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Discovering Thoughts, Inventing Future

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Economic Activities of North Korean Female Migrant Workers in China and their Influence on Persons and on North Korea

By Yoon Young Kim & Shi-Eun Yu
Hanyang University

*Abstract-*This paper examines what North Korean female migrant workers in China learn from their economic experiences, and how these activities have influenced change among the people and society in North Korea. I collected data from structured interviews of six North Korean female migrant workers, and five NGO staffs in China in 2013 and their narratives were analyzed. North Korean female immigrant workers learn the function of advertisements and the significance of information, the value of labor and employment, and the significance of trust and credit for establishing social relationships with others through their experiences in China. These lessons help to improve their capacities in economic activities and to change personal perspectives of gender, the capitalistic society, South Korea, and the home country, North Korea. Also, these experiences influence change among the people and society within North Korea. Ultimately, this suggests ways to reduce the cultural gap between North and South Korea, and to achieve national unification in the future by the strategic acts of North Korean migrant workers who straddle both China and North Korea and lead dimensional change among the people and society within North Korea.

Keywords: North korean female migrant workers, economic activities of North korean workers in china, narratives of North korean migrantsi.

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Economic Activities of North Korean Female Migrant Workers in China and their Influence on Persons and on North Korea

Yoon Young Kim [α] & Shi-Eun Yu [σ]

Abstract- This paper examines what North Korean female migrant workers in China learn from their economic experiences, and how these activities have influenced change among the people and society in North Korea. I collected data from structured interviews of six North Korean female migrant workers, and five NGO staffs in China in 2013 and their narratives were analyzed. North Korean female immigrant workers learn the function of advertisements and the significance of information, the value of labor and employment, and the significance of trust and credit for establishing social relationships with others through their experiences in China. These lessons help to improve their capacities in economic activities and to change personal perspectives of gender, the capitalistic society, South Korea, and the home country, North Korea. Also, these experiences influence change among the people and society within North Korea. Ultimately, this suggests ways to reduce the cultural gap between North and South Korea, and to achieve national unification in the future by the strategic acts of North Korean migrant workers who straddle both China and North Korea and lead dimensional change among the people and society within North Korea.

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I. Introduction

North Korea has faced extreme economic decline and acute famine since the 1990s, following the collapse of their East European socialist ally countries, and natural disasters. It eventually provoked the mass exodus of North Korean border crossers leaving for China to escape death from starvation. On the other hand, North Korea had officially allowed some citizens to visit China to see their relatives since the 1980s, but in 2009 North Korea refused all permission to visit China except for public affairs, because some of those who left with official permission did not return even after they were long overdue. Furthermore, the economic deterioration and subsequent collapse of social systems have been getting worse after the currency reform of 2009, and this led to widespread corruption. Finally, the State Security Agency of North Korea permitted North Koreans to visit China after paying 250 to 300 U.S. dollars.[1]

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The number of North Korean visitors to China began to increase rapidly from 2010. According to statistic data from the national tourism policy organization of China for 2011, a total of 152,300 North Koreans visited China. In terms of the purpose of their visit, 40% of them were for employment, 31% on business and the rest for sightseeing or visiting relatives, and so on. 34% of these visitors were from 45 to 64 years old and 30% between 25 to 44 years. Among them, the number of males was six times more than females.[2] Additionally, the number of North Korean visitors to China in 2012 reached 180,600, which shows a rapid increase of 20% compared with the number in 2011. 44% of these visited for employment and 31% for business, 2.5% for sightseeing and 0.1% for seeing relatives.[3] In the first half of 2014, the number of visitors decreased by 7% compared with the previous year .[4]

The influx of North Korean workers to China provides considerable advantages to both North Korea and China. It has become the primary means of earning foreign exchange from North Korea's point of view, and that of solving the shortage of labor due to the inflation in wages from China's point of view.[4] In particular, the shortage of skilled labor in Northeast China and then the official request of the Chinese government to North Korea have aggravated an even more rapid increase of North Korean immigrant workers in China.

This paper[1)] focuses on North Korean female migrant workers staying in China with official permission from North Korea. This research examines what experiences North Korean female workers have in China, and how these experiences dimensionally influence the individual, the North Korean people, and North Korea. It ultimately shed light on ways to reduce the cultural gap between North and South Korea and to achieve national unification in the future through the strategic acts of the North Korean migrant workers who straddle both China and North Korea, leading to dimensional changes among the people and society within North Korea.

II. Literature Review

Migrants are those who have left their home country, whether they did it on their own or something or someone made them do it. However, they continually

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endeavor to connect to their home country and have interaction with their families and friends, even though they may have already settled down and hadthe routine of their daily lives in the new and unfamiliar circumstances. Thus, these immigrants give and take diverse and dynamic influences through multiple linkages between the home and their host countries.[5]

Previous literature has focused on the characteristics of and the effects on female migrants.[6-10] These studies analyzed how female migrants suffer discrimination on account of power equations in social and cultural contexts from gender perspectives, and especially their limitations in getting jobs in the labor market. Huang[9] and Fan's[10] studies demonstrated the constraints in the occupational attainment of female migrants in China, who experience several changes on account of the transition of a market economy. Female migrants in China are in the low-paid, low-prestige and gender-segregated jobs such as care givers, babysitters, and cleaners, which do not need high educational qualifications. This reason can be traced to two social and institutional contexts entrenched in China; first is the patriarchal culture that considers women as inferior to and less educated than men, and the second is the household system (hukou), which records the place of birth, entitles people at hukou location to employment opportunities and welfare, and consequently hinders people from moving upward, considering the distinction between rural and urban job recruitment. Itfinally has created the segregation of rural and urban labor, insider and outsider and male and female. In this context, female migrant workers have been positioned at the marginalized areas in the labor market due to their rural identity, outsider status, and female sex. North Korean female migrant workers dealt with in this paper also can be understood in this social and cultural background in China. Kim[11] pointed out that "a number of Korean–Chinese women, have migrated either to cities in China or South Korea since the mid-1990s, which has produced rapid demand for women in marriage and care industries, and North Korean women are very much needed to fill in the positions left by migrating Korean–Chinese women."

In most previous studies, North Korean women in China have received limited attention only as the people crossing the border illegally due to starvation in North Korea. Then those lives have been analyzed only from the viewpoint of human rights issues based on their terrible and traumatic experiences in China, such as the threat of deportation and human trafficking.[12] However, it is necessary to consider the issue of the legality of North Korean border crossers and their lives in China, even though North Korean government limits the mobility of North Koreans. According to Kim's study[11], there are three ways to visit China legally. The first is by getting permits (pangmun jung in Korean) from the North Korean government to "visit China for up to 90 days to see relatives legally in China." Second is the visa from China that they apply for through the North Korean government, and the last is a travel pass (Tonghangjung in Korean) for residents of the borderland only, with which they can stay out of borderland for up to 90 days.

Importantly, Kim's study demonstrated that the issue of legality of North Korean border crossers can be blurred, considering that North Korean females in China can be understood not only as illegal North Korean defectors but also as border crossers, who hold a legal permission from the government in the beginning and then "extended their stays in China with the absence of legal status".[11] Also, she noted that North Korean female border crossers in China "gain agency rather than passively remaining in a subordinate gendered position"[11] through diverse experiences involving marriage, family, and migration in a gender perspective. According to Kim's point of view, this paper attempts to delineate North Korean female border crossers as the strategic agents who construct their lives actively by themselves, transcending the legality or illegality of their status.

The case of North Korean females in China can be different from other cases of trans-migrants, but as regards the changes in their behaviors and awareness, it has a pattern similar to those who have immigrated into a market economic society from a communist or socialist country.[13-16] In particular, according to Hatziprokopiou's study on the immigrants from Albania, one of the Russian satellite countries, Albanian immigrants watching TV in Italy had a yearning for other countries before their emigration.[17] Their economic activities in the job market have usually caused the changes in behavior and awareness among Albanian immigrants. This case is similar to that of the North Korean female workers in China delineated in this paper. They changed their behaviors and awareness through watching TV and involving themselves in economic activities in China. The mass media, in particular, can play a significant role in bringing about the changes among North Korean people as well as in North Korea.

To analyze the changes in North Korean female workers who had been familiar with a communist economic system and experienced a new market system in China, we can find other such cases in previous studies. First of all, we can pay attention to the transition of the East German people after unification. East German people living in West Germany after unification felt betrayed by East Germany, one of the Soviet satellite countries in the past. Also, they felt disappointed and had doubts about the political ideology that they had believed in for such a long time.[18] On the contrary, they began to have a strong desire for social and economic success, anticipating a future full of hope and diversity, and experiencing the freedom of

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religion. Their sense of community was reduced, but that of individualism developed.[19]

Secondly, we need to understand the lives of North Korean immigrants living in South Korea. Thanks to the powerful anti-capitalism indoctrination prevalent in North Korea, North Korean immigrants had considered South Korea as a colony of U.S. imperialism, one of the countries where the brutal capitalists exploited poor workers and made their personal lives miserable. However, their awareness has been changed after settling down in South Korea for over three years since they immigrated into South Korea.[20] After settling down in South Korea, female immigrants became the influential agents in the family and society to express their opinion actively through their economic activities and the influences of South Korean culture.[21]As they began to harbor dreams of enjoying the freedom to make their lives successful, their negative view of the capitalist society in South Korea changed to a positive one.[22] According to Cho Jeong-ah's study[23], adapting into South Korea, they realized that South Korea is a country where workers can receive income depending on individual abilities and skill, the amount of labor and the principle of competition, rather than a place where capitalists exploit workers.

Most previous researchers above have focused on only North Korean border crossers considered as defectors and asylum seekers. These previous studies, therefore, had several limitations. These include the limitations in analyzing the current lives of people and current changes happening in North Korea. It has brought about lots of change in North Korea internally, following the emergence and development of North Korea's black markets after the death of Kim Il-sung in 1995 and the succession to power of Kim Jong-il and Kim Jong-un. Externally, the influx of materials, capitals, and information from China or the rest of the world also caused changes among the North Korean people and North Korea. These current changes happening in North Korea can be analyzed easily through people living within North Korea or those who are legally traveling back and forth between North Korea and China, rather than the illegal North Korean border crossers who stay in China or other countries for a long time and cannot go back home.

The other limitation is of analyzing North Korean female migrant workers in China, who have reconstructed their lives by themselves as active agents. Most of the previous researches focusing on North Korean female border-crossers in China have described only their miserable life, such as sexual abuse or trafficking and human rights, which cause psychological disorders. It is rare to see them delineated as subjective agents who construct their own lives actively as North Korean female workers, who are visiting China for earning money with official permission. This study attempts to fill these gaps in North Korean migration studies in the academic field.

Therefore, this study has several points of difference with the previous studies. First of all, the research objects are North Koreans who have not abandoned their citizenship and are living legally in China as workers with economic activities. Secondly, as migrant workers in China, they can influence the personal lives of North Koreans as well as North Korean society as a result of their ability to cross the border between North Korea and China freely. Ultimately, we examine how the economic activities of North Korean female workers in China can bring about change in personal views, awareness, and lives in North Korean society.

III. Research Method

This research analyzes data of North Korean female migrant workers in China through structured and semi-structured interviews in qualitative methods. Narrative analysis is an effective way to understand how an individual interprets his/her experiences and lives. Narrative analysis must consider not only what the narrator says, but also in what context, to whom and with what gestures, and the attitudes they represent, to interpret their experiences and lives. [24-25] This research can understand the viewpoints, the way of thinking and interpretation of North Korean female migrant workers through the analysis of narrative data.

To collect interview data, the researchers visited the border area of North Korea in China twice, from February 27 to March 2 and from July 3 to July 18 in 2013. Especially during the first visit implemented as the pilot study, the researchers could find means of contacting the interviewees, North Korean female migrant workers, through the assistance of international NGOs' staffs, who as overseas Koreans have played a role in educating the migrants about the market economy system of China.

Six female North Korean migrant workers in China and five NGO staffs participated in structured or semi-structured interviews from three to five times per person, with permission to make voice recordings. The length of structured interviews was from one to one and a half hours and implemented at a comfortable and quiet place. The contents of the questionnaire for the interviews were as follows, table 1.

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Table 1: The interview contents

Interviewees	Contents
Female North Korean migrant workers	1. Experience of Market economy in North Korea 2. The reason and process of the visit to China 3. Individual life and experience in China 4. Experience of Market economy in China 5. Personal Change before and after the experience of the market economy and education on the market economy in China 6. Change of perception on North Korea, South Korea and overseas after staying in China
NGO staffs	1. Activities for female North Korean migrant workers 2. The reasons for female North Korean migrant workers' visits to China 3. The process of female North Korean migrant workers' visits to China 4. The life and economic activities of female North Korean migrant workers 5. The experiences and changes in female North Korean migrant workers in China 6. The life of female North Korean migrant workers after going back to North Korea

All interviewees understood the purpose and contents of the research and permitted voice recording under a confidentiality agreement executed before participating in this research. Not only interview data, I analyzed the notes on the process of education, discussions, and meetings, and the journals for research data.

I divided interviewees into two groups; one is North Korean female migrant workers and the other NGO staffs. North Korean female migrant workers live in China with a visa issued for the purpose of working or visiting relatives. They all were staying in China for over six months and currently plan to go back to North Korea. Five of them, in particular, have taken education on the market economy and small businesses from overseas Koreans living in North-East China. Overseas Koreans living in North-East China have continually maintained a relationship with North Koreans including their relatives or friends for a long time, and almost ten years ago under the aegis of an international NGO, they voluntarily began to instruct North Korean immigrant workers about engaging with the market economic system in China.[2)] This NGO's education effort has been maintained with the acknowledgment of both China and North Korea currently, and this NGO has recruited the research objects.

All interviewees want to work on small business in North Korea in the future. As regards their age, one of them is in the thirties, two each are in the forties and fifties, and one is in the sixties. Four are from North Hamgyeong Province, and the rest are from Pyongyang and Yanggang-do in North Korea. In terms of the previous job in North Korea, four have been sellers, and one a doctor and the other a researcher. The average length of stay in China is 3.83 years, and long term stayers are extending their visas once a year. Two of them are staying with expired visas. Three of them are caregivers, and the rest are babysitters. Their average income is 2,333 yuan (about 410,000 KRW). I show below the information of the interviewees as follows table 2.

Table 2: Social background of female North Korean migrant interviewees

Case	Age	North Korea			China				
		Area	Edu-Cation	Job	Date of Immigration	Length of Stay	Issue Date of Visa	Job	Income (Yuan)
F1	50s	Hamgyeo-ngbuk-do	Univ.	researcher	2011.9	3 years	2012.8	babysitter	2,000
F2	40s	Pyongyang	Univ.	doctor	2012.11	1 year	2015.4.	caregiver	3,000
F3	60s	Hamgyeo-ngbuk-do	Univ.	business	2006.6	7 years	expired	caregiver	2,000
F4	50s	Yanggang-do	Univ.	business	2013.6	6 months	2014.1.	caregiver	2,000

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F5	30s	Hamgyeo-ngbuk-do	Univ.	business	2012.4	1 year	2013.4.	babysitter	2,000
F6	40s	Hamgyeo-ngbuk-do	High school	business	2008.10	5 years	expired	babysitter/ cleaner	3,000

Table 3: Social background of NGO staffs or volunteer interviewees

Care	Gender	Age	Nationality	Religion	Length of Activities	Length of Stay
V1	M	50s	overseas Korean	Christian	2 years	4 months
V2	F	50s	Chinese	none	3 years	living in China
V3	M	60s	Chinese	none	3 years	living in China
V4	F	50s	overseas Korean	Christian	2 years	4 months
V5	F	40s	overseas Korean	Christian	2 years	4 months

Three of the NGO staffs or volunteers participating in this research are overseas Koreans, and two are Korean Chinese. Two of them are males, and the rest are females. In terms of age, one is in the forties; three are in their fifties and one in the sixties. Three of them are Christians, and the rest do not have any religion. They visited the border area between China and North Korea and educated female North Korean migrant workers about the market economy system of China. Their average tenure in these activities is two and a half years.

IV. Results

a) Economic activities and lives of North Korean female migrant workers

The North Korean female migrant workers stay in North-East China, the area along the border between China and North Korea. They are actively involved in economic activities. They immigrated into China officially with a visiting visa from their home country, North Korea, and their purpose of immigration is only to earn money. Most of them work as babysitters, cleaners, caregivers, and waitresses in restaurants and so on. They remit most of their income to their families living in their homes in North Korea.

> You can find the job such as a babysitter if you go and ask the jobs in an employment agency. These days Korean Chinese no longer work these kinds of jobs. In the past, North Koreans could not get these kinds of jobs legally. But now, it is ok. (V3)

As mentioned in Kim's study[11], the positions vacated by Korean-Chinese women, who left for South Korea or other countries importing cheap labor, have been filled by North Korean women. Most of them have experience of visiting China several times. During the first visit, they received help from their Korean-Chinese relatives for getting a job, but from the second visit onwards they began to find employment by themselves and had independent economic activities.

> Before, I did not think about working even though I came here with a visa. I thought about getting help from my relatives, Korean-Chinese. But I work now and make money with visa by myself without getting the help from them.(V2)

The longer their economic activities can be continued, the more their stay becomes illegal. There are several reasons for their stay becoming longer, even though the permitted length of stays has expired. The first reason is that their families in North Korea still expect money and materials and they continue to have the responsibility of supporting their families financially.

> My mother was sick. I have to send many pills and medicines. I have to buy watches for my brother and sister - also …shoes for my brother. I have to take care of my mother in law…I do not have money for me because I have to take care of my families (F6).

The second reason is that they foresee that the economic situation of North Korea is no longer improving. They know that it would be difficult for them to get jobs in North Korea or to have any guarantee that their economic situation in North Korea would ever get better.

> I came here before currency reform. I do not know what situation in North Korea is after currency reform now. I heard that it is not getting better. I think I have to go back to North Korea after making lots of money. But…leaving here is like leaving behind gold. (F6)

The interviewee, F6 expressed that returning to North Korea is like leaving behind gold. That means China is considered a place in which capital and

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materials exist in plenty, and where they can acquire as much of these as they can. Thus, they do not want to go back home, leaving behind this material richness.

Lastly, the life experiences obtained from their long stay makes it impossible for them to return to North Korea. As the tenure of their stay gets longer, they become illegal immigrants. Then they begin to get psychological stress. They live in China with the feeling of anxiety and fear of the penalties they might get in North Korea. Finally, according to interviewees, some of them have physical health problems, and this leads to limitations in accumulating money. Others experience the risk of family dissolution. The husband in North Korea has other women and is finally separated or divorced. This family dissolution renders it no longer necessary for them to go back to North Korea.

b) Learning from economic activities and education in China

Most North Korean female migrant workers, except F6, have participated in an education program at an NGO, organized by the group of overseas Koreans in China. This program was implemented as a means of self-learning to help them understand the market economic system, through which they shared, discussed and reflected on their own experiences of economic activities in China. In this process, they began to learn something new about the market system and this learning gave new impetus to personal change as well as social change in North Korea.

i. *From political slogans to diverse advertisements*

First of all, North Korean female migrant workers face commodity advertising slogans and learn their significance in the market economic system of China. North Koreans are unfamiliar with many kinds of commodity advertisements. The only slogans that they have seen in North Korea were about political propaganda. They began to learn how to read diverse advertisements on commodities or employment and to utilize that information for their survival in China. They realized that they could be independent agents in choosing from among the information, considering its usefulness and advantages for their lives.

> Wherever you go, you can see political slogans in North Korea. (Slogans are on) the worship of the leader and the North's 'military first' policy (*Sŏn'gun*) and (There are) So many political slogans in North Korea. Here (China) are also lots of slogans. But those are different from what I have seen (in North Korea). Those are commodity advertisements. Anywhere …here you can see lots of commodity advertisements. Some of them are about boasting company or employment because here is the market economy system (V2)
>
> As soon as I settled down again, I turned on the radio or TV and heard advertisements because I already knew that China's economy was developed by advertisements. I already knew the Chinese language and advertisements. (F1)
>
> I noticed the advertisements in Arirang broadcasting. …Many North Korean people who planned to visit and stay at China with visa, had come to me and asked how to get a job and make money in China because I already had had the experience of staying in China. Then I said, "Listen to the radio and get advertisements. You can get the information on what you want to do." I said, "Do you have a small radio? Don't worry. Turn on the radio, and you can listen to the advertisement." I instructed them (F1).

Job advertisements are the most preferred and helpful among them for getting jobs in China. At the time of their first visit to China, they needed to obtain assistance from their Korean Chinese relatives for getting a job, but from the second visit, they no longer needed any help because they knew how to get jobs through the advertisements.

Interestingly, the way of utilizing job advertisements and the significance of information was delivered and instructed to North Koreans, who have plans of leaving for China without any experience of living there. This instruction could be powerful and effective in changing the awareness of North Koreans and North Korean society. I will explain later how their learning from China can influence change among North Korean people and North Korea.

ii. *Value of labor and employment: wage negotiation*

Staying in China, they have learned the fact that their labor in itself can be an important means of obtaining and maximizing wealth in the employment system. Before staying in China, they sold their goods in the black market, and they thought that they could transform only goods into money, as in North Korea. However, in China, they encountered the employment system and realized that they could make money through their labor, not only by disposing of goods.

> I made money by selling something goods in the black market in North Korea. There is no employment in North Korea. I had no idea about 'employment.' There is no place to sell my labor in North Korea. It is the difference between China and North Korea. Here (China) is I can make money if I have the energy and power to work. But I can't …in North Korea. I learn this is one of the characters of the market economy system. (F1)
>
> I can have income as much as I work here (China). If I am diligent and work hard, I can make more money with my labor (in China). Of course, there is the wage in North Korea as well. But the income was worth little. It is hard to live with this income. But

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here, the value of income and wage is reasonable to live my own life. (V3)

They began to develop a relationship with their employers in China and to sell their labor actively. In the end, they attempted wage negotiation with employers, and it was the first trial that they had never experienced at all after their past in North Korea.

I crossed the border in 2008, and I requested 1,000 or 1,200 won (Chinese) for the wage per month. I confidently asked for a raise because I noticed that Chinese workers received 1,200 won for income. I have an official visa and passport. I am a North Korean immigrant worker, not a North Korean illegal defector. So I said, "Why do you discriminate me against Chinese workers? Please increase wages. If not, I will quit". Then the employer increased wages. So I received 1,200 won two months later since I had said. It is the kind of struggle. (F5)

F5 attempted to make a complaint about the lower wages she was receiving compared to the Chinese coworkers and to negotiate the wages with her employer. As for them, they can negotiate confidently for wages because their status is legal as economic immigrant workers with an official visa, unlike North Korean defectors. Through these experiences, they became familiar with the value of labor and the employment system.

iii. *Credit, trust, and contract: making the horizontal relationship in the society*

North Korean female immigrant workers experienced 'contract,' the legal agreement between employer and employee involving the common issues of work. The act of contracting can be called as a social, official and maybe ritual of making a relationship with others in an equal position. From this experience, they learned to arrive at agreements based on personal engagement, duty and right in the process of compromising and negotiating with others. Also, they realized that any personal commitment in the contract should be honored. This act of making horizontal relationships was one of the unfamiliar experiences for them.

They (North Koreans) can make the relationship with friends or neighbors, but they do not know how to make a social and official relationship with others. That means they are not good for unity. They do not know. Why? Without law or social rule, the act of contract is impossible. North Korea,this society has no law or social rule for the contract. There is only law for making the hierarchical relationship with the great leaders, Kim Il-sung, Kim Jong-il, and Kim Jong-un. There is only the law in this vertical relationship. Even personal relationship is also made by the great leaders. They swear by great leader that they will keep the promise or implement this commitment even though it is constructed between two individuals. (V1)

According to the script above, in North Korean society there is hardly place for acts evidencing the agreements of duty and commitment among people in horizontal relations. The rule, norm, and discipline exists and is preserved only for the legitimization and maintenance of the political ideology, the leader's power and the hierarchical relation between the great leader and the people. Thus, for them, this act of contract between an employer and themselves becomes a very unfamiliar experience. Then they learn the significance of 'trust' and 'credit' as the elements for making relations with others by undergoing trial and error in China.

Before staying in China, I thought that the capitalistic market did work with only money. But I realized that I was wrong. Trust and credit is important, I realized. I had made the phone call to an employer and had an appointment with him for a meeting. But I could not make it (because of the urgent). I could not keep this engagement. Then I was fired. I do not forget this experience. It was a good lesson for me. In the market economic system, no one gives me the money for free. Something operated by a firm principle and orders that were stronger than that of North Korea that seems to be a capitalistic market system.(F3)

F3 failed to get a job because she broke the engagement. She got the lesson that keeping a promise is very significant for receiving trust from others and for getting a job in relation to another, an employer in China. She learned that the rigid principles and order based on trust and credit among people maintained the flow of money in the market economic system. This trust and credit were different from those formed in the endless respect and worship toward the three Kim leaders.

c) *Consequences and influences of their economic activities*

The economic experiences of North Korean female immigrants in China influence change among persons and society, North Korea. In particular, personal changes show the differences between the learners and non-learners of education on the economic system from the NGOs' staffin six interviewees. Let me explain what influences they have on persons and society, North Korea.

i. *The development of personal competence and the change of perspective*

North Korean female immigrant workers acquired professional skills and built human relation networks in the fields of work inChina. Through these experiences, first of all, their knowledge and competence have improved gradually. They began to

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make plans for a better life in the future by utilizing their knowledge and competence after returning to North Korea. Interestingly, the learners of education on market economic system in China among the six interviewees began to think of how they could transform the technology and skills they acquired in China into capital and wealth in North Korea, whereas the non-learners thought only of how they would sell the materials gotten in China. The learners of education on market economic system among North Korean female immigrant workers began to think about how their experiences in China could be applied and utilized in the context of North Korea for obtaining and maximizing the capital and assets.

> I learned a professional skill. Here (in China) I realized those who have professional skill could earn money surely. I am surely convinced that I can earn money with the skill. (F2)

> What should I do? How should I solve several financial problems? These questions are what I am concerned with, not just earning lots of money here in China. How should I live well? If I go back to North Korea, what should I do and how should I apply my knowledge and skill that I have learned in China? (These were what I thought.) (V4)

> I realized that my competences became improved. For example, when I worked at a small restaurant, I observed how owner has run this restaurant. I saw how to get food sources, how to set up the prices of foods and provide salaries to employees and so on. Then I imagine if I were an owner of this restaurant. Now I think about what I can do it as an owner. (F6)

Their lives in China provided them with the opportunities of free-will and choice, the desire for learning, the ability to search for alternative solutions to financial problems and the achievement of an independent life and so on. Applying these experiences in China, they dream of the better life that they can have after returning to North Korea, not only earning money.

Secondly, they changed the perspective of gender through their lives in China. In North Korea, the women had been often treated contemptuously like possessions of men, but it had been taken for granted among North Korean people. It was not until their stay in China that they realized that the discrimination and disregard received from their husbands or other men were unreasonable. North Korean female migrant workers were surprised to see other women in China who have received fair treatment from men. They began to insist on the improvement of women's social status after returning to North Korea.

> For example, when I waited for a taxi, I saw a man said "Ladies first" and then a woman got on the taxi first. When I had a meal and drank with my relatives (Korean Chinese). (I saw that) Here (China) a husband did call his wife *'Dongmu'(a name meaning a companion)* respectfully. In North Korea, the husband calls his wife just '*Ya*!(Hey!)' (*an echoic word to use when somebody calls other disrespectfully and rudely*). I thought 'Wow that couples are so weird.' We (North Koreans) look down on women. Wife is treated as one of the possessions of husband in North Korea. But here (China) women are treated fairly with men. That gives birth to a serious conflict with my husband after returning to North Korea. I changed my perspective on women. My attitudes were also changed. I requested that men and women are equal and my husband disliked my thought and this request. He scored, "You are influenced by capitalism in China!" So I argued with my husband. (F6)

The change in their perception of the gender problem in China caused conflict among their family members after their return home. Husband or the rest family members disparaged the perspective on the value of improving the status of women, saying "You have become too much of a capitalist" and finally they have separated or divorced.

Finally, they also changed the perception of the capitalistic society, South Korea, and communist North Korea. North Koreans consider China a capitalistic society and express the feeling that capitalistic societies such as China and South Korea might be the places where 'money falls from the sky.'

> My thought at the second visit was very different from that at first visit. When I visited China first, I thought that money was just on the street in a capitalistic society. But as earning money with working hard, I realized that people could obtain capitals with their efforts. Without personal efforts, we cannot get the capitals, money. I learned the fact that capitalistic society in itself never gives me money. (F6)

Their perception of South Korea as one of the hostile countries began to change gradually, living in China. Under the government-controlled education and mass media constructed powerful propaganda and strict censorship imposed by political ideology, they entertained fears of the capitalistic nation, South Korea and South Koreans. However, as their stay in China went by, this fear gradually began to disappear, and they became concerned with South Korea. They enjoyed the South Korean culture and were addicted to Korean broadcast programs such as Korean Drama. Also, they acquired lots of information on the lives of South Koreans from Korean-Chinese who had immigrated into South Korea for making money.

The positive change of their perception of South Korea also led them to reflect on their home country, North Korea. Comparing the good quality products from

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diverse countries including South Korea and having come into contact directly or indirectly with South Korean cultures, they finally began to feel skeptical about the North Korean social and economic system and sensed the superiority of the capitalistic market system.

ii. *The changes in the black market in North Korea*

Human beings continually connect with their home even if they have left for a new place. Thus, the transnational migration can change the people and cultures of the home country as well, not only those of the new country where the migrants settle.[26] Their lives constructed after returning to North Korea are quite different from those before their stay in China. These returnees became significant agents, who could change North Korean people and North Korean society with their new knowledge and perceptions gained in China.

> I influenced a lot. First, I used the advertisement (in North Korea). I made the advertisement when I sell the bread. I wrote the price of bread and "wholesale" on the paper and posted it. There had been no marker in North Korea before. I brought sets of markers from China. (After that, other merchants began to give the advertisements like me) … Because of me, the black market was changed. When I went to the black market for selling goods, I took the markers and papers. I wrote the price in the morning, and at the close of the market, I wrote the price again in the paper and posted it. The price was changed frequently. Then other people (North Koreans) saw my deed and asked me to borrow a marker. They wanted to buy this marker from me. So I began to sell it. Also, there were gloves that I used when I cooked or touched something edible in China. There had been no theses in North Korea at all. I also brought these gloves from China. I also used these gloves in the black market in North Korea. North Koreans were very curious. They came to me to see these gloves and asked to give these. *Haha*. They (North Koreans) followed what I did in the black market and what I learned from China. Before that, they touched foods to sell without gloves. Because of me, the black market was changed. (F6)

Those changes in the black market appeared obviously and visibly. They traded on the new products brought from China in the black market in North Korea, and also formed the new service sector as well.

> I was supposed to buy the rice, but it is too heavy to carry this to my home. I could not say "please move this rice to my home." … But one of seller said, "I will take this rice to your home." Then, I was surprised. It was a delivery service. From this event, all merchants began to have a delivery service to take the rice to the buyer's home if he/she would buy over 10kg rice. The delivery service was the one formed newly in the black market. (F3)
>
> The merchants are selling peaches in the black market. But in North Korea, there is no way to dish up. No plastic bag. If you want to buy, you have to bring your bowl. But at some point, many merchants began to dish peaches up to the buyers. From that time, some merchants who sell the plastic bag began toemerge. Seepackaging service was formed and developed in the black market in North Korea. (F3)

These people who had experience of living in China have led the emergence of new commodities and a service sector. Thus, North Korean people gradually began to have a strong desire to leave for China, seeing that these North Korean returnees from China had become wealthy. Some North Korean returnees began to find irrationalism in North Korean society and criticize it. During the first visit to China, they still showed the attitude of worshipping the Great leader, Kim Jong-Un, but since the second visit to China, they have criticized North Korea in a roundabout way without displaying emotion, like, "A big fish in a small pond." They advised the children, like saying "Go out of North Korea and see the world if possible" and sometimes criticized indirectly that "the dictatorship of Kim Jong-Un is like the unseen blade of the knife." They possess a strong desire for reform of the North Korean economic system to better the lives of their children.

v. Conclusion

This study examines what experiences North Korean female migrant workers have in China and how these experiences have influenced the persons as well as their home, North Korean society. Through their economic activities in China, they learned actively the function and effect of information obtained from advertisements on commodities. They also learned the fact that their labors could become the means of earning money, and that credit and trust could be very significant to forge personal relationships of employers and employees, and others. These experiences brought changes in the awareness on the capitalist society, gender issues and about North Korean society.

This paper has the limitation that it generalizes the lives of six North Korean migrant workers staying in China. Nonetheless, this is a case study to show how the economic experience and education of North Korean migrant workers in China can create a synergy effect. It will become the ignition point to bring about eventual national unification of North and South Korea based on mutual understanding.

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Endnotes

1. This paper is the translated version of the manuscript that has already been published in Korean [27].
2. This paper does not reveal the name of this NGO following the request of those who have been involved at this institution.

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Economic Transition in Algeria: A Review

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Abstract- The issue of economic transition in Algeria was reviewed in this paper. The actions taken by the government to speed up the transition process were examined in light of whether the State was able to move away from protecting old premises of the 'rentier state' and establish a free and productive economic system. The review revealed the contradictions that the planning system of the 1970s had produced and how they eventually led to a transitional crisis. The other finding was that the effectiveness of the transitional institutions, laws, mechanisms, and the dynamism of country's external trade sector were undermined by the inconsistencies of contradictory and often overlapping privatization schemes, the predatory nature of the existing private sector, and the country's imbalanced external trade and finance. The third finding was that the 'national natural resources doctrine' sustained the mechanisms of the 'rentier state' and became a major obstacle to easing up the economic transitional process.

Keywords: *algeria, economic reforms, economic transition, market socialism, market economy.*

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I. Introduction

Economic transition remains an important issue in debated on how to manage the economy in Algeria. The dominance of the oil sector is considered by many to be the mother of all ills and its state of affairs is often blamed for slowing the transition to a market economy. The aim of this paper is examines the actions taken by the government to speed up the transition process in wake of decreasing oil prices in summer 2014. Specifically, it sheds light on whether the government was able to move away from protecting old premises of the 'rentier state' and establish a free and productive system. Under the 'rentier state' regime, the government of Algeria neglected the restructuring of the national economy in favor of new petrochemical projects to finance ongoing budget deficits. Also under this regime, the effectiveness of the transitional institutions, laws, mechanisms, and the dynamism of country's external trade sector were undermined by the inconsistencies of contradictory and overlapping privatization schemes, the predatory nature of the existing private sector, and the country's imbalanced external trade and finance. To address these issues, the paper will be divided into three sections: in the first one, "Algeria's golden age of the 1970s is reviewed in order to reveal the contradictions it had produced. These contradictions are considered by many analysts to have led to the current transitional crisis; in the second section, analyses are advanced on how the 'national natural resources doctrine' had sustained the mechanisms of the 'rentier state', which is largely believed to be a major obstacle to the establishment of a market economy ; and in the third section the transition process, taking place in the midst of an economic slowdown is analyzed through : (a) the cost of privatization; (b) the ills of the private sector; and (c) the absence of a coherent trade and foreign investment policy and the consequences of that on the transition process.

II. Algeria's 'Golden Age' of the 1970's

Algeria gained independence in1962 with an economy lacking both a viable industrial base and a dynamic private sector. The socialistic approach to development gave the government ample powers to plan and execute its ambitious economic and social developmental programs through the pre-plan (1967-1969), the first four year plan (1970-73), and the second four year plan (1974-77). However, "the dominance of industry in Algeria's overall development planning reflects the government's pursued doctrine of putting the industry in the center of all socio-economic activities" (Bouyacoub 2001, p.2). To this purpose, it allocated half of total public investments to the industrial sector, as shown in table 1.

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Table 1: Planned Public Investment: 1969-1977 (millions of DZD*)

Sector	1967-69	%	1970-73	%	1974-77	%
Industry	5,460	50	12,400	45	40,000	42
Agriculture	1,869	17	4,140	15	16,600	15
Infrastructure	1,074	10	2,307	8	15,521	14
Education	0	0	0	0	0	0
Training	1,039	10	3,307	12	9,947	9
Transportation	0	0	800	3	6,490	6
Social services	708	7	3,216	12	14,680	13
Tourism	285	3	700	3	1,500	2
Administrative	0	0	0	0	0	0
Equipment	441	4	870	3	1,399	2
Other	251	2	0	0	2,520	3
Total	11,081	100	27,740	100	116,667	100

Source: Ministry of Planning, 1967, Algiers.
*DZD: Algerian dinar

Plans were implemented according to the following criteria:

- An initial industrialization phase would supply the economy with the necessary basic products, such as hydrocarbons, steel, electrical energy, fertilizers, and cement. This phase of heavy industrialization would not create jobs but create capital for the next phase.
- The second phase would lead to creating mechanical, electrical, and petrochemical industries. Built around the basic industries, these industries would be lighter and would absorb unemployed manpower.
- The third phase would involve creating industries for consumption goods and would use more manpower and the outputs of local industries.
- The first phase of development planning led to substantial growth of employment in the country's industrial and construction sectors as table 2 indicates.

Table 2: Growth of Employment in the Industrial and Construction Sectors- Newly Created jobs in 000's (1966-1981)

Year	Industry	Construction
1966	164	73
1977	411	356
1981	439	502

Source: Ministry of Planning and Territorial Management 1979, Algiers; Annuaire des Statistiques de l'Algerie 1983, Algiers.

The growth of employment in the industrial sector did not necessarily mean high productivity, however. According to Simmon P. Thiery (1980), industrial value added by employees declined from 36,800 million DZD in 1967 to 31,000 million DZD in 1978, excluding the oil sector. Thiery attributed this decline in productivity to the socialistic management of enterprises. The effects of planned investments on the sectoral growth of the Algerian economy, for the same period, are shown in table 3. The data in the table reveal that industry contributed an increase of 15.3 % in GDP in 1984 compared to 12 % in 1979. Also, according the report of the 1980-84 plan, this was due not only to the annual growth of the industrial sector, which grew by 9.5 percent, but also to the better use of existing industrial production units.

Table 3: Sectorial Growth of GDP: 1979-1984 (Millions of DZD; Current Prices)

Sector	Value 1979	%	Value 1984	%	Change in Value 1979-1984
Agriculture	10,776	9.5	12,101	8.6	5.0
Industry	13,570	12.0	21,400	15.3	29.4
Hydrocarbons	33,535	39.6	33,070	23.7	-1.7
Housing & public works	18,535	16.0	23,376	16.7	19.8
Transport and	6,726	6.0	8,758	6.3	7.6
communication	16,790	14.8	20,744	14.8	14.9
Trade	5,105	4.5	6,395	4.6	4.8
Services	104,621	92.4	125,848	90.0	79.8
Total value added	6,072	5.4	9,544	6.8	13.0
Taxes Customs/duties	2,514	2.2	4,411	3.2	7.2
GDP	113,207	100	139,806	100.0	100.0

Source: Ministry of Planning and Territorial Management 1985, Rapport de Plan 1980-1984, Algiers.

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If the share of the industrial sector in GDP has increased by 30 percent in terms of value added by the end of 1984, the share of the agriculture sector increased by only 5 percent during the same period. The reason behind this small growth of the latter sector was the drought that swept the country during early 1980s. The other sectors show generally a stable-to-moderate growth. Also the goal of the first five year plan (1980-84), the creation of more jobs in the agricultural sector, was not attained according to the same report. As the data in table 4 show, the proportion of the labor force employed in the agrarian domain fell from 32 percent in 1979 to 26 percent in 1984. Meanwhile, the nonagricultural sector, excluding administration, employed 48 percent of all workers in 1979 and 51 percent in 1984.

Table 4: Employment Structure: 1979-1984

Sector	1979	1984
Agriculture	969,172	960,000
Industry	401,428	503,684
Construction	437,009	652,526
Transport	128,892	165,885
Trade and Services	469,750	603,509
Administrative	615,000	845,000

Source: Ministry of Planning and Territorial Management 1985, Rapport de Plan 1980-1984, Algiers.

Bennoune (1988) explained the government's failure to modernize the agricultural sector during the 1980s .The shifting bureaucratic interventionism of the Ministry of Agriculture, the National Bank of Algeria, and the existing of innumerable national boards created more obstacles to farmers instead of providing them with indispensable services.

The disappointing results of the first five year plan (1980-84), in regard to the still-problematic agricultural sector, led the Algerian government to assign realistic objectives to a second five year plan. At the end of the 1984, the planning authorities decided to enhance agricultural and social services sectors, yet maintain industry as a priority. Table 5 summarizes the investment allocations of the new plan. Although the higher share of industrial investment created more jobs, the sharp decrease in oil revenues in the mid-1980s led the government to cut both imports and spending, which itself led to a decrease in the total value of exports by 41 % from 69.2 DZD billions to 41 billion (MPAT 1988, p. 292). the reduction of imports, however, affected mainly capital goods and semi-finished products. The first was cut by 29 percent in 1986, the second by 31 percent in 1987. These categories of imports were essential for enhancing productive activities. The import of foods tuffs was reduced by 12.6 percent and 11.8 percent during 1986 and 1987, respectively. Despite these cuts, the balance of payments deficit amounted to six DZD billion, that is 5.5 % of GDP in 1986 alone (MPAT 1988, p. 293).

Table 5: Second Five Year Plan Investment Structure: 1984-1989 (Billions of DZD)

Sector	Billions of DZD	%
Agriculture	79.00	9.6
Water resources	30.00	3.6
Fishing	41.00	5.0
Forests	1.00	0.1
Industry	174.20	21.28
Hydrocarbons	39.80	4.8
Means of	19.00	2.3
Implementation	15.00	1.8
Transport	15.85	1.9
Storage and distribution	8.00	0.9
Telecommunications	45.50	5.5
Economic infrastructure	149.45	17.7
Social Infrastructure	86.45	10.5
Housing	45.00	5.4
Education & training	10.00	1.2
Public health	8.00	0.9
Social services	44.00	5.3
Total	818.25	100.00

Source: Ministry of Planning and Territorial Management 1984, Plan Quinquenal: 1985-1989, Algiers.

The reduction of capital goods importation had clear effect on the country's economy. The growth of GDP in current prices declined from an annual average rate of 15 % during 1979-1984 to 5.2 % during 1985-1989, and to 2.9 % in 1989, against an annual average rate of 5.8 during the first five year plan (1980-1984). The gross fixed capital formation fell for the first time since independence by 3.4 percent in 1986 and 6 percent in 1987 (MPAT 1988, p. 299). Having said that, it's worth noting that over the period 1968-1980, the rate of gross capital formation in Algeria was over 40 percent, that is more than twice the rate of the industrialized countries (Kichou 2011, p.109). Public investment of the previous two decades has certainly created a new industrial configuration. As of 1991, the 372 existing public enterprises created 404 181 jobs and 151 billion dinars of profits, whereas the 22 382 private enterprises created 99 161 jobs and 28 billion dinars of profits (Bouyacoub, 2001, 2). However, the shifting priorities in public investments of the two five year plans in the 1980s accelerated the rates of unemployment and underemployment, which were immensely reduced in the 1960s as revealed by Brahimi (1990) and shown in table 6 below. Also, the DZD160 billion invested in industry, outside hydrocarbons, between 1967 and 1991 generated a total of assets that were worth DZD162.5 billion, which shows that these enterprises incurred, in general, a huge debts and had experienced an a mountable devaluations of their assets. Moreover, most of the private sector enterprises were small and very small of which only 3.6% employed more than twenty employees (Bouyacoub, 2001, 2).

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Table 6: Job Creation Outside the Youth Employment Program1980-1990

Branch of Industry	1980-85	1986-90
Industry	107 700	28 000
Public Works	221 000	41000
Services	183 000	89 000
Administration	285 000	173 000
Agriculture	30 000	20 000
Total	824 000	310 000

Source: Brahimi (1990), p. 332

Lahouari Addi, summed up the results of Algeria's industrialization strategy in the 1970s and the 1980s as follows (Addi 1995, p.3):

- Though investments were large, results were modest- beyond all expectations. Between 1967 and 1978, the GNP grew from 40 billion to 86.8 billion dinars, which was very little given the amount of investments.
- One of the noticeable traits of the Algerian industry was its feeble return on investment. Industry did not replace hydrocarbons as a major source of revenue, as government planners had wished.
- Newly created enterprises, unable to recoup their original investments or cover their current expenses, generated larger and larger debt. The total deficit of state-owned businesses grew from DZD 408 million in 1973 to 1DZD 1.88 billion DZD in 1978 and reached DZD 110 billion in 1987.
- The massif deficit of the newly created public enterprises generated inflation and tended both to reduce the purchasing power of people living on fixed income and to encourage speculation.
- Imports of foodstuffs made up 17% of total imports between 1967 and 1978, and 19% between 1979 and 1982. Only a huge petroleum income could permit constantly growing food imports- growing from DZD 731 million in 1967-69 to a close to 9 billion in 1980-84. This reflected what many observers were saying: Algeria was literally eating up its petroleum resources.
- Furthermore, Addi described how the authorities ignored essential technical, material, and managerial issues in investing income from oil exports to create an industrial base (Addi 1995, p. 4):
- Several industries wer e established in the absence of necessary infrastructure such as water, communication and transportation systems, and skilled labor in the 1960s and 1970s.
- Market equilibrium was not respected as industrialization was realized. Planners, thinking only in technical terms, ignored the equilibrium of the market between production and consumption. As they allocated high salaries they fueled inflation which itself reduced the value of workers' salaries but supported the accumulation of large fortunes for businesses.
- The government, for political reasons, refused to face up to fiscal limitations; it failed to pressure workers to increase production; and it failed to pressure management to expand markets and improve product quality for fear that such confrontational actions might lead, at least temporarily, to the shutting down of state enterprises. By sidestepping these difficulties, the government opted for financing the deficit and importing consumer goods, thus wasting oil wealth and provoking disequilibrium on the macroeconomic level.

The above economic constraints created a macroeconomic disequilibrium of the Algerian economy which was perpetuated by means of deficit spending. A deficit that was acceptable until 1985-86 only because of the significant external resources. However when these resources were no longer sufficient , coupled with a fall in oil price from $30 a barrel in 1982 to $12 a barrel in 1988, that itself led to sharp reduction in state revenues which were not enough to support both the importation of food and service the external debt[1] (Addi 1995, p.5). Addi linked the troubles of the Algerian economy, at the beginning of the 1990s, to the "rentier state" system that was deliberately maintained by a national petroleum strategy that was put in place by the government of Algeria mainly for political reasons.

III. An Oil Strategy to Sustain the Rentier State

In the above sections, it was argued that the dysfunctions of the Algerian economy during the pre-reforms period (1962-1993) were due to emphasizing the technical aspects of economic planning and ignoring the equilibrium of the market between production and consumption; fuelling inflation because of artificially established high salaries; the government's refusal to face up to fiscal limitations and to workers and management of state enterprises to increase productivity and products' quality. By sidestepping these difficulties, the government provoked disequilibrium at the macroeconomic level as it opted for financing the deficit and the imports of necessities. Nevertheless, as oil prices collapsed in the mid-1980s, authorities attempted to modify the national petroleum strategy in order to encourage foreign investment in the petrochemical sector and to finance ongoing budget deficits (Addi, 1995, 6).

[1] Data supplied by Houari Addi (1995), external debt reached $1 billion in 1970, $16 billion in 1980, $13.6 billion 1986, and was estimated by the World Bank 1989-90 report at $24.8 billion. Service on the debt cost reached $8.4 billion annually, compared to annual receipts totaling $10-$12 billion, which led to a deficit in the capital balance of $2.54 billion.

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According to Addi, the new petroleum strategy was not an expression of real economic reforms but to sustain the "rentier state", a "state regulated by a neo-patrimonial logic and by the redistribution of wealth generated from oil sales". The Algerian "national natural resources doctrine", changed with the oscillation of oil prices and the need to maintain the petrochemical sector as the main source of the government revenue. This doctrine started on a solid premise in 1970s: "gaining control of the mechanisms for setting prices", which Algeria and its fellow OPEC members were able to achieve until 1985. However, the oil market has been modified to the extent that legal possession of petroleum and gas fields became no longer sufficient to set the price of crude oil. In this situation the nationalist doctrine became ineffective, even counterproductive for Algeria, a country that became in need of more financial and technical means to raise oil and gas production. To achieve this, the national oil company Sonatrach called for foreign participation according to the enacted Petrol Code of 1986 (Addi, 1995, 7).

The initial version of the 1986 Petrol Code discouraged all outside investment. It granted foreign companies minority interests, in ongoing production, for given a period and according to specific conditions. However, modification to this code, regarding foreign interests, was introduced in August 1986 allowing access to old, newly discovered as well as currently producing fields. The new code also introduced some modification regarding fiscal policy offering more incentives, with possibilities for reduction of tariffs and taxes on revenue in order to direct exploration efforts towards ignored regions in the Algerian Sahara. The Ministry of Energy and Mines and the national oil and gas company, Sonatrach, felt compelled to change. Sonatrach had neither the technical nor the financial means to put new field into production, despite the existence of proven reserves, and had hard time convincing members of national assembly that this move was just a "new oil strategy" and not a "new oil policy" (Addi, 1995, 7).

The new strategy was in fact part of a general policy of economic liberalization in Algeria. The government had to choose between two policies in this regard: the first meant restructuring the national productive system to render it efficient enough to generate new wealth to meet domestic demand. However, this option was not easy to implement because it necessitated an openness to compete in the international market that would eventually lead to the bankruptcy of the majority of state owned companies. No regime could survive the social consequences of such reforms. The second policy meant keeping the existing economic apparatus, i.e. generating more state budget deficits, business deficits in the public sector[2], and artificial markets, while increasing oil exports. The government leaned towards the second one simply because it was less troublesome for all parties concerned: the state, the society, and the polity (Addi, 1995, 8).

IV. Economic Reforms in 1990s

The decline in the productivity of the Algerian industrial sector outside hydrocarbons (see table 7), the collapse of oil prices in the 1986 and the financial crisis of 1993 pushed the government to reschedule its external debt and implement economic reforms. By 1994, these reforms took a two way track: macro-economic and medium-term structural adjustment measures. Supported by the IMF, the World Bank, and the European Union (EU),

Table 7: Public Sector Industrial Production Index

Activity	1989	1994	1999
Hydrocarbons	100	106.1	121.6
Industries outside the hydrocarbons sector	100	84.4	74.8

Source: Bouyacoub, 2001, 5

The Arab Monetary Fund and the African Development Bank, these reforms aimed at (Aghrout 2004, p. 91):

- restoring sustainable economic growth and reducing unemployment;
- bringing inflation down to accepted levels;
- improving the balance of payments; and
- limiting the impact of the reforms on the most venerable segments of the society.

To achieve these objectives the government adopted several measures, chief among these were: (Aghrout 2004, p. 91)

- realignment of prices through rapid and progressive liberalization;
- adoption of a tight monetary policy;
- adoption of a strong fiscal adjustment;
- liberalization of trade and payment systems;
- liberalization of exchange regime;
- restructuring of public enterprises;
- keeping a manageable debt profile trough rescheduling and prudent debt management; and
- strengthening the social safety net and the establishment of an unemployment insurance scheme.

As early as 1998 the International Monetary Fund's assessment of Algeria's first legislated economic reforms program came out positive. According the IMF,

[2] Public budget deficit reached DZD 1,768 billion (1DZD = $0.0092 as of Sept 19, 2016), whereas trade balance deficit amounted to 12 billion dollars according to the same source (Berkouk 2016).

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despite the fact that the reform program was launched in a difficult social and political environment, it had been remarkably successful in restoring financial stability and establishing the building blocks for a market economy. However, serious challenges remained in areas such as speeding the pace of sustainable growth, raising the standard of living of the populace and reducing unemployment. (Aghrout 2004, p. 92)

The concerns of the IMF were not off the mark. Data about the performance of the Algerian economy, after five years of reforms, show mixed results as indicated in table 8.

Table 8: Some Socio-Economic Indicators: 1994-2000

	1994	1996	1998	2000
GDP (billion dollars)	42.0	45.6	47.7	53.4
GDP growth rate	-0.9	3.8	5.1	2.4
Per capita GDP (dollars)	1,510	1,581	1,605	1,673
Imports (billion dollars)	9.7	9.1	9.8	9.7
Exports (billion dollars)	8.9	13.5	10.0	21.7
of which Hydrocarbons	8.6	12.6	9.7	21.1
Foreign debt (billion dollars)	29.5	33.7	30.5	25.3
Population (million)	27.5	28.6	29.5	30.4
Active population (million)	6.8	7.8	8.3	8.1
Unemployment (%)	24.4	28.0	28.0	29.5

Source: Adopted from Aghrout 2004, p. 92

Although GDP showed steady increase, inflation dropped from 39 % in 1994 to 0.3 % in 2000, the recorded unemployment stayed at high level of almost 30%, a sign of the inadequacies in the restructuring of the Algerian economy. Reform measures targeted public enterprises and banks to prepare their transition to a market economy. Such measures included, among other things, the liquidation of around 935 loss-making out of 1,324 local public enterprises. Some of these had their assets transferred to employees. In the process many national companies, particularly in the commerce and building sectors were liquidated, a process that led to steady unemployment rate during the first five years of reforms (Aghrout 2004 , p. 92).

The reforms of the financial sector, were primarily concerned with the assessment of national banks massive bad loans to Algeria's failing public enterprises. According to the IMF, these banks saw a large influx of liquidity as the government implemented recapitalization and debt takeover measures at high cost to the treasury; about 45% of average GDP for the period 1991-99. Only few banks have reached the capital adequacy ratio of 8% during this period. The government took some steps to enhance competition and improve the financial sector's performance by: (1) allowing and encouraging the establishment of new private banks; (2) opening of capital of existing state owned banks to private minority participation; and (3) letting the gradual entry of foreign banks into the domestic market (Aghrout 2004, p. 93).

As for the liberalization of the external sector of the country's economy, a remarkable progress has been made in eliminating restrictions on external trade, the payment system and the exchange regime. However, the improvement of Algeria's foreign exchange stock, estimated to have increased from $21.1 billion in June 2002 to $23.1 billion at the end of the same year, was due to an increase in oil prices, and the rescheduling of the country's external debt. The burden of the latter been reduced considerably as the debt ration went down from 82% by the end of 1993 to around 22% in 2001. Meanwhile, total external debt went up again in 2002, when it reached nearly $23.1 billion (it was $29.5 billion in 1994 and $22.6 billion in 2001 (Aghrout 2004, p. 94).

V. Transition in the Midst of Economic Uncertainty

In spite of the economic reforms that aimed at liberalizing the economy and attracting foreign investments in 1990s, Algeria's business environment was characterized as 'mostly un-free'. In a study by Miles, Feulner, and O'Grady (2004), the country ranked 100 out of 161 countries in terms of easiness of conducting business. Moreover, the civil disorder that the country experienced in the same decade, led to economic mismanagement, high unemployment, housing shortages, and lack of private business growth. Economic reform towards privatization has been practically nonexistent due to private interests in the current system found among the country's new business elite and labor unions. The hydrocarbon sector, in which the government holds a monopoly, constituted 30% of GDP and 95 % of exports. The trade policies exacerbate any progress towards an open market, having an average tariff rate of 15%. The customs process continues to be controlled by bureaucratic time-consuming clearance procedures (Schachmurove 2004, p. 17).

The above observations seem to explain the challenges that Algeria faces in her way to establish a market economy. If these challenges were of economic and nature, as it has been analyzed in the above sections, they are of organizational and managerial nature as well. The ills of the private sector, the inadequacies of the banking system, and the ineffectiveness of foreign trade policies all led the weakening of the processes behind bringing foreign direct investment (FDI) in, which may be the only viable solution to a failed 'rentier state' system.

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a) The Cost of Privatization

Privation is one the core processes upon which the transition to a market economy is built. It implies "involvement of market forces to ensure greater competition and economic efficiency on the one hand, and reduction in the role of the state as regulator, facilitator, provider, and producer of goods and services on the other" (Gupta, cited in Aghrout 2000). Theoretically, privatization has the support of neoclassical theorists, who contend that the transfer of ownership of economic enterprises from public hands to private ones, within a framework of a competitive environment, leads to greater efficiency and rapid economic growth. Pressed by an inefficient public sector, many developing countries embarked on wave of privatization to achieve a number of goals such as: (Aghrout, 2004 p. 122)

- improving economic efficiency, to be reflected in lower consumer prices and improved product quality;
- reducing fiscal deficits through increased tax revenues on the output of enterprises with a reduction in central government transfers to public enterprises and the benefit from revenue from privatization sales;
- shifting the balance between the public and private sectors and promoting market forces within the economy; and generating new investments (including foreign investment).

In the case of Algeria, the government has committed itself to a policy agenda of privatization. As early as the 1980s the state undertook a series of reforms that targeted public economic enterprises, a task that was seen to be technically difficult if not unachievable by some analysts at that time. In his study of the Algerian economy, Ahmed Bouyacoub (2001) referred to these enterprises as "assets turned into handicaps." He argued that the organizational aspect of "industrializing industries" made the management of these enterprises difficult if not impossible as oil prices collapsed. The vertical integration of industrial public companies carried out by planning authorities gave birth to large industrial entities expected to create economies of scale using high tech machinery and capital intensive production processes. By 1991, these entities employed 80% of the country's labor and produced 82% of the national economy's added value. Out of the 22,754 public enterprises, 62 in the heavy industry sector such as oil, iron and steel, building material, mines…etc., each employed 2,110 people at the average, absorbed 26% of industrial work force, and produced 36% of the industrial added value (Bouyacoub 2001, p.4).

The size of the Algerian public enterprises reflected the importance of industrial concentration in the national productive system. In 1991 the government started the process of dismantling 41 industrial branches where 96% of these branches had a four-enterprise-coefficient of concentration between 80 and 100%. This high coefficient neither produced the wished for "poles of growth" during socialism nor helped in the restructuring process of public enterprises during the reforms era. In the end, the high industrial concentration created financially imbalanced enterprises kept alive by public deficit financing perpetuated by a "rentier state" regime (Bouyacoub 2001, p.5).

Nevertheless, the restructuring of industrial public enterprises continued as the government moved to transform these entities into easily manageable small enterprises. Their number, which was around 150 companies in 1980, increased to 480 corporations during 1982 and 1983. The process of restructuring continued well in the 1990s in the form of financial clean-up of national companies. Between 1990 and 1998, the liquidation cost was estimated at over $25 billion by the World Bank. By 2000, the government put up another $15 billion to dissolve non-viable companies, lay off staff, and implement recovery financial schemes, such as debt-equity, swaps, capital injections, debt forgiveness, refinancing, and so forth. The regulatory and institutional framework put in place to manage the privatization program was initially elaborated during the 1995-98 period. It consisted of a number of organs, such as the Privatization Council and the Commission for the Control of Privatization Operations (CCOP), which proved to be ineffective to carry out the privatization program. But starting in 2001, new structures were established such as the Council for State Participation, which was responsible for, among other things, the definition, examination and approval of policies, program and proposals in connections with privatization (Aghrout 2004, pp. 125-126).

Another structure, the ministry for participation and promotion of investments (MPPI; formerly the ministry of participation in and coordination of reforms), was put in charge of public sector enterprises and the promotion of foreign and local private investment. The MPPI was also assigned the role of determining the valuation of public enterprises and their assets, examining and selecting bids through Public Holding Companies, which were tasked with the mission of managing and divesting the state's assets in various sectors of the economy. These companies, criticized for their rigidity and luck of progress in moving forward with the privatization program, were replaced in 2001 by what was claimed to be a much more flexible and efficient equity management companies (Sociétés de Gestion des Participations; SGPs). The SGPs have in theory been given the responsibility for preparing economic public enterprises for privatization. The setting up of a privatization fund (Fonds de Participation et de partenariat) was also planned in order to speed up and finance privatization operations. The government-

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sponsored Economic Recovery Plan allocated DZD 22.5 billion to the SGPs (Aghrout 2004, p. 127).

In spite of all these measures, the privatization process was criticized for being slow, even inexistent according to an article published in April 2003 in *El Watan,* a respected daily, published inside Algeria. The International Monetary Fund was much less critical of the matter, however. In its assessment of February 2003, the IMF, while expressing its satisfaction about the ongoing reforms, it urged authorities to move ahead with the remaining privatization process, but suggested that it needed to be consistent with a program that should have been continually and appropriately adhered to. Using proceeds from privatization as a benchmark to compare the results obtained in Algeria with the results obtained by some MENA countries (Egypt, Morocco, and Tunisia), Ahmed Aghrout found that these proceeds amounted to $55 million in Algeria, $3,102 million in Morocco, $1,070.1 million in Tunisia, and $523 million in Egypt during between 1990 and 1999. Obtaining such low proceeds, Algeria had to make more efforts to catch up with her neighbors in its transition to a market economy (Aghrout 2004, p. 127). Other studies on economic transition in Algeria, revealed similar results as to why there was a gap between the government's goals and the poor state of the country's private sector. In the next few sections the ills of the private sector, the inadequacies of the foreign sector and its inability to attract FDIs will be addressed.

b) The Ills of the Private Sector

The private sector in Algeria is composed of three sectors: one is a "learning space for new entrepreneurs"; the other is a sector of "unadapt entrepreneurs", i.e., people who go through the "motions of entrepreneurship", that is investing money and making profit yet unable to build a dynamic private sector of their own. The beneficiaries of these two sectors get their capital from the government in order to learn how to be traders, farmers, industrialist, and services providers, but in the process they waste huge amount of resources. Simply put, we cannot improvise to be an entrepreneur without a cost. In Algeria, "entrepreneurship" has been in the last few decades a means of losing public money and, in many ways, a stopper of economic reforms (Bouyacoub, 2001, 8).

And there is the third type of the private sector in Algeria: the "officially excluded one", the informal, yet it is the creator of most jobs in the country. The informal sector in Algeria is where poor people can work illegally but honestly. Honesty here means producing and exchanging in a morally correct environment away from illicit trading, racketeering, trafficking, and the like (Bouyacoub, 2001, 9). One can philosophically agree with Bouyacoub's categorizing of the Algeria's private sector. However, one may add that although it has wastefully benefited from the reforms, this sector is, out of necessity, a major player in the country's economic transition. The question is what can be done to correct its numerous shortcomings in order for it to play its rightful role in this transition.

In his study of the economic and political transition in Algeria, Rachid Tlemçani delved into more ills of the country's private sector. Among the 94,438 registered commercial enterprises only 44,041 have submitted their financial accounts and pay taxes. The private sector in Algeria, according to Tlemçani, is generally speculative, prefers commercial activities, mainly 'import' deals, over productive investments, and *de facto* supported by the 'rentier state'. Although it is fully immersed in the activities of the country's economy, the value added that the sector produces is minimal. The 2009 Complementary Law of Finance, and its legislation regarding the financing of import activities, was promulgated to curb imports, tax evasion, and the transfer of hard currency overseas. However, its application on the ground reduced the volume of bank loans allocated to the importation of consumer goods. Consumers who apply for loans to import cars for personal use are put in the same category as entrepreneurs who import fireworks or cigarette lighters in exchange for hard currency. This law also imposed the use of bank checks for any transaction that exceeds DZD 500 000, the application of such provision many years ago could have solved many the 2009 Law of Finance was put to solve. The lack of such measures rendered the banking system in Algeria one of the least modernized in the world. It ranked 134 internationally by the International Surveys Institute (Tlemçani 2009, p. 2).

Abdelhak Lamiri in his comments on the sectorial development provisions of the 2009 Complementary Law of Finance reiterated that this law made it clear that small and medium enterprises had a priority in receiving loans from local banks. Such enterprises were hailed by policy makers as the only way out of unemployment, yet they received a mere 5 to 10% of investment loans in 2009. There are three reasons behind this phenomenon according to Lamiri: one, the decision making processes regarding investments are shared by many ministries and investment agencies, which makes the creation of these enterprises very slow, even difficult at times; two, the prime target of public investment programs, which partnership with such enterprises under many subcontracting schemes, is building the national economy's infrastructure instead of building capabilities in areas such the development of human resources and enterprising; and three, despite the importance given to small and medium enterprises by planning authorities, there is a remarkable neglect in this area; only 70 SMEs are built for one thousand inhabitant in Algeria, whereas neighboring Morocco and Tunisia created 350 SMEs for one thousand people. And the national agency (ANSEJ: Agence national de soutien à l'emploi des jeunes), put

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in place to create more jobs for youth, received only 3% of overall loans up to 2009 (Lamiri 2009, p. 2).

Some of the problems mentioned above are simply due to the lack of a 'coordinating brain' as Lamiri put it. Countries like China, India and South Korea have such 'brain' to strategically coordinate investments at the national level. In these countries, government owned banks usually finance strategic economic activities, whereas in Algeria these banks finance international commercial operations, which are by law the domain of private banks (Lamiri 2009, p.3). Others see the roots of these problems to be much deeper than in what has been briefly advanced in this section. Algeria's slow economic transition can be explained, partially, by the country's "protectionist nationalism" and its "static trade structure", which led to its failure to forge strategic trade and financial relations with its traditional and potential trade partners.

c) *The Consequences of Restrictive Trade and FDI Laws in the 2000s*

Hamid Darbouche (2011) articulated the idea of how the restrictive trade and FDI policies were, fundamentally, the result of the Algerian leadership's "protectionist nationalism" in terms of economic policy outlook in the 2000s. According to Darbouche, the arrival of the 'new era' of high oil prices, the repayment of external debt and the restoration of Algeria's international standing during this period led the administration to revert back to its preferred model of economic development, which is centered on the "state as the main agent and the hydrocarbon sector as the main lever." However, the consequences of this outlook had negative implications on the country's external trade relations and FDI inflows (Darbouche 2011, p.7).

In the early 2000s, Algeria renewed its efforts to join the WTO and signed an Association Agreement with the EU. With the WTO accession negotiations falling apart at the end of the decade, the Association agreement with the EU, entered into force in 2005 and was due to take place in 2017, has been since 2009 the subject of intense negotiations between the two parties. Algeria demanded that the full entry into force of the free trade area with the EU be extended by three years because it was deemed unbalanced in favor of the EU. Moreover, the government introduced legislation to tighten the rules for FDI in 2006, starting with the upstream hydrocarbon sector and reaching all other sectors by 2010. The 51/49 investment legislation, which gave 51% ownership of all new FDI projects to the Algerian government, and which aim was to promote national production and domestic investment and curb imports, had little effect on changing the country's trade structure and foreign investment inflows (Darbouche (2011, 9). It seems that Algeria's struggle with its transition to a market economy is marked more by the nature of the country's politico-economic system than by the oscillations of oil prices in the international market. Addi's analysis (1995), of Algeria being a 'rentier state' and Derbouche's concept of "protectionist nationalism" (2011), seem to hold if one look at how Algeria's trade structure and its financial relations with the outside world have been developing during the last few decades and how the decision makers quickly went back and relied on the 'rentier' nature of the politico-economic system, and on "protectionist nationalism" to build new agendas and "new economic models" to solve deep rooted structural problems of the national economy.

i. *Algeria's Trade Partners: Imbalanced Payments*

Algeria's economic trade structure stayed mostly unchanged since its independence from France in 1962. For decades, the country relied heavily on oil exports and the attempt to diversify the economy outside the hydrocarbons sector did not bring about intended results. Moreover, the change in oil prices always had an immediate impact on how the government changed its trade, monetary, and fiscal policies which itself affected its trade and financial relations with the outside world. Trade policies particularly ic its partners and potential partners seen in the often and quick changes in the hierarchical position of these partners in the country's trade dealings as some won and others lost, but not always to Algeria's benefit. For instance in 2015, imports from the EU decreased from $29.7 billion to $25.3 billion, a deficit of $ 4.4 billion. Same result for Asia, imports from this part of the world slipped by 18.6%. However, Algeria's commercial exchanges with all Middle East and North African Countries (MENA) countries amounted to only $4.8 billion in 2015, a decrease of 24.8% from the previous year keeping the share the country's global commercial exchanges with MENA at 3%. In the same token, numbers for Italy during the first semester of 2016 show that Algeria's exports to this country alone amounted to $1.505 billion occupying the first position as a recipient of Algerian goods ahead of France with $879 million, Spain with $810 million, Turkey with 328 million, and Canada with $278 million (Imadalou 2016, p.1).

China, on the other hand, became Algeria's prime supplier of capital and consumer goods since 2013. Imports from this country counted for 18,3% of total imports, following France with 11.82%, Italy with 9.45%, Spain with 7.3%, and Germany with 5.81% for the period 2013-2016. Algerian-Chinese commercial exchanges increased by 47% between 2011 and 2014 which amounted to $10 billion. China's exports towards Algeria increase by 70% which meant that China imported practically nothing from Algeria during the same period. Moreover, China is by no means the first investor in Algeria despite the presence of 790 Chinese enterprises in the country. France is the first investor

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albeit its low FDI in Algeria. It amounted to only $2.2 billion in first quarter of 2016 despite the latter imports from the former reaching $200 billion in ten years (2004-2014). Morocco and Tunisia did better in attracting investment capital from France. French FDIs counted for 50% of total FDIs in Morocco in 2014 and French enterprises reached the 1300 mark in Tunisia in 2016 (Imadalou 2016, p.1).

Some experts see the less advantageous position that Algeria has so far vis-à-vis EU block members is due the delay that Algeria incurred in signing the association agreement that 15 EU members had with 12 Mediterranean partners in Barcelona in 1995. Unlike its neighbors in the Maghreb region, Morocco and Tunisia, who signed two similar agreements in 1995 and 1996 respectively, Algeria did not sign the association agreement until 2001. The suspension of the agreement for four years by Algeria, for political and security reasons, did not work to it benefits and was in certain way beneficial to its two Maghreb neighbors (Begga & Abid 2004, p. 79).

Commercial relations EU-Algeria were not beneficial to the latter as some trade statistics between the two entities show. Algerian imports from the EU surpassed $30 billion in 2014 against an average of $9 billion annually between 2002 and 2004. Meanwhile, exports from Algeria towards the EU modestly moved from $500 million to $1.5 billion in 2015, a decrease by 31% in comparison to the 2014 figure which was $2.3 billion (Imadalou 2016, p. 1). However, EU's FDI towards Algeria in the same period were beneficial to the latter as Table 9 shows.

Table 9: FDI in Algeria for 2013-2014 (Billions of Euros)

Indicator	2013	2014	Average annual growth
Stocks: inward	0.9	1.8	88.5
Stocks: outward	13.6	14.1	1.1
Stocks: balance	13.0	12.3	
Flows: in	0.3	0.2	-45.8
Flows: out	2.0	0.7	-63.1
Flows: balance	1.7	0.6	

Source: Algeria Trade Statistics, 2014

Algeria's unbalanced trade situation was explained by it lack of taking advantage of two essential elements of international trade enhancement: geographic proximity and relational proximity (cultural and political). It missed many opportunities to enhance its trade and financial relations with the EU member states, with MENA countries, especially with its neighboring Morocco and Tunisia, and with its old strategic partners like Russia. However, the country seems to be catching up to enhance its foreign exchanges with countries under new trade schemes such as 'win-win contracts' and 'long term partnerships'.

ii. *Algeria's Trade Relations with the EU and MENA: Consequences on FDI Flows*

Despite the ongoing debate about how disadvantageous Algeria's trade and financial relations with the EU member countries are, statistics of the last few years show an improvement in the matter: six out of Algeria's first eight clients and four of the top five of her suppliers in 2015 were European countries. Percentage wise, Algeria's exports to the EU increased from 55% to 68 % between 2005 and 2010. However, imports from the same block decreased to 50% from 60% during the same period. If China had replaced the EU as Algeria's major trade partner, Europe still her major supplier of services with 40% of total imported services to equal 3.4 billion Euros in 2015 (Berkouk 2016, p. 3)

In terms of FDIs, Algeria's major investors came from the EU. European enterprises were partners in 55% of the projects declared by the Algerian National Agency for the Development of Investment (ANDI for its French acronyms) between 2002 and 2015. ANDI ranked these projects as the top job creators in Algeria. They added 60% of the new jobs' list in the same period, although the EU was challenged by Arabian Golf countries in FDIs flows. Between 2013 and 2014, the flux of European FDIs towards Algeria decreased by 2/3 to reach a low level of 0.7 billion Euros. The stock of European FDIs in Algeria, however, reached more than 14 billion Euros, whereas the Algerian FDIs stock in Europe was in the neighborhood of 2 billion Euros during the same period. Moreover, despite Arab Golf FDIs sizable share of 50% of total FDIs in Algeria, they created only 30% of jobs between 2002 and 2015. The first investor in Algeria was Qatar with 530 million Euros, an amount superior to that of France and the United States combined during 2011-2013. Qatari investments were mostly in telecommunication, the production of military vehicles, and iron ore industries. Qatar Telecom acquired all stocks of Algeria's Alwatania Telecom in 2012 as Qatari investors built the iron ore complex of Bellara in Algeria. Meanwhile, the Emirati Aabar became an associate investor in the production of military vehicles with the Algerian government and its other partner, German companies. All these projects were built under the "Win-Win Partnership" scheme (Berkouk 2016, p. 3).

iii. *Algeria's Trade Relations with Russia*

Old political allies, Russia and Algeria signed a declaration of "strategic partnership" in April 2001 – Russia's first with an Arab country (Donaldson et al 2014, p. 326). This declaration opened up the way to Algeria's acquisition of Russian-made weaponry, the signing of an agreement to develop natural gas fields in Algeria, and the establishment of the Algero-Russian commission on trade, scientific and technical cooperation (MENA Forum 2016, p. 2). Trade between the two countries grew from $885.3 Million in 2014 to $2 billion in 2015 an impressive increase in volume in two

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years period knowing that it was only $175 million in 2002. Despite this jump in commercial dealings, some observers see the declaration of "strategic partnership" between Algeria and Russia, revived in a series of Memoranda of Understanding (MoU), would work only in the interest of latter country.

Abdurrahman Mebtoul (2016) sees that the cooperation between Algeria and Russia are merely declarations of intent for several reasons. One, is the five Algero-Russian cooperation agreements signed in Moscow in April 2016 appear not to change the trend of Algeria's commercial dealings with the EU and China. Two, both economies appear to be not necessarily cooperating rentier economies but competing ones, as Russia's giant GAZPROM is in direct competition with Sonatrach for the European gas supply market. Three, there seem to exist a strategic energy related interests between the two countries to stabilize oil and gas prices. Four, Algeria's military imports from Russia would allow this latter country to balance its foreign trade accounts and contribute to the former's setting up a military industry as part of its efforts to establish an import substitution industrial base. Fifth, the new cooperation between the two countries reflect Russia's need for expanding its commercial dealings with the world as a new member of the WTO, as of 22 August 2012, and the freeze put on the OECD process in March 2014 because of geopolitical tensions surrounding the Russian Federation. Sixth, the need for Russia to modernize its economy

VI. Conclusion

After more than three decades of socialism and a self-generating "rentier state" system, reform programs were launched in the early 1990s in Algeria to establish a market economy. However, the process of transition, based mainly on the dismantling of public enterprises and the newly created state dependent private sector, is hampered by shortcomings of the reform programs and by the ills of this sector. The recent worldwide drop in oil prices deeply affected Algeria's economic transition, and pushed the state again to return to the premises of "rentier state" in a new endeavor baptized the "Algerian new economic model", which premises are known so far only to decision makers. In its move towards austerity, the state called on the "private sector" and the citizens at large to finance its budget deficits through 'l'emprunt obligatoire' or 'forced loans' a form of buying government bonds by private investors. L'emprunt obligatoire has limited appeal so far, and the government is still shying away from foreign debt. However, with a sharp increase of public deficit and a sharp decrease in hard currency reserves, the government has no other choice but to find ways to diversify the national economy with or without a successful transition to a market economy.

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Islamic Finance and Banking in Malaysia with Special Reference to Sukuk Industry

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Abstract- Malaysia is seen as a success story of rapid growth and structural change with equity. The country has enjoyed a stable macroeconomic environment with low unemployment and inflation rates for decades. However, due to the recent 2008 global financial crisis, the economy has experienced a slowdown in the growth rate. The government has introduced the New Economic Model of 2010 (NEM2010) to shift the country from a middle-income economy to a high-income economy by 2020. In support of these goals, the government has taken steps to liberalize its financial sector since Malaysia is one of the key players in Islamic finance. The present chapter looks into the Islamic finance landscape of Malaysia by focusing on the sukuk industry as well as prospects and challenges facing the industry. By examining sukuk market behavior, it is hoped that policymakers may utilize sukuk as key financial tools to drive the domestic financial sector and demonstrates its bearings on equitable growth.

Keywords: islamic finance, sukuk development, malaysia's financial sector blueprint, maqasid shariah, banking industry.

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Islamic Finance and Banking in Malaysia with Special Reference to Sukuk Industry

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Abstract- Malaysia is seen as a success story of rapid growth and structural change with equity. The country has enjoyed a stable macroeconomic environment with low unemployment and inflation rates for decades. However, due to the recent 2008 global financial crisis, the economy has experienced a slowdown in the growth rate. The government has introduced the New Economic Model of 2010 (NEM2010) to shift the country from a middle-income economy to a high-income economy by 2020. In support of these goals, the government has taken steps to liberalize its financial sector since Malaysia is one of the key players in Islamic finance. The present chapter looks into the Islamic finance landscape of Malaysia by focusing on the sukuk industry as well as prospects and challenges facing the industry. By examining sukuk market behavior, it is hoped that policymakers may utilize sukuk as key financial tools to drive the domestic financial sector and demonstrates its bearings on equitable growth.

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I. Introduction

The Global Islamic Finance Report 2016/2017 crowned Malaysia as the global leader in Islamic banking and finance based on the Islamic Finance Country Index (IFCI). The IFCI was first introduced in 2011 to indicate government's commitment to use Islamic banking and finance as a policy tool and in the economic agenda.It is not a small achievement for a small, open economy such as Malaysia, with a population of approximately 31.16 million people, which is equivalent to only about 0.42 percent of the total world's population.

Domestically, the market share of Islamic banks in Malaysia quadrupled from 7.1 percent in 2010 to reach 28 percent in 2016 (Bank Negara Malaysia, 2017). However, the industry's annual growth rate slowed from 24.2 percent in 2011 to 8.2 percent in 2016. Hence, there is a need to explore for sustained growth given the rise of Islamic finance globally. Shariah-compliant financial products and services are now offered in 50 Muslim and non-Muslim jurisdictions worldwide (Thomson Reuters, 2017). Khalid Howlandar of Moody's rating agency expects 2018 to be *"the landmark year"* for Islamic finance propelled by a paradigm shift in the economics of sukuk.

According to Thomson Reuters's *State of the Global Islamic Economy Report t*2016/2017, the exisiting Islamic finance market stood at an estimated USD2 trillion in assets in 2015 and of this USD$2 trillion, Islamic banking was responsible for USD1.451 trillion, the *takaful* (Islamic insurance) sector for USD$38 billion, sukuk outstanding for USD342 billion, Islamic funds for USD66 billion, and other financial institutions for USD106 billion.The same report projected that the total Islamic finance assets are expected to reach USD3.5 trillion by 2021. Islamic banking would be the key driver of growthand is expected to reach USD2.7 trillion in assets by 2021.

In March 2017, Islamic banking comprises 25 percent share of the banking sector of the country. Recent observation points out, however, that the sector has been slow in capturing the market share from conventional banks. This might pose challenges to achieve the targeted 40 percent market share as outlined in the second Malaysian Financial Sector Master plan.

II. Islamic Banking and Finance in Malaysia

The evolution of Islamic Banking in Malaysia could be traced to the establishment of the Pilgrims Fund Board in 1963. However, it was twenty years after that that the first Islamic Bank, Bank Islam was established in July 1983. Subsequently, numerous other events took place thatboosted the development of Islamic banking in the country as shown in Table 1.

As for the growth in the banking sector, Figure 1 shows the expected trend until 2020, in which double digit financing growth performance is expected for Islamic banking, which is higher than the single-digit forecasted for conventional banking growth. However, from 2018 until 2020, the growth rate is expected to be stabilised around the 2017 growth rate.

Earlier last year, Malaysia made headways in the Islamic finance market by introducing the world's first shariah-compliant pension fund; *'Simpanan Syariah'*, which was later launched with a total of RM59.03 billion and taken up by 635,037 members as at January 2017.The scheme is an alternative to the conventional Employment Provision Fund (EPF) for

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contributors who are interested in converting their savings to a fully compliant-shariah status. Another latest development in December 2017 is a new requirement for shariah committee members to have certified shariah qualifications when they seek re-appointment at various financial institutions in Malaysia. The move is made to address shariah risks that are complex in nature and might be difficult to discern except for trained professionals.

III. Malaysia's Financial Sector Blueprint, 2011-2020

The 10-year Malaysia Financial Sector Blueprint "…*charts the future direction of the financial system as Malaysia transition towards becoming a high-value added, high income economy."* According to the Blueprint, Malaysia's financial system has become less fragmented through consolidation and rationalisation from 1980 to 2011.The recommendations in the Blueprint outline the roadmap and strategies of the financial landscape in the next ten years (2011-2020).

The Blueprint highlights the financial sector developments from 2001 until 2011. During this period, the financial sector recorded average an annual growth rate of 7.3 percent to account for 11.7 percent of real Gross Domestic Product (GDP) in 2010 (2001: 9.7%). Financial sector is expected to grow at the rate of 8-11 percent annually and contributes 10-12 percent of nominal GDP in 2020 (2010: 8.6%).

Chapter One of the Blueprint covers the global and domestic landscapes and the expected financial land cape in 2020. It is projected that 60 percent of the global total world output will be produced by the emerging economies of Asia, Middle East, Latin America and Africa, hence increasing the significance of these economies. Two key trends are indentified. First, the strengthening of the domestic sources of growth through private dometic demand. Second, greater global and regional economic and financial integration. This will help achieve greater balance between domestic and external demand as sources of economic growth. By 2020, the share of private consumption is expected to be 61 percent of GDP (2010:53).

Chapter Two continues with the topic of '*The Financial Sector that Best Serves the Malaysian Economy.*' By 2010, the financial sector has accounted for 11.7 percent of real GDP (2001: 9.7 percent). After the first Financial Sector Master plan in 2001, Malaysia is expected to create a financial sector that best serves the Malaysian economy by 2020. Islamic banking and finance would be expected to contribute 40 percent share of total Islamic domestic financing by 2020 (2010:29 percent).

Chapter Three is themed '*Enhancing Regional and International Financial Linkages*.' The focus is on the internalisation of Islamic finance and stronger cross-border linkages. According to the Asian Development Bank (IDB), Asia needs to invest around USD8 trillion from 2010 to 2020. Islamic finance has contributed 2.1 percent share to GDP in 2009. This is in line with global ethical consumer demand for Socially Responsible Investment (SRI) as an important asset class in the future.

Chapter Four continues with the topic "*Safeguarding the Stability of the Financial System'.* The focus is on the roles of Islamic finance. Governance and risk management, an effective regulatory and supervisory regime, stability, integration, and cross-border linkages are the key areas discussed. Based on content analysis method, the author investigates the presence of social capital in this particular chapter. In general, there is a strong emphasis on the structural organization and rules and regulations. The Blueprint emphasizes the governmental component (effectiveness of formal institutions in facilitating collective action) of social capital. There are also quite a number of references to cooperation, integration and cross-border networking among the Islamic banking institutions and other entities.

Chapter Five concludes with '*Key Enablers for the Development of the Financial System'*. This chapter comprises three sub-topics covering electronic payments, empowering consumers and talent development. The plan is to increase e-payment transactions per capita to 200 transactions per capita by 2020 (2010:44 transactions). At the same time, financial consumer education to gain financial literacy will also be promoted. Therefore, there would be greater demand for high-quality talent by the financial sector. The Credit Counselling and Debt Management Agency will have an important role to educate adult consumers in financial literacy. An extensive institutional infrastructure has been put in place to ensure a sufficient pool of talent for a dynamic financial sector.

IV. An Overview of Sukuk Industry

The sukuk market is the fastest growing and most promising segment of Islamic finance. It has become an important component of the global sukuk market. There is also an increase in the issuance of sukuk by corporate and public sector entities due to growing demand for alternative investments. Malaysia stands out in terms of domestic market issuance in Asia, followed by Indonesia. Bahrain and Gambia both have more than 200 issues over the years since their first issuances in early 2000. The non-OIC sukuk issuers include Singapore, United States, United Kingdom, China, Hong Kong, Germany, Japan and France.

A reliance on sovereign issuances and global economic slowdown has taken their toll on the sukuk industry. Sukuk issuances fell 43 percent in 2015 and continued to fall by 18 percent for the first nine months

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of 2016 globally. The decline is due to several reasons. First, the global economic slow down after the 2008 financial crisis. Second, the sharp fall in global commodity prices. Third, the policy change by Malaysia whereby the central bank suspended sales of short-term ringgit denominated sukuk due to the depreciating ringgit. Fourth, the posibility of interest rate hikes in the United States (Nikkei Asian Review, 2016). However, the sukuk market is expected to continue to record issuances of more than USD100 billion and to expand into a wider variety of countries and sectors.

The development of the sukuk market can be represented by four main phases. The first phase accounted for small local issuances by the Malaysian Government from 1996 to 2001.The second phase, from 2002 to 2007, started with the Malaysian Government issuing the first rated international sukuk, followed by other local and international issuances. The third phase, from2008 to 2010, was marked by a series of defaulted events, global financial crisis, and shariah-compliant issues raised by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The fourth phase, from 2011 to date, sukuk remain competitive due to a wider range of investors (Thomson Reuters Zawya, 2013). The next challenge is for the industry to gain greater market share.

a) What is Sukuk?

Sukuk[1] (plural of sakk) is the Arabic term for Islamic securities, which in economic terms is akin to conventional bonds. The literal meaning of sukuk is certificates. Technically, sukuk refer to securities, notes, papers or investment certificates with features of liquidity and tradability. Sukuk have both bond and stock-like features issued to finance trade or the production of tangible assets. Unlike conventional bonds, sukuk need to have an underlying tangible asset transaction either in ownership or in a master lease agreement. It represents ownership of underlying assets, usufructs (benefits), services, or investment. The money that a sukuk holder gets represents a share in the profit of the underlying asset.

The Securities Commission Malaysia (SC) defines sukuk as *'a financial document or certificate which represents the value of an asset evidencing an undivided pro rata ownership of an underlying asset'*. Sukuk must comply with shariah law, which must be free from interest (*riba*), excessive risks (gharar) or investments that promote Islamic vices or are discouraged by shariah (such as alcohol and gambling). Sukuk financing activities are mostly for the infrastructure and utilities, financial services, property and real estate, oil and gas and energy. Like conventional bonds, sukuk can be traded, rated by credit agencies and redeemed.

b) Origin of Sukuk

There is evidence to suggest that sukuk structures were used within Muslim societies as early as the Middle Ages. The word 'sukuk' can be traced back to classical commercial Islamic literature as the method of paying the salaries of government officers who would later redeem the certificate to buy goods or groceries (Clifford Chance Report, 2009). The contemporary sukuk today is based on the decision of the Islamic Jurisprudence Council dated 6-11 February, 1988, which stated that "*any combination of assets (or the usufruct of such assets) can be represented in the form of written financial instruments which can be sold at a market price provided that the composition of the group of assets represented by the sukuk consist of a majority of tangible assets*."

The history of modern sukuk started during the late 1980s. In February 1988, the Fiqh Academy of the OIC countries legitimized the concept of sukuk. The first sukuk was issued in 1990 in Malaysia by Shell MDS, valued at RM125 million (USD 33 million) of *Bai'-Bithaman Ajil* type. Therefore the sukuk market has been around for only about two decades. However, the industry has gone through the default, bankcruptcies and restructuring life-cycle. It has taken 400 years for the conventional bond market to get where it is today. A more recent development saw a larger number of non-Muslim entities joining the market due to increasing preferences for ethical financial solutions especially in Europe. In additon, sukuk appear to fit in well with Basel III principles. Financial institutions regulated by Basel III are required to invest in specified high quality liquid assets (HQLA) offixed income instruments.

c) Sukuk, Shares and Bonds

Bonds and shares are two basic capital market instruments. Bonds represent debt capital while shares represent equity capital. With its fixed interest return and principal guaranteed, a bond is classified as a fixed income security. Since bonds are loans, their returns are predetermined and have no relation to the actual performance of the firm. In contrast, shareholders, as owners of a firm, will earn a return based on the performance of a firm. Unlike interest which is set *ex-ante* (expected), dividends are determined *ex-post* (historical) and are not typically guaranteed.

d) Selected Sukuk Structures

Various sukuk structures and contracts based on shariah principles are available namely *ijarah, salam, istisna', musharakah, mudarabah* and *wakalah*. *Ijarah* and *musharakah* structures are the most popular sukuk structures. There are also innovative various forms, concepts and hybrids of sukuk, such as exchangeable and convertible and foreign currency sukuk. These types

[1] sukuk refer to securities, notes, papers or investment certificates with features of liquidity and tradability.

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of sukuk can be further categorized into sale based, lease-based and equity or agency based namely: sale-based sukuk (*bay bithamin-ajil*, *murabahah, salam* and *istisna*), lease-based sukuk (*ijarah*), equity-based sukuk (*musharakah and mudarabah*) and agency-based sukuk (*wakalah*). The common sukuk structure and their salient features are listed in Table 2.

e) Development of Sukuk Industry

Islamic capital market consists of debt market and equity market. Sukuk, or Islamic bond, are the most active Islamic debt market financial instrument to date. The development of sukuk market was initiated in 1990 since the first sukuk issued by Shell MDS Pvt. Ltd., a multinational corporation operating in Malaysia. Subsequently, after the 1997 financial crisis, there was growing importance of sukuk financing. The first international sovereign sukuk was issued by the Government of Bahrain in 2001, followed by Indonesia in 2002. Since then, there has been increasing participation in sukuk issuance from both Muslim and non-Muslim countries. Figure 2 shows global sukuk timeline from its first inception in 1990 until September 2012.

The figure highlights some important landmarks in the development of the industry which are detailed out in Table 3. The World Bank issued its first sukuk from Malaysia in 2006. Germany was the first country to issue sukuk in Europe in 2004. It was a €100 million quasi government sukuk *ijarah* issued in the federal state of Saxony-Anhalt in Germany. In November 2012, FWU, a Munich based financial group, announced the first and the largest corporate issuance in Europe worth €55 million sukuk *ijarah*. The underlying assets are a proprietary computer software system and associated property rights developed in-house by the FWU Group. It marks the first sukuk to have intellectual property as underlying assets.

The global Islamic finance industry has grown from about USD10 billion worth of invested assets in 1975 to USD2.2 trillion today. By the end of 2010, 5.5 percent of the USD2.2 trillion invested in Islamic instruments was held in dedicated Islamic funds, with 31.1 percent in broader-based assets (mainly in shariah-compliant bank accounts and money-market vehicles). The rest was held in other Islamic instruments, particularly sukuk, insurance packages (takaful) and equity products. Real growth in the sukuk market started in 2003 when the Accounting and Auditing Organization for Islamic Institutions (AAOIFI) issued a standard on investment sukuk and listed 14 different types of sukuk.

Research suggests that there will be a need for trillions of dollars of Islamic assets (sukuk and other instruments) in the near future to fulfill the liquidity surpluses of this growing market. The 2008 global financial crisis has contributed to the second wave of rising sovereign sukuk issuers. In early 2013, the sovereign issuers contributed more than half in terms of the percentage in value contribution to the industry. However, in terms of number of issues, the corporate sector dominates.

For the domestic market, the isuance is also sovereign-lead. This would insulate domestic investors from curency risk exposure and help develop bench mark curve to facilitate growth of the domestic market. It is exected that more countries will issue sukuk in their home currency to meet domestic funding needs. In another recent development for the sukuk mutual funds market, a number of banks are setting up their own sukuk funds to offer to their private clients. This would help diversify the investment portfolio of sukuk investors. The trend in global sukuk issuances during 2006 to 2016 is illustrated in Figure 3.

The growth was affected by the 2007, financial crisis since there was a noticeable drop of the growth rates in the global market. To date, Malaysia and the United Arab Emirates (UAE) are still the two leading countries in terms of sukuk issuances. Due to the flight to safe heavens of fixed income investments after the 2007 crisis, sovereign and quasi-sovereign types of sukuk issuances dominated the market. Sukuk are mostly issued either in Malaysian ringgit or United States dollar (USD). The USD continues to be the preferred international currency for issuance.

It is expected that with the rising importance of Bahrain and the Dubai International Financial Exchange (DIFX), there would be more issuances in riyals and Kuwaiti dinars (SC, 2010). For the period 2004 to 2006, the international sukuk market was bigger than the domestic sukuk market. However, the trend was reversed in 2007when domestic sukuk market was bigger. The IIFM (2010) refers to the situation as the "*currency effect,"* in which as a consequence of the financial crisis in 2007, that originated in the United States, there has been a shift away from dollar-denominated issues towards local currency-based issues arising from the Gulf Cooperation Council (GCC), Indonesia and Pakistan.

The Asia and Far East region,the Gulf Cooperation Coucil (GCC) and the Middle East continue to dominate the issuance based on both the number of issues and the percentages of total value. The more advanced economies that have issued sukuk, besides the traditional Muslim economies are Turkey, United States, United Kingdom, Germany and France. The local currency domestic market is expected to develop further, spurred by Indonesia, Turkey, Pakistan and the GCC countries. Sovereign or sovereign-linked entities continue to dominate issuances domestically and this would assist in the setting up of local benchmark curves.

Table 4 depicts the top sukuk markets in 2016 and their global market share. Malaysia is still leading with 46.4 percent, followed by the GCC countries with

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26.2 percent. Indonesia and Turkey each represented 9.9 percent and 5.5 percent, respectively. The top two sectors are financial services and government.

By 2016, global sukuk outstanding was domiciled in over 20 countries with an investor base ranging from Europe to the Middle East and Asia. In 2015, at least 13 jurisdictions have tapped the global sovereign sukuk market. Figure 4 denotes 10 countries that are voted as having the best developed ecosystems for Islamic finance based on selected Islamic finance indicators.

Malaysia once again leads this indicator ranking, followed by these countries in descending order: the UAE, Bahrain, Saudi Arabia, Oman, Kuwait, Pakistan, qatar, Indonesia and Jordan (State of the Global Islamic Economy 2016/2017 Report). To take advantage of this strong footing, the government has set the targets for the industry to achieve by 2020. These include increasing the global share of Islamic banking assets from eight percent in 2009 to 13 percent in 2020, increasing the global share of takaful contribution from 11 per cent in 2009 to 20 percent in 2020, increasing Islamic financing's share of total financing in Malaysia from 29 percent in 2010 to 40 percent in 2020, and targeting at least one Islamic financial institution to become one of the global top 10 players by asset size by 2020.

f) Sukuk Issuance by Structure

What are the preferred types of sukuk issued domestically and internationally? For the domestic issuances, there are 10 different sukuk structures issued, ranging from *al-Murabahah* to *al-Salam* during 2001 to January 2013. The pattern seems to be consistent across time. The four top domestic issuances based on structure, from the highest to lowest, are *al-Murabahah, al-Musharakah, al-Ijarah* and *Bai-Bithamin Ajil*.

At the international level, *sukuk ijarah, sukuk al-musharakah,* Islamic exchangeable sukuk *and sukuk al-mudarabah* are the top four sukuk structures issued in 2001 to 2010. The more recent years show a slightly changing composition where the top four issuances, from highest to lowest, are sukuk *ijarah, wakalah, hybrid* and *musharakah*. There was no sukuk hybrid issued domestically. In addition, Islamic exchangeable sukuk, *al-mudharabah* and *al-salam*were not issued in recent years.

g) Sukuk Issuance by Issuer Status

The same analysis is conducted to examine the issuer status of sukuk issuances from 2001 to early 2013. The issuers are categorised into either corporate, sovereign or quasi-sovereign. Before 2011, corporate and sovereign issuers are almost at par in terms of percentages. By 2011, due to the 2008 financial crisis and the consequent flight of investors to save havens, the number of sovereign and quasi-sovereign sukuk issuers increases due to lack of confidence and stability. Looking at the situation from the international perspective, prior to 2011, the corporate sector is very active with 68 percent of total issuances. However, by 2011, there is an almost similar number of issuances by the corporate sector (45 percent) and the sovereign sector (41 percent). The issuance by the quasi-sovereign sector remains at the same level over the years at 14 percent. Another noticeable trend indicates that financial institutions are no longer the majority investors in sukuk as fund managers, takaful operators, high net worth individuals (HNWIs) and others are now investing in sukuk.

h) Sukuk Issuance by Sector

Table 5 shows the global aggregate sukuk issued by sector for the period 1996 until 2012. Sector-wise, the industry was dominated by the governmental and financial services sectors, followed by transport, power and utilities, real estate, telecommunications and other category. The construction sector has a good potential to be developed. Global demand for investment in infrastructure is growing as existing infrastructure needs to cope with growing population and urbanization rates. The Organization for Economic Cooperation and Development (OECD) estimates that globally USD71 trillion is needed for investment in infrastructure by 2030 (Mardam-Bey et al., 2013).

V. The Sukuk Market in Malaysia

In Malaysia, as at December 2009, 57 percent of outstanding corporate bonds in the Malaysian bond market wereshariah-compliant (SC, 2009). From a macroeconomic perspective, the overall share of sukuk in GDP increased each year since 2000 until 2009. In 2009, the percentage share of domestic sukuk to GDP was 6.2 percent, corporate sukuk represented 0.73 percent of GDP and sovereign sukuk represented 5.47 percent of GDP in 2009 (IFIS and BNM). During earlier years, Malaysia dominated the sukuk market in terms of both number and volume (IFIS Report, 2010).

Table 6 shows the total issue and GDP share by sukuk category for the period 2000-2009 in Malaysia. The amount of corporate issues in the primary market has surpassed the sovereign sukuk in terms of absolute value and relative measure (percentage of GDP) for the first eight years. In the next two years, sovereign sukuk had the larger share in GDP.

As indicated in Table 7, there were 323 sukuk issuers for the period between 2001 and 2009 of which 92 firms were listed on the Main Board, Second Board, MESDAQ or ACE market of Bursa Malaysia and the rest were financial and non-financial firms. Three major industries dominate the corporate sukuk market of Malaysia. Financial firms, including banks, accounted for the biggest share of 28 percent. Companies involved

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in transportation, logistics, and telecommunications industries came second with 26 percent. The energy and utility companies (electricity, oil, gas, and water) constituted an aggregate share of 20 percent.

By domicile, Malaysia's secondary sukuk market stood at USD183.8 billion, representing a share of 52.6 percent of total sukuk outstanding. This was followed by Saudi Arabia and the UAE with a market share of 16.3 percent and 8.9 percent, respectively. Figure 5 shows global sukuk outstanding in Malaysia against other sukuk issuing countries.

The Securities Commission Malaysia (SC) estimates the size of Malaysia's capital market (comprising stock market capitalization and debt securities) to more than double from RM2 trillion in 2010 to RM4.5 trillion by 2020.Based on regional grouping, it is estimated that the internationalization of the stock market can increase the potential size of the Malaysian capital market by another 30 percent to RM5.8 trillion in 2020. In order to achieve the target, the facilitation of volume strategies and higher efficiency of increased economies of scale are required (Asian Development Bank, 2011).

VI. Prospects and Challenges in Islamic Finance

There are challenges ahead facing Islamic banking and finance globally. The market watchers cited two possible reasons. First is the low banking penetration rate and second are costly financial services. Banking penetration is defined as the percentage of adults with an account at a formal financial institution. It remains low within the Organisation of Islamic Cooperation (OIC) member countries and in the world's Muslim population as a whole, with an average of around 32 and 29 percent, compared with the global average of 62 percent.

The Report also suggests that if pricing policy does not differ greatly between conventional and Islamic banking products, Muslims are more likely to opt for shariah-compliant products due to the risk-sharing and the ethical nature of its business model. However, at the moment the pricing of sukuk instruments are considered higher due to the shariah-compliant requirements. Costs of issuing Islamic bonds in Asia are still significantly higher than the costs of issuing conventional bonds.

To turn challenges into opportunities, the Alliance DBS Research believes that the growing Muslim population and anin-depth study of financial behavior among Muslims are factors that would drive growth. According to them, Islamic economies represented about 9.5 percent of the global gross domestic product (GDP) in 2014.Approximately one-sixth of the world's population is Muslim, most of whom are based in the Middle East and Asia. Hence, a careful study on the financial behavior of the users of financial services, based on different geographical regions and demographic groups are needed. A reliance on the supply side alone, according to Say's Law, will not be a sustainable approach in the long run for the industry.

Sukuk are structured to generate the same economic effects as conventional bonds, but in a shariah-compliant manner. This is achieved through using assets and various contractual techniques acceptable under shariah. The industry could benefit from economies of scale which would help to sustain it over the longer-term. Pricing policies and awareness are two important factors to capture the non-Muslim market share. It is reported that about 80 percent of the sukuk issued have been subscribed by conventional international investors (Aziz, 2007). Issuance of Islamic debt by non-Muslim countries is increasing recently due to the perception of less volatile market conditions and an improving regulatory backdrop (The Express Tribune, 2017).This trend could be exported world-wide in order to capture a bigger global market share.

Additionally, the industry lacks consistency in product structures and investment practices that might adversely affect its credibility and reputation. The industry players need to study market behavior and focus on risk-return characteristics of the products rather than concentrating on the shariah-compliant aspect only. Harmonisation of standards across different geographical locations and different schools of thought reduce uncertainty due to shariah concerns.

There is also an accusation that Islamic banking is operating in a similar fashion as its convential counterpart, i.e profit oriented rather than serving the real needs ofthe society. Professor Khaliq Ahmad raises two questions pertaining to the profit-maximising behavior. First, form over substance. Second, are the *maqasid shariah* requirements (objectives of the shariah). As for the former, based on legal perspectives, Islamic banking and financial products are unique and distinct but, operationally, the practice is similar to conventional banking in terms of pricing, adopting interest-based benchmarks, the treatment of late payments and so on.

As for the *maqasid shariah*[2], profit maximisation should not be the sole objective of financial institutions. But a genuine concern for society should involve risk-sharing contracts based on profit and loss sharing equity financing. However, Islamic banks are more interested in debt-based products and services such as *murabahah* and *tawarruq* while the equity-based financing such as *mudharabah* and *musharakah* are least popular. Professor Khaliq Ahmad ended with a sugggestion to ensure sustainable development by adopting Islamic financing as a tool. *Maqasid al-shariah* should be the overriding objective to any economic

[2] *Maqasid al-shariah* should be the overriding objective to any economic decision-making.

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decision-making. Islamic banks should work on maximising profit in a welfare-enhancing manner. This could be achieved through risk-sharing and wealth re-distribution policies embedded in Islamic financing contracts. One alternative is to adoptan asset-light business model. For example, the latest issuance of sovereign sukuk by the Malaysian government in 2016 was not backed by any tangible assets. The sukuk was backed by equity and transportation vouchers instead.

There is also argument that sukuk industry has failed to secure greater market sharepost-2008 financial crisis .Could it be that the market players are unable to either identify or address the key challenges to the industry? The *State of the Global Islamic Economy Report, 2016/17* (Thomson Reuters, 2017) summarises the key challenges as follows:

1. Lack of awareness and understanding of Islamic finance products and services among the public;
2. Few shariah-compliant monetary policy instruments;
3. Complex financial products and corporate structures in some countries;
4. Underdeveloped safety nets and resolution frameworks;
5. Regulators who do not have the capacity or unwilling to ensure shariah compliance.

VII. Sukuk and The Way Forward

In order to ensure sustainable growth, the sukuk industry has to consider several issues. Among them are greater transparency, standardization, shariah-compliant risk and risk associated with the structure of sukuk. Efforts are being made to resolve the issues as evident in recent development of the sukuk industry, for example cross-border sukuk issuance and hybrid sukuk. Thomson Reuters in their *Sukuk Perceptions and Forecast Study 2013* suggests that the sukuk industry might learn from the Eurobond market that took off in just two decades after it was launched, supported by changes in the macroeconomic environment and the use of cross-currency swaps. The report details out reasons for and against sukuk to become the next Eurobond. Among factors that would hinder growth are weak trading infrastructure, inability to standardize and shariah-compliant requirements. However, Basel III requirements and global appeal for shariah-compliant instruments would support the industry. There is also good prospect due to populous and diverse markets like Indonesia, Egypt and Pakistan. In addition, the shariah-compliance process adds to additional disclosure and greater transparency requirements.

One of the ways to ensure the success of recent efforts to get economies out of their fiscal imbalances would be introducing sukuk to manage the infrastructure needs of these economies. In addition to that, with the growing awareness of the green technology and climate preserving growth, sukuk provides another innovative solution for large-scale infrastructure requirements. As the global economy is transitioning towards a more sustainable energy use, the Islamic finance industry has the potential to contribute to climate resilient economies. Sukuk could mobilize essential finance needed to fund the rising number of clean energy initiatives since the majority of clean energy projects will rely on large, long-term infrastructure spending. For instance, bank financing for long-term infrastructure projects is becoming less attractive under the Basel III rules, shifting the financing of infrastructure to capital markets, which used to tap resources from long-term institutional investors such as pension funds and insurance companies. Since these projects are based on tangible assets to generate revenues, which are consistent with the Islamic finance norm of creating economic value, they are therefore suitable for sukuk financing.

The new Basel III Accord has highlighted two long-standing concerns about Islamic banking. First, Islamic banks have ample liquidity but lack of high-quality Shariah-compliant instruments. Second, Islamic banking lacked secondary interbank markets to trade these instruments. Market watchers believe that an alternative solution is to popularize the sukuk market. Sovereign and quasi-sovereign sukuk would help mop-up the excess liquidity problems of Islamic banks. Some suggest that for sukuk to reach a similar stage of the conventional bond cycle, standardized regulation is needed, and both value and volume of issuances should be increased. Sukuk should contribute to the real economy by promoting development, financing diversification and mitigating financial decline.

VIII. Conclusion

Sukuk has become the bellwhether of the Islamic finance industry. The biggest challenge for the industry, according to some, is in managing shariah non-compliance risk and the realisation of *maqasid shariah* in all sukuk transactions. Therefore, understanding sukuk market behavior is critical to the sustainability of the future growth of the industry. This will further facilitate faster sukuk issuances and monitoring of the secondary market and help the industry achieve the desired equitable economic development.

A survey of lead arrangers (sell-side) and investors (buy side) by Thomson Reuters Sukuk Survey conducted during August-September 2012 gives an insight into the current state of the industry. The responses from both the sell-side and buy-side are similar with respect to country of issuance, types of issuers, credit quality, types of issuance, currency and the emerging market for the issuance. However, expectations differ with respect to risk classification, coupon types, tenor and sukuk structure. Notable

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among them is the fact that arrangers are expecting longer tenor and fixed rates while investors prefer shorter tenor and are equally keen on fixed and floating rates. The gap between arrangers and investors need to be addressed carefully for sustainable development of the industry.

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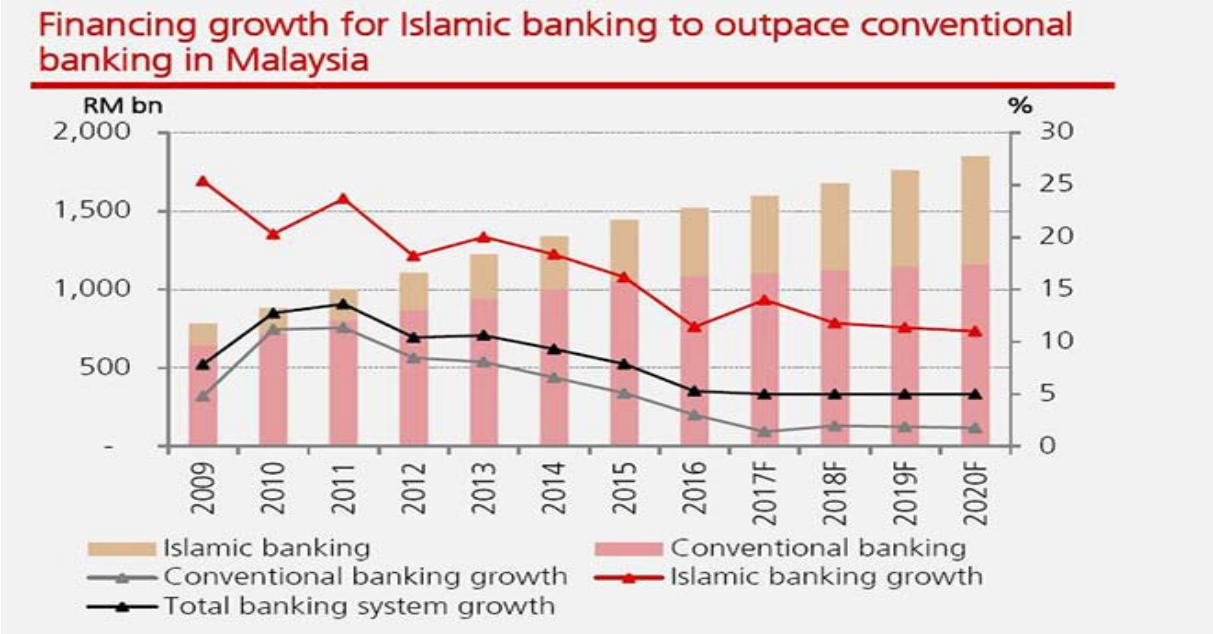
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Table 1: Evolution of Islamic Banking in Malaysia

Year	Milestones
1963	Establishment of Lembaga Tabung Haji (Pilgrims Fund Board)
1980	The Seminar on National Development from the Islamic perspective (1980) proposed the establishement of Bank Islam
1983	Malaysia passed the Islamic Banking Act Bank Islam began operations in 1 July 1983
1984	Enactment of Takaful Act 1984
1991	Bank Islam was listed in the Stock Market
1993	Interbank Money Market was Established
1997	BNM establishes Shariah Advisory Council
1999	The second Islamic bank was established, Bank Muamalat
2001	Establishment of International Islamic Financial Market
2003	Islamic Financial Services Board (IFSB) started operations in Malaysia
2003	Licenses were given to three foreign banks – AFB, Al-Rajhi and KFH
2006	The Malaysia International Islamic Financial Centre (MIFC) initiative was launched and International Centre for Education in Islamic Finance (INCEIF) was set up
2009	Two new Islamic banking licenses offered
2010	International Islamic Liquidity Management Corporation (IILM) was established
2013	Islamic Financial Services Act 2013 was passed by Parliament

Source: Companies, Alliance DBS.

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Source: BNM, Alliance DBS

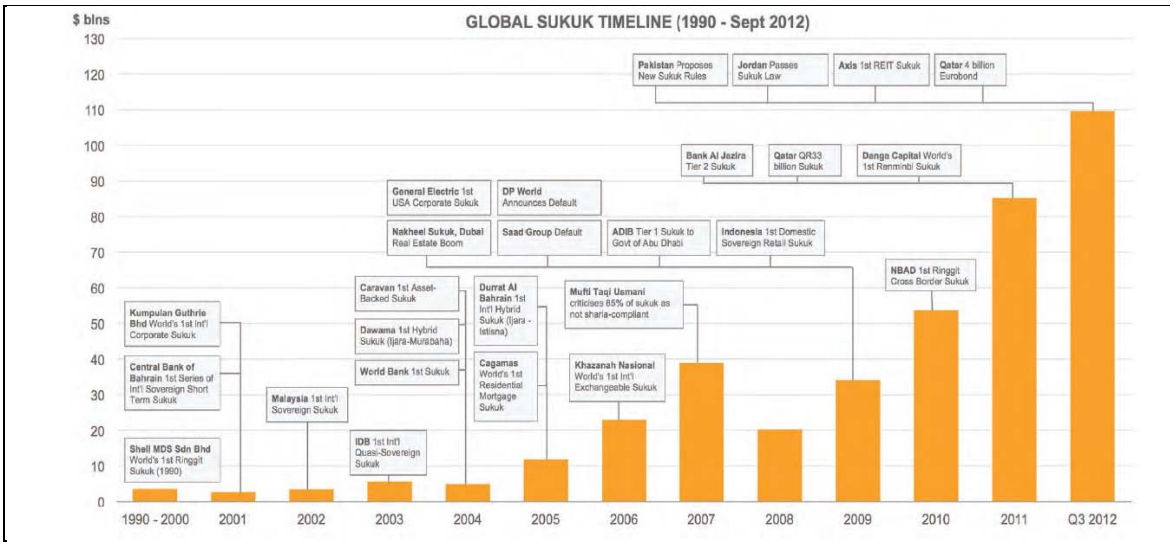
Figure 1: Growth in Islamic and Conventional Banking in Malaysia

Table 2: Salient Features of Common Sukuk Structures

Sukuk structure	Explanation	Sukuk-Holders	Return	Contractual recovery of principal expected
Murabahah (debt-based)	Sukuk holders (via a trustee) sell asset to obligor on a deferred basis	Owners of debt (sales receivable)	Profit from sale of asset	Yes
Salam (debt-based)	Sukuk holders buy fungible assets (commodity) on a forward basis	Owners of commodity to be delivered in future (debt of kind)	Profit earned when commodity sold to third party upon delivery	Yes
Istisna' (debt-based)	Sukuk holders construct/manufacture asset and sell it to obligor	Owners of debt (receivable via sale of asset under construction)	Profit from sale	Yes
Ijarah (asset-based)	Sukuk-holders lease asset to obligor	Owners of leased asset	Rental of asset	By control of the asset
Musharakah (equity-based)	Sukuk holders and obligor are both capital providers and thus partners in venture	Owners of underlying asset of venture	Income generated from asset/venture	No
Mudharabah (equity-based)	Sukuk holders are capital providers to obligor in a business venture	Owners of underlying asset of venture	Income generated from asset/venture	No
Wakalah (agency-based)	Sukuk holders are principals/grantors; obligor is investment agent	Owners of investment undertaken by agent	Income generated from investment	No

Source: Securities Commission Malaysia, 2010: 23, AAOIFI.

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Source: Ernst & Young, 2013

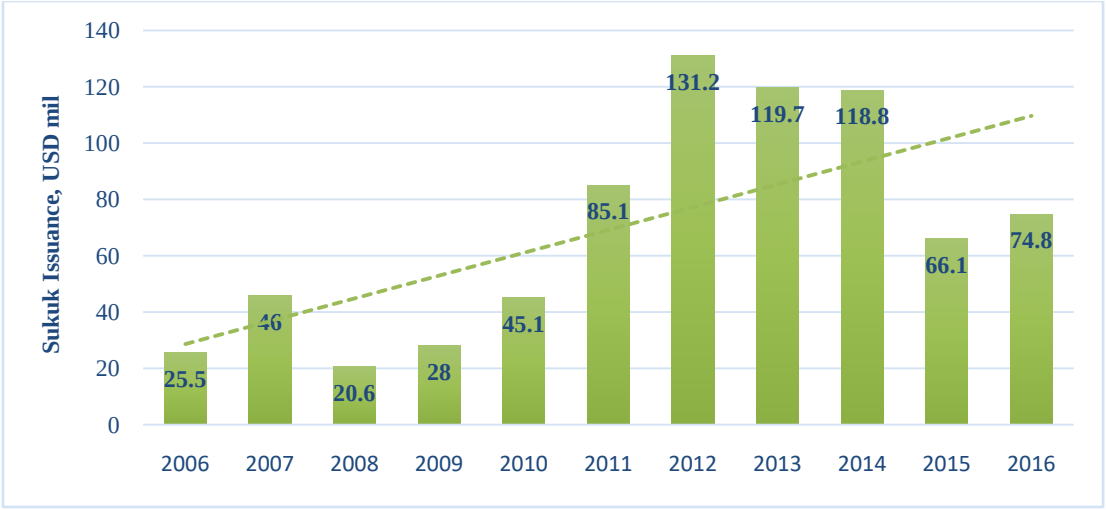
Figure 2: Global Sukuk Timeline, 1990 to Sept. 2012

Table 3: World's Historic Sukuk Issues

Year	Issuer	Highlight/ Feature	Amount (million)
1990	Shell MDS (BBA)	World's first ringgit *sukuk* issued by a foreign-owned, non- Islamic company	RM125 (USD33)
2001	Kumpulan Guthrie (Ijarah)	World's first global corporate *sukuk*	USD150
2002	Government of Malaysia (Ijarah)	World's first global sovereign *sukuk*	USD600
2003	International Finance Corporation	First ringgit *sukuk* issued by a supranational agency	RM500 (USD132)
2004	Cagamas MBS	World's first Islamic residential mortgage-backed securities	RM2,050 (USD540)
2005	PLUS	Complex and innovative structure, conversion of PLUS' existing debts into Islamic financing	RM9,170 (USD2860)
2006	Khazanah Nasional (Rafflesia Capital)	World's first exchangeable *sukuk*	USD750
2007	AEON Credit Services	First *sukuk* issued by Japanese-owned company	RM400 (USD125)
2007	Nucleus Avenue (Malakoff Corp)	World's first hybrid *sukuk*	(USD2,500)
2007	Khazanah Nasional (Cherating Capital)	Largest equity-linked *sukuk* issue and highest oversubscription rate	USD850
2007	Maybank	First international subordinated *sukuk*	USD300
2007	Binariang GSM	World's largest *sukuk* issue (at the time of issuance)	RM15,350 (USD4,800)
2010	Government of Malaysia	World's largest global sovereign *sukuk*	USD1,250
2010	Islamic Development Bank	First Emas Sukuk by a multilateral development institution.	USD500
2010	Khazanah Nasional	The largest and longest termed Singapore dollar-denominated 'Emas' Sukuk	SGD1.5 bil (RM3.6 bil)
2011	KhazanahNasional	World's first China renminbi-denominated 'Emas' Sukuk, World's First Offshore RMB Sukuk	RMB500 (RM246)
2012	PLUS	World's single largest Sukuk issuance	RM30.6 bil
2012	Khazanah Nasional	Exchangeable Sukuk that was first to be priced at negative yield and first Malaysian equity-linked deal since 2010	USD357.8

Source: RAM (2010), BNM & Securities Commission Malaysia (2012).

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Source: Thomson Reuters, MIFC (2016), IIFM Report 2016, ISRA, IFIS and Bloomberg.

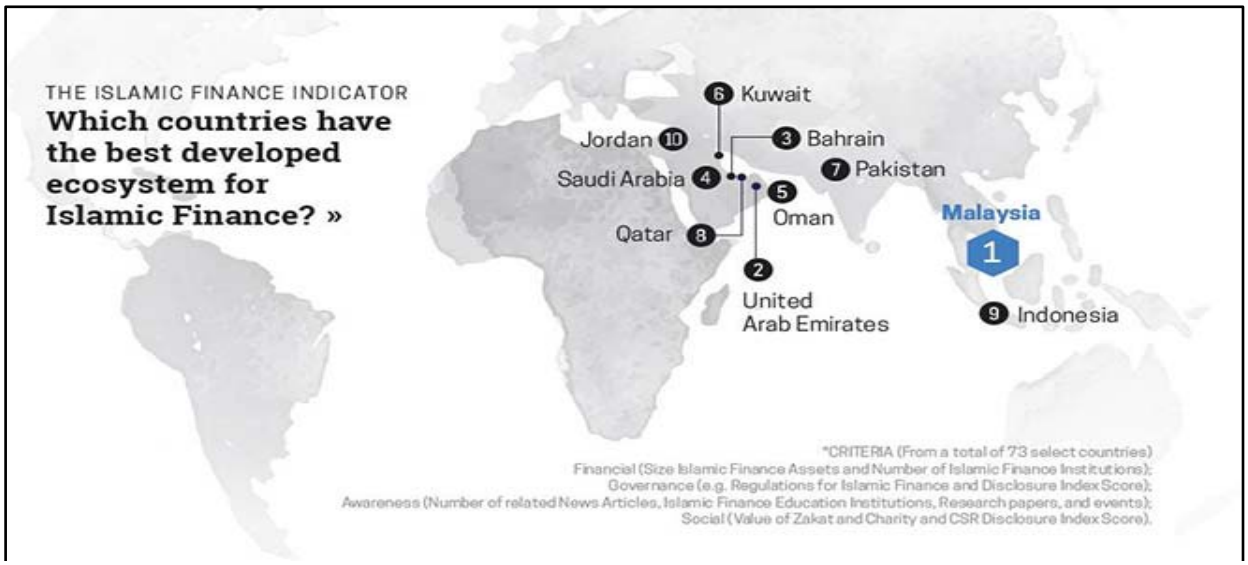
Figure 3: Global Sukuk Issuances

Notes: From Jan. 2001 – Dec. 2015, international sukuk issuance breakdown based on percentage of value (USD mil) is as folllows: UAE – 36.16%; Malaysia – 20.27%; Saudi Arabia – 15.60%; Qatar – 6.51%; Indonesia – 5.38%; Turkey – 3.84%; and Pakistan – 1.08%. The breakdown for domestic sukuk issuances with the same references as above are: Malaysia – 78.68%; Saudi Arabia – 5.86%; Indonesia -3.30%; Qatar – 2.21%; the UAE – 1.33%; Pakistan – 1.29%; Turkey – 0.88%; and Bangladesh – 0.01% Sukuk issuances by issuer-type: Sovereign – 53%; Corporate – 19.3%; Supra-national – 15.2%; Government-related entities – 12.5%

Table 4: Top Sukuk Markets in 2016

Jurisdiction	Malaysia	GCC Countries	Indonesia	Turkey
Issued amount & Global market share (%)	USD$34.7 bil 46.4%	USD$19.6 bil 26.2%	USD$7.4 bil 9.9%	USD$4.1 bil 5.5%
Top Sectors	1. Financial Services 2. Government 3. Power and utilities 4. Transportation	1. Financial Services 2. Government 3. Oil and Gas	1. Government 2. Financial Services 3. Industrial & Manufacturing	1. Financial Services 2. Government

Source: Thomson Reuters, MIFC estimates.



Source: State of the Global Islamic Economy 2016/2017 Report.

Figure 4: Top 10 Countries with the Best Developed Ecosystems for Islamic Finance

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Table 5: Global Aggregate Sukuk Issued by Sector, Jan. 1996 - Sept. 2012

Sector	No. of Issues	Amount Issued (USD millions)	Market Share (%)
Governmental Institutions	1,027	215,378	54.27
Financial Services	289	49,420	12.45
Transport	254	34,811	8.77
Power and Utilities	241	27,276	6.87
Real Estate	151	23,891	6.02
Construction	375	13,568	3.42
Oil and Gas	102	11,762	2.96
Telecommunications	66	6,437	1.62
Services	24	3,766	0.95
Conglomerate	12	2,628	0.66
Agriculture	78	2,168	0.55
Industrial Manufacturing	61	1,637	0.41
Leisure and Tourism	5	1,384	0.35
Consumer Goods	39	807	0.20
Food and Beverages	24	791	0.20
Health Care	19	468	0.12
Mining and Metals	10	460	0.12
Retail	9	101	0.03
Education	2	56	0.01
Information Technology (IT)	6	28	0.01
Grand Total	2,794	396,837	100

Source: Thomson Reuters, 2012.

Table 6: Total Issue and GDP Share by Sukuk Category, 2000-2009

Year	Domestic		Corporate Sukuk[1]		Sovereign Sukuk[2]	
	Total (RM Million)	Share to GDP (%)	Total (RM Million)	Share to GDP (%)	Total (RM Million)	Share to GDP (%)
2000	9,666	2.71	7,666	2.15	2,000	0.56
2001	15,306	4.27	13,501	3.77	1,805	0.50
2002	16,567	4.39	13,829	3.66	2,738	0.73
2003	9,872	2.47	8,143	2.04	1,729	0.43
2004	12,527	2.94	9,104	2.13	3,423	0.80
2005	13,537	3.01	9,537	2.12	4,000	0.89
2006	14,281	3.00	4,781	1.01	9,500	2.00
2007	22,127	4.37	12,127	2.40	10,000	1.97
2008	23,968	4.52	7,468	1.41	16,500	3.11
2009	32,285	6.20	3,785	0.73	28,500	5.47

Source: IFIS and BNM.

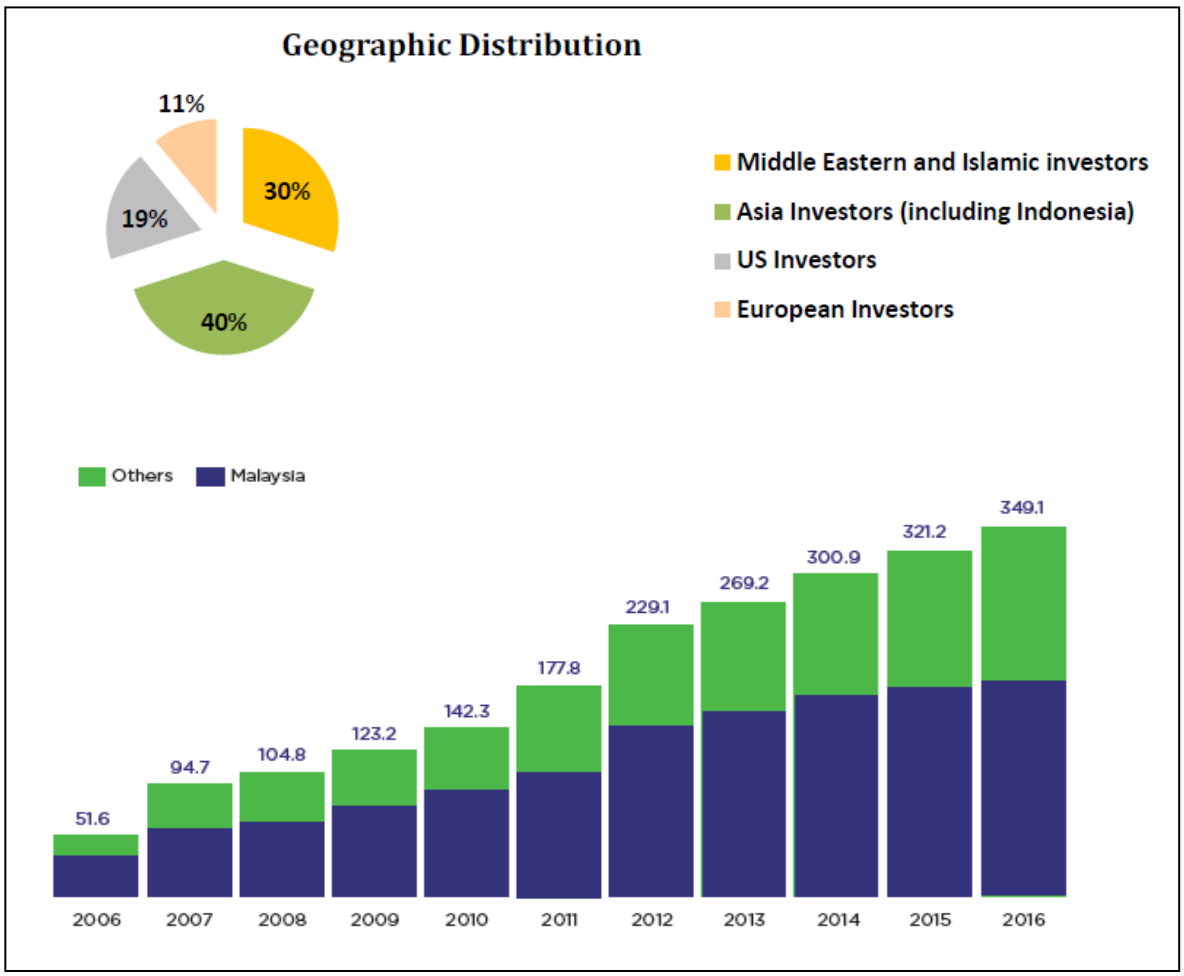
Notes: 1. Excluding the issuance from Cagamas and Khazanah. 2. Government Investment Issues (GI) and Malaysian Islamic Treasury Bills (MITB).

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Table 7: Number of Sukuk Issuers in Malaysia, 2001-2009

Year	Amount (RM million)	All	Listed Firms	Financial Firms	Non-Financial Firms
2001	18,922.1	31	5	0	31
2002	17,639.96	27	8	1	26
2003	12,048	26	6	0	26
2004	15,361.3	45	13	2	43
2005	43,317	60	22	4	56
2006	39,954	46	17	5	41
2007	121,002.24	41	14	3	38
2008	43,234	37	5	3	34
2009	38,955	10	2	1	9
Total	RM350,433.6	323	92	19	304

Source: Securities Commission Malaysia (SC).



Source: Thomson Reuters, MIFC estimates (2016).

Figure 5: Global Sukuk Outstanding (USD billion)

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Analyse Des Determinants De La Decision D'auto-Emploi Au Cameroun

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Abstract- The objective of this paper is to take out again determinants of the self-employment decision in Cameroon. From a sample of 23629 individuals, a model of qualitative choice was estimated. We notice that variables such as age, sex, school level, marital status influence the decision of self-employment. The lives' place modifies significantly the decision of self-employment. The really incentive measures, in the dynamic economic zones will allow to increase the employment by the creation and increasing of self-employment.

Keywords: *self-employment decision, economy dynamic.*

GJHSS-E Classification: *FOR Code: 149999*



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Analyse Des Determinants De La Decision D'auto-Emploi Au Cameroun

Tékam Oumbé Honoré [α], Ndjanyou Laurent [σ] & Mba Fokwa Arsène [ρ]

Abstract- **The objective of this paper is to take out again determinants of the self-employment decision in Cameroon. From a sample of 23629 individuals, a model of qualitative choice was estimated. We notice that variables such as age, sex, school level, marital status influence the decision of self-employment. The lives' place modifies significantly the decision of self-employment. The really incentive measures, in the dynamic economic zones will allow to increase the employment by the creation and increasing of self-employment.**

Keywords: self-employment decision, economy dynamic.
Mots clés: décision d'auto-emploi, déterminants d'auto-emploi, dynamisme économique.

I. Introduction

Travailler à son propre compte constitue aujourd'hui une réponse non négligeable au chômage. Cependant, cette réponse au chômage ne saurait être efficace si la décision de travailler à son propre compte n'est pas le résultat d'une volonté entrepreneuriale. Les études de Phélinas (2014) et de Gindling et al. (2014) montrent que l'auto-emploi[1] diffère selon qu'on l'apprécie en fonction de la qualité de l'emploi ou en fonction du dynamisme[2] de l'économie.

L'auto-emploi est un phénomène très répandu dans les pays en développement. Il regroupe les personnes qui travaillent seules ou dans des entreprises familiales en tant que chef d'entreprise. L'importance relative de l'emploi indépendant a souvent été interprétée comme un signe de mauvaise qualité des emplois. Ceci parce que le non-salariat est fréquemment perçu comme un refuge pour les travailleurs qui ne disposent pas des qualifications requises par les segments les plus attrayants du marché du travail, ou pour ceux qui les possèdent mais qui attendent que des emplois salariés se créent ou se libèrent.

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[1] L'Institut National de la Statistique le définit comme un emploi où seul le promoteur travaille.
[2] Ce dynamisme est reconnu par les la présence d'infrastructures développés et l'augmentation des startups (Sorenson, 2017).

Dans cette perspective, l'emploi indépendant ne serait pas tant la marque d'une prédisposition à la création d'entreprise que l'expression de l'inaccessibilité des emplois salariés. Or, l'auto-emploi n'est pas toujours le résultat d'une inhabilité à occuper un emploi salarié dans le secteur formel ou encore de barrières à l'accès à ces emplois (Fajnzylber, Maloney, Montes Rojas, 2006). Développer sa propre affaire peut être le choix de celles et ceux qui préfèrent être leur propre patron, et/ou ont besoin de combiner leurs activités professionnelles avec leurs activités domestiques.Les caractéristiques de l'auto-emploi, sa souplesse horaire notamment, sont recherchées par certains travailleurs.

Concernant le dynamisme de l'économie, certaines régions ou villes produisent plus d'auto-emplois que d'autres, et avec eux, plus d'emploi et de croissance économique (Reynolds et al. 1994; Fritsch etStorey, 2014). Plusieurs études se sont penchées sur l'auto-emploi pour l'apprécier comme une conséquence des dissimilarités des régions en termes de facteurs de production, de facilités de financement, du capital humain et intellectuel. Dans les pays en développement, l'auto-emploi a plus fait l'objet d'une évaluation de la qualité des emplois, il n'a pas été suffisamment exploré comme palliatif au problème de chômage, d'où la non-prise en compte du comportement migrateur des populations au sein des zones rurale ou urbaine d'un pays ou d'une région. Les régions plus développées en startups engendrent des zones économiques qui favorisent l'émergence des futurs auto-emplois (Sorenson et Audia, 2000).

Certains auteurs pensent que la propension à s'auto-employer résulte plus des influences culturelles, les croyances et les normes des résidents d'une région (Bathelt et Gluckler,2014; Spigel, 2017). D'autres analyses ayant fait l'objet d'évaluation empirique se sont focalisées sur la capacité des personnes qui s'auto-emploient à intégrerles éléments clés du lieu de résidence que sont les signaux d'informations des attitudes et pratiques locales(Bosma etSchutjens, 2011). En faisant une analyse basée sur la zone économique, Kibler et al. (2014) précise que loin de l'idée de l'influence de la culture d'une communauté, l'auto-emploi est une émergence endogène de l'organisation démographique d'un milieu donné. Pour lui, les régions riches en infrastructures et en startups produisent plus d'auto-emploi que de grandes entreprises. Ces régions créent un climat des affaires qui légitimise d'un point de

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vue sociologique l'entrepreneuriat et fournissent les infrastructures qui réduisent les coûts de l'initiative entrepreneuriale. Ainsi, les régions riches en startups engendrent un écosystème qui favorise l'émergence des futurs auto-emplois (Sorenson et Audia, 2000). Spigel (2017) ressort les limites des idées ci-dessus en se demandant la provenance des premières startups et le rôle joué par les grandes entreprises existantes sur la création de ces auto-emplois. Stuart et Sorenson (2003), Feldman et al. (2005) pensent que cette situation peut être le résultat des circonstances de chômage, de recherche de financement. Dahl etSorenson (2010) pensent que des innovations idéologique et technologique peuvent créer une euphorie autour des nouveaux auto-emplois, lesquels auto-emplois, s'ils sont en nombre important peuvent créer une masse critiquetransformant une zone en zone dynamique (à infrastructures développées).

Sorenson (2017) poursuit en disant que ces zones dynamiques deviennent des lieux d'expansion des entreprises et regorgent ainsi de plus en plus de ressources et de talents qui y résident.

D'après l'INS [3] (2016), 86% de ceux qui détiennent des unités de production informelles sont auto-employés contre 8,3% de non salarial, 4,4% de salarial et 1,3% de mixte.D'après Phélinas (2014), la part de l'auto-emploi dans l'emploi total diminue avec le PIB par tête dans les pays en développement. Au Cameroun, il ressort de l'Institut National de la Statistique (2016) que 582319 personnes ont un emploi salarié sur une population active de 13 millions mais seulement environ 11% de personnes souhaitent créer leur propre affaire. Un tel pourcentage impacterait-il significativement sur le chômage? Au regard de cette faible auto-employabilité des camerounais, on se demande si le dynamisme d'une zone économique, de par les incitations qu'elle offrirait, ne boosterait pas l'auto-emploi? Cette faible auto-employabilité est-elle due à une capacité intellectuelle ou financière réduite des camerounais? Ou alors à un manque de dynamisme économique de certains lieux de résidence contrairement à d'autres? Pour Sorenson (2017), le lieu de résidence est un endroit où on vit dans une zone ou ville sur un territoire donné depuis au moins un an, il peut être urbain ou dynamique, comportant des infrastructures développées ou alors rural ou non dynamique si les infrastructures sont moins développées ou inexistantes.

Cet article se propose de vérifier les facteurs qui influencent la décision d'auto-emploi.A la suite de la présente introduction, suivront la littérature qui analyse la réflexion menée de front par les précédents travaux sur la relation entre plusieurs facteurs et la création des auto-emplois, la méthodologie nous conduira à mieux ressortir l'influence de ces facteurs sur la décision d'auto-emploi, les résultats nous permettrons de faire des analyses dans le contexte camerounais puis une conclusion pour déduire les conséquences réelles sur la création des auto-emplois.

II. Revue De La Littérature

a) Revue de la littérature théorique

Deux approches principales permettent d'évaluer la décision d'auto-emploi [4] à savoir l'auto-emploi comme aspect de la qualité de l'emploi et l'auto-emploi comme résultat du dynamisme [5] d'une zone économique qui attire des résidents.

Dans un premier temps, à côté du clivage formel/informel, le clivage salariat/auto-emploi permet d'apprécier la qualité de l'emploi(Marcouiller, Ruiz de Casilla, Woodruff, 1997, Henley, Arabsheibani, Carneiro, 2009).

En outre, les discriminations à l'accès aux emplois publics ou privés et les écarts de salaires entre les secteurs privés et publics ou les différences dans les promotions des carrières, entre les femmes et les hommes ou selon l'origine ethno-raciale sont des raisons qui poussent certains à s'auto-employer (Fougère et Pouget, 2003; Bargain et Melly, 2008; Berson, 2009; Lanfranchi et al. 2009; Beffy et Kamionka, 2010; Bereni et al. 2011; Meurs et al. 2015). Cette analyse souligne, dans la lignée des premières analyses faites aux Etats-Unis par Long (1975 et 1976), que la partie inexpliquée des écarts entre les groupes minoritaires et majoritaires, traditionnellement assimilée à des discriminations, est moins importante dans le public que dans le secteur privé. Cela suggère que les opportunités de carrières salariales sont moins défavorables dans le public que dans le privé pour les personnes potentiellement discriminées qui se retournent vers l'auto-emploi. En outre, les agents du public n'ont pas les mêmes caractéristiques que les salariés du privé et les écarts de salaires sont plus faibles lorsque l'on prend en compte ces différences.

S'il est acquis que les emplois dans le secteur informel sont, en moyenne, moins bien payés que dans le secteur formel, on y observe néanmoins une plus grande dispersion des rémunérations imputable au caractère très composite de ce secteur et au large éventail de productivité qui le caractérise (Fields, 1990; Perry et al., 2007; Maloney, 2004; Falco et al., 2011). Comment, dès lors, comparer les travailleurs qui gagnent un salaire minime dans le secteur formel et ceux qui, bien que sans contrat de travail et/ou sans accès à un mécanisme de protection sociale, gagnent des revenus qui, d'une certaine manière, compensent cette absence de formalité ?

[3] Institut National de la Statistique

[4] C'est-à-dire travailler à son propre compte.

[5] Présence des infrastructures, des entreprises et si possible d'autres startups.

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Phélinas (2014) réitère que la qualité de l'emploi peut aussi être appréhendé par la décision d'auto-emploi, ce qui passe par un examen du statut du travailleur qui l'occupe.

Pourtant, les études empiriques reliant rémunération et statut de l'emploidans les pays en développement suggèrent clairement que l'auto-emploi est loin d'être une situation de second rang comparée à la plupart des conditions de rémunération des salariés. En réalité, on observe une grande hétérogénéité des rétributions parmi les personnes auto-employées (Cunningham, Maloney, 2001; Günther, Launov, 2012; Gindling, Newhouse, 2014). Ces inégalités de revenus du travail sont imputables, d'une part, au large éventail des qualifications des travailleurs et, d'autre part, à l'immense gamme d'activités économiques que développent les personnes auto-employées.

Deuxièmement, les analyses plus récentes mettent en exergue le dynamisme ou le caractère urbain d'un lieu de résidence comme facteur déterminant de l'auto-emploi. Ces analyses plus récentes prennent leur fondement dans les travaux de Weber, (1928); Isard, (1949); Greenhut, (1956) qui se demandent pourquoi les résidents de certaines zones deviennent plus riches que ceux d'autres zones? Les premières recherches sur cette question se sont focalisées sur l'importance de la grande transformation, les coûts de transport et la proximité des ressources naturelles comme réponse potentielle à cette question.Mais comme les technologies de pointe, les informations sur les biens et les services sont devenus plus importantes dans une économie. L'expression de la prospérité économique s'est alors évaluéeen fonction des idées, des information set des avantages que le producteur accroit lorsqu'il y a production(Marshall, 1922; Storper et Walker, 1989; Porter, 1990).

On peut alors résumer les principaux déterminants de l'auto-emploipar les travaux de (Bathelt et Gluckler, 2014; Spigel, 2017) pour qui l'auto-emploi est la résultante des influences culturelles donnant lieu à un certain climat des affaires. Bosma et Schutjens (2011); Kibler et al. (2014) pensent que l'auto-emploi découle d'une bonne gestion des informations du milieu dans lequel on se trouve. Meurs et al. (2015) précise que loin de l'idée de l'influence de la culture d'une communauté, l'auto-emploi est une émergence endogène de l'organisation démographique (âge, sexe, le lieu de résidence, la taille de la population) d'un milieu donné. Sorenson etAudia (2000) ont pour point de vue que la présence d'autres startups et des infrastructures développées propulsent les auto-emplois. Stuart et Sorenson (2003) disent que l'auto-emploi est le résultat des circonstances de chômageet de recherche de financement. (Dahl etSorenson, 2010) pensent que des innovations idéologique et technologique sont à la source des auto-emplois. Spigel (2017) poursuit en disant que l'auto-emploi est plus lié à l'individu qui entreprend et dépend de son capital humain, de son lieu de résidence et de ses caractéristiques dans le ménage.

Gobillon et al (2012) ontquestionné le travail des personnes non employées en se demandant si elles bénéficiaientd'une résidence dans une zone urbaine ou dotée d'infrastructures développées[6] pour la création de leurs emplois. Plus tardCizkowickz et al (2016), Sorenson (2017) ont ressorti les mécanismes par lesquelsla résidence dans uneZone Economique dynamique ou Spéciale peut influencer la création des auto-emplois.Les mécanismes par lesquelsla résidence dans uneZone Economique Spéciale (ZES) régionaleinfluence la décision d'auto-emploi peuvent être décomposés en quatre. Premièrement[7]: les effets de motivations des ZES sur les décisions du public d'investir et créer ou conserver l'emploi dans le territoire où se trouve la ZES; deuxièmement les effets induits[8]: les effets induits par le fonctionnement d'entreprises basées non seulement (géographiquement ou administrativement) dans une ZES mais à l'extérieur du territoire de la zone elle-même.Ces effets peuvent être attribués à un certain nombre de processus économiques qui peuvent avoir un effet positif et un effet négatif sur la performance économique globale de la région. D'une part, les effets induits peuvent inclure le regroupement d'entreprises semblables et l'intégration verticale. D'autre part, les entreprises basées dans une ZES peuvent évincer des sociétés existantes ou empêcher la création des auto-emplois.Troisièmement, les effets dans l'espace induits: extérieurs à régions voisines.Ces effets induits pourraient, en principe, prendre les mêmes formes que les effets induits dans la région de désignation de la ZES, mais se réaliser à l'extérieur de cette région. Les exemples incluent des salariés d'embauche de l'extérieur de la région d'accueil. Quatrièmement les inductions inverses: les auto-emplois créés dans des régions voisines au ZES peuvent être influencéspar la désignation économique d'une autre zone; ainsi, quelques effets induits (de nouveaux positif et négatif) des régions voisines à la région classée ZES pourraient arriver et favoriser des nouveaux auto-emplois.

Au total, la dichotomiequalité de l'emploi/zone économique dynamique apparaîtappropriée pour ressortir les effets du lieu de résidence dans les décisions d'auto-emploi. Les disparités spatiales

[6] Gobillon et al. (2012) ont appelé ces zones à infrastructures développées et présence des startups Zones Economiques Spéciales (ZES). Pourtant Sorenson (2017) a appelé ces zones économiques à infrastructures développées Zones Economiques Dynamiques.

[7] Création d'un pôle emploi.

[8] Favoriser l'implantation des entreprises à activités complémentaire et mettre les barrières à l'entrée de nouvelles entreprises similaires.

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desconditions de travail plaident pour un usage mesuré de l'informalité et du statut des travailleurs comme indicateur robuste déterminant la décision d'auto-emploi. Plusieurs éléments sont retenus comme pouvant influencer la décision d'auto-emploi, on peut citer ici entre autres pour l'essentiel, le milieu de résidence lui-même transcrivant la culture du milieu, le niveau de développement de la localité concerné, la présence d'autres entreprises et de startups, le capital humain, les caractéristiques démographiques telles que l'âge et le sexe.

b) Revue des travaux empiriques

Dans cette sous-section, nous étudions quelques travaux empiriques qui pourront nous permettre de mieux comprendre les déterminants du choix de l'auto-emploi.

Les issues plus récentes sur les sources des avantages régionaux, plus que jamais, ont donné des éclaircissements sur la décision d'auto-emploi (Saxenian, 1994; Delgado et al., 2010; Stam, 2015). Comme noté plus haut dans la partie théorique, les régions diffèrent significativement par le niveau de leur dynamisme économique (Fritsch et Storey, 2014). Reynolds et al. (1994) montrent que dans la zone Euro, les pays qui ont des régions entrepreneuriales plus urbanisées créent trois à quatre fois plus de startups par an que les régions entrepreneuriales moins développées. Ces différences régionales ressortent mieux lorsqu'on compare les taux de création des plus petites unités de production et en se focalisant sur les firmes naissantes des secteurs industriels particuliers. Ainsi, les entreprises qui génèrent souvent plus d'auto-emploi sont des secteurs de la fabrication des chaussures (Sorenson etAudia, 2000), de la biotechnologie (Stuart etSorenson 2003), de l'automobile (Boschma et Wenting, 2007; Klepper, 2010) des jeux vidéos (De Vaan et al., 2013).

Ces différences régionales se posent parce que l'entrepreneuriat apparaît comme un moteur de création d'auto-emploi. Certaines recherches relatent la disproportion dans la création des auto-emplois aux Etats-Unis (Haltiwanger et al., 2013), de même que dans une douzaine d'autres pays d'Amérique (Ayyagari et al., 2014; De Wit et De Kok, 2014; Lawless, 2014).Avec très peu de surprise, cette connexion entre l'auto-emploi et le dynamisme économique a été fortement démontrée lorsqu'on ne se focalise sur des affaires à portée locale, telle que les restaurants et le commerce de détail, mais plutôt sur une fabrication ou un service qui peut être vendu aux acheteurs hors de la localité (Wong et al., 2005). Samila etSorenson (2011), ont montré que la petite proportion des auto-emplois créés par l'accompagnement financiera significativement contribué à la création des emplois et à la croissance aux Etats-Unis dans les années 90.

Boutin (2010) montre que les habitants du milieu rural ont nettement plus de chances d'accéder à un emploi que ceux du milieu urbain. Ce qui vient confirmer l'étude de Cissé (2005) au Sénégal qui soutient que les individus qui habitent dans les zones urbaines courent plus de risques de chômage que ceux des zones rurales. Adair et al. (2007) montre par contre qu'à Bejaia (Algérie) le fait de vivre en milieu urbain accroit la probabilité de trouver un emploi salarié dans le secteur formel ou de s'auto-employer.

En appliquant la segmentation « public, privé formel, informel », Nordman et Doumer (2012) montrent une nette corrélation entre le niveau d'éducation et l'auto-emploi dans les capitales de l'UEMOA : dans l'ensemble des sept villes étudiées, 91% des individus n'ayant pas achevé leur cycle primaire travaillent dans l'informel; cette proportion est de 75% pour ceux qui ont un niveau primaire, 50% pour ceux qui ont complété leur cycle moyen et seulement 19% pour les individus qui ont effectué des études supérieures. A partir d'un modèle logit multinomial, les auteurs montrent qu'une année d'étude supplémentaire augmente plus les chances d'intégrer le public et le privé formel que de travailler à son propre compte.

En dépit de la contribution des auto-emplois à la croissance, les recherches sur les raisons pour lesquelles certaines zones produisent plus d'auto-emploi que d'autres ont été faites avec des limites. Beaucoup de ces failles proviennent de la non-prise en compte du capital humain, du capital financier, de l'accès aux infrastructures adéquates, tous nécessaires à la création d'un environnement favorable à l'auto-emploi.

Dans la recherche sur des potentiels effets externes de la résidence dans des Zones Economiques Spéciales, quelques études empiriques indiquent des effets externes positifs tels que la création des auto-emplois (par exempleGorg et Strobl, 2001; Haskel et al., 2002), tandis que d'autres auteurs ont identifié des effets externes négatifs (par exempleAitken et Harrison, 1999; Djankov et Hoekman, 2000) et tout de même d'autres ne trouvent aucun du tout (par exemple, Kokko et al., 1996). Gorg etStrobl (2001) suggèrent que les différences des résultats obtenus puissent être en partie dues au cadre théorique d'analyse. D'autres auteurs indiquent que l'ampleur des effets externes positifs peut dépendre de beaucoup de variables, comme le niveau de capital humain dans la région (Borensztein et al., 1998), l'écart technologique entre les entreprises domestiques et étrangères (Havranek et Irsova, 2011) ou la compétitivité de marché local (Blomstrom et al., 2000).

On comprend alors que le lieu de résidence réagit sur la décision d'auto-emploi comme le produit de sa dimension naturelle parce qu'il regorge de certaines ressources et sa dimension culturelle parce

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qu'il s'y développe un ensemble de pratiques et de savoirs-faires pouvant encourager l'auto-emploi.

c) Faits stylisés

Dans le cadre de l'Union Européenne, des investigations menées par Cizkowiczet al. (2016) ont permis de ressortir les faits suivant:

i. Les zones urbainement aménagées sont attrayantes pour les entreprises nouvelles et les travailleurs autonomes. Par exemple en 2012 et pour la Pologne, on a pu compter 1430 travailleurs autonomes situés dans les différentes zones urbainement aménagées. Cependant, les emplois créés par les entreprises nouvelles dans ces zones ont rapidement grimpé et sont passés de 61000 en 2003 à 247000 en 2012, ce qui indique une forte attractivité de ces zones et la volonté du gouvernement de les utiliser comme un outil de développement.
ii. Par ailleurs, le développement des zones attractives urbainement aménagées a été accompagné par un accroissement des investissements étrangers dans l'Union Européenne. En 2012, 81% du stock de capital dans les zones aménagées provenait des investissements directs étrangers, et 19% du capital était domestique. Par Exemple, la Pologne avait accueilli sur son total d'investissement étranger, 16% du capital en provenance de l'Allemagne, 12% du capital en provenance de l'Amérique, 11% du capital en provenance de la Nouvelle Zélande. A la différence de la Pologne, ces pays sont des pays très évolués technologiquement.

Dans une étude portant sur l'emploi des jeunes en Afrique Subsaharienne, publiée par la Banque mondiale en collaboration avec l'agence française de développement, réalisé par Deon et al. (2014) ont fait un certain nombre de constats dont les faits à propos de la distribution des emplois sont les suivants:

Les trois principaux secteurs d'emploi:

L'agriculture est le secteur qui concentre la grande majorité des emplois en Afrique subsaharienne. L'agriculture occupe plus de 70 % de la population active des pays à faible revenu et plus de 50 % dans les pays à revenu intermédiaire, tranche inférieure d'Afrique. Les agriculteurs africains sont essentiellement des petits exploitants qui consomment une grande partie de ce qu'ils produisent. Selon des récentes données d'enquêtes de ménages, on estime que la part de l'autoconsommation est de l'ordre de 50 % (contre 20-30 % en dehors de l'Afrique subsaharienne).

Les entreprises individuelles ne sont pas formellement constituées en société, mais sont des entreprises non agricoles appartenant aux ménages. Elles comprennent des travailleurs autonomes qui gèrent des entreprises qui embauchent parfois des membres de la famille, sans rémunération, mais peuvent également employer de façon permanente jusqu'à cinq employés non membres de la famille.

La grande majorité (70 %) des entreprises non agricoles aujourd'huirelèvent purement de l'auto-emploi (seul le propriétaire travaille dans l'entreprise individuelle) dont 65% se trouvent en ville ou dans des zones bien aménagées. Près de 20 % de ces entreprises comprennent un autre membre de la famille, et seuls 10 % embauchent une personne extérieure à la famille.

Au Cameroun et particulièrement pour la principale structure en charge de l'accompagnement dans la recherche des emplois à savoir le Fonds National de l'Emploi (FNE, 2018), 128498 emplois ont été créés depuis sa naissance, parmi lesquels 70500 auto-emplois dont plus de la moitié dans les zones urbaines.

III. Methodologie

Les analyses ont porté essentiellement sur les ménages typés selon certaines de leurs caractéristiques (lieu de résidence[9] urbain ou rural, situation d'activité du chef du ménage, présence d'au moins un enfant dans le ménage), mais aussi et surtout sur les individus actifs. Ce qui a permis de retenir au total 23629 individus dans les régions du Centre, Littoral et Ouest qui sont les plus peuplées.

Nous appuyant sur les travaux de Spigel (2017), nous faisons une analyse qui implique l'estimation des modèles à choix qualitatifs[10]. Ces derniers ont pour objectif de calculer le niveau de chance accordé à la réalisation d'un évènement.Pour capter l'auto-emploi, un modèle d'auto-emploi sera estimé pour les occupés avec des variables liées aux caractéristiques démographiques de l'individu (âge, situation matrimoniale, milieu de résidence), au capital humain (diplôme le plus élevé, alphabétisation, formation professionnelle) et à la taille du ménage.

Les données sur les individus actifs d'ECAM (Enquête Camerounaise sur les Ménage) qui respectent les caractéristiques sus mentionnées (lieu de résidence, situation d'activité du chef du ménage, présence d'au moins un enfant dans le ménage) permettent de calculer laprobabilité pour un individu de choisir une option particulière parmi un ensemble de possibilités qui lui sont offertes (s'auto-employer ou pas). Dans notre étude, l'échantillon considéré est constitué de ménages dont le chef, âgé de 15 à 64 ans a déclaré avoir travaillé pendant au moins les douze mois qui ont

[9] Pour Sorenson (2017), le lieu de résidence est un endroit où on vit dans une zone ou ville sur un territoire donné depuis au moins un an, il peut être urbain ou dynamique, comportant des infrastructures développées ou alors rural ou non dynamique si les infrastructures sont moins développées ou inexistantes (Meka'a, 2011, Sorenson, 2017).

[10] Choisir de travailler à son propre compte ou pas.

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précédé l'enquête, et qui est actif occupé au moment de l'enquête. Ces chefs de ménages constitueront nos unités statistiques. Dans ce cas, la décision du chef de ménage de choisir de s'auto-employer ou non dépend d'un ensemble de caractéristiques monétaires et non monétaires.

Les prolongements du dualisme (Fields, 2011; Lautier, 1994) et les approches structuralistes (Moser, 1978; Portes et al., 1989) font du marché du travail informel (la plupart des auto-emplois au Cameroun se trouvant dans le secteur informel) un secteur lié à la faiblesse des revenus. D'autres approches notamment l'approche légaliste[11] et concurrentielle[12] font du secteur informel un secteur lié aux meilleurs revenus dus à l'exclusion du système d'imposition. Dans notre échantillon, le revenu n'est observé que pour les actifs occupés des différents secteurs. Et donc nous ne disposons d'aucune information sur le niveau de revenus de l'actif informel s'il était employé dans le secteur moderne. Comme ces actifs informels ne se répartissent pas aléatoirement et uniformément dans la population, il est possible qu'ils possèdent des caractéristiques non observables qui seraient positivement (ou négativement) corrélées avec leur revenu. Heckman (1979)[13] a proposé une procédure en deux étapes qui résout ce problème à l'aide de la forme structurelle du modèle Probit[14]. Donc il sera question d'estimer le modèle probit sous forme réduite et le modèle probit sous forme structurelle.

L'auto-emploi y_i est la décision de travailler à son propre compte (Phélinas, 2014), ilest représentée par une variable binaire prenant la valeur 1 si l'actif est à son propre compte et 0 s'il travaille pour autrui). Nous définissons une variable latente non observée y_i^* telle que:

$$y_i^* = \gamma + \alpha' X_i + \beta' Z_i + \mu' W_i + \varepsilon'_i$$

Où y_i représente la décision de travailler à son propre compte; X_i , Z_i et W_i représentent respectivement les caractéristiques démographiques (âge, âge au carré, sexe et lieu de résidence), celles liées au capital humain (différents niveaux scolaires à savoir primaire, secondaire général et technique, supérieur et formation professionnelle) et celles liées au ménage (taille du ménage, statut matrimonial, revenu espéré). Par l'âge, nous voulons savoir si les jeunes sont plus enclin à s'auto-employer que les vieux; l'âge élevé au carré permet de ressortir le cas échéant l'effet inverse à partir d'un certain âge (Piore et Sabel, 1984; Becattini, 1990). Par le sexe, nous voulons savoir s'il existe un lien entre le sexe et la décision d'auto-emploi (Kliber et al., 2014).Par le lieu de résidence, nous voulons savoir si en milieu rural, les opportunités d'auto-emploi sont moins exploitées qu'en milieu urbain (Meurs et al;, 2015). Le capital humain, ici mesuré par le niveau d'instruction et le type de formation, est un facteur déterminant et favorable à l'auto-emploi (Sorenson, 2017). Les caractéristiques du ménage sont aussi déterminantes en cas de décision d'auto-emploi. En effet, un ménage de forte taille, où les parents sont officiellement engagés avec des revenus faibles poussera l'un ou tous les parents à s'auto-employer ou à développer la profession libérale (Cizkowicz et al. , 2016; Sorenson 2017). Nous allons dans la section qui suit estimer les caractéristiques des emplois et estimer les déterminants de l'auto-emploi.

IV. Presentation Des Resultats

Après une caractérisation des emplois et une mise en exergue de la proportion de ceux qui essayent de travailler à leur propre compte (auto-emploi), il sera question d'estimer les différentes variables qui influencent la décision d'auto-emploi.

a) Caractéristiques des emplois

Nous allons nous intéresser dans cette partie aux actifs occupés en étudiant les caractéristiques de leurs emplois. Nous analysons successivement la répartition des actifs occupés entre les différents secteurs institutionnels et catégories socio professionnelles ainsi que la dispersion des revenus tirés du travail.

- Secteurs des emplois

Pour mieux approfondir l'étude sur le marché du travail, il est important de prendre en compte la segmentation au sein de ce marché. Dans la présente étude (figure 1 ci-dessous), nous considérons les quatre segments qui sont en général les plus utilisés: secteur public, secteur privé formel, secteur informel et secteur agricole. Le secteur agricole emploie la plus grande partie de la main d'œuvre (44, 9%), suivi de l'informel (42, 2%). Les secteurs public et privé formel occupent de faibles proportions d'employés estimées respectivement à 4, 3% et 8, 2%.La population active au

[11] Il y a une difficulté à imposer efficacement des taxes sur des entreprises du secteur informel car les propriétaires ont la possibilité de retenir beaucoup d'informations sur leur activité, une réelle comptabilité n'étant pas imposée.

[12] N'étant pas soumises aux mêmes contraintes que les entreprises formelles, les entreprises du secteur informel font une concurrence déloyale à celles du secteur formel.

[13] Bien que ce modèle soit de 1979, il est adapté à ce travail car il permet de corriger le biais de sélection dû à la provenance de plusieurs expressions d'une même variable dans le modèle. Par exemple, plusieurs expressions du capital humain à savoir les niveaux scolaires primaire, secondaire et tertiaire.

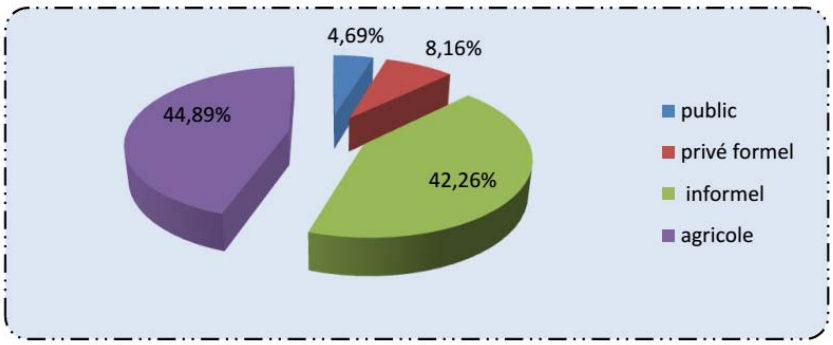
[14] L'extension vers un modèle à plusieurs variable (régression multiple), qui cadre avec notre recherche est le suivant :

$$P(Y \mid X_1 X_2 \ldots X_5) = \frac{\exp\{(\alpha + \sum \beta i Xi)\}}{1 + \exp\{(\alpha + \sum \beta i Xi)\}}$$

A chaque variable Xi est associé un coefficient βi mesurant l'association entre Y et Xi.

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Cameroun est essentiellement agricole, ce secteur agricole est très peu structuré avec une majorité des unités de production informelles. Le secteur informel étant aussi assez vaste regorge la plupart des auto-emplois, une petite partie de ceux-ci étant comprise dans le secteur privé formel. Donc à part le secteur agricole, il y a un fort potentiel des auto-emplois dans le secteur informel qui est grandement représenté dans les villes par des petites unités de production et de transformation.

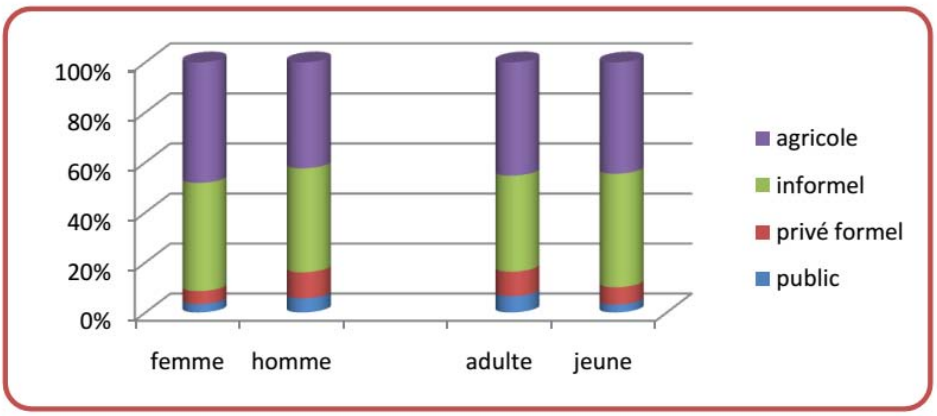


Source: Auteurs à partir des données d'ECAM

Figure 1: Secteurs des emplois

➢ La répartition des hommes et des femmes suivant le secteur d'activité

De la figure 2 ci-dessous on déduit que la répartition des hommes et des femmes suivant le secteur d'activité montre que la part des hommes ayant un emploi dans le public et le privé formel est supérieure à celle des femmes dans ces secteurs. En effet 5, 7% et 10, 4% des hommes travaillent respectivement dans le public et dans le privé formel contre 3.4% et 5.2% des femmes. En revanche la proportion des femmes dans les deux autres secteurs dépasse celle des hommes, particulièrement dans le secteur agricole qui emploie près de la moitié des femmes (48.2%) contre 42.4% des hommes. L'analyse suivant l'âge montre que les proportions des jeunes dans le public et le privé formel sont plus faibles que celles des adultes. Ces deux proportions sont presque identiques dans le secteur agricole. La part des jeunes dans l'informel est supérieure à celle des adultes. On comprend que le chômage touche plus les jeunes, ces jeunes se reconvertissent dans le secteur agricole et le secteur privé informel par des auto-emplois. On constate que le secteur agricole regorge plus de femmes adulte alors que le secteur informel regorge plus de jeunes hommes. Ceci se comprend bien parce que la majorité des unités de production informelles se trouvent dans les centres urbains et nécessitent plus de contraintes que les unités agricoles pour être mises sur pieds.



Source: Auteurs à partir des données d'ECAM

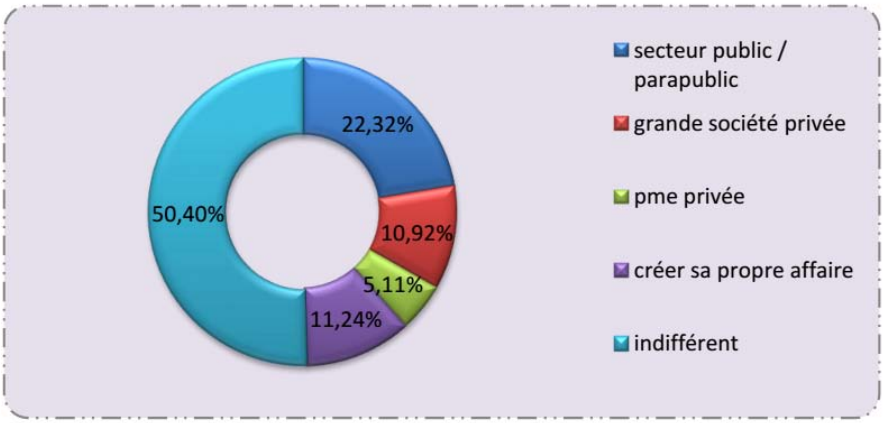
Figure 2: La répartition des hommes et des femmes suivant le secteur d'activité

➢ Secteur principal de recherche d'emploi

A partir de la figure 3 ci-dessous, nous faisons l'analyse suivante: dans leur processus de recherche d'emploi, un chômeur sur deux ne vise pas un secteur particulier. Cependant, 22, 32% de personnes souhaitent travailler dans le secteur public ou parapublic, 11, 24% souhaitent créer leur propre affaire et 10, 92% recherchent un emploi dans une grande entreprise privée. Bien que le Cameroun soit essentiellement un pays agricole, la scolarisation de plus en plus poussée des jeunes augmentent leur propension à rechercher des emplois dans le secteur public ou parapublic, dans le secteur privé formel ou informel. Ce qui conduit les populations vers les centres

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urbains où sont plus élaborés ces types d'emploi. Les opportunités d'emploi dans ces secteurs étant très limitées, une fois en milieu urbain, il s'opère une forte reconversion des travailleurs à leur propre compte d'où une forte croissance des auto-emplois dans les centres urbains.



Source: Auteurs à partir des données d'ECAM

Figure 3: Secteur principal de recherche d'emploi

Ces caractérisations de l'emploi, au-delà d'expliquer l'emploi par taille et par secteur d'activité, nous a permis de savoir quel est l'intérêt accordé à l'auto-emploi dans la création des emplois au Cameroun. A la suite de cette description graphique, nous faisons une étude qualitative et des estimations économétriques.

b) Etude qualitative

Après avoir élaboré et administré le guide d'entretien, il sera question d'interpréter les résultats issus de ce guide d'entretien.

i. *Le guide d'entretien*

L'objectif de l'étude qualitative est de comprendre les raisons subjectives de l'action, et non de donner une explication de type causale (Bernoux, 2004). Notre approche par entretiens semi-directifs peut nous permettre d'appréhender notre sujet de recherche avec son object if retenu dès le départ.

Comme le rappelle Blanchet et Gotman (1992), l'enquête par entretien peut être utilisée à différentes phases du processus de recherche:

– Explorer et préparer une enquête par questionnaire.
– Analyser un problème et constituer la source d'informations principale.
– Compléter une enquête ou replacer dans leur contexte des résultats obtenus préalablement par des questionnaires et/ou des sources complémentaires.

Nous situant ici dans la troisième utilisation, l'objectif est l'enrichissement des informations à produire par notre étude quantitative mais aussi de contribuer à l'interprétation des données.

Le guide d'entretien structure l'interrogation mais ne dirige pas le discours. La meilleure question n'est pas donnée par la grille : elle est à trouver à partir de ce qui vient d'être dit par l'informateur. Dans ses dernières réponses, il a émis des avis, des analyses, des sentiments qui servent de base à la suite de l'entretien (Kibler et al., 2014).

Notre guide d'entretien comporte 14 questions et quatre thèmes principaux. Le premier thème est celui de la situation du chômage en général au Cameroun. Le deuxième thème concerne les palliatifs au chômage, le troisième thème est la place de l'auto-emploi dans la création des emplois au Cameroun et le quatrième thème est l'amélioration de l'auto-emploi au Cameroun.

Les entretiens semi directifs se sont déroulés en deux 2 semaines. Au cours de cette période, 05 hauts responsables des structures en charge de la politique d'emploi au Cameroun ont été sujets à nos entretiens. Lesquelles structures sont reparties de la manière suivante: Le fonds National de l'emploi (02 personnes), le Ministère de la Jeunesse (01 personne), le Ministère de l'emploi et de la formation Professionnelle (01 personne), le Ministère de l'Economie, de la Planification et de l'Aménagement du Territoire (01 personne). Ces entretiens ont duré 40 à 60 minutes.

ii. *Les résultats de la recherche qualitative*

La recherche qualitative permet au répondant de s'exprimer sur les points évoqués, mais aussi sur les points qui n'ont pas été explicitement été précisés par l'enquêteur. C'est ce que Albright et al. (2013) ont appelé ''tell-me-more''.C'est ainsi que parmi les cinq répondants, la majorité a régulièrement utilisé certaines expressions communes. Les principales catégories émergentes ont été:

Faire de la création d'un maximum d'emplois pour les jeunes un objectif stratégique prioritaire de l'action des pouvoirs publics, ce qui implique d'intégrer cet objectif dans la formulation de toutes les politiques publiques notamment par l'intégration de critères de création d'emplois et de stages dans l'évaluation des dossiers de soumission aux marchés publics; des politiques fiscales incitant à la création d'emplois

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salariés et au recrutement de stagiaires ; par des politiques réalistes de développement industriel ciblé et par le développement de programmes nationaux de stages transparents dans le secteur public et parapublic.

Stimuler la création massive d'auto-emplois pour les jeunes dans l'agriculture, l'élevage, les industries et les services connexes par une politique volontariste combinant la création de marchés de location de terres ; la création de services publics de vulgarisation agricole ; la création de guichets dédiés à l'emploi en milieu rural au sein des institutions en charge de la promotion de l'emploi; l'intégration dans les programmes scolaires d'activités de sensibilisation à l'agriculture et à l'élevage; le soutien aux projets innovants d'entrepreneuriat en milieux urbain et rural, y compris dans les activités de loisirs essentielles pour les jeunes.

Remédier au problème de la faible employabilité des jeunes, diplômés ou non de l'enseignement secondaire ou supérieur en intégrant de manière urgente et cohérente dans les programmes scolaires, du pré-primaire au supérieur, des ateliers de développement de compétences fondamentales pour le travail et la vie en société en mettant en place dans les universités publiques, en partenariat avec le secteur privé, des centres de services aux étudiants offrant des formations aux techniques de recherche d'emploi et l'accès aux informations sur le marché du travail et les institutions de soutien à l'entrepreneuriat.

Réexaminer et respecter les codes de travail et l'ensemble de la législation du travail, en vue d'entreprendre des réformes qui donneraient autant d'importance à l'objectif de facilitation de la création d'emploi autonome par la simplification des procédures auprès des administrations chargées de veiller au respect de la législation du travail.

Avec le soutien des organisations régionales d'intégration économique, utiliser les ressources publiques au niveau national et régional, dans l'amélioration des conditions de vie et la mise en place des infrastructures de toutes sortes (publique, économique financière et même de loisir) attirantes des populations et encourageant les initiatives autonomes des emplois.

L'étude qualitative est combinée à une étude quantitative afin de vérifier si parmi les facteurs susceptibles de modifier la décision d'auto-emploi, le lieu de résidence est un facteur non négligeable.

c) Résultats des estimations économétriques

Dans cette section, nous présentons d'une part, les résultats des formes réduiteset structurelle duProbit permettant d'estimer le modèle d'auto-emploi; d'autre part, celle de l'efficacité de la prédiction de la forme structurelle de ce modèle.

➢ Les déterminants de la décision de s'auto-employer

Pour un actif donné, le fait de résider dans une zone urbaine ou à infrastructures développées est-il un critère de choix dans sa décision d'auto-emploi ?

L'analyse descriptive ci-dessus a déjà mis en exergue un certain nombre de facteurs parmi lesquels l'âge et le niveau d'instruction des individus.

Le tableau ci-après, qui présente les résultats de l'estimation de l'équation d'auto-emploi des travailleurs ruraux et urbains, à partir du modèle probit, permet de faire un certain nombre decommentaires.

Tableau: Estimation de l'auto-emploi

Facteurs	Modèle probit forme réduite		Modèle probit forme structurelle	
Variables démographiques				
âge	-0,092***	(0,000)	-0,0085***	(0,000)
âge au carré	0,0001***	(0,000)	0,0001***	(0,000)
sexe	0,020***	(0,000)	0,182***	(0,005)
Zone de résidence (urbaine ou rurale)	0,118***	(0,000)	0,1169***	(0,000)
Variables du capital humain				
Niveau primaire	-0,0704***	(0,000)	-0,6932***	(0,000)
Niveau secondaire premier cycle	-0,1869***	(0,000)	-0,186***	(0,000)
Niveau secondaire second cycle	-0,376***	(0,000)	-0,375***	(0,000)
Niveau secondaire technique premier cycle	-0,1452***	(0,000)	-0,144***	(0,000)
Niveau secondaire technique second cycle	-0,3462***	(0,000)	-0,347**	(0,000)
Supérieur	-0,6582***	(0,000)	-0,657***	(0,000)
Formation	-0,0385***	(0,000)	-0,038***	(0,000)
Variables liées au ménage				
Taille du ménage	0,0011	(0,814)	0,0022	(0,627)
Statut matrimonial	-0,011**	(0,029)	-0,0101*	(0,060)
Revenu espéré			-0,0037	(0,313)
Statistiques globales du modèle				
Nombre d'observations	23606		23606	

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Log de vraisemblance	-8610,6733		-8610,6733	
Pseudo R^2	23%		23%	
LR Chi2	5124,56***	(0,000)	5124,56***	(0,000)

***, **, * sont les significativités respectives au seuil de 1%, 5% et 10%.

Source: Auteurs

La relation négative entre l'âge et la probabilité d'auto-emploi est confirmée. En effet, le fait pour le chef de ménage d'avoir un an de plusdiminue la probabilité d'auto-emploi de 0,92% toutes choses égales parailleurs. Les jeunes ont ainsi une propension beaucoupplus élevée que leurs aînés à s'auto-employer. Ils espèrent ainsi gagner de l'auto-emploi pendant un horizon de temps plus grand. Cet effet négatif del'âge va en s'inversant dans le temps si on s'en tient au signe positif de la variable âge exprimée sous la forme quadratique. Ce qui matérialise qu'à partir d'un certain âge, généralement l'âge de la retraite, certaines personnes entreprennent non seulement parce qu'elles ont plus de temps mais aussi parce qu'elles veulent réaliser les idées qu'elles ont eu tout au long de leur carrière.Ce résultat rejoint celui de (Piore et Sabel, 1984; Becattini, 1990) qui travaillant sur l'organisation démographique au sein d'une région, ont montré que des personnes qui ont quitté les petites firmes, vue leurs expériences et leurs âges matures, la moitié environ a intégré les grandes entreprises et l'autre moitié a créédes entreprises individuelle ou sociétaire.

Nous avons introduitune variable indicatrice du sexe du potentiel auto-employé, en considérant l'homme comme le groupe de référence. Le coefficient estimé est positif et significatif. Il semble donc que le sexe affecte la probabilité d'auto-emploi. Ce résultat est normal, dans la mesure où le rôle économique de l'homme demeure déterminant dans les choix impliquant le bien-être de tout le ménage (Cizkowicz et al., 2016).

La probabilité de s'auto-employer augmente avec le lieu de résidence. On pourrait concevoir que le milieu urbain offre beaucoup plus d'opportunités d'auto-emploi, notamment avec une prépondérance d'un secteur informel en constante évolution autour des infrastructures mis en place, ce qui explique d'ailleurs le phénomène d'exode rural. Ces résultats sont opposés à ceux de Boutin (2010) qui a plutôt recherché l'effet du lieu de résidence sur l'emploi.Ces résultats sont conformes à ceux de Fritsch et Storey (2014) et Lawless (2014). Cependant, (Figueiredo et al., 2002; Michelacci et Silva, 2007; Dahl etSorenson, 2009) pensent les environnements bien que urbains peuvent être différents d'un endroit à un autre car les individus spécifiques recherchent généralement l'endroit où les affaires leur seront favorables le plus proche, et conservent ainsi leur précédent patrimoine.

L'auto-emploi décroît avec le niveau d'instruction, surtout lorsque les travailleurs ont atteint des niveaux d'éducation élevés. Ainsi, le fait pour un individu du ménage d'avoir atteint le niveau primaire diminue la probabilité d'auto-emploi de 6,9%, alors que cette probabilité diminue significativement de 18,6% pour les individus qui ont traversé le premier cycle du secondaire, de 37,5% pour les individus ayant traversé le second cycle du secondaire, de 14,45% pour ceux des individus ayant traversé le premier cycle de l'enseignement technique secondaire, de 34,7% pour les individus ayant traversé le second cycle de l'enseignement technique du secondaire et enfin de 65,68% pour les individus ayant franchi l'enseignement supérieur. Ces résultats sont opposés à ceux de Quid (2001), Nordman et Doumer (2012) qui ont eu plutôt travaillé sur des variables explicatives de l'emploi. Compte tenu de la crise économique et du rationnement d'emplois en milieu urbain, il est possible que les individus les plus instruits soient partagés entre l'envie de migrer vers la fonction publique afin d'augmenter leur chance d'occuper les emplois dans le secteur formel, et de s'auto-employer pour subsister et éviter les effets dépressifs du chômage. Par conséquent, ceux qui ont atteint des niveaux d'éducation plus élevés ont une forte propension à délaisser l'auto-emploi. Ces niveaux d'éducation leur offriraient des possibilités de bénéficier des meilleures opportunités d'emplois en milieu urbain.

La formation professionnelle joue également un rôle important dans la décision d'auto-emploi. Un individu qui a suivi une formation professionnelle augmente de 38% ses chances d'être en même de s'auto-employer comparativement à celui qui n'en a suivi aucune. Ce qui peut se comprendre dans la mesure où les personnes qui ont une formation développent plus facilement des idées d'affaire précises, comprennent plus facilement les procédures administratives. Ces résultats se rapprochent de ceux de Havranek et al., (2011).

La taille du ménage n'a pas d'impact sur la probabilité d'auto-emploi. Si l'on prend en compte le modèle structurel qu'intègre le revenu espéré, le fait d'être marié ne modifie pas la probabilité de travailler en son propre compte. Ceci se comprend très bien dans la mesure où ce qui compte pour un ménage c'est d'avoir un revenu stable qui lui permet d'assurer ses charges et de se projeter dans l'avenir.

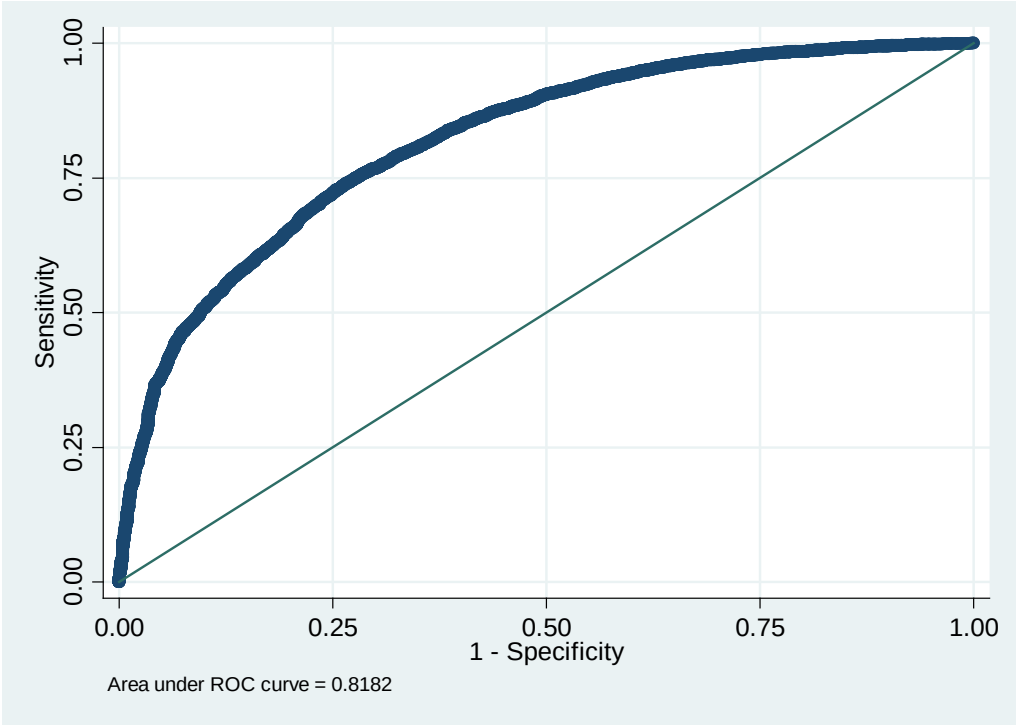
Dans le but de construire le modèle de prédiction, il est d'un intérêt certainde faire un examen de son pouvoir discriminant. Cet examen se fait par calcul de l'aire au-dessousde la courbe ROC (ReceiverOperating Characteristic) ou courbe de caractéristiquesd'efficacité ci-dessous. A partir des

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travaux de Heckman (1979), la grille de lecture est comme suit: La surface sous cette courbe nous permet d'évaluer la précision du modèle pour discriminer les personnes qui prennent la décision d'auto-emploi des personnes qui n'en prennent pas.

On retiendra comme règle du pouce:

– Si aire ROC = 0.5 il n'y a pas de discrimination ;
– Si 0.5 ≤ aire ROC < 0.7 la discrimination est insuffisante;
– Si 0.7 ≤ aire ROC <0.8 la discrimination est acceptable;
– Si 0.8 ≤ aire ROC < 0.9 la discrimination est excellente;
– Si aire ROC ≥ 0.9 la discrimination est exceptionnelle. Plus l'aire en-dessous de la courbe est proche de 1 plus la capacité de prédiction du modèle est bonne. Un modèle sans pouvoir prédictif a une aire de 0,5. En abscisse de cette courbe, nous avons le degré de spécificité des déterminants retenus dans l'analyse alors qu'en ordonnée nous avons le degré de sensibilité ou le pouvoir prédictif du modèle. La courbe de ROC présentée ci-dessous a une aire proche de 1. Elle est égale à 81,82%. Donc le modèle est efficace pour les prédictions.



Source: Auteurs

Figure 4: Courbe de prédiction du modèle

V. Conclusion

L'objectif de notre étude était de mettre en exergue les déterminants de l'auto-emploi auCameroun. La prise en compte des variables démographiques, celles liées au capital humain et celles liées aux caractéristiques du ménage a permis d'affiner et d'enrichir l'analyse. L'utilisation de modèles logistiques (binaires) a rendu possible l'atteinte de cet objectif.

En somme, il est ressorti de notre étude qu'au Cameroun, les chances de s'auto-employer diminuent avec l'âge mais change de sens pour les personnes plus âgées. Le sexe affecte la probabilité d'auto-emploi. Ce résultat est normal, dans la mesure où le rôle économique de l'homme demeure déterminant dans les choix impliquant le bien-être de tout le ménage. Les chances de s'auto employer se modifient significativement avec le milieu de résidence.(Hannan et Freeman, 1977) pensent que l'idée générale au sein d'une zone organisée est que l'arrivée des personnes venant d'autres organisations aiguise l'environnement dans lequel les firmes existantes opèrent, déterminant ainsi les opportunités d'auto-emploi dans des conditions plus compétitives. Dans cette perspective, il se forme dans le milieu un réseau des personnes employées, contraignant la disponibilité du travail et les opportunités de progression, développant ainsi leur habileté dans des domaines précis et influençant leurs croyances et experiences (Haveman et Cohen, 1994; Sorensen etSorenson, 2007; Sorensen etSharkey, 2014).

L'auto-emploiest encore beaucoup plus marqué chez les jeunes que chez les adultes. L'auto-emploi décroît avec le niveau d'instruction, surtout

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lorsque les travailleurs ont atteint des niveaux d'éducation élevés. La formation professionnelle joue également un rôle important dans la décision d'auto-emploi. Un individu qui a suivi une formation professionnelle augmente de 38% ses chances d'être en même de s'auto-employer comparativement à celui qui n'en a suivi aucune. A cet effet, Morelix et al. (2016) précisent que les zones économiques à fort potentiel d'auto-emploi sont celles où il y a une bonne dose de capital humain, des idées innovantes et des savoirs-faires. Or ce sont les zones urbaines qui regorgent le plus des personnes scolarisées ou celles ayant fait des formations professionnelles.

Les mesures réellement incitatives, dans les zones économiques dynamiques ou à infrastructures développées telles que ces zones urbanisées ou des zones économiques spéciales au Cameroun permettront d'augmenter l'emploi par la création des auto-emplois.

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Short-Term Inflation Forecast Combination Analysis for Uzbekistan

By Khumoyun Usmanaliev

Abstract- In this paper, we produce the short-term inflation forecast for Uzbekistan, using univariate and multivariate econometric models. In particular, we use Auto Regressive Integrated Moving Average (ARIMA) model, Bayesian Vector Auto regression Model (BVAR) and Vector Error Correction model (VECM) to project CPI inflation and its decomposed subcomponents. The results of the forecast combination analysis are in line with the outcomes of the other research done in this field. The relative performance of combined forecasts based on the RMSE weighting scheme are on average 33% better for 6-month ahead. Despite some individual models demonstrate better performance in certain time horizons, the overall results reveal that forecast combination method permits to reduce the forecast error in comparison with the aforementioned models taken separately.

Keywords: inflation, short-term forecasting, forecast combination, ARIMA, BVAR, and VECM.

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Khumoyun Usmanaliev

Abstract- In this paper, we produce the short-term inflation forecast for Uzbekistan, using univariate and multivariate econometric models. In particular, we use Auto Regressive Integrated Moving Average (ARIMA) model, Bayesian Vector Auto regression Model (BVAR) and Vector Error Correction model (VECM) to project CPI inflation and its decomposed subcomponents. The results of the forecast combination analysis are in line with the outcomes of the other research done in this field. The relative performance of combined forecasts based on the RMSE weighting scheme are on average 33% better for 6-month ahead. Despite some individual models demonstrate better performance in certain time horizons, the overall results reveal that forecast combination method permits to reduce the forecast error in comparison with the aforementioned models taken separately.

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I. Introduction

The process of policy-making involves evaluating the potential direction of the economy, and making policy decisions to move that direction in a favorable trajectory. Forward-looking nature of these policy decisions entails the importance of the macroeconomic forecasting, which is in turn a critical component of the underlying decisions. Recurrent analysis of forecasting models assist policy makers in identifying the one that explains prevailing driving factors behind movement of the selected variable, thus making prudent monetary policy decisions. However, designing a unique empirical model to describe and forecast behavior of the economy is subject to many challenges that have a material effect on the forecast outcomes. These challenges may include the sample period and a number of observations chosen for the model, transformation methods applied for the data set, specification and estimation techniques, to name a few.

A common strategy is to make a choice of "outperforming" from available forecast alternatives. Nevertheless, the chosen model may eventually diverge from the actual values in which significance of the unknown explanatory components that drives the behavior of the economy or a selected variable extended. In addition, the choice of a single best model ignores all of the other alternatives, which in most cases, may be nearly as good as or possibly even overwhelm the model that was selected ultimately. If those other models have different implications, such as one forecast contains a particular variable or information that others have not considered or the forecast is based on a different assumption of the relationship between variables in scrutiny, then one can probably disregard central location and uncertainty around the forecasts.

In contrast, one of the advantages of the combination of forecasts is that it allows for control over an extensive data set. Instead of adding all available variables into a single model, the combination method allows for diversifying the use of the available data. Consequently, the process reduces the risks of losing degrees of freedom and multicollinearity, which may arise because of adding up all available explanatory variables in a single model. Another distinguishing feature of the combination method is in its flexibility during the periods of structural breaks. In order to identify presence of breaks in the data set with a single model, it takes a prolonged time, efforts and enough observations to re-evaluate all potential correlations. In this case, the model would give inaccurate results until the structural breaks are identified. Nevertheless, the process of combination involves regular revision of weights assigned to each model, thereby allowing maximum transparency to occurring structural breaks. Since the method is based on the allocation of the weights to each model, forecast errors are diversified, in terms of averaging.

Since the Central Bank of Uzbekistan announced a gradual shift towards inflation targeting regime in 2017, the need for projections of macroeconomic variables, especially of inflation, start to play a vital role in formulation of the monetary policy stances. A short-run inflation forecast is largely based on the current statistics (now casting), information (primary data on inflation expectations) from regional branches and forecasts obtained from the vast number of statistical and econometric models. From latter perspective, the evaluation of the inflation forecasts obtained from different models and thus provision of a better characterization of uncertainty coming from various internal and external economic shocks is immense to make credible policy decisions. Hence, in this paper we discuss the development of the short-term CPI inflation forecast analysis in Uzbekistan.

The paper organized as follows. In Section II we discuss the theoretical background and methodological aspects of the forecasts combination method considering the research done in this field by central

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banks. In Section III and IV we address data description, empirical models to be used and methodology for forecast combination. Section V provides the outcomes of the forecast combination analysis for the selected time horizons. Section VI outlines the conclusions and recommendations for further research.

II. Literature Review

With respect to aforementioned advantages and the objectives of the targeting inflation in a constantly evolving environment, we outline theoretical motives and empirical outcomes of the forecast combination method, which will ultimately assist in easing policy-making processes.

a) Theoretical background of forecast combination

The method of forecast combination have at least existed since a seminal work of Bates and Granger (1969). They obtain two separate sets of forecasts based on the airline passenger data from which policy-makers were supposed to decide. To enhance the accuracy of the forecasts, the authors show that the composite set of forecasts can yield comparatively lower mean-square error. To combine forecasts, they estimate past errors of the original forecasts, which then were used to formulate weights. Overall, the authors conclude that each set of fore cast may contain independent information and thus combination of them can yield improvements for the overall forecast performance.

In recent years, Timmerman is one of the notable contributors in the development of the theoretical and empirical aspects of forecast combination methods. Timmermann (2006) emphasizes three main reasons for why forecast combination method may be a superior than ex-ante individual forecasting model. His first argument was motivated by a simply portfolio diversification (hedging). In decision-making process, policy-makers often face challenges with identifying information sets underlying each of the individual forecasts. From this standpoint, he argues to combine the forecasts to make full use of information contained in different fore cast models. Second rational in favor of this method is that structural breaks within datasets can be better explained with one model over another. For instance, one model may overwhelm the others by responding more operatively to structural shocks, while the latter may possess a particular parameter that is relatively slow in post structural shocks. Hence, the combination of forecasts may robustify these instabilities than forecast of an individual model. The last motivation for the usage of combination comes from models' subjectivity to various misspecification biases. He claims that combining forecasts may average down the biases and thus improve projection accuracy.

Using large cross-sectional macroeconomic variables, Aiolfi and Timmermann (2006) provide forecasting performance of linear and non-linear time series models with several persistence measures. To improve the performance through forecast combination, they propose new four-stage conditional combination methods: (1) sorting the models into cluster based on their past performance, trimming; (2) pooling forecasts within each particular cluster, pooling; (3) estimating optimal weights for clusters, optimal weighting and (4) reducing to the equal weights, shrinkage estimation. The authors argue that these conditional combination methods outperform simply strategy of using previous best model or averaging across all forecasting models.

b) Empirical experience with implementation

Since it is immense to project inflation rate with accuracy under inflation targeting regime, most central banks have been implementing several forecast combination methods in their empirical studies.

Bjørn land, et al (2008), the specialists of Norges Bank, under the project of improving short-term forecasts initiated the development of the combination-based forecast analysis (SAM- the System of Averaging Models) of gross domestic product and consumer price inflation excluding taxes and energy prices. The analysis incorporates the models such as various types of AR models, factor models, term structure models and more complex DSGE model. Forecasts of these models are then evaluated to derive weights for the combination purposes. The authors concluded that model combination is superior upon forecasts from individual models. However, even with consideration of optimal weights choice according to Kullback-Leibler divergence and empirical example in Hall and Mitchell (2007), they leave the question on the optimal choice of forecast densities open.

Akdogan, et al (2012) produce the forecast of inflation for Turkey, using various parametric and non-parametric econometric models. In particular, the authors employ univariate models, decomposition based approaches, time varying parameter model under Phillips curve scheme, dynamic factor and VAR and Bayesian VAR models. To combine forecasts of above models, they use linear combination scheme, which varies from constant weights to time varying weights approaches. In total, they consider seven alternative forecast combinations and ultimately focus on methods with lower forecast errors, namely Performance Based (PB) weights and Recent Best Forecaster (RBF). It is notable that both these combination schemes are based on the squared forecast errors. Under the former scheme, weights are obtained recursively, while emphasizing more on recent performance through discount factor, which was proposed by Stock and Watson (2004). Nevertheless, under the combination scheme of RBF, all weights are assigned to model with

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the lowest squared forecast error in previous quarter, while remaining models are kept with zero weight. Despite the authors have not proposed further modifications, findings are in line with empirical studies. Particularly, they suggest that the method of forecast combination outperform a simple random walk or the relative performance of forecasts by 30 percent better for 2 quarters ahead.

Andreev (2016) in his short-term inflation analysis at the Bank of Russia also demonstrates the forecast combination methods. By disaggregating CPI into 18 subgroups and employing 6 econometric models (i.e. random walk, linear trend autoregressive model, unobserved components model, ordinary least square, VAR and BVAR models), the author uses optimal weighting approach for combination firstly proposed by Bates and Granger (1969). Since the selection of the weights is a stationary process with weights for particular model being static across all forecasting horizons, forecast may significant suffer from reflecting structural breaks or errors of a particular model if forecast horizon is prolonged.

Tuleuov (2017) proposes different methodology for encountering abovementioned problem of static weights in his short-run analysis of inflation at National Bank of Kazakhstan. Instead of estimating weights based on the pseudo-out-of-sample forecast for a month, the author suggests to obtain weights recursively.

III. Data Description

A key feature of our combination approach is the emphasis on disaggregation. The models methodologies used in the combination are not directly applied to the consumer price index (CPI), but to subgroups that make up the CPI. Forecasts are estimated for each subcomponent, which are then aggregated using respective CPI expenditure weights. Considering country-specific features of Uzbekistan, the CPI is divided into three main subgroups, namely food, administratively-regulated prices and non-food items and services (referred to core inflation). This is due to the fact that the majority of products within food subgroup demonstrate much higher volatility with standard deviation being two or threefold larger than the items of other subgroups. In addition, most of the food products, especially fruit and vegetables, have seasonal characteristics that require individual treatment in terms of smoothing procedures. Finally, most food products are assumed to contain heterogeneous information and thus the disaggregation makes it possible for exploiting more information within those subgroups. In the case of regulated prices, the forecast process employs the draft version of the potential increase in the prices that are provided a year before.

To account for monetary and non-monetary factors of inflation, we incorporate exogenous variables (i.e. M0 effective, remittances from abroad, exchange rate of UZS/UZD and the FAO Index).

The frequency of the observations is monthly, beginning from January 2006. All endogenous and exogenous variables are taken in the logarithmic form. Moreover, to adjust for seasonality in time series, we use X-12 ARIMA algorithm.

IV. Methodology of Forecasts Combination

a) Models

i. *Auto Regressive Integrated Moving Average (ARIMA) model*

We can define an ARIMA (p, d, q) model as I(d) process whose d-th integer difference follows ARMA (p, q) stationary process. The polynomial form of the model can be shown as:

$$\rho(F)(1-F)^d(Y_t-\mu_t)=\theta(F)\varepsilon_t \qquad 1.1$$

Where $\rho(F)$ is AR polynomial, *F* is a lag operator, *(1-F)* is the regular difference and $\theta(F)$ is MA polynomial. To render a projection, the model uses historical variations of a time series. The ARIMA projections are considered advanced form of trend extension.

ii. *Bayesian Vector Auto regression Model (BVAR)*

We use the BVAR model to deal with dimensionality problem by shrinking the parameters through imposition of priors. For this purpose, we employ the procedures developed by the Litterman (1986) and impose the Minnesota-style priors. Another advantage of this model is that it allows for accounting the substation and complementary effects of CPI sub components within the *n* group.

$$Y_t^n = X_t^n\alpha + Z_t^n\beta + \epsilon_t, n \in \overline{1,9} \qquad 1.2$$

where Y_t^n is the vector of endogenous variables, X_t^n is the matrix of lagged values of endogenous variables for the group of *n* and Z_t^n is the vector of exogenous variables.

iii. *Vector Error Correction Model (VECM)*

To avoid spurious regression and account for cointegration between subgroups of inflation and explanatory variables, we employ the Vector Error Correction model (VECM), which can be specified as:

$$\Delta X_t^n = \varphi(L)\Delta X_t^n + X_t^n\delta + \varepsilon_t \qquad 1.3$$

where X_t is a vector of explanatory variables. Δ indicates the first difference and $\varphi(L)$ is the coefficients matrix (matrices) for lag operators L. δ is the cointegration vectors capturing the long-run relation amongst the variables in the model.

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b) Forecasts combination methodology

The combination of forecasts takes the following form. Initial recursive estimation of inflation rate (Y) with the outlined models is a function of the vector of models' variables (X) and unknown parameters (μ).

$$Y^i_{t+s-h} = F_i\left(X^i_{t+s-h}; \mu^i_{t+s-h}\right) + \varepsilon^i_{t+s-h}, \quad h\epsilon\,\overline{1,s}; \qquad 1.1$$

Where *i* represents the model *h*=1, …, *s* months, *s* is the number of period ahead for out-of-sample forecasts, and*t* is the beginning of the time period for testing accuracy of model *i*.

To test the accuracy (σ) *h* time srecursively from 1 to *s*, we estimate the root mean squared errors (RMSEs) of the each model.

$$\sigma_{i,h} = F\left(\widehat{Y^i_T}; Y_T\right), T\epsilon\,\{t+s-h+1, \ldots, t_0\}; \qquad 1.2$$

where the accuracy of each model (σ) is the function of forecasts of each model ($\hat{Y}$) and actual values of dependent variable for the period of T (t_0 is the beginning of out-of-sample forecasts).

Estimated RMSEs (*h* times recursively) are then used to calculate appropriate weights for the period of T.

$$w_{i,h} = \frac{\sigma^{-1}_{i,h}}{\sum_{i=1}^{m}\sigma^{-1}_{i,h}}, \ \sum_{i=1}^{m} w_{i,h} = 1; \qquad 1.3$$

where recursive weights (*w*) is the ratio of out-of-sample inverse of RMSE of a model *i* to the summation of all model *i*'s out-of-sample inverse of RMSEs.

Since the maximum number of estimated weights (recursive) for each model *i* is equal to *h*, the forecasts combination of the all models based on these recursive weights can be shown in the form of sxs matrix.

$$\hat{Y}_w = \left(\sum_{i=1}^{m}\hat{Y}^i_{t_0+j} * w_{i,j}\right)_{j=\overline{1,s}}, \qquad 1.4$$

where $\sum_{i=1}^{m}\hat{Y}^i_{t_0+j} * w_{i,j}$ is j^{th} element of the column matrix Y.

V. Analysis of Empirical Results

According to the pseudo-out-sample empirical estimates in four various time horizons, applied forecast combination method significantly improves the quality of the final forecasts. Obtained outcomes shows that none of the particular model outperforms others in robustness (See Table 1 in Appendices). The model that has an absolute advantage in predicting inflation in a particular time-period completely fails to forecast the true value in another period. This is because of the fact that financial and macroeconomic datasets, particularly inflation, may incorporate an economic information, which cannot be explained with the certain number of predictors included in the best performing model. Under structural breaks and shocks, the point estimation of an economic variable with certain number of predictors that are robust in in-sample period does not guarantee to satisfy all the requirements of statistical tests and explain the drivers of the movement in the out-of-sample period.

In general, forecast performance of the VECM for CPI food subcomponents is not promising. The model demonstrates relative high forecast error in terms of RMSEs compared to other considered model. Stock and Watson (2005) assert that with the economic variable, that fluctuates less far from the unconditional mean, it is difficult to outperform over univariate models. In the case of Uzbekistan, the relatively stable and accurate performance of the univariate model ARIMA is surprising given it lacks the information coming from macroeconomic variables that is considerably important in emerging market economies. In addition, the food inflation does not represent such a stable dynamics even after adjusting for seasonality.

Nevertheless, the statistical tests of the selected models significantly improve when they are used for the projection of non-food and services. In particular, enhanced accuracy is clearly evident in the VECM. While one can observe a gradual decrease in the VECM accuracy for food inflation projection with growing time horizons, i.e. the average RMSE for four time-period accounts for 1.86, the performance of non-food and services subcomponent enhances notably to 0.43.The model outperform the other models in 13 out of 24 forecasting horizons. Despite the best performing individual model for each time horizons differs, the accuracy of the BVAR model is stable and close to superior in all sample periods considered. Overall, the empirical results shows that despite certain favorable gains under individual models, there is a scope for improvement with combination method. The forecast combination allows for reducing projection error and one-third of the cases outperforms over BVAR when RMSE weighting scheme is applied. Finally, we then aggregate the forecasts of the all CPI subcomponents by allocating respective weights to obtain a final CPI inflation forecast.

VI. Conclusion

Since we outline in the literature review, nowadays there are a body of empirical evidence suggesting that forecast combination methods produce better forecasts on average than the forecasts of an individual model. This empirical paper has added further evidence to those conclusions. By implementing recursive RMSE weighting scheme, we have demonstrated the advantages of averaging forecasts from various individual models while projecting short-run inflation for Uzbekistan.

Prior to the forecast combination methods, we have developed a number of new forecasting models, a simple random walk model, unobserved component model, vector autoregressive and Bayesian vector autoregressive models. After adjusting for statistical

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tests and accuracy, we are left with three models outlined above. We have further compared and discussed individual and combined forecasts. According to the estimates, forecast combination method has generated 33% better performance than individual models in selected time horizons.

For further research in this field, we would suggest to consider the other weighting schemes for combining forecasts, since this can also increase the accuracy of the combined forecasts. Since we use only backward-looking type forecast models in our analysis, it is recommended to include into combination forward-looking type forecast models such as DSGE or models that incorporate expectations.

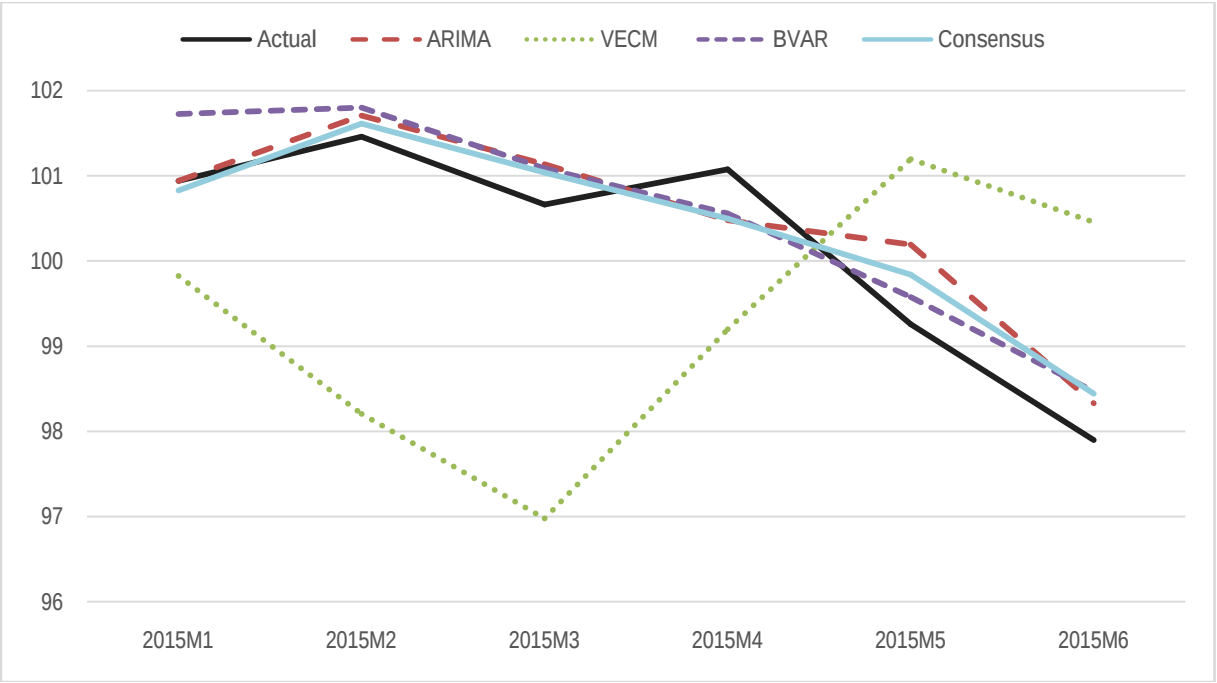
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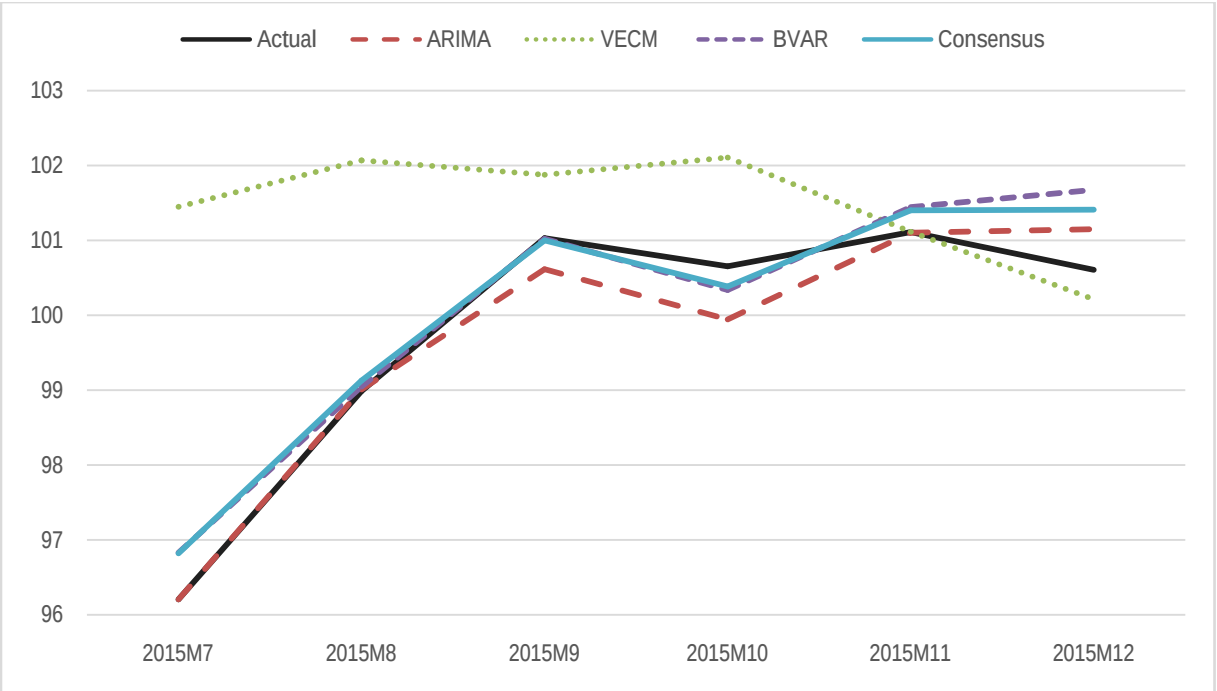
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Appendices

January 2015-June 2015 January 2016-June 2016

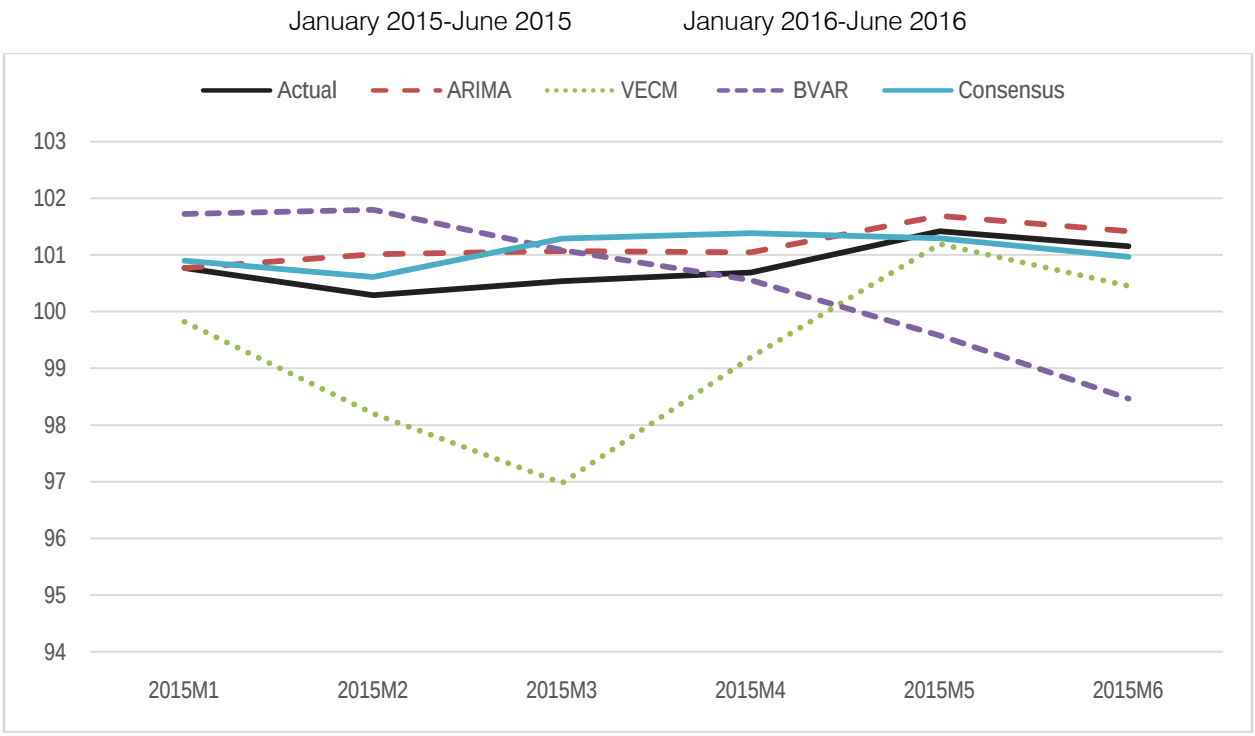


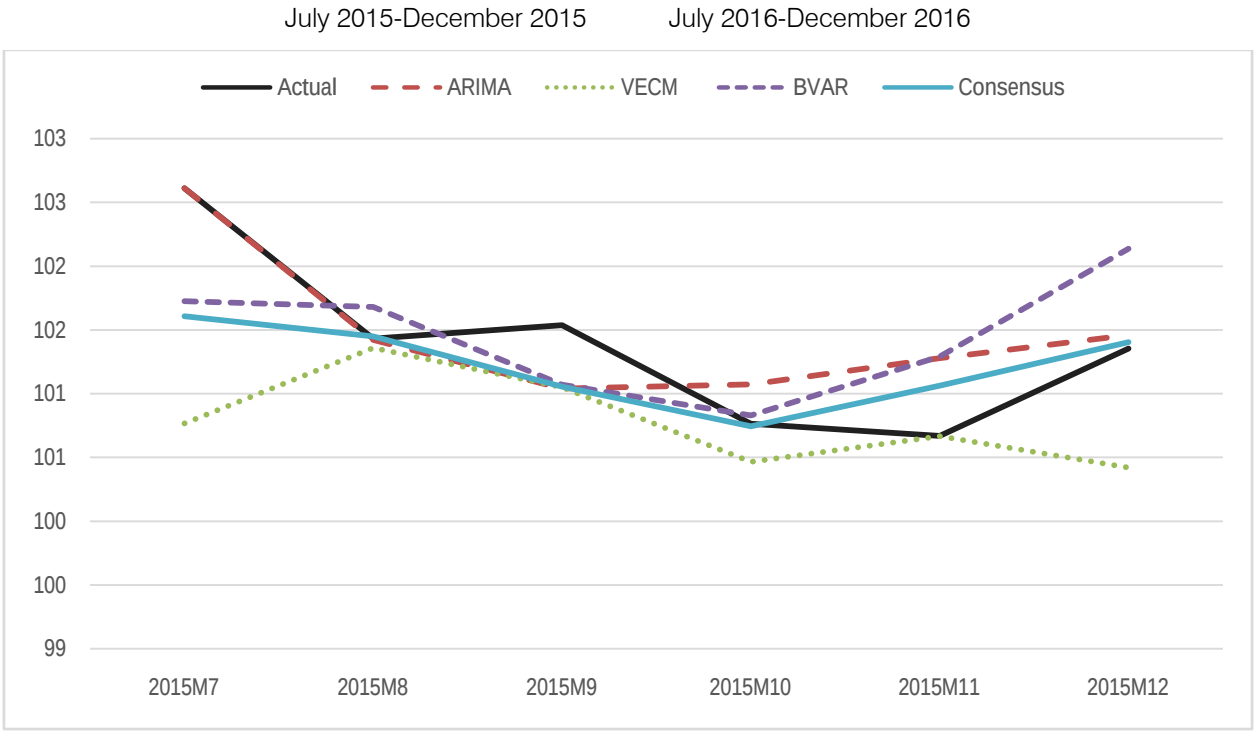
July 2015-December 2015 July 2016-December 2016



Graph 1: The pseudo-out-of-sample forecasts of CPI subcomponents (food) for selected time horizons

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Graph 2: The pseudo-out-of-sample forecasts of CPI subcomponents (market) for selected time horizons

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Table 1: The comparison of the pseudo-out-of-sample forecasts based on RMSEs for selected time horizons

Forecast horizon	Forecasts errors (RMSEs) of CPI subgroups			Forecast combination
	ARIMA	BVAR	VECM	
Food prices				
January 2015-June 2015				
1	0.42	0.43	0.42	**0.25**
2	0.38	0.38	1.33	**0.26**
3	0.40	0.36	2.03	**0.24**
4	0.40	0.41	2.33	**0.32**
5	0.50	0.40	2.61	**0.38**
6	0.52	**0.36**	2.95	0.44
July 2015-December 2015				
1	0.59	**0.43**	1.65	0.50
2	0.52	**0.42**	2.07	0.50
3	0.55	**0.41**	2.22	0.48
4	0.56	**0.41**	2.44	0.43
5	0.54	0.40	2.64	**0.38**
6	0.56	0.45	1.73	**0.45**
January 2016-June 2016				
1	0.77	**0.61**	0.63	0.67
2	0.65	**0.61**	1.47	0.68
3	0.70	**0.59**	1.79	0.70
4	0.81	**0.66**	1.92	0.87
5	0.82	**0.62**	2.28	0.88
6	0.80	**0.64**	2.55	0.82
July 2016-December 2016				
1	0.88	**0.55**	1.03	0.61
2	0.90	**0.67**	1.34	0.60
3	0.94	**0.81**	1.50	0.84
4	1.13	0.93	1.62	**0.81**
5	1.19	0.95	1.92	**0.87**
6	**1.31**	1.09	2.49	1.34

Forecast horizon	Forecasts errors (RMSEs) of CPI subgroups			Forecast combination
	ARIMA	BVAR	VECM	
Market prices				
January 2015-June 2015				
1	0.51	0.83	**0.04**	0.56
2	0.58	0.90	**0.04**	0.52
3	0.60	1.00	**0.19**	0.43
4	0.65	1.04	**0.29**	0.46
5	0.63	1.10	**0.36**	0.44
6	0.64	1.14	**0.43**	0.45
July 2015-December 2015				
1	0.55	0.80	**0.49**	0.61
2	0.68	0.73	**0.49**	0.59
3	0.70	0.68	**0.53**	0.54
4	0.74	0.55	0.56	**0.46**
5	0.71	0.57	0.59	**0.49**
6	0.56	0.62	0.68	**0.48**
January 2016-June 2016				
1	0.53	0.25	**0.08**	0.26
2	0.57	0.25	**0.20**	0.27
3	0.54	0.30	0.25	**0.25**
4	0.57	0.43	0.26	**0.25**
5	0.45	0.66	0.31	**0.21**
6	0.51	0.78	0.33	**0.21**
July 2016-December 2016				
1	0.60	0.77	**0.46**	0.54
2	0.61	0.91	**0.61**	0.68
3	**0.51**	0.99	0.70	0.72
4	**0.61**	1.08	0.74	0.72
5	**0.59**	1.14	0.78	0.74
6	**0.60**	1.20	0.85	0.78

**the outperforming model forecast for each time horizon is bolded*

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Financial Preparedness for Old Age

By Mukul Asher
University Sains Malaysia

Introduction- Public policy goal should be ageing with dignity. It implies that a person should be ageing-in-place, staying at home to the maximum number of years as possible, and have access to a bundle of services, especially affordable and accessible health care.

According to UN projections, the number of persons over-60 years of age will increase from 205 million in 1950 to 2.1 billion by 2050.

"Given the deficiencies of storing current production, the *only* way forward is through claims on future production. What matters, therefore, is the level of output after I have retired. The point is central: pensioners are not interested in money (i.e. colored bits of paper with portraits of national heroes on them) but in consumption – food, heating, medical services, seats at concerts, etc. Money is irrelevant unless the production is there for pensioners to buy."

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Financial Preparedness for Old Age

Mukul Asher

I. Introduction

Public policy goal should be ageing with dignity. It implies that a person should be ageing-in-place, staying at home to the maximum number of years as possible, and have access to a bundle of services, especially affordable and accessible health care.

According to UN projections, the number of persons over-60 years of age will increase from 205 million in 1950 to 2.1 billion by 2050.

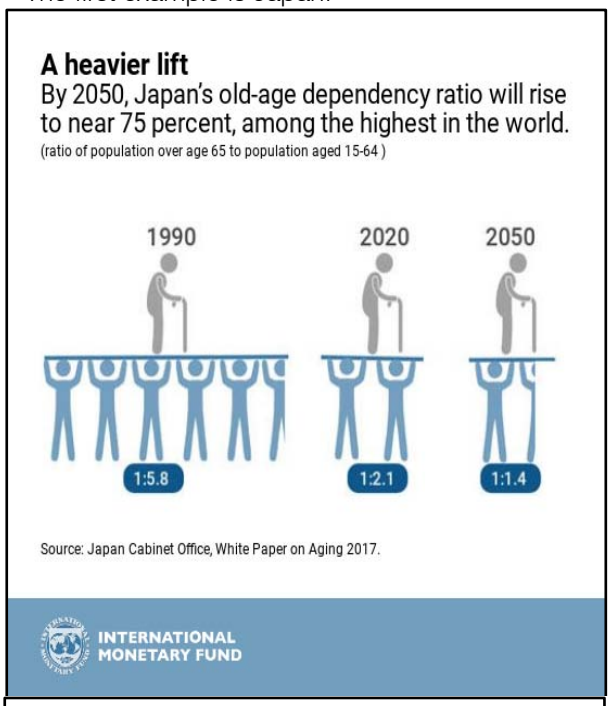
"Given the deficiencies of storing current production, the *only* way forward is through claims on future production. What matters, therefore, is the level of output after I have retired. The point is central: pensioners are not interested in money (i.e. colored bits of paper with portraits of national heroes on them) but in consumption – food, heating, medical services, seats at concerts, etc. Money is irrelevant unless the production is there for pensioners to buy."

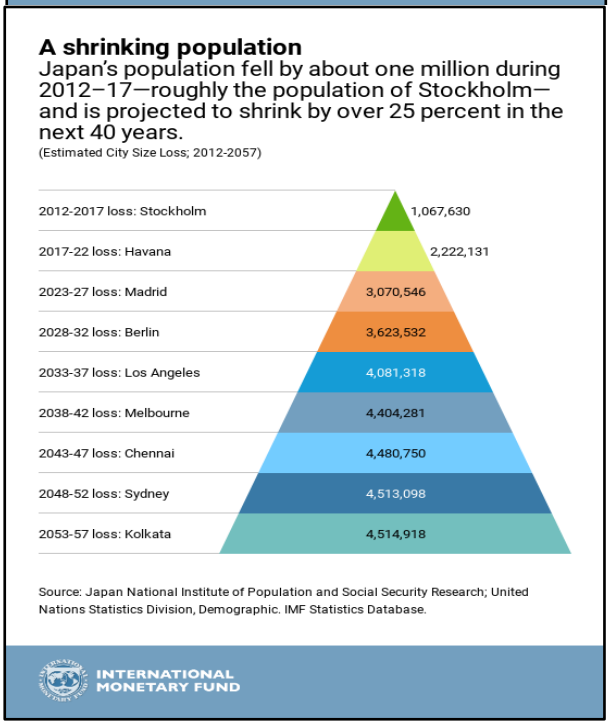
So the focus should be on household welfare and accessible bundle of services to the elderly. Each society should decide on what is the bundle of services needed in its current context, and be prepared to change as demographic conditions and expectations change.

The aim is to enable purchases of bundle of goods, services and assets on a life-cycle basis

Components of Household Welfare over a Life-cycle:

- Market Activities (including household Production) for income generation;
- Non- Market Activities: These involve healthy and productive lifestyle management to reduce expenditure needs at different phases of life, including retirement.
- This involves the provisioning of tangible & intangible services across society – governments, civil society, families, and businesses – for which provision by the market and by the public sector are often imperfect substitutes.
- Financial preparedness by individuals and by the society as a whole is a vital component of the overall strategy and policies for the ageing population.
- Addressing financial preparedness for retirement is qualitatively a very different challenge when retirement period after institutional retirement age extends to 25 to 35 years.
- Yet retirement or withdrawal age from provident funds in many countries have remained below 60 years.
- Four examples of challenges in financing ageing: The first example is Japan.





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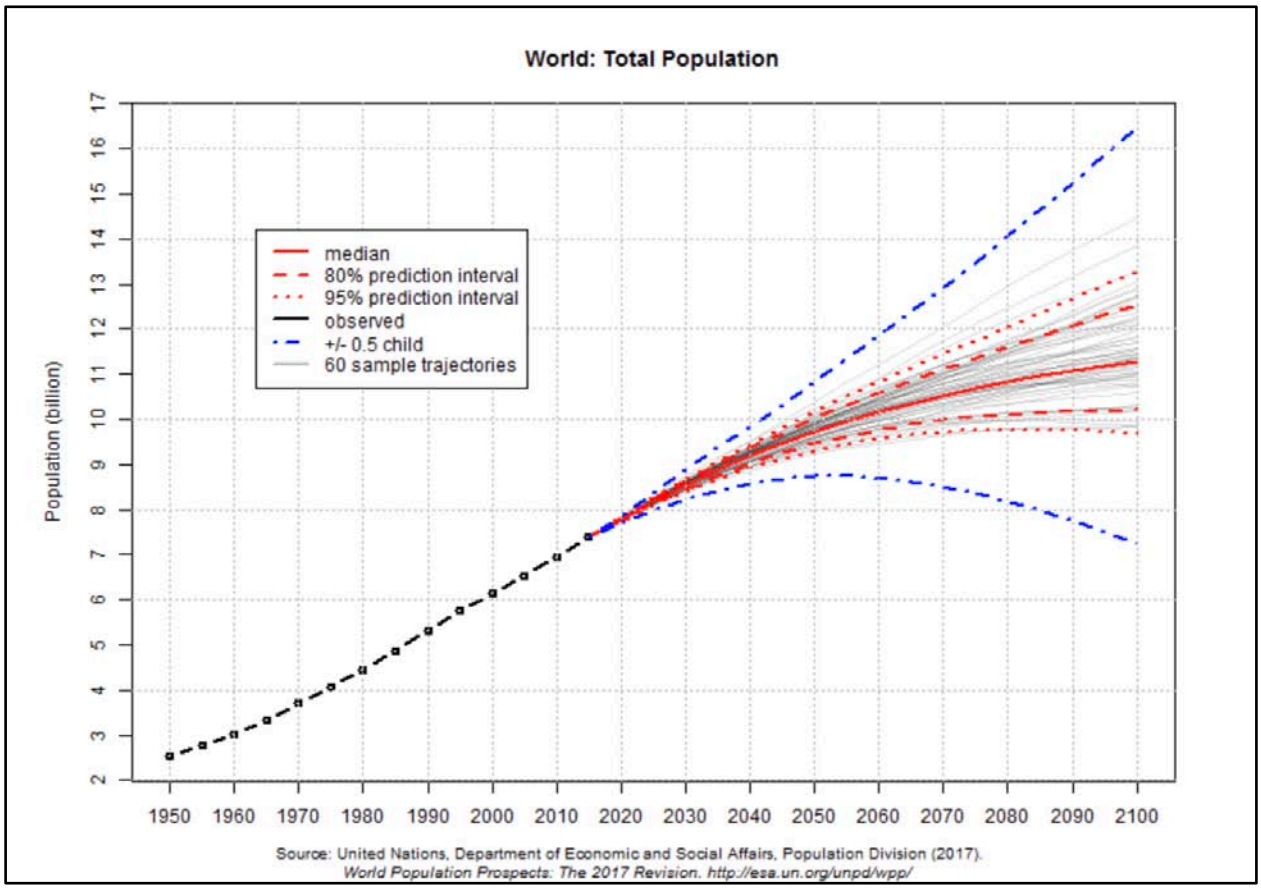
- The second example is Brazil in which pensions expenditure use up more than half of the federal budget and are growing at a rate four percentage points above inflation.
- This reflects the non-conducive political economy in pension arrangements.
- The third example concerns Taiwan where the ruling party, in response to official reports warning that an unreformed civil service and military pension systems could be bankrupt by 2020, has legislated significant cuts in their pension benefits to be implemented gradually over a decade.
- The fourth example is Korea which is facing a crisis cantered on poverty of the elderly. https://asia.nikkei.com/Spotlight/Asia-Insight/No-country-for-old-Koreans-Moon-faces-senior-poverty crisis?utm_campaign=RN%20Free%20newsletter&utm_medium=daily%20newsletter%20free&utm_source=NAR%20Newsletter&utm_content=article%20link
- These examples suggests that high middle income (Brazil), and high income countries such as Japan and Korea are required to m tough decisions to address the pension challenges of an ageing society.
- The middle income countries could study these examples and draw context-specific lessons from them.

II. Demographic Trends and Their Implications

Demographic trends pertain to all the persons in the world, and to their characteristics as consumers, workers, savers, and investors.

It affects income statements, and balance sheets in the world for:
Individuals
Households
Corporations and Companies
Government (Roy, 2018)

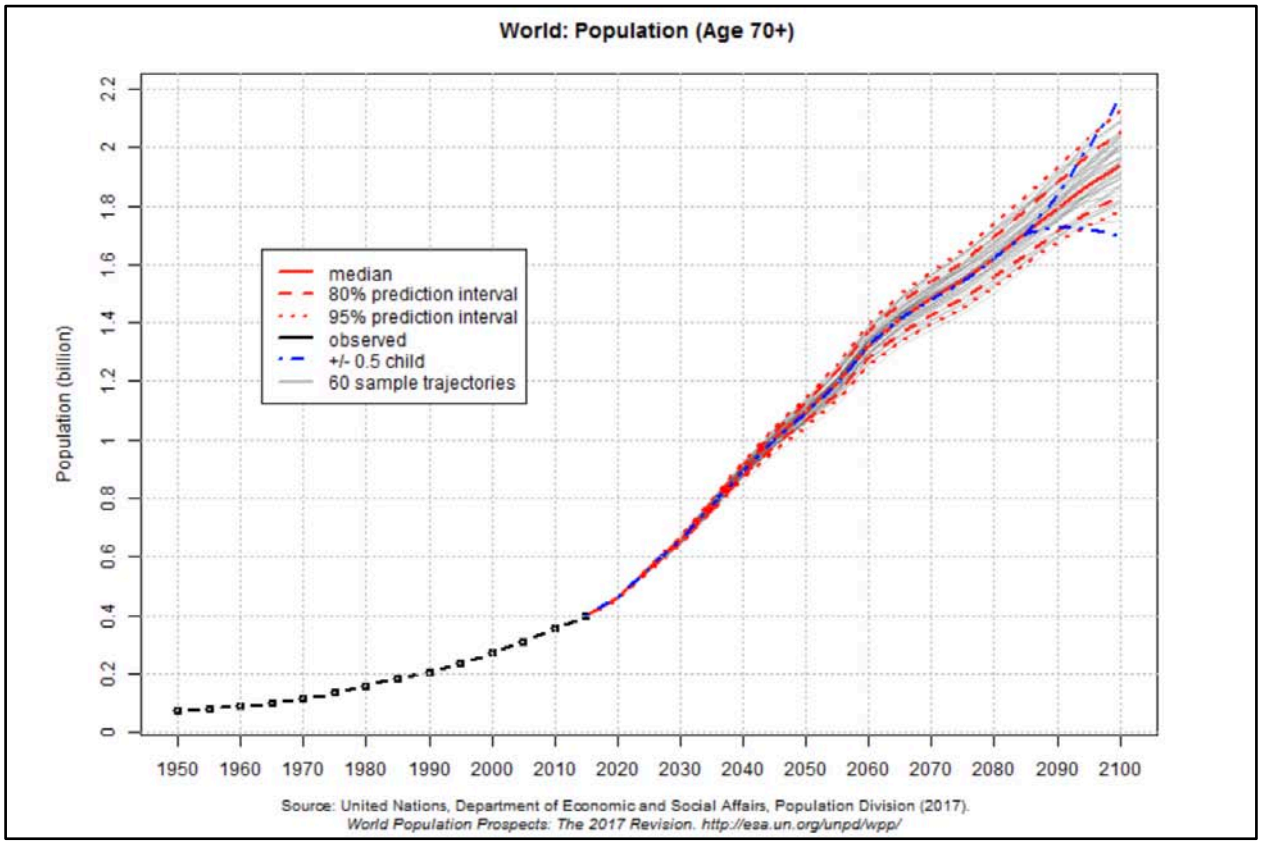
Variations in Global Population Projections



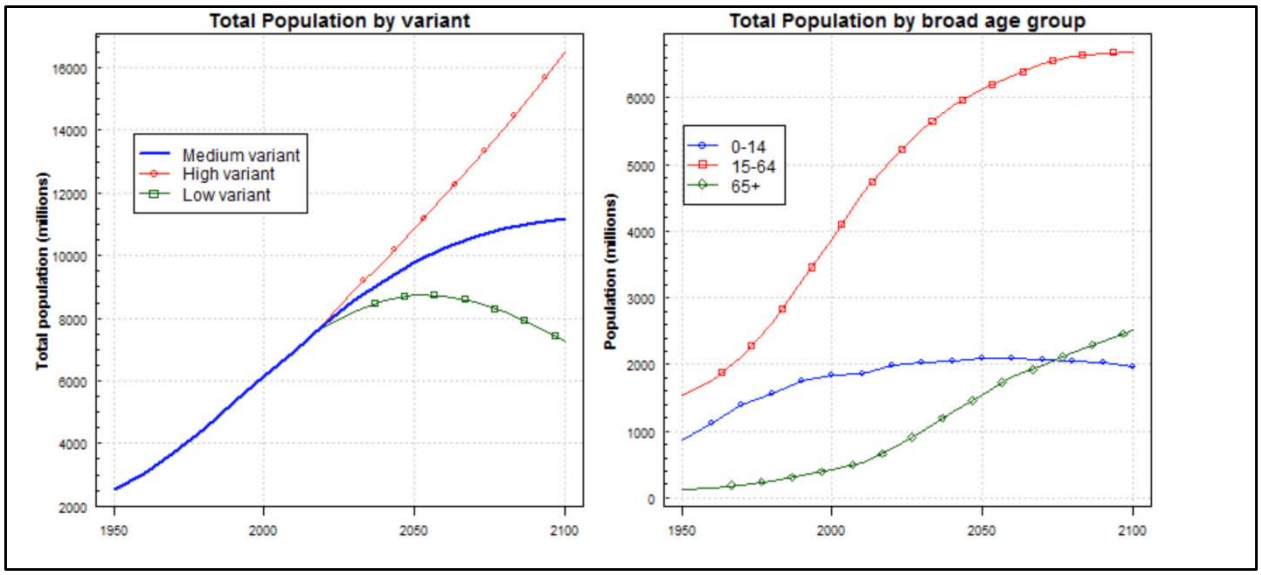
Source: World Population Prospects, 2017 Revision. Accessed on 16 December 2018

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Variations in Age 70+ Population Projections



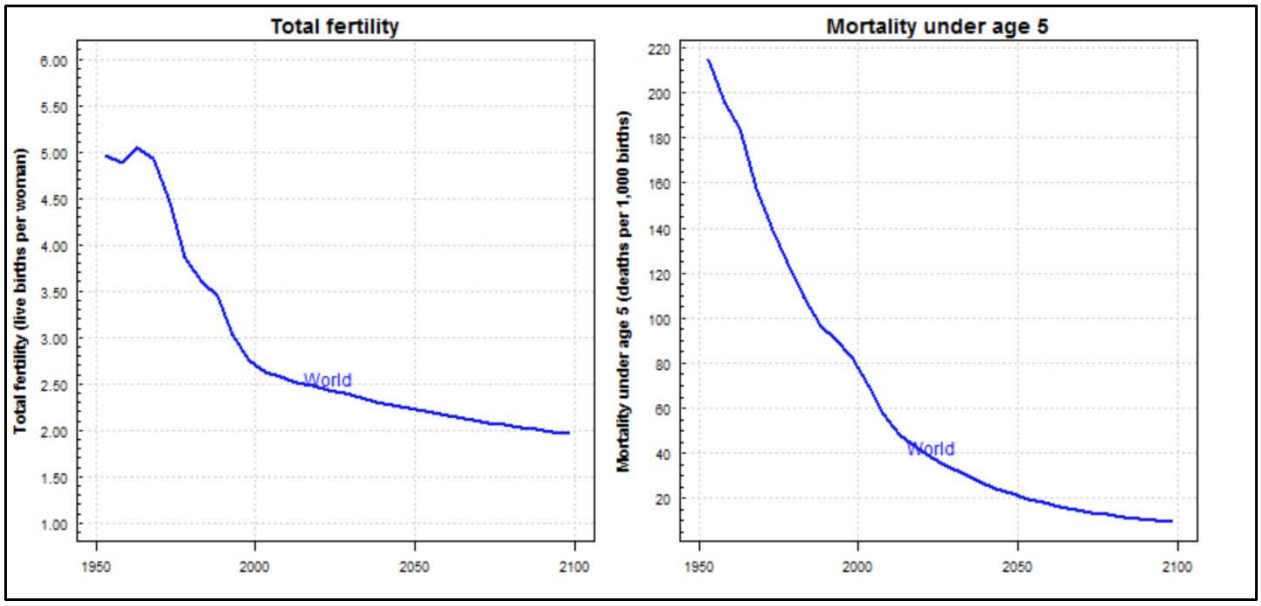
Demographic Profile Projections



Source: World Population Prospects, 2017 Revision. Accessed on 16 December 2018

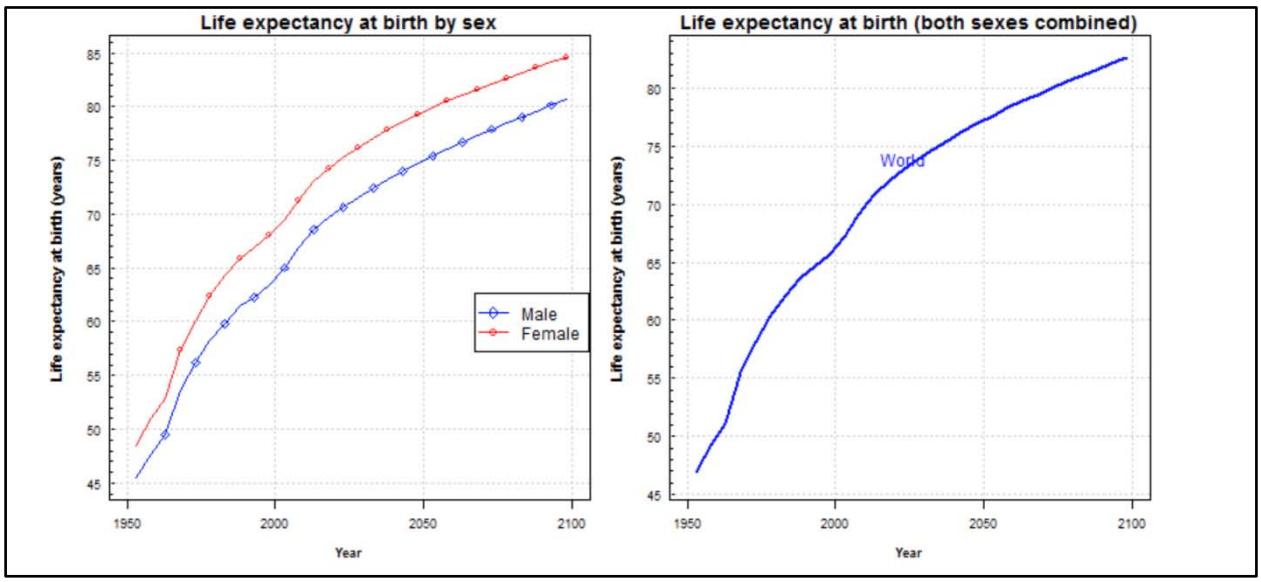
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Demographic Profile Projections



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Demographic Profile Projections

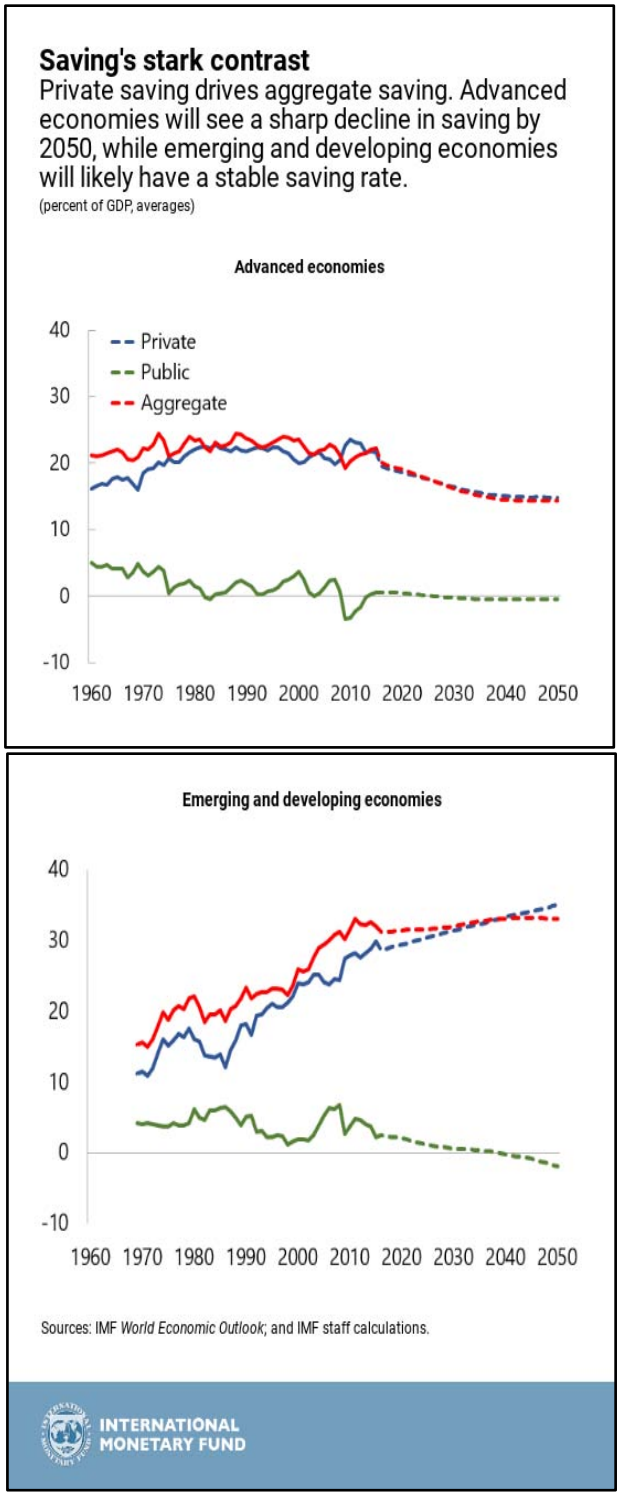


Source: World Population Prospects, 2017 Revision. Accessed on 16 December 2018

a) For Savings

- Globally, proportion of retirement income derived:
- 46% from Government – suggests importance of sustainable public finances;
- 24 % from employer – suggests need for attractive business climate, and flexible labour market arrangements with reasonable growth in real wages;
- 30 % Own saving and investments – suggests the importance of sound long term saving policy and regulatory environment, and well-developed capital markets
- Source: AEGON Center for Longevity and Retirement (2018). The New Social Contract: a blueprint for retirement in the 21st century. https://www.aegon.com/contentassets/6724d008b6e14fa1a4cedb41811f748a/retirement-readiness-survey-2018.pdf
- How much individuals or households need to save through employer or by themselves depends on the country's pension system. (David Amaglobeli, Era Dabla-Norris, and Vitor Gaspar, 2019).

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b) For Social Contract

- Several recent studies have advanced the theme that new social contract or substantial reforms of existing arrangements are needed to manage challenges, including financial preparedness of ageing populations.
- A brief overview of two studies is provided.
- The title of the study "The New Social Contract: A Blueprint for Retirement in the Twenty-First Century" (AEGON Center for Longevity and Retirement, 2018) strongly suggests reexamining the current thinking concerning retirement arrangements.
- The study states that financing pensions is qualitatively very different from institutional retirement periods extend from 25 to 35 years due to rising longevity. Yet, the retirement age remains low, in some countries, it is below 60 years.
- This study is based on a survey of 16,000 workers and retirees in 15 countries, including those in Asia.
- The study's context is the trends towards:
  i. Reduction in government retirement benefits;
  ii. Increasing longevity and reduced fertility rates;
  iii. Volatility in financial markets and prolonged low interest rate regimes;
  iv. Changing labour markets with a growing role for disruptive technologies;
  v. The increasing importance of the digital market place.
- The following findings of the study are particularly relevant:
  i. Nearly half of the people surveyed globally think that current retirement arrangements will make them worse of in terms of retirement income security.
  ii. Declining physical health is the most often cited retirement concern globally. Only a fifth of those surveyed confident of health care in retirement. Many stop working before retirement due to own or family member's ill health. So healthcare should be an integral part of financial preparedness for old age.
  iii. Only a quarter of those interviewed think they will achieve mean expected proportion of current earnings of 68% in retirement. Various avenues making up this 68 percent depends on many factors, including country's pension system.
- However, the recommendations for a New Global Retirement Model suggested by the AEGON study are relatively modest.
- Universal access to robust retirement savings system;
- Greater financial literacy;
- Affordable healthcare;
- The recommendations do not suggest what transitory steps and capacities will be needed to progress towards implementing their recommendations.
- The second study by Michal Rutkowski (2018) of the World Bank, titled "Reimagining Social Protection."
- He argues that new technologies, particularly digital technologies, are changing how people work and terms under they work.
- Around 3.5 percent of the global workforce works under the 'gig economy' type arrangements under

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which work is secured under short-term assignments, often via on-line. But this proportion is expected to grow.

- In addition, large informal sectors in emerging economies require pension and health care arrangements that are not nearly exclusively tied to formal long –term employment. Such employment has formed the basis on which the current welfare states have developed.
- He suggests greater use of budget financed social contracts, direct benefit transfers to the bank accounts of the beneficiaries of government programs (he gives India's direct benefits transfer program as an example to follow), and other uses of digital technologies (such as biometric card) to help improve access and level of benefits of social protection programs.

Demographic Indicators, Select Countries

	Population (mn)			Population> 65 (mn)			Population> 80 (mn)		
	2018	2030	2050	2018	2030	2050	2018	2030	2050
World	7632.8	8551.2	9771.8	680.9	996.9	1546.1	141.8	201.9	424.7
China	1415.0	1441.2	1364.5	158.4	245.9	358.9	26.7	40.8	111.0
Japan	127.2	121.6	108.8	34.9	36.8	39.6	10.6	15.2	16.3
Republic of Korea	51.2	52.7	50.5	7.4	12.6	17.8	1.7	3.0	7.2
India	1354.1	1513.0	1659.0	83.6	128.0	222.7	13.2	19.6	43.0
Indonesia	266.8	295.6	321.6	14.5	24.4	24.4	2.0	2.7	7.4
Malaysia	32.0	36.8	41.7	2.1	3.6	6.8	0.3	0.6	1.6
Philippines	106.5	125.4	151.3	5.2	8.4	14.9	0.7	1.1	2.7
Singapore	5.8	6.3	6.6	0.8	1.5	2.2	0.2	0.3	0.9
Thailand	69.2	69.6	65.4	8.2	13.5	19.0	1.7	2.7	6.6
Viet Nam	96.5	106.3	114.6	7.2	13.2	24.7	2.0	2.4	7.5

Source: World Population Prospects, 2017 Revision

Demographic Indicators, Select Countries

	Share of aged 65+ in total population (%)			Share of aged 80+ in total population (%)		
	2018	2030	2050	2018	2030	2050
World	8.9	11.7	15.8	1.9	2.4	4.3
China	11.2	17.1	26.3	1.9	2.8	8.1
Japan	27.5	30.3	36.4	8.4	12.5	15.0
Republic of Korea	14.4	23.9	35.3	3.2	5.6	14.3
India	6.2	8.5	13.4	1.0	1.3	2.6
Indonesia	5.5	8.3	13.8	0.7	0.9	2.3
Malaysia	6.5	9.7	16.3	1.0	1.6	3.7
Philippines	4.9	6.7	9.8	0.7	0.9	1.8
Singapore	13.6	23.2	33.6	2.7	5.2	13.3
Thailand	11.8	19.4	29.0	2.5	3.9	10.2
Viet Nam	7.4	12.4	21.5	2.1	2.2	6.5

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Demographic Indicators, Select Countries

	Total Fertility Rates (TFR)			Sex Ratio (SR)		
	2015	2025-30	2045-50	2015	2030	2050
World	2.47	2.39	2.24	101.8	101.6	101.0
China	1.63	1.69	1.75	106.3	106.1	106.0
Japan	1.48	1.58	1.70	95.5	94.8	94.8
Republic of Korea	1.32	1.46	1.63	100.2	99.5	97.4
India	2.3	2.10	1.86	107.6	106.8	104.7
Indonesia	2.32	2.12	1.90	101.5	100.3	98.3
Malaysia	2.01	1.86	1.74	106.9	104.7	102.6
Philippines	2.88	2.60	2.21	101.5	100.1	98.2
Singapore	1.26	1.30	1.37	97.6	97.6	96.7
Thailand	1.46	1.43	1.59	95.4	93.8	93.1
Viet Nam	1.95	1.92	1.90	97.9	97.7	96.8

Main Characteristics of Asian Pension Systems/1

- There are large variations in the robustness of Asian pension systems. Nevertheless, the following broad characteristics apply to them as a whole.

1. There has been less than adequate policy focus in Asia on financing arrangements; on developing professional provident and pension fund organizations, with appropriate governance and regulatory structures. These have resulted in high administrative and investment management costs; mis-selling of financial products; and less-than-adequate systems of coping with financial frauds which are increasingly directed at the elderly.
2. The above has resulted in lower coverage of the population with access to pensions (and to healthcare); lower number of risks being addressed, and when addressed, limited benefits are provided. This means that trade-offs between the adequacy of benefits, coverage of the population, and the extent of risks that are covered must be made for any given level of resource allocation to healthcare and to pensions.

Main Characteristics of Asian Pension Systems/2

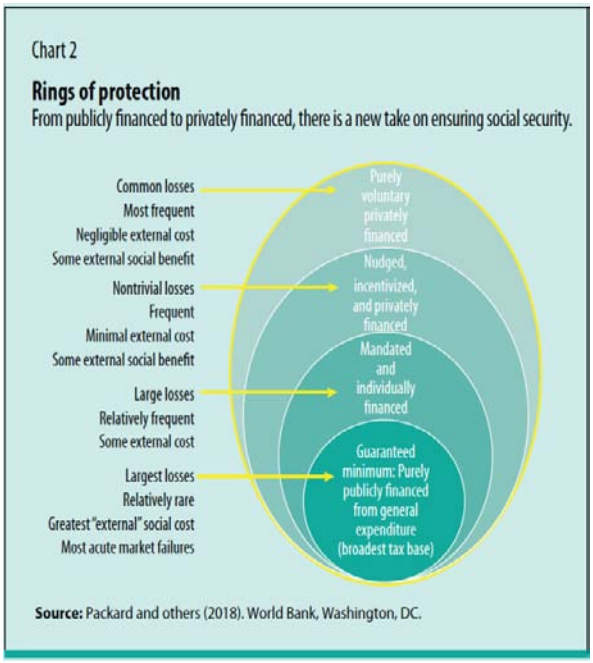
In most Asian economies, a large share of healthcare expenditure is financed out- of-pocket, with limited risk pooling, though there is some progress towards social risk pooling, particularly in India and Indonesia. Thus, the focus should be on ensuring adequacy across all three dimensions, focusing only on the number of beneficiaries or statutory coverage is not very useful.

1. The main risks in retirement financing are:
   - Inflation risk – the risk that the real values of retirement income decreases with the inflation rate relevant for the consumption basket of the elderly);
   - Longevity risk – risk that retirement income may be inadequate in view of longer-than-anticipated life spans;
   - Survivors' risk – risk that survivors, particularly women and children, may not be adequately provided for.

In managing these risks, sufficient social risk pooling arrangements are essential as society, rather than individuals, are better able to bear them. In many Asian countries, this aspect is inadequately recognized by policymakers.

Societies as well as households need to rely on multiple sources from which financing for retirement is derived.

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Main Characteristics of Asian Pension Systems/3

1. The financial and capital market development has been relatively limited. This has restricted investment options by provident and pension fund organizations, and by individuals. This increases investment risk both when retirement savings and social security contributions are made during working years; and during retirement periods when macroeconomic risk and annuities market risk need to be managed.
2. There is insufficient appreciation of the need to establish a strong data collection and analytical capabilities relating to pension arrangements, and to retirement behaviour. Regarding these data as a public good to be made available to various stakeholders should be accorded due priority. Such a practice would also enhance trust in the statistical systems and in provident and pension fund organizations. These are essential to undertake needed reforms with public support.
3. There is a strong case for establishing retirement behavior and pension research centers in most Asian countries, such as the Social Wellbeing Research Centre (SWRC) at Universiti Malaya. Such centres could address the issue of pension and healthcare policies being based on insufficient empirical evidence and policy research.
4. In many Asian countries, the political economy is not conducive to long-term and sustainable pension, retirement and healthcare policies. As a result, organizational, institutional, and regulatory arrangements which are conducive to long-term savings by households with confidence are relatively weak.
5. There is relatively less emphasis in promoting financial literacy among pension and provident fund trustees and staff, among policymakers, among households, and other stakeholders.
6. Asia has a large number of cross-border workers. They have very limited access to retirement income and healthcare benefits. Even when access is available, the costs are often prohibitive.

Select Issues in Financial Preparedness/1

Financial Literacy

- The importance of basic financial literacy has been recognized in helping to make appropriate choices for retirement income security.
- The consequences of poor financial choices could result in making mistakes with availing credit, spending retirement income too quickly or on inappropriate bundle of goods and services; and being defrauded by financial predators.
- As DeLiema et.al. (2018) have suggested, older persons are often targets of financial fraud. In U.S., where their data is derived from, most common frauds are investment frauds, and prize/lottery frauds.
- In other countries, including in Asia, frauds may involve different avenues. Financial fraud howere is a complex phenomenon. Increasing awareness, and raising requirements for ethical behaviour are likely to reduce the extent of the fraud.
- Four of the critical financial (and economic) literacy concepts for retirement financing are the following:
  1. The concept of compounding interest- the value of pension savings approximately doubles when 72 divided by the rate of interest earned on saving, e.g. if interest earned is 6%, the value of pension saving doubles every (72/6=2) years. This implies that retirement saving should start early in the working career and preserved until retirement.
  2. To understand the impact of inflation on household budgets, and in the case of public funding of pensions, on government budgets. Low inflation is, therefore, of significant benefit for retirement financing.
  3. The concept of risk diversification where overreliance on one source of retirement finance, such as property, children, state pensions, should be avoided.
  4. The concept of risk diversification cost: this refers to the alternatives forgone when choosing a particular retirement income avenue. Typically undue preference for current consumption reduce opportunity for adequate retirement financing.

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Select Issues in Financial Preparedness/3

Enhancing Financial Preparedness by Lowering Administrative Costs

- The higher administrative costs lower the real rate of return, which in turn reduces the adequacy of pension benefits; which further requires increased funding/i.e. pressures to create fiscal space.
- As an example, an administrative charge of one per cent of assets each year over a 40-year career, reduces the worker's accumulation (and hence his pension) by nearly 20 percent.

Decline in Value of Accounts Due to Fees

After a 40-Year Work Career a

Type and Level of Fees	Percentage Decline in Account Value Due to Fees
Front-load fees (% of new contributions) of:	
1 percent	1 %
10 percent	10 %
20 percent	20 %
Annual management fees (% of account balance) of:	
0.1 percent	2.2 %
0.5 percent	10.5 %
1.0 percent	19.6 %

A Assuming real wage growth of 2.1 percent and a real annual return on investments of 4 percent. With a larger difference between the rate of return and the wage growth rate, the charge ratio with annual management fees is slightly larger, and conversely.

Select Issues in Financial Preparedness/2

- It is not just the administrative costs that matter, but also cost of complying with the regulations, including receiving benefits without undue hassle costs and side payments.
- Compliance costs estimates are a relatively neglected area of research as well as of governance focus in Asia.
- Lowering compliance costs could improve adequacy for same level of monetary benefits; as well as improve fairness and organizational effectiveness.

III. Concluding Remarks

- The progress towards greater financial preparedness for old age will require all concerned pensioned related organizations, be it regulators, asset managers, service providers, as well as individuals and households to implement or to address the PHUI:

– Purpose of the organization – shifting from process to outcome orientation;
– Habits of stakeholders, including of officials of provident and pension fund organizations, as well as their trustees; and of individuals who will need to exhibit greater financial literacy.
– Using emerging technologies more competently and purposefully for record-keeping, lowering of administrative and compliance costs, and lowering investment management costs.
– Incentive structures for the organization, the officials, and the members to behave in a manner consistent with financial preparedness, and to enhance transparency and accountability.

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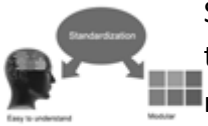
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It is required for authors to declare all financial, institutional, and personal relationships with other individuals and organizations that could influence (bias) their research.

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Plagiarism is not acceptable in Global Journals submissions at all.

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- Ideas
- Findings
- Writings
- Diagrams
- Graphs
- Illustrations
- Lectures

- Printed material
- Graphic representations
- Computer programs
- Electronic material
- Any other original work

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2. Drafting the paper and revising it critically regarding important academic content.
3. Final approval of the version of the paper to be published.

Changes in Authorship

The corresponding author should mention the name and complete details of all co-authors during submission and in manuscript. We support addition, rearrangement, manipulation, and deletions in authors list till the early view publication of the journal. We expect that corresponding author will notify all co-authors of submission. We follow COPE guidelines for changes in authorship.

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Appealing Decisions

Unless specified in the notification, the Editorial Board's decision on publication of the paper is final and cannot be appealed before making the major change in the manuscript.

Acknowledgments

Contributors to the research other than authors credited should be mentioned in Acknowledgments. The source of funding for the research can be included. Suppliers of resources may be mentioned along with their addresses.

Declaration of funding sources

Global Journals is in partnership with various universities, laboratories, and other institutions worldwide in the research domain. Authors are requested to disclose their source of funding during every stage of their research, such as making analysis, performing laboratory operations, computing data, and using institutional resources, from writing an article to its submission. This will also help authors to get reimbursements by requesting an open access publication letter from Global Journals and submitting to the respective funding source.

Preparing your Manuscript

Authors can submit papers and articles in an acceptable file format: MS Word (doc, docx), LaTeX (.tex, .zip or .rar including all of your files), Adobe PDF (.pdf), rich text format (.rtf), simple text document (.txt), Open Document Text (.odt), and Apple Pages (.pages). Our professional layout editors will format the entire paper according to our official guidelines. This is one of the highlights of publishing with Global Journals—authors should not be concerned about the formatting of their paper. Global Journals accepts articles and manuscripts in every major language, be it Spanish, Chinese, Japanese, Portuguese, Russian, French, German, Dutch, Italian, Greek, or any other national language, but the title, subtitle, and abstract should be in English. This will facilitate indexing and the pre-peer review process.

The following is the official style and template developed for publication of a research paper. Authors are not required to follow this style during the submission of the paper. It is just for reference purposes.

Manuscript Style Instruction (Optional)

- Microsoft Word Document Setting Instructions.
- Font type of all text should be Swis721 Lt BT.
- Page size: 8.27" x 11'", left margin: 0.65, right margin: 0.65, bottom margin: 0.75.
- Paper title should be in one column of font size 24.
- Author name in font size of 11 in one column.
- Abstract: font size 9 with the word "Abstract" in bold italics.
- Main text: font size 10 with two justified columns.
- Two columns with equal column width of 3.38 and spacing of 0.2.
- First character must be three lines drop-capped.
- The paragraph before spacing of 1 pt and after of 0 pt.
- Line spacing of 1 pt.
- Large images must be in one column.
- The names of first main headings (Heading 1) must be in Roman font, capital letters, and font size of 10.
- The names of second main headings (Heading 2) must not include numbers and must be in italics with a font size of 10.

Structure and Format of Manuscript

The recommended size of an original research paper is under 15,000 words and review papers under 7,000 words. Research articles should be less than 10,000 words. Research papers are usually longer than review papers. Review papers are reports of significant research (typically less than 7,000 words, including tables, figures, and references)

A research paper must include:

a) A title which should be relevant to the theme of the paper.
b) A summary, known as an abstract (less than 150 words), containing the major results and conclusions.
c) Up to 10 keywords that precisely identify the paper's subject, purpose, and focus.
d) An introduction, giving fundamental background objectives.
e) Resources and techniques with sufficient complete experimental details (wherever possible by reference) to permit repetition, sources of information must be given, and numerical methods must be specified by reference.
f) Results which should be presented concisely by well-designed tables and figures.
g) Suitable statistical data should also be given.
h) All data must have been gathered with attention to numerical detail in the planning stage.

Design has been recognized to be essential to experiments for a considerable time, and the editor has decided that any paper that appears not to have adequate numerical treatments of the data will be returned unrefereed.

i) Discussion should cover implications and consequences and not just recapitulate the results; conclusions should also be summarized.
j) There should be brief acknowledgments.
k) There ought to be references in the conventional format. Global Journals recommends APA format.

Authors should carefully consider the preparation of papers to ensure that they communicate effectively. Papers are much more likely to be accepted if they are carefully designed and laid out, contain few or no errors, are summarizing, and follow instructions. They will also be published with much fewer delays than those that require much technical and editorial correction.

The Editorial Board reserves the right to make literary corrections and suggestions to improve brevity.



Format Structure

It is necessary that authors take care in submitting a manuscript that is written in simple language and adheres to published guidelines.

All manuscripts submitted to Global Journals should include:

Title

The title page must carry an informative title that reflects the content, a running title (less than 45 characters together with spaces), names of the authors and co-authors, and the place(s) where the work was carried out.

Author details

The full postal address of any related author(s) must be specified.

Abstract

The abstract is the foundation of the research paper. It should be clear and concise and must contain the objective of the paper and inferences drawn. It is advised to not include big mathematical equations or complicated jargon.

Many researchers searching for information online will use search engines such as Google, Yahoo or others. By optimizing your paper for search engines, you will amplify the chance of someone finding it. In turn, this will make it more likely to be viewed and cited in further works. Global Journals has compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

Keywords

A major lynchpin of research work for the writing of research papers is the keyword search, which one will employ to find both library and internet resources. Up to eleven keywords or very brief phrases have to be given to help data retrieval, mining, and indexing.

One must be persistent and creative in using keywords. An effective keyword search requires a strategy: planning of a list of possible keywords and phrases to try.

Choice of the main keywords is the first tool of writing a research paper. Research paper writing is an art. Keyword search should be as strategic as possible.

One should start brainstorming lists of potential keywords before even beginning searching. Think about the most important concepts related to research work. Ask, “What words would a source have to include to be truly valuable in a research paper?” Then consider synonyms for the important words.

It may take the discovery of only one important paper to steer in the right keyword direction because, in most databases, the keywords under which a research paper is abstracted are listed with the paper.

Numerical Methods

Numerical methods used should be transparent and, where appropriate, supported by references.

Abbreviations

Authors must list all the abbreviations used in the paper at the end of the paper or in a separate table before using them.

Formulas and equations

Authors are advised to submit any mathematical equation using either MathJax, KaTeX, or LaTeX, or in a very high-quality image.

Tables, Figures, and Figure Legends

Tables: Tables should be cautiously designed, uncrowned, and include only essential data. Each must have an Arabic number, e.g., Table 4, a self-explanatory caption, and be on a separate sheet. Authors must submit tables in an editable format and not as images. References to these tables (if any) must be mentioned accurately.

Figures

Figures are supposed to be submitted as separate files. Always include a citation in the text for each figure using Arabic numbers, e.g., Fig. 4. Artwork must be submitted online in vector electronic form or by emailing it.

Preparation of Eletronic Figures for Publication

Although low-quality images are sufficient for review purposes, print publication requires high-quality images to prevent the final product being blurred or fuzzy. Submit (possibly by e-mail) EPS (line art) or TIFF (halftone/ photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Avoid using pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings). Please give the data for figures in black and white or submit a Color Work Agreement form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

For scanned images, the scanning resolution at final image size ought to be as follows to ensure good reproduction: line art: >650 dpi; halftones (including gel photographs): >350 dpi; figures containing both halftone and line images: >650 dpi.

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Tips for writing a good quality Social Science Research Paper

Techniques for writing a good quality homan social science research paper:

1. Choosing the topic: In most cases, the topic is selected by the interests of the author, but it can also be suggested by the guides. You can have several topics, and then judge which you are most comfortable with. This may be done by asking several questions of yourself, like "Will I be able to carry out a search in this area? Will I find all necessary resources to accomplish the search? Will I be able to find all information in this field area?" If the answer to this type of question is "yes," then you ought to choose that topic. In most cases, you may have to conduct surveys and visit several places. Also, you might have to do a lot of work to find all the rises and falls of the various data on that subject. Sometimes, detailed information plays a vital role, instead of short information. Evaluators are human: The first thing to remember is that evaluators are also human beings. They are not only meant for rejecting a paper. They are here to evaluate your paper. So present your best aspect.

2. Think like evaluators: If you are in confusion or getting demotivated because your paper may not be accepted by the evaluators, then think, and try to evaluate your paper like an evaluator. Try to understand what an evaluator wants in your research paper, and you will automatically have your answer. Make blueprints of paper: The outline is the plan or framework that will help you to arrange your thoughts. It will make your paper logical. But remember that all points of your outline must be related to the topic you have chosen.

3. Ask your guides: If you are having any difficulty with your research, then do not hesitate to share your difficulty with your guide (if you have one). They will surely help you out and resolve your doubts. If you can't clarify what exactly you require for your work, then ask your supervisor to help you with an alternative. He or she might also provide you with a list of essential readings.

4. Use of computer is recommended: As you are doing research in the field of homan social science then this point is quite obvious. Use right software: Always use good quality software packages. If you are not capable of judging good software, then you can lose the quality of your paper unknowingly. There are various programs available to help you which you can get through the internet.

5. Use the internet for help: An excellent start for your paper is using Google. It is a wondrous search engine, where you can have your doubts resolved. You may also read some answers for the frequent question of how to write your research paper or find a model research paper. You can download books from the internet. If you have all the required books, place importance on reading, selecting, and analyzing the specified information. Then sketch out your research paper. Use big pictures: You may use encyclopedias like Wikipedia to get pictures with the best resolution. At Global Journals, you should strictly follow here.



6. Bookmarks are useful: When you read any book or magazine, you generally use bookmarks, right? It is a good habit which helps to not lose your continuity. You should always use bookmarks while searching on the internet also, which will make your search easier.

7. Revise what you wrote: When you write anything, always read it, summarize it, and then finalize it.

8. Make every effort: Make every effort to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in the introduction—what is the need for a particular research paper. Polish your work with good writing skills and always give an evaluator what he wants. Make backups: When you are going to do any important thing like making a research paper, you should always have backup copies of it either on your computer or on paper. This protects you from losing any portion of your important data.

9. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several unnecessary diagrams will degrade the quality of your paper by creating a hodgepodge. So always try to include diagrams which were made by you to improve the readability of your paper. Use of direct quotes: When you do research relevant to literature, history, or current affairs, then use of quotes becomes essential, but if the study is relevant to science, use of quotes is not preferable.

10. Use proper verb tense: Use proper verb tenses in your paper. Use past tense to present those events that have happened. Use present tense to indicate events that are going on. Use future tense to indicate events that will happen in the future. Use of wrong tenses will confuse the evaluator. Avoid sentences that are incomplete.

11. Pick a good study spot: Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. Know what you know: Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice.

Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. Arrangement of information: Each section of the main body should start with an opening sentence, and there should be a changeover at the end of the section. Give only valid and powerful arguments for your topic. You may also maintain your arguments with records.

15. Never start at the last minute: Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

16. Multitasking in research is not good: Doing several things at the same time is a bad habit in the case of research activity. Research is an area where everything has a particular time slot. Divide your research work into parts, and do a particular part in a particular time slot.

17. Never copy others' work: Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

18. Go to seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.
Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

19. Think technically: Always think technically. If anything happens, search for its reasons, benefits, and demerits. Think and then print: When you go to print your paper, check that tables are not split, headings are not detached from their descriptions, and page sequence is maintained.

20. Adding unnecessary information: Do not add unnecessary information like "I have used MS Excel to draw graphs." Irrelevant and inappropriate material is superfluous. Foreign terminology and phrases are not apropos. One should never take a broad view. Analogy is like feathers on a snake. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Never oversimplify: When adding material to your research paper, never go for oversimplification; this will definitely irritate the evaluator. Be specific. Never use rhythmic redundancies. Contractions shouldn't be used in a research paper. Comparisons are as terrible as clichés. Give up ampersands, abbreviations, and so on. Remove commas that are not necessary. Parenthetical words should be between brackets or commas. Understatement is always the best way to put forward earth-shaking thoughts. Give a detailed literary review.

21. Report concluded results: Use concluded results. From raw data, filter the results, and then conclude your studies based on measurements and observations taken. An appropriate number of decimal places should be used. Parenthetical remarks are prohibited here. Proofread carefully at the final stage. At the end, give an outline to your arguments. Spot perspectives of further study of the subject. Justify your conclusion at the bottom sufficiently, which will probably include examples.

22. Upon conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print for the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects of your research.

.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form which is presented in the guidelines using the template.
- Please note the criteria peer reviewers will use for grading the final paper.

Final points:

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

The introduction: This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

The discussion section:

This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to prior workings.

Writing a research paper is not an easy job, no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record-keeping are the only means to make straightforward progression.

General style:

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

To make a paper clear: Adhere to recommended page limits.



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Mistakes to avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.
- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

Choose a revealing title. It should be short and include the name(s) and address(es) of all authors. It should not have acronyms or abbreviations or exceed two printed lines.

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite references at this point.

An abstract is a brief, distinct paragraph summary of finished work or work in development. In a minute or less, a reviewer can be taught the foundation behind the study, common approaches to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study with the subsequent elements in any summary. Try to limit the initial two items to no more than one line each.

Reason for writing the article—theory, overall issue, purpose.

- Fundamental goal.
- To-the-point depiction of the research.
- Consequences, including definite statistics—if the consequences are quantitative in nature, account for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:

- Single section and succinct.
- An outline of the job done is always written in past tense.
- Concentrate on shortening results—limit background information to a verdict or two.
- Exact spelling, clarity of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else.

Introduction:

The introduction should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

The following approach can create a valuable beginning:

- Explain the value (significance) of the study.
- Defend the model—why did you employ this particular system or method? What is its compensation? Remark upon its appropriateness from an abstract point of view as well as pointing out sensible reasons for using it.
- Present a justification. State your particular theory(-ies) or aim(s), and describe the logic that led you to choose them.
- Briefly explain the study's tentative purpose and how it meets the declared objectives.

Approach:

Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done. Sort out your thoughts; manufacture one key point for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory specifically—do not take a broad view.

As always, give awareness to spelling, simplicity, and correctness of sentences and phrases.

Procedures (methods and materials):

This part is supposed to be the easiest to carve if you have good skills. A soundly written procedures segment allows a capable scientist to replicate your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order, but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt to give the least amount of information that would permit another capable scientist to replicate your outcome, but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section.

When a technique is used that has been well-described in another section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show all particular resources and broad procedures so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step-by-step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

Materials may be reported in part of a section or else they may be recognized along with your measures.

Methods:

- Report the method and not the particulars of each process that engaged the same methodology.
- Describe the method entirely.
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures.
- Simplify—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that's all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and every other part of the paper—avoid familiar lists, and use full sentences.

What to keep away from:

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings—save it for the argument.
- Leave out information that is immaterial to a third party.



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Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part as entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.

Content:

- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or manuscript.

What to stay away from:

- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:

As always, use past tense when you submit your results, and put the whole thing in a reasonable order.

Put figures and tables, appropriately numbered, in order at the end of the report.

If you desire, you may place your figures and tables properly within the text of your results section.

Figures and tables:

If you put figures and tables at the end of some details, make certain that they are visibly distinguished from any attached appendix materials, such as raw facts. Whatever the position, each table must be titled, numbered one after the other, and include a heading. All figures and tables must be divided from the text.

Discussion:

The discussion is expected to be the trickiest segment to write. A lot of papers submitted to the journal are discarded based on problems with the discussion. There is no rule for how long an argument should be.

Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully described.

Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact, you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved the prospect, and let it drop at that. Make a decision as to whether each premise is supported or discarded or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."

Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work.

- You may propose future guidelines, such as how an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of research will not counter an overall question, so maintain the large picture in mind. Where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

When you refer to information, differentiate data generated by your own studies from other available information. Present work done by specific persons (including you) in past tense.

Describe generally acknowledged facts and main beliefs in present tense.

The Administration Rules

Administration Rules to Be Strictly Followed before Submitting Your Research Paper to Global Journals Inc.

Please read the following rules and regulations carefully before submitting your research paper to Global Journals Inc. to avoid rejection.

Segment draft and final research paper: You have to strictly follow the template of a research paper, failing which your paper may get rejected. You are expected to write each part of the paper wholly on your own. The peer reviewers need to identify your own perspective of the concepts in your own terms. Please do not extract straight from any other source, and do not rephrase someone else's analysis. Do not allow anyone else to proofread your manuscript.

Written material: You may discuss this with your guides and key sources. Do not copy anyone else's paper, even if this is only imitation, otherwise it will be rejected on the grounds of plagiarism, which is illegal. Various methods to avoid plagiarism are strictly applied by us to every paper, and, if found guilty, you may be blacklisted, which could affect your career adversely. To guard yourself and others from possible illegal use, please do not permit anyone to use or even read your paper and file.

Criterion for Grading a Research Paper (Compilation) by Global Journals

Please note that following table is only a Grading of "Paper Compilation" and not on "Performed/Stated Research" whose grading solely depends on Individual Assigned Peer Reviewer and Editorial Board Member. These can be available only on request and after decision of Paper. This report will be the property of Global Journals

Topics	Grades		
	A-B	**C-D**	**E-F**
Abstract	Clear and concise with appropriate content, Correct format. 200 words or below	Unclear summary and no specific data, Incorrect form Above 200 words	No specific data with ambiguous information Above 250 words
Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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