

# **International conference on International Outreach and Coordination in National Accounts for Sustainable Growth and Development**

Session 7 - Case studies: Developing a complete system of NA; quality of basic data – Statistical problems

Title: the informal sector and its coverage in the national accounts: Cameroon's experience

Institution: NSI Cameroon

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## **EXECUTIVE SUMMARY**

### **1. Background**

The economic crisis which hit Cameroon between 1985 and 1994 was a large factor in the collapse of export income as a result of the slump in the prices of raw materials (cocoa, coffee, cotton, etc). The worsening living standards which resulted increased the phenomenon of migration from the country to the cities.

This situation thus caused a rise in unemployment, which prompted the development of the informal sector, which is marked by a variety of generally precarious subsistence activities.

It was in this context that the Government, in the form of the NSI, organised the first 1-2-3 survey in 1993 to measure the extent of the phenomenon. The second survey was conducted in 2005 as part of the follow-up evaluation of the Poverty Reduction Strategy Paper (PRSP) and the assessment of progress towards achieving the Millennium Development Goals (MDGs).

In addition to describing the surveys of employment and the informal sector, this paper will go into the incorporation of their data in the national accounts of Cameroon.

### **2. Brief description of surveys on employment and the informal sector in Cameroon**

As part of the 1-2-3 surveys carried out by Cameroon, the informal sector is defined as all production units without a tax number and/or without formal written accounts in accordance with the OHADA or OCAM accounting plan. However, the borderline between these activities and supposedly formal activities sometimes gives rise to problems when gathering data in the field.

The first 1-2-3 survey on employment (phase 1), the informal sector (phase 2) and consumption (phase 3) was carried out only in the city of Yaoundé in 1993/1994, and this revealed the first limitations of these surveys and the problem of the relevance of figures produced by extrapolation. The second survey was entitled "Survey of Employment and the Informal Sector" and was conducted in 2005. This nation-wide operation was the first of its kind in sub-Saharan Africa. It covered only the first two phases.

### **3. Incorporation of surveys on employment and the informal sector in the national accounts**

The incorporation of the surveys of employment and the informal sector in the national accounts was in response to a significant desire to provide accurate accounts for this sector. It was thus possible, using conversion tables and nomenclatures, to obtain accounts information from this data source.

In overall terms, this made it possible for us both to improve the quality of the accounts of this sector and to understand the contribution of the informal sector to the economy in terms of jobs and added value.

In specific terms, the incorporation of the survey data helped to compile accounts for production, income distribution or profit-and-loss by informal activity. It was also possible to draw up a matrix of the active employed population by type of informal activity and by socioprofessional category (employees, employers, self-employed, apprentices and family workers).

### **3. Methodological approach**

An understanding of the informal sector must be based on an adequate estimation of the matrix of informal employment.

The General Population and Housing Census (GPHC) represents the main source for obtaining an overall picture of the employment matrix.

There are in addition several data sources which make it possible to calculate the structure of the employment matrices of the various institutional sectors. These are statistical and tax returns for the sector of formal private undertakings, documents detailing staff expenditure for central government, administrative accounts for the municipalities, the survey of employment and the informal sector for the latter, etc.

The surveys of employment and the informal sector are thus now an important source for estimating the matrix of informal employment.

In order to be able to calculate the use-resource balances for goods and services and the branch accounts, the first survey of employment and the informal sector was used to calculate technical coefficients by branch of activity, average labour productivity by branch and average wages by branch and to draw up a list of informal activities in the country. These data were incorporated in the series of accounts from 1989/90 to 2000/01.

As a result of the second survey it was possible both to formalise the concepts developed during the first phase and to update the matrix structures and the technical coefficients needed to estimate production in this sector.

### **4. Results obtained**

The series of national accounts for Cameroon from 1989/90 to 2000/01 was compiled on the basis of the data derived from the surveys of employment and the informal sector.

The processing of the data for this sector provided:

- ✓ active employed population by type of informal activity, by sector (public, private, informal in the agricultural and non-agricultural sectors) and by socioprofessional category (employees, employers, self-employed, apprentices and family workers);
- ✓ production and profit-and-loss account by informal activity.

In overall terms, the incorporation of the survey data in the national accounts provides a figure of between 25% and 30% for the contribution of the non-agricultural informal sector to the creation of the country's wealth, whereas in employment terms the informal sector accounts for 92% of the active employed.

### **Conclusion and prospects**

One of the limitations with regard to the incorporation in the national accounts of the surveys of employment and the informal sector is their coverage: Yaoundé for the first survey and the ten provinces for the second. This limitation has made it difficult to extrapolate figures nationally. Other

difficulties in processing concerned the annual updating<sup>1</sup> of the employment matrix, self-consumption by informal production units, non-inclusion in the accounts of inputs purchased by the customers of informal production units and indivisible costs<sup>2</sup>.

As for the prospects, it would be a good idea to continue with a national survey of the informal sector every five years, for example, or failing this to monitor annually some typical informal units in order to determine *per capita* production and to deduce the trend in informal employment. This is vital, both to keep track of the indicators of social and economic policy and to improve the data of the national accounts.

To achieve this, the development partners' technical and financial support is requested so that these activities can be carried out.

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<sup>1</sup> Some activities cover the year while others refer to a shorter period of time.

<sup>2</sup> It is difficult, for example, for an informal production unit operating at home to separate certain costs (electricity, water, rent, etc) between production and consumption.

## **Conference on national accounts: Luxembourg, 6-8 May 2008**

### **Outline of paper**

#### **1- Introduction**

1-1 Background and brief description of the 1-2-3 surveys

1-2 1-2-3 surveys as a source of information for the national accounts

#### **2- 1-2-3 surveys of the informal sector in Cameroon**

2.1- Objectives

2.2- Methodological summary

2.3- Results obtained

2.4- Main constraints encountered while conducting the surveys

#### **3- Incorporation of 1-2-3 surveys in the national accounts**

3.1- Objectives

3.2- Methodological approach for incorporation

3.3- Results obtained

3.4- Comparison of the results of the national accounts with the survey results

3.5- Difficulties encountered

#### **4- Conclusions and prospects**