

Cameroon, rising as an investment destination

The dynamic government is actively pursuing modernization of its financial mechanisms

As part of its plan to become an emerging nation by 2035, Cameroon is launching a number of major projects that will completely modernize the country. InFocus Reports speaks to Alamine Ousmane Mey, Cameroon's Minister of Finance to find out what is being done to attract the investment needed to reach this goal.

AOM: The creation of wealth and jobs requires productive investments. Such investments require a number of conditions in the host country, such as the existence of infrastructure, energy sources and services. The Head of State, President Paul Biya has therefore advocated a massive transformation of Cameroon's environment to turn the country into a "major construction site" in an attempt to facilitate the implementation, development and realization of investments, thus fueling the engine of growth. In order to engage the private sector, however, the government must make the first move, and this is what we see today.

To develop its infrastructure, the State has undertaken a vast program funded through internal and external resources which aims to develop transport infrastructure so that production sites can be linked to consumption centers. The transportation of goods from one point to another will no longer be hampered by heavy loads and reduced competitiveness. Just like the emergency programs initiated by the Head of State, many roads will be rehabilitated or built to ensure Cameroon is connected to other countries in the sub-region.

Another fundamental factor is energy supply, both for factories and households. The current sup-

ply (1,000 MW) falls well below demand and penalizes economic activity. That's why today various power plants are under construction such as the Kribi gas plant and the hydroelectric dams of Lom Pangar, Memvele, and Mekin.

As soon as they become operational, Cameroon's energy supply will be strengthened and our economic growth fueled.

The projects are being implemented thanks to the participation of international bodies — the World Bank, the African Development Bank, Eximbank, for example — but also with resources from the domestic market. They will provide more and better energy and will support business expansion and development. These projects are called "structuring projects" because they imply that a certain number of activities will be developed around them.



To satisfy Cameroon's huge investment needs we now need to detach from public aid to focus more on the equity market."

ALAMINE OUSMANE MEY MINISTER OF FINANCE

Because of their size and scope, they will create many jobs and Cameroon will benefit from technology transfers; because of their location, Cameroonians and foreigners will be able to work jointly. The search for financing sources for these large projects is therefore fundamental: they are the cornerstone of Cameroon's developing economy and a milestone towards horizon 2035. **How will these projects be funded?**



Alamine Ousmane Mey, Minister of Finance

Cameroon has been engaging in a process of modernization over the past five years. We started heavy public finance reforms, with the aim of improving resource mobilization and ensuring more efficient

allocation of these resources. This resulted in reforms in the field of treasury management and in the implementation of a new national financial regime. Efforts were also made to improve and diversify funding sources.

As an illustration, the 2012 State budget amounts to CFA 2,800 billion including 500 billion external financing.

We have modernized the State



Important changes are afoot at the Ministry of Finance.

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financing instruments so as to provide a significantly improved risk profile, which makes it very attractive to bankers and investors. We will therefore seek further subscriptions for our treasury bonds.

This operation, which began in 2011 with a collection of CFA 50 billion, continued in 2012 and has already raised CFA 20 billion. This is in addition to the 2010 bond issue that had collected 200 billion.

These funds supplement the State's budget for operating and capital costs. Investors may be interested in Cameroon's productive projects given that they will be a source of significant ROI with an appreciable 7 percent to 8 percent growth. All of this will encourage full employment and wealth creation; it will be an efficient poverty alleviator, and accompanied by an improved financial management system. It is an ongoing process and one we are deeply committed to.

How important are international partners in funding these projects?

Developing economies are expe-

riencing a significant growth in their investment needs, and consequently, states need to go to capital markets to leverage additional resources.

The issue for Cameroon was about improving the quality of its signature. That has thankfully been done, as we met the convergence criteria. This allows us to reach private and institutional investors. Public aid for development, concessional loans and donations are all likely to experience a gradual decline because donating countries have engaged with financial austerity programs due to the global financial crisis. It is therefore necessary for Cameroon to diversify its funding sources.

How are you increasing private sector involvement?

At the Cameroon Business Forum meeting held each year, government officials meet private sector representatives. Supported by the IFC, the Government has evaluated the possible improvements and changes that can be made in order to attract more private investors. This is how for instance we were able to reduce

the business start-up process to 48 hours on average, and the time needed to deliver land titles. We have also created approved management centers to support businesses.

We have also made significant efforts to improve access to financing with innovations now sealed in the legislative landscape. The investment rate today is well below 20 percent of the GDP. We aim to raise it to 25 percent through the public investment budget in order to encourage more FDIs.

Our environment offers strong opportunities for entrepreneurship, when compared to the saturated markets of developed countries.

If processing industries come and settle here, we'll be able to add value locally and contribute to the enrichment of all actors in the chain. An industrial base is also emerging.

A number of Asian companies are already settling in Cameroon, and we welcome them since it means that Cameroon has an attractive business climate capable of attracting even more investors looking for profitable projects.

Closer financial integration

New fiscal measures are fueling the ambitious country's brighter and more stable future

The Cameroonian economy has enjoyed robust growth in recent years, with this impressive success supported by the launch of new strategies and mechanisms to raise funds for public investment and the launch of major development projects.

In the early 1990s, the country of 20 million people focused on privileged external financing, but since 2007 the government has recalibrated its strategy towards the financial markets to leverage additional internal and external resources.

Biya. "Thanks to a new budgetary rigor and the sacrifices consented by the Cameroonian people, our public finance has come back to a better orthodoxy."

In 2006, Cameroon loosened the knot around its indebtedness in a move that paved the way for its economic takeoff. The International Monetary Fund (IMF) and the World Bank are among the international organizations that have recognized this progress. International credit rating agencies have acknowledged this

also less expensive than traditional financing, with interest rates below 5.25 percent.

Alamine Ousmane Mey, Minister of Finance, said these changes show his country is clearly moving closer to European financial behavior, by modernizing its financial system and the mechanisms of financial intermediation. "Current economic growth in Cameroon allows investors to achieve a very profitable rate of return compared to many other places in the world," he said.

In January of this year, the World Bank published a short update on Cameroon's economic and financial situation. It noted: "Credit to the private sector expanded at end-September by about 25 percent year-on-year (compared to 5 percent at end-September 2010). In addition to a more vibrant economic activity, this strong expansion also reflected partly the increased competition in the banking sector, following the entry of two new banks."

Established in 2003, the Douala Stock Exchange (DSX) is a key instrument in the financing of the national economy, and the ideal platform for increasing companies' credibility, investment appeal and fiscal transparency.

"Establishing a strong and competitive economic infrastructure made it necessary to find an alternative to traditional means of financing whose boundaries are somewhat inevitable," said DSX Director General, Pierre Ekoulé Mouangué.

"Modernizing public infrastructure, creating or increasing businesses production capacity, continuing Cameroon's steady economic growth, all require heavy investments that the banks cannot provide, as they are limited by prudential ratios and balance sheet structure. Conditions for listing on the DSX have raised credibility on companies and their account books."

strong economic performance, with one assigning Cameroon its first ever BBB- rating. This has helped local banks re-inject their overly voluminous liquid assets into the real economy. Two years ago, the State allowed the financing of public investments through local banks, with the huge sums generated through a syndicate of domestic banks quickly

reinvested in key public energy projects across the country. In September 2010 and June 2011, the Ministry of Finance issued two bond loans of CFA 200 billion and CFA 150 billion, with the former generating CFA 203 billion CFA in 15 days — a record in Africa. In addition, a treasury bond of CFA 50 billion was also issued.

Through these mechanisms, Cameroon has found a way to diversify sources of financing and optimize the mobilization of abundant domestic savings. These non-inflationary resources are

Generous tax incentives attract investors

Cameroon's tax system has undergone a comprehensive program of reform in recent years after President Paul Biya challenged revenue officials to modernize the general tax code through innovation, simplification and clarification.

New measures such as the widening of the tax base and unique identifiers for each tax payer have increased tax take and the tax collection milestone of CFA 1,000 billion was reached this year.

A specific tax system was also gradually put in place for the DSX to encourage companies to list on the financial market to promote the modernization and transparency of their operations and the mobilization of savings for the long-term financing of the economy. This is best illustrated by the 2007 finance law that introduced a reduced rate of corporation tax of 30 percent for companies that meet certain criteria such as opening their capital up to 20 percent of the stock market.

As a result of these tax reforms, revenues from taxes have increased significantly, from CFA 637.7 bil-



Pierre Titti, Deputy Minister of Finance

lion in 2004, to CFA 855.7 billion in 2010.

Ministers such as Cameroon's Deputy Minister of Finance, Pierre Titti, are quick to highlight this extra revenue is being put to good use, helping to alleviate poverty, encourage social progress, promote decentralization, support educational institutions, create employment, and boost certain sectors such as forestry and mining.

In a January 2012 report, the

Extensive advantages are provided for in the Investment Code to encourage foreign and local investors to establish and develop their business in Cameroon.

- Freedom to transfer profits earned and to invest abroad
- Full exemption from taxes and levies for a period of 10 years
- No subjection to the salary scale laid down in the Labor Code
- Exemption from all custom duties and taxes on imports or exports
- Freedom to operate foreign currency accounts in the local banking system
- New Investment Charter with 4 regimes for tax benefits (basic, SME, strategic and reinvestment)

World Bank stated: "Cameroon's tax regime for small- and medium-sized enterprises will be simplified, allowing for deductions ... these measures are expected to reduce the tax burden faced by these enterprises and are hoped to foster their development."

Customs reforms boost national tax take

The transformation of Cameroon's tax system is not just limited to the evaluation and collection of personal, commercial and sales tax, with the hard work of the republic's Customs agency also generating substantial revenues for the government.

Thanks to a series of bold reforms and a judicious collaboration with its various partners, the performances achieved over the past three years by Cameroon's Customs have exceeded all initial expectations and revenue targets.

In 2004, Customs revenues totaled only CFA 324 billion, but by 2010 that figure had risen to CFA 503.5 billion. Agency chiefs say this outstanding performance is due to a number of measures that have been undertaken by Customs agents.

These include the introduction of a computerized system that improved procedures and reduced delays, reinforcement of Customs tools and financial means and the implementation of policy performance indicators. The improvement of the revenues collection system at land borders and hinterland offices and the simplification and facilitation of Customs clearing procedures are other important factors that have boosted the authority's performance, efficiencies and presence.

While Cameroon's tourism industry has yet to fulfil its rich potential, the country is a member of the Central African Economic and Monetary Community (CEMAC) and attracts substantial foreign finance and funding from CEMAC members. These include the Central Afri-

can Republic, Chad, the Republic of the Congo, Equatorial Guinea and Gabon. Given China's importance to Cameroon, many Chinese businessmen and government officials live and work in the republic and the two countries have enjoyed more than 40 years of positive diplomatic, commercial, cultural and trade relations.

China is funding and building major new infrastructure and other construction projects that include hospitals, schools, highways, government offices, sports stadia and power plants. "Throughout the past 40 years, the friendly relations and cooperation between China and Cameroon have continued to grow in all areas — economic, cultural, social," said Xue Jinwei, former Chinese ambassador to Cameroon.

The first step of our greater achievements program was the stabilization of public finance."

PAUL BIYA CAMEROON PRESIDENT

This modernization and stabilization of the financial sector has not only streamlined the public expenditure chain, but also increased budgetary resources, boosted foreign investments and reinforced the economy.

"The first step of our greater achievements program was the stabilization of public finance," said Cameroon President, Paul



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