



# **The Role of Social Enterprises in Local and Economic Development in Cameroon**

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Presented by: Javnyuy Joybert  
(Doctoral Candidate)  
Reg. No: 0081220/KIU/SBMS

Email: [javnyuyjoybert22@gmail.com](mailto:javnyuyjoybert22@gmail.com) or  
[javnyuyjoybert@kesmondsuniversity.org](mailto:javnyuyjoybert@kesmondsuniversity.org)

Supervisor: Dr Atanga D. Funwie, PhD

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## **Abstract**

Economic Development has become the main consent of most countries in the world. As such, authorities from different countries are utilizing the best tools it takes to achieve such objective. Therefore, this paper tries to examine the Role of Social Enterprises in Local and Economic Development in Cameroon. But however, the role social enterprises purposely depended on a number of infrastructural, financial and other social factors in order for Economic Development to be achieved. Thus, various findings have proven that multiple social, economic and environmental outcomes provide valuable evidence that social enterprises have the potential to make a positive contribution to local development, and through aggregation, regional development.

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## 1. Introduction

A social enterprise is an organization that applies commercial strategies to make a positive difference for social benefit. The social impact is funded wholly or partly by reinvesting profits made by the organization to create social capital. Profits are not kept by owners or participants. Social enterprises can be structured as a business, a partnership for-profit or non-profit, and may take the form (depending on in which country the entity exists and the legal forms available) of a co-operative, mutual organization, a disregarded entity, a social business, a benefit corporation, a community interest company, a company limited by guarantee or a charity organization. They can also take more conventional structures.

Social enterprises have both business goals and social goals. As a result, their social goals are embedded in their objective, which differentiates them from other organizations and corporations (Mathew, P. M. 2008). A social enterprise's main purpose is to promote, encourage, and make social change. Lane, Marc J., (2011) Social enterprises are businesses created to further a social purpose in a financially sustainable way. Social enterprises can provide income generation opportunities that meet the basic needs of people who live in poverty. They are sustainable, and earned income from sales is reinvested in their mission. They do not depend on philanthropy and can sustain themselves over the long term. Their models can be expanded or replicated to other communities to generate more impact.

A social enterprise can be more sustainable than a non-profit organization that may solely rely on grant money, donations or federal programs alone. As a for-profit model, you control the curriculum and funding of the program. The incentives of the company are designed such that greater impact directly correlates to a great profit. Investors and business partners today want to know that the companies they choose are doing more than just providing a product or

service. They look for companies that are doing good. They will feel a special connection to companies whose values align with their own (Scaling social impact 2018).

Results from other countries have showed that the social economy functions to provide jobs reduce poverty and promote development. This however, does not mean that there never existed a social economy in Cameroon but all the Social enterprises the form the social economy.

Also, Danowski thinks the concept of Social entrepreneurship is more common and makes waves in Cameroon. He situates in micro, macro and meso level politics. He also discusses it as social economy (Danowski , 2015). A huge factor leading to the rise of the SE concept in Cameroon is the need for development which might lead to Sustainable development in every aspect of our failing economy. There is also the confusion between what is a social enterprise and what is a SEO. In an interview with Mr. Raymond Dongmo who said “I think a cooperative is a social enterprise” even makes it more confusing coming from a professional in the field.

In 2015 Danowski argued that the formal official government definition of the social economy was under way: The aggregate of economic activities undertaken by organizations and enterprises founded on principles of solidarity and participation. They seek or the collective interest of their members, or the general economic and social good [of their community], or both (Danowski, 2015).

Thus, this study focuses broadly on the Role of Social Enterprises in Local and Economic Development in Cameroon. In the course of this paper, we will provide clear understandings on the below questions

- What are social enterprises?

- What are the types of social enterprises in Cameroon?
- How has social enterprises contribution to local development?
- How has social enterprises contributed to economic development?

This paper is relevant as it will provide an understanding to the government and the general public on how social enterprises contribute to local and economic development and the various types of social enterprises in Cameroon.

## **2. What are social enterprises?**

According to social traders, Social enterprises are businesses that trade to intentionally tackle social problems, improve communities, provide people access to employment and training, or help the environment. Using the power of the marketplace to solve the most pressing societal problems, social enterprises are commercially viable businesses existing to benefit the public and the community, rather than shareholders and owners. Social enterprise is a descriptive term for a range of businesses prioritising social goals, rather than a legal form in itself.

## **3. Types of Social Enterprises in Cameroon**

The history of the cooperative movement began in the mid-nineteenth century with the launch of cooperatives and mutual, notable in 1844 in England and 1847 in Germany. It took almost two centuries for the concept to take shape in Cameroon. With the economic crises of the 1980s and the importance of social problems arising in the state is unable to absorb an expanding workforce and preserve workers' jobs (Danowski , 2015).

- **Associations**

The official site of the Ministry of Small and Medium Size enterprises, Social Economy and Handicraft of Cameroon define associations as generally “*a group of legal entities (for*

*example companies) or physical, that pool of resources to meet the aspirations and needs of the group without a profit*". Associations are governed by law No. 90/053 OF 19 December 1990 relating to freedom of association. The source of freedom of association and assembly in Cameroon is its Constitution of 1972, as amended by Law No. 96 of 18 January 1996, whose preamble provides, *inter alia*, that "the freedom of communication, of expression, of the press, of association, and of trade unionism shall be guaranteed under the conditions fixed by law." By virtue of Article 65 of the Constitution, introduced by the 1996 Constitutional amendments, the preamble is part and parcel of the Constitution (Rutinwa, 2001). The reasons for the formation of associations could be social or economic. Also, people come together to form an association because they are involved in some activity. The objective being to defend member's interests, representation, risk sharing solidarity and ethics of members. They form the largest part of the SE in Cameroon. Most of the unions existing in Cameroon are farmer's unions. Their basic objective is defending member's interest, representation, risk sharing, solidarity and ethics of members. In the department of Lekie in the central region alone, two hundred of such unions are registered. There are unions of dynamic farmers, union of women agriculturalists in Benyanga and Union of active women in Benya beda. There exist federative bodies of these associations, FUJICAL being the Federation of Unions of Agricultural CIGs in Lekie.

- **Cooperatives**

Cooperatives represent the oldest existing form of SE organizations in Cameroon prevailing in the agricultural sector. They have reformed this sector and made farming easier as they act like mediators for the government and to channel resources to farmers. There are also women cooperatives, cooperative banks and producer cooperatives. Being active in agriculture means

it targets the poorest people in the country and any form of assistance made available to people in this level help raise their living standards.

The 1990's saw an extension of the effort to strengthen cooperatives including enacting national legislation in 1992 intended to facilitate the creation of cooperatives and an even more simplified organizational structure called "groups d'interet commun" (GICs), or "communal interest groups" (CIGs) (Mrs. Jeanne Alie Akamba, 2015). By 2012, the government reported a total of 111,988 registered GICs and 3,528 registered cooperatives throughout Cameroon (Danowski, 2015).

Under the OHADA act, a cooperative society is defined as "An autonomous grouping of voluntary participants seeking to satisfy their common economic, social, and cultural aspirations and needs through an enterprise in which the property and management collectively managed and where power is democratically exerted according to the cooperative principles" (Anon., 2011). The seven universally recognized cooperative principles alluded to in the OHADA act are established by the International Co-operative Alliance and consist of the following (Abell, 2014).

Seven Universal Cooperative Principles Voluntary and open membership, Democratic control (1 member, 1 vote), Member economic participation, Autonomy and Independence, Education, training, and information, Cooperation among cooperatives, Concern for community.

- **Common Initiative Groups (CIGs)**

According to LAW No 92/006 OF 14 August 1992 Relating to Co-Operative Societies and Common Initiative Groups Part III, Section 49 Common initiative groups are organizations of an economic and social nature set up voluntarily by individuals having common interests and

working together as a group. CIGs shall be formed by a declaration in writing and should consist of a minimum of 5 people. CIGs (Common Initiative Groups) were acknowledged under the law on cooperatives and in 1992 were asked to either convert to a cooperative or join an existing cooperative. However, under this same law, such organizations are given the same rights as cooperatives and can operate as corporate bodies. They can join a cooperative if they want to, convert to a cooperative or become a member of the union of cooperatives. There are legal differences existing between CIGs and cooperatives in Cameroon. The minimum number of members required for their formation. Minimum of seven members for cooperatives and a minimum of five for CIGs. Also, the name of the group determines if it is a cooperative, a CIG or a Union. In any case, their activities should be within a specified geographical region and range from farmer's unions to a group of nurses. CIGs do not share surpluses as cooperatives do. Put in other words, CIGs (Common Initiative group or Economic interest group) are a voluntary association of people like any other association of people but with the objective of performing an economic activity or for mutual health benefits. CIGs "Santé" is another name for Mutual health with the "Santé" added to distinguish it from a regular economic CIG. The economic CIGs resemble cooperatives so much such that they the law allows them to become cooperatives if they want. A union of two or more CIGs can form a federation.

- **Credit Unions**

Credit unions are financial co-operatives set up to meet the needs of their members, with surpluses or profits returned to members and staff in the form of surplus earnings, dividends, reinvestment in the institution, lower interest rates on loan products, or rebates of partial interest paid on eligible credit products. Savings and credit cooperatives are governed by Decree No 98/300 / PM of 9 September 1998 laying down the procedures for the exercise of

savings and credit cooperative activities. One of the two major examples of Credit Unions in Cameroon includes Cameroon Cooperative Credit Union League (CamCCUL), and World Council of Credit Unions (WOCCU). Credit unions are popular among the middle and low class individuals. Providing low interest loans and great saving opportunities to its members, they also provide employment to a lot of people. They help to increase the level of money in circulation on the country as they attract those who had lost trust in the banking industry.

- **Mutuals**

A combination of form, whose principle is based on solidarity and mutual assistance among members. In Cameroon, there is no legislation on this form of organization, yet there are mutual (mutual employee) companies in well- structured sectors and certain trades. Mutual health organizations are a great contribution to service provision in the country. The mutuals that exist in Cameroon are concentrated in the field of health care provision. Health insurance is a very important aspect of the lives of people and since the government has not provided a system that insures everyone, the poor cannot afford medical insurance so they stick to this form of insurance. It has not recorded any failures yet as such there is an increase in the number of people going into solidarity associations for health insurance purposes. Health insurance is a rising problem in Cameroon which has led many to seek refuge in Mutual health insurance.

- **Village Development Associations (VDAs)**

Cameroon is home to over 200 ethnic groups. With effects economic crisis and a failing government, the provision of basic needs of communities have been left to the hands of the locals. Most, if not all VDAs work to bring development to the villages in terms of good roads, providing water, schools, sometimes providing a market, library and offering

scholarship schemes to outstanding students. All the projects are being financed by members' annual contributions. With the goal of improving the quality of life of people in their communities, VDAs work to preserve the culture and tradition of the community. Globalization is slowly creeping into the very enclosed villages and people are slowly forgetting what culture and tradition is. These associations try to bring in development in their communities while preserving aspects of their cultures like the languages, food and clothes. Though they are not recognized by the ministry of Social economy in Cameroon as a SE organization, Fonchingong, (2013) strongly believe their activities and objectives make them fall under this sector.

- **NGOs**

The private sector and Non- Governmental Organizations (NGOs) are becoming more involved in the agricultural economy of the country by the creation of farms, fertilizers and pesticides distribution schemes and micro-finance companies. Of the 73 NGOs distributed throughout the ten regions of Cameroon, 20 focus efforts on sustainable agriculture. This implies that the public sector should support these efforts rather than competing with them as it was the case during the past century (Goufo, 2008). Though we recognise the works of NGOs in Cameroon, some authors still believe that they exist only in suitcases and their leaders have no iota of civic responsibility however their limitation is also dictated by the fact that those who fund them dictate what they should do (Nkwi, 2006). Below are some objectives of NGOs; Contribute to the fight against HIV/AIDS, care for children and the girl child, Promote development through the participation of individuals, Offer training and assistance to projects in underdeveloped rural zones, Assistance to destitute local peoples, Contribute to the welfare of man particularly the woman and her offspring.

#### **4. The Roles of Social Enterprises Towards Local and Economic Development**

To fully understand the role of the social economy of Cameroon, Koabigh, Y. N. (2016) has breached them down into various categories as shown below.

- **Global Markets**

It is true that when people come together they share risks and increase their resources. It is also true that social enterprise (SE) is a worldwide movement and creation of structures in Cameroon will attract recognition from other existing organizations and such networks will not only act as forums for sharing similar ideas about how challenges are resolved but could act as markets. As Mr Ondobo Lucas puts it “through the creation social economy networks locally linked to internally existing ones. People will be connected to the rest of the world and selling their products will easily be done without themselves having to spare their little energy looking for customers”.

- **Increase production capacity**

In other words, “increase in production” or productivity in the case of economic activities mostly production and agriculture is envisaged with this sector. Already farmers are working in groups and cooperatives as a bid to reduce the risks they are exposed to with growing climate change and lack of necessary resources. With this sector, the ministry will be working to provide all the necessary tools and support needed. It has been difficult for the government to target individual farmers and assist them in their areas of difficulty but with the eventual structuring of this sector, the agricultural sector which is the highest producing sector in the country will be reformed thus increasing production.

- **Environmental protection**

Though most of the actors in this sector are involved with providing goods and services, environmental protection is at the center of community centered projects. Most foundations and mutual health organizations strive to educate people on the dangers of polluting the environment. The government in its bid to educate farmers on good farming practices have discouraged the burning of farms as it is bad for the environment. This practice has not totally been eradicated but has been greatly reduced as a result of environment friendly policies. Also some social enterprises in Cameroon conduct seasonal planting of trees to promote afforestation in the community.

- **Local (community) development**

There is always a benefit to the community when its population is educated, employed and actively involved in the smooth functioning of the community. This is when we say there is community development. This has extended to road construction by community organizations like the Village Development Associations (VDAs) and other non-profits.

- **Provision of services**

Health insurance is one aspect really lacking in Cameroon. There is no central government health insurance system and as such individuals need to insure themselves and their families and since this sector is also not subsidized by the government the costs are really high for an average income individual. The mutual health organizations are a popular health insurance scheme in Cameroon and these organizations have gone further to engage in other economic activities.

- **Protection of cultural heritage**

Globalization brings with it diversity yet local cultures seem to be disappearing from communities and Village Development Associations (VDAs) have taken it upon themselves to protect their cultures from disappearing.

- **Transport**

Land transport, being the major means of transport here, is highly influenced by nature. The road network that is almost inaccessible makes movement difficult. This is caused by the muddy nature of the untarred roads in the rainy season. In some cases there are only footpaths linking one village to another. The Buea Rural Council (BRC) has constructed some bridges to link up villages, numerous concrete culverts, construction of some taxi bays, tarring of some roads, construction of a car park at the council and a general motor park for inter and intra-town transport. The construction of some of these roads has facilitated the movement of people and farm produce to other markets where the produce are sold higher, thus bringing in revenue for the local people who can embark on other investments.

- **Markets**

Social enterprises are also concerned with the construction of community markets where the local people can go and sell their products. This market, held on a daily basis, attracts people from far and wide to come and buy or sell.

- **Schools and Community Development Projects**

For many schools that existed without complete buildings and efficient teachers, benches, roofing sheets were donated or provided including some teachers under the financial support of the Buea Rural Council (BRC) for effective and efficient learning. There is at least a public

school in the rural areas in Cameroon. Every child has access to school but most parents can only afford primary education which is the level where the children attain their First School Leaving Certificate (FSLC).

- **Employment**

Social enterprises and social entrepreneurs create businesses employing local people who are more likely to spend their wages in local outlets. These businesses create employment for thousands of youths and this contributes to the economic development of the nation. In Cameroon today, there are numerous, social enterprises who are committed to building sustainable societies through creating employment opportunities for the unemployed people.

#### **4. Social enterprise and local development**

Social enterprises are very important in the local context and have the potential to contribute to individual, local and regional development. They tend to be locally based with close community links (OECD, 1999); many serve local markets, have a niche focus (SBS, 2001) and their impact is more keenly felt at the local level. Development has a collaborative ethos, favouring consensus building between local and non-local actors Haugh, H. (2005). Social and community enterprises subscribe to this ethos through close links with their community, participatory governance structures, stakeholder accountability procedures and democratic management structures. Social enterprises thus appear to be better able to contribute to community building than for-profit enterprises. This is very pronounced in relation to small business owners who have been found to be detached from their local community Haugh, H. (2005), and to engage in networking to further the functional requirements of the business (Curran et al., 2000), and have little time for non-economic community participation (Curran and Blackburn, 1994).

Social enterprises generate economic, social and environmental benefits and the extent of their contribution to development can be assessed from impact measures on the local economy (OECD, 2003, p.3). Benefits attributed to social enterprises more detailed than those mentioned above include;

- Helping the disadvantaged to overcome their poverty through employment, whilst at the same time providing goods and services needed by their communities.
- Creation of additional jobs, either through work integration programmes or through new employment opportunities (Borzaga and Defourny, 2001, p.359).
- Increased local income retention arising from employing local people who are more likely to spend their wages in local outlets.
- Through the employment of local people, the time spent on travelling to work will be reduced, and might even eliminate some bus/car journeys. This would have a consequent impact on the demand for fossil fuels.
- Improved provision of services that can raise the standard of living and further increase local income retention.
- Increased employability through raising individual skills levels.
- Positive effects on motivation of local people and the creation of local role models and heroes
- Empowering communities and building local democracy through participation in community events and initiatives.
- Strengthening social capital by supporting the integration of the socially excluded into society, and the disadvantaged into employment (Borzaga and Defourny, 2001, p.360).
- Reduction in welfare payments as local people move into employment.
- Increased tax revenues from personal incomes, tax, consumption, property values and payroll payments.

- Re-development of brownfield sites.
- Renovation/restoration of unused buildings into valuable community assets.

## **5. Conclusion**

This paper has shown that social enterprises have the potential to contribute to regional development by promoting wealth creation, endogenous growth, resource enhancement, institutional expansion, infrastructure development, indigenous entrepreneurship, network creation, and knowledge generation at the local level and beyond. The explicit social purpose and development ethos of social enterprises distinguishes them from for-profit enterprises, and emphasises their important contribution to resource development and wealth building. Their multiple social, economic and environmental outcomes provide valuable evidence that social enterprises have the potential to make a positive contribution to local development, and through aggregation, regional development. However, social enterprises face a number of challenges that constrain their potential contribution to local and economic development. One major challenge to social enterprises are taxes. They ought to be given tax holidays due to their contribution to the economy or reduced taxes to enable them to remain sustainable in their activities. Until this challenge is addressed, the true contribution of social enterprises to regional development is likely to remain under-estimated.

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