

The relevance of the legal and regulatory environment for the creation and development of SMEs

The Case of Cameroon

THE CONTEXT

- **Relevance of SMEs in the development of countries today**

- **Several qualities attached to the concept of SMEs**
 - Flexibility
 - Employment creation at low cost
 - Income distribution
 - Sub-contracting
 - Technology transfer
 - Etc.

- **The SME is a powerful tool for combating poverty. But on condition it is used in a legal, regulatory, transparent, consistent and attractive environment.**

Review of the current situation

For many years:

- **Absence of a harmonious definition of SME;**
- **Existence of regulatory instruments but dispersed in various administrations;**
- **Inadequate application of existing regulations for several reasons:**
 - **Absence of implementing instruments;**
 - **Desire of administrations to preserve their prerogatives;**
 - **Lack of knowledge of regulatory instruments by enterprise creators;**
 - **Difficulties in applying some texts (e.g. realization of guarantees concerning insolvent debtors)**

Review of the current situation(cont'd)

- **A regulatory and legislative environment not conducive for business creation :**
 - **Many interlocutors;**
 - **an extension of time needed for the creation of enterprises;**
 - **Unwarranted increase in the cost of job creation;**
 - **Partitioning of administrative services;**
 - **Endless conflicts with tax administration;**
 - **Limited system of inducements.**
 - **Difficult access to useful information.**

Measures already taken

- **Development of good governance**
 - Creation of a coordination unit at the Office of the Prime Minister
 - Creation of a unit at the level of each ministry
- These structures are responsible for ensuring the application of the principle of good governance in the day-to-day running of administrations notably through the fight against corruption and embezzlement of public funds.
- **Publication of the 1992 labour code**

Contrary to previous codes, the 1992 code is characterized by its flexibility as well as the importance it attaches to negotiation between workers and employers in the respect of the dignity of both parties.

Measures already taken (cont'd)

- **Publication of the new criminal code procedures**

The code forms part of the rationalization and modernization of legal procedures in the country.
- **Membership of Cameroon of OHADA**

This membership brings our business law in line with that of other African countries that are members of this organization and enhances the clarity of our country's legal and regulatory instruments
- **Improved trade regulation**

One of the main features of this development is the abolition of import licences, a source of considerable harassment, which has been replaced with import declaration for statistical and tax purposes.

Measures already taken (cont'd)

- **Price liberalization**

The liberalization of prices began slowly in 1986 and became systematic from 1989 onwards. Today, price liberalization is the rule and control the exception.

- **Law on the Investment Charter**

This law reaffirms the major options of Cameroon towards free market economy and creates various structures in the sole objective of assisting the promoters and safeguard their investments.

At this level of our presentation we can affirm that the measures already taken address the need for the modernization of our legal environment aimed at the harmonious running of business, be it at the level of the attraction of investments or enterprises creation or development.

Measures in the pipeline

- **SME promotion policy paper**

The finalization of this document will not only clarify the major orientations of the Government in the promotion of SMEs, but also will help arrive at a consensual definition of the concept.

- **Introduction of sectoral codes in accordance with the investment charter.**

The investment charter of Cameroon entails a number of sectoral codes similar to the tourism code which contains all the measures taken to render the creation of enterprises attractive in the area of tourism. All these codes are not yet available but some already exist. At another level, some organizations whose creation was proposed in the charter will be operational in the near future..

Measures in the pipeline (cont'd)

- **The creation of an agency for the promotion and facilitation of SMEs and Cottage Industry**

The agency whose creation is imminent will have a one-stop shop for business formalities whose role will be to facilitate formalities for the creation and modification of small and medium enterprises.

The main objectives pursued by the one-stop shop are as follows :

- Render the procedures more effective;
- Avoid repetition during various processes;
- Render the various operations more transparent;
- Reduce the costs and time-limit for the creation of enterprises

Measures in the pipeline (end)

- **Revision of instruments on approved management centres**

To curtail the numerous conflicts between SME creators and the tax administration, a committee was set up to revise the regulatory instrument on approved management centres which had already been signed but whose application raised some technical problems.

The application of the new instrument will have definite advantages:

- An objective taxation of SMEs;
- Decrease in informal activities;
- Strengthening of public/private partnership

Conclusion

While it may be true that the creation and development of enterprises are essentially the work of private stakeholders, it is equally crucial for the Government to provide promoters an attractive and safe legal and regulatory environment. It is the price to pay for the promotion of Small and Medium Enterprises as well as the creation of wealth.