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Foreign Direct Investment Protective Measures in Cameroon: What Prospects for Implementation

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Abstract

Foreign direct investment (FDI) plays an important role in the development of many countries around the world in terms of growth of the economy. Thus, Cameroon as a developing country seeking to alleviate poverty and improve its economic growth with its rich natural resources, has put in place series of investment laws and policies in the past years to attract and regulate the flow of FDI. Surprisingly, despites the number of times these investment codes have been revised and implemented; the country is yet to record a remarkable FDI flow. Cameroon still wallows in misery as potential investors shy away from investing in Cameroon because of the poor institutionalization of its investment policies. This paper examines the protective measures enshrined in legal instruments governing investments in Cameroon and their extent of implementation by competent regulatory agencies as they serve as barometer in measuring investment climate in the Country. This paper also attempts to reveal some of the problems and their possible solutions hindering the flow of FDI in Cameroon after a vivid analysis of the concept of FDI in a global perspective. To achieve these, we applied doctrinal approach in assembling data consonant to the research, and we conclude with some recommendations which are hoped to contribute in attracting FDI flow and guarantee investment security in Cameroon.

Keywords: *Foreign direct investment, investment, protective measures, implementation, Cameroon*

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INTRODUCTION

Foreign Direct Investment (FDI) is being utilized by most developing countries such as Cameroon as a means to foster development, since it is believed that these foreign investments would greatly contribute to economic growth and the advancement in technology required by the country to be competitive in the global economy. Foreign Direct Investment (FDI) denotes a process by which residents of one country (source country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country) [1]. Foreign Direct Investment (FDI) began as a worldwide phenomenon in the 19th and early 20th centuries. Even then, it formed only a small portion of foreign investments for decades, as a greater percentage took the form of portfolio investments [2]. This was the case for example in 1914, when 90% of all foreign investment flows took the form of portfolio investment [3]. Over time, There was a steady shift in the composition of foreign investments. In fact, about a quarter of foreign investment flows took the form of FDI in the 1920s. The drop-in portfolio investments came about as a result of the collapse of the world monetary system in the 1930s, provoked by World War 1 and the Great Depression of 1929. There was, however, a general drop in the two types of investment during the interwar years. Unlike portfolio investment, FDI proved amazingly resilient and gradually recovered in the late 1930s. FDI again improved with the end of the Second World War of 1945 and became even more prominent after the 1960s in developing countries [2].

At the end of colonialism, Cameroon like other former colonies of France and Britain depended on the legislation received from their colonial masters as a means of attracting foreign investments into the country. Taking advantage of some provisions of the Treaty of Rome, which favored overseas colonies, it engaged in trade relations with its former colonial masters, Britain and France [5]. When Cameroon attained independence in 1960, it enacted its first investment code with the aim of attracting investment needed for economic growth. Two decades later, the said investment code had to be revised because it had become obsolete as a result of the changing global economy. The code no longer responded to the needs of the state, thus compelling the drafting of a second investment code on 4 July 1984 [6]. Both investment codes were unfortunately flawed, with irregularities that needed amendment [7].

Generally, investment flows from one country to another take pace through Multi-National Corporations (MNCs), which have been acclaimed over the years as the primary channel for transmitting FDI to developing countries. As stated by Kenneth Mwenda, there have been deep searches for a better understanding of both the causes and consequences of the rapid growth of FDI for the home countries, host countries, the international economy and the political order [8]. The flow of FDI between countries and regions is assisted by bilateral, regional and multilateral agreements. Desiring to ensure the peaceful growth and development of its economy, Cameroon became an active member of several regional and economic organizations, amongst which are the Organization for the Harmonization of Business Law in Africa (OHADA), and the Central African and Economic Community (CEMAC).

Attracting investment is the main objective of many regional agreements. Thus, the reason for Cameroon's membership of regional and economic organizations, and especially those mentioned above, is to seek larger markets, greater competition and improved policy credibility, all of which will boost incentives for investment. The main focus of this paper is to investigate why Cameroon lags behind other developing countries in Sub-Saharan Africa (SSA) in terms of attracting FDI in spite of its membership of, and participation in bilateral, regional and multilateral trade and investment treaties, and its attractive investment policies. The above argument applies explicitly to FDI because Regional Integration Agreements (RIAs) are said to boost FDI inflows from non-member countries [9]. It is universally acknowledged that a well-designed policy framework for investment, capable of attracting FDI, would be productive and successful [10]. Thus, for Cameroon to be competitive in attracting FDI, it is obliged to review its investment laws and policies which continue to face the challenges of a changing global economy. FDI is indispensable for both developed and developing countries, since a country cannot grow without engaging in domestic and foreign trade [11]. It is on this premise that Cameroon is constantly amending its investment codes to meet up with the demands of the digital world thus, attracting foreign investors. However, despite the enactment of several investment laws, it is yet to attract FDI significantly. Various reasons have been advanced as possible causes of low FDI inflows; one of these is based on the legal regulatory framework of the legal system. In this regard the paper analysis Cameroon investment regulations and its investment climate in attracting FDI.

THE CONCEPT OF FDI FROM A UNIVERSAL PERSPECTIVE AND ITS IMPORTANCE TO CAMEROONIAN ECONOMY

This section duels on the concept of FDI from a universal perspective and its importance to Cameroonian economy.

The Concept of FDI from a Universal Perspective

FDI is a universal phenomenon which has been widely debated from international, regional, and national perspective by scholars and policy makers as to its context and applicability. As earlier said, the concept of FDI denotes a process by which residents of one country (source country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country)1. There is much controversy surrounding this area of international law. With the emergence of globalization theories and concepts, developing countries have been challenged to develop their economic conditions either through the process of demand and supply or by law. In this regard they will ensure the maintenance, improvement and perfection of their economic, political and social conditions, in a bid to attract FDI which is relevant for developing countries. The UNCTAD suggests that FDI is the largest source of finance for developing countries [12]. Considering the truth of the above statement, Africa is still to derive the benefits of FDI despite numerous efforts to attract it. It is important to note that many African countries are still lagging behind in developing a favorable business climate that is attractive to investors. Regional integration has remained one of the main goals for Africa and its people. It is against this background that the Organization of Africa Unity (OAU) was established in 1964. African governments have always seen regional integration as an instrument for achieving sustainable economic growth and development through larger markets which according to them would open the doors to FDI [13].

Policy makers in Sub Saharan Africa (SSA) are becoming more and more convinced that FDI can be achieved and improved upon through regional integration which they now use as an instrument in achieving this goal. This is premised on the fact that despite the poor economic performance in some countries of the region, the strengthening of trust, regional policy harmonization, and joint infrastructure projects, can provide greater access to world markets. The idea behind all of these is that, good governance, security, the rule of law and trust will go a long way to enhance investor interest in a region [14]. An analysis of FDI inflows in SSA shows that Cameroon is below the Sub-Saharan average and also lowers than all low-income countries. In the CEMAC region for example, Cameroon is one of many developing countries lagging behind in attracting FDI, whereas other countries, such as Gabon, have recently emerged in the region with great FDI inflows [15]. "In Cameroon, FDI"s contributes between 25 and 28% of GDP, against 90% of GDP for countries like Gabon [16]. From a national perspective, any country seeking to encourage economic development through FDI is expected to acknowledge the principle that the laws of the host nation should not discriminate against foreign investors [17]. This is the case with the current investment law of Cameroon, where no discrimination is made between national and foreign investors, the purpose being not only to encourage foreign investment, but national investment as well. This is also called the National Treatment Principle under the WTO trade rules [18]. To this effect, section 3 of the Investment Charter in Cameroon does not discriminate between a local investor and an investor of foreign nationality. They are all regarded equally and given the same status and privileges, even if the foreign investor is not resident in Cameroon. The National Treatment Principle is well respected in Cameroon vis ὰ vis foreign investors. In the Cameroonian context, the legal system, although comprehensive and slow, remains, on the whole, workable, reliable and favorable to a greater extend towards foreign investors. The charter is well defined though takes long to be implemented when it is passed as was the case with the 2002 investment charter which was only implemented in 2009 and not completely till date since certain aspects of the code would only become fully operational in 2014.

There are lots of incentives incorporated in this charter, which makes it business friendly despite its short comings. For example, section 15 of the Investment Charter states that the State shall adhere to the multilateral trade system, in particular, the agreements of the WTO and other mechanisms for the development of international trade, as well as the agreements of the International Customs Organization (ICO). According to section 16 of the same Charter, the State re-asserts the option of regional integration, in particular within the framework of CEMAC and the Economic Community for Central African States (ECCAS). The inter-relationship between multi-lateral and regional rule tends to affect investment rules within a state as the effectiveness of the investment policies of the state is often made subject to international rules or laws. This has often to deal with investor's security.

It is in this light that the WTO Dispute Settlement Body has often been instrumental in cases of dispute between member states, whether from regional groupings or from a multi-lateral perspective. This means that, if there is an overlap between the WTO, regional rules and State rules, the multi-lateral and regional rules will take precedence over national laws in settling disputes related to FDI [19]. The Preamble of the Constitution of Cameroon guarantees respect for international treaties and conventions. Section 45 states that duly approved or ratified treaties and international agreements shall, following their publication, override national laws, provided the other party implements the said treaty or agreement. This provision acts as a security measure for FDI investors since the country has undertaken the initiative to uphold international law [20].

The Importance of FDI to the Growth of National Economy of Cameroon

The importance attached to foreign direct investment in the growth and development process has led a number of African countries to put in place various measures to attract investors. Apart from improving their investment environment, which they hope will attract foreign direct investment to their economies, many countries have put in place different incentives (sometimes called "sweeteners") to ensure that resources are directed to areas and sectors where they are badly needed to deal with the issues of employment generation and poverty elimination.68 A major benefit of FDI is it contribution to technological development, job creation, infrastructural development, and human capital development etc. These are critical elements for economic development in a country. Thus, countries with great FDI inflows benefit from the positive spillover effects of FDI, such as, technological advancement on the development of the economy. Technological advancement comes with economic growth due to the benefits and opportunities these FDI bring to the host country. The host country, therefore, has the advantage of an increased employment rate and a greater cash flow into the economy, while, on the other hand, the investors experience an increase in growth rate from the investment and diversification of their business in another country (host country) [21]. The importance of FDI on the growth of an economy varies from country to country. Traditionally, FDI was a phenomenon greatly associated with developed countries. Though developed countries attracted more FDI in the past than developing countries, the recent trend of FDI flows shows an increase in the FDI flow to developing countries, resulting to a paradigm shift. Average annual flows to developing countries rise eight-fold, if compared with 1982–1987 and 1994–1999 records. Consequently, developing countries attracted almost one third of worldwide FDI flows recently. The explanation for this is simply that, unlike before, the importance of FDI is more pre-dominant in developing countries than in developed countries today [22].

The need for marketing and manufacturing Cameroon's raw material also led its policy makers to draft the 1960 code, but after realizing that its objectives were not being met, they kept on modifying the investment codes, which has brought the country to the current 2002 Investment Charter. FDI inflows over the years have contributed to higher supply capacities for Cameroon's raw and primary products for industrialized finished goods, as the output has been able to meet the standard expectations, thereby satisfying the foreign markets. Secondly, Cameroon's export performance has been enhanced by local firms through the spillover effects, from for example, the transfer of expert technology, information and skills acquired from foreign investors through MNCs such as AES Sonel, MTN etc. located in the country. Finally, a positive effect of FDI on the Cameroonian economy has been the effect of competition between MNEs and local firms, which has motivated local manufacturers to improve and increase their exports in order to protect their market shares and earnings. This implies FDI‟s significant contribution to higher exports, through improvements in the supply capacity and the facilitation of economic growth [23].

The concept of FDI has been supported by some theories which try to explain why firms go international; why firms expand abroad by means of investment; why FDI takes place in some industries; why some countries are the source of outward flow of FDI and others mainly recipients; and what advantages foreign investors have over local ones. These theories include:

*Trade Theory and the Factory Proportions Theory:*The international trade theory is founded on the doctrine of comparative advantage in international trade, which states that a country specializes in those products in which it has the greatest comparative advantage relative to other nations and trades those products for goods in which it has the greatest comparative disadvantage.

*Oligopoly Model:*According to this model, a firm makes direct foreign investment to exploit some quasi monopoly advantages that it holds. A foreign firm may have advantages over a local one in areas such as technology, access to capital, superior management or organizational scale. But the special assets of the firm must be important enough to offset the disadvantages of its foreign status in the host country. Also, the firm must find direct investment abroad to be more profitable than other means of extracting rent from abroad.

Product Life Cycle Theory: According to Raymond Vernon's international product life cycle theory, the location of production of certain kinds of products shifts as they go through their life cycle, according to this theory it is practical for companies to locate the production of a new product in the home country so that a rapid feedback can be got. But as the product grows and matures, production shifts abroad.

THE LEGAL AND INSTITUTIONAL FRAMEWORKS ON FDI IN CAMEROON

This section focuses on specific legislations and regulatory bodies relevant for the implementation of investment policies in Cameroon. Due to the important role of FDI in the economy, the objective of this section is to investigate the position of investment laws and enforcement bodies in ensuring a favourable investment climate in Cameroon.

Legal Instruments Regulating FDI in Cameroon

Cameroon like most African states has been and is still in the process of creating an environment conducive to FDI since the early 1960s. Since then, legislations have been enacted with the aim of attracting FDI.Though the regulatory and institutional framework for investment in Cameroon had been patterned by the previous investment codes that had existed in the country since 1960 till date, the government enacted Law No 2002/004 of 19th April 2002 instituting the Cameroon Investment Charter and its scope after it became evident that the previous 1960, 1984 and the 1990 investment code could not obtain its desired objective. This charter and the revised Law N° 2013/004 of 18 April 2013 to lay down privateinvestment incentives in the Republic of Cameroon till date remains applicable on all investment activities in Cameroon.

The scope of the law is defined in its section 2, where, "in its determination to build a competitive and prosperous economy by boosting investment and savings, and attaining its economic and social objectives," the pace is set for FDI by the Cameroon government. In anticipation of achieving these goals, a lot of attention is given to entrepreneurs, investors and private enterprises as important means to develop the economy and create wealth and employment. Also, section 1 (1) of the 2013 investment law lays down private investment incentives in the Republic of Cameroon, applicable to Cameroonian or foreign natural or legal persons, whether or not established in Cameroon, conducting business therein or holding shares in Cameroonian companies, with a view to encouraging private investment and boosting national production. Sub (2) of the law seeks to facilitate, promote and attract productive investment in order to develop activities geared towards strong, sustainable and shared economic growth as well as job creation.

Nevertheless, section 6 of the said law states that, the investor shall enjoy the following benefits during establishment phase, which may not exceed 5 (five) years, with effect from the date of issuance of the approval: (1) Exemption from stamp duty on establishment or capital increase; (2) Exemption from stamp duty on the ease if immovable property used exclusively for professional purposes that from an integral part of the investment program; (3)

Exemption from transfer taxes on the acquisition of immovable property, land and (4) Buildings essential for the implementation of the investment program; (5) Exemption from stamp duty on contracts for the supply of equipment and construction of buildings and installations essential for the implementation of their investment program; (6) Full deduction of technical assistance fees in proportion to the amount of the investment made, calculated on the basis of the total amount of the investment; (7) Exemption from VAT on the provision of services related to the execution of the project and obtained from abroad, (8) Exemption from stamp duty on concession contracts; (9) Exemption from business license tax; (10) Exemption from taxes and duties on all equipment and materials related to the investment program; (11) Exemption from VAT on the importation of equipment and materials; (12) Immediate removal of equipment and material related investment program during clearance operations. Despites all this investment incentives under the law, its practical implementation is questionable.

More specifically, the idea of the 2002 charter was to provide an appropriate institutional and regulatory framework to guarantee the security of investments, provide support to investors, and ensure fair and prompt settlement of investment-related as well as commercial and industrial disputes. It is worth noting here that the charter is not a substitute for the investment code [24].

Regulatory Agencies on Foreign Direct Investment Flow in Cameroon

The degree of success of investments and investors protections in Cameroon depends hugely on the structures and institutions put in place to guarantee security and a favorable investment climate, provide support to investors, and ensure fair and prompt settlement of investment-related as well as commercial and industrial disputes [24]. The state of Cameroon is the custodian of the legal system in Cameroon and therefore it will ensure the enactment, regulation and enforcement of laws. Section 8 of the 2002 Investment Charter clearly emphasizes the role of the state in protecting investor's interests in Cameroon. The regulation of FDI under the 2002 Charter is controlled by three regulatory institutions created by the Charter. These institutions are the Regulatory Competiveness Board (RCB), the Investment Promotion Agency (IPA) and the Export Promotion Agency (EPA). The implementation of the Charter is enforced by the RCB which is charged with the responsibility of drafting the implementation strategy. According to section 24 of the charter, any petition for redress from an investor for non-compliance with the provisions of this law and its implementation instruments shall first be forwarded to the regulation and competitiveness board (RCB) before court proceedings if peaceful and amicable negotiation failed.

Courts Structure and its Enforcement Strategy on FDI Disputes Applicable in Cameroon

The court structure in Cameroon is of a highly decentralized nature. The motivation for this decentralization is the desire of policy makers to bring justice within the reach of the population. This explains the fact that, apart from the Supreme Court which has jurisdiction over the entire country, all other courts (Courts of First Instance, High courts, Appeal courts, lower administrative courts etc) are located at various sub-divisional, divisional, and regional levels in the country [25]. There are two courts which deal with investment disputes: the Court of Appeal and ordinary Courts. In the case where an investment dispute arises and one of the parties is not satisfied with national court's rulings, he may, where necessary make use of the OHADA court of arbitration located in Abidjan, Ivory Coast. This however has its advantages and disadvantages. A disadvantage is the question of the costs is involved; while an advantage is that of a fair trial. This advantage springs from the fact that the issue of bias may be mitigated or reduced to a greater measure than in national courts. This is so because legal proceedings would be carried out in a neutral arena when either of the parties involved in the dispute would have the possibility of influencing the judgment.

When all avenues for negotiating dispute settlements peacefully have been exhausted enforcement strategies are then employed. A foreign investor in this case is subject to the laws and regulations of the host country which in most cases is vastly different from that of the home country. In Cameroon however, the enforcement of investment laws is difficult to come by as the execution of judgment is slow and flawed with administrative bottle necks such as bribery, corruption and red tape measures. In such cases where rulings are difficult to enforce by local courts due to corruption, the foreign investor may choose arbitration by the international courts of justice and international arbitration centers according to Cameroonian law and the arbitration regimes of which Cameroon is a member [26]. These arbitration regimes include the International Centre for the Settlement of Investment Disputes (ICSID). The ICSID is one of the five international organizations that make up the World Bank Group. Like the other organizations in the group, ICSID is established by a multilateral treaty. In ICSID's case, this is the 1965 convention on the settlement of investment disputes between states and nationals of other states, commonly called the ICSID convention. To date, 143 countries have signed and ratified the convention to become contracting states. The Convention offers them procedures for the conciliation arbitration of investment disputes they may have with individuals or companies that qualify as nationals of other contracting states.

The lack of direct enforcement powers of Cameroon investment law has given foreign investors rights of appeal to judgments against them on grounds that these were obtained against a back ground of frivolous lawsuits. This is backed by its membership in the International Court of Justice and International arbitration center from which it obtains it enforcement powers (indirect enforcement powers). Conscious of this limitation, the Cameroon government allied with the UN to come up with a governance reform program in which are proposed measures to improve upon the status of the Cameroonian courts. This program was approved in June 2000. This was duly applauded by the US Department of State in 2011 in its report stating that the Cameroonian law guarantees both foreign and local investors with property rights protection that comply with international standards and accords equal treatment between foreign and local firms [27].

FACTORS THAT IMPEDES FDI INVESTMENT IN CAMEROON AND POSSIBLE SOLUTIONS FOR INVESTMENT SECURITY

This section of the paper continues to analyze the problems that affect FDI in Cameroon as well as some possible solutions.

Factors that Impedes FDI in Cameroon

The challenges facing Cameroon is therefore how to transform it economy into a more desirable destination for FDI and make conditions for those MNCs already operating there workable and more appealing. MNCs often find themselves operating in countries with difficult production capacity, where conditions liable to ease production are inadequate, scarce or lacking. In the case of Cameroon, this is usually made more difficult with other social upheavals like the problem of Anglophones and boko haram insurgence, bilingualism, political instability, currency, ethnic disputes, [28] (arising from the 250 ethnic languages present) [29] and epidemic diseases inherent in the country. This doubles the task of managers as they find themselves mediating for peace and promoting the interests of their companies alongside. As previously mentioned, this makes business more cumbersome as the business expert would on several occasions find themselves playing the double role of a peace mediator and business professional at the same time. This increases the task of the investor and makes it more difficult also in terms of finance. Working in a country with social unrest will inevitably lead to a failed company [30]. That notwithstanding; some of the problems that have hampered FDI in Cameroon include the following:

Poor Infrastructural Development

The infrastructure development of a region is also important, since it indicates how difficult and costly it may be to do business in the country. The more developed the road system in a country, for example, the easier the access to markets and the lower the transportation costs, and, thus, the greater the incentive to invest in that country. The multi-dimensional nature of infrastructure makes it difficult to measure, however it comprises roads, telecommunications, and railways and so on. It is difficult to capture the many aspects of infrastructure development, and the data available are limited [31]. Developing the transport sector is one of the most acute problems facing policy makers in Cameroon [32].

In Cameroon, the roads and railway transport linking production centers and market are in deplorable conditions. Conditions as poor as this in basic infrastructure facilities hinders industrial development in general and steady flow of FDI in particular [33]. Nearly 80% of paved roads, 73% of gravel roads and 70% of rural tracks are in mediocre or bad condition. More than 75% of the road network is in poor condition. The popular saying that roads lead to development justifies one of Cameroon's inability to attract investment due to its deplorable road network as seen from the statistic above. This means that without proper infrastructure the economy would be stagnant and FDI flow retarded. Apart from the inconveniences it may cause to foreign investors, it acts as a major barrier to investment due to the fact that there is a tremendous increase in cost due to the country's poor road network. It isacclaimed that, the more developed the road system is, the easier the markets and the lower the transportation cost, thus the more attractive the country would be to investors [24]. But when the roads are deplorable, investors for fear of an increase in cost of production are reluctant to invest in the country. Consequently, in order to attract FDI, the country needs to provide infrastructure with an improved quality than the existing infrastructure [34]. Hence, for Cameroon to be able to attract foreign investors, its policy makers should prioritize infrastructure projects [35].

The importance of infrastructure in stimulating FDI have been attested to by writers like Wheeler and Moody (1992) and others. The argument put forward by these writers is that proper infrastructure is a pre-requisite for private investors to operate smoothly [36]. As long as the road network in Cameroon remains in the state in which it is, there are little or no prospects of an increase in FDI, if attention is not given to the road construction maintenance and repairs. For this reason, foreign investors would not invest in Cameroon, as doing so would mean delayed, disrupted services which would end in unreliable and unsatisfactory services. Foreign investors in the region have often opted to invest in countries like Gabon which has more favorable conditions for investment.

Currency

Foreign investors in Cameroon have problems converting the CFA into their home currencies, since the CFA is used only in a few French speaking countries. Another aspect linked to this currency issue which deters foreign investors, is the recurrent devaluation of the CFA francs. This causes a problem because convertibility is not guaranteed. Cameroon is a member of the French franc zone. Its currency, the franc de la Communauté Financière en Afrique Centrale (CFA franc), is issued by the Banques des Etats de l"Afrique Centrale (BEAC) and is pegged to the French franc. The exchange rate of the CFA franc in terms of the French franc, which had been fixed since 1948, was devalued by 50 percent in foreign currency terms in January 1994, thus changing the equivalence from CFAF 1 = 0.02 to CFAF = F 0.01 [37]. The fact that there is no guarantee of the CFA already keeps foreign investors from investing in Cameroon as was the case of a 50 percent devaluation in 1994 [38]. The instability of the CFA francs was also presented as one of the contributing factors to private disinvestment in the country. But financial factors are not sufficient to explain this disinvestment. There were also causes of a political nature which help to understand the otherwise seemingly incomprehensible behaviors [39]. The benefits of having a stable common currency rather than having 14 separate national currencies desired to strengthen monetary cooperation and deepen regional economic integration did not succeed in terms of prompting FDI in the franc zone to which Cameroon is a member [40]. In addition to the problems associated with currency is the problem of exchange rate. An investor would not be easily attracted to invest in Cameroon when the local currency (CFA) does not have a stable exchange value.

The fact that the currency is weak and having an exchange rate that is liable to fluctuate constantly, puts off investors away from the country as they are stripped of any feeling of confidence and security investing in the country [41].

Devaluation is implicitly considered a point of departure for new regulatory measures because the devaluation process for instance in Cameroon led to the privatization of many corporations like the SONEL (Societe NationaleD'eletricite) to the American AES who had come Cameroon at the President's agreement to privatization in the late 1980s which has now been transform to ENEO Cameroon has led Cameron with far more frequent black outs than used to be the case when it was under the state [42].

Language

Another factor that could discourage investors from investing in Cameroon is the deep-rooted antagonism between the French majority and the Anglophone minority. The origin of this division was the handing over of the Republic of Kamerun the then part of the German protectorate since 14 July 1884 to Britain and France after World War 1 under the Versailles treaty. The reason why the French population makes up 8 of the 10 regions while the English population makes up only the remaining two is because during this partition between France and Britain, the greater share of the country went to France while Britain took the minor share [43]. This great disparity has led to a long struggle which is still ongoing till date and has been transform as Anglophone crisis, as the government has not been able to find ways to harmonize these differences which has spilled over to the legal sector and other factions of the government, with the English speaking community feeling suppressed and cheated by the French population.

The fact that these two groups have unequal status in the country, with the French population occupying 8 of the 10 regions of the country, while the English minorities occupy the two remaining regions in the country confirms the seclusion of the English-speaking population from the country's economy. Often considered less patriotic, Anglophones have never been trusted to hold key cabinet portfolios, such as Territorial Administration, Economy and Finance, Foreign Affairs, National Security, and National Defense, since reunification more than 50 years ago. If not of the present Anglophone crisis that has led to the appointment of an Anglophone patriot as the minister of territorial administration in today's president Paul Biya government. In addition, the most powerful state-owned corporations, such as the CRTV, SNI, SNH, and SNEC have remained completely out of bounds for English speaking Cameroonians. Hence there is a feeling of frustration among Anglophones regarding their second-class status [44]. This deep rooted division between the French and English speaking population originating as far back as when the country was partitioned between France and Britain after Germany was chased out of the country following its defeat in the Second World War, have discouraged prospective investors from the country, if they take into account issues such as the need for team spirit and collective efforts within the work force [45].

Political Instability

For the purpose of this paper, political instability would be, defined as the instability of governments, regimes, and communities within a nation, likely to affect economic growth adversely [46]. This definition is reflective of the situation in Cameroon, where the political atmosphere is tense due to the marginalization of the Anglophone Community who makes up only two of the ten regions in the country, by the francophone majority who make up the eight remaining regions of the country. Political instability has therefore been identified as one of the problems hindering private investors from investing in Cameroon. Since 2016 till date the Anglophone insurgences has adversely affected Cameroon economy. For instance, all schools and companies such as CDC, PALMOL companies in the English speaking regions have been short down, infrastructures destroyed, movement restricted, killing, threatening and kidnapping is the order of the day. This has led to groups like Amnesty International questioning Cameroon's record on political detention and torture as violation to fundamental human rights. It would be important to note here that this negative reputation by the country obviously has an equal negative impact on its FDI policies as viewed by private investors and potential private investors. This position has been acclaimed by the writers below asserting that: The importance of political stability in creating a climate of confidence for investors must not be underestimated. Whether perceived or real, political instability constitutes a serious deterrent to FDI as it creates uncertainties and increases risks and hence costs of doing business in the country. To understand the fact of this statement, a definition of political instability would be necessary. Political instability is characterized by uncertainty and this has the effect of restricting the development potential of developing countries, as investment opportunities and thus economic growth become distorted, both contemporaneous and over longer horizon.

A politically unstable country will potentially destroy its intellectual capital by making it more rewarding to engage in corruption and other activities that generate distortions. Seen through this lens, political instability distorts incentives for development, but it’s also possible that some dosage of political instability might be necessary to move a country to a good equilibrium by removing a corrupt regime from political office so as to restore confidence in governance. We call this “productive instability”, purging of distortions and inefficiencies in governance through the forces of political instability, whether by constitutional means or otherwise. Political instability not only affects the home country but can also adversely affect neighboring countries [47]. Having been in power for thirty years running, a good dosage of political instability would have been welcomed to remove the Biya regime so as to restore confidence in the Cameroon government since private investors are reluctant to invest capital in a country where its nationals are disgruntled and the probability of an outbreak of civil war eminent as the present Anglophone civil war for liberation and independence. Cameroon unlike other SSA has not experienced much of political instability, [46] but in instances where this has been registered, the outcome has not reflected positively on investment decisions in the country.

A Politically stable country would attract foreign investors because its policies are certain and so are its economic policies which would reflect positively on its investment decisions and outcome. A country characterized by political instability on the other hand would have a stagnant or slow growth rate because of its uncertain policies. Probability of a change of government as was the case in Cameroon during the 2018 presidential election implies uncertain future policies as potential foreign investors would have to take strategic economic decisions or even welcome investment policies and decisions other nations with favorable investment opportunities have to offer. The probability of war and social unrest alone in a country plays negatively on a country’s investment record as this could scare potential investors away while those present would cease investing and instead look for ways to withdraw and reinvest abroad.

Institutional uncertainty

Foreign firms wishing to open a branch in Cameroon may apply for authorization to the Ministry of Economy and Plan. The firm must submit certified copies of its articles of incorporation, a description of the firm's past and present activities, and its business objectives in Cameroon. If the Ministry of Economy and Plan approves the firm's request, it will issue a decree authorizing the establishment of a branch. This procedure is time consuming, complicated, and not encouraged by the government [48]. These are legal procedures for establishing a business in the country, but as can be inferred from above the government does not encourage it. Private investors in this case are made to believe that the government is far from being committed to its laws and therefore acts in bad faith. This consequently brings the foreign investor to be less committed to its engagements. In this instance, MNCs are faced with the problem of institutional uncertainty. The effect of this is that they run the risk of losing their investments with no backing of accountability [49].

The regulatory frame work is equally juxtaposed and uncertain. The weak judicial system and numerous regulators can be accountable for this. Foreign investors are hereby faced with the problem of choice as to which regulatory procedure is credible to choose from due to the presence of numerous regulators which at the final analysis become confusing. Writers like Nchelatebe D, Mervyn S, and Thong V, et al., inferred that, institutional and administrative loop holes of the legal system and of the judiciary greatly hamper the proper and swift execution of commercial and financial contracts. The judicial system in Cameroon generally known to be weak gives lack of confidence for this institution to uphold property rights which creates a huge impediment for the foreign investor's investment plans and strategy. This makes the investors security questionable. In reality corruption and mismanagement robs the authentic application of these laws. This leaves the investors and potential investors with a negative impression as their only reaction would be to try to join the private sector or leave the country as has been the case with some companies in the country.

Centralization of power

Another major legal deterrent against foreign investors investing in Cameroon is the centralization of power by the executive headed by the president of the Republic who is answerable to nobody [49]. This acts as a deterrent to investors as there is no accountability and transparency which leads to investment decisions individually taken regardless of the interest of the investor as long as it is to the interest of a few top officials [49]. The judiciary and legislature are dependent on the executive headed by the head of state from whom all decisions originate. This is where the main aspect of legal deterrent to foreign investors in Cameroon originates. The fact that there are no checks and balances is a main cause for concern to the potential private investor who in the case of an investment dispute arising from their engagements in the country would have to face a powerful executive who can change laws and enforcement at will without giving account to either the legislature or the judiciary. This being the case the investor would have no option but to leave the country or refer to courts of higher authority. This would definitely entail extra expenditure in the face of an already pending loss [49]. Private investors deem that if an authoritarian executive executes a law there is no certainty that the law would be enforced. Investors need a credible and trustworthy commitment through unforeseen strategies to resolve impromptu matters which is absent in Cameroon [49].

Corruption

Corruption has been widely acknowledged to be a deterrent force to FDI. Corruption described as the abuse of public power for private gain is argued to have a positive and negative effect [50]. For the purpose of this paper I strongly argue that there is no and should not be any positive side to corruption particularly for a small and underdeveloped country like Cameroon. This means that those involved in the practice of corruption should be held accountable as is the case in Cameroon where government officials are being tried and imprisoned. With low salaries and high cost of living, private enrichment at public cost has become a routine in Cameroon; Corruption is embedded at all levels of government especially with regards to procedures to invests, and awards of investment contracts [50].

The top officials who should promote transparency and accountability are the ones more involved in the act of corruption thus the act cannot be brought to question. This deters private investors from investing in the country. From the 2008 Transparency International records, Cameroon was identified as one of the most corrupt countries in Africa, rated 141st out of the 180 countries on which statistics were carried out in the corruption transparency index in 2017. This would naturally bring the private investors looking for more assuring and convincing reasons to invest in the country. In the case where they decide despite all odds because of the country's rich and natural vegetation they encounter the problem of bureaucracy which only goes further to discourage investors. In this regard, an average business takes 426 days complying with license and permits requirement almost twice the average for other African nation such as Gabon and South Africa.

Solutions to the Problems Affecting FDI Flow in Cameroon

Solutions to the problems affecting investment in Cameroon can be brought about only by the country itself as private investors can only intervene. This phase of the research concerns solutions to the problems deterring foreign investors from investing in Cameroon. These problems will ultimately be dealt with by Cameroon policy makers vis à vis the problems encountered by foreign investors, and the determination of these foreign investors to carry on investment projects in Cameroon that which they cannot change. Cameroon's share of FDI flows has not only deteriorated remarkably in recent years but compared to other countries from the SSA region has always been below average level.

This underperformance in attracting FDI can be resolved with an attempt of the solutions suggested below. Primarily, Cameroon must diversify its commercial products so as to attract a variety of investors in the country and work at improving it infrastructure. Another main solution to problems deterring investors from investing in Cameroon would be restrained from breaching contracts. In Cameroon foreign investors have included investing in risk in their investment program in Cameroon. Reduction in taxation, tax holidays declarations and good governance policies and accountability are all solutions put forward by the Cameroon government to include the flow of FDI in the country [51]. To solve the institutional problem inherent in the investment code, the government has come up with an investment program in the infrastructure sector. This is specially to meet the country's growing energy needs which is one of the reasons MNCs cannot function properly and so discourage potential investors from building industries in the country. In this regard an energy strategy has been devised and is been progressively monitored. Plans for construction work on Kribi's [51] deep-water port is under completion. Investors from Europe, Chinese and Canada met together in this regard in May 2008 to raise the US$ 6.55 million in regard to the project. Highlights of the project are exploitation of cobalt, diamond, nickel and uranium reserves.

A further solution to the unnecessary bureaucracy involved in setting up businesses is the streamlining of procedures for starting business. As concerns the percentage of taxes to be paid by investors, the situation has been addressed and requires that tax procedures entail carrying out an in-depth review of the relevant statutory and regulating instruments on the one hand and instituting in conjunction with centralized local authorities. The review of legal instruments was expected to start in 2009 by reducing by half the number of tax return slips and end latest in 2012 with the harmonization of various instruments and ensuring their compliance with International Labor standard [52]. When this is completely done, the problems investors' eventual face would be met within a limited space of time [53].

CONCLUSION AND RECOMMENDATIONS

Conclusively, it should be said that the reforms of the investment policy to the benefit of investors and to promote economic development in Cameroon is a positive move. After discussing the concept of FDI, the paper showed that FDI played a significant role on economic growth in Cameroon over the years. Thus, the growth of economy is also sensitive to government spending and inflation. Moreover, the paper clarifies that the legal and regulatory framework serves as parameter in measuring investment climate in Cameroon after discussing the major challenges face and some possible solutions to attract FDI in Cameroon. Recognizing these dilemmas, this section of the paper proffers some robust recommendations for policy makers to consider as they attempt to promote FDI in Cameroon.

Firstly, there is the need to swiftly implement the investment codes immediately after its promulgation. For the sake of credibility, investors would seriously consider investing in the country only after this has been dealt with. It is necessary to ensure the regulation of FDI in a manner that is protective of home-based or home-grown industries.

Secondly, there is urgent need for the opening workshops and synthesizing the population on the need to invest in the country through trade through the liberalization of investment incentives to both foreign and national investors. Also, Cameroon should focus on the development of industry to transform in the country most the natural and agricultural resources.

Moreover, to address all the challenges related to corruption, there is the need to Adopt and enforce a zero-tolerance approach towards corruption. As we have seen the influx of FDI is increasing over years, so with a good management of public resources combined to an increase in FDI and the elevation of a new class of consumer and investors, Cameroon's economic growth could skyrocket and eventually would lead to the development and amelioration standard of living of its growing population.

Furthermore, it is therefore necessary that the tax code be revised and reintroduced, so as to give investors the opportunity to invest and be encouraged to contribute in the gross domestic products of the Country.

Nevertheless, with regards to the problem of language, the relevant arms of government that are responsible for law enactments, promulgation, and enforcement of the law, regulations, policies should ensure their publication in the two official languages of English and French to avoid conflicts of languages by investors.

Also, policy makers should be balanced, so as not to over tax foreign investors or let the rules be too liberal on foreign investors in such a way as to sap the law of its very purpose. Tax policies for example should be fair and balanced.

However, effective and efficient implementation of the aforementioned recommendations by all the relevant stakeholders will certainly go a long way to not only attract FDI flow in the country, but to be competitive in today's digital world, hence, preserve and promotes sustainable FDI flow in the country and the world at large.

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