Chapter 7

Dynamics of growth, jobs and inequalities in West Africa

This chapter examines the economic dynamics of 15 West African countries (Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) from 1990 to 2015. Strong regional growth could be undermined by youth unemployment, while inclusive and endogenous growth relies on strengthening regional integration. Growth of the population, of regional demand and of an emerging middle class offer important opportunities for West Africa's development. Harnessing these calls for implementing efficient policies and generating more jobs in the formal economy.

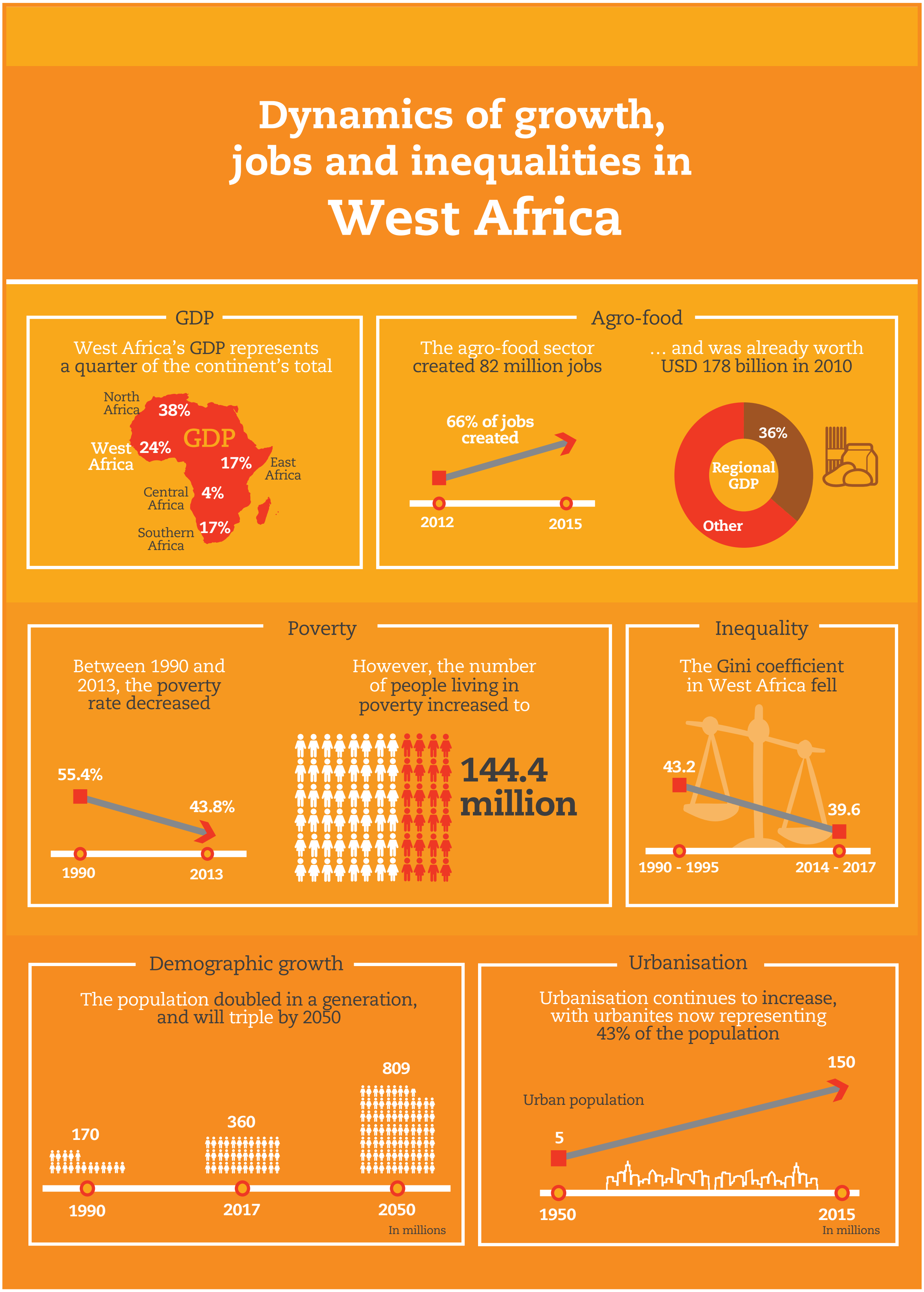
IN BRIEF

Growth in West Africa reached over 5% on average between 2000 and 2014, but it remains to be consolidated. Led by demand fuelled by population increases and the rise of the middle class, economic growth depends on raw materials and agriculture, and remains driven by the large economies of the region (e.g. Nigeria, Côte d'Ivoire, Ghana).

In ten countries for which data was available, informal activities accounted for between 68% and 90% of **jobs**. The lack of formal employment, poor education levels and the gap between skills and jobs contribute to unemployment, particularly among youth, for whom periods of unemployment are often long. By 2035, the population aged between 15 and 24 years will increase by 73% to reach 117 million. Improving private sector capacity is thus crucial for supporting growth and jobs.

The **poverty** rate declined from 55.4% in 1990 to 43.8% in 2013. Access to basic services has improved: 79% of the population thus had access to clean water in 2017 (according to available data). However, with demographic growth, the number of people living in poverty has increased to 144.4 million of a total population of 367.6 million. **Inequalities** also remain high, with a Gini coefficient of 0.39 in 2014, and this is higher in several countries. The human development index (HDI) is the lowest of the continent, at 0.47. Social security remains insufficient and half of West African countries display strong gender inequality.

Inclusive growth will require **development strategies** along three principal areas. First, rural-urban links must be developed through intermediate cities, cross-border corridors, agro-food chains, fair access to land and redistribution policies. Secondly, local products could be upgraded by encouraging companies to come together, as well as via education and training in skills required by the labour market, and investment in the private sector. Lastly, inclusive growth necessitates improvements in institutional capacity, the business regulatory framework and taxation.


Dynamics of growth, jobs and inequalities in West Africa
GDP
West Africa's GDP represents a quarter of the continent's total
North Africa 38%
GDP
West Africa 24%
17% East Africa
Central Africa 4%
Southern Africa 17%
Agro-food
The agro-food sector created 82 million jobs
66% of jobs created
2012
2015
... and was already worth USD 178 billion in 2010
36%
Regional GDP
Other
Poverty
Between 1990 and 2013, the poverty rate decreased
55.4%
43.8%
1990
2013
However, the number of people living in poverty increased to
144.4 million
Inequality
The Gini coefficient in West Africa fell
43.2
39.6
1990 - 1995
2014 - 2017
Demographic growth
The population doubled in a generation, and will triple by 2050
170
360
809
1990
2017
2050
In millions
Urbanisation
Urbanisation continues to increase, with urbanites now representing 43% of the population
Urban population
5
150
1950
2015
In millions

West Africa regional profile

Table 7.1. Basic indicators for West Africa, 2017

Population (thousands)	367 566
Land area (thousands of km2)	5 033
Population density (people/km2)	73
GDP, PPP (USD billion)	1 584
GDP per capita, PPP (USD)	4 370

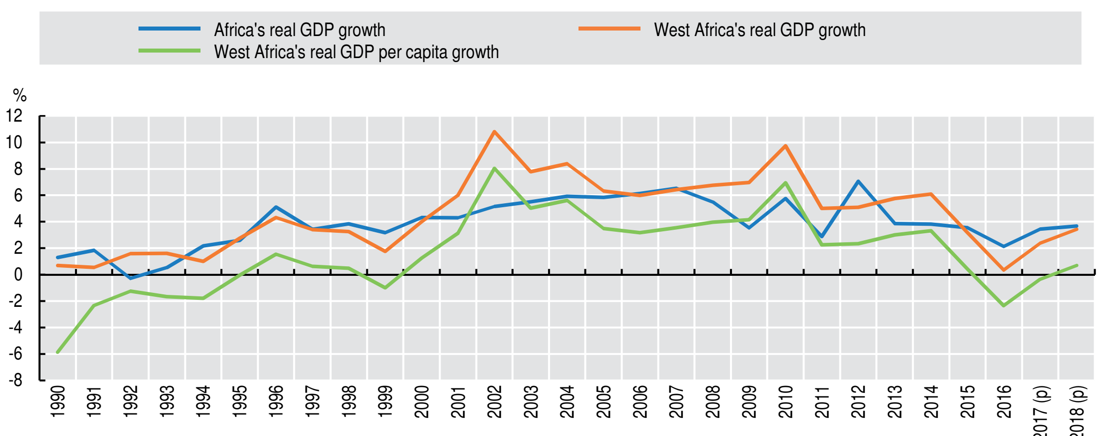
Source: Authors' calculations based on UNDESA (2017), *World Population Prospects* (database); World Bank (2017), *World Development Indicators* (database) and IMF (2018), *World Economic Outlook Database*.

Table 7.2. Financial flows and tax revenues to West Africa (current USD billion), 2009-16

			2009	2010	2011	2012	2013	2014	2015	2016
Foreign	Private	Inward foreign direct investment	14.8	11.9	18.3	15.4	13.4	11.7	9.7	11.2
		Portfolio investments	0.8	5.0	6.6	18.8	14.4	8.1	5.5	4.7
		Remittances	21.6	23.3	27.2	27.4	27.6	28.5	28.7	27.8
	Public	Official development assistance (net total, all donors)	12.0	12.2	12.1	13.6	12.2	12.4	12.4	11.5
Total foreign flows			**49.2**	**52.5**	**64.2**	**75.3**	**67.6**	**60.7**	**56.3**	**55.2**
Domestic tax revenues			**35.3**	**43.9**	**63.3**	**68.9**	**67.3**	**67.7**	**47.8**	**39.7**

Sources: Authors' calculations based on IMF (2018), *World Economic Outlook* (database), OECD-DAC (2017), International Development Statistics (database), and World Bank (2017), *World Development Indicators* (database).

Figure 7.1. Growth dynamics in West Africa and Africa, 1990-2018



Note: (p) = projections.
Source: Authors' calculations based on IMF (2018) *World Economic Outlook* database.
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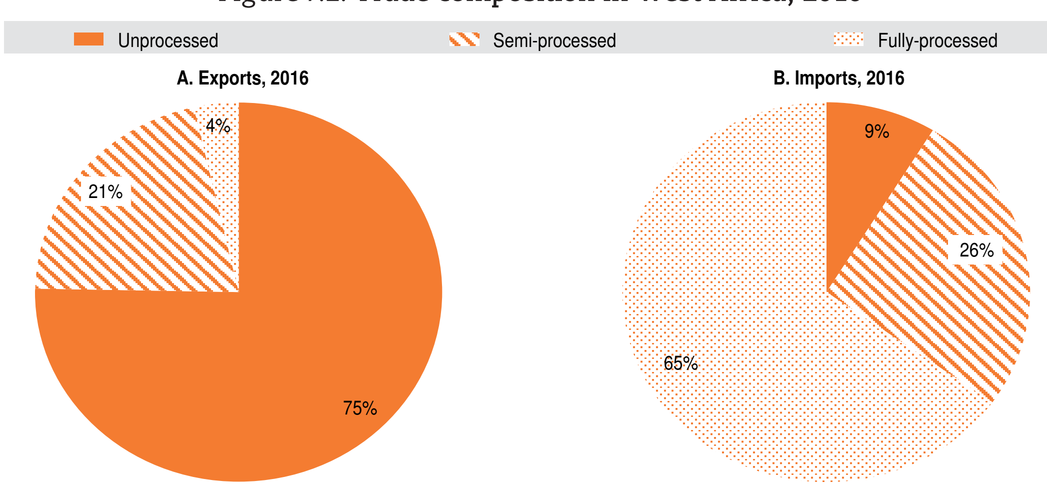
Figure 7.2. Trade composition in West Africa, 2016



Source: Authors' calcuations based on UNCOMTRADE (2017) data.
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The 15 countries of West Africa are diverse culturally, linquistically and ecologically, with a marked difference between the Sahelien North and the Southern coast along the Gulf of Guinea. Politically, almost all of the countries have experienced democratic changes of government, although stability remains a challenge. There are also sizeable economic differences: the region includes both countries held up as examples of development, such as Ghana (ranked 120th by the World Bank's *Doing Business* 2018) and Côte d'Ivoire (139th), as well as countries that rank among the poorest in terms of GDP per inhabitant, such as Liberia, Niger, Mali, Togo, Guinea, Guinea-Bissau and Burkina Faso.

The population doubled in the space of one generation, rising from 170 to almost 360 million inhabitants between 1990 and 2017 (30% and 5% of the African and world populations, respectively). According to UN projections, the population of the region will reach 809 million by 2050, representing 31.7% of the African population and 8.2% of the world population (UNDESA, 2018). The population is concentrated along the Atlantic coastline, leaving vast empty and almost-desert spaces. More than four in ten people (44%) are under the age of 15, a higher proportion than average for the continent (41%).

In terms of regional integration, progress has been made both in harmonising economic policy and in free circulation of goods and people. The Economic Community of Western African States (ECOWAS), founded in 1975, is comprised of two regional economic organisations (Box 7.A1.1). It also plays a political role with achievements in terms of peace and security. However, the terrorist threat persists in Mali, Burkina Faso, Côte d'Ivoire, Niger and Nigeria.

As the second largest regional economy in Africa, West Africa accounts for 24% of total GDP of the continent, behind North Africa (38%) and ahead of Southern Africa (17%), East Africa (17%) and Central Africa (4%) (IMF, 2017a). In 2016, growth plumeted to 0.4%, having been over 5% between 2000 and 2014, but it subsequently recovered to 3.4% in 2018. The region remains exposed to climate events that affect agricultural production, as well as to fluctuations in international prices for raw materials. Activity is focused around the largest economy in the region (Annex 7.A1), Nigeria (77% of total GDP and 52% of the West African population). Activity has also proven sustained in countries such as Côte d'Ivoire and Senegal, but remains very weak, or even negative elsewhere.

Economic structural transformation and intra-community trade remain necessary in order to contain inequalities between and within countries, while also addressing the shortage of decent jobs.

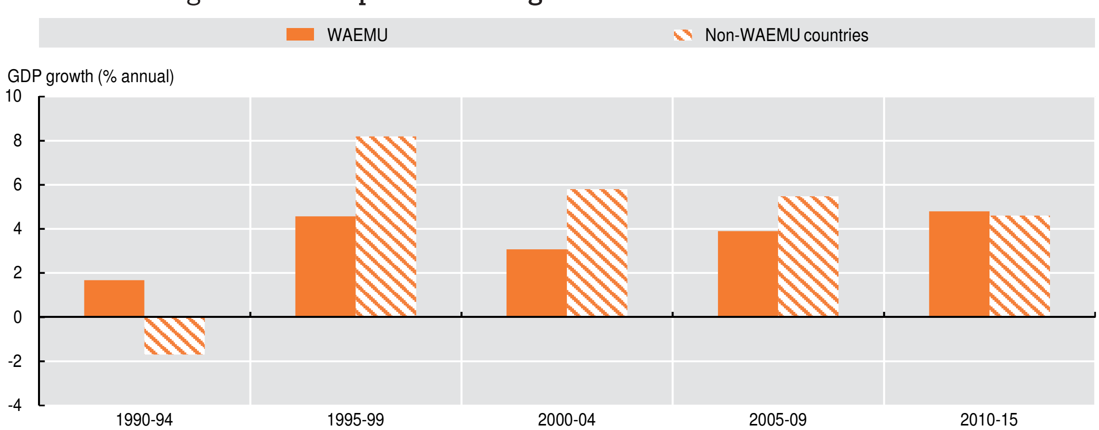
Dynamics and determinants of growth

A favourable momentum to be consolidated

Over the 2000-14 period, West Africa experienced stronger growth than the rest of the continent, although this was relatively unstable. For example, growth collapsed to 0.4% in 2016 (Figure 7.1). It then recovered in 2017 and should reach around 3.4% in 2018. These strong variations are due in part to external factors, such as the economic situation in main trade partners and fluctuations in prices of raw materials. ECOWAS countries export products in high global demand, but in 2016 up to 75.3% of them remained unprocessed (Figure 7.2). Thus, oil and bitumen represent 81% of Nigeria's exports, cocoa 48% of Ivoirian exports while Ghana's external trade is comprised mainly of oil (32.5%), cocoa and gold (20%, respectively) (OECD, 2016). Internal shocks also play a role, as with the Ebola virus in 2014-15 (World Bank, 2014) or in the wake of political or security crises.

However, growth dynamics vary between WAEMU and non-WAEMU countries. After the international financial crisis of 2008 and 2009, activity within WAEMU increased in a more or less sustained manner between 2010 and 2015 compared with non-WAEMU countries. Nigeria in particular fell into recession (Figure 7.3). The control of inflation, based on a maximum threshold of 3% in the WAEMU zone results in growth that is not as strong – half that of non-WAEMU countries between 1995 and 2004 – but more stable. In contrast, Ghana, Nigeria and Sierra Leone suffered inflation rates higher than 10% in 2016 (ECOWAS, 2016).

Figure 7.3. **Comparative real growth in ECOWAS economic areas**



Note: The seven non-WAEMU countries are Cabo Verde, Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone
Source: Authors' calculations based on World Bank (2017), *World Development Indicators*.
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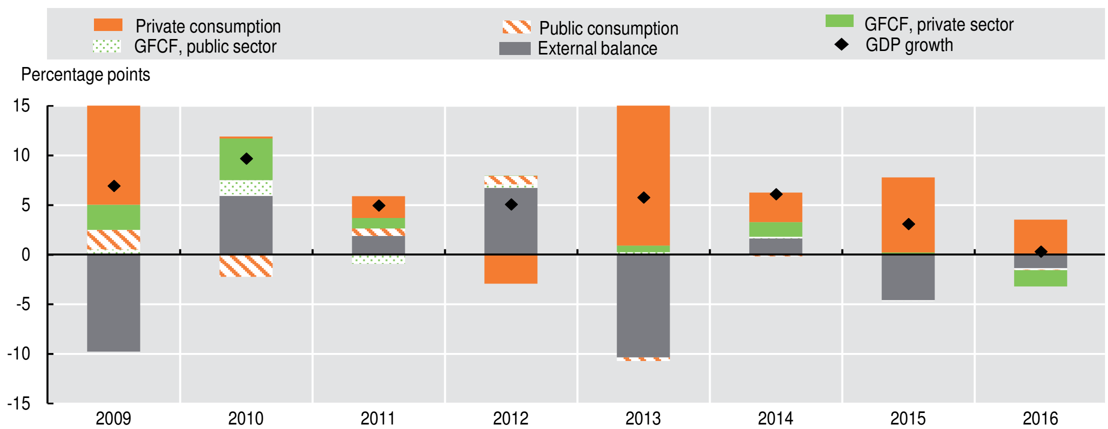
Private consumption and public investment support growth

Regional demand, underpinned by demographics and the growth of a middle class, increasingly drives growth. Since 2000, private consumption has been the principal contributor to growth (Figure 7.4). It should continue both to broaden with demographic growth and deepen with the growth of a relatively well-off middle class. Here, the middle class is defined as households spending between USD 5 and USD 20 per person per day at purchasing power parity. According to the PovCal database, in West Africa the middle class counted 44.6 million people in 2013 concentrated in a number of countries, including 18.6 million Nigerians and a total of 17.2 million Ghanians, Ivoirians and Senegalese together. However, 53% of the intermediate class – defined here as spending between USD 2 and USD 10 per person per day (AfDB, 2011) – remains vulnerable to falling back into poverty (Staatz and Hollinger, 2016).

Under certain conditions, local production could benefit from demographics and the middle class expansion. Increasingly, middle class demand calls on local producers for high value-added goods and services that are progressively being integrated into consumption (processed goods and meat in particular). On average, expenditure on food represents 39% of revenue in Côte d'Ivoire and 65% in Nigeria (Staatz and Hollinger, 2016: 8).

Figure 7.4. **Growth composition in West Africa, 2009-16**



Source: Authors' calculations based on IMF (2018), *World Economic Outlook* database.
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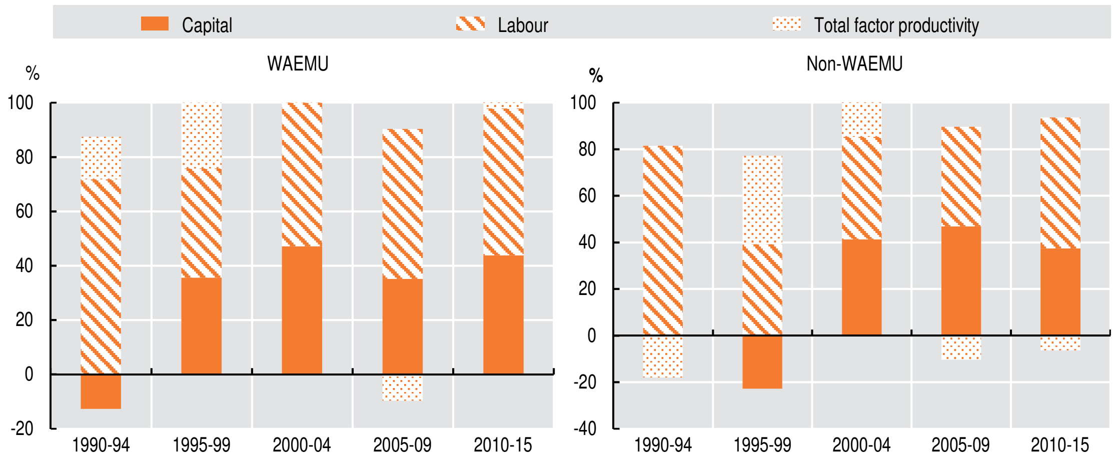
The countries of the region would benefit from stabilising their public accounts in order to release resources for public investment. In the decade starting from 2000, better macroeconomic stability policies, debt cancellation and improved fiscal policy helped governments to gain a margin that enabled them to launch public investment programmes. The debt-to-GDP ratio of the zone, estimated at 41.7% in 2016, remains below the threshold of 70% fixed by the convergence criteria. Several States in ECOWAS have also demonstrated a better capacity to access international debt markets. Côte d'Ivoire, Nigeria and Senegal's issuing of Eurobonds provide a case in point. However, the pace of debt accumulation has proven fairly high for certain countries (IMF, 2017b). According to the IMF (2017c), four countries have resumed levels of debts significantly higher than the convergence criteria: Cabo Verde (129% of GDP in 2016), Gambia (120%), Ghana (73%) and Togo (80%). These levels of public indebtedness call into question the medium-term sustainability of public investment.

Local provision of consumer goods and services remains limited

Rapid urbanisation helps economic structural transformation but often via the informal sector. Between 1950 and 2015, the number of urban areas with more than 10 000 inhabitants increased from 152 to 1 800. The urban population also increased 30 fold, from 5 to 150 million (Staatz and Hollinger, 2016). Urbanites now represent 43% of the population (Allen and Heinrigs, 2016). As a result, demand for processed agro-food products has proven more dynamic in West Africa than the global average (OECD, 2016). However, if the offer of goods and services does not improve via a dual process of industrialisation and local transformation of raw materials, an important driver of growth could be lost. Without local supply, demographic growth may result in increased imports of food stuffs and other consumer goods, to the detriment of the trade balance.

Since 2000, labour and capital accumulation have contributed positively to growth, while global productivity has often proven negative. Over the 2000-15 period, labour contributed more to growth than capital, explained by strong demographic growth and the weight of agricultural activity (Figure 7.5).

Figure 7.5. **Factoral contribution to growth, 1990-2015**



Source: Authors' calculations based on World Bank (2017), *World Development Indicators* database.

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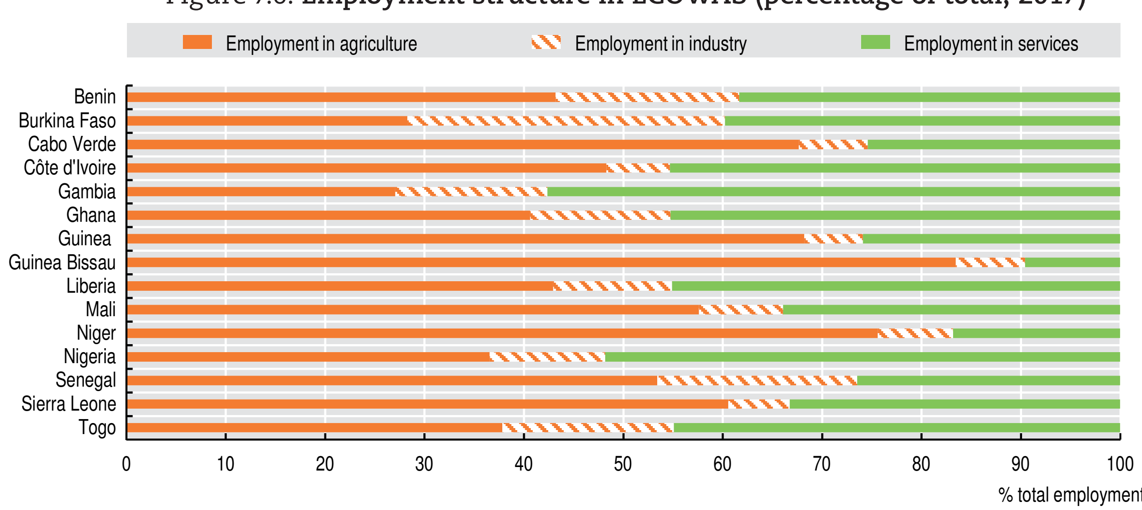
Dynamics and determinants of employment and unemployment in West Africa

Employment, buoyed by the agro-food sector, is dominated by the primary and services sectors

The agricultural sector is the leading source of employment in ECOWAS, followed by services and industry. In 2000, it represented between 33% (Gambia) and 77% of jobs (Niger). While agriculture's share has either stagnated or declined in all countries, it still accounts for almost 51% of jobs (simple average, Figure 7.6). In contrast, jobs in the services sector have increased in nearly all countries with the exception of Mali and Senegal. The tertiary sector represents more than 40% of jobs in Gambia, thanks to hotels and restaurants, as well as in Ghana due to tourism (UNCTAD, 2015). In Burkina Faso, the agricultural sector contracted to the benefit of services, particularly the manufacturing sector which accounted for 32% of jobs in 2017 versus 4% in 2000. This surge in the industrial sector is linked to the expansion of informal mining activity, primarily of small-scale gold panning.

Figure 7.6. **Employment structure in ECOWAS (percentage of total, 2017)**



Source: Authors' calculations based on ILO (2017) ILOStat database.

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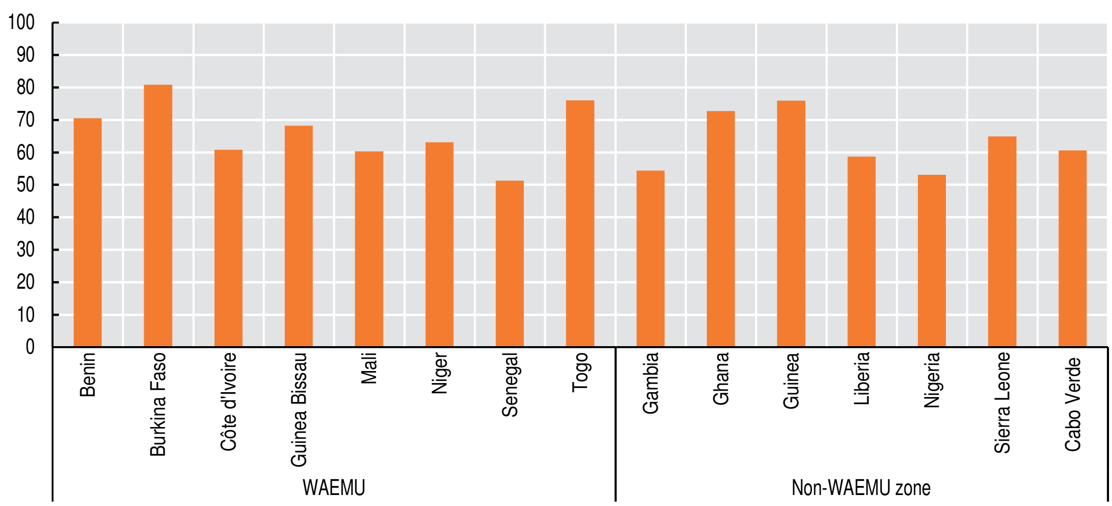
The agro-food sector offers good employment perspectives, with more than 66% of jobs created between 2012 and 2015 – or 82 million positions (Allen et al., 2018: 8). It is the largest sector, with production representing USD 178 billion in 2010, or 36% of regional gross domestic product (GDP). One quarter of the rural population in West Africa is involved in non-agricultural activities (OECD, 2013). The activities of transformation, logistics and retail generate employment in transportation, packaging and distribution to urban areas. These activities are rapidly expanding and are generally more productive than agricultural activities. According to Sahel Club and ECOWAS estimates, they represent 40% of the sector's value added, and will continue to expand as the region urbanises (Allen and Heinrigs, 2016).

The jobs market remains primarily informal

On the whole, a large part of the population is employed, either formally or informally. The employment rate varies from 80% in Burkina Faso to 51% in Senegal (Figure 7.7).

Figure 7.7. **ECOWAS labour market participation, percentage of active population (2015-17)**



Source: Authors' calculations based on ILO (2017), ILOStat database.
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The jobs market, however, remains dominated by a dynamic informal sector. Throughout the sub-region, the informal sector represents between 30% (Togo) and 50% (Benin) of the national economy (IMF, 2017b). In Senegal, the informal economy has created between 80% and 97% of jobs over the past 20 years (Minister of the Economy and Finances of Senegal, 2011). Of the 407 000 companies surveyed in Senegal, 97% formed part of the informal sector (ANSD, 2015). In Côte d'Ivoire, more than 80% of the labour force is in the informal sector, while this exceeds 90% in Mali and Burkina Faso. In Ouagadougou (Burkina Faso), almost 45% of unemployed people are unaware of the public employment agency (*Bureau public pour l'emploi*) (DIAL, 2007, cited in Nordman and Pasquier Doumer, 2015). The most vulnerable groups work in the informal sector, namely, the poorest, young people (AfDB/OECD/UNDP, 2012) and women. Table 7.3 shows the share of informal sector in non-agricultural employment.

Table 7.3. **Informal sector share of non-agricultural employment by gender**

Country	Year	Informal sector share (%)	Gender share (%)	
			Women	Men
Benin	2011	94.5	97.7	90.2
Côte d'Ivoire	2016	87.7	93.8	82.4
Gambia	2012	68.2	77.6	62
Ghana	2015	83.2	88.3	75.9
Liberia	2010	77.6	86.3	68.8
Mali	2015	92.1	96.9	87.9
Niger	2011	86.4	95.2	76.4
Senegal	2015	90.4	93.5	88.2

Source: Authors' calculations based on ILO (2017), *ILOStat* database.

Although they drive economic activity, informal activities do not perforce provide decent jobs. They do allow for a degree of flexibility however, which could facilitate participation in economic life (AfDB/OECD/UNDP, 2012). The informal sector has thus furthered female and youth integration into the labour market. In Nigeria, 40% of women were self-employed in 2013 (AfDB/OECD/UNDP, 2017: 185). Often, small companies benefit from a highly structured social network, which enables them to withstand economic shocks. However, the informal sector also acts as a poverty trap by relegating workers, particularly women and youth, into time-consuming and poorly productive activities, whilst depriving them of social protection. In Côte d'Ivoire, 86% of young entrepreneurs between the ages of 15 and 29 years earn less on average than young salaried workers, while 43.9% of young people also create their own businesses (OECD, 2017a). These informal companies in the services and trade sectors are often exposed to variations in the prices of raw materials, primarily oil and agricultural inputs. They provide unstable incomes that represent a loss of tax revenue for the State.

Unemployment and job insecurity primarily affect youth

At first glance, the unemployment rate appears to have stagnated at a low level in all ECOWAS countries, although much of the population is excluded from unemployment statistics, given most work in the informal sector. Countries such as Benin, Burkina Faso and Sierra Leone have unemployment rates fluctuating between 1% and 5% (World Bank, 2017). Only Cabo Verde, Gambia, Ghana and Mali present rates higher than 10%.

Faced with bottlenecks in the formal employment market, young people instead resort to the informal sector. This employs 94% of workers in Mali and 93% in Benin, with the remainder divided between the public and private sectors (ILO, 2012). The public sector is the largest provider of formal employment in Mali (4% of all jobs, versus 2% for the private sector). These posts are concentrated in urban centres particularly in Bamako, the capital, where they account for around one quarter of all employment (ILO, 2012). In Côte d'Ivoire, entrepreneurs represent 43.9% of youth employment outside of agriculture (OECD, 2017b). Unable to find better salaried work, young people prefer self-employment in the informal sector, where they combine several insecure jobs.

Those aged 15-25 are most affected by job insecurity. Unemployment among youth reached 12% in 2017 and has stagnated for 25 years, and this does not account for young people in the informal sector who are often less educated. The employment rate for youth reached 41% in 2017, having declined from 47% in 2000. Several structural factors explain youth unemployment: low levels of education and training and the mismatch between skills and labour market needs (UNECA, 2015). Other factors could exacerbate the situation, be they social (cronyism), political (nepotism), ethnic and religious (preferences) or specific networks of solidarity.

The uneducated represent the largest category of young unemployed, but young graduates are also liable to be unemployed (AfDB/OECD/UNDP, 2012). Between 2010 and 2015, the unemployment rate of those with basic education in all the countries was under 8%, except for Gambia (16%). In contrast, over the same period, unemployment among those with higher education was higher than 9% in all the countries, except Ghana, Liberia and Nigeria. The lack of employment prospects in the public and private sectors encourages young graduates to emigrate. This brain drain in the region will constrain public sectors such as healthcare, which is indispensable for human development (IMF, 2016).

Young graduates are victims of the mismatch between training and jobs. The average duration of unemployment among first-time job seekers is 4.4 years (Kouakou and Koba, 2015). Aligning training with employability of candidates constitutes a major challenge. The low level of qualifications, the education system's focus on supply rather than demand, and basic training that is considered overly theoretical limit the employability of young people. A survey of 27 multinationals in Côte d'Ivoire carried out by the ILO (11 companies of which were in the agro-food industry, 8 in the banking sector, 4 in mining and 4 in telecommunications) indicated a mismatch between youth skills and the labour market (UNDP, 2013). In order to develop competences, the quality of training must be improved, if the gap between the needs of the productive system and the products of the education system is to be closed.

With rural exodus underway, urban areas are increasingly affected by youth unemployment. As rural youth seek professional and financial opportunities, they migrate towards urban areas raising the number of young urban dwellers. In Mali, 19% of the urban population is young compared to 13% in rural areas (AfDB/OECD/UNDP, 2012: 128). But, the education level of young rural residents is lower than that of urban youth, which hinders their integration into the labour market.

Demographic growth poses an unprecedented challenge

Faced with demographic pressure, it will be difficult for the West African labour market to absorb new entrants. Despite sustained growth, the average levels of employment and unemployment in Africa have varied little since the 1990s. Between 1990 and 2017, the average employment rate in the region went from 58% to 62%. By 2035, young people aged 15 to 25 will represent 20% of the West African population, versus 15% globally (UNDESA, 2018) – a pressure that fuels intra-African and international migratory flows.

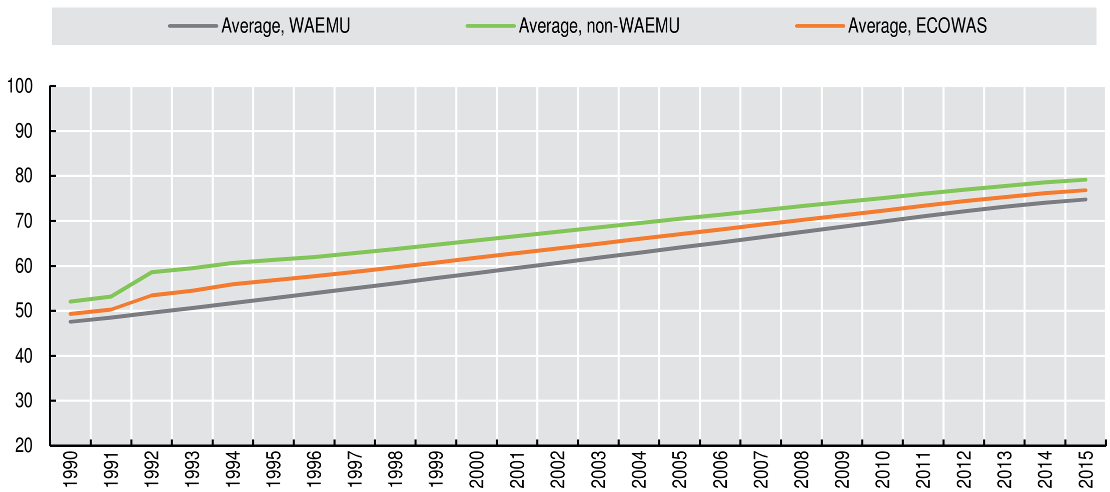
Inequality dynamics in West Africa

Access to basic social services has greatly improved

Overall, standard of living indicators have improved in the region, despite demographic growth of 3.5% per annum. Although the Human Development Index (HDI) is the lowest in Africa (along with East Africa), it is rising and in 2017 was 0.47 for the entire region, compared with 0.33 in 1990. Within the region, HDI ranges from 0.35 in Niger to 0.65 in Cabo Verde. Life expectancy at birth was 60 (for both men and women) on average over the 1990-95 period, compared with 51 at the start of the 1990s (UNDP, 2017a).

Access to basic services has also improved, although progress remains to be made. Access to drinking water (Figure 7.8), sanitation, electricity and mobile telephones is rising (Annex 7.A3). Thus, in Liberia after a long civil war, between 2000-07 only 0.4% of the population had access to electricity, rising to 8.4% between 2008-17.

Figure 7.8. **Access to drinking water in West Africa, 1990-2015 (% of the population)**



Source: Constructed from World Bank (2017), *World Economic Indicators* database.

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Practically all the countries experienced a relative decline in poverty rates over the 1990-2015 period, although the number of poor has increased. According to 2017 World Bank data, extreme poverty – at the threshold of USD 1.90 at purchasing power parity – decreased from 55.4% to 43.8% from 1990 and 2015 (Figure 7.A.3.1). These improvements are primarily due to national poverty reduction strategies and the Heavily Indebted Poor Countries Initiative (HIPC) which benefitted 13 countries (Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone and Togo). In Burkina Faso for example, since 2000 the rhythm of poverty reduction is identical to that seen in China between 1996 and 2013 (Chapter 1).

However, this relative decline in poverty hides an absolute increase in the number of poor, as well as very high deprivation among the poorest. The number of people living in extreme poverty in West Africa grew from 98.9 million (55.4%) in 1990 to 144.4 million (43.8%) in 2013. This paradoxical increase of rising numbers and falling proportions of poor is due to significant demographic growth, particularly among the poorest. The multidimensional poverty index has remained at 0.4 on average for those countries for which data was available. This level is the highest on the continent along with East Africa. Almost 67% of the population lives in multidimensional poverty and the intensity of deprivation among the poor reaches 56%. Among these privations is the fact that West Africa has the lowest level of education of the continent: only 35% of the population has no primary schooling and in 38% of households, no one is educated (OPHI, 2017).

Inequality is falling overall despite remaining high in the region's largest economies

The Gini index illustrates a broad trend towards falling income inequality. Inequality in West Africa went from 43.2 on average between 1990 and 1995 to 39.6 between 2014 and 2017. However, this overall trend masks deep discrepancies between countries (Table 7.4). Indeed, the fall is most noticeable in the non-WAEMU zone.

Table 7.4. **Income inequality in West Africa (Gini Index, 1990-2017)**

Country	GINI Index		
	First year	Last year	Change
Benin (first year 2003; last, 2015)	38.6	47.8	9.2
Burkina Faso (1994; 2014)	50.8	35.3	-15.5
Cabo Verde (2001; 2007)	52.5	47.2	-5.3
Côte d'Ivoire (1993; 2015)	36.1	41.7	5.6
Gambia (1998; 2003)	48.5	47.3	-1.2
Ghana (1993; 2012)	33	42.2	9.2
Guinea (1994; 2012)	52.6	33.7	-18.9
Guinea-Bissau (1993; 2010)	43.6	50.7	7.1
Liberia (2007; 2014)	36.5	33.2	-3.3
Mali (1994; 2010)	50.4	33	-17.4
Niger (1994; 2014)	41.5	34	-7.5
Nigeria (1993; 2010)	45	44.7	-0.3
Senegal (1994; 2011)	41.4	40.3	-1.1
Sierra Leone (2003; 2011)	40.2	34	-6.2
Togo (2006; 2015)	42.2	43	0.8

Source: Constructed from World Bank (2017), World Development Indicators database.

However, in the richest countries, inequalities remain strong. Between 1993 and 2003, income inequality fell by more than 10 points in Nigeria before starting to rise again between 2004 and 2011, to reach their 1993 levels (UNDP, 2017b). In Ghana, growth-inequality elasticity is positive (0.236 between 1998 and 2014), indicating non-inclusive growth (UNDP, 2017b). Rising revenues (from economic growth) and jobs sometimes coexist with rising inequality and poverty due to unequal distribution of revenue and the dominance of an informal market. At various periods, it has been possible to observe a reduction in poverty that coexists with an increase in equality as in Ghana, Nigeria, Senegal and Togo. In contrast, in Benin, Côte d'Ivoire and Guinea-Bissau, both poverty and inequality have risen at the same time.

The distribution of wealth in West Africa appears to favour the middle or intermediate class. The proportion of revenue held by the 60% of the intermediate population rose by 44.2% to 47.3% between the periods of 1990-95 and 2014-17. This is due to poverty reduction strategies and other Heavily Indebted Poor Countries Initiatives since the start of the 2000s. It is important to continue to invest more in sectors that will result in poverty reduction, to create jobs and ensure social protection to combat vulnerability (Chapter 8).

Inequalities of income and opportunity remain very high between men and women. Half of the countries in the region – Gambia, Liberia, Mali, Mauritania, Niger, Nigeria and Sierra Leone – have a very high level of gender discrimination in their social institutions, according to the Social Institutions and Gender Inequality (SIGI) index, ranging from 0.25 in Côte d'Ivoire to 0.52 in Gambia (Bouchama et al., 2018). Despite efforts to promote female political participation – with the adoption of quotas in six countries – women only accounted for 16% of MPs on average in 2017. These levels vary enormously according to country however, with Senegal counting 43% female MPs, compared with 6% in Nigeria.

These inequalities could be aggravated by certain norms and social practices, among other factors. Despite policies to combat child marriage introduced throughout the region, 30% of girls aged 15-19 years are married (Bouchama et al., 2018: 9). Although legal reforms have been passed, female access to property also remains difficult. In Ghana, only 10% of private land is held by women (Derry, 2016). In Sierra Leone, the 2007 Devolution of Estates Act provides that the land should be equally distributed between men and women, but it is not sufficiently enforced (Corrigan, 2016). Practices that discriminate against women reflect norms connected to the symbolic and economic value attached to arable land. In Burkina Faso, the "mobile" status of women, who live in different households at birth, marriage and widowhood is an impediment to accessing property. The customary right that governs the allocation of arable land in certain communities is also intended to protect agricultural wealth by favouring men (OECD, 2018b).

Policy recommendations

The structural transformation of the region is acknowledged by governments as a primary challenge to sustainable, inclusive growth that creates jobs. In effect, it is crucial to boost the productivity of local activities to create jobs for young people entering the labour market. Accelerating structural transformation will allow the informal sector, which is dominant in the region, to be reabsorbed. At the same time, reforms should provide for the redistribution of wealth and combatting poverty, to correct the effects economic structural transformation has on multiple forms of inequality. Effective systems of social protection need to be created to allocate resources fairly in response to national economic transformation.

The implementation of sectoral policies is not sufficient to bring about the domestic transformation of natural resources. Strategies of structural transformation have focused on natural resource export sectors. Often, special economic areas (like the Lagos Deep Offshore Logistics zone in Nigeria) have also been used to promote export-oriented activities. These strategies have been partly successful, but without enabling a real development of local processing capacities. Furthermore, these policies often tend to create enclaves without building sufficient links between activities and regions that would better harness local dynamism.

Without ignoring these export-focused strategies, development policies could harness regional strengths to promote endogenous and more inclusive growth. Among these strengths is the growth of a middle class, as previously stated. Intermediate cities also support rapid urbanisation and this has made it possible to reduce the distances between producers in rural areas and consumers in urban and peri-urban areas, thus supporting agricultural production and the growth of the agro-food industry. Rapid urbanisation has also resulted in a boom in construction, presenting an important opportunity to develop sustainable cities, particularly by investing in proper infrastructure and collective transportation networks. Another regional strength is the economic integration that connects many countries in the region. These ECOWAS countries have set ambitious convergence criteria that must be implemented and deepened to make integration even more beneficial.

Develop urban-rural links to create jobs

The growth of secondary cities and the promotion of both capital-producing activities and service activities present an opportunity for youth employment in rural and urban areas. Spatial transformation also presents an opportunity to increase productivity in rural and peri-urban areas by meeting urban demand in neighbouring areas. In urban areas, demand for food products is in effect more diverse than in rural areas (Staatz and Hollinger, 2016). To meet this potential, it will be important to continue to push forward the multi-level governance reform agenda. Fiscal decentralisation policies must thus be accompanied by a clarification of national, regional and local government competencies using the subsidiarity principle; citizen participation must be strengthened; and, transparency and accountability must be increased. These priorities are important for boosting regional and local economic development.

Several cross-border corridors in West Africa present opportunities to enhance regional value chains. The Sikasso-Korhogo-Bobo Dioulasso (SKBo) cross-border co-operation programme connects intermediate cities in Mali, Côte d'Ivoire and Burkina Faso in which the economy remains rural. It is directed by regional cultural identity and cross-border exchanges along major trade routes. By focusing on local identity, SKBo contributes to the diversification of agricultural production and the growth of profitability and trade. The programme supports local farmers (of cotton, fresh vegetables, oilseeds, tropical fruit, cashew nuts, citrus fruit, potatoes and mangos) and helps access quality agricultural inputs by supplying fertilisers, animal feed and improved seed (AfDB/OECD/UNDP, 2015). In May 2018, this corridor was given special economic area status by the authorities in the three countries to incentivise agro-industrial and mining companies to set up in the area.

To develop these regional strengths, countries could consider new approaches that will complement other rural-urban policies. Thus, countries could draw up a regional industrial strategy to develop activities that connect rural farmers with urban industrial producers and rural farmers with urban consumers (Allen et al., 2018). For example, to develop the mango sector, Mali adopted targeted actions aimed at: improving training, developing quality certifications, promoting the formalisation of private companies and improving logistics (particularly transportation through rural roads in the Sissako region), packaging and the cold chain, and, creating connections between various links in the value chain. These actions also benefitted cross-border co-operation by helping regions to open up.

Reinforcing the quality of public goods necessary for economic activity will enable constraints on agricultural growth to be lifted. The food economy already accounts for one-third of regional GDP (Allen and Heinrigs, 2016). Despite African Union recommendations regarding the sector, it suffers from a lack of investment. Under the 2003 Maputo Declaration, the Comprehensive Africa Agriculture Development Programme (CAADP) provided for African countries to allocate 10% of their national budget to it. Since then, only Burkina Faso, Guinea, Mali, Niger and Senegal have met this objective several years running, and Ghana has met it in any single year (Wade and Niang, 2014). Electricity generation and access to small agricultural equipment and machinery are other areas for greater development. Furthermore, rural economies are not exclusively dependent on agriculture and productivity is greater in non-agricultural segments. Policies could harness the dynamism of local economies to develop post-harvest activities, such as food processing, logistics or retail. Targeted investments, for example in transportation, warehousing or distribution capacities could prove strategic.

States should co-ordinate to anticipate changes linked to population dynamics, notably equitable access to land. In the absence of firmly established systems, land disputes and conflicts recur in certain zones. Land security could reduce the risk of conflict, encourage productive investment in agriculture and ease the rural exodus of youth. The States of the region should envisage pragmatic solutions to land security by finding a balance between traditional rights and modern law. To this effect, certain countries such as Mozambique, Tanzania, or even Viet Nam have introduced land reforms (OECD, 2016) that could serve as an inspiration.

Modernise the local supply capacities in consumer goods and services

Regional development policies must upgrade the currently predominantly informal provision of goods and services to meet the new demands of the middle class. Urban migration has changed household consumption. As such, households increasingly buy food and goods rather than produce them (Allen and Heinrigs, 2016). Public policies could help microenterprises improve their productivity and revenue with programmes of microfinancing, training and support for innovation.

Local companies could benefit from targeted initiatives to support existing industry groupings to help them regularise their situation. In Ghana, by developing public services (roads, electricity, social services) and facilitating skills and training in the Suame Magazine cluster, local productivity has increased, specifically due to improved access to infrastructure. The Suame Magazine Industrial Development Organization (SMIDO) was created to mitigate against a lack of both support and public social protection mechanisms (AfDB/OECD/UNDP, 2017). In Nigeria, the experience of the regional authorities of Lagos demonstrates that the grouping of informal firms within an organisation is a more effective mechanism towards regularisation than fighting against their creation. Thus, in the Otigba area of Lagos, CAPDAN is an organisation that represents companies in the information and communications technology sector (ICT). It deals with administration and helps collect taxes (Oyelaran-Oyeyinka, 2014).

To increase productivity among informal workers, education policies should promote investment in human capital. At the national level, States should invest in management-level training in small companies and offer certification for skills in the informal sector, as in the case in South Africa, Benin, Ethiopia, Mali and Senegal (AfDB/OECD, 2008). In Ghana for example, self-employed apprentices who have received training at a professional development and training institution earn 49% more than in a salaried position (AfDB/OECD/UNDP, 2017). However, the number of secondary students enrolled in vocational training programmes remains very low in Ghana (1.8%), followed by Senegal (4.5%). Informal apprenticeships are the primary method of skills acquisition in urban areas in West Africa. In Ghana, informal apprenticeships represent up to 90% of basic training and apprentices constitute almost 25% of the active population. To promote dynamic entrepreneurs within the formal economy, it is important that measures are targeted and consistent supporting entrepreneurs throughout their careers. It is also necessary to bear in mind impact assessment at the moment of programme creation. Policies are more effective when entrepreneurial training is integrated into formal education, and an entrepreneurial spirit is awakened in youth via success stories and models they can follow (OECD, 2017a).

It is advisable to offer material and institutional support to talented young entrepreneurs to enable them to develop their activities beyond the start-up stage. Since 2014, local incubators have encouraged the creation of high value-added technological companies (Table 7.5). Like the Kenyan investment in Savannah Valley, West African states could collectively define a digital strategy and create regional competitive hubs. In Nigeria, the start-up ecosystem in Lagos benefitted from the organic growth of small companies. If the region has managed to harness the impressive advances in digital technology, the example of East Africa demonstrates that these technologies could be launched at an even faster pace.

Table 7.5. **Main start-up incubators in West Africa**

Country	Name
Benin	e-TRILABS, Jokkolabs Cotonou
Burkina Faso	Yam Pukri, Jokkolabs Ouagadougou
Côte d'Ivoire	Jokkolabs Abidjan, W Hub, Akendewa
Gambia	Jokkolabs Banjul
Ghana	mFriday, Meltwater Entrepreneurial School of Technology, MEST, gSpace, Kumasi Hive
Liberia	iLab Liberia
Mali	Jokkolabs Bamako
Nigeria	Tony Elumelu Foundation, L5 Lab, Co-creation Hub, Wennovation Hub
Senegal	Jokkolabs Dakar, CTIC Dakar, Africa Living Lab, E-Cover, Synapse
Sierra Leone	AFFORD Sierra Leone
Togo	Woe Lab, Ecohub, Innov'Up, FabLab

Source: AfDB/OECD/UNDP (2017).

Savings and financial flows could be better mobilised to finance local businesses. West Africa has a problematic level of over liquidity, indicating difficulties in accessing credit for entrepreneurs (Doumbia, 2011). Without access to credit and with low skills levels, small companies cannot take advantage of economies of scale (AfDB/OECD/UNDP, 2017). A 2014 survey of 3 000 SMEs and 18 commercial banks in Nigeria revealed that two-thirds of banks reject more than half of SME loan applications (KPMG/EDC, 2014).

States could channel migrant remittances – estimated at USD 27.82 billion in 2016 – towards investment (Table 7.2). This task could be undertaken by investment promotion agencies (OECD, 2017b) or special units devoted to the diaspora as is the case in Ghana. Credit guarantee agencies could combine financial support with an advisory service.

International aid – estimated at USD 12.36 billion (OECD/DAC, 2017) – could better serve investment. The African Guarantee Fund for SMEs, which allocates 54% of its capacity to West Africa (USD 124 million) is a good example of the financial viability of credit. Burkina Faso has an effective service that brings together private capital with donor contributions. Asset-based lending, such as leasing and factoring, could boost company cash flows, whilst permitting the company to free itself from the strict requirements of conventional lending.

The region's economy could improve by modifying the export structure and trade orientation. Regional trade is certainly above the African average, but it remains impacted by the magnitude of informal trade flows (Mitaritonna et al., 2017). In addition, the effect of trade openness on growth is not significant in the ECOWAS zone. It has proven negative for WAEMU and positive for the WAMZ due to the structure of both exports (dominated by raw materials) and imports (dominated by consumables). Another explanatory factor is that regional trade is scarce at 10.5% of all foreign trade, with exports within the region not exceeding 13.6% of the total.

Upgrading local economies involves improving data on jobs and trade. Currently, available statistics are drawn from administrative databases that are often either incomplete or unreliable. As such, they underestimate the respective weight of the informal and agricultural sectors. Statistics pertaining to rural income remain rare. The World Bank's household surveys and its Living Standards Measurement Survey (LSMS), as well as the Food and Agricultural Organisation's (FAO) RIGA database cover a limited number of countries (AfDB/OECD/UNDP, 2015). States could draw on the expertise and financial aid of international organisations to conduct censuses. In addition, giving technical and administrative support to polling and research organisations will help complete national data.

Strengthen measures to improve institutional capacity, the business regulatory framework and appropriate taxation

Improving institutional capacity, the business environment and tax systems will consolidate previous reforms to increase State resources and extend the formal economy. States should continue to create an environment favourable to business, investment and the accumulation of capital to underpin sustainable growth. The fight against corruption, fraud, tax evasion and misappropriation of public funds is an important undertaking that requires institutional capacity, complementarity and co-ordination to be strengthened. For example, illicit financial flows fuel insecurity, violence and conflict in West Africa with the region accounting for 3.6% of global criminal revenue (OECD, 2018a: 70). ECOWAS, States and international organisations should undertake multilateral cross-border interventions to reduce opportunities for criminal economies (OECD, 2018a). Lastly, mobilising domestic tax revenue is becoming easier as the population perceives the benefit of paying taxes in terms of good public services (OECD/ATAF/AUC, 2017).

Temporary tax exemption and complementary measures that could encourage the creation of formal companies need to be set out. Administrative formalities and the tax system must be simplified. This could include for example, the adoption of a one-off tax, committing to the non-retroactivity of taxes as well as introducing points of single contact to simplify administrative procedures. The temporary systemisation of grace periods or tax refunds could encourage informal economy actors to regularise. Good tax policy could contribute to reducing inequalities if it positively affects household wellbeing. Further, complementary measures should be undertaken to encourage regularisation such as the development of systems of social protection or training aimed at improving worker skills, or financial aid to SMEs.

Local investment should reduce tax distortions between large international organisations and local small companies. Tax exemptions granted to multinational organisations do not always promote jobs and represent a loss of income for public resources. The West African States could reconsider a co-ordinated tax policy towards foreign enterprises. Equally, the complexity of tax procedures and the tax burden deter workers from declaring their revenues. A double-pronged approach of simplification and tax relief could increase the proportion of companies created in the formal economy.

The informal sector should be protected from abrupt reforms, as it acts both as a social shock absorber and a reserve of jobs for West Africa. On one hand, it enables the creation of jobs for new entrants to the labour market, and on the other it brings a degree of job security and financial income to those who are vulnerable on the formal labour market, particularly women and the young.

Strengthening the social security system and incorporating the informal sector could break the vicious cycle of job insecurity and inequality. In effect, combatting job insecurity and its intendent difficulties of accessing both productive resources and basic social services requires social protection mechanisms (Chapter 8) that promote decent jobs and improve productivity. Broadly, a social stability pact in West Africa should accompany the existing WAEMU zone economic stability pact and investigations are underway to extend this throughout ECOWAS. Social programmes could also focus on the most vulnerable. In Niger, the programme of social connections introduced in 2002 that subsidises the connection of poor households to the water networks in deprived urban areas, has proven effective: in just one and a half years, access rates have attained the goal set out in the five-year plan.

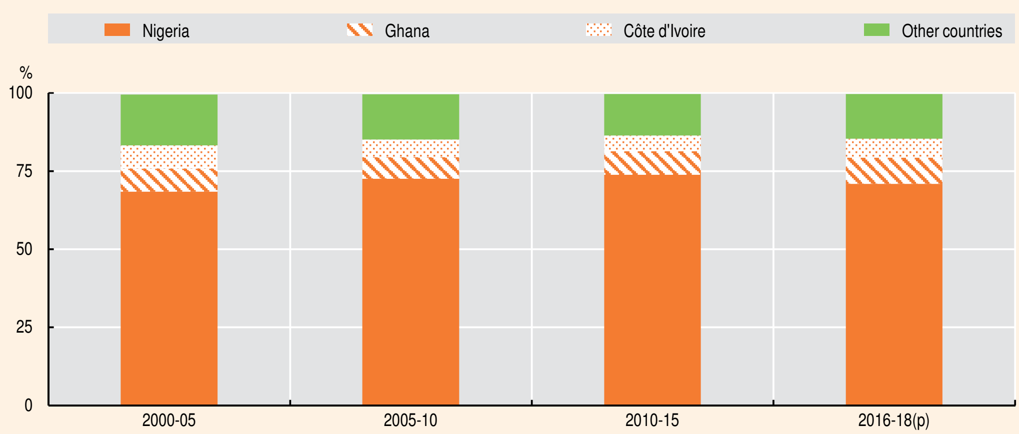
By supporting mobile banking, States could encourage companies to adopt formal financial practices. In 2016, ECOWAS adopted a mobile banking development strategy to reinforce financial inclusiveness to 75% of the population by 2021. This instrument could bring a certain material security to traders in the informal sector. If public authorities collaborate with telecommunications companies, it should be possible to introduce a form of tax or social security contribution connected to each transaction. Such a system could be both a source of public revenue and a more effective traceability system than self-declaration.

Annex 7.A1. Economic zones in West Africa

Box 7.A1.1. **ECOWAS Economic Areas**

In addition to the archipelago of Cabo Verde, ECOWAS is comprised of two economic areas. In 1994, the West African Economic and Monetary Union (WAEMU) succeeded WAMU (founded in 1962). It is comprised of eight states (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) linked by the use of a common currency, the CFA franc (XOF). In 1999, a convergence, stability, growth and solidarity pact was adopted, limiting the annual inflation rate to 3%. In 2000, six additional countries (Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone) joined together in a new entity called the West African Monetary Zone (WAMZ). Between 2015 and 2017, they represented approximately 83% of ECOWAS. The creation of a single monetary zone is envisaged, but the introduction of a single currency scheduled for 2015 was postponed to 2020. In 1976, Cabo Verde joined ECOWAS and in December 2000, Mauritania withdrew. In June 2017, Morocco expressed its intention to join the organisation, which, once achieved could have an impact on all of the region's indicators. The drivers of the region are currently Nigeria, Ghana (7.5% of total regional GDP), and Côte d'Ivoire (6%, Figure 7.A1.1).

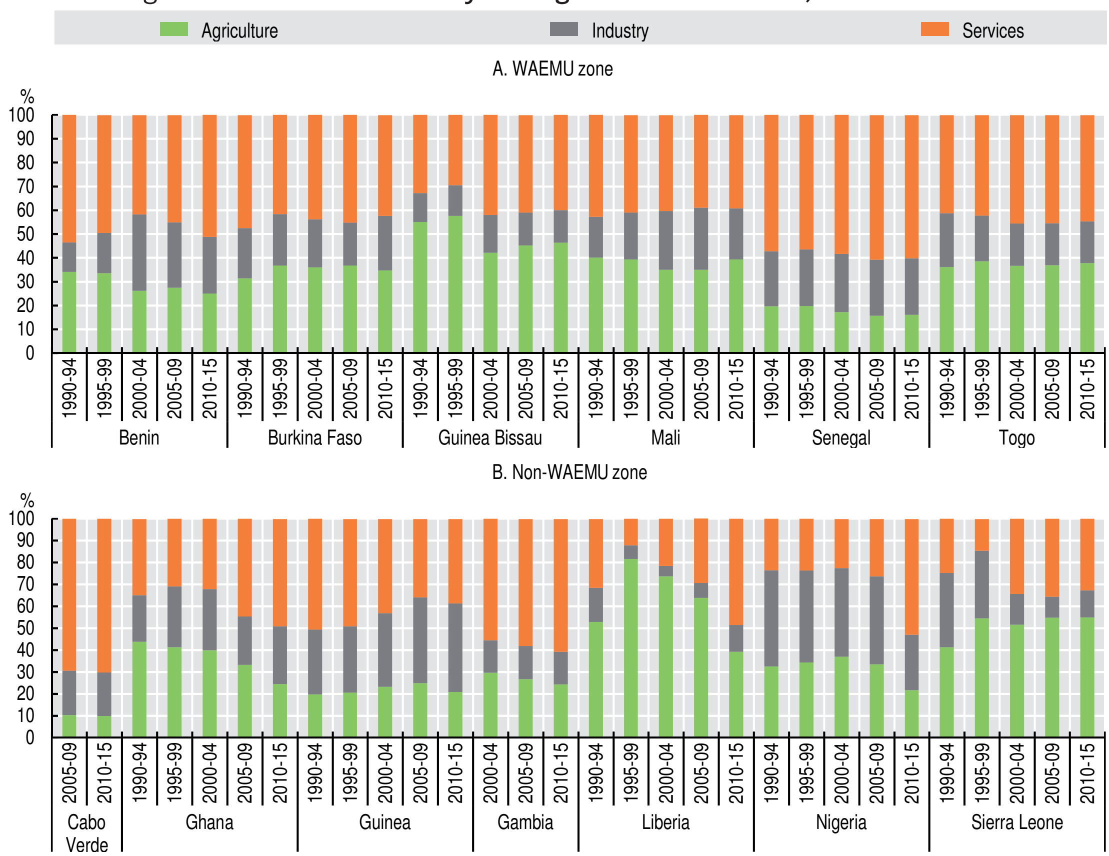
Figure 7.A1.1. **Share of countries in West African GDP, 2000-18**



Note: (p) = projections.
Source: Authors' calculations based on IMF (2018) *World Development Indicators* database.
StatLink http://dx.doi.org/10.1787/888933784197

Annex 7.A2. Dynamics and determinants of growth

Figure 7.A2.1. **Sectoral analysis of growth in ECOWAS, 1990-2015**



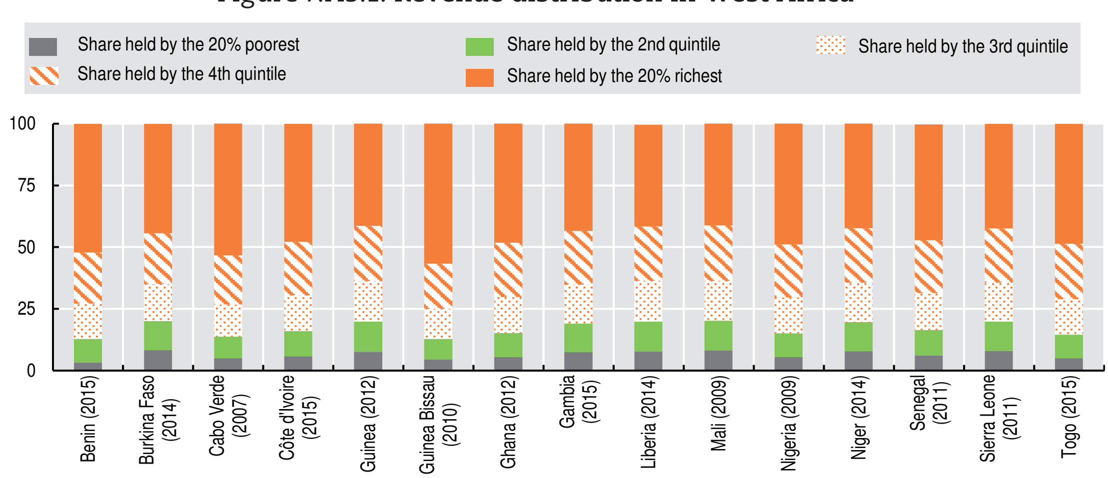
Notes: Data unavailable for Côte d'Ivoire and partial data for Cabo Verde (2005-15) and Gambia (2000-15).

Source: World Development Indicators database (World Bank, 2017).

StatLink http://dx.doi.org/10.1787/888933784216

Annex 7.A3. Dynamics and determinants of inequality

Figure 7.A3.1. **Revenue distribution in West Africa**



Source: Authors' calculations based on World Bank (2017) World Development Indicators database.

StatLink http://dx.doi.org/10.1787/888933784235

Table 7.A3.1. **Inequality of opportunity in West Africa (averages 2008-17)**

	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Mali	Liberia	Niger	Nigeria	Senegal	Sierra Leone	Togo
Education indicators															
Primary school completion rate, total (% of revelant age group)	73.5	54.3	89.7	56.3	71.2	91.8	59.5	64.3	54	61.6	48.3	72.4	58.7	63	74.4
Primary school completion rate, girls (% of revelant age group)	66.1	53.5	89.6	49.7	73	91.6	51.7	56.8	48.7	56.4	41.9	67.1	61	61.5	66.3
Secondary school enrolment (net %)	37.7	18.6	69.1	27.5		48.4	25		26.1	14.8	9.9			30.5	
Secondary school enrolment, girls (net %)	11.7	8.8	63			33.3	13.2	6			5.4		15.7		15.3
Health indicators															
Infant mortality (per 1 000 live births)	68.4	61.5	20.9	74.1	46.4	47	65.9	67.3	75.6	60.4	58.5	76.2	39.7	98.4	56.2
Life expectancy at birth, total (years)	59.8	58.2	72.2	51.5	60.1	61.5	57.8	55.8	56.1	60.5	58	51.7	65.2	49.5	58.5
Living conditions indicators (percentage of population)															
Access to electricity	36.1	16.4	83.5	59.7	42.8	69.5	27.9	11.4	28.8	8.3	14.2	53.7	57.3	14.8	39.4
Access to basic water services (rural areas)	57.4	42.6	72.1	54.8	67.3	62.6	52.4	50.8	57.4	57.2	34.2	48.7	58.3	41.3	41.3
Access to basic water services (urban areas)	76.4	77.8	91.7	89.5	87.2	86.2	86	82.3	87.4	79.6	88.5	80.1	90.5	72.5	86.9
Access to basic sanitation	13	19.4	61	28.1	44.5	13.6	19.2	18.9	28.5	11.2	16	33.4	46	13.5	13.2
Technological indicators (per 100 people)															
Access to fixed-line telephone	1.5	0.8	13.3	1.3	2.9	1	0.1	0.1	0.8	0.2	0.5	0.4	2.3	0.3	1.2
Access to mobile telephone	77.1	54.4	87.6	86.2	100.1	94.4	56.1	53.9	85.1	53.3	30.9	65.6	78.7	46.5	49.9

Source: Compiled by authors based on World Bank (2017) *World Development Indicators* database.

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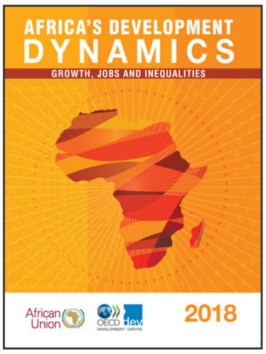

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