Introduction

The idea of inclusive economies is gaining traction in economic debates, especially as the realization that the sustained and high economic growth over past decade has failed to deliver jobs for many. Growth has been occurring, but not transformation, and many economies in the region are still dependent on commodities exports and an expansion in services.

This final issue of the West Africa Trends Newsletter reflects on the trends highlighted in our last 24 issues that are relevant to the debate on how to make economies more inclusive. The first article highlights policy challenges that impeded more inclusive economies. The second articles looks at trends towards better collaboration between formal and informal economies, and the third article reflects on gender in the development of more inclusive economies.
Editorial

In this final issue of the West Africa Trends newsletter, we will synthesize and distill some of the threads that have run through the body of our previous work.

This year, ACET released the Africa Transformation Report: Growth with Depth, which made the point that though we have seen growth in Africa over the last decade, there has not been transformation. Growth has not been inclusive. The well-documented growth has not translated into decent jobs, and the only sector that has been resilient is the informal sector. The informal economy has in fact become the more important economy as it has been providing most new jobs.

This issue reflects on trends that have been documented in the past issues that touched on inclusive economies, a thread that ran through all the issues as the searchlight initiative focus was on highlighting trends and their impact on the vulnerable and potential interventions to secure a better future.

It is clear throughout our research that policy attention is being largely directed to the formal sector. Despite its impact, the role of the informal sector has not been formally recognized, but has instead been merely tolerated and left to its own devices. Little has been done to integrate it into the formal economy or provide a pathway for the sector to grow and formalize.

The struggle between modern and traditional economic activities is a related thread, as this tension continues to shape the economies of the region. Women are losing as economies modernize and traditional activities that tend to be favorable to women are replaced by modern activities that tend by design to favor men. Modern economic activities need higher capital and favorable legislation. Men have more say both in shaping legislation and are looked at more favorably by banks—a sector dominated by males.

Technology is another bridge upgrading traditional economic activities to modern activity with higher productivity. For instance, the use of better technology was critical in improving cassava processing to serve emerging urban markets. However, technologies are often designed for use by men, thus women tend to be disadvantaged when new technologies are introduced. Therefore, as economies modernize women tend to be more and more excluded. The result is that women are limited to informal and traditional sectors.

There is need to create more inclusive economies that better support the informal sector and better integrate it with the formal economy to allow diffusion of knowhow and productivity. This will require shifts both in policy and in mindsets. Policy and vision must stop its fixation on economic growth and prioritize attention to putting in place policies that are pro-poor and promote the creation of decent jobs. Mindsets that see the informal economy as something that is temporary rather than an integral part of the economy need to be dispelled. Slums are an integral part of West African cities and the approach should be to gradually upgrade rather than tear them down in the quest to be a “modern” city as we have seen in Ghana, Nigeria, and Liberia. Ingenuity like the floating schools that serve Makoko slums in Nigeria is the way forward not the new shiny malls that are replacing traditional markets.

There are many compelling example of inclusive business where formal businesses are incorporating the informal sector in their supply and distribution chains as Guinness and Nestle are pioneering. These trends need to be energized and scaled.

Initiatives that use labor-intensive methods like the one that ILO is promoting in road construction need to be a key plank in the infrastructure development as this approach can provide many jobs to youth and women in rural areas. Further, infrastructure development needs to be viewed from a wider lens. Rivers and fishing ports—critical infrastructure for the poor and marginalized—need equal attention to roads and shipping ports. They need better integration with the conventional infrastructure so that the marginalized can better participate in the economy.

Sustainable development will only be possible if we concentrate on solving the problems of the majority in ways that make use of their own creativity and involve them in decision-making. This calls for greater attention to innovation and participatory planning processes.
Informal Economy Leads, But Policy Lags

Africa and the region have done well in respect to economic growth. It is a story that is now well known and has even been celebrated on a recent cover of *The Economist* magazine. However, as observed in the recently released Africa Transformation Report (ATR) this growth has not been accompanied by transformation. In particular, recent growth has failed to translate into decent jobs. As covered in Issue 7 (2012) of West Africa Trends, underemployment and unemployment continue to be the bane of the region with the youth most severely impacted. The permanence of the situation seems to be best captured by the growing number of unemployed graduates unions across the region.

The only sector that has been resilient is the informal sector. The informal economy has in fact become the real economy and has been providing most of the new jobs.

Governments in the region continue to give too much attention to growth and not much to transformation and decent job creation. This can be clearly discerned from a perusal of the vision documents that have been crafted by most governments across the region as we explored in Issue 4 (2012). Achieving a certain growth target in order to become a middle-income country seems to be the overriding priority, ignoring transformation and job creation.

So, despite the fact that the informal economy employs most of the people and has been the real star in job creation, there has not been clear articulation of policy to support this sector in these visions. This sector has largely been left to its own devices as industrial policy and infrastructure provision continue to favor the formal sector.

In Issue 5 (2012) we saw that manufacturing policy has been very skewed towards developing industrial parks and free trade zones to attract manufacturing Foreign Direct Investment (FDI). Foreign investors have also been given generous incentives to entice them to relocate to these zones. The issue reported disappointing results, which hardly match the scale of investments made in infrastructure and economic incentives (mainly concessions on income taxes and tariffs) for attracting foreign investors to these designated zones. The story also pointed to vibrant organic manufacturing clusters across the region with the exemplar being the Aba manufacturing cluster in Nigeria. These clusters are working under difficult conditions and using ingenuity to solve real problems that local people face. The Aba motorized tricycle pictured below is an example of that ingenuity.
In the issues on slums (Issue 5, 2013), we also saw a once thriving leather cluster at Old Fadama slums struggling, unable to upgrade technologies to compete with imports. These spring wells of innovation have been neglected by an industrial policy that looks outwards to foreign FDI as the way forward. It is probable that if the significant resources and incentives that Nigeria spent on Export Processing Zones (EPZs) and Special Economic Zones (SEZs) were devoted to supporting growth in the country’s organically developed local manufacturing clusters, the return on that investment would arguably have been higher and would have had a significant impact on poverty reduction.

The desire to modernize cities is also focusing attention solely on the formal sector. Issue 5 (2013) highlighted incidents in Liberia, Nigeria, and Ghana where old markets have been demolished to make way for new modern buildings. Urban policy and planning mindsets are favoring the formal sectors yet the informal sector dominates the landscape of most cities in the region.

Infrastructure for the formal sector is being given greater attention as well when compared to infrastructure that serves the poor.

- Rivers are a critical means of travel for informal traders that are largely neglected (see January 2012 issue). They are cheap means of transport and serve some of the remotest parts of the region. Yet, little effort is being made to improve river infrastructure, and even less is being done to create the needed infrastructure to link them to formal road infrastructure. So if one transports goods by boat it becomes difficult to transfer those goods to a road vehicle for delivery to markets. The most vulnerable segments of the region are thus denied opportunity to participate in markets.

- As covered in Issue 4 (2012), the whole region is experiencing rapid modernization of ports, while the fishing fleet remains artisanal. PPP is the model being used to develop the infrastructure, which favors well-resourced port operators. Modern fishing ports that can support local fish processing for value addition are missing. So fishermen continue to lose out to modern fishing vessels (some operating illegally but many are licensed by governments) and miss out on opportunities for processing so that the region is now importing fish caught from its waters by international commercial fishing fleets.
Science and Technology is also a key to making economies more inclusive as technology is the bridge between traditional and modern economies. However, this is not automatic. Technology must be appropriate. In Issue 6 (2012), we saw that science and technology policy and reward structure was skewed to the pursuit of international excellence in contemporary methodologies. For science and technology to have the needed impact on African societies, fundamental changes are required in how Africa prioritizes science and technology. As we reported in Issue 2 (2013), the success of cassava in staying competitive was based on having relevant technologies (cassava graters) that could be adapted by village level artisans, while Issue 8 (2013) showed that the lack of appropriate technologies to process sorghums and millet has caused the two to be out-competed by rice and wheat at the dinner table. Therefore, inclusive economies by definition also mean development of appropriate pro-poor technologies that allow the poor to upgrade traditional means for processing. However, science and technology policy is not supportive of development of appropriate technology.

The planning process needs to improve if economies are to become more inclusive. Though participatory planning processes that involve the grassroots are used across the region, the grassroots have complained that this seems to be an exercise in ticking boxes rather than a genuine intention to incorporate the informal sector in the planning process. Some of the problems identified in Ghana’s participatory process (see Issue 4 (2012)) include:

- Due to limited resources, only known groups e.g. market queens, transport unions etc. tend to be invited to the meetings. The more vulnerable members of the informal sector e.g. head porters do not have a platform to engage.
- Urban communities tend to show apathy and low enthusiasm. This sense of apathy is partly due to the feeling by some that decisions have already been made and they are being used to rubber stamp plans already decided. This lack of trust is compounded by the fact that plans are never fully followed nor are communities involved in monitoring.
- Social and cultural constraints prevent proper consultation. For instance, the preferred “suit and tie” attire of government planners tend to make conversation with informal people difficult. Women and the physically challenged are mostly relegated to the background in the participatory process.
- Planning documents tend to be voluminous and difficult to digest. As a result, there is a narrow understanding of development as the provision of physical things, which means that issues of social empowerment and human development issues are given less attention in plans. People also do not understand that governments have resource limitations. This is makes it difficult to prioritize since they do not see the rationale.

This lack of a genuine participatory process may explain why initiatives in Accra and Abuja to develop special markets for street traders have failed (see Issue 6, 2013). These special markets have proved unpopular with street traders. Rents have been unaffordable (Abuja) and locations unsuitable (Accra). Yet Durban City in South Africa has been very successful in a similar effort that has seen trader incomes rise and legal and physical security improve. This has been attributed to a better participatory planning process.

Way Forward

Planning and policy needs to be re-oriented so that growth in the region is more inclusive. Economies that are more inclusive call for greater attention to jobs and skewing policy towards labor-intensive activities. A great example highlighted in Issue 7 (2012) is the initiative by the International Labor Organization (ILO) that has been promoting labor-intensive methods for rural roads construction using mostly women and youth. ILO has been training local contractors in labor-intensive road construction, procurement of equipment that can be leased to small-scale contractors, as well as training community maintenance groups to maintain feeder roads. Using this approach, roughly 130 kilometers of main roads and 600 km of feeder roads in Liberia have been constructed. This approach to infrastructure development provides needed infrastructure in rural areas as well as much needed jobs.

Including the informal sector is just one side of the coin. There is also a need for greater attention to social security issues. The box below highlights some of the interventions highlighted in Issue 7 (2012) that can be emulated across the region.
**Informal Workers Rights Social Security**

Informal workers have special challenges of job security and social security due to the informality of their jobs. They have little or no job security and in some cases, their rights are grossly violated. Social security for most of them is also lacking. Some interventions have started to address the plight of workers in this sector including:

- In Ghana, the Social Security and National Insurance Trust (SSNIT) has introduced a pension fund for informal workers. This voluntary scheme has registered over 90,000 members after 3 years of operation. The size of the fund is over 23 million cedis (about US$12 million). However, this fund has been experiencing difficulties in meeting its administrative costs. Furthermore, informal sector members have shown more enthusiasm for its loan component.

- In Senegal, Mali, and Burkina Faso we have seen the emergence of associations of domestic workers led by former house help in sensitizing the authorities, families, and children on the plight of domestic workers. They assist girls in disputes with their employers in diverse ways including providing legal help.

- Specialized employment agencies are also assisting domestic workers to improve their conditions. In Togo a private placement agency Welcome, signs house cleaners to one-year contracts. The girls are trained in French and domestic duties. They are given money management training. Representatives of the agency also make unannounced visits to their work places to check on them, ensuring acceptable work conditions and treatment.

**Microinsurance: Mitigating Risk for the Informal Sector**

Risk mitigation is a priority for the poor as they are more vulnerable than any other group and lack resources to make them resilient in the face of disaster. Their coping mechanism tends to be to sell assets or cut consumption, and the worst borrow from shyllocks, due to a lack of formal risk mitigation tools. Traditional insurance products and modes of payment (a single lump sum) exclude the poor, as they are not tailored for their demographic. Microinsurance products have been designed to fill this gap. In fact, close to 80% of those who use microinsurance products have never had insurance.

However, microinsurance by its nature is a high volume, low cost product, thus expertise in product development and innovative distribution channels are key to delivering value. Unfortunately, this expertise is in short supply, underscoring the need for strong investment in capacity building across the entire insurance value chain.

Nonetheless, viable business models are being deployed, and microinsurance is picking up in the region powered by some of the following innovations:

- Most mobile companies in the region are now offering insurance based on outgoing call volume.
- In Ghana, Star Microinsurance Services Ltd. is collaborating with the Ghana Post Office to deliver its microinsurance program. The policy can be bought at any post office in the country.
- Churches are also facilitating microinsurance in Ghana. The Kumasi Diocese of the Association of Methodist Men’s Fellowships has a group insurance policy with the Donewell Insurance Company.
- In Nigeria, Mutual Benefits Assurance Plc is pioneering a model of providing microinsurance by pooling people in homogenous groups. The initiative has already grouped pepper sellers at Oyingbo market into Mutual Model Cooperative Society and offered them the Safe Guard Insurance product. Safe Guard Insurance is an all-risk insurance that covers the tomato seller for death and permanent disability up to N100,000 (about US$600) resulting from accidents, as well as coverage on their tomatoes on a reducing balance basis.

Studies have demonstrated that microinsurance has proven its value when the poor are hit by unexpected events (see Issue 10, 2014). However many still harbor mistrust for insurance schemes. For a greater proportion of the poor to enjoy these benefits, there needs to be more education on insurance, efforts to build trust, and better business models that can deliver the product cheaply.
Formal Vs Informal – Cooperation or Competition?

The formal and the informal sector operate in concert in a relationship that is yet to be fully acknowledged and properly embraced. Issue 5 (2012) indicated that slums are the dominant feature of most cities in West Africa, which also explains the large informal sector. Slums are not just city enclaves, but an all-encompassing phenomenon. As a study of Accra has indicated, only 6% of Accra does not exhibit slum-like characteristics. Even neighborhoods with million dollar homes have slums within them. It has been pointed out that the informal sector is the bottom that holds the pyramid of most cities in the region.

Though the informal sector works together with the formal sector, mainly by providing services, the relationship is not straight-forward. The relationship ranges from outright hostility to intimate cooperation in creating value.

We have seen cities demolish businesses and structures that the informal sector uses, sometimes with tacit approval or instigation of the formal sector. For example, the chairperson of Institute of Surveyors of Ghana had lamented we cannot have slums sitting on very expensive land (see Issue 5 2012).

At the same time, inclusive business models that aim to link formal and informal business are being rolled out the region. Some examples include:

• Guinness is working with farmers in Ghana, Nigeria, and Sierra Leone to make them part of their supply chain as they seek to replace imported barley with locally grown crops (sorghum and cassava). While Coca Cola Micro Distribution Centers (MDCs) and Nestlé’s “My Own Business” initiative are incorporating street sellers and small business in their distribution and marketing chains (see Issue 10, 2012). These inclusive business models are transferring critical skills from the formal to the informal sector and putting the informal sector on the path to formalization.

• Supermarkets are also making efforts through third parties to incorporate small holders in their supply chains as documented in Issue 6 (2012).

• Local content provisions are also being used to move the extractive sector to greater inclusiveness. There are good example of voluntary initiatives, public private cooperation initiatives, and initiatives driven by legal mandates. Examples include:

  • Newmont Ghana has initiated the Ahafo links program that has been developing local businesses so that they can be suppliers to the mining giant. To date, over 201 SMEs have benefitted and over US$20 million worth of business has been generated by these SMEs, greatly strengthening the local economies.

  • In Guinea, a public Private Partnership (PPP) model is being tried in a program that involves government, the International Finance Corporation (IFC) and the French Government development Agency (ADF). Together, they are developing a skills center to build needed skills to effectively participate in local content. This is being complemented by a program to link local SMEs to South Africa’s mining SMEs to transfer skills. This initiative has the promise to integrate local business to the mining value chain.

  • Many countries are also making legislative mandates on local content. Some like Ghana and Nigeria have very aggressive (90% by 2020 for all activities in oil and gas in Ghana) which puts into question whether such targets can be met given the low level of skill and poor infrastructure. All the same, Nigeria has claimed some progress increasing local content since enacting the law and creating the Nigeria Content Development and Monitoring Board (NCDMB). Some local fabricators have been able to complete sophisticated pieces of work for oil companies. NCDMB claims that this drive has saved the country billions and created many jobs.
Tourism: The Low Hanging Fruit?

As highlighted in Issue 9 (2012), tourism is one of the most encouraging sectors, as it has significant potential for both employment and inclusiveness. A study by the Natural Resources Consultative Forum found that US$250,000 worth of investment in the tourism sector generates 182 full-time formal jobs. This is nearly 40% more than the same investment in agriculture, and over 50% more than in mining. And tourism jobs, the study also finds, compare well to jobs in other SMEs in terms of career development and lifelong learning potential. Tourism also tends to employ more younger people and women, making it a very inclusive sector.

However, like all sectors there is a tension between formal and informal service providers. For example many hotels try as hard as they can to keep away hawkers trying to sell souvenirs to tourists. Explicit efforts must be made to include the locals and a modus operandi should be developed between hoteliers, tour operators, and local traders. A good example of how this can be done is a DFID project in the Gambia where a partnership between local sellers, tour operators, and hotels now enables local sellers to access tourists through established stalls. The result is that tourists are spared the harassment of spontaneous hawking, and sellers have recorded vastly improved incomes, in some cases doubling their earnings.

The fact that tourism is underdeveloped presents a great opportunity to grow an even more inclusive tourism model by marketing to the more discerning traveler of today, who cares about environment and culture. It presents a real opportunity to develop compelling products that are focused on conservation and consumption of cultural products or ‘eco-tourism’. This model of tourism is one that has direct impact on people. Whereas the conventional resort-based approach that sells all-inclusive packages leaves only 20% of tourism revenue to local communities, the eco-tourism model can help local communities to retain as much as much as 95% of revenues.

However, integrating communities under an eco-tourism model is a major challenge because it requires community folk to be service providers to the industry, essentially counting on fishermen and farmers to play this role. There are promising models pioneered by NGOs that can be replicated across the region:

- In Togo, the NGO AVES-Togo is supporting an eco-tourism program in the villages. In one village, Gabi, the chief and the population are heavily involved and invested in the project. With the support of the AVES the people have been organized into various committees: an Accommodation Committee, a Restoration Committee, a Guides Committee, a Culture Committee and the Quality Committee which is made up of leaders from each of the other committees. These committees trained by the NGO organize reception, accommodation, and food for tourists, and the village chief and his entourage do project supervision. They have organized themselves in a way that tourists can share in the daily life of villagers and their culture, learning aspects of their language, traditions, and dances.

Looking Ahead

The prospect for creating more inclusive economies by better linking the formal and the informal sector (inclusive business) remains, and is a work in progress. Greater attention is needed to make the emerging models work especially for the poor. Businesses have the resources and knowhow to better take advantage of the opportunity offered by inclusive business. Also as formal business are the drivers of the process they necessarily dictate how the created value is shared. For example, supermarket chains have a big say in how the value chain is governed, how it evolves, and who gets what share of the value created.

Indeed as these inclusive models take root, the informal sector may be the losers. For instance, who will protect the informal sector from getting their ideas “stolen” by the formal sector? We have seen new business in the formal sector emulating the informal sector model. For example, Koko King in Ghana is selling porridge on the streets of Accra, imitating what women have been doing for ages (See issue 6 (2012)).

More thinking is required as we promote inclusive business models to ensure that the informal sector upgrades as it is included, and captures a fair share of the value created. How the emerging inclusive value chains will be governed will be critical.
Women and Inclusive Economies

Informal economies most often have roots in traditional practices. While formal economies are more associated with a modern economy. This dichotomy has important implication for gender inclusion; for women tend to be more involved in traditional economies while formal economies tend to be dominated by men.

The traditional/artisanal sector on the one hand has allowed women to create employment opportunities, particularly in food processing and marketing, but at the same time tend to limit broader opportunities for women by stereotyping them. On the one hand, it is palatable to see women preparing gari using saucepans on open fires, but if gari is to be prepared in an industrial process, it is popularly characterized as a man’s job. This means that while traditional cassava processing and marketing is a major source of income for women (see Issue 2 (2013), as the sector modernizes women are pushed to the margins, as the modern SME cassava sector is dominated by male entrepreneurs.

The emergence of new sectors is also displacing sectors previously dominated by women. For example, in Northern Ghana, the emergence of mango plantations has seen mango trees becoming prioritized over shea trees, even cutting them down to make room for mango plantations. Men control these plantations, while the shea tree, which grows wild on communal lands, is traditionally controlled and owned by women (see Issue 8 (2012)).

The main challenge for women is the mindset that sees their role limited to traditional sectors. Women are not well represented in the bodies that shape policies (parliament) and lending practices (banking sector) that can enable them to participate in modern economies.

As stated earlier, the bridge between the modern and the traditional seems to be technologies and innovation. Cassava is a good exemplar of this. Women entrepreneurs and women groups are now largely in control of a dynamic cassava processing sector supplying local urban markets and even international markets due to their technologically driven innovations. However, all has not been rosy for women as design of equipment for processing cassava has not been gender sensitive. Therefore, as much as cassava processing is a woman’s activity, processing centers must necessarily have men employees to operate the machines. Therefore through introduction of technologies and thus movement towards formalization, men have been able to insert themselves into an economic activity that was previously exclusive to women.

Land tenure is the other challenge that makes it difficult for women to participate in economies that are more formal. As discussed in Issue 8 (2012) limited land rights prevent women from making major investments, as land is a key input to many economic activities. This means that their economic activities tend to be confined to low yields agriculture and artisanal processing.

Looking Ahead

Increasing security of tenure for women in West Africa is key to making economies that are more inclusive. Some of the interventions that are bearing fruit were explored in Issue 8 (2012), including:

- Progressive parents are establishing new progressive traditions. In Niger, pre-inheriting women before death increased their chance to retain land after death even in the presence of many male siblings.
- Women in Senegal have been effective in negotiating with traditional authorities for greater rights when organized in groups
- Legal avenues are also bearing fruits. In Senegal, the parity law of 2010 allows women to sit on local land distribution boards. While Land reforms in Ghana, Benin, Gambia, Liberia, and Sierra Leone have increased legal protection of women, particularly in the area of inheritance.
- While men have captured disproportionate benefits in the shift from traditional to modern economies, this must not be necessarily the case as the following examples show:
  - Collaboration in Ghana between SAP and the Paris-based micro-finance development organization PlaNet Finance (highlighted in Issue 5(2012)) is a potential example of interventions needed to move women from traditional to modern...
processing without them losing the business. The Shea Value Chain Reinforcement Initiative uses micro-finance, education, and technology to improve the incomes and living conditions of women who pick and process shea nuts into shea butter. The women have been organized into an association called the Star Shea Network (SSN), which gives women more negotiating power, and gives buyers access to larger quantities of product. Women have been trained on how to process better quality nuts and butter. As a result, SSN women have managed to increase the price by 82%.

In Togo, the French government has financed the construction of production facilities, shops and other equipment such as presses and mills for women cassava processors. This has been combined with training sessions for women in technical production, processing, and marketing of cassava. As a result, the women have doubled their production of gari and tapioca, and are now able to export to Burkina Faso and Benin.