CAMEROON

 Cameroon’s economic freedom score is 52.4, making its economy the 145th freest in the 2019 Index. Its overall score has increased by 0.5 point, with higher scores for investment freedom and labor freedom offsetting a sharp decline in fiscal health. Cameroon is ranked 29th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

A difficult business environment and the existence of a large informal economy hinder diversification of the formal economy. Other problems include an inefficient and top-heavy civil service, poor infrastructure, endemic corruption, and continuing inefficiencies of a large parastatal system in key sectors. Restrictions on trade through nontariff barriers raise costs. Weak rule of law fails to stem the corruption that erodes incentives for long-term economic expansion. More comprehensive and sustained economic reforms, including increased budget transparency and privatization of state-owned enterprises, are needed urgently.

BACKGROUND: Former French and British colonies merged in the 1960s to form Cameroon. President Paul Biya, now 85 years old, is Africa’s second-longest-ruling head of state. He abolished term limits in 2008 and went on to win seven-year terms of office in 2011 and again in 2018 in elections marred by irregularities. Tensions between the Anglophone minority and the central government erupted into violence with atrocities reportedly committed by both sides. The Islamist terrorist Boko Haram movement frequently attacks across Cameroon’s 1,230-mile border with Nigeria. The economy depends on oil for about 40 percent of export earnings. Cameroon is building Central Africa’s only deep-sea port in Kribi, financed primarily by China’s Export-Import Bank, and is expanding hydropower generation.
Protection of real and intellectual property rights is weak, and land disputes are common. The inefficient judicial system is vulnerable to political interference. Corruption and cronyism are systemic, and demands for bribes, from gaining school admission to fixing traffic infractions, are commonplace. Revenues from oil and minerals extractions are not openly reported. Enforcement of anticorruption statutes targets political opponents.

The top individual income tax rate is 35 percent, and the top corporate tax rate is 33 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 15.6 percent of total domestic income. Over the past three years, government spending has amounted to 20.4 percent of the country’s output (GDP), and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 33.8 percent of GDP.

Private enterprises still face numerous impediments related to regulatory inefficiency and nontransparency. Despite some reforms, requirements for business entry and exit are time-consuming and costly. The labor market remains inefficient. The government subsidizes electricity, retail gasoline, diesel, and liquid natural gas while maintaining price controls for food and other consumer goods.

The combined value of exports and imports is equal to 36.9 percent of GDP. The average applied tariff rate is 15.8 percent. The investment code includes several general minimum requirements, and local content, though not yet enshrined in law, is increasingly a requirement of contracts. The cost of financing remains high, and access to credit remains limited in rural areas. There is a wide network of microfinance institutions.