



## POLICY BRIEF

**IMPROVING THE  
EFFECTIVENESS OF THE  
DIGITAL AND TECHNOLOGICAL  
ENTREPRENEURSHIP  
ECOSYSTEM IN CAMEROON IN**

# **6 KEY POINTS**

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# ABSTRACT

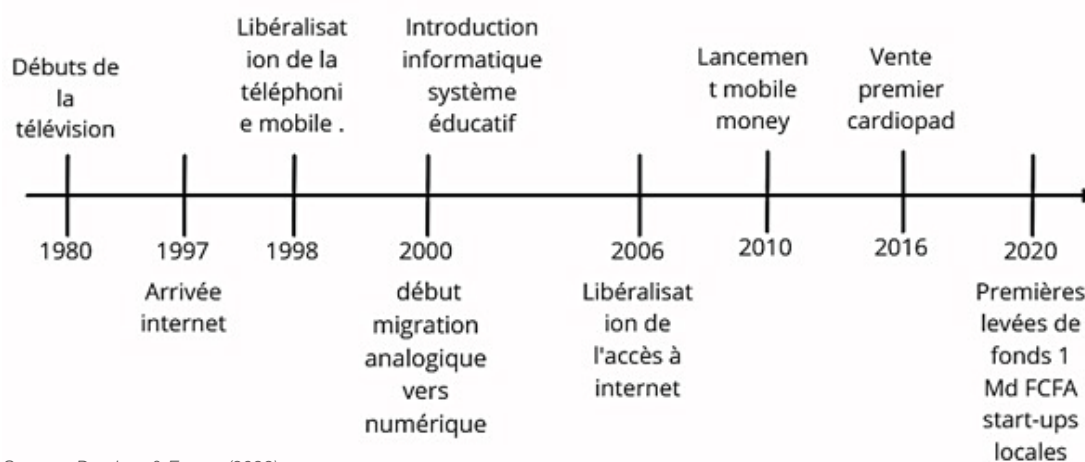
This policy brief derives from scientific research<sup>1</sup> with the aims to investigate the factors associated with the effectiveness of the technological and digital entrepreneurship ecosystem (ECOTECH) in Cameroon. The methodology adopted consists of a range of semi-structured interviews in the ecosystem stakeholders. This was followed by a Pearson correlation analysis of a questionnaire submitted to 117 start-ups. The main results indicate that, the Cameroonian ECOTECH is a young and weakly effective environment. As far as start-ups are concerned, administrative difficulties, the distraction effect (increased involvement in activities not directly related to that of the start-up), and the lack of professionalism are closely linked to their ineffectiveness. Regarding the role of the state, start-ups value at 42.52% effective the efforts made by the government in improving the regulatory framework. The prevalence of the informal sector and the lack of infrastructure are among the reasons of this result. Regarding the role of incubators, although they have limited financial means to carry out their actions, start-ups rate their effectiveness at 63.5%. This result can be explained, among other things, by the interest for start-ups in the technical support and lobbying offered by incubators.

<sup>1</sup> Dombou & Ewane (2022), Effectiveness of the digital and technological entrepreneurship ecosystem in Cameroon, Archives of Business Research.

# INTRODUCTION

ECOTECH is the socio-economic environment made up of actors (Enterprise Support organisations, State, Business Angels, etc.) working for the development of agents (start-ups) and whose action contributes to improving the living conditions of populations. ECOTECH, when effective, has the potential to spur the development of an economy. Indeed, at the global level, it generates a total value of 3,000 billion dollars, a figure equivalent to the GDP of a G7 economy. Also, of the 10 largest companies in the world, 7 have been start-ups. However, no African company appears on these rankings and not even Cameroon is left aside.

The technological innovation ecosystem in Cameroon is in its infancy. If its premises are in the mid-2000s with the liberalization of internet access in the country (with the rise of cyber cafes), its origins can be traced back to the 90s. With the arrival of analogue television who opened the minds of Cameroonians to the world and to many of its innovations<sup>2</sup>.



Source : Dombou & Ewane (2022)

It was not until the early 2010s, with the widespread of smartphones and the launch of mobile money in the country, that ECOTECH began to experience considerable growth. The first start-ups support organisations (incubators) were established, and in 2016 one of the country's first technological innovations was invented: the cardiopad. It only took a few years later for Cameroonian start-ups to raise their first billion of FCFA.

<sup>2</sup> The role of the diaspora is also important. It helped bring the first technological innovations to the country. While the State implemented the infrastructures useful for the emergence of ECOTECH.

# INTRODUCTION

Although young and booming, ECOTECH is struggling to rise. The average start-up is 02 years old, it is generally at the end of the prototyping phase (49,91%) and does not manage to cover all of its expenses through its income (65.81%), despite the fact that the COVID-19 brought it more opportunities than threats (69.74%). Although informed by the government's actions in its favour (53.8%), from which it does not benefit (87.2%), it considers the regulatory environment to be restrictive (52%). It is controlled (83.17%) by its founding members (03 members) and directed by one of them (97.4%), a man (85.5%) who generally has a university degree (89, 6%). It can be informal (51.3%) or legalised in the form of an LLC (44%), and its accounting consists of keeping a simple entry and exit register (44.4%). It does not have a professional email address (79, 65%) and works mainly in the tertiary sector. It is an SME which employs an average of 3 full-time and 04 part-time workers and is interested in software design and application development (80.3%). Thus, its main need in human resources is made up of developers (35%) and communication experts (30.8%). It has never benefited from bank credit and is mainly financed through its own funds (84.6%). If it obtains additional financing, its priorities will be to improve its product (43.6%) and to enter the market (29.1%). Indeed, it spends a lot in terms of internet and communication, work equipment and human resources. In addition, its main difficulties are the management of daily activities, the rental of a work space and the availability of competent staff. The services it seeks the most from an incubator are lobbying (32.4%) and access to work space (25.7%). However, it does not have access to the services of the incubators (66.7%) although it considers their action effective (63.5%).

Thus, given the key position of the start-up within ECOTECH, the main question raised during the research was: what are the factors linked to the success of start-ups in Cameroon?



# KEY FINDINGS



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All the results are available in the scientific paper by Dombou & Ewane (2022). However, the main results are briefly outlined below:

## 1. About the start-ups

Regarding the effectiveness of Cameroonian start-ups, three main lessons are found. First, administrative difficulties reduce the effectiveness of start-ups. This is mainly reflected and explained by the lack of interest of start-ups for the exemptions offered by the State, the prevalence of the informal sector among start-ups and the regulatory environment which is very unfavourable to the development of start-ups. Second, the distraction effect (increased involvement in activities not directly related to that of the start-up) reduces the effectiveness of start-ups. Indeed, the most efficient start-ups are those that have more full-time staff than part-time ones. The lack of financial security and financial stability pushes start uppers to seek external sources of income in order to cover their needs. The results showed, for example, that the dependence of start-ups on income from love money is negatively related to their sustainability. Third, professionalism is a hallmark of start-up effectiveness. Indeed, the more the start-ups are transparent in their accounting management, the more they use professional tools, the more they are sustainable.

## 2. About the government

Regarding the role of the State, the start-ups consider the efforts made by the latter to improve the regulatory framework to be 42.52% effective. Indeed, the main action taken by the government is contained in the 2021 finance law. It offers during the incubation period (set at a maximum of 5 years), an exemption from all taxes, duties and levies for the exception of social contributions to start-ups operating in the digital sector. Indeed, although 53.8% of start-ups claim to be informed of the existence of this exemption, only 12.8% benefit from it. One of the main explanations lies in the large size of the informal sector. Of the respondents, 51.3% are not legally registered. In addition, the study found no significant link between start-ups benefiting from tax exemptions and sustainable start-ups. This can be explained by the lack of interest of start-ups for this measure (interest turned towards infrastructure needs) or the young entry of the entry into force of this law. However, start-ups benefiting from exemptions are more often incubated in private incubators, have an activity that already generates income and face huge expenses in renting workspace, internet and communication costs.



## KEY FINDINGS

### 3. About the start-ups support organisations

Regarding the role of incubators, the main results showed that start-ups approaching incubators have a strong dependence on income from prizes and subsidies and mainly face difficulties related to day-to-day management (payment of salaries, invoices and others). As for long-lasting start-ups affiliated with incubators, the results show a link between them and the fact that they benefit from tax exemptions, that they are formal and are headed by a leader with a high degree. Indeed, start-ups rate the effectiveness of support structures at 63.5%. From the start-ups surveyed, 33.33% said they had already used the services of an incubator, whether private or public. Each incubator has an average of 9 start-ups per year and an average incubation period of 6.5 months.



# RECOMMENDATIONS

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# RECOMMENDATIONS

They are meant for all the ecosystem's stakeholders. These are:

## 1. Improving infrastructure

3G and 4G coverage rates are quite low in Cameroon. In terms of capacity per user, it is 2.7 kbit/s per user in Cameroon, in contrast to 5.9 in Côte d'Ivoire and 11.2 in Sub-Saharan Africa. There is a risk that the government's action, which is more focused on improving the regulatory framework, will miss the infrastructure aspect. Indeed, very few start-ups benefit from tax exemptions offered to them (12.8%).

Those start-ups that benefit from tax exemptions have an existing revenue-generating activity, but are neither sustainable nor profitable. They face huge expenses in renting physical workspaces and in internet and communication costs.

The infrastructure provider's attention should be focused on the implementation of co-working spaces and the improvement of internet access.

## 2. Improving start-up legal framework

Although they are aware of the government's initiatives in their favour, 87.2% of start-ups do not benefit from them. Moreover, they consider the regulatory environment somewhat restrictive and most of them are informal (51.3%).

Helpful intervention by the regulator would be to create a semi-formal "start-up" status, lasting from 1 to 2 years. This status would be subject to a registration in an incubator and would give access to a certain set of facilities (identification and monitoring pass, guidance towards formalisation, access to an opportunity pool, to training and conferences, etc.).

Such an action will help to ensure the traceability of start-ups (operations, accounting and other).

## 3. Improving and customising access to financial resources

Improve crowdfunding and provide medium-term financing (seed funds) from the BCPME. As a matter of fact, 99% of start-ups do not benefit from bank loans. The largest number of them are at the end of their prototyping stage and at the beginning of their seed stage (49.91%).

# RECOMMENDATIONS

## 4. Improving technological know-how

Very few start-ups use cutting-edge technologies. Especially the 4.0 entrepreneurship technologies (Artificial Intelligence, Augmented Reality, Cloud computing, Big data, etc.). Yet these technologies are the basis of tomorrow's productivity and innovation. ECOTECH actors must initiate measures to build this expertise at the local level.

## 5. Improving start-up - incubator relationship sustainability

In two ways:

- Subsidize incubators (both private and public);
- Transfer wealth through open tenders for the realization of micro-contracts for the digitalization of public or common interest services. These micro-tenders can be financed by the State, its partners, NGOs or patrons (which will be tax-deductible) and addressed to incubator-start-up consortiums.

Indeed, it is essential to give a greater emphasis to incubators and seed centres than to speed-up centres (about 70% of start-ups are either in the seed or early stage of their development).

The effectiveness of incubators is estimated at 63.5%. However, only 33.33% of start-ups have already benefited from an incubator facility. One of the concerns is the cost of the services. 70.7% of the services offered by incubators are not paid. Only 16% are compensated through exchange of services, 12% through fees and commissions paid by the start-up and 5.3% through shareholding. This situation leads to difficulties in sustaining the activity of incubators, and reduces their capacity to provide support.

It is important that these micro-contracts are made by both the incubator and the start-up in order to avoid the distraction effect that could divert the start-up from its main purpose.

In addition to these tools, incubators should use their lobbying powers to find business opportunities to make the start-ups' part-time workforce profitable. Indeed, 58.1% of the services offered by incubators and most useful to start-ups are networking, lobbying, coaching and mentoring. Moreover, income from secondary activities represents 30% of the start-up's revenue sources and contributes 25.6% of the project owner's personal expenses (behind personal freelance activities which represent 39.3%).

# RECOMMENDATIONS

## 6. Improving communication

It is important for actors to further communicate about the actions they are conducting for the ecosystem. For instance, at the regulator level, 46.2% of start-ups are not aware that they could benefit from tax exemptions.





## About KMER TECH

KMER TECH is the Cameroonian network of technological and innovative entrepreneurship support organizations. It aims to prepare the ecosystem for a better influence of technological and innovative entrepreneurship in order to boost the digital economy.

All the actions of KMER TECH are in the framework of promoting and enhancing the culture of innovative entrepreneurship, in order to build a solid, dynamic and radiant ecosystem at the international level. To that end, promoting and facilitating the collaboration between established companies, public institutions, start-ups and all the actors interested in the ecosystem, as well as the investment in start-ups, is an inevitable and absolute requirement.

KMER TECH is made up of incubators, acceleration centres and FabLabs having several years of experience in supporting young entrepreneurs. Thus, it offers a set of programs, training and support to Cameroonian actors in the field of technological innovation. This network is made up of various entities spread over the entire Cameroonian territory. Thus, the network is spread over almost 8 regions with nearly 30 affiliated organizations (members and supporters).

**More information on: [www.kmertech.cm](http://www.kmertech.cm)**

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