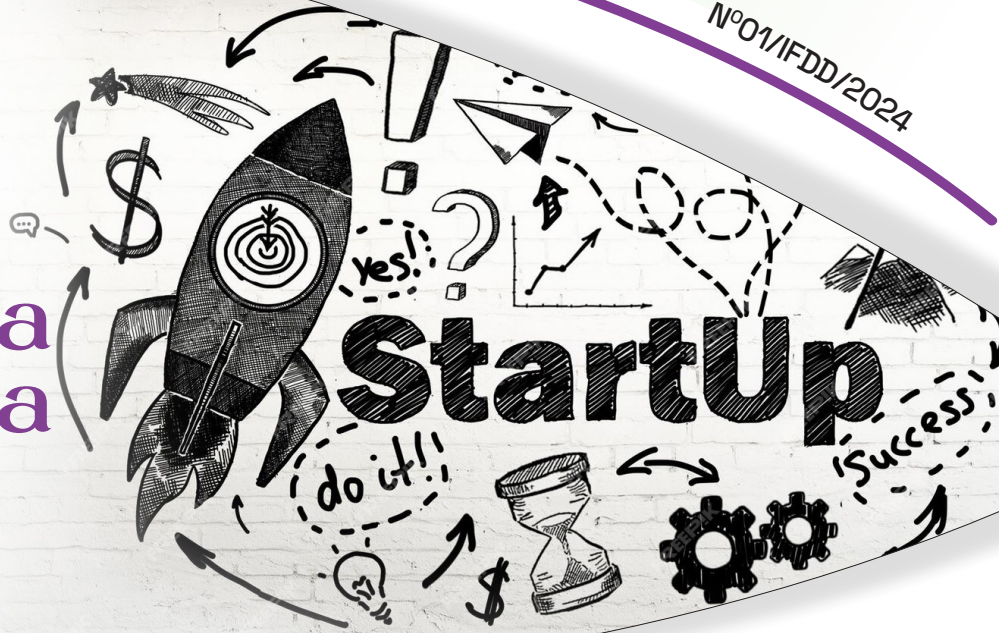


# Policy Brief

N°01/IFDD/2024

**From innovation to industrialization for mass consumption :**

**How do you move from a start-up to a VSE/SME?**



For some years, through various media outlets, national news has been fraught with reports about trade shows, fairs and exhibitions focusing on scientific or technological and artistic or cultural innovations. Praises, prizes under all types of labels and other awards are being dished out to these new players who belong to the ecosystem of development agents. They are generally young people with most of them coalescing under the canopy of start-ups. A noun has even been coined in common parlance to refer to "startupper". Over time, political and economic rhetoric seems to have adopted it.

However, if we examine the phenomenon closely, the national community risks being carried away by a mirage that, in welcoming the boom, fails to grasp the quality and quantity of the yield

## A) Let us make a rapid exploration of terms

### i). What is a start-up?

From its English etymology, "start-up" is a word or an expression made up of **start** = begin, launch and **up** = high, on top, higher (...). In this setting, start-up would therefore refer to the action of starting, taking off to go higher, farther.

One may therefore assume that "start-up" refers to the *action or the fact of launching something for its advancement, inception or take-off to reach cruising speed*. By comparison, in entrepreneurship, a start-up is therefore a unit that is in the making to get its bearing and grow. From the above, we fully understand that, in a wave-like manner, it is a stage, a status, an essentially transitional and fragile phase. Being a start-up is not a long-term or lifetime issue.

The denomination used in the Cameroonian Law<sup>1</sup> does not include this term in its glossary of company classification.

### ii). Creation, Invention and Innovation: each has its own context <sup>2</sup>

The concepts of creation, invention, and innovation can sometimes seem similar. All three refer to the notion of newness and uniqueness. However, one must be careful not to confuse them, because while each has a meaning in the business world, it is even more so in the world of intellectual property.

1 - Law No 2015/010 of 16 July 2015 modifying and completing some provisions of law No 2010/001 of 13 April 2010 on promotion of SMEs in Cameroon

2- <https://jinnove.eu/differentier-creation-invention-innovation-ideation-creativite#:~:text=Une%20invention%20est%20une%20id%C3%A9e,am%C3%A9lioration%20d'une%20solution%20existante.>



Creation is most often evoked in the arts and letters world, invention in the industrial world and innovation in the business world. Yet, questions are being raised with the progress of Gen AI that could modify the meaning of these principles and possibly redefine the notions of creation, inventions and innovation.

- **Imagination** is the fact of bringing into existence what does not exist. In other words, creating mental images that have no known reality.
- **Creation** is the act of formalizing imagination through a unique know-how that touches on senses and emotions. Creations are generally perceived in literary and artistic works.
- **An invention** is a new technical idea that is put into practice. It solves a technical problem. It is an unprecedented solution that can be explained and reproduced.
- **Innovation** is an invention promoted on the market or the improvement of an existing solution. It refers to the introduction on the market of a product or a new and significantly improved procedure as compared with those previously developed by the legal unit.

Technological innovation is therefore defined as the creation and implementation of new technologies, tools, systems and improved processes, leading to significant progress or breakthroughs in various areas. It implies mobilizing knowledge, expertise and resources to develop innovative solutions that help solve a problem, improve efficiency, enhance progress and create value.

Technological innovation therefore plays a vital role in resolving complex societal challenges. It fosters the development of solutions for access to healthcare, poverty alleviation, environmental sustainability, food security, disaster management, etc. Innovations in areas such as clean energy, water purification, telemedicine and agricultural technologies contribute to preserving the environment for sustainable development.

In this regard, there is a gamut of institutions in Cameroon that are dedicated or that contribute to innovation in various areas of life:

- MINMIDT;
- MINRESI and its research institutions (IRAD, IRGM, IMPM);
- MINPMEESA, as far as SMEs are concerned;
- Universities and their specialized faculties;
- Incubators and individual researchers/inventors.

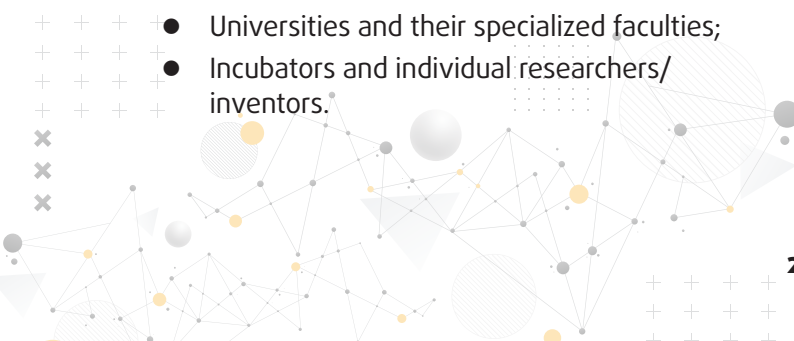
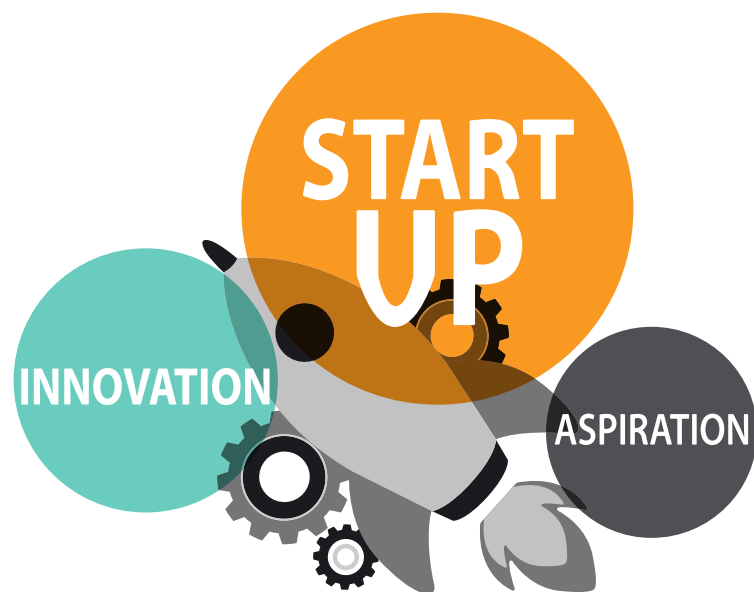
These structures generate and present results that are sometimes very original, and of undoubted interest for economic and social development. But these are only research results, and ultimately prototypes.

These results are generally extolled during trade fairs and prize award ceremonies. Quite often, that is all. Many years later, nothing is being said about it. The product is not visible anywhere on markets and supermarkets.

When it comes to a technological product, considering that global competition is fast changing, the invention can either be overtaken or even become obsolete without having been developed for popularization by industrialization for mass consumption. This is the rationale of the reflection made in this brief: From innovation to industrialization for mass consumption.

The issue we have identified and addressed in this note is the absence/lack of popularization for mass consumption. This is one of the major results of the study carried out with the support of the IFDD (Institut de la Francophonie pour le Développement Durable) on the needs, capacities and constraints of the private sector in the sustainable development area with a focus on the job market: the case of Cameroon and the Democratic Republic of Congo (DRC).

This document aims to raise awareness among players at different levels of the sustainable development chain and explain that it is not enough to create, innovate and invent a process or procedure, but that the ultimate goal and interest lie in the adoption of the innovation by the general masses to improve their living conditions. This is what we call development sought by all public policies.



## B) Definition and typology of SME according to the Cameroonian law<sup>3</sup>:

The classification of companies brings out 03 categories of small and medium-sized enterprises.

- **A Very Small Enterprise (VSE)** is an enterprise that has a maximum of 5 employees and whose turnover is below FCFA15 million;
- **A Small-sized Enterprise (SE)** is an enterprise that has 6 to 20 employees with a turnover of FCFA15 to 250 million;
- **A Medium-sized Enterprise (ME)** is an enterprise that has 21 to 100 employees with a turnover of more than FCFA250 million and lower than or equal to FCFA3 billion.

**Table 1 :** Classification of enterprises by type according to the general census of enterprises (RGE) published by the NIS in 2019

Type of enterprises	Number	Proportion
VSE	160 995	79,1
SE	39 444	19,4
ME	2 541	1,3
GE	439	0,2
<b>Total</b>	<b>203 419</b>	<b>100,0</b>

While waiting for the next RGE (2023) carried out by the NIS, MINPMEESA has conducted assessment studies whose results are presented below :

**Table 2 :** Classification of SMEs according to type of enterprise in 2021

Type	2016	2019 (e)	2020 (e)	2021 (e)	
				Size	%
EI	196 664	278 755	280 184	314 523	97
LLC	3 649	5 173	5 199	5 836	1,8
Suarl	811	1 149	1 155	1 297	0,4
PLC	608	862	867	973	0,3
Simplified Joint-Stock Company	203	287	289	324	0,1
Social economy organization	406	575	578	649	0,2
Other forms	405	575	578	648	0,2
<b>TOTAL</b>	<b>202 746</b>	<b>283 376</b>	<b>288 850</b>	<b>324 250</b>	<b>100</b>

Source : Review report of the 2022 statistics directory on the PMEESA

3 - Law No 2015/010 of 16 July 2015 modifying and completing some provisions of law No 2010/001 of 13 April 2010 on the promotion of SMEs in Cameroon.

The major information that emerges from the analysis of this table by category and type is that the sole proprietorship enterprise accounts for 97% of the stock of SMEs (2021) and that the Start-up is not recognized among the typology of enterprises in Cameroon. This table confirms the structure of enterprise demographics in Cameroon as revealed by the general enterprise census (RGE, INS 2019). More than 9 enterprises out of 10 are sole proprietorship enterprises with a configuration that is practically modeled on VSE/SME.

The enterprise realm in Cameroon is therefore mainly centered on the VSE/SME, most often a sole proprietorship enterprise that operates in the informal sector. The lifespan (lower than 5 years) assimilates it to this denomination of start-up.

**Table 3 :** Classification of SMEs according to the age bracket of the promoter in 2021

Age bracket	2016	2019 (e)	2020 (e)	2021 (e)	
				Effectif	%
Below 20 years	3 341	4 736	4 760	5 344	1.65
20-30	57 387	81 342	81 759	91 779	28.31
30-40	80 723	114 419	115 006	129 100	39.82
40-50	40 058	56 779	57 071	64 065	19.76
50-60	14 881	21 091	21 199	23 797	7.34
Above 60 years	6 356	9 009	9 055	10 165	3.14
<b>TOTAL</b>	<b>202 746</b>	<b>287 376</b>	<b>288 850</b>	<b>324 250</b>	<b>100</b>

Source : Rapport d'analyse de l'annuaire statistique 2022 sur les PMEESA

The other important piece of information for our analysis reveals that nearly 7 SMEs out of 10 (68.13%) have promoters aged between 30 to 40 years (corresponding to what we consider as near youth, at more or less 05 years from the official age bracket<sup>4</sup>

### L'innovation comme origine de l'industrialisation État des lieux des start-up au Cameroun

Successful innovation has two main stages: from design to development (prototype) and valorisation/popularization by the industry. The creation of incubators aims to foster the transfer of research results towards developing start-ups (launching phase). However, young Cameroonian innovative enterprises effectively exist and are visible. The problem is access to the market through popularization by the industry. Given that technology is weak or non-existent in some sectors, foreign companies can acquire them, sometimes at a ridiculously low cost despite their proven potential.

4 - In Cameroon, the law defines the youth as a person aged between 15 to 35 years,

In the current difficult context, we have the national duty to develop an industrialization policy. This is where an industrialization policy needs to be developed. It is not enough to support innovation and the creation of start-ups through multiple aids often resulting in the dispersal of resources leading to the opening of «a subsidy hunt» or facilitating the arrival to Cameroon of foreign talents, often to the disdain of local creators who do not benefit from such gifts. We must go beyond and move into the real industrial phase that creates jobs and incomes.

### Some examples of innovations as services (products or services)

The mapping of start-ups gives a holistic and immediate view of the elements represented. We can visualize the links between elements (processes, procedures, departments, regulations, roles, risks, controls, collaborators, assets, etc.) without having to analyse long texts. Thanks to this representation, we can easily identify the bottlenecks or the critical elements of the organization



### Overview of the characteristics of Cameroonian SMEs in 2023<sup>5</sup>

The mapping also gives clarity on “who is doing what and how” in the enterprise by reducing the apparent complexity of the relations existing among all these elements. It thus enables a better management of the organization and the various projects.

#### ➤ Legal form

Nearly half of the start-ups are operating in the informal sector, and approximately 36.8% of start-ups, which are formal, are made of Limited Liability Companies (LLC). It is worth noting that this is the most common form of business companies in Cameroon. It has many advantages in the sense that the statutes are established by a private deed or by a notarial deed. The minimum amount of the share capital is FCFA100,000, divided into equal social shares with a nominal value that cannot be lower than FCFA5,000<sup>6</sup>.

5 - Results of the study on the needs, capacities, and constraints of the private sector in the sustainable development area with a focus on the job market in Cameroon and in the DRC, carried out by CAMERCAP-PARC with the support of the IFDD.

6 - Law No.2016/014 of 14 December 2016 setting minimum social shares and the modalities to resort to the services of a notary during the creation of an LLC.

The terms and conditions for transferring shares are outlined in the statutes. The LLC has one or many partners who are only liable for the company’s debts up to the amount of their capital share. Furthermore, only 3.7% of start-ups are constituted as Public Limited Company (PLC).

#### ➤ Sector of activity

In Cameroon, the world of start-ups is dominated by two sectors of activities. In this regard, 34.6% of start-ups operate in ICT and 25.8% in agriculture and agro-industry. This is due to the fact that the ICT has been earmarked as a key driver of employment and economic growth in Cameroon. The environment sector comes in fourth position.

Agriculture is the main job provider in Cameroon since it employs about 60% of the active population, mainly within family-owned farms. It also plays an important role in generating income.



#### ➤ Tax registration number

Tax registration is done by obtaining a Unique Identification Number (UIN) at the Directorate General of Taxation. The UIN, which is a reform deriving from the 2020 fiscal law, is an identification attributed to each legal or natural person who has a business activity in Cameroon or not. It enables the taxpayer to easily perform tax operations such as paying taxes and obtaining debt clearance certificates online. This identification is required for all economic formalities and transactions in any administration, public company, and any other public or private body.

Most start-ups (58%) that were interviewed have a UIN. This may indicate compliance with legal requirements and the intention to regularize their activities with regards to tax obligations.

#### ➤ Reasons for not having a tax registration number

About 51% of start-ups stated that they do not have a tax registration number because of administrative complexities. Thus, many start-ups (44.9%) have pending procedures (during the survey). This reason is trailed by financial difficulties (32.7%).



The reform of the 2020 fiscal law on obtaining the UIN has significantly eased the procedure. Hence, all enterprises should now have a tax registration. Heads of businesses who stated that the hindrance is due to administrative complexities, therefore seem to be unaware of the new procedure stemming from this reform.

➤ **Trade registry number**

About 51% of start-ups declared having a trade registry. This could reflect the willingness to comply with legal obligations and the intention of legalizing their activities.

Trade registration is a procedure through which a trader, who is a legal or natural person, gets registered on the Trade and Personal Property Credit Register to be identified as a trader or to acquire a legal personality. This registration is personal and mandatory.

➤ **Reasons for not having a trade registry number**

One start-up out of 2 (49.1%) stated that it does not have a trade register number, pointing out administrative complexities, once again.

➤ **Possession of a NSIF registration**

The NSIF registration is the operation by which an employer is registered at the NSIF. It takes place in a social insurance centre and is materialized by the attribution of a matricule number. This process grants a social security status to the employers and gives them access to social benefits provided by the social insurance regime managed by the NSIF and to their legal beneficiaries (partner(s), ascendants and legal children). Among all the enterprises registered at the NSIF, only 28% of start-ups have a registration. Many enterprises are not in conformity with the NSIF.

➤ **The non-possession of a NSIF registration**

In fact, a majority of start-ups that declared not having a NSIF registration number have the status of association (49.4%) and 36.1% of these start-ups without registration deplore administrative complexities.

According to the law on associations, the latter are not required to have NSIF registration. However, the other legal forms of enterprises must register their employees.



**Hindrances to industrialization: main difficulties raised by the initiators of start-ups to achieve migration to SMEs.**

At the institutional level, Cameroon has not been devoid of initiatives to promote industrialization over the past 04 decades, at least considering only the period when strategic planning resumed in early 2000<sup>7</sup>. However, the findings and results are not conclusive.

The strategic register includes :

- The stillborn Master Plan for Industrialization (MPI) which has never been implemented, despite the revision/update of the initial version to align it to the GESP.
- The P2I (Plan d'impulsion de l'industrialisation) launched towards the end of the GESP and replicated in the NDS30. It was expected to give an impetus to revive the country's industrialization. Five years after launching the NDS30, there is an astounding silence concerning its effectiveness.
- Lastly and most recently, there is the PIISAH (Plan d'import substitution agropastoral et halieutique) for the period 2024-2026. One year later (late 2024), the emergency plan is still looking for funds and finding its bearings. Its effectiveness is still questionable<sup>8</sup>. Although it was designed in a sectorial approach, it obviously includes aspects related to transformation, hence to industrialization.
- As for institutions, we can mention the creation of the API (Investment Promotion Agency), the APME (SME Promotion Agency), the CARPA (Support Council for Partnership Contracts) and most recently, in July 2024, the new SNI (National Investment Company).

In addition to these public establishments with specific missions, the government architecture itself does not facilitate cohesion and effective action. To this day, at the very least, there are almost a dozen administrations/ministries that encroach on each other, side by side.

- MINMIDT, MINPMEESA, MINEFOP and MINTSS, MINDCAF, MINEPDED, MINCOMMERCE, MINEPAT, MINFI, SPM, the SG/PRC and line ministries.

Without mincing words or being unnecessarily pessimistic, any keen observer can realize that the fruits have not produced the expected results.

- (i) Beyond texts and individuals, and given the structure of enterprise demographics in Cameroon, how can we objectively explain the coexistence of the API and the APME? Whereas the MINPMEESA is also actively working in this field.

7 - The first three-year programme after SAPs (structural adjustment programmes) was designed over the period 1998-2000.

8 - The PM/CG officially expressed regrets on this issue during his speech at the Parliament on 12/01/2024.

(ii) The new SNI created in July 2024 is still in the “womb” or rather in the “incubator” like a premature waiting to become mature. Six (06) months later, no action has been initiated in this area as at 10 December 2024.

### Challenges encountered during the development of start-ups

Cameroon has many assets which can foster innovation. It is therefore critical to address the obstacles encountered by the private sector to enable the country’s potential to emerge.

Table 4 : Classification of start-ups according to challenges encountered during the production of their technological and environmental innovations

Types of challenges	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>
Lack of funding	42	24	22	5	2	2
Lack of infrastructure/ equipment/input	34	34	27	25	9	2
Lack of technical/ training support	12	16	4	2	4	5
Unskilled HR	11	9	12	3	2	1
Weak involvement of the State	7	4	7	3	2	
Lack of communication/ marketing	6	7	8	9	5	3
Lack of collaboration among players	1	3	5	4	5	1

Source : CAMERCAP-PARC, IFDD study 2023

As part of their activities to produce technological and environmental innovations, start-ups encounter various difficulties. In fact, the most frequent are access to funding and lack of infrastructures and equipment. In addition to these difficulties, start-ups also face other challenges such as the availability of skilled human resources and the weak involvement of the State.

### Difficulties to produce innovations

The 2020-2030 National Development Strategy (NDS30) takes into account the need to develop new sources of growth, hinged on the emergence of the private sector as the main driver of economic growth, targeting strategic sectors likely to be competitive at the global level. In the vision, private sector’s growth will drive economic transformation around nine priority sectors including industry, services and agricultural development. In this respect, it is critical to assess all the innovation production challenges in order to achieve industrialization.

Start-ups encounter numerous challenges. We have classified these constraints into three areas: funding, popularization of products and distribution.

The main challenge that start-ups continue to face is access to funding. Nevertheless, the Government has announced several initiatives to support young entrepreneurs but the situation and the results show that these initiatives are not yet bearing fruits.

Popularization is one of the key elements in the production of innovations. After production, products need to be promoted before being marketed. However, the biggest challenges faced by young people are lack of communication. Advertising spaces are expensive and young entrepreneurs find it difficult to popularize their products. It is worth underlining that even on social media an effective popularization must be done on pages with significant number of subscribers, which requires to be paid. Furthermore, the use of the private pages of entrepreneurs also demands payment to boost publication.

When it comes to the distribution of products, the lack of infrastructures is also one of the main constraints. It should be noted that the distribution of products requires some logistics that most young entrepreneurs do not have because of inadequate funding.

### Status quo in the evolution of start-ups

Is a start-up equivalent to any other enterprise? Not really. This term refers to a new and innovative enterprise that has a strong potential for growth and speculation on its future value. A start-up, which literary means “enterprise that is starting off”, is intertwined with the notion of testing a new activity on the emerging market and whose risks are hard to evaluate. So, there is a fundamental difference between an enterprise and a start-up.

- An enterprise optimizes a business model that generates huge benefits to bear the costs and remunerate its teams and shareholders.
- A start-up experiments its business model, tests its market and operates iteratively towards the VSE/SME.

The latter is not a conventional and stable enterprise with established management, marketing a product or a service on a clearly identified market. The innovative nature of its offer and its economic model does not allow a clear definition of all the components of its market to guarantee immediate profitability.

However, in Cameroon, there is confusion between a start-up and an enterprise, leading to a status quo. Several start-ups consider themselves to be enterprises and prefer to remain at the stage of start-up. This situation therefore impedes the evolution of entrepreneurship, the promotion of employment and industrialization.



To cope, here are a few suggestions for the take-off of start-ups towards VSE/SME: each must follow its courser

#### For Start-up,

We hereby specifically suggest (incidentally a lot has already been said and penned) adopting an approach for building capacities and essential skills (see ACBF). Thus,

#### From an institutional perspective :

- ❖ Convert a dream into something tangible (not in the imagination). It means **developing and keeping a project document** that sets out the vision and a development plan over a 5 to 10 years perspective, no matter how small, even a one-man business.
- ❖ **Take the risk of being visible.** Undertaking to physically establish somewhere. This is part of your identification and it will mark your story as it begins to take shape there and then.

#### From an organizational perspective,

- ❖ **Embark on partnerships.** Nobody can make it alone. Success is possible when many hands work together. It means accepting the segmentation of activities and specialization according to tasks and areas. Involve collaborators who will end up becoming specialists in the field.
- ❖ Seek first to **understand the environment** and the target aimed by your offer. Is it a new product with no existing competition in your environment, or duplication, even with an improvement? This is an iterative approach that will help improve your offer in real time and overcome the uncertainty that is inherent to any innovative project as well as the more consequential expenditures triggered by a non-relevant finished product. This method will enable you to collect a maximum of information to improve your product, your technology, or business model.

- ❖ Demonstrate flexibility and proactiveness in **developing your business model** and avoid being resistant to changes. It is common to begin with an initial business model and finally achieve success with an economic model that is completely different from the so-called "linchpin". The linchpin is an evolution of the technology, the product, the targeted customers or the distribution mode. Changing any of these variables will have an impact on the initial business model, with ensuing structural consequences.
- ❖ Reconsider your approach to failure. While French speakers say "take a risk" when creating an enterprise, the English expression says "**take a chance**". Giving yourself the opportunity! **Failure is a stage in the growth** of your start-up that must be anticipated in your business plan. It is critical to learn from your mistakes. Trials and tests make it possible to identify the grey zones and avenues for improvement of your products and/or business model. Iteration is the watchword in this innovation process.

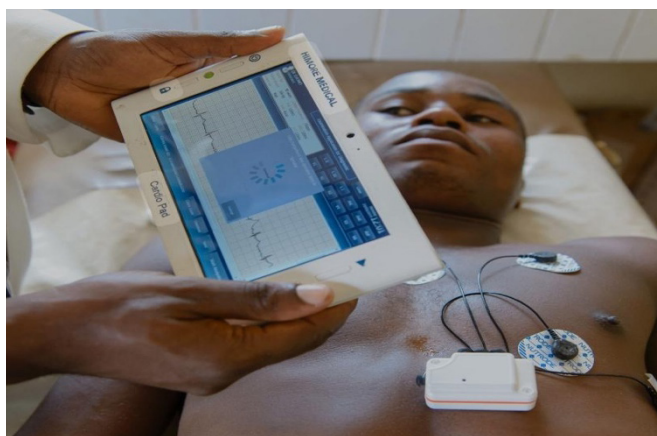
#### From an organizational perspective,

- ❖ Be ready to continuously update knowledge. Train yourself and your collaborators. Whoever ceases to learn wears down and is kicked out of competition.



**For the Government's attention: a start-up is a status and not a category of VSE/SME**

In the case of Cameroon, there is a dire need to review the rhetoric and show some firmness in the support of initiatives. It is worth indicating and highlighting that a development objective ultimately compels to restrict the status of start-up over time. A start-up is not a lifetime issue! The time it takes to get off the ground should therefore not exceed 3 to 5 years. Incentive, facilitation, and support measures must therefore be part of a development perspective that must be assessed and validated at a period agreed with the State and its branches or partners through a set of specifications with milestones serving as indicators. That is what a strategic state is all about.



*What has happened to it? The CardioPAD (Arthur ZANG)*



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