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A Story of Unfulfilled Potential**

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# Oil and the Cameroonian Economy: A Story of Unfulfilled Potential<sup>1</sup>

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## Abstract

While Cameroon is one of the most endowed African countries in a wide range of overground and underground natural resources, it has struggled to leverage these resources to secure a decent living standard for the majority of its population. Instead of boasting impressive development outcomes, Cameroon is among African resource rich countries that are known for suffering high financial hemorrhage through capital flight. In a sense, capital flight from Africa has become a chronic manifestation of the ‘resource curse’ that tends to plague countries that are endowed with vast amounts of resources in a context of poor institutions and weak regulatory frameworks. This study provides a detailed analysis of the historical emergence of an externally dominated oil sector and the institutional and regulatory arrangements governing the sector to shed light on the causes of the country’s failure to fulfill its potential considering its impressive resource endowment. The evidence may shed light on strategies to usher a new path towards a Cameroonian economy beyond oil.

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## 1. Introduction

Cameroon is one of the most endowed African countries in a wide range of overground and underground natural resources. In the words of Keutiben et al. (2022, 635), “nature has vastly well-endowed Cameroon”. The online magazine *AFRIKATech* nicknamed Cameroon “Africa in miniature”, ranking it number 14 among African richest countries in natural resources.<sup>5</sup> Indeed, what makes Cameroon special is not its endowment in absolute value of any natural resource in particular. It is rather the impressive combination of its strategic geographical position (coastal and tropical), the rich biodiversity with abundant agricultural potential, and vast oil and mineral reserves. All this makes an impressive development potential. In reality, however, all that potential has remained just that; the story of Cameroon is, by and large, a story of unfulfilled development potential.

At independence, Cameroon boasted promising prospects for rapid growth and development in the post-independence era. An illustrative comparison often used in the literature is with Malaysia, which has similar structural features, but has achieved massively better outcomes. At independence, Cameroon’s per capita GDP of \$936 compared closely to Malaysia’s \$1,267; a 1.35 ratio in favor of the latter. Today, Malaysia has nearly eight times higher per capita income than Cameroon (\$11,429 compared to \$1,467). This illustrates a story of unfulfilled development potential. Indeed, as Gauthier and Zeufack (2012, 155) lament, “With its abundant natural resource base, varied climate, and diverse population, Cameroon has the potential to be one of the richest countries in sub-Saharan Africa. However, like many resource-rich countries, it has suffered from the natural resource curse.”

Instead of boasting impressive development outcomes, Cameroon is among African resource-rich countries with the unenviable reputation of suffering high financial hemorrhage through capital flight. In a sense, capital flight from Africa has become a chronic manifestation of the ‘resource curse’ that plagues many African countries that are endowed with vast amounts of natural resources in a context of poor institutions and weak regulatory frameworks (Ndikumana and Boyce 2022; Ndikumana and Sarr 2019; Ndikumana and Boyce 2022; UNCTAD 2016). By 2021, Cameroon had lost a cumulative amount of \$98 billion through capital flight counting from 1970, the eighth highest in Africa (Ndikumana and Boyce 2025).

This study focuses on the oil sector with the objective of shedding light on both its potential and the challenges that Cameroon has faced in converting that potential into real development outcomes. The evidence may provide some insights into why Cameroon has fallen through the trap of the corrosive linkages between natural resource endowment, capital flight, and unfulfilled development potential. While Cameroon is a small oil producer from a global perspective and even

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<sup>5</sup> <https://www.afrikatech.com/energy/top-15-african-countries-richest-in-natural-resources/?lang=en>

by African standards, oil still represents an important sector of the economy, with high expectations regarding its contribution to economic development. The oil sector contributed 14.5 percent of GDP in the mid-1980s, but its share has declined significantly since then, down to only 5.4 percent in 2022. The ability of the sector to generate government revenue and foreign exchange earnings have remained below potential. Moreover, the country has been trapped into natural resource dependence, with economic transformation remaining elusive; but not illusive as there is a real basis for successful transformation. The main causes of this failed transformation include the inability to take advantage of oil revenue to expand non-oil sectors, to rump up public investment in economic and social infrastructure, and to build forward and backward linkages within the economy. The leakages of the proceeds of oil revenue through an opaque management system (Gauthier and Zeufack 2011; 2012; Keutiben et al. 2022) as well as capital flight (Mpenya et al. 2016) has contributed to the resource-dependence trap endured by Cameroon over time. As a result, Cameroon has struggled to achieve and sustain strong economic growth, to eradicate poverty and reach other social development goals that other comparable emerging countries such as Malaysia have achieved. And the issue is not lack of resources; it has been the inability to set up the right institutional and regulatory frameworks to leverage those resources.

The next section provides an overview of the beginnings of the oil sector activities since the colonial era. As in other African resource-rich countries, such as Zambia with minerals (Ndikumana et al. 2024), and Ghana with gold (Ndikumana and Cantah 2023), at the genesis of the exploration of the oil sector, Cameroon suffered the ‘original sin’ of external dominance, which it has struggled to overcome till today. The sector was dominated by foreign companies at the exploration stage; and this continued during the production stage later. Section 3 describes the fiscal regime that governs the oil sector with an emphasis on the ownership structure of the upstream and downstream oil segments. It examines the incentives set up by the legal framework to attract private investment, highlighting innovations brought about by the 1999 Petroleum Code. Section 4 examines the contribution of the oil sector to exports and foreign exchange revenue. While the oil sector has been a key source of foreign exchange inflows, its contribution has steadily declined over the recent decades. The section also highlights the failure to diversify the export basket, further entrenching resource dependence. It also investigates the issue of export misinvoicing and provides estimates both at the aggregate level as well as relative key trading partners. Section 5 presents evidence on the overall contribution of the oil sector to the Cameroonian economy and society. It is a tale of underperformance and the many faces of the ‘curse’. Failure to sustain high growth and initiate genuine economic transformation and generate robust government revenue have contributed to the poor overall economic performance illustrated by persistent poverty and low social development indicators. The section also illustrates regional disparities along social economic outcomes. Section 6 concludes the paper with a summary of the evidence and some policy recommendations.

## **2. Emergence of the oil sector in Cameroon**

## *Colonial beginnings*

Cameroon's endowment in oil is due to its strategic geographic location as in its neighbors, Nigeria and Gabon. The belief that regions with continuous geological formations may share similar subsoil resources fueled early exploration efforts. Geologists hypothesized that Cameroon, nestled between the oil-rich regions of Nigeria to the north and Gabon to the south, likely contained significant oil reserves (Pokam Kamdem, 2021, 2022).

Oil exploration in Cameroon began under the German colonial rule. The first documented indication of hydrocarbon reserves was uncovered in 1904 by employees of the Westafrikanische Pflanzungsgesellschaft Victoria (WAPV), a German plantation company. Initial investigations were rudimentary, conducted without sufficient geological and geophysical studies. Two wells were drilled by the Internationale Bohrgesellschaft d'Erkelenz, reaching depths of 305 and 800 meters, respectively. However, these efforts failed to discover commercially viable oil reserves due to the lack of advanced geological knowledge leading to imprecisions in the choice of drilling locations.

Oil exploration efforts continued when France took over Cameroon following Germany's defeat in World War I. In 1923, Société Nationale du Cameroun (SNC), originally a timber company, was granted exploration rights. SNC's activities were supported by the Syndicat d'Etudes et de Recherches Pétrolifères de Logo-baba, which conducted geological surveys in the Douala basin. Despite promising geological indicators, the exploration did not yield significant results during that period.

After World War II, the Bureau de Recherches de Pétrole (BRP), a French government entity, intensified exploration activities using detailed geological mapping and studies. The Société de Recherche et d'Exploitation des Pétroles du Cameroun (SEREPCA) was established in 1951, inheriting BRP's research permits. Between 1951 and 1959, SEREPCA drilled over 35,000 meters across various sites, discovering several small and medium-sized gas and oil reserves. These findings sustained the hope of eventually discovering substantial hydrocarbon reserves in Cameroon.

The transition from onshore to offshore exploration marked a significant shift in the exploration strategy. In 1961, SEREPCA expanded its exploration to the coastal and offshore areas, obtaining permits in the regions of Sanaga Cameroun and Rio del Rey (see the map in Figure 1). This period also saw the entry of major international oil companies. Mobil Exploration Equatorial Africa (MEEA) acquired permits in 1965, followed by Shell Camerounaise de Recherches et d'Explorations (Shell CAMREX) in 1969, Gulf Oil Company of Cameroon (CAMGOC), Amerada Petroleum Corporation Cameroon in 1970, and Total Pakistan S.A. in 1972.

Map 1: Location of oil reserves and exploitation blocks in Cameroon



Source: SNH/NHC

### *The Government vs. the private sector*

Under the French colonial administration, the government’s role evolved from regulatory oversight to active participation in oil production in the context of a mixed economy (Pokam Kamdem, 2022). The Bureau de Recherches de Pétrole (BRP) played a significant role in preparing for the establishment of the Société de Recherche et d’Exploitation des Pétroles du Cameroun (SEREPKA).

The role of the French Commissioner in Cameroon, Théodore Paul Marchand, was central in reshaping the role of the state in the oil sector. In 1929, Marchand revoked the permit of the Syndicat d’Etudes et de Recherches Pétrolifères de Logo-baba, accusing it of inactivity and instead favoring the Compagnie Française de Pétroles (CFP). This move underscored the French colonial administration's strategy to prioritize companies with state participation over purely private ventures. The Syndicat, the consortium involved in early oil exploration efforts, resisted this

decision, arguing that the colonial administration's actions were biased towards fostering a state-dominated oil sector.

In the post-independence period, the Cameroonian government continued to fine tune its relationship with private oil companies. The initial monopoly held by SEREPCA was gradually eroded as new private players, often subsidiaries of the “Seven Sisters”<sup>6</sup> oil giants, entered the market in the early 1960s. Cameroon participated in the Société Equatoriale de Raffinage (SER), holding a 5% stake in the Port-Gentil refinery from 1965 to 1973 (Pokam Kamdem, 2021, 2022).

During the 1970s, through entities like the Société Nationale d'Investissements (SNI) and the Caisse de Stabilisation des Prix des Hydrocarbures (CSPH), the state acquired majority stakes in national oil ventures. This included a 65 percent stake in the Société Nationale de Raffinage (SONARA) established in 1973 and a 51 percent stake in the Société Camerounaise des Dépôts Pétroliers (SCDP) created in 1979. The establishment of the Société Nationale des Hydrocarbures (SNH) on March 12, 1980, with 100% of government's shares, marked a significant shift, as the government sought to assert greater control over the sector (Perrot, 1988). SNH's role was twofold: (i) promoting the development of hydrocarbons in Cameroon; (ii) managing the state's interests in the oil sector including its shares in international oil companies and crude oil production (SNH website). By January 1980, Cameroon had secured a participation agreement with the French companies Elf SEREPCA and Pecten, granting the state a 20 percent stake in the capital of these companies. This arrangement extended to other companies that obtained exploration and production permits later. The Cameroonian regime differed from that of its neighboring oil producers in its combination of participation association and production-sharing agreements, ensuring the national company SNH received at least 60 percent of oil production (Pokam Kamdem, 2021, 2022). These provisions, coupled with royalties and taxes, aimed to enhance state control over the oil sector and maximize the benefits from oil exploitation that accrue to the government and the national economy (DSCN & DIAL 1993; Perrot 1988).

### **3. The Fiscal Regime of the Oil Sector**

#### ***Ownership structure and industrial organization***

The Cameroonian oil sector is organized into two subsectors: upstream and downstream. The state has been significantly involved in organizing and managing this sector through four state-owned companies: Société Nationale des Hydrocarbures (SNH, National Hydrocarbons Corporation), Societe Nationale de Raffinage (SONARA, National Refining Company), Caisse de Stabilisation des Prix des Hydrocarbures (CSPH, Hydrocarbons Prices Stabilization Fund), and Société

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<sup>6</sup> Exxon, Mobil, Chevron, Gulf, Texaco, Shell, BP. These are multinationals who dominated the world oil industry between the years 1930 et 1970.

Camerounaise de Dépôts Pétroliers (SCDP, Cameroon Petroleum Depot Company). These companies work alongside other public and private operators in the industry.

### *The upstream oil sector*

The upstream sector encompasses activities related to the granting of oil concessions, exploration, and crude oil production. The state is represented by SNH, a public industrial and commercial entity that has financial autonomy and is governed by the General Statute of Public Enterprises of Cameroon under the OHADA<sup>7</sup> law. Its mission is to promote the development of mining and manage the state's interests in the hydrocarbon sector. The first set of responsibilities includes promoting, developing, and monitoring oil and gas activities nationwide. In this regard, SNH collaborates with international oil companies to ensure compliance with regulations and to control production costs. It also participates as an operator and runs the Mvia oil field since 2009.

The second set of responsibilities of SNH involves marketing the state's share of crude oil production on the international market through contracts. SNH also manages its own share as an investor. The prices for Cameroonian crude oil are set relative to Brent, considering quality differences, transport costs, and market demand conditions.

SNH's revenues from oil sales are transferred to the public treasury after deducting production costs. From 2010 to 2020, these transfers amounted to over 4688 billion FCFA. SNH operates under the direct supervision of the General Secretariat of the Presidency and collaborates with several ministries, including Mines, Energy, Finance, Commerce, Economy, and Environment. In 2005 Cameroon joined the Extractive Industries Transparency Initiative (EITI) in a bid to improve efficiency in the management of the oil sector. Since then, SNH regularly publishes data on its key activities and undergoes external financial audits.

It is worth noting that SNH is a major corporation that is also involved in various activities besides oil exploitation, transport, refining, storage, and quality control. These other activities include insurance (Chanas Assurances S.A., with 45.26% of shares), ship repairs (Cameroon Shipyards and Industrial Engineering Ltd, 6.75%), Hotel industry (Cameroon Hotels Corporation, 6.21%) (SNH, 2020).

Private companies, particularly multinationals, play a fundamental role in the upstream sector, primarily in exploration and extraction. The two major companies in the upstream sector are Perenco and Addax Petroleum.

*Perenco:* Perenco, the Europe's leading independent oil and gas company, has been active in Cameroon since 1993. The company operates both offshore and onshore, focusing on exploration

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<sup>7</sup> "Organisation pour l'Harmonisation en Afrique du Droit des Affaires" (OHADA), translated in English as "Organization for the Harmonization of Corporate Law in Africa".



and production. Since acquiring Total's shares in 2010, it has been the leading operator in Cameroon, with a presence in the Rio del Rey and Douala basins (Moudi and Ebome). It manages four production sharing contracts, three of which are in production (Bolongo, Dissoni, Moabi), and one in the exploration phase (Bomana in the Rio Del Rey basin). It operates two Floating Storage and Offloading units (FSOs), Lobe – which stores crude oil from Ebome, and Massongo – a converted tanker for storing crude oil from Lokele and Kole. Perenco is also involved in gas projects. Sanaga was the first offshore gas field developed in Cameroon to supply the Kribi power plant and meet the country's growing electricity demand. On September 30, 2015, Perenco and SNH signed a 10-year gas agreement with the Norwegian company Golar LNG to develop the remaining Sanaga reserves in Liquefied Petroleum Gas (LPG) for the domestic market and Liquefied Natural Gas (LNG) for export. This was accomplished in 2018 in collaboration with SNH, with the construction of the world's first floating natural gas liquefaction plant located off the coast of Kribi.

*Addax Petroleum:* Addax Petroleum was created in 1994, beginning its activities in Côte d'Ivoire, with the ambition to conquer the African market. Initially part of the Addax & Oryx Group of Companies (AOG) founded in 1987, it has been a subsidiary of China Petrochemical Corporation (Sinopec Group) since 2009, considered the world's largest conglomerate for oil refining, gas, and petrochemicals. Engaged in Cameroon since 2002, Addax Petroleum Cameroon is considered the second largest oil company in the country. It initially secured a license to explore oil offshore in the Rio del Rey basin, and it established its first oil production platform in the country when it acquired Royal Dutch Shell's shares in Pecten Cameroon SA in 2011. Addax operates through two entities, mainly Addax Petroleum Cameroon Company (APCC) and Addax Petroleum Cameroon Limited (APCL), both of which work closely with SNH and Perenco. In 2019, Addax's production exceeded 20,000 barrels per day.

#### *The downstream oil sector*

The downstream oil sector deals with crude oil derivatives and is predominantly operated by state owned companies, namely SONARA, CSPH, and SCDP, alongside multinational and national companies engaged in import and distribution of crude oil derivatives.

*SONARA:* Established by presidential decree on March 24, 1973 and inaugurated in 1981, SONARA is 96 percent state-owned, with the remaining 4 percent held by private oil companies. Initially designed to process light crude, SONARA has been upgrading its facilities since 2005 to handle heavy crude, Cameroon's main oil product. However, following a fire in its factories on May 31, 2019, refinery stopped, and since then SONARA is only involved in importing refined products. Before its shutdown in 2019, SONARA supplied 80 percent of the petroleum products consumed in the country. The remaining 20% are covered by imports national and multinational companies through calls for competitive tenders issued by the CSPH.

*CSPH*: Created by Decree No. 74/458 on May 10, 1974 following the first oil crisis, CSPH's primary mission is to regulate hydrocarbon prices nationwide by absorbing price increases within its financial means. Initially, CSPH operated as a small institution managed by a supervisory committee under the authority of the Director of Prices of Ministry of Trade. On August 26, 1998, under Decree No. 98/165, CSPH was reorganized into a modern, autonomous structure. The decree established a Board of Directors with conventional authority, a management team led by a Managing Director, assisted by a Deputy Managing Director, and an auditor. The reorganization aimed to enhance CSPH's operational efficiency and independence, enabling it to better fulfill its mission of price regulation (CSPH - HPSF 2021). To carry out its mission, the CSPH, On the basis of SONARA's ability to meet the quota of 80 percent of national demand for oil products (super, kerosene, jet, diesel, fuel), CSPH determines the volumes to be imported and launches calls for competitive tenders for the import of remaining 20 percent. Once imported, these products are stored by the SCDP pending distribution.

*SCDP*: Founded on July 1, 1979, SCDP is primarily responsible for the storage and distribution of petroleum products across the country, with a mandate to ensure the availability of petroleum products nationwide. It maintains strategic stocks, ensures compliance with administrative procedures, and collects the special tax on petroleum products (TSPP) for the state. SCDP operates a network of thirteen modern depots to store imports by multinational and national companies which are spread over seven regions across the country: 4 in Douala and 1 in Bonaberi (Littoral region), 3 in Yaoundé (Centre region), 1 in Belabo and 1 in Bertoua (Eastern region), 1 in Bafoussam (Western region), 1 in Ngaoundéré (Adamawa region), 1 in Garoua (Northern region), and 1 in Maroua (Far North region).

#### *Multinational and national oil companies*

Before 2000, the downstream oil sector was dominated exclusively by multinationals (Total, Elf, Texaco, Exxon Mobil). The liberalization of the sector during the 2000s allowed the entry of national companies and completely changed its landscape. Today about thirty companies (multinational and national) operate in the oil sector. The most important multinationals are Total Energies, which holds 18 percent of the capital of the SCDP, Corlay Cameroon (17% of SCDP's capital ) and Ola Energy Cameroon (10% of SCDP's capital). The most important national companies are Tradex Cameroon (4% of SCDP capital ), Neptune Oil Cameroon, Bocom Petroleum, Petrolex, Green Oil, and Blessing.

*Total Cameroon*: A subsidiary of the French group Total, Total Cameroon began its activities in Cameroon in 1947. A leader in exploration, exploitation, and distribution of hydrocarbons, Total controlled about 75 percent of the Cameroonian oil market from 1977, the official start of oil exploitation in the country, until 2010. Along with other companies, it played a significant role in the initial geological surveys and exploratory drilling in the 1940s. Other international participants

included Shell, Mobil (now part of ExxonMobil), Elf Aquitaine (which later merged with Total), and Chevron (an American multinational).

Total Cameroon holds 19.7 percent stake in the Société Nationale de Raffinage (SONARA), the national refining company, and 18 percent stake in the Société Camerounaise de Dépôts Pétroliers (SCDP), which handles the storage of petroleum products. In 2010, Total sold its 75.8 percent stake in its upstream affiliate, Total E&P Cameroun, to the Franco-British company Perenco, which subsequently became the leading oil producer in Cameroon. However, this sale did not include Total's downstream activities, where the company continues to be active in refining, storage, and distribution of oil products. Total Cameroun SA remains the leading distributor of oil products in Cameroon, accounting for commanding shares of key products notably super (22%), gasoil (18.6%), kerosene (56%), and fuel (18%) (2022 values) (SCDP, 2022).

### ***Regulation of the oil sector***

Given the importance of the oil sector in the Cameroonian economy, various laws have been enacted to regulate oil sector activities. Table 1 presents the key regulatory acts chronologically with their mandate.

Table 1: Key regulatory acts governing the oil sector in Cameroon

<b>Law number</b>	<b>Date</b>	<b>Description</b>
<i>Upstream oil sector</i>		
64-LF-3	April 6, 1964	Governs mineral substances, complemented by Law No. 78/14 of December 29, 1978, and its application decree No. 64-DF-163 of May 26, 1964.
64 LF-4	April 6, 1964	Establishing the basis, rates, and collection methods for fixed rights, royalties, and mining taxes; complemented and amended by Law No. 68-LF-13 of November 18, 1968.
82-20	November 26, 1982	Specifying obligations for oil companies, amended by Law No. 89-15 of July 28, 1989.
89/006	July 28, 1989	Authorizing the President of Cameroon to amend certain legislative provisions applicable to exploration and production activities of oil companies, and certain provisions of establishment agreements concluded between the government of Cameroon and oil companies.
90/018	August 10, 1990	Authorizing the Government of Cameroon to conclude establishment agreements with oil companies holding exploration permits in sedimentary basins other than Rio del Rey.
91/108	December 12, 1991	Establishing specific incentive measures to promote research and production activities in the Douala basin.

95/13	August 8, 1995	Establishing specific measures for the promotion of hydrocarbon production activities from marginal fields within the national mining domain.
98/003	April 14, 1998	Establishing specific fiscal measures for hydrocarbon research in the national mining domain.
99/013	December 22, 1999	Introducing the Petroleum Code, complemented by its application decree (No. 2000/935/PM) of June 30, 2000, establishing the conditions for conducting oil sector activities. This law repealed all previous conflicting provisions from Law No. 64-LF-3 of April 6, 1964 to Law No. 98/003 of April 14, 1998.
2019/008	April 25, 2019	Updating the Petroleum Code and abrogating all previous conflicting provisions, particularly those under Law No. 99/013 of December 22, 1999. <i>Downstream oil sector</i>
95/135/PM	March 03, 1995	<i>Decree amending certain provisions of Decree 77/528 of 23 December 1997 regulating the storage and distribution of petroleum products</i>
2000/935/PM	November, 13 2000	<i>Order Laying Down the Conditions for the Pursuit of Activities in the Downstream Petroleum Sector and Subsequent Amendments</i>
06-2001	October, 19 2001	<i>Law on the organization of refining, import, export, transit, re-export, storage, mass transport, distribution and marketing of hydrocarbons and hydrocarbon-derived products</i>
022/MINMEE	September, 28 2001	<i>Decree specifying certain conditions for carrying out activities in the downstream petroleum sector</i>

Source: Authors' compilation from various official sources.

The evolution of the regulation of the oil sector can be divided into two major periods. The first period from the early 1960s to 1998 is characterized by the establishment of foundational laws and regulations that were generally complementary. During this period, the legal framework was primarily focused on attracting foreign investment and establishing basic operational guidelines for exploration and production activities. Key legislative acts included the initial petroleum laws and various amendments aimed at addressing emerging challenges and opportunities in the sector.

The second period starting in 1999 is marked by the enactment of the Petroleum Code of 1999,<sup>8</sup> a comprehensive document containing all necessary elements for the regulation of the upstream oil sector. It contains a set of key laws that liberalized the downstream oil sector. This period also saw greater participation in the oil sector by local actors, including the state, reflecting a shift towards more national control of the country's oil resources.

<sup>8</sup> The latest edition of the Petroleum Code was promulgated in 2019 (Republic of Cameroon, 2019).

### *Incentives provided by the Petroleum Code of 1999*

The Petroleum Code of December 22, 1999 introduced several fiscal and non-fiscal incentives aimed at encouraging foreign direct investment (FDI) in the upstream sector. These key incentives are the following:

- Exemption from all taxes or duties after corporate taxes on profits and dividends paid to shareholders.
- Exemption from all direct taxes on oil operations benefiting the state and local authorities. This also applies to the supply of goods and services, including studies directly related to oil operations (Articles 99, 105, 106 of the Petroleum Code).
- The ability of foreign investors to expatriate their share of hydrocarbons without paying exit duties and taxes (Article 109).
- Investor friendly exchange rate regulations, including allowing expatriate workers and multinationals to transfer their profits abroad (Article 110).

Partly as a result of these incentives, FDI inflows into Cameroon's oil sector steadily increased between 1999 and 2005. The leading investors were Perenco (France), Addax Petroleum (China), and Total (France). By 2005, Cameroon had secured investment contracts with over 25 international companies, including those from the United States and China, drawn by the attractive tax regime and profit-sharing agreements. However, while FDI inflows remained steady, consistently above \$600 million from 2014 onwards, they have been lower compared to neighboring oil-rich countries such as Gabon and the Republic of Congo. Cameroon's ability to attract similar levels of foreign direct investment as its regional peers has been hampered by inadequate infrastructure and a complex legal system (Whiteaker, 2020).

The incentives provided by the Petroleum Code not only boosted FDI but also led to increased oil production. By 2005, oil production had risen by 15% compared to pre-1999 levels, with Perenco and Total accounting for the bulk of the increase. From 2000 to 2008, oil production averaged around 80,000 barrels per day (bpd), with a peak of 90,000 bpd in 2006. The introduction of profit-sharing agreements and tax exemptions on services and equipment encouraged companies to modernize their operations, improving extraction efficiency. These regulations also provided flexibility in export operations with the removal of the exit duties, a move that further encouraged investment in exploration and production, and increasing government revenue (Presidency of the Republic of Cameroon 2019).

### *Fostering transparency – the EITI*

Cameroon joined the Extractive Industries Transparency Initiative (EITI) in 2007 with the goal of promoting transparency and efficiency in the management of the oil sector. In the 2024 EITI report, however, Cameroon received a relatively low score of 53 points in implementing the 2019 EITI

Standard (EITI 2024). The report pointed out significant issues with stakeholder engagement and planning processes. It noted that the *ad hoc* approach to work planning and the lack of substantive consultations with broader constituencies are critical areas needing improvement.

Furthermore, observers have expressed concerns about the inadequacy of the regulatory framework in promoting effective technology transfer (Foka, 2024). Despite the Petroleum Code's emphasis on local content and technology transfer, the implementation of these provisions has been inadequate. The regulations have not effectively ensured the transfer of appropriate technology to local entities, which is hindered by an inadequate legal environment and limited infrastructure.

### *Dominance of multinational corporations*

The Cameroonian upstream oil sector is heavily dominated by multinational corporations, with virtually no presence of local private companies in exploration and production. The dominance of multinational corporations is particularly evident in the exploration phase. For example, British companies Gas du Cameroon and Afex hold 75% and 25% of the Matanda block within the Douala/Kribi-Campo basin. Similarly, Perenco Rio del Rey, a Franco-British company, has full control over the Bomana block in the Rio Del Rey basin. In the Logone Birni basin, Yan Chang Logone Development Holding Co. Ltd, a Chinese company, also holds 100% of the Zina-Makary block. These figures underscore the complete reliance on foreign expertise and capital in the exploration of Cameroon's oil resources.

Multinational corporations also hold dominant positions in the production phase. For instance, Perenco Cameroon has a 75% stake in the Sanaga Sud field, which supplies natural gas to the Kribi power plant. Additionally, Perenco holds a 75% stake in the Moabi field, a 40% stake in the Moudi field and 37.5% in the Dissoni Nord field. Addax Petroleum, a Chinese subsidiary, also has a strong presence, with a 70% stake in the Iroko field and 40% in the Mokoko Abana field. Perenco Rio del Rey holds 100% of the Bomana block, while Yan Chang Logone Development Holding Co. Ltd controls 100% of the Zina-Makary block.

The only Cameroonian entity involved in exploration and production is the state-owned SNH, which in most cases holds minority stakes in joint ventures with multinational corporations. For instance, SNH holds a 25% share in the Yoyo field alongside Noble Energy and a 50% share in the Moudi field with Perenco. However, no private local company appears in the list of operators or significant stakeholders, highlighting the challenges faced by domestic enterprises in competing within the capital-intensive and technologically demanding oil industry.

### *Government revenue mobilization instruments in the oil sector: a comparative perspective*

The main instruments for revenue mobilization from the oil sector are taxes, duties, and royalties as stipulated in the General Tax Code and the Customs Code. In addition, oil companies are required to pay several specific levies, including the following:

- Annual surface royalty: A fee paid for the right to explore and exploit the surface area.
- Production-based royalty: A percentage of the value of the oil produced.
- Corporate profit tax: Levied on the net profits from research and exploitation activities, with rates ranging from the general tax rate in the General Tax Code to 33% (PwC 2024).
- Income from transportation: Taxed separately (Articles 89, 90, 91, 92, and 93 of the Petroleum Code).
- IT royalty on imports: A fee levied on the import of technology and equipment (Article 108).

Oil contracts may also stipulate quantity-based signing and production bonuses to be paid to the state by the oil company (Article 97). The list is not exhaustive.

To provide some comparative perspective, it is useful to compare the Cameroonian fiscal regime with that of other oil-rich countries. Here we use the cases Nigeria, Ghana, Norway, and Angola, a sample that offers substantial diversity in fiscal regimes and varying levels of transparency and governance. Nigeria's recent reforms under the Petroleum Industry Act, Ghana's transparent revenue management, Norway's high-tax, high-transparency model, and Angola's high-tax regime offer varied perspectives and practical lessons for improving oil sector management and revenue mobilization in Cameroon.

Nigeria's Petroleum Industry Act (PIA) of 2021 is designed to attract investment with a dual tax system including hydrocarbon tax and company income tax. Hydrocarbon corporate income tax rates range from 15% to 30% depending on the terrain (onshore, shallow offshore, deep offshore). The 2021 PIA simplified the fiscal regime and introduced lower royalties for deep offshore production, with the aim of incentivizing investment in more challenging extraction environments. However, implementation and enforcement of regulations remain inefficient. The frequency of regulatory changes can deter long-term investments (Resolution Law Firm 2021). Compared to Cameroon, Nigeria's tax regime is more tiered and simplified, potentially making it more attractive for investors. Cameroon's detailed provisions for accounting and specific bonuses facilitate control and enhance transparency in revenue mobilization.

Turning to Ghana, the Petroleum Revenue Management Act (PRMA) of 2011 establishes a transparent framework for managing government revenue from petroleum. The fiscal regime includes royalties ranging from 4% to 12.5%, a corporate income tax of 25%, and additional oil entitlements, seeking a fair revenue share for the state while keeping the sector attractive to investors. Cameroon offers more tax exemptions in the oil sector compared to Ghana, potentially making it more attractive for foreign direct investments. However, Ghana's structured approach

to revenue management provides a more balanced revenue-sharing mechanism, ensuring higher long-term benefits for the state.

Norway's fiscal regime is based on the key principle that "exploration, development and production must result in maximum value creation for society, and that revenues must accrue to the Norwegian state and thus benefit society as a whole" (Norwegian Ministry of Petroleum and Energy 2024).<sup>9</sup> The rules for ordinary company taxation are set out in the Petroleum Taxation Act (Act of 13 June 1975 No. 35). They provide for a 22% ordinary company tax rate, a special tax of 56%, leading to a total marginal tax rate of 78%. The model emphasizes transparency, with significant portions of oil revenues saved in the Government Pension Fund Global, a key instrument that is used to promote long-term economic stability. High tax rates in Norway can deter investors, particularly smaller companies or those with higher operational risks. Norway's model stands as a benchmark for transparency and efficiency in oil revenue management. Cameroon's lower tax rates and the more expansive range of incentives are supposed to make it more attractive to investors than its neighbors. However, the country is compromised by weak implementation efficiency and the absence of long-term savings mechanisms that are characteristic of the Norwegian model.

Lastly, Angola's petroleum fiscal regime includes royalties ranging from 10% to 20% and a corporate income tax rate of 25%. The country also imposes a petroleum income tax of 65.75% on profits oil,<sup>10</sup> reflecting a high-tax, high-revenue approach. However, high tax rates can deter investment, particularly in new or marginal fields. Angola also faces governance and transparency challenges, which undermine the effectiveness of the fiscal regime (PWC Tax Summaries 2024; International Trade Administration 2024; Shaxson 2022). The lower corporate income tax rates and diverse range of incentives in Cameroon make it more investor friendly compared to Angola's high-tax regime. However, there is a need to strike a delicate balance between maximizing revenue streams for the state and encouraging private investment in the oil sector.

#### **4. Production of Oil and Related Products**

##### ***Crude oil production***

Crude oil production in Cameroon has generally declined from 8.7 million tons in 1969 to 5.8 million tons at the turn of the century (Figure 1). It was estimated at 3.1 million tons in 2023, less

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<sup>9</sup> The motivation of this principle is as follows: "The main reason for this is the extraordinary returns that can be obtained by producing petroleum resources. Since these resources belong to society, the Norwegian state secures a large share of the value creation through taxation and the system known as the State's Direct Financial Interest (SDFI) in the petroleum industry" (Norwegian Ministry of Petroleum and Energy 2024).

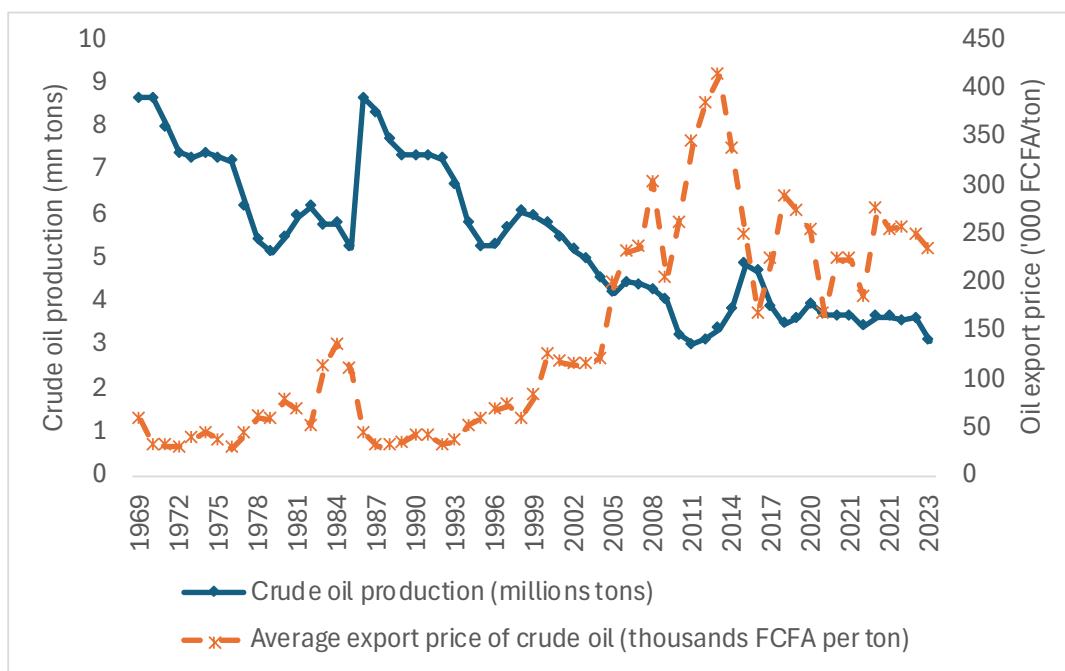
<sup>10</sup> In the petroleum fiscal regimes "profit oil" refers to the share of production remaining after deducting costs and royalties.



than half the quantity registered in 1969. Episodes of recovery have been short-lived, such as over 1994-1999 and after the global financial crisis (2011-2015).

The trend of crude oil production does not appear to be correlated with oil prices. While oil prices were generally rising from 1975 to 1984, oil production was generally declining, except for a short-lived rise from 5.1 million tons in 1979 to 6.2 million tons in 1982. From 30,200 FCFA per ton in 1988, the price of crude oil started a long climb punctuated by the global financial crisis in 2008. It peaked at 413,000 FCFA per ton in 2013 before collapsing in 2014. During that period, oil production steadily declined from 7.7 to 3.1 million tons. Since 2015, oil prices have exhibited wide fluctuations, which are not reflected in proportional variation in crude oil production. Overall, the data indicate that the connection between oil production and prices is not systematic, suggesting that non-price factors have a significant influence on crude oil production in Cameroon.

Figure 1: Crude oil production in Cameroon and crude oil prices, 1969-2020



Source: Authors' construction with data from SNH and BEAC (Cadres Macroéconomiques, Tableau 1)

### ***Crude oil production by operator***

To shed more light on the evolution of crude oil production, it is helpful to examine the contribution by individual operators. The quantities produced by the major operators over 2005-2020 are presented in Table 1. Total E&P maintained consistent production levels around 21 million barrels annually from 2005 to 2008, followed by a gradual decline in subsequent years. Pecten showed stable production at approximately 6 million barrels annually until 2011, after

which its production diminished. The stability in production until the last decade may be attributed to strong established infrastructure and consistent operational strategies, with Total E&P's market dominance and Pecten's operational efficiency playing significant roles.<sup>11</sup> The decline in oil production has been attributed to aging oil fields and reduced investments in new oil explorations.

After acquiring Total's shares, Perenco increased its production from around 3 million barrels in the mid-2000s to over 26 million barrels by 2015. This surge was driven by aggressive investment in redevelopment and optimization of existing fields, strategic operational expansions in the Rio del Rey and Douala basins, and the introduction of new technologies and efficient production techniques (Africa Energy Chamber 2024; Energy Capital & Power 2023; Perenco 2023).

ADDAX began reporting production in 2011, with output increasing to peak at over 11 million barrels in 2014, before stabilizing at around 8-9 million barrels in the following years. ADDAX's performance in production was driven by investment in exploration and development projects, supported by a favorable regulatory environment and incentives aimed at attracting foreign investment, with substantial backing from China Petrochemical Corporation (Cording and Nie 2024).

The peak in crude oil production in 2015 can be attributed to high output from Perenco and ADDAX. However, this was followed by a decline due to natural depletion of oil reserves, operational challenges, and unfavorable global oil prices affecting investment and production levels. Production was also negatively impacted during this period by governance and regulatory issues, including challenges in enforcing contracts and managing revenues (EITI, 2023). Other operators, notably RODEO, SNH and Gaz du Cameroun contribute a negligible quantity of crude oil.

Table 1: Crude oil production by operator (million barrels)

Year	Total E&P	Pecten	Perenco	ADDAX	Others*	All operators
2005	20.2	7	2.9			30.1
2006	21.5	6.6	3.9			32.0
2007	21.6	6.2	3.5			31.3
2008	21.6	6	3.2			30.8
2009	17.4	6.3	3			26.7
2010	14.4	6.3	2.6			23.3
2011		5.6	16			21.6
2012			16.7	5.7		22.4
2013			18.2	6.1		24.3

<sup>11</sup> SNH website.

2014			19.4	7.9	0.2	27.5
2015			26.1	8.7	0.1	34.9
2016			22.5	11.1	0.1	33.7
2017			17.5	10.2	0.4	28.1
2018			16.3	8.9		25.2
2019			17.2	8.8		26.0
2020			18.8	7.7		26.5
2021			18.4	7.2	0.02	25.6
2022			18.1	6.8	0.02	24.9

Source: SNH database

\* Note: Others are RODEO, SNH, Gaz du Cameroun

The contracts between private oil companies and the State are mostly production-sharing arrangements. Table 2 presents the State's production shares from 2005 to 2022. On average, the State's share have varied between 58% and 66.5% over that period.

Tableau 2: State's share of oil production across private companies (in percentage)

Year	Total E&P	Pecten	RODEO	Perenco	ADDAX	GAZ du Cameroun	All operators
2005	67.0	69.5		31.4			64.2
2006	67.1	69.5		41.8			64.5
2007	66.9	69.5		48.7			65.4
2008	67.3	69.5		49.9			65.9
2009	67.9	68.7		50.0			66.1
2010	68.1	69.0		52.0			66.5
2011		69.2		65.5			66.5
2012			26.9	64.9	69.3		66.0
2013			0.0	60.8	69.5		62.9
2014			18.2	58.9	62.1		59.4
2015			11.9	62.7	59.9		61.7
2016			14.6	62.4	54.1		59.5
2017				61.6	55.2	12.5	58.3
2018				60.3	64.0	13.3	61.6
2019				60.4	65.0	13.6	61.9
2020				56.9	66.2	3.5	59.6
2021				54.9	66.7	3.9	58.2
2022				56.3	66.6	6.2	59.1

Source: SNH database

### *Oil refinery and supply to the domestic market*

The government's oil sector development strategy aimed to minimize the country's dependence on imported oil by developing oil refineries to supply the domestic market. Thus, the government created Société Nationale de Raffinerie (SONARA) by Presidential Decree No. 73/135 of 24 March 1973 and inaugurated it in 1981. The company is 96 percent owned by the state, with the remaining 4 percent owned by private oil companies. SONARA was designed to process light crude with a capacity of 2,100,000 tons per annum. The decision to establish a structure that can only process light crude oil turned out to be problematic given that Cameroon's reserves contain primarily heavy crude oil, which means that SONARA was set up to depend on imported crude oil. This set up increases oil production costs, undermining the company's competitiveness relative to imported oil.

The decision to set up SONARA's refinery to process light crude was reportedly motivated by the desire to guarantee the sustainability of the company in the long term given the limited amounts of national oil reserves. It was uncertain that the oil reserves of the Rio Del Rey basin, which was the only exploited site in the country at the time of creation of SONARA, could guarantee adequate supply of crude oil to the refinery in the long term. In addition, heavy crude oil is highly prized on the international market and therefore more expensive compared to light crude oil which is available from several neighboring countries (Nigeria, Gabon, Congo). Indeed, Nigeria was one of the main sources of light crude oil supply for SONARA.

However, the discovery of new oil fields in the Rio Del Rey basin, the entry into production of the Douala/Kribi-Campo basin in 1997 and the evolution of the technology used to process heavy crude oil led SONARA to review its strategy. Since 2005, SONARA upgraded and modernized its facilities to increase capacity to process heavy crudes, in addition to light crude. This would enable the company to export refined products in addition to supplying the local market.

On May 31, 2019, the fate of SONARA was shattered by a fire in its factory, causing all production units to shut down on June 1, 2019. While waiting for the rehabilitation of its production units, SONARA is engaged in the import of refined products (<https://sonara-cm.cm/>).

## **5. Oil exports and foreign exchange revenue**

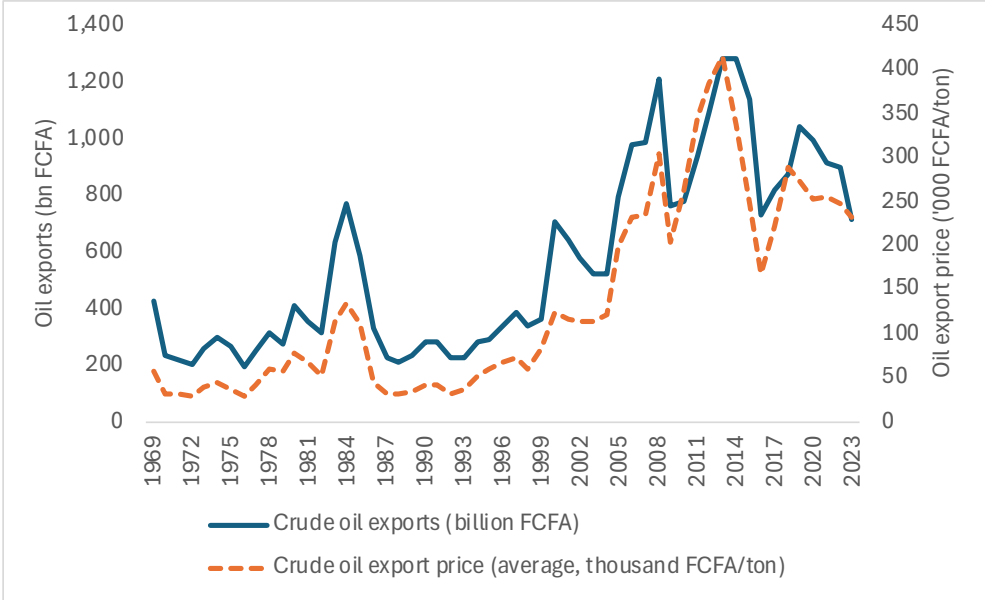
### ***Oil exports: leveraging oil price booms***

As would be expected, oil exports have been influenced by world oil markets, which have exhibited significant fluctuations over time due to the vagaries of international commodity prices and exogenous shocks to oil production and demand. In the late 1960s and 1970s, crude oil prices were relatively low, but they started to increase significantly towards the end of the 1970s (Figure 2). The price of crude oil rose from 330 FCFA per barrel in 1969 to 6,586.7 FCFA per barrel in 1979. During this period oil exports increased, although not always proportional to price changes.

In 1969, oil exports stood at 429 billion FCFA but fluctuated in the following years, dropping to 202 billion FCFA in 1972 before peaking at 407.8 billion FCFA in 1980.

Crude oil prices continued to be volatile through the 1980s, leading to volatility in Cameroon’s oil exports. Prices peaked at 12,478.4 FCFA per barrel in 1984 but dropped significantly to 4,969.5 FCFA per barrel in 1986 due to reduced global demand. Cameroon’s oil exports mirrored the price volatility, peaking at 772.9 billion FCFA in 1984 before declining to 330.5 billion FCFA in 1986.

Figure 2: Crude oil exports from Cameroon, 1969-2023



Source: BEAC database

The 1990s were characterized by moderate stability of global oil prices and Cameroon’s oil exports. Prices ranged from 4,768.9 FCFA per barrel in 1993 to 11,189.5 FCFA per barrel in 1997, while oil exports fluctuated in the 200-400 billion FCFA range. The introduction of new production technologies and improved global oil demand contributed to a more stable market. The economic crisis in the early 1990s and structural adjustment programs in Cameroon also played a role in these fluctuations.

The early 2000s marked a significant boom in oil prices, with prices soaring to 20,048.9 FCFA per barrel in 2000 and peaking at 43,257.7 FCFA per barrel in 2008. This increase was driven by rising global demand, geopolitical tensions that negatively affected oil supply, and economic growth in emerging markets. Thus, oil exports surged, reaching 1,210.8 billion FCFA in 2008. However, the global financial crisis of 2008 led to a sharp decline in oil prices and exports, with prices dropping to 29,043.9 FCFA per barrel in 2009 and exports falling to 765.5 billion FCFA.

From 2010 onwards, crude oil prices recovered but continued to fluctuate due to varying global economic conditions, technological advancements in oil extraction, and a shifting geopolitical landscape. Oil prices peaked at 53,613.3 FCFA per barrel in 2012 but declined thereafter, down to 23,747.4 FCFA per barrel by 2020. Oil exports followed a similar trend, peaking at 1,281.7 billion FCFA in 2013 and declining to 620.2 billion FCFA in 2020. The period reflects the impact of global market oversupply, advancements in alternative energy sources, and the COVID-19 pandemic, which significantly reduced global oil demand and disrupted markets.

### *Foreign exchange revenue*

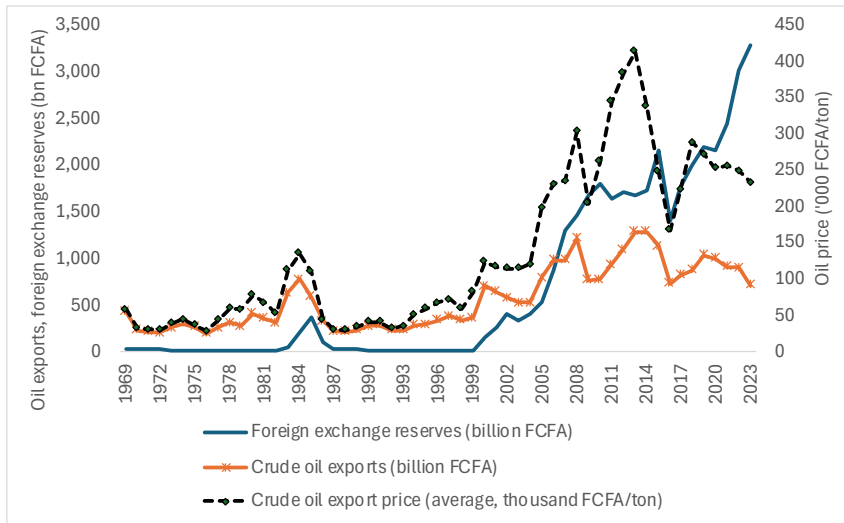
The main factors of the ability of the oil sector to generate foreign exchange revenue include the trend in the volume of oil exports and the amount of export proceeds that are effectively channeled back into the country's reserves in the banking system – at the central bank or in exporters' accounts at domestic commercial banks. The volume of exports is influenced by both supply (production) as well as the demand for and price of oil in the international markets. As can be seen in Figure 3, the long-term trend of oil exports and foreign exchange reserves exhibits two major phases. Until 1994, both were low and relatively stable, except for a jump in 1984. From 1995 onward, both experienced an acceleration driven in major part by rising oil prices during the commodity booms that preceded the 2008 global financial crisis. Thereafter the pace of oil exports decelerated and became more volatile, while foreign exchange reserves continued to accumulate rapidly when oil prices recovered from the 2014 slump.

While the volume of foreign exchange reserves increased since early 1994, their capacity to cover the country's imports remained inadequate – below the recommended three-month import cover until 2006 (at 4.3 months) (Figure 4). Since then, the import cover has increased steadily, often exceeding twice the recommended threshold. The ratio was estimated at 7.7 months in 2023.

To what extent has the oil sector contributed to foreign exchange accumulation? As indicated above, this depends on both the performance in terms of total exports, but also and very importantly on the extent to which the hard currency earned from exports is repatriated into the country. While the former depends on developments in demand and supply side of the oil markets, the latter depends on the fiscal regime that governs the oil sector.

The relative contribution of the oil sector to foreign exchange revenue generation has slowly but steadily declined over time, as illustrated in the falling share of oil in total exports (Figure 5). In 1969, crude oil represented 53.7 percent of total exports. Today the ratio is just above 20 percent. In 1969, primary commodities accounted for 88 percent of total exports; the ratio is currently below 60 percent.

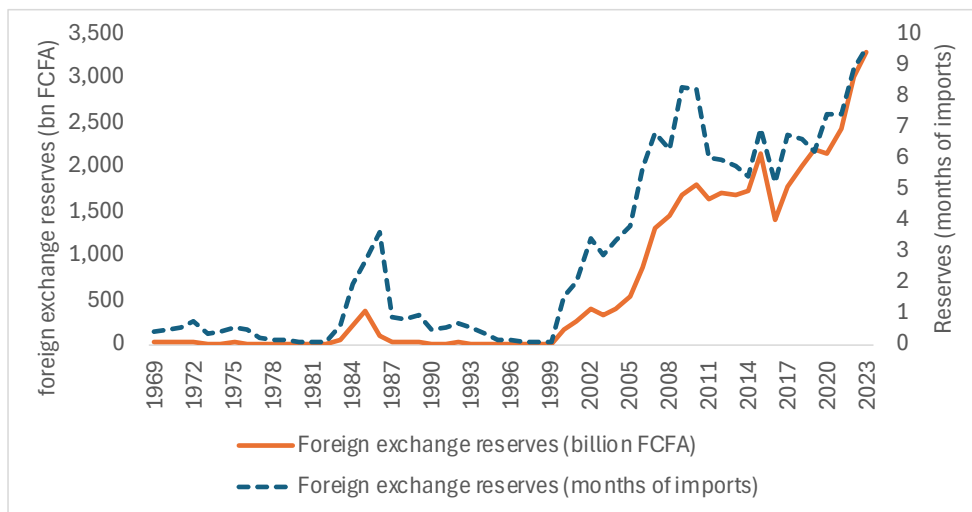
Figure 3: Trend of petroleum exports and foreign exchange reserves in Cameroon, 1969-2023



Source: BEAC

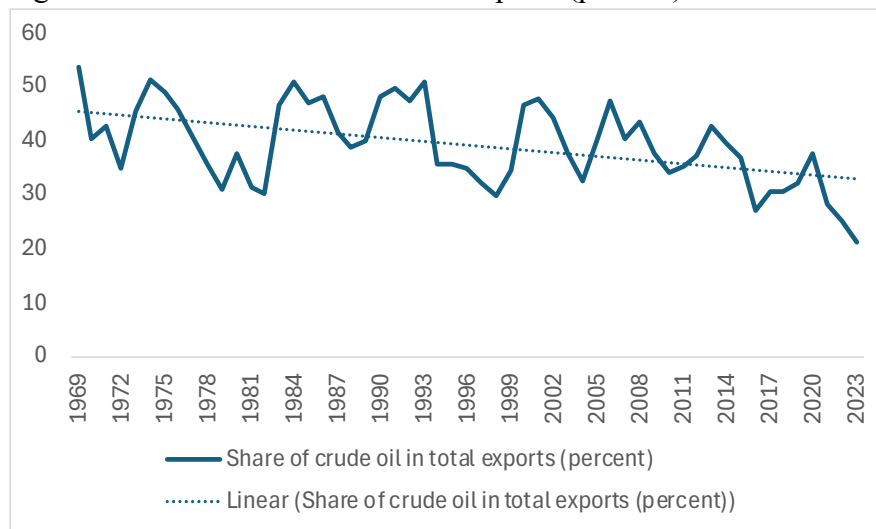
However, the country's chances to significantly diversify its exports have been hampered by its inability to develop the oil value chain through domestic refinery of crude oil. Refining oil domestically reduces the import bill and the dependence on the international oil markets for domestic consumption of oil products. At the same time, to the extent that refining capacity can be increased appropriately it would also expand the export basket. The refinery of oil was entrusted to SONARA, whose mandate was primarily to serve the needs for domestic fuel consumption. One structural challenge confronted by SONARA was the currency mismatch between its input expenditures and its sales revenues. The company's system was set up to process light crude oil, which had to be imported, and hence paid for in hard currency, along with the other imported inputs and services. As the company's mandate was to serve primarily the domestic market, its sales were in the national currency (FCFA). If indeed most of its production is sold domestically, this implies that the company puts significant pressure on the country's foreign exchange reserves. Nonetheless, a major advantage is that by supplying the local market with oil products, the company also contributes to reducing the foreign exchange needs related to oil products. Therefore, the net effects on the foreign exchange reserves are an empirical question that can only be answered through careful examination of the data on the company's balance sheets, specifically its demand for foreign exchange as well as the savings implied by its supply of finished oil products to the domestic market.

Figure 4: Trend of foreign exchange reserves and import cover, 1969-2023



Source: BEAC database

Figure 5: Share of crude oil in total exports (percent)



Source: BEAC database

### Counting the barrels: oil export misinvoicing

The extractives sector has been historically exposed to export misinvoicing whereby exporters under-declare the value of their exports by manipulating the quantities or prices or both to earn extra hard currency that will not be surrendered to the authority, or by intentionally misreporting the type of the product exported to benefit from reduced export levies. The misinvoicing of exports of minerals and oil is indeed one of the main reasons why resource-rich countries tend to experience higher capital flight than their peer resource-scarce countries (Ndikumana et al. 2015; Ndikumana and Boyce 2022; Ndikumana and Sarr 2019). It is possible, however, that in the case



of Cameroon, the organizational structure of the oil sector mitigates the risk of export misinvoicing driven by foreign exchange and fiscal incentives. This is because crude oil and oil products are primarily exported by SNH, which is a state company. This implies that the explanation for discrepancies in mirror trade statistics that are typically used to estimate export misinvoicing is more complex. Nonetheless, some studies have found significant amounts of export misinvoicing in the oil sector, and much higher than in other export products such as timber (Mpenya et al. 2016).

Following the established approach for estimating export misinvoicing, we compare the value of oil exports as reported by Cameroon in the United Nations' Comtrade database to the value of oil imports as reported by its trading partners in this database. We consider the period 2000-2021 where data is the most available on both sides of the trade. We estimate both aggregate export misinvoicing as well as misinvoicing by trading route considering the major trading partners identified based on their respective shares in Cameroon's total oil exports. We consider oil products according to the international harmonized classification system, codes HS2709 to HS2715. The category HS2709 "Petroleum oils and oils obtained from bituminous minerals; crude" represents most of the oil exports, indicating that the country exports mostly unprocessed oil. This category represents over 82 percent of Cameroon's reported total oil exports and 89 percent of its partners' reported oil imports from the country.

The algorithm we use to estimate oil export misinvoicing is described in Ndikumana and Boyce (2022, 2021). Export misinvoicing is estimated for each of the HS categories separately to obtain aggregate misinvoicing.

Oil export misinvoicing ( $XMISINV$ ) relative to a trading route or partner  $j$  in year  $t$  is estimated as follows:

$$XMISINV_{jt} = M_{jt} - (1 + cif_{jt}/100) * X_{CMR,t}$$

The terms  $M_{jt}$ ,  $X_{CMR,t}$ , and  $cif_{jt}$  represent, respectively, partner  $j$ 's oil imports from Cameroon, Cameroon's oil exports to partner  $j$ , and the cost of insurance and freight factor between Cameroon and partner  $j$ , which is reported in OECD ITIC database as a percentage of the CIF value of the partner's imports. This algorithm is repeated by HS category and the results are summed up by year to obtain total oil export misinvoicing over time. We consider only years where both Cameroon and its trading partner report a value for exports and imports, respectively. In a year where only one partner reports, export misinvoicing is set to zero. This approach, therefore, most likely underestimates the extent of export misinvoicing in cases where the failure to report was done deliberately to pursue acquisition of unreported foreign exchange or to avoid export levies.

The results of estimation of oil export misinvoicing by HS category are reported in Table 3. The table presents total exports by Cameroon and imports by its partners both considering all observations/years as well as considering only years where there is matched reporting; i.e., when both Cameroon and its partner report a value for the trade transaction. The results in the table show

substantial discrepancies between the value of oil exports declared by Cameroon for the category HS2709 and the values of imports declared by its partners for that category. Specifically, partners declare a substantially higher value than Cameroon. Adding the cost of insurance and freight (cif) to the value of reported Cameroon's exports, partners' imports exceed cif-adjusted Cameroon's exports by a total of \$14.7 billion for this category over the period 2000-2021. In the case of category HS2710,<sup>12</sup> the difference is in the opposite direction, with Cameroon's exports exceeding its partner's imports by \$1.9 billion. Overall, mirror trade data show a net surplus of about \$13 billion of imports by partners over Cameroons cif-adjusted exports for all HS categories combined. The study by (Mpenya et al. 2016) estimated oil export misinvoicing amounting to \$7 billion over the 1995-2012 period, much more than for timber exports (\$1.7 billion).

The discrepancy of \$13 billion is typically interpreted as indicating oil export misinvoicing as a channel of capital flight. However, in the case of Cameroon where the export of oil is primarily managed by the state company SNH, the standard incentives for misinvoicing do not apply. It is more likely that the discrepancies are due to inadequacies in statistical reporting of oil exports. This is an issue that deserves to be examined regarding the compilation of export statistics and their reporting to the UN Comtrade database. Transparency in the reporting of bilateral trade statistics is essential for preventing capital flight through trade misinvoicing.

Table 3: Oil export misinvoicing over 2000-2021, constant 2021 US\$ (million)

HS Code	All years		Years with matched reporting only		
	Cameroon exports	Partners' imports	Cameroon exports	Partners' imports	Export misinvoicing
2709	31,874.9	47,967.5	31,874.9	47,967.5	14,684.2
2710	5,158.2	3,610.0	5,158.2	3,610.0	-1,935.4
2711	1,512.3	1,961.0	1,512.3	1,961.0	318.5
2712	0.2	0.1	0.1	0.1	-0.1
2713	120.0	2.7	86.0	2.7	-92.8
2714	0.6	0.6	0.6	0.6	-0.1
2715	0.9	0.4	0.7	0.4	-0.3
Total	38,667.1	53,542.4	38,632.8	53,542.4	12,974.1

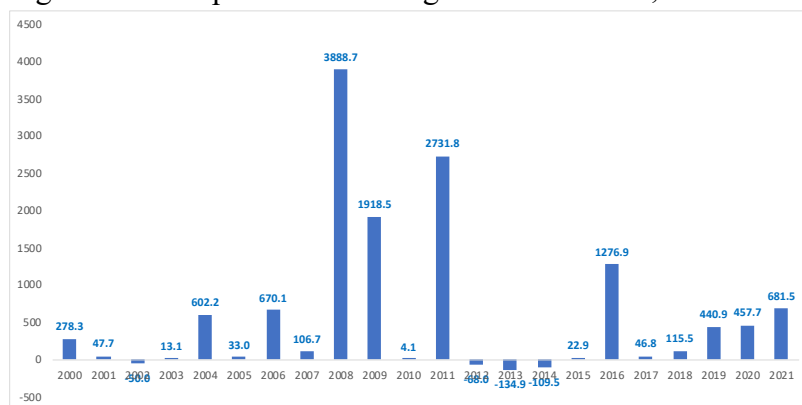
Source: Authors' computations

Figure 6 presents the evolution of net oil export misinvoicing from 2000 to 2021. The figure shows particularly large discrepancies in some years between Cameroon's reported oil exports and its partners' imports. The largest discrepancies are observed in 2008 (\$3.9 billion in constant 2021

<sup>12</sup> HS2710: Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; these being the basic constituents of the preparations; waste oils

US\$), 2009 (\$1.9 billion), 2011 (\$2.8 billion) and 2016 (\$1.3 billion). In those years, Cameroon reports tiny values of oil exports; e.g., \$3.1 billion of partners' imports in nominal terms but only \$21.3 million of Cameroon's exports in 2000. These years could be the focus of an investigation of the sources of these statistical discrepancies in mirror oil trade data between Cameroon and its trading partners.

Figure 6: Oil export misinvoicing over 2000-2021, constant 2021 US\$ (million)



Source: Authors' computations

To further investigate the discrepancies in oil trade statistics, we undertake an estimation by trading partner focusing on the top 8 partners that represent 66 percent of Cameroon's total oil exports and 71 percent of all partners' oil imports from Cameroon. The respective values of oil trade and each partner's shares are presented in Table 4. The two leading trading partners are Spain which accounts for 21.7 percent of all partners' imports and 20 percent of Cameroon's oil exports, and Italy with shares of 14.3% and 12.9%, respectively.

The results of the estimation of export misinvoicing by trading route are presented in Table 5. Export misinvoicing is estimated using, alternatively, the average cif factor across all HS categories (column 3) and the average cif for only HS2709 and HS 2710 (column 4) which represent over 90 percent of total oil exports. There is an overall discrepancy of \$5.3 billion (col. 4) and \$5.7 billion (column 5) between Cameroon's reported oil exports and its top 8 partners' reported imports. Specifically, it seems that Cameroon systematically reports a smaller value of oil exports than its partners' reported oil import from the country. The discrepancies are largest for trade with the United States (\$2.2 billion) and Spain (\$1.1 billion). The next partners with significant discrepancies in mirror trade data are India (\$777 million), Italy (\$604 million) and the Netherlands (\$528 million).

The discrepancies in oil trade data suggest potential structural recording issues that deserve to be investigated. Investigations of the sources of discrepancies in mirror trade statistics for oil exports would begin by exploring the case of the leading trading partners. As oil exports are managed by SNH, these discrepancies do not likely reflect the usual problem of export misinvoicing motivated

by the pursuit of access to unrecorded foreign exchange and avoidance of export levies. They nonetheless call for attention with a view to identify strategies for ensuring consistent reporting of bilateral trade statistics as a means of preventing capital flight through export misinvoicing.

Table 4: Top trading partners for Cameroon's oil (considering all years) over 2000-2021, constant 2021 US\$ (million)

Trading partner (importer from Cameroon)	Cameroon exports (million US\$)	Partners' imports (million US\$)	Partner's share (% exports)	Partner's share (% imports)
China	3,221.8	4,713.9	8.3	8.8
France	2,052.0	2,151.3	5.3	4.0
India	2,371.0	3,771.5	6.1	7.0
Italy	5,007.0	7,674.2	12.9	14.3
Netherlands	927.2	899.4	2.4	1.7
Portugal	2,573.3	2,884.9	6.7	5.4
Spain	7,800.6	11,620.4	20.2	21.7
USA	1,471.3	4,405.5	3.8	8.2
Top 8 partners	25,424.3	38,121.2	65.8	71.2
Total (all partners)	38,632.8	53,542.4	100.0	100.0
Percentage of total	65.8	71.2		

Source: Authors' computation

Table 5: Export misinvoicing vis-a-vis major partners (considering only years with matched reporting) over 2000-2021, constant 2021 US\$ (million)

	Cameroon exports (1)	Partners' imports (2)	Export misinvoicing (3)	Export misinvoicing (4)
China	3,221.8	3,485.0	292.9	465.7
France	2,039.9	2,151.3	-5.6	38.5
India	2,208.2	2,927.3	664.9	777.0
Italy	5,007.0	5,865.5	597.1	604.1
Netherlands	833.0	733.6	513.0	528.3
Portugal	2,572.8	2,531.8	-128.8	-123.2
Spain	7,800.6	9,532.9	1,119.5	1,134.0
USA	1,471.3	3,374.0	2,240.2	2,283.6
Top 8 partners	25,154.6	30,601.4	5,293.2	5,708.0
Total (all partners)	38,667.1	53,542.4	12,974.1	10,423.0
Percentage of total	65.1	57.2	35.9	53.3

Source: Authors' computations

Notes: Export misinvoicing option (3): using the overall average cif/fob ratio across all HS categories; option (4): using only the average for HS2709&2710 (other categories account for very little exports while they have higher cif/fob ratios)

## 6. The oil sector in the Cameroonian economy

### *A story of under-performance and the many faces of the 'curse'*

From a global perspective, Cameroon is a small oil producer. It is small even by African standards, ranking tenth among the leading oil producers.<sup>13</sup> Yet oil still represents an important sector of the economy, with high expectations regarding its contribution to economic development. The oil sector contributed 14.5 percent of GDP in 1986, but its share has declined significantly, estimated at only 5.4 percent in 2022.

More importantly, oil draws attention in Cameroon equally for what it contributes to the economy as for what it does not. The story of oil in Cameroon has been a story of unfulfilled expectations; a story of a sector that punches below its weight. Gauthier and Zeufack put it bluntly as follows: “With its abundant natural resource base, varied climate, and diverse population, Cameroon has the potential to be one of the richest countries in sub-Saharan Africa. However, like many resource-rich countries, it has suffered from the natural resources curse” (Gauthier and Zeufack 2012, 155). There is little controversy in the literature that the oil sector in Cameroon has underperformed relative to its potential. Is it a story of ‘resource curse’? The nuances seem to be about the nature and mechanisms of the ‘curse’, not at its existence.

The standard story of the resource curse is that the discovery and exploitation of a natural resource such as oil or minerals generate macroeconomic risks associated with the dominance of the primary commodity in exports, notably vulnerability to terms of trade deterioration, as well as unfavorable macroeconomic imbalances and uneven growth due to limited backward and forward linkages in the overall economy. That is the classic ‘Dutch disease’ (Benjamin et al. 1989). These effects, however, can be mitigated by appropriate macroeconomic, sectoral and institutional measures that enable the country to harness, rather than suffer from the resource dependence. In other words, good policies and efficient institutions are the antidote to the ‘resource curse’.<sup>14,15</sup> More specifically the difference is whether a country establishes ‘producer friendly’ institutions where “rent-seeking and production are complementary”, or ‘grabber friendly’ institutions, where “rent-seeking and production activities are competing” (Mehlum et al. 2006, 2–3).

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<sup>13</sup> <https://tradingeconomics.com/country-list/crude-oil-production?continent=africa>

<sup>14</sup> See Dietsche (2006) for a critical perspective on the argument that institutions are a ‘cure’ to the ‘curse’.

<sup>15</sup> Relatedly, there is evidence that the role of the quality of institutions in mitigating government revenue instability is stronger in natural resource dependent African countries compared to their resource-scarce peers (Nikiema and Zore 2024).

Indeed, in the case of Cameroon, both empirical and political economy studies have argued that the story of the oil sector is not a classic resource curse, but rather an ‘institutional curse’ or a ‘governance curse’. This argument is extended to other resources beyond oil, notably minerals and timber (Nting 2019). In other words, Cameroon’s inability to harness the potential of its oil sector has to do with the nature of institutions and governance structure that was set in place to manage the sector. Specifically at issue are the decisions regarding (1) investment in the sector and the distribution of the benefits between the state and private enterprises, (2) the collection and management of oil government revenue, (3) the utilization of the revenue and its allocation between investment and government consumption, (4) industrial policy measures to enhance the spillovers in the economy and economic transformation, and finally and very importantly (5) the redistribution of the proceeds from oil to the population in the form of public services and social safety nets. An assessment of whether and to what extent Cameroon has suffered a ‘curse’ of any brand due to its oil endowment needs to consider the contribution of these mechanisms to the overall unsatisfactory performance.

From a long-term perspective, Cameroon has clearly underperformed relative to its potential, judging by its performance relative to other countries in Africa and non-African countries with comparable structural features. Figure 7 depicts the trend of per capita GDP from 1960 Cameroon in comparison with Sub-Saharan African average and Malaysia. Malaysia and Cameroon share key structural features: small land size and population, geography (tropical), former colonies gaining independence only 3 years apart (1957 for Malaysia and 1960 for Cameroon), high endowment in primary commodities, and agriculture-based economies at independence.<sup>16</sup> But the similarities end there. In terms of economic performance since independence, the two countries belong to two different universes. Today Malaysia’s GDP per capita (\$11,691) was eight times higher than Cameroon’s (\$1,461).<sup>17</sup> In 1960, the ratio was just 1.4.

Some may argue it is an African story; but in fact it is not. Cameroon has underperformed even per African standards. Its GDP per capita has lied below SSA’s average since independence, except for 1981-1992. Indeed, Cameroon experienced a ‘growth spurt’ in the mid-1970s, with GDP per capita rising rapidly from \$1,124 in 1977 to \$1,833 in 1986. The country, however, was unable to sustain the growth spurt, partly due to a decline in world prices of primary commodities including oil and minerals. GDP per capita was down to \$1,060 in 1993, on the eve of the 1994 FCFA devaluation. It resumed a steady but low growth since then, remaining below the SSA average. And the slow pace obviously widened the income gap relative to Malaysia which enjoyed robust and sustained growth. Today Malaysia is an upper middle-income country (GNI per capita at \$11,140) while Cameroon is still at the bottom of the lower middle-income group (GNI per capita at \$1,439).<sup>18</sup>

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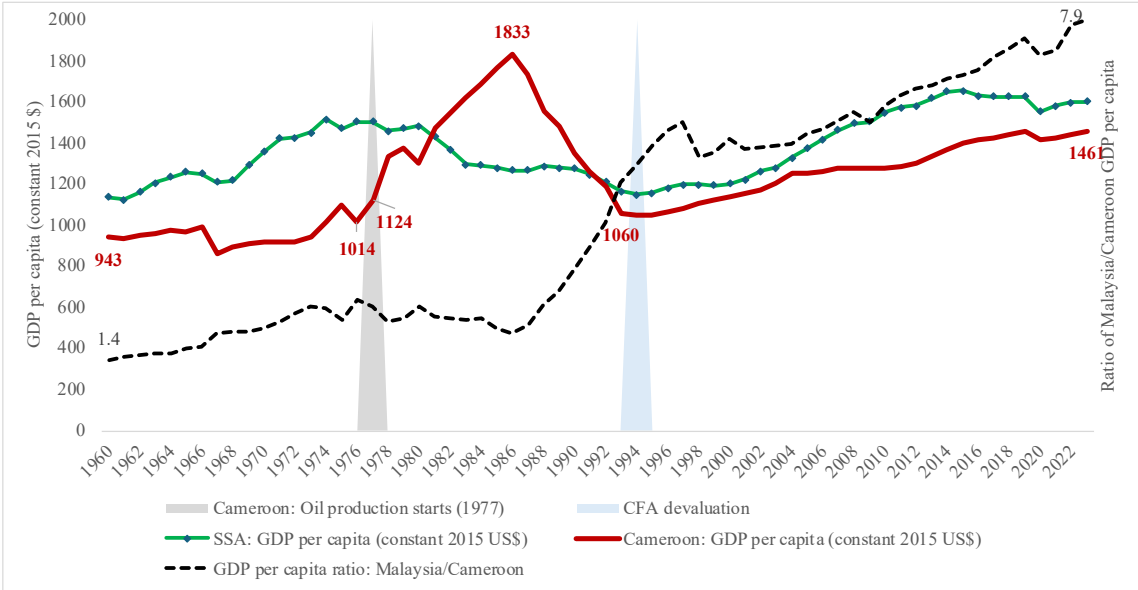
<sup>16</sup> See Gauthier and Zeufack (2012).

<sup>17</sup> World Development Indicators, 2023 values.

<sup>18</sup> According to World Bank classification lower middle-income economies are those with a GNI per capita between \$1,146 and \$4,515; upper middle-income economies are those with a GNI per capita between \$4,516 and \$14,005 (<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>).

Cameroon’s failure to harness its oil endowment, as well as its other vast resources, to generate growth explains the limited performance in all dimensions of economic and social development. What has happened to the Cameroon’s oil sector? Why did Malaysia succeed while Cameroon failed to leverage its massive resource potential? Answers to this complex question are also complex. They include combinations of bad policy and bad institutions that make it difficult for the country to optimize revenue generation and utilization, and to mitigate the exogenous shocks that affect the resource sector and the economy in general. In the remainder of the section, we address some of these factors focusing on failed diversification, inadequate investment in the sector, and ineffective mobilization of government revenue and foreign exchange earnings from oil. The section closes by presenting some stylized facts about poverty and social development and possible linkages with the oil sector.

Figure 7: Short lived ‘growth spurt’: Failure to sustain the gains from oil



Source: Authors’ construction with data from World Development Indicators

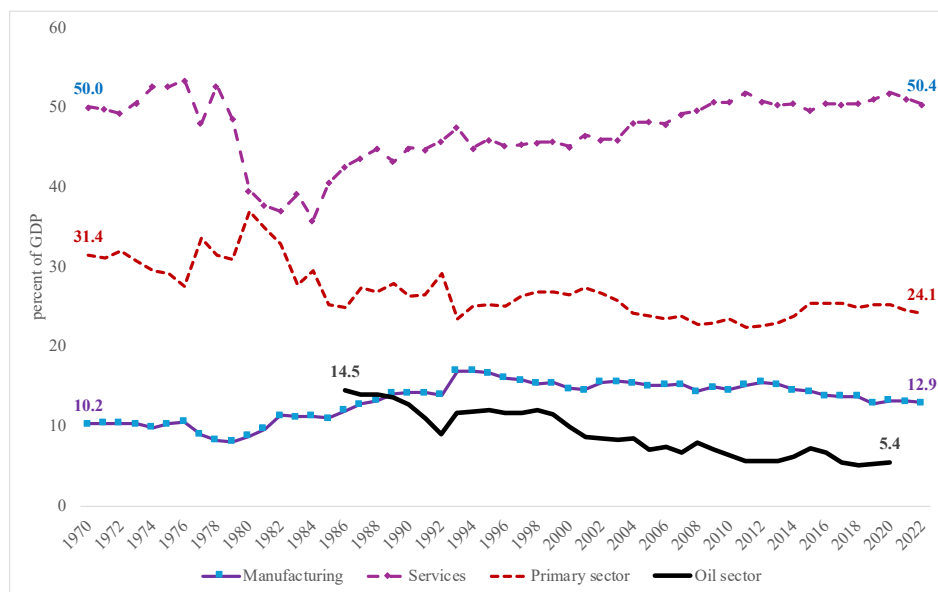
***Elusive economic transformation***

Resource-rich countries that have succeeded in reaching high levels of income and social development are those that managed to ‘graduate’ from natural resource dependence. This typically occurs through steady transformation of the economy from a primary-sector based economy into a manufacturing-based economy, driven by increased productivity supported by high investment and technological innovation. In the case of Cameroon, there has been little transformation of the structure of its economy since independence.

As can be seen in Figure 8, the country has failed to industrialize as manifested by flat manufacturing production over time. Today manufacturing value added represents less than 13

percent of GDP and its share has stagnated since the early 1990s. The economy is currently dominated by the services sector (50%), with a substantial share of the primary sector 24%). The share of the oil sector has declined significantly, from 14.5% in 1986 to only 5.4% in 2020.

Figure 8: Sectoral composition of GDP (%), 1970-2023



Source: Authors’ construction with data from World Development Indicators and BEAC (oil sector)

The empirical economics literature has raised concerns about “premature deindustrialization”<sup>19</sup> in developing and emerging countries, whereby the industrial sector (and manufacturing especially) shrinks but not in favor of services necessarily as in advanced economies, but extractive sectors, arguably to take advantage of high commodity prices (Grabowski 2015; Tregenna 2016; Imbs 2013; Andreoni and Tregenna 2021).<sup>20</sup> In such cases, deindustrialization is characterized by entrenched dependence on primary commodities. In the case of Cameroon, industrialization in fact never took off to start with. As one analyst anecdotally said, “you can’t lose what you don’t have”, meaning that applying the term ‘deindustrialization’ to sub-Saharan Africa is misleading.<sup>21</sup> In that sense we can’t talk about ‘deindustrialization’ in the case of Cameroon.

Failure of industrialization is manifested in the predominance of primary commodities in exports. As can be seen in Table 4, Cameroon’s exports are dominated by Mineral fuels, lubricants and related materials at 50.8% in 2020-2023, an increase from 33.6% in the 1990s. In contrast, the

<sup>19</sup> Attention to the phenomenon of premature industrialization has increased, led by influential work by Dani Rodrik (Rodrik 2016).

<sup>20</sup> Also see Page et al. (2016)

<sup>21</sup> This is a recollection of a anecdotal statement by John Page, former Chief Economist for Africa at the World Bank, during a conference (I can’t remember the specifics of the conference).



share of manufactured products in total exports is two percentage points lower today (6.8%) than in the 1970s (8.6%). By comparison, Malaysia has been riding on a rapid manufacturing-driven economic transformation train. The share of manufactured goods in total exports rose from 13% in the 1970s to a commanding 77% in the 1990s and is at 69% today.

Another indicator of economic transformation is the sophistication of a country's export basket, which is a driver of global competitiveness. That can be assessed by the technology content of a country's exports. For Malaysia, 'high-skill and technology-intensive manufactures' represented more than half of exports in the 1990s (54%) and the share is at 47% today. Cameroon's exports contain less than 2 percent of such sophisticated products. This means that Cameroon is still operating at a very low level of the technology value chain, implying that it is also low on the terms of trade scale.

Economic transformation requires leveraging natural resource revenue to scale up saving and investment, to raise the production capacity and productivity. Economies that have successfully transformed into a manufacturing dominated structure are characterized by high saving and investment rates. This is evident in the case of Malaysia (Table 4). Not only its domestic saving rates have been high, but they also have exceeded domestic investment. In the 1990s, a 40% saving rate fueled a 33% investment rate, which helped sustain the high growth rate (averaging 7.2% in the decade). In contrast, Cameroon has posted lower saving and investment rates, with investment outpacing saving, leading to chronic resource disequilibrium. This is one of the factors of both the low average growth rates as well as the failure to fuel structural transformation of the economy.

As indicated earlier, a major driver of successful economic transformation and industrialization is a combination of good economic policies and high-quality institutions. Here again there is a stark contrast between Cameroon and Malaysia. Malaysia's economic performance has been driven and sustained by high efficiency government in the delivery of services, regulation and enforcement of the rule of law. This promotes entrepreneurship, innovation and both domestic and foreign investment. In contrast, Cameroon is at the opposite end of the spectrum in terms of indicators of institutional quality. Perception of corruption is twice as high, with a current index of 27 compared to 50 on the scale of 0-100 (higher means less corruption). Measures of effectiveness of the government are half of those of Malaysia. Weak institutions are a major constraint to economic transformation in Cameroon.

Table 4: Economic performance and institutional quality in Cameroon compared to Malaysia from 1970 to 2023

Indicator (averages)	Cameroon			Malaysia		
	1970s	1990s	2020-2023	1970s	1990s	2020-2023
<b>GDP, growth, saving and investment</b>						
GDP per capita (constant 2015 US\$)	1067	1132	1443	2418	5474	11691
GDP growth (%)	7.3	0.2	3.6	8.2	7.2	5.2
Gross capital formation (% of GDP)	21.4	16.8	17.8	23.7	36.3	22.7
Gross domestic savings (% of GDP)	18.3	20.9	15.0	28.0	40.6	29.2
<b>Export composition (% of total)</b>						
Mineral fuels, lubricants and related materials	2.8	33.6	50.8	11.0	7.2	14.4
Manufactured goods	8.6	6.6	6.8	13.2	77.1	69.4
High-skill and technology-intensive manufactures		1.0	1.9		54.2	47.2
<b>Governance and institutional quality</b>						
Corruption perception score (0-100)		26	27 (2023)		49	50 (2023)
Control of corruption (0-5)		1.2	1.4		2.9	2.7
Government effectiveness (0-5)		1.5	1.6		3.1	3.5
Memorandum: Change in GDP per capita from 1970 to 2023 (%): Cameroon: 59%; Malaysia: 538%						

Source: Export composition from UNCTAD; GDP, growth, saving, investment, governance from World Development Indicators; Corruption perception index from Transparency International

### ***The “tragedy of sediments” and difficult transition to diversification***

The tragedy of sediments describes the paradox faced by nations like Cameroon whereby despite exerting significant control over their oil sector and capturing a substantial share of oil revenues, they remain trapped in a cycle of dependence on a finite resource. Rather than transitioning toward diversification and innovation, the country continues to layer new extractive efforts on top of previous ones—hence the term “sediments”—to sustain current levels of growth and revenue. Several models predicted the depletion of Cameroon’s oil reserves by the early 2000s, prompting the government to launch an intensified exploration campaign to expand and extend the life of its oil reserves (International Monetary Fund, 2006). While this push for new oil reserves may delay the depletion, it deepens the reliance on a sector that is inherently finite. Each new discovery, rather than solving the underlying issue, merely postpones the inevitable decline, trapping the economy further in the layers of sedimented dependence.

At the heart of this framework is the recognition that avoiding the full realization of the Tragedy of Sediments depends not on the sheer availability of oil but on the ability to foster independence from oil through innovation and economic diversification. The challenge for Cameroon lies in minimizing economic vulnerability by transitioning toward a more diversified and innovative economy. Although the country has succeeded in asserting control over oil revenues, it has yet to fully channel these funds into sectors that can sustain long-term economic diversification (International Monetary Fund 2022; World Bank 2022). While the focus remains on oil extraction, transformation will require investments in industries beyond oil, such as manufacturing, renewable energy, and agro-industry, which could shield the economy from the volatility of oil markets.

The tragedy of sediments also ties into the broader theoretical concept of path dependence<sup>22</sup> to emphasize how early decisions to prioritize oil extraction have locked the economy into a trajectory that is difficult to escape. Even as the government, through the SNH, controls a large portion of the sector's revenue, the lack of diversification reflects a failure to break free from the path that was set decades ago. Control over oil revenues has fostered political patronage and corruption, further entrenching the status quo and complicating efforts to reform the system (Rosellini, 2006). The cumulative effect of this behavior mirrors the layering of sediments, building a system that becomes harder to break up over time.

The tragedy of sediments offers an insightful perspective on the oil sector, distinct from existing frameworks such as the resource curse and *extractivism*, by highlighting the paradox of control and dependency. While the Cameroonian government has successfully taken control of its oil sector, this very control has created a new form of dependency that has proven difficult to escape. Unlike resource-rich countries that have successfully diversified their economies (Botswana, Chile, Malaysia, Norway, Qatar, United Arab Emirates), Cameroon remains trapped into dependence on resource extraction until it can operate a regime shift towards a future beyond oil. While this theory acknowledges the agency of the Cameroonian government, it stresses that state control over resources does not necessarily lead to sustainable economic success. Rather, successful oil exploitation requires a shift from extraction to diversification and innovation, to truly overcome the tragedy of sediments.

### ***Oil and the trade balance***

Cameroon is both an importer and an exporter of crude oil and oil products. Until the halting of its refinery due to a fire in its factories in 2019, it was importing light crude oil to process in its refinery and supply the domestic market with oil products.

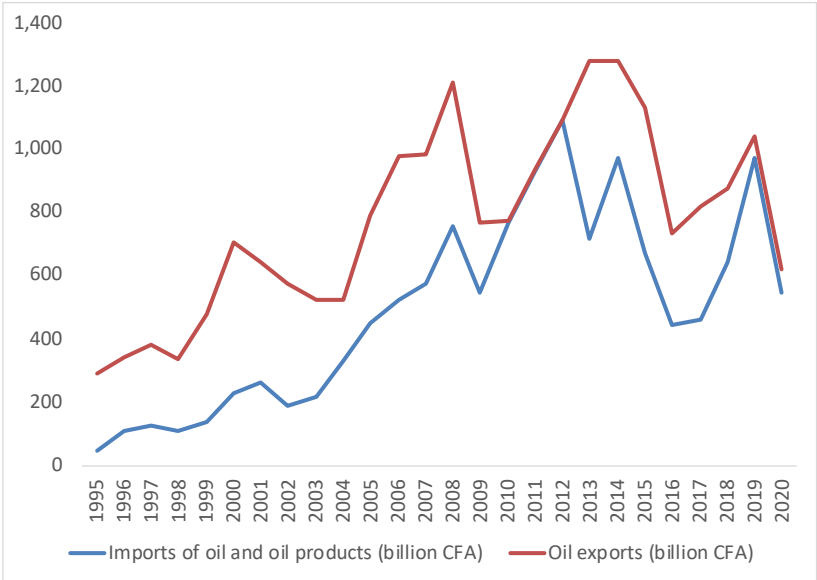
On balance, oil exports have exceeded oil imports (Figure 9), implying that the oil sector has a positive impact on the trade balance at the aggregate level. One issue, however, that deserves to

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<sup>22</sup> See North (1991; 1993).

be examined more closely is the net gains in terms of foreign exchange. Oil imports are effectively paid in foreign exchange. For the sector to be a net generator of foreign exchange, the proceeds of oil exports must be repatriated and used to cover, among others, oil imports. This is not trivial as it depends on the rules governing repatriation of foreign exchange earnings. In the case of Cameroon, as exports of oil are managed by SNH, a state company, the proceeds of oil exports are effectively channeled back in the country. This is not typically the case for African resource-rich countries. Many have no or lenient rules about repatriation of foreign exchange gained from exports. In the case of Zambia, for instance, there are no requirements for copper exporting companies to repatriate the proceeds of their exports (Ndikumana et al. 2024). In fact, according to the IMF report on exchange arrangements and restrictions, thirteen African countries do not require repatriation of export proceeds.<sup>23</sup> In the case of Ghana, gold companies sign individual development agreements that include negotiated provisions on the share of gold export proceeds that must be repatriated into the country. Therefore only a fraction of gold exports translates into foreign exchange earnings for the country (Ndikumana and Cantah 2023). It is therefore critically important to distinguish exports of natural resources and the country’s benefits in terms of foreign exchange earnings.

Figure 9: Oil exports and import of petroleum products (billion CFA)



Source: Authors’ computations using data from BEAC database

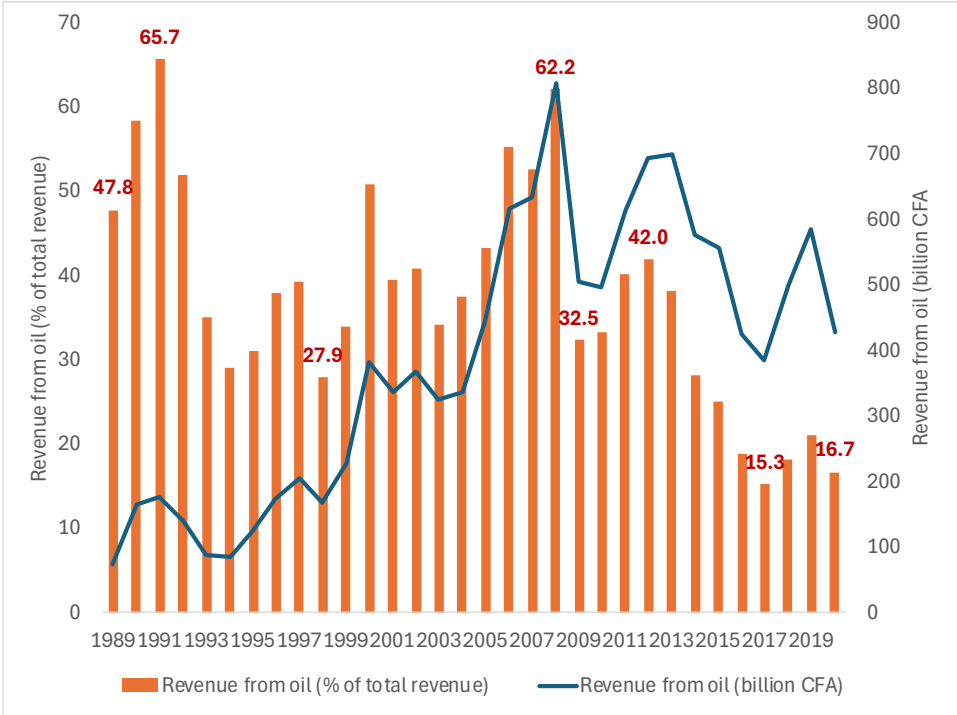
**Government revenue generation from the oil sector**

The oil sector has historically been an important contributor to government revenue through various fiscal instruments such as corporate income tax and non-fiscal instruments such as oil rents

<sup>23</sup> The report does not provide information on requirements regarding repatriation of export proceeds in South Sudan. <https://www.elibrary-areaer.imf.org/Pages/Reports.aspx>

and other levies as described earlier in Section 3. Government revenue collection tracked oil production, increasing since the early 1990s till the 2008 global financial crisis (Figure 10). However, revenue has fluctuated due to the volatility of international oil prices and fluctuations in oil production, exports and imports. At its peak in 1991, it represented 65.7 percent of total government revenue. It declined hereafter, dipping below 30% in some years, but recovered steadily from 2002, reaching another peak at 62.2% in 2007. Since then, oil revenue has broadly trended down, reaching an all-time low of 15.3 percent of total government revenue in 2015.

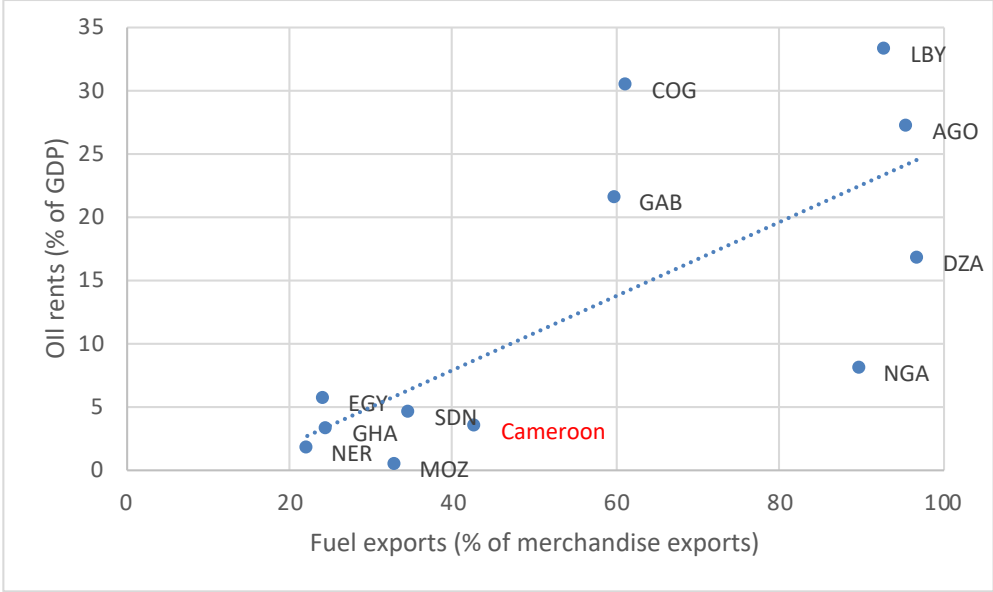
Figure 10. Revenue from oil, 1989-2020



Source: Authors’ construction with data from BEAC

Has the oil sector generated government revenue that is commensurate with its potential? To shed light on this question, we compare Cameroon with other oil exporters, looking at the rent generation capacity in proportion of the potential as indicated by the volume of exports. The trend of oil rents has naturally followed that of oil exports, characterized by a steady decline starting in the aftermath of the 2008 global financial crisis. In terms of efficiency in oil rents generation capacity, compared to other African oil exporters, Cameroon has underperformed relative to the volume of exports. As can be seen in Figure 11, Cameroon is below the trend line, signifying that the oil sector has generated lower rents than potentially feasible given the volume of oil exports. This raises questions as to whether the rates of rents are too low and whether they are implemented properly.

Figure 11: Oil rents and fuel exports: Cameroon compared to other African oil exporting countries (average 2010-2021)



Source: World Bank, World Development Indicators

The ability of the oil sector to contribute to growth and economic transformation depends not only on the level of revenue mobilized, but also and very importantly on how the revenue is managed. The first decision is about how much revenue is spent and what fraction is saved for future investment. There is no commonly agreed rule about the optimal split between the two uses. On the one hand, for a developing country like Cameroon, there is a need to maximize investment of the oil revenue in expansion of productive capacity to stimulate growth and economic transformation. On the other hand, some of the revenue must be saved to finance investment in the future, and to provide a means for cushioning exogenous shocks to the economy. The second decision is about allocation of the oil revenue between productive activities and non-productive consumption. The third decision concerns the establishment of mechanisms of transparency in the management of the oil revenue to enhance efficiency and accountability. The fourth is the decision about mechanisms of distribution of the oil revenue between the state and the local communities where the oil is located. All these decisions ultimately affect the overall efficiency of the use of oil revenue in terms of the performance of the economy, the benefits to communities, social cohesion and political stability.

The most important factor that drives the efficiency of the use and allocation of government oil revenue is the quality of institutional and the regulatory framework governing the management of oil revenue. In this regard, the weakness of the institutional framework as illustrated earlier in the section, constitutes a major constraint to efficiency in oil revenue management in Cameroon. High-quality institutions were a major reason for efficient management of oil revenue, and the impressive economic performance in the case of Malaysia. As Gauthier and Zeufack put it, “Transparency in oil revenue management has allowed the oil sector to become a central piece of

Malaysia's economic policy and development. ... In stark contrast, because of the lack of transparency in Cameroon, the oil sector has remained an enclave and has not been engaged systematically in the medium- to long-term development planning for the country" (Gauthier and Zeufack 2012, 160).

The issue of transparency has characterized oil revenue management in Cameroon since the beginning of oil exploitation. At that time, the management of oil revenue was under the control of the Presidency, which compromised independency and accountability. It was reported that the oil revenue was held in some 'secret accounts',<sup>24</sup> thus distancing it from public scrutiny (Keutiben et al. 2022; Gauthier and Zeufack 2012). Over time, reforms have been undertaken that ought to boost transparency and efficiency in oil revenue management. This started with the creation of the Société Nationale des Hydrocarbures (SNH) in 1980 with a dual mandate: (i) promoting the development of hydrocarbons in Cameroon, and (ii) managing the state's interests in the oil sector including its shares in international oil companies and crude oil production (SNH website).<sup>25</sup> The SNH serves both as a regulator of the oil sector and joint-venture associate in all oil activities undertaken by private oil producing companies. This dual role as a regulator and an operator can be a source of complexity and even opacity in the management of oil revenues and financial flows in the economy (Gauthier and Zeufack 2012, 161).

Further reforms have been undertaken to strengthen the regulation of the oil sector and improve the management of the government oil revenue. This was intensified especially in the context of reform programs sponsored by the Bretton Woods Institutions, notably the standby agreements with the IMF in 1991 and the HIPC initiative in late 1990s-early 2000s. Another boost came with the country's entry into the EITI in 2007, which was expected to improve the reporting of tax and non-tax payments by oil companies.

One important instrument for increasing transparency in the management of oil is fiscal transparency, notably through disclosure of information on the level and financing of government spending in the budget process. In its 2023 report, the International Budget Partnership, which conducts annual surveys of government budget processes, noted that "Cameroon has increased the availability of budget information by increasing the information provided in the Executive's Budget Proposal, increasing the information provided in the Pre-Budget Statement and Year-End Report." However, the IBP report noted that availability of budget information had declined in some aspects and recommended remedial actions to improve transparency.<sup>26</sup> Transparency in management of oil revenue remains indeed work in progress.

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<sup>24</sup> DeLancey (2019).

<sup>25</sup> Decree of 12/03/1980 creating SNH: [https://www.snh.cm/images/publications/D%C3%A9cret\\_n80-86\\_du\\_12\\_mars\\_1980\\_portant\\_cr%C3%A9ation\\_dune\\_Soci%C3%A9t%C3%A9\\_Nationale\\_des\\_Hydrocarbures.pdf](https://www.snh.cm/images/publications/D%C3%A9cret_n80-86_du_12_mars_1980_portant_cr%C3%A9ation_dune_Soci%C3%A9t%C3%A9_Nationale_des_Hydrocarbures.pdf)

<sup>26</sup> The IBP recommended the following: (i) Publish the In-Year Reports, Mid-Year Review and Audit Report online in a timely manner; (ii) Include data on the financial position of the government in the Executive's Budget Proposal

## *Oil sector and socio-economic development*

The endowment in oil and other natural resources is expected to enable a country to achieve high standards of living for the population. On that yard stick, Cameroon has performed below its potential. If we compare Cameroon again to Malaysia, the differences could not be starker (Table 5). Poverty was eliminated in the sense that no Malaysian person lives below the poverty line of \$2.15. While Cameroon has made strides in reducing poverty, 23 percent of Cameroonians still live below the poverty line.

Table 5: Indicators of social and economic development in Cameroon compared to Malaysia (2023 or latest reported)

	Cameroon	Malaysia
Poverty headcount ratio at \$2.15 a day (2017 PPP) (% of population)	23.0	0.0
Mortality rate, infant (per 1,000 live births)	47	6.7
Share of youth not in education, employment or training, total (% of youth population)	23.2	9.3
Unemployment with advanced education (% of total labor force with advanced education)	18.8	4.6

Source: World Development Indicators

According to the World Bank's statistics, the poverty rate in Cameroon (at \$3.65 per person per day) declined from 50.5% in 1996 to 23% in 2021. These rates are lower than the average for sub-Saharan Africa which declined from 57.4% to 36.7% over the same period. The results of the latest household survey indicate that the poverty rate at the national level declined from 40.2% in 2001 to 38.6% in 2021 (Figure 12). Poverty tipped up from 2014 where it was estimated at 37.5%. However, the national averages hide significant disparities between the rural area and urban centers. While over half of the rural population lived in extreme poverty in 2021 (58.3%), only 16.5 percent of the urban population were recorded as poor. For the cities of Douala and Yaoundé, the rates are as low as 8.3% and 10.8%, respectively. It is also important to stress that while there has been significant progress in reducing poverty, the performance still falls short of the national development target of 30.8%, suggesting that there is still plenty of work to do to achieve this objective.

Moreover, the results of the latest household survey reveal some worrisome trends. The first is that while the poverty rates have declined, the number of poor people continues to grow due, "on the one hand, to demographic growth, and on the other hand to the strong internal mobility of

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and data on the macroeconomic forecast; (iii) In addition, estimates on future liabilities and financial sustainability over at least a 10-year horizon, tax expenditures, and earmarked revenues should be provided.

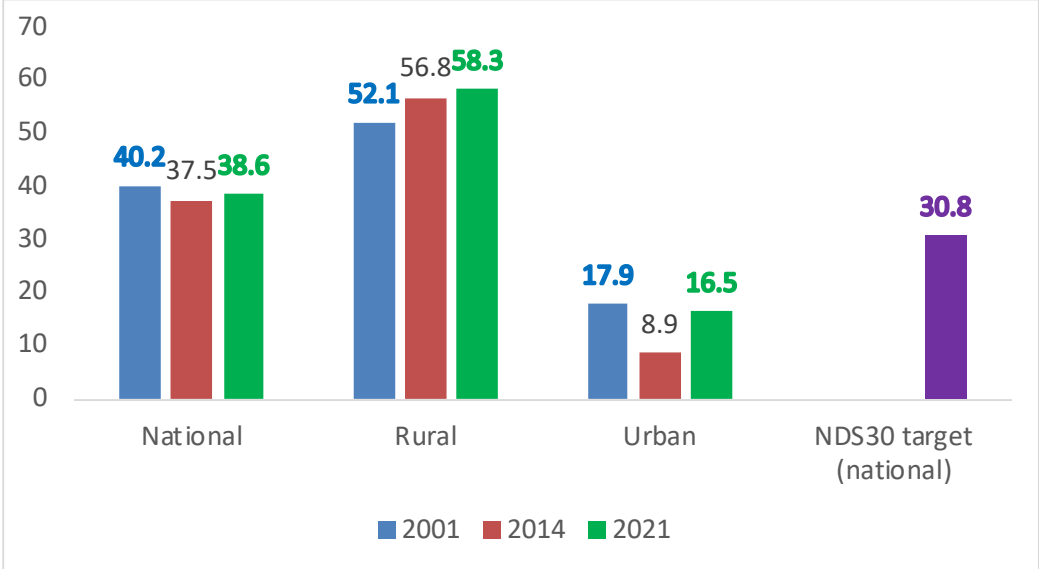


populations as a result of insecurity in certain localities, exodus of youths to the cities in search of employment, and climate change especially in the Far-North region” (National Institute of Statistics 2024, 5). The second fact is high vulnerability to poverty. In addition to the 37.7 percent of the Cameroonian population that are identified as poor, 11.9 percent of the people are not poor but vulnerable to poverty, and 9.6 percent are not poor but insecure since they are likely to fall into poverty. Overall, only 40.8 percent of the population is considered non-poor and non-vulnerable. This implies that the standard measure of poverty substantially underestimates the precarity of the living conditions of more than half of the population.

The results of the household survey also show significant disparities of poverty incidence across regions (Figure 12). The rates vary from the highest at 69.2% in the Far-North region to the lowest in the South region (14.9%).

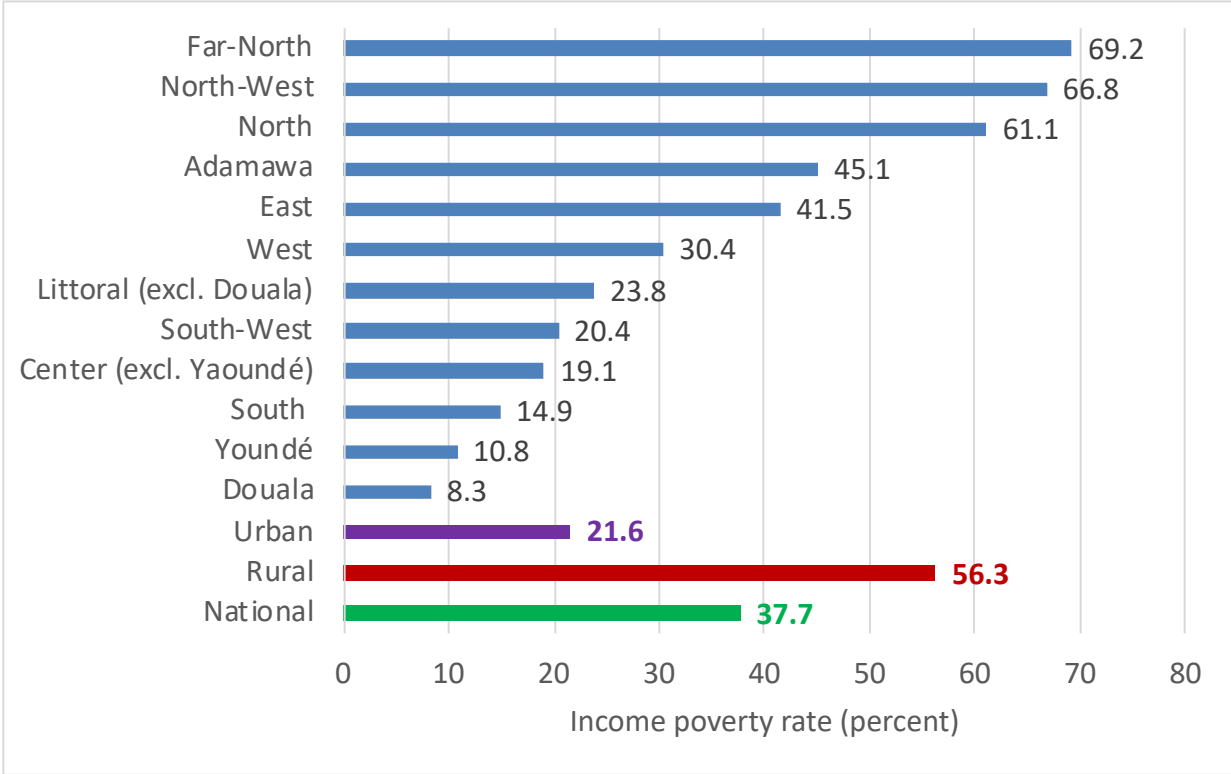
From the observation of the data on poverty, the question one may ask is: has oil endowment contributed to improvement of the living standards of the population? Specifically, are the regions that host oil reserves better off than others in terms of poverty outcomes? Oil reserves are in Littoral and South-West and at the border of the South region. It turns out that these regions, indeed, have relatively lower poverty rates than regions that are situated further away from the oil reserves (except for the Centre region which includes Yaoundé). Regions situated further from the oil fields have less possibilities of employment creation directly and indirectly from oil sector activities. They are further disadvantaged as they incur higher costs of oil products due to transport surcharges in the distribution system. More detailed analysis is needed to explore the mechanisms through which regions hosting oil reserves may be deriving comparative advantages from oil exploitation in terms of lower poverty levels.

Figure 12: Trend of poverty at the national level and in urban and rural areas, 2001-2021



Source: National Institute of Statistics (2014).

Figure 13: Poverty rate by region, 2021



Source: National Institute of Statistics (2014).

In addition to the poverty reduction goal, Cameroon continues to perform poorly on other dimensions of social development relative to its potential. For example, while infant mortality has declined by half since the 1990s, it is still at 47 per 1,000 live birth, which is more than six times the rate in Malaysia (6.7). One of the most pressing issues is youth unemployment. Like other African countries, while Cameroon has succeeded in expanding access to education for all, it is now facing a serious problem of youth unemployment. About one fifth of college graduates are unemployed, compared to only 4.6% in Malaysia. More than 23 percent of the youth are not in school, employment or training and the numbers are increasing steadily. It is a clear sign that the economy is not producing sufficient opportunities for gainful employment in relation to population growth and the rate of school completion. This poses both economic problems in terms of underutilization of human capital, but also and importantly, potential risks of social and political unrest. The case of the “Arab Spring” in North Africa and the Middle East, which was a revolution initiated by educated, unemployed and desperate youth, should be a reminder that youth unemployment is a serious threat to national security and must be dealt with utmost urgency.

**7. Conclusion**

The analysis of the oil sector in Cameroon presented in this paper carries important lessons for Cameroon as well as other African resource-rich countries in terms of challenges they face in

harnessing their resource endowments in general, and in preventing financial hemorrhage through capital flight that tends to plague resource-dependent developing countries in particular. The story of oil in Cameroon is a story of ‘dual dependence’. Cameroon is both a producer-exporter of oil and an importer of both crude oil for its refinery (currently on halt since 2019) and processed oil products for domestic consumption. In an odd arrangement, its refinery was set up to only process light crude, which the country does not produce. It’s the typical African story of a country that does not produce what it consumes and consumes what it does not produce. This is a severe constraint on the country’s capacity to develop a competitive value chain in the oil sector and achieve gainful terms of trade in the global economy. This is an important factor for the country’s failed economic transformation agenda.

The second face of dependence in the oil sector is the dominance of international companies, a legacy of the pre-colonial era since the beginnings of oil exploration. This means that the country only gets a fraction of the value of its oil through the instruments of its fiscal regime. It is, nonetheless, important to note that relative to other oil producers in Africa, Cameroon has set up a regime that enables the government to have an influence in the sector through the SNH which operates both as a regulator and as an associate of private oil companies. Thus, the government benefits from production sharing, in addition to the standard instruments including oil rents. However, the analysis in this study and the evidence in the literature have shown that the government still punches below its weight in terms of revenue generation from the oil sector. Despite the important merits of the design of the fiscal regime there are serious concerns about the efficiency in the management of revenue, especially lack of transparency in the use of the revenue (Gauthier and Zeufack, 2011, 2012). The issue then is less a matter of design of the fiscal regime and more a matter of governance of the revenue from oil. Therefore, efforts to improve the performance of the oil sector and to optimize its impact on the national economy in general and to enhance its role in economic transformation in particular, must focus on the governance of oil revenue to foster higher transparency and more efficiency in its utilization.

The organizational structure of the oil sector that gives an important role for the SNH also provides a mechanism for ensuring that the country optimizes its benefits from oil in terms of foreign exchange earnings flowing into the country. This is a perennial problem in resource-rich countries in Africa in countries where there are no rules about export proceeds repatriation, such as in Zambia (Ndikumana et al. 2024), or where those rules are negotiated on a company-by-company basis such as in the gold sector in Ghana (Ndikumana and Cantah, 2023). This means that resource export booms do not generate commensurate gains in terms of foreign exchange inflows.

The analysis in this paper shows that Cameroon has not sufficiently harnessed its oil endowment to achieve commensurate improvements in living standards of its population. This is mainly a result of inefficiencies in the utilization of oil revenue and the failure to leverage oil endowment to support sustained economic transformation. The comparison of Cameroon to a country like Malaysia that has similar structural attributes yields staggering differences in terms of overall

macroeconomic performance and social development, illustrating the incapacity of Cameroon to leverage its oil endowment. It is a manifestation of a ‘resource curse’; but as the literature on the country suggests, it’s mostly an ‘institutional curse’ in the sense that the culprit is the poor quality of the institutions, not oil itself. It follows that efforts to improve the country’s development prospects must focus on institutional reforms in general, and on reforms of the governance of oil revenue in particular.

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