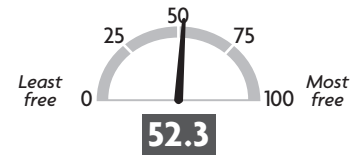


# CAMEROON

## Economic Freedom Score



World Rank: **132**

Regional Rank: **25**

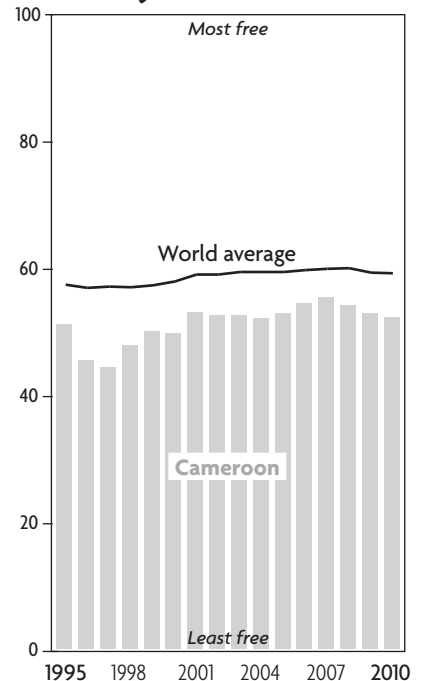
Cameroon's economic freedom score is 52.3, making its economy the 132nd freest in the 2010 *Index*. Its overall score is 0.6 point lower than last year, primarily as a result of worsened investment freedom and monetary freedom. Cameroon is ranked 25th out of 46 countries in the Sub-Saharan Africa region, and its overall score is slightly lower than the regional average.

Cameroon faces challenges common to developing African nations: inefficient bureaucracy, an unreliable legal system, and poor infrastructure. Restrictive regulations hurt employment and productivity growth. Restrictions on trade are common, and the weak judicial system allows pervasive corruption and erodes the potential for long-term economic growth.

Despite progress in privatizing management of the national water company, other important enterprises remain state-controlled. Because of the recent global financial turmoil, Cameroon has struggled with reduced exports, and investment projects have been delayed by difficulties in obtaining financing. In response to a potential fiscal deficit, the government has tried to improve transparency while further developing non-oil sources of revenue. Progress on access to financial services has been sluggish.

**BACKGROUND:** President Paul Biya has held office since 1982, and political reforms have been largely ignored or overturned. In 2008, Biya's supporters in parliament, having won a strong majority in 2007, passed constitutional amendments granting the president immunity for acts committed while in office and enabling Biya to run for a third term in 2011. Despite abundant natural resources, over half of the population depends on agriculture, and the National Statistics Office estimates that the informal sector accounts for over 90 percent of employment and over 60 percent of economic output. Rising oil prices have added to GDP growth and government revenues; with international oil prices declining, economic growth is expected to decline. The transparency of oil-related public finances is improved, but economic mismanagement continues to inhibit development.

## Country's Score Over Time



## Quick Facts

**Population:** 18.9 million

**GDP (PPP):** \$41.9 billion

3.9% growth in 2008

3.1% 5-year compound annual growth

\$2,215 per capita

**Unemployment:** estimated to be over 10%

**Inflation (CPI):** 5.3%

**FDI Inflow:** \$260 million

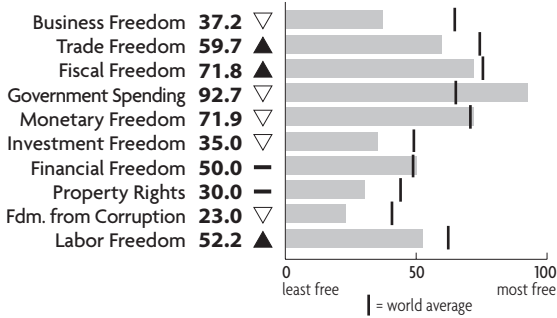
2008 data unless otherwise noted

Data compiled as of September 2009

## How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## CAMEROON'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 37.2

The overall freedom to establish and run a business is seriously limited by Cameroon's regulatory environment. Obtaining a business license requires 15 procedures, compared to the global average of 18, but takes much longer than the world average of 218 days. Bankruptcy procedures remain onerous and costly.

### TRADE FREEDOM — 59.7

Cameroon's weighted average tariff rate was 12.7 percent in 2007. Surcharges and inconsistent customs valuation, import and export restrictions, import and export taxes and fees, import registration and licensing, domestic preference in government procurement, corruption, and inadequate enforcement of intellectual property rights add to the cost of trade. Fifteen points were deducted from Cameroon's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 71.8

Cameroon has relatively high tax rates. The top income tax rate is 35 percent, and the top corporate tax rate is 38.5 percent (35 percent plus a 10 percent council tax). Other taxes include a value-added tax (VAT), a transfer tax on businesses sold, a property tax, and an inheritance tax. In the most recent year, overall tax revenue as a percentage of GDP was 10.8 percent.

### GOVERNMENT SPENDING — 92.7

Total government expenditures, including consumption and transfer payments, are low. In the most recent year, government spending equaled 15.6 percent of GDP. Budget management, especially in the non-oil sector, is weak.

### MONETARY FREEDOM — 71.9

Inflation has been moderate, averaging 4.3 percent between 2006 and 2008. The regional Banque des Etats de l'Afrique Centrale (BEAC) prioritizes the control of inflation and maintenance of the CFA franc's peg to the euro. The market determines most prices, but the government provides subsidies and controls prices for such "strategic" goods and services as rice, flour, consumer goods, agriculture inputs, electricity, water, petroleum products, telecommunications, cooking gas, pharmaceuticals, and cotton. Fifteen points were deducted from Cameroon's monetary freedom score to adjust for measures that distort domestic prices.

## INVESTMENT FREEDOM — 35

The government permits 100 percent foreign equity ownership. All investments face government screening. Corruption, cumbersome bureaucracy, and decision-making delays burden investment. The government generally holds at least 30 percent–45 percent shares of "privatized" companies. Dividends, capital returns, interest and principal on foreign debt, lease payments, royalties and management fees, and returns on liquidation can be freely remitted abroad. Liquidation of foreign direct investment must be declared at the Ministry of Finance and the central bank. Residents may open foreign exchange accounts with central bank and Ministry of Finance approval. Many capital transactions, including foreign borrowing, foreign direct investment, liquidation, and foreign securities, are subject to controls and generally require the approval of or declaration to the government. Delay and corruption are encountered in resolving commercial disputes. Local ownership of land is not required.

### FINANCIAL FREEDOM — 50

Cameroon's financial system is not fully developed. Three banks control two-thirds of all assets. The cost of financing is high, and access to credit is very limited in rural areas. There is a wide network of microfinance institutions. Four companies account for about 60 percent of the insurance market. The largest insurer is foreign-owned, but Cameroonian ownership is increasing. The stock exchange remains small. The government has continued its efforts to shore up financial intermediation by setting up a regional market in government bonds, enhancing supervision of microfinance, and expanding access to banking services.

### PROPERTY RIGHTS — 30

Corruption and legal uncertainty can lead to confiscation of private property. Courts and administrative agencies often favor domestic firms and have been accused of corruption. Some foreign companies allege that unfavorable judgments are obtained through fraud or frivolous lawsuits. Trademarks and copyrights are routinely violated, and software piracy is widespread. Cameroon is ranked 96th out of 115 countries in the 2009 International Property Rights Index.

### FREEDOM FROM CORRUPTION — 23

Corruption is perceived as pervasive. Cameroon ranks 141st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Courts and government agencies have been accused of corrupt practices, and there continue to be reports of beatings of detainees, arbitrary arrests, and illegal searches.

### LABOR FREEDOM — 52.2

Relatively inflexible employment regulations hinder job creation and productivity growth. The non-salary cost of employing a worker is moderate, and dismissing a redundant employee is relatively easy, though labor legislation mandates retraining or replacement before firing a worker.