annual rent, including fuel and maintenance costs of vehicles.
	- Fee for space for consultation	48m2	3,456	Annual costs/Team
	- Maintenance and utility costs		346	- 12m2 /Staff, including consultation space, 20m2 for waiting space. Annual rent is assumed 6,000FCFA/m2/year. - Maintenance and utility costs are assumed 10% of the annual rent.
	Total		3,802	

Assumptions:

- All the Mobile Team staffs are assumed to be contracted out. They will be attached to a permanent SME Support Center, and conduct their duties under the supervision of the Center Manager of the permanent center.
- Following is the number of staffs per Mobile Team to be added to the Center, and their remuneration rates.

<u>Position</u>	<u>Number (persons)</u>	<u>Remuneration rates</u> (per person)	
- Staff	2	450,000	FCFA/Mo.
- Administrative staff, including drivers	3	120,000	FCFA/Mo.

Source: JICA Study Team

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

(1) Objective and Outline

At present, there is no systematic channel to provide SMEs with information on available support programs or business opportunities (or risks/precautions). It is therefore 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.

(2) Main Points

It is proposed to establish a formal association of SMEs in each division to organize local SMEs as members. The initiative will start with divisions that have a large number of SMEs and will gradually spread nationwide.

The membership will cover SMEs defined by the MINPMEESA (including microenterprises, handicraft workers, and GICs), on the premise of a registration on SME registration system as described later (III-3.2.2.4). It should also include not only current registered enterprises but also non-registered enterprises before the establishment of the registration system because the association will act as the contact point for information and consultation services for SMEs as a whole.

Then, local associations will form a nationwide organization (federation) that will act under supervision of the MINPMEESA as well as the MINADER².

At present, there is no formal channel in the government or private sector to communicate or relay information on support service to SMEs on a nationwide basis or to receive request for consultation. There is no organization to represent their interest, while the following organizations perform a limited function.

1. Provincial delegation offices of the MINPMEESA
2. Local organizations of the CCIMA
3. Local organizations of SME-related business organizations

The MINPMEESA's provincial delegation (as well as divisional delegation planned to be established in the future) is expected to play the role of bridging between SMEs and the government (i.e., MINPMEESA). At present, its primary role is to inform SMEs of the MINPMEESA and its activity and to provide consultation and guidance service (in the form of

² MINADER is the competent authority of GIC.

seminars on management and technology). In reality, however, its activities are very limited due to a relatively short period that has transpired since the establishment of the delegation office, and the following limitations.

- 1) There is a shortage of full-time staff members (mostly part-time) and management staff lacks experience in consulting service for SMEs.
- 2) The delegation offices do not have sufficient data and information on SMEs in their jurisdiction.
- 3) Consultation is provided mainly by referring SMEs to related organizations. The delegation offices do not have the ability to carry out activities on their own, e.g., seminars and other support services are generally held or provided jointly with the chamber of commerce and industry and other organizations that make plans.
- 4) As a result, the delegation offices mainly serve microenterprises and SMEs, including informal sector enterprises, while SMEs opt to contact the MINCOM or the MINIMIDT.

These conditions are observed in provincial delegation offices in Yaounde and Douala, where the chamber of commerce and industry as well as trade organizations are relatively functional; however, resources and activities including the level of understanding of SMEs and content of support service in other areas are more limited.

There are SME-related organizations, some of which are affiliated to FENAP as a national confederation. They have been formed by SMEs that have participated in various workshops and consist of SMEs in a specific industry, although they do not necessarily exclude other industries. There are more than two organizations for the same industry. Also, there are job-oriented organizations such as those of handicraft workers and some SME owners and managers form groups to exchange information. Many of them are not active right now. Needless to say, they vary greatly in terms of SME membership (coverage). As support activities for member companies are decided by the leader of each organization, they are fairly limited due to resource constraint (manpower and funds). Finally, FENAP's activity is limited to voicing of opinions for member organizations and it lacks human resources and funds to provide full support.

In addition, there are business organizations, such as GICAM and SYDUSTRICAM, which are primarily composed of large and medium-size enterprises (that constitute the industrial backbone in the country). GICAM's activity includes support for SMEs but it primarily serves large and medium-size enterprises. SYDUSTRICAM is organized by managers of medium-size enterprises and is mainly engaged in information exchange and representation.

The CCIMA is an organization that can be joined by any company in the country. It is a public organization established according to the Chamber of Commerce and Industry Law and all companies with business registration can hold membership. Its mission is to conduct activities affecting interest of commerce, manufacturing and mining sectors as well as

handicraftsmen. In fact, the CCIMA represents the private sector in collaborative activities with the government. Many activities for SMEs are carried out in this form.

While the CCIMA has local representatives, they do not necessarily have their own local organization and activity, other than large cities. The CCIMA assigns a secretary and administrative staff to each local representative. Many representatives do not have local office but work at the head office. Finally, companies without business registration do not become the CCIMA member, so that there are not many members representing small enterprises.

Under these circumstances, there is not a sufficient system or institution to communicate the government's SME support programs to SMEs, not to mention work at their implementation. Similarly, there is no organization to receive requests for consultation and advice from SMEs or to provide support for application procedures relating to government programs.

Chamber of Commerce and Industry and Commerce and Industry Association

It is not recommended to form the area-based SME associations of commerce and industry within or under the CCIMA for the following reasons: (1) the CCIMA does not have a strong local organization and cannot conduct substantial activities on a local basis; (2) the CCIMA is not an organization for SMEs and cannot address the issues peculiar to SMEs; and (3) proposed activities of the commerce and industry association include those not specified in the Chamber of Commerce and Industry Law, so that the law has to be amended if the association is to be established within the CCIMA. Furthermore, organization should start at local level because the association is expected to represent local business activities, with formation of a national organization to take place in a later stage.

In the future, however, it is more efficient and effective to operate the association as part of the CCIMA. It is therefore proposed to establish the association as a special entity by enacting the Commerce and Industry Association Law. Meanwhile, in large cities, including Douala, Yaounde and Bafussam, where the CCIMA is relatively active, the association will be established as its SME section, provided that the Chamber of Commerce and Industry Law needs to be amended to allow membership by other than CCIMA members.

In other areas, independent commerce and industry associations will be established, while the Commerce and Industry Association Law will provide for their future integration into the CCIMA when they become capable of conducting specific activities.

Trade Associations and Local Commerce and Industry Associations

Trade associations are private organizations and are not exclusive in terms of industry they represent. They generally consist of medium-size enterprises and small enterprises that have a strong desire to expand business. Member companies do not cover all sizes and most associations do not necessarily represent a specific industry. Many of them are dormant,

although they were active at one time. In particular, it is desirable to organize the commerce and industry association on a local basis for the following reasons, rather than use trade associations: (1) the nature of target companies varies among regions and areas (small enterprises and microenterprises for local commerce and industry associations); (2) trade associations do not have broad membership and cannot communicate or disseminate information to all companies in respective industries; (3) they are not very active and do not have resources to lead SME promotion activities; and (4) small enterprises and microenterprises include companies in diverse industrial categories, which are difficult to organize as a single body because of their intrinsic differences.

It should be noted that the establishment of the local commerce and industry association does not necessarily conflict with trade associations and their activities. They will still be able to play a key role in activity focusing on a specific industry and its needs.

Organization Process

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

For the establishment of the commerce and industry association, the MINPMEESA and the MOI (to provide cooperation and guidance) should lead the following activities.

- To prepare and provide a guideline for standard activities
- To provide information on the support scheme and to organize training workshops to support the association's staff regarding application procedures for the support scheme
- To send staff members of the MINPMEESA and the MOA to the national organization in order to ensure continuous provision of useful information
- To use (retain) semi-governmental, competitive (experienced) BDS providers that are capable of supporting specific activities (taxation, technical assistance for improvement of management)

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 following activities are proposed for the time being.

Basic activities

- 1) Information service relating to SME support including government programs
- 2) Information service relating to training programs for SMEs and recruitment of participants

- 3) Support for SMEs in relation to application for various support programs
- 4) Gathering of opinions and comments of SMEs for government offices
- 5) Support for business registration
- 6) Support for preparation of tax returns

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.³

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.

Note that these basic activities will be conducted as part of the “OSS-type support” that will be executed by the contracted service provider. The support service may be provided on a mobile basis where permanent service is not practical.

Comparison with Alternatives of Organization

The commerce and industry association may be formed by the MINPMEESA’s provincial delegation, but formation does not warrant the securing of experienced staff members. Also, staffing will be limited due to the prescribed number of government employees to prevent expansion in response to request from local SMEs. Also, budget limitations may become a problem. Instead, each commerce and industry association should be managed as a private organization. While the operating budget will partially (mostly in the initial stage) be subsidized by the government, it will earn income in the form of membership fee and service fee. This way, it can be operated on a sustainable basis.

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.

³ In areas where the local commerce and industry association is not established or is still incapable of providing these services, the SME Support Center will provide them.

Finally, activities by trade organizations should not be disturbed and should be left intact so far as they serve interest of the respective industry.

Estimated costs and expenses required

The area-based SME associations of commerce and industry assumed to be operated primarily by membership fee and service contract revenues from government and other clients, such as operation of SME Support Center.

In the initial stage, however, it will not be able to operate SME Support Center alone due to limitation of capability and resource. It is thus recommended to secure government subsidy in order to cover part of the association's operating cost.

In this cost estimation, it is assumed that government subsidy covers office-related costs and salaries of full-time staff members for three years after the establishment.

The following cost items are estimated to incur in implementation of this project.

1. Development of standard activity manuals for organizing and operating the area-base SME association of commerce and industry
2. Activities to promote organization (here, a management seminar is assumed as the promotion activity)
3. Periodical training for the association's leaders

Table 3-5 Estimated Costs and Expenses for Implementation (3)

Item	Estimated Costs and Expenses			Remarks	
Consultant fee			<u>Estimated M/M required</u>	<u>Contract Costs ('000FCFA)</u>	
	1) Development of promotion and operation kits				
	-	Guideline for the activities of Association	1.50	1,620	Project preparation cost.
	2) Implementation of trainings for SMEs for promotion of the Association				
	-	Consultant fee	0.25	270	Promotion costs and expenses for establishment per association (one time only for each new association).
	-	Venue and other expenses		500	Assuming 20 participants.
	Total			770	
	3) Implementation of Association leaders training				
	-	Consultant fee	0.25	270	Annual costs.
	-	Venue and other expenses		500	Assuming 20 participants.
Total			770		
Equipment/ facility			<u>Number</u>	<u>Initial Costs ('000FCFA)</u>	For promotion of establishment of association (one time only for each new association).
	-	Computers	2	1,200	
	-	Photo-copying machine	1	1,000	
	-	Office furniture and fixtures	2	140	
	Total			2,340	
Building/ offices	-	Office rent	84m ²	6,048	For 3 years each for newly established associations. - 24m ² including consultation space, and 60m ² for meeting space. Annual rent: 6,000FCFA/m ² /year. - Maintenance and utility costs: 10% of the annual rent.
	-	Maintenance and utility costs		605	
	Total			6,653	

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Administration costs	(35% of the remuneration)	280,000	FCFA
Fee per man-month		1,080,000	FCFA

Source: JICA Study Team

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

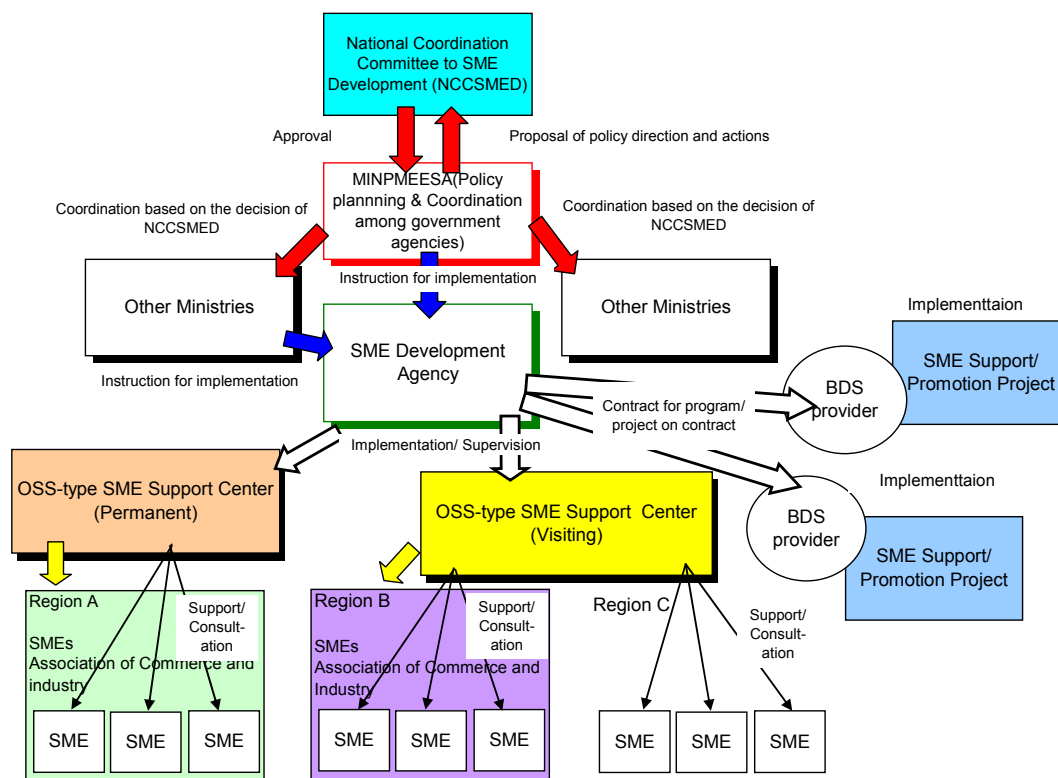


Figure 3-1 SME Support Delivery/ Implementation System

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

(1) Purpose and outline

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.

The system aims to provide necessary support for business entities that have willingness to expand, in relation to the strengthening of the management base, thereby to upgrade their management capabilities. It will serve to include business entities, even if they are not known due to lack of registration, while finding the current status of business activities in order to exclude inactive entities (although registered under other systems) from public support.

The business entities to be registered under the system will be formally recognized as a legitimate organization, i.e., they can be subject to taxation and are required to comply with generally accepted accounting principles and rules. In fact, compliance is part of the price they

have to pay if they want to continue and expand their business. The ultimate goal of the system is to foster business entities, which are ready to accept basic rules that must be followed by modern companies, in addition to the willingness to continue and expand their business.

(2) Main points

The proposed system will register SMEs according to the definition of the SME Basic Law⁴. 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.

Registration can be made at SME Support Centers or the district offices or head office of MINPMEESA, and the registry will be maintained by the MINPMEESA.

As applications for registration will be received and processed as part of daily business of the above organizations, no additional cost is assumed in relation to the establishment of the proposed system.

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)

(1) Objective and Outline

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.

(2) Main Points

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.

⁴ While the MOSME's definition of SMEs has not been finalized, it is assumed that it includes private enterprises for the purpose of this program proposal. If the ministry's formal definition excludes private enterprises, handicraftsmen and handicraft companies as defined in the Handicraft Law will be included in the proposed registration system.

The master plan envisages the SME Development Agency and SME Support Center as implementation organizations for SME promotion. Also, local SME commerce and industry associations will be organized to bridge SMEs and the government. Furthermore, the plan sets forth the establishment of a formal system to provide support service relating to the improvement of management and technological capabilities of SMEs.

Training of staff members and personnel relating to these organizations and systems should be conducted repeatedly, in addition to the initial training program and including the hiring of new staff.

1) Development of staff training programs and curriculums

A training module plan for staff members of each organization will be made, and training materials will be prepared. The module plan will include the module's outline, objectives, details of training, and training schedule. Table 3-6 shows an example of the training module.

Table 3-6 Proposed Training Modules

Target Trainee	Training Module	Contents
SME Development Agency staff	Basic	For newly recruited staff
	Follow-up	For staff after 1 year of experience
	Advanced	For staff after 2 years of experience
SME Support Center staff (*)	SME Counselor Basic	For newly recruited staff
	SME Counselor Follow-up	For staff after 1 year of experience
	SME Counselor Advanced	For staff after 2 years of experience
	SME Advisor Basics	Orientation on advisory service for Advisors when qualified
	SME Advisor Follow-up	Yearly follow-up to update information on SME policy and support measures
SME Association Leader	Junior Leader	
	Senior Leader	
	Follow-up	
SME Entrepreneur	Basic 1	Basics of management
	Basic 2	
	Intermediate 1	Practical management
	Intermediate 2	
	Advanced 1	Strategic management
	Advanced 2	

Note: (*) Counselor is the staff to extend first-step counseling to SMEs at the Center, while the Advisors are those who have sufficient business experiences, and provide guidance and advice at professional level.

Source: JICA Study Team

2) Development of the implementation system for staff training

Based on the training module plan, candidate instructors will be listed.

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). These BDS providers will be selected from a pool of personnel who have experience in any of the above services. More precisely, they are expected to have knowledge on the latest SME promotion policies and programs, together with difficulties facing SMEs, in addition to expertise relating to consulting and advisory services. 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.

4) Estimated costs and expenses required

Costs relating to the proposed program are divided into those required for development of the system and those relating to the system's operation and management. The former includes the development of training module plans based on the assessment of training needs and production of course materials. These activities will be entirely entrusted to outside service providers.

The latter, on the other hand, includes costs relating to instructors and training facilities. As these costs are estimated as part of costs for the projects, which use these training programs as its component, these costs are not included here.

Table 3-7 Estimated Costs and Expenses for Implementation (4)
Project No. SC: Development of Systems for Training of Staff to be involved in SME Development

Item	Estimated Costs and Expenses		Remarks
	<u>Estimated M/M required</u>	<u>Contract Costs</u> (’000FCFA)	
Consultant fee	- Development of training modules and training materials for training of:		
	1) SME Development Agency staff	3.00	3,240
	2) SME Support Center staff	5.50	5,940
	3) SME Association leaders	2.50	2,700
	4) SME Entrepreneurs	5.00	5,400
	Total		17,280

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Administration costs	(35% of the remuneration)	280,000	FCFA
Fee per man-month		1,080,000	FCFA

Source: JICA Study Team

3.2.4 System for Collection and Analysis of SME Information

In establishing SME policies and programs and measuring the effectiveness of their implementation, the understanding and analysis of the current state of SMEs is essential. In Cameroon, however, the actual state of SMEs - including their position in the entire industry, distribution by size, region, and industry type, and management conditions – is mostly unknown.

What is needed is a formal system to collect and analyze information on SMEs. Key elements of the system are: (1) a system to develop and update a list of SMEs that serves as the survey population; (2) a system to conduct statistical surveys; and (3) a system to analyze survey results.

The proposed system is outlined below and consists of two key activities: (1) development of the SME statistics management system; and (2) development of the statistical analysis system to understand the operating status of SMEs on the basis of survey results so as to allow them to be reflected in SME policy formulation and modification.

3.2.4.1 Development of the SME Statistics System

(1) Objective and Outline

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 former surveys will be conducted by the NSI to understand the current state of all business establishments, including both large enterprises and SMEs, which forms part of business census statistics. At present, the NSI conducts the formal sector enterprise survey annually on a nationwide basis (See II-2.2). This is not a census survey but is the largest one of this type of survey and aims to grasp the overall status of business establishments. However, the survey covers only portions of SMEs and thus needs to be modified in order to ensure the accurate understanding of SMEs.

The latter surveys are basically sample surveys and are prepared by the MINPMEESA. If the business establishment survey is improved in terms of coverage and accuracy, it will provide a survey population list, based on which the sample surveys are made. Meanwhile, it is imperative to upgrade the population list.

(2) Main Points

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.

1) Classification of SMEs

Classification of SMEs is a key task in the survey process. However, the Cameroon government intends to establish definitions of SMEs as part of national standards, rather than the MINPMEESA's standard, so that it will take some time before definitions are available. Further, in addition to the definition of SMEs, the informal sector should be clearly defined. Also, definition of business enterprises should be done so as to include handicraft workers, private enterprises, and GICs.

It should be noted, however, that the development of the statistical information system can progress smoothly only so far as attributes of companies in the population list are accurately recorded, even if the establishment of the SME-related definitions is delayed.

On the other hand, the SME current status surveys to be conducted by the MINPMEESA will cover companies having 250 or less employees, so that they will not be materially affected due to the delay in setting the definitions, although work efficiency may be affected to some degree.⁵

2) Development of the SME population list

The SME population list needs to be enhanced and updated to improve the quality of both the SME statistical surveys and the SME current state surveys.

Primary sources for information on business establishments in the country include a business establishment list owned by the National Fund for Social Insurance, a business registration list held by courts, a company list of tax office, and the NSI company list. Among them, the National Fund for Social Insurance's list is considered to best reflect the current state of business establishments in operation. In fact, NSI uses the list as the basis of nationwide surveys. Note that this list does not include informal sector companies. Company data held by local tax offices should be used to provide a list of companies in the informal sector. The compiled list will be used as the basis of preparing the SME population list.

Meanwhile, the MINPMEESA is expected to have opportunities to collect data and information on companies in the informal sector, including the establishment of local commerce and industry associations and the creation of the SME registration system. As a result, the ministry will be able to use the enhanced list for updating and expansion of the SME population list.

3) Request relating to implementation of the NSI business census

It is assumed that NSI will undertake a business census. In the survey design process, the MINPMEESA will request NSI to tabulate the business census survey results by taking into account definitions of companies, SMEs, and the informal sector. Also, several basic items will be added to the census survey items so as to allow the MINPMEESA to compile SME statistics from the business census data.

4) System to estimate the number of SMEs

The Formal Sector Enterprise Survey conducted by the NSI does not cover the total population. Also, it does not specify a survey period. The MINPMEESA needs to estimate the number of SMEs in a year not covered by the survey by using the NSI survey results.

⁵ Because companies employing 50 – 250 persons are relatively small in number (According to the NSI survey in 2007, there were 445 companies with 50 – 500 employees.), the survey will not be severely affected in terms of efficiency.

The population list held by the MINPMEESA will be updated by using business registration or membership registration data. It is therefore proposed to develop a formal system to estimate the number of SMEs each year from the NSI statistical data to calculate the increase or decrease.

5) MINPMEESA's current state surveys

The MINPMEESA needs to grasp the current state of SMEs for the purpose of formulating SME promotion policies and measuring effectiveness of SME promotion programs. The current state surveys include a number of items that need to be collected by the MINPMEESA, such as financial and management trends relating to SMEs, capital spending trends, specific policy objectives, and impacts of special changes in the economic environment.

The current state surveys are sample surveys by using samples drawn from the MINPMEESA's own population list. More precisely, the following two types of surveys will be conducted periodically.

1. Surveys covering SMEs as a whole (both formal and informal sectors)
2. Surveys covering those in the informal sector

a) Current state survey on SME business

The current state survey on SME business will be conducted biannually by using samples. Survey items will consist of basic and specific items, of which basic items will be fixed, whereas specific items will be set according to the respective policy objective. The survey is designed to obtain an understanding of the changes in business establishments (e.g., business change or discontinuation), size of operation, the number of employees, corporate profits, and the business environment. It will attach importance to promptness and consistency, so that care should be taken to keep the sample size manageable.

b) Current state survey on the informal sector

This survey will also be sample based and conducted every three years. Again, survey items will consist of basic and specific items, of which basic items will be fixed so as to monitor yearly changes. The population list will be constructed on the basis of the company list held by tax offices. Also, an additional list can be obtained from the NSI, which conducted a survey of over 5,000 informal sector companies in 2006. From the final list, surveyed companies will be randomly sampled.

6) Appointment of statistical experts

As statistical design and implementation of statistical surveys require high levels of knowledge and techniques, the MINPMEESA should appoint at least one statistical expert.

7) Legal authority for periodical implementation of the MINPMEESA's statistical surveys

Legal authority should be established for the MINPMEESA's statistical survey in order to ensure smooth implementation. For instance, the Basic Law for SME Promotion may include the provision that "the Government (MINPMEESA) shall conduct, periodically, surveys required to reveal the current state of SMEs and shall publish the results."

8) Estimated costs and expenses required

The current state surveys of SME business and the informal sector are assumed both to be conducted by contracting to outside resources.

Table 3-8 Estimated Costs and Expenses for Implementation (5)
Project No. SD-1: Establishment of a System of SME Statistics

Item	Estimated Costs and Expenses		Remarks
	<u>Estimated M/M required</u>	<u>Contract Costs</u> ('000FCFA)	
Consultant fee	- Survey contracts		
	1) SME Business Survey	10.50	37,800
	2) Informal Sector Survey	13.50	48,600
	<hr/>		<hr/>
	Total	86,400	

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

Items	Remuneration rate		
- Consultants	800,000	FCFA/Man-month	
- Administration costs, including costs and expenses of transportation and communication, surveyors, and data compilation, etc.	(350% of the remuneration)	2,800,000	FCFA
<hr/>		<hr/>	
Fee per man-month	3,600,000	FCFA	

Source: JICA Study Team

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

(1) Objective and Outline

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.

(2) Main Points

The current state surveys will be entrusted to an outside company, which will also perform statistical analysis of the collected data. The MINPMEESA is expected to analyze and determine the current state of SMEs and relevant conditions, which are stated in the survey objective and can be read from survey results. The results will be compiled as an official report on SMEs, which will be made available to the MINPMEESA's policymaking divisions, other ministries and agencies engaged in SME-related policy, related organizations, and international organizations.

The regulatory basis for implementation of the analysis by MINPMEESA is that already mentioned.

This will be implemented as a part of daily works of MINPMEESA, and no additional costs and expenses are assumed.

III SME Development Plan Proposal

4 Proposed Development Measures

4 Proposed Development Measures

4.1 Framework and Required Factors of the Development Measures

As pointed out in III-2 “Program Development Proposals,” SMEs in the country need support in the following areas.

- 1) Market development and new business development for SMEs
- 2) Improvement of financial access and financing for SMEs
- 3) Enhancement of management and technological capabilities of SMEs
- 4) Improvement of the business environment for SMEs

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).

There will be need for big and concerted efforts in providing the measures effectively for SME development, considering the envisioned constraints, because of the current development stage of industry in Cameroon, business and technological capability of SMEs, and available business environment for SMEs. The development measures, therefore, should be provided selectively, in an organized manner of effective measures, according to the needs of the target SMEs aiming at realization of development challenges. (See Figure 4-4, which is attached to this Chapter)

These development programs are listed and outlined below, and details of key programs are discussed in II-4.2. Also, preliminary scheduling of the programs, i.e., how to implement them under what time frame, is proposed in III-5.

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

(1) Required Conditions of the Development Measures

Our survey of SMEs revealed that finance was recognized as the largest problem. In particular, the greatest challenge for SMEs is how to discover appropriate markets for their products or opportunities for their businesses, in view of the sustainability of business and its growth, and expansion to new business areas.

A very limited number of SMEs has organizational strength in market development, product development, and gathering and analyzing the information related to these situation and trends. Sales capability is, however, the minimum requirement for doing business. Without the prospect of securing sales or customers, there will be no motivation for improvement of their management and technology. In other words, SMEs will show their willingness for improving their businesses only when they realize the possibility of effects of their own efforts, even at the expense of some of their time and money. The support for marketing and new business development has the primary importance from this point of view.

However, Government cannot support the sales of SMEs with direct intervention, except for the case of Government procurement. All that the Government can do is to provide opportunities for SMEs to contact potential buyers, while nurturing the SMEs so that they can be able to supply the products or services which satisfy the buyers. Since the SMEs will not take the initiative for improvement of their management and products without the promise of customers and markets which demand the improvement, as discussed above, then, the current development measure focuses on provision of support for their efforts to improve their management and technology while showing the potential customers and markets demanding the improvement.

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.

From these viewpoints, the following methods are considered to be effective in promoting use of local potential, supporting marketing of SME products, and creating new business opportunity.

Target Area	Support Method	Typical Program	Remarks
Untapped development market	Provision for the accessible environment	Support for the establishment of trading place for buyers in neighboring countries	CEMAC countries (in particular, Equatorial Guinea) and Nigeria
	Support for marketing activity	Support for participation in trade fairs	In the case of small and micro enterprises, program effect cannot be expected unless it is accompanied by guidance and advice.
Penetration in the domestic market	Provision of marketing opportunity in the modern distribution channel	Establishment of business matchmaking event between modern distributors and SMEs	Provided that guidance and advice relating to management and technology is given
	Exhibition of products for a broad range of consumers and buyers	Support for creating of a company specialized in local exhibition (sales)	
Development of business opportunities relating to large enterprises/foreign companies	Manufacturing, maintenance and service contracts	Introduction and intermediation by exploration of opportunities and seminars for potential contractors	Provided that guidance and advice relating to management and technology is given
	Business expansion to the manufacturing of downstream products		
	Promotion of local processing for import substitution		
Provision of business opportunity using government procurement		Setting a priority treatment quota for small companies in relation to government procurement	Small and micro enterprises (because medium-size and larger enterprises can participate in government contracts)
Exploration of unused resources and provision of business seeds information	System development for collection, storing and provision of relevant information	Use of collected information as database	

The ways to bring potential business opportunities to the attention of SMEs include (a) provision of information on potential markets and products, (b) provision of contact opportunities to potential markets and customers, and (c) provision of information on potential resources for development.

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. Rather, it is recommended to accumulate the information, through the other support activities, and mobilize the information within such support activities.

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.

Also, the Chamber of Commerce and Industry has established the Business Information and Economic Documentation Center in Douala for company support purposes. The center also serves as an information center concerning the Cotonou Agreement with the EU, the AGOA of the US Government, and TICAD with the Japanese Government. Thus, it is important to develop a network with these organizations to ensure effective use of information.

[Recommendation]

- Join the Trade Point Scheme, receive information on external trade promotion, and develop staff working on export trade by such means as having them participate in training programs under the Scheme.

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.

The target customers and markets for development of opportunities for contact include:

- ✓ Business matchmaking events with modern distributors

- ✓ Subcontracting of services and parts production
- ✓ Development of downstream products
- ✓ Production of parts or semi-processed products currently imported

The opportunities will be developed further in the future to include those related to export business.

In the case of small and micro enterprises, direct support will be provided, such as the setting of a mandatory quotas for government procurement.

A guidance program for upgrading production technology, production management technology, and business administration, etc. of the possible SME contractors, should be provided simultaneously, considering the difficulty these SMEs have in meeting the requirements of the potential customers. Further, in order to materialize the transactions, encourage and offer guidance for forming joint undertakings of businesses for expansion of their supply capacity to meet the customers' demand in supply size (for details, see, "Guidance scheme for enhancement of management of SMEs").

[Recommendation]

It is recommended to implement the following development measures, the measures to depend on the specific target SMEs. At the same time, implement the measures to support upgrading of SMEs in the areas of production technology, production management technology, and business administration, combining them functionally according to the needs of the SMEs. Also, implement measures to encourage small and micro enterprises to undertake joint business activities, with guidance for this.

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 	

Objectives	Applicable Measures	Remarks
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.

Currently, information on resources, areas of economic activities, or regions of high development potential are limited in Cameroon. However, if such potential is identified in the future, it is recommended to make concerted efforts at development of the potential on a region, or sectoral, basis. Such concentration of efforts on specific potential products or resources, or a region, have been seen in many successful cases in developing production areas specializing in a certain kind of product, or development of specific products. The local capacities include production know-how for a specific production sector, marketing support by the local government, innovative support for development of product and production technology by the academe in the region, etc. 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

Also, exploration of such potential through the public offering and selection process, followed by support for prospective ones, is considered to be effective. This method has already been adopted by the MINPMEESA, namely PACD/PME that has been invited through its local delegations. It has a major advantage in that it can input available resources for development of the selected potential. In other words, it cannot be fully effective unless comprehensive support is given, including technological development, marketing, and financial access. Furthermore, a formal system to develop potential on a continuous basis should be established in light of the product cycle, where any product becomes matured over a certain period of time.

[Recommendation]

- Collect information on resources, materials and products which seem to have potential for development through the Regional Delegations of Ministry of SME, SE&H, and other sources. The information should be compiled as a database for use by those who are looking for business seeds.
- Implement economic development projects in specific areas having development potential, such as a One-Town-One-Product Project, focusing on the resources, materials, or products available in specific areas, and concentrating efforts on the potential.

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

The Ministry of SME, SE&H is 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.

In relation to promotion of the subcontracting relationship and business matchmaking events with local distributors, the following activities will be entrusted to BDS providers.

- Preliminary study on large enterprises and distributors
- Program implementation

(Note that the technology and management consulting program will be implemented concurrently by using the management consulting program that is discussed later [to be separately entrusted to BDS providers].)

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 Center will be operated by BDS providers on contract with the SME Development Agency. If the Support Centers have not been created by this time, the Regional Delegation of the Ministry will take charge on their behalf.

The SME Support Centers will provide the following services.

- Advertisement on programs, promotion of participation, and support for application
- Dissemination of information on exploitable resources to companies and support for business matchmaking

(Note that such information will be initially collected through local offices of related government agencies (e.g., MINPMEESA and MOA). Once the collected data have been compiled into a database, a contact organization for SMEs to be built by the MINPMEESA (i.e., the SME Support Centers) will collect information on a continuous basis, which will be stored by the SME Development Agency and will be provided for SME Support Centers throughout the country.)

- Provision of the information infrastructure (computer network for Internet connectivity) for cyber trading

The key players expected in most of the region-based projects and programs are SMEs and not the Government. These include projects for development of local products featuring and representing the area, and projects for enhancement of the management basis of local SMEs through joint business operations of businesses. The major role of the Government side is to announce and disseminate the support measures, and encourage and promote SMEs to participate in the projects and programs. The projects will be organized and operated by the SMEs. However, the number and actual management situation of the SMEs in the region is not understood clearly. The SMEs to which the Government has access are limited to those who have contacted to the Regional Delegation Offices. 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

According to the results of the SME survey conducted for the Study, 57.6% of SMEs consider “financing” as one of the major difficulty in their business. Further, 48.5% of them regard the financing problem as their highest priority issue.

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.

In summary, the supporting measures required in response to the development issues in the field of finance are as follows:

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

The major difficulties for SMEs in the area of financing are (1) high interest rates, (2) lack of long-term fund financing, and (3) collateral requirements. For the upper-medium-size and medium-size enterprises, and small-size enterprises aggressively interested in improving their business performances, the high interest rates and lack of long-term fund financing are particularly serious problems. For the financial institutions, including banks, on the other hand, the financing of SMEs has not been satisfyingly productive, despite the availability of capital, due to lack of applications which are considered viable.

At present, financial institutions that can be used by SMEs are divided into the formal system (commercial banks and microfinance organizations) and the informal ones such as tontine.

Since the management of commercial banks must ensure the stability in line with the international standards of bank operation, they have concentrated their financing mainly for large size enterprises, while limiting the SME financing only to those willing to pay high interest rates and having high creditworthiness.

Microfinance institutions are not active in providing business loans considering their high risk, although the major microfinance institutions have sufficient branch office networks to grasp the management situation of small enterprises.

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). Further, there is a need for improving the settlement process of mortgage, in order for the above SME financing institution to function effectively.

[Recommendation]

- Implement the following three measures as a set of measures.
 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
 - ✓ Promote SME finance by reducing the risk of the SME financing institution
 3. Establishment of a support system for SMEs to enhance their management capability
 - ✓ Improve capability of SMEs to draft viable loan applications, with supporting improvement of their managerial capacity
- Improvement of administrative processes for accelerating the settlement of mortgage
- 2) Financial support for small and micro enterprises and support for startup financing for small entrepreneurs

The creation of the above-mentioned SME financing institution is expected to improve the supply of funds to SMEs, easing their accessibility to finance. Also, the Government will be able to provide policy-based finance more easily. Nevertheless, 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.

A financing method found successful in many countries, to meet the above-mentioned type of needs, depends on the aggressiveness and personal creditworthiness of the business owners. Most popular targets of creditworthiness observed in these instances of financing are:

- ✓ Creditworthiness based on the long-term operation of the business in the present place, and joint guarantee by the residents
- ✓ Diligence of women entrepreneurs or joint owners
- ✓ Creditworthiness based on the continuous guidance for upgrading management for the owner

[Recommendation]

- Development of a scheme to provide small-scale loans for operation and business start-ups, which bases on the personal creditworthiness of owners, based on continuous

guidance for upgrading the management provided to the owner (such as the guidance provided by the Scheme to enhance management capability, which is described later).

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

1) Government level

The Government will create a financial institution specializing in SME financing, contribute the funds for its operation, and help it raise additional funds by mobilizing the credit capability of the Government. However, the creation and operation of the financial institution should not be implemented by the Government alone. Rather, the Government contribution should be nothing but the priming water to bring out the contribution of the private sector.

The Government will provide leadership for operation of the financial institution, for the possible induction of specific policy objective in case of necessary, but the management of the institution will be entrusted to the private sector.

For this purpose, the National Coordination Committee on Promotion of SMEs will be established. The Prime Minister will serve as chairman and ministers relating to SME-related policy making and implementation will become members. The MINPMEESA will function as the secretariat, and will be responsible for coordination among the members based the committee's decisions.

2) Implementing body

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. The implementation windows, however, will be set up separately for the sake of effective operation of the program.

3) Contact point for SMEs

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. However, individual enterprises will not be motivated for the efforts for enhancement, even if they understand the needs. Rather, they will participate to the enhancement program, only when they are confident on the expected effects on the actual business from their efforts and investments.

Considering the above, measures to encourage enhancement of management capability should be provided in combination with other measures to give incentives to the SMEs. Further, in some cases, a program or programs to support enhancement of the management capability will be necessary to be provided in combination with other enhancement programs for them to be effective.

More than one support programs will have to be prepared according to the differences in current and target level of management and technology

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 coordination between programs implemented by different ministries for different policy objectives, the National Coordination Committee on Promotion of SMEs is to be established. The Prime Minister will serve as chairman and ministers relating to SME-related policy making and implementation will be members. The secretariat will be staffed by the MINPMEESA and will be responsible for implementation of the committee's decisions and coordination among related ministries.

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 Agency will take responsibility for development measures to be provided by MINPMEESA only, for the time being, since other ministries have their own method and experience in implementing their projects and programs. However, it is recommended that the Agency will take charge of the SME projects and programs of other ministries in the future, and promote and supervise the implementation with professional know-how.

The support measures may be categorized into two types, namely, project-type measures and scheme-type measures. The project type measures are those which implemented with specific policy objectives, while the scheme type measures are those which are provided continuously as a permanent system. All the measures will be implemented basically under contracts with business development service providers (BDS providers) in the private or public sectors, to making most of their experiences in the projects and programs of similar nature. The SME Development Agency is assumed to be responsible for making contracts with the BDS providers.

Considering that the BDS providers' experiences are still insufficient in some areas of development measures, a program to develop and enhance their capacity should be provided. The program should be provided regularly to enhance their implementation capacity further.

In this case, if basic modules are established in advance, they can be combined, modified or otherwise used according to the actual needs. This way, program implementation know-how can be stored while ensuring planning efficiency.

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

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.

Although these measures will contribute significantly to improvement of stability and growth of SME management, these are the measures that will be difficult to carry out because of the requirement for funding them. Nevertheless, it should be noted that these constitute a major part of the agenda for SME development policies.

(1) Required Conditions of the Development Measures

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

[Recommendation]

- Delay in payment to small- and micro-size enterprises is likely to lead to closure of their businesses, due to their tight cash flow situation. In this connection, there is a need to regulate to prevent large and medium size enterprises and the Government agencies from delaying payment to SMEs.
- In the bidding system for government procurement and public works, bidding requirements are predetermined and are difficult to be met by small and micro enterprise. In the interest of encouraging the organization and collective operations of SME businesses, it is proposed to ease the bidding requirements for organized groups of small

and micro enterprises, such as business cooperatives and network for joint undertakings, etc.

2) System to assist information dissemination on job offers and job applications

[Recommendation]

- Since SMEs have difficulty in contacting appropriate sources of job applicants for hiring employees, they are forced to choose from among a limited number and from limited sources of applications. Development of a system to disseminate information on job offers and job seeking will help them to recruit capable resources.

3) Development of mutual benefit systems for SMEs that encounter emergency situations

There are many cases of business failure among small and micro enterprises despite various support measures to ensure business stability and growth. From the viewpoint of promoting reinvigoration and growth of small and micro enterprises, it is important to develop a formal system to mitigate risks relating to such failure, which have to be borne by SME owners and their families, and to facilitate their resumption of business operations.

[Recommendation]

- Creation of a mutual benefit system¹ for small and micro enterprises to provide a means to save for retirement
- Creation of a mutual benefit system for small and micro enterprises to provide emergency loans to avoid business failures

4) Provision of an IT environment for small- and micro-size enterprises

Use of IT in business will definitely contribute to enhancement of SME's management, particularly when considering the globalization of business. Provision of an IT use environment should be promoted to help SMEs to get one step ahead.

[Recommendation]

- Provide an environment for small- and micro-enterprises to use computers and IT for their businesses in the region.

¹ For example, the system for which the subscribers set aside the funds periodically, and receive loans from the system, in case of non-recoverable credit, within the non-recovered credit amount.

4.2 Contents of Main Development Measures

In this section, the main development measures (programs) are described according to the frameworks specified in III-4.1.

The institutional setup required for implementation of these measures, i.e., system, institution, organization, and manpower training, is discussed in III-3.2 “Institutional Setup for Implementation of SME Policies and Programs.”

A Support Measures on Marketing and New Business Development

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

(1) Objective and Outline

1) Objective and Outline

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. While Cameroon products are not expected to enjoy nationwide competitiveness in these countries and the exports reflect local supply and demand situations, there seems to be still high export potential, which includes the opportunity to expand trade to include goods (products) that are not widely sold.¹

At present, buyers from the two countries come to border areas with Cameroon and purchase goods from individual merchants and sellers. 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.

2) Overall goal

- Promotion of diversification and advancement of industrial structure

¹ For instance, forestry products including plant leaves used as herbal medicine.

- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Promotion of medium-size and upper medium-size enterprises for export to new markets
- Support for development of export items by medium-size and upper medium-size enterprises
- Support for small enterprises and microenterprises in entering export business

(2) Main points

1) General description

Candidate sites for Market Places would be in areas that provide good transportation access for buyers from Nigeria and Equatorial Guinea, i.e., Limbe and Douala, respectively. The government will promote the establishment of a Market Place for each site (with the expectation of attracting investment by distributors, including foreign companies) and will make a partial investment (through a government enterprise). In particular, 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.

2) Implementation system

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.

3) Preparation requirements and other related matters

a) Preparation requirements

Preparation should be made to establish a legal authority for application of the following favorable conditions to the Market Places.

1. Application of investment incentives to the companies operating the Market Places
2. Designation of a priority project for the companies operating the Market Places and application of incentive measures
3. Designation of the Market Places as free trade areas and application of incentive measures
4. Establishment of favorable conditions for tenant companies
5. Support system for buyers visiting the Market Places in relation to various application procedures
 - Streamlining of visa issuance procedures for buyers
 - The easing of customs clearance procedures for products to be carried back

b) Implementation of a feasibility study for demand estimation

Program content should be finalized after assessment of feasibility by conducting demand surveys in Nigeria and Equatorial Guinea, including product specifications, reasons for purchase, and potential market size.

Nigeria is a major export market for Cameroon, the size of which has reached a level similar to that of major export markets in the CEMAC region, i.e., Gabon and Chad, and Nigeria is already the country's major trade partner. According to export statistics, nearly half of Cameroon's exports to Nigeria (value basis) is represented by fuel oil and lubricants, followed by household goods, mainly beautification products (8% of total exports to Nigeria), soaps (8%), soup stock and cubes (7%), cosmetics (7%), and cotton (3%).

As for Equatorial Guinea, fuel oil and lubricants are also the largest export item from Cameroon, followed by cement (1.1 billion FCFA), wood and wooden products such as floor materials (200 million FCFA), and woodworking products and carvings (100 million FCFA). In the food and beverage sector, basket and bread products (60 million FCFA) and beer (140 million FCFA) are major export items.

In addition, import demand trends in the two countries should be analyzed in more detail, including data and information not visible from statistics.

c) Foreign exchange

Currently direct foreign exchange between FCFA and Nigerian currency is not possible in Cameroon. If purchases are made in Nigerian currency the Cameroon side could suffer large loss by changing the money into FCFA. Therefore it is necessary to set up the Market Place as a free trade zone and to establish there places to exchange Nigerian currency.

d) Difference from border markets

A “Border Markets” development, as a development project of bordering areas in Cameroon, is currently proceeding at the MINPLAPDAT. The main purposes of this project are to support and improve local people’s life at the border areas where local people can cross the border easily, through cooperation between the two countries (or three countries as the case may be).

More precisely, a specific area is reserved within a selected area to install retail spaces for agricultural and consumer products and to build public facilities, such as a hospital, a school, and a slaughter house. The facilities are constructed by the central government and their operation and management is transferred to a local council after completion.

Although a function of trading places at the Market Place, attracting local people living the surrounding areas over the border, would be expected in this project, the target customer could be basically limited to the persons living at the area and the scale could be not large. Even if the concept is different from the recommendations of development measures in this study, it could be an effective means of development.

Meanwhile, our development measures target not only on goods produced by small and medium-size enterprises but also on the goods produced by large enterprises and foreign enterprises, with a view of supporting a broad and large scale of dealing.

e) TINAPA Project in Nigeria

This is a project to establish a large commercial and amusement facility at Calabar, southeastern Nigeria, near the borderline between Cameroon and Nigeria.

This area is far from Lagos and the central region and there is no active movement of goods between the area and the central region due to public safety problems, although the two are connected by roads.

In the TINAPA project, the main goods will be brought in by international retailing companies, and a ripple effect of commercial development on the surrounding areas is also expected. As the result, a rapid increase of demand to purchase Cameroon goods is anticipated if the Cameroon side provides a certain reasonable preference to the Nigerian buyers.

4) Estimates of required costs and resource input

a) Assumption for estimation

The Cameroon government will conduct investment promotion activities in relation to the Market Places but will not make direct investment. (To encourage investment, however, investment by Investment Corporation should be considered.) Coordination of various

support programs and measures conducted by related ministries are assumed to be carried out as part of each ministry's daily business, creating no new cost burden.

The following are the cost items required for these activities².

1. Implementation of feasibility study including market (demand) study (to be implemented by contracting to an outside consultant)
2. Other costs and expenses incurred in connection with investment promotion activities

b) Estimated Costs and Expenses

Table 4-1 Estimated Costs and Expenses for Implementation (6)
Project No. A-1: Support for Export Development Particularly in the Strategic Export Markets

Item	Estimated Costs and Expenses		Remarks	
	<u>Estimated M/M required</u>	<u>Contract Costs (FCFA 1,000)</u>		
Consultant fee	1) Feasibility Study including market survey	4.50	7,200	1.5 months by 3 consultants.
	2) Investment promotion activities	4.50	7,200	1.5months by 3 consultants.
	Total		14,400	

Notes: Costs and expenses in FCFA1,000 in rounded figures without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Remuneration	800,000	FCFA/Man-month
- Administration costs	(100% of the remuneration)	800,000
Fee per man-month	1,600,000	FCFA

Source: JICA Study Team

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

(1) Objective and Outline

1) Objective and Outline

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

² If a preferential taxation treatment is applied, the tax income seems to decrease compared to the case without treatment. Actually, however, the reduction in tax is not actually the reduction, since it is within the increase in tax which is expected by implementation of the programs. The same is true for the programs A-2 through A-4.

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.

2) Overall goal

- Promotion of diversification and advancement of industrial structure
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Support for small and micro enterprises in business expansion effort
- Business improvement of small and micro enterprises in terms of quality

(2) Main Points

1) General description

The project is designed to promote the establishment of a company specialized in the planning and management of product exhibitions.

It is desirable to establish the company as a joint venture with a distributor, including a foreign company, with view to utilizing expertise and experience of the distributor in the areas of marketing and sales. The partner is not necessarily limited to a single company, i.e., more than two companies may be established with different distributors that own or operate various exhibition facilities, not to mention equity participation by the government or the government organization. The exhibition company will collect fees from small enterprises that participate in each exhibition.

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.

2) Implementation system

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. Also, in order to support the exhibition company in improving management and technological capabilities and in ensuring sustainable exhibition activities, the program will be combined with other support measures (e.g., the improvement of the management base and financial support) to form a support package for the exhibition company.

3) Preparation requirements and other related matters

a) Establishment of incentive measures for the exhibition company and exhibitors other than SMEs entitled to the incentives

Legal authority should be established to apply the following favorable conditions to the exhibition company. Also, legal authority needs to be established to encourage participation of companies other than SMEs in order to attract visitors.

1. To set a specially discount exhibition fee and to apply tax incentives, under the condition that the exhibition company has the following functions.
2. To apply tax reduction privileges for the exhibition company in relation to additional costs.

b) Functions required for the exhibition company

1. Transportation of products to exhibition facilities
2. Advisory service on packaging and exhibition
3. Advertisement of promotion
4. Collection and provision of buyer data as well as comments and questions from buyers

4) Estimates of required costs and resource input

a) Assumption for estimation

The Cameroon Government is assumed to conduct investment promotion activities for the Market Places project, but will not make direct investment. (To induce investment effectively, investment by Investment Corporation should be considered.) Coordination of various support programs and measures conducted by related ministries is assumed to be carried out as part of each ministry's regular operation, creating no new cost burden.

The following cost items are the major costs and expenses required for these activities

1. Implementation of a feasibility study including market (demand) study (implementation is assumed to be contracted out to an outside consultant)
2. Other costs and expenses incurred in connection with investment promotion activities

b) Estimated Costs and Expenses

Table 4-2 Estimated Costs and Expenses for Implementation (7)
Project No. A-2: Encourage Establishment of Exhibition Centers to Support SMEs to Market Targeting Domestic Buyers and Consumers

Item	Estimated Costs and Expenses			Remarks
	<u>Estimated M/M required</u>	<u>Contract Costs</u> <u>(FCFA1,000)</u>		
Consultant fee	1) Feasibility Study including market survey	4.50	7,200	1.5 months by 3 consultants.
	2) Investment promotion activities	4.50	7,200	1.5 months by 3 consultants.
	Total		14,400	

Notes: Costs and expenses in FCFA1,000 in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	800,000	FCFA/Man-month
- Administration costs (100% of the remuneration)	800,000	FCFA
Fee per man-month	1,600,000	FCFA

Source JICA Study Team

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

(1) Objective and Outline

1) Objective and Outline

As discussed earlier, 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.

2) Overall goal

- Promotion of diversification and development of the industrial structure
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Support for small and micro enterprises in business expansion effort
- Business improvement of small and micro enterprises in terms of quality

(2) Main Points

1) General description

The program is designed to prepare and hold business matchmaking events with participation by supermarkets, department stores and modern distributors to create opportunities for small and micro enterprises to promote their products.

It is therefore proposed to hold the business matchmaking events in the following manner.

1. To hold each event by focusing on a specific product type, e.g., processed food, processed agricultural products, construction materials, furniture, or apparel.
2. To invite SMEs to participate in the event, to screen applicants in terms of quality, packaging, supply capability, and price, and to request improvements that can be made within a short period.
3. To invite distributors to the events by providing necessary information (to brief them on the aim of the event and allow them to prepare for feedback to SMEs).

The event will be contracted to an experienced BDS provider.

Small enterprises cannot market their products through modern marketing channels because of problems on both supply and demand sides.

First of all, distributors are not aware of local sources for products with good quality, reasonable price, and adequate volume. In fact, they are frequently approached by microenterprises and small enterprises wishing to sell to them, but they cannot deal with them properly because many do not meet quality and other customer requirements. The results of interview surveys made by the study team indicate that distributors are willing to use business matchmaking events that focus on products that meet specific standards.

On the other hand, suppliers (small manufacturers) do not understand customers' requirements or do not have the ability to meet them.

For problems identified in the screening process, technical guidance and advice will be given to SMEs by combining ongoing (currently proposed) programs. For this purpose,

several menus will be prepared and actual planning, implementation and coordination for the guidance process will be contracted to the BDS provider.

2) Implementation system

The program will be implemented under the MINPMEESA's leadership. The SME Development Agency will be responsible for program planning, preparation and implementation. Implementation of the following program activities will be entrusted to a private BDS provider.

1. Presentation of the program to distributors and the securing of agreement on participation
2. Listing and screening of participating SMEs, together with prior guidance
3. Implementation of a business matchmaking event
4. Implementation of a guidance program package for SMEs, on the basis of the event's results

SME participants will be invited through the SME Support Center. When a deal is closed as a result of the matchmaking event, a participation fee will be collected from the successful SME.

3) Preparation requirements and other related matters

a) Selection of event theme and scheduling

The business matchmaking events will be held periodically, and at least twice annually. A theme will be set for each event in consideration of opinions from distributors.

Also, seasonal themes such as pre-school and Christmas sales will be considered in consultation with distributors.

b) Technical advice relating to management and production technology

1. Prior to each event, products to be exhibited by participating SMEs will be checked and technical advice will be provided with regard to the following aspects, where possible.

- Safety of food
- Stable quality
- Packaging
- Shipment lot size (joint shipment, if required)

2. Advice on improvements requested by potential customers at each event

According to various improvements required for participating SMEs, other (proposed) support programs will be used, such as the provision of bridge funds and participation in

the management skill upgrading program. In particular, financial support will be critical in enabling SMEs to take advantage of opportunities provided by the business matchmaking event.

4) Estimates of required costs and resource inputs

a) Assumption for estimation

This project is assumed to be implemented by a private BDS provider on a contract basis. SME Development Agency will be responsible for project planning and preparation before implementation as part of its daily business, so that no additional cost will incur at this phase.

Major cost items are listed as follows.

1. Project implementation costs by the outside BDS provider
2. Financial assistance in relation to the consultation and advice fee for participating companies (subsidy for the payment to those who provide technical advice)

b) Estimated Costs and Expenses

Table 4-3 Estimated Costs and Expenses for Implementation (8)
Project No. A-3: Provide Opportunities for SMEs to Contact Distributors in the Modern Sector

Item	Estimated Costs and Expenses		Remarks	
	<u>Estimated M/M required</u>	<u>Contract Costs (FCFA 1,000)</u>		
Consultant fee	1) Program implementation	6.00	6,480	Once every 2 years. - 2 consultants for 3 months, including promotion and pre-guidance - Assuming 4 cases for guidance with 0.75M/M of guidance per case
	2) Guidance for improvement	3.00	3,240	
	Total		9,720	

Notes: Costs and expenses in FCFA1,000 in rounded figures without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Administration costs	(35% of the remuneration)	280,000	FCFA/Mo.
Fee per man-month		1,080,000	FCFA/Mo.

Source: JICA Study Team

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

(1) Objective and Outline

1) Objective and Outline

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.

2) Overall goal

- Promotion of diversification and advancement of industrial structure
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Support for small and micro enterprises in business expansion effort
- Business improvement of small and micro enterprises in terms of quality

(2) Main Points

1) General description

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. For this purpose, the project will proceed in the following steps.

1. Companies which have potential to become suppliers for large enterprises are identified and listed. For this purpose, public announcements as invitations to make application is not enough, and the program should be promoted with specific focus. It is expected that a wide range of products and services can be outsourced to local suppliers, including construction work, inspection and repair, catering, security, production of parts and components, and machining and other processing (emphasis will be placed on provision of business opportunities rather than technology transfer).

2. A seminar led by each potential customer (large manufacturer) is held by making public announcements to invite participation by SMEs in order to discuss subcontract opportunities including the detailed needs of the potential customer and requirements for suppliers in terms of technology, quality, and price.
3. The potential customer selects a candidate supplier from those participating in the seminar, makes an inquiry to it, and places a preliminary order if conditions are met.
4. The supplier who has received the preliminary order receives technical training (covering technology and management) that is conducted with the cooperation of the customer (for a specific fee) and by adding resources as required. Note that the customer has agreed to participate in the subcontract promotion project under the condition that necessary technical training is given to the supplier.
5. Upon completion of the technical training, a contract is awarded by the customer to the supplier. The supplier is expected to pay portions of the training fee.
6. Tax incentives (including special deduction of some expenses) are granted to manufacturers which provide subcontracting opportunities under the program.
7. Program implementation is entrusted to a BDS provider with appropriate experience (including the chamber of commerce and industry).

One successful example would be when a local company has won a contract from a heavy machinery manufacturer by providing engineering service and has become a key supplier through technical guidance of the customer as well as an engineer sent by an international organization.

This may be compared to ALCAN's subcontracting project (mainly construction and simple equipment installation), which was launched as the first project to create subcontracting business opportunities, has been successfully implemented up to an contract awarded to a group of small and medium sized enterprises, but a technical guidance project for suppliers is behind schedule and it is feared that they may not be able to meet the overall project schedule.

2) Implementation system

The MINPMEEESA 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. Actual implementation of the program will be entrusted to a private BDS provider on a contract, including the following:

1. Listing of participating SMEs, and prior briefing to them
2. Holding of the seminar
3. Implementation of a guidance program package for SMEs that have received provisional orders from customers, followed by necessary coordination with customers

SME participants will be invited through the SME Support Center. For every deal closed as a result of the seminar, a participation fee will be collected from the successful SME.

3) Preparation requirements and other related matters

- a) Technical advice relating to management and production technology
 1. Upon request from a potential customer, collaboration or joint operation among the candidate SMEs should be encouraged.
 2. Agreement will be made with the SME that has received a provisional order, concerning participation in a training program provided by the customer and a supplemental program package as required. Other (proposed) SME support programs will be used for this purpose, such as “the management skill upgrading program”.
 3. A loan for small amount of working capital will be provided, when necessary.

4) Estimates of required costs and resource input

a) Assumption for estimation

The study to identify large enterprises that can be collaborative to the project, and activities relating to the preparation and organization of the seminar (including coordination for technical advice for SMEs upon receiving provisional order) are assumed to be implemented by a BDS provider on a contract basis. Project planning and preparation activities before implementation will be carried out by the MINPMEESA, SME Development Agency, and SME Support Centers as part of their daily business, so that no additional cost is assumed.

Major cost items are listed as follows.

1. Costs for project implementation by the outside BDS provider
2. Costs for financial assistance for payment for the consultation and advice fee of participating companies

b) Estimated Costs and Expenses

Table 4-4 Estimated Costs and Expenses for Implementation (9)
Project No. A-4: Provide Opportunities for Subcontracting and Development Down Stream
Products with Cooperation of Large and Foreign Affiliated Enterprises

Item	Estimated Costs and Expenses		Remarks
	<u>Estimated M/M required</u>	<u>Contract Costs (FCFA1,000)</u>	
Consultant fee	1) Program implementation	6.00	6,480
	2) Guidance for improvement	3.00	3,240
	Total		9,720

Notes: Costs and expenses in FCFA1,000 in rounded figures without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Administration costs	(35% of the remuneration)	280,000	FCFA/Mo.
Fee per man-month		1,080,000	FCFA/Mo.

Source : JICA Study Team

A-5 Promotion of SME products in the government / public procurement³

(1) Objective and Outline

1) Objective and Outline

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

Needless to say, the program should be carefully arranged to take into account the actual capabilities of SMEs, which are often limited in terms of quality, price, supply capacity, and delivery schedule, while excluding the possibility of obligatory purchase of SME products without considering the quality requirements.

2) Overall goal

- Promotion of diversification and advancement of industrial structure
- Vitalization of the private sector focusing on SMEs

³ The priority treatment quota for SMEs in government procurement has been enforced since 2007. It is important to monitor its results in order to determine whether it actually benefited SMEs, while developing and employing a more effective method (and/or a less troublesome method) as required.

3) Policy objectives

- Support for small and micro enterprises in business expansion effort

(2) Main Points

1) General description

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.)

2) Implementation system

a) Establishment of a basic framework

1. 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. Before the time of establishment of the Committee, it will be submitted to the Prime Minister.
2. Based on the final decision by the Committee (or Prime Minister), related ministries and agencies will set forth detailed rules and conditions, including a list of respective products and services covered by the program, eligible small enterprises, conditions relating to favorable treatment, and application procedures.

b) Implementation

1. The program will be implemented as part of each ministry's duties.
2. 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.
3. 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.

3) Preparation requirements and other related matters

a) Considerations relating to implementation

While the primary purpose of the program is to create new business opportunities for small enterprises, it will have a negative impact on large enterprises by taking away some business. Thus, care should be taken when establishing the minimum percentage of purchases from small enterprises, from the viewpoint of securing fair business opportunities for both small and larger enterprises, while taking into account the actual supply capability of small enterprises for a specific product type, e.g., a unduly high percentage of mandatory purchase should not be set for a product that is not widely manufactured by small enterprises.

In addition, the following points should be considered when the program is implemented.

1. It is imperative to define SMEs which are eligible for the program. More precisely, as medium-sized enterprises have already participated in government purchases, only small enterprises and microenterprises (i.e., those with less than 30 employees) should be covered by the program.
2. For products and services to be covered by the program, industrial standards will be developed and used as a technical guideline for small suppliers so as to encourage their participation, while preventing the procurement of substandard products.
3. Also, a list of potential suppliers for respective products and services should be ready prior to program implementation. In other words, the availability of such list is requisite for implementation of the program, although suppliers who are not in the list should not be excluded from the bidding process. Further, in preparing the potential suppliers' list, products and services, for each of which a list is prepared, should be designated by broader categories in order to encourage business expansion by small suppliers.
4. The program aims to help small enterprises to strengthen and expand their business base by opening up large market opportunities relating to government procurement and public work projects under favorable conditions. Needless to say, the program does not necessarily create guarantees for small enterprises to win government contracts without necessary efforts. Since favorable conditions are set to create a level playing field for companies of varying sizes, it is important to do so by taking into account the conditions peculiar to each product or service. Especially, the program should avoid perfunctory allocation of procurement contracts to small enterprises by setting a quota or minimum purchase requirement.

5. Schools use a variety of products that can be made without special technology or equipment. These products should be purchased from the manufacturers or suppliers who are running business in the vicinity of the schools, as far as possible.

b) Examples in various countries

In relation to preferential treatment of SMEs in government procurement, the most frequently used policy tool in many countries is the improvement of information access for SMEs. In the EU, for instance, efforts are made to facilitate access for SMEs to government procurement projects on the basis of the recognition that SMEs are generally placed in unfavorable conditions. The UK government gives advice on procurement projects that provide favorable treatment of SMEs, while urging ministries and agencies to give consideration to SMEs.

On the other hand, not many countries establish a specific quota or minimum purchase requirement relating to procurement from SMEs. In the U.S., government agencies are generally required to award procurement contracts values of which fall in a specific range to SMEs. This requirement is justified in case that there are a large number of SMEs that have supply capabilities, so that effective competition can be assured in the bidding limited to SMEs.

In Germany, a bidding price submitted by SMEs for government procurement is given of a 4% advantage, i.e., the lowest bid by a SME wins unless the lowest bid by a large corporation undercuts the SME's bid by more than 4 percentage points. A similar favorable treatment is also seen in South Africa.

A-6 Participation to "World Trade Point" Scheme

(1) Objective and Outline

1) Objective and Outline

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.

In fact, medium- and large enterprises make products that are of quality equivalent to international standards, although lacking price competitiveness. Some of their products are those that are exportable only taking advantage of supply shortage in the country (or region). At present, however, these companies do not have sufficient information on markets, trade partners and import control, which enables them to turn export potential to reality.

This development measure will support for SME to access to export and provide an opportunity with a provision of basic information on export market. SME Support Centers will introduce service providers, who have detail information and special knowledge and expertise on the practical exportation procedure, to SMEs.

The Center will provide also information on export markets by utilizing the World Trade Point Scheme to SME.

2) Overall goal

- Promotion of diversification and advancement of industrial structure
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Promotion of medium-sized and upper medium-sized enterprises for export to new markets
- Support for development of export items by medium-sized and upper medium-sized enterprises
- Support for small enterprises and microenterprises in entering export business

(2) Main Points

1) General description

a) SME Support Center will provide the information regarding the following:

1. Support for export procedures (dissemination of knowledge including export regulations and introduction of specialized service providers relating to actual procedures)
2. Provision of information on export markets and exporters (market size, import trend, and import regulations)
3. Support for communication with relevant organizations in export markets
4. Support for cyber marketing and actual implementation
5. Provision of information relating to trade fairs and support for participation procedures

(The Center's service in the field of trade fair will be limited to information service upon their demand, only, and the trade fair-related support is provided by the MINCOM and the trade fair organizers.)

b) Participation in the Trade Point Scheme

Prior to program implementation, consideration should be given to the use of "Trade Point" project that is currently implemented by the World Trade Point Federation (WTPF).

Trade Point, the concept developed by UNCTAC, is deployed worldwide by the WTPF and is established in more than 70 countries. Effective coordination will allow the program to use relevant functions of Trade Point, such as provision of information on trade promotion and human resource development relating to trade.

2) Implementation system

a) Collection and provision of information

Program implementation is assumed to be entrusted to a capable BDS provider. At present, the Chamber of Commerce and Industry (CCIMA) is expected to be the primary candidate.

The following activities will be conducted by the BDS provider: (1) collection of information; and (2) provision of information. Information will be stored in Yaounde. For provision of information service, information desks will be established in Douala and Yaounde (in the SME Support Centers, or in the MINPMEESA if the Center is not established yet), and a counselor in charge of giving guidance on exports will be assigned to each mobile team of SME centers.

As the program is closely associated with the MINCOM's duties, the ministry will serve as the leading agency and is responsible for program planning. The SME Development Agency will be responsible for program implementation and will hire and supervise a BDS provider.

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

b) Participation in the Trade Point Scheme

It will be led by the MINCOM.⁴

3) Preparation requirements and other related matters

As mentioned above, huge time and cost could be necessary if the SME Support Center is to collect and accumulate all information on export markets. Also, in spite of the effort, the number of users could be limited, and the users are probably not satisfied with general information that is not directly linked to sales prospects in the real business world. Therefore the Center activity will be limited to utilizing existing information like World Trade Point Information, and not collect it by itself. If detailed information is necessary, the Center will help by introducing institutions of the relevant county and seeking support from the embassy of Cameroon in the relevant country. With regard to support on export

⁴ The MINCOM has already started to collect information.

procedures, the Center will supply basic information, and will introduce the specialized providers' details and practical information to users.

4) Estimates of required costs and resource inputs

a) Assumption for estimation

This project is assumed to be implemented jointly by the MINCOM, SME Development Agency, and a BDS provider (who will implement the project on a contract basis).

The MINCOM will participate in the World Trade Point Scheme, collect information, and provide it to the BDS provider. As for the trade fair, ordinary service will be provided by the MINCOM and relevant service information will be supplied to the BDS provider.

SME Development Agency will entrust the following activities to the BDS provider and supervise their actual progress.

1. Collection and compilation of information required for service delivery
2. Relevant activities at the SME Support Center (provision of information and consulting service, support for contact with related organizations, and cyber marketing support (or to conduct marketing activity on the government's behalf).⁵

Project planning and preparation activities before implementation will be carried out by the MINPMEESA, SME Development Agency, and SME Support Centers as part of their daily business, so that no additional cost is assumed.

⁵ As the basis of providing the cyber marketing support and agency service, development of infrastructure or business conditions is indispensable, including dissemination of sound management among participating SMEs (i.e., governance), the reliable payment system and the product transport system, etc. SMEs in Cameroon are not ready to tap into cyber marketing. Rather, various studies and preparation activities are required to establish the infrastructure for the cyber marketing, and the support and agency service should become available in the later phase.

b) Estimated Costs and Expenses

Table 4-5 Estimated Costs and Expenses for Implementation (10)
Project No. A-6: Participation to "World Trade Point" Scheme

Item	Estimated Costs and Expenses		Remarks	
	<u>Estimated M/M required</u>	<u>Contract Costs (FCFA1,000)</u>		
Consultant fee	1) Preparation of data and information	4.00	4,320	Preparation stage only. - 2 consultants for 2 months.
	2) Compilation and updating of data for the services at SME Support Centers	2.00	2,160	Annual costs.

Notes: Costs and expenses in FCFA1,000 in rounded figures without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Admonistration costs	(35% of the remuneration)	280,000	FCFA/Mo.
Fee per man-month		1,080,000	FCFA/Mo.

Source: JICA Study Team

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

(1) Objective and Outline

1) Objective and Outline

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.

Medium-size enterprises basically make products using imported raw materials (as well as semi-finished products). On the other hand, modernized (large-scale) distributors in Cameroon mostly deal with imported products. Although some of these imported products can be supplied by local companies, local sources are not widely used due to the lack of information on them as well as the difficulty in securing a certain level of supply capacity.

In particular, it is difficult to obtain information on locally available resources for new business development and investment.

At present, microenterprises and small enterprises operate their business by using readily available resources and are not ready to start up a new business by making use of untapped local resources. At the same time, they do not know as to whether their products can be purchased and used by larger enterprises and foreign companies. While the program aims to help medium and large enterprises to find ways to use local resources effectively, it may create opportunities also for smaller enterprises to find new customers for their products.

2) Overall goal

- Promotion of diversification and advancement of industrial structure
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Promotion of investment in new business areas
- Use of domestic resources (including import substitution)
- Support for small and micro enterprises in business expansion efforts

(2) Main Points

1) General description

1. To collect local resource information as part of the SME support center's function. Initial data collection will be made through the chamber of commerce and industry, GICAM, and other organizations, followed by continuous information gathering from the following sources.
 - SMEs
 - Farmers, fishermen, and foresters
 - MINADER and Ministry of Science Research and Innovation
 - Others
2. 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.
3. To make the above information available all the time at the SME Support Centers.

2) Implementation system

1. The following tasks relating to the development of the information service system will be entrusted by the SME Development Agency or the MINPMEESA to a private BDS provider.
 - Development of a database system
 - Initial information gathering

2. Information will be provided to SMEs by counselors as part of the SME Support Center project.
3. The SME Development Agency will collect additional information and store it in the database system. The Agency will also link the database system to its Web site for wide access.

3) Collection and storage of information

There are various methods for storage of information. Care should be taken not to build a complete system at once, which would result in the inefficient collection process including irrelevant information. Rather, it is more efficient and effective to collect and store information according to the needs on the company side as well as resource development needs.

Specifically, it is recommended to use the following opportunities for collection of information.

a) Voluntary provision of information by companies


Information provided or published by individual companies, such as their products or services, will be entered to the database. Since this type of information is provided for advertisement and promotion purposes, the accuracy/reliability of information should be assessed by users at their risks. Information will be updated by its provider, while allowing users to know the date of update by indicating the date. Information sources may be SMEs, large enterprises or foreign corporations. Information can also be used for the purpose of business matching.

b) Information gathering on a specific field or topic


The SME Development Agency will collect information on the specific topics, according to the needs by SMEs, where necessary. For instance, information on locally available packaging materials may be collected to meet the needs for improvement of packaging by SMEs in the food industry (see Table 4-6 for an actual example of information collected). In this case, information should be gathered requesting companies in related industries to provide voluntarily, so as to facilitate data collection in an efficient and continuous manner.

Similar information sources include exhibitions and trade fairs from which information on exhibitors can be collected and stored. Table 4-7 shows examples of information gathered about handicrafts, apparel, and furniture industries, through the technical survey and guidance on product development opportunities in Cameroon, conducted under the present Study.

**Table 4-6 (1/2) Sample Data of Business Seeds and Needs Database
- Packaging Materials -**

Titles	Contents
Topics:	Plastic and paper packaging materials for food and other products
Reference No.:	1
Date prepared:	28/10/2008
Date updated:	28/10/2008
Name of person prepared:	Littoral Delegation Office, MINPMEESA; Phone: (237) 33 42 26 81
Type of data:	Packaging materials to sell
Source of data:	Interview to DG
Company Outline	XXXXX Mr./Ms. XXXX XXXX, Douala Tel: (XXX)XXXX E-mail: XXX@XXX
Product Outline:	Carton paper and polypropylene packaging materials for foods, tabaco, coffee, drugs, liqueur with label designing and printing for more than 200 local clients. The company has also exporting to Tchad, Gabon, RCA, Congo and RDC. There are a roratives offse
Sales conditions	Offset printing on paper and carton and flexographie on paper and OPP (oriented polypropylene) are available. Minimum lot of order : no condition Packaging designing: in-house and outside designers are available 
Contact:	XXXXX Mr./Ms. XXXX XXXX, Douala Tel: (XXX)XXXX E-mail: XXX@XXX

**Table 4-6 (2/2) Sample Data of Business Seeds and Needs Database
- Packaging Materials -**

Titles	Contents
Topics:	Plastic cup and bottle for food, and PVC construction pipes
Reference No.:	4
Date prepared:	28/10/2008
Date updated:	28/10/2008
Name of person prepared:	Littoral Delegation Office, MINPMEESA; Phone: (237) 33 42 26 81
Type of data:	Packaging materials to sell
Source of data:	Interview to a Manager
Company Outline	XXXXX Mr./Ms. XXXX XXXX, Douala Tel: (XXX)XXXX E-mail: XXX@XXX
Product Outline:	PE cup and bottles for youhgrut and others. The company is developing market other than CAMLAIT.
Sales conditions	<p>Minimum lot shall be negotiated with clients.</p> <p>Minimum lot of order : 10,000 cup, 600 bottles</p> <p>Packaging designing: by in-house and outside designers are available</p> <p>Picture sample:</p> 
Contact:	XXXXX Mr./Ms. XXXX XXXX, Douala Tel: (XXX)XXXX E-mail: XXX@XXX

**Table 4-7 (1/2) Sample Data of Business Seeds and Needs Database
- Furniture, Handicrafts, Textiles, etc.-**

Titles	Contents
Sector Field:	Interior goods
Organization Name:	XXX
Reference No.: Date prepared: Date updated: Name of person prepared: Type of data: Source of data	C-1 5/11/2008 5/11/2008 Products Interview
Products Outline:	Lamp products
Main Features:	<ul style="list-style-type: none"> - Unique design lamp product, wall clock, mirror using African tree leaf, root, other natural materials. - Distinct design and hobby taste.
Contact:	Mr. XXXX, Yaounde; Phone XXXX-XXXX, E-mail: XXX@XXX

**Table 4-7 (2/2) Sample Data of Business Seeds and Needs Database
- Furniture, Handicrafts, Textiles, etc.-**

Titles	Contents
Sector Field:	Furniture and Handicrafts
Organization Name:	XXXX
Reference No.:	B-1
Date prepared:	5/11/2008
Date updated:	5/11/2008
Name of person prepared:	
Type of data:	Products
Source of data	Interview
Products Outline:	<ul style="list-style-type: none"> - Living sofa, Chair, Cabinet, Wagon, Lump, Front door, - Handicraft goods (Traditional African chair, wooden interior goods, wooden plate, etc)
Main Features:	<ul style="list-style-type: none"> - Establishment: 2005 - Organization type: Association - Approximately 50 members (craftmen and carpenters) - 1 workshop and 1 showroom - Annual turnover: 5 million FCFA - Craftman is skillful.
Contact:	<p>Mr. XXXX, Yaounde; Phone XXXX-XXXX</p> <p>E-mail: XXX@XXX</p>

c) Provision from research organizations

Research organizations such as those under the Ministry of Science Research and Innovation, and the Ministry of Agriculture can be used as information sources asking them to provide their research topics and development results. This type of information allows industries to utilize the results of R&D efforts quickly.

4) Estimates of required costs and resource input

a) Assumption for estimation

SME Development Agency is assumed to assign full-time staff in charge of information gathering and database management, and gather and store relevant information from publications of ministries and other government organizations, the chamber of commerce and industry, and GICAM, delegation offices of the Ministry of Science Research and Innovation, and SME Support Centers. Also companies should be regarded an important source of information on their products, services, and raw materials. The agency will also issue periodical publications that contain information on a specific topics. Since these activities will be carried out by the MINPMEESA, SME Development Agency, and SME Support Centers as part of their daily responsibility, no additional cost is assumed.

Major cost items include the following.

- Costs for initial collection of information, and compilation of them into a database on a contract basis.

b) Estimated Costs and Expenses

**Table 4-8 Estimated Costs and Expenses for Implementation (11)
Project No. A-7: Development of Database on Business Seeds and Needs**

Item	Estimated Costs and Expenses		Remarks
	<u>Estimated M/M required</u>	<u>Contract Costs (FCFA000)</u>	
Consultant fee	- Gathering of data and information, including database development	8.00 8,640	Preparation stage only. - 2 consultants for 4 months.

Notes: Costs and expenses in FCFA1,000 in rounded figures without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of the consultant fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Administration costs	(35% of the consultant fee)	280,000	FCFA/Mo.
Fee per man-month		1,080,000	FCFA/Mo.

Source: JICA Study Team

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

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

(1) Objective and Outline

1) Objective and Outline

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 program is based on the premise that the financing difficulty facing SMEs is partly attributed to an underdeveloped financial system and institution in the country, not to mention the lack of management capability on the SME side. More precisely, the country's financial system has the following problems: (1) there is no reliable source of long-term funds as the country's capital market is underdeveloped, while the financial system lacks breadth and depth; (2) a financial scheme that does not rely on collateral (fixed property to be pledged) is not developed and make SMEs difficult to access to commercial borrowing; and (3) interest rates are very high to make commercial loans prohibitive to SMEs that generally operate at fairly low margins. The problems cannot be overcome by efforts of a single company or existing financial institutions. It is therefore proposed to establish a financial institution specialized in SME finance as a workable solution.

2) Overall goal

- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Promotion of investment in new business areas as well as business expansion

(2) Main Points

1) General description

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 and will cover the following areas.
 - Marketing
 - Technical support
 - Management skills
 - Business matchmaking
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 loans at lower interest rates than market rates; (2) acceptance of less strict collateral requirements; and (3) supply of long-term funds.

1. Provision of low-interest loans by using government funds and issuing bonds in the international market

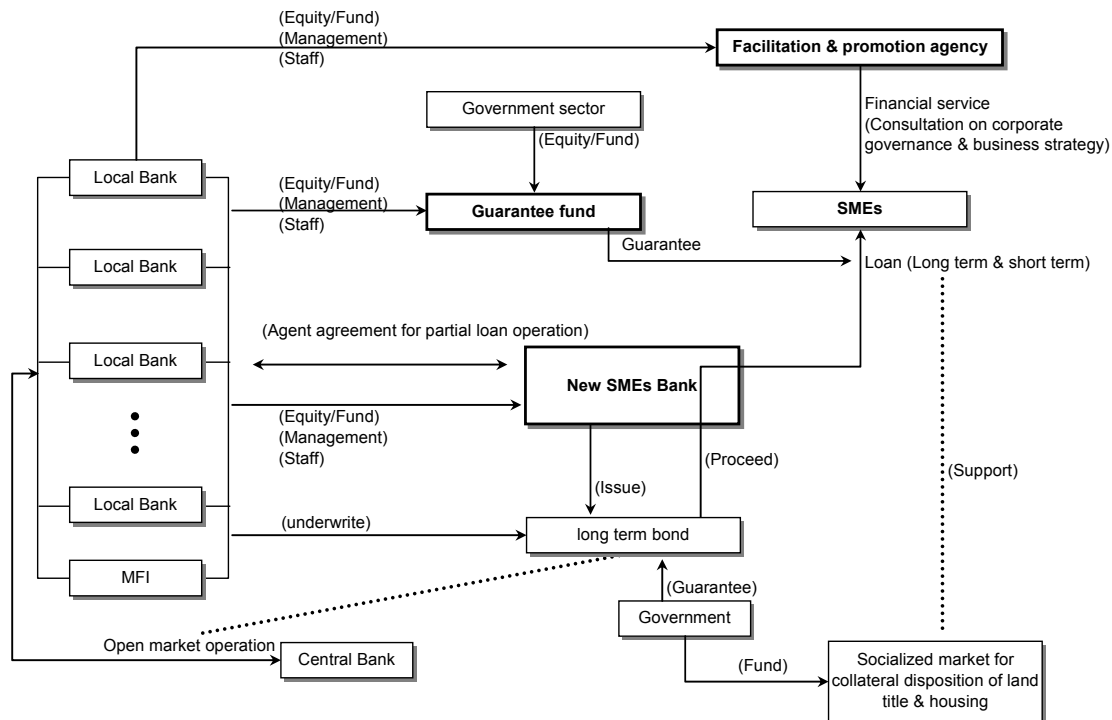
2. Loans not requiring collateral by using most advanced financial technology
3. Supply of long-term funds by setting three-, five- and seven-year loan period, with diverse low-cost financial sources including the new institution's own capital, government funds, and bonds underwritten by commercial banks, 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.

Its primary financial sources will include general consumers, companies, and financial institutions. At the initial stage, it will obtain low-interest funds from the government in the form of deposits. Interest rates of the new institution's SME loans will be set below those of current SME loans by using low-interest government funds and internal funds. It is expected to benefit bank shareholders by means of business expansion and the rise in stock price. The major issue facing the new institution is its ability to raise long-term funds. Possible financial sources are the use of surplus funds at microfinance organizations, funds of insurance companies, the issuance of debentures, and the issuance of government-guaranteed debentures in the international financial market. From the viewpoint of promoting the placement of foreign debentures, a foreign investment bank (underwriter) may be invited to become its shareholder.

As for the policy implementation function, the new institution will provide emergency financial support for SMEs, which face financial difficulty due to economic downturns. In this sense, it will serve as a government agent for implementation of SME-related policy.

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 other words, the new institution will be able to perform its function fully only when the other two systems are created and operated as planned (See Fig.4-1).



Source: JICA Study Team
Figure 4-1 Proposed Scheme of the SME Bank

2) Implementation system

In implementing the new SMEs Bank, it is recommended to use a two-stage approach. The reason is that the whole structure is complicated and involves many actors, and a step by step approach is necessary.

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.

3) Preparation requirements and other related matters

a) Need for development of the legal framework to support the new institution

In preparing for the establishment of the new SME financial institution, building a legal framework becomes necessary. Following are examples of what is needed.

- A special bank law on the “New Bank Specialized in SMEs Finance”
- Regulation on forming a joint venture by financial institutions
- Regulation on opening branches
- Regulation on the limited amount of debentures to be issued
- Regulation on issue of private placement bond
- Adoption of BIS regulation

b) Considerations relating to the establishment of the SME financial institution

1. Promotion of compliance and good governance

It is important to promote compliance and good governance by both the lenders and the borrowers, which is a basic principle of financial services. Guarantee only serves as a final safety net. A well-designed guarantee scheme serves as incentive for expansion of SME finance by commercial banks. However, if SME governance is not complied with, the guarantee system merely serves as a mechanism to transfer the risk inherent in SME loan from the borrower to the guarantor. Thus, compliance with governance should be established and combined with a well-designed guarantee system as well as an effective bank loan system. To this end, the Ministry of Economy and Finance is required to make reforms in order to normalize commercial bank loans, especially in the following areas.

- Compliance with applicable laws and regulations
- Development of business strategy
- Establishment of adequate loan procedures
- Minimization (sharing) of credit risks

2. Adoption of the public-private partnership (PPP) approach

Strategy should be adopted to solve issues under the PPP spirit. In this connection, private initiative should be given priority, while the public sector should assume a subordinate role.

3. Promotion to apply expertise and experience of microfinance organizations in small enterprise finance to SME finance

Expertise and experience of microfinance organizations in small enterprise finance should be used in the following areas.

i. Exchange of know-how

The new institution will serve SMES that generally cannot use commercial banks. Information on SMEs, including their operation and management, is often held by microfinance organizations. Thus, the new institution should be able to obtain such information through collaboration with microfinance organizations.

On the other hand, commercial banks can provide a variety of financial services for customers (SMEs) of microfinance organizations through their interregional and international networks. Needless to say, they can make up for fund shortages of microfinance organizations. In turn, debentures issued by commercial banks can be underwritten by microfinance organizations.

ii. Introduction of customers

Microfinance organizations serve to foster small businesses, some of which grow to become full-fledged business entities, namely SMEs. They then can become customers of commercial banks. This transition can be accomplished by effective linkage between the microfinance organization and the commercial bank. To ensure a strong linkage, it is recommended to promote mutual equity ownership between them. This way, both organizations can share management know-how relating to SME finance, in addition to the securing of necessary funds.

iii. Consolidation and institutionalization of SME finance schemes

There are many SME finance schemes, but many are not well organized or structured. They are separately operated and their continuity or integrity is not assured, although they may represent flexibility in SME finance. It is therefore recommended to consolidate them into larger schemes operated under the auspices of a government financial institution. In this connection, the new SME bank should have several contact points representing various SME finance schemes.

iv. Diversification of government's role in SME finance

At present, the government's role in SME finance is limited to the supply of funds. However, it can take the following support measures that are worth considering.

- Low interest, loans via the new SME bank
- Policy finance, by providing low interest loans for financial institutions
- Low interest deposit of government funds with financial institutions
- Long-term deposits with financial institutions to enable long-term loans
- Guarantee for debentures issued by financial institutions
- Dividend guarantee for the new SME bank for a specific period of time

v. Development of financial technology

Clearly, a traditional approach is not sufficient to overcome financial problems facing SMEs. Innovative solutions should be sought by using modern financial technology. In particular, development of appropriate techniques to evaluate creditworthiness of SMEs should be given of highest priority because promotion of non-collateralized loans is expected to play a critical role in improving SME finance.

vi. Strategic focus on SMEs that have high growth potential

SME finance is considered as commercial business rather than charitable service. It should not target SMEs that are incapable of sustaining and growing their business. In

particular, given the present conditions facing the economy and society in the country, a firm principle should be set and followed that only SMEs with sufficient business acumen can obtain loans. This principle should form an integral part of the proposed SME bank's operating rule. If the principle is violated, financial institutions will soon produce substantial losses as many loans become non-performing due to a swath of defaults. Thus, the new SME bank must carefully select SMEs that are truly creditworthy and are qualified for loans.

In this connection, care should be taken to the identification and selection of potential SMEs according to a fair and transparent standard, which should essentially satisfy the following three conditions. First of all, the company must maintain adequate governance and be strongly committed to it. Secondly, its business must have a good prospect for growth supported by competitive agility. Thirdly, it must have high potential to make a positive contribution to the development of the national economy through job creation and export expansion. The new SME bank should give priority in loan policy to SMEs that satisfy these conditions and do not have adequate financial access.

The new SME finance scheme will differ from microfinance in that it will be applied to carefully selected SMEs, as opposed to all small enterprises. This reflects the fact that the new scheme's resources will be limited in the initial stage, as pointed out later. The most difficult task is to determine which industrial sector (or region, etc.) or business model should be given priority. Clearly, a specific guideline should be established. Needless to say, the guideline should apply to the government-controlled SME bank only and should not bind private financial institutions and their activities.

As the level of governance is closely associated with the priority level in financial access, Figure 4-2 shows their relationship. Here, the major goals should be placed on SME in Categories (2) and (3). At the same time, those in Category (1) should receive attention in the formulation of microfinance development strategy. In addition to government, the manager's profile – such as age, educational level, and experience in business – should be a key element of selection criteria.

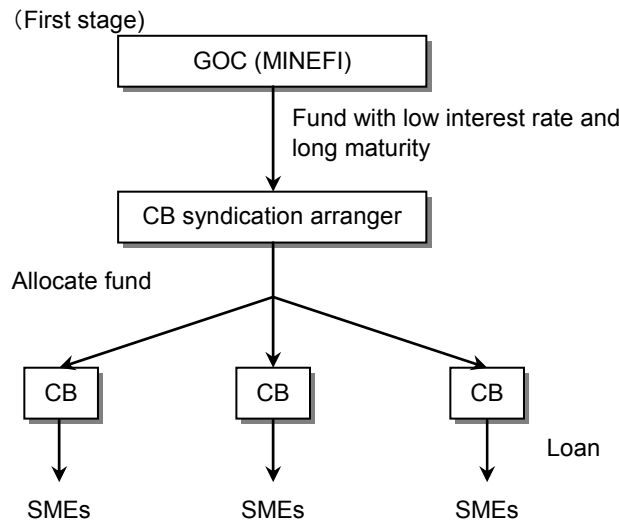
c) Establishment Process

In implementing the new SMEs Bank, it is recommended to use a two-stage approach. The reason is that the whole structure is complicated and involves many actors, and a step by step approach is necessary.

1. First stage

In the Stage 1, existing commercial banks will organize a syndicate to distribute the Government funds to SMEs. In this sense, the syndication is only a window of channeling

Government's funds to SMEs. However, the syndication members take credit risks of the policy finance.



At this stage, the Government will determine the scheme, settle a fund and manage the fund. The government is a catalyst.

Function of CB syndication arranger is below:

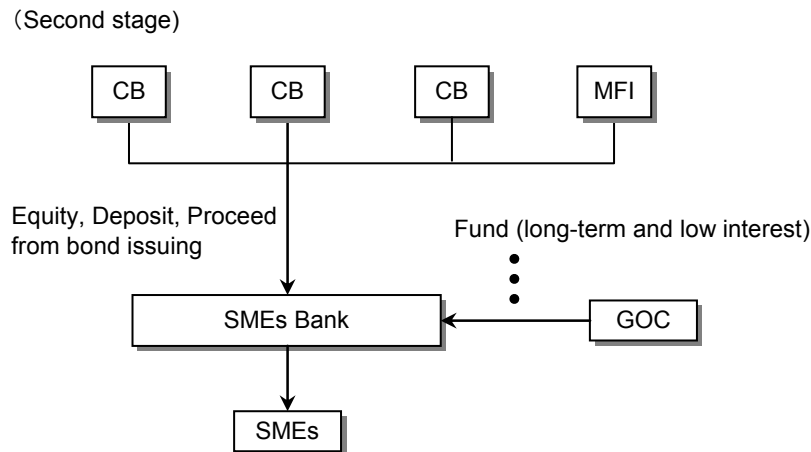
- To receive necessary funds from the Government
- To transfer the funds to commercial banks
- To monitor utilization of funds
- To analyze the factors when the funds remain unused and to take necessary actions for full utilization of the funds

The reason of organizing a syndication is to avoid complexities that the Government enters into contract with each commercial bank separately. The interest rate of funds charged on commercial banks is set lower than the market rate. The each commercial banks participated in this syndication has a responsibility to develop new customer and provide a loan.

2. Second stage

Based on the experience at Stage 1, commercial banks establish the Bank. The bank is engaged in SMEs finance under their responsibility.

Commercial banks participating in the first stage are expected to make equity participation in the new bank as well. Other investors will include microfinance organizations. As a result, the government's role in SME finance will decrease somewhat, it is expected to play a continuous role in the development of SME finance by becoming substantially involved in the establishment and operation of the financial service and credit guarantee organizations, which is discussed later.



The Bank recruits best and brightest managers from commercial banks and microfinance institutions. It is desirable for these managers except from microfinance institutions are involved in the project from the first stage. More than 50% of the managers are called from commercial banks who are shareholders. One or two managers are invited from Ministry of Finance and Economy. In order to secure corporate governance, it is recommended to invite a manager from foreign banks as an advisor.

The new bank's organization and roles of key departments are outlined as follows.

- Planning Department: Development of linkage or alliance with non-bank organizations such as microfinance organizations, foreign financial institutions, insurance companies.
- Research Department: Discovery and selection of industries having competitive SMEs
- Examination Department: Assessment of customers with good credit standing
- Financial Product Development and Marketing Department: Financial engineering
- Policy Finance Department
- Equity Finance Department: Development of new financial products such as redeemable stocks
- Fund Department: Development of alliance with microfinance organizations and issuance of financial bonds by offer for public subscription
- Management Consulting Department: Alliance with financial service organizations
- Office network: Head office and regional branches (one office in each province)

The New Bank will be required to make a profit as a private financial institution. In order to secure a profit, a strategy is important to enclose excellent customers as much as possible with providing competitive services such as a long-term fund, lower interest rate and non-guarantee fund. A priority should be placed in securing a profit, for instance, a

target proportion of a fund portfolio is indicated as: excellent customer 20%, general customers 50%, a bit risky customer 20%.

d) Possible forms of the new SME bank

The new SME bank can be established and operated in any of the following four forms of management.

- A: Government bank
- B: PRO-PME fund
- C: Commercial bank (a)
- D: Commercial bank (b)

In light of the fact that financial problems encountering SMEs cannot be solved by the working of the market mechanism alone, some institutional approach seems to be required. From the importance of governance, however, management form “A” (government bank) is not recommendable because of previous cases of failure. Instead, other forms should be desirable on account of reliance on private initiative, although some government support is required.

Among three forms classified as the private initiative type, the first one is the PRO-PME fund (form B). Note that this is recommendable only when government’s role is limited to supply of funds and supervision on their use. Also, the fund’s management should be entirely left to the private sector. Even then, the fund approach raises three issues. First of all, it is not uncertain as whether cooperative management can be appointed for the fund. Secondly, the government may not be able to supply sufficient funds according to business growth. Thirdly, the fund, by nature, may be restrictive in terms of business deployment, i.e., its activities may be limited to Yaounde and Douala, while failing to meet financial demand from SMEs that are scattered in the rest of the country.

Two other forms are based on the commercial bank, with some government support, namely CB-a and CB-b. The former is divided into two phases. In the first phase, the government will make long-term, low-interest deposits with the commercial bank as source fund, which will then be used for SME finance by the syndicate of banks formed to support the commercial bank. In the second phase, the scheme will undergo substantial changes. The bank syndicate will form a new SME bank by involving other financial institutions, if appropriate. The newly established bank will provide SME loans by using funds raised from the issuance of stocks and bank debentures as well as deposits made by the commercial banks. The debentures will be issued through private placement within the

country. In the future, they will be offered in the international market as the bank's business becomes full-fledged. Conditions of issuance will be long-term and low interest. Injection of government funds made in the first phase will be continued only when they are required for strategic and policy-oriented lending.

On the other hand, the "CB-b" type is simpler than "CB-a" and is essentially similar to the PRO-PME fund type. Under this scheme, the government will establish a new bank and will appoint its executive officers. According to the principle to separate ownership and management, the government will provide funds but leave management to the private sector. This form of management may have its merit in simplicity and allows the use of financial experts including foreign banks. The governance requirement can be fulfilled by strict separation between management and ownership. Yet, there is concern in two areas. The first question is as to whether the government can continue to supply required funds, especially when fund requirements grow rapidly according to business expansion. It may become nullified if the new bank may be able to raise funds from other sources, including the financial market. The second question is concerned with governance as to whether it can be established when the government appoints executive officers, i.e., the government may appoint personnel who can feel or sense what the government wants, as far as it uses public funds to finance the bank.

In consideration of the above factors, "CB-a" is considered to be the best choice.

At present, obtaining long-term funds in the country is difficult for two reasons. First of all, the Cameroon economy has still to reach the stage where people are willing to make long-term investment, in addition to short-term investment such as bank deposits. Secondly, all of the capital, stock and bond markets are immature so that it is difficult for financial institutions to obtain long-term funds from the market. At present, long-term loans are made by using the capital account or diverting short-term funds (bank deposit). The latter case creates a liquidity risk to force the bank to secure excess liquidity, resulting in lower efficiency of fund operation.

Some commercial banks raise long-term funds from foreign banks in the form of equity participation. This approach has an advantage in that they can obtain latest financial technology in addition to long-term funds. At the same time, it has a limited effect in terms of the continuous raising of long-term funds because equity participation does not necessarily warrant flexible supply of long-term funds.

4) Estimates of required costs and resource input

a) Assumption for estimation

To minimize business-related risks, it is assumed that the bank will start up with minimum required workforce and resources, as follows.

- Number of employees: Around 40
- Number of customers: Around 40 companies/year (to develop around 200 customers in five years)
- Fund supply: The average value of loan at 30 million FCFA per company
- Initial capital: 2,000 million FCFA (to be increased by 50% in five years)

b) Management outlook

Under the above assumptions, the bank's balance sheet in the first and fifth years is estimated as follows.

(unit: million FCFA)

Assets	1 st year	5 th year	Liabilities/ shareholders' equity	1 st year	5 th year
Cash and deposit	600	1,000	Loans from financial institutions	600	1,200
Commercial loan	1,200	6,000	Bonds issued (privately placement)	--	4,400
Institutional loan made	500	2,500	Institutional loan received	500	2,500
Fixed assets	800	1,600	Capital stock	2,000	3,000
Total	3,100	11,100	Total	3,100	11,100

The estimates are based on the following financial costs.

- Long-term loan rate: 11%
- Institutional loan rate: 8% (Interest rate for raising the basic fund: 6%)
- Commercial loan rate: 7%
- Public placed coupon rate: 7%
- Deposit rate on surplus fund: 5%
- Dividend: Around 10% (Note that capital available for dividend is all reversed internally until the bank's operation becomes full-fledged.)

Under these assumptions, outstanding loans at the end of each year are estimated as follows.

Item	Outstanding loan (unit: million FCFA)				
	1 st year	2 nd year	3 rd year	4 th year	5 th year
Commercial loans	1,200	2,400	3,600	4,800	6,000
Institutional loans	500	1,000	1,500	2,000	2,500
Raised fund (general)	600	1,850	3,100	4,350	5,600
Raised fund (institutional)	500	1,000	1,500	2,000	2,500
Interest income	104	284	461	639	1,032
Financing cost	72	190	307	425	542
Profit margin	32	94	154	214	490
Income from interest on deposit	30	35	40	45	50

B-2 Establishment of credit guarantee system for SMEs

(1) Objective and Outline

1) Objective and Outline

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.

2) Overall goal

- Vitalization of the private sector focusing on SMEs
- Promotion of investment in new business areas as well as business expansion

3) Policy objectives

- Promotion of investment in new business areas, and business expansion

(2) Main Points

1) General description

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

The credit guarantee organization is assumed to be established under financial contribution by commercial banks, and other financial institutions engaged in SME finance (such as microfinance organizations), and the government. They will also provide working

capital of the guarantee organization. Using these funds, the credit guarantee organization will not only guarantee repayment of loans made by the new bank, but also that of other financial institutions.

In addition, a re-guarantee scheme will be established to back up the organization's guarantee service by maintaining insurance with the government to cover 70% - 80% of the amount to be indemnified in the case of default.

The credit guarantee system is operated in many countries. As shown in Table 4-9, credit guarantee systems that are currently in operation are roughly divided into two types. One is widely seen in Europe and provides partial guarantee by emphasizing credit examination and focusing on specific industries. It has a major advantage in the ease of implementation. The other is mostly seen in Asia. It has been developed by governments in the region as part of their economic and financial policies. It is characterized by 100% guarantee and covers all industry types.

From the viewpoint of SME promotion, the second type is more effective in expansion of SME loans, while the cost for credit guarantee becomes higher than the first type. Also, 100% guarantee tends to create a moral hazard.

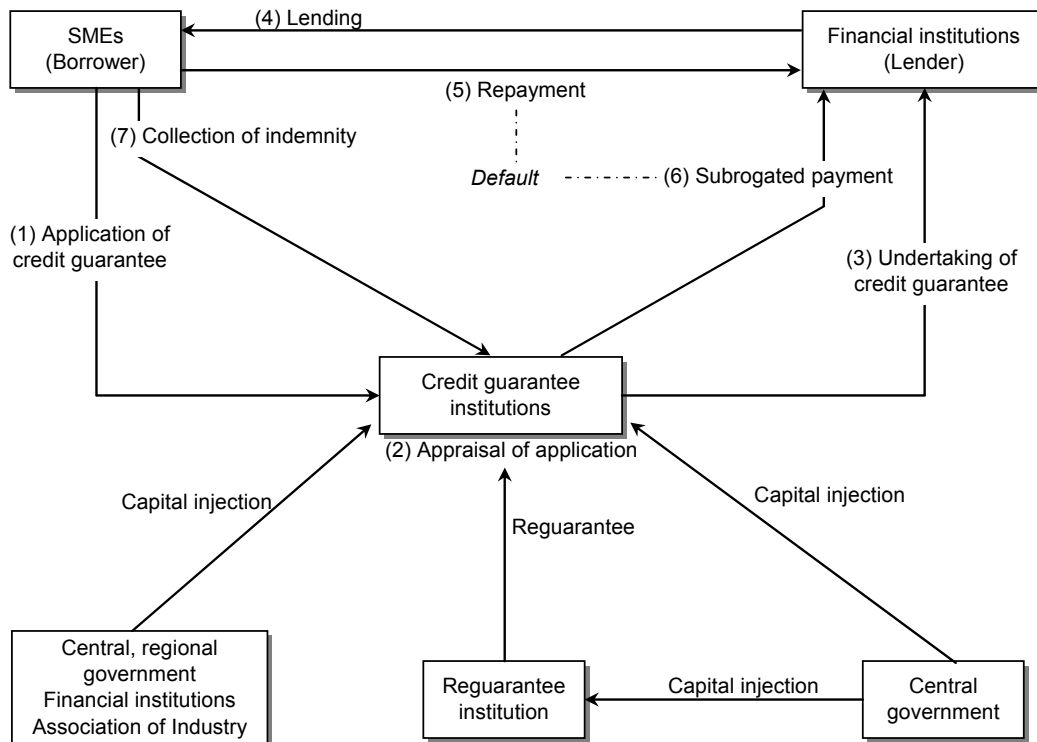
In consideration of governance and moral standard of business operators in Cameroon, it is recommended to introduce the first type (partial guarantee on selected industries) under the program.

Table 4-9 International comparison of guarantee system by country

Country Pays	Guarantee institution	Guarantee percentage (guarantee amount to total fund amount)	guarantee fee	No. of annual guarantee	Data in year	re-guarantee system or not
Germany	KGG	80-90%	0.5-1.0%	7,886	1994	None
U.K.	DTI	70%	1.5%	7,484	1995	None
Spain	SGR, SCM	100%	1.0-1.4%	9,542	1995	50% (Enterprise)
U.S.A.	SBA	90%	2.0%	599	1995	50% (Government)
Indonesia	PT. Askrindo	70%	0.65%	59,729	1996	None
Malaysia	CGCMB	70-90%	0.5-1.0%	14,965	1996	None
Nepal	CGCN	75%	1.8-8.0%	47,856	1996	None
Thailand	SICGC	80%	2.0%	237	1996	None
Taiwan	SMBCGF	100%	0.75%	100,952	1996	None
S.Korea	KCGF	100%	1.0%	144,274	1996	None
Japan	CGC	100%	1.0%	1,669,584	1999	70% (Government)

Source: "Credit Supplement Systems in Asia, Europe and North America" National Federation of Credit Guarantee Corporations

The guarantee organization's primary function is to find creditworthy companies through credit analysis and thereby to help them to obtain commercial loans smoothly. The basic scheme is shown in Figure 4-2.



Source: JICA Study Team

Figure 4-2 Conceptual View of the Proposed Guarantee Scheme

Basic design concepts are summarized as follows.

1. Organization of the new credit guarantee organization and the management
 While its capital may partially come from public funds (government investment) and the organization will be established as a semi-governmental organization, the management will be represented by the private sector, including personnel from the SNI, i.e., the majority of executive officers should come from the CCIMA, the SNI, and private enterprises.
2. The credit guarantee fund and its disbursement plan
 Based on past loan records of domestic commercial banks and microfinance organizations, the credit guarantee organization should set a target number of loans requiring credit guarantee, including the monthly total value of loans to be guaranteed. It should also set a fee for credit guarantee service. In the five years, it will be operated by using the initial fund only.

3. Content and procedures for examination of credit guarantee applications

Credit guarantee is requested by a borrower (SME) via a financial institution. If the credit guarantee organization will examine the request in detail, it will take considerable time before the loan application is accepted, not to mention duplication of examination processes in the bank and the credit guarantee organization. It creates undue burdens on the borrower. It is therefore desirable to design the examination system, e.g., content and procedures, with view to minimizing the time and complexity required for the loan decision. Most importantly, the examination system should be designed to avoid duplication of work performed by the two organizations as far as possible, e.g., for a small loan application, document examination and field investigation activities may be conducted by either of the organizations.

4. Fund raising and repayment plans

The fund is expected to come from government finance (via the MOF) and borrowing (or equity contribution) from international donor organizations. If it is expected to take considerable time for such funding, deposits from the private sector may be considered.

If additional funds required to meet increasing demand for credit guarantee are deposited with commercial banks that receive credit guarantee service, the deposit period should be limited to one year. As the condition for the deposit, the credit guarantee organization should urge the commercial bank to extend guaranteed loans that are equivalent to around three times the amount of deposit.

2) Implementation system

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, i.e., the majority of executive officers should come from the CCIMA, the SNI, and private enterprises.

3) Preparation requirements and other related matters

a) Preparation for establishment

The preparation process for the establishment of the new credit guarantee organization is outlined as follows.

1. Legislation of the credit guarantee scheme on the basis of the proposed plan

Based on the proposed plan, a law to establish the credit guarantee scheme and guarantee organization will be drafted and submitted to the parliament and related government organizations for approval.

2. Fund raising

Negotiation will be started with possible financial sources required for the credit guarantee scheme. Disbursement of the fund will be classified into two categories, “reserve for guarantee service” and “contribution.” At the same time, it should be decided as to how the fund’s sources should be composed of.

3. Formation of the credit guarantee organization and staff training

Pursuant to the enacted law, the credit guarantee organization will be formed and staff training will be conducted. Its management staff will mainly compose of former staff members of the SNI and financial institutions. It will have at least three or four branches to serve local industries and financial institutions.

b) Internal organization and guarantee service

Fig.4-3 shows a general organization of the proposed credit guarantee organization, which will be made up of three sections, namely the section responsible for investigation and credit examination, the section in charge of risk management relating to credit service customers (borrowers), and the section handling recovery of guaranteed loans from failed companies.

As the business grows, actual work to recover default loans will be contracted out to a specialized company (servicer). Key activity bases will be established in several locations such as Yaounde and Douala.

The key success factor is the ability to establish and maintain an efficient guarantee scheme, and effective use of financial technology plays an important role. Moreover, the scheme’s success relies on the understanding of the basic concept and nature of “credit guarantee.”

Most importantly, the credit guarantee scheme can only exist in the “oceans of credit.” The chance of success (survival) is slim when there are not many companies that use credit guarantee service, as failure of a single company increases a credit risk and then a credit guarantee risk significantly. It is therefore important to induce as many borrowers as possible to participate in the credit guarantee scheme. As for the credit guarantee process, there are two key elements that should receive particular attention. The first element is the evaluation on the credit guarantee application, as shown in (2) of Fig.4-2, because

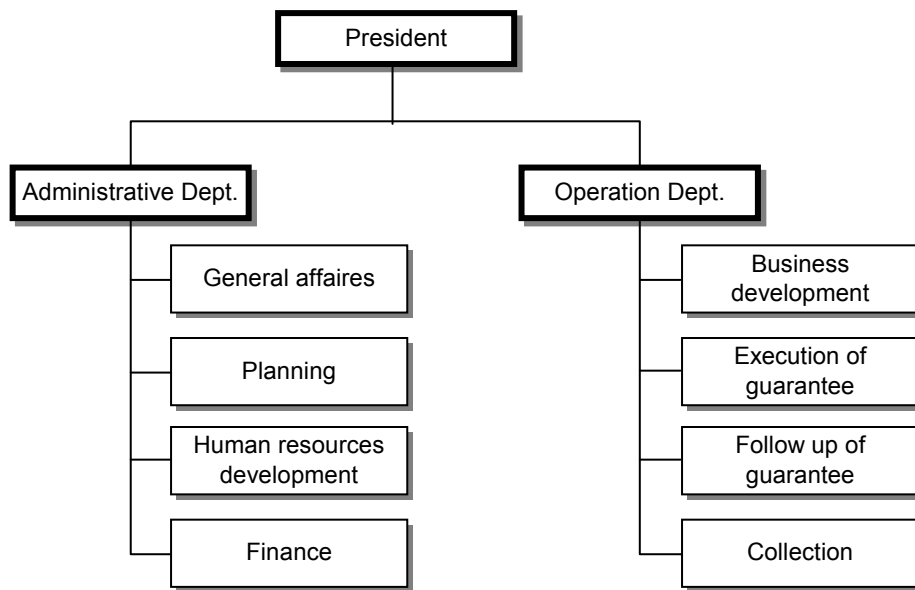
appropriate evaluation reduces a credit and burdens on the guarantee scheme and applicants. Another important element is the development of an efficient re-guarantee mechanism that also reduces a credit guarantee risk. Finally, broad participation in the credit guarantee scheme serves as a general risk reducing factor.

The unfavorable environment surrounding SMEs is directly linked to difficulty in maintaining the credit guarantee scheme, suggesting the need for effective use of financial technology.

While companies covered by the credit guarantee scheme are expected to have good credit standing, it is difficult to obtain accurate company information in the country, so that simplified credit rating should be used in place of standard evaluation. For instance, credit may be rated by using four items with weighted scores, e.g., financial condition 40%, operating history 30%, manager's personality 20%, and technical capability 10%. A company that has obtained the overall score of 70% is qualified for guarantee service. As for the operating history, loan records from microfinance organizations can be used as a factor. Specific evaluation items and weighted scores will be determined according to local conditions in Cameroon.

If the above efforts cannot reduce the risk significantly, a re-guarantee scheme will be developed and combined. The re-guarantee organization is expected to provide re-guarantee for loans covering companies that receive the total score of over 70%.

The most important indicator to measure reliability of a credit guarantee organization is the ratio of the outstanding balance of credit guarantee to the capital account. It suggests how far the guarantee organization can extend credit guarantee service under the current capital account. The higher the indicator, the higher the remaining capacity for credit guarantee becomes. In fact, this indicator is calculated as the reciprocal of the failure ratio. For instance, if the failure ratio is 10%, the indicator is 10 (1/0.1). Thus, if the capital account is one billion CF, the line of credit guarantee can be set at ten billion CF (i.e., 10/1). On the other hand, if the failure ratio is 20%, the indicator becomes 5 (1/0.2) and the maximum amount of guarantee is reduced to five billion FA. In Japan, the guarantee allowance indicator ranges between 50 and 60 as the failure ratio is 2-3%. As for Cameroon, the above feasibility study indicates the 20 – 66 range.



Source: JICA Study Team

Figure 4-3 Organization of a Typical Credit Guarantee Organization

c) Partial guarantee system

Theoretically, the credit guarantee scheme should cover all types of loans. In reality, however, it is difficult to operate the scheme smoothly as it covers loans with unknown risks. One way to overcome the situation is the partial guarantee system under which guarantee coverage is limited to a specific credit risk, e.g., a risk relating to public work. As such risk can be accurately determined, credit guarantee will cover the risk only, e.g., a commercial bank guarantees a project owner about appropriate use of advance payment that the bank makes to a contractor.

Thus, it is recommended to build up an effective guarantee scheme by expanding coverage step by step.

4) Estimates of required costs and resource input

a) Assumption for estimation

The expected size of operation is determined under the following assumptions.

- Credit guarantee should cover 50% of the new bank's loans.
- The line of credit will be up to 80% of each loan value.
- The guarantee fee will be 3% of the loan value covered by credit guarantee.
- The percentage of subrogated performance will be 4%.

b) Expected scale of operation

The basic fund will be set at 500 million FCFA, including loans covering daily operation. Under the above assumptions, the total line of credit will be 12.5 billion FCFA (500 million FCFA divided by 4%). On the other hand, the total value of loans for commitment to guarantee service will be 3.4 billion FCFA, i.e., the total value of loan over five years (8.5 billion FCFA) x 0.5 x 0.8. Thus, the basic fund is considered to be sufficient to cover the needs for guarantee service and daily operation. Note that the total guarantee fee is estimated at around 135 million FCFA (based on the annual average amount to be guaranteed at 4.5 billion FCFA). Together with the income expected from investment of the basic fund, the revenue is expected to cover the annual operating cost.

B-3 Streamlining of Mortgage Procedures

(1) Objective and Outline

1) Objective and Outline

For commercial loans and microfinance, land and buildings are generally pledged as collateral. In Cameroon, however, 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, which makes it difficult for lending institutions to recover bad loans through the foreclosing process. Thus, it is important to establish a transparent and efficient market for selling and buying foreclosed property. In this connection, it is also imperative to improve a legal system to determine titles to fixed properties.

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.

2) Overall goal

- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Promotion of investment in new business areas and business expansion

(2) Main Points

1) General description

The program aims to improve the mortgage registration process by taking the following measures.

- 1 To enact an ordinance to set the maximum permissible period for mortgage registration.
- 2 To formalize the procedure to notify acceptance of an application for mortgage registration to the applicant by specifying the date of receiving the application.
- 3 To establish a system to support communication and exchange of documents between the notary public and the registrar via the Internet.

At present, SME finance is provided upon a mortgage on land property. In Cameroon, however, it is often difficult to determine a real property owner and it therefore takes considerable time and cost to register a mortgage on a land that is pledged as collateral. As a result, this delays execution of loans and causes SMEs to face difficulty in obtaining loans.

Some commercial banks execute loans prior to the registration of the mortgage in order to avoid opportunity loss, and they run a risk of losing the ability to foreclose the mortgage because no registration has been consummated, thereby creating legal and other troubles between the lender and the borrower.

Clearly, the present mortgage registration system does not work well and takes considerable time to register a mortgage (at least a few months, and even a year). It is therefore important to streamline the registration procedure and ascertain the ownership and the mortgage within a reasonable period of time.

For this reason, the program aims to improve the mortgage registration process.

2) Implementation system

Based on the resolution by the SME Promotion Council, the program will be implemented by the MOJ.

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

(1) Objective and Outline

1) Objective and Outline

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.

2) Overall goal

- Inclusion of small enterprises with a weak financial base in the economic cycle
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Retention of employment, business stability, and growth support by helping small and micro enterprises (including private enterprises) to prevail as going concerns

(2) Main Points

1) General description

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 small-scale finance scheme is generally designed to work as follows.

1. The eligibility for the small finance scheme is the membership in the area-based SME Association of Commerce and Industry for at least three months. (Mandatory participation in the Association, together with SME registration, assure good communications among the loan applicant and area-based SME Association, and the SME Support Center.)
2. The applicant is expected to receive advice on its business plan from the SME Support Center and to receive technical assistance under the management skill upgrading program for at least three months, with the referral from the support center. Then, an application is filed with the SME Support Center by attaching a letter of

reference from the organization that has conducted the management skill upgrading program (evaluating the applicant's enthusiasm about its business, level of confidence on loan repayment, and appropriateness of the business plan).

3. The SME Support Center accepts the local application so far as it accompanies the letter of reference (in the case of an applicant who has defaulted in the past or that does not clear the checklist, the center will request the management consultant to provide further information). It then notifies the SME Development Agency and executes the requested loan so far as it is below the preset maximum amount. Note that the period required for the application procedure will be specified in advance and actual lending will be made from commercial banks including the SME bank.

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, either of which is selected in consideration of urgency and fragility on the borrower side.

At present, the qualifying enterprises and business entities obtain working capital from their own reserves and contributions from the informal sector, namely relatives and friends (supporters in the case of a GIC). Microfinance service is not widely used. The Ministry of Agriculture and Rural Development provides subsidy for selected GICs.

As support for small and micro enterprises is designed to improve their business foundation so as to allow them to overcome obstacles to compete with SMEs on a level playing field, the program needs to be combined with other support services, such as: (1) supplemental support, guidance, and policy consideration to address the issues facing small enterprises in relation to disadvantages against SMEs in terms of information gathering, human resource development, and basic management capabilities; and (2) support for business registration of small enterprises that are unregistered due to various obstacles.

2) Implementation system

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. The agency will allocate credit lines to each support center, and applications will be automatically approved so far as the applied amount of a loan is within the specified limit. The budget limit for each support center will be periodically reviewed and revised on the basis of information obtained from the respective center.

3) Expected scale of operation

While it is by nature similar to PIAASI's small finance scheme targeting the informal sector in rural areas, it is designed to benefit companies with SME registration (under the the proposed registration scheme of less strict requirements), which include those in urban areas.

Because the number of microenterprises is not known, the preliminary scale of operation should be based on data on PIAASI's scheme. Since examination of creditworthiness will primarily be conducted by SME Support Centers, and the loans will be directly made by the SME Finance Institution, the scheme assumes around four full-time staff members only. The scale of operation is expected as follows.

- Number of customers: Around 200 companies per year in the initial stage, and five years later it will expanded to 1,000 companies.
- Fund requirement: 300 million FCFA in the initial stage, based on the average amount of loan per company, totaling 1 million FCFA (upper limit set at 1.5 million FCFA), and 1.5 billion FCFA five years later
- Loan terms and conditions: Loan interest rate of 6% annually, or no interest
- Repayment period: Less than two years including grace period of less than nine months

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

(1) Objective and Outline

1) Objective and Outline

The largest management issue pointed out by SMEs in Cameroon is the lack of adequate financial access. On the other hand, lenders cite a small number of SMEs having creditworthiness for receiving loans as a major factor for hindering SME finance.

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. Naturally, however, it is difficult to train staff members, who can provide full-fledged management consulting and support service within a short period of time, and instead, the program should start with an effective use of BDS providers that have adequate expertise and experience by paying the whole or part of the consulting fee charged by a BDS provider.

BDS providers, which can provide the above service, include accounting firms, management consulting firms, and the chamber of commerce and industry.

In the next step, the management consulting and support system should be introduced, while using BDS providers on a continuous basis.

2) Overall goal

- Inclusion of small enterprises with a weak financial base into the economic cycle
- Vitalization of the private sector focusing on SMEs

3) Policy objectives

- Support for upgrading of SME operation and management capabilities
- Retention of employment, business stability, and growth support by helping small and micro enterprises (including private enterprises) to remain as going concern

(2) Main Points

1) General description

a) Outline

This program envisages the following two levels of support.

- 1) SMEs that are requested by the new Financial Institution specialized for SME finance
- 2) SMEs and microenterprises that are recommended to take this training by the SME Support Centers

In addition, the program should accommodate SMEs that express their intent to improve management capabilities.

The support program will design a set of training modules, along which BDS providers will provide guidance and advice.

Specifically, three levels of modules will be provided according to management skill levels from beginner's level for small and micro enterprises to the advanced level for companies that expect high levels of guidance and training.

The former module will pay, upon application, the consulting fee (up to 100%) for companies that receive consulting service. The latter will cover up to 80%.

BDS providers will register its SME consultants for the program, who are qualified through the examination by the SME promotion and support organization. These consultants are required to receive periodical training in order to ensure uniform content and level of service according to each module.

b) Module levels and types of target companies

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

2) Implementation system

The program will be planned and managed by the SME Development Agency. The MINPMEESA will take charge until the agency is established.

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.

3) Preparation requirements and other related matters

Preparation should start with confirmation and finalization of service content, including availability of BDS providers and consultants for each field to be covered by the program.

In addition, persons who want to serve as consultant under the program will receive training to check their expertise and experience in respective fields.

4) Estimates of required costs and resource input

a) Assumption for estimation

The following cost items should be included.

1. Costs for activities to finalize training modules, which are contracted out to outside service providers, including the development of standard training materials⁶
2. Costs for training of trainers, including periodical follow-up training
3. Subsidy for the guidance fee to be paid by the SMEs

It is assumed that there are around 120,000 SMEs, of which one percent of them will receive the guidance service for three times a year per company in the fifth year of the scheme (0.2% is assumed in the first year).

⁶ While teaching materials will be prepared by each BDS provider who will make the guidance and advice service, development of standard training materials is recommended to establish the training guideline, which shows the minimum level of training requirements.

b) Estimated Costs and Expenses

Table 4-10 Estimated Costs and Expenses for Implementation (12)
Project No. C-1: Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability

Item	Estimated Costs and Expenses (Annual)		Remarks
	Estimated M/M required	Contract Costs ('000FCFA)	
1) Guidance fee			1,200 SMEs are assumed to receive the guidance per year, in the 5th year of operation. One SME will receive 3 units of guidance, and one advisor can extend 2 units of guidance service per day (1 man-month is equivalent to 21 man-days).
- Consultants' fee (60% of consultants' fee will be subsidized by the Government)	85.7	55,534	
2) Regular follow-up training of consultants			
- Lecturers' fee	0.25	270	- Once a year follow-up trainings - Number of trainees: 20 consultants
- Venue and other expenses		500	
Total		770	

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

The costs to develop curriculum and training materials are included in Project "SC" (see Table 3-7).

- The man-month rate of the guidance fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Man-month
- Administration costs	(35% of the remuneration)	280,000	FCFA
Fee per man-month		1,080,000	FCFA

- 40% of total guidance fee is assumed to be paid by the SMEs on the average.

Source: JICA Study Team

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

(1) Objective and Outline

1) Objective and Outline

Most of medium and large enterprises of manufacturing sector in Cameroon operate using the production line specialized for a specific products. However, there are many others operating using very obsolete machinery and equipments, involving a lot of manual works. In this case, it is very hard to meet the requirement of customers in terms of quality and precision, and the products are not suitable for export. The similar situation is observed for small enterprises. Micro enterprises depend almost entirely on manual work.

To improve competitiveness of these companies 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. There will be two levels of target to be achieved; one for SMEs which are expected to be active in the export, and another for small

and micro enterprises which are expected to distribute their products in the modern channels of distribution in the domestic market.

2) Overall goal

- Vitalization of the private sector focusing on SMEs
- Promotion of industrial diversification

3) Policy objectives

- Support for small and micro enterprises in improvement of export competitiveness
- Support for small and micro enterprises in upgrading of management and technological capabilities in priority areas

(2) Main Points

1) General description

For product areas that are strategically important for SMEs and are considered to have export potential, the following incentives are provided to encourage SMEs to procure basic equipment required to maintain specific quality levels.

- 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

Specific types of industries and equipments to be covered by the program should be decided in consultation with persons having expertise and experience in respective fields (including employees of foreign companies and foreign buyers).

Examples of equipment to be covered by the program include the following.

- Food processing: Inspection equipment required for sanitary control
- Furniture and woodwork: Wood dryers (kilns)
- Apparel: CAD/CAM, automatic cutting machines

2) Implementation system

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.

3) Estimates of required costs and resource input

a) Assumption for estimation

The following cost items are considered as the necessary costs and expenses.

1. Technical fee (or honorarium) for experts (including engineers/experts who are working in an advanced technology industries) for study or advice on the selection of facilities and equipments
2. Fund required in introducing the facility and equipments

The required costs and expenses are estimated under the following assumptions.

- Average man-months required for study and advice: 0.5M/M per case
- Fund for introducing the equipments: Approx. 12 million FCFA per equipment on the average
- Loan terms and conditions: Repayment period of seven years, including grace period of one year at maximum, loan rate of 8% annually
- Number of loans: 6 cases per year

b) Estimated Costs and Expenses

Table 4-11 Estimated Costs and Expenses for Implementation (13)
Project No. C-2: Scheme to Encourage Introduction of Facilities and Equipments to Enhance SME's Capability

Item	Estimated Costs and Expenses (Annual)		Remarks
		<u>Annual Costs</u> ('000FCFA)	
1) Assessment fee			- Assuming 6 cases of applications. 1 case requires 0.25 man-month of consultants' service.
- Consultants' fee	1.5 man-months	1,620	
2) Required fund			- Without recovered credit. - 12,000,000FCFA/ application on the average
- Fund for loan		72,000	
Total		73,620	

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of assessment fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Mo.
- Administration costs	(35% of the remuneration)	280,000	FCFA/Mo.
Fee per man-month		1,080,000	FCFA/Mo.

Source: JICA Study Team

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

(1) Objective and Outline

1) Objective and Outline

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).

2) Overall goal

- Promotion of industrial diversification
- Inclusion of small enterprises with a weak financial base into the economic cycle

3) Policy objectives

- Support for small and micro enterprises in reinforcement of the management base through collective operation

(2) Main Points

1) General description

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 following are examples of business activities that are considered to encourage joint (cooperative) operation.

- Introduction and operation of shared equipment
 - Equipment that contributes to quality improvement (wood drying kilns, and electric kilns for ceramics production)
 - Collection and storage facilities and equipment for agricultural products (milk, vegetable, etc.)
 - Transportation equipment (trucks, etc.)
- Joint activities to secure the minimum amount of supply required by customers
 - Standardization of product quality, and use of a common brand
 - Use of standard packaging materials

2) Implementation system

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. Actual guidance service will be provided by BDS providers with appropriate expertise and experience. It is recommended to receive guidance and advice from large enterprises or foreign companies in respective industries, as much as possible.

3) Estimates of required costs and resource input

a) Assumption for estimation

The following cost items are considered as the necessary costs and expenses.

1. Fee for management advice and technical assistance by outside experts
2. Fund for loans for working capital and investment on equipments

The fund requirement is estimated under the following assumptions.

- Average man-month of management and technology guidance required: 0.75M/M per case
- Implementation cost: Approx. 12 million FCFA per equipment
- Loan terms and conditions: Repayment period of seven years, including grace

period of one year at maximum, loan rate of 8% annually

- Number of loans: 4 cases per year

b) Estimated Costs and Expenses

Table 4-12 Estimated Costs and Expenses for Implementation (14)
Project No. C-3: Scheme to Encourage Collective Activities of Small and Micro Enterprises

Item	Estimated Costs and Expenses (Annual)	Remarks
	<u>Contract Costs</u> ('000FCFA)	
1) Guidance fee		- Assuming 4 cases of applications. 1 case requires 0.75 man-month of consultants' service.
- Consultants' fee	3 man-months 3,240	
2) Required fund		Without recovered credit. 12,000,000FCFA/ application
- Fund for loan	48,000	
Total	51,240	

Notes: Costs and expenses in 1,000FCFA in rounded figure without contingency.

Assumptions:

The above costs and expenses are estimated only as a rough guide for understanding the budget size of the proposed measures, and need further review for use in budgeting.

- The man-month rate of guidance fee is assumed as follows:

- Consultant	(Remunerations)	800,000	FCFA/Man-month
- Administration costs	(35% of the remuneration)	280,000	FCFA
Fee per man-month		1,080,000	FCFA

Source: JICA Study Team

Figure 4-4 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)	<ul style="list-style-type: none"> Improvement of business environment Improvement of access to finance Improvement on taxation 		<ul style="list-style-type: none"> B1 Creation of a financing institution specialized in SME finance B2 Establishment of credit guarantee system for SMEs B3 Streaming of mortgage procedures 	<ul style="list-style-type: none"> C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability 	<ul style="list-style-type: none"> D Review and rationalization of business environment of SMEs import duty on production facility, equipment and raw materials D Review and rationalize the period to fix financial gain of enterprises
	Encouragement of expansion to new business area	<ul style="list-style-type: none"> Support for independent efforts on developing new business opportunity, and enhancement of management base Buckup for developing new sales opportunity Collection and provision of information on development of new business opportunity Support for enhancement of management base Enhancement of international competitiveness and export promotion 	<ul style="list-style-type: none"> A1 Support for export development particularly in the strategic export markets A7 Development of database on business seeds and needs to assist new business development A1 Support for export development particularly in the strategic export markets A6 Participation to "World Trade Point" Scheme 		<ul style="list-style-type: none"> C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability C2 Provision of a scheme to encourage SMEs to introduce facilities and equipments which are basic for enhancement of their capability C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability 	
Support for reinforcement of SME management base from the view point of job creation and poverty reduction	(Small enterprizes tha have strong desire to expand business)	<ul style="list-style-type: none"> Support for developing new sales and business opportunity Provision of sales and business opportunity utilizing exportation and distribution capacity of large enterprize, foreign affiriated enterprize, modern retailing/distributing enterprize, and exporting enterprize Provision of exposure opportunity for market 	<ul style="list-style-type: none"> A3 Provide opportunities for SMEs to contact distributors in the modern distribution sector A4 Provide opportunities for developing down stream products, with the cooperation of large and foreign affiliated enterprises 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 targeling domestic buyers and consumers 	<ul style="list-style-type: none"> B1 Creation of a financing institution specialized in SME finance B2 Establishment of credit guarantee system for SMEs 		
	Expansion of the business base from local market to regional or national market	<ul style="list-style-type: none"> Establishment of financial system accessible for SMEs Improvement of access to finance Support on enhancement of management and technical capacity Support for enhancement of management base Development of support channel Facilitation of collective business operation and installment of common facility Support on enhancement of management and technical capacity Collection and provision of information on development of new business opportunity 	<ul style="list-style-type: none"> A7 Development of database on business seeds and needs to assist new business development 		<ul style="list-style-type: none"> C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability C2 Provision of a scheme to encourage SMEs to introduce facilities and equipments which are basic for enhancement of their capability C3 Encourage collective activities of small and micro sized enterprises C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability 	<ul style="list-style-type: none"> SB3 Organizing SMEs by area into Regional Associations of Commerce and Industry
Promotion of new startup and formalization	(Micro and small enterprizes)	<ul style="list-style-type: none"> Support for self-independent efforts by development of support center Support for sustainable business of micro and small-sized enterprize 		<ul style="list-style-type: none"> B4 Establishment of a scheme to finance small scale working capital on non-collateral basis 	<ul style="list-style-type: none"> C3 Support for reinforcement of management base by organizing business C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability 	<ul style="list-style-type: none"> SB2 Creation of SME Support Centers in main areas of small business concentration SB3 Organizing SMEs by area into Regional Associations of Commerce and Industry
	Reinforcement of management base	<ul style="list-style-type: none"> Support on strengthening management capacity based on reinforcement of managemnet base Support for organizing collective business operation Support on enhancement of management and technical capacity Support for product development and marketing Provision of design and technical information on small produced consumable products Support for cyber marketing of micro and small enterprizes 				
Understanding the current situation and promotion of formalization	(New startup enterprizes and informal sector enterprizes)	<ul style="list-style-type: none"> Setting up tempered conditions for formalization and enhancement of formalization Setting up tempered conditions for formalization Enhancement of formalization Understanding a current situation on informal enterprize 				<ul style="list-style-type: none"> SB4 Implementation of SME registration system with reduced requirements for registration SB3 Organizing SMEs by area into Regional Associations of Commerce and Industry SD2 Periodical surveys on the enterprizes in the informal sector
	(Potential entrepreneurs)	<ul style="list-style-type: none"> Improvement of access to finance of startup fund Improvement of access to finance Financing of small startup fund Provision of necessary nformation on developing business plan Support for developing business plan 	<ul style="list-style-type: none"> A7 Development of database on business seeds and needs to assist new business development 	<ul style="list-style-type: none"> B1 Creation of a financing institution specialized in SME finance B2 Establishment of credit guarantee system for SMEs B4 Establishment of a scheme to finance small scale working capital on non-collateral basis 	<ul style="list-style-type: none"> C1 Development of a scheme to provide guidance to SMEs for their enhancement of management and technological capability 	

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

III SME Development Plan Proposal

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

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 described in III-4 is shown in Table 5-1. Many development measures are mutually co-linked. Also they are influenced by the schedule of institutional and organizational setup for implementation. 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. The MINPMEESA themselves also need to participate directly in the preparation until the system is developed. Further, it might be inevitable that the realization of some part of development measures is delayed due to delay in development of the implementation system.

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

Note: ▽ Stage of preparation, development and initial operation



◻ Stage of continuing operation




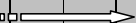


































Ref. No. for Development Measures	Development Measures and Implementation Process	Responsible agency	Short-term				Medium-term		Long-term			
			2009				2010	2011	2012	2013	2014	2015
			1	2	3	4						
(1)	Development Measures to Support Market Development and New Business Development of SMEs											
A-1	Support for export development particularly in the strategic export markets	Ministry of Commerce (Dept. of International Trade)	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨
	- Market intelligence activity targeting the strategically potential export markets			▬								
	- Analysis and decision for proceeding					▽						
	Foire commerciale qui se concentre sur ces marchés						▽					
	- Promotion of establishment of Market Place targeting these markets											
	· Preparation stage (market survey and feasibility study)						▬					
	· Investment promotion							▬				
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					▽	▨	▨	▨	▨	▨
	- Analysis and decision for proceeding						▬	▽				
	- Preparation stage (market survey and feasibility study)								▬			
	- Investment promotion									▬		
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	▽	▨	▨	▨	▨	▨	▨	▨	▨	▨
	- Promotion for the distributors in the modern distribution sector		▬									
	- Promotion for S&MEs			▬								
	- Pre-guidance for the participant S&Mes				▬							
	- 1st business seminar					▽						
	- Technical support program for the S&Mes						▬					
	- Start promotion and preparatory work for the 2nd seminar							▽				
A-4	Provide opportunities for subcontracting, with the cooperation of large enterprises	MINPMEESA					▽	▨	▨	▨	▨	▨
	- Promotion for the big & foreign affiliated companies						▬					
	- Promotion for S&MEs							▬				
	- Pre-guidance for the participant S&Mes								▬			
	- 1st business seminar								▽			
	- Technical support program for the S&Mes									▬		
	- Start promotion and preparatory work for the 2nd seminar										▽	

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						
A-4	Provide opportunities for developing down stream products, with the cooperation of large and foreign affiliated enterprises	MINPMEESA					▼	▶	▶			
	- Promotion for the big & foreign affiliated companies						■					
	- Promotion for SMEs						■					
	- 1st business seminar						▼					
	- Technical support program for the SMEs						■					
	- Start promotion and preparatory work for the 2nd seminar						▼					
A-5	Promotion of SME products in the government / public procurement	National Coordination Committee to SME Development(Prime Minister Office / MINPMEESA)	▼	▶	▶	▶	▶	▶				
	- Review of the effectiveness of the current operations		▼									
	- Preparion of the improved system		■									
	- Approval of the improved system for implementation						▼					
	- Implementation of the new / modified system						▼					
A-6	Participation to "World Trade Point" Scheme	Ministry of Commerce (Dept. of International Trade)	▼	▶	▶	▶	▶	▶				
	- Preparation		■									
	- Start of implementation		▼									
A-7	Development of database on business seeds and needs to assist new business development	SME Development Agency / MINPMEESA	▼	▶	▶	▶	▶	▶				
	- Gathering of information and compilation into a database		■									
	- Training of operation for staff at SME Support Center						■					
	- Start of operation by & feedback from SME Support Center						▼					
(2)	Development Mesures 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	▼	▶	▶	▶	▶	▶	▶	▶		
	- Approval in principle		▼									
	- Building of concensus among the stakeholders		■									
	- Organizing preparation team		▼									
	- Preparation by the Preparation Team						■					
	- Phase 1 operation						■					
	- Start of Phase 2 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						
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										
	- Needs assessment											
	- Application for approval for tax treatment and loan at preferential interest rate											
	- System design & budgeting											
	- Promotion											
	- Start of operation											
(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										
	- 1st edition of SME White Paper											
	- Identification of critical issues, follow-up survey and proposal development											
	- Approval by the committee											
	- Preparation for implementation											
	- Start of implementation											

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	Establishment of Basic Law for SME Development (Law for SME Promotion)	MINPMEESA										
	- Decision on basic structure of the law											
	- Drafting of the law											
	- Official procedure of law making											
SA-2	Establishment of "National Coordination Committee to SME Development"	MINPMEESA										
	- Approval in principle											
	- Drafting of the SME Law											
	- Establishment of the Committee											
(2)	Institutional Setup for Policy Planning, and Cordination among the relevant Government Agencies											
SB-1	Establishment of "SME Development Agency"	MINPMEESA										
	- Decision for implementation											
	- Finalization of organizational plan											
	- Approval of the plan											
	- Preparation (incl. budgeting and staffing)											
	- Start operation											
SB-2	Creation of SME Support Centers in main areas of small business concentration	SME Development Agency / MINPMEESA										
	- Decision for implementation											
	- Finalization of organizational plan											
	- Approval of the plan											
	- Preparation (incl. budgeting and TOR preparation for bidding)											
	- Bidding of BDS providers											
	- Training of BDS providers											
	- Start operation for the 1st priority areas											
	- Increase the number of the Center											
	- Completion of establishment of the Centers over the country											

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							
SB-3	Organizing SMEs by area into Regional Associations of Commerce and Industry	MINPMEESA					▼	▬	▬	▬			
	- Decision for implementation						▼						
	- Development of organization manual and action plan						▬						
	- Approval of the manual and the plan						▼						
	- Preparation (incl. budgeting and TOR preparation for bidding)						▬						
	- Bidding of BDS providers							▬					
	- Training of BDS providers							▬					
	- Start operation for the 1st priority areas							▼					
	- Increase the number of the areas								▬	▬	▬	▬	
	- Completion of establishment of the Associations in the primary target areas												▼
SB-4	Implementation of SME registration system with reduced requirements for registration	MINPMEESA					▼	▬	▬	▬			
	- Approval in principle						▼						
	- Preparation of coordination procedure with other registration system						▬						
	- Approval of the coordination system						▼						
	- Training of the staff of MINPMEESA Delegation Offices						▬						
	- Advertisement							▬					
	- Start operation							▼					
	- Implementation of 1year intensive promotion plan of registration							▬					
(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					▼	▬	▬	▬			
	- Approval for implementation						▼						
	- Development of training modules for staff of SME Development Agency						▬						
	- Training of trainers							▬					
	- Completion of development of training module for staff of SME development agencies						▼						
	- Completion of development of training module for BDS providers involved in SME promotion							▼					
	- Completion of development of training module for SME Associations' leaders and SME entrepreneurs							▼					

5.2 Estimation of Costs Required for Implementation

Table 5-3 estimates costs required for the above implementation plan. Necessary costs estimated for individual programs are presented in III-3.2 and III-4.2, and they are used as the basis of estimating annual costs. The total annual costs in the tables include contingency cost, which is equivalent to 20% of the estimated program costs.

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 System 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
	Annual operation costs in % of operation costs in 2013			40	70	90	100	100	100
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
	Target number of the Centers/ Mobile Teams to be established	[Annual operation costs/ Center or Team]							
	- Newly established Permanent Center	6,100		2	3	3	2		
	- Permanent Center in operation (including new)	53,406		2	5	8	10	10	10
	- Newly established Mobile Team	11,415			1	2	2	11	
	- Mobile Team in operation (including new)	25,078			1	3	5	16	16
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
	Initial preparation costs	('000FCFA)		1,620					
	Target number of associations to be established	[Required expenses/ Association]							
	- Newly established associations	3,110			2	4	8	12	12
	- Associations operating not exceeding 3 years	6,653			2	6	14	24	30
	- Associations in operation	770			2	6	14	26	38
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					
	Breakdown of the costs and expenses								
	- Development of training modules and materials for:								
	SME Development Agency staff		3,240						
	SME Support Center staff		5,940						
	SME Association leaders			2,700					
	SME entrepreneurs			5,400					

Ref. No. for Development Measures	Implementation System/Development Measures	Year:	1	2	3	4	5	6	7
			2009	2010	2011	2012	2013	2014	2015
SD-1	Improvement of System of SME Statistics		0	48,600	37,800	0	37,800	48,600	37,800
	Breakdown of the costs and expenses								
	- SME Business survey				37,800		37,800		37,800
	- Informal sector survey			48,600				48,600	
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
	Breakdown of the costs and expenses								
	- F/S			7,200					
	- Investment promotion				3,600	3,600			
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
	Breakdown of the costs and expenses								
	- F/S				7,200				
	- Investment promotion					3,600	3,600		
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
	Breakdown of the costs and expenses								
	- Program implementation		1,890		1,890		1,890		1,890
	- Guidance for improvement			3,240		3,240		3,240	
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
	Breakdown of the costs and expenses								
	- Program implementation			1,890		1,890		1,890	
	- Guidance for improvement				6,480		6,480		6,480

Ref. No. for Development Measures	Implementation System/Development Measures	Year:	1	2	3	4	5	6	7
			2009	2010	2011	2012	2013	2014	2015
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
	Breakdown of the costs and expenses								
	- Fund for loans			500,000	500,000	500,000	500,000	500,000	500,000
	- Capital investment (20% of the total capital)			400,000		400,000			
B-2	Establishment of credit guarantee system for SMEs		500,000						
B-3	Streaming of Mortgage Procedures								
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
	Breakdown of the costs and expenses								
	- Guidance fee	(77,140 FCFA/Unit of guidance)		13,422	15,737	20,365	29,622	48,135	55,541
	<i>(Assumed number of SMEs to receive guidance)</i>			290	340	440	640	1,040	1,200
	· Guidance for the customers of SME Bank			40	40	40	40	40	40
	· Guidance for the applicants of non-collateral small size loan			200	200	200	200	200	200
	· Guidance for other SMEs			50	100	200	400	800	960
	- Costs for regular follow-up training of consultants	(000FCFA)		770	770	770	770	770	770
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
	Breakdown of the costs and expenses								
	- Consultants' fee				1,620	1,620	1,620	1,620	1,620
	- Fund less recovered loan				72,000	61,000	51,000	41,000	31,000
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
	Breakdown of the costs and expenses								
	- Consultants' fee				3,240	3,240	3,240	3,240	3,240
	- Fund less recovered loan				48,000	41,000	34,000	27,000	21,000

Ref. No. for Development Measures	Implementation System/Development Measures	Year:	1	2	3	4	5	6	7
			2009	2010	2011	2012	2013	2014	2015
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
	Of which:								
	for establishment/ development of implementation system		9,180	339,092	663,769	964,550	1,265,482	1,730,885	1,643,678
	for implementation of financial development measures		750,000	1,100,000	700,000	1,100,000	650,000	500,000	500,000
	for implementation of non-financial measures		14,850	28,682	162,697	142,485	134,382	129,055	123,701
	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. Monitoring is an essential step in the PDCA cycle to check the progress accurately and provide the basis for appropriate action. In the monitoring process, the results of the check should be reflected in the plan for necessary refinement and reinforcement in the direction to support the accomplishment of the goal set by the plan.

To ensure timely and accurate monitoring activities, the following factors are very important.

1. The plan has to be specific about the following items to form the basis of evaluating the actual progress.
 - The plan is prepared to be specific to individual departments
 - Clear definition of targets and goals to be achieved at the time of monitoring are set
 - The plan is prepared to contain organization that allows breakdown into specific elements, including actions, budget, manpower assignment, training, and equipment (investment)
 - The plan is well understood by those who are responsible for the implementation
2. The monitoring system and monitoring schedule are established in advance for each department.
3. There is a formal system to collect data required for monitoring in a timely manner (or on a periodical basis).

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.

An example of the monitoring sheet relating to the proposed program is shown in Table 5-4.

Table 5-4 (1) Sample Monitoring Sheet for Establishment of Implementation System of SME Development in the Year 2009

Ref. No. for Development Measures	Target at the beginning of the Year (A)		Performance compared to (A)	Difficulty/ cases of success	Proposed revision of the target in the next year
	Actions for realizing the targets	Responsible Agency			
		Target of the actions	(B)	(C)	(D)
(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			
	- Decision on basic structure of the law	To be completed			
	- Drafting of the law	To be completed			
	- Official procedure of law making	To be completed			
SA-2	Establishment of "National Coordination Committee to SME Development"	MINPMEESA			
	- Approval in principle	To be completed			
	- Drafting of the SME Law	To be completed			
	- Establishment of the Committee	To be completed			
(2)	Institutional Setup for Policy Planning, and Cordination among the relevant Government Agencies				
SB-1	Establishment of "SME Development Agency"	MINPMEESA			
	- Decision for implementation	To be completed			
	- Finalization of organizational plan	To be completed			
	- Approval of the plan	To be completed			
	- Preparation (incl. budgeting and staffing)	To be completed			
	- Start operation	To be completed			
SB-2	Creation of SME Support Centers in main areas of small business concentration	SME Development Agency / MINPMEESA			
	- Decision for implementation	To be completed			
	- Finalization of organizational plan	To be completed			
	- Approval of the plan	To be completed			
	- Preparation (incl. budgeting and TOR preparation for bidding)	To be completed			

Ref. No. for Development Measures	Target at the beginning of the Year (A)		Performance compared to (A)	Difficulty/ cases of success	Proposed revision of the target in the next year
	Actions for realizing the targets	Responsible Agency			
		Target of the actions	(B)	(C)	(D)
SB-4	Implementation of SME registration system with reduced requirements for registration	MINPMEESA			
	- Approval in principle	To be completed			
	- Preparation of coordination procedure with other registration system	To be completed			
	- Approval of the coordination system	To be completed			
(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			
	- Approval for implementation	To be completed			
	- Completion of development of training modules and materials for staff of SME development agencies	To be completed			
	- Completion of development of training modules and materials for BDS providers involved in SME promotion	To be completed			
	- Training of trainers	In progress			
(4)	System to Collect and Analyze Information on SMEs				
SD-2	Periodical surveys on the enterprises in the informal sector	MINPMEESA			
	- Implementation of SME survey currently under preparation	To be completed			
	- Report on result of SME Survey currently under preparation	To be completed			
	- Preparation of 1st edition of SME White Paper	To be completed			
	- Inclusion of the regulatory base for SME survey in SME Law	To be completed			

Table 5-4 (2) Sample Monitoring Sheet for Implementation of Measures for SME Development in the Ye

Ref. No. for Development Measures	Target at the beginning of the Year (A)		Performance compared to (A)	Difficulty/ cases of success	Proposed revision of the target in the next year
	Actions for realizing the targets	Responsible Agency			
		Target of the actions	(B)	(C)	(D)
(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)			
	- Market intelligence activity targeting the strategically potential export markets	To be completed			
	- Analysis and decision for proceeding	To be completed			
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			
	- Promotion for the distributors in the modern distribution sector	To be completed			
	- Promotion for S&MEs	To be completed			
	- Pre-guidance for the participant S&Mes	To be completed			
	- 1st business seminar	To be completed			
A-5	Promotion of SME products in the government / public procurement	National Coordination Committee to SME Development (Prime Minister Office / MINPMEESA)			
	- Review of the effectiveness of the current operations	To be completed			
	- Preparation of the improved system	To be completed			
	- Approval of the improved system for mplementation	To be completed			
	- Implementation of the new / modified system	To be completed			
A-6	Participation to "World Trade Point" Scheme	Ministry of Commerce (Dept. of International Trade)			
	- Preparation	To be completed			
	- Start of implementation	To be completed			
A-7	Development of database on business seeds and needs to assist new business development	SME Development Agency / MINPMEESA			
	- Gathering of information and compilation into a database	To be completed			

Ref. No. for Development Measures	Target at the beginning of the Year (A)		Performance compared to (A)	Difficulty/ cases of success	Proposed revision of the target in the next year
	Actions for realizing the targets	Responsible Agency			
		Target of the actions	(B)	(C)	(D)
(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			
	- Approval in principle	To be completed			
	- Building of consensus among the stakeholders	To be completed			
	- Organizing preparation team	To be completed			
	- Preparation by the Preparation Team	In progress			
B-2	Establishment of credit guarantee system for SMEs	Minister of Economy, Finance and Privatization			
	- Approval in principle	To be completed			
	- Building of consensus among the stakeholders	To be completed			
	- Organizing preparation team	To be completed			
	- Preparation by the Preparation Team	To be completed			
	- Start of operation	To be completed			
	- Operation fund is provided by the Government	500 million FCFA			
B-4	Establishment of a scheme to finance small scale working capital on non-collateral basis	Minister of Economy, Finance and Privatization/ MINPMEESA			
	- Approval for implementation	To be completed			
	- Preparatory works	To be completed			
	- Start operation	To be completed			
	- Operation fund is provided by the Government	250 million FCFA			
(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			
	- Development of guidance modules	To be completed			
	- Registration of BDS providers	To be completed			
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			
	- Needs assessment	To be completed			

Ref. No. for Development Measures	Target at the beginning of the Year (A)		Performance compared to (A)	Difficulty/ cases of success	Proposed revision of the target in the next year
	Actions for realizing the targets	Responsible Agency			
		Target of the actions	(B)	(C)	(D)
(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			
	- 1st edition of SME White Paper	To be completed			
	- Identification of critical issues, follow-up survey and proposal development	In progress			

Annex

SME Survey Questionnaire Sheet

SECTION 01 : COMPANY PROFILE

IDEN	QUESTIONS	CODE						
GENERAL								
Q1	Name of company	_ _						
Q2	Address							
Q3	Type of business 1= Manufacturing ; 2= Commerce ; 3= Services	_						
Q4	Phone number FAX number	_ _ _ _ _						
Q5	Email address	Not Obtained						
STATUS OF THE COMPANY								
Q6	Established in the year of	_ _ _						
Q7a	Have you get Taxpayer number?	_						
Q7b	Have you get Trade register?	_						
Q7c	What is your fiscal System?	_						
Q8	Number of employees	<table border="1"> <thead> <tr> <th>Regular</th> <th>Causal</th> <th>Family employee</th> </tr> </thead> <tbody> <tr> <td align="center"> _ _ </td> <td align="center"> _ _ </td> <td align="center"> _ _ </td> </tr> </tbody> </table>	Regular	Causal	Family employee	_ _	_ _	_ _
Regular	Causal	Family employee						
_ _	_ _	_ _						
Q9	Paid-up share capital interval (F Cfa)	<table border="1"> <thead> <tr> <th>Domestic %</th> <th>Foreign %</th> <th>countries</th> </tr> </thead> <tbody> <tr> <td align="center"> _ _ _ %</td> <td align="center"> _ _ _ %</td> <td>1) 2) 3) 4)</td> </tr> </tbody> </table>	Domestic %	Foreign %	countries	_ _ _ %	_ _ _ %	1) 2) 3) 4)
Domestic %	Foreign %	countries						
_ _ _ %	_ _ _ %	1) 2) 3) 4)						
Q10	Capital source 1= Own money; 2= Family; 3= Others	<table border="1"> <tbody> <tr> <td align="center"> _ _ _ %</td> </tr> <tr> <td align="center"> _ _ _ %</td> </tr> <tr> <td align="center"> _ _ _ %</td> </tr> </tbody> </table>	_ _ _ %	_ _ _ %	_ _ _ %			
_ _ _ %								
_ _ _ %								
_ _ _ %								
Q11	Write the names of membership such as industrial associations, clubs and/or groups that you participate (eg GICAM, FENAP) 1 _____ 2 _____							
Q12	Do you make your company's financial statements every years? 1= Yes; 2= No; 3=occasionally	_						
Q13	If Q12= 1 or 2, Who plan you those statements? 1= your accountable; 2= consulting accountancies; 3= other person.							

SECTION 02 PRODUCTION & MARKET

Main Sales and Service Items			
	N°	item	Effectif
			% of total sales

Market Breakdown	a. Domestic : _____ %
	b. Overseas : _____ %

If you choose b. Overseas, how much % is shared by following regions in Total sales ?

N°of main product	region	Effectif	% of total sales
	CEMAC		
	Other African Region		
	EU		
	ASIA		
	USA		
	Other area country		

- What are your difficulties in promotion of exportation? Choose all answers applicable to you
1. Marketing (Market info., How to get inquiries)
 2. Procedures for the external trade (Correspondence, Documentation, Shipping)
 3. Contract (Legal matters, Guarantee)
 4. Severe requirements of buyers in quality, cost and delivery.
 5. Insufficient production capacity to meet lots of orders
 6. Unstable order (spot-order)
 7. Financial problem (Lack of working capital for exportation)
 8. Intangible barriers in language and business custom, etc.
 9. Others (Specify: _____)

Are you going to expand your business in near future? 1= No idea, so far; 2= Yes

What was your biggest problem when you established your company (or shop). Please describe freely

SECTION 03 MANPOWER

What is the educational background of your employees by grade of education? Write in the number of personnel			
	Technical education	Non-technical or general education	Total
0	Without level		
	Primary		
	Post primary		
	Secondary ^{2nd} cycle		
	Higher education		
What are length of your Employees?			
	Lenght	Number	
	[0 ;2[
	[2 ;5[
	[5 ;10[
	[10 and more		
How old is the average age of workers in your company ? (year)			
	Age	Number	
	[6 ;14[
	[15 ;24[
	[25 ;34[
	[35 ;44[
	[45 and more		
What is the problems faced by your company in manpower recruitment and management? Choose two (2) answers applicable to your company?			
1 <input type="checkbox"/> Difficulty to <u>recruit</u> highly educated persons, namely diploma and above.			
2 <input type="checkbox"/> Difficulty in <u>training</u> and education in the company.			
3 <input type="checkbox"/> Lack of <u>discipline</u> and moral for their jobs.			
4 <input type="checkbox"/> <u>Job-hopping</u> (They tend to easily move to another company.)			
5 <input type="checkbox"/> <u>Labour dispute</u> or strikes.			
6 <input type="checkbox"/> Increase in <u>salaries and wages</u> .			
7 <input type="checkbox"/> Others (Specify: _____)			
Do you provide any training to your employees?			1= Yes; 2= No
If yes at Q27, how do you train or educate your employees? Choose all items applicable to your company.			
1. <input type="checkbox"/> <u>On-the-job training</u> in your factory or customer's factories.			
2. <input type="checkbox"/> By participation to <u>seminars and workshops</u> .			
3. <input type="checkbox"/> By a scheduled training course in <u>schools and centers</u> .			
4. <input type="checkbox"/> <u>Dispatch to overseas</u> .			
5. <input type="checkbox"/> Others (Specify) _____			
Do you use Cameroonian or International Business Development Services in your training matter?			1=yes, 2=No
If yes at Q29, in which area do you use BDS?			
1. <input type="checkbox"/> Technology 3 <input type="checkbox"/> Personnel area			
2. <input type="checkbox"/> Financial area 4 <input type="checkbox"/> Marketing area			
5 <input type="checkbox"/> Others (_____)			

How do you estimate BDS you use or had used?

1. We think they are usefull enough for our development.
2. We were not satisfied by the level of their services..
3. Other (precise):

SECTION 4- FINANCING

What is your actual financing sources and a use of them?

N°	a) Typed financiers	b) S/L	c) Annual Rate (%)	d) Use
1				
2				
3				
4				

Use the followings symbols for filling columns a) to d).

- a) ^{Typ}_e
- (A) State banks
 - (B) Commercial banks
 - (C) Microfinance institution
 - (D) Non-bank financial corporations
 - (E) Informal financing (family, friends, relatives groups for credit)
 - (F) Others (specify in the column)
- b) S/L
- S: Short-term loan (repay within one year)
 - L: Long-term loan (repay within more than one year). Please fill in a repayment period.
- c) Rate write the interest rate per year.
- d) Use
- WC: Use for working capital. (purchasing raw materials, bridge loan etc.)
 - FX: Use for purchasing fixed assets including machinery, equipment land and factory buildings.
 - Others: Specify in the column.

At present, do you need loans or credit?
If no, jump to Q33.

1= Yes; 2= No

If yes, answer the following:

Approx. amount:

FCFA

For what do you use them? Choose all applicable to you.

- a. Working capital
- b. Purchase of machinery and equipment
- c. Purchase of inspection/measuring equipment
- d. Land acquisition
- e. Factory, shop or office building construction
- f. Expenditure for R&D
- g. Relocation of the factory, shop or office site
- h. Others (Specify:)

<p>Q33</p>	<p>From where do you intend to borrow a loan ?</p> <ul style="list-style-type: none"> <input type="checkbox"/> 1 State banks <input type="checkbox"/> 2 Commercial banks <input type="checkbox"/> 3 Non-bank financial corporations <input type="checkbox"/> 4 Informal financing (family, friends, relatives groups for credit) <input type="checkbox"/> 5 Others (specify in the column) <p>Reasons: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>Q34</p>	<p>What are the difficulties or problems you face in borrowing from banks or corporations? Choose two (2) answers from the following:</p> <ul style="list-style-type: none"> 1. <input type="checkbox"/> High interest rate 2. <input type="checkbox"/> Insufficient mortgage or collateral to meet your loan requirement 3. <input type="checkbox"/> The complicated procedure, the requirements for documentation and long time requirement for evaluation of you application 4. <input type="checkbox"/> Lack of official credit guarantee system to compliment the insufficient mortgage 5. <input type="checkbox"/> Banks' passive attitude to finance small- and medium- scale enterprises 6. <input type="checkbox"/> Banks don't finance the full amount of loan requirements, for example 80% of total requirements is a limit of the loan. 7. <input type="checkbox"/> Others (Specify: _____)
<p>Q35</p>	<p>Have you ever felt communication or information gaps in the course of loan negotiation with financial institution? 1= Yes; 2= No</p>
<p>Q36</p>	<p>If yes, on what subject did you feel the gaps?</p> <ul style="list-style-type: none"> 1 <input type="checkbox"/> Business strategy 2 <input type="checkbox"/> Investment plan 3 <input type="checkbox"/> Necessity of finance 4 <input type="checkbox"/> Loan procedure 5 <input type="checkbox"/> Terms and condition of loan (Interest rate, Repayment method, Repayment period, Collateral) 6 <input type="checkbox"/> Documents on balance sheet, profit & loss account and cash flow
<p>Q37</p>	<p>Do you feel the necessity of being trained for better communication with financial institutions? 1= Yes; 2= No</p>
<p>Q38</p>	<p>If yes, which way do you feel better?</p> <ul style="list-style-type: none"> 1 <input type="checkbox"/> Participating in training courses 2 <input type="checkbox"/> Attending at a seminar

SECTION 05 OVERALL MANAGEMENT

Q39 What are your major problems in operation of your company?
 Choose three (3) items applicable to your company from the following, giving an order of seriousness in the parenthesis as 1st, 2nd, or 3rd.

- a. () Difficulties in borrowing of loans or financing
- b. () Low technical capability and/or job-hopping of employees
- c. () Increase in salaries and wages of employees
- d. () High import duties of raw materials, intermediates or parts
- e. () Obsolescence of production technology and/or facilities
- f. () Unstable purchasing order of customers
- g. () Severe requirements of customers for quality, price and/or delivery of products
- h. () Insufficient production capacity to meet lots of orders
- i. () Difficulty in market development
- j. () Lack of reliable business partner
- k. () No transparency in governmental procedure
- l. () Others

Q40 What do you think are major causes of the three problems which you chose at Question E.1?

Ordre de priorité	Causes	
1	1	_____
	2	_____
2	1	_____
	2	_____
3	1	_____
	2	_____

SECTION 06 SUPPORT

Q41 Have you ever used any technical, marketing, training and managerial institutions, Universities, private laboratories and so on? 1= Yes; 2= No

Q42 If yes, please specify

	Name of Institutions	Objectives
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____

<p>Q43</p>	<p>What kind of problems have you faced in using such institutions? Choose two (2) answers applicable to you.</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Lack of information about the services & functions they provide. 2. <input type="checkbox"/> Complicated procedures for application 3. <input type="checkbox"/> Time consuming for the services (Not quick services) 4. <input type="checkbox"/> Those institutions are far in location 5. <input type="checkbox"/> Obsolete equipment and technologies in the institutions 6. <input type="checkbox"/> Expensive in service charges 7. <input type="checkbox"/> Others (Specify: _____)
<p>Q44</p>	<p>Freely describe your requests to the government of Cameroon</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

NAME , CAPACITY AND SIGNATURE
OF THE INTERVIEWEE.

STAMP OF THE COMPANY