

NARRATIVE REPORT ON CAMEROON



PART 1: NARRATIVE REPORT

Cameroon is ranked 53rd in the 2020 Financial Secrecy Index (FSI), based on a relatively high secrecy score of 71 combined with a tiny global scale weight: Cameroon accounts for 0.02% per cent of the global market for offshore financial services.

A historical and economic framework tending towards opacity

Cameroon is the largest economy in the Central African Economic and Monetary Community (CEMAC).¹ Its economy is the most diversified in the sub-region, thanks not only to the many foreign companies that have set up in the region, but also to many homegrown groups. Cameroon’s economy is diverse but led by the timber and agricultural sectors (cash and food crops), hydrocarbons, the beverage industry, sugar refining, oil refining, soap manufacturing, flour milling, aluminium, cement and metallurgy. Like all CEMAC countries, Cameroon has a common monetary policy and banking legislation. But also, in terms of business legislation, the applicable text is that of the Organisation for the Harmonisation of Business Law in Africa, known as OHADA.² But its membership of various regional or sub-regional sub-systems does not prevent Cameroon from regulating both private and public companies, whether financial or not. From this point of view, there are specific elements that can allow an assessment of the level of financial opacity in the country.

At the socio-political level, the country tends towards opacity, even if some improvements are now perceptible. Since independence in 1960, Cameroon has had only two presidents and the current president has been in power 37 years. That, coupled with the maintenance of a core of people in the main positions of power, has made major reform unlikely³ while also creating space for a generalised lack of accountability. Several ministers and senior officials of the Republic have been put in prison for various acts of corruption. This corrupt atmosphere, which involves both civil servants and companies, is reflected in the low level of tax revenue collection, which since 2000 has never exceeded 15 per cent of gross domestic product, according to 2018 data from the Organisation for Economic Cooperation and Development,⁴ and in the loss of resources due to transfer pricing abuse documented by the UN.⁵ At the national level, an [anti-corruption strategy](#)⁶ was adopted in 2013, and subsequent reports were published until 2017. There is also a [ministry in charge of the Superior State Control](#)⁷ whose role is to ensure proper management of public administration and companies. In addition, the National Financial Investigation Agency focuses on fighting against money laundering and terrorist financing.

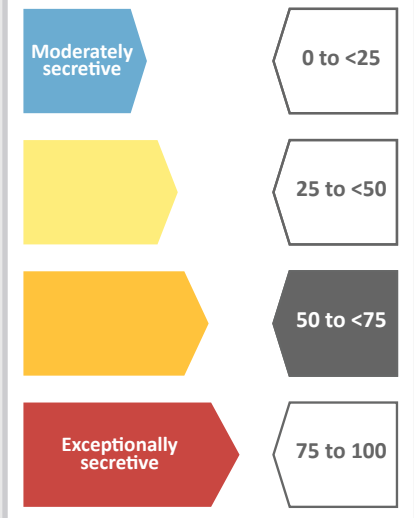
This static environment of concentrated power contributes to a laxity that slows down even minor reforms for enhanced transparency. It was only in [March 2019](#),⁸ for example, that computerisation of the Trade and Personal Property Credit Register was envisaged, and the chances of success for this initiative are not high.

A lack of visibility on property

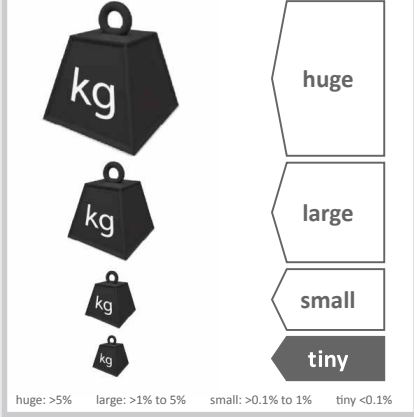
In Cameroon, the general public and even some government officials lack effective visibility regarding the true beneficial ownership of

Rank: 53 of 133

How Secretive? **71**



How big? **0.02%**



Cameroon accounts for 0.02 per cent of the global market for offshore financial services. This makes it a tiny player compared to other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.
 Full data is available here: <http://www.financialsecrecyindex.com/database>.
 To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrecyindex.com>.
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companies. During the years of economic downturn, which resulted in wage cuts in the public sector, some public officials created companies in the name of relations or relatives to benefit from certain public contracts. No real investigation has ever been carried out in this regard, and even today, many small and mid-sized companies providing various services are in reality front entities for civil servants. The constitution, in [Article 66](#),⁹ mandates that heads of public administration declare their property, but the application of this rule is conditioned by a law that has never been passed.

At the level of large companies, especially multinationals, there is no real clarity about ownership or where they are incorporated. There is a Trade and Personal Property Credit Register, but it is not yet digitalised and access by the general public is limited. The National Institute of Statistics conducts censuses but there is a delay of at least two years in publishing results and the data provided is fairly minimal and does not provide full ownership information. This opacity in ownership of private companies is favored by the OHADA Act which governs business law in the country. This text enshrines what is known as the shareholders' agreement, which allows shareholders of an incorporated company to not publicly disclose certain information about the company ownership. One of the consequences of this opacity is the weakness of Cameroon's stock market. Despite tax incentives, no entirely private company is present on the Douala Stock Exchange.

Banking secrecy in Cameroon also challenges transparency on ownership. In Cameroon, it is organised by [law 2003/004 of 21 April 2003](#)¹⁰ on banking secrecy. It is considered customary in most trades to keep certain information secret, and banking secrecy is based on both economic and social considerations. The lifting of banking secrecy is subject to strict rules and anyone who violates these may be severely punished by law. However, the Trade and Personal Property Credit Register records data relating to companies and any change in the capital of a company must be published. This data is just not easily accessible.

Lack of transparency in the governance of state-owned and private companies

Few legal entities in Cameroon make data on management public, with the exception of a handful of state-owned companies that are required to file annual reports. Private companies are required to publish their accounts of transactions at the Tax Directorate and at the National Institute of Statistics

for the purpose of mobilising tax revenue and producing national accounts, but this information is not automatically accessible by the general public.¹¹ Given that some companies, such as the energy distributor [ENEO](#),¹² publish their annual accounts even though they are not listed on the stock exchange, it is clear that there is nothing to prevent companies from disclosing information about their financial activities to the public except their intention to conceal them. Also, multinationals present in Cameroon do not disclose figures on the activities of their local subsidiaries. There is one small exception, however, some banks publish their annual reports with significant delays. The country's participation in the Extractive Industries Transparency Initiative now provides a certain amount of information on mining companies that operate locally, as well as the volumes and nature of payments they have made to the country's various administrations. The country's [latest report](#)¹³ on this initiative is quite revealing.

Tax administration performance

The performance of the Cameroonian tax administration has shown mixed improvement from [1996 to 2016](#).¹⁴ Indeed, in absolute terms, these revenues increased from CFAF 582.3 billion to CFAF 2,744 billion. In particular, there was a tenfold increase in corporate income tax over the period.¹⁵ This is a significant increase, but it can obscure signs of poor performance in the collection system and tax administration. It will be noted, for example, that it is difficult to properly assess the tax base that makes it possible to verify whether this performance is the best that could have been achieved. The overall tax take remains low as a percentage of gross domestic product; 14 per cent of GDP in 2018 — below the African average.¹⁶ The country has only signed eight tax treaties^{17 18} but among its tax partners are those considered to be the most aggressive in obtaining advantageous tax benefits in Africa, such as the United Kingdom,¹⁹ France and the United Arab Emirates.

With regard to transfer pricing, it was only from January 2018 that companies under the supervision of the large companies unit at the tax administration were forced to disclose their transfer pricing transactions.²⁰ Implementation of this measure is not yet complete. Indeed, the business sector is made up of tens of thousands of medium-sized companies, which are only a few hundred thousand CFA francs smaller than the turnover of large companies. In addition, most of the large companies are in the oil sector, where it is difficult to read the operations clearly, in the absence of tax reporting country by country, made worse by the unavailability

of contracts. Oil companies in 2015 contributed only US \$1.15 billion in taxes.²¹ Cameroon has also entered the race towards low taxation with the adoption of numerous tax incentives.²²

International tax cooperation remains patchy

Cameroon participates in various international tax cooperation forums. For example, it has ratified the [Convention on Mutual Assistance in Tax](#)²³ which provides for administrative cooperation between states for the purpose of tax assessment and collection. The country is also a signatory to several bilateral tax treaties with countries such as France, the United Kingdom and the United Arab Emirates included in the first [Corporate Tax Haven Index](#)²⁴ published by Tax Justice Network in May 2019, as the most aggressive countries in terms of tax treaties disadvantageous to Africa.

Cameroon is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, an international body responsible for ensuring the implementation of international standards on tax transparency through its monitoring and peer review activities. In 2017, the General Directorate of Taxation also welcomed the use of the Tax Administration Diagnostic Assessment Tool, which makes it possible to assess the functioning of a country's tax administration in an objective and standardised manner. The country also participates in the work of the Exchange and Research Centre for Leaders of Tax Administrations, or [CREDAF](#).²⁵

Technically, however, these different types of cooperation do not seem to be part of a real strategy for a better tax policy. Overall, tax cooperation in Cameroon continues to be a mix of trade-offs between tax incentives and compliance with domestic resource-mobilisation requirements.

In 2017, the country entered into an engagement with [Tax Inspectors Without Borders](#), which might lead to improved technical competence within the tax administration, and could also highlight areas where Cameroon could strengthen its tax cooperation with other countries.

Endnotes

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- 14 https://read.oecd-ilibrary.org/taxation/revenue-statistics-in-africa-2018_9789264305885-en-fr#page183; 04.02.2020.

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PART 2: SECRECY SCORE

OWNERSHIP REGISTRATION

- 47 1. Banking Secrecy
- 75 2. Trust and Foundations Register
- 100 3. Recorded Company Ownership
- 50 4. Other Wealth Ownership
- 100 5. Limited Partnership Transparency

LEGAL ENTITY TRANSPARENCY

- 100 6. Public Company Ownership
- 100 7. Public Company Accounts
- 100 8. Country-by-Country Reporting
- 98 9. Corporate Tax Disclosure
- 100 10. Legal Entity Identifier

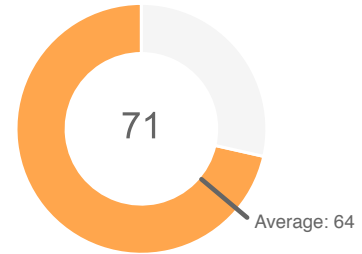
INTEGRITY OF TAX AND FINANCIAL REGULATION

- 88 11. Tax Administration Capacity
- 0 12. Consistent Personal Income Tax
- 100 13. Avoids Promoting Tax Evasion
- 75 14. Tax Court Secrecy
- 25 15. Harmful Structures
- 70 16. Public Statistics

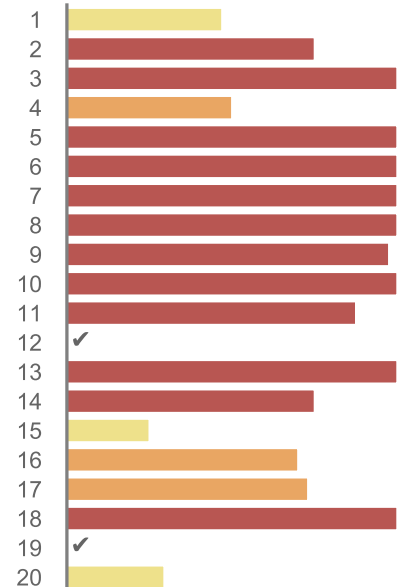
INTERNATIONAL STANDARDS AND COOPERATION

- 73 17. Anti-Money Laundering
- 100 18. Automatic Information Exchange
- 0 19. Bilateral Treaties
- 30 20. International Legal Cooperation

Secrecy Score



Key Financial Secrecy Indicators



Notes and Sources

The FSI ranking is based on a combination of a country's secrecy score and global scale weighting (click [here](#) to see our full methodology).

The secrecy score is calculated as an arithmetic average of the 20 Key Financial Secrecy Indicators (KFSI), listed on the right. Each indicator is explained in more detail in the links accessible by clicking on the name of the KFSI.

A grey tick in the chart above indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This report draws on data sources that include regulatory reports, legislation, regulation and news available as of 30 September 2019 (or later in some cases).

Full data is available here: <http://www.financialsecrecyindex.com/database>.

To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrecyindex.com>.