

CAMEROON ECONOMIC UPDATE

January 2012 | Issue No.3



UNLOCKING THE LABOR FORCE AN ECONOMIC UPDATE ON CAMEROON

With a Focus on Employment



Cameroon Country Office

CAMEROON ECONOMIC UPDATE

January 2012

Unlocking the Labor Force An Economic Update On Cameroon

With a Focus on Employment



Cameroon Country Office

Table of Contents

Contents

ABBREVIATIONS AND ACRONYMS	3
UNLOCKING THE LABOR FORCE.....	4
Introduction.....	4
Recent Economic Developments.....	5
2012 Outlook.....	9
Employment in Cameroon.....	16
REFERENCES	29

Table of Figures

Figure 1: Sectoral contributions to GDP growth, 2006-11.....	6
Figure 2: Oil production (millions of barrels).....	7
Figure 3: Inflation rates over previous 12 months.....	7
Figure 4: Non-oil revenue, 2005-11	8
Figure 5: Current expenditure, 2005-11	8
Figure 6: Capital expenditure, 2005-11	8
Figure 7: Euro-zone: GDP growth projections, 2010-12	11
Figure 8: Total public debt, 2004-11	14
Figure 9: Employment by sector and location, 2010	17
Figure 10: Employment by sector and gender, 2010.....	17
Figure 11: Youth employment by sector, 2010.....	17
Figure 12: Underemployment by category and gender.....	18
Figure 13: Underemployment by education level	18
Figure 14: Underemployment by sector.....	18
Figure 15: Informal employment, 2011-20.....	19
Figure 16: Net school attendance, 2010.....	22
Figure 17: Completion rates by region, 2010	22
Figure 18: Literacy rates, 2005.....	22
Figure 19: Literacy rates in rural areas by gender, 2005	23
Figure 20: Gross enrolment rates in lower secondary, 2008.....	23
Figure 21: Gross enrolment rates in upper secondary, 2008	23
Figure 22: Professional training by region, 2010	24
Figure 23: Professional training by source, 2010.....	24
Figure 24: Enrolments in higher education, 2005-10	24
Figure 25: Starting a business, 2007-12	25
Figure 26: Cost of enforcing contracts (number of procedures)	26
Figure 27: Cost of enforcing contracts (in days)	26
Figure 28: Cost of enforcing contracts (in percent of claim)	26
Figure 29: Export costs (number of documents)	27
Figure 30: Import costs (number of documents).....	27



Table of Charts

Chart 1: Employment structure, 2010	17
Chart 2: Enrolment by program in higher education (excluding teacher training), 2010	24

Table of Boxes

Box 1: Effects of the Global Crisis on Cameroon's Economy	10
Box 2: Possible Transmission Channels.....	12
Box 3: Adequacy of Fiscal Reserves in Cameroon.....	13
Box 4: Cost of Fuel Subsidies.....	15
Box 5: Some Unemployment Characteristics (in percent unless otherwise stated)	20
Box 6 : Some Characteristics on Education (in percent unless otherwise stated).....	21



ABBREVIATIONS AND ACRONYMS

AFD	<i>Agence Française de Développement</i> (French Development Agency)
BEAC	<i>Banque des Etats d’Afrique Centrale</i> (Central Bank of Central African States)
CAR	Central African Republic
CEMAC	<i>Communauté Economique et Monétaire de l’Afrique Centrale</i> (Economic and Monetary Community of Central Africa)
CFAF	CFA Franc
CIRAD	<i>Centre de Coopération Internationale en Recherche Agronomique pour le Développement</i> (Agricultural Research Center for Development)
CPI	Consumer Price Index
DSCE	<i>Document de Stratégie pour la Croissance et l’Emploi</i> (Growth and Employment Strategy)
GDP	Gross Domestic Product
IFAD	International Fund for Agriculture Development
ILO	International Labor Organization
IMF	International Monetary Fund
LPG	Liquefied Petroleum Gas
RAC-ESF	Rapid-Access Component of the Exogenous Shocks Facility
SONARA	<i>Société Nationale de Raffinage</i> (national refinery)
US	United States
VAT	Value-Added Tax
WEO	World Economic Outlook



UNLOCKING THE LABOR FORCE

A Special Issue on Employment in Cameroon

Introduction

With this Cameroon Economic Update, the World Bank is pursuing a program of short, crisp and frequent country economic reports. These Economic Updates provide an analysis of the trends and constraints in Cameroon's economic development. Each issue, produced bi-annually, provides an update of recent economic developments as well as a special focus on a topical issue.

The Economic Updates aim to share knowledge and stimulate debate among those interested in improving the economic management of Cameroon and unleashing its enormous potential. The notes thereby offer another voice on economic issues in Cameroon, and an additional platform for engagement, learning and change.

This third issue of the Cameroon Economic Update is titled "Unlocking the Labor Force – An Economic Update of Cameroon, with a special focus on employment". This title reflects the country's difficulties in unlocking the huge potential embodied in its population. As in many African countries, Cameroon's labor market is characterized by a large share of the labor force occupied in

the informal sector with few formal jobs. Unemployment is low, because most Cameroonians cannot afford not to be working. Most of these jobs, however, have extremely low productivity and generate very little money. The challenge is thus to enhance the productivity – hence the earnings – of those already employed, while at the same time creating more formal jobs. In this regard, education may be at fault with many children leaving school without mastering basic skills such as literacy and numeracy. An unfavorable investment climate, particularly inappropriate infrastructure, is also holding the country back. Against this backdrop, a cross-sectoral strategy dealing with both the supply and demand constraints would be needed to make Cameroon's economic growth faster and more inclusive.

The Cameroon Economic Updates are produced by the World Bank Country Office in Cameroon by a Team led by Raju Jan Singh. The Team included Abel Bove, Gilberto de Barros, Fadila Caillaud, Bjorn Dahlin van Wees, Sebastien Dessus, Patrick



Eozenou, Louise Fox, Faustin Ange Koyassé, Sara Giannozzi, Norma Gomez, Mombert Hoppe, Maureen Lewis, Victoria Monchuk, Paul Moreno, Amadou Nchare, Sylvie Ndze, Hannah Nielsen, Carlo Del Ninno, Peter Osei, Vincent Perrot, Gael Raballand, Jacob Robyn, Manievel Sene, and Gaston Sorgho. Greg Binkert (Country Director for Cameroon), Eric Bell (Acting Sector Manager), and Cia Sjetnan (Senior Country Officer) provided guidance and advice, and have been an invaluable source of encouragement.

The Team also benefited greatly from consultations with Cameroon’s key policy makers and analysts, who provided important insights, in particular the following institutions: the BEAC, the Ministry of Finance, the Ministry of Economy and Planning, and the National Institute of Statistics. Particular thanks go to

the Director General Joseph Tedou for his support on the employment chapter. The Team is also grateful to the Cameroon country team at the International Monetary Fund.



Photo credit: Raju Jan Singh

Recent Economic Developments

Growth

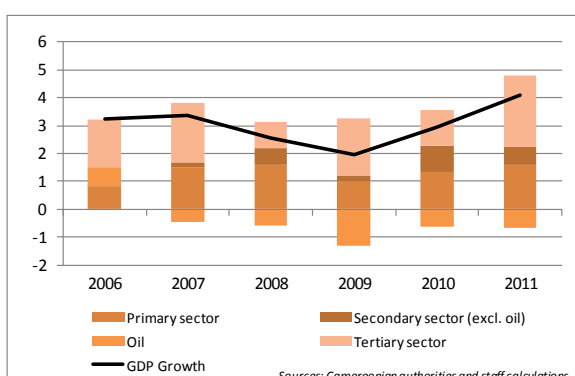
2011 witnessed a number of spectacular events: an earthquake and tsunami in Japan, the Arab Spring, and the sovereign debt crisis in advanced economies. Despite all these developments, preliminary indications would suggest that the recovery of

Cameroon’s economy gained greater momentum in 2011 than we expected in the July issue of the Cameroon Economic Update (Figure 1). After a slowdown of two years following the global economic and financial crisis, the economic rebound



observed in 2010 has strengthened in 2011 with an estimated growth reaching 4.1 percent (compared with 3.2 percent in 2010). As last year, the main drivers come from the non-oil economy (expanding by a bit less than 5 percent), while oil activities continue to decline.

Figure 1: Sectoral contributions to GDP growth, 2006-11 (in percent)



More particularly, growth in the primary and tertiary sectors is estimated to have contributed for most of the expected expansion in economic activity in 2011 (1.6 percent and 2.5 percent, respectively). In the primary sector, these positive developments are mainly driven by efforts to expand cultivated areas and enhance agriculture productivity through the dissemination of improved seeds, equipment, and training, as well as a stronger pick-up in forestry (growing at an estimated rate of 33 percent). In the tertiary sector, telecommunications continued to perform strongly.

% contribution towards GDP growth	2011	
	July Proj.	Est.
Primary sector	0.9%	1.6%
Secondary sector (excl. oil)	1.2%	0.6%
Oil	-0.5%	-0.7%
Tertiary sector	2.2%	2.5%
GDP Growth	3.8%	4.1%

Sources: Cameroonian authorities and staff calculations

Consistent with this picture, credit to the private sector expanded end-September by about 25 percent year-on-year (compared to 5 percent at end-September 2010). In addition to a more vibrant economic activity, this strong expansion also reflected partly the increased competition in the banking sector, following the entry of two new banks. Manufacturing, construction, hotels and restaurants, as well as transport and telecommunications absorbed most of this new credit.

Turning to the oil sector, Cameroon is a relatively small and mature oil producer, experiencing a declining production (Figure 2). Depleting reserves, aging equipment, and – more recently – postponements of some development projects and investments because of the 2008-09 financial crisis explain this profile. The contribution of this sector to GDP growth has been mostly negative in recent years and oil production is estimated to have contracted by a further 10 percent in 2011 (to 21.1 million barrels).



Figure 2: Oil production (millions of barrels)

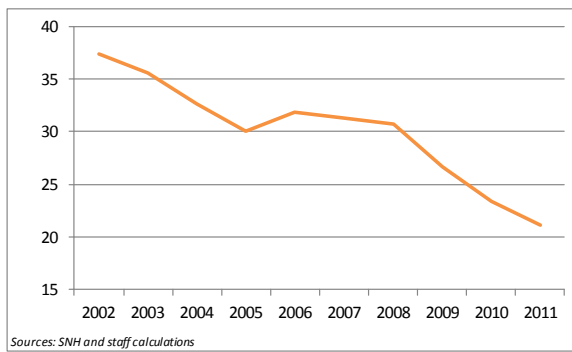
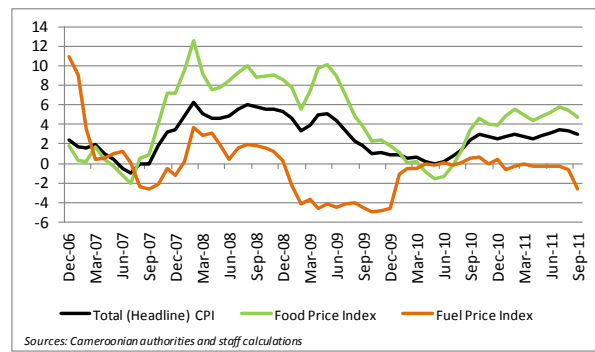


Figure 3: Inflation rates over previous 12 months



Inflation

In line with our expectations in the July issue of the Cameroon Economic Update, price pressures have picked up mostly on the back of higher food prices (Figure 3). Inflation over the first nine months of 2011 amounted to just below 3 percent (year-on-year), the regional convergence criterion, up from 2.4 percent observed over the same period in 2010. Despite ongoing initiatives to boost agricultural production, subsidize imports of food, and improve distribution, pressure on food prices has gained momentum over the past 12 months, reaching 4.7 percent in September (up from 3.5 percent a year ago). The stability of retail prices for petroleum products has, however, continued to moderate the impact of rising food prices and contributed in containing inflation.

Fiscal performance

The overall fiscal position on a cash basis (including grants and before payment of arrears) is expected to have returned to near balance in 2011 from a deficit of close to one percent of GDP in 2010 on the back of higher than budgeted oil revenue.

Fiscal Performance, 2010-11 (in CFAF Billions)				
	2010		2011	
	Est.	Budget	Jan.-Sept	Proj.
Revenue and Grants	1940	2095	1637	2307
Oil revenue	497	415	436	624
Non-oil Revenue	1372	1576	1180	1579
Grants	71	104	21	104
Total Spending	2040	2245	1718	2254
Current Spending	1584	1565	1308	1616
Capital Spending	456	680	410	638
Overall Balance	-100	-150	-81	53
Arrears	-125	-158	-83	-158
Overall Balance on a cash basis	-225	-308	-164	-105

Sources: Cameroonian authorities and staff calculations

This fiscal performance – better than budgeted – is remarkable in many respects. First, on the back of stronger revenue administration and a tighter management of exemptions, the mobilization of non-oil revenue in terms of non-oil GDP is estimated to have picked up, reversing the steady decline observed over the past years



(Figure 4). Second, despite spending pressure related to the elections, current expenditure is expected to have remained contained within its budgetary allocation, declining in terms of GDP compared to last year's outcome and building the needed fiscal room for additional capital outlays (Figures 5 and 6).

On the financing side, the second government bond issue had to be postponed: the preparation of the large infrastructure projects that the proceeds are to finance not being deemed advanced enough. Higher oil revenue from more favorable prices could, however, offset this resource shortfall. The government has also initiated a series of Treasury bill issues to improve its cash management and build its yield curve. The first issue was well received by the market, being subscribed more than twice, and, combined with a securitization transaction, allowed to settle part of the government's outstanding payment obligations.

However, at the same time, new payment obligations are reported to have accumulated, particularly with the SONARA, the national oil refinery, to compensate the company for its revenue shortfalls stemming from the government's policy to freeze

retail prices of petroleum products. This continued high stock of unsettled payment obligations will weigh on the liquidity position of the government and on the execution of the 2012 budget.

Figure 4: Non-oil revenue, 2005-11 (in percent of non-oil GDP)

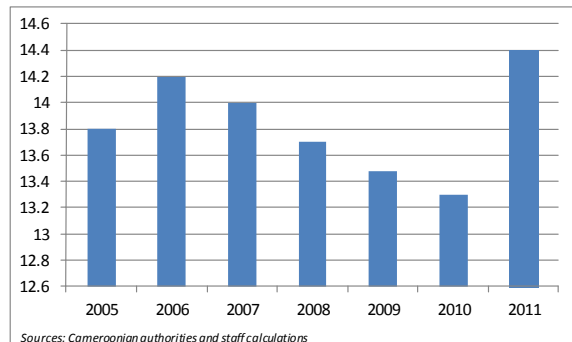


Figure 5: Current expenditure, 2005-11 (in percent of GDP)

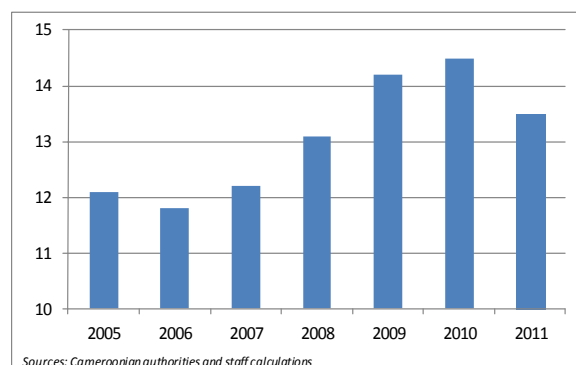
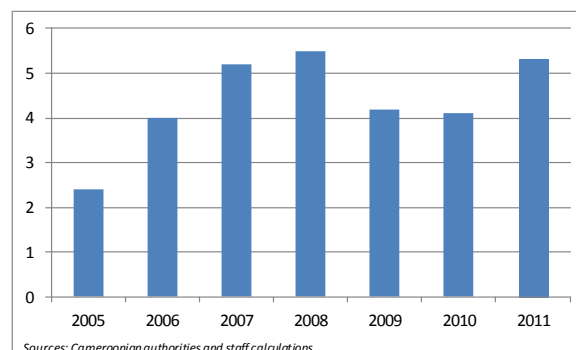


Figure 6: Capital expenditure, 2005-11 (in percent of GDP)



2012 Outlook

The unfolding sovereign debt crisis in advanced economies, particularly in the Euro zone, clouds the economic outlook and makes any projection particularly challenging. At the time of writing, the transmission channels to Cameroon's economy are expected to be similar to those observed during the 2008-09 global financial crisis (Box 1).

The global linkages of the financial system of the CEMAC region are still limited and the banking sector remains sufficiently liquid to meet the credit needs of the government and the private sector. Furthermore, the budget in Cameroon does not rely heavily on aid flows, hence any adverse impact from lower aid following fiscal austerity measures in the Euro zone should be limited.

The economic slowdown in the Euro zone will thus more probably translate into lower exports and remittances. The Euro zone is still the largest market for Cameroon's exports and hosts the largest community of Cameroonians abroad (Box 2). With slower economic growth, demand for products using Cameroonian input such as housing (wood) or cars (rubber) could decline. The

diaspora may have less money to transfer back to their relatives or may even return should unemployment seriously rise and migration regulations tighten.

Against this backdrop, the economic momentum observed in Cameroon in 2010 and 2011 is expected to carry over into 2012 with the construction of large infrastructure projects and continued efforts to improve agriculture productivity. Production under the emergency thermal power program is expected to contribute in alleviating power bottlenecks. In the tertiary sector, telecommunications are expected to perform strongly with a continued expansion of subscribers. Furthermore, in the oil sector, following significant exploration in the past years, the declining trend observed in production is expected to reverse in 2012 and expand by 15 percent. As a result, economic growth in Cameroon could amount to 4½ - 5½ percent in 2012.



Box 1: Effects of the Global Crisis on Cameroon's Economy

The 2008-09 global financial crisis was triggered by the bursting of a real estate pricing bubble in the US market. The crisis propagated to financial institutions globally and resulted in a sharp tightening of credit conditions worldwide. As a result, international trade declined and real global activity contracted, affecting more particularly high-leveraged sectors such as real estate.

World real GDP growth contracted, turning from a positive growth rate of 3 percent in 2008 to a decline of 0.6 percent in 2009. Trade volumes declined substantially, the expansion observed in 2007 (7.3 percent) giving way to a drop in 2009 (10.7 percent). Imports from advanced economies contracted by 12 percent while those of emerging economies declined by 8.4 percent. The slowdown of global demand resulted also in a sharp decline in world commodity prices (36.3 percent for oil and 8.7 percent for nonfuel commodities).

Although Cameroon's financial sector was not directly exposed to the global financial crisis, the country was indirectly affected by the crisis through the following channels (i) deteriorating terms of trade (15 percent); (ii) slower world demand for oil, timber, rubber, cotton and aluminum, resulting in a reduction in export volumes of 4.8 percent; (iii) tighter international liquidity conditions that led to reductions in capital inflows and the postponement of some investments; and (iv) a slight decline in remittances (0.5 percent).

Compared to other sub-Saharan African economies, the impact of the global financial crisis on Cameroon was considered moderate at the aggregate level with real GDP growth slowing by one percentage point (from 3 percent in 2008 to 2 percent in 2009). This relatively good performance in weathering the crisis was achieved through countercyclical fiscal measures made possible by using some of the fiscal savings accumulated in the years preceding the crisis, and with the renewed financial assistance of the IMF (a US\$144 million disbursement under a RAC-ESF agreement).

The 2012 Budget aims at containing the deterioration of the overall fiscal deficit to 2.2 percent of GDP on a cash basis (including grants and before payment of arrears). This would reflect a continued expansion in public investment (to 6.2 percent of GDP) in line with the objectives of the DSCE, but a weaker mobilization of non-oil revenue (declining to 13.9 percent of non-oil GDP). Duties on some oil imports will be lowered and an increase in exempted imported goods is expected in relation to the advancement of large infrastructure projects. The VAT threshold will be revised upwards with a view to reduce administration costs. The tax regime for small- and medium-sized enterprises will also be simplified, allowing for deductions that the previous regime did not permit. These measures are expected to reduce the



tax burden faced by these enterprises and are hoped to foster their development, but will imply a revenue shortfall for the budget.

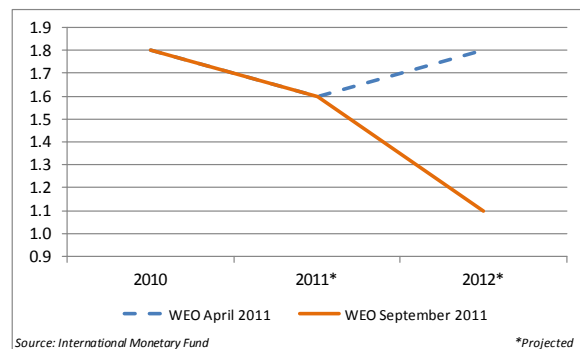


Photo credit: Raju Jan Singh

Uncertainty surrounding the international outlook is, however, greater this year with developments rapidly unfolding and economic difficulties possibly spreading to other parts of the world. Projections are rapidly being revised downwards (Figure 7).

Although Cameroon has a fairly diversified export base and markets, the recent declines in some of its key commodity exports may indicate that the crisis could be deeper than currently envisaged and downside risks to our projections significant.

Figure 7: Euro-zone: GDP growth projections, 2010-12 (in percent)

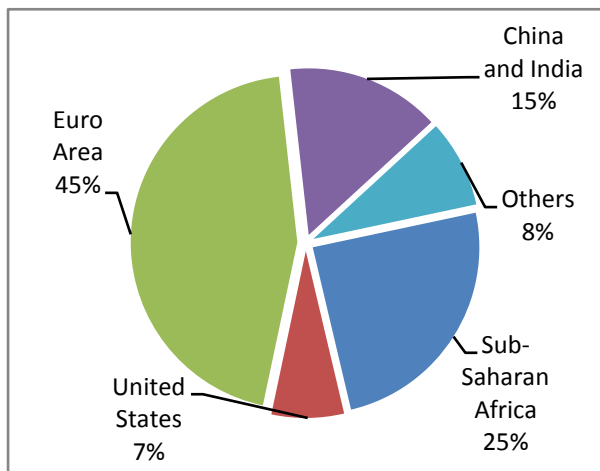


Against this background, mitigating strategies might be considered to protect the economy should matters become worse than currently projected. In 2008-09, public spending could be protected and supportive fiscal measures introduced using the fiscal savings that had been accumulated in previous years. The reduced level of remaining government deposits at the regional central bank will only provide a limited buffer this time around (Box 3).

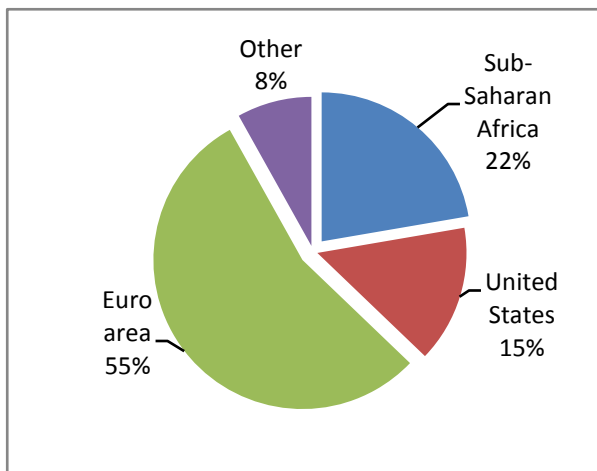


Box 2: Possible Transmission Channels

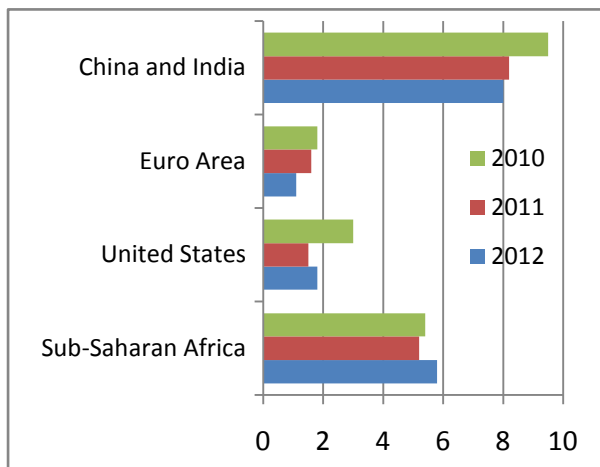
The Euro zone is an important export market for Cameroon...



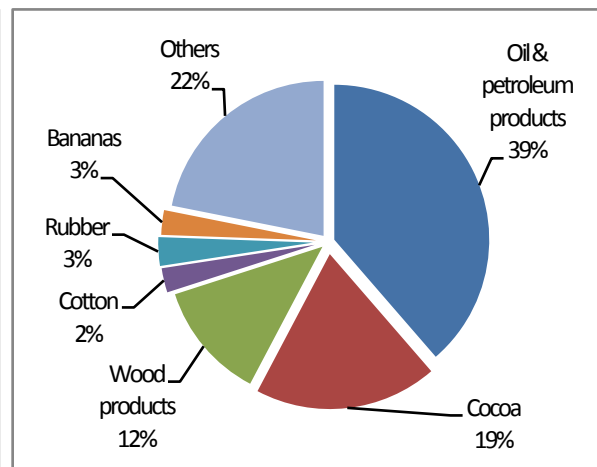
...as well as its main source of remittances.



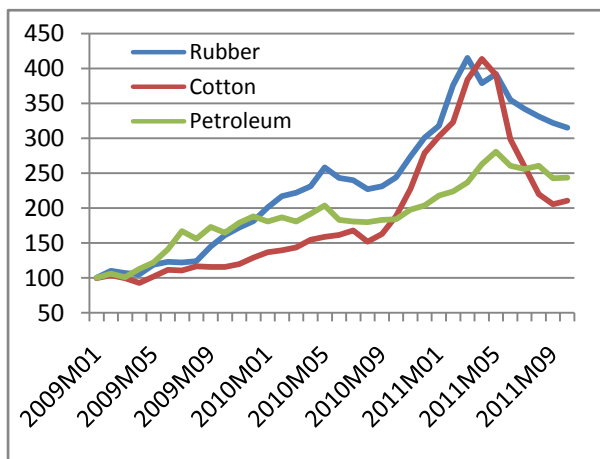
Growth is expected to slow down.



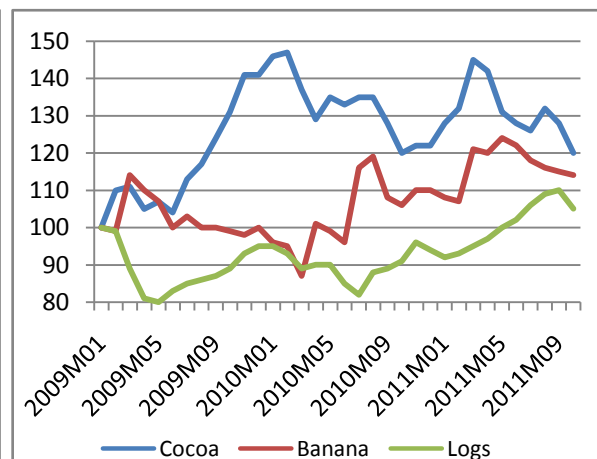
Although Cameroon's exports are diversified,...



... recent declines in commodity prices...



...may indicate even slower world demand.



Sources : Cameroonian authorities and staff calculations



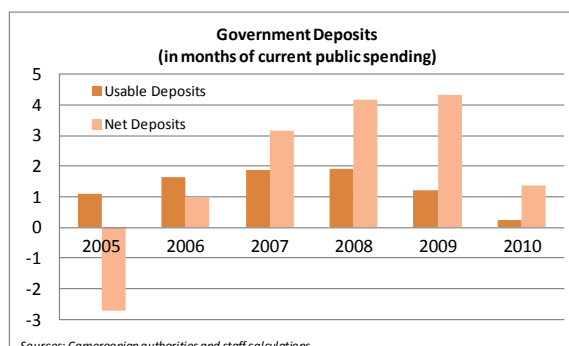
Box 3: Adequacy of Fiscal Reserves in Cameroon

Cameroon being an oil producer is highly dependent on oil exports, making the country vulnerable to swings in oil prices and production. Receipts from oil exports are the country's predominant source for foreign exchange earnings, as well as a substantial source of its government revenue. On average between 2000 and 2010, oil accounted for 46 percent of total exported goods and accounted for 30 percent of total government revenue.

The accumulation of foreign exchange reserves and government deposits can help protect a country against such shocks. As a member of the CEMAC, Cameroon can access the common pool of foreign exchange reserves accumulated by all member countries at the BEAC. To mitigate shocks to government revenue, however, each country has to accumulate an adequate buffer of government deposits. The question then becomes how to define the appropriate level of fiscal reserves.

This question can be approached in a similar way as the evaluation of the appropriate level of foreign exchange reserves.¹ Reserves can be considered as a shield to protect a certain level of imports or spending against shocks on income, very much like precautionary savings would do for consumption. For these calculations, the frequency and strength of past shocks are taken into account and some restriction on borrowing assumed. Although imperfect, this indicator provides a useful benchmark for fiscal reserves adequacy from a policy perspective, because it takes into account the specific frequency and size of shocks faced by a country.

Following this approach, the level of fiscal reserves in Cameroon were measured in months of current spending (considered to be more difficult to cut than investment) and the past development of exports and oil revenue between 1980 and 2009 were taken into account.² The results would suggest that the country should be holding at the minimum fiscal deposits to cover about nine months of current spending to be sufficiently protected against shocks affecting fiscal oil revenues.³ At the end of 2010, net government deposits (measured as government deposits minus its liabilities to the regional central bank) were only sufficient to cover 1.9 months of current spending. Usable government deposits (measured as non-earmarked government deposits) amounted to ¼ month of current spending.



¹ See for instance, Aizenman, J. and J. Lee (2005); Jeanne, O. and R. Rancière (2006); Valencia, F. (2010); and Tereanu, E. (2010).

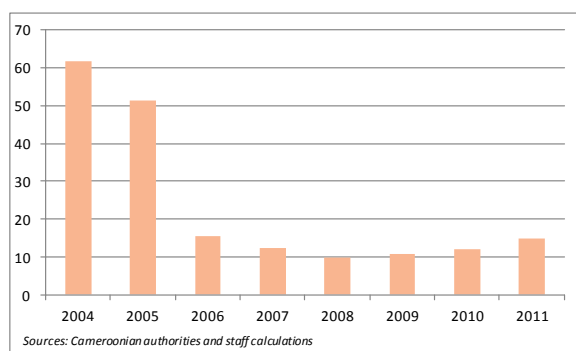
² The underlying assumption is that investment spending is cut first in times of revenue shortfalls, but current spending needs to be maintained.

³ The results of a sensitivity analysis of the parameters used (such as interest rate, return on investment and risk aversion) suggest that the optimal range of deposits-to-expenditure ratio ranges between 9 and 12 months.



The most recent joint IMF-World Bank low-income country debt sustainability analysis carried out indicates that Cameroon's risk of debt distress remains low, opening the possibility for some limited non-concessional borrowing. In this context, the authorities are actively using the room provided by the country's low level of public debt to tap non-traditional creditors and the nascent domestic capital market by issuing a government bond last year and Treasury bills this year (Figure 8). These provide alternative sources of financing for the budget, complementing any possible shortfall in fiscal savings.

**Figure 8: Total public debt, 2004-11
(in percent of GDP)**



Tapping the emerging domestic capital market could, however, also be a source of vulnerability: the 2012 Budget relies on further debt financing amounting to CFAF 250 billion. In this regard, efforts to create a liquid secondary market for government bonds would help sustain investors' interest in future bond issues. Improvements in fiscal

reporting would also foster investors' confidence, since it will make the government's fiscal position more transparent. Furthermore, stronger project selection and preparation would contribute to ensuring that the proceeds of new borrowing would be put at the most productive use.

As the government is turning to non-traditional creditors and non-concessional external borrowing, its debt management capacity would need to be strengthened, building on recent achievements. The authorities have formulated a medium-term debt management strategy for central government debt; they are also producing their own debt sustainability analyses; and a National Debt Committee has been instituted. However, the legal framework governing debt management could be clarified, institutional responsibilities centralized, and capacity strengthened to carry out more sophisticated negotiations and analyses on risks and costs, as well as making the National Debt Committee fully operational.

The composition of public spending could also be examined to enhance its efficiency. In this regard, the increasingly significant burden represented by subsidies, particularly fuel subsidies, is a source of



concern (Box 4). The costs in terms of GDP related to the decision to freeze retail fuel prices are the highest in the region, benefitting mostly the richest segment of the population (the fifth quintile: the richest

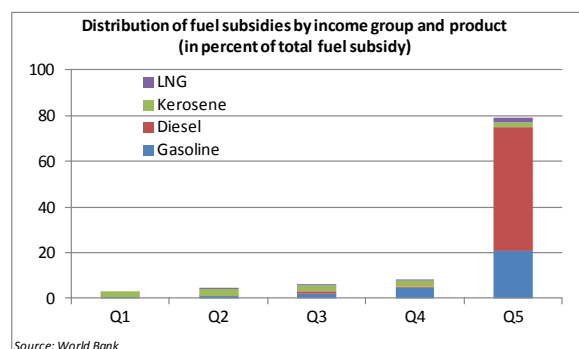
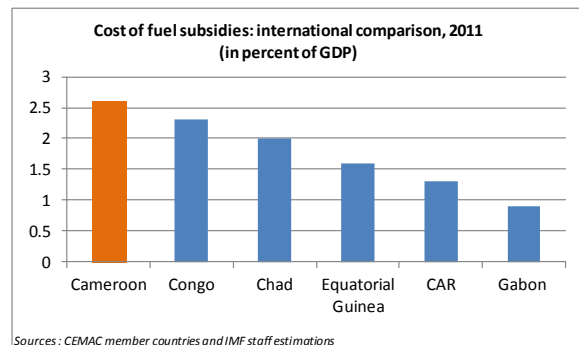
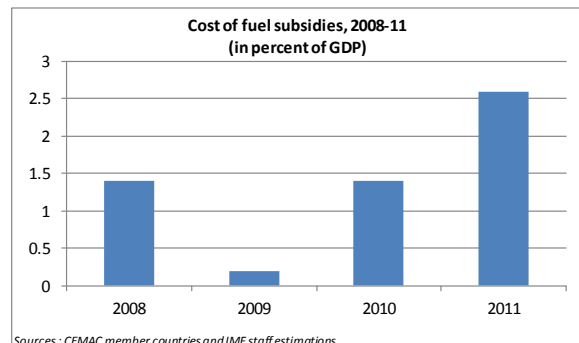
20 percent of the population). Measures that instead scale up existing transfer programs and develop effective social protections, while achieving the same objectives, would be more cost-effective.

Box 4: Cost of Fuel Subsidies

SONARA, the national oil refinery, has been benefitting from assistance to compensate it for its revenue shortfalls stemming from the government's policy to freeze retail prices of petroleum products (diesel, gasoline, kerosene, and LPG). Subsidies for energy products are provided both: i) directly to SONARA through direct budgetary transfers from the treasury; and ii) indirectly through tax reductions on the prices of energy products.

Budgetary allocations have been insufficient to cover the actual costs of freezing petroleum prices. These costs are calculated as the difference between the retail price applied and the price that would be needed for SONARA to generate a guaranteed margin on its domestic operations. These amounts have substantially increased, reaching an estimated 2.6 percent of GDP in 2011 (14 percent of the budget), the highest level in the region.

Furthermore, the freeze on petroleum products has mostly benefitted the richest segment of the population. About 80 percent of the benefits from fixed fuel prices are estimated to accrue to the top income quintile because richer households consume more petroleum products than do poorer households, especially diesel and gasoline.



Employment in Cameroon

As in other parts of Africa, the formal manufacturing and service sectors have the potential to be an important source of employment, but because they hire such a small share of the labor force, even with very high growth rates, they will not be able to absorb more than a fraction of the new entrants. Most Cameroonians are thus likely to continue working in low-productivity agriculture and non-agriculture informal sector activities over the next two decades.

This observation calls for greater emphasis on measures to increase the productivity, and hence the earnings, of those employed in the informal sector, while at the same time working to create more jobs in the formal sector. Like most Africans, Cameroonians already have jobs: they cannot afford otherwise. The problem is that these jobs have extremely low productivity and generate low earnings.

Labor productivity enhancement can come from two sets of interventions: (i) those that improve the supply of labor; and (ii) those that stimulate the demand for goods and services produced, and hence for labor.

When discussing labor supply, skills are important. Significant among demand-side interventions are those that reduce the costs of production, such as infrastructure investments.

This chapter intends to provide a snapshot of the employment situation in Cameroon and of the possible hurdles for greater labor productivity. It aims to present a number of ideas that warrant further reflection.

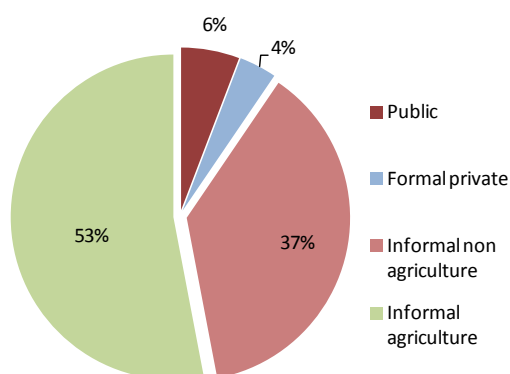
On the one hand, a large proportion of the workforce is not considered to master basic skills such as literacy and numeracy when starting work. This is the case in spite of recent increases in access to education rates. This represents a major impediment for their insertion in the labor market and, more importantly, for their ability to absorb post-school training either on or off the job, and to adapt to changing job requirements. On the other hand, while Cameroon has improved its ranking in the 2012 Doing Business, moving up seven places compared with 2011, poor infrastructure and an unfavorable investment climate continue to hamper economic activity.



Where are the jobs?

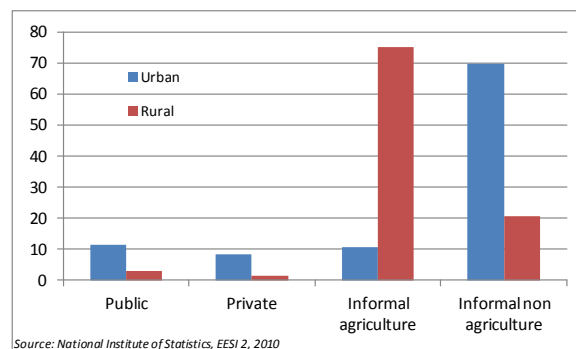
The informal sector – agriculture and non agriculture – remains the main provider of employment in Cameroon, with more than 90 percent of the overall labor force (Chart 1). Informality is predominant in urban as well as rural areas and represents the main employer for men as well as for women (Figures 9 and 10). Overall the formal private sector represents less than 4 percent of the labor force, employing essentially men in urban areas. Because it may be easier to enter, most young people find jobs in the informal sector (Figure 11). In 2010, about 92 percent of young people employed were in the informal sector.

Chart 1: Employment structure, 2010



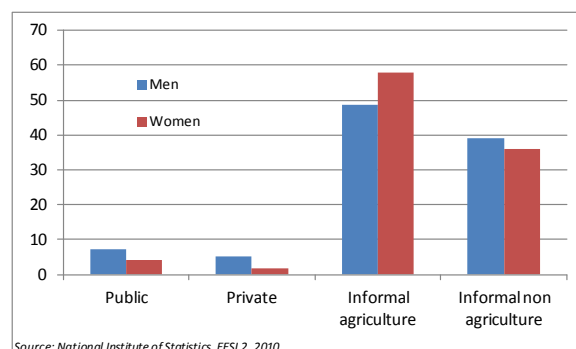
Source: National Institute of Statistics, EESI 2, 2010

Figure 9: Employment by sector and location, 2010 (in percent of employment)



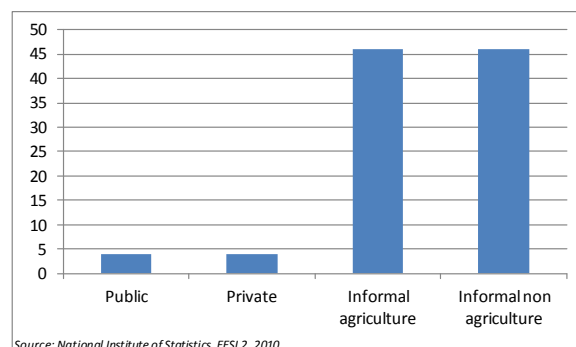
Source: National Institute of Statistics, EESI 2, 2010

Figure 10: Employment by sector and gender, 2010 (in percent of employment)



Source: National Institute of Statistics, EESI 2, 2010

Figure 11: Youth employment by sector, 2010 (in percent of 15-34 employment)



Source: National Institute of Statistics, EESI 2, 2010

Unemployment in Cameroon, as strictly defined by the ILO, is estimated at only 3.8 percent in 2010.⁴ The typical unemployed is

⁴ According to the ILO, the unemployed population is made up of people who are available to, but did not, supply labor for the production of goods and services. They would have accepted a suitable job or started an enterprise during the reference period if

a young, well-educated female, living in an urban area and seeking her first job (Box 5). Probably because she is financially relatively comfortable, she can afford looking for a job for more than three years. On average, the unemployed tend to have higher incomes than households occupied in the informal agriculture sector (CFAF 64'000 compared to CFAF 40'000). The income enjoyed by the unemployed is believed to come from members of the extended family or from scholarships.

While unemployment in Cameroon is relatively low, underemployment concerns more than 70 percent of the work force.⁵ Similarly to the average unemployed, the average underemployed is a female, but living in a rural area with a much lower education level (Figures 12 and 13). Underemployment is mostly associated with the informal agriculture and non-agriculture sectors (Figure 14).

Figure 12: Underemployment by category and gender (in percent), 2010

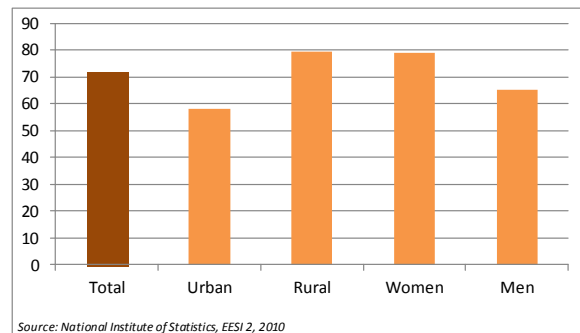


Figure 13: Underemployment by education level (in percent), 2010

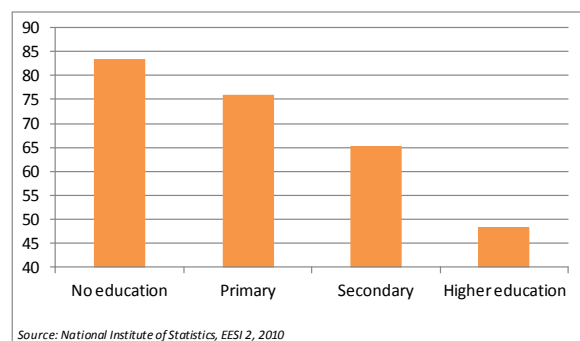
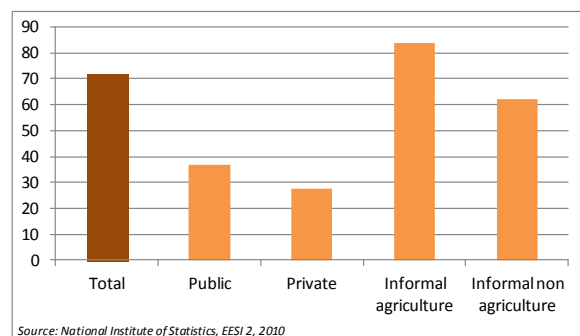


Figure 14: Underemployment by sector (in percent), 2010



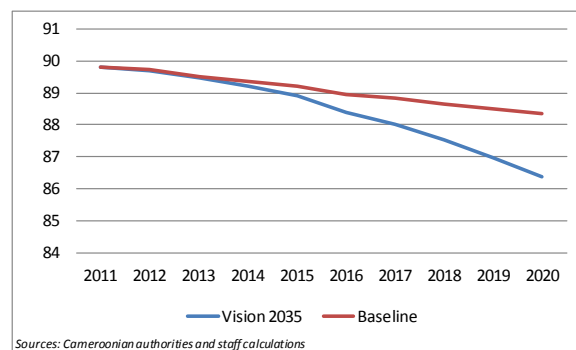
Looking ahead, family farms and informal non-farm enterprises will remain the main employers for at least the next two decades. Formal employment has represented less than 10 percent of the labor force since 1990s. Because of this very low share, even rapid growth rates will not allow to keep pace with the number of new entrants in

the opportunity arose, and had actively looked for ways to obtain a job or start an enterprise in the near past.

⁵ Underemployment covers those who are unemployed and those who are employed but who either work less than 40 hours a week or earn less than the minimum hourly wage.

the labor force. Even under the ambitious Vision 2035, the share of informal employment will decline only slowly (Figure 15). Improving labor productivity and earnings of those employed, in addition to creating new jobs, is therefore key in making Cameroon's economic growth more inclusive.

**Figure 15: Informal employment, 2011-20
(in percent of the labor force)**



How to unlock the labor force?

Education

Education plays a crucial role in increasing labor productivity. The main pillars of a performing education and training system include: i) a solid basic education providing people with a set of basic skills, including literacy and numeracy, as well as soft skills to easily adapt to changing labor market conditions; ii) quality technical and vocational education, providing practical skills that are directly applicable on the labor market; iii) a balanced higher education system which offers programs at various levels (including short post-secondary programs), directly linked to the needs of the labor market, and facilitating the absorption of new research and technology. The education system in Cameroon seems so far, however, to have failed to deliver these services.

Low learning achievements in basic education imply that most of the population does not master basic skills. Despite notable progress achieved over the past decade in access to education and literacy, education achievements in Cameroon still lags those observed in countries at similar income levels (Box 6). Less than half of the school age population completed primary education in 2009 and school life expectancy only increased by two years over the past twenty years. The main reason for dropping out of school seems to be the lack of finance, surprising since public primary education is officially free.

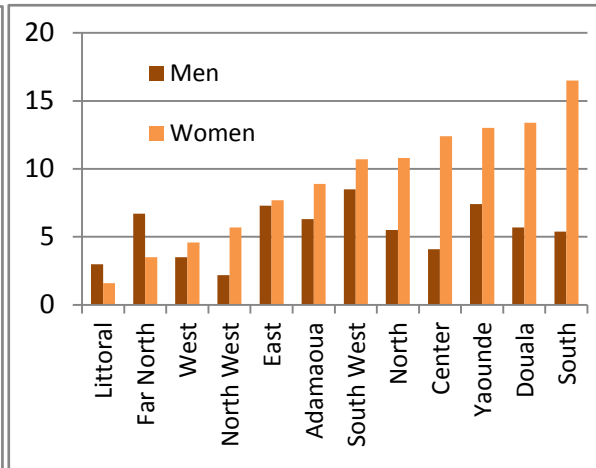
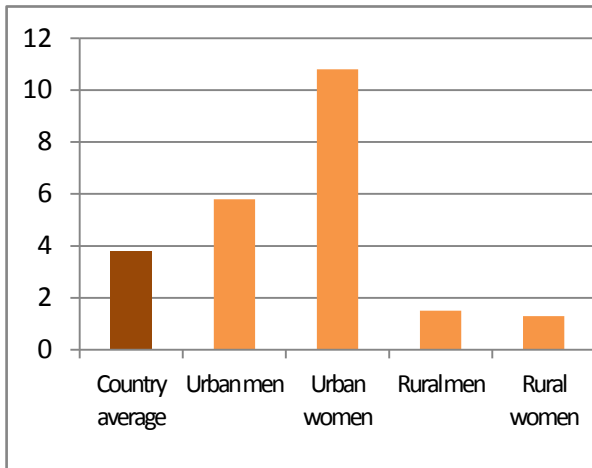
As a result, a large proportion of the youth leaves school without mastering basic skills such as literacy and numeracy. This represents a major impediment to productivity in the sectors where it enters, as well as for its ability to adapt to changing



Box 5: Some Unemployment Characteristics (in percent unless otherwise stated)

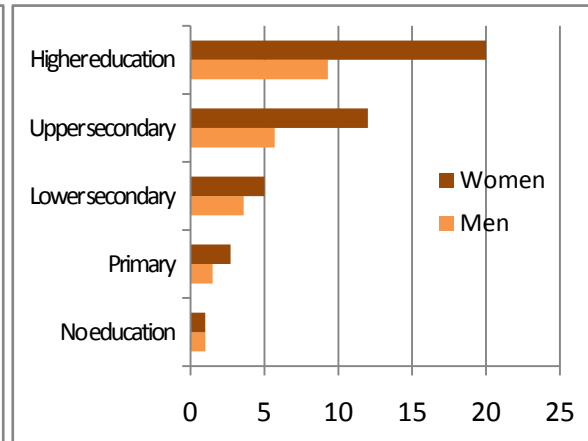
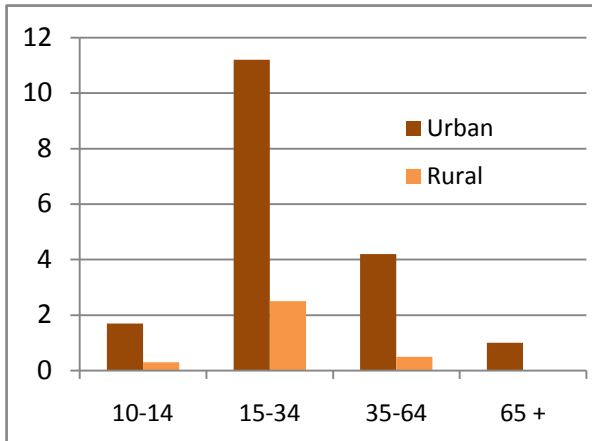
The unemployment rate is highest for urban women...

...especially in the Center and the South.



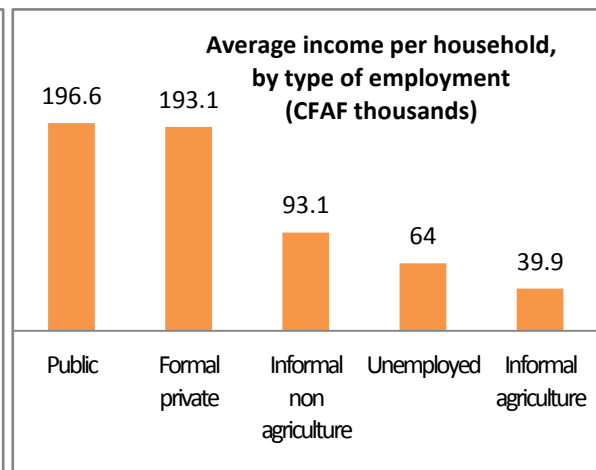
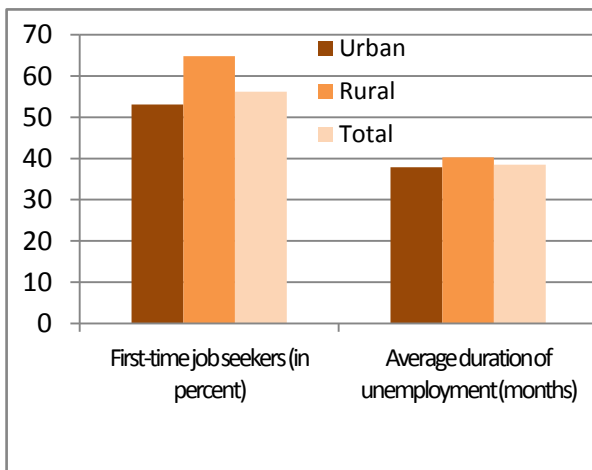
Unemployed are mainly young...

... and well-educated...



...looking a long time for their first job...

...while still receiving an income.

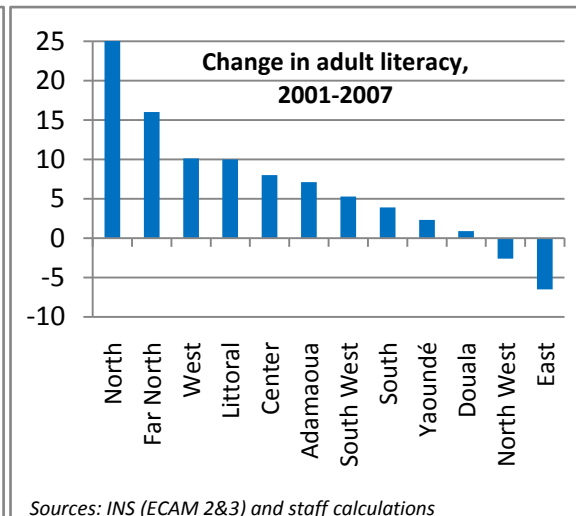
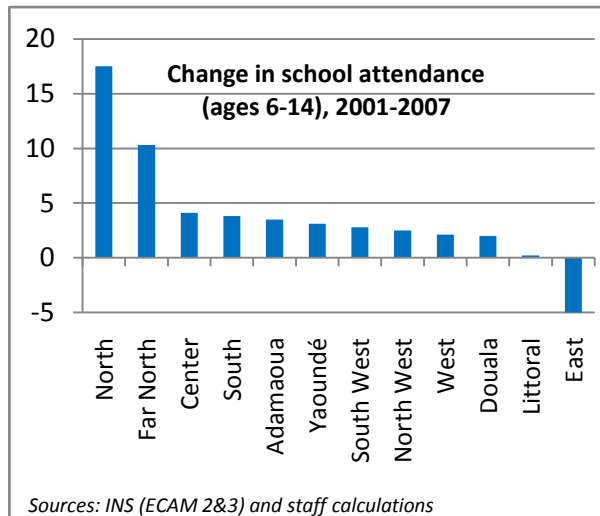


Sources: INS (EESI 2) and staff calculations

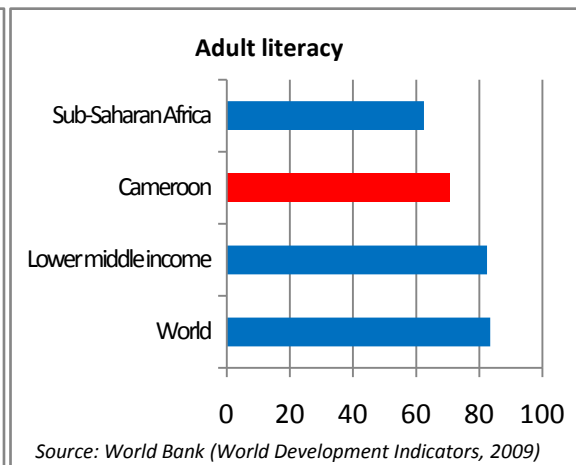
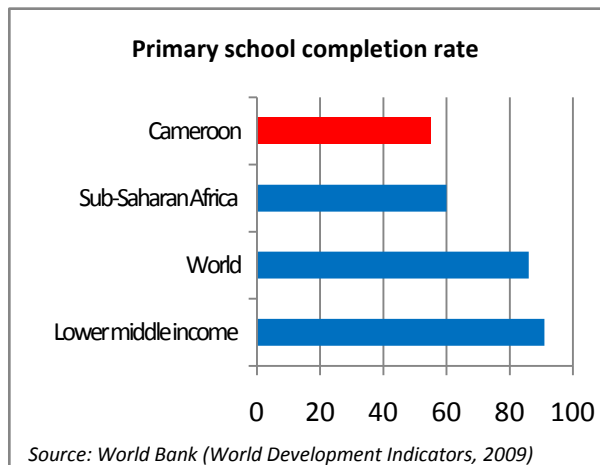


Box 6 : Some Characteristics on Education (in percent unless otherwise stated)

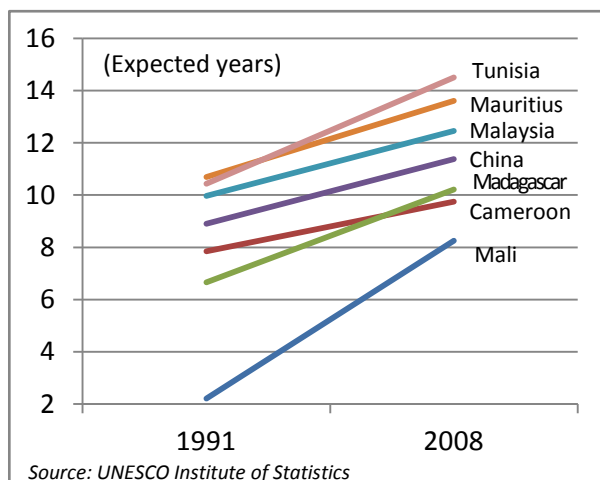
Although progress has been achieved in education...



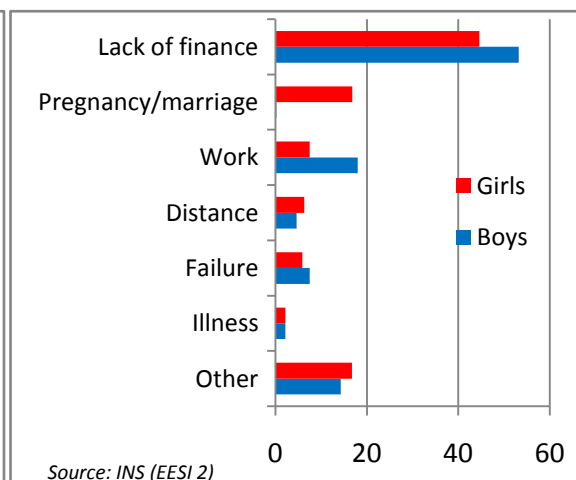
...Cameroon still lags behind comparable countries.



School attendance has improved little...



... finance being the main reason for drop-outs.



job requirements. Moreover, national averages hide wide location and gender differences. While school attendance is high in urban areas and shows little gender disparity, it is particularly low for girls in rural areas (Figure 16). Completion rates are particularly low in the Adamawa, North and Far North (Figure 17). As a result, education achievements such as literacy are particularly low for women in these regions (Figures 18 and 19).



Photo credit: Raju Jan Singh

Figure 16: Net school attendance, 2010 (in percent)

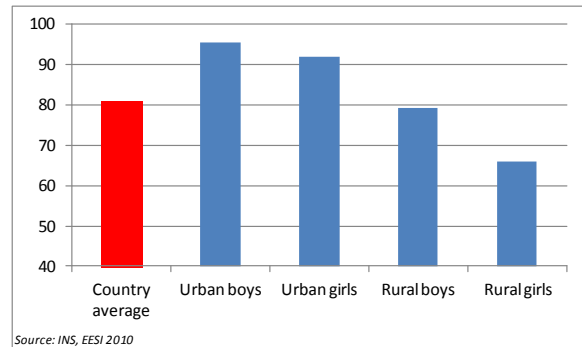


Figure 17: Completion rates by region, 2010 (in percent)

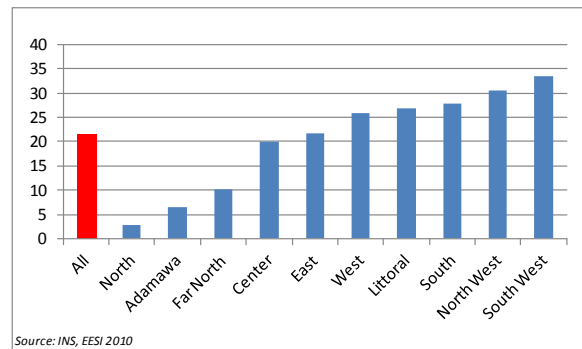
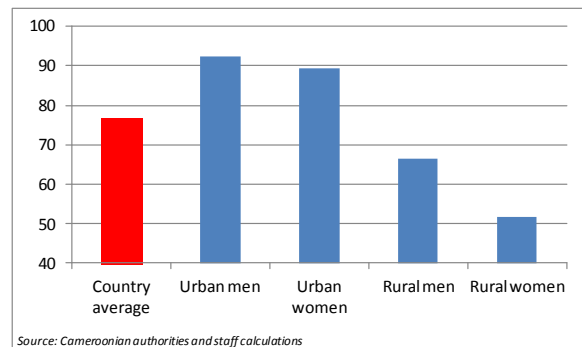
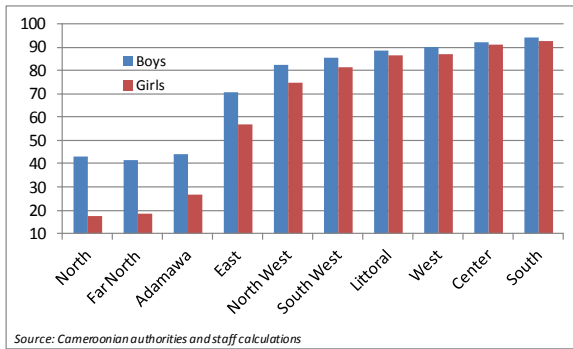


Figure 18: Literacy rates, 2005 (in percent of population age 15-34)

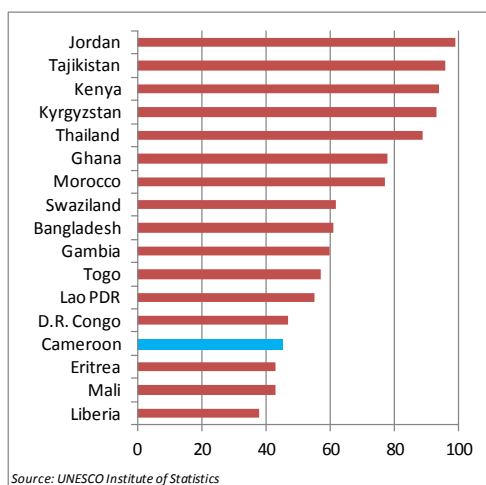


**Figure 19: Literacy rates in rural areas by gender, 2005
(in percent of population aged 15-34)**

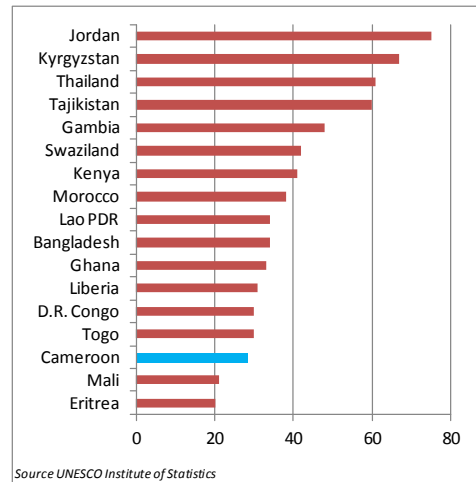


Enrolment at secondary levels is low compared with peer countries. In 2008, the gross enrolment ratio in Cameroon was at similar levels than in Eritrea, Guinea, Liberia, and the Democratic Republic of Congo, but well below Ghana, Kenya, or South Africa (Figures 20 and 21). Secondary education is divided into general and technical streams, with technical secondary education making up for only a small share of total enrolment (less than 20 percent in 2008).

**Figure 20: Gross enrolment rates in lower secondary, 2008
(in percent)**



**Figure 21: Gross enrolment rates in upper secondary, 2008
(in percent)**

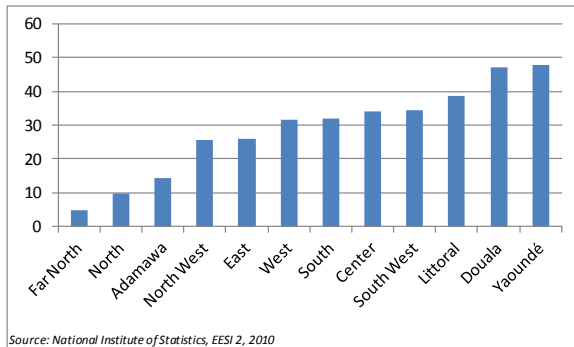


Vocational training is not closely linked to the needs of the labor market. Vocational institutions enroll only a small number of students and focus on a few sectors such as construction (representing about 25 percent of total enrolment) and leaving other important areas of the economy, such as tourism (three percent of enrollees) and agriculture (less than one percent). Apprenticeships, which could be an efficient way to deliver training closely aligned to private sector needs, can only take place informally in the absence of a legal framework that would allow private companies to partner with training centers. As a result, most youth do not seem to receive any professional training (especially in the Northern regions) and when they do, they tend to get it mostly on the job with the exception of the South-West region

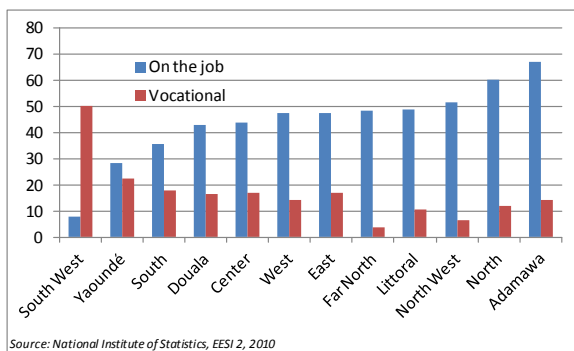


where vocational training is more widespread (Figures 22 and 23).

**Figure 22: Professional training by region, 2010
(in percent of population 10 +)**



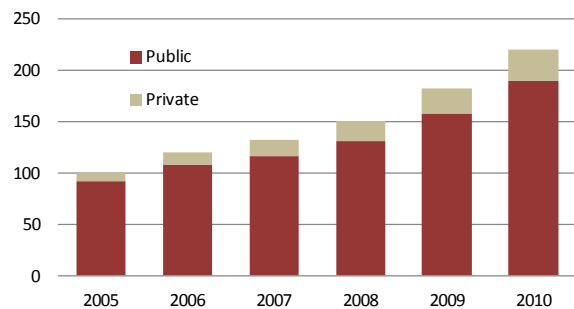
**Figure 23: Professional training by source, 2010
(in percent of trained people 10 +)**



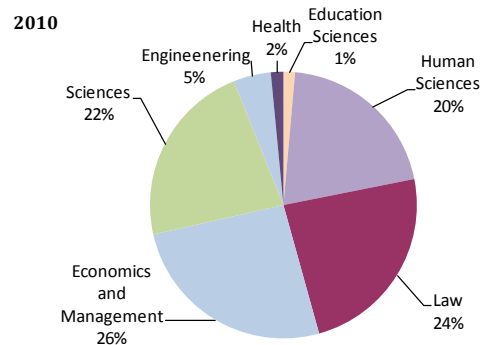
Turning to higher education, while enrolment has significantly increased, the proposed programs may not meet the needs of the job market. Enrolments have more than doubled since 2005, mainly in public tertiary education institutions, following the creation of new universities (Figure 24). The allocation of students by discipline could suggest, however, that there may be a gap with the needs of Cameroon's economy. Excluding teacher training, engineering for instance represented only five percent of total enrolments in 2010, a share at odds

with Cameroon's plan to invest in a number of large projects in energy and transport (Chart 2). Health attracted a similar low share of students.

**Figure 24: Enrolments in higher education, 2005-10
(in thousands)**



**Chart 2: Enrolment by program in higher education
(excluding teacher training), 2010**



Investment climate

The supply of appropriately skilled labor is, however, not the entire story. A limited supply of jobs seems also to be at fault. Poor infrastructure and an unfavorable investment climate continue to hamper economic activity and make it difficult to reach the growth rates needed to reduce poverty in a sustainable manner.

As noted in previous issues, Cameroon is endowed with significant natural resources, including oil, high value timber species, and agricultural products (coffee, cotton, cocoa). Untapped resources include natural gas, bauxite, diamonds, gold, iron, and cobalt. Nonetheless, economic growth has been lagging behind the average growth rate for sub-Saharan countries. The poor state of infrastructure is a key bottleneck to growth in African countries and Cameroon is no exception in this regard.⁶

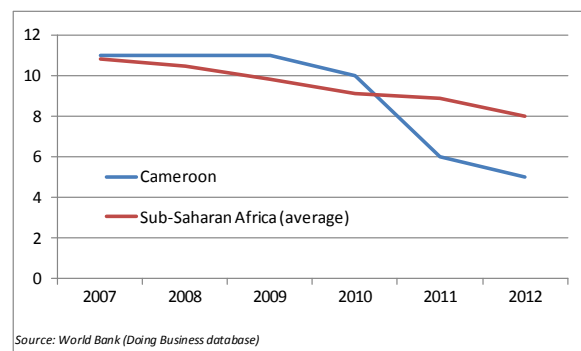
But would tackling these infrastructure bottlenecks be enough to create the needed jobs and increase labor productivity? Further analysis is probably needed to understand better what holds back job creation in the formal sector and greater labor productivity in the agriculture and non-agriculture informal sectors. The binding constraints would probably be different from one sector to another, as would the appropriate policy measures to alleviate them. The remainder of this chapter sketches some areas for further investigation.

⁶ See Cameroon Economic Update, January 2011, for a more complete discussion of infrastructure in Cameroon.

Cameroon's investment climate remains overall unfavorable to the development of the formal sector. Initiatives such as the Cameroon Business Forum, bringing together private and public partners with a view to identify and deal with the most binding constraints, should be encouraged and strengthened.

Cameroon has improved its ranking in the 2012 Doing Business, moving up seven places compared with 2011. The country has made particular progress in making it easier to start up a business. The time and number of procedures, as well as the cost, implied for this transaction have been steadily declining over recent years (Figure 25).

Figure 25: Starting a business, 2007-12 (number of procedures)



Progress in improving the investment climate has, nevertheless, been slow and starting a business remains comparatively costly, taking 15 days and 45.5 percent of the average income. Publishing the articles of incorporation electronically as in Senegal

and Cap Verde could reduce this time by three days. Streamlining the process at the one-stop shop would lead to further reductions.

Furthermore, the country's overall institutional environment remains weak and regulatory requirements cumbersome. Contract enforcement, for instance, is still problematic with numerous lengthy and costly procedures (Figures 26-28). While improving contract enforcement is a medium-term endeavor, entailing for instance specialized commercial courts and specially trained judges, a more short-term solution could be to strengthen the Center for Arbitration and Mediation as an alternative mechanism to resolve commercial disputes.

Due to its strategic location neighboring Nigeria and Gabon, and potential crossing point to the landlocked countries of Central Africa (Chad and the CAR), Cameroon is a natural hub for the region with the port of Douala as the main entrance. However, in addition to poor infrastructure quality, significant deficiencies in logistics, such as cartels, prevent Cameroon from playing this role effectively, inflating the costs and lengthening delays for cargo bound inland to CAR and Chad.

Figure 26: Cost of enforcing contracts (number of procedures)

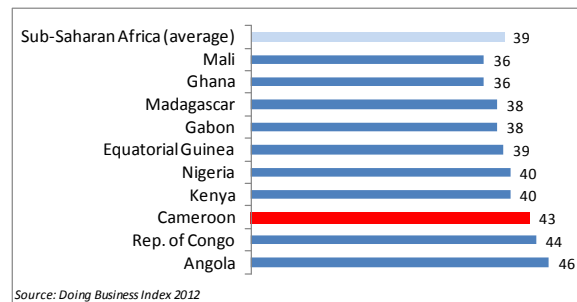


Figure 27: Cost of enforcing contracts (in days)

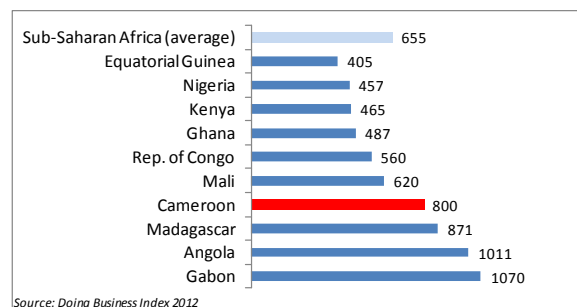
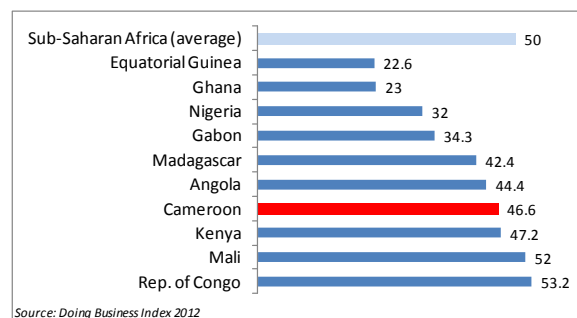


Figure 28: Cost of enforcing contracts (in percent of claim)



In 2010, the Logistics Performance Index – reflecting the operators' perceptions of the logistic "friendliness" of countries – ranked Cameroon 105 out of 155 countries. The quality of trade and transport infrastructure (e.g. ports, railroads, roads, information technology) and the efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border



control agencies, are the dimensions that received the lowest scores. The number of documents required to import or export goods, for instance, is far higher in Cameroon than on average in sub-Saharan Africa and illustrates these administrative hurdles (Figures 29 and 30).

Figure 29: Export costs (number of documents)

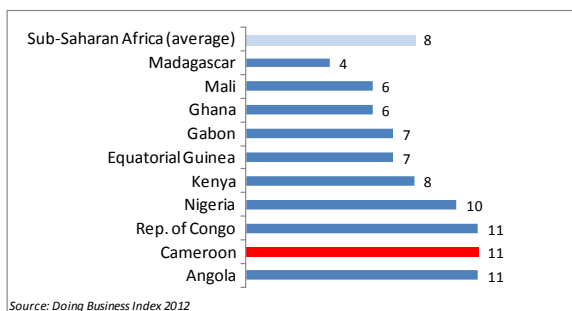
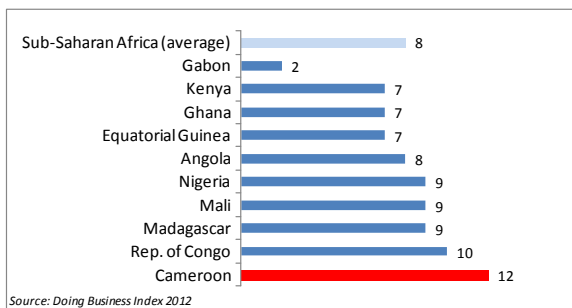


Figure 30: Import costs (number of documents)



Turning to agriculture, recent data are lacking for a proper discussion on policies to improve competitiveness and labor productivity in this sector. Growth in agriculture is nevertheless thought to be hampered by among other factors: (i) limited access to improved inputs (such as high yielding improved varieties, certified seeds, and fertilizers); (ii) poor rural

infrastructure (marketing and transport); (iii) weak linkages to markets and market information; (iv) limited access to credit; and (v) weak producer organizations and low productivity techniques. Studies on Western and Central Africa tend to show, for instance, that up to 50 percent of crops could be lost because of poor roads, hampering their timely transport to consumers.⁷ Preliminary estimations on the Batibo-Ekok corridor would confirm that up to 40 percent of production could be lost because of lack of appropriate roads and transport services.⁸



Photo credit: Raju Jan Singh

⁷ AFD, CIRAD, IFAD (2010).

⁸ Mbida (2010).

Early evidence from the government's ongoing efforts would suggest that the growth potential of the agriculture sector could be unlocked – and labor productivity improved – if the above-mentioned structural constraints and weaknesses were addressed. As mentioned earlier in this Update, the government has been actively supporting the dissemination of improved seeds, equipment, and training, with a measurable pick-up in agriculture production.

Similarly for non-agriculture informal enterprises, further analysis would be needed to understand better their constraints. Recognizing that informal is normal would be the first step in developing effective policies and programs to help households create sustainable enterprises. Often the main obstacles to recognizing this sector are political and social. Informal enterprises are not necessarily attractive and tend to be chased out of the business areas in capital cities. They have been criticized in some development circles for not offering the income and benefits of

wage employment, so national governments hesitate to include them in their strategies.

When governments do want to support this sector, however, most programs – not only in African countries, but around the world – have not shown to be very effective. Given this poor record, a better understanding of this sector and careful experimentation would be called for before general advice and lessons be drawn.



Photo credit: Raju Jan Singh



REFERENCES

- AFD, CIRAD, IFAD (2010), *Cadre Opérationnel d'Intervention pour un Développement des Cultures Vivrières Pluviales en Afrique de l'Ouest et du Centre*
- Aizenman, J. and J. Lee (2005), "International Reserves: Precautionary versus Mercantilist Views, Theory and Evidence". *NBER Working Papers* No. 11366, National Bureau of Economic Research. Cambridge, MA
- Ateba A. (2010), *L'Impact de la Hausse des Prix et de la Crise Financière*, mimeo, University of Douala
- Calderon, C. (2009), "Infrastructure and Growth in Africa", *Policy Research Working Paper* 4914, World Bank, Washington DC
- Jeanne, O. and R. Rancière (2006), "The Optimal Level of International Reserves for Emerging Market Countries: Formulas and Applications", *IMF Working Paper*, 06/229. Washington, DC
- Mbida, M. (2010), *Etudes de Suivi et d'Evaluation des Impacts du Projet d'Aménagement des Tronçons Routiers Batibo-Numba et Mamfe-Ekok sur le Développement et la Réduction de la Pauvreté : Rapport Préliminaire*, University of Dschang
- Tereanu, E. (2010), "International Reserve Adequacy in the Gambia", *IMF Working Paper*, 10/215, Washington, DC
- Valencia, F. (2010), "Precautionary Reserves: An Application to Bolivia", *IMF Working Paper*, 10/54. Washington, DC

