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Formal and Informal Enterprises in Francophone Africa

Moving Toward a Vibrant Private Sector

Edited by Ahmadou Aly Mbaye, Stephen S. Golub, and Fatou Gueye

While the duality of African economies is well recognized in economic literature, only a few comprehensive studies have examined the formal and informal economies using the same instruments. The research presented in this book uses a unique dataset carefully collected on both formal and informal firms, and an analytical approach based on a continuum of formality/informality characteristics, to analyze both private entrepreneurship and employment. Focusing on Francophone Africa, with particular emphasis on Benin, Burkina Faso, Cameroon, Gabon, and Senegal, the book also includes comparisons with other countries in Africa and in developing regions. The formal economy is shaped by institutions largely determined by their French colonial legacy, reflected in traits such as stringent labour market regulation. This, coupled with weak governance and high factor costs, prevents firms from growing and, thereby, incentivizes informality. Meanwhile, the informal sector is the major source of income and employment, typically accounting for about half of aggregate output and 90 percent of employment. Informal firms embody traditional economic practices, nurtured by deeply entrenched customs and well-established kinship networks, often spanning national borders. The book sheds light on some important and previously understudied aspects of the sector, using case studies, surveys and original data, and interviews. It also makes well targeted policy recommendations, taking into account firm heterogeneity and differentiated responses to various policy stimuli.

This book is recommended for undergraduate and graduate students studying economic development in Africa, and economics researchers at universities and think tanks.

About the editors

Ahmadou Aly Mbaye is a Professor of Economics, and former Dean of the Faculty of Economics and Management, at the University Cheikh Anta Diop (UCAD). Stephen S. Golub is Franklin and Betty Barr Professor of Economics at Swarthmore College. Fatou Gueye is an Associate Professor of Economics at UCAD.

This book makes a novel and significant contribution to the understanding of informality in Africa. It generates a unique dataset on the wide spectrum of formal/informal firms to understand how the two sets of firms cooperate or compete in various value chains and how this interaction shapes jobs and productivity. It also explores the barriers to firm growth and recommends compelling policy options to address them.

— Brahim Coulibaly, Vice President of Global Economy and Development, Brookings Institution

This book is an important contribution to the economic literature on the informal economy. It provides a nice peek inside the black box of the informal firms in Francophone Africa and their complex interactions with formal firms. It spotlights 'large' informal firms thriving in a weak institutional and governance environment, especially in resource-rich countries. A must read for every policymaker, specialist, and student of development worldwide.

— Albert G. Zeufack, Chief Economist for Africa, The World Bank



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