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INCLUSIVE GROWTH IN SWEDD COUNTRIES

When Inclusion Remains a Challenge

SWEDD
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When Inclusion Remains a Challenge

In the last decade, there has been a sustained increase in Gross Domestic Product in sub-Saharan Africa reflecting an improvement in economic growth. This increase in growth results from the economic and social transformations experienced by economies in the areas of productivity, education, health, and so on. However, a segment of the labor force seems excluded from growth. But it must be inclusive so that the well-being obtained can benefit all segments of the population. It is part of the conditions to be met for economic growth to lead to economic development. The development project initiated by the World Bank and called SWEDD aims to benefit the member countries, the benefits of the demographic dividend on economic development. These countries are Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger and Chad.

The issue of inclusive growth in SWEDD countries is inevitably linked to the demography of these countries, to the informal sector, to productivity and more specifically to financial exclusion.

Indeed, SWEDD member countries all have high population growth rates, more than 2.5% between 2000 and 2014. Their economies are not very diversified with a predominant agriculture and intensive low-skilled labor. The informal sector dominates in all these countries. The income distribution is inequitable in all countries as indicated by the Gini index for all member countries exceeding 30% in 2014.

The majority of the rural population is excluded from the ormal economic circuit. Youth unemployment, which is explained by the weakness of the job offer and the inadequacy of the training received compared to the qualifications required by employers, naturally impacts the quality of growth. The purpose of this report is to highlight the situation of inclusive economic growth in the SWEDD zone.

The SWEDD countries are among the poorest countries in the world despite the increase in growth in recent years. The latter has always been considered as a primary objective in sub-Saharan Africa. The particularity of SWEDD countries is that they all have a quality of growth issue. The structural adjustment policies set in place by the IMF, in the 1980s and 1990s, have not been a success for all countries. Those in SWEDD remain in debt, overall inflation rates are high; unemployment is rising, especially for the young population and the level of development remains low. The mixed performance of SWEDD member countries is also due to political, financial and food crises and recurring droughts and floods that increase the fragility and instability of the area.

In 2014, the sub-annual indicators of activity suggest a good performance of the economic activity in particular, inflation came out at a low level varying between -0.3% and 3.5%.The debt ratios of SWEDD countries as a percentage of GDP fluctuate in 2014 between 27 and 40%. In fact, Chad is the country with the highest debt ratio as a percentage of GDP after Mauritania. This is explained by the fall of the barrel of oil and the political crises which generate enormous expenses to make the country safe.

Côte d'Ivoire is the only country in West Africa with a trade surplus in the area. All the countries in the zone are facing enormous difficulties in financing economic activities. Indeed, in 2014, we find that investment rates do not exceed 20% in SWEDD countries while in sub-Saharan Africa, the average rate is around 27% of GDP.

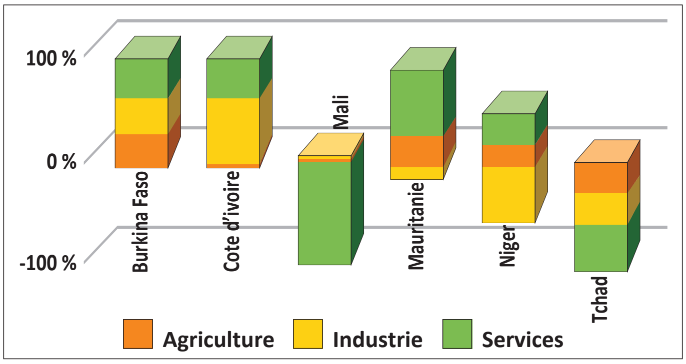
Table 1: GDP growth rate and inflation rate in% of SWEDD countries in 2000 and 2014

Countries	2000		2014	
	GDP growth rate in %	Inflation rate in %	GDP growth rate in %	Inflation rate in %
Burkina Faso	1,89	-0,3	4,03	-0,26
Cote d'ivoire	-2,07	2,53	8,49	0,45
Mali	-0,06	-0,68	7,04	0,90
Mauritania	-0,43	3,25	4,21	3,54
Niger	-1,41	2,90	7,05	-0,92
Tchad	1,86	3,82	6,90	1,68

Source : World Bank

SWEDD countries have economies based on the primary sector. For most countries, agriculture brings the greatest added value and is the largest employer. The secondary and tertiary sectors are slow to take off to contribute more to the growth of economic activity. In 2014, the contribution of the primary sector in the Gross Domestic Product of SWEDD countries fluctuates between 40 and 70%.

Graph 1: Added value (annual growth in %) of the main economic sectors in 2014



Source: World Bank

A labor market constrained by the Offer

Inclusive growth necessarily means increasing the labor force participation rate of working-age populations, thus reducing unemployment and gender inequalities. SWEDD countries are characterized by chronic unemployment compounded by a high population growth rate and a young, low-skilled labor force.

The unemployed population excluded from growth must be taken into account to achieve inclusive growth, a guarantee of harmonious development. The labor market is constrained by supply. The formal sector employs a small share of the labor force. One of the reasons remains the inadequacy of applicants' qualifications to the requirements which are necessary for employers. The results, in terms of employment and unemployment, are not the same in all SWEDD countries. In Burkina Faso, in 2014, the agricultural sector accounts for 78.4% of total employment, 5.3% for industry and 13.5% for services.

Gender inequalities reduce the impact of employment policies and the fight against unemployment. In most countries, women of working age face chronic unemployment or do not seek employment for cultural and religious reasons. Mauritania is the country where inequality is most felt in the area. In fact, in 2014 the male activity rate stood at 69% compared to 27.5% for women. In all the countries of the zone unemployment affects more women and young people.

Standard of living, income inequality and financial exclusion

SWEDD countries are among the most fragile and poorest countries in the world. They have living standards below the world average. The gross national income per capita of countries (GNI / hbt) is between 14.71 billion dollars PPP and 69.66 billion dollars PPP. Mauritania has the smallest GNI per capita in 2014.

Women are the most vulnerable and do not have the majority of income. They are victims of financial exclusion. Indeed, they do not have the guarantees necessary to access financial services in the formal sector. Banks consider them to be high-risk agents. The banked population in SWEDD countries is below the average for sub-Saharan Africa in 2014.

It is in this context that microfinance intervenes in the area. It has made it possible to include a large proportion of those excluded from the traditional financial sector. In addition, there is still work to be done in sub-Saharan Africa and more particularly in the SWEDD countries, where financial exclusion can be explained by asymmetric information on the financial world and the geographical isolation of the disadvantaged populations, which are concentrated in rural areas, but also by the low interest they represent for conventional banks.

A level of inclusion of economic growth still too weak

In terms of human development, sub-Saharan Africa lags behind other regions. In addition, the low level of inclusion of economic growth can be explained by a low or absence of structural transformation. Countries in the area have experienced a decline in child mortality, worsening fertility rates, an increase in the literacy rate in education, and a slow increase in women's empowerment. Structural transformation involves achieving the human development needed to support sustainable economic growth. The first obstacle to achieving human development in SWEDD countries is exclusion.

In Mauritania, the first brake of inclusive growth on human development is the health sector. The deficiency of the health system has a negative impact on education. As an illustration, 40% of stop education because of illness. The issues of education and the health of populations are reflected in the labor market. Indeed, the lack of professional qualifications in the SWEDD countries comes from the inefficiency of the education and health systems. Human development could accelerate the process of inclusive growth by facilitating the process of demographic transition.

Main Policy Instruments for Inclusive Growth

In SWEDD countries, the inclusive growth process requires a number of instruments to use in order to achieve it. Public authorities can go through several channels such as the demographic transition through a policy of lowering the fertility rate, through human development with education policies, improving the health of populations, as well as the growth of the job offer. Financial inclusion and urbanization policies complement the range of options available.

The Gini Index (IG)

The table below gives the results for the Generational Gini Index for the years 2008 and 2014 in the SWEDD zone.

Table 2: Participatory approach of the IG

Gini Index	YEAR 2008	YEAR 2014
$IGG_{[15;35]}$	72%	51%
$IGG_{[36;64]}$	66%	30%

IGGs of 72% and 66% respectively, for the age groups 15-35 and 36-64 show that there were income inequalities within these two generations for the period 2008. However for the year 2014, even if these inequalities in terms of income from work are reduced (decrease of the IGG of 21% for the 15-35 years and of 36% for the 36-64 years), the decline is much more accentuated for the age range of 36-64 years to 30%. In other words, even if inequalities in income from work are average for adults as well as for young people, it deserves particular attention from policy makers' vis-à-vis young people. Thus, these results could translate an unequal participation of young people and adults from SWEDD countries into the growth process. They also reflect a much greater inequality in terms of participation in youth growth compared to adults. Moreover, it shows that young people in the SWEDD area are less involved in decision-making and that efforts between 2008 and 2014 are much more focused on adults.

Global Level

Per capita labor income increased from 1,5509 USD annually in 2008 to 26075 USD in 2014 for all SWEDD countries. At the same time, the average income of workers almost tripled from 43163 USD to 128995 USD. This translates into huge implications for the Labor Force Participation Rate (LFPR) and Inclusion (IR). The different results are indicated in the table below.

Table 3: Decomposition of per capita income at the global level in the SWEDD zone

YEAR	Per capita labor income	Average labor income	LFPR	IR
2008	15509	0,38	0,38	0,94
2014	26075	0,23	0,23	0,87

According to the table above, there is a decrease in the labor force participation and inclusion rates of the population of SWEDD countries between 2008 and 2014. Actually, in this part of Africa, only 23% of the population participates in the workforce in 2014 against 38% in 2008. In fact, this decline can be caused by a rate of occupancy that does not follow the demographic evolution in a context where incomes are high and exist a fairly large number of discouraged unemployed. This result is also confirmed by a drop in the inclusion rate which rose to 87% in 2014.

By age group

In this part we will make a generational decomposition of per capita labor income for the periods 2008 and 2014.

Table 4: Decomposition of per capita income by age group in SWEDD-2008

YEAR 2008				
Age Group	per capita labor income (USD)	average labor income (USD)	LFPR	IR
0 à 14 Years	3	-	-	-
15 à 35 Years	2617	3843	0,72	0,95
36 à 64 Years	13898	17612	0,80	0,98
65 Years and +	4912	-	-	-

This table shows an inequality according to the participatory approach between the age groups 15-35 and 36-64, both from the income point of view and in terms of inclusion in the labor market and participation in the labor market. Workforce. With per capita labor income and average labor income of US $ 2,617 and US $ 3843 in 2008, compared to 1,3898 USD and 1,712 USD for adults, youth participate less in the labor force and are less included in the labor market despite their demographic weight. This remains a challenge for countries in the SWEDD area.

Table 5: Decomposition of per capita income by age group in SWEDD-2014

YEAR 2014				
Age Group	per capita labor income (USD)	average labor income (USD)	LFPR	IR
0 à 14 Years	28	-	-	-
15 à 35 Years	8366	24495	0,43	0,79
36 à 64 Years	18482	39622	0,50	0,93
65 Years and +	7365	-	-	-

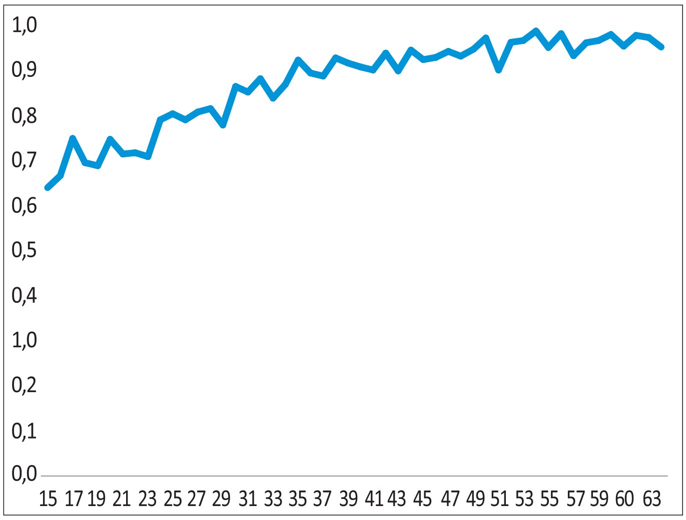
The same phenomenon observed in 2008 also persists in 2014. Young people have less income and participate less in the labor force and the labor market than adults. Furthermore, it can be noted that the annual income of young people increased between 2008 and 2014 from $ 2,617 to $ 8,366 for per capita income and from $ 3843 to $ 24,495 for the average annual income of workers. An increase in annual incomes is also observed among adults, although this is lower compared to young people.

On the other hand, despite an increase in income, young people as well as adults participate less in the strength of the labor force and in the labor market, comparing 2014 to that of 2008. In any case, if we want inclusive growth, efforts must be made both within the age groups to maximize the participation of the population in the labor force and the labor market, among age groups because of existing inequalities between young people and adults. In fact, the low income per capita work of young people is the result of their high unemployment rate and their demographic weight.

According to the ILO, the youth unemployment rate is twice as high as that of adults for almost all African countries, including SWEDD. Added to this is the mismatch between the training offers of young people and the needs of the labor market. This result is approved by the following graph 2 of the change in the inclusion rate by age. In fact, with age-related experience, more skills are acquired and qualification is better adapted to the needs of the market.

This has the effect of increasing the chances of being included in the job market. Thus, the more favorable inclusion of adults in the job market in front of young people is a phenomenon that can be linked to experience.

Graph 2: The inclusion rate by age in 2014



By gender

A gender analysis was used to track changes in inclusion and labor force participation rates between 2008 and 2014 following a decomposition of average annual labor income and annual per capita income of men and women. The different results obtained are given in the two following tables.

Table 6: Decomposition of per capita income by gender in SWEDD-2008

Year 2008				
Gender	Per capita labor income (USD)	Average labor income (USD)	LFPR	IR
Men	5341	14990	0,37	0,97
Women	1537	4491	0,36	0,96

Although there are slightly more women than men in the SWEDD zone, the small difference between them, in terms of labor force participation and, inclusion in the labor market is not in their favor (confers table 10). Moreover in terms of income, men have more than triple that of women in 2008.

Table 7: Decomposition of per capita income by gender in SWEDD-2014

Year 2008				
Gender	Per capita labor income (USD)	Average labor income (USD)	LFPR	IR
Men	11758	44767	0,29	0,89
Women	2680	15040	0,23	0,78

In 2014, the difference in men's income, which was estimated at more than 3 times that of women, is just under three times that of women these last years ($ 44,767 compared with $ 1,540). It should be noted that incomes increased significantly between 2008 and 2014 for men as well as for women. Paradoxically, this increase has the effect of reducing the labor force participation of men and women (37% in 2008 against 29% in 2014 for men against 36% in 2008 and 23% in 2014 for women) and inclusion rate of these in the job market.

In summary, it can be said that women benefit less from labor income than men in 2014. Women in Africa, and particularly in SWEDD countries, are mostly engaged in the agricultural sector because of their low level of human capital compared to men.

Women's production is therefore mostly informal, agricultural and self-employed. In addition, the primary sector provides less income than the others, thus causing the low income of women in the SWEDD area. According to the Women in Africa study published in 2013, the OECD estimated that women constitute 70% of the continent's agricultural workforce and contribute to the production of 90% of food. In addition to this we can add that unemployment affects more women than men and that because of socialization, women do not seek employment and are often victims of inequality in front of men.

Decomposition by industry sector

The decomposition of labor income per capita according to the sectors of activity made it possible to detect disparities between the sectors but also to make a comparative study between the year 2008 and the year 2014 in order to follow the evolution of the indicators.

Table 8: Decomposition of per capita income by sector in SWEDD-2008

Year 2008				
Sector	Per capita labor income (USD)	Average labor income (USD)	LFPR	IR
Primary	3 639	4 878	0,76	0,99
Secondary	11 515	13 760	0,91	0,92
Tertiary	19 875	23 611	0,93	0,90

In 2008, while the average annual labor income of tertiary sector workers is about double that of secondary, the latter is almost one-third that of the primary sector. This shows a strong disparity in income between different sectors of activity. In addition, the tertiary sector is more involved in the workforce than the secondary sector, which is well ahead of the primary sector (76%, 91% and 93% respectively for primary, secondary and tertiary sectors).

A reversal of the order of the sectors is observed with respect to the inclusion rate. In other words, with regard to the inclusion rate, the primary sector integrates more workers in employment than the secondary sector which is, itself, better job provider than the tertiary sector. It should be noted that in 2008, sectors providing more income to workers absorb fewer job offers.

Table 9: Decomposition of per capita income by sector in SWEDD-2014

Year 2010				
Sector	Per capita labor income (USD)	Average labor income (USD)	LFPR	IR
Primary	7 169	20 943	0,38	0,89
Secondary	9 058	16 431	0,66	0,83
Tertiary	26 272	48 364	0,69	0,79

Overall, the same trends observed in 2008 are reflected in the statistics for the year 2014, except for the secondary sector, which this time offers less average annual income to workers than the primary sector. This could well be because of an increase in income in the primary sector or a decline in the secondary sector, or a simultaneous production of both in these sectors.

Indeed, the highest inclusion rate is that of the primary sector. This proves that the majority of the SWEDD population is working in this sector, which contributes to fluctuations in the GDP of these countries between 40 and 70% in 2014. The economies of these countries are based on the primary sector and agriculture is mainly the most contributory sector in this field.

Recommendations

Recommendation 1: Make policies to control population growth in SWEDD countries so that the market can absorb the excess labor supply of young people that constitutes a social and economic emergency.

Recommendation 2: Provide training to young people and women which is more relevant to the needs of the labor market and strengthen the skills and competences of young people by giving them access to training courses.

Recommendation 3: Take steps to keep girls in the education and training system longer.

Recommendation 4: The tertiarisation of the economy of SWEDD countries pushes more people to follow training courses leading to jobs in this field and providing much higher incomes than other sectors. It will therefore be necessary to make orientation policies for young people and women in other sectors.

Recommendation 5: Promote the development of the industrial sector as well as the main primary sector of employment in the SWEDD zone.

Recommendation 6: Modernize and support women's agricultural activities to enable them to be more competitive in the international market for agricultural products.

Recommendation 7: Diversify financial services intended to support the financing of women's activities.

Recommendation 8: Anticipate the educational system towards training leading to jobs in the mining sector in order to benefit more youth to the production of underground mining resources of all countries in the SWEDD area.

Recommendation 9: Provide SWEDD countries with infrastructure to capture foreign investment in order to boost the industrial sector thereby increasing the participation of the secondary sector in the economic activity of the area.

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