Cameroon's Informal Sector Put to the Test by Coronavirus

Ulrich D’POLA KAMDEM & Dr. Louis-Marie KAKDEU
On 6 March 2020, the first positive case of Coronavirus (COVID-19) was recorded in Cameroon. Towards the end of April 2020, the country has more than 1000 positive cases with eight (8) out of the country’s ten (10) regions affected. To block the spread of the Coronavirus in Cameroon, government’s authorities took a series of thirteen (13) measures on 17 March 2020. At the level of business enterprises, the objective of the actions taken to counter the virus was two-fold: to implement the government’s recommendations and, especially, to ensure continuity of work. For example, the use of telework has been adopted in some companies. However, while the government’s measures and those relating to telework have been widely followed in both the public and the formal private sectors, they have, nevertheless, been a real headache for the informal sector. Indeed, the informal sector in Cameroon is characterised by precarious activities, with little or no supervision, which are not covered by the National Accounting. This sector employs 90% of the active population and accounts for more than 50% of the country’s GDP according to the International Labour Organization - ILO (2017). Consequently, because of its weight in the Cameroonian economy, this article analyzes the impact of the COVID-19 pandemic on the informal sector.

DEFINITION OF THE INFORMAL SECTOR AND ITS IMPORTANCE TO CAMEROON’S ECONOMY

Generally speaking, the informal sector is made up of very small, unregistered individual enterprises operating on a small scale outside the agricultural sector and whose activity enables them to produce at least part of what is on the market (Roubaud, 2014). In other words, the informal sector encompasses activities that do not feature in the National Accounting. The size of Cameroon’s informal sector can be assessed both at the macroeconomic and microeconomic levels.

At the macroeconomic level, Cameroon’s informal sector accounts for more than 57% of the country’s Gross Domestic Product (GDP). This contribution is below that of Sub-Saharan Africa at 63.6%. On the other hand, it is above the contributions of Latin America and Asia respectively estimated at 29.2% and 30.2%. Based
on Roubaud’s (2014) definition of the informal sector, the contribution of the informal sector to the GDP, excluding agriculture, follows the same trend. Thus we have 36% in Cameroon as against 24% in Latin America and 14.2% in Asia.

At the microeconomic level, Cameroon has more than 2,500,000 Informal Production Units (IPUs) throughout the country\textsuperscript{11} \textit{(National Institute of Statistics - NIS, 2011)}. In terms of distribution, rural areas account for 49.5% of these units while the cities of Douala and Yaounde account for 33.3% of IPUs. In terms of their management, 54.4% of IPUs are managed by women while men manage only 45.6%.

**THE POSSIBLE EFFECTS OF COVID-19 ON THE INFORMAL SECTOR IN CAMEROON**

The Coronavirus pandemic presents challenges and opportunities to Cameroon’s informal sector. The challenges faced by Cameroon’s informal sector as a result of the COVID-19 pandemic are numerous.

Indeed, although the government has not decreed total quarantine in the country, the slowdown in economic activity could lead to a significant loss of income in this sector. As a reminder, the average income of those employed in the informal sector is 48,400 francs CFA per month, as follows: 58,600 francs CFA per month in urban areas and 38,200 francs CFA per month in rural areas \textit{(EESI 2 - INS, 2011)}. This income contraction could also affect business managers, whose monthly income is 105,100 francs CFA per month (Ibid.). Inevitably, the drop in income will have repercussions on the working conditions and productivity of IPUs – a situation which could affect the quality of the goods and services produced.

The slowdown in economic activity (drop in exports and imports) could also lead to layoffs in the formal sector or temporary/partial unemployment of some staff. This situation could push those concerned to migrate to the informal sector to compensate for unemployment and pursue livelihood opportunities. This phenomenon could be more visible in the urban centres of Douala and Yaoundé. As a main consequence, the rate of informal employment in the economy could increase with the multiplication of subsistence activities.

Similarly, IPUs in the retail, catering and leisure sectors could see a sharp drop in their turnover. Indeed, government measures nos. 4, 6 and 7 are likely to reduce the added value of businesses in this sector. For example, the closure of pubs, restaurants and leisure facilities from 6 p.m. \textit{(measure no. 6)} will have a severe impact on turnover, since it has been noticed that attendance at these places usually peaks from 5 p.m. onwards.

\textsuperscript{1} These statistics could have been improved if the authors had had access to the Final Report of the Survey of Employment and the Informal Sector N.3 (EESI3, 2018). Unfortunately, at the time of writing this article, this report was not yet available on the National Institute of Statistics-Cameroon website.
Finally, since the majority of Cameroonian IPUs are located in rural areas (49.5% of total IPUs), the low demand in urban centres could lead to a sharp contraction of activity in rural areas and a reduction in farmers’ income. The corollary of this would be the heightening of the level of poverty in rural areas and the worsening of inequalities in the country.

As regards the opportunities offered by COVID-19 to the informal sector, we can envisage two major situations: (i) the transition from the informal to the formal system and; (ii) a large market for products and services, with the first situation being the consequence of the second.

In terms of markets for products and services, IPUs in agro-industry can take advantage of the COVID-19 pandemic to address a wider market, thereby earning considerable income. Indeed, the demand for necessities during this period remains high. So far, Cameroon has an import-dependent economy. In 2018, the country’s total import expenditures stood at 3405.2 billion francs CFA, representing 75.44% of the 2018 national budget (estimated at 4513.5 billion francs CFA). In 2018, food import expenditures represented 702.3 billion francs CFA (i.e. 20.6% of import expenditures). As a result, a slowdown in food imports will have to be made up for by local production. Intra-African trade through the African Continental Free Trade Area (AfCFTA22) would also be a way to limit the negative effects of the pandemic (UNECA, 2020).

At the national level, the COVID-19 pandemic has given rise to various needs. These needs include hydroalcoholic solutions, protective masks, gloves and protective equipment. With a population estimated at 26 390 686 as of April 10, 2020, the manufacture and marketing of protective masks sold at 500 francs CFA per unit offers a market of at least 13 billion francs CFA to IPUs in the field of clothing. It is another major opportunity offered to the informal sector with the generalized wearing of protective masks in public spaces. Indeed, exemptions from the norm of protective masks for civilians are likely to boost IPUs’ initiatives and reduce the deficit in masks.

With this potential revenue, the transition from informal to formal would be less difficult. Indeed, the development of the activities of IPUs will push stakeholders into formalizing their production processes for goods and services to be able to capture significant shares of income. In this way, the number of activities that were

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2 The African Continental Free Trade Area will be effective in July 2020.
never taken into consideration in the National Accounting could be reduced. However, if the tax burden remains high, a return to or continuation in the informal sector would still be probable.

ECONOMIC POLICY RECOMMENDATIONS

The COVID-19 pandemic was an unpredictable shock. The magnitude of the anticipated damage in the formal and informal sectors of the world’s economies is considerable. Faced with this unprecedented situation, public policies must adjust both cyclically and structurally.

At the economic level, and in the light of the work of Jayaram et al. (2020), we believe that measures to protect and stabilize the incomes of the poor must be implemented as a matter of urgency. These actions should be more oriented towards rural areas because the majority of the poor, as well as the majority of IPUs in Cameroon, are found in rural areas (EESI2 and ECAM4 - INS).

Firstly, the state could envisage cancelling all taxes and rates payable by all IPUs for this year. These expenses could be covered by the Solidarity Fund created on 31 March 2020 as part of the fight against COVID-19 in Cameroon. Banking operations (credit drafts) could also be exempted from taxation, or tax incentives could be granted to credit institutions to reduce financing costs, to facilitate access to financing for IPUs. With these measures, creditworthy IPUs could have the additional financial leeway to keep themselves afloat.

Secondly, in the event of people not being economically active, the provision of social safety nets through cash transfers or food aid could significantly limit the number of poor people at risk of falling into extreme poverty. Some African countries have envisaged and are already implementing such measures. For example, Senegal has taken measures to support workers in the informal sector and the poorest, since 184,000 francs CFA is paid monthly to support these people. Of course, such a measure would necessarily encounter problems such as that of having to define the criteria of eligibility.

Thirdly, local authorities must give priority to local suppliers in public procurements to give a whiff of fresh air to local operators who create wealth locally. This would make it possible to save jobs, guarantee income for workers, maintain a certain level of activity and, above all, promote Made in Cameroon.

At the structural level, policymakers must adopt and implement an inequality reduction strategy to limit the negative effects of COVID-19 on the informal sector in Cameroon.
According to the African Development Bank (2020), countries that adopt inequality reduction strategies can reduce the level of extreme poverty by 6% as compared to countries that have no strategy.

According to Cameroon’s National Institute of Statistics (2014), the inequality indicator (Gini index) varied from 40.4% in 2001 to 39.0% in 2007 and 44.0% in 2014. This means an increase of 5 percentage points over the period 2001-2014 and consequently a worsening of inequalities within the Cameroonian population. With this pandemic, inequalities will further increase since there is empirical evidence that inequalities increase in times of crisis or economic recession. The current pandemic will then negatively affect access to health care for populations deprived of economic, social and cultural resources in general, and workers in the informal sector in particular.

Cameroon’s strategy for reducing inequalities could be based essentially on the promotion of economic freedoms through a less prohibitive tax burden, respect for property rights and the rule of law, a limited government in the economy coupled with a constant improvement in the country’s business climate. This strategy should ultimately help to build a system that generates economic opportunities for all.

Ulrich D’POLA KAMDEM is an Economic Policy Analyst at the Nkafu Policy Institute.
Contact: udpola@foretiafoundation.org

Dr. Louis-Marie KAKDEU is a Policy Fellow in Economic Affairs at the Nkafu Policy Institute.
Contact: lkakdeu@foretiafoundation.org