

STRATEGIES!

Cameroonian businesses pay a hefty 52% of profits in tax, make an average of 41 different payments to the authorities and spend about 1,400 hours on tax preparation, filing and payments.

Every year procedures vary with new tax laws, meaning that tax inspectors have considerable arbitrary powers. This creates problems for all businesses, but more so for women entrepreneurs, who are sometimes subjected to sexual harassment and intimidation.

A New Opportunity

Kah Walla returned home to her native Cameroon in 1989 after completing graduate study in the United States, unsure if she would stay for long. The following year saw the enactment of laws granting women new rights, including to travel without male companions, open bank accounts and register businesses on their own, without their husbands' consent. "You got a sense that women felt liberated in a very literal way," says Kah. Women had been finding ways to get around discriminatory regulation and now didn't have to hide.

Seeing new opportunities for women in the business world, along with great need in

Cameroon, where half the population lives in poverty, Kah decided to stay. "I wanted to contribute to my country," she says.

After four years working at an established management consultancy, Kah founded her own firm, STRATEGIES! Today she has a staff of 15 serving both domestic and international clients, and averaging \$500,000 in annual revenues. Along with its corporate work, Strategies! also has a development arm which works with local governments to promote women's entrepreneurship in the country.

As a single woman with international experience and contacts, Kah is conscious she has many advantages compared to the majority of Cameroonian women in business. As Vice president of the American Chamber of Commerce, she is an energetic advocate for improvement in the business environment, especially in relation to Cameroon's cumbersome tax system.

Her main advice on tax reform: reduce the effective tax rate to encourage more firms to become formal; simplify the tax payment system to reduce both the number of payments and the



Kah Walla

COMPANY PROFILE

Business Name: STRATEGIES!

Business Type:
Management consulting

Annual Turnover: US\$500,000

Employee Number: 15

Business Reach: Africa, Europe, US

CAMEROON

Population 16.7 million

GNI per capita \$1080

Doing Business global ranking 154/178

Doing Business paying taxes ranking 166/178



hours spent in compliance; establish standardized tax rates and payment channels for registered businesses, thereby removing tax inspectors' arbitrary powers to elicit unwarranted cash payments and other favors.

Starting out

Kah grew up in Cameroon, the Ivory Coast and the United States. She spent her first four years back in Cameroon gaining experience in a local management consultancy firm where she rose to the role of Managing Director. "It was a steep learning curve, but just the best training I could have had for starting my own business," she reflects. When that consultancy closed its doors Kah seized the opportunity to start her own venture, hiring seven of her former colleagues. Their track record and reputation in business consulting helped them to immediately secure work.

To begin with, Kah and her employees worked from her family home to launch Strategies!. For the first few months the firm operated from her dining room, with everyone receiving the same salary of US\$200 per month.

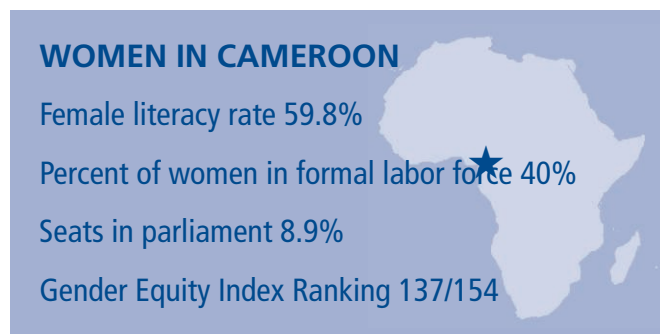
Kah says she never stopped to consider how unusual – and how challenging – it was for a woman in her 20s to begin a business in Cameroon, where the female literacy rate hovers around 60%. "Looking back now, I wasn't

conscious of my gender or my age," she recalls. "I didn't realize that the market would have difficulty with me."

Kah's "powerhouse" grandmothers served as an inspiration, along with her mother who was a strong advocate for women's rights. Importantly, her father supported her too. "I was his first daughter and he had absolutely no gender barriers for me," confides Kah. "He didn't feel there was anything I should not be allowed to do or should do as a woman." That message stayed with her.

Being single has been a distinct advantage for Kah in the business world. Although women are now legally allowed to start a business without their husband's consent, under the Civil status Registration Ordinance of 1981 a husband may still formally object to his wife's exercise of a trade or profession if he judges it is not in the interest of their marriage or children. The converse does not apply. These complaints can be filed in the personal credit register and until the objection is lifted, the wife's business activities are impeded. These objections can result in business closure and/or cessation of formal employment.

Business law is harmonized under the OHADA treaty with that in other countries in West and Central Africa, and is at face value gender-neutral. But customary law and traditional practices mean women are often disadvantaged in business dealings. As a bilingual country, Cameroon has a bi-jural system with both civil law (French) and common law (English) systems. Under the civil code governing the French-speaking parts of Cameroon, a husband as head of household administers the married couple's joint property. He has the right to sell, dispose or mortgage his family's land without his





wife's consent, while the converse does not apply. A husband also has the right to administer his wife's personal property (but may dispose of it only with her consent).

In areas where traditional practices dominate the situation is even more difficult for women. Here, women and the children they bear are considered the husband's "property." This makes it practically impossible for women to own land since "property" cannot properly claim right to property. Although in theory Cameroonian law opposes customary practices repugnant to "natural justice, equity and good conscience" in practice few women are in a position to challenge these customs.

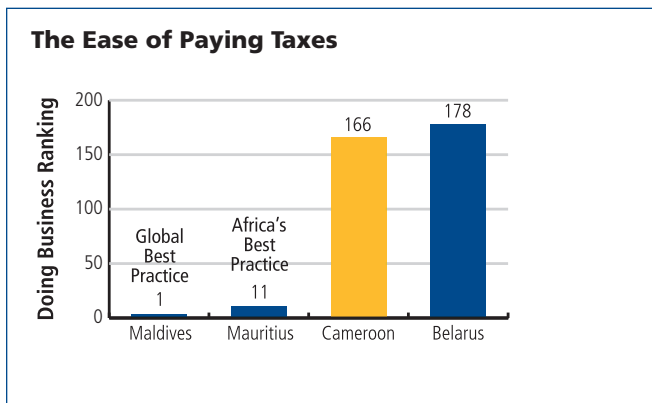
Going for growth: obstacles and opportunities

Kah found lots of business opportunities in the local market for STRATEGIES!. Alongside multinational firms like Price Waterhouse Coopers, STRATEGIES! found its niche training firms in skills such as teambuilding and helping with recruiting, offering "work of international standard at local prices." She laughs as she recalls comments from satisfied clients remarking on the large number of women

in her team: "When there are three men on a consulting job no-one ever remarks "why do you employ only men?"

As more opportunities arose and Kah wanted to move away from the kitchen table and into office premises, she needed to borrow to finance the expansion. The three banks she approached with her business plan, cash flow and management track record all turned her down. "I had no collateral to offer – few women do." To get around this road block, Kah raised capital by selling US \$20,000 equity in STRATEGIES! to friends and family over a two year period.

The biggest problem Kah faced, however, as her business grew was the tax system in Cameroon, ranked 166 of 178 economies in the latest Doing Business report. Kah found registering with the tax office was a cumbersome and confusing experience and once she did this, a retrospective tax bill was issued which seemed both arbitrary and astronomical. "I just didn't understand how they came up with the numbers when no one had even looked at our books. When I visited the tax office there was a clear expectation I would make a "facilitation payment" to reduce the bill."



Source: *Doing Business* 2008.

Kah stood her ground. “They expected that as a woman I would be a particularly easy target, but I stood firm and refused to pay a bribe.” Eventually her accountant worked out a reasonable settlement. Each year elements of the tax rules change and businesses are subsequently expected to find out how the new rules affect them. Kah points out, “There is no transparency. Well qualified tax consultants have a very hard time telling you whether what is being asked of you by the taxation officer is right or wrong. There is an enormous amount of interpretation in the system and it really is extremely arbitrary.” The result is a large informal sector.

Kah’s firm has already won two judgments against tax inspectors and currently has another three legal suits underway. “It’s time consuming and expensive but I refuse to pay a bribe.”

At the same time as she was trying to deal with the administrative issues facing STRATEGIES! the firm was beginning to develop its international clientele by facilitating workshops and conferences, initially in Cameroon. Development organizations such as Germany’s GTZ and the World Bank contracted STRATEGIES! for regional workshops in Cameroon, exposing the firm to international clients. Subsequent recommendations prompted

new opportunities and the Foreign Service Academy in Germany called on STRATEGIES! to teach young German diplomats about development cooperation with Africa. The Shell Group invited STRATEGIES! to provide facilitators for its West and Central Africa Human Resources Managers.

“It was exciting to see new opportunities arise as our reputation began to grow. After a year of ad hoc conferences and seminars for a range of different clients an international market was born.”

Today, STRATEGIES! works all over Africa, Europe and in the US on both short and long term contracts. Kah points out being Cameroonian - and therefore bilingual in French and English - is a distinct advantage. She says, “STRATEGIES! has an amazing team of very talented professionals, the majority of whom are women. At an international level, the fact that our teams are all-African and frequently all-woman, is cause for both surprise and positive comment.”

Helping Others

As part of its development-related work, STRATEGIES! consults with local governments to support women entrepreneurs. Through this work Kah has learned just how vulnerable women are in the local marketplace, the majority of whom operate in the informal sector. Along with bribes, demanding sexual favors is a not uncommon practice of local officials.

“Whenever you have complex, corrupt systems, women are always at a disadvantage,” says Kah. “One, because the average businesswoman in Cameroon is also a mother and a wife, so she cannot afford four or five hours in a tax

inspectors office just waiting to get information.” And two, she says, “women make easier targets and inspectors expect them to cave in.”

“It translates into constant fear,” says Kah. “She is trying to make ends meet every day, and she has added to that the psychological pressure of knowing, ‘they can come in, they can shut me down, they can stop me from doing business for one day, two days, two weeks.’ It translates into a whole different level of insecurity.”

The government does not benefit either. “A lot of these local tax officials are making the money on a personal basis and not bringing it back to the local government,” says Kah. “A transparent tax and administrative system makes economic sense for both women entrepreneurs and the government.”

As Vice president of the American Chamber of Commerce in Cameroon, Kah continues to work with the business community to advocate for a more friendly and transparent business environment. “Cameroonian women are dynamic entrepreneurs,” says Kah. “Helping them do business better makes economic sense.”

BUSINESS CHALLENGE: PAYING TAXES

OPPORTUNITIES FOR REFORM

- Reduce the effective tax rate to encourage more firms to become formal
- Simplify the tax payment system to reduce both the number of payments and the hours spent in compliance
- Establish standardized tax rates and payment channels for registered businesses, thereby removing tax inspectors’ arbitrary powers to elicit unwarranted cash payments and other favors.

Next steps

STRATEGIES! now has around 40% of its business activity in Cameroon, 40% Africa-wide and 20% international. Kah’s vision is to invest in her team to be able to meet growing demand, and to use her business model to open branches in neighboring countries.

Says Kah, “Top on my agenda for the future is of course the growth of STRATEGIES!, but also very importantly, the reform of the business environment in Cameroon and most especially opening the way for women to play the economic role they deserve to in Cameroon.”

Footnotes and sources

Population: World Development Indicators, 2007
Gross National Income per capita: World Development Indicators, 2007
Doing Business Rank: Doing Business 2008
Female literacy rate: World Development Indicators, 2004
Percent of women in formal labor force: World Development Indicators, 2004
Seats in Parliament (% held by women): United Nations 2007/2008 Report
Gender Equity Index: Social Watch Gender Equity Index 2007