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INTEGRATING POVERTY REDUCTION POLICIES
INTO THE DEVELOPMENT STRATEGY
A Challenge for Cameroon

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Introduction

Cameroon belongs to the Central part of Africa. Its population, estimated at about 13.5 million in 1997, is composed of French and English speaking people split into more than 200 ethnic groups with about 24 native languages. It is spread over an area of 445,442 sq.km (or 183,568 sq.mi.) having borders with Nigeria, Chad, Central African Republic, Congo, Gabon and Equatorial Guinea. This makes it a center for economic exchanges, despite the difficulties of communication due to insufficient road infrastructures, and a member of the Economic and Monetary Community of Central Africa (CEMAC). Yaounde, the capital had 649.000 inhabitants in 1991, and Douala the largest city 810.000.

The diversity of the landscape and the population groups is the main characteristic of this country. It includes high plateau and volcanoes in the West (Mount Cameroon is about 4,095 m or 14,435 ft), plains and tropical forests in the East, sea shore in the South, rocky hills, savanna and Sahelian semi-desert in the North. These different agro-ecological areas also induce various types of production and productive organizations. The country is in fact a mosaic of different traditions, in terms of power structure and social networks. They were put together through the colonization process of the German until 1919, then the French and the British until 1961. For instance, one can find autocratic kingdoms (e.g. the Bamoun) and traditional aristocratic system under the Fulbe lamidats in the North, a hierarchical system with a variety of sub-tribe chiefs (e.g. Bamileke) in the West, a more democratic society constituted of autonomous sub-tribes and villages (e.g. Beti and Bassa) in the Center and the South. This explain the major difficulty of the successive governments to build a modern and democratic state that would benefit to all regions. They are obliged to regular debates and permanent compromising with the various regional power, and their ethnic support, facing from time to time political unrest with even the risk of a civil war.

The fight for independence, intermittently violent, gained steady momentum during the 50s until the French granted self-government in December 1958. Cameroon became independent on January 1st 1960, by aggregating two different parts: the British Cameroons on the West and North sides, representing one fifth of total areas, and the French Cameroons on the East and South sides. On February 11th and 13th, 1961, the northern section of the British Cameroons voted to become part of Nigeria since their social structure was nearly the same. The southern one joins the French Cameroons to create the Republic of Cameroon, a federation legalized by the August 14th 1961 constitution under the leadership of president Ahmadou Ahidjo, who was from the northern part of Cameroon. The two first years of the new state were difficult due to the rebellion lead by opposition parties which translated into regular political unrest in the southern then the western regions. In 1966, only one legal party went authorized.

Ten years later, on May 20th 1972, Ahidjo sponsored a national referendum to abolish the federal status and generate a unitary state: the United Republic of Cameroon, having French and English as official languages. This decision created a great frustration in the English speaking community which continues, nowadays, to express its resentment towards the current government. An autocratic regime ruled the country until 1982, implementing a centralized economic policy where all development initiatives were taken and controlled by the state.

In November 1982, due to health reasons president Ahidjo resigned unexpectedly and was succeeded in office by Paul Biya, the former prime minister. While the relations between the two deteriorated, Biya won elections to his full term as president in January 1984, change the country's name into the Republic of Cameroon and suppressed a coup attempt in April 1984. The new regime brought a more open attitude towards development and democracy. Investment was encouraged, partly financed by foreign capital, allowing a boom in the industrial development and the building-up of the economic and social infrastructure. At the beginning of the 90s, in relation to the rise of the economic crisis and facing increasing popular discontent through political events, such as urban riots and "dead cities" demonstrations in the South and the West, the government began to implement a series of political reforms. The democratization process was initiated leading to more information, a greater transparency in public finance management, more participation and debates in the policy design. In 1994 and 1995, the conflict with Nigeria, related to the invasion of the Bakassi peninsula by the Nigerian troops, brought a decrease in the internal tensions, all political parties agreeing to support the present government and accepting the economic reforms.

These key political steps are useful for the understanding of the economic evolution of Cameroon and the way development strategies were designed. In a context of such regional and human diversity, politics and economics interact permanently. This was already true during the growth period from 1963 to 1986. The spreading of the economic crisis through all sectors, after 1986, exacerbated the situation with the increase in poverty and inequalities in the rural areas, then in the urban areas. Therefore, each socioeconomic group has a tendency to intervene in the decision-making process expecting to escape from the social consequences of the policy measures implemented to restructure the economy. This leads to regular internal conflicts that translate from time to time into political unrest or violent ethnic-related events. It is only through the coherent setting of all measures into a national development strategy, with the involvement of all parts of the civil society for the policy design, and with a regular nation-wide information on the impacts of policy decisions that all the difficulties generated by such a situation could be overcome.

1. The National Development Strategy

Cameroon has a lot of agricultural and mineral resources potential, and a diversified industrial production base. The main exports are cotton, cocoa and coffee, the production of which is deeply influenced by the fluctuations on the world price market. Other exports include banana, a highly competitive sector, wood and palm oil, which benefited from the 1994 devaluation of the CFA francs². Food crops production is important with the objective of satisfying the domestic demand and, for some products, the external demand (like beans, cut flowers, off-season crops, etc.). This led to the emergence of a diversified agro-industrial sector.

Petroleum production, initiated in 1977, boomed between 1979 and 1986, and then slowly declines due to the difficulties in the prospecting and opening of new wells. The production of alumine is based on the import of bauxite mineral from Guinea and the use of the important hydroelectric potential.

² With the devaluation, the rate of exchange became 100 CFA francs (CFAF) for 1 French franc (FRF). This means on average 550 CFAF for one dollar. Before the devaluation, this rate was 50 CFAF for 1 FRF.

1.1. Main Characteristics of the Overall Strategy

Three periods are to be considered for the analysis of the national development strategy: (i) the centralized development strategy adopted from independence until 1985, (ii) the crisis and the adjustment period from 1986 until 1994, and (iii) the renewal period which began in 1995. They have to be divided into sub-periods when considering the influence of parallel political events. For instance, from 1982 to 1986, related to the change in the government regime, investment increased strongly financed by the petroleum revenue; between 1986 and 1990, the adjustment process was delayed due to strong political opposition to the economic reforms, therefore increasing the country debt; after 1991, due to the democratization process and the pressure of the donors community, more transparency and rational choice were brought into the management of public finance.

A State-initiated Development

During the first fifteen years that followed independence, Cameroon knew permanent growth at an average rate of 4.3%. This allowed the implementation of basic economic and social infrastructures, and a regular improvement in the population standards of living as shown by the socioeconomic indicators related to health and education. In the meantime, considerable innovative effort were made to improve agriculture and promote the industrial sector.

These development strategies were conducted by the state, through a series of national boards or state-owned enterprises, the objective of which was to value all the country's potentialities. Consequently, a large public sector was set up. It generated an industrial base with the creation of Alucam, Sonel, Cicam, Cimencam, Socapalm, Sonara, etc. It improved the agriculture production and productivity through companies such as ONCPB, Hevecam, Sodecao, Sodecoton, Semry, Camdev, Camsuco, CDC, etc. In the services sector Maetur, Matgénie, Onapharm, etc., for transport and communication, Regifercam, Cameroon airlines, Camshiplines, Sotuc, etc., are all public companies. Altogether about 150 state-owned enterprises were created during this period, and regular national five-years plans were set up to decide and monitor the levels of investment and production, in the framework of a long term development strategy. In this context, a territorial management policy attempted to implement regional development poles around the country in order to promote growth equity among the various regions. In the meantime, applied research was extensively pushed ahead to diversify the production process and initiate new type of activities.

This approach, which was perceived at this time as the best way to build a modern state, was innovative at its beginning but reached its limits with the implementation of over expensive projects (e.g. the Cellucam for paper, Sodeblé for wheat), the setting up of monopolies, the customs protection for the new-born industries, and, latter on, the permanent over-evaluation of the CFA franc. All these issues lead to the constitution of rent-seeking situations and excessive growth in the personnel generating financial deficits which had to be covered by subsidies from the state. At the regional level, implementation of new activities were often delayed and based on political compromises instead of complementary and

competitive self-development objectives. As a whole, the expected spill over effects were, therefore, totally disappointing.

The increase in the petroleum sector, after 1976 and during the beginning of the 80s, masked the growing internal unbalances generated by this strategy and allowed the government to continue in the same direction. The GDP pace of growth accelerated into 14.2%, between 1977 and 1981, and 8.1% between 1982 and 1985. Investment in infrastructure and household's consumption benefited strongly from this period. In this context, the first fall of the commodities prices on the world market (e.g. coffee in 1981, cocoa, rubber, palm oil in 1982) did not attract any attention, the related deficit being covered by the increase in the petroleum revenue. This was not the case for other countries such as the Côte d'Ivoire, which fell into the structural adjustment process.

The revenue from the petroleum sector, which represented 67.8% of public revenue in 1983, was rigorously managed by a government which was keen to avoid any increase in the debt amount. However, part of it was used to finance recruitment in the public sector, to subsidize the deficits of the state-owned companies, and to cover the artificial support of regional implementations. All this was finally done at the detriment of long term productive investment in agriculture and in industry.

The Crisis and the Adjustment Process

The weakness of this development strategy, depending mainly on the redistribution of revenue from external sources, appears suddenly in 1986 with the second fall of the world prices for most exports, including petroleum. The decrease in the revenue from exports led to a contraction in public finance, the amount of which was divided by two in nominal terms between 1985 and 1994. In the meantime, the lowering of the petroleum production and the increase in the real exchange rate, brought large deficits in the current balance, the public budget and later on increased the internal debt (as a substitute to the external debt).

This confirmed the fact that the increase in GDP, during the growth period 1977-86, was essentially due to oil exports and to the sectors related to the oil revenue. The corresponding value added was insufficiently invested in the improvement of agriculture productivity and the development of the industrial base, especially the manufacturing sector and the agro-industries. Therefore the current agricultural, industrial and service sectors were unable to maintain the same level of value added after 1986 when both the flow of revenue from oil and agriculture exports decrease simultaneously. It should also be noted that, at this date, the over-valuation of the CFA franc also contributed to the import of manufactured goods, mainly from Nigeria, instead of producing them.

During this period, infrastructure improved, as well as human capital, and the households, through a better access to social services and a strong increase in the standards of living, benefited more from this situation than before. But the model of development implicitly adopted did not generate the development of competitive industries and the integration of all the economic sectors as would have required the emergence of a sustainable growth.

To face the situation, the government had no other solution than to enter in the process of structural adjustment. First, by implementing in the short run a series of stabilization measures to reestablish the macroeconomic balances, mainly the budget deficit, the commercial deficit and the debt. Second, in the longer term, by adopting measures to improve the services (public administration, banking system, etc.), to restructure productive sectors (state-owned enterprises, cocoa and coffee production chains, etc.) and to promote competitive industries.

At the beginning of 1988, the government initiated, on its own, an internal adjustment policy, which focused on the reduction of fiscal and commercial deficit by decreasing the amount of public expenditures. Public investment was therefore reduced by 60%, from CFAF695 billion in 1986/87 to CFAF283 billion in 1987/88 disorganizing part of the private sector (i.e. public works enterprises). At the end of 1988, to face the financial needs required by the reforms the government signed a stand-by agreement with the IMF and, in 1989, a structural adjustment loan was negotiated with the World Bank. It is, however, worth noting that, in contrast to other countries, all these negotiations were done and credit obtained in the context of a low level debt.

At this time, in June 1988, a conference was held at the African Studies Center of Leiden, Netherlands, with 36 academicians and development practitioners from Africa, Europe and America to debate on the Cameroon economic and political evolution. It is interesting to note that even if several papers analyzed clearly the weaknesses of the Cameroon economic model, no paper was presented on the issue of poverty reduction and only a few dealt with the emergence of the economic crisis by considering the cuts in public expenditures, the deficit of the parastatals and the growing external debt. This shows that, at this date, only few people realized the seriousness of the emerging crisis and its economic and social consequences for the near future.

This also explains why the economic reforms, with their stabilization and adjustment components, were so difficult to implement between 1989 and 1993. The structural rigidity of a society used to nearly twenty years of permanent growth under the leadership of the State, the new power of an elite issued from the parastatals and the oil economy, and, more generally, the emergence of a middle class, still expecting regular improvement in its standard of living, lead to a strong internal opposition. This resistance switched from social into regional and political opposition leading to street demonstrations and obliging the government to delay the implementation of the most important and painful measures. Therefore, the structural adjustment process, and its related short term policies, replace *de facto* the former national development strategy. This was more the result of an urging situation that mobilized all the competent administrative staff than the fact that the long term development planning fell out of fashion.

The delay of the key restructuring measures lead to an increase in the internal debt and the inability of financing the external debt arrears in 1993, therefore imposing drastic and painful decisions, such as the sudden dissolution of state-owned development boards and the reduction by 70% of the civil servants salaries.

The Devaluation and the Renewal of Growth

Despite these decisions, the internal adjustment process remained insufficient to restore the macro-economic balances and, as for the other countries of the CFA franc zone, external adjustment became necessary. In January 1994, the CFA franc was devalued, bringing an increase in domestic prices (35% for the first six months and 48% for the whole year of 1994) which hurt large segments of the population, mainly in urban areas. This increase was, however, totally mastered in the following years (e.g. 6.4% in 1996).

The devaluation brought a decrease of the urban relative income, but an improvement in rural income through the growth in agricultural exports (robusta and arabica coffee, cocoa, cotton) and of some of the transformed products (palm oil, bananas, sawed wood, chemical products, etc.). Since 1995, growth reappeared led by these exporting sectors.

However, two major difficulties still remains at the national level. First, investment in the small holders agriculture, i.e. coffee and cocoa, is still low despite the liberalization of the production chains. Therefore, the renewal of the plantations remains insufficient to make the production base catch up its former capacity and improve its productivity. Second, the growth generated by the traditional export sectors of the economy have not yet induce investment in the manufacturing industries and a growth in the non-tradable sectors. This may be also related to the insufficient level of the domestic demand which seems to have gained too little from the overall macroeconomic improvement.

1.2. Indicators of Macroeconomic Performance

While reviewing the evolution of the economic aggregates, one can distinguish three major periods. The first one, from 1960 to 1986, is characterized by regular then accelerated growth and can be divided in two sub-periods bounded by the emergence of the oil-related economy in 1977. The second, from 1987 to 1994, is related to the economic crisis and the corresponding adjustment of the economy. The third begins in 1995 with the renewal of growth.

The Global Trend

After a few political distressed years, between independence and 1965, the Caméroun went through a balance growth at an yearly average of 4.3% of GDP until 1977. The growth engine was the internal absorption: domestic consumption plus investment mainly done by the state, since the exports remained weak. Investment increased slowly to reach about 16% of the GDP. The terms of trade of agricultural vs. industry remained stable, therefore no disadvantage was brought to the rural world. The external debt remained stable at about 11% of the GDP and the inflation low due to the belonging to the CFA franc zone.

From 1977 to 1981, yearly growth went to 14.2% on average, then stabilized at 8.1% until 1985, with investment representing 20% of the GDP. Cameroon then become ranked among the “middle income countries” by the World Bank. The increase in importance of the petroleum sector slowly modified the past years development strategy.

The booming of its production, between 1979 and 1985, did not lead directly to the usual “Dutch disease” effects (i.e. decrease in the real exchange rate, regression of the tradable sector excluding petroleum and increase of the non-tradable GDP). The government used this

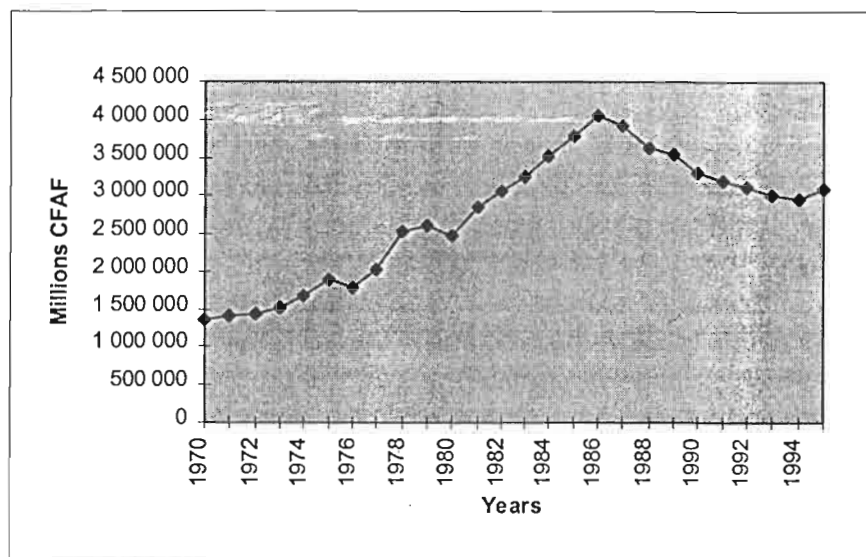
opportunity to reduce its external debt (the debt remains stable at 15% of GDP), to increase public spending after 1982, to finance the investment - which was multiplied by three and reached about 25% of the GDP - and subsidize the deficit of the state-owned enterprises, without creating any deficit in the national accounts. After 1982, the petroleum sector was no more the economy's engine since the service sector began to take a leader role. However, growth still remained related to the level of exports.

The year 1986 brought a first turning point in the economic trend. The fall of the exports' prices on the world market was the catalyst. In two years, the terms of trade decreased by about 45%. This translated in a decrease of the exports revenue and, consequently, of the public investment (-40% in 1987-88 and -45% in 1988-89) and the agricultural income. The consequences of such an external shock propagated through all the sectors of the economy. From 1984-85 to 1989-90, the volume of industrial activities went down by 17.2%, the volume of the services by 14.2%.

The GDP decreased by 11% in 1987-88, then 4.7% in 1988-89 and 2.8% in 1989-90. This decrease continued until 1994 (-3.3% in 1992, -3.5% in 1993 and -3.7% in 1994). As a whole, between 1985-86 and 1992-93, the real GDP went down by 23.7%. Consequently, when related to the demographic growth, which is about 3% a year, the per capita GDP decreased by 38% over the period 1987-1993.

The year 1994 initiated a second turning point due to the consequences of the CFA franc devaluation. This measure, the most frequently used in adjustment programs, was needed to cancel the current over-evaluation of the currency. Growth reappeared after 1994, as show by the most recent data on the GDP: 3.3% in 1995, 5.5% in 1996 and about the same level expected for 1997. Expressed in macro-economic terms, the effects of the devaluation were basically positive. The level of competitiveness have improved in nearly all export sectors, particularly bananas, cotton, palm-oil, wood, etc., leading to an increase of the exports revenue. Despite these improvements, some sectors depending on the world prices fluctuations still remain vulnerable as, for instance, for arabica and robusta coffee, cocoa and cotton.

Figure 1. Evolution of the Real GDP 1970-95 (base 1987)



Data sources: World Bank, 1997, *World Development Indicators*, Washington.

The positive effects of the devaluation have not yet spilled over to the industrial network, either through its formal side, or through the informal one less constrained by the legal management rules. The reasons may be the low level of the domestic demand, depressed by the decrease of urban household income, or the lack of public and private investment due to the burden of the external debt and, behind this, the lack of confidence in the present government. In rural areas, the improvement in the households' income lead to an increase in spending on education, health, housing and to the reimbursement of financial and social debts. But investment in productive assets, which could improve the production and its quality, still remains very low. An attitude which contributes to the deceleration of the growth renewal.

Employment and the Informal Sector

Due to an urban growth rate of about 6% yearly between 1970 and 1995 (i.e. twice the population rate growth), Cameroon saw the share of its urban population grow from 20% in 1973 to 45% in 1995. Predictions give more than 50% for the share of the urban population at the beginning of the next decade. Consequently, the demand for employment will continue to increase in urban areas in the coming years. In the meantime, the generalization of school enrollment for the girls leads to a higher rate in women's demand for employment. Moreover, the high level of qualification acquired by lots of students, which in terms of human capital is an advantage, makes difficult their integration in the present labor market where matching opportunities are lacking terribly.

Until 1986, the regular growth facilitated the integration of the young newcomers in the urban labor market. It also provided qualified opportunities for those coming from the university. The economic crisis changed the situation. The rate of unemployment went therefore from 6% in 1983 to 29.1% in 1990-91 and 24.6% in 1993. The decrease in public investment led to a series of job losses in the private sector. Until 1991, about 21% of the labor force became unemployed corresponding to the loss of about 40,000 jobs. After this date, adjustment measures such as the restructuring and privatization of state-owned

enterprises and the freeze in the recruitment of civil servants contributed to worsen the situation.

Few information is available at the national level, however in Yaounde, the active urban population grew at an annual pace of 7% when adding both the effect of migration and the newcomers in the labor market. The present formal private sector, the public enterprises and the civil service are unable to absorb this yearly increase. Solutions are to be found in self-employment and in the generation of independent activities, cottage industries, micro and small enterprises, etc. Most of these activities, however, do not follow the legal rules for the settlement of businesses and the recruitment of workers. As such, they are considered as part of an "informal sector" where workers face minimum labor conditions: for instance, no social security benefits (only 5% of the labor force has a regular contract), low salaries (60% are paid under the minimum rate of hourly wage) and work is frequently done at home (for about 30%).

Three recent surveys on Yaounde confirm the huge expansion of the informal sector due to the rise in the "informalisation" of activities : the 1990/91 pilot survey on the labor market, the 1993 survey on the informal sector (called 1-2-3 because of three sequential phases on employment, informal sector and the consumption of informal products), and the 1994 employment survey. Their results show that the rate of informal activities went from 57.3% in 1993 to 64% in 1994, because 83% of the jobs created between these dates were generated by the informal sector.

To face the decrease of their income, and to survive in case of employment losses, the households reacted by multiplying their activities and sources of income, and by increasing the women involvement in productive activities. The participation rate of women in the labor force went from 51.4% in 1987 to 63.6% in 1996. Most of the young people now face a full mismatching between their level of education, their job expectations and the effective opportunities that they may encounter on the labor market. Therefore they are obliged either to accept any kind of activity able to bring an income, as low as it could be, or to create their own independent activity, mainly in the service sector.

2. Poverty and Inequality

In 1994, with a real per capita GDP of \$2,120 expressed in purchasing power parity, a life expectancy at birth of 56 years, a literacy rate of 62%, and a total gross school enrollment rate of 46%, Cameroon is ranked 133rd out of 175, situating it not among the poorest but in the last quarter of the world economy. The economic crisis, initiated in 1986, turn down the poverty reduction trend and increased both poverty and inequality. In a way, it jeopardized the positive results of twenty years of successful development, ranking the country back to its previous position of "low income country" in the World Bank classification.

2.1. The Statistical Data Set

Unfortunately few data are available on the households standards of living. The 1987 population census provides, besides the usual demographic data, information on employment and housing. Other information was given by the fertility and the nutrition surveys both conducted in 1978.

The first survey on the households' standards of living was carried out in 1964/65 focussing on Yaounde. It still remains the reference point to describe the evolution in the level of living since independence. Two other national surveys were conducted later. The first one, in 1983-84, was an income and expenditure survey named "Enquête Budget-Consommation" (EBC). The second one, in 1996, named "Enquête Camerounaise Auprès des Ménages" (ECAM) followed the guidelines of the Social Dimensions of Adjustment survey adding relevant watch modules on specific population groups. These surveys allow comparisons in the standards of living over a 10 years period, therefore including the two key turning points of the economy.

Other household surveys focus either on specific areas (e.g. on Yaounde for the 1993 informal sector survey), or on particular social groups (e.g. the Observatory on Change and Social Innovation - OCISCA - with annual surveys on the coffee and cocoa farmers, between 1991 and 1996, and surveys on Douala's poor in 1993), or on specific topics (e.g. the national 1991 demographic and health survey, the Yaounde 1990-91 labor market survey and 1994 employment survey).

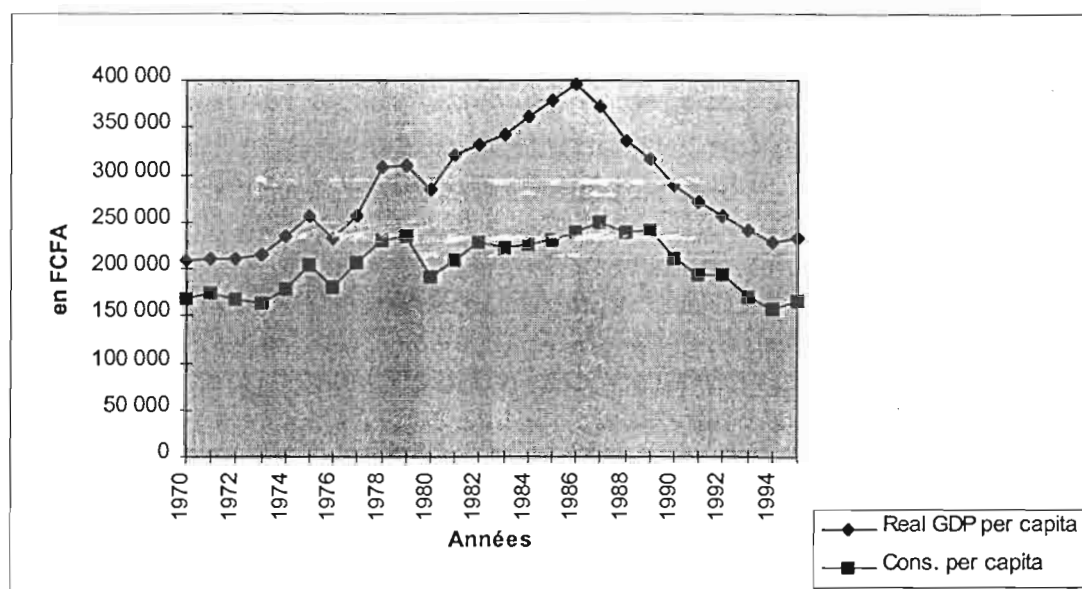
Qualitative surveys were also carried out in 1993 in various region to provide information for the 1994 World Bank poverty assessment. They collected information on the households preferences and on their adaptive behavior in front of the economic crisis to avoid the fall in the rise in poverty.

As a whole, it is quite difficult to get a perfectly clear picture of the level of poverty and inequality, with their spatial distribution and their time evolution since independence. This is due to the fact that information from national detailed surveys is scarce, most of these surveys being one shot surveys with no repetition in time. On the other hand, the social indicators which are more frequently produced on a regular basis are not often broken down at the regional level.

2.2. Trend in Poverty and Inequality

For the two decades that follow independence, i.e. the 60s and the 70s, little information is available on the evolution of poverty at the national level. Therefore, the real GDP and private consumption per capita remain, for this period, good proxies for the evolution of the level of living.

**Figure 2. Evolution of Real GDP and Consumption per Capita 1970-95
(base 1987)**



Data sources: World Bank, 1997, *World Development Indicators*, Washington.

Data on the households per capita consumption are provided for Yaounde in 1964-65, 1983, 1993 and 1996. Expressed in 1993 francs, these results give an idea of the evolution of the urban households level of living from independence until now. For instance, in 1964-65, per capita consumption was CFAF56,000 meaning CFAF336,000 of 1993. Since the per capita consumption level of 1993 was CFAF305,000, it means a level about 10% below the one of 30 years earlier. This result gives a first benchmark for the current situation.

From independence until the mid 80s, the per capita consumption increased regularly in Yaounde. It reached CFAF454,500 in 1983, equivalent to CFAF599,940 of 1993, which means an increase of 55% since 1964-65. After 1986, due to the economic crisis, the consumption began to decrease. The 1996 survey results give CFAF250,000 per capita at 1993 prices, confirming a decrease by 17.6% since 1993. This is the combined consequence of the wage cuts in the civil service and the price increase following the devaluation.

Table 1. Per Capita Household Consumption in Yaounde in 1993 CFAF

1964-65	1983	1993	1996
336,000	599,940	305,000	250,000

Data sources: (i) *Cameroon: Diversity, Growth and Poverty Reduction*, Report No. 13167-CM, Washington, World Bank, 1995; (ii) *Conditions de vie des ménages au Cameroun*, DSCN, 1996;

At the national level, information is only available for 1983-84 and 1996. Annual per capita consumption went from CFAF151,989 in 1983-84 to CFAF173,900 in 1996, equivalent to CFAF105,970 in 1983-84 francs since the price increase was 64.1% over the period. This means a decrease of 30.3% in per capita consumption for the whole period. A decrease normally took place after 1986. It is presently difficult to assess the effective impact of the good macroeconomics results, for 1995 and 1996, on the current level of per capita consumption.

The analysis of the national accounts data, i.e. the private consumption per capita, give part of the answer. It confirms the increase in real total consumption per capita from independence until 1987, the regular decrease till 1993, then, for 1994 and later, the new increase, however insufficient to improve the overall level of living by compensating for the regular population growth.

Poverty Indicators

This situation has a direct impact on the level of poverty which is measured by the incidence of poverty, i.e. the number of poor living under a poverty line. However, two methodological issues occur in the effective measurement of poverty.

The first one is related to the definition of the poverty line itself, since different poverty lines (relative in 1983-84 and 1993, absolute in 1996) were established when considering the three survey data sets. This makes the comparison between the various dates difficult. The second one concerns the regional breakdown which differ in 1983-84 (with Yaounde, Douala, Urban North and Urban South as urban areas; Rural North and Rural South as rural areas) and in 1996 (Yaounde, Douala, Other Towns as urban areas; Forest, High Plateau and Savannah as rural areas). Therefore, the poverty figures are insufficiently discriminative to build a rigorous regionalized approach to poverty reduction, at the exception of Yaounde, Douala and to a certain extent urban vs. rural areas.

In 1983-84, a relative poverty line was set up at CFAF78,000 by considering the poorest 40% of the per capita consumption distribution. The use of price indexes to estimate this amount for 1993 and 1996 gives the respective values CFAF103,000 and CFAF128,000 for the poverty line. This means, for 1983-84, a poverty incidence of 20% at the national level, poverty being very low in the main cities (1% in Yaounde and 2% in Douala), unequally spread in urban areas (15% in the North and 34% in the South), but very important in rural areas (41% in the North et 47% in the South).

In 1993, the incidence of poverty was estimated at 20% for Yaounde and 31% for Douala. This shows the strong increase in urban poverty: in 1983-84, about 2% of urban households were poor, a decade later they became nearly 30%.

This situation is confirmed by the newly produced data from the 1996 survey. An absolute poverty line was set up based on the purchase of 2,400 calories per capita per day and corresponding to a cost of CFAF148,000 per adult equivalent. The percentage of households living under this poverty line is estimated at about 38%, representing nearly 51% of the total population. Despite the methodological changes introduced in the estimation of the per capita consumption (using adult equivalent scales instead of per capita ratio, choice of an absolute poverty line instead of a relative one), the increase of poverty in all areas is confirmed, however, with an unequal distribution. The urban areas contributes to 13.7% of the whole poverty incidence. In Yaounde, the incidence is 29% while it is only 19% in Douala and 21% in the other urban areas. The rural areas contribute to 82.3% and the incidence varies also strongly with 57% in the rural Savannah (North), 64% in the rural Forest (East and South) and 66% in the High Plateau (West). Therefore the High Plateau region contributes the most (36.5%) to the poverty incidence, followed by the Savannah region (27.2%) and the Forest region (22.9%). This distribution is consistent with the previous results of the 1978 nutrition

survey, the 1983-84 EBC (which established that poverty incidence was 50% in the High Plateau and 47% in the North) and the 1991 demographic and health survey.

The Measurement of Inequality

The Gini coefficient, based on the cumulative distribution of consumption, is the simplest indicator used to describe the level of inequality. It is estimated at 0.42 in 1996, while it was at 0.49 in 1983-84. This shows a possible decrease in inequality over the period.

Cameroon is in the average range of inequality compared to other countries such as Niger (0.36 in 1992 but 0.42 in 1990), Côte d'Ivoire (0.44 in 1985 and 0.37 in 1988), Ghana (0.34 in 1992), Madagascar (0.43 in 1993), Guinea-Bissau (0.56 in 1991) and Kenya (0.58 in 1992).

The Gini coefficient is higher in the urban areas. It was estimated at 0.43 in the Urban North and 0.47 in the Urban South, in 1984. In 1996, it became 0.47 for the towns other than Yaounde or Douala. For Yaounde, it was 0.49 in 1984 and 0.44 in 1996. For Douala, it was 0.44 in 1984, 0.40 in 1993 (a value that appears to be underestimated) and 0.46 in 1996. Therefore, between Yaounde and Douala, inequality appears to have evolved in opposite direction, while it remains stable in the other cities.

In rural areas, the coefficient varied strongly according to the region: in 1983-84, between 0.37 (North) and 0.41 (South), and in 1996, between 0.29 (Forest) and 0.38 (Savannah). The differences in the regional breakdown between these two dates make comparison difficult: inequality seems to have decrease in the South and remained stable in the North. The computation of the log-variance, besides the Gini coefficient, brings nearly the same conclusions (see table 2).

Table 2. Measurement of Inequality

Regions	Gini Index		Log-variance	
	1983-84	1996	1983-84	1996
<i>Urban areas</i>				
Yaounde	0.49	0.44	0.63	0.61
Douala	0.44	0.46	0.54	0.79
Urban North	0.43	Other towns	0.58	Other towns
Urban South	0.47		0.67	
<i>Rural areas</i>				
Forest	Rural South	0.29	Rural South	0.33
High Plateau	0.41	0.35	0.52	0.47
Savannah	Rural North 0.37	0.38	Rural North 0.41	0.58
Country	0.49	0.42	0.68	0.67

Data sources: (i) S.G. Lynch, *Income Distribution, Poverty and Consumer Preferences in Cameroon*, 1991; (ii) *Cameroon: Diversity, Growth and Poverty Reduction*, Report No. 13167-CM, Washington, World Bank, 1995; (iii) *Conditions de vie des ménages au Cameroun*, DSCN, 1996;

The analysis of the depth of poverty using the P-alpha poverty measures (poverty gap indicator) in 1996, shows high inequality among the poor themselves. This inequality appears to be greater on average in the rural areas than in urban areas, in Douala than in Yaounde, and in the rural High Plateau than rural Savanna, and particularly rural Forest.

These results raise a key issue which, to be answered, requires an in-depth analysis of household's income distribution. Is inequality high during a period of growth as would indicate the 1983-84 data, and low after a depression period, as seems to show the 1996 data? Or is this the result of an information sample too small to make any reliable conclusions?

Social Indicators

Social indicators complement the information on poverty. They are of two kinds. First, for the 1994 World Bank poverty assessment, a poverty index was generated by using information on the type of housing and the literacy rate, from the 1987 population census, and the malnutrition rate, from the 1991 demographic and health survey³. All provinces were ranked according to this indicator leading to a detailed map of the spread of poverty. This spatial distribution of poverty is more precise than the one provided by the poverty line, only based on consumption. It established a better link between poverty and malnutrition, which is particularly important for the Northern and Eastern regions and, to a certain extent, for the West. First, it confirms that rural poverty is predominant everywhere, second, it shows that the incidence of poverty increases when moving to the North and the East. The incidence of poverty is less than 20% in all the South urban centers, including Douala and Yaounde, and from 25% to 35% for the North urban centers. Therefore this poverty index confirm some of the tendencies in the poverty regional distribution found through the poverty line analysis. However, precise comparison remains difficult with the previous set of data due to the differences in the regional breakdown and the heterogeneity of the information used (see table 3).

Table 3. Poverty Incidence according to the Various Surveys

Regions	1983-84	1991	1995	1996
	Relative poverty	Poverty index	Relative poverty	Absolute poverty
<i>Urban areas</i>				
Yaounde	1%	11%	20%	29%
Douala	2%	11%	31%	19%
Urban North	15%	26% - 35%		Other towns
Urban South	34%	11% - 21%		21%
<i>Rural areas</i>				
Forest	Rural South	20% - 33%		64%
High Plateau	47%	24% - 29%		66%

³ For this poverty index, the illiteracy component include the adult illiteracy rate (more than 11 years old) and the school enrolment rate of 6 to 14 years old children. Its weight is 40%. The housing component is an index based on the type of materials used for the walls, the roof, the floor and access to water supply. Its is weighted 20%. The malnutrition component is an index including the percentages prevalence of stunting and underweight for the young children. Its weight is 40% in the poverty index.

Savannah	Rural North 41%	43% -53%		57%
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Country	40%	28%		51%
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Data sources: (i) S.G. Lynch, *Income Distribution, Poverty and Consumer Preferences in Cameroon*, 1991; (ii) *Cameroon: Diversity, Growth and Poverty Reduction*, Report No. 13167-CM, Washington, World Bank, 1995; (iii) *Conditions de vie des ménages au Cameroun*, DSCN, 1996;

Second, social indicators such as life expectancy at birth, the infant mortality rate, the malnutrition prevalence of children under 5, the adult illiteracy rate, the gross school enrollment rate, etc., show a regular improvement since independence until the beginning of the 90s. After they tend to stabilize (e.g. life expectancy, school enrolment) due to the restriction in public expenditures and the increase in the cost of medical drugs and school materials related to the devaluation. But, life expectancy at birth went from 45 years in 1970 (male 46 and female 44) to 53 in 1987 (male 55 and female 52) and 57 in 1995 (58 male and 55 female). The infant mortality rate was reduced from 126‰ in 1970, to 102‰ in 1977, to 74‰ in 1987 and 56‰ in 1995. The malnutrition prevalence was 17% in 1978 and 14% in 1991. The adult illiteracy rate went from 46% in 1990 (male 34% and female 57%) to 37% in 1995 (male 25% and female 48%). The gross primary school enrollment went from 89% in 1970 (including female 75%) to nearly 100% after 1977 (female remaining around 93%).

2.3. The Poverty Profile

These data show that poverty does not strike the regions in the same way and, therefore, that it could be the same for the various socioeconomic groups within a region. They also show that the increase in the overall poverty with the economic crisis, is coupled with changes in the spatial distribution of poverty. For instance, poverty increases strongly in the big towns like Yaounde and Douala, and in some regions like the High Plateau and the Forest.

What is clear is that poverty is and remains a rural phenomenon. In 1983-84, the rural poor represented 87 % of the poor while rural people were only 66% of the total population. In 1996, despite the migration and the growth of urban poverty, they still represent 82% of the poor for 60% of the population. However, the incidence of poverty in urban areas may be underestimated, since no regional price index is used to deflate the consumption and express purchasing power parities. The prices in urban areas are usually higher than those in rural areas and a higher income is required to buy the same quantity of products. Therefore, a urban household has more chance to be over the poverty line.

These surveys show that the social groups were not hit in the same way. In rural areas, the decrease in per capita consumption was only 21%, due to the increasing variety of activities which multiplies the sources of income, while it was 62% in Yaounde, hit by the reduction of the civil servant salaries, and 45% in Douala where a lot of people were laid-off by the private sector and switch towards informal activities. Moreover, the decrease in consumption which was 43% for the 20% poorest households was only 17% for the highest quintile.

However, the change in the poverty distribution happening between the regions or the socioeconomic categories is difficult to perceive through the existing data sets, since there is

no socioeconomic or gender disaggregation, and since the regional breakdown differs totally. Carrying out a new analysis will not solve this issue because the methodology used to measure poverty is not homogeneous. To describe the changes in poverty, specific surveys were conducted, through the OCISCA research program, on panels of cocoa and coffee farmers, and on the vulnerable groups of Douala, but these data cannot be related with other groups of population. It is, therefore, not possible to demonstrate, using timely representative data, who are the gainers and losers of the development process, the economic crisis, the adjustment process and the renewal of growth. This issue was formerly raised by the Social Dimensions Program since only a few cases, like Côte d'Ivoire for instance, were able to provide some answers through the implementation of household panel surveys on several years.

However, it is possible to pinpoint, through the cross-sectional analysis of the two national surveys: 1983-84 and 1996, the various factors which are related to poverty. The categories of people who accumulate several of these factors are to be considered in the risk of falling into poverty.

One of the most important factor is the household size which discriminates the poorest households from the others, both in 1983-84 and 1996. For instance, households with six persons or more have two times more chances to be poor. The level of education is also a determinant variable, consistent with the fact that the poor are mainly in rural areas where the level of school enrollment, especially for the girls, is lower.

Having a job in the informal sector increases the chances of being poor, while the reverse is predominant in the formal sector. The growth of the informal sector, mainly linked to the economic crisis, initiated at the beginning of the 90s, and, consequently, is documented by the data collected at this time. When several household's members are active, whether in the formal or the informal sector, the household's income increases as well as the chances to escape from poverty. This is consistent with the search for several activities that multiply the sources of income and with the increase of women involved in productive activities.

The sex and the age of the household's head plays no particular role in the distinction between the poor and the non-poor. For instance, households with a female head do not appear to be systematically poorer. This result is confirmed by the data of all surveys. However, the inequality indicator shows that the distribution of consumption is much more unequal among female heads. This suggests that other factors may intervene which require a more in-depth study of the various type of households (monogamous vs. polygamous, household composition, head's level of education, social links and social capital, etc.).

2.4. Main Causes of Poverty and Inequality

A classical way of researching the main causes of poverty is to make the distinction between the chronic (or structural) poverty due to a lack of development and the new (or conjunctural) poverty due to various shocks that add new layers of poverty. Among these shocks one may consider, for instance, political unrest like the "dead cities" demonstrations, economic shocks such as a fall in the world commodity prices, and dreadful events such as the Biafra war in Nigeria. These various causes interact at the same time and, therefore, it is difficult in practice to distinguish the chronic poor from the new ones. This was an other issue

raised by the SDA program which did not find any efficient solution in terms of distinctive measurement. However, an analysis of the various causes according to this distinction can easily be done.

The Chronic Poverty and Inequality

Chronic poverty is related to the development effort. Initially, one can consider that chronic poverty is the main form of poverty when there is no accumulative process and creation of wealth. With the development and an improvement in the standards of living, chronic poverty tends to reduce. However, the population growth should not be higher than the rate of growth. Consequently, a relatively too high rate of population growth can be a cause of poverty, even if it generates, in the long term, the possibility of a bigger market. In Cameroon, the rate of growth was 3% as measured by the 1976 and 1987 Population Censuses. At the exception of the periods 1961-62, 1966-67 and 1986-94, i.e. 13 years out of 38, the population growth rate was less than the real GDP growth. Presently, the population growth rate tends to decrease, in relation with both the economic crisis and a change in the way the people perceive their family and their children.

The development effort can also be jeopardized by the setting up of inappropriate, therefore inefficient, economic policies. On this issue, the analysis of the development strategy since independence brings some insights. First, the growth period, at an average annual rate of 4.3%, that lasted until 1976, appears to be under-efficient when compared to the results of equivalent countries such as Côte d'Ivoire (the GDP increased at 8.3%) which did better for the development of its agriculture (production from coffee and cocoa plantations increased by 6.6% instead of 3.7%) and some agro-industries, with less potentialities. Second, after 1976, with the emergence of the petroleum economy, the higher growth rate, while improving the households standards of living and their access to social services, did not bring the sustainable development which was necessary to reduce the chronic poverty in the long term. The value added produced by the oil and commodities exports being insufficiently invested in productive and competitive sector, this model based on redistribution appeared under-efficient when judged according to the sustainable development yardstick. Third, after 1986, the delay in the implementation of some adjustment measures and the over-valuation of the CFA franc contributed to weaken the economic reforms.

At the time of independence, chronic poverty was probably the most important. Inequality was tolerated to the extent that it fitted into acceptable limits and could be solved according to the traditional rules. The redistribution of benefits, through family and social mechanisms linking urban and rural areas, was completed by charity and obligation towards the poorest. The growth period which lasted between independence and the mid 80s contributed to the reduction of this kind of poverty and is translated by the long-term improvement in social indicators. However, the incidence of poverty remained much higher in the rural areas. The development process through the national boards and the state-owned enterprises in the rural areas, the implementation of taxes on production and exports, while improving production and productivity in agriculture, channeled parts of the corresponding added value towards the urban areas. This, probably, translated into an increase in the overall inequality, even if no statistical data are available to back this assumption.

The New Poverty

New pockets of poverty probably arose in 1962-63, just after independence, when the opposition rebellion brought civil war in some regions. Later on, between 1967-70, the Biafra war brings Ibo people into the South West urban centers of Cameroon where they mostly got involved in trade activities. But, it is difficult to find the statistical information that could help measuring the impact of these issues on poverty.

The period lasting from 1986 to 1994 covers the economic crisis and the structural adjustment process. It saw the emergence of a new poverty that added to the remaining chronic poverty. The causes that brought poverty are well known. First, the farmers' income was strongly reduced with the fall of the world prices of exports, followed by the corresponding fall in the domestic prices. Second, a lot of people working in the private sector lose their jobs with the investment cuts in public expenditures. The restructuring of the state-owned enterprises added new people to the number of the already laid-off. Third, the average income of the urban households was reduced by cuts in the salaries of civil servants, by the decrease in wages related to the informalisation of activities and by the price increase which follows the devaluation.

To face the situation in the short term, a series of specific targeted actions were implemented on purpose. They are related to the creation of employment, the access to social services and the development of income generating activities. Some were proposed through the Social Dimensions of Adjustment national project, for instance the National Employment Fund and the "Programme social d'urgence". Other were established with specific objectives, like the Special Development Fund which aimed at generating projects able to compensate the social consequences of the CFAF devaluation.

3. The Poverty Reduction Strategy

When considering the poverty reduction strategy, a distinction has to be made between two periods. The first one, from independence until the beginning of the 90s, considers the reduction of poverty as a by-product of the development strategy through the usual trickle down effect. Then, in the nineties, the social effects of the economic crisis and the adjustment process brought up the consciousness that poverty could be alleviated by appropriate targeted actions and anti-poverty policies.

3.1. Poverty Reduction through the Trickle-down Effect

The trickle down effect means that any kind of improvement at the macroeconomic income level, resulting in an increase in the GDP, will be automatically redistributed to the lower levels (sectors and socioeconomic groups) of the economy, through the social and economic exchanges, thus improving the standards of living of the population.

The First Years of Growth

This basic idea was part of the development strategy after independence until 1986. No official poverty reduction strategy was implemented at this time. The priority was therefore to develop the country through the regular five-year plans which allocated investment in selected sectors following objectives, often directed through political slogans such as "self reliant development", "universal primary education", "communal liberalism", "green revolution", etc.

Free access to education and to basic health care was offered to everybody, but the real coverage in infrastructures do not permit an effective equality between rural and urban areas. On the other hand, the creation of "poles of excellence" through universities and higher schools also divert resources to the more wealthy urban class. After 1982, investment in health and education infrastructure, contributed to the improvement of the long term socioeconomic indicators such as life expectancy, infant mortality rate, rate of malnutrition and illiteracy rate.

Since growth was regular in agriculture and industry, creating employment opportunities, it was expected that poverty would be reduced little by little by a rise in the standards of living resulting from the trickle down effect.

The Economic Crisis and the Adjustment Program

The economic crisis after 1986, and the regular decrease in the per capita GDP showed the weaknesses of this strategy. First, the rural people benefited less than the urban people from the growth of the past decade, both in terms of income and access to social services maintaining a higher level of poverty in the rural areas. Second, since the natural resources were not exploited in an optimal way they did not generated, in agriculture and for the industrial sector, the rates of growth required to maintain the same standards of living. Third, without the revenue from the petroleum sector, the other sectors were unable to provide enough jobs to the newcomers, particularly to those educated at university. Any decrease in the revenue from exports (oil, coffee, cocoa, cotton, etc.) makes difficult to afford the level of expenditures required to maintain the same level of free education and primary health care.

The reduction of civil servant salaries in 1993, the price increase which followed the CFAF devaluation in 1994, seriously reduced both urban and rural income. The benefits from the devaluation only appeared at the end of 1994 with the increase in the revenue of the coffee and cocoa exports. The period of year 1994, between the date of the devaluation in January and the beginning of the cocoa and coffee harvest around October, was the worst. With the fall of their relative income due to the inflation, the increase in the price of agricultural inputs, and a delay in the harvest, most parents were unable to finance the schooling of their children. For the first time, in 1994, politicians as a whole became concerned by the decrease of income and the poverty that it was generating, large segments of the middle class becoming threatened by the rise of poverty.

3.2. Towards an Official Poverty Strategy

Before adopting an official poverty reduction policy, as it was suggested by the donors community, a series of specific actions were implemented to tackle the social issues of the adjustment process.

Series of Specific Actions

The first series of specific actions was implemented in 1992, mainly through the Social Dimension of Adjustment (SDA) project and was financed by the government, bilateral and multilateral donors. These targeted actions focused on the restructuring of the state-owned enterprises and corresponding consequences (maintaining the investment level in technology, payment of the arrears in wages, financing health contributions, etc.), on the employment issues (with credit to set up businesses, information on existing opportunities, training of laid-off workers, etc.) and on nutrition issues (mainly food distribution in the North).

A second series of interventions were implemented after the devaluation, in 1994, to compensate for its negative aspects (i.e. the decrease of the household relative income due to the inflation, the increase in the price of basic imports such as medical drugs and school textbooks). In the framework of programs like the Development Special Fund and SDA, actions focus on the access to credit for job creation, technical assistance to urban NGOs, professional training of rural cooperatives, public works in urban areas, subsidies for books, switch to the essential drugs, production of local drugs, employment funds, maintenance of rural roads, etc.

These actions were not part of a poverty reduction strategy, they were only specific interventions aimed at reducing some of the negative impacts of the structural adjustment process on targeted population. It soon became clear that these measures would not be sufficient to alleviate poverty without the renewal of growth and that they have to be integrated into a consistent policy that combine growth, adjustment and social justice.

Proposals for a Consistent Strategy

On the other hand, growth in itself would not be sufficient to reduce rapidly the new poverty resulting from the economic crisis. Therefore the economic policy, as a whole, would need to be systematically oriented towards the reduction of poverty, with each measure being analyzed and discussed for its consequences on poverty. It was shown, for instance, that with a yearly growth of 5% focusing on the sectors that could generate employment among the poor, and with an investment in human capital (education and health) and distribution actions towards the poor (favorable fiscal policy, targeted interventions, safety nets, etc.), it would be possible to catch up the 1983-84 level of poverty, i.e. 40% of poor people, in less than 10 years, and then to decrease it to 10% in 25 years. But, keeping the same distribution of income as it is at present, will require 17 years to come back to the incidence of 40%, and 50 years to reach the incidence of 10%.

Within such a framework, a few key elements were discussed in 1995, through appropriate seminars, to help, in the design of an appropriate development strategy that could reduce both poverty and inequality. They include enhancing growth by investing in high labor intensity sectors, maintaining the basic macroeconomic balances, investing in human resources, reducing inequality, and promoting local initiatives.

4. Consistency between Poverty Reduction and Macroeconomic Policies

As said earlier, the political consciousness that macroeconomic policies may hurt the poor, that poverty is mainly a rural phenomenon, that urban poverty was increasing, and that a development strategy should combine both macroeconomic balance, growth incentives and poverty reduction, only appeared after 1994. This rise in consciousness follows the shock generated in the population by the CFAF devaluation.

Before this date, people as a whole, and the politicians in particular, were more concerned by the social consequences of the economic crisis and the adjustment process initiated in 1991. This only led to the design of a national SDA project.

4.1. The Key Features of the Adjustment Program

Faced with the reduction in public revenue during the year 1987, the government initiated at the beginning of 1988, its own internal adjustment policy by focusing on the reduction of the amount of public expenditures. At the end of 1988, it asked for the support of the IMF and the World Bank and a series of stand-by agreements and structural adjustment credits were negotiated.

A first period 1988-92 is dominated by the implementation of the measures decided through the 1988 stand-by agreement and the 1989 structural adjustment program. They aimed at, first, reducing the budget deficit through an increase of the revenue taxes and a decrease of the civil servant wages. Second, restructuring the banking system with the dissolution of a few banks (e.g. Cameroon Development Bank, Cambank, Paribas Cameroon Bank, Cameroon Bank of Credit and Commerce) and reimbursing the internal debt. Third, restructuring the state-owned enterprises such as Camdev, Hevecam, Semry, Maetur, etc. Fourth, liberalizing trade and the cocoa and coffee production chains, through the dissolution of the marketing boards and the establishment of market prices.

A new stand-by agreement was co-signed in 1991 with the IMF. The European Union, supported the adjustment through its Lome agreement. However, the political difficulties encountered when implementing the corresponding measures translated into political unrest in 1991 (e.g. "dead cities" demonstrations) and 1992 (e.g. the controversial presidential elections) leading to delays in the implementation. The country was declared off-track by the IMF and did not receive any support from the donors community, except France and to a certain extent the European Union. In 1993, without any donor support, the government reduced by 70% the wages of its civil servants.

The second period initiated in 1994, with the CFAF devaluation. Considered as a low income country, Cameroon became eligible to AID credit. It signed a structural adjustment credit with the World Bank and got support from the European Union in 1994. In 1995, an IMF stand-by agreement and, in 1996, a World Bank structural adjustment loan completed the series. Discussions are presently underway to negotiate an extended facility with the IMF.

These programs focused on the improvement of the fiscal policy through the effective collection of taxes (e.g. taxes on customs, value added taxes, cost recovery), on the administrative reform (i.e. laid off of civil servants, improvement of the budgeting process, reorganizing social sectors), on the restructuring of the banking system and state-owned

enterprises (e.g. dissolution of the Sotuc, privatization of Hevecam) and on the reimbursement of the external debt.

The creation in 1997 of new banks, such as the City Bank of Cameroon and the Commercial Bank of Cameroon, shows that Cameroon, in some sectors, is slowly going out of the adjustment process and could envisage a medium term development strategy. However, important measures concerning the reduction of the civil service and the privatization of some parastatals (Regifercam, Camsuco, Socapalm, Sodecoton, CDC and Cameroon Airlines) still remained to be done.

4.2. The Social Impact of the Adjustment Process

Part of the social issues and the rise in poverty (new poverty) came with the economic crisis initiated in 1986. For instance, the decrease in the world prices of agriculture exports has an impact, even indirectly, on the revenue of the agricultural producers (e.g. the cocoa then the coffee farmers). Another part, came from the decrease in public revenue and the necessity to reduce public expenditures. Loss of employment resulted in the private sector from the cuts in the public spending directed to investment in infrastructures. Decrease in the salaries of the civil servant reduced the income of the urban households.

Other social issues came directly from the adjustment program itself. They are related to the restructuring of the productive sector, i.e. privatization and dissolution of the state-owned enterprises, restructuring of the banking system, liberalization of agriculture. People were either laid-off or assigned to other positions with a decrease in their income. Finally, the devaluation, through the inflation that followed, contributed to a strong decrease in the household relative income.

In fact, understanding who are the effective gainers or losers of these economic reforms is quite complex, since a lot of diverse measures combined their effects, and by changing their own behavior, the people reduced the impact of these measures. For instance, the small-holders of the cocoa and coffee production chains benefited from the increase of prices due to the devaluation. In the same time, the price of fertilizers, which was not anymore subsidized went up, obliging them to create cooperatives through which they would order the fertilizers at a lower price.

Some adjustment measures did not hurt the poor particularly, but the urban population as a whole. This is the case with the restructuring of the state-owned enterprises and even the reduction of civil servant salaries. The effect on the poor is often of second order and is related to the social redistribution within the families and the corresponding social groups.

Some measures were in favor of the rural poor, such as the liberalization of prices and trade for the cocoa and coffee production chain, where the producers were mainly small-holders. It was expected that the suppression of the bureaucratic monopolies that control production, trade and export would facilitate the determination of better prices that could benefit these farmers. For the majority of the people in rural areas, the standards of living regularly improved since 1995, bringing new modes of more efficient social organization.

Other measures clearly hurt the poorest segments of the population. This was the case, first, with the decrease in public expenditures on health and education which was not done in a selective way, and second, with the CFAF devaluation which increases also the price of the domestic goods. Contradiction always exist between the necessity to have efficient public services working at a marginal cost and the need to satisfy the basic needs of the poor segments of the population (e.g. water distribution and public utilities).

It is with the objective of a answering to some of these issues that specific actions were implemented through the SDA project (e.g. employment fund and public works), through the definition of core social expenditures (e.g. health and education) to be protected, and through the setting up of a Special Development Fund (for targeted operations).

4.3. Ensuring the Consistency

After a decade of economic crisis and structural adjustment, the renewal of growth in 1995 could bring a rapid decrease in both urban and rural poverty. For three reasons. First, growth remains the best way to reduce chronic poverty; second, the productive efficiency of the economy have partly improve; and third, the households, due to the adaptation of their behavior, are more able to take benefit of any new increase in their purchasing power.

Since 1995, the macroeconomic framework improved. Inflation is low (6.4% in 1996), the budget deficit is decreasing (2.8% of GDP), the trade balance is positive (6.2% of GDP), fiscal revenue improves (from 344 billion CFAF in 1994 to 655 in 1996), national savings are increasing, the internal debt is strongly reduced, etc. However, the level of the external debt still remains very high (104% of GDP in 1996 and 54.5% of the exports value) limiting the investment capacity of the country which is mainly financed through public aid.

With the renewal of growth and a better knowledge of the macroeconomic impacts on the poor, all economic measures became scrutinized to assess their potential effects on poverty. This was done, in 1996, for the implementation of the fiscal reform and the review of public expenditures, in 1997, for the reform of the medical drugs distribution. Therefore, the adjustment measures that still need to be implemented such as the privatization of the state-owned enterprises, the last restructuring of the banking system, and the administrative and budgeting reform may have less negative impact on the poor .

However, ensuring consistency between the poverty reduction objective and the implementation of appropriate macro-policies requires to overcome, at the first stage, three major difficulties.

First, the implementation of a sound policy, i.e. a policy that abandoned the old bureaucratic habits such as excessive centralization of the decision-making process, inappropriate and corruption-related taxes, frequent administrative controls, little confidence in private initiatives, and continue the current economic reform while integrating the local people's initiatives. Second, the burden of the external debt needs to be soften to boost investment. The regular reimbursements divert nearly half of the government monthly fiscal revenue. They decrease its capacity to finance investment and, therefore, to generate employment. Third, the Economic and Monetary Community of Central Africa (CEMAC) created with Central African Republic, Chad, Congo, Equatorial Guinea and Gabon should be

a way of accelerating growth by increasing the domestic market. Several important measures were implemented, related to communications and roads, to fiscal and customs policy. However, the integration process is frequently stopped by the weakness of its institution and the conflicts at the decision-making level.

At the second stage, a pro-poor macro-policy would have to be designed by integrating the lessons learned from the analysis of the development policies conducted since independence.

5. Lessons Learned for the Design of a Pro-poor Development Strategy

A few lessons are to be learned from the past policies. They provide basic orientations that could guide the design of a pro-poor development strategy.

5.1. A Few Basic Orientations

The Cameroon's growth and poverty experience over these last 35 years suggests the following ten orientations that could be embodied in a pro-poor macro-policy.

1. *The renewal of growth.* Increasing the country global wealth remains the overarching objective. Without growth, it is difficult to reduce poverty. Through growth, the value added generated can be used to reduce both chronic and new poverty, either by providing employment to the poor or by redistributing income through targeted safety nets. In the present context, the renewal of growth (3.3% in 1995 and 5.5% for the real GDP) needs to be translated into long term sustainable development to catch up with the per capita level of 1986. This requires an appropriate investment policy for the sectors which are the most enable to create both added value and employment, i.e. agriculture (coffee, cocoa, cotton, palm oil, bananas, etc.), the micro and small enterprises, the manufacturing and exports industries (agro-industries and wood transformation).

The micro and small enterprises usually belong to the informal sector. Through labor intensive activities, they produce goods which are mainly bought on the internal market since the quality of their products is often too low to satisfy the standards of the foreign demand. However, they present a lot of advantages.

First, they bring a solution to the employment issue by easing the integration of new entrants in the labor market. For instance, at the worst time in the crisis, i.e. between July 1993 and March 1994, the rate of unemployment decreased from 25% to 18%, despite a reduction in the administrative employment from 23% to 21% and in the formal private sector from 12.2% to 8.5%, because the informal sector generated 83% of the jobs available. In that way they also provide answer to orientation 3.

Second, they produce specific types of products and services, when referring to the quality/price ratio, which match the demand of the households with low purchase capacity. In that way they contribute to the alleviation of poverty by satisfying part of the basic needs (food, clothing, housing, etc.) corresponding to orientation 5.

Third, at the macroeconomic level, they generate a high per capita GDP in terms of purchasing power parity, even if it appears low in real terms. For instance, in Bangladesh, the real per capita GDP is \$240 while the ppp per capita GDP is \$1,200.

2. *The reduction of structural deficits and the reestablishment of macroeconomic balances.* The regular public deficits (budget, trade balance and state-owned enterprises) were one of the main reasons of the insufficient growth rate during the 1961-76 period and the low level of investment in the competitive sectors during the 1977-86 period. They absorbed an increasing part of the national saving diverting it from investment in the competitive sectors. Therefore, focusing on the macroeconomic balances still remains a priority. The reduction of the external debt is needed to allow a higher level of investment. The current amount leads to an excessive debt service.

3. *The creation of employment.* The employment issues surged at the beginning of the 1990s with the cuts in public expenditures and the decrease in the GDP. It explains a large part in the rise of new poverty in the urban areas. It is therefore a priority to generate enough employment opportunities for the newcomers on the labor market, and for the poor whose only asset is usually their labor force. Providing employment to the poorest people remains the best way to alleviate poverty and reduce inequality. Policies favoring the labor intensive industries, the generation of micro-enterprises and supporting the informal sector contribute to the solution. In peculiar circumstances, and for some short term objectives, appropriate safety nets could be based on providing employment for the poorest (such as public works for instance) while waiting for an improvement in the labor market opportunities.

4. *The promotion of social innovation.* The beginning of the nineties saw the mushrooming of social innovation. They are related the appropriation of specific technologies by some socio-economic groups (e.g. trade and food transformation), the creation of social networks (e.g. NGOs, district groups, village cooperatives), and the adjustment of current practices to answer to new social needs (e.g. tontines, funerals). Usually imagined and implemented at the local level, they contribute to the general improvement in the daily life efficiency.

The households, facing first the economic crisis, then the structural adjustment process, showed tremendous capabilities to adapt and to innovate in a difficult environment. New survival strategies occurred concerning the food habits (e.g. increase in cassava consumption, decrease in the purchase of meat, reduction in the number of daily meals), the consumption habits (e.g. switch to lower quality product like plastic shoes and second hand clothes, change in the means of transport), the family network (e.g. reduction in the household size and increased responsibility towards the children, change in the respective role of men and women, loosening of family links) and the labor market (e.g. change in the education patterns, predominance of individual initiatives, multiple activities and sources of income, women's involvement in productive activities).

More generally, a change in the mind of the people and in the vision of their role in the present society appeared. This generated the emergence of individual initiatives and of social innovations as a way to overcome the economic crisis and to avoid, or escape from, poverty. In the urban and rural areas, various NGOs were created such as youth associations, school associations, rural cooperatives, credit organizations, etc. They aimed at solving, at the local

level, the main issues of employment, improvement in the quality of products, access to credit, improvement in the level of education, etc. These initiatives have to be promoted by considering these NGOs as reliable partners in the local decision-making process and in the design of a sustainable economic policy.

5. *Poverty alleviation.* The trickle down effect which was the implicit reference during the years of growth has limited effects. First, it did not avoid inequality between the urban and rural areas, despite the traditional redistribution process. Second, it cannot cope with serious negative situation such as the depression years 1987-94. Consequently, a pro-poor policy has to be designed for the future years in order to cancel, as quickly as possible, the decrease in the standards of living that occurred since 1986. To be efficient and consistent with the macroeconomic objectives, this could not be done through a set of specific actions, as attempted in the years 1991 to 1994, but would require the integration into a global strategy focusing on growth, employment generation, social justice and safety nets protection.

6. *The reduction of inequality.* Alleviating poverty do not imply automatically a reduction in inequality. There is probably a link between the two, but the existing data on these topics remain difficult to interpret. Inequality presently exist among the various regions, between men and women, and between the various quintiles of the consumption distribution. The present increase in inequality during the renewal of growth may weaken the development process since it reduces the productive and innovative capabilities of some social groups. In the meantime, it weakens the social cohesion thus generating difficulties to establish a consensus towards a unique development strategy.

7. *The development of human capital.* The strongest efforts to improve the human capital were done after 1982 by developing social infrastructures. However, investment was more oriented towards the construction of expensive hospitals, universities and higher schools increasing the maintenance costs in the public budget. The economic crisis reduced the level of public expenditures available for financing this domain and the devaluation increased the cost of the medical drugs and education materials. Therefore, a larger part of the expenses related to education (i.e. school repair, teachers salaries supplement, school equipment, books, etc.) and health (i.e. medical drugs, salaries supplement) is now financed by the households themselves, either in an official way, or often on an informal basis. It is, therefore, extremely difficult to estimate the effective per capita amount presently spent for health and education matters.

Since 1994, new policies were implemented to provide access to the essential drugs, which are less expensive and could be partly produced in Cameroon, and to the primary health care by reorganizing the network of the health centers. For education, the rehabilitation of the primary school is under way. In both case, the reallocation of public expenditures towards the primary level and towards complementary inputs such as essential drugs and textbook away from salaries is being implemented. This generates key debates on the need of poles of excellence, in health and education, to use the qualified human capital and to build an efficient modern state.

8. *Local participation.* Through the democratization process, Cameroon has been engaged in a process of initiating decentralization and people's participation. A few laws on the creation of local NGOs, on free elections for municipalities, etc., were at the origin of this

movement. Therefore, the number of NGOs strongly increased since 1991, most of them being involved in development operations that help the people overcome the consequences of the economic crisis. It appeared to be an important source of innovation. After 1995, they were considered as reliable partners for particular actions such public works ("Programme social d'urgence"), rehabilitation and local services towards the poor (Special Development Fund) in urban areas, agriculture improvement and infrastructure in rural areas. They are a new way of representing the civil society and bring upward its willingness in an environment often blocked by political and regional conflicts.

9. *Political and governance issues.* The design of the economic policy is permanently slowed down by social and cultural constraints, generating political conflict. This explains why delays and inconsistencies so often appear in the decision making process. This generated ethnical unrest like "dead cities" demonstrations that added to the conjunctural poverty. This situation is difficult to overcome without a combination of decentralization and good governance attitudes, both at the national and local levels. These issues just began to be tackled through improvement in the transparency of the public management, in the information and the participation of local people in the decision-making process, and improvement in the judiciary system and the media.

10. *International issues.* Despite good macroeconomic results since 1995, confidence in the country and its government remains low, as expressed by the international risk assessment companies. This tends to discourage the foreign investors that are absolutely needed to provide the supplement of investment required to foster growth.

The regional integration within the CEMAC is an excellent manner, through the creation of a free trade zone, to increase the domestic market and stimulate the development of micro and small enterprises oriented towards the satisfaction of local demand. However, its effective implementation is regularly delayed by the institutional conflicts between its members.

5.2. Proposals for a Pro-poor Development Strategy

Based on these orientations, a four-pronged strategy could be adopted for a sustainable development in the future.

1. *Ensuring macroeconomic balances and reducing the external debt.* The first objective is to avoid deficits which dry the scarce savings that are to be allocated to investment. Appropriate measures that keep up the fiscal reform, control the wages increase, monitor domestic prices, promote exports, etc., are then required. The second objective is to reestablish the confidence of nationals and foreigners in the management capacity of the government, in order to stimulate the return of capital flows. This implies to persist in the current economic reforms which include the privatization of the state-owned enterprises, the restructuring of the banking system, the administrative and budgeting reform, the improvement of justice and law control, etc. In the meantime, a reduction in the debt amount, decided by the donor community will give degrees of freedom to the government for implementing its new strategy.

2. **Fostering growth.** The absence of economic growth between 1987 and 1994 was the key factor to the rise of poverty. The other productive sectors of the economy, else than the petroleum sector and the export agriculture, were not able to increase their production to compensate for the missing revenue. To reduce, in the long term, both the new poverty resulting from the crisis and the chronic poverty, economic growth needs to be sustainable. Therefore, investment should be done by priority in those sectors which are able to combine the capacity to export and labor intensive production. This is the case for the small holding agriculture (e.g. coffee and cocoa), the micro and small enterprises sector, the manufacturing and agro-industries. A series of appropriate measures could improve both their productivity and the quality of their production. For instance, natural fertilizers, small credit, improvement in communication, training to new techniques, are appropriate for the small holding agriculture, etc. Other sectors, which are more capital intensive would get credit more easily through private investors and banks, when they want to develop the set of their activities.

For the informal sector, policies should focus on its development and on the improvement of its efficiency, in order to create new jobs and to train, on the job, the existing labor force. This implies the design of specific actions in order to coach those already working in this sector and to give them an easier access to their own productive assets through credit opportunities. In the meantime, incentives measures could enhance the creation of new businesses, direct new initiatives and provide information on the market opportunities. Exporting the production of complementary goods to the neighboring countries of Nigeria and the CEMAC, considered as a wider domestic market, would be a feasible opportunity which will prepare to further exports on a worldwide basis.

In rural areas, the farmers of cocoa, coffee and food crops are mainly small holders. The priority is to increase their productivity, to improve the quality of their products, and to reallocate the time spent by women on productive activities. Particular actions have to be undertaken to ensure that the new trade mechanisms resulting from the liberalization process in the corresponding production chains really benefit to these farmers.

3. **Reducing inequality.** The reduction of regional and social inequalities is necessary to maintain the social cohesion and to boost all initiatives that could enhance growth. It requires differential incentives to promote investment in particular regions and to help men and women in their respective access to and role in the labor market. Targeted measures will have to be introduced and local governments, municipalities and provinces, should be given an increasing responsibility for the design and implementation of these measures. The subsidiarity principle may be a good solution for any kind of poverty alleviation policy.

Developing the human capital of the poorest segments of the population is also a way of reducing inequality. The implementation in the Northern and Western regions of targeted actions for the nutrition of the children and the enrollment of the young girls in school are precise examples. However, this implies, first, public expenditures to be reallocated to combine the need of the poorest and the request for qualified technicians at the national level; second, a better knowledge on what is really spent on education and health. Households expenditures, resulting from official and informal procedures (i.e. mostly part of the current corruption), have to be considered in the total amount.

Good governance, based on regional decentralization, ethnic mixing, and the use of qualified technicians to deal with the key problems will increase the confidence in the government and its efficiency. It also requires a decrease in the current corruption practices and an improvement in the independence of justice and the media, thus making Cameroon a state based on the rule of law.

4. *Implementing appropriate safety nets.* For the most destitute, especially those who are the results of the urban new poverty, due to the last decade, safety nets and specific targeted actions are still required. For instance, public works for the urban unemployed, cash transfers and food aid, etc., would help them while searching for new job opportunities. Therefore, consideration needs to be given to review the existing income transfer programs and propose other self-targeted solutions. For the chronic poor, mainly in rural areas, complementary interventions should include educational training sessions, small credit to women, information on income generating activities, as well as food aid for malnourished children.

These four directions for actions would have to be combined into a consistent and effective long term strategy aiming at reducing poverty. However, the key ingredient still remains the generation of sustainable growth, that could generate the necessary employment and provide the resources to improve the population standards of living. Sustainability being here the expression of a multidimensional vision which includes the economic, social, cultural, environmental and political aspects.

Conclusion

The experience of Cameroon is unique because of the various circumstances and attempts that qualified its development strategy since independence. For instance, self-reliant development preceded a liberal and more open economic policy, real adjustment was tried, first, without external aid, then, with the strong support of the donors community, external adjustment was first managed with the commitment of the donors, then continued without their help, etc. Bases on these events the following assertions can be made.

(i) During the period of growth 1960-77, the economic model was not as efficient as it could have been compared to other similar countries. This, despite regular investment allocated through the series of the five years plans. Macroeconomic balances were respected and poverty slowly tended to decrease. But lags appear in the current level of social and economic infrastructures.

(ii) Thanks to the oil revenue, booming at the beginning of the eighties, poverty declines strongly both in monetary and non-monetary terms. The level of social infrastructures increased, therefore improving the standards of living of the population. Cameroon became a middle income country. Unfortunately, this situation appeared not to be sustainable in the long term because of insufficient investment in the competitive productive sectors of the economy.

(iii) The decade 1986-95 initiated with the fall in the world price of exports, oil and agriculture products. It shows the weaknesses of this model and the need to restructure the economy. The sudden fall in the per capita GDP was one of the worst among Sub-Saharan

countries. It induces very high social costs which translated into a rise in poverty, but also an improvement in democracy. The related adjustment process which reaches its summit with the CFAF devaluation in 1994, is now paving the way for a different future.

Since 1995, the macroeconomic framework improved with low inflation, a positive trade balance, an improvement in the fiscal revenue, an increase in national savings, a reduction of the internal debt, etc. However, the level of the external debt still remains very high limiting the investment capacity of the country which is mainly financed by public aid on this issue.

Considering the past situation, it should not be too quickly concluded that the 1986-95 decade was a "lost decade", due to the strong decrease in the GDP per capita and the level of consumption. Tremendous changes occur, in the meantime, in the political management of the country and in the socioeconomic behavior of the people. On the political side, the democratization process brings more human rights protection and, through more transparency and accountability, the necessity to take into account the various regional forces. Changes in domestic attitudes related to the family relations, the social networks and the labor market also bring new insights for the future.

After more than 30 years of independence, Cameroon still remains an attractive country with great human and natural potentialities. By deciding to foster a balanced growth, to follow a democratic pattern and to reduce inequality, it has the capacity to greatly decrease poverty in the next decades. However, this implies to overcome two main drawbacks.

The first one is related to the socio-politics. It takes its roots in the people's confidence of the government capacity to mobilize individual and collective initiatives. Transparency, participation and social justice are the key words required for a legitimate strategy which could optimize the human resources currently available. This path is based on good governance attitudes and just began.

The second constraint deals with the burden of the external debt. Specific actions are urgently needed to soften this debt and allow the government to use its fiscal revenue to invest in social and economic infrastructures, in human capital and in the development of a private industrial sector.

If these two difficulties were to be overcome, there is no doubt that a sustainable development strategy could emerge, following the guidelines proposed here, and would eradicate poverty in the near future.

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