AFRICA'S COMING DISRUPTION

How the Continent's Youth can change its Destiny from Promise to Prosperity

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STRENGTHENING AFRICA'S ECONOMIC PERFORMANCE

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FOREWORD

Africa is a continent that cannot stand still.

BOBI WINE

We are often told that Africa's future lies in its youth – that the continent is poised to benefit from a demographic dividend in the coming years and decades. Today, Africa's population stands at 1.4 billion, with 60% aged 25 and under. By 2050, it is estimated that the continent will be home to 2.4 billion people, half of whom will be 25 years old or younger. Other parts of the world may look at Africa with envy: while their populations grow older, Africa will grow younger. This reality brings a series of benefits. A young population can stimulate economic growth by replenishing and expanding the labor force. A large and active labor force creates a middle class, which in turn drives a healthy and attractive market. Look at the entrepreneurs, artists, and authors who have achieved success across the continent today, and you will see young, energetic, and talented Africans.

Africa's future, it seems, is promising. However, a large and young population does not automatically translate into economic growth and prosperity – it needs to be cultivated. Young people need to be empowered. While the continent has achieved remarkable success in providing primary education to its youth, it has often failed to equip them for a world evolving at tremendous speed. Once educated, the youth need opportunities. Failure to create these opportunities will pose an existential threat. As cities burgeon with young people unable to find gainful employment, despair and frustration will grow, eventually boiling over into unrest and violence. Africa's greatest asset could very easily become a liability. Lack of opportunity at home will also push people to other parts of the world in search of a better life. The treacherous journeys many undertake, and the horrors they often face, underscore the urgency of the issue. Some will succeed; many will not.

In many ways, Africa stands at a crossroads: It can create an environment that enables its youth to excel, thereby making them an asset, or it can choose to exclude them, making them a liability not only for the continent but also for the world. Putting Africa's youth at the center of its development agenda is crucial for the continent's progress.

If you are reading this, then you, much like me, believe in the former. You don't simply want to see Africa succeed – you want to be part of its success. What, then, needs to be done to realise this potential?

When reading this publication, you will see that there are many lessons which can be learned from other parts of the world. Malaysia is one such example which mobilised its youth as a manufacturing base to build a prosperous economy. India also shows a mixed outcome of how to manage a burgeoning youth population and how not to do it. Its ability to funnel youth into the IT and service sectors at the turn of the century was instrumental in building its economic capacity.

But this begs the question: given what we know about Africa's socioeconomic conditions, what must we do today to create better economic outcomes for our struggling economies?

In answering these and other key questions, *Africa's Coming Disruption*: *How the Continent's Youth can change its Destiny from Promise to Prosperity* outlines what African countries can do to leverage this burgeoning youth population and position themselves as a force of economic strength, characterised by improved livelihoods and lives. For instance, in this book, you will see how the Democratic Republic of Congo can transform itself into a manufacturing hub with its youth at the center. Or how the Harambee model leverages public-private partnership to rethink how we skill and upskill people by combining the scale and reach of government, the efficiency and innovation of the private sector, and a focus on inclusion.

Africa's time is now. If you are curious about creating a promising future for the youth and, more importantly, interested in helping to create it, then this publication will serve as a vital springboard. Learn from it.

ROBERT KYAGULANYI SSENTAMU 'BOBI WINE'
UGANDAN ARTISTE, ACTIVIST AND LEADER OF THE NATIONAL UNITY PARTY
KAMPALA, MAY 2024

INTRODUCTION

Africa's Destiny Is in the Hands of Its Youth

MARIE-NOELLE NWOKOLO

The power of youth is the common wealth for the entire world. The faces of young people are the faces of our past, our present and our future. No segment in the society can match with the power, idealism, enthusiasm and courage of the young people.

— Kailash Satyarthi, Nobel Laureate

On 20 October 2020, thousands of young people across the length and breadth of Nigeria – Africa's giant – took to the streets to protest against the infamous Special Anti-Robbery Squad (SARS). They were driven by frustration with a state that calls them 'lazy' and the 'coconut-head generation' from one side of its mouth and, from the other, barks orders that have led to an aggressive assault on many via the clandestine activities of its paramilitary agents when the same youth dared to pursue economic activity, especially if their hustle allowed them possession of a smartphone or, worse, a laptop. This protest was the physical culmination of the #EndSARS movement. Unfortunately for the country's young, they were about to witness the brutal hand of the state.

Between 6.45 pm and 9 pm, a command was sent out to switch off the lights at the Lekki toll gate and what unfolded has left the greatest scar in recent living memory on young Nigerians. Gunfire from state-ordered security forces was directed at thousands of protesters, who were peacefully demanding decent governance and an end to police brutality as part of the #EndSARS campaign. The result? An estimated 12 peaceful protestors were reportedly murdered, and several others were injured by the Nigerian army and police in the cosmopolitan neighbourhoods of Lekki and Alausa in Lagos. By the end of the day, according to reports by Amnesty International, some 38 people allegedly lost their lives across Nigeria.[1] The flags, proudly brandished earlier in the day as emblems of identity and pride, now bore the weight of fallen compatriots, soaked in blood – a testimony of their sacrifice. For the hundreds of others present and the millions who watched this via Instagram live stream, their parting gift was a lifetime memory of trauma and terror – from the people meant to protect them.

The cards are stacked high in this game of survival, and it is not just Nigeria. Similar incidents have occurred across the continent in Tunisia, Uganda and Senegal – the list goes on. Yet Africa's youth present the largest portion of its demography and increasingly so over the next three decades.

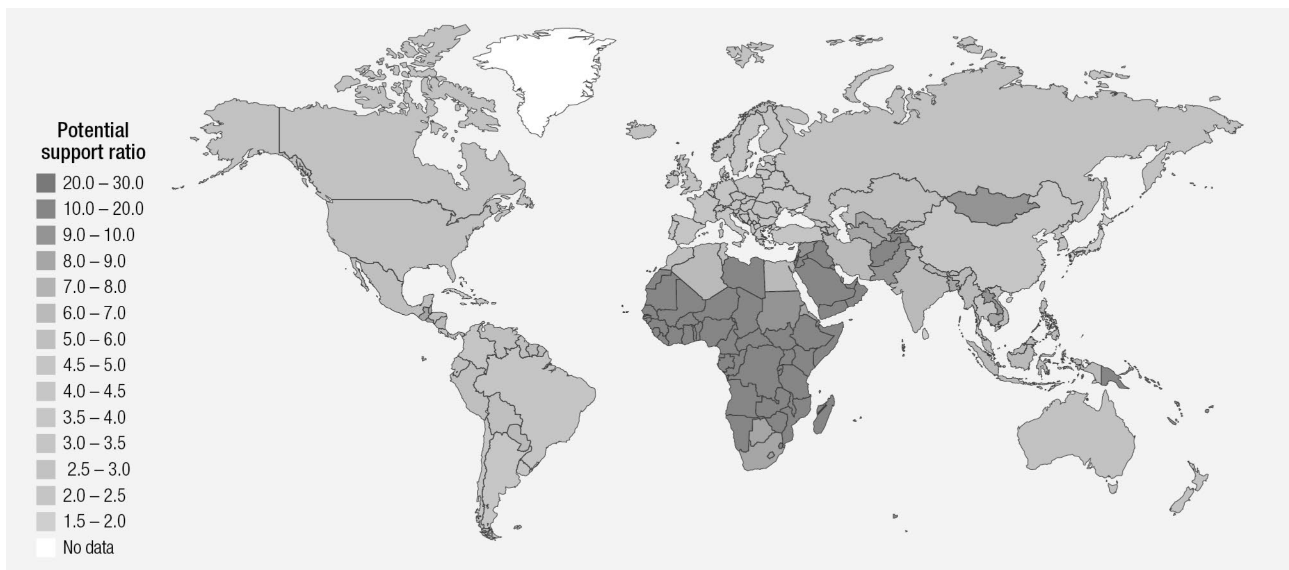
Africa's growing youth population is caught between a rock and a hard place – lands of little economic opportunities that pre-date their existence and draconian leaderships that refuse to make the right choices needed to see them prosper. Whether Africa's shifting demography poses more glaring

'issues', or a significant opportunity, will, to a great extent, depend on how governments react, or don't. In a phrase, it will depend on the breadth and depth of their institutional and policy reforms.

AFRICA'S RISING POPULATION

Over half of the world's population growth between 2022 and 2050 is expected to occur in Africa.[2] By 2050, Africa's population is expected to double and by 2100 approach an estimated 4.5 billion people[3] – that is equivalent to two Indias and one China, today. Presently, Africa's fertility rate remains higher than the world average. Coupled with a skyrocketing ratio of young people to old, the continent boasts a burgeoning youth population, with some 60% of its population under the age of 25. With almost 300 million people aged between 15 and 24, Africa, today, has the largest population of young people in the world.[4] This extraordinary demographic change is and will be one of the most important occurrences of the century. From climate and the environment to migration, (in)security, conflict, global trade and food, such large-scale demographic growth will have significant consequences on the world – from poor nations with an increased burden of service delivery, to rich countries with ageing populations in need of labour in the face of populist and xenophobic sentiments.

Figure 1: Potential support ratio (number of people aged 25–64 versus people aged 65+) in 2025 (medium variant projection).



Source: From M.M. Woldegiorgis, 'Drivers of Demographic Dividend in Sub-Saharan Africa'. *Rev Evol Polit Econ* 4, 2023: 387–413, https://doi.org/10.1007/s43253-023-00094-x.

Africa's young population, especially its youth, are and will be a potent resource and force for change. Like China, which rode on the back of a bulge in the number of newly educated young people who filed onto the workshop floors of its many industries and became the infamous 'factory of the world', the expectations for Africa are great.[5] If properly harnessed, this cohort can fuel economic growth, innovation and social development.

And while stories like that warrant excitement, the detail of how they got to where they did is often lost in the rhetoric. China didn't develop because it had a population bulge, it developed because it had a qualified population and responsive and intentional policy to capitalise on this. The same can be said for places like Singapore, South Korea and a case study this book expounds on – Vietnam.

And yes, in some respects, it requires a different approach to these Asian counterparts – one that is more sensitive to issues of human rights, democracy and the environment. Still, the learnable lessons are there.

There is a burning need for this because, without sustainable and inclusive growth, African countries are likely to be engulfed by the unrealised aspirations of a rapidly growing and urbanising population. Already, the lived reality of the continent's population leaves much to be desired. Some 90% of its people in sub-Saharan Africa live on less than $10 a day, approximately $3 652 a year. It is worse than that because the vast majority of this cohort survives on less than $2 (~47%). Many on the continent are struggling, and it is now more urgent than ever before.

At the core, concerns about the fate of the continent's burgeoning young populations lie in their economic preoccupation. Each year, an estimated 10–15 million youth enter the labour market. To manage this growing youth population and labour force, an estimated 12–15 million jobs ought to be created each year until 2050. Herein lies one of the continent's biggest challenges – only 3 million formal jobs are created each year. According to the International Monetary Fund (IMF), to keep up with the continent's rising young people coming into the workforce, some 20 million jobs will need to be created in Africa every year until 2035; this does not account for the existing backlog, which has left the streets of many African cities teeming with wandering, disenchanted and listless young people.[6]

Africa's youth are disproportionately disadvantaged and economically marginalised, accounting for 60% of all the continent's jobless, their rate of unemployment averaging more than double the adult proportion.[7] The World Bank, for instance, found that two out of five people who join rebel movements are motivated by a lack of employment.[8]

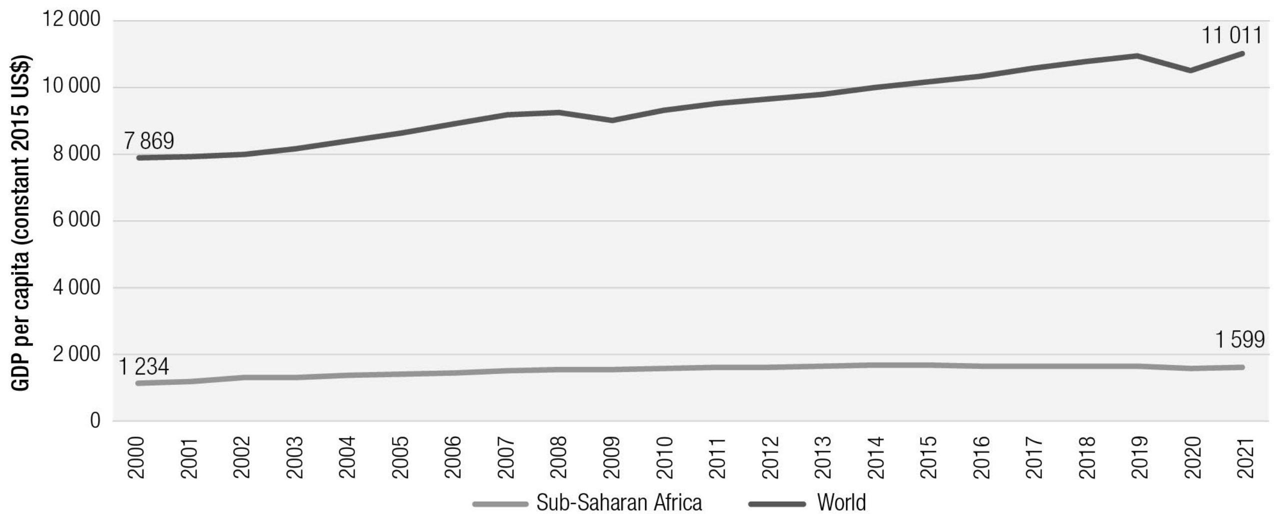
Without a noticeable change, a positive one at that, to the economics and political landscapes of the continent and subsequent inclusive and job-rich economic growth, the costs of the unmet expectations of a disgruntled population looms large. Unemployment will soar higher, instability will increase, standards of life will not progress, migratory pressures will surge and these costs will be immeasurable.

All of this occurs under some grim conditions. The IMF estimated that growth in sub-Saharan Africa in 2023 would slow to 3.6%, the second consecutive year of aggregate economic decline in the region, as a big funding squeeze tied to drying up aid and access to private financial markets hit the region. To accelerate growth, investment rates and productivity need to increase.

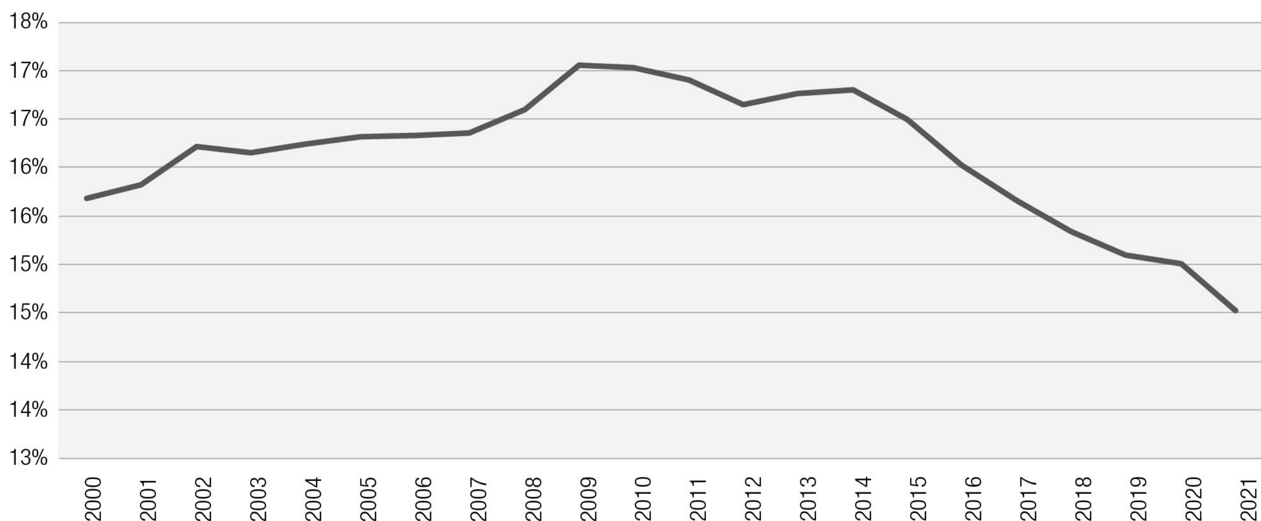
THE IMPERATIVE OF ECONOMIC PROGRESS

Economic growth is a vital measure of a thriving economy. Growth generates long-term prosperity, boosting national income and employment. Standards of living rise, providing better outcomes for people, with cascading effects in other areas of their well-being – health, education, security and dignity. Economic growth sets in motion a powerful cycle of progress.

Regrettably, Africa's real experience leaves much to be desired. While it is progressing on an upward climb, our share of global GDP per capita has barely budged. It has, instead, declined. More stark is that less than 5% of Africans live on more than $10 a day, and, of those, roughly one-third live in South Africa.[9]



Source: World Development Indicators, 2023



Source: World Development Indicators, 2023

It is true, too, that a job is more than an economic preoccupation. It is the currency through which people fend for themselves, their families and contribute to society. A job, whether in AD, BC, 1st century or 21st century, is the yardstick by which dignity is measured. Is that what it should be measured by? Maybe not. But for now, it is. The lack of employment and formal income poses a noticeable threat to the well-being of many and, thus, to the fabric that binds us.

It is why the quest is not just about creating jobs but creating jobs that pay well. People paying less for what people do is perhaps as much a part of the problem as the kinds of jobs people have. If paid better, people can experience much more respectable standards of living. To pay people better, the continent needs business – new business and big business, too.

ON INVESTMENT, INEQUALITY AND URBANISATION

So far, the investment required for this economic acceleration has not been there. According to World Bank estimates, countries need to have investment-to-GDP ratios greater than 25% over a sustained period to achieve a sustainable and inclusive growth path and make substantial progress towards their development goals.[10] The African average since 2000, however, has been just under 18%, with significant country variations, due to low private and public investment rates.[11] Similarly too, Africa's inward foreign direct investment flows, with much of it concentrated in the extractive sector, are less than 4% of the global total foreign direct investment (FDI) stock, compared to Asia's 40%.[12] This lack of investment, among other things, reflects a lack of the conditions to encourage investment – governance, in a word.[13]

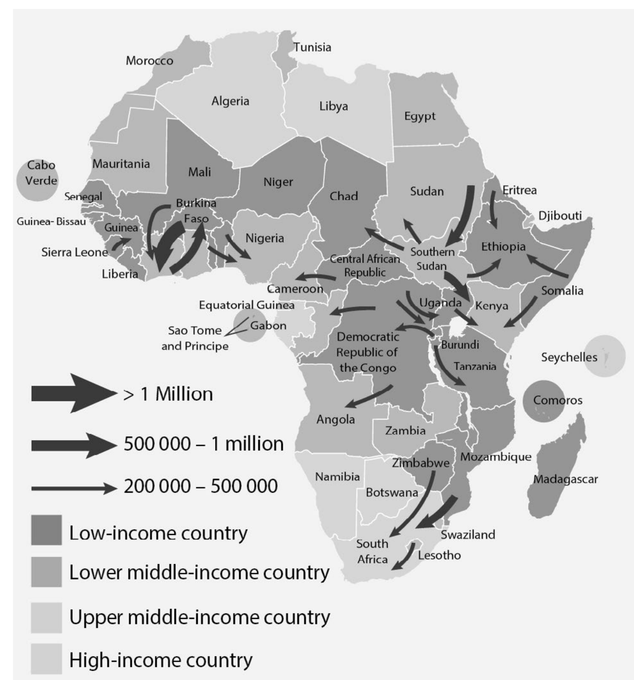
Added to this is a widening gap in inequality. Of the 19 most unequal countries in the world, 10 are in sub-Saharan Africa, where countries like South Africa, Namibia and Botswana lead the charge.[14] Political science reveals the challenges this poses in the unjust nature of it all and the disincentives for reform. Typically, elites in highly unequal societies are prone to safeguarding a political and policy environment favouring their interests and reinforcing their social and economic position.[15] It is no wonder that people take the most treacherous routes – across the Sahara, Aegean and Mediterranean – to flee their homes. (It is important, too, to note that while Europe would like to cry foul, over 50% of African migration is intra-continental.)

Another significant factor in Africa's shifting demography is urbanisation. More people are moving from rural regions to cities in quest of better lives as economies grow and possibilities increase. Africa's urban areas are expected to see a boom in population numbers (~1.2 billion more people by 2050). Although this fast urbanisation poses difficulties for the supply of services, housing and infrastructure, it also brings economic expansion and urban development potential.

Overall, much has been written about the implications of this surge in a youthful population. For some, it is the potential to reap gigantic economic benefits in the form of a demographic dividend – the shift in population structure towards young, working-age people typically brought on by a decline in fertility and mortality rates, and thus fewer dependants and more disposable income for savings, investment and spending. Some estimate that a '1 percentage point change in the working age population increases real per capita GDP growth by 0.5 percentage point, with the range varying between 0 and 1.1 percentage points'.[16] The example, too, was made that 'a median African country with an initial per capita income level of around US$550 in 2010 can expect to benefit from a demographic dividend (beyond the growth that would occur with an unchanged demographic structure) of about US$1,350 by 2100. The resulting GDP per capita of US$3,865 is higher by about 56 percent compared with a scenario of an unchanged share of working age population.'[17]

For others, there is a prevailing negative perception of the externalities of a jobless and restless

Figure 4: Intra-Africa Migration flows



Source: UNCTAD calculations, based on United Nations Department of Economic and Social Affairs, 2017

young population and its impact on development. It could very well spell doom – Arab Springs across the continent, with spillover effects along the many migrant routes and destinations in Europe and the Americas.

What is certain, though, is that African leaders – policy-makers and governance practitioners especially – have their job cut out for them. They face a valid dilemma: increasing mouths to feed, managing voters, and having few resources to do so. The answer, for sure, is not 'business as usual'. Neither is it to stand still and hope for better luck or for someone else to solve it.

No country ever developed through luck – or at least through luck alone. That is the principal lesson of the rise and fall of civilisations and, more recently, Africa's 60-plus years of post-colonial liberty.

Luck can make a difference to a country's development prospects if it is well-prepared and embraces it when the right winds blow. The quote, 'Luck is when opportunity meets preparation,' attributed to Roman philosopher Seneca and overused to the point of cliché, holds true. As the book *Expensive Poverty* identifies, that much is the lesson from the Asian growth narrative, where countries like Vietnam and South Korea demonstrated, and still do, the importance of local ownership and the direction and prudent spending on infrastructure projects.

And yet, many still ignore these messages. African governments thus find themselves in the exegesis of debt, inflated wage bills, elaborate per diem cultures, electoral buyouts and the standard white elephant projects that drain the fiscus and become deadweight for future liquidity. A coherent political and economic strategy is necessary to maximise the chances of a high proportion of working-age people, providing a window of hope for African countries to escape the poverty trap. To tackle the challenges ahead, a different tack is required.

WHERE DOES RESPONSIBILITY LIE?

The circumstances Africa finds itself in are as much self-inflicted as they are vestiges of its colonial history. While the latter has left scars that still hurt, the former represents open wounds. Nigeria's #EndSARSs terror is telling in this regard. Africans rail against restricted rights, deplorable economic conditions, a good-on-paper but poor-in-reality system of governance, and a continued sense of despondency as the most ingenious state-crafted schemes reveal the depths of corruption.

With the understanding that our underdevelopment is primarily a choice made by our leaders, strengthening individual economic, political and social rights and discourse is at the core of creating a different future for the continent – one with more sustainable solutions to our problems. People, our most important resource, are instrumental to a different narrative for the African continent, not the state and its lollygagging politicians and their delusional fiefdoms.

It should not be, for instance, that after spending a decade and a half in school, graduates cannot be sure that they will find work commensurate with their qualifications. Across many advanced economies, educational qualifications remain the best protective factor against unemployment and exclusion. To question whether this is a worthwhile pursuit when it has delivered better outcomes elsewhere is problematic.

In his book, Mcebisi Jonas, former deputy Minister of Finance, captures the sentiments of many on the continent when he asks: 'Can Africa(ns) actually prosper? Will we be able to create a system of government and economy that will realise the hopes and aspirations of its people? Or are we doomed to struggle forever through colonialism's terrible legacies of division, extraction, exclusion and inequality?'[18] The answer is, we can. Or better stated, we *must*.

WANING GOODWILL IN LEADERSHIP?

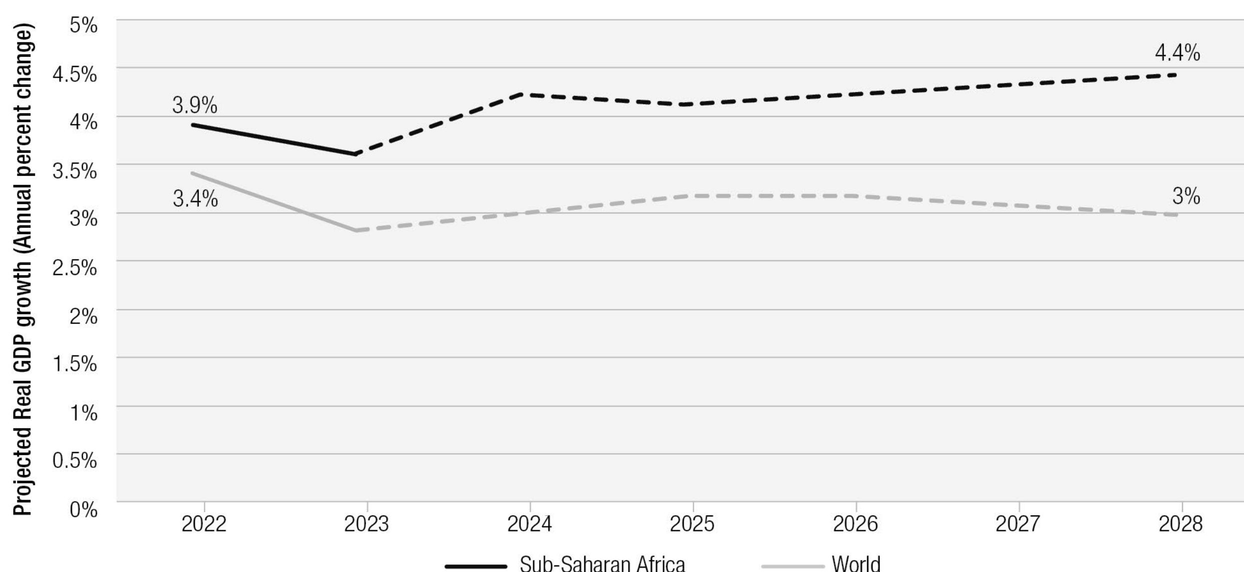
In the wake of the commodity price decline, Africa's growth has weakened since 2014 (and more recently due to Covid-19, Russia's war in Ukraine and the related food and fuel price shocks). Its population is not in the dark. Across 34 African countries surveyed by Afrobarometer in 2019/2021, 60% of Africans said their countries were going in the wrong direction; by 2022, that number was 69%.[19]

When asked about the most important problems that citizens want their government to resolve, the regional average put unemployment and health at the top of the list (cited by ~12%), followed by education (9.8%), and roads and infrastructure (9.7%). In the 2022 survey, unemployment stayed consistent around the 12% mark and management of the economy rose to number two (cited by 11.7%). Citizens have become increasingly concerned about their countries' direction and management.

A continual nosedive or slothful growth rates and a comparatively yawning gap between us and the rest of the world spells nothing short of waning public interest in governance, increased migration, inequality, diminished competitiveness, an increased propensity for populist campaigns and their accompanying wear and tear on the democratic fabric, and continued poverty. As a result of better (and higher) pro-poor growth elsewhere, such as in China, and high population growth in Africa, an estimated 86% of the world's extreme poor will live in sub-Saharan Africa by 2050, should business as usual continue.[20] We need to alter the status quo and build an offramp for a path more responsive to the well-being and desires of the population – today and in the future.

As hackneyed as it sounds, Africa has enormous potential for sustained, inclusive economic growth. The IMF estimates Africa's medium-term prospects to be optimistic, surpassing global estimates even. These projections are contingent on the continent's ability and sustained effort to harness its demographic dividend, boost private capital inflows and mobilise domestic finance, and seize the opportunities presented by globalisation to deliver economic transformation and create productive jobs.[21]

Figure 5: A promising future?



Source: Author's own calculation; World Development Indicators, 2023

A comprehensive youth policy will be an important yardstick. However, Africa's problem has never been one of policy – we have (too) many. The challenge has always been implementation. Indeed, it can be said that more is required than simply technical skilling and upskilling; instead, this is about

developing and delivering systemic skills and managing the wherewithal to implement them (think political will and funding). Thus, a comprehensive plan must go beyond normative and grandiose catchphrases about youth engagement. It will also need benchmarks and criteria to determine whether the economic engagement of its youth population has improved. Have more people been employed? Do more people stay employed? Have more businesses been created? How many businesses have expanded beyond domestic markets?

DISTILLING THE BASICS: 'REAPING THE DEMOGRAPHIC DIVIDEND'

The concept of Africa's burgeoning youth population contributing to GDP is often affiliated with the idea of reaping a 'demographic dividend'. The general concept is similar, but the details may differ depending on whom you ask. Edward Paice, director of the Africa Research Institute and author of *Youthquake: Why African Demography Should Matter to the World*, explains it thus: 'When the proportion of children and old people in a population is high, and that of working-age youth and adults is low, there is a high level of dependency which will have a dampening effect on the growth of per capita GDP. However, the ratio of dependants to workers diminishes as the demographic transition proceeds. A "bulge" of children becomes a "bulge" of productive workers. This can potentially boost GDP per capita for several decades until the proportion of elderly people swells, and the dependency ratio starts to rise again.' Paice shares that the idea of reaping a demographic dividend is 'pie in the sky' and more complex than a population bulge.[22]

David Bloom and Jeffrey Williamson, Harvard academics who popularised the concept of a 'demographic dividend', investigated 78 countries and found that in East Asia, the demographic transition – change from high to low rates of mortality and fertility – resulted in its working-age population growing at a much faster rate than its dependant population, thereby expanding their per capita productive capacity.

This, they shared, 'contributed substantially to East Asia's so-called economic miracle'.[23] But a few sentences later, Bloom and Williamson said improvement in economic growth associated with the demographic transition was not inevitable. 'Rather,' they stated, in East Asia, 'it occurred because … countries had social, economic, and political institutions and policies that allowed them to realise the growth potential created by the transition.'[24] Among the 'other transitional forces' cited were 'productivity gains from "borrowing" Western technologies, shifting labour from sectors with low productivity (agriculture) to sectors with higher productivity (industry and services), and exploiting the potential of globalization'.[25] They stressed that the demographic dividend ('gift') 'may or may not be realised. It represents a growth potential whose realisation depends on other features of the social, economic and political environment'.[26] In a phrase, as Paice described it, 'it was conditional'.[27]

Essentially, a changing age structure, as Africa is experiencing now, provides merely a window of opportunity to realise a demographic dividend, and it is not automatic; it requires intentionality and is policy dependent.[28]

In subsequent years, thinking about what leads to a demographic dividend has expanded. In the paper, '*Realizing the Demographic Dividend*: *Is Africa Any Different*?', David Bloom and colleagues assert that 'only countries featuring high institutional quality are able to receive a demographic dividend'. They add, 'A stable and transparent political and economic environment is required for individuals in the working-age population to be productive. Efficiency losses due to poor institutional quality will outweigh any gains that a high proportion of working-age can bring.'[29]

The added institutional qualities did not make it any easier because the authors admit that 'institutional quality was "hard to define and even harder to measure"'.[30] As Paice asserts, 'this "right set of institutions" and other preconditions included a stable and transparent political and economic environment, the rule of law, an efficient bureaucracy, control of corruption, political freedom and low risk of expropriation, openness (of the political system and trade), and freedom of political representation and speech. More than that, a broader "institutions measure" would include good-quality infrastructure for healthcare, schooling, roads and transport; and a "formal labour market with unions protecting both employees and employers".'[31]

The laundry list of requirements did not end there. By 2013, according to Paice, the prerequisites for securing a demographic dividend included: the right mix of jobs that allow workers to contribute proactively to the economy, sustained investment in human capital, good governance, a carefully constructed trade policy, solid macroeconomic management, well-developed financial markets, good relationships with neighbouring countries and absence of civil wars, conflict and foreign wars, labour-market reform and the rule of law.[32] Paice adds that in 2016, 'cultural attitudes, religion and technological progress' and 'global trade patterns' were added. In short, it required everything and nothing to occur – very conditional, if not too much so.

This confusion does not discredit the quest to understand how African countries can better prepare for and leverage the burgeoning youth population. It adds credence to the need to be intentional about the approach to reap benefits from this window of opportunity. Whether the region experiences an economic upsurge from this added population depends on how well this generation is equipped.

CONCLUSION: INSTILLING A SENSE OF URGENCY AND OWNERSHIP IN THE WAY FORWARD

Given the continent's impending population surge, the spectre of poverty looms larger than ever, threatening to engulf not only the continent itself but also cast a shadow over the entire world. The urgency of this situation cannot be overstated. Africa's fate hangs in the balance, teetering between the precipice of dire struggle and the beacon of transformative progress. The choice lies squarely in the hands of Africa's nations.

No one can want and thus create progression more than Africans themselves.

Yet, in Africa, there appears to be more rhetoric than action. There has not been a sense of urgency or the need to introduce reforms in response to this forthcoming crisis, particularly those reforms aimed at profoundly improving economic growth and the numbers and kinds of jobs. In part, this reflects poor leadership and bad governance. It also relates to an inability to prioritise and follow through. And it reflects a failure to learn from the experience of others.

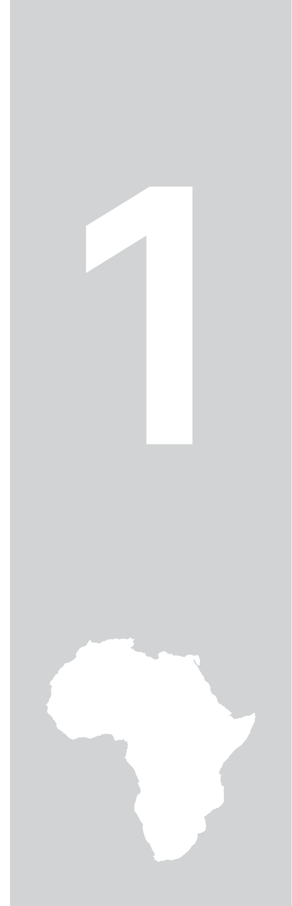
Therefore, leaders will need to develop a 'growth ideology' beyond the grammar-heavy but vacuous vision statements that dot the policy landscape. As a wise woman once said, 'Don't talk about it, be about it.' It will entail developing a political economy of change: turning the system away from one where the political class has no incentive to rectify the system of governance and the policy choices that drive it. Governments and ruling parties must embrace pragmatism and a culture of performance legitimacy – clean things up, work with business and get the economy on a growth path. Failure to realise this amid the rapid population swell brings the risk of many variations of widespread human tragedy.

The key question posed in this book would be what it would take for Africa's bulging youth and working-age population to be a great disruptor of the status quo and lead to a more rapid, sustained, and inclusive development narrative. Solutions are within reach. But answering this requires identifying and understanding the practical levers African countries have available to implement reforms. While these are not in themselves silver-bullet solutions, they highlight actions that are likely to produce the desired outcomes and warrant areas where Africa's policymakers and captains of industry may want to allocate efforts and resources. It is to these practical options that this book now turns.

SECTION

WHAT DOES IT TAKE TO MAXIMISE A YOUTHFUL POPULATION AND REALISE A YOUTH DEMOGRAPHIC DIVIDEND

– A CASE STUDY APPROACH.



DEMOCRATIC REPUBLIC OF CONGO

Youth and Low-Cost Manufacturing: Unlocking the DRC's Potential by 2060

NATHAN MUKOMA

The Congo is great and it expects greatness of us.

Patrice Emery Lumumba

Meet Yohan Pezo, a 29-year-old entrepreneur and Memphis Textiles founder living in Kinshasa. Pezo launched his company in 2021 after learning that a large portion of African fabric sold in the Democratic Republic of the Congo (DRC) was imported from the Netherlands, and more so from China. Memphis Textiles and its network's goal is to boost the distribution of locally produced artisanal fabrics. But like many others, Pezo immediately faced his first business challenge in the form of transportation and logistics. The lack of an adequate logistics network in the DRC made it difficult for him to find suppliers. But this also meant that for Memphis Textiles to compete against China and the Netherlands, it had to pass the transportation costs on to its customers. This made Memphis Textiles less competitive in the broader market. Pezo quickly faced a second challenge. He described it as 'The customs administration in place does not allow African traders to exploit free markets.' Like many other young Congolese people, Pezo believes that 'the DRC remains a very interesting business environment, full of potential', but this potential can only be exploited if the government encourages young entrepreneurs through better-managed customs.

Entrepreneurs like Pezo are standing on the ashes of a once-thriving Congolese textile industry, trying to return it to its former glory. Grown as an experimental crop in 1918 by the Belgian authorities, the DRC's cotton production peaked in 1959 and remained a key sector of agriculture throughout the 1980s.[1] This led to a booming textile industry in the years that followed. In 1990, the country had seven textile factories; today, only the Société Textile de Kisangani (Sotexki) exists, and it is on the brink of extinction, functioning at 15% of its capacity.[2] DRC local production stood at 70 million metres of fabric in 1990, then declined by 83%, to 12 million by 1996, and much less today. During the Zaireanisation era, the textile industry embodied Congolese cultural pride, sovereignty and authenticity, since a great deal of the cotton worn in the DRC was locally cultivated, from seed to dress. Now, it is dominated by Chinese replicas of Congolese products in an almost ironic twist of fate. The cascading failure of the Congolese textile industry was caused by a mix of internal and external factors. Internally, blame can be attributed to the 1990s wars, deteriorating infrastructure, antagonistic customs authorities, dwindling

investment, lack of state support, collapse of distribution networks and a rise in informal traders. Sotexki, for example, suffered $1.64 million in damages during a battle between Ugandan and Rwandan forces in 1999, which took place in Kisangani.[3] Externally, the end of the Multifibre Agreement in 2005 opened the floodgates for Chinese products, fuelled by cheap labour. This dealt a final blow to an already dying industry, leaving millions of unemployed people behind it.

The Chinese state continuously devoted resources to its textile sector following its industrialisation during the first Five-Year Plan in 1955, making it more competitive and giving it a leg-up when China opened itself up to the world. The lack of investment in the industry by the government and textile companies in the DRC led to a failure to turn a lucrative domestic sector into a globally competitive industry. From the Asian tigers and their miraculous growth to countries that rebuilt themselves from the ashes of the Second World War to those that cast off the shackles of failed communist regimes to embrace the promise of market economies, the annals of economic development are filled with stories of nations that gained or regained their greatness in two decades (more or less). Some succeeded by embracing the role of manufacturing as a key and strategic sector of their economy when faced with a growing – and predominantly young – population. Think of Singapore, Japan, Taiwan, South Korea, Italy, Hong Kong, Germany and, of course, China, just to cite a few.

While manufacturing is not the only way to progress, it is a proven method with enough cases to learn from. Manufacturing (especially labour-intensive) has a high rate of job creation and can lift a large number of people out of poverty. But what does it take for a country to develop through manufacturing? Well, it starts with having a growing population. The link between demographic growth and economic productivity has a long-established track record, as highlighted in the introduction to this book. A growing population provides a sizeable pool of potential labour as well as a growing domestic market, ready-made for consumption. This advantage is reinforced when the population is predominantly young, thus of working age, which is tightly linked to productivity and higher consumption.

This is the reality for a country like the DRC, whose population is forecasted to grow rapidly between 2% and 3% per year over the 2022–2050 period.[4] But a young and growing demography is no guarantee for success. Indeed, other factors include favourable business policies, a skilled workforce, reliable infrastructure and easy access to raw materials. Countries that have succeeded in manufacturing-led development had these things in common. The DRC, while possessing some of these advantages, remains critically short of reliable infrastructure, favourable business policies and a skilled workforce. But the shifting tides of global trade and demographic transformation, coupled with emerging threats to the established order, create an unprecedented opportunity for the DRC to rise as the 'next China'. This chapter argues that for the DRC to succeed, it must resolve this trifecta of challenges.

For this transformation to unfold, the DRC must undergo a seismic shift by focusing the effort of its young population away from agriculture and mining towards a manufacturing and export-oriented economy. It must turn its back on its extractive and agriculture-based economy to start the traditional process of structural transformation. This issue is evident when looking at GDP and labour statistics. Regarding the former, the manufacturing sector in the DRC contributes the least to its GDP, only 19% in 2020. In comparison, the industry sector contributed 41.2%, the service sector 35.7% and agriculture 20.9%.[5] Employment in the DRC is concentrated in the informal sector, with nearly 88.6% of the total labour force occupying this sector. Of these, 59.7% are in agriculture and 28.9% in the non-agriculture sector.[6] The formal sector accounts for 11.4% of the total, with 5.7% in public administration, 2.9% in the parastatal sector and 2.8% in the formal private sector.

The working population makes up over 65% of the total population, with more than half of that

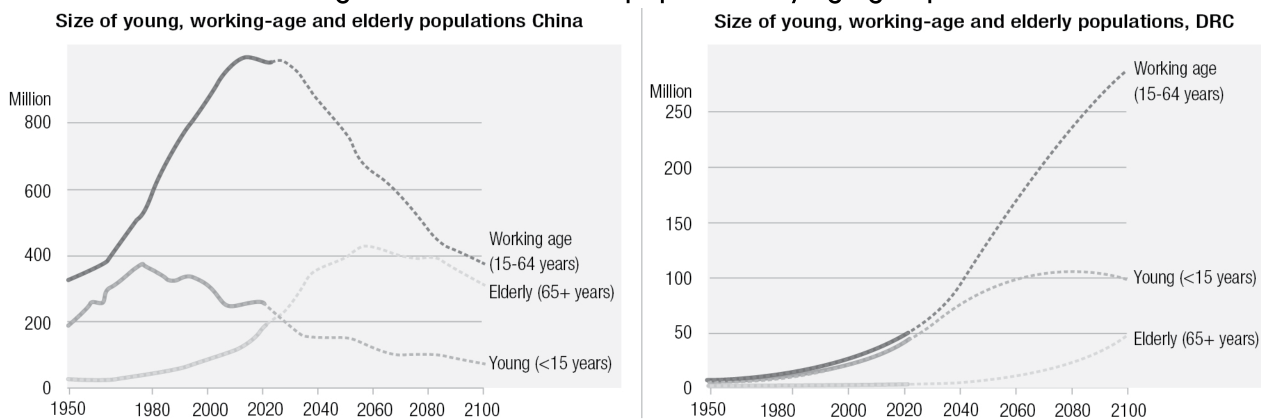
between the ages of 15–34, and over 70% are unemployed. But here's the crux of the matter: Africa is the final frontier of development, and change is inevitable. The question that must be asked and answered is not whether this will happen, but rather which path should respective African countries adopt in this transition to development?

危机: A CRISIS FOR CHINA, AN OPPORTUNITY FOR THE CONGO

China's long-standing dominance in global manufacturing is facing disruption, creating both danger and opportunity. This crisis, encapsulated by the Chinese term '危机' (wēi jī), which signifies both danger and opportunity, captures the complex interplay of forces shaping the world order. China, once responsible for one-third of global manufacturing output, making 'Made in China' synonymous with manufacturing, now grapples with the three wēi jī of demographic change, rising cost of labour and geopolitical uncertainty. As these wēi jī unfold, the DRC can emerge as a promising frontier for global manufacturing.

This first wēi jī is the demographic shift. China is faced with a declining birth rate and an ageing population. In 2020, China had a birth rate of 9 per 1 000 women, compared to a birth rate of 42 per 1 000 women in the DRC.[7] Only half a century ago, its birth rate stood at 43 per 1 000 women. China has already lost its position as the most populous country in the world to India,[8] and projections show that its population will continue to drop and fall below one billion by the end of the century. In contrast, the DRC stood as the 16th most populous country in the world, with a population of 97 million in 2022. The country is poised to climb the rankings: first, by becoming the 8th most populated country in the world, with a total population size of 215 million in 2050, then reaching a staggering 432 million by 2100, making it the 5th most populous country in the world. The country's demographic makeup is a result of its high birth rate and low life expectancy. In the DRC, young people under the age of 35 made up 79% of the population in 2020, which is above the 60% global average. This is set to increase to 87% by 2050, then 93% of the total population by 2100. The working population makes up over 65% of the total population. Figure 1.1 contrasts China's current and projected population to that of the DRC by age group and shows that the latter is set to significantly increase in the future. This changing age distribution creates a window of opportunity for a successful economic transition. Historically, a surge in the share of the working-age population has aided a country in expediting economic growth on a per capita basis over that period.

Figure 1.1: China vs DRC population by age group.*

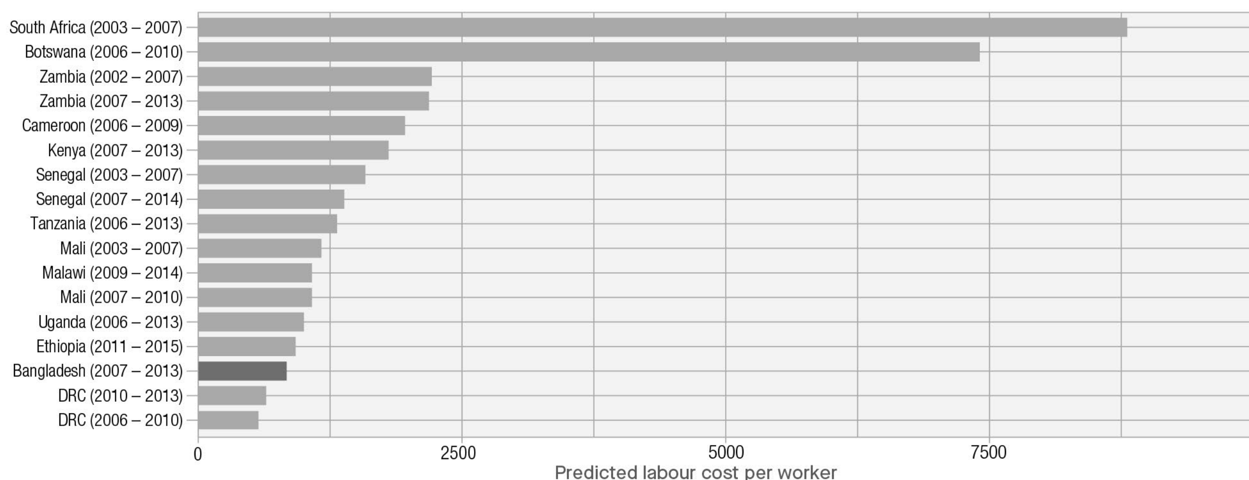


Source: Hannah Ritchie and Max Roser, 'Age Structure', *Our World in Data*, 20 September 2019, https://ourworldindata.org/age-structure.

* The DRC fertility rate is 5.5 children per woman, compared to the global average of 2.3 children per woman. But The DRC's life expectancy is 59 years, which is also below the global average of 72 years.

The second wēi jī is the rising cost of manufacturing. China's once-overwhelming cost advantage has diminished due to rapidly increasing wages. This led to some production moving to countries with cheaper labour or closer proximity to advanced economies.[9] In 2000, the manufacturing labour costs in China were 53 times cheaper than in the United States, at an average of 46 cents per hour, compared to the US average of $25 per hour. Since then, Chinese manufacturing labour costs have been rising at an average rate of 15.6% per year. The minimum wage in China varies across regions, ranging from $2.06 per hour in places like Liaoning to $3.30 per hour in Shanghai.[10] In contrast, the DRC has a national minimum wage of $1.83 per day.[11] On a monthly basis, the national floor wage in China is around $390 when adjusted for purchasing power parity, more than four times higher than the singular national minimum wage of $92 per month in the DRC.[12] Investing in the DRC offers significant cost advantages. Showcasing this fact is the Bloomberg study presented at the 2021 DRC–Africa Business Forum, according to which a $39-million investment in the DRC would cost $117 million in the United States.[13] The potential cost savings that the DRC can provide for businesses are very clear. One such study explored the possibility of Africa becoming a manufacturing destination by comparing labour costs worldwide.[14] It found that, in most cases, it would be more costly for firms to operate in sub-Saharan Africa, except for Ethiopia, Malawi and the DRC, which showed promise as viable options. Although the authors highlighted Ethiopia as the most likely candidate, they did not present comprehensive objections to the DRC that cannot be addressed.

Figure 1.2: Median predicted labor cost per worker



Source: Alan Gelb et al., 'Can Africa Be a Manufacturing Destination? Labor Costs in Comparative Perspective', Center for Global Development Working Paper No. 466, SSRN, 2017, https://doi.org/10.2139/ssrn.3062914

Unlike Malawi and Ethiopia, the DRC has a coastline in the Atlantic Ocean, providing direct access to global markets. Through an agreement with Dubai Port World, the country is developing the Banana Port, a modern port facility, due for completion in 2025.[15] The DRC possesses vast untapped mineral and precious metal deposits worth an estimated $24 trillion, including the world's largest concentration of cobalt, copper, diamonds, coltan and other valuable minerals.[16] This places the DRC as a strategic player in the transition to clean energy and offers potential for other sectors, like natural resource refinement. A shift to manufacturing has typically served as an entry point for industrialisation, which could benefit other sectors of the Congolese economy through skills alignment. This is crucial and applicable for a country currently facing a skills shortage in its quest to manufacture electric vehicle batteries locally.

The third wēi jī, stems from the geopolitical tensions between the US and China that led to a rise in protectionism and decoupling of their economies. Several rounds of sanctions and tariffs have been imposed by both countries since 2018, exacerbating this situation.[17] Robert Azevedo, who served as head of the World Trade Organization, describes it as 'the worst crisis since 1947'.[18] Issues such as the conflict in Ukraine, unsettled matters with Taiwan, and increased militarisation in the East and South China Sea contribute to further strained relations. China's shift towards a dual circulation strategy, prioritising its domestic market and high-value-added products, suggests a move away from low-cost and labour-intensive manufacturing.[19] While there are other factors not discussed in this chapter, the above three play a significant role in creating a vacuum in low-cost manufacturing that China is no longer able or willing to fill.

On the Other hand, the DRC has an advantageous location at the heart of the continent with borders along nine countries. It has enough energy potential to power the entire continent. Its participation in the regional economic blocks and its position in major Trans-African Corridors further support its potential for integration and trade expansion. Recently, the country ratified the African Continental Free Trade Area agreement, thereby creating avenues for increased exports across Africa. The size of the DRC's consumer market, as measured by World Bank data on household final consumption expenditure, has shown significant growth over the years, with projections indicating continued expansion.[20]

The country's strategic location on a continent with a growing population, combined with a large and increasing consumer market, reinforces the business case for investing in the country.

Figure 1.3: Map of Trans-African Corridor. Three routes in the Trans-African Corridor pass through the DRC: namely, the Tripoli–Cape Town Corridor, the Lagos–Mombasa Corridor and the Beira–Lobito Corridor.

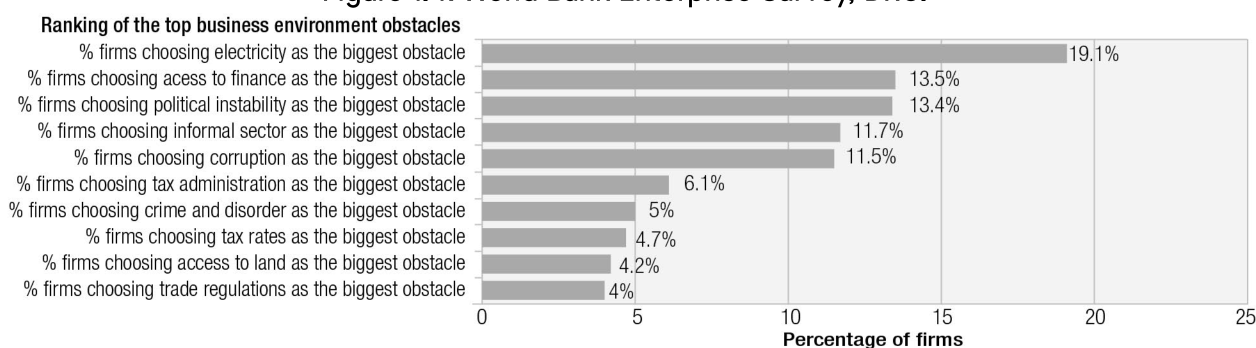
Source: www.primeinvestmentslimited.net

THE WAY FORWARD

The manufacturing sector has experienced limited government interference compared to mining and agriculture. This has allowed for an organic development of the sector, led by private ownership. While this lack of interest from the government has its drawbacks, such as limited support for private enterprises, it makes the sector an appealing route to drive the DRC's economic transition and youth employment. Roughly 88% of the DRC's economy is informal, with 59.5% working in the agriculture sector versus 28.9% in the non-agriculture sector. As is all too often the case in less developed economies, the bulk of labour in agriculture is unproductive and unsustainable. A farm that could be supervised by one person is often worked on by more people than needed, exposing large inefficiency. The majority of people of working age in agriculture mainly do so for their subsistence. It would be more productive for the economy to redirect the bulk of these young people towards manufacturing, in terms of jobs in the sector as well as starting enterprises. A World Bank survey in 2014 showed that small and medium enterprises (SMEs) create jobs at an annual rate of 5.2% and 6%, respectively, compared to only 1.3% for large firms.[21]

Thus, the government's focus must be to address the challenges faced by SMEs and support them to create more employment and absorb young people into the workforce. To do so, it must understand what issues those firms are facing and address them. Looking at the World Bank Enterprise Survey, we can see the list of obstacles faced by manufacturing firms in the DRC.

Figure 1.4: World Bank Enterprise Survey, DRC.



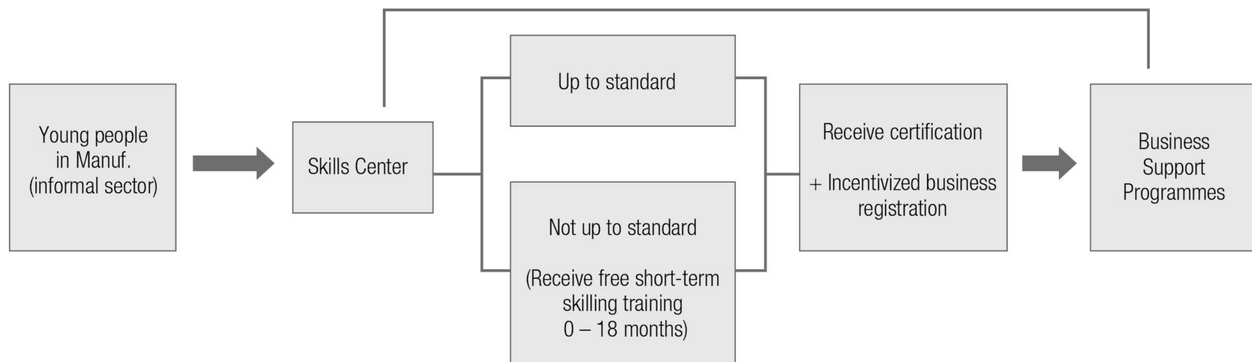
Source: https://microdata.worldbank.org/index.php/catalog/2032**

All identified obstacles fall into our earlier mentioned trifecta of challenges and can be grouped under infrastructure, business environment or human capital issues. The issue of infrastructure is key to this conversation but falls beyond the scope of this chapter; this discussion is limited to the last two. Addressing the latter categories of issues would benefit young people. Manufacturing enterprises that are low cost, labour intensive and have the potential to absorb the bulk of young people into the workforce include (but are not limited to): textiles, apparel, footwear, electronics, toys, food processing, wood products, plastics, building materials and chemicals.

The DRC government should promote the development of selected manufacturing industries, namely textiles, electronics and chemicals. These three industries have low to moderate levels of complexity but are also high productivity sectors, some with levels of existing capabilities in skills and high levels of existing product relatedness to diversify and expand into. Efforts must be made through the development of a pathway management system (see Figure 1.5) that takes young people (and their enterprises) from skilling them to placing them in the market.

** The World Bank interviewed business owners and top managers in 529 firms of all sizes in the DRC, from August 2013 through May 2014 and asked them to rank their biggest obstacles to doing business in the DRC

Figure 1.5: Pathway management solution.



Source: The author

From skilling young people ...

The Congolese education system prioritises higher learning over short-term skilling. While the passing of legislation to prioritise Technical and Vocational Education and Training (TVET) is a great start, its implementation is significantly lacking. TVET offers a prompter return on investment as graduates acquire technical skills that are tangible and practical in a shorter timespan than graduates from higher learning institutions. The system's intrinsic focus on long-term learning over short-term skilling is incomprehensible, considering that there is a negative correlation between tertiary education and chances of employment. Unemployment rates only stood at 2.5% for those with no schooling or only primary education; in contrast, for those with tertiary education, it was six times higher at 13.7%. On the one hand, the existing labour market cannot absorb a large number of highly educated workers. On the other hand, those without a tertiary education suffer less from unemployment because they are absorbed into the informal sector, which is plagued by underemployment instead. The informal sector is where the bulk of young people in manufacturing are found, especially in rural areas. The informal sector operates as micro-businesses created for subsistence purposes and is plagued by the same lack of productivity found in the informal agriculture sector. An estimate put one-third of skilled and 90% of unskilled work in the informal sector.[22] In fact, in most provinces, the country has a larger share of informal entrepreneurs (excluding informal workers) than of formal workers. These informal entrepreneurs earn just as much as skilled workers in all provinces. There is a direct link between skilling and higher productivity. The absence of adequate skills both causes and results in low productivity in these firms, creating a mutually reinforcing cycle. To break this cycle, we must ensure that the productivity level in these firms and the young people in them is increased, and this can only be done by skilling them adequately. It is a more effective way to reduce spatial inequalities and revitalise local economies (in rural areas especially), as well as to absorb young people into the economy and out of poverty. In a country where the majority of young people are in the informal sector, short-term skilling should be the norm and long-term learning the exception. This can be achieved by restructuring the architecture of the education system and putting short-term skilling at its heart. Shifting this priority will allow for faster short- to medium-term upward social mobility in the DRC, as TVET offers a faster entry into the market. The first step the government must take to support the majority of young workers and entrepreneurs in the informal manufacturing sector is to offer them a path to the legitimisation of their skills and trade.

This can be achieved by endowing an agency with the sole mission to oversee this process. Skills centres can be created to operate throughout the national territory, where young people can go and

test their current skills of trade free of charge. Following this, they will either receive a certification (if they are up to international standards) or be enrolled in a short-term upskilling programme before being certified. This process will allow for standardised assessment and certifications and also standardised production processes that provide quality assurance. This training should not only cover the respective proficiencies in the selected manufacturing fields but also combine with business management and administrative skills. This approach should also be combined with adopting a mandatory dual education system, which offers practical on-the-job training (combining classroom learning with apprenticeship/internship and boot camps) for high school students.

This way, fewer young people under the age of 18 are diverted from pursuing higher education and the risk of not being absorbed by the market. A successful example of a skilled focus youth solution is UNICEF's partnership with the German Federal Ministry of Economic Cooperation and Development (BMZ), which supported more than 700 young people in Eastern Congo. The initiative sought to encourage autonomy through vocational training; in the end, the participants received the necessary material to start their professional lives. Furaha, a recipient of the UNICEF initiative, received four months of training in carpentry.[23] Nshobole received 10 months' training in sewing, where she learned cutting and sewing techniques and stated, 'My life has totally changed since the training'. She went on to partner with other young people who had completed training and pooled money to rent a workshop. She now earns enough money to live and plans on buying her own field in the future. In 2021, UNICEF enabled more than 3 700 young people to benefit from various trade apprenticeships through a partnership with the Norwegian government.[24] An essential part of such a public training programme is ensuring the cyclical training of the permanent instructors and inspectors deployed at those skill centres. A cost-effective way to achieve this could be through independent learning, such as online courses that rely on a zero-rating data approach. Zero-rating refers to the practice of providing access to specific online content or services without incurring data charges.

In 2019, the Congolese government committed to making free primary education effective throughout the national territory. While this reform deserves to be applauded and has shown to be successful, a more strategic approach would have been to offer free short-term skilling programmes to young people and business training to young entrepreneurs. The benefit from this initiative on the economy could then be used to sustainably fund free education at the primary level. The government should develop an education policy that puts skilling young people at its heart and find a realistic way to fund this.

To increase accessibility, the government and other partners can consider the adoption of a skills development levy model and/or income-shared agreements. The latter will consist of a financial arrangement, where students agree to pay a percentage of their future income for a specific period, in exchange for the education or training they received upfront.

It is only by increasing the productivity level of these manufacturing firms through the skilling of the young people leading them, that the DRC can unlock its potential in low-cost manufacturing by 2060.

… TAKING THEM TO MARKET

Increasing productivity through skilling is only one part of the solution. The process of certification should be merged with that of incentivised business registration to attract these companies to formalise. An incentive example would be to remove the business registration cost for those who have completed thei¡r certification process. The current cost starts from $40 for sole proprietorships and $110 for corporations, and the reality is that this is too heavy a cost for most young people, especially in rural

areas. Moreover, as demonstrated by the UNICEF initiative, further support is needed. At the end of the training, the young people were given the necessary material to start their professional lives. This played a crucial role in positioning them for success. It is this element of business support that is crucial to helping young people in manufacturing in the DRC. An example showcasing how businesses can be supported is the collaboration between the International Finance Corporation and Minoterie de Matadi (MIDEMA), a large milling company in the DRC. This initiative supported farmers and SMEs, with a $12-million investment through local Congolese banks to enable them to provide credit to farmers and 400 SMEs.[25] The project sought to help the latter expand their businesses, operate more efficiently and become attractive partners for MIDEMA. This initiative provided business management skills to 5 403 SME personnel (of which 2 022 were women), with a satisfaction rate of over 90%. One beneficiary of this initiative was Ngimbi Tembo Dimbungu, the female owner of NTB Bakery. She received a business-edge training workshop and also repeated access to loans through Advans Banque Congo for a total of $57 000. This allowed her to renew and purchase modern production equipment and raw materials to expand her business. As a result, her bakery sales increased from 450 flour sacks per month to 2 340. The collective of local bakeries, including NTB, saw their sales revenues increase to $33.8 million. The relevance of this story and the key takeaway is the model of support provided to these businesses, which should be replicated to benefit young people in low-cost manufacturing. Access to capital is the lifeblood of any business; without adequate financing, companies cannot grow their business (or even start in the case of small businesses).

Access to capital allows SMEs to expand production capacity, launch new products or services, enter new markets, improve their infrastructure, hire more employees and pursue other forms of activities beneficial to the economy at large.

In the DRC, 40.6% of manufacturing firms identified access to finance as a major constraint. When asked whether they needed a loan, 64.8% of firms did, but only 9.7% had existing bank loans/lines of credit. This highlights a massive gap in manufacturers that need financing but do not have access, especially since the DRC had a higher rate of loan rejection when compared to sub-Saharan African (SSA) and Enterprise Survey (ES) countries (20.2% in the DRC, 16.1% in SSA and 9.7% in ES countries). The depth of financial exclusion is felt when simply looking at access to financial institutions. Only 50.6% of firms in the DRC declared having a checking or savings account versus 83.5% in SSA and 86.7% in ES countries. This is of further concern since this is a drop from 71% in 2010. The DRC has a high proportion of investment financed internally by manufacturers, standing at 92.8% (73.8% in SSA and 71.5% in ES countries); unsurprisingly, banks only financed 0.9% of investment (11.3% in SSA and 15.2% in ES countries). Of these, SMEs (which create the most jobs) are the most affected, as they do not have the collateral required to access finance and expand their operations. A study by the World Bank revealed that what seems to hamper firms' performance in the DRC is not barriers to entry, but rather barriers to growth.[26] In effect, young firms struggle less with entry than growth, as such firms that start small tend to either shrink or remain small, while firms that start big tend to grow, thus generating more employment. If the DRC wants to become the next hub for low-cost manufacturing, this cannot be achieved without ensuring firms have access to the capital they need to grow their operations. A genuine partnership must be established between the state and the banking sector to promote domestic financing and investment. Specifically, the provision of credit-subsidised interest rates and flexible repayment terms should be key in the business support programme for certified low-cost manufacturing firms led by young people. Such initiatives merged with adequate training for young people, would yield better results in addressing youth unemployment than government-led

projects. Moreover, providing youth-based tax incentives, such as the Employment Tax Incentive (ETI) in South Africa, could go a long way in reducing youth unemployment. The ETI encourages employers to hire young workers through a cost-sharing mechanism with the government, where companies see their tax bill reduced.[27]

In the 2018/2019 tax year, R4.8 billion in tax credits was paid out to firms from this scheme, making a compelling case for businesses to employ young people.[28] But access to finance was not the only issue that survey responders raised: corruption, regulations and taxes ranked highly in the list of the challenges they faced when conducting business in the DRC. When it comes to corruption, the DRC ranked higher compared to SSA and ES countries in virtually all categories. For example, 51.9% of firms identified corruption as a major constraint (versus 35.9 in SSA and 27.9 in ES countries).[29]

Similar trends are present in the obtention of operating and import licenses; bribery depth, expectation and incidence; bribery for connections to basic services such as power and water connection; and bribery in the awarding of government contracts.

Corruption is endemic in the country. But the key takeaway from responses is that firms had issues with the regulators and the administration of the regulations, rather than the regulations themselves. For example, only 27.2% of firms in the DRC (versus 34.8% in SSA and 30.7% in ES countries) identified tax rates as a major constraint, but 41.6% (versus 31.6% in SSA and 22.1% in ES countries) identified tax administration as a major constraint. The average number of visits or meetings with tax officials is three times higher in the DRC than in SSA and four times more than in ES countries. Nearly half of the manufacturers in the DRC said that they were expected to give 'a gift' in meetings with tax officials. The DRC ranked 183rd out of 190 economies in the World Bank Ease of Doing Business Index for the year 2020. While there is still a need for more effort to be made, a significant improvement in the ease of opening a business has occurred. Now it only takes four procedures to open a business for both men and women (versus 7.4/21.6 in SSA and 4.9/9.2 in high-income OECD countries). The DRC also outperformed when compared to SSA and OECD high-income countries in the number of days it takes to open a business and the cost of doing so. This is a result of the launch of the 'Guichet Unique', a single point ('one-stop shop') for business creation, aimed at reducing the intrinsic difficulty of opening a business.

As a result, the government has begun extending digitisation to other services, such as application for electricity, gradual digitisation of land cadastre and cross-border trading. The digitisation of these services creates a youth-friendly business environment, by removing barriers young people face when operating a business. Considering that interaction with regulators has ranked as a significant issue across the board, the government should consider extending this service to tax management and other above-mentioned services, where manufacturers have to directly interact with regulators. Various case studies show the benefits of e-government as an anti-corruption tool.[30]

Digitisation adds a traceability element to transactions, offers anonymity, speeds up government processes, increases transparency, systematises government processes, and reduces government employee interaction with the public and many others. E-government alone will not solve all the issues; public officials still need to be better trained. The DRC experienced a 39.3% increase in tax revenues because of tax controls and penalties, despite the high level of current expenditures. Digitisation of tax administration would further increase government revenue while lowering the barrier faced by young entrepreneurs like Yohan Pezo.

CONCLUSION

Imagine this: it is 2060 and the DRC is celebrating a century of independence. A mention of the country's name or a Google search does not bring up images of incessant wars but of a vibrant and thriving global hub for manufacturing cutting-edge textiles, electronics and more. Thanks to millions of people like Yohan Pezo. Manufacturing locations depend on many factors, such as geographic location, logistics, domestic market size and ease of integration into the global value chains, labour and management skills, policy quality and ICT readiness, among others.

On most of these measures, the DRC does not perform well. But to quote Professor Man Mohan S. Sodhi when asked about manufacturing moving out of China: 'It's part of the knowledge and skills value chain that these countries need. Do these countries have it? No. Did China have it 30 years ago? No'.[31] This chapter highlighted the various possibilities the DRC has to offer and its strategic advantages. The chapter also discussed the challenges it must surmount to reach its goals. Where possible, the solution proposed was extracted from the DRC itself, to showcase that it has been done before in the same context and can be replicated.

If the DRC adequately upskills its young people and creates a supportive business environment for them, there is little to no reason why it should not succeed in transitioning through manufacturing. Of course, political stability remains one of the main concerns in the country, especially with the resurgence of the M23 rebel group raging war in the eastern part of the country. The international community needs to sanction the guilty parties involved to provide stability in the country, as well as promote a democratic order in the region.

It is also vital to improve the infrastructure by connecting the national road network and unleashing the country's energy potential. It is unacceptable that in a country capable of powering nearly the entire continent, less than 20% of its people have access to power. I asked Yohan Pezo where he sees the DRC by 2060, and he answered: 'If our state truly understands how to promote economic growth, I am certain that we can rival the world superpowers in less than 50 years. We need to finally reach a state of peace, justice and work.'

2

KENYA

Maximising the Demographic Dividend through Reforms and Investments in Education and Skills Development in Kenya

RAPHAEL OBONYO

Kenya has a bulging youth population that continues to increase. More than three-quarters of the country's population of 50.6 million people is aged below 35 years. It is estimated that the national population will be 53.3 million people in 2025, and the youth demographic is projected to increase.

Like other countries in sub-Saharan Africa, Kenya has a great opportunity to reap economic benefits from strategic investments made in young people. As has been noted, when young people are given quality and relevant education, decent jobs, political inclusion, negotiating muscles and real influence, they are able to create a better future. However, if large cohorts of young people cannot find employment and earn satisfactory income, Kenya's large youth population will become a burden, causing social and political instability.[1]

This chapter focuses on the important need for increasing access to quality and relevant education and training, and the provision of practical, transferable and work-readiness skills.

Since 2017, Kenya has been implementing ambitious reforms to improve the quality of education, including the introduction of a Competency-Based Curriculum (CBC), reforming teacher professional development and improving management practices at local levels. According to the World Bank's *Kenya Economic Update* of 2022, education reforms have made the country a top education performer in Eastern and Southern Africa.[2] Kenya is making impressive efforts and progress, increasing spending, expanding enrolments and improving learning outcomes, making it one of the top performers in education in the region. For example, primary education is almost universal and secondary school enrolment has been on the rise. But more efforts are required for Kenya to build a strong education system and improve access to and quality of education – the driver for economic growth and the reduction of inequalities.

EDUCATION AND SKILLS DEVELOPMENT ARE KEY TO HARNESSING DEMOGRAPHIC DIVIDENDS

Kenya's burgeoning youth population should be viewed as an opportunity and resource to be engaged actively in socio-economic and political development. The following excerpt from the third president, Mwai Kibaki, illustrates the importance of youth empowerment towards achieving key development goals. 'To the youth of our nation, I wish to assure you that the New Constitutional dispensation will create opportunities that will lead to the attainment of your goals and dreams ... I see in the youth of Kenya a lot of promise, energy, and creativity … As a country, we have to invest in our youth to enable them to harness their potential. It is the empowered youth that will make this country globally competitive.'[3]

According to the 2019 Kenya Population and Housing Census, 36% of Kenya's population are of school-going age of 4–17 years and 29% are youth, aged 18–34 years. The large population of youth means that young people are the backbone of Kenya and should not be left behind – the demographic should be seen as an opportunity and not a challenge. A key action required to realise this opportunity is the provision of relevant and quality education.

The government must expand education and recognise the importance of educating both girls and boys. Prioritisation and increased investment in education is required through financing, updated curricula and accelerated e-learning. Kenya must aim for education that provides students with future-proof and marketable skill sets, where graduates can be assured that their education will allow them to gain employment.

Since independence in 1963, successive governments have attempted to implement universal primary education and create more opportunities for secondary and higher education, with varying degrees of success.[4] For example, free primary education policy was first implemented in 1974, which increased school attendance. In addition, community fundraising to build schools between 1963 and 1978 increased access to secondary education. It was the reinstatement of school fees in 1989 as a result of pressure from international financial institutions that negatively impacted on attendance. This lasted until 2003, when the Free Primary Education programme was introduced, billed as one of the most transformative initiatives that any government in Kenya had ever taken, with the objective of enhancing access to basic education, especially to poor families. Furthermore, the free secondary tuition policy contributed to an increased primary transition rate from 45.8% in 2003 to 64% in 2009. However, there are glaring deficiencies in the education system, both in capital investment and human resources.

Increasingly, Kenya has been implementing policies and programmes to improve access, quality and equity in education, with the objective of enabling young people to contribute meaningfully to the country's economy. Currently, the country is transitioning its education system from 8-4-4 to 2-6-6-3. Kenya has adopted the CBC for all levels of basic education. CBC shifted from an examination-oriented option to the formative assessment of each learner's potential. A key part of the ambitious education reform is to address the quality of education, with a particular focus on the gap between what is provided by educational institutions and labour market requirements.

Dr Jacob Omolo, an economics lecturer who specialises in labour matters, has pointed out that a growing skills mismatch threatens Kenya's economic growth. 'About 70% of students who graduate from university do not have skills required by the job market … The skills mismatch – a situation where the skills possessed by labour market participants are not the ones required by industry – is a bigger problem than the skills gap, which is where labour market participants have the required skills, just not at the level expected by the industry … The bigger national problem is not that employees cannot hold on to their jobs, it is that they cannot secure jobs because they lack job-specific skills,

which is responsible in large part for the country's high level of unemployment,' said Dr Omolo, adding that, 'if this mismatch is not addressed, Kenya's attainment of its development goals will be frustrated.'[5]

According to Siddharth Chatterjee, the former United Nations Resident Coordinator in Kenya, many countries in Africa have invested heavily in the education sector, but the region continues to have the least skilled workforce in the world. 'Far too many youths across sub-Saharan Africa emerge from school without the basic skills to advance in their lives. It means there is something not working regarding the quality of education investment,' said Chatterjee. 'We must aim for education that provides students with future-proof and marketable skill sets, where graduates can go out assured that their education will allow them to get employment.'[6]

Writing a post on LinkedIn, Chatterjee expressed optimism in Africa's youth bulge, arguing it could be an opportunity for growth, but only if the necessary steps were taken, including investment in skills development.

'Africa's youth bulge, and Kenya's in particular, should largely be the basis for optimism, offering a great opportunity for socio-economic take-off. Six of the countries with the highest economic growth rates are in Africa,' said Chatterjee.

'Steps should be taken to strengthen youth employment strategy in line with the education system in Kenya, to better deliver relevant skills and competencies to the job market,' Chatterjee added. 'The potential of a youthful generation that is better skilled than ever before must be fully translated into demographic dividend. Failure to meet the livelihoods challenge of the young people will have significant humanitarian, economic and political implications that will resonate internationally.'

In 2017, Kenya introduced the Competency-Based Curriculum (CBC) education system to replace the 8-4-4 system. The new education curriculum emphasises the relevance of a learner's ability to develop skills, knowledge and how to apply these competences in addressing daily challenges. The curriculum provides many alternative avenues to address the issue of repeating, drop-out and attrition. Preliminary reports reveal the CBC has led to improvements in education, as children are equipped with skills that they need for the future.

Speaking at the special committee meeting of the Kenyan National Examination Council, the then education cabinet secretary, Professor George Magoha, said that learners under the CBC were more productive than those who underwent the 8-4-4 education system. While acknowledging corruption and credibility as some of challenges in the implementation of the new curriculum and national examinations rollout, Magoha noted that a number of countries were benchmarking with Kenya's examination model.

'For once, Kenya's education sector is on the right trajectory by focusing on skills and competencies of learners other than ranking and cut-throat competition that has been at the center of the sector for long,' said Magoha.[7]

However, there were mounting concerns from parents, teachers and academic experts regarding the impact of CBC. Critics of CBC pointed out factors such as overcrowded classrooms, lack of teaching and learning resources in schools, low teacher-pupil ratio, lack of support from government and parents, financial constraints, mismanagement and embezzlement of school funds, poor leadership and management, poor educational policy formulation and lack of integrity in national examinations.[8] There were concerns that the CBC is unaffordable for many parents. Some parents complained that CBC books were expensive, and some learning materials were not readily available. In addition, there were complaints that the transition to CBC was not smooth.

Some of benefits of CBC include;

- CBC enhances skills development through critical thinking, problem-solving and creativity, hence preparing the student to solve real-world challenges.
- CBC emphasises holistic assessment by taking into consideration methods beyond exams, such as projects and presentations, which provide more evaluation of students' abilities.
- CBC enhances flexibility in learning, thus enabling students to explore their interests and talents.
- CBC improves personalised learning as it focuses on individual student progress, allowing tailored teaching methods to match each student's pace and ability.

Some suggestions on how CBC can be improved;

- Bolstering school infrastructure and increasing resources like more funds and teaching aids: Ensuring schools have the necessary materials and technology to support CBC is critical to its success.
- CBC can be improved through community involvement: parents and the community should be more actively involved in understanding and supporting CBC to enhance its success.
- Teacher preparedness: emphasis should be placed on adequate teacher training and resources for teachers to cater for diverse learning needs.
- Evaluation and standardisation: maintaining consistent standards and evaluation criteria across regions or schools can be challenging and require continuous refinement.

In September 2022, the Kenyan government formed the Education Task Force to review the country's education system and make recommendations for improvements. This entailed giving directions on several issues as far as education is concerned, from primary to university education, all aimed at improving the sector. More importantly, the Task Force's mandate was to collect views from Kenyans and propose changes to the CBC, review middle-level training and suggest modifications to university education. The final report was submitted in August 2023, recommending that CBC be implemented with modifications.[9]

In seeking to improve the relevance of education, the government has since created Science, Technology, Engineering and Mathematics Centres of Excellence in public secondary schools. It has also established Youth Empowerment Centres that act as 'one-stop shops', where young people can access key services as well as acquire skills for their personal development. Further, government is providing some support to Technical and Vocational Education and Training (TVET), linking school systems to employment markets, and addressing formal academic education's failure to provide the much-needed skills training for employment and self-reliance.

Kenya still faces a severe shortage of a quality and relevant skilled workforce due to the mismatch between skills produced and labour market needs. That is why subsequent governments have made efforts to improve the quality of skills offered at TVETs.

In 2019, African Union Commissioner for Human Resources, Science and Technology, Professor Sarah Anyang Agbor, emphasised the need for investment in the skilling of young people and the establishment of high-quality TVET centres, with greater links to industries and alignment to the labour market.

'About 46% of the increase in Africa's labour force over the period from 2015 to 2063 will constitute young people aged 15 to 34 … But these young people must access and obtain foundational literacy and numeracy skills, 21st-century skills such as problem-solving, negotiation and critical thinking,

digital skills and job-specific skills,' said Anyan Agbor. 'Our children and young people require skills to unlock their potential for innovation, inventiveness, entrepreneurship, employability and responsible citizenship.'[10]

The significance of skills development in the country is underscored in the Kenya Vision 2030, which highlights the importance of enhancing vocational education and training systems to empower youth to realise their personal and economic potential. Kenya is one of the nine countries in Africa, including South Africa, Tunisia, Morocco, Namibia, Egypt and Zambia, which are members of WorldSkills International, an outfit that aims to advance vocational education and training, ensuring skills development aligns with workplace demands, while inspiring individuals to choose skills education as a foundation for a fulfilling future. The government is making efforts to empower technical training institutes to facilitate industrialisation and the creation of jobs for the development of various sectors.

As the world moves to the industrial and technological revolution, technical institutions have been advised to retool their curricula to align with current and future industrial needs. The Technical and Vocational Education and Training Authority (TVETA) in Kenya is retooling the TVET curriculum to reflect the needs of the market. For example, as the country gears towards the use of electric vehicles in a bid to reduce the use of fossil fuels, TVETs are providing skills to enable educators to work on hybrid electric cars and motorcycles. Also, TVETs are providing skills training to exploit blue economy opportunities in the country, including eco-aquaculture training, blue remediation training and blue entrepreneurship. According to the director general of TVETA, Dr Kipkurui Langat, the rapid change in technology compels Kenya to retool, rescale and remodify training to be able to meet the demand of the required skills in the industry.[11]

HARNESSING THE DEMOGRAPHIC DIVIDEND

There is a need to ensure that Kenya's education curriculum responds to the times and caters for the y¡outhful population's need for employability, while also ensuring the production of skills and knowledge is aligned to the country's resource base.

According to a recent Aga Khan University study report, skills mismatch is contributing to the alarming levels of youth unemployment in the country.[12]

Currently, over 70% of jobless people in Kenya are young people. According to employers, the youth lack not only technical but also soft skills, including marketing and sales, financial planning and management, and entrepreneurial skills.

Although Kenya has invested heavily in the education sector, the country continues to have the least skilled workforce in the world, ranked at position 61 out of 87 countries in a global survey as reported by the *US News World Report*.[13] If too many youths across the country emerge from school without the basic skills to advance in their lives, it means there is something not working regarding the quality of education investment.

For a while, and before the introduction of CBC, the education system was geared towards 'getting a qualification' rather than acquiring skills and competences that would enhance successful integration into the world of work. In this case, more emphasis has been on the passing of exams and transitioning to the next level of education, without necessarily acquiring and widening knowledge and skills. This has also been blamed for the mismatch between education and labour market needs.

Although there are many other factors that lead to unemployment, ranging from socio-political

stability, economic structures and global dynamics, together with the general economic growth of the country, education systems and skills provided are major contributors.

Promising sectors, from an employment perspective, are those requiring practical skills in targeted sectors necessary for the development of the country – construction, manufacturing, the digital economy, transport, banking, medical care and engineering, among others.

That over 70% of jobless people are youth and a significant number of those are educated is not just a waste but also dangerous, as this may push them into a life of violence and crime, while others become victims of radicalisation.

Technical and vocational education and training is the most practical avenue for acquiring readily employable skills for the world of work. To promote vocational training, there is need for a change in attitude and approach. Unfortunately, TVET has always been seen as the recourse for the academically challenged. It is stigmatised as a second-rate learning track, despite its capacity to promote the acquisition and development of entrepreneurial and innovative skills for self-employment.

In addition, the government should allocate adequate resources for modernising teaching and learning facilities in TVET institutions, as well as the training and continuous professional development of TVET teachers.

Vocational education should be revamped and made attractive as an equal opportunity to formal education, because TVETs are the hubs for grooming hands-on and technical skills and can be turned into engines for creativity and innovation. There is also a need to teach entrepreneurial skills in schools to empower young people to see the world as opportunity-rich and acquire a strong aptitude for value creation.

The Covid-19 crisis has pushed the world into the digital future. There is a need to incorporate digital skills at all levels of education and into the work people do every day.

To accelerate development in the country, concerted efforts should be made to link education and training to an industrialisation vision, enhance the capacity of middle-level training institutions and strengthen the links with the productive and service sectors, while also increasing access to university.

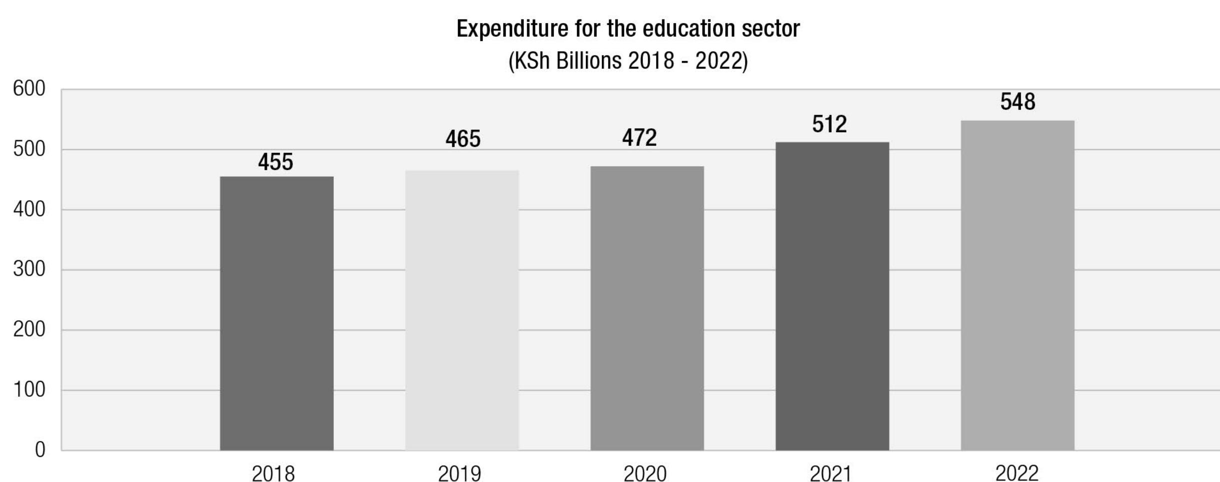
The private sector and industry need to be strongly linked to education and training systems to ensure they meet labour market needs. This sector must be encouraged to offer apprenticeships, internships, mentorships and skills certification programmes.

The future of Kenya is with its youth. Eighty per cent of the population in Kenya is under 35. Educating and providing the youth with necessary skills will provide the country with a driving force for its economic and social development.

Lessons from Kenya's education reforms

- Findings of the Working Party on Education Reforms, which assessed the CBC, revealed that the new system has had some positive impact, making learners more creative, imaginative, collaborative and critical thinkers. In 2022, the first cohort of the CBC undertook an examination assessment in Grade 6. At the same time, the government allocated substantial resources to school infrastructure development in preparation for the smooth transition of Grade 6 learners to junior secondary education. But the CBC has also had challenges, including the lack of adequate investment in infrastructural development and sufficient training for teachers.
- Gross enrolment rates have increased to 78% in early childhood education, 70% in secondary education and above 100% in primary. Total enrolment in secondary schools grew by 5.4%, from 3.7 million in 2021 to 3.9 million in 2022. Focus should be on improving the transition to and completion of secondary education, which, in some cases, is on the decline.

- The Covid-19 pandemic resulted in learning losses and deepened inequalities in the education sector. Efforts to provide remote learning revealed a significant digital divide, with over 50% of students not being able to engage in remote learning opportunities, mainly due to lack of devices, electricity and internet connectivity. More investments are required to improve connectivity and teacher training in information communication technology.
- Kenya has strong educational foundations and needs to continue strengthening them to improve access to and the quality of education, equipping it to be a driver of growth towards becoming an upper middle-income country and reducing inequalities. The World Bank's Human Capital Index has shown a strong correlation between economic growth and equity.



- Kenya already spends a comparatively high share of resources on education, but resource allocations must remain adequate and there must be an improvement in the equity and efficiency of the use of resources. In particular, continuing and accelerating improvements in the sector will depend on providing adequate resources to achieve sector objectives and implement ambitious reforms; equitable allocation of resources where they are most needed and are likely to have the most impact; and efficiency through improvements in management practices at the school level, improving management at the local level and providing extra support for regions with the most difficulties.
- Students' enrolment in TVET institutions has continued to grow. The government has placed TVETs at the centre of economic growth plans as well as the key drivers in addressing the growing youth unemployment, labour market needs and entrepreneurship. For example, the government's realisation that funding is one of the major hindrances to enrolments in TVET training institutions led to the rollout of the provision of capitation to all students who enrol in national polytechnics and technical training institutes through the Kenya Universities and Colleges Central Placement Service to pursue their studies. The government has also equipped and refurbished existing vocational institutions and is on course to construct new ones in every constituency.

Key recommendations

1. Government should take measures to mitigate the challenges encountered during implementation of Competency Base Curriculum (CBC). Some of the challenges to be addressed include building classrooms, provision of larning and teaching materials, increase funding in the education sector

and engage more teachers. Most important, it is worth noting that involvement of parents and other stakeholders is essential for success of the education curriculum.

2. Government and private sector players should introduce training programmes and embed digital skills in education curricula, allowing more individuals to participate effectively. To leverage digital transformation effectively, it is imperative to ensure universal access to digital services. Kenya still has much to do in building a robust digital infrastructure in informal urban settlements and rural areas. The 2019 census report also showed that rural internet access was 13.7%, compared to urban internet access, which was 42.5%.
3. More efforts are required to enhance the quality and relevance of TVET, strengthen the capacity of TVET institutions and improve access to TVETs and market-relevant skills training. There is a significant demand for technical skills in various sectors, including manufacturing and construction. This gap can only be filled by personnel trained by TVET institutions. The government needs to increase accessibility of technical education to all eligible students by setting up more technical institutions across the country; carry out skills inventories to ensure that TVETs train based on the needs of country; and allocate more resources to equip the institutions with the technical capacity needed to offer courses. Additionally, the scope of funding for students taking technical courses needs to be expanded.
4. Crucially, the education system should impart skills that will not only transform the economy but also create jobs. The system should result in training people who can be absorbed in the economy, which is seeking to industrialise. Education policy should be responsive to the times, cater to the youthful population's needs for employability and align with Kenya's resource endowments and economic growth requirements. Policy-makers should endeavour to understand the skills employers require and revise education to match these requirements.

Conclusion

The progress made by Kenya in harnessing demographic dividends through investment in education is commendable. Remarkable endeavours have been made to put the country on course to benefit from a demographic transition. To maximise this demographic dividend, Kenya needs to continue making meaningful reforms and investments in the area of education and skills development. If the country is to make progress in addressing youth unemployment, education must be at the centre of development.

3

NIGERIA

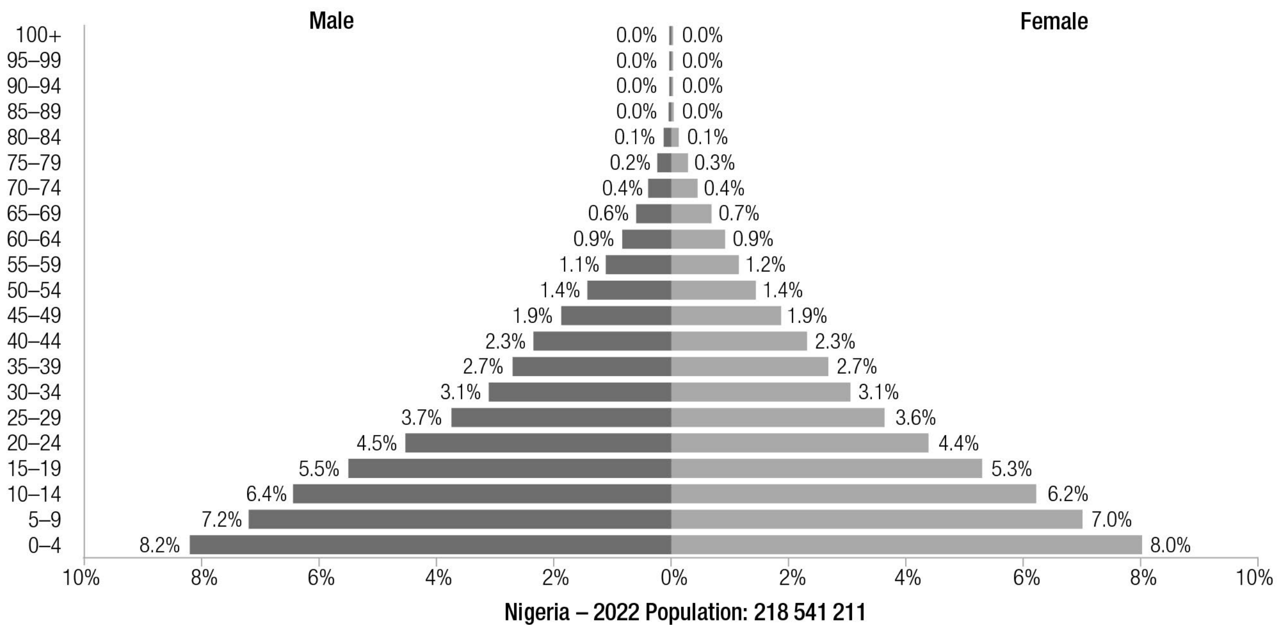
Helping Young People Lead Nigeria's Economic Renaissance

TENIOLA T. TAYO

Nigeria is Africa's most populous nation and around 70% of its estimated 216 million people are under the age of 30.[1] The country is faced with multiple challenges in the social, economic and political spheres, and these are even more pronounced for its youth. As is the case across Africa, Nigeria's teeming youth population is sometimes framed as a demographic threat. There are projections that Nigeria's population will double to about 400 million by 2050. This raises concerns about the country's future, with the existing high unemployment and poverty rates, poor health and education outcomes and political instability. Some 63% of persons living in Nigeria are multidimensionally poor[2] and 33% are unemployed.[3] The average life expectancy at birth is 53 years, and close to 20 million Nigerian children are reported to be out of school.[4] The country is also experiencing major conflicts in three out of its six geopolitical zones.

Conversely, Nigeria's large and growing youth population is sometimes framed as an opportunity. A productive and cohesive youth population can change the country's fortunes. In other words, young Nigerians hold the potential to steer the country towards a better future, transforming it into a vibrant, prosperous and inclusive nation. However, fully harnessing this potential requires acknowledging and addressing the multifaceted realities that shape their lives.

Figure 3.1: Nigeria's population pyramid.



Source: Populationpyramids.net

Nigeria's youth are not a monolithic entity; they are diverse and shaped by different socio-economic, geographic, religious and political contexts. These disparities influence the opportunities available to the youth and their capacity to seize them. It is critical to recognise this diversity, both in understanding the challenges young Nigerians face and in crafting appropriate policies and responses. In the existing legal and policy landscape, the perceptions and treatment of youth by state actors vary. While some policies recognise the importance of youth empowerment, their implementation often falls short, and young people's voices are not always heard or taken seriously. This disconnect between policy and practice can contribute to a sense of disillusionment and frustration among the youth. The country's struggle with its youth demographic also contributed to the 2020 #EndSARS movement, where young Nigerians led protests against police brutality.[5] The youth demographic was particularly affected by this brutality due to their victimisation by security officers who could not comprehend their success in the digital economy.

This chapter will delve deeper into these challenges and explore the opportunities that lie within Nigeria's cultural assets and the potential role of the diaspora in development. In doing so, it sets the stage for a nuanced understanding of how young people can lead Nigeria's renaissance.

DIFFICULTIES FACING YOUNG NIGERIANS

The multiple challenges facing Nigeria's economic, social and political spaces are even more pronounced in the country's youth demographic due to their size and their vulnerabilities.

Not enough jobs for young people

From a broad perspective, Nigeria's failure to industrialise has had far-reaching effects on the ability of the economy to create jobs for its large youth population. The youth unemployment rate was 53.4% for the fourth quarter of 2020.[6] The high unemployment rate is driven by several factors, including inadequate investment in different forms of education and training, a challenging business environment

and widespread insecurity. The challenges with education and training occur on many levels. Enrolment figures from basic education to tertiary education are low on average, with a steady drop from one level to another. The reasons for this include the inadequacy of available institutions to serve the large population of pupils and students. In 2022, around 1.8 million Nigerian students registered for the Joint Admissions Matriculations Board exams, which are required for entry into tertiary institutions. However, these institutions can only take in 700 000 students every year.[7] Those who can access tertiary education often do not graduate with the skills needed by the labour market. Technical education has also faced challenges, with inadequate funding and low employment prospects for graduates. On the labour demand side, Nigeria's challenging operating and regulatory environment makes it difficult for existing businesses to expand their operations and for new businesses to invest. It also hinders the entrepreneurial instincts of young Nigerians, with high entry barriers to many businesses.

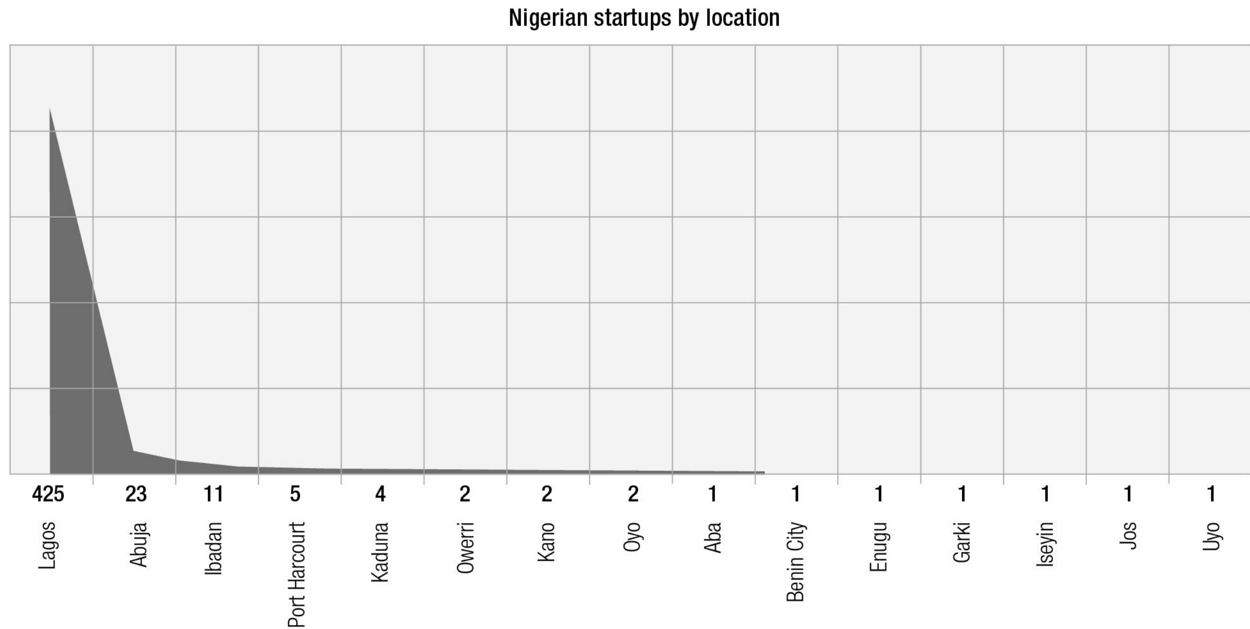
Violent entrepreneurship and youth vulnerability

Linked to the challenge of jobs is the increasing vulnerability of young Nigerians to violent entrepreneurship. Put simply, the difficulties faced with sustaining livelihoods through legitimate means make young Nigerians more susceptible to engaging in criminal and violent activities. This has been the case over the past decade, with young people playing a disproportionate role in violent uprisings such as the Niger Delta militancy, the Boko Haram conflict, southeast secessionist agitations and 'banditry'. As one example, young men in northeastern Nigeria were lured to join Boko Haram through the promise of business loans and steady incomes.[8] Participation in these groups is also sometimes driven by a general dissatisfaction with the welfare of the youth demographic in Nigeria, including limited access to education and employment opportunities. This relates to a more collective discontent in the state of Nigeria's affairs. Beyond violent extremism, there has also been an uptick in the involvement of young people in other criminal activities, such as cybercrime and kidnap-for-ransom. The consequence of this situation is that young Nigerians are both drivers and victims of crime and violence, resulting in a never-ending loop that perpetuates the status quo.

Uneven development and regional disparities

Although the situation of young Nigerians across the country is markedly challenging, regional disparities and uneven development mean that some youths are worse off than others. Some regions even have more limited access to education, basic amenities and economic opportunities, which contributes to a higher rate of youth unemployment and poverty. Around 65% of poor people in Nigeria live in the northern region, while 35% live in the southern region.[9] Additionally, inadequate infrastructure and uneven distribution of resources among the regions hinders growth potential and perpetuates social inequalities. Education is a significant factor contributing to these disparities. The literacy rate in Nigeria is much lower in the northern regions compared to the southern parts.

Figure 3.2: Nigeria's tech boom has been largely based in the urban city of Lagos.



Source: 'The Nigeria Startup Ecosystem Report', *Disrupt Africa*, 2022, https://disruptafrica.com/nigerian-startup-ecosystem-report-2022/

Some Nigerian women are thriving, but many are not

Nigerian women are known to be highly entrepreneurial,[10] but they are more adversely affected by the country's socio-economic challenges. Although there are more men than women in Nigeria's labour force, women have a higher unemployment rate at 35.19% compared to 31.82% for men.[11] Female entrepreneurs face a tough environment and it is estimated that 98% of Nigerian women do not have access to formal credit markets.[12] In the northeastern and northwestern regions that are most affected by conflict, young Nigerian women are additionally vulnerable. They are more likely to be kidnapped for familial and domestic labour in service of violent extremists; they have had their education interrupted due to the closure of schools; they are exploited sexually and otherwise both by state and non-state actors; and they generally have poorer prospects. These challenges make young Nigerian women particularly disadvantaged within the youth demographic.

The 'japa' phenomenon

Youth migration out of Nigeria, referred to as 'japa',[13] has accelerated in recent years. The emigration wave is driven by worsening socio-economic conditions, including high unemployment, insecurity and political instability. It also occurs in several different ways. A significant portion of young Nigerian emigrants use overseas studies as a means of leaving the country. Young Nigerians in the technology sector have also been emigrating via global talent visas or recruitment into Western tech firms.[14] Timilehin, a game developer in Lagos, explained that young tech talents in Nigeria often doubt they can attain the success they aim for if they stay in the country. The apprehension of ending up 'poor' and not living the life of their dreams compels many to relocate. He pointed out that nearly all the top achievers from his engineering undergraduate programme have moved abroad.

A similar situation is occurring with young Nigerians in healthcare professions. High levels of desperation among young Nigerians wishing to leave the country have exposed them to harmful migration channels. These include irregular migration via the sea into Europe and human trafficking.

Given the challenges above, this chapter puts forward two elements of a solution for helping young Nigerians lead its economic renaissance. These include:

1. Building on the successes of the digital and creative industries.
2. Placing youth development at the centre of all national economic policies.

Replicating success: The digital and creative industries

Although young Nigerians are faced with several difficulties, they are recording some success in the digital and creative industries. Nigeria has witnessed a remarkable surge in these industries, earning global recognition for its cultural production, particularly in music and film. These sectors have not only fostered economic development but also played an influential role in Nigeria's foreign policy, reflecting the country's culture and values on an international stage.

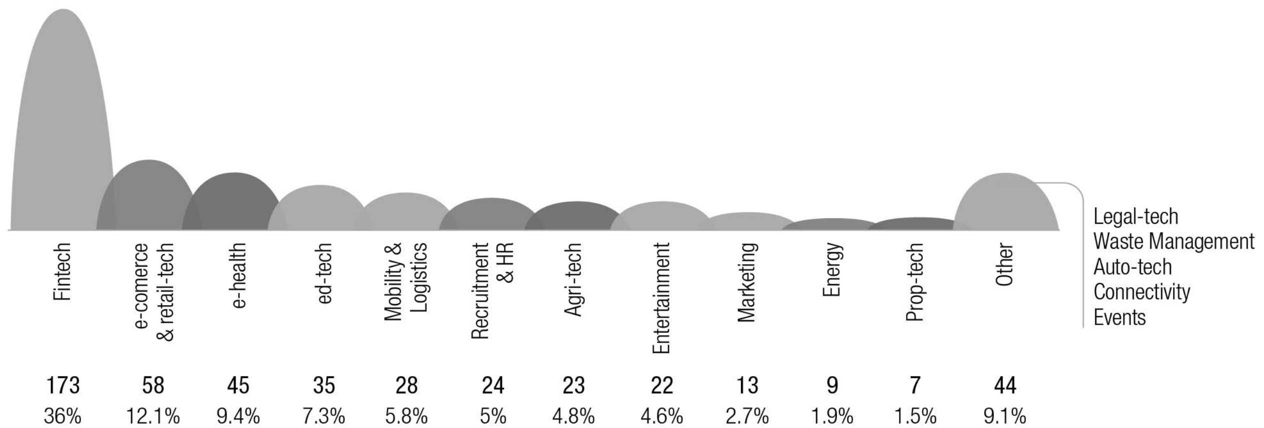
As a subset of the services industry, cultural production has been a significant driver of the country's economic growth. Nigeria's media and entertainment industry is one of the fastest growing in the world.[15] The film industry, commonly known as Nollywood, is estimated to have created one million direct jobs and is the second largest employer in Nigeria after agriculture.[16] Furthermore, the Nigerian music industry, with globally renowned artists like Burna Boy, Wizkid, and Davido, has gained international acclaim, generating significant revenue and enhancing Nigeria's cultural influence worldwide. Contributing factors to this success include the resilience and innovation of young Nigerians, the country's rich cultural heritage and the gradual improvement in digital infrastructure.

Nigeria's creative industries, including film and music, have emerged as dynamic spheres for youth development and empowerment. These sectors are not only platforms for self-expression but also avenues for job creation, cultural promotion and social cohesion. These industries have provided employment opportunities for many young Nigerians in various capacities – as actors, singers, poets, visual artists, scriptwriters, directors, producers and other roles behind the scenes.

The creative sector is reported to employ 4.2 million Nigerians across the media, entertainment, beauty and lifestyle, visual arts, and tourism and hospitality sectors.[17] It is also projected to have the potential to produce 2.7 million jobs by 2025.[18]

The digital economy has served as a platform for youth empowerment and job creation. The growth of tech startups and the success of young Nigerian tech entrepreneurs underscore the potential of the digital sector for economic growth. In 2022, Nigeria attracted the highest value of investment into its tech startups compared to other African countries.[19] The country received US$976 million out of the $3.3 billion investment into African startups.[20] Tech startups led by young people in Nigeria have taken on issues such as payments, agricultural financing, skills development, transportation, e-commerce and investment, among others.

Figure 3.3: Nigerian tech startups by sub-sector.



Source: 'The Nigeria Startup Ecosystem Report', *Disrupt Africa*, 2022, https://disruptafrica.com/nigerian-startup-ecosystem-report-2022/

The growing digital economy has had several spillover effects that have benefited some young Nigerians. The surge in the acquisition of skills, such as software engineering, programming and design, has opened this category of young Nigerians to global labour markets. A growing number of young Nigerians are working for small, medium and large tech firms outside the country, earning foreign exchange as a result. The implication of this is that young people are helping to grow Nigeria's services export and improving its balance of trade. A second implication is that these youth are earning globally competitive salaries that give them good disposable income and increase their domestic consumption, which creates jobs and supports the local economy. Although this sub-demographic is very small, it still means that there is growing wealth among some young Nigerians that is not connected to the political patronage systems or the country's oil economy. This has implications for the future of political leadership in Nigeria.

Lessons can be drawn from the success of the digital and creative industries for application in other sectors. Here are a few key takeaways:

Embracing innovation and leveraging technology: The success of these industries showcases the importance of innovation and adaptability. This mindset could be replicated in other sectors, such as manufacturing and agriculture, to foster growth and development. This is already happening at the intersection of the digital economy and agribusiness, with a growing number of agritech firms helping to solve productivity challenges. However, this needs to occur on a larger scale.

Investing in youth: The success stories in the digital and creative industries underscore the potential of Nigeria's youth. Investing in youth development, through education and skill development initiatives, can be a catalyst for economic growth and social change. Although the sectors are often described as having thrived 'despite government intervention' and not because of it, there is no doubt that wider improvements in telecommunications infrastructure as well as targeted investment in these sectors could have contributed to their success. The steady drop in the cost of internet data over the last decade, which was enabled due to investments by both the public and private sector, have undoubtedly facilitated the growth in the creator economy in Nigeria, with some young people now generating incomes from platforms such as YouTube and Facebook.

Creating supportive ecosystems: The role of supportive policies and government initiatives has been significant in the growth of the digital and creative sectors. Similar initiatives could be implemented in other sectors to foster a conducive environment for growth.

For example, the Abuja Literary Society was founded in 1998 and has provided a supportive space for creatives to grow in their art. Many members have gone on to establish successful creative livelihoods. And the Co-Creation Hub has been active since 2011 and has supported several startups in Nigeria with business development and fundraising. It has contributed immensely to the growth of Nigeria's digital economy.

The success of the digital and creative industries in Nigeria exemplifies the potential of the country's youth and the power of innovation. Replicating these success factors in other sectors can contribute to Nigeria's economic development, youth empowerment and societal transformation.

LEVERAGING CULTURAL PRODUCTION FOR YOUTH DEVELOPMENT AND EMPOWERMENT

An emerging niche in the creative sector is the content-creation genre. Young Nigerians have become creators on platforms such as YouTube, Instagram and TikTok, with a few successfully earning sustainable incomes from these enterprises. Loveth Liberty, a spoken-word poet in Abuja, observed that an increasing number of young Nigerians are depending on their creative skills for income, which places them in a vulnerable situation. She stressed that the only pathway to flourish in such a setting is through adequate protection and valuation of and remuneration for their intellectual property.

Supporting young Nigerians to build sustainable livelihoods on these platforms will require government actors to better understand the way new media works and the importance it holds for incomes. This will prevent incidences like the seven-month ban that was placed on Twitter in June 2021.[21] Harnessing the potential of young Nigerians in the creative sector will require collaboration between the government and the private sector. One example of this is the US$618-million fund called the Investment in Digital and Creative Enterprises programme, which was launched by the government in March 2023 to provide financial and non-financial support for startups in the digital and creative industries.[22] This presents a step in the right direction, but the implementation of the programme will determine how much impact it has for young people in the creative industry. The focus on startups can easily exclude other young creatives in Nigeria that do not fit the profile. Interventions will need to be diverse and tailored to meet young Nigerian creatives at their point of need. In October 2022, Nigeria's Startup Act was signed into law, and it seeks to create a better enabling environment for the growth of startups in the country.[23]

A study on the growth and potential of Industries Without Smokestacks (ISWOSS) found that these industries, under which the digital and creative sectors fall, are already employing more young people than traditional sectors such as mining.[24] In addition, more women are employed in these industries. However, although the ISWOSS sectors are projected to create more than half of new jobs by 2035, this will primarily be for skilled workers. There is therefore a risk that the less educated youth demographic may be increasingly excluded, thus exacerbating the inequalities among young Nigerians.

Some specific recommendations for helping young Nigerians thrive in the digital and creative industries include:

- Revise and strengthen intellectual property, copyright and patenting laws to protect the value created by young Nigerians in the creative and digital economies.
- Modify curriculums in secondary and tertiary educational institutions to reflect new industries and better position graduates for participation in the creative and digital space.
- Carefully monitor and evaluate the impact of the implementation of the 2022 Nigeria Startup Act, adjusting where necessary.

- Widen financing initiatives to include creators, enabling them to get critical equipment such as cameras, lights, microphones, etc.
- Support the sector using the weight of government procurement by applying preferences to young entrepreneurs in the digital and creative spaces.
- Provide differentiated support to young people according to their skill levels and operating environment. As an example, digital entrepreneurs in rural areas can face tougher environments due to inadequate communications infrastructure. Interventions should recognise this and respond accordingly.

The opportunities the creative industries provide for social cohesion and national unity are largely under-explored. Cultural products like movies can be used innovatively to rebuild a strong Nigerian identity and address ethnicity-based discrimination. This is especially needed, given the tensions surrounding the 2023 general elections, where voters were repressed based on ethnicity in some parts of the country.[25] Social cohesion is also sorely needed to help address the rifts that continue to worsen along ethnic lines due to Nigeria's civil war history.[26] Using the creative industries to bring young people together under a Nigerian identity will better position them to lead the country into a more united future.

YOUTH AT THE CENTRE OF ALL NATIONAL ECONOMIC POLICIES: A MANIFESTO

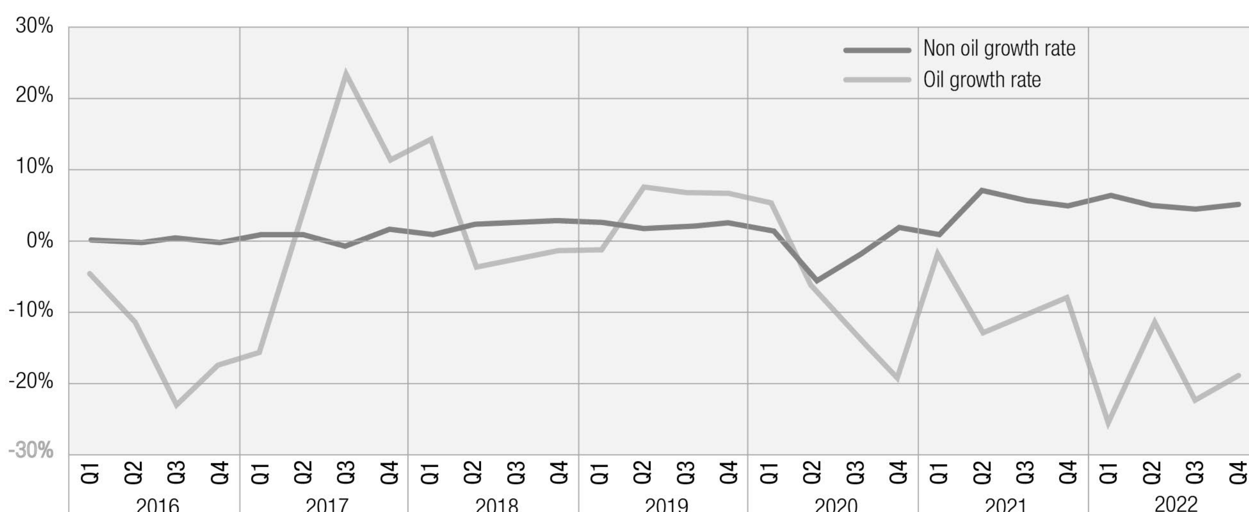
Nigeria is currently facing an existential crisis. The country has long been regarded as an oil economy, but the importance of its crude oil exports has been declining over the last few years. This has led to the argument that Nigeria's most valuable resource is now its young people. This presents a change in perspective from seeing young people only as the beneficiaries of Nigeria's post-oil future but as the main drivers of this future. There is therefore a need for a change in the approach towards youth development. There is no shortage of youth policies that have been designed to help improve the welfare of this demographic. However, having these stand-alone policies has posed challenges for implementation. A slightly different approach will be to integrate youth-centred policies into all national development policies. This way, youth development will not be regarded as a separate add-on issue, but as one that is central to the success of all national plans. A key illustration of this will be to include a youth section to Nigeria's national industrial policy.

The Nigeria Industrial Revolution Plan is the country's current industrial policy, and it only mentions 'youth' once in the entire 99-page document. Given that Nigeria is due for a new industrial policy, there is an opportunity for youth development to be placed at the centre of the agenda. This should not be limited to industrial policies but to all economic and growth policies, including transnational ones. The recent National Development Plan, which was created in response to the impact of the Covid-19 pandemic, is more youth-focused and mentions 'youth' 137 times. The Nigerian Youth Employment Action Plan was also a response to Covid-19 pandemic-driven job losses among the youth population. Some key elements that will need to be considered for better integrating youth development into national economic policies are discussed below.

MAINSTREAMING THE 'YOUTH ECONOMY'

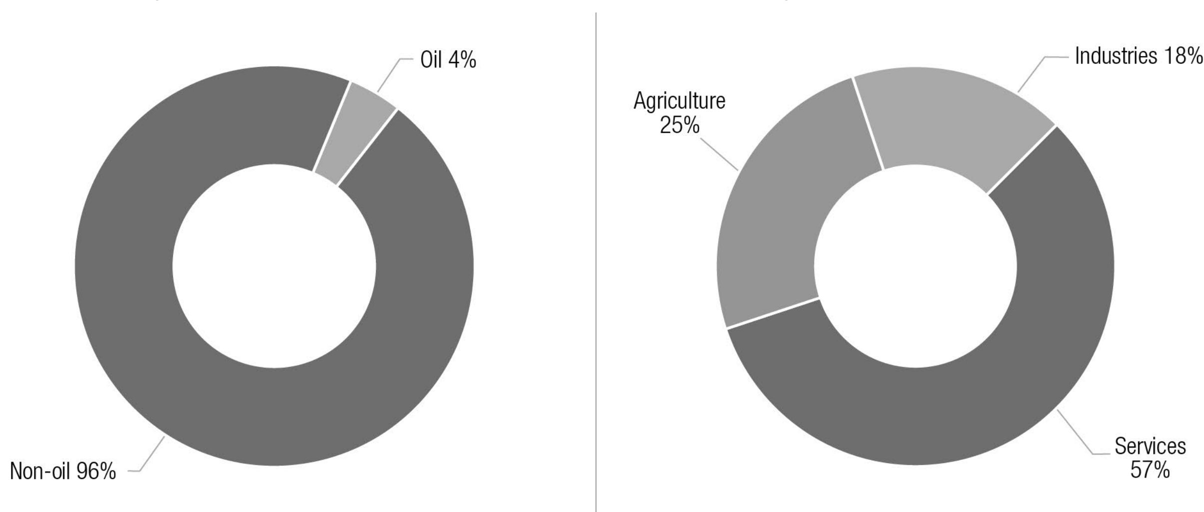
The recognition of youth as the driving force behind economic growth may be facilitated by the concept of a 'youth economy', which could effectively highlight the significant contributions of young people to the country's economy. Measuring the size and growth of the youth economy can aid policy-making by providing a means of tracking the effects of youth-centred policies. In essence, economic growth should not be seen as something that needs to occur to help young people, but as something that young people are key to actualising. This will require the Nigerian government to shift from its patronising view of young people to a recognition of the agency of the demographic. A good starting point will be to exhaustively determine all the economic activities in which young people participate significantly, as well as those they have shown an interest in. As pointed out in the previous section, there is higher youth participation in ISWOSS, which includes the services sector. Following the decline in oil output and revenue, the services sector (as a sub-set of the non-oil sector) has increasingly been the main driver of economic growth in Nigeria.

Figure 3.4: Real oil and non-oil year-on-year growth rate (percentage).



Source: National Bureau of Statistics

Figure 3.5: Non-oil and services contribution to Nigeria's GDP, Q4, 2022.



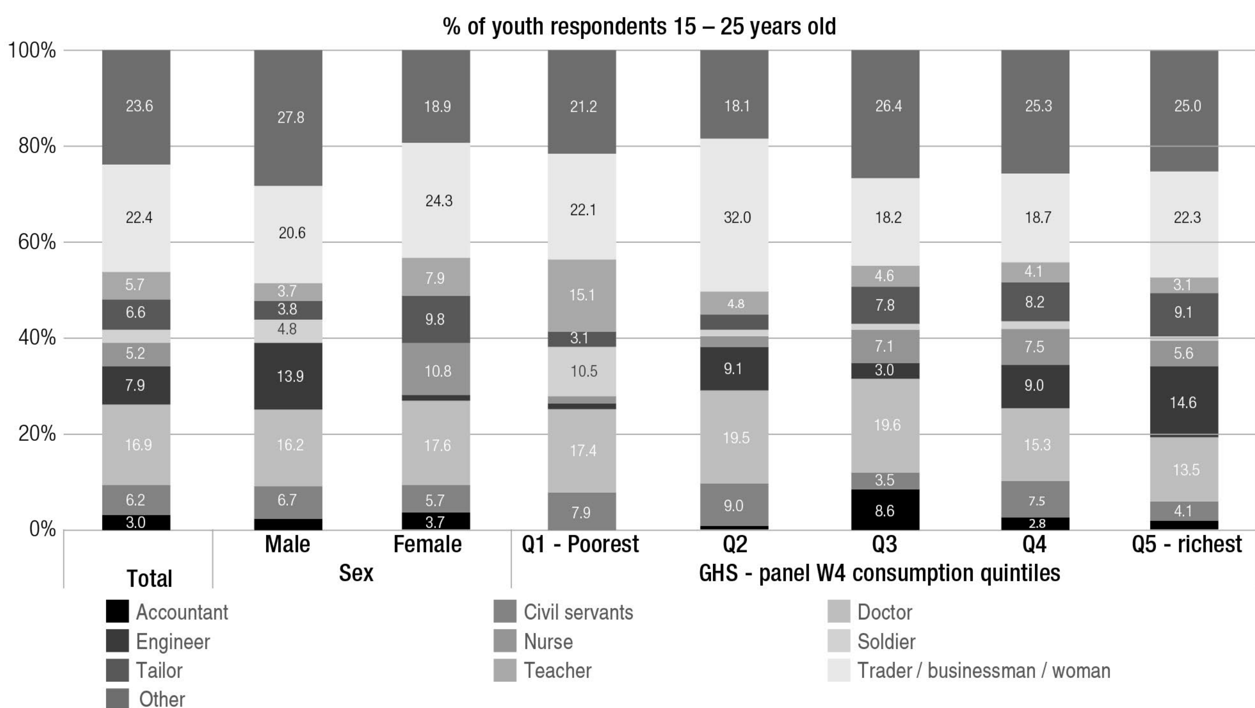
Source: National Bureau of Statistics

On the other hand, the challenges facing Nigeria's economy are partly driven by its continued reliance on crude oil exports for foreign exchange and government revenue. Although there is a thriving domestic services industry, the country's export of services in 2019 was US$4.95 billion in contrast to a goods export of US$64 billion in the same year. Services trade also experienced a strong negative balance of trade at US$33.65 billion. Increasing services trade will be key to improving Nigeria's overall economy. This further emphasises the instrumental role young people will play in the country's economic growth.

As discussed earlier, young people participate in different parts of the services industry. One such example is the financial services sector, more specifically financial technology. Youth-centred growth policies first need to understand why some businesses and talent in this space are relocating out of the country. Another example is agribusiness, where young Nigerians have struggled to participate but are often met with debilitating barriers.[27] Other sub-sectors such as hospitality, tourism, transport and logistics, and food service have also increasingly seen the participation of young people.

Beyond national policies, transnational policies such as the African Continental Free Trade Area (AfCFTA) agreement present an opportunity. The domestication of the agreement should fully take into consideration the role young people are expected to play. At the moment, the first draft of Nigeria's 190-page AfCFTA implementation strategy mentions 'youth' only 33 times. A survey by the National Bureau of Statistics in 2021 found that the trader and entrepreneur employment category was the most popular among young people between 15–25 years. This presents an opportunity for Nigeria's participation under the AfCFTA, and keeping young people at the centre of implementation plans will advance the agenda of using them to chart Nigeria's path away from being an oil economy.

Figure 3.6: Career aspirations as reported by young Nigerians



Source: National Bureau of Statistics 2022

The design of a youth industrial policy will have a more inclusive approach by actively seeking youth input, tailoring strategies to address specific challenges faced by young entrepreneurs and professionals, and fostering an environment that encourages innovation and entrepreneurship, and provides robust

support systems to help young businesses flourish. Put simply, centralising the interests of young people in these growth policies will also require that they be involved in the conceptualisation, design and implementation of the policies. Success will require young people to be in leadership positions, both in the public and private sectors and in civil society. Commenting on youth in leadership, Solape, a legislative aide in Abuja, emphasised the importance of taking the initial step fearlessly when it comes to thriving in policy-making roles. She shared her belief that that a commitment to excellence, clever effort and continual progress can secure young people a level of respect and reputation that is invaluable.

The government has a key role to play in providing the guiding framework for these policies, while prioritising the input of private sector and civil society actors. The government will also need to incentivise the investment from the private sector that is needed to make the policies successful. The private sector can continue to feed the government with the data, information and expertise to support the implementation of these policies. Civil society actors need to accompany the process with oversight, applying pressure whenever it appears stakeholders have lost sight of the objectives.

Youth-centred growth policies are critical for driving economic growth in Nigeria. By focusing on the needs and potential of young people, these policies can help to ensure that they can contribute fully to the economy and the development of their country.

YOUTH FOCUS SHOULD BE FOR THE MANY, NOT THE FEW

As described earlier, there are disparities in the welfare of young Nigerians along gender, geography and class lines. Efforts to harness Nigeria's youth population must be tailored towards all the subgroups within the demographic, with no section being left behind.

For young Nigerians in conflict-affected regions, targeted socio-economic interventions are needed to support peace-building efforts and promote economic development. This includes programmes aimed at fostering dialogue and understanding among different groups, as well as efforts to reintegrate former combatants into society. A critical aspect of the empowerment of youths in these regions is restoring the livelihoods of previously displaced youth and those who had participated as vigilantes. These three categories – former combatants, displaced youth and vigilantes – reflect the different roles young people have played in the conflict and the need for policies tailored to their individual needs. Although there has been some focus on skills acquisition, demand-side issues also need to be addressed.[28] Employment opportunities need to be provided to trained young people, and innovative approaches can be applied to this. While the government can work to incentivise the recovery of industries in the region, it is also possible to integrate some of these youth into the digital economy, where they can earn incomes for their skills from sources outside the regions.

The presence of many humanitarian and non-governmental organisations in these regions should be seen as an opportunity, with governments negotiating embedded skills development programmes to improve the employability of these young people. Upskilling young people in more disadvantaged regions will require innovative approaches that work with existing capacities. A mix of vocational training, digital skills training and formal education that take into consideration cultural and language barriers will be crucial. Abdulaziz, a development expert based in Maiduguri, highlighted the necessity of empowering young Nigerians in conflict-ridden areas with skills that enable them to offer goods and services. Additionally, he stressed the importance of giving them access to markets where demand exists for their products. In his view, this would not only strengthen local economies by rejuvenating sources of income but also contribute to efforts aimed at establishing peace.

Gender-sensitive approaches are also vital. The higher unemployment rate faced by women should be an important policy issue, with specific strategies aimed at addressing this. This will require even more disaggregated data collection on the barriers facing young women in the labour force. Young women are often disproportionately burdened with unrewarded domestic work, and this should be reflected in policy design to elevate their role in the economy.[29] The reproductive burden borne by young women needs to be accommodated in Nigeria's labour policies. This could include flexible work policies that may better suit mothers, as well as the protection of maternal rights in the workplace. The government and the private sector will need to work together to make diverse opportunities available for women in sectors such as business services that often do not have location-based requirements. Addressing the vulnerability of young women to gender-based exploitation, such as sexual harassment and unequal pay, will require civil society actors to consistently demand action from government and private sector stakeholders. The high numbers of out-of-school girls should be regarded as an emergency, given the long-lasting effects the situation can have on their collective welfare. Gender-based barriers have hampered the full realisation of youth potential in Nigeria. Policies need to ensure that both young men and women have equitable access to opportunities and that specific challenges faced by young women are properly addressed.

FROM YOUTH 'BRAIN-DRAIN' TO DIASPORA POWER

While putting in policies to encourage the retention of skilled youth in Nigeria's labour force, there is also a need to confront the reality of emigration and leverage it for improved welfare. There have been some efforts to better harness the incredible resource of young diaspora Nigerians, but they have not been holistic enough to yield results. As mentioned previously, Nigerian diaspora remittances are very high. Diaspora remittances were recorded at US$20.9 billion in 2022.[30] In the same year, foreign investment was US$5.33 billion.[31] Beyond remittances, Nigeria's diaspora is a rich source of knowledge, financing and networks that can be leveraged to improve the prosperity of those back home.

Structured programmes aimed at facilitating knowledge transfer in different sectors can be designed to upskill young Nigerians back home. This can occur in many different innovative ways. The capacities of Nigerian tertiary institutions can be strengthened by opening volunteer teaching and training slots that can be handled by highly skilled diaspora Nigerians. The elevation of diaspora Nigerians in the faculty of global institutions can also be leveraged for institutional partnerships that can facilitate knowledge exchange and research development. In addition, mentorship programmes can connect successful professionals and entrepreneurs in the diaspora to young Nigerians living in the country. These activities can help ensure that there is a pipeline of skilled Nigerians ready to take up spaces left by emigrants. Timilehin, the game developer from Lagos mentioned earlier, posited that 'thriving' in Nigeria is currently more akin to catching up with global standards. He emphasised the need for young Nigerians to be exposed to the breadth of opportunities and achievements possible, in order to expand their own aspirations. Furthermore, he advocated for the creation of supportive ecosystems that enable young people to reach these heightened levels of endeavour. Timilehin also acknowledged the critical role of the Nigerian diaspora in this.

Nigerians in the diaspora are also a source of financing and networks that can help with job creation back in the country. Their higher incomes mean that they are sometimes able to invest in businesses back in Nigeria on favourable terms. Diaspora investors may not only be motivated by profits but also by an impulse to help improve things in the country. Aside from their resources, young Nigerians in

the diaspora may have access to networks of multinationals and foreign investors. They can help serve as a much-needed bridge between investment needs in the country and investor interests outside the country. Diaspora Nigerians have also been elevated within foreign governments, with many holding high-level positions within the governments of the United States, the United Kingdom and European countries.[32] This can be leveraged to improve Nigeria's foreign policy engagements, with these diaspora as focal points. They can help increase Nigeria's understanding of its strategic partners and strengthen its negotiating positions.

On the other hand, it is critical to create pathways that will make it easy for diaspora Nigerians to return whenever they wish to do so. It is also important to address the concerns that have been raised by professionals that inform their decision to leave the country. Proactive effort will need to be made to ensure that young Nigerians are not only able to thrive when they leave the country but can succeed both at home and abroad.

KEY POLICY CHOICES AND TIMELINES FOR IMPLEMENTATION

To ensure the successful implementation of the proposed strategies, they must be translated into actionable policy choices. This section will outline these policy choices, organised into short-term, medium-term and long-term goals. Progress will be monitored and adapted over time, ensuring Nigeria stays on track to achieve its youth development goals. Key performance indicators and benchmarks for success will be proposed, allowing stakeholders to assess the effectiveness of these policies and make necessary adjustments.

MAJOR POLICY ACTIONS

1. In the near term, trade, industrial and growth policies should include versions focused on young people; data collection on economic growth should be disaggregated into a 'youth economy'; and the youth economy data sets should be further disaggregated by gender and region.
    - Centralise youth interests in economic growth policies, beginning with the identification of key economic sectors where young people actively participate, and where they have shown significant interest.
    - The design and implementation of these policies should include young people in the government, private sector and civil society.
    - Implement targeted socio-economic interventions in conflict-affected regions, with a particular focus on restoring the livelihoods of young residents, displaced youth, former combatants and vigilantes.
    - Develop gender-sensitive approaches to address unemployment disparities and facilitate the integration of young women into the labour force.

Key performance indicators: popularisation and prominence of the 'youth economy' concept in public discourse and election agendas; the number of youths in leadership positions in public and private sectors; improvement in tracked youth-centred sectors; closure of employment gap between young men and women; growth in participation of rural youth in the digital economy; and the reduction in the skills gap between regions.

2. Employ a systematic approach to diaspora engagement.
   - Establish structured programmes to facilitate knowledge transfer from the diaspora, with a focus on enhancing the capacities of tertiary institutions and fostering institutional partnerships for knowledge exchange and research development.
   - Create a platform to facilitate direct diaspora investment in the Nigerian youth economy, mentorship of entrepreneurs and professionals and establishment of linkages between local businesses and foreign investors.
   - Improve diaspora relations and create a strategy for a diaspora-led foreign policy aimed at strengthening Nigeria's position in the global space.
   - Create pathways to facilitate the return of diaspora Nigerians, addressing the concerns that have led professionals to leave the country and ensuring that young Nigerians can thrive both at home and abroad.

Key performance indicators: Increased diaspora investment inflows; more frequent visits by members of the diaspora to the country; the number of institutional partnerships created; percentage of foreign direct investment linked to diaspora efforts; the number of diaspora mentorship programmes completed; increased diaspora remittances; and improved standing of Nigeria in the global economy.

3. Continued focus on the creative and digital industries.
   - Nurture local startups and create a conducive business environment for success.
   - Make funding available to a broad range of creatives and innovators and avoid focusing on only big Nigerian cities.
   - Closely monitor the utilisation and impact of this funding over time, using collected data to allocate more funding to successful sectors.
   - Launch public and private partnerships with film producers in Nollywood and create a l ong-term strategy for reorienting young Nigerians towards civic leadership and national unity through movies.
   - Strengthen the creator economy, recognise and formalise the employment category, and facilitate micro-investments to increase the participation of young people in this space.

Key performance indicators: Increase in the number of startups that survive beyond five years; doubling the number of tech unicorns in the next five years; relocation of startups and tech talent back to Nigeria; creative industries surpass the target of 7 million direct jobs by 2025; improved public sentiment and social cohesion as measured by opinion surveys; and increasing number of Nigerian creators join the global 100 highest earning creators.

Adapting policies over time: These policy choices should be flexible and adaptive to changing circumstances. Regular stakeholder consultations, coupled with ongoing monitoring and evaluation of policies, will help identify areas of improvement and adjust strategies as necessary. Feedback from the youth demographic, the primary beneficiaries of these policies, should be prioritised to ensure their needs are continually met. Implementing these policy choices requires a collective effort. Government, private sector and civil society actors must work together to ensure the full potential of Nigeria's youth is harnessed for the country's development. It is through this comprehensive, long-term approach that Nigeria can truly achieve a youth-led renaissance.

Conclusion and call to action

In conclusion, the youth of Nigeria are not just the future, they are the present. Their dynamism, creativity and resilience are integral to Nigeria's renaissance. However, to harness their full potential, they need enabling policies that address disparities and socio-economic exclusion and leverage their innovative spirit. The disparities in development, opportunity and access need to be tackled head-on to ensure that no young Nigerian is left behind. The compelling success of the digital and creative industries in Nigeria is evidence of the potential that youth-focused initiatives can yield. Now is the time to invest in youth, foster an environment conducive to their growth and success, and enact youth-centred policies that can drive Nigeria's renaissance. It is our shared responsibility – government, private sector, civil society and the international community – to ensure that young Nigerians are equipped with the skills, opportunities and platform to lead this charge. As we chart the course for Nigeria's future, let us remember that empowering our youth is not just a social obligation, it is the catalyst for the transformation we seek.

Key takeaways

1. Nigeria's young people should be regarded as active actors in the country's development and are highly diverse with different skill sets and ways they can contribute to its economy. Interventions to harness their capacities should be differentiated across geographical, gender and class lines to ensure no demographic is being left behind. Key to this will be integrating these considerations into all national industrial and economic policies to ensure that youth development is at the centre of national development and is not regarded as a marginal issue.
2. The growing success of the digital and creative sectors needs to be protected and nurtured and lessons can be drawn from these sectors for other more traditional ones. As these sectors are still in their adolescent stages, they require special attention and must not be stifled by government actions or inactions.
3. High emigration rates from the youth demographic can be translated from being a threat to being an opportunity for youth development in Nigeria. Policies need to be put in place to ensure that the geolocation of young Nigerians does not in any way hinder their ability to support the development of their peers through access to resource networks, funding and knowledge transfer.

4

MOROCCO

How Africa's Youth Can Change Its Destiny - The Case of Morocco

TAYEB GHAZI

Situated at the northwest borders of the continent, between the Atlantic Ocean and the Mediterranean Sea, Morocco has established itself as a stable and dynamic economy and a gateway to Africa. A part of the Maghreb and Arab world, the country has for many decades embraced a policy of economic and financial openness, aiming to integrate its economy into global markets. According to the United Nations Conference on Trade and Development's 2022 report, Morocco is one of the top three attractive destinations for foreign investment in Africa. It has around $72.9 billion in foreign investment, which is equivalent to about 55.5% of its economy, covering various sectors such as automotive, aerospace and textiles.[1]

Morocco's economy is quite diverse, with several key sectors contributing significantly to its growth. These sectors include agriculture, tourism, offshoring, services and manufacturing, with a special emphasis on the automobile and aeronautics industries.

In addition to its economic diversity, Morocco possesses valuable natural resources, most notably phosphates, which account for roughly 70% of the world's proven phosphate rock reserves. Moreover, Morocco is making strides as a developing energy exporter, thanks to its renewable energy potential and recent gas discoveries.[2]

According to the International Monetary Fund (IMF), Morocco ranks as the fifth largest economy in Africa, with a real GDP of around $120 billion. When we adjust for purchasing power parity, this figure increases to $310 billion. Morocco's achievements are remarkable, as it has managed to enhance its GDP per capita despite a growing population. In the year 2000, the GDP per capita was approximately $1 350, and, by 2022, it had nearly tripled to $4 000, placing the country in the lower-middle-income category (from $4 000 to $9 500 when considering purchasing power parity).

Morocco's long-standing growth strategy has delivered numerous advantages across various sectors. These include robust economic expansion, enhanced availability of fundamental infrastructure services like clean water, electricity and road networks, especially in rural regions. Additionally, it has contributed to higher life expectancy, reduced poverty levels and lessened vulnerability. Remarkably, this strategy has

also kept inflation relatively low. However, it has struggled to adequately tackle the ongoing labour market issues in Morocco.

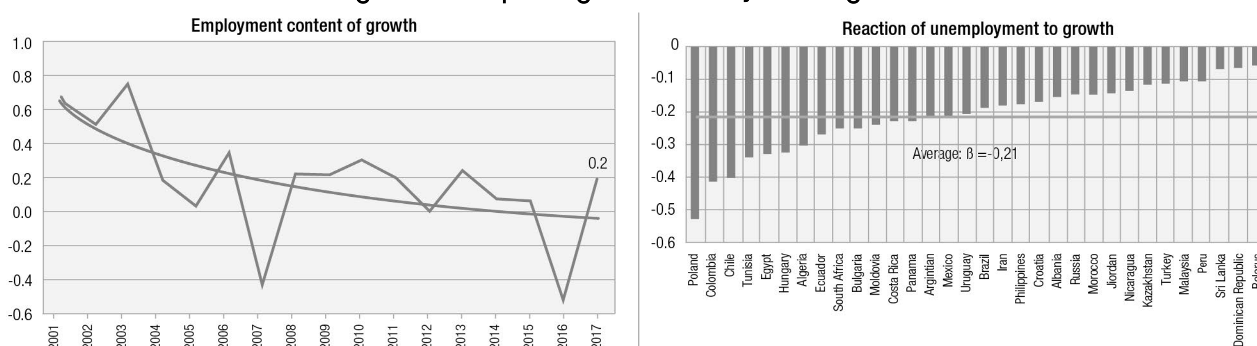
This chapter emphasises the urgency of speeding up the transformation of the economy, with a specific focus on sectors that have the potential for high growth and job creation. The goal is to leverage the demographic dividend and establish sustainable employment opportunities. It highlights the importance of investing in youth development, enacting labour market reforms and cultivating a business-friendly environment. These steps are seen as vital for achieving inclusive and balanced growth in Morocco and unlocking the potential of the demographic dividend.

LABOUR-MARKET CHALLENGES AND THE ROAD TO DEMOGRAPHIC DIVIDEND

Addressing Morocco's labour market challenges is of utmost importance, particularly in the context of the demographic dividend. To fully utilise this potential, it is essential to integrate various aspects, including education, training, employment opportunities and social inclusion. This approach is essential for meeting the needs of vulnerable groups, fulfilling the middle class's demands for greater equity, and fortifying social rights.

One pressing challenge that demands immediate attention is youth employment. Despite the country's economic growth and job-creation efforts, youth employment remains constrained. In fact, for every 1% increase in economic growth, job opportunities expand by less than 0.2% (Figure 4.1). Although Morocco has maintained an average growth rate of about 4.5% from 2000 to 2012 and 3.2% until 2021, this growth has generated relatively few new jobs compared to the expanding working-age population. To put it in perspective, between 2000 and 2021, approximately two million jobs were created, while the working-age population surged by seven million.

Figure 4.1: Exploring Morocco's jobless growth.



Source: Author's calculations based on the High Commission for Planning and the Policy Center for the New South

Morocco's economic growth has predominantly relied on domestic demand, notably driven by substantial public investment. However, recent developments have exposed the limitations of this growth model. While boosting domestic demand, especially through public investments, has spurred multiple sectors, created jobs and improved infrastructure, it is essential to acknowledge the potential drawbacks. Notably, the country's sizeable budget and current account deficits in the mid-2010s raise concerns about the long-term viability of this growth model. This situation underscores the necessity of adopting a more diversified strategy to promote sustainable economic growth and reduce susceptibility to external economic shocks.

In addition, the Covid-19 pandemic has had a profound impact on Morocco's economy, posing difficulties in maintaining the same levels of public investment, due to strained government finances. Moreover, Morocco's increased integration into the global economy has exposed it to heightened competition and necessitated adjustments to adapt to evolving market dynamics.

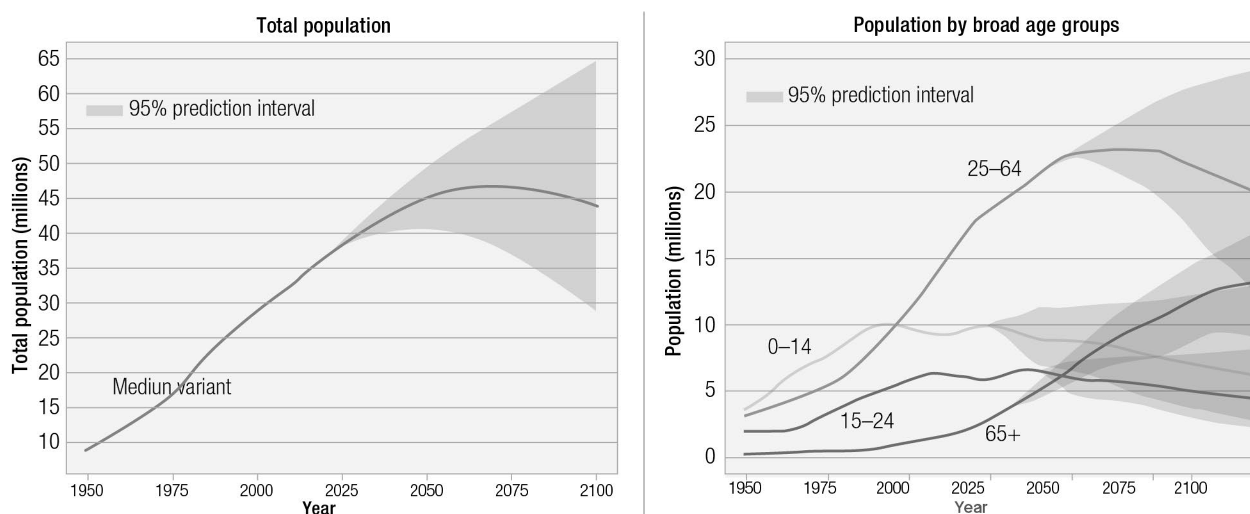
Morocco's growth strategy has yielded positive outcomes, including economic growth, improved infrastructure, increased life expectancy and poverty reduction, while keeping inflation relatively low. Nevertheless, it has struggled to address persistent labour market challenges, as noted by Agénor and El Aynaoui in 2014.[3]

The labour market continues to grapple with unresolved imbalances, notably persistent unemployment, especially among young graduates. Additionally, declining labour force participation, particularly among women and young urban residents, exacerbates these challenges. Finally, the significant population of young NEETs (Not in Employment, Education or Training) underscores the importance of their successful integration for both their well-being and the country's sustainable development.

DELVING INTO THE NON-LINEAR EFFECTS OF THE DEMOGRAPHIC DIVIDEND

Currently, about 65% of Morocco's population falls within the working-age bracket of 15–64 years, marking a noticeable increase from the 60% recorded two decades ago. In contrast, the proportion of dependants, which typically includes children and the elderly, in relation to the working-age population, has seen a slight decline, dropping from 62% to 52% between 2000 and 2021. Notably, there has been an increase in the ratio of elderly individuals to the working-age population, rising from 7% to 11% during the same period. Conversely, the ratio of children to working-age individuals has decreased from 55% to 41%.

Figure 4.2: Snapshot of Morocco's demographic profile.



Source: United Nations, DESA, Population Division, *World Population Prospects* 2022, http://population.un.org/wpp/

These trends demonstrate a shift from a period characterised by high birth and death rates to one marked by lower birth rates (fertility rates declined from an average of 6 births per woman in 1975 to 4 in 1991 and further to 2.3 in 2021) and death rates (life expectancy has risen from 51 years in 1975 to 62 years in 1991 and reaching 74 years in 2021).

This advanced demographic transition has led to a significant expansion of the working-age population. In sheer numbers, the working-age population has seen substantial growth, surging from 17.6 million individuals in 2000 to 24.4 million in 2021, representing an increase of roughly 7 million people. This expansion is primarily driven by a demographic boom, particularly among younger age groups.

This youth bulge is expected to persist for at least the next two decades, with profound implications for the labour market. Indeed, the group of individuals under the age of 15 will continue to experience substantial growth, with projections indicating that they will make up a quarter of the total population, roughly 10 million individuals.

The sizeable cohort of young people entering the working-age population will naturally add to the pool of job seekers. As a substantial number of young individuals join the labour force, the demand for quality job opportunities should intensify. Consequently, creating enough jobs is central to align with the growing needs and aspirations of the expanding working-age population.

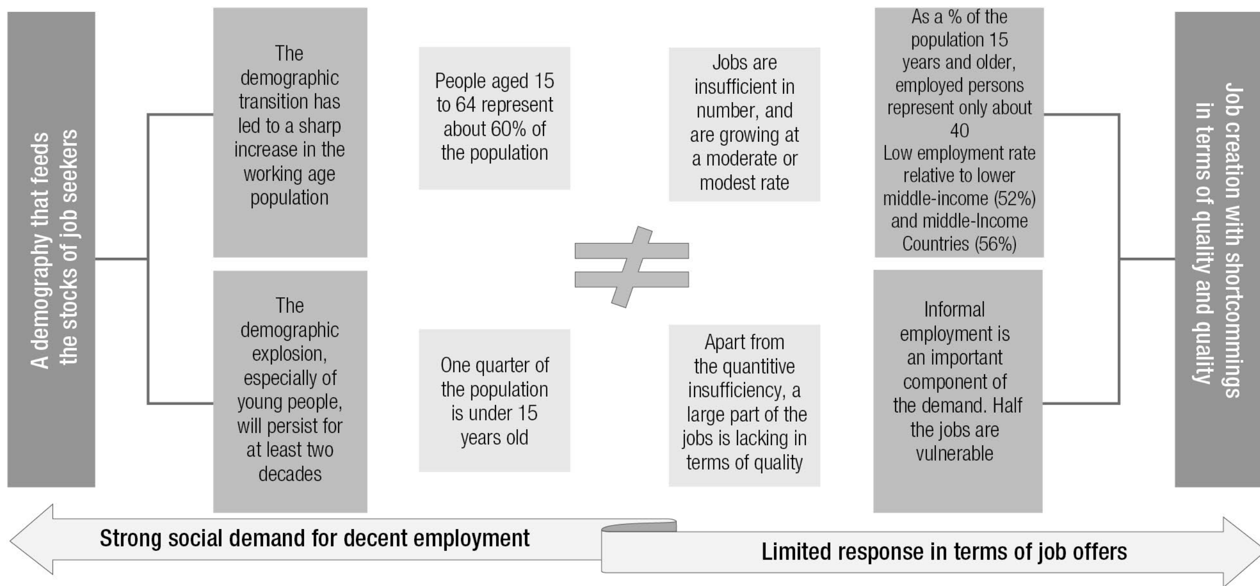
At the same time, Morocco's labour market faces significant challenges related to job supply, both in terms of quantity and quality. In quantitative terms, the rate of job creation is inadequate, with the number of available jobs growing at a slow pace. Between 2000 and 2021, the job count increased from 8.8 million to around 10.8 million, representing an additional 2 million jobs compared to the 7 million increases in the working-age population.[4] Consequently, there exists a mismatch between job opportunities and the rising number of individuals in search of employment.

Within the working-age population (15–64 years), only 45% are employed, highlighting a significant portion without jobs or outside the labour market. Among the 24 million individuals in this group, 12.3 million are economically active, 1.5 million are unemployed and 14.8 million are not participating in the labour market. Besides, the proportion of jobs as a percentage of the population aged 15 and over is 40%, which falls below the average of 52% seen in lower-middle-income countries.[5]

Beyond the quantitative job deficit, a substantial portion of jobs in Morocco lacks quality. Informal employment is a significant feature of the labour market, comprising 30% of non-agricultural employment, according to the High Commission for Planning (HCP). Approximately 46% of jobs are categorised as vulnerable, including contributing family workers and self-employed individuals as a percentage of total employment. Women are disproportionately affected, with 54% of women in such positions compared to 43% of men.

Additionally, social protection systems have limited coverage, despite the expansion of health insurance and the planned implementation of universal health coverage by 2025. While these systems do cover a significant portion of the formal workforce, challenges persist in providing social protection for workers in the informal sector, which represents a substantial segment of Morocco's labour market.

Figure 4.3: Navigating the unbalanced labour market landscape in Morocco.



Source: Author's elaboration

The Moroccan economy faces various dysfunctions and structural rigidities that present significant obstacles to economic growth and job creation. One key challenge lies in the labour market's rigidity, which is evident through barriers to hiring and firing and wage determination inflexibility.

- Employment protection laws, minimum wage regulations and rules governing working hours and contract types can act as impediments to hiring and firing in Morocco. While intended to safeguard workers, these regulations can discourage firms from hiring or releasing employees, making it challenging for businesses to adapt their workforce to market conditions.
- Wage determination in Morocco is also rigid, with the minimum wage set by law and determined through negotiations between the government, employers and trade unions. Although designed to ensure fair wages, this mechanism can result in wage levels that do not reflect market realities, making it difficult for firms to adjust their wage bills based on performance.
- The labour market suffers from a lack of well-developed intermediation services, with inadequate coverage of certain demographic groups and regions. Intermediation services primarily focus on graduates, neglecting other segments of the workforce, such as youth, women, persons with disabilities and those from disadvantaged backgrounds. Geographical disparities exist, with urban areas having better access to intermediaries, further limiting opportunities for those in rural or remote areas.
- Labor market intermediaries have limited capacity and resources, hampering their ability to address the specific needs of certain groups or regions. The existing framework falls short of providing comprehensive assistance to individuals with unique circumstances, hindering their successful integration into the labour market.
- Public intermediation services remain constrained in scope, while private intermediation faces regulatory hurdles, dissuading potential entrants due to burdensome security deposit requirements.
- The labour market also suffers from a fragmented and poorly co-ordinated information system. Business surveys often lack employment and training-related questions, and the system lacks a dynamic understanding of the labour market's local dimension. Consequently, there is a skills gap between job seekers and employer demands, contributing to high rates of inactivity and unemployment, particularly among youth and women.

Under these circumstances, two important, connected issues occur: there are too many people looking for work; and there aren't enough job openings for them. Both of these problems add up to unemployment. We can see signs of these issues in various ways, as pointed out by the HCP:

- Persistent and high unemployment: the unemployment rate in Morocco has remained stubbornly high, hovering around 10%, despite various initiatives. This rate had declined from 14% in the early 2000s, but the challenge persists.[6]
- High youth unemployment: youth unemployment in Morocco is a pressing issue, with rates among the highest globally.[7] In 2017, the youth unemployment rate was approximately 22%, but it has risen to over 32% in 2021, reaching a staggering 46.7% in urban areas.[8]
- High female unemployment: Morocco also experiences relatively high female unemployment, averaging around 15%, and increasing to 17% after the Covid-19 pandemic. This underscores the difficulties women face in accessing employment opportunities, despite their low participation rate in the labour market (about 20%).
- Mismatch unemployment: there is a notable skills gap in Morocco's labour market, particularly affecting job seekers with higher education qualifications. Graduates often struggle to find suitable job opportunities, resulting in unemployment rates that vary significantly by education level. For example, in 2021, the unemployment rate for those without a diploma was approximately 4.5%, but it increased significantly to 24% for individuals with a middle school degree and further to 33% for university graduates.[9] This highlights the need for improved alignment between education and the demands of the job market.

> 'Young graduates are the social category hardest hit by unemployment, which is often synonymous with length and great uncertainty. Nearly two-thirds of young people have been unemployed for more than a year. The jobs they hold are often poorly paid, rarely contractualised and very rarely covered by social protection schemes.' **– Economic and Social Council of Morocco, 2022**

The aforementioned phenomena, namely the excess supply of labour and the rationing of job opportunities, also lead to discouragement among certain groups, particularly young people andwomen. This discouragement is manifested through low participation rates in the labour force, which is reflected in the following aspects, according to the Higher Commission for Planning(HCP):[10]

- Youth and women discouragement: both young people and women have very low rates of participation in the labour market, at around 20%. This means they are not actively involved in economic activities and face difficulties finding jobs.
- Challenges to women's economic empowerment: there is a significant gender gap in labour force participation, with only 21% of women participating compared to 70% of men. This shows the hurdles women face in achieving economic independence, highlighting the need for policies that promote gender equality.
- Declining participation: over the years, youth participation in the labour market has been decreasing. Between 2001 and 2021, it fell from 46% to around 24%. This decline is worrisome and suggests that young people are finding it increasingly hard to enter the job market, calling for targeted solutions to address this problem.

> 'The female participation rate in the Maghreb is among the lowest in the world, at around 20–22%. The figure for Morocco is on a downward trend: from 30% in the 2000s, it has now fallen to 26% … it is by getting more women into work that we can increase the middle class, and therefore reduce the inequalities.'
> **– Xavier Reille, director of the International Finance Corporation for the Maghreb region**

The combination of high unemployment and declining participation rates in the job market has significant consequences, especially for a group known as NEET youth, which refers to young people who are neither working nor in school or training. This group makes up about a third of youth aged 15–24. Importantly, NEET status is more common among those with primary and intermediate education levels, and it disproportionately affects young women, with a high NEET rate of around 46%.

> 'The unemployment rate is certainly falling, but not enough: the stock of NEETs, those who are neither in employment nor in training, is close to a million people. We need a new approach to deal with this …
> **Youness Sekkouri, Minister for Economic Integration, Small Business, Employment and Skills'**

The presence of so many NEET youth raises concerns about their ability to enter the job market and integrate into society. Being NEET for a long time can lead to prolonged unemployment, a loss of skills and limited opportunities for career growth.

THE NEED FOR NEW AVENUES FOR GROWTH AND JOB CREATION

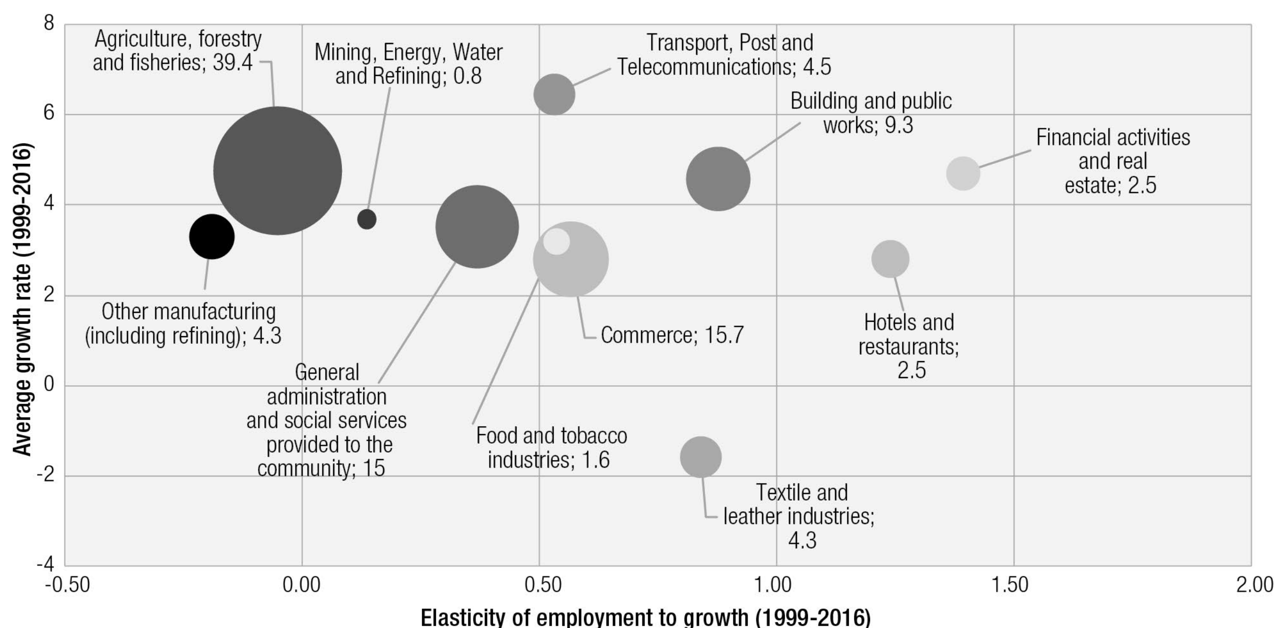
While the pursued growth strategy has delivered commendable outcomes in various areas, it has not effectively addressed the multifaceted challenges of the labour market in Morocco. Tackling persistent unemployment, declining labour force participation and the integration of NEETs require a comprehensive approach that goes beyond the current strategy. This entails targeted interventions to enhance job creation, improve the quality and relevance of education and vocational training, and foster an enabling environment for business development and investment. Additionally, addressing gender disparities and promoting inclusive policies that target specific groups, such as young people and women, is essential for achieving a more balanced and inclusive labour market.

It is important to recognise that the challenges in Morocco's labour market cannot be solely blamed on the growth strategy in place. However, it is clear that the strategy itself bears some responsibility for these issues, and there are two key reasons for this:

- The limited impact on the labour market: the growth strategy has mainly concentrated on increasing domestic demand. However, the nature of this demand has not been favourable for creating many job opportunities. The types of goods and services that households typically consume have not led to significant employment growth. As a result, even though domestic demand has expanded, the labour market has not seen substantial positive effects.
- The lack of diversification: the growth strategy has relied heavily on sectors that do not have strong potential for job creation. The economy's structure is not diverse enough, and there has not been enough focus on industries that could generate a significant number of jobs. Certain sectors dominate the economy, and these sectors tend to have low labour intensity, which means they do not create enough jobs to meet the labour market's needs.

These factors have exacerbated the tensions within the labour market and have further compounded the need for Morocco to readjust its growth strategy. The country faces the challenge of aligning its economic development objectives with the requirements of a dynamic labour market. Without addressing the limitations of the growth strategy, the labour market will continue to face difficulties in providing sufficient employment opportunities, exacerbating existing tensions and hindering progress.

Figure 4.4: Sectoral dimensions of employment expansion: significance for structural change.



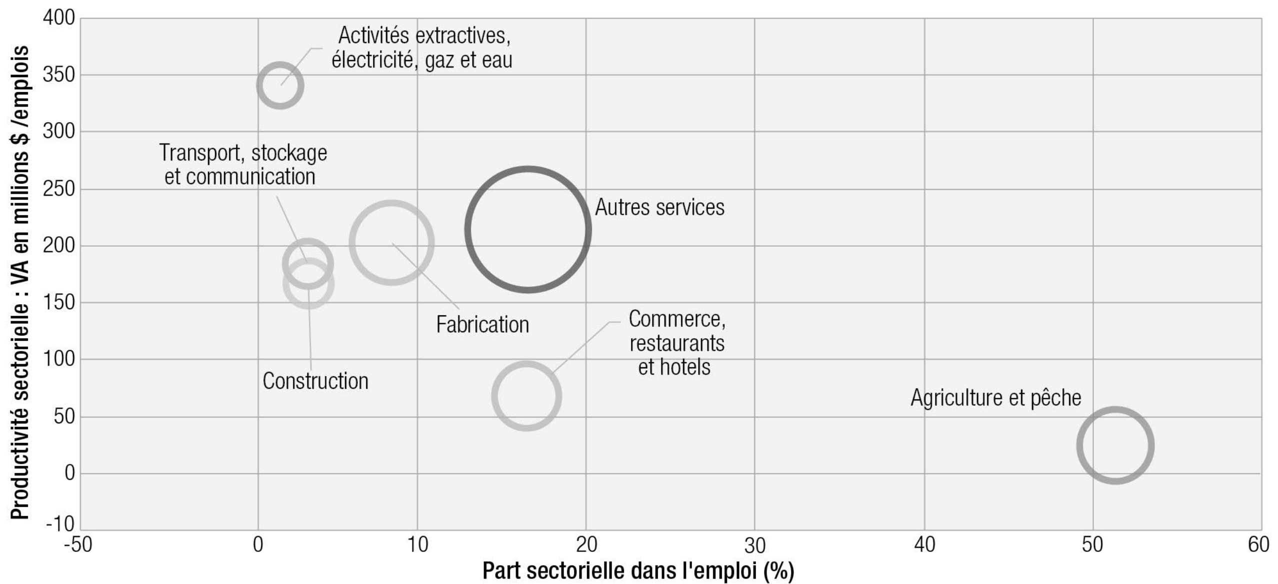
Source: https://www.policycenter.ma/publication s/les-enjeux-du-march%C3%A9-du-travail-au-maroc
Note: The sizes of the bubbles represent the weight in total employment (ex: 15.5% for commerce).

In the medium term, the acceleration of the structural transformation of the Moroccan economy is crucial to harness the demographic dividend. It plays a key role in relaunching Morocco's growth, advancing its transition, diversifying its exports and markets, positioning itself better in global value chains, and preparing to face competition in international markets.

This transformation is vital to strengthen the link between value creation, on the one hand, and the provision of productive and decent employment, on the other. It is necessary to meet the demands for jobs from the millions of individuals entering the labour market in Morocco each year, both in terms of quantity and quality.

Currently, Morocco's economic structure has remained relatively unchanged for the past couple of decades. Many of the sectors that are growing do not create enough jobs. In fact, there's often a concentration of labour in less productive sectors, leading to job losses, particularly in agriculture. These sectors should release workers to move to more productive areas with better pay. However, there are several obstacles and rigidities in place that make it difficult for factors of production, like labour, to move freely to where they are needed for this transition to happen.

Figure 4.5: A closer look at employment shares and sectorial productivity in 2018.



Source: Author's elaboration based on ILO and UNCTAD

Ultimately, speeding up the structural transformation of Morocco's economy is essential to make the most of the demographic dividend and tackle the evolving labour market challenges. This transformation is crucial for boosting economic growth, expanding export diversity and generating quality employment opportunities.

To achieve these objectives, a comprehensive strategy is needed. This strategy should give top priority to developing sectors with significant potential for growth and job creation, including manufacturing, services and innovation-driven industries.

> 'In view of the cumulative deficits in employment and inclusion in general, all initiatives would be insufficient to absorb the very high numbers of young people seeking economic integration in the immediate or short term.'
>
> **– Youness Sekkouri, Minister for Economic Integration, Small Business, Employment and Skills**

Key elements of this strategy are policies aiming to enhance the capacities of the youth, equipping them with the necessary skills for social, professional and economic integration. Furthermore, labour market reforms are essential to ensure flexibility and facilitate the reallocation of workers across sectors. It is also imperative to invest in enhancing the business environment, promoting entrepreneurship and attracting domestic and foreign investments. This entails reducing administrative burdens, streamlining regulations and fostering a culture of innovation and risk-taking. Access to finance for small and medium enterprises (SMEs) should be facilitated to stimulate their growth and job-creation potential. In addition, co-ordinated efforts between the government, private sector and other stakeholders are crucial to drive the structural transformation agenda forward.

BUILDING ON THREE FRONTS: LEVERAGING STRUCTURAL TRANSFORMATION TO HARNESS THE DEMOGRAPHIC DIVIDEND

In the quest to secure a prosperous future, Morocco faces the imperative of accelerating its transition, diversifying its exports and markets, and fortifying its position within global value chains. These pivotal steps are essential for the nation to effectively harness its demographic dividend. To achieve this, investments in youth development are paramount, equipping them with the necessary skills to seamlessly integrate into social, professional and economic realms. Furthermore, the cultivation of human capital must be prioritised, transforming it into a catalyst for economic growth and the creation of quality employment opportunities. Enhancing the macroeconomic framework and investment environment is equally vital, fostering private sector growth and expanding the quantity and quality of available jobs. However, addressing structural rigidities and achieving diversification will necessitate time and concerted efforts. Therefore, bolstering labour market governance, reinforcing employment policy institutions and establishing robust information systems becomes imperative. To facilitate the integration of young individuals, particularly women, into the workforce, it is crucial to activate all available levers, including aligning vocational training with economic and environmental concerns and fostering entrepreneurship and self-employment. By embarking on these multifaceted actions, Morocco can embark on a transformative journey towards unlocking its demographic dividend.

> 'Every time we try to deal with the social problem by announcing job prospects, more or less aided, supported or subsidised, without any productive basis, there is an air draught. And all those who don't normally enter the job market will enter it, because they are attracted by these advertisements that give them hope of getting a job. People who were discouraged by the job market are coming back, and people who are still in education (high school or university) are also entering the market without waiting to finish their schooling or studies, especially when they see that young graduates are still unemployed. This adds to the number of unemployed due to the lack of a solid structural offer that can absorb this new mass of job seekers ...'
>
> **– Lahlimi Alami Ahmed, High Commissioner for Planning**

IMPROVEMENT OF BUSINESS CLIMATE

Since its establishment in 2010, the National Business Environment Committee has been focused on improving the business climate in Morocco. Their goal is to boost the country's economy by supporting both local and foreign businesses and making investments more attractive.

The committee's main tasks include enhancing the business environment and legal framework. They work collaboratively with public and private partners to implement projects aimed at simplifying administrative procedures, digitalising processes, and creating electronic platforms for businesses.

Thanks to their efforts, Morocco has made significant progress. It climbed 75 places in the Doing Business ranking, now standing at 53rd out of 190 countries. The country has also improved investor protection, tax payment processes and the issuance of construction permits:

- Reforms have streamlined the process of starting a business, reducing the time and costs involved. The procedures have become more transparent and efficient.
- The committee also focused on improving the electricity sector by simplifying connection procedures and ensuring a reliable supply.

- Property transfers have been made quicker and more straightforward through digitalisation and simplified procedures.
- Investor protection has been strengthened by simplifying the establishment and operation of companies and enhancing transparency.
- Paying taxes has become more straightforward with the introduction of tele-declaration and tele-payment systems.
- For cross-border trade, the Customs Authority has implemented digital systems, reducing processing times for import and export operations.
- To facilitate contract enforcement, courts have been modernised and digitised, making access to documents and judgments easier.
- Reforms in the Commercial Code have improved insolvency regulations, benefiting both struggling companies and creditors.
- Overall, the committee's efforts have greatly improved the business landscape in Morocco, attracting more investment and contributing to the country's economic growth and social development.

In the spirit of what has been achieved, the business climate, as assessed by various reports, including the World Economic Forum's report, indicates that certain dimensions can pose obstacles to the mobility and investment of factors. The Moroccan economy exhibits deficiencies and distortions that impact business activities. These deficiencies primarily affect different markets, including the labour market, the market for goods and services, the monetary and capital markets, as well as the foreign exchange market.

A diagnostic study conducted by the HCP in 2019[11] found that 74% of Moroccan businesses, regardless of their size, believe that lack of financing hampers investment. Similarly, 40% of Moroccan SMEs consider access to financing a severe obstacle. Beyond this specific segment, 58% of business leaders across all sectors are dissatisfied with the services provided by financial institutions. The high-interest rates (according to 40% of respondents) and the collateral requirements imposed by banks (34%) are the main obstacles identified. Interestingly, the survey reveals that a significant portion (33% of companies) avoids bank credit for religious reasons, indicating a latent demand for participatory financing, which still struggles to fully develop for businesses.

> 'Every time we try to deal with the social problem by announcing job prospects, more or less aided, supported or subsidised, without any productive basis, there is an air draught. And all those who don't normally enter the job market will enter it, because they are attracted by these advertisements that give them hope of getting a job. People who were discouraged by the job market are coming back, and people who are still in education (high school or university) are also entering the market without waiting to finish their schooling or studies, especially when they see that young graduates are still unemployed. This adds to the number of unemployed due to the lack of a solid structural offer that can absorb this new mass of job seekers ...'
>
> **– Lahlimi Alami Ahmed, High Commissioner for Planning**

In this context, a recommendation would be to provide the necessary means and institutional framework for alternative modes of financing and solidarity-based entrepreneurship, such as crowdfunding, to become genuine drivers of professional integration, value creation and employment, as well as financing projects undertaken by vulnerable populations, youth, and small and microstructures.

Governments, private industry and civil society each have significant roles to play in promoting crowdfunding as a viable financing option for SMEs. Here are several actions that these stakeholders can consider:

- Supporting an enabling regulatory framework: governments can create a regulatory environment that supports crowdfunding by developing clear and favourable legal frameworks. This involves establishing specific regulations and guidelines that facilitate crowdfunding activities, while ensuring investor protection and minimising risks. Additionally, governments can explore options such as offering tax incentives or grants to incentivise individuals and organisations to invest in SMEs through crowdfunding platforms.
- Increasing awareness and fostering financial literacy: raising awareness about crowdfunding among SMEs and potential investors is crucial. Governments, private industry and civil society can collaborate to organise workshops, seminars and training programmes aimed at educating SMEs about the benefits and processes of crowdfunding. Furthermore, these stakeholders can work together to develop financial education programmes that help SMEs understand the intricacies of crowdfunding, including risk assessment, financial planning and compliance requirements.
- Encouraging collaboration and partnerships: governments should encourage the development of dedicated platforms by offering financial and resource support, while also fostering partnerships between these platforms and SME support organisations. Such collaborations can expand the reach of crowdfunding initiatives and streamline processes. Additionally, governments and civil society organisations can establish mentorship programmes connecting SMEs with crowdfunding experts to enhance their crowdfunding efforts and facilitate knowledge sharing within the industry.

Figure 4.6: Leveraging on crowdfunding.

Source: Author's elaboration

KEY AREAS OF EDUCATION TRANSFORMATION

Investing in human capital and improving the education and skills training systems is crucial to equip the workforce with the necessary capabilities to promote structural transformation. Active labour market policies, such as vocational training programmes and job-matching services, can also play a vital role in facilitating the transition and ensuring that the workforce is equipped with the skills demanded by emerging sectors.

> 'The solution lies in implementing a multi-sectoral approach involving both the public and private sectors, at national and local level, and focusing particularly on the situation of girls and women, especially in rural areas. It is also important to promote quality education that is accessible and capable of alleviating this social phenomenon (NEET), which represents a socio-economic loss.'
>
> **– Ted Chaiban, UNICEF Regional Director for North Africa and the Middle East**

Education and skills development and their role in building a prosperous and flourishing nation have always been top priorities on Morocco's political and development agendas. Years of consistent and renewed efforts in reforms have led to significant achievements in the education system, including increased literacy rates, improved access to education and progress in learning quality.

The general census of the population and housing shows that the illiteracy rate among individuals aged 10 and above has been declining steadily. In 2004, it was at 43.2%, which dropped to 32.2% by 2014. The rate is estimated to be around 29% in 2017, as reported by the National Agency for Combating Illiteracy.[12]

In terms of education, significant progress has been made in achieving universal access to primary education. Back in 2000–2001, the primary school enrolment rate stood at 84.6%, according to the Ministry of National Education, Preschool and Sport. Additionally, enrolment rates for children aged 12–14 and 15–17 (secondary school) were around 60.3% and 37.2%, respectively, during the same period. However, these rates have since exceeded 95% and 72%, demonstrating substantial improvements in access to education.

Furthermore, the efforts to reduce school dropout rates have been fruitful. Currently, the dropout rate is around 2% at the primary level, 8% at the middle school level (5.2% for girls) and 7% at the secondary level (5.5% for girls). These figures are significantly lower than the rates recorded in the early 2000s, which were over 10%, 15% and 17%, respectively.[13]

Preschool education has also seen positive advancements. According to the Ministry of National Education, Preschool and Sport, the enrolment rate now stands at approximately 76% (66% for girls and 65% for those in rural areas), compared to 53% in 2000 (45.3% in 2017–2018). This expansion indicates a growing commitment to providing early education opportunities for children.

With regard to education quality, remarkable improvements have been seen. Recent editions of international tests like TIMSS (Trends in International Mathematics and Science Study) and PIRLS (Progress in International Reading Literacy) demonstrate significant progress in Moroccan students' learning outcomes. Their proficiency in mathematics and science has increased by 40 points compared to the early 2000s. Similarly, 4th-grade students' language skills have improved by 20 points between 2001 and 2022. These results show encouraging advancements in the academic achievements of Moroccan pupils.

However, progress and outcomes remain inadequate. Let's not forget that the Covid-19 pandemic has exacerbated the learning crisis. Presently, about 70% of 10-year-old children are facing learning poverty, and Morocco is facing similar challenges.[14] After the Covid-19 pandemic, learning poverty increased by approximately 33% in low- and middle-income countries, leaving around 70% of 10-year-olds struggling to understand basic written texts, which has widened socio-economic and territorial gaps. With these numbers in mind, there are growing concerns about the long-term impact of the pandemic on education.

At another register, the proportion of individuals lacking basic skills remains significant, both at the primary and secondary levels (middle and vocational schools). These proportions exceed 50% among schoolchildren in reading, mathematics and sciences, as indicated by the latest TIMSS 2019 and PIRLS 2021 assessments. Among high school students, these proportions reach around 70% in sciences and hover around three-quarters in reading comprehension (74%) and mathematics (78%), according to the OECD Programme for International Student Assessment (PISA) 2018 results. Consequently, as the number of young people is set to increase in the coming years, the quality of education is not sufficiently preparing them to enter rapidly changing labour markets. Still, approximately half of the working population lacks formal qualifications.[15]

Then, there are several reasons for the transformation of education, including the need for accompanying the suitable economic changes, a significant portion of the population lacking basic literacy or skills, employers expressing concerns about the relevance of training programmes, an uncertain future and the green and digital transitions requiring reskilling and upskilling, among others.

The Summit on Education Transformation in 2022 identified five main areas of transformation: schools, the creation of lifelong learning ecosystems, the teaching profession, digital connectivity and education financing. In the case of Morocco, the transformation of the teaching profession appears to be of crucial importance. Currently, the vast majority of primary school teachers lack the academic and pedagogical skills required for teaching both French (less than 1%) and Arabic (4.2%). In mathematics, this percentage does not exceed 4%.

In this context, it is necessary to invest more in the education workforce. Teachers need to be equipped with the tools and capabilities that could enable them to contribute to the transformation of education. Moreover, the professional skills of transformative teachers need to be rethought.

One recommendation is to provide upgrading training for the existing stock of teachers, particularly in scientific and pedagogical domains. Indeed, the majority of teachers hold bachelor's degrees in fields other than education. Upgrading training can be conducted in training centres or through distance learning, utilising digital tools and massive open online courses (MOOCs). However, evaluation for certification should be a requirement. Incentives should be in place to ensure the quality of training and consider it in teachers' professional advancement.

In addition to addressing the existing teacher stock, the selection of new teachers should be guided by standards that promote excellence. To attract excellence, the attractiveness of the teaching profession should be enhanced in terms of salary, benefits and career advancement opportunities. It is also crucial to institutionalise continuous training on an annual or semi-annual basis. Training should lead to certification that is taken into account in teachers' professional progression.

An important aspect is to overcome extreme overcrowding situations and recruitment is necessary to ensure adequate teacher-student ratios. This will help create a conducive learning environment, where teachers can effectively engage with each student and provide personalised attention.

Furthermore, it is essential to provide teachers with a comprehensive pedagogical toolkit that has been scientifically validated. This toolkit should encompass a wide range of teaching strategies, methodologies and resources that have been proven effective in enhancing student learning outcomes. By equipping teachers with such a toolkit, they will have the necessary tools to deliver high-quality instruction and cater to the diverse needs of their students.

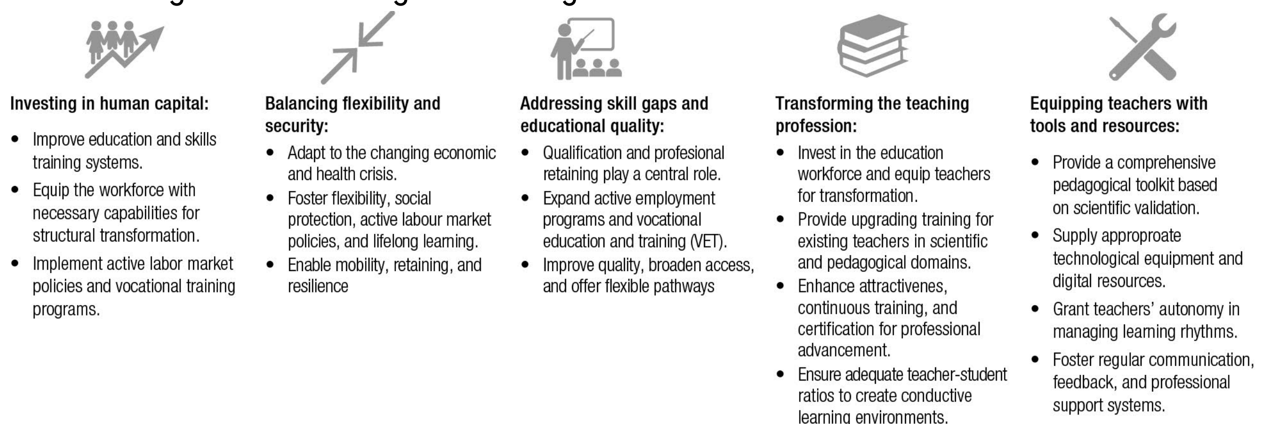
In addition to pedagogical resources, teachers should be provided with appropriate technological equipment and digital resources that have been verified and supervised by a certified digital laboratory. This ensures that the technology used in the classroom is reliable, up to date and aligned with educa-

tional objectives. The integration of technology can enhance teaching and learning experiences, promote interactive and engaging activities, and facilitate access to a wealth of educational materials.

Granting teachers greater autonomy in managing learning rhythms is another important aspect. Teachers should have the flexibility to adapt their teaching approaches and pace to the specific needs and progress of their students. This allows for differentiated instruction, personalised learning and the optimisation of student outcomes. Empowering teachers with the autonomy to make informed decisions regarding instructional strategies and assessment methods can significantly contribute to the overall effectiveness of the educational process.

Lastly, it is crucial to accompany and listen to teachers who have expressed their needs and concerns. Regular communication, feedback mechanisms and professional support systems should be in place to foster a collaborative and supportive environment for teachers. By acknowledging and addressing their needs, educational stakeholders can create a space where teachers feel valued, motivated and empowered to continuously improve their practice.

Figure 4.7: Investing in educating workforce and education transformation.



Source: Author's elaboration

THE NEED FOR GENDER-INCLUSIVE POLICIES AND INITIATIVES IN THE CONTEXT OF THE GROWING FEMINISATION OF THE POPULATION

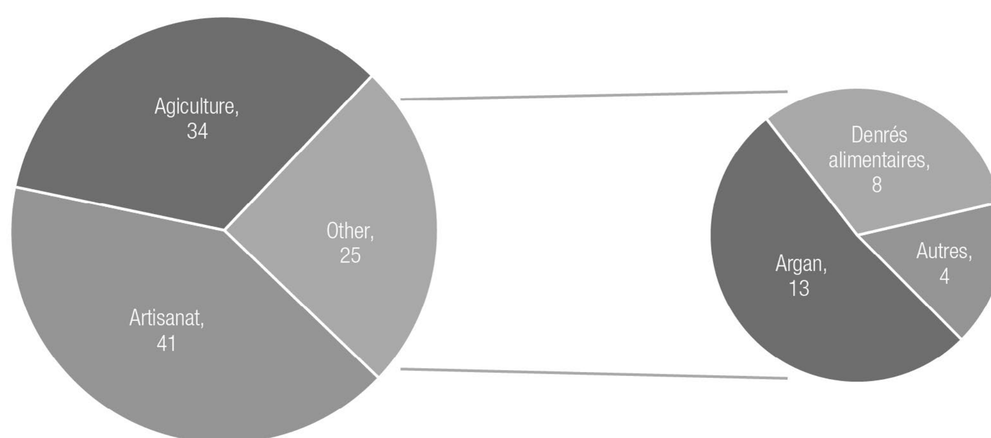
Women constitute half of the Moroccan population. However, their labour force participation rate has been continuously declining for over 20 years. The participation rate of women has dropped from around 30% in 2000 to less than 20% in 2022.[16] In addition to this decline in participation, employed women are more exposed to unemployment, with a rate of approximately 17% compared to 10% among men.[17] Furthermore, more than half of working women occupy vulnerable employment positions.

In this context, the activation of a suitable framework to enhance women's participation in the labour market is essential. This framework should address three groups of obstacles: the burden of domestic work (programmes to improve women's access to basic facilities and services, especially in rural areas, childcare services, etc.); preparation for active life (education, training, healthcare, etc.); and support for integration through wage employment as well as the development of entrepreneurship and cooperatives.

Considering the aforementioned social conversion factors, improving access to employment opportunities and promoting income-generating activities are two central pillars for promoting women's participation in the labour market.

Currently, the development of cooperatives represents a significant aspect of the growth of female labour and income-generating activities, particularly in rural areas. This has been achieved in recent years through various support plans and initiatives, primarily within the framework of the solidarity economy strategy (2010–2020). Data from 2010 indicates the existence of 7 726 cooperatives in Morocco. By 2014, this number had increased to 13 882, representing a rise of 6 156 within four years.[18] Among these cooperatives, 66% are agricultural cooperatives, 14% operate in the craft sector and 9% in housing. In terms of gender distribution, 14.5% of the cooperatives are female, accounting for 34 877 members (an average of 18 women per cooperative). In terms of sectors, 41% of these cooperatives are in crafts, 34% in agriculture, 13% in argan production and 8% in food-related activities. By 2020, the number of cooperatives had reached 40 531, with 646 901 members. Some 17% of these structures are exclusively owned by women.

Figure 4.8: Women's cooperatives by sector in late 2014.



Source: Office for the Development of Cooperatives

As mentioned above, numerous women's cooperatives operate across various sectors in Morocco. These women typically possess low levels of education and skills, although some of them have access to smartphones. However, they face challenges in accessing valuable information to improve the management of their cooperatives and enhance production, as well as securing financing and opportunities for growth. Consequently, the establishment of an online platform that can assist them in enhancing their work and achieving their goals.

> 'Female entrepreneurship is also lagging behind; only 10% of entrepreneurs are women. They still face obstacles in this area and remain confined to small businesses or cooperatives. What's more, most of these women entrepreneurs operate in the informal sector.'
>
> **– Leyla Channawi, President of the General Confederation of Moroccan Enterprises' Corporate Finance Commission**

To initiate this process, a comprehensive diagnostic assessment of women's cooperatives in a pilot region is crucial. This assessment should encompass an in-depth analysis of their production, current suppliers and customers, as well as their potential for growth and financing. Moreover, it is essential

to study their geographical location and proximity to each other, along with the existing value chains between different cooperatives.

The subsequent step involves designing an online platform that caters specifically to the needs of women in cooperatives. A user-oriented approach must be adopted to ensure its effectiveness. Suppliers can utilise the platform to offer inputs and prices, while customers can browse the cooperative's product offerings and place online orders. Additionally, the platform should include a dedicated section for online training through MOOCs. This section will educate users on platform utilisation, management and accessing financing, as well as facilitate exchange and cluster formation among cooperatives.

The MOOC section should feature comprehensive courses covering the platform's usage, management and financing access. It should also provide opportunities for exchange and cluster formation, enabling women's cooperatives to share experiences and collaborate towards achieving their objectives.

The implementation of an online platform holds significant potential to address the challenges faced by women's cooperatives in Morocco. By conducting a thorough diagnostic assessment and subsequently designing a user-oriented platform with integrated online training, cooperative members can enhance their managerial skills, access necessary information and capitalise on opportunities for growth and financing. Empowering women through such platforms can contribute to the overall advancement of women's cooperatives and foster socio-economic development in Morocco.

Figure 4.9 : Empowering women's cooperatives through online platforms.

Diagnostic assessment of woman's cooperatives:

- In-depth analysis of production, suppliers, customers, and growth potent
- Study of geographical location and value chains between cooperatives

Designing a user-oriented online platform:

- Supplier and customer interaction for input offers and online orders.
- Dedicated section for online training throigh MOOC's
- Echange and cluster formation among

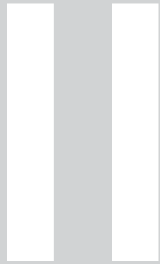
Features of the online platform:

- Comiprehensive courses on platform usage, management and finacing access.
- Opportunities for exchange and collaboration among cooperatives.
- Empower woman's cooperatives for managerial skills and growth.

Potential impact of the online platform:

- Enhancing managerial skills and production capabilities.
- Accessing necessary information and resources.
- Capitalizing on opportunities for growth and finacing.

Source: Author's elaboration



THE EXPERIENCE OF OTHER COUNTRIES IN REALISING (OR NOT) A DEMOGRAPHIC DIVIDEND

5

INDIA

A NATION IN PROGRESS

CHIRAG YADAV

In absolute numbers, India has overtaken China as the most populous country in the world.[1] More importantly, its working age population is also expanding. In the five decades between 1970 and 2020, the share of population in the 0–14 age group has almost halved from 41.2% to 24.8%, while the share of economically active population in the 15–59 age group has risen from 53.4% to 67.1%.[2] The latter group is expected to exceed a billion people by 2030. Further, currently 40% of India's population is below 25 years of age, and the country has a median age of 28 compared to 38 in the United States and 29 in China.[3]

So, India is currently undergoing a period where it can reap its demographic dividend. Given the sheer size of India's population, the country's success or failure to benefit from this dividend will have global implications.

Indian policy-makers have been cognisant of the country's burgeoning youth for a while, and there have been several documented discussions up to central government level on the means and challenges of seizing the demographic dividend.[4] In a recent address to a gathering of students, the Indian Prime Minister, Narendra Modi, said, "The whole world is looking at India's youth with hope because you are the growth engine of the country and India is the world's growth engine."

There have been some successes in building up human capital to drive economic growth, but progress on other critical areas have hit repeated roadblocks, despite best efforts. The experiences from India's policy landscape on leveraging its demographic dividend carry crucial lessons for emerging economies in Africa.

The Indian experience is especially interesting because of its unique development trajectory in recent times. Until a decade ago, the country seemed poised to emerge as an influential economic power alongside China, driven by its service sector boom.[5] However, the post-2008 years were marked by a notable slowdown,[6] and the economy has been unable to completely recover ever since.[7] But India still hopes to counter-balance China's growing influence in Asia by attracting global investors and achieving sustained economic growth. The Indian youth are key to attaining these geopolitical and macroeconomic objectives.

As with any large economy, India has had pockets of successes and failures in tapping into its young demography. The lessons from the Indian growth story – including its shortcomings – should be relevant to the young African nations today as they embark on the quest to tap into their demographic dividend.

EARLY INVESTMENTS IN YOUNG INDIA

The earliest attempts at building human capital by India began right after the country gained independence from the British in 1947. Some of these policy actions were instrumental in generating the fastest phase of economic growth that the country experienced in the long run.

The leaders of a newly independent India felt that it was important to create domestic talent that could undertake the building of large-scale infrastructure projects across the country. So, the newly formed Indian government commissioned a panel of experts to make recommendations on creating quality institutions for technical education.[8] Based on its findings, the first Indian Institute of Technology (IIT) was established in 1950 and was soon declared as 'an institute of national importance'.

The first Indian Prime Minster, Jawaharlal Nehru, stated in the First Annual Convocation of IIT in 1956, "This world today … takes shape more and more under the hands of engineers. There was a time when administrators played the primary role in the country's government and development. But the time has now come when the engineer plays an infinitely greater role than anybody else … We are building up a new India and the administrator who is completely ignorant of engineering does not help much in administering." A decade later, the Institutes of Technology Act of 1961 was passed to create a framework for the funding and development of more IITs as privileged institutions. Simultaneously, four more IITs were established. These institutions created a generation of skilled engineering talent at a time when the technological revolution started taking place in the United States and the rest of the developed world.

Apart from building human capital, India also made similar investments in public sector research and development (R&D) establishments as well as other science and engineering educational institutions. These investments were critical in the development of six key information technology (IT) clusters across India – namely, Bengaluru, Chennai, Hyderabad, Mumbai, New Delhi and Pune. These were along the lines of the role that the US government played with the establishment of the Defense Advanced Research Projects Agency and the defense-related IT expenditures that led to the creation of clusters such as Silicon Valley, Boston and Austin. Most of these investments had been made at a time when India was aiming to become self-reliant and had a closed economy.

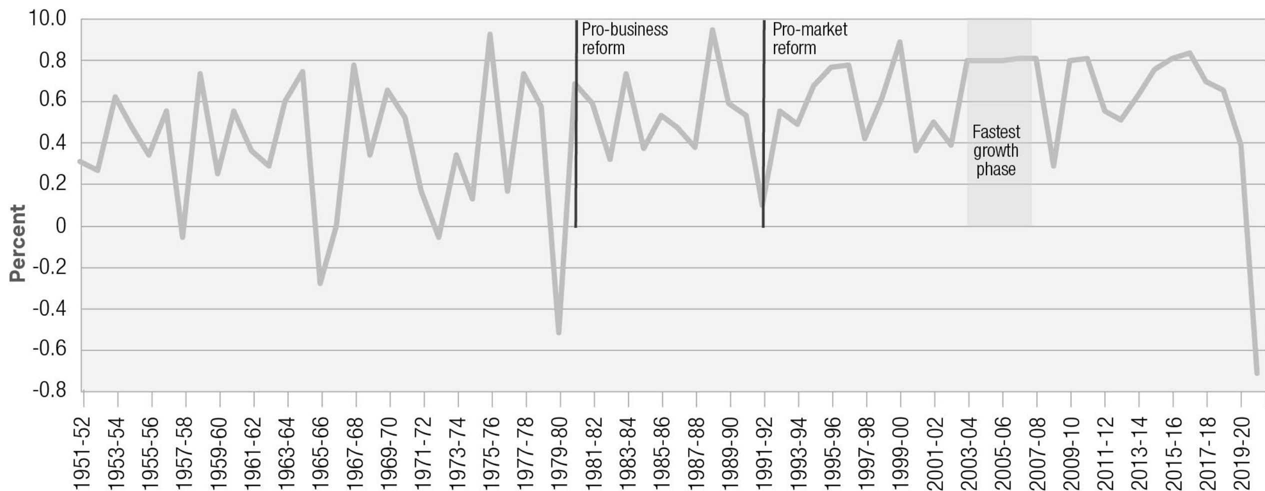
But in a fortunate turn of events for India, when the demand for IT services was rising in the US and in the global markets towards the end of the 20th century, the country had the resources to cater to that demand. Additionally, a balance-of-payment-crisis in 1991 forced India to open its markets to the world for trade and foreign investment. This series of events kick-started a phase of rapid economic growth that was based on the initial set of investments that the country had made in its younger demography.

THE SERVICE BOOM

The initial success that India experienced in reaping its demographic dividend and the current challenges that have emerged can be summarised through its growth story. Figure 5.1 shows the annual growth in India's gross national income over the last seven decades. Until 1980, India had an infa-

mously low rate of economic growth, averaging around 3.5% to 4%.[9] At the time, India was essentially a closed economy, as its large but inefficient industrial sector catered to almost all the domestic demand of manufactured and consumer goods.[10] The first attitudinal shift began in early 1980s, with introduction of a series of pro-business reforms, which eased capacity and price restrictions for existing businesses. Eventually, the 1991 crisis motivated a wave of pro-market reforms, which liberalised the economy and opened it to international trade and competition.

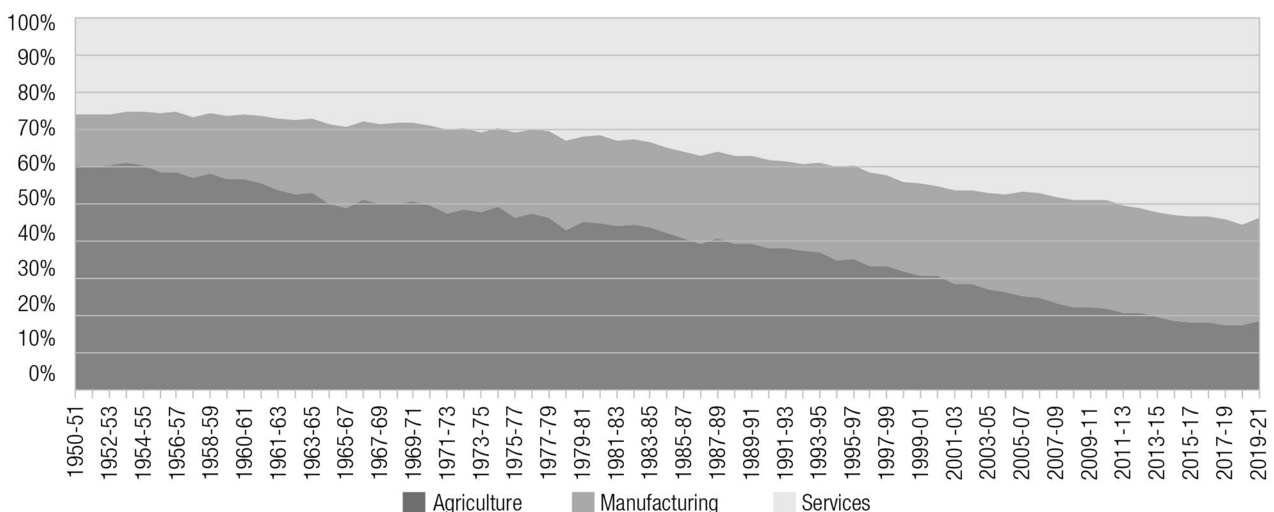
Figure 5.1: Growth of India's gross national income.



Source: Indian Economic Survey 2022–23; author's depiction

It can be seen in Figure 5.1 that the average economic growth became less volatile and shifted upwards after 1980 and more notably after 1990. India experienced its fastest period of economic growth between 2004 and 2008, when it averaged around 8%. This growth uptick was the result of a combination of economic liberalisation and high demand of IT services in the global markets towards the end of the 20th century. Consequently, the domestic service sector has grown rapidly (see Figure 5.2). It shows that the share of services in the economy has consistently increased since 1980 and now commands half of the economy's gross value added.

Figure 5.2: Sectoral share of India's gross value added.



Source: Indian Economic Survey 2022–23; author's depiction

Studies have shown that the services growth in India has been demand-led – driven by a growing market for service-led exports globally.[11] The share of service exports in Indian GDP has rapidly risen from around 3.5% in 1990 to over 11% in the last one-and-a-half decades. The growth was also highest between 2003 and 2008, when India witnessed its fastest growth phase. The IT industry in India has led from the front, growing from being less than a billion dollars in size in terms of total revenue in 1990 to over $200 billion in 2022 – making it one of the biggest and fastest-growing sectors in the economy.[12] This growth can be clearly linked to the early investments that India made in building a vast pool of engineering talent.

Another aspect of human capital choices that helped India was its decision to keep English as the medium of education in schools and colleges. People across Indian states speak many different languages, and the issue of a national language became quite divisive soon after independence, which even brought the country to the brink of instability. The southern states feared that if Hindi was adopted as the national language, the northern states – where the language was predominantly spoken – would have political dominance. A compromise was reached by adopting English as the national language, which implied that the spoken language in state-run schools would be English. The choice led to the development of an English-speaking workforce in India, which would give it an edge over other developing nations like China, as the integration of Indian labour markets into the global economy was easier.

However, it must be noted that the mere availability of talent did not suffice for the realisation of the initial demographic dividend. The Indian state played an active role in the creation of a domestic technology industry and attracting foreign investment and businesses in the sector. As India liberalised in 1991, the government established several Software Technology Parks that were aimed at minimising regulatory hurdles in setting up export-oriented software businesses. It allowed software firms to raise funds more easily by issuing equity. And it became more receptive to foreign investment.

So, by the turn of the millennium, India's early investments in tertiary education and R&D institutions, aided by a facilitative role played by the state in encouraging private investment, were reaping dividends for the economy. The fortunate confluence of these factors led to some of the best growth years for India until the 2008 economic crisis. But there were a few challenges that have eventually limited the possibilities of fully tapping into the country's demographic dividend. These issues are discussed extensively, and recent governments have tried to address some of the concerns.

The challenges facing India have been summarized aptly by Nandan Nilekani, the co-founder of Infosys – one of the most successful companies that emerged from the Indian IT boom. He said, "If we make full use of this opportunity [the demographic dividend], India could be a role model for the 21st century. The reason is that you are talking about a billion people reaching prosperity, living in a peaceful manner, in a democracy, handling extraordinary diversity … But we can also go the other way. The same demographic dividend could turn into a disaster if we do not harness the energy of our people well. Once their aspirations have been unleashed, they could become disgruntled and disaffected by a lack of jobs and a lack of economic growth, and then they can also become a source of violence and divisiveness. We are on a razor edge."

THE CHALLENGES FACING INDIA'S YOUTH

There are several aspects of the Indian economy that exacerbate the challenge of reaping the demographic dividend – some of which mirror the experience of African nations in recent times.

LACK OF MANUFACTURING GROWTH

Throughout history, nations have experienced a typical pattern of structural development. As people migrate from villages to cities in search of work, economies transition from being dependent on low-productivity agricultural markets to more productive modern manufacturing industries. India has witnessed a curious pattern of economic growth (see Figure 5.2). The share of agriculture in the national gross value added has fallen consistently over time, which is along expected lines. However, the lack of manufacturing growth has been a troubling outcome for the economy. India seems to have directly transitioned to services.

A strong service sector growth is a positive outcome for any nation. But the transition to manufacturing growth is a key component of economic development due to its labour-intensive nature. A healthy manufacturing sector pulls people out of farms into factories. The large-scale employment created in the process brings people out of poverty and raises the general standard of living of people in the economy. The service sector does not have a similar capacity for job creation. The problem with India's skewed pattern of growth is evidenced in the relative lack of movement of people out of agriculture.

Over the last three decades, the share of agriculture in GDP fell from 37% to 17%. During the same period, the employment share in agriculture has merely fallen from 63% to 45%.[13] In other words, almost half of the Indian population is still engaged in agriculture. Additionally, the fact that almost half of the workforce contributes less than a fifth to the overall economy reflects the low productivity and high disguised unemployment in the sector.

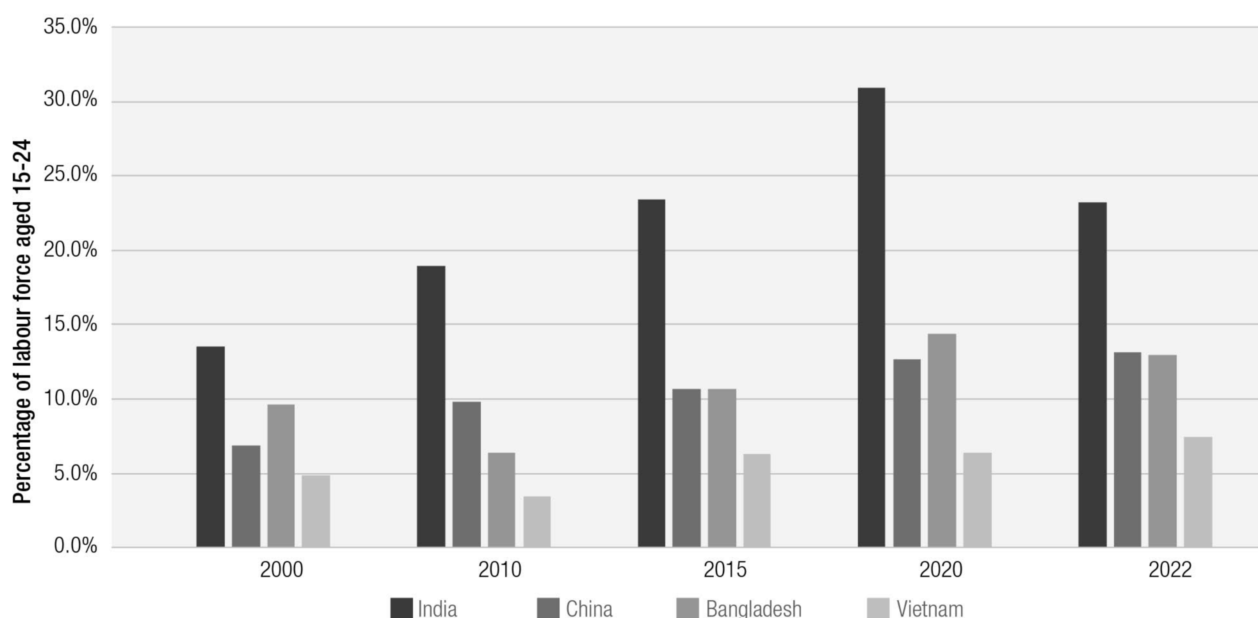
Simultaneously, the share of service sector employment has risen from 22% to 30.8%, while its contribution to the GDP has risen from 39% to 53.5%. So, the job growth in the service sector has not been commensurate with its rise in value added. Finally, the share of manufacturing employment and its contribution to the Indian economy has barely evolved in three decades.

Due to these anomalies in sectoral share in employment and value-added contributions, India's growth has been jobless.[14] In other words, more of its growth has come out of areas of the economy that have not created a commensurate flow of jobs. "A revival of India's manufacturing sector is necessary not just for the sustainability of economic growth, but also for income and employment generation, both of which have been under stress for some time now," warns Himanshu, an Associate Professor from Jawaharlal Nehru University.

THE MISSING JOBS

The Indian youth have been the foremost victims of the country's skewed pattern of economic growth. When compared to the current emerging Asian economies, India has an exceptionally high rate of youth unemployment, as shown in Figure 5.3. As of 2022, the youth unemployment in India stood at around 23%, which was 10% higher than China and Bangladesh and at least 15% higher than Vietnam. The gap was much narrower in 2000 during the dot-com boom but had been much higher throughout the previous decade.

Figure 5.3: Youth unemployment rates in developing Asian economies.



Source: World Bank data based on ILO estimates

Given these concerning trends, it is crucial to understand the underlying reasons behind India's inability to create jobs. Anand Mahindra, Chairman of Mahindra Group, a multinational automotive corporation, succinctly outlined the core problem in a recent company meeting. "With one of the largest youthful populations in the world, it's easy to imagine the potential for social unrest if jobs don't grow along with the youthful population … In the private sector, job creation is happening mainly at the lower end of the gig economy – drivers for Uber, delivery for Zomato, that sort of thing. This is not nearly enough. To create jobs on a mass scale and to take advantage of the global factors that are moving in our favour, we must boost manufacturing," he said.

As Mahindra stated, there has been one commonality in the growth patterns of both the Western and East Asian economies alike when they were in their nascent phases of development – the availability of low-skill manufacturing jobs. In a country with a burgeoning demography of young workers, an economic dividend can only be accrued through easy availability of productive employment. Low skilled factory labour has usually played that role. As noted, India has been unable to make this transition from farms to factories. This has been due to a variety of reasons.

Historically, Indian policy-makers supported the growth of small and medium enterprises with the expectation that they would be more labour-intensive and create more jobs. Beginning in 1967, the production of some goods was reserved for small-scale industries.[15] The number of reserved goods exceeded 1000 by 1990. Other programmes, such as subsidised credit or tax exemptions, were also used to protect small firms.

But the unintended effect of the policy was that these small firms resisted growth or upgrading their technology, as they would have to stop making these products if their investments exceeded the permissible limits for small-scale industry. Further, there was strong incentive for Indian manufacturing firms to remain small because labour laws were associated with certain thresholds of firm size in terms of employees. For instance, firms with more than 100 employees were required by law to seek permission from the government before retrenchment of workers. So, there were perverse incentives for Indian firms to remain small.

As of 2014–2015, half the firms in India were employing less than 20 workers and only 5% of firms had more than 300-plus employees.[16] The skewness of Indian firms in terms of size had adverse effects on the growth of the manufacturing sector and its job-creating ability. The manufacturing firms in India could not scale. As a result, job growth remained stunted.

Recently, the labour laws in India have been simplified and some of the earlier restrictions that were limiting firm growth have been eased. Studies have shown that the policy of de-reservation led to an increase in the number of establishments and the employment per establishment.[17] The change in labour laws is still too recent to show any measurable impact.

Apart from legislative and regulatory challenges, there is a vast literature that attributes the weak growth of Indian manufacturing to inadequate infrastructure and credit constraints.[18]

One of the primary reasons for the success of the service sector – and specifically the IT sector – in India is that it is dependent on resources (low-cost, high-skill human capital), where the country enjoys a comparative advantage globally and requires less dependence on resources (physical infrastructure and financial capital) where the economy faces challenges. Consequently, manufacturing growth has been stymied as it is dependent on the latter.

India and other emerging economies aiming to tap into their demographic dividend need to ensure that the conditions are conducive for the creation of ample job opportunities. Ideally, low-skill manufacturing jobs provide that platform, as has been the case throughout history from the economies of Germany to China. India is a rare exception. But employment is only one aspect of unlocking the demographic dividend. There are two additional interlinked aspects that need to be considered: education and employability. India has had challenges on these fronts as well.

THE EDUCATION PROBLEM

While the Indian education system has been instrumental in some successes, such as building a generation of engineers, it has been lacking in many other critical areas. Initially, the challenge was achieving universalisation of primary education and lowering dropout rates. Even until 2000, the net enrolment rate across India at the primary level (I–V) stood at 83.85%, and the dropout rate was 40.67%.[19] As a result, the Right to Education (RTE) Act of 2009 was introduced to address this issue, among other things. The law guaranteed every child in the age group 6–14 free and compulsory education until Class VIII. As of 2022, the net enrolment in primary education had risen to over 99%, and dropout had plummeted to 1.45%. In fact, enrolment levels have reached near universal levels up to Class VIII. However, improving enrolment and dropout rates were low-hanging fruits for India. The biggest challenge facing India's education system is that of quality. This was among one of the intended goals of the RTE Act but remains a major impediment for the Indian education system.

It is difficult to measure India's education quality comparatively because the country chose to drop out of the Programme for International Student Assessment (PISA) in 2009, after it was ranked 72 among 74 participating nations. The Indian government claimed that PISA was not adapted to the Indian context and created its own National Achievement Survey (NAS). The NAS findings reported before the Covid-19 pandemic found that an average Class VIII student in India could barely answer 40% of the questions in mathematics, science and social studies.[20] The report also highlighted the dilapidated state of school infrastructure across India. In some states, as high as 58% of school buildings were in a state of significant disrepair, while a quarter of government schools lacked drinking water and toilet facilities. Issues of staff crunch, crowded classrooms and inadequate funding were

also prevalent. Therefore, while enrolment levels were up, the quality of education in schools has been left wanting.

A leading reason for the poor quality of Indian schools is the low level of public funding. As of 2018, the combined expenditure of the central and state governments in India was 3.1% of its GDP on education.[21] This places India at the 144th position among 198 countries on government spending on education as a percentage of GDP.[22] Most developing countries such as Brazil, China and Vietnam have a higher spend than India at 6.2%, 4% and 4.3%, respectively.

The problems persist in higher education. The enrolment levels in higher education are too low for India. The gross enrolment in tertiary education for India stands at 30% as of 2020, compared to 54.6% in Brazil and 58.4% in China.[23] But even for those enrolled, the quality of education is concerning. The latest India Skills Report reveals that half of Indian graduates are unemployable.[24] The unemployability of Indian graduates is a serious concern for firms operating in the country, as they typically have to incur additional costs to retrain their new hires. The Skills Reports for India have found women to be more employable than men over the last decade.[25] However, this can be attributed to a much worrisome trend for the Indian demography – its missing women.

THE MISSING WOMEN

Indian women are getting more education and total fertility rates are falling.[26] The combination of these factors should have implied a higher participation of women in the Indian workforce. Yet, they have been conspicuously absent from the labour force. Between 1990 and 2005, the country's female labour force participation rate (FLPR) hovered at around 30% and has since fallen to 19% in 2021.[27] These rates are much lower compared to comparable developing countries such as China and Brazil, where the FLPR is well above 50%. Currently, the only nations with lower female participation rates than India are Yemen, Iraq, Jordan, Iran, Afghanistan, Egypt, Algeria and Syria.

The literature on the causes behind India's low FLPR is not settled, and there are both demand- and supply-side explanations for it.[28] On the demand side, apart from the lack of jobs, there are certain gender-based legal restrictions that affect the FLPR. The labour law in India has prohibited factories from employing women to work during night-time. While some Indian states have gradually eliminated the restriction over time, it has been a major impediment for working women. On the supply side, Indian households often require that women prioritise housework. There is a societal expectation that women will play the role of caregivers in the household, and it has been found that the richer households in rural areas consider it prestigious for educated women to stay at home.[29] So, as households become richer, they are more inclined to encourage women to drop out of the labour force.

Rohini Pande, Professor of Economics at Yale University, asserts, "It's not that women don't want to work. Our analysis of data from India's latest labour survey shows that over a third of women engaged primarily in housework say they would like a job, with that number rising to close to half among the most educated women in rural India. Much of the reason they don't work appears to lie in the persistence of India's traditional gender norms, which seek to ensure 'purity' of women by protecting them from men other than their husbands and restrict mobility outside their homes."

A nation accrues a demographic dividend when its working population rises in comparison to its dependent population. But, as less women join the workforce – and some even drop out of it – in India, the rise in working-age population will not transform into a rise in working population. So, this trend has become a severe threat to the possibility of India benefiting from its demographic dividend.

Digital India: The next frontier?

An interesting argument that has often been put forward in recent times is that the decline of manufacturing jobs in emerging market economies might not be as worrisome as it might initially appear. Instead, it might be simply indicative of the changing nature of economies in modern times. Recent technological developments have created new avenues of economic growth that were previously non-existent. The ubiquity of mobile phones and the internet have transformed the way in which people shop, order takeouts and book taxis. The digital revolution has even introduced new career options that are driven by social media applications. In short, the service industry today has expanded in ways that were unimaginable a couple of decades ago.

India has been immensely successful in riding the digitalisation wave. Over the last decade, India's pace of digitalisation as measured by the compound annual growth rate in the ICT sector has been 10.6%. The only country that performed better than India was China, at 11%.[30] A recent study estimated the size of the Indian economy at $200 billion in 2019.[31] More importantly, more than 60 million workers were employed in the digitally dependent economy in 2019.

The Indian government has been instrumental in the success of the country's digital economy. A major enabling factor driving India's rapid adoption of digital services is the Digital Public Infrastructure (DPI) ecosystem. The key idea behind DPI has been to avoid digitalising public services in silos, and, instead, build minimal digital building blocks that can be used modularly by government and private players alike. India Stack, which is the collective name of commonly used DPIs for India, consists of three different layers: identity, payments and data. India Stack has become integrated into almost every aspect of government and governance, ranging from taxation to digital payments to licence applications.

At the same time, internet usage and smartphone adoption has skyrocketed throughout the country. Mobile broadband subscribers have increased from 345 million to 765 million over the last five years, and data traffic per user has jumped over 30%.

The provision of a digital public infrastructure and rapid digital adoption has allowed private players to innovate and develop new business models, especially in the fintech and e-commerce space. Consequently, India has witnessed the rise of over 100 unicorns over the last decade, led by young entrepreneurs. The resilience of these unicorns remains to be seen as most of them remain overly dependent on venture capital and are surviving on thin profit margins. But the promise of the digital economy provides a glimmer of hope to young Indians. The questions remains whether it will herald India's next phase of service growth.

RECENT POLICY ACTIONS

In the face of these multiple challenges to India's demographic dividend, both central and state governments have taken several policy actions. Most of these are too recent to have had notable on-ground impact. But it is useful to summarise their progress to help guide policy-making in other newly emerging economies.

IMPROVING MANUFACTURING AND EXPORT COMPETITIVENESS

The works of Joe Studwell[32] and Ha-Joon Chang[33] have emphasised how it is not manufacturing per se but higher manufacturing exports that have led to the rise of Asian economies in the late 20th century. So, the most effective way of tapping into the demographic dividend would be to succeed in export-led manufacturing. There are two major initiatives undertaken by the Indian government in the last decade to do exactly that.

Make in India

In 2014, the government of India launched the Make in India initiative, which had three broad goals: increasing the manufacturing growth rate to 12–14% per annum; creating 100 million jobs by 2022; and ensuring that the contribution of the manufacturing sector to GDP increases to 25% by 2022, which was later revised to 2025. As a part of the policy, 100% foreign direct investment was allowed in almost all key sectors, except space, defence and media. Several initiatives were undertaken to boost the ease of doing business, such as having single-window clearances for opening new businesses, and industrial corridors were set up.

Unfortunately, the initiative has largely failed to meet its objectives. The manufacturing growth rate averaged at around 8.5% in the pre-pandemic period between 2015–2016 and 2018–2019.[34] The number of manufacturing jobs shrunk in half between 2016–2017 and 2020–2021.[35] The decline had already started before the pandemic hit. Finally, the share of manufacturing sector in the economy shrunk from 17.1% in 2015–2016 to 14.3% in 2020–2021.[36]

A key reason why the policy failed was the lack of focus on a few champion sectors. When most Asian economies successfully grew in the last few decades, there were only a handful of sectors where each country had a comparative advantage – automobiles for South Korea, semiconductors for Taiwan and textiles for China.

Production-Linked Incentive scheme

The drawback of Make in India was addressed with the introduction of the Production-Linked Incentive (PLI) scheme that was introduced in March 2020. It initially targeted three key industries – mobile manufacturing and electric components, pharmaceuticals and medical device manufacturing. These industries are where India already has some competitive edge in global markets and wants to develop links to the global value chains. The aim of the scheme is to develop capacities in the local supply chain of these sectors, introduce new downstream operations, and incentivise more investment in high-tech production. The PLI scheme offers eligible manufacturing companies incentives ranging from 4–6% of the incremental sales that they make over a period of six years, beginning from 2019–2020. It is too soon to make an assessment about the success of the scheme. The outcome of the initiative will be an instructive case study for emerging economies on export-promotion policies.

Besides these policy initiatives, the government in India has been trying to encourage major global companies to set up production bases in India. It has had some recent successes in attracting investments from Boeing and Apple to set up manufacturing facilities in the country. The future will tell us whether these efforts transform in making India the next manufacturing hub.

Reforming labour laws

Apart from making a policy push to stimulate and attract investment, India needed to resolve its regulatory issues in its labour markets, which had discouraged global companies from entering India. In

2020, the central government in India cleared a bill to replace its 29 existing labour laws with four codes. The main objective was to simplify and modernise labour regulation. It addressed key challenges that had limited firm growth, such as the relaxation of requiring government permission to fire workers from establishments hiring 100 or more workers to establishments hiring 300 or more workers. However, the rollout of these laws has been stalled, as both the central and state governments in India have the power to decide on labour laws, and some states are not completely on board with the new reforms. Some states have implemented their drafts of the labour laws and the outcomes in these states can provide a sense of what a nationwide implementation of the reforms would look like.

Reorienting education policy

The glaring challenges in the Indian education system required substantial reforms. This came in the form of the National Education Policy 2020. The new policy has provided a comprehensive framework for revitalising elementary to higher education as well as vocational training. Now, the goal for the country is to provide universal access to education from pre-primary to Class XII by 2030. The 10+2 schooling system has not been replaced with a new 5+3+3+4 system, which includes three years of pre-school and adopts a multi-disciplinary and pedagogical approach at later stages. To ensure quality, the policy suggests that the teachers regularly undergo rigorous training. The policy is a move in the right direction, as an overhaul of India's education system was long needed. But its success will depend on implementation, which is also dependent on higher government expenditure, among other things. It remains to be seen whether the Indian government will supplement the policy with higher financial support as well.

These were some of the policy initiatives that the Indian government has undertaken over the last few years. They target the education, employment and employability challenges that the country has faced, which has limited the country's potential to realise its demographic dividend. The impact that these policies will have remains to be seen and their outcome will provide crucial policy learnings for emerging African economies that are aiming to tap into their demographic dividend in the future. For now, the successes and failures of the Indian experience provides important takeaways.

Key learnings

Investing in human capital is critical

India's initial realisation of a demographic dividend emerged from its early investments in human capital. Investments in building quality schools, colleges and research institutions are the first building blocks that any emerging economy cannot ignore when aiming to realise a demographic dividend in the future. Additionally, in India's case, the problems with quality of education have also been an impediment to unlocking the full potential of its demographic dividend. So, the initial goal should always be universal enrolment in basic education, but the quality of education should not be sacrificed.

Building human capital alone cannot ensure a demographic dividend

India has a dual problem of having a high-skilled labour force that led its service boom and a high proportion of unemployable graduates that might be threatening its potential demographic dividend. But human capital was not the biggest hurdle that has prevented its manufacturing growth. The problems of bureaucratic red tape, cumbersome regulation and inadequate infrastructure have loomed much larger in attracting global investors into India. So, emerging economies need to work on addressing any challenges to job creation, alongside investing in their human capital.

Lower labour cost is not enough to attract global investment

The appeal of emerging economies in the global value chain is that the cost of labour is low compared to more developed markets. But the Indian experience shows that this factor alone is not enough to attract global companies and investment. It is equally important that it is easy to navigate through the government regulation in these markets as well. Issues of land, labour and financial regulation have historically made India an unattractive option to shift production into India. There have been attempts to resolve these issues in India, but even in recent years more firms that have been moving out of China have chosen Vietnam and Bangladesh as a viable alternative to India.

Economies need to identify their strengths and key industries

When the technology boom occurred, India was aware of its strengths in the sector and acted accordingly to incentivise its industries to cater to the global demand and encouraged foreign investment into the sector. More recently, it has been doing the same with its leading manufacturing industries through the PLI scheme. The Asian experience has generally been to identify the key industries where the economy has a comparative advantage and encourage domestic competition in that sector, along with providing export-linked incentives. This strategy has been critical in providing widespread employment throughout developing economies and moving people out of farms into cities.

Export-led incentives should be provided to sectors where job creation is maximised

Finally, it is crucial for job growth to focus on industries that are labour-intensive. The biggest problem with the success of the Indian service sector was that it led to fast growth but without creating enough jobs in the economy. There were two issues with this outcome. First, it eventually fizzled out, because not enough people in the economy benefited from the growth to sustain domestic consumption and create more economic growth, as has been the case with China. Second, it has led to vast economic inequality in the economy, where there are pockets of very wealthy individuals in India surrounded by people who are finding it difficult to sustain a decent living. So, job creation needs to be at the centre of any policy on economic growth for emerging African nations.

6

VIETNAM

How to Promote the Roles of Vietnamese Youth in Startups and Innovation Experience-Sharing with Africa

LE PHUOC MINH, DINH CONG HOANG, PHAM THỊ KIM HUE

DOMESTIC DEMANDS

President Ho Chi Minh once said, 'A year starts from the spring. A life begins from the younghood. The youth are the spring of the nation.' In short, the youth are a key part of every nation and the future owner of every country.

The Vietnamese struggle for national liberation showed that the youth was always the pioneering force of patriotism, heroism and an indomitable spirit. The youth greatly contributed to national and human liberation, as seen in the legends of Thanh Giong, Tran Binh Trong, Vo Thi Sau and Phan Dinh Giot.

In the context of globalisation, digitalisation and the Fourth Industrial Revolution, young people have the strength, talent, dynamism and creativity to pioneer startups and innovations. These same qualities are key driving forces for all nations' sustainable development and prosperity. As Klaus Schwab, president of the World Economic Forum, said: 'In the new world, it is not the big fish which eats the small fish, it's the fast fish which eats the slow fish.' With these words in mind, it is clear that the youth's strength and dynamism are necessary for any society's survival.

In Vietnam, the youth have bolstered the labour market such that the country has entered a period known as the 'golden population'. This refers to a period where a country has a high percentage of working adults. With young people's propensity for patriotism, hard work, eagerness for learning and creating, as well as their quick adaptation and uptake to new scientific technologies, it is imperative for the country to lean into the youthful labour force for the development of the nation and to lay the foundation for a new era.

Thanks to the partly young contributions, since the Doi Moi (Reform Policy) in 1986, the once food-shortened country of Vietnam has become the second rice exporter after Thailand and the second coffee exporter after Brazil in the world.[1] The average annual GDP growth rate was 6.8% from 2016 to 2019.[2] Even though it was affected by the Covid-19 pandemic, Vietnam was one of a few countries that experienced a plus growth rate of 3% and was estimated to have a moderate growth of 4.7% in

2023, gradually accelerating to 5.5% in 2024 and 6% in 2025.[3] The economy has not only grown in scale but also improved in quality, with Vietnam emerging as the bright spot of growth in the region and the world.

In recent years, Vietnam has paid special attention to harnessing the youth, especially strengthening and supporting youth startups and innovation. Article No. 18 of the Youth Law 2020 specifically stipulated the policy on youth startups, innovation and other strategies and programmes. These initiatives pay homage to President Ho Chi Minh's vision of making Vietnam competitive globally and for Vietnam to be 'the developing country with a high middle income by 2030, and the developed country with a high income by 2045'.[4]

As a result, a range of initiatives and startups established by young people have contributed to building, deploying and expanding high-tech, organic agricultural production, blue economic development and ecotourism models. Consequently, the efficient implementation of these initiatives has seen the resolution of unemployment for local workers, as well as the development of local economies.

Despite these successes, there are still limitations, such as disparity among regions, the gap between the urban and rural areas, fragmented training and supporting programmes to improve the capacity of youth startups and innovation, and difficulty accessing startup and innovation funds. Vietnam's experience offers referential lessons for Africa, where the young population is burgeoning, and there is a desperate need to engage and equip them to succeed productively.

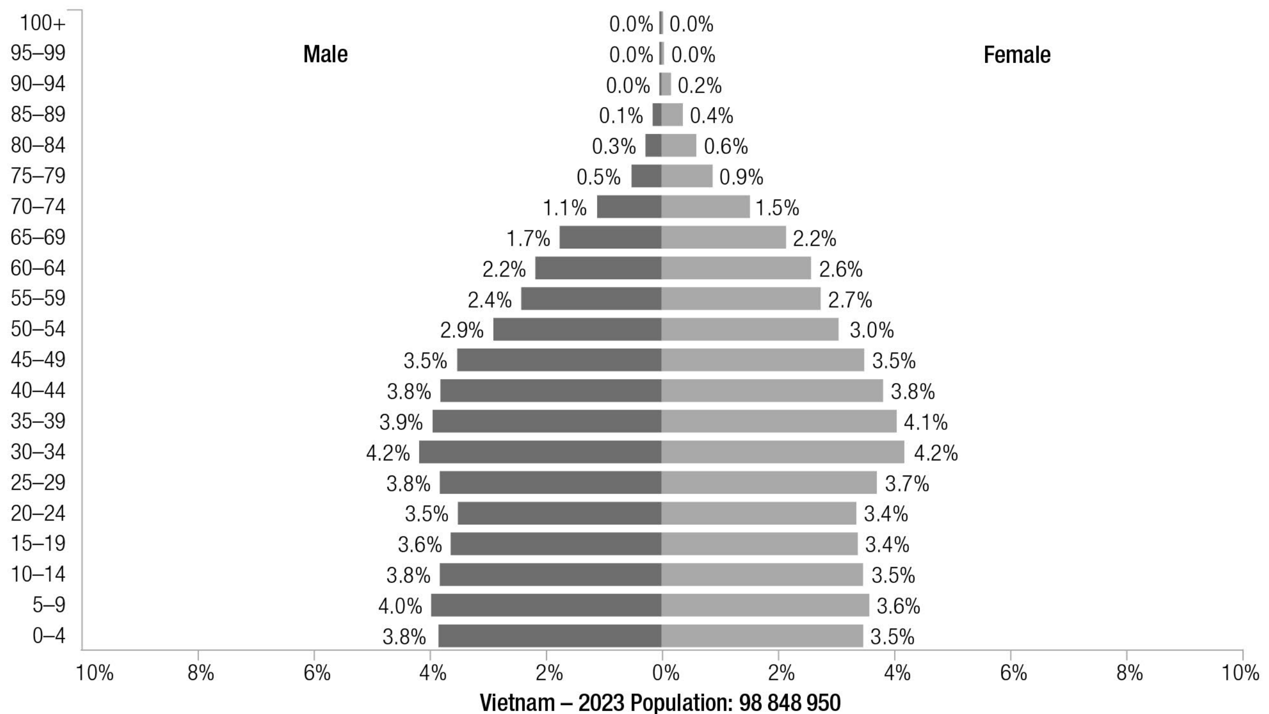
OVERVIEW OF VIETNAMESE YOUTH DEVELOPMENT

There are more than 22.1 million young people,[5] accounting for 22.5% of the country's population. Of the 22.1 million young people, 98.7% have jobs and 60% live in rural areas.[6] The young workforce, accounting for 36%, is one of the main segments of the national workforce, providing an abundant and ready labour supply, of which 69.2% of the youth work in the industrial and service sectors.[7]

The Resolution of the 7th Central Conference, 10th Session in 1991 confirmed that 'the youths were the pillars of the nation, the future owners, the pioneering force in building and protecting the nation, one of the factors determining the success or failure of industrialization and modernization, international integration and building socialism'.

The requirement to leverage youth to develop a rich and powerful nation has become more essential in the 'golden population' stage since 2007. The policies for youth in Vietnam to develop comprehensively are guided by a range of values and expectations for the youth. The policies aim to create a youth that is rich in patriotism, self-reliant and proud of the nation; has revolutionary ideologies, ambitions and aspirations to develop the nation; has good morality and obeys the law; has good health and lifestyle; has knowledge, education, skills and employment; is willing to self-start and is dynamic and creative; and is good at science and technology.

Figure 6.1: Vietnam's golden population, 2023.



Source: PopulationPyramid.net

To ensure these qualities materialise in the young labour force, the Vietnamese government and several stakeholders are focused on developing high-quality capacity in young people as a human resource in order to meet the demands of fast growth, sustainable development and international integration of the nation.

Recently, the Vietnamese government issued various laws, decrees and projects to strengthen young people's capacity and realise their potential – the Youth Law.[8] Articles No. 16 to No. 26 stipulate the policies related to harnessing youth to develop. A number of decrees have been issued in the following years to regulate the dialogues, mechanisms, policies and measures to implement the policies for youth from 16 to 18 years old.

The Central Committee of the Ho Chi Minh Communist Youth Union also developed and implemented many projects and action programmes to mobilise youth to take part in national socio-economic development, such as the programme on supporting to improve foreign language capacity and international integration for Vietnamese youth in the period 2022–2030; the programme on accompanying youth to learn; and the programme on accompanying youth to startup. The state specifically stipulated the responsibilities of public authorities and civil organisations in building and implementing youth policies, of which the local youth unions have played important roles.

However, challenges remain. The management authorities of provinces and districts, like the provincial committee of people, have yet to proactively mobilise youth in making policies and programmes. Due to a lack of experience, the youth's capacity to co-ordinate and operate policies and programmes is limited, and the top-down policies and programmes do not always meet the needs of the youth, such as funds and technical support for different regions of country. Additionally, Vietnamese youths are confronting challenges related to climate change, digitalisation and artificial intelligence. These require the Vietnamese government to adjust its policies and programmes in line with the current challenges that the youth face.

THE POLICIES AND REALITIES OF HARNESSING YOUTH STARTUPS AND INNOVATIONS

Policies and programmes

Startup and innovation are topics of concern in Vietnam, with established regulations and laws, such as the Law on Supporting Small and Medium Enterprises (SMEs) (2017) and Enterprise Law (2020), which protect them and assist with accessing finance. The topic is especially poignant given how strongly integrated Vietnam is in the world economy.[9] Investing in startups and innovation programmes is expected to positively contribute to the socio-economic development of Vietnam by creating employment and economic growth.

From 2016 to 2020, the Vietnamese government undertook the first stage of developing the national innovation and startup ecosystem with the launch of the project 'Supporting the National Innovation and Startup Ecosystem until 2025' (also known as Project No. 844). By 2025, Project No. 844 aims to:

- Support the development of 2 000 innovative and startup projects.
- Support the development of 600 innovative and startup enterprises.
- Ensure that 100 enterprises can participate in the project and access investment capital from the risk investors, as well as carry out mergers and acquisitions, with a total estimated value of about 2 000 billion VND (nearly 86 million USD).

Similarly, the programme 'Supporting Youth Entrepreneurship from 2022 to 2030' seeks to raise awareness of entrepreneurial aspirations and develop the entrepreneurial capacity of Vietnamese youth domestically and abroad. The aim is to create a suitable environment for youth-led startups focused on developing science, technology, innovation and digital transformation to contribute to the strategic target for socio-economic development as set out in the Resolution of the 13th National Congress of the Communist Party of Vietnam.

The programme sets the specific targets for each stage as follows:

First phase (2022–2025)

- Supporting at least 8 000 young people to start businesses, including 1 000 innovative ones.
- Annually, 100 000 young people are equipped with the knowledge and trained to improve their entrepreneurship and business management capacities.
- At least 80 000 youth-owned businesses are consulted and supported in developing their businesses.
- Supporting the establishment of 200 youth-owned cooperatives.

Second phase (2026–2030)

- Supporting 12 000 young people to start businesses, including 2 000 innovative ones.
- Annually, 200 000 young people are equipped with knowledge and training to improve their capacities in entrepreneurship.
- Maintaining and building 120 000 youth-owned businesses through consultation and support.
- Supporting the establishment of 300 youth-owned cooperatives.

Another project, 'Supporting Students to Start Businesses until 2025' (Project No. 1665), was signed and promulgated by the prime minister on 30 October 2017 and is managed under the Ministry of Education and Training. The aims are to promote students' entrepreneurial spirits and equip them with

knowledge and skills about entrepreneurship. Nearly 100% of universities and academies, as well as 70% of colleges and high schools, have at least five student-owned startup projects that are supported by investment of the appropriate funds or connected with other enterprises and venture capitals.

In addition, 'Supporting Women to Start Businesses from 2017 to 2025' (Project No. 939), was approved by the prime minister to support women in business by improving their awareness, knowledge and skills. The goals are guided by the belief that young women are the country's main labour force, especially in rural areas where women are breadwinners. Project No. 939 seeks to strengthen women's contribution to solving social problems and ignite their entrepreneurial spirit by focusing on women's participation in business. The project's aims are:

- To ensure that 90% of women participating in the project are capacitated with the knowledge, training and skills to start and develop their businesses.
- To promote awareness about jobs and entrepreneurship among 70% of women members.
- To support 20 000 women to start businesses.
- To co-ordinate and support the establishment of 1 200 cooperatives managed by women.
- To support the development of 100 000 newly established women-owned businesses.

Finally, Circular 16/2022/TT-BLDTBXH of the Ministry of Labor, War Invalids and Social Affairs regulates the career consultancy, employment and support for students to start up in the vocational education system. Inaugurated on 15 October 2022, this circular states its goals as follows:

- Propagating and educating students about the role and importance of entrepreneurship, innovation, creativity and self-employment. Updating global education trends and national and world entrepreneurship education programmes. Informing the policies supporting startups, incubators, startup spaces and startup support funds domestically and abroad.
- Developing programmes in co-ordination with enterprises, investment funds, investors, organisations and individuals to support students to start up and innovate.
- Developing incubation programmes to support students in setting up and completing projects and startup initiatives. Consulting, supporting and connecting startup projects with other enterprises, investment funds, investors, organisations and individuals.
- Supporting, facilitating and organising startup initiatives for general and vocational students, such as 'Startup Kite'.

In Vietnam, the policies don't end there; there are many mechanisms and policies to facilitate the establishment and operation of startup support funds to promote the activities of innovation and startup, including Decree No. 34/2018/ND-CP on the establishment, organisation and operation of credit guarantee funds for SMEs; Decree No. 38/2018/ND-CP, detailing investment for SME startups; and Decree No. 39/2019/ND-CP on the organisation and operation of the SME Development Fund, among others.

The real practices

The activities related to startup and innovation are considered key factors in creating employment and promoting the development of the Vietnamese economy. Startups are not the only path to realise the dreams of every Vietnamese youth, they also contribute to recognising the grander aspirations of the whole nation.[10]

Through creativity, enthusiasm, passion, and direct and practical support from the government and the private sector, the Vietnamese youth are poised to become a critical component of the labour force

and pioneers of innovation and startups. For instance, between 2017 and 2022, 6 million youth-led initiatives in science and technology contributed to saving energy and improving smart production and business models. There were also 65 484 research projects carried out by students and young lecturers; 18 419 scientific projects supported and carried out by the youth unions; 3 977 scientific seminars organised by the youth; 5 671 startup projects of the youth were supported; and 2 722 startup clubs of the youth with 115 496 members were set up and operated efficiently.[11]

The youth-led initiatives and business activities established in both urban and rural areas have developed a firm foundation for youth and contributed millions of USD per year. Currently, out of 115 263 initiatives of the Ho Chi Minh Communist Youth Union of the national-level state-owned enterprises' bloc, there were 7 100 technological solutions targeted at improving management and production, with the benefits of 1 200 billion VND (51 million USD). Recent achievements by the youth include ten young scientists being awarded the Golden Globe of Science and Technology by the Ministry of Science and Technology in 2022, and 20 excellent female students being awarded the Vietnamese Science and Technology Female Student Prizes in 2022.

The stories below provide insight into the experiences of youths involved in startups and innovation. They provide a view into the lessons, successes and failures of starting and operating a business.

Successful narratives

Born in 1994, Ngo Thuy Anh is part of the young generation who dare to think, are self-determined and turn ideas into action. As a result of the promoting policies for young people willing to lead a startup in Vietnam, after graduating with an MBA from the US in 2017, Thuy Anh refused many attractive job offers in New York in favour of returning to Vietnam to lead a startup. Ngo Thuy Anh is now the founder of technology projects for communities such as Hasu. These projects include a special application for older people; Aligo Kids – a platform that teaches children skills to recognise and confront abuse; and Memory Love Book – a project for families to create personal books for their loved ones. In recognition of her work, Thuy Anh was voted as one of eight excellent women under 30 years old by Forbes Vietnam in 2022. The startups Thuy Anh founded and led have improved Vietnamese families' lives. More than 70 000 children and their families have been empowered with the skills to protect themselves in dangerous situations. Thousands of ethnic minority women have been trained on gender-based violence prevention, while over 12 000 older people used the Hasu application daily to exercise, entertain and connect during the pandemic.

Tran Thi Thuy Tien is a young pharmacist who was born in 1994 and raised in An Dong City in the Quang Nam province. In 2019, Thuy Tien launched her brand Hena Lab Organic Pharmaceutical Cosmetics, the first product of which was a herbal shampoo bag made from ten medicinal plants. In the same year, the Provincial People's Committee recognised the product as a creative startup idea at the provincial level. Thuy Tien's product range has expanded into herbal steam baths, foot baths, lipstick and washing liquid cups. Her main goal has been to establish an organic brand that uses local natural herbs that are healthy and environmentally friendly. Her business gains an annual profit of more than 200 million VND (nearly 8 510 USD) and creates many jobs for local people.[12] Thuy Tien's efforts in innovation and entrepreneurship earned her several accolades and awards.

With all the successful stories in entrepreneurship, there are also some failed startups from which we can learn lessons. Research shows that out of every ten young people who choose to launch a startup, nine of them fail due to immaturity, lack of experience and limited access to capital.

In 2013, Dao Chi Anh founded The KAfe – a restaurant combining Asian–European cuisines with

luxurious and beautiful designs. Successfully raising capital of 5.5 million USD would open new horizons for The KAfe. However, after only three years of operation and more than a year of receiving substantial capital, Dao Chi Anh's restaurant closed its doors. The KAfe had failed to maintain a steady customer base. Part of the reason is that Dao Chi Anh lacked the business management training that would have taught him how to understand customer behaviour. With such training, Dao Chi Anh would have understood that in a restaurant as expensive as KAfe, customers – especially young customers – tended to try the restaurant once or twice, but they could not afford to eat out regularly.

These three businesses' stories provide critical lessons about youth, innovation and startups.

Firstly, it is normal for young people to fail when they start out due to the experimental nature of startups. The most important thing is that the youth must learn from their failures and get experience for the next startup, which is accepted and encouraged by the society as 'failure teaches success'.

Secondly, the success of youth-owned startups depends on both their own efforts and the support received from the ministries, agencies and enterprises in the form of learning and exchange opportunities with experienced entrepreneurs; organisation and participation in startup challenges and competitions that hone business ideas; and pathways to connect young business owners with investment and funding in order to ensure favourable conditions for starting a business.

Assessments

Achievements and opportunities

Vietnamese youth currently make up the majority of the population. They are present in all facets of life, including the economy, culture, society, security and defence. Because the advantage of age is on their side, young people are always active, creative and willing to assert themselves.

To this end, here are some achievements and opportunities for Vietnamese youth:

Firstly, the government is always interested in the progress of innovation. They have, therefore, provided and created many guidelines, laws, mechanisms, policies and projects to create favourable conditions for startups and develop an enabling ecosystem for entrepreneurs and digital transformation in society. The ministries, agencies and localities are all equipped with programmes and projects to promote the growth of startups, to create spillover effect, and to attract a large number of young people to participate and actively contribute to national socio-economic development. The infrastructure to support entrepreneurship and innovation has been established through a regulatory environment and various government ministries and agencies, including innovation centres. Dialogues between the public authorities and the startup and innovation community are held regularly, further promoting the spirit of innovation and entrepreneurship in the community, especially among the younger generation. Between 2020 and 2022, the investment capital in startup and innovation reached nearly 2 billion USD. In 2022 alone, the Vietnamese startups, including the youthful ones, attracted 634 million USD of investment capital.

Secondly, the supportive centres for startups and innovation have been set up and developed broadly in all three regions – northern, central and southern – in order to connect resources that support the activities of startups and innovation in the whole country. There has also been a growing network of knowledge and communication associations that support startups and innovation, further creating favourable conditions for many young people to initiate, start up and innovate.

Lastly, there is a clear realisation that innovation and startups are a type of enterprise that is capable of rapid growth, based on the exploitation of intellectual property, technology and new business models. For the first time, policies on investment incentives, especially for innovation, have been stipulated explicitly in the laws and decrees of Vietnam.

Limitations and challenges

Although there have been massive efforts to propel startups and innovation as critical economic drivers, Vietnam still needs to catch up compared to countries in the region. There are still some structural and policy obstacles that can be considered as 'bottlenecks' that need to be resolved to promote the ecosystem development of startups and innovation for Vietnamese youth.

Firstly, many localities and organisations are proposing, building and developing innovation centres but need more administrative procedures to help build revenue sources, achieve profits and attract customers.

Secondly, there needs to be a stronger connection between youth-led enterprises and university research institutes, promoting more awareness about the role of intellectual property in innovation.

Thirdly, some youth-led SME startups that have not benefited from the supportive policies experience difficulties in acquiring basics such as plants, land, vehicles, material input and market assessment.

Fourthly, the regulations surrounding domestic venture capital still have limitations that prevent the free flow of investment, thus reducing the domestic capacity to invest in startups. The law on SMEs stipulates that the investment funds for startups and innovation are entitled to tax incentives. However, the specific tax guidance reveals that there needs to be more clarity on how these incentives are granted or how to apply them. Youth-led startups also need help in borrowing money from banks because they need more collateral and are too young to accumulate enough capital. As a result, young startups borrow from foreign funds or take on other forms of credit at a relatively high interest rate.

Lastly, when starting a business, Vietnamese youth still face many challenges and limitations, such as a need for more knowledge in business management. The youth also need to gain knowledge of product development and improvement, understand business laws and acquire more awareness about how they can access supportive capital sources. Further challenges include fierce competition posed by foreign businesses and the need for more capacity to handle unexpected challenges such as Covid-19 and natural disasters.

THE SOLUTIONS TO LEVERAGE THE CAPACITIES OF VIETNAMESE YOUTH AND SOME SUGGESTIONS FOR AFRICA

The government plays a vital role in creating an enabling ecosystem for promoting innovation and startups and increasing national innovation capacity. Below are further suggestions for building the foundation for the innovation and startup ecosystem.

Strengthen the legal framework to support and promote startups and innovation

- The government should focus on building and strengthening institutions, mechanisms and policies that promote capital markets, science, technology and new products, while capacitating human resources in line with market mechanisms and international standards. Furthermore, the government should synchronise and synthesise relevant regulations across all departments and institutions. There needs to be a focus on reducing the bottlenecks in starting, financing and operating a business to create favourable conditions for young entrepreneurs. In addition, a public awareness campaign is needed to encourage society to purchase and trust the new products and services created by the youth entrepreneurs.
- The government should develop national, regional and innovation systems, high-tech zones and incubators that prioritise enterprises through research and development. Additionally, intermediary

organisations, brokers, capital exchanges, investment funds and supportive legal organisations must be established to form a favourable ecosystem.

Create an environment and attract resources to promote innovation and startup

- Private and public research and knowledge management institutions must build an available and user-friendly technological database, digitalise experiential and traditional knowledge, and create a balance between vocational and university training. Establishing a foundation of basic standards that create a premise for trust-building is important during this process.
- The government should prioritise and focus not just on policies but also on funding schemes, ensuring healthy business competition, appropriate investment for youth-led startups, and strengthening international co-operation for youth entrepreneurs to participate in the global supply and value chain.
- Education and training programmes are necessary to encourage youth entrepreneurs to exchange knowledge with peers worldwide and domestically through study abroad tours, for example. Such programmes provide youth with knowledge of international best practices in quality management and intellectual property.
- Financial resources should be diversified and attractive for young entrepreneurs. The resources should come from a wide range of sources, including the state, private investors, big incorporations, international organisations and communities.

Vision and radical solutions are required to set up a startup ecosystem

- Enabling a startup culture requires a synchronous, comprehensive and interconnected approach at all levels, sectors, localities and enterprises, but it must be focused and effective. There should be effective communication about innovation and entrepreneurship, and innovative thinking. Moreover, communication related to entrepreneurship should aim to break down prejudices, barriers and ruts in thinking and action.
- The human capital needed to drive innovation and entrepreneurship requires a focus on capacity building in business knowledge and skills, as well as encouragement for young people to start up. The Ministry of Education and Training and the Ministry of Labor, War Invalids and Social Affairs need specific strategies and plans to train high-quality human resources in science and technology, meet social and business demands, and promote national industrialisation and modernisation.
- The link between education institutions, such as universities and colleges, and government policies should be strengthened, as this link feeds into a strong foundation in R&D.

For the private sector

The private sector, especially big enterprises, also plays an essential role in forming Vietnam's startup ecosystem. However, it is often young enterprises that drive innovation and entrepreneurship. There is a symbiotic relationship between small or medium enterprises and big enterprises in that small enterprises promote new ideas and establish these ideas, while big enterprises commercialise the ideas. As such, a way forward for all enterprises is noted below.

Firstly, large enterprises should become potential customers of youth-led startups in the form of Business-to-Business (B2B). For example, Abivin[13] is a young B2B startup led by Pham Nam Long, who was one of the ten youngest high-tech leaders at the CTO Summit 2021 and won the Startup

World Cup, with the award value of one million USD, for providing route optimisation and software for optimal transportation management to help customers save 30% on logistic costs. Abivin's customers became DSV, one of the largest third-party logistics service providers in the world; BCP, the largest distributor of P&G products in Indonesia; Coteccons, a large construction company in Vietnam; Saigon New Port; A.O. Smith; and Habeco.

Secondly, big enterprises should partner with young entrepreneurs and leverage their talents. For example, Vietjet has co-operated with Swift247 and Grab to develop solutions for travelling connections by roadway and airline throughout Asia. By December 2018, the number of GrabExpress orders on the Grab application had grown 28 times compared to 2016. With more than 400 flights per day, 129 routes covering destinations in Vietnam and international routes to Japan, Hong Kong, Singapore, Korea, Taiwan, China, Thailand, Myanmar, Malaysia, Indonesia and Cambodia … and transporting more than 80 million passengers, Vietjet is also providing extensive cargo transportation services both domestically and internationally. Co-operation with Grab and Swift247 also contribute to providing Vietjet customers with more choices, optimising the benefits of customers using transportation services.

Thirdly, big enterprises should invest in young startups. Vingroup, Viettel, CMC, FPT and NextTech have set up their investment funds for youth-led startups in technology by providing finances, advice and management capacity.

SOME SUGGESTIONS FOR AFRICA

Africa is the youngest continent in the world, with 70% of the continent's population under the age of 30,[14] a promising statistic for the future. With this demographic, young people are responsible for contributing to economic reconstruction in the aftermath of the Covid-19 pandemic. With the expectation that Africa's population will double by 2050,[15] the need to sustainably create new, youthful employment is even more critical, especially as the World Bank highlights that 60% of Africa's young population is unemployed.

Africa is teeming with entrepreneurial potential. Since 2015, seven business unicorns, dominated by fintech and e-commerce startups, have grown out of Africa. The unicorns have sparked excitement about the digital potential of the continent and have attracted fresh capital.

LEVERAGING THE VIETNAMESE EXPERIENCE TO REALISE AFRICA'S DEMOGRAPHIC DIVIDEND

Firstly, Africa needs stronger co-ordination and multi-stakeholder efforts by governments, the private sector and social organisations to support the youth successfully and wholly. There is a need for something similar to the Ho Chi Minh Communist Youth Union, which provides platforms for youth to convey their aspirations and propose ideas for practical and efficient programmes for entrepreneurship and development. For example, within three weeks in March 2023, 123 507 digital transformation activities, with 2 648 230 people accessing digital transformation activities, were organised by the Youth Union.

Secondly, African countries will benefit from strengthening and reforming the legal framework around startups, like Vietnam's programme on 'Supporting Youth Entrepreneurship from 2022 to 2030', which has attracted nearly 2 600 startup projects from students and over 4 000 startup ideas and projects in the field of vocational education. The Ho Chi Minh Communist Youth Union has organised more

than 3 000 creative idea contests, attracted nearly 370 000 youth participants with 14 000 startup ideas, and supported nearly 16 000 projects, with a total budget of nearly 700 billion VND.

Thirdly, it is necessary to create conditions for African youth to access capital and technological resources to start up and innovate. The capital can come from governments, incorporations, angel investors and venture funds mentioned above. From the Vietnamese perspective, the government needs to focus on regional seed and venture investment funds, so that more youth-led enterprises across the country can access and benefit from them.

Fourthly, governments should promote business-related higher education by applying the 'learning by doing' method. For instance, African countries can promote educational co-operation with Vietnam because of its agriculture, health, maritime, digital business and information technology strengths. Partnerships should be encouraged with some colleges or universities like the Vietnam Academy of Agriculture Sciences, International Francophone Institute, Hong Bang University, Dai Nam University and FPT University, where African students could be educated and trained for knowledge exchange and capability-building or master's degrees.

Lastly, as Vietnam has been supporting the cultural spirit of entrepreneurship among the youth since 2016 and has led many youth-led startups successfully, governments in Africa should also proactively cultivate a similar spirit of entrepreneurship and innovation among young people.

7

MALAYSIA

From Demographic Dividend to Economic Growth

MAHAMA SAMIR BANDAOGO AND
NATNAEL SIMACHEW NIGATU

INTRODUCTION

Malaysia, with a shared colonial history and a similar early demographic structure, provides valuable insights for African countries seeking a model for development. While Malaysia has undergone a demographic shift with an ageing population, African nations still grapple with the economic challenges of a youthful population. Malaysia faced issues like skills gaps, a weak industrial base, spatial inequality and low female labour force participation. However, Malaysia effectively addressed these challenges through strategic investments in human and physical capital, ensuring economic stability and adopting pragmatic policies. This chapter explores the policy measures implemented by successive Malaysian governments, highlighting their successes and failures in mobilising the youth and achieving continued growth. It also suggests relevant policy measures that African countries can learn from for their own development.

With a land area of 330 800 km2, Malaysia is slightly bigger than Burkina Faso (322 000 km2) and a bit smaller than Côte d'Ivoire (342 000 km2). The federation was formed in 1963 when Sabah, Sarawak and Singapore joined Malaya to form the federation of Malaysia, with Singapore subsequently leaving to become an independent nation in 1965. Malaysia's population was shaped by significant immigration, from China and India in particular. According to the 2020 population census, 69.4% of the population is Malay, 23.2% Chinese and 6.7% Indian.

Malaysia, like many African nations colonised by Europeans, shares similarities in colonial legacies, ethnic diversity and rich natural resources. Both regions feel the lingering effects of colonialism on politics, economics and society. However, while Malaysia is transitioning into a high-income country, many African nations are struggling with persistent poverty.

In the 1960s, Malaysia and numerous sub-Saharan African nations shared a similar demographic structure, with over two-thirds of the population under 30. However, Malaysia's demographic shift is more advanced, with a declining youth population and a growing elderly population. In contrast, Africa's youth population remains consistently large, posing a challenge for economies struggling to create jobs (see Figures 7.1a and 7.1b).

Following in the footsteps of the Asian tigers, Malaysia expanded its manufacturing base and employment opportunities for youth. This chapter outlines Malaysia's challenges in mobilising youth and government policies to build a prosperous economy and create jobs, serving as a potential model for African countries.

Figure 7.1a: Age composition of Malaysia and Africa, 1960s–2020.

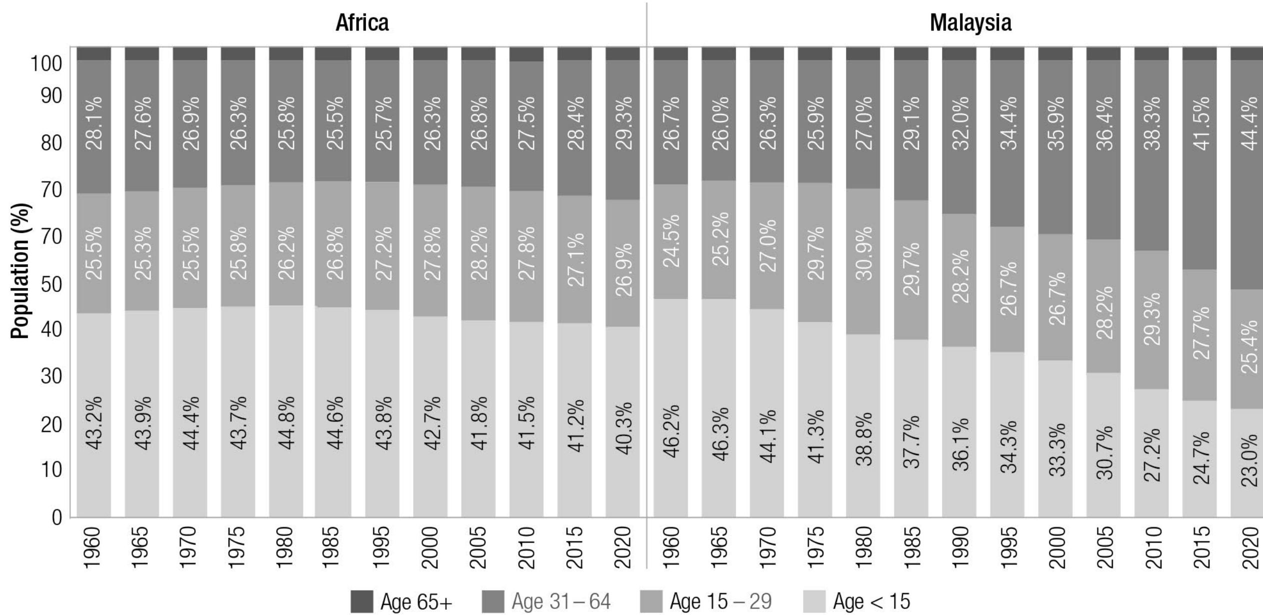
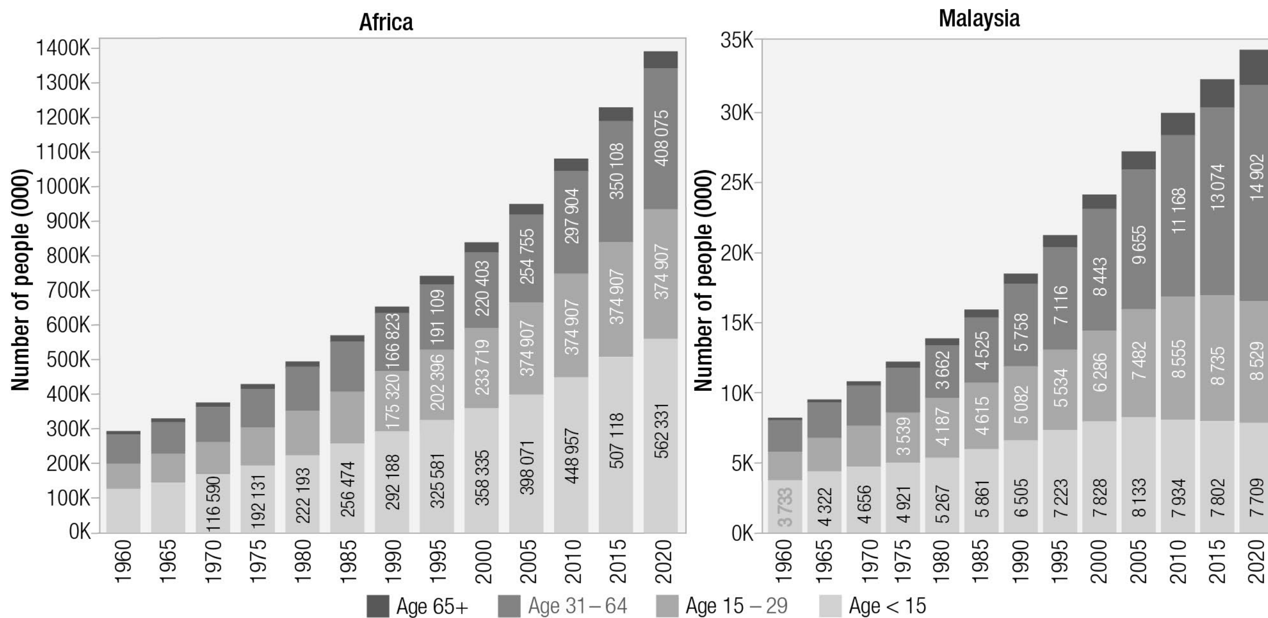


Figure 7.1b: Total population by age groups.



Source: Author's interpretation based on World Bank data

KEY CONSTRAINTS AND CHALLENGES

Skills gap

The First Malaysia Plan, launched in 1965, identified a lack of skilled labour as a critical obstacle: 'a severe shortage of skilled and educated human capital that hampered both investment and job creation'.[1] Fifteen years after independence, the gross tertiary enrolment rate remained at a mere 4%, not substantially higher than the then-average of 2% in sub-Saharan Africa.[2] Moreover, a couple of decades after independence, the percentage of the population aged 25 and over that attained or completed upper secondary education was still below 2%. Therefore, creating job opportunities for the majority of the youth outside of traditional agriculture was an enormous challenge.

Weak industry base

Post-colonial Malaysia, rooted in extractive industries, confronted a pivotal hurdle: establishing a dynamic industrial base and sustaining a non-agricultural labour demand. The initial industrial sector focused on low-skilled activities, impeded by a limited talent pool, hindering job creation for the burgeoning young population who were seeking alternatives to traditional farming. The dilemma of prioritising skilled labour investment or organic industry growth emerged as a pressing concern for the Malaysian government.

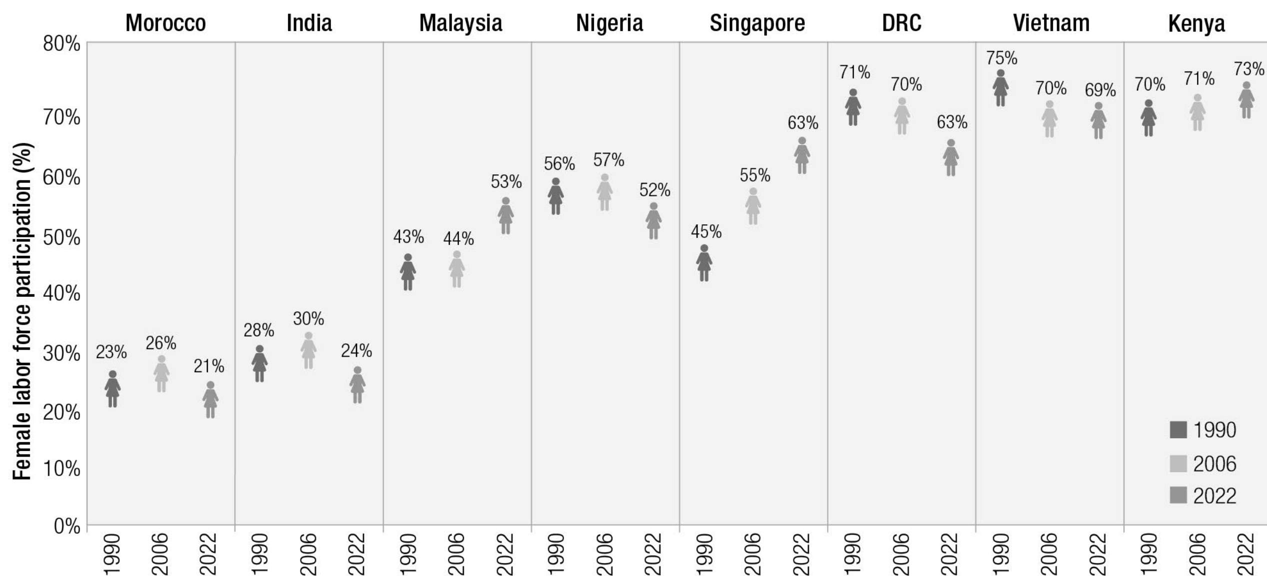
Spatial inequities: Rural poverty and unemployment

Young people in rural Malaysia faced a daunting obstacle in building better lives. The stark disparity between urban and rural areas regarding infrastructure, education access and job opportunities traps them in a cycle of limited prospects. This gap, compounded by the complex relationship between ethnic groups segregated across different economic activities,[3] further complicated youth mobilisation, posing both political and economic challenges for the state. For example, at the time of independence in 1957, Malaysia's colonial legacy had left high inequality, and the disparity had a marked ethnic/racial dimension. The poorest of the major ethnic groups were the Bumiputera (mostly Malay ethnicity), who were also the majority and mainly reside in rural areas.[4]

Low female labour force participation

Historically, female labour participation in Malaysia remained below 30% during the 1970s, except for the ethnic Indian population.[5] When the Seventh Malaysia Plan was introduced in 1996, 75% of women outside the workforce were homemakers, constituting three-quarters of the working-age female population. These figures are higher than in many African countries (see Figure 7.2). Caregiving responsibilities were identified as the primary barrier to increased female labour force participation.[6] A World Bank report found that closing gaps between men's and women's economic opportunities could boost Malaysia's income per capita by 26.2%.[7]

Figure 7.2: Female labour force participation across countries.



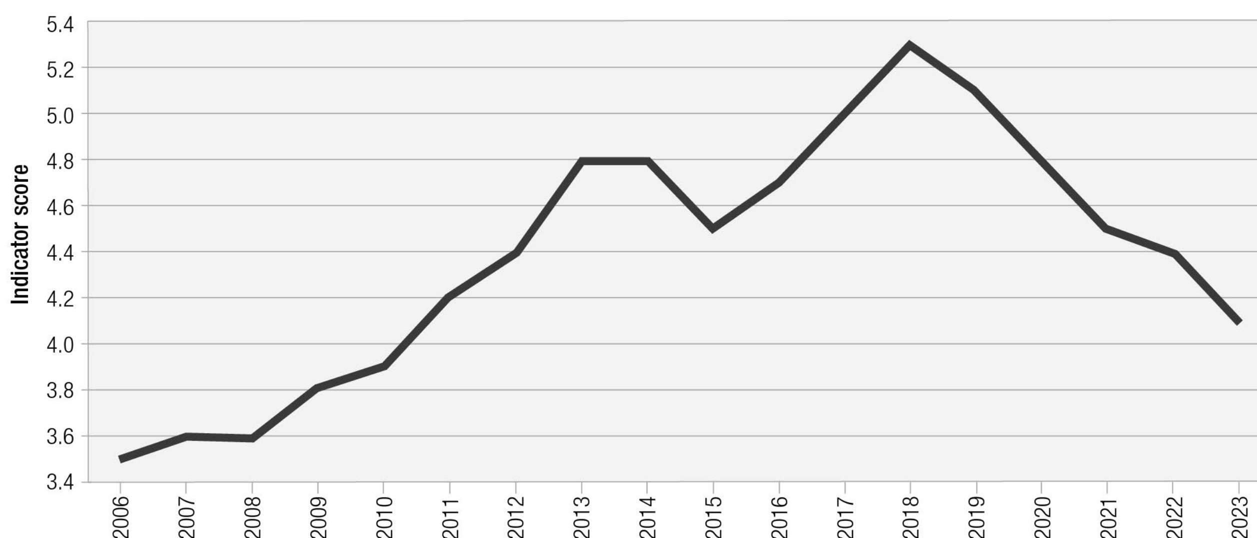
Source: World Bank

RECENT CHALLENGES

Although Malaysia managed to educate its labour force in the subsequent decades, keeping up with the skill mix and complexity of the labour market demand was challenging, as the economy went through restructuring phases following the transformation of the Malaysian economy. Especially, there was an observed 'education-occupation mismatch', particularly among Bumiputera graduates, who showed a preference for government positions. This led to shortages in fields like engineering, research science and technical roles, despite a strong demand.[8] The skill mismatch continues to be a challenge. Organisation for Economic Co-operation and Development (OECD) data shows that the skill mismatch in the Malaysian economy is about 33%. About 19% are underqualified,[9] while 13% are overqualified. Moreover, a report on job placement data released by Malaysia's social security organisations states that close to 40% of degree- and diploma-holders are underemployed in semi-skilled and low-skilled jobs.

Moreover, the Malaysian economy also suffers from a brain drain where about 5.5% (1.86 million) of the population migrates and resides overseas, per the Ministry of Manpower in 2022. Malaysia's brain drain is intense relative to a narrow skill base. One out of ten Malaysians with a tertiary degree migrated in 2000 to an OECD country – this is twice the world average.[10] Several factors influence decisions to leave Malaysia, including disparities in income, career opportunities, educational quality and quality of life compared to other countries. However, dissatisfaction with Malaysia's policies regarding continued affirmative action also plays a significant role.

Figure 7.3: Human flight and brain drain in Malaysia, 2006–2023.

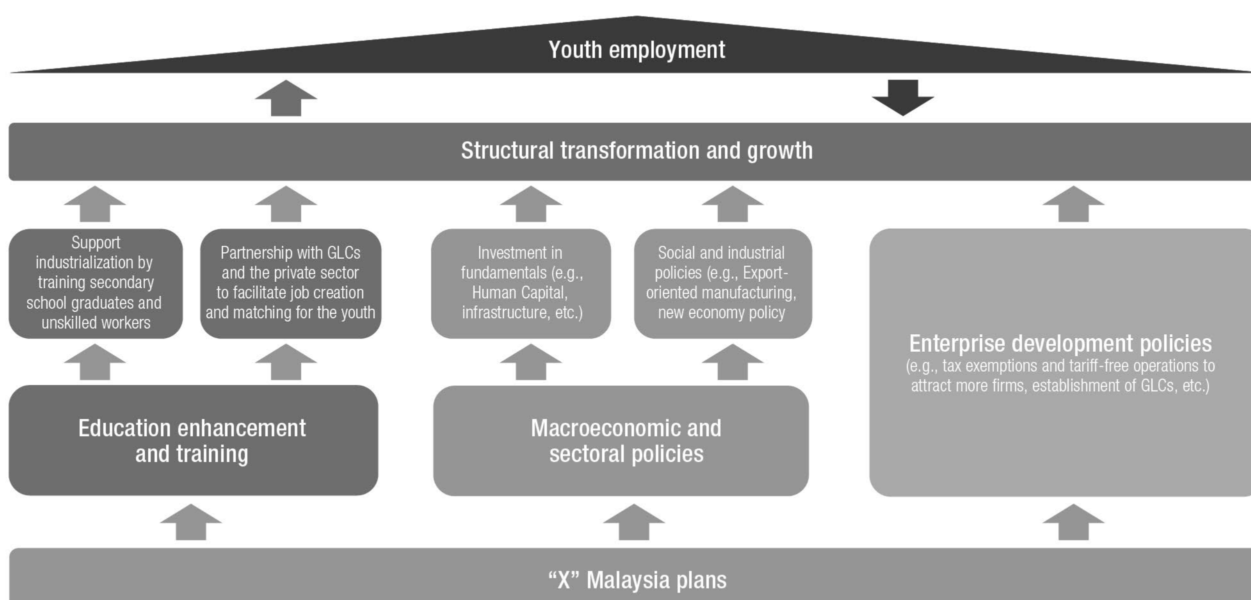


Source: The Fund for Peace, 2023, https://fragilestatesindex.org/indicators/e3/

Overcoming challenges and harnessing its demographic dividend

For over six decades, Malaysia's consecutive five-year government plans, culminating in the current Twelfth Malaysia Plan, crafted and implemented comprehensive strategies, laying the foundation for the nation's success. These plans, complemented by sector-specific initiatives, have long guided policy-makers and have been instrumental in propelling the country's economy, including stimulating youth employment and economic transformation. Figure 7.4 is an illustration of this policy reform framework.

Figure 7.4: Organising framework to illustrate policies and initiatives enacted by the Malaysian government that contributed to enhancing youth employment.

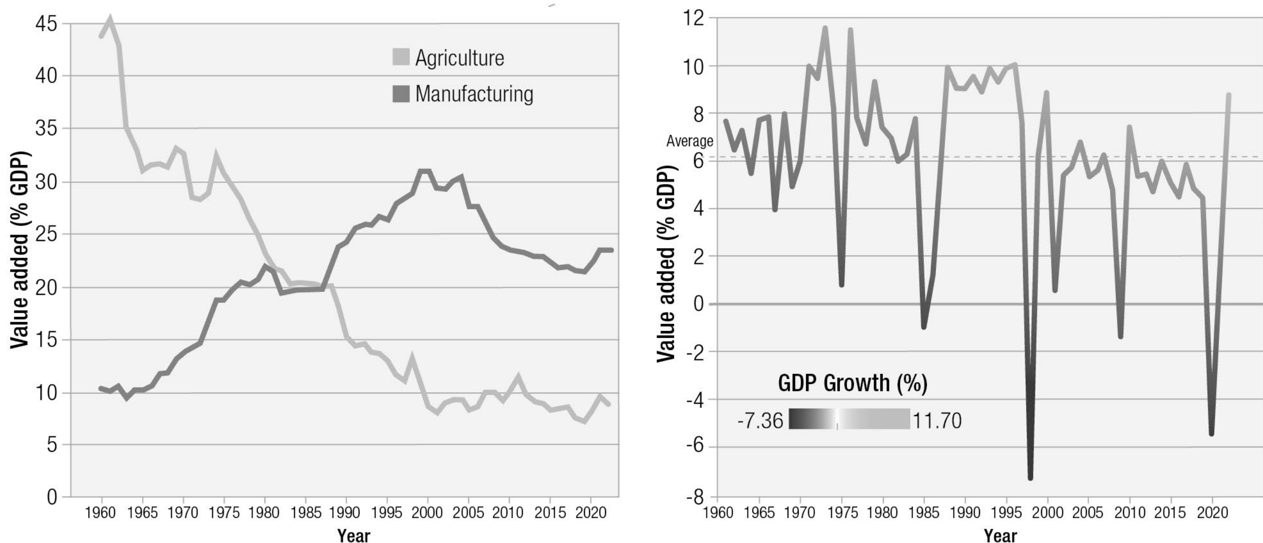


Source: Author illustration

A macro overview

Between 1960 and 2022, Malaysia enjoyed high growth rates, with headline GDP averaging at 6.1% annually as the country moved from a predominantly agrarian economy to an urban industrial one (see Figure 7.5). This spurred Malaysia's rapid transition from a low- to upper-middle-income country. Malaysia's economic transformation can be mainly attributed to a set of development policies that have been described as the 'growth with equity' model, which essentially consists of three key pillars: 1) investment in basic human capital to raise labour productivity; 2) outward-oriented, labour-intensive growth to integrate the global economy; and 3) credible economic governance to maintain macroeconomic stability.[11]

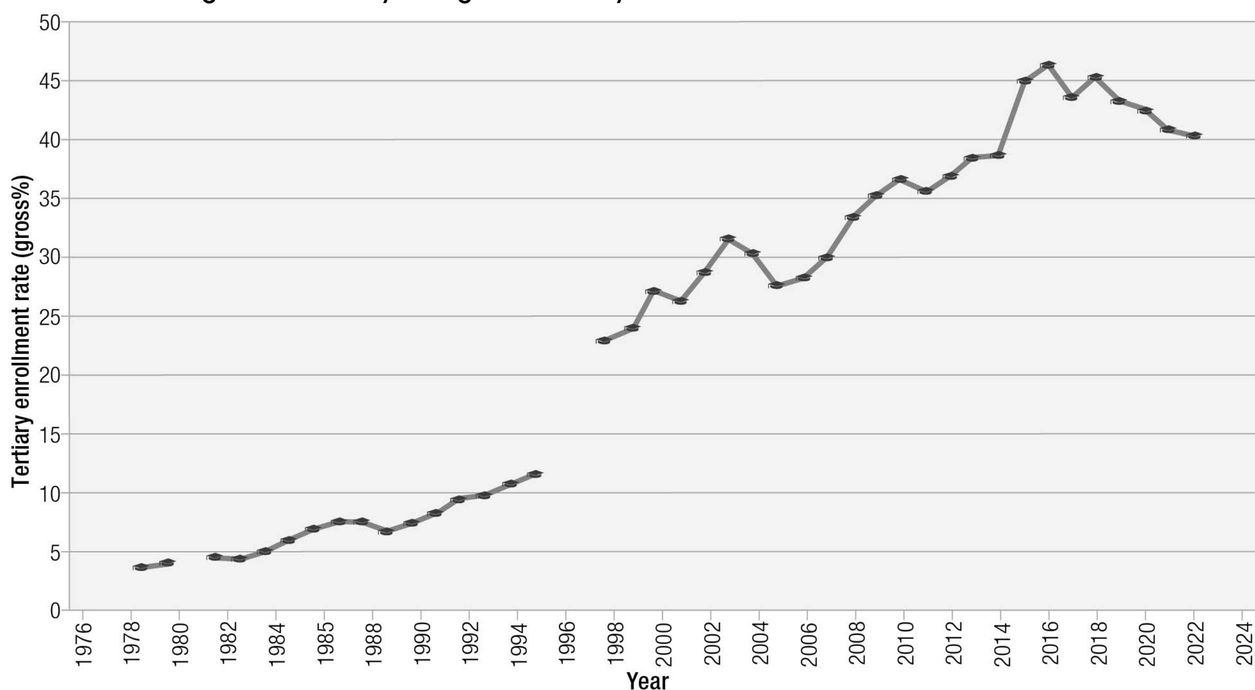
Figure 7.5: Malaysia's economic growth and transition from an agrarian economy, 1960–2022.



Source: World Development Indicators

First, consistently high growth rates were possible because Malaysia successfully expanded the fundamental drivers of growth – physical capital, human capital and productivity. For instance, gross investment in physical productivity increased from 11% of GDP in 1960 to 31% by 1980 and peaked at over 40% of GDP in the 1990s.[12] This was accompanied by a sustained investment in human capital that expanded access to education and primary healthcare services, with remarkable success in improving education and population health outcomes and, in turn, leading to higher labour productivity. The gross tertiary school enrolment rate jumped from 4% in 1979 to over 40% in recent years (see Figure 7.6). As the expansion of the manufacturing sector transformed the economy, it led to a movement of workers from agriculture to the services and manufacturing sectors. This reallocation of labour across industries increased efficiency and the economy's overall productivity.

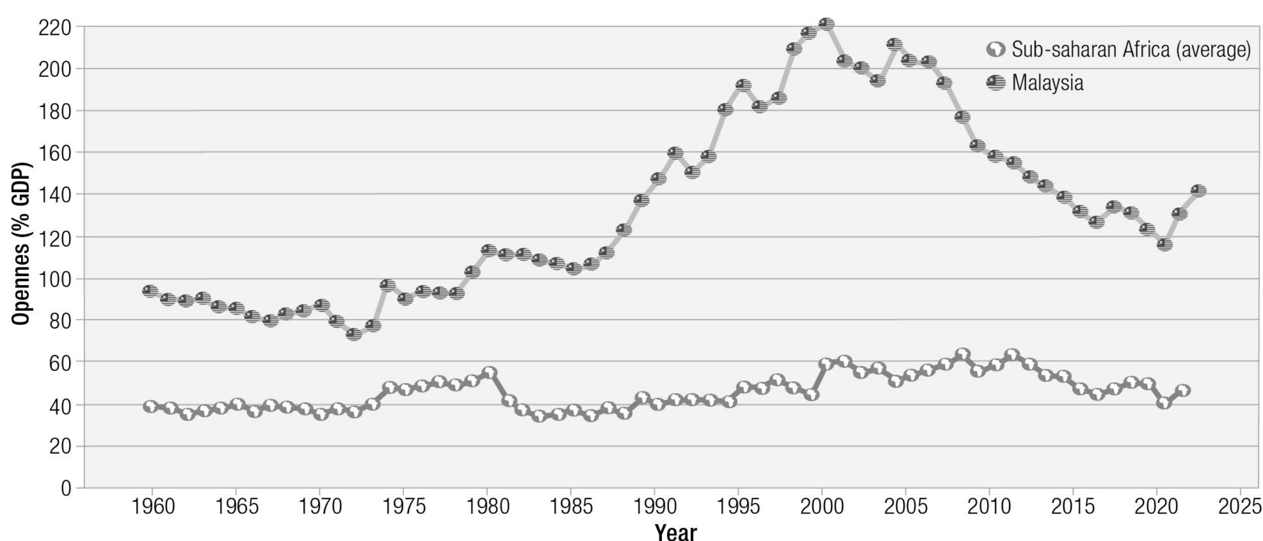
Figure 7.6: Malaysia's gross tertiary school enrolment rate, 1979–2022.



Source: UNESCO Institute for Statistics (UIS), https://apiportal.uis.unesco.org/bdds

Second, similar to the Asian tigers – Korea, Hong Kong, Singapore and Taiwan – Malaysia has long promoted and implemented an export-driven growth model. Openness to trade provided a larger market for Malaysian products and exposed domestic firms to global competition, thereby encouraging greater efficiency and facilitating learning and innovation through increased access to technology, know-how and capital (see Figure 7.7).[13]

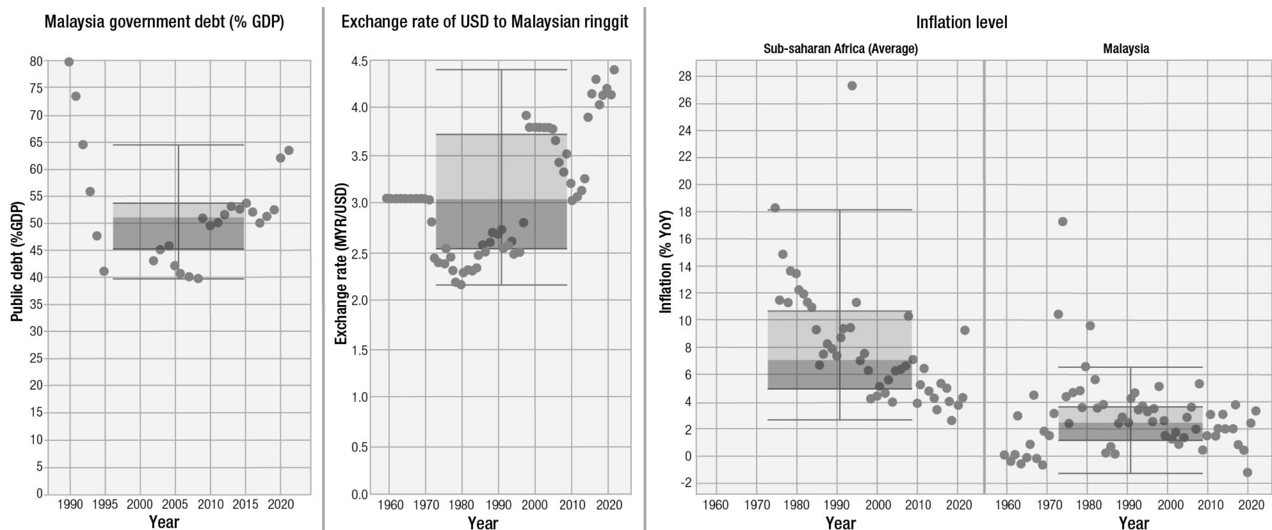
Figure 7.7: Malaysia's trade openness, 1960–2022.



Source: World Development Indicators

Third, a stable macroeconomic environment was crucial for prolonged economic growth, featuring low inflation, stable exchange rates, a resilient financial sector and manageable public debt (refer to Figure 8). The nation maintained positive current accounts and amassed substantial foreign reserves, thanks to sustained high export volumes. The government predominantly relied on market mechanisms for resource allocation, implementing structural reforms since the 1980s to encourage privatisation and market competition. Although the government intervened in specific industries like automotives, such interventions were monitored and adjusted if found to be ineffective. Malaysia's effective public institutions were vital in designing and implementing successful development strategies.

Figure 7.8: Exchange rate and inflation level, 1960–2022.



Source: World Development Indicators

INVESTING IN THE FOUNDATION/FUNDAMENTALS

First and foremost, after independence, the Malaysian government continuously invested in the fundamental drivers of long-term economic growth: 1) human capital; 2) rural development; and 3) infrastructure. A robust and effective macroeconomic policy allowed the country to avoid the natural resource curse and was able to diversify the economy, with resource rent from oil and gas effectively channelled towards infrastructure and human capital development.

Human capital

Since the 1960s, Malaysia has aimed for universal primary education, achieving a 96% completion rate of at least six years of primary schooling by 1990.[14] Concurrently, healthcare accessibility expanded, with hospitals and clinics increasing from 1 838 to 2 784 (1970–1990), reducing the population per doctor ratio. These improvements positively impacted on education and health outcomes, enhancing the nation's long-term potential. The New Economic Policy implemented quotas in public universities and established residential secondary schools for Bumiputera to address inequality. Scholarships for Malay/Bumiputera students to study abroad further contributed, leading many graduates to play crucial roles in government-linked companies and government positions on their return.

Infrastructure

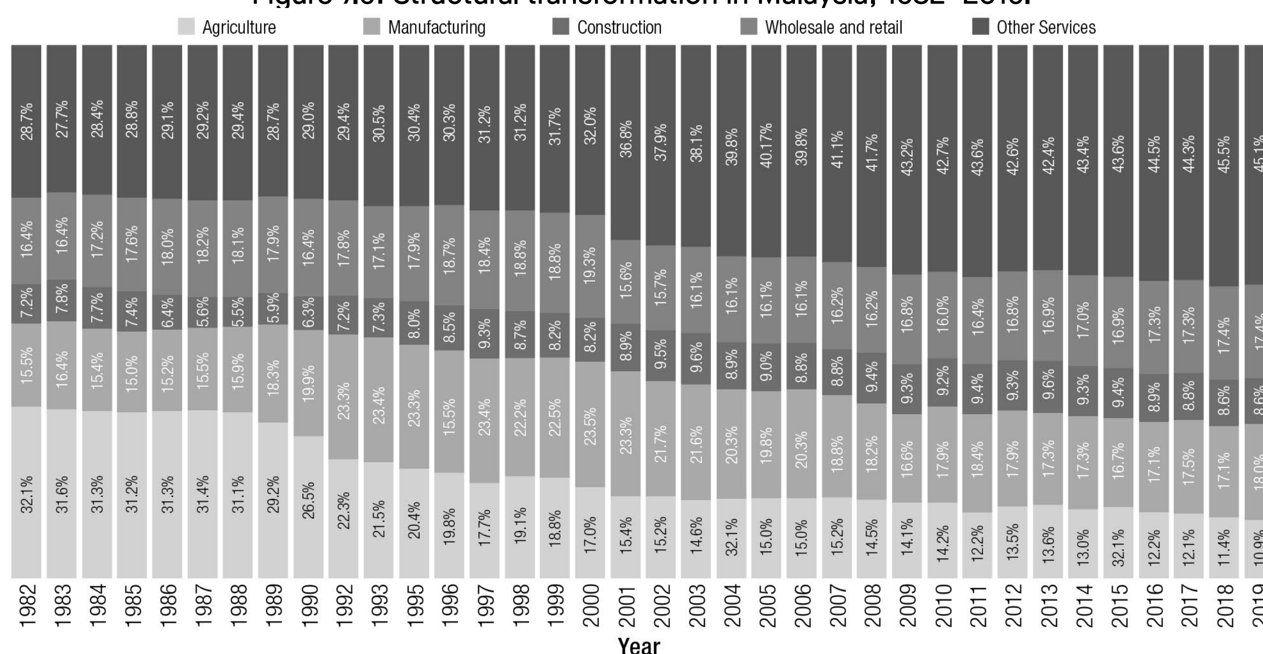
Malaysia inherited a reasonably good set of infrastructure facilities at independence, but they were unevenly distributed across states.[15] The government addressed infrastructure deficiencies, updating existing facilities and focusing on less developed regions. A significant portion of infrastructure investment went into road construction, expanding Malaysia's road network from 15 000 kilometres in 1966 to over 85 000 kilometres by 2005. Rail, ports and telecommunication infrastructure was also developed. Until the 1990s, only the government was involved in infrastructure investment, but the private sector started participating. Public investments have taken the form of land development to expand agricultural cultivation and infrastructure to encourage manufacturing industries, partly funded by the Employment Provident Fund (EPF) or 'forced savings'. Meanwhile, private investments relied on credit facilities, contributing to asset price bubbles. Banking regulations and facilities were also implemented to encourage savings alongside compulsory EPF saving.

Rural development

In 1953, Malaysia established the Rural Industrial Development Authority to oversee rural Malaya's development. Government investments in human capital and infrastructure significantly propelled rural development, fostering better connections between rural and urban areas. Improved education access empowered rural residents to secure employment in factories. A land development scheme resettled impoverished farmers into rubber and palm oil plantations, providing housing, utilities and knowledge of modern agricultural practices. Downstream activities were supported through village industries and entrepreneurial programmes. Technical training, advisory services and market access were offered. Industrial and vocational training, coupled with credit facilities, facilitated rural employment diversification, contributing to the economy's structural transformation.[16]

The provision of infrastructure, education and health services significantly contributed to the expansion of manufacturing and the subsequent structural adjustment that saw people move from agriculture to the more productive manufacturing and services sector, absorbing the excess labour (see Figure 7.9).

Figure 7.9: Structural transformation in Malaysia, 1982–2019.



Source: Malaysia Ministry of Economy

HARNESSING NATURAL RESOURCE WEALTH FOR ECONOMIC DEVELOPMENT

Beyond the usual sources of financing like taxes, debt and FDI, Malaysia's infrastructure financing toolbox also leveraged a familiar source available to many African countries: rent from natural resources. In that regard, Malaysia is a success story in harnessing natural resource wealth for economic development and shared prosperity. Rent from natural resources, such as tin, rubber, palm oil and later oil and gas, have been channelled towards investment in physical infrastructure, machinery and education,[17] laying the foundation for diversifying economic activities. Successive governments prioritised the development of essential physical infrastructure, such as roads and the electric grid, alongside expanding educational access through school construction. To foster economic diversification, authorities actively encouraged commodity sector companies to move downstream. This involved easing restrictions on foreign investment in manufacturing, reforming regulations and offering tax incentives.[18] These strategic changes aimed to create a more dynamic and open business environment, attracting investment and promoting diversification efforts. The state oil and gas company PETRONAS played a pivotal role by retaining a portion of export earnings abroad and making substantial direct investments in downstream industries globally and domestically. This approach also helped limit exchange rate appreciation, reducing the impact of oil price volatility on the government budget as the economy expanded.

GOVERNMENT INTERVENTION: SOCIAL AND INDUSTRIAL POLICIES

Social intervention/engineering: The New Economic Model

In response to the violent riots of 13 May 1969, fuelled by social, ethnic, economic and political tensions, the Malaysian government, led by Prime Minister Tun Abdul Razak, recognised the pressing need to address underlying issues. To tackle economic disparities and ethnic tensions, the government commissioned the National Consultative Council, which produced the Razak Report. This report laid the foundation for the New Economic Policy (NEP), aimed at eradicating poverty and restructuring the society to address economic and income inequality. The NEP increased government intervention in the economy, focusing on redistributing income and directing resources, mainly through state-owned enterprises. The policy set ambitious targets, including raising Malay economic ownership to at least 30% and aligning employment across sectors with the ethnic composition of the population. Implemented over 20 years, the NEP included various measures to foster Bumiputera's participation in commerce and industry, marking a significant step in Malaysia's socio-economic transformation. Specifically, it implemented affirmative action programmes that favour the Malay community in areas such as education, employment and business opportunities:

- The establishment of government-linked companies (GLCs) to promote Malay entrepreneurship.
- Quotas for Malay participation in higher education institutions and the civil service.
- The implementation of the Bumiputera (Malay and indigenous people) equity ownership policy.

The NEP led to significant changes in Malaysia's economic landscape, with the Malay community making substantial progress in terms of wealth and educational attainment.[19] By the end of the NEP period, the poverty rate had decreased to 16.5% in 1990, compared to 49.3% in 1970.[20] The Economic Policy Unit's analysis highlights that the success in poverty eradication was driven by education,

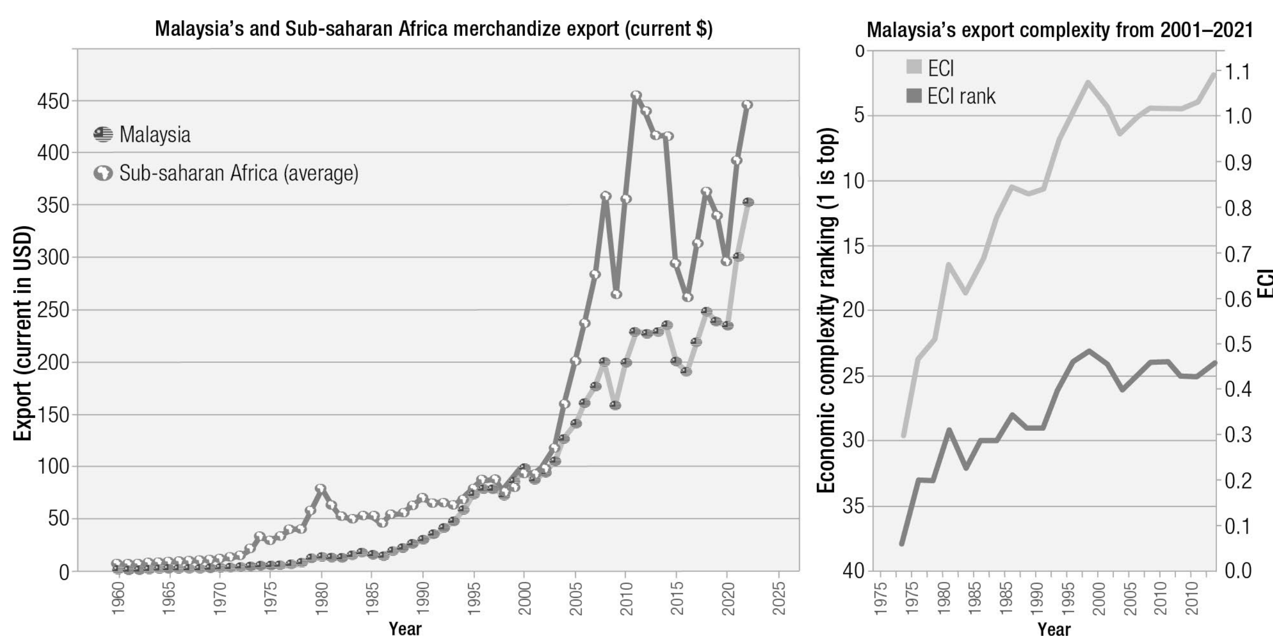
training, entrepreneurship, micro-credit programmes and a comprehensive approach involving multiple sectors, along with valuable contributions from NGOs and the private sector.[21] However, the NEP also generated debates and controversies, particularly regarding issues of fairness, efficiency and the long-term sustainability of the policies.[22]

INDUSTRIAL AND EXPORT-ORIENTED POLICIES

The Malaysian economy is highly export oriented and is one of the world's most open economies, with a trade-to-GDP ratio averaging over 130% since 2010. Its export complexity is also rising (see Figure 7.10). According to the World Bank, this openness to trade and investment has played a crucial role in creating employment opportunities and increasing income growth, with approximately 40% of jobs in Malaysia being linked to export activities.[23] In the 1980s, 75% of workers in specialised zones were young and unmarried, showcasing its effectiveness in empowering youth.

Economists believe that export and industrialisation are closely intertwined. The concept is that competing in highly competitive global markets, instead of relying on safe domestic markets, compels companies to increase their productivity by importing foreign ideas and eventually innovating. This theory mainly applies to the export of the manufacturing sector. Exporting manufactured products enhances economic sophistication and also has a significant multiplier effect. In other words, each dollar generated in the manufacturing sector leads to more dollars in other sectors, due to its strong connection with other sectors in the domestic economy.

Figure 7.10: Export value and complexity.



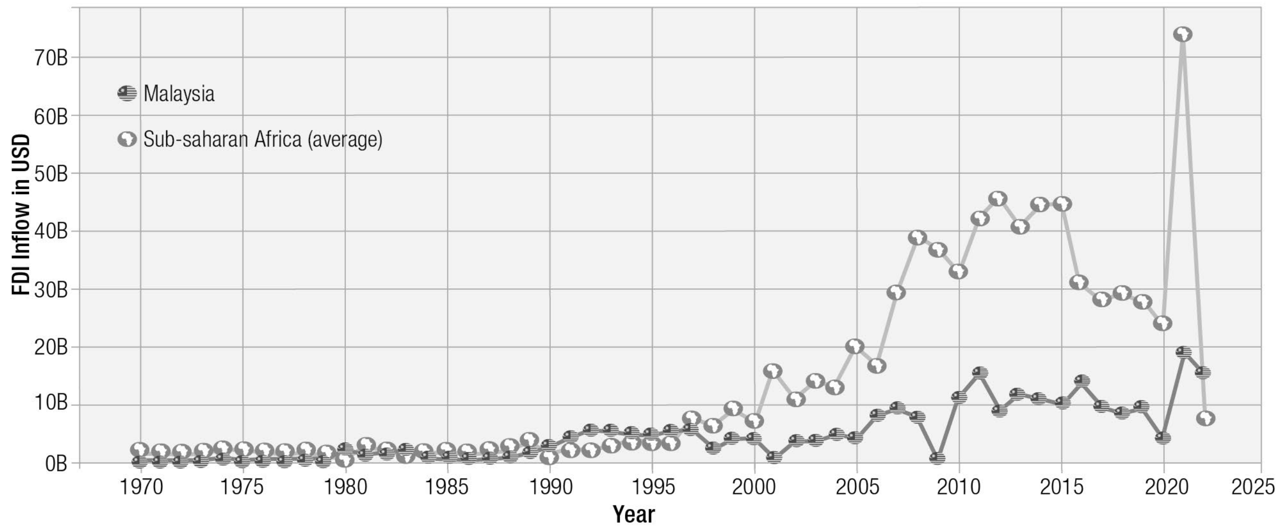
Source: World Bank and World Economic Observatory

WELCOMING FDI: CREATING A MAGNET FOR INVESTMENT

Since enacting the Investment Incentives Act of 1968,[24] Malaysia has transitioned from import-oriented to export-oriented industrialisation. The Act offers incentives like tax holidays, reduced rates and accelerated depreciation to promote investments. Pioneering projects receive additional tax benefits, and

heavy machinery investments qualify for an allowance. Customs duty exemptions are granted for specified imported goods in approved industrial projects. The Act further provides land lease exemptions, training grants, and research and development grants, attracting significant FDI (see Figure 7.11).

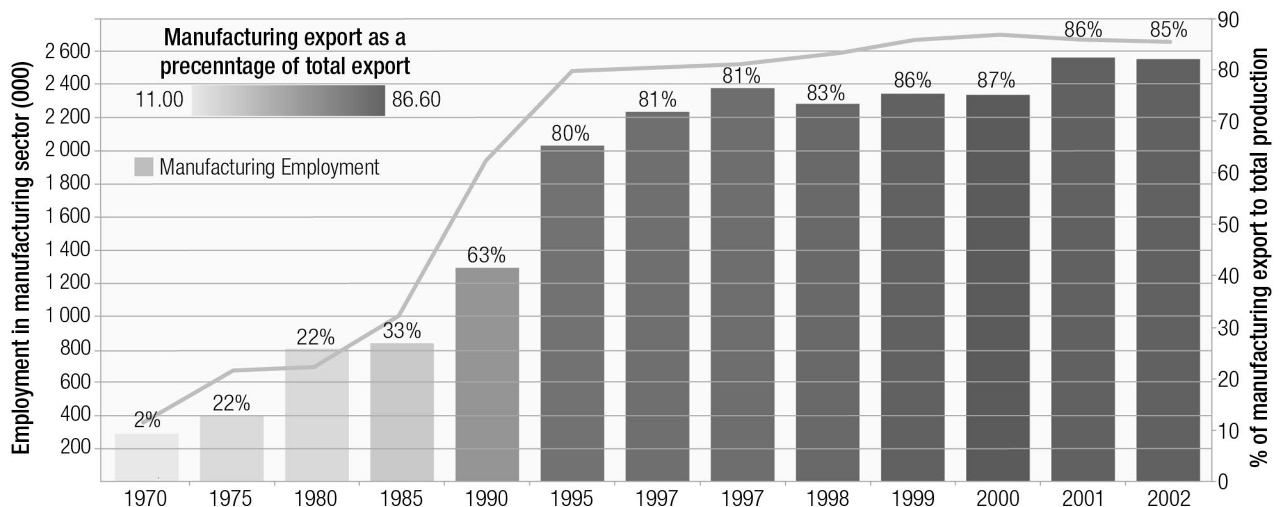
Figure 7.11: FDI inflow to Malaysia and sub-Saharan Africa (excluding high-income countries).



Source: World Bank

The Second Malaysia Plan in 1971 played a crucial role in the industrialisation process. During this period, Malaysia established free-trade zones to attract export-oriented FDI in light manufacturing activities and eventually to expand employment opportunities by identifying manufacturing as the engine of growth. While FDI inflows led to a decrease in unemployment levels in Peninsular Malaysia, the electronics manufacturing industry, which is characterised by short boom-bust cycles, often faced retrenchments during economic downswings.[25] This was instrumental in creating jobs for the youth. As Figure 7.12 shows, the share of manufacturing export in total export and the employment level were highly correlated.

Figure 7.12: Manufacturing export intensity and employment in Malaysia, 1970–2002.



Source: T. Siew-Yean, 'The Future of Industrialization in Malaysia under WTO', *Asia Pacific Development Journal* 11 (1), 2004: 25–48

However, establishing such zones requires readily available transportation, electricity, water and other utilities. The concentration of economic activities in selected areas could exacerbate regional inequality. For example, the bulk of electronics exports come from the state of Penang. Although economic restructuring by ethnicity became the prime focus of the NEP, the export-oriented manufacturing sector was exempted from such requirements, and incentives, including tax exemptions and tariff-free operations, were offered to firms, based on investment and employment generated.[26]

FDI increased following the Second Malaysia Plan, and, by the late 1970s, it was on par or slightly above the total direct investment inflow to sub-Saharan Africa. It boosted employment opportunities for the youth, and the unemployment rate fell from 8.1% in 1971 to 4.0% in 1980.[27] Since 1986, these firms were allowed to sell 20% of their output in the principal customs area of Malaysia, when attempts were made to promote domestic linkages. Providing excellent basic infrastructure, security, political stability and the quick handling of related issues helped make the free trade zones and licenced manufacturing warehouses safe production bases in the global division of labour of foreign multinational companies.

BEYOND ENTRY: CRAFTING POLICIES TO MAXIMISE FDI'S LOCAL IMPACT

While Malaysia excelled in export-oriented manufacturing within processing zones, transitioning to high-value-added activities posed a formidable challenge. To address this, active industrial policy instruments were introduced, with a focus on skill transfer and technological advancement. The government's endeavour to establish domestic car brands (Proton and later Perodua) in the automotive industry also faced setbacks and achieved limited success.[28] In the 1990s, state-owned enterprises Silterra and First Silicon were established to focus on higher-value products like semiconductor fabrication.[29] Unfortunately, these ventures failed and were eventually sold to foreign companies. Subsequently, Malaysia lost labour-intensive, low value-added production to more labour cost-effective countries like China.

To address collective action problems, various intermediate organisations were established to provide public goods. However, political affiliations involved in their creation and management hampered their ability to drive technological advancement.[30] Additionally, while the Second Industrial Master Plan 1996 aimed to promote industrial clustering, its application was misdirected sector wise.[31] Moreover, the government's reluctance to offer grants to foreign and ethnic Chinese firms, driven by political considerations, hindered the implementation of policies to foster technological progress.

Shifting gears, the Malaysian government aimed to entice foreign corporations to conduct research within the country, moving beyond low-value assembly. This shift proved pivotal for the semiconductor industry because foreign firms started to engage in higher value-added activities in Malaysia such R&D. The establishment of these R&D facilities created a pull factor for production and diverse suppliers, solidifying Malaysia's status as a significant chipmaking cluster. Successful in securing this position, the strategy fell short of placing Malaysia at the forefront of chip technology, as the focus remained on optimising older, non-cutting-edge production processes. While Malaysia's electronics sector, especially semiconductors, benefited from following market trends, leveraging robust infrastructure and streamlining administration, relying solely on this approach can only sustain them in the short run. Moreover, the political economy of ethnicity appears to be a major constraint that has prevented the state from pursuing dynamic technological catch-up strategies in the country. With shrinking labour pools and rising wages, a different strategy is needed. To maintain technological progress and boost R&D, Malaysia needs to move beyond attracting cheap labour and foster more vigorous domestic R&D efforts and deeper linkages with foreign investors.[32]

Investing in technical and vocational education and training

Malaysia succeeded in increasing enrolment rates in primary, secondary and tertiary education, with tertiary enrolment surging from under 5% to over 40% (see Figure 7.6). In addition, the country was able to develop Technical and Vocational Education and Training (TVET), which contributed to Malaysia's industrialisation success and offered potential lessons for Africa.

Malaysia's TVET system traces its roots to 1956, with the initial curriculum established following the Razak Report and education regulations. Subsequent policies, including the Rahman Talib Statement, the Mahathir Report and cabinet reports, solidified a comprehensive framework for nationwide TVET development and implementation. Malaysia's commitment to TVET is evident across governments, a contrast often seen in many African countries. The system experienced impressive growth due to consistent government investment, with over 500 public TVET institutions established by 2015. Funding nearly doubled between the Seventh and Eighth Plans, reaching RM 3.8 billion, reflecting a sustained dedication to TVET development.

An intriguing facet of Malaysia's TEVT education is the Sistem Latihan Dual Nasional (National Dual Training System, SLDN). It enhances collaboration with industry, producing work-ready TVET graduates by incorporating direct feedback from industry partners, ensuring students' employability. In that way, TVET actively helped to fill the short- and medium-term gap in labour supply. Small, industry-linked institutes offer specialised programmes, with machinery tailored to specific needs. At the same time, more extensive collaborations like the Malaysian Plastics Manufacturers Association initiative bring together local and international expertise to develop talent pipelines. This close engagement with the industry ensures graduates have the skills companies need, with an impressive 88.5% employer satisfaction rate. By bridging the skills gap and preparing students for successful careers, TVET is proving its crucial role in today's economy.[33]

Malaysia's youth development policies and initiatives

The acknowledgment of youth as a crucial resource for development in Malaysia dates back to 1948, when the Malaysian Youth Council (MYC) – an NGO and Malaysia's sole co-ordinating body for youth and student organisations – was established. The three main managing bodies for youth development in Malaysia are the MYC, alongside the National Youth Consultative Council (NYCC) and the Ministry of Youth and Sports (MOYS). The NYCC is a principal body formed in 1972 that governs youth policy formulation in Malaysia, whereas the MOYS is Malaysia's main implementation body of youth policies. However, significant achievements in youth development for Malaysia began with the formulation of the country's National Youth Development Policy and the Seventh Malaysia Plan (1996–2001), in which the youth and youth organisations were involved and consulted throughout the policy development processes.

The Seventh Malaysia Plan (7MP) represents a pivotal moment for youth development, being the first plan to dedicate a chapter specifically to this cause, despite earlier policies addressing youth agendas. Under the Sixth Malaysia Plan (6MP), various policies targeted youth development, but the 7MP witnessed a remarkable 62% increase in government budget allocation for youth programms. Out of the allocated RM 2.7 billion, 47.5% focused on skills development. This shift was timely, aligning with Malaysia's high growth rates from 1988–1996, sustaining an annual average GDP growth of 9.5%. The 7MP emphasised creating a resilient youth community by enhancing education access, intensifying skill training and fostering entrepreneurial development.

Table 7.1: Development allocation for youth development for Sixth Malaysia Plan and Seventh Malaysia Plan.

	6MP	7MP
Skills training	387.4 (37.0%)	1303.3 (47.5%)
Commercial training	14 (1.3%)	66.3 (2.4%)
Entrepreneurial development	206.5 (19.7%)	368.8 (13.5%)
Sports	280.2 (26.8%)	507.8 (18.5%)
Culture	116.3 (11.1%)	204.7 (7.5%)
Rakan Muda	21.7 (2.1%)	160.0 (5.8%)
Rehabilitation	19.7 (1.9%)	130.7 (4.8%)
Total	**1045.8**	**2741.6**

Source: Seventh Malaysia Plan, Economic Planning Unit

Table 7.2: List of specific youth employment policies in Malaysia.

Ministry	Agency – Initiative	Description
Ministry of Human Resources	**MyFutureJobs** – *Graduates Empowerment Programme (GEP)*	It focuses on building the competitive capacity of Malaysian graduates to equip them with the necessary skills and competencies according to industrial demands. This programme is a collaborative effort between SOCSO and more than 50 career leads from public and private institutions. • Career counselling • Job search • Job matching • Employability programme
Ministry of Youth and Sports & multi-ministry collaboration	*National Apprenticeship Scheme (SPN)*	The initiative strives to improve apprentices' marketability with soft skills and on-the-job training, supporting youths affected by Covid-19 in job placement. Open to SPM, certificate, diploma and degree holders, it involves a collaborative effort across ministries to enhance youth employability through training and job opportunities. The objectives: • Increasing the marketability of apprentices through 'soft skills' and on-the-job training. • Providing a support system for youth to help them get jobs. • Helping to reduce the unemployment rate among youth.
Ministry of Higher Education	**PENJANA (Short-term Economic Recovery Plan)** – *Career Advancement Program (PENJANA KPT-CAP)*	The Pelan Jana Semula Ekonomi Negara (PENJANA) programme under the Ministry of Higher Education or PENJANA KPT-CAP is a government initiative to address the challenges of graduates to build market capabilities and reducing unemployment due to the Covid-19 pandemic. Graduates under the PENJANA KPT-CAP will be able to upgrade their skills and secure a job placement on completion of the programme.

Ministry of Human Resources	**TalentCorp –** *The Nurturing Expert Talent (NEXT)*	The Nurturing Expert Talent (NEXT) initiative is a proprietary assessment system to help individuals identify their strengths, passions and career choices most suited to their skill sets.
Ministry of Entrepreneur Development & Cooperatives (MEDAC)	*Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ)*	PROTÉGÉ is an entrepreneurial and marketability training programme to shape and guide youths, together with the co-operation of industry experts to produce more competitive entrepreneurs ready for the global market, as well as skilled job seekers to meet the needs of the current industry.
Ministry of Human Resources	**PERKESO –** Daya Kerjaya Programme	• **Initiative details:** Financial incentives for eligible employers hiring specific target groups from 1 January 2023. • **Target groups:** – Long-term unemployed, especially youth. – Vulnerable groups: indigenous peoples (e.g., Orang Asli), – women, persons with disabilities, households below the poverty line, parolees and ex-convicts. • **Employer incentives:** – Monthly incentive of RM 600 for three months for hiring from target groups. – Applicable to employers hiring TVET graduates and school leavers unemployed for at least two months. – Eligible employers receive a monthly RM 600 incentive for a 3-month duration.
	Malaysia Short-Term Employment Programme (MYStep)	MySTEP initiative offers short-term employment contracts across ministries, government agencies, GLCs, GLICs and strategic partners. Aimed at Malaysian citizens aged 18 and above from diverse academic backgrounds, it aligns with the government's goal to expand job opportunities and enhance marketability through work experience. In 2023, MySTEP persisted in providing 50 000 job placements, including 15 000 in the public sector and 35 000 in GLC/GLIC and strategic partners.
Ministry of Economy	Provision of Fund	The Ministry of Economy allocates RM 40 million for the Academy in Industry (AiI)–SLDN programme, supporting recruiting 10 000 workers until 2023. This fund covers worker placement incentives, easing the financial burden on young individuals for house deposits and relocation. Additionally, it includes graduation incentives to encourage job retention and certification incentives for trainees obtaining the Malaysian Skills Certificate (SKM) after 18 months of continuous employment.

Policies targeting female labour force participation

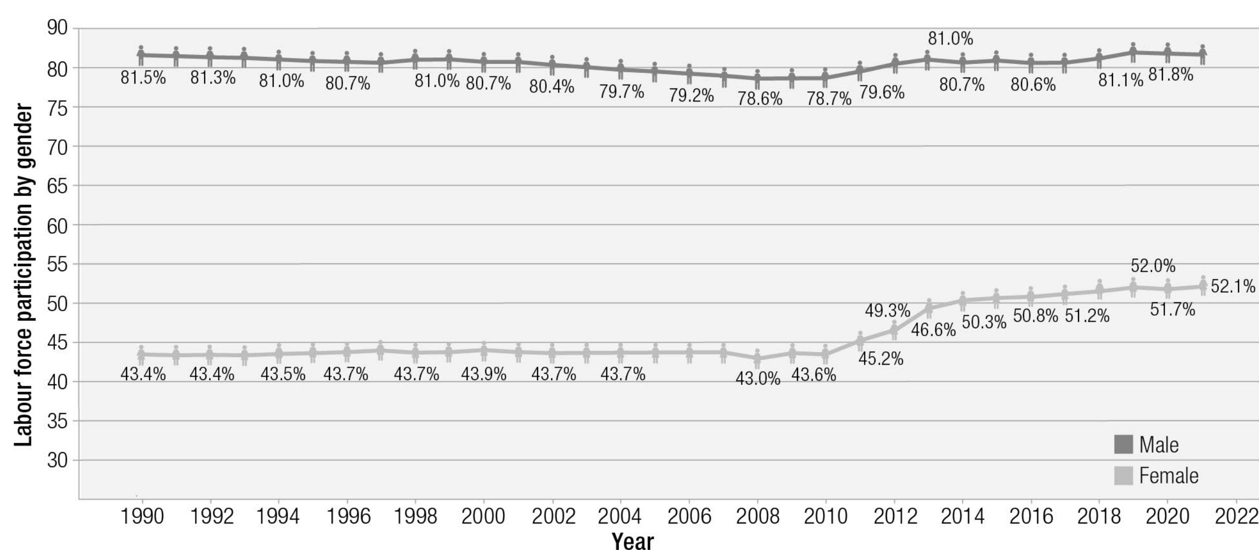
Historically, Malaysia struggled with low female labour force participation, stagnating around 43% by the 1990s, hampering the country's potential. Since 2010, progress has been notable, though still below many nations. The government, recognising the challenges faced by women, initiated policies, including TalentCorp's Career Comeback programme from 2015, collaborating with employers to recruit women returning from breaks. The programme advocated work-life balance and offered a one-year tax exemption through the Career Comeback Tax Exemption programme. Further, Part-Time Work Regulations under the Employment Act of 1955 were introduced to enhance female participation, addressing a

crucial aspect of Malaysia's labour dynamics.[34] Moreover, the government actively promoted flexible work practices and family-friendly approaches to give women the flexibility to balance work and family commitments.

More comprehensive policy changes were introduced during the Tenth and Eleventh Malaysia Plans. The initial set of policies in these plans focused on childcare. Fee assistance and subsidies were introduced to support children from low- and middle-income households attending private and public preschool and childcare centres. Additionally, public sector employees' childcare eligibility was extended until the child reached one year of age. In the Eleventh Malaysian Plan, these efforts were reinforced by increasing tax relief for employees with children to encourage enrolment in nurseries, preschools and higher learning institutions. Tax reliefs were also extended to lactating mothers and employees caring for parents, with additional funding allocated to preschool education in government schools.

The Tenth Plan introduced policies specifically aimed at facilitating women's return to work, encompassing skill training, entrepreneurship and financing programmes across multiple ministries. TalentCorp initiated work-life practice and the Women Directors' Programme. A registry portal under the Ministry of Women, Family and Community Development was established. Leadership encouragement included doubling tax deductions for training when re-employing women from post-career breaks. Listed companies were urged to disclose policies supporting women, like flexible arrangements. The Eleventh Plan extended deductions for the establishment of childcare centres and doubled childcare allowances. It reinforced work-life and career comeback programmes under TalentCorp, reinforcing Malaysia's commitment to enhancing women's participation in the workforce.[35]

Figure 7.13: Malaysia's female and male labour force participation, 1990s–2021.



Source: Author's based on World Bank data

The notable rise in female labour force participation from 2010 to 2013, as depicted in Figure 7.13, is likely attributed to the significant expansion of preschool education. The longer-term increase from 1982 to 2016 aligns with the overall growth in pre-primary education enrolment, although at a slightly lesser proportional rate. The most substantial surge occurred between 2010 and 2013, coinciding with the expanded preschool education. Factors contributing to the post-2010 increase include enhanced access to technology, rising Internet and mobile network coverage, and government initiatives facilitating women's return to work and fostering female entrepreneurship.

ASEAN AS ANCHOR OF STABILITY AND REGIONAL INTEGRATION

The Association of Southeast Asian Nations (ASEAN) has been instrumental in fostering Malaysia's economic development since its inception. As a founding member, Malaysia has benefited from ASEAN's commitment to economic, political and security co-operation among member states. The organisation's initiatives, such as the ASEAN Regional Forum and ASEAN Defense Ministers' Meeting, have contributed to regional stability, a crucial factor for sustained economic growth.[36] The six decades of uninterrupted peace facilitated Malaysia's economic flourishing, providing a valuable lesson for African nations aiming to unlock their growth potential. ASEAN's role in promoting regional trade and investment, through initiatives like the ASEAN Free Trade Area and ASEAN Investment Area, has played a pivotal role in reducing trade barriers and fostering investment flows within the region, positively impacting on Malaysia's economy, although specific estimates may vary.

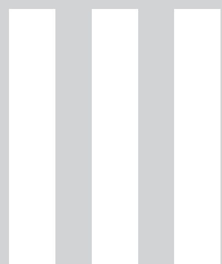
CONCLUSION

African countries can learn and benefit from several aspects of Malaysia's experience. First, the unwavering commitment to 1) build a strong socio-economic base; 2) maintain macroeconomic stability; and 3) plan for the long term is a critical lesson for African countries. Through 12 consecutive five-year plans, known as the 'X Malaysia Plans', the country has prioritised investment in basic infrastructure, coupled with supportive social and industrial policies. This sustained long-term planning fuelled sustained economic growth and brought Malaysia to the brink of high-income status. By emulating this long-term planning approach and consistent policy implementation, African countries can pave the way for similar transformative development.

Second, African countries can learn from Malaysia's success in overcoming the challenges of export-led industrialisation. They can replicate Malaysia's open trade and investment attraction policies, focusing on creating free trade zones with solid infrastructure and efficient administration. This can attract FDI and boost employment, especially for youth and women. However, African countries should avoid relying solely on low-value assembly and strive for technological advancement, as can be learned from Malaysia's pragmatic approaches. They can move towards higher-value manufacturing by adopting strategic long-term plans and promoting R&D.

Third, harnessing the demographic dividend through sustainable and equitable growth depends on the delicate balance between implementing far-reaching structural policies and maintaining social legitimacy. Malaysia's NEP, introduced after the 1969 riots, exemplifies this interplay. By striving for ethnic and rural-urban equality, the NEP created a climate of relative political stability. However, as Malaysia's experience with affirmative action for Bumiputeras shows, such policies require a delicate balancing act. Indefinite applications can lead to reverse discrimination and hamper talent pools and resource utilisation through brain drain and other channels. Therefore, ongoing evaluation and course correction is crucial to avoid these pitfalls and ensure that policies remain relevant and effective in promoting growth and equity. For example, Malaysia's prolonged affirmative action is causing a loss of talent through brain drain, and the repatriation policies implemented by the government have not made a significant difference because the underlying causes have not yet been addressed.

Unlocking the demographic dividend's full potential requires identifying the barriers marginalised groups face, such as young women. Malaysia's success offers a valuable lesson: conduct in-depth studies on the participation levels of different social groups; identify their unique challenges; and design targeted solutions. In addition, designating specific government agencies to lead innovation in these solutions and monitor their impact is critical for sustained progress.



LOOKING AHEAD

– on creating jobs and work

8

HOW TO MAKE THE FUTURE OF WORK, WORK FOR ALL

The Harambee Story

SHARMI SURIANARAIN AND
NCHIMUNYA CHIPO HAMUKOMA

INTRODUCTION

The phrase 'future of work' raises many unexplored concerns and challenges. For instance, the 'great resignation' in the West, coupled with the rise of Artificial Intelligence (AI), suggests that entry-level jobs are dying. The debate is raging: is AI going to steal our jobs or make them easier?[1] Will it create new ones, or will those left behind be further excluded?[2]

On the African continent, poised to become the world's largest workforce in 2030, the demographic dividend is still yet to realise its full potential. Pathways to earning are no longer linear and the promise of finding and keeping a job after schooling and university remains out of reach for millions.

A unique case study in inequality, South Africa illustrates the high costs of economic and social exclusion. South Africa is the most unequal society in the world. As both cause and consequence of this, its labour market is deeply fractured into a minority of privileged insiders and the excluded majority. Young people enter the labour market each year with no meaningful prospect of finding a job. The result is a society with one of the highest levels of unemployment in the world, and deep wage inequality, even among those who do have jobs.

There are many reasons for this sharp divide. Most have their roots in apartheid, the essential aim of which was to build a society (and an economy) structured to serve the interests of a white minority. This found expression in every facet of life, from schooling and housing to the choices employers made about whom to recruit and the shape of their subsequent career paths. Repeated across the generations, the result has been a widening gulf between the lives of those whose parents, grandparents and great-grandparents were excluded, and those born into privilege. In addition, the South African labour market also has to contend with active job destruction – with the decimation of the mining industry, the accelerating pace of change, the Fourth Industrial Revolution and the impacts of the global financial crises and, most recently, the Covid-19 pandemic.

Efforts to address these historic inequities began with the transition to democracy in 1994 and have since attracted an ever-growing portion of government investment, including some R150 billion yearly (3% of GDP) that flows to various forms of post-school education and training each year. While some individual initiatives have enjoyed success, collectively, this investment has failed to shift the equilibrium.

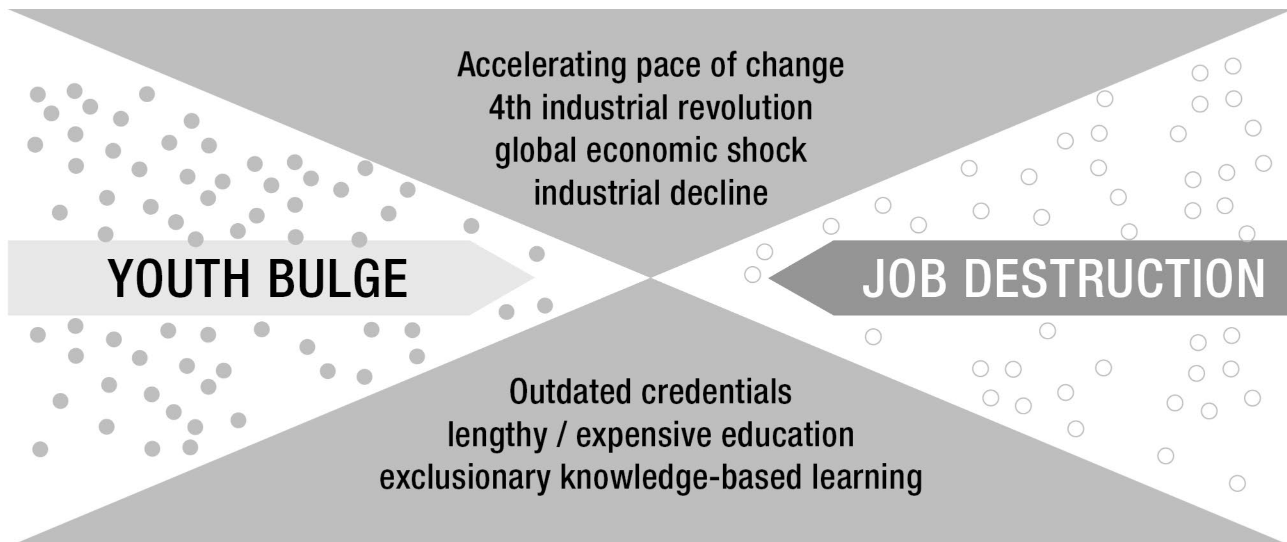
South Africa's economy, and its labour market, fractures along the fault lines of these worlds. For insiders, a more-or-less linear pathway can still be followed, from attending a good school to going to a good university, and then to finding a good job. For outsiders, on the other hand, there is no clear pathway – every step is shaped by barriers and difficulties. For all young South Africans, insiders and outsiders, this transition from school to work is set to get harder, as the vast disruptions to labour markets set in motion by the Fourth Industrial Revolution are amplified by Covid-19 and the economic contraction it is engendering. Pandemic-induced disruptions reinforce a pattern of jobless economic growth that has persisted for nearly two generations, during which the number of new jobs created each year has been far below the number needed to absorb labour market entrants. The result has been steadily rising unemployment levels: even before Covid-19, the absolute number of young people who had jobs was lower than in 2008. The lack of demand for labour is a manifestation of an economy whose growth is decelerating and has become increasingly capital- and skill-intensive.

In a country where industrial relations can be fraught, employers do not prioritise employment creation in their assessment of investment opportunities. Compounding this, individual employers working alone have no capacity to engage the skilling system to seek changes in curricula or recruitment practices that would boost the supply of work-ready talent. The upshot is a distinct and persistent mismatch between the labour supply and the economic demand for jobs.

When employers do create jobs, they often recruit using exclusionary practices. For example, in the non-profit Harambee's experience, nine out of ten entry-level jobs are not advertised. Faced with an enormous number of work-seekers and the difficulty of assessing whom among them is most suited to a particular job, employers have tended to rely on their personal networks to find new recruits. This has many advantages for the employer – it is cheaper, and it uses existing staff to vet recruits – but it has the enormous disadvantage of locking young people out of the labour market if they do not have the right networks or do not know how to apply, even if they do have the capability (or potential) to do the job.

Further, many poor work seekers are less likely to have family members in long-term employment, reducing the opportunity for the vicarious acquisition of workplace-relevant aptitudes. They lack reliable and accessible information to help them decide what to study, how to finance their studies, and how to navigate the often-opaque application and selection processes. When they look for work, they soon find that their connections to the job market are too weak to secure employment: they know too few people who have jobs and can guide them, they do not know how to search efficiently or what employers are looking for, and, often, they lack the financial means to sustain active job searches. Lacking experience, they also do badly when interviewed for jobs. Should they choose to try their hand in the informal economy, they enter a crowded field with very narrow margins, in which their lack of know-how may quickly lead to financial losses and business failure.

Figure 8.1: South Africa faces a polycrisis across the demand and supply side.



How do we make sense of these trends? In this chapter, the Harambee Youth Employment Accelerator will outline its experiences in its quest to enable inclusive job growth that is youth-centred and technology-enabled. 'Inclusion' focuses on providing equal opportunities for young South Africans entering the job market with a lens on how gender, socio-economic status and disability can impact young people's earning trajectories. While most of the debate around technological progress focuses on the prospect of jobs being lost, the work Harambee is undertaking proves otherwise. The organisation's experience suggests that it can turn this pivotal moment in technological advancement, seemingly poised on the brink of inevitable climate change, into a reimagining of a different world. But this is only possible if we use our best tools: our cutting-edge technologies, in combination with our human-centred design, and in partnership with a wide variety of stakeholders, to ensure that those most excluded are actually the best served.

This chapter outlines Harambee's experience in enabling job growth in sectors through innovative partnerships, combining the scale and reach of government, the efficiency and innovation of the private sector, and a focus on inclusion. It looks at job growth in the Global Business Sector (GBS) and Harambee's inclusive hiring approach for South Africa's most excluded youth. Sharing specific examples of how Harambee has managed to address these trends by combining some of the most cutting-edge technologies – such as AI and multi-channel platforms – with its talented and resilient young people, to better serve society's excluded. We also outline Harambee's experiences in livelihood generation, such as enabling young people to make their own money through innovative channels. Earnings security and pathways to asset ownership can help move generations out of poverty. Lastly, the chapter posits that if prioritised and supported through multi-stakeholder partnerships and innovative policies, earnings pathways in the digital and other economies can help generate opportunities for the millions of young Africans entering the labour market each year.

The chapter draws on Harambee's 12 years of experience addressing youth employment to outline both the challenges and complexities of the youth unemployment challenge, but also the opportunities for innovation and collaboration. Harambee now serves a platform of 3.5 million youth and has enabled over 950 000 pathways to earning. The chapter explores the importance of multi-stakeholder solutions that do not pit inclusion and growth against each other but create a future of work that works for all.

BREAKING BARRIERS: MAKING YOUNG PEOPLE VISIBLE TO THE LABOUR MARKET

Harambee was established in 2011 as a private response to a key structural imbalance in the South African labour market – the inability of youth from impoverished environments to find jobs, despite positions available in the formal economy.

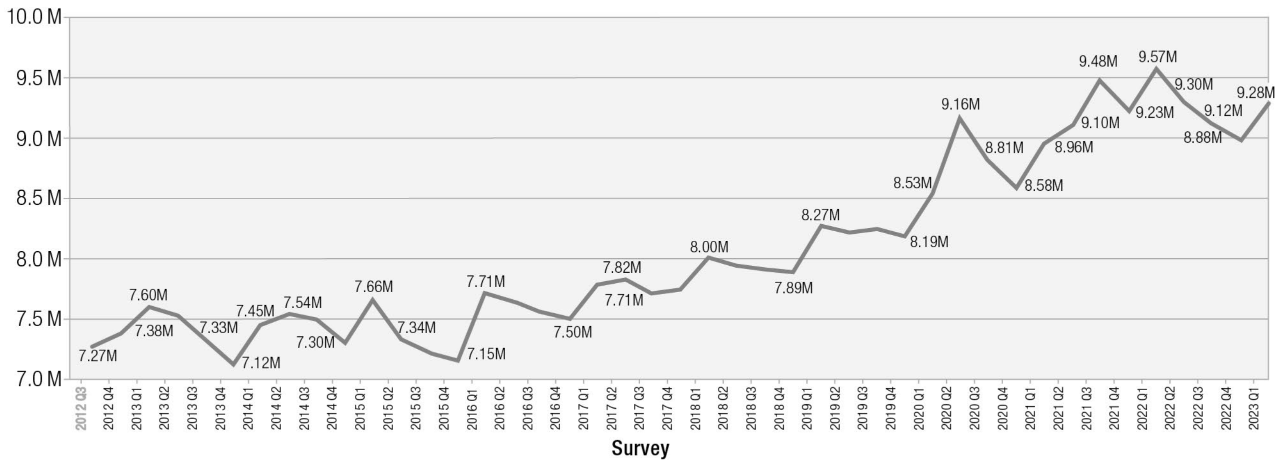
It began as an effort to solve clearly defined challenges within organisations like Hollard and Nandos, such as the inability to source and secure entry-level staff, despite millions of South African youth still looking for opportunities. This market failure of the intersection of the supply and demand side of the labour market laid the foundation for Harambee's demand-led approach, ensuring that young people entering the market were skilled in the competencies the market needed.

At inception, Harambee was structured to directly address four major barriers that characterise the struggle of marginalised youth to access available jobs: barriers to accessing jobs (including limited social networks, high data costs and physical distance/transport costs); skills barriers (where young people lacked demand-relevant skills for available jobs); work-place readiness barriers, especially with first-time work seekers with limited professional exposure or experience; and inflexible labour legislation, which heightened the risk for employers to take a chance on entry-level workers.

Through iterative testing and engagement with employers, the organisation discovered that despite having thousands of vacant entry-level positions and high and costly churn rates, especially in the call centre sector, businesses wanted them staffed with highly educated, experienced workers. Our plan to close these gaps was straightforward: analyse a job to define the specific competencies required, recruit excluded young people, test them to determine if they possessed those competencies and, if so, make the match. If they did not have the relevant competencies, we would then define the gap and determine the fastest, most efficient way to train them and move them into the job. In fact, most employers' job descriptions described unattainable credentials instead of describing required skills or the tasks that comprised the job. A fast-food restaurant would require that a warehouse packer have high maths grades, but when pressed for details, the employer specified that the job only required that the employee be able to count by six and twelve. We recruited young, high-potential work seekers unlikely to access entry-level opportunities, matched these candidates to jobs where they were most likely to succeed, and conducted 'close-the-gap' skilling that prepared them for the world of work in line with the needs of a specific employer.

By 2015, Harambee had placed 15 000 young people in entry-level jobs in the formal sector. While certainly relevant to the marketplace and much needed, the organisation's approach was still insufficient to meet the growing needs of the one million young people completing matric and entering the workforce each year, in addition to the more than nine million young people Not in Employment, Education or Training (NEETs), a number that continues to grow over the years.

Figure 8.2: NEETs in South Africa continue to grow.



Source: QLFS 2023 Q1, Harambee analysis

Harambee then refocused its attention to exploring the potential of systemic interventions to provide meaningful change for one of South Africa's most wicked problems.

FROM SCALING PRODUCTS TO BUILDING ECOSYSTEMS: THE GLOBAL BUSINESS SECTOR STORY

Harambee partnered with more than 150 businesses, including supermarkets, hotels and banks, to find candidates for customer service and sales, call centre and administrative jobs. We had begun to establish and test a platform that aggregated both job and candidate information to pair young people more efficiently with jobs. This was designed to be inclusive, youth-centred and technology-enabled from inception, but much more than a recruitment engine. This platform was designed to manage young people's 'pathways' into and through the labour market. Harambee believed that if the organisation helped a young person to get their first foothold into the economy, they would be more likely to remain in the workforce for a long time. The model of pathway management was designed to keep young people engaged in the labour market so they could start and continue earning and remain productively engaged. Harambee was committed to engaging with young people throughout their career, offering them new opportunities – jobs and demand-led training, among others – as they transitioned from a previous job opportunity.

And as Harambee scaled, we realised that it was insufficient to make young people visible to the jobs of today, it had to proactively work towards breaking barriers and creating jobs of the future. The organisation had understood that South Africa's low-growth economy was not going to create sufficient jobs – not least for young people. We needed to move beyond inclusive hiring alone, to accelerating inclusive job growth. It decided that the organisation alone could not drive change, but by partnering with government and the private sector, it could amplify its reach and scale, as well as accelerate its impact.

One sector looked promising: the GBS sector (formerly known as Business Process Outsourcing). In 2017, Harambee began to pilot a sector-based model within the GBS sector. Traditionally seen as work outsourced cheaply to India or the Philippines, this sector was growing in Africa as well. This was an opportunity to shape and design a market and, instead of incentivising a race to the bottom, Harambee could help create an industry that worked for South Africa and for its young people, by foregrounding inclusion.

Harambee partnered with employers to help create Business Process Enabling South Africa (BPESA), an industry association to include members from the private and public sector to shape the ecosystem, attract investors and employers, and provide demand-led skilling for the ecosystem. This was done instead of creating pathways for young people with individual employers. In partnership with BPESA, the industry created a roadmap for the creation of over 500 000 new jobs within the sector. Between 2018–2022, 81 234 GBS jobs servicing the international market from South Africa were created, generating export revenue of $1.3 billion for the country. This sector continues to employ a majority of women (over 63%) and youth (89%) year on year – suggesting that with collaboration and co-ordination, inclusion and growth do not have to be at odds.

An example was Harambee's partnership with Webhelp, a global impact sourcing business with over 120 000 staff. Since 2019, Webhelp has worked with Harambee to source over 4 000 impact workers for their operations in South Africa, servicing international clients, including the UK's Shop Direct. Webhelp's own analysis suggests positive business results from their impact sourcing strategy. The payoffs have been significant despite the supposed risk of an additional upfront investment, including supporting work-place readiness for impact workers. Through the company's analysis, impact workers have shown an 80% retention rate, compared to 50% for regular workers – resulting in a >46% cost savings in recruitment. The Webhelp–Harambee partnership has positively impacted on 130 families and 520 lives in the Shop Direct campaign. The GBS industry has also benefited from significant government investment in the form of incentives for new jobs created, which includes a target of 20% for inclusive hiring. In 2022, the sector hired 30% of all new hires inclusively.

Figure 8.3: Inclusive hiring in the formal economy is not a risk. In fact, it can drive growth and shared prosperity.

Learning from these experiences, and leveraging its multi-stakeholder partnerships, Harambee launched the SA Youth platform in 2020, to serve the nation's unemployed youth. SA Youth is a multi-channel platform, an anchor partner in the Presidential Youth Employment Intervention, designed to support young people to enter into and stay in the labour market through a variety of interventions. At the heart of this innovation lies the notion of pathway management to support young people's access into the labour market by breaking barriers, prioritising inclusive hiring, and supporting job creation with an inclusion lens. Harambee does this by supporting and engaging young people through this free, zero-rated multi-channel platform, which is designed around the lived realities of a young person. Thus far, SA Youth and Harambee have provided work-seeker support to nearly four million young people in the network and enabled over one million pathways to earning in the formal and informal economy. This level of scale to enable inclusive growth would not have been possible without technology.

Figure 8.4: SA Youth is designed to be free and enable easy access to jobs and opportunities.

MEETING YOUNG PEOPLE WHERE THEY ARE: USING TECH TO CATALYSE THE INFORMAL SECTOR

But despite these positive trends and innovations within the platform and in the formal economy, it was insufficient to absorb the millions of young people entering the labour market. Small, medium and micro enterprises (SMMEs) account for at least a third of South Africa's GDP, and yet the sector remains surprisingly small and relatively impenetrable to new labour market entrants. Our data has shown that supporting young people in informal livelihoods increases their skills and chances of securing formal sector employment. But realising these benefits remains a high-risk bet for many. This requires capital to invest in stock and/or equipment, licences and permits, or highly variable running costs such as mobile data and fuel, with the prospect of tiny margins and intense competition. Few have any savings or means to bridge a temporary setback.

New models in the informal economy show signs of changing that. Since the pandemic, South Africa's delivery driver industry has grown. But it is plagued with barriers to entry, such as licensing difficulties, challenges in owning or accessing financing for vehicles and unpredictable incomes with low margins. In 2019, this additional focus led to a pilot project called Youth Solving Youth Issues, where trainers who had received extensive support from Harambee trained young people in entrepreneurship. The programme was run in smaller municipalities in South Africa, providing young people with an opportunity to start and keep earning, instead of waiting for a formal job alone. It provided in-person check-ins for young people multiple times a week over three months, linked to their ability to access a stipend. By the end of the pilot, Harambee proved that young people with active support from experienced trainers could start their own businesses and generate income from them over a relatively short time. But these micro-businesses, while allowing young people to 'make their own money' were precarious and volatile, often earning them only R700 per month, with huge gender disparities.

In 2021, after delays due to the pandemic, Harambee undertook additional pilots in the informal economy that built on the lessons from 2019 and were bolstered by the recent pivots required to transition from face-to-face to remote interactions. The organisation pioneered support for young people in the form of a WhatsApp chatbot, similar to those used in the healthcare sector. The initial reach

was 30 000 young people, but completion rates were low: less than 2% completed the journey to earning meaningful income from what they had learnt. This was an important lesson in adapting Harambee's technology to suit the needs of young people, albeit in an entirely different segment of the economy. With an iterative, lean impact approach, Harambee then refined its approach to provide bite-sized, customised modules in the form of YouTube videos, podcasts and short, peer-led lessons designed to engage and support young people interactively.

In 2022, Harambee investigated unlocking additional opportunities for young people in the informal economy and started a partnership with Qwili. Qwili is a tech startup based in Cape Town that provides a 'spaza shop in your pocket' to sales agents who use their app. The app enables agents to resell products like airtime, groceries and pre-paid electricity through their phones. Digital products get delivered instantly, while physical products have a one- to two-day lag time but can be delivered to communities outside the delivery radius of major retailers such as Checkers, Pick n Pay and others. The income model for agents is a minimum 5% commission on all goods transacted through the platform, with additional bonuses for meeting certain sales targets.

With R500 start-up capital and establishing a peer group on WhatsApp for young people to ask questions, seek additional support through the programme and track their process over three months, Harambee learnt hard lessons again in boosting participation and take-up, resulting in greater engagement over time. Active users of the application generated more than R20 000 in sales and averages of R2000–R3000 per month, a huge leap from data on self-reported hustles.

Harambee added peer mentors to its WhatsApp groups, and included sales and entrepreneurial data and content, in addition to in-person training. With these additional tweaks, the candidate cohort was able to generate over R1.2 million in sales and over R75 000 in commission over a three-month period. The subtle tweaks of relevant and purposeful human interaction enabled the organisation to unlock the potential of technology and transform young people from those not in education or training, to active agents contributing to South Africa's GDP.

The technology provided in the Qwili app enabled Harambee to reach young people and provide them with a tool for earning. In addition, it provided the organisation a means to be able to track young people's levels of earnings, even though their sales were predominantly cash transactions in the informal economy. Qwili provides an excellent example of how technology can be used to unlock livelihoods for young people – and how important it is to derisk entry into the informal economy.

INCLUSIVE BY DESIGN: PUTTING THE MOST EXCLUDED IN THE DRIVER'S SEAT OF CHANGE

And while it is innovating and pioneering in other spaces, Harambee is no stranger to this latest frontier of inclusive technology – AI.

Harambee's offices in Braamfontein are full of the energy and dynamism of its contact centre guides, who engage with young people on average 2 000 to 2 500 times a day through calls, chats and emails. Its social channels reach over 40 000 young people on TikTok, and more than half a million on Facebook. The purpose of these conversations, regardless of the digital channel, is to connect young people to the labour market by providing helpful and practical work-seeking advice, coaching and motivation.

Harambee's data shows that access to employment opportunities is highly unequally distributed across the country. But there are still over 3.5 million youth from nearly every single municipality across South Africa signed up on the SAYouth.mobi platform. This was made evident during the recruiting

period at the end of 2023 for the Department of Basic Education's (DBE) school assistant programme, where opportunities were created across the country, and Harambee saw sign-ups increase by a factor of ten, to as many as 1.5 million unique applicants in under one month. The prospect of work within reach drove this huge surge. The challenge, with partners in government, was how to handle it. Human connection and guidance are important elements of Harambee's inclusive model. But high-touch human processes can't scale to provide seamless 24/7 support at the volumes that were experienced. So, the organisation turned to AI, not to make its highly trained human guides obsolete, but to support them.

AI and youth-led customer service have helped solve three issues. First, the problem of sheer scale. Harambee co-created a tech solution that blended its own contact centre talent with advanced conversational AI technology. The result is a customer support chatbot that is centred on imaginative and empathetic conversational design, driven by the experience of the young unemployed work seeker. The chatbot can streamline and direct simple queries appropriately without losing the human feel. At the same time, the organisation's actual human guides are freed up to address more complex queries. Neither of these experiences is out of touch with the lived reality of the unemployed work seeker. During the three-week DBE recruitment drive, the chatbot handled 37 000 chats, providing assistance 24/7, which further drove inclusivity because unemployment does not keep office hours.

The second issue AI has helped solve is how to coach and develop these human guides without taking them off the phones or out of the contact centre. Coachmee is a bite-sized personal mastery and goal-setting chatbot also deployed during the DBE sign-up surge. Both guides and work seekers alike were able to work through personal goals and celebrate quick wins each day.

As a Harambee contact centre guide, Sinomtha says, 'I fell in love with Coachmee because I felt like I found a new friend that I could share my thoughts and feelings with without being judged. I found the platform very helpful cause I could plan my goals [for personal development] on a daily basis. If a goal isn't reached, there is some great motivation … and zero judgement. Coachmee is a place where I can be vulnerable, get some motivation, plan and grow.'

Harambee's experience is that through a combination of conversational AI technology and ubiquitous chat-based platforms, such as WhatsApp and Facebook Messenger, it can provide work seekers with daily support that addresses both their professional and personal concerns.

The third issue AI is helping solve is how to increase engagement and, thus, success beyond the initial sign-up. Harambee knows that the more relevant the jobs young people search and apply for, the greater the chance of their success. So, viewing the appropriate job vacancies on SA Youth must be as easy as possible. The organisation drives this outcome by measuring the metric that matters: the number of vacancies an individual views and applies to, which varies by user, from a handful to hundreds, and analysing the data to understand patterns among user groups viewing many opportunities versus those viewing too few. Historically, acting on this data by proactively nudging them towards the right opportunities has been labour-intensive, based on human hunches. As Harambee's data set grows, it is beginning to segment its user base in order to find patterns of successful work-seeking behaviour and nudge young people to replicate this.

Young people increasingly want to search for opportunities via digital and hybrid means, and AI is part of the solution to meet that need. However, along with these advances come new exclusionary barriers. High data costs persist as a key blocker, leading work seekers to meter out their job research or simply not search online at all. SA Youth is inclusive by design: it is free to use and zero-rated, which means no data is required to use the platform. Data costs must be addressed for more of the digital infrastructure of work-seeking so that young people are not left behind.

And we must go further than that. For too many young South Africans, arguing over data costs, let alone AI, is a luxury: they don't have access to broadband, let alone electricity. To remedy this requires new kinds of systemic interventions, and we are excited about recent efforts to promote easier broadband deployment in our most excluded areas.[3]

Whether it is believed that digitisation and artificial intelligence are forces of destruction or creation, one thing is clear: no one will be insulated from the impacts. By turning these innovations to not only just serve but be *shaped* by society's most excluded – unemployed youth – we all stand to benefit.

POLICY RECOMMENDATIONS

Despite the challenges in the South African labour market, Harambee's experience and partnerships offer specific suggestions on how to address them. In closing, we outline a few recommendations for policy-makers to take into account:

Lesson 1: Build ecosystems, don't scale products.

- Too many policies focus on the 'one solution' that will address all issues – we need to solve at the system level, not just at the product/programme level. Scaling individual products and programmes, while important, will be insufficient for us to address root causes or shift systems that continue to keep structural inequalities in place.
- This calls for innovative partnerships across multiple stakeholders; no single organisation or policy can solve this alone. The multi-stakeholder partnership, such as SA Youth, allows us to draw in innovation and efficiency from the private sector, the scale and influence of government, and the focus on inclusion of social enterprise. SA Youth is a case in point.
- In building ecosystems, our experience suggests that it is critical to first find a zone of opportunity that demonstrates promise for youth-inclusive hiring, allows for testing and refinements, and has like-minded partners to drive an industry solution forward. This was true of the Global Business Services sector – but can be replicated in other sectors, including installation repair and maintenance, for example, solar panel installation.

Lesson 2: Pathways to employment are no longer linear. We need a whole economy approach to inclusive employment, with pathway management at the core.

- Despite the fact that we face jobless growth in South Africa, the few jobs that can be made available to young people should be done so, inclusively. There is a key role for the private sector here – jobs can be made more accessible, with government support for inclusive hiring and demand-led skilling. South Africa possesses a range of instruments – from the employment tax incentive, the B-BBEE scorecard, and a range of initiatives, including learnerships and bursaries – to encourage companies to employ youth. However, these often do not target those most excluded. Organisations should be supported and incentivised to recruit excluded youth, for example, youth with a secondary school qualification and not higher degrees. Demonstrating the return on investment for inclusive hiring is critical – in the form of cost savings, increased retention and value-added.
- In the absence of a job-rich economy, work experience is too important to leave to the private sector alone. The Presidential Employment Stimulus programme was launched as part of the government's response to the negative impact of Covid-19 on employment and has been a proof

point in showing how effective even short-term employment programmes can be in offering hope and engaging young people who would have otherwise been discouraged. By keeping young people engaged, productive and hopeful, these programmes directly address this issue of productivity. Public employment and well-implemented social protection programmes serve a very clear purpose. These programmes can reduce the risks and costs of job-searching, provide young people with something purposeful to do and keep them engaged in a labour market that doesn't otherwise hold promise.

- South Africa's informal economy is still surprisingly small and cannot cushion young people from labour market shocks. But encouraging young people to become entrepreneurial in the face of a shrinking job market alone is insufficient. Insurmountable barriers – like lack of market intelligence, information asymmetries, and access to enabling technology and capital – persist. We need to support small and medium businesses to train, hire and break barriers for youth entry into the informal economy – rather than expecting them to shoulder this burden alone. We need to support SMMEs to hire and retain excluded youth – the role of intermediaries and social enterprises is key to demonstrating proof points that inclusive hiring is good for business. Many SMMEs are resource-constrained and often lack the typical channels to onboard and induct entry-level hires – and expect youth to figure things out. In Harambee's experience, structured support for youth to accommodate the changing needs of an SMME workplace is vital –such as basic work-place readiness training that includes communications support, time management and the ability to adapt in changing or uncertain conditions. Similarly, workplaces also need help to accommodate young people so they can thrive – young people can be easily dismissed for lack of professionalism or inability to adapt to changing or uncertain circumstances. Expectation setting, constant feedback, and support with time management and communications are often vital tools for workplaces to accommodate young people's needs or address blind spots.

CONCLUSION

With Africa's growing population, the future of work globally will be defined by the future of work in Africa. The Harambee model is inclusive by design. It also demonstrates that a focus on economic inclusion, with private and public sector support, can create solutions for the immense problems of our time. In order to fully harness Africa's growing population, we need to think about how inclusive design, enabled by technology, can be used to unlock the potential of young people and create the kinds of organisations where betting on young people enables a clear payoff for society.

9

RETHINKING POVERTY ALLEVIATION AND PROSPERITY CREATION IN AFRICA TODAY

EFOSA OJOMO

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.

– Adam Smith[1]

THE 0.3%

Over the past 30 years, Africa has improved many of its development indicators. Consider the continent's progress on two of the most important indicators: education and healthcare. In education, the percentage of children attending primary school is close to 100%, up from approximately 74% in 1998.[2] For secondary school, the percentage has almost doubled from 23% in 1993 to 44% in 2020.[3] In healthcare, similarly impressive statistics abound. Maternal mortality, for instance, has shrunk from 870 deaths per 100 000 births to around 530. Infant mortality has been halved from 107 deaths per 1 000 births to 50. There are many ways to describe Africa today that suggest the continent is making development progress. And although the data is accurate, two fundamental problems abound.

First, the development data rarely tells the whole story. Metrics of poverty might improve, but that doesn't mean that the phenomena of poverty are getting better. In Africa, for instance, the vast majority of children in school – 90% – are not learning, according to a United Nations report on education.[4] In addition, international assessments of literacy and numeracy show that the average student in a low-income country performs worse than 95% of the students in high-income countries. What this ultimately means is that students are attending school but are not learning. In addition, too many Africans who attend school either find themselves unemployed or, if they're lucky, underemployed.

The situation is similar in healthcare. Much of the gains in the continent's healthcare can be attributed to the largesse of donor countries and foreign aid programmes. If funding were cut off, entire health systems across Africa would struggle. This is important because anti-poverty programmes can cause the statistics to nominally improve, even when reality is going in a different direction.

Second, the progress of the past does not negate the struggle of the present. And many Africans today are struggling. Only 0.3% of people in sub-Saharan Africa live on more than $50 a day, approximately $18 250 a year. These are the high-income earners. Only 1% lives on more than $20 a day ($7 300 a year). Simply put – and there is no other way to put it – this means virtually *everyone* in

Africa is struggling. Struggling to access housing; struggling to access healthcare; struggling to access credit to start or grow a business; struggling to live in a functioning democracy; struggling to travel for leisure; struggling to feel secure about their future and the future of their children; struggling to put food on the table without worry; struggling to emigrate to another country to find better opportunities; and perhaps saddest of all, struggling simply to survive.

Table 9.1: Income distribution across sub-Saharan Africa.

Designation	Percentage (%)
High income: >$50 a day	0.3
Upper-middle income: Between $20.01–$50	1
Middle income: Between $10.01–$20	2.9
Low income: Between $2.01–$10	48.8
Poor: <$2	47

Source: Rakesh Kochhar, 'Are You in the Global Middle Class?', *Pew Research Center*, 2021, https://www.pewresearch.org/short-reads/2021/07/21/are-you-in-the-global-middle-class-find-out-with-our-income-calculator/.

Africa, it turns out, is the land of struggle.

Many who visit the continent will lament that African countries are not reaching their potential. Even with vast human and natural resources, Nigeria seems to always be on the verge of a takeoff; South Africa's unemployment numbers – especially youth unemployment – are too high; Kenya's infrastructure projects are hard to complete, much less maintain; and virtually every African country has seen its debt skyrocket over the past two decades.[5]

Perhaps this is why today – despite Africa's progress over the past four decades – the continent's share of GDP, relative to the G7 countries, has dropped from what it was in 1980.[6] This implies that the growth Africa experienced over the past four decades is minuscule relative to already rich countries. This is troubling because it is much easier to grow a small number by a large percentage than a large number by a small percentage. Put another way, it's easier to double $1 000 than it is to grow $100 000 by 10%, much less double it.

Africa's struggle, however, does present incredible opportunity. Some positive signs present hope.

More countries today are practicing democracy, albeit a nascent and fledgling one. Foreign direct investment has increased across the continent, and so has investment in the entrepreneurial prowess of many Africans. In some respects, the continent is moving in the right direction. But it is still moving too slowly. To speed up Africa's growth and development, we must first wrestle with some tough questions.

Why is Africa still struggling with the worst forms of poverty? Why has the number of people living in poverty increased over the past few decades? Why, after so many attempts and anti-poverty programmes, does Africa remain vexingly poor?

Paradoxically, it is because we – experts who care deeply about fixing, helping and supporting Africa – focus on alleviating poverty.

Focusing on alleviating poverty causes experts to see Africa as a continent deeply lacking many of the resources, institutions and infrastructures available in rich countries. On virtually all metrics – education, healthcare, transportation, energy, political institutions and social security services – Africa is severely lacking, at least relative to rich countries. And because Africa seems to lack these resources

and systems seem not only as important but also necessary for the continent to even begin developing, experts, in one form or another, focus on providing these resources. For instance, sub-Saharan Africa 'receives' more than $62 billion in official development assistance (or foreign aid) annually,[7] and much of the aid is spent on trying to fix the continent's institutions, schools, hospitals and other social infrastructure.[8]

These investments help. But only for a time. They are neither sustainable nor do they end up building the local capacity of Africans. And without that – the building of Africa's capacity to make, market, and sell things – Africa will never develop. It is this fundamental capacity to create that is at the core of development and prosperity.

Today, Africa finds itself at a crossroads. The number of young people who will reach working age by 2035 is estimated at 450 million, yet, before the Covid-19 pandemic, the continent was expected to create just 100 million jobs by 2035. Now it needs to create more jobs. What happens to Africa's youth is essentially what will happen to Africa.

So, how can Africa create hundreds of millions of jobs, boost the continent's productivity, and ultimately set it on a predictable path to prosperity?

Although it seems an insurmountable task, thankfully, it is possible. But first, leaders and experts on the continent must stop trying to alleviate poverty. Instead, they should focus on creating prosperity.[9] This will require a paradigm shift in how they think about and fund Africa's development.

THE SOLUTION TO AFRICA'S PERPETUAL STRUGGLE WITH POVERTY

There are two broad themes that must be internalised when it comes to development and Africa's struggle with poverty.

First, the solution to Africa's struggle cannot come primarily from the government. Most African governments not only lack the financial resources to invest in their economies, but many are currently drowning in pools of debt. See Tables 9.2 and 9.3 for data on selected countries' national budget and debt.

In addition to the significant debt burden and infinitesimal budget African countries must manage, they must also contend with overt corruption. A majority of the countries at the bottom of Transparency International's Corruption Perceptions Index are African. This means a large amount of the funds African governments have to spend on their countries, inadequate as they are, rarely ever reach the people.

Table 9.2: National budget for selected countries.

Country	National budget	National budget per capita
Algeria	$58 397	$1 306
Ethiopia	$14 630	$139
Ghana	$12 380	$402
Kenya	$20 180	$392
Nigeria	$22 150	$102

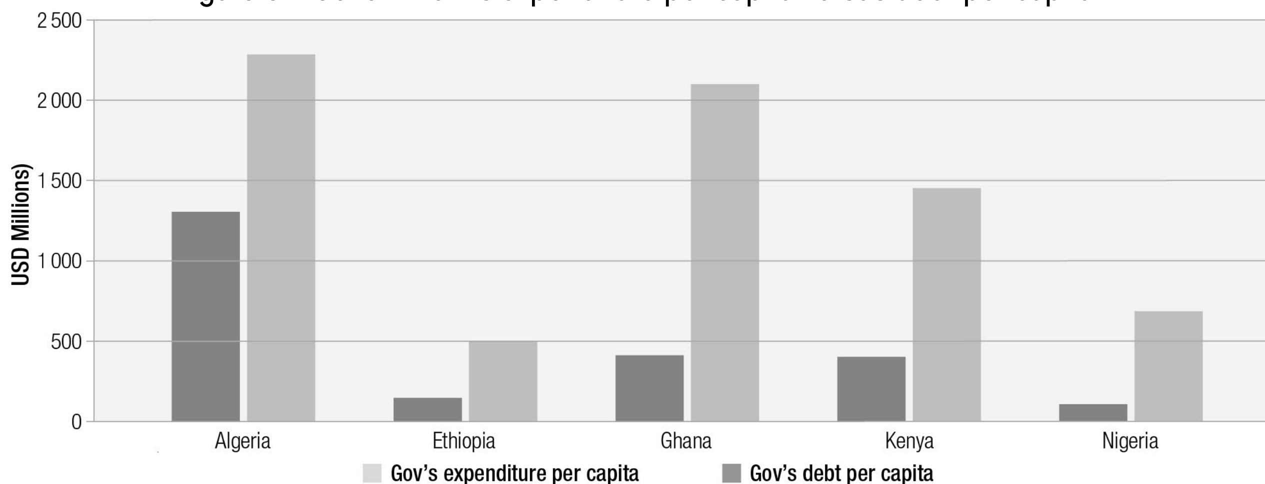
Source: 'List of Countries by Government Budget', https://en.wikipedia.org/wiki/List_of_countries_by_government_budget; 'List of Countries and Dependencies by Population', https://en.m.wikipedia.org/wiki/List_of_countries_and_dependencies_by_population#cite_note-unpop-2

Table 9.3: National debt burden for selected countries.

Country	National debt	National debt per capita
Algeria	$102 486	$2 293
Ethiopia	$52 562	$500
Ghana	$65 007	$2 109
Kenya	$74 970	$1 455
Nigeria	$148 091	$683

Source: 'National Debt by Country, Countries with the Highest National Debt 2023', https://worldpopulationreview.com/country-rankings/countries-by-national-debt

Figure 9.1: Government's expenditure per capita versus debt per capita.



Source: This figure was created with compiled data from Tables 9.2 and 9.3

So, upon further, and relatively simple analysis, it becomes gapingly clear that transformation in Africa will not come primarily from the government. This is not to say the government lacks the will or effort to transform Africa. It is, however, to suggest that the resources required in the context of a continent with low capabilities, high corruption and struggling institutions, are too vast. And Africa simply doesn't have these resources.

This leads to the second point, which calls for a fundamental rethinking of how African leaders do development: if Africa is to prosper, leaders on the continent must consider innovation as the critical missing piece in the continent's development puzzle.

As my co-authors and I wrote in the book, *The Prosperity Paradox: How Innovation Can Lift Nations Out of Poverty*, 'enduring prosperity for many countries will not come from fixing poverty. It will come from investing in innovations that create new markets within these countries. True and lasting prosperity, we have found, is not reliably generated through the flood of resources we are directly pouring into poor countries to improve poverty indicators … Instead, we believe that for many countries prosperity typically begins to take root in an economy when we invest in a particular type of innovation – market-creating innovation – which often serves as a catalyst and foundation for sustained economic development.'[10]

It is this commitment to investing in market-creating innovations that is missing across Africa.

THE POWER OF MARKET-CREATING INNOVATION

Market-creating innovations transform complicated and expensive products into simple and affordable ones, making them accessible to a whole new group of people called non-consumers. Non-consumers are people who would benefit from getting access to a product or service, but, due to obstacles that prevent consumption, they are denied access. Africa is replete with non-consumers. Remember, just 1% of Africans live on more than $7300 annually. When innovators create markets that serve these non-consumers, the impact is immense.[11] Consider the following example.

In the late 1990s, when Sudanese entrepreneur Mo Ibrahim first conceived of setting up a mobile phone company in Africa, many of his colleagues said he had lost his mind. Africa, they 'reminded' him, was a dangerous place, full of dictators and corrupt people. Not to mention the majority of people on the continent were living in extreme poverty. 'If a person can't afford food, what business do they have getting a mobile phone,' the thinking went. But Mo Ibrahim saw something different. He saw vast non-consumption in a continent where the average person's life would benefit from access to telecommunication services.

Instead of focusing primarily on Africa's demographics and market research data, which suggested no opportunity, Mo Ibrahim focused on understanding the unmet needs of the hundreds of millions of Africans for whom mobile phones were not affordable. Without access to mobile phones and easy communication products, many people had to trek miles in villages just to visit family members. If they had an urgent message for a friend, family or an employer, they had to physically go there. It was in this struggle that Ibrahim saw opportunity. If he could find a way to make telecommunication simple and affordable, he was convinced his target market would embrace it with open arms. And he was right.

In just six years, Celtel was able to build operations in 13 African countries and gained 5.2 million customers. By 2004, revenues had reached $614 million. In 2005, when Ibrahim decided to sell the company, he did so for a handsome $3.4 billion. But Celtel was just the tip of the iceberg.[12] The market Ibrahim created triggered the growth of a vast and far-reaching mobile telecommunications industry in Africa. The sector currently contributes approximately $140 billion to Africa's GDP, supports more than 400 000 jobs directly – and 2.8 million in other parts of the economy – and provides billions of dollars in taxes annually. Today, the mobile telecommunication market is responsible for 8% of sub-Saharan Africa's GDP.[13] More importantly however, the market shows what is possible when a group of innovators, government regulators and investors target non-consumption.

What might happen if more African leaders developed a strategy to replicate what occurred in the mobile telecommunications sector in housing and home appliances, food production, financial services, consumer goods, electricity, healthcare, and other products and services?

Over the past several years, there has been a burst of innovation activity across Africa. The continent now attracts more than $3.3 billion in venture capital annually, up 1 800% from $185 million in 2015. That is progress. However, much of the innovation activity in Africa is still too focused on serving the small and visible consumers, and not the non-consumers.[14] To serve non-consumers, more markets must be created. To create new markets, we must understand the process of market creation.

THE PROCESS OF MARKET CREATION: FROM DISCOVERY TO DEMOCRATISATION

The creation of a market is rarely foreseen but, like all good ideas, it is taken for granted after it appears, and, when fully formed, seems impossible to live without. For example, imagining an Africa where

the average person does not have access to a mobile phone is difficult. The creation of this market may seem like a fluke, but thankfully there is a predictable path to market creation, and thus to ample job creation and prosperity.

First, a discovery must occur. Discoveries happen through experimentation, failure, learning and ultimately – with enough perseverance – success. Most new discoveries are built on prior advances in human knowledge and understanding of how the world works. Discoveries can be an invention or technology, a new business model, a new process, or a new product. Discoveries typically take the world from zero to one. Or at most, zero to a few. They make a product or service available to few people who have access to the discoverer. Those with access to discoveries are typically the wealthiest in society.

For example, in the 1990s, there were fewer than ten million mobile phones in Africa and only the wealthy had access.

But a discovery by itself isn't enough to change the world. At best, it benefits a few people close enough to the discovery or those wealthy and networked enough to access the discovery. We remember discoveries because they – after the process of market creation occurs – create a paradigm shift in how many people ultimately experience the world. But that's only possible because of the second phase of market creation.

Second, a distribution mechanism must be developed to enable widespread adoption of a discovery. Distribution takes access from one to many. The following activities typically occur in the distribution phase of market creation: mass production, mass standardisation, mass distribution, mass marketing, mass financing or credit availability, mass consumption, mass casualties and mass regulations. It is in the distribution phase that standardisation occurs. For this phase to be successful, the aforementioned activities must happen concurrently – or at least before funding runs out. As a result, many discoveries never get to the masses.

For example, in the 2000s, the rapid development of the mobile telecommunications sector across Africa began to occur. In two short decades, access has jumped from barely anything to more than 600 million subscriptions. For that to occur, entrepreneurs such as Mo Ibrahim and Strive Masiyiwa and companies such as MTN and Safaricom had to invest in distribution. In Nigeria alone, investors poured in more than $75 billion to build out the distribution component – mass production, marketing, advertising, financing, training, consumption, regulation, maintenance, etc. – of this market. This level of investment in distribution is what creates the infrastructure of society. Unfortunately, across Africa, few products and services are truly distributed. The third phase is democratisation.

Democratisation happens when an innovation is deemed too important or critical that everyone should have access to it. Democratisation efforts are typically heralded and led by governments, international organisations and non-profits. In democratisation the hope is to take access from many to all. Africa, unfortunately, finds itself in the midst of many democratisation efforts. Yet, as important as democratisation is, it is impossible to achieve if the first two phases do not occur. (Note: this third phase – democratisation – doesn't necessarily occur all the time. It is often associated with products and services the government or development organisations deem important, such as water, financial services, electricity, education, healthcare, and so on.)

I fell victim to this problem when I wanted to democratise access to water in a few poor communities I visited in 2009. I co-founded a non-profit, raised funds and built water wells in different poor villages in Nigeria. After several months, virtually all the wells my non-profit built broke. I later learnt that that problem was not unique to our small non-profit. It was prevalent, even with large organisations. There is a strong and noble desire to democratise access to a product or service many people

don't have access to, which will improve their lives. But without the distribution infrastructure laying the groundwork for democratisation efforts, most democratisation attempts fail.

Distribution, it turns out, is the unsung hero of market creation. It makes discovery profitable and democratisation possible. Although everyone celebrates discovery, and we all stand behind democratisation initiatives as we seek to live in a more just and equitable world, without distribution, discoveries languish, and democratisation programmes never succeed.

By understanding the characteristics of each phase, African leaders can increase their odds of success at market creation, and thus at prosperity.

HOW AFRICA CAN BUILD A CULTURE OF MARKET CREATION AND FOSTER WIDESPREAD PROSPERITY

Over the past decade, many leaders in Africa have embraced the power of innovation and entrepreneurship as a critical component in the economic development puzzle. In 2018, Tunisia became the first African country to launch a Startup Act. Then Senegal followed in 2019 and several others, including Nigeria, the Democratic Republic of the Congo, Ghana, Ethiopia, Kenya, Rwanda and Uganda either have Startup Acts or are actively working on theirs. This is a promising development as Startup Acts are designed to create the enabling environment to attract capital and grow startups. Tunisia, for instance, attracted roughly $173 million in startup capital in 2022, up from $5 million in 2017.[15] The African startup ecosystem is growing.

The number of venture capital investors has increased from 155 in 2018 to 987 in 2022; funding has surpassed $3.3 billion from $185 million in 2015; and the number of funded tech startups on the continent reached 633, up from 125 in 2015. Yet, for Africa to accelerate both growth and employment, leaders on the continent should move from funding innovation activity to funding market creation. There are four specific activities they can execute for this to become a reality.

Activity 1: Raise capital for prosperity, not anti-poverty

In 1965, Singapore was poorer than many African countries. At the time, a wave of independence was sweeping across Africa, with many countries harbouring vast natural resources. With no natural resources, a small and a largely uneducated populace, a recent expulsion from Malaysia, a corrupt government and frequent riots, Singapore fit the bill as a perfect aid recipient country. Numerous reports at the time suggested the small island nation was too small to survive economically. Today, however, Singapore is one of the richest places on earth. Africa, on the other hand, remains poor. What happened? And what can African leaders learn from Singapore?

The late Singaporean prime minister, Lee Kuan Yew, certainly played a role by providing strong leadership for the country. However, it was his decision to focus on Singaporean prosperity, and not just on anti-poverty programmes, that created a strong foundation for the country's success. He wrote, 'I was convinced our people must never have an aid-dependent mentality. If we were to succeed, we had to depend on ourselves.'[16] So, from the nation's founding, the government focused on attracting investments to build industry.

One of the ways Singapore did this was by promoting the work of its newly formed Economic Development Board (EDB), whose mission is 'to create sustainable economic growth, with vibrant business and good job opportunities for Singapore'. When many couldn't find Singapore on a map, government officials painstakingly convinced investors that Singapore was open for business. Singaporean

officials regularly traveled to the United States to plead their case with business executives, not foreign aid experts. At the onset, every 40 or so visits made by a Singaporean delegation to the US, resulted in just one US trip to Singapore in return.

The job of the EDB was to attract foreign investment to Singapore in order to create employment, which was in short supply at the time. The EDB focused on investments that promoted industrialisation, beginning with garments, textiles, toys, wood products and hair wigs. Since then, the EDB has evolved its business model to promote training and investments in higher value-added industries, such as biotech, electronics, and semiconductor research and development.[17] As a result of the EDB's work, Singapore was able to reduce unemployment significantly and currently has an unemployment rate that hovers around 3%.

Over time, as Singapore proved itself a safe and profitable place to do business, investments flowed. With a population of barely 5.5 million people, Singapore today attracts $105 billion in foreign direct investment – more than all of what sub-Saharan Africa attracts ($73.6 billion).[18] The small island nation is the fourth most favoured destination for foreign direct investment after the US ($448 billion), China ($334 billion) and Hong Kong ($137 billion). Companies such as Bosch, Bayer AG, BMW, Sony, Facebook, Roche, Unilever, Twitter, Microsoft, Novartis, Apple and many others have set up their regional headquarters in Singapore. Clearly the country is punching above its weight.

Understandably, at just under six million people, Singapore is much smaller than many African countries. And it is also more homogeneous. But there are lessons for African leaders in this small country's rise from poverty to prosperity.

African leaders at the continental, national, state and local government level can take a page out of the Singapore playbook. Set up a dedicated Economic Development Board (EDB) whose singular goal is to drive up foreign direct investment, which can lead to job growth. How much investment did the respective EDB attract, and how many jobs did the investment pull into the city, state or country? If this happens, much like Singapore, the focus of the EDB investments will transcend rudimentary industrialisation and factory jobs. Instead, EDB will prioritise innovation and learning. Fifty years ago, Singapore manufactured and exported mosquito coils and fishing hooks. Today, it exports aerospace, semiconductor and biotech products, and it serves as a major global finance hub. A simple industrial policy focused on basic manufacturing, like that in Lesotho,[19] does not produce semiconductors.[20]

If African leaders prioritise prosperity (not anti-poverty development programmes) and create a focused economic development board with the goal of raising investments that lead to jobs, they will be well on their way.

Activity 2: Build Market-Creating Innovation Hubs that focus on distribution, not discovery

Today, there are more than 615 tech hubs in Africa, up from 314 in 2016, according to Briter Bridges and the GSMA Ecosystem Accelerator programme.[21] Many of these hubs are supported by multinational companies, development organisations, philanthropic foundations and governments. This is a good thing, as the proliferation of tech and innovation hubs highlights the growing importance and role of innovation in driving economic prosperity. But most of the activities in Africa's tech hubs are focused on discovery, not distribution.[22] And as highlighted earlier, without distribution, most discoveries flounder.

The importance of distribution cannot be overstated. It represents the infrastructure of society. As such, the Market-Creating Innovation (MCI) Hub should focus exclusively on building out the distri-

bution infrastructure necessary to increase access to a product or service for the average African. By design, it cannot be an innovation hub focused on programmes and activities, catering to thousands of entrepreneurs in a country. Many existing hubs do that. The MCI Hub will have a singular goal: accelerate the pace of market creation of specific products and services in a particular country. To accomplish this, MCI Hubs will need to operate differently to other innovation hubs in Africa.

First, MCI Hubs will identify and work with no more than five experienced innovators at a time.[23] The focus on an elite group of entrepreneurs is absolutely critical for its success. The goal for the MCI Hub innovators is to build multibillion-dollar companies that serve millions of people and hire thousands. As a result, they will need a lot of support. The MCI Hub will prioritise activities in the distribution phase of market creation, such as mass production, mass marketing, standardisation and consumption. By focusing on depth, the MCI Hub will develop the capabilities necessary to scale innovations across Africa.

Second, the MCI Hub will focus on specific known or visible non-consumption challenges and struggles. There are many struggles that Africans endure daily that can be solved profitably by deploying new business models. For example, the lack of affordable insurance, housing and education presents constant challenges for most Africans. Solving these challenges with new business models will create significant wealth, jobs and tax revenues, similar to the impact of the mobile telecommunications market. After identifying innovators, an MCI Hub will identify a specific non-consumption challenge and support the innovator to build a solution for the masses. Most successful organisations start by solving a very specific problem for their customers.[24]

Third, the MCI Hub will provide the support necessary to help the innovator scale the business to millions of people in the region. Although focusing on no more than five innovators who each work to scale a single product or service may seem counter to other innovation hubs that prioritise working with thousands of entrepreneurs, from a market-creation standpoint, it is the only way to build scale. For example, when Henry Ford decided to make the Ford Model T accessible to average Americans, he built manufacturing plants, paint factories, glass factories, timberlands, iron ore mines, distribution and logistics operations, and invested a lot in marketing. In effect, Ford invested in the distribution component of market creation so he could reduce cost and make his car available to most Americans.

Similarly, when the makers of Indomie noodles, an instant noodle product that sells for the equivalent of roughly 20 cents and can be cooked in less than three minutes, entered Nigeria, they made investments in the distribution component of market creation. Just to get a pack of noodles to the average Nigerian, executives at Tolaram built several factories, invested in distribution trucks and warehouses, training, electricity, retail shops and even farming. After building the necessary distribution infrastructure for Indomie noodles, Tolaram began using this infrastructure to make, market and sell other products.

Fourth, the MCI Hub will focus on milestones, not time frames. Many innovation initiatives are based on innovators going through a specific programme for a defined period of time. Although there are benefits to time-bound programmes, there are also costs, chief of which is the one-size-fits-all nature of these programmes. As such, the MCI Hub will focus on milestones, not time frames. By researching the amount of time an innovator should reach certain milestones, based on innovation activities in similar contexts, the hub will provide the necessary support for its market-creating innovators and give them the best chance of success.

By designing an innovation hub that is singularly focused on market creation, attracts elite innovators, identifies specific non-consumption opportunities, provides the necessary support to the innovators,

and focuses on milestones, different regions can begin to develop context-specific market-creation strategies that can create prosperity for the continent.

Activity 3: Dedicate a fund for market creation

Much of the aid Africa is 'given' never actually reaches the continent. Providing advice and training and technical assistance, without providing the financing necessary to implement the advice and build local capabilities, is unhelpful. Technical advice without funding is akin to advising someone trapped in a burning building on how to get out of the building safely, only to realise the person trapped in the building is paralysed and can't walk. No amount of advice, training or strategy will help the person without physically helping them.

In the same way, market-creating innovations in Africa will not take off without a dedicated financing vehicle for market creation. Although Africa now attracts more than $3.3 billion in venture capital annually, up 1 800% from $185 million in 2015, it is not enough to unlock the continent's market-creation potential.

Mobile telecommunications investors, for instance, have poured hundreds of billions of dollars into Africa over the past two decades to make the service accessible to hundreds of millions of Africans. In Nigeria alone, they have invested more than $75 billion. A fund focused exclusively on market creation in Africa will revolutionise the innovation ecosystem, empower entrepreneurs to serve non-consumption and accelerate the creation of new markets on the continent.

At the onset, this fund need not be large. It simply needs to be focused on helping the innovators in the MCI Hub build out the necessary distribution components for their products and services. Generally, investments in Series A rounds in the US are typically between $10 million and $20 million.[25] In January 2023, the median investment in a Series A round in the US was $13.75 million, while the mean was $16.3 million.[26] By creating a $50-million fund for market-creating innovators in the MCI Hub, and ensuring the investments are focused exclusively on market-creation activity, the likelihood of success in market creation will increase.

The market-creation fund can be part-owned by the government but should be managed by investors and practitioners with experience in market creation. The more African governments benefit from market-creation activity, the more they are likely to create the enabling environments that support these innovations.

Activity 4: Assess access, partner for market creation and then test assumptions with the Discovery-Driven Planning framework

The word innovation is routinely used and often means different things to different people. Many organisations, for instance, invest in innovative projects and programmes, however, it is unclear how these programmes are affecting and will ultimately affect their organisations, much less the economy. As such, categorising innovation activity will be critical to ensure a development strategy anchored in innovation actually leads to development.

In *The Prosperity Paradox: How Innovation Can Lift Nations Out of Poverty*, my co-authors and I propose the following definition of innovation: 'a change in the process by which inputs of lower value are transformed into outputs of higher value'. Innovation can, but need not be, high-tech, digital or at the frontier of the latest technology. It can simply be a new process or business model. This definition highlights an important question: who in society has access to the outputs of higher value? By measuring this access over time, governments and leaders in society can get a sense of what impact their investments in society are having on the people.

For example, if, in 2023, a particular country assesses that only 5% of people have access to affordable housing, the goal of its innovation programme could be to increase that number by 10% in two years. As such, it can partner with its newly established MCI Hub to create this new market. Because of the specificity of the project – increase access to affordable housing for 10% of people in two years – measuring success and milestones will be relatively simple. However, before investing significant sums, leaders can use an innovation framework called Discovery Driven Planning (DDP) to test assumptions.[27] Developed by Rita Gunther McGrath (Columbia University) and Ian MacMillan (University of Pennsylvania), DDP is a disciplined process to systematically uncover, test and, if necessary, reverse assumptions behind a venture's plans. It is designed to address uncertainties at the lowest possible cost, so leaders don't set their organisations on a sure path to ruin. Considering the fact that a vast majority of innovation projects fail – and even more market-creating innovation ones fail – leaders would do well to plan better.

Africa, for instance, is littered with development projects that have not yielded the intended and promised results.[28] From large-scale infrastructure investments that promise sustained economic growth to major policy initiatives that neither reduce poverty, increase access or jumpstart prosperity.[29] The DDP framework can help mitigate colossal innovation failure by ensuring leaders test assumptions before spending significant sums.

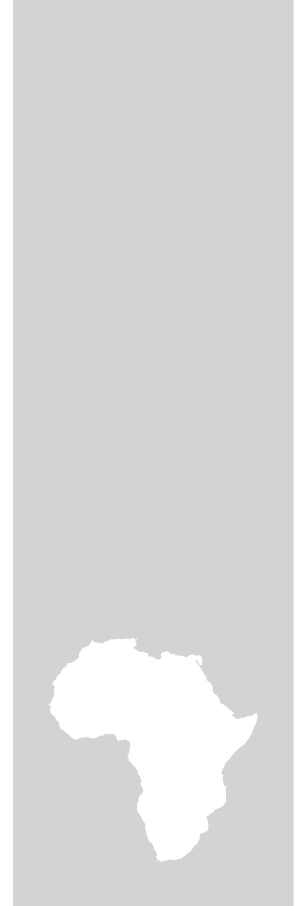
For instance, some of the most efficient private sector companies, including Disney, FedEx and Polaroid, lost more than $1 billion, $600 million and $200 million, respectively, by investing without testing assumptions early in the process.[30] If these highly efficient private sector companies operating in some of the most advanced markets in the world are not immune to large-scale innovation failures, at how much risk are public sector bureaucracies in poor countries?

The five main components of the DDP process are: bake profitability into the venture's plan; calculate and estimate allowable costs; identify assumptions; determine if the idea still makes sense; and test assumptions at milestones (see Appendix to this chapter).

CONCLUSION

As we seek to make the world a better place, we must remember that what people want – or perhaps need – is not a reminder of how 'good' they have it now, largely based on how difficult life was for past generations. Those data and statistics offer little comfort to a mother whose child is sick, with no affordable healthcare in sight; or a father struggling to pay school fees for his children; or a son who just lost his parents in an accident all because he lives in Africa. Yes, Africa today is better than it was yesterday. But Africa today isn't necessarily a great place for the average African.

What people want is a promise of a bright future that offers them hope and a realistic chance of overcoming their current struggles. Business as usual won't work. Development as usual will not suffice. We must develop a new paradigm for Africa that is anchored in market-creating innovations. It is the critical missing piece in Africa's prosperity puzzle.



APPENDIX

The five steps in the Discovery Driven Planning process are explained below.

1. Bake profitability into the venture's plan

Many innovation projects start out by estimating things such as the size of the market, sales for the year, customer subscriptions, and so on. A more rigorous way to assess a plan is to estimate the profit necessary to keep the business going and then work backward from there.

Because projects are funded primarily through customer purchases and cash from investors (equity or debt), at some point if an innovation project isn't profitable, it will go out of business. Even the most patient investors will grow weary if firms don't begin generating profits.

By developing what's called a 'reverse income statement' managers determine the profit necessary to make the project worthwhile. They must then work backwards from there. One of the biggest dangers in today's innovation landscape is that too many projects are impatient for growth but patient for profits. It should be the other way around. Organisations should be patient for growth but impatient for profits.

2. Calculate allowable costs

Once an organisation gets a sense for the profits it needs to generate, the next step in the process is to calculate the allowable cost for a project.

For instance, if a project needs to account for 5% of a firm's total $100-million profit, then the project must generate $5 million. Managers must then figure out how much revenue they need to generate in order to yield $5 million in profit: $100 million. This means the allowable costs for the project are $95 million. When an organisation begins to spend more than its allowable costs, it's a signal that it might be off track.

3. Identify assumptions

Every piece of data is about the past. Because there's no data about the future, managers must make assumptions about their projects, the market, the company and ultimately the non-consumers they seek to serve. Innovation theories help managers make better assumptions.

Some dangerous implicit assumptions are that customers will buy our product because we think it's good or because it's technically superior; customers will switch from their existing suppliers; the product is so good it will sell itself; distributors will stock and service our product; we can develop the product on time and on budget; we will attract the right staff easily; and we have no competitors.

By identifying your assumptions, weighting them appropriately and then making decisions based on their weights, managers can design better projects.

4. Be honest: determine if the idea still makes sense

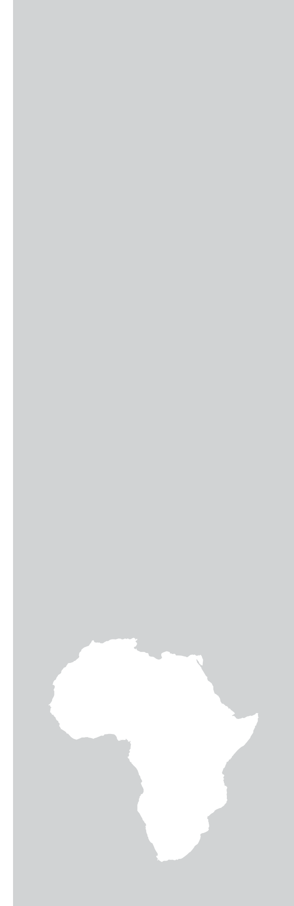
At this point, managers are beginning to get a much better sense of the viability of the project. They have baked in profitability, estimated allowable costs and identified assumptions. There are few calculations necessary for this step; just an honest assumption of whether or not the project still makes sense to pursue in its current form.

This is an opportunity for managers and the team to re-evaluate their original thesis. By now, they have enough data on what the project requires to be successful. By honestly assessing the viability, they can make the right decision.

Unfortunately, far too many managers 'go with their gut' or struggle with the sunk cost fallacy, and this is often detrimental to the innovation process.

5. Test assumptions at milestones

The final major component in the DDP process is to test assumptions at every milestone. Innovation projects, especially market-creating innovation projects, are simply a series of steps that build on each other. If a step is built based on a faulty assumption, the entire project will ultimately crumble.



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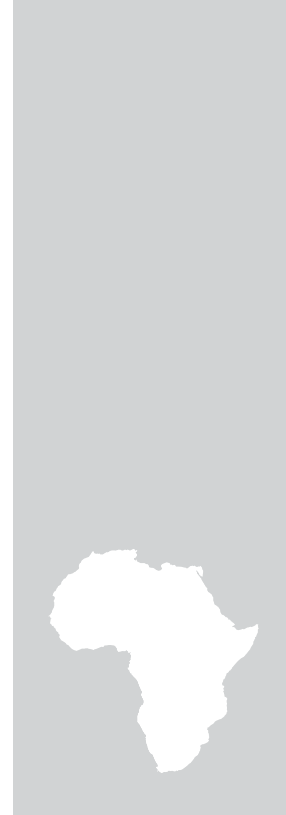

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5. Debt, in and of itself, is not a bad thing. In fact, in many cases, it is good. It acts as leverage that can amplify the productivity of a company or country. But debt in Africa's case is often precarious. Of the 36 Heavily Indebted Poor Countries (HIPC), a designation created by the International Monetary Fund, 30 are in Africa.
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8. An analysis of the official development assistance provided by rich countries to poor ones shows that most of the funding goes toward education, health, social infrastructure, humanitarian aid, debt relief and other programmes. A limited amount goes towards building 'economic infrastructure'.
9. Poverty almost always shows itself as a lack of resources – a lack of food, safe water, education, housing, healthcare, infrastructure and institutions – and because of that, many leaders treat poverty primarily as a resource problem. As a result, they flood resources into Africa in the hopes that these resources fix poverty. Time after time, we learn that progress doesn't happen. The solution to this problem is that African leaders, and those who care about the continent's development, should stop focusing on fighting poverty. Instead, they should focus on creating prosperity. The difference is subtle, but it is profound.
10. Clayton Christensen, Karen Dillon and Efosa Ojomo, *The Prosperity Paradox: How Innovation Can Lift Nations Out of Poverty*, New York: Harper Business, 2019, p. 6.
11. This chapter highlights the importance of markets as the most viable mechanism to trigger prosperity in Africa. It doesn't suggest that markets, by themselves, can solve all of Africa's problems. It also advocates for markets that serve non-consumers. This is distinct from the idea of markets in general. Markets that serve non-consumers are unique because they create access for a whole new population of people who, historically, didn't have access to products and services. These new markets that serve non-consumers have a profound impact on the economy in three distinct ways. They create jobs, increase taxes and provide a product or service to millions of people who are left struggling without market-based solutions. This is important because jobs are necessary for prosperity; an increase in taxes is important for governments to build and maintain better institutions; and when more people have access to products that can help them make progress, they can live more flourishing lives. Although markets are often blamed for causing or exacerbating inequality, markets that target non-consumption actually create prosperity. So, in sum, markets alone can't solve all problems of development in Africa, but, without prioritising them, Africa can't prosper.
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19. At its peak, Lesotho's textile industry employed 50 000 people. It now employs somewhere around 37 000. And because they are low-wage jobs that can easily be moved to other countries that offer even lower wages, they are vulnerable to a race to the bottom scenario, in which competing countries continually reduce wages and labour standards in order to attract investments. In 2006, textiles accounted for 21% of Lesotho's GDP; by 2013, it accounted for just 12%. To be clear, the textile industry in Lesotho has been good for the country and many of its citizens who are now employed. But it hasn't sown the seeds of prosperity in the country since many of these jobs are low-wage and hardly move the needle on vibrant economic development.
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22. 'The African Tech Startup Funding Report', *Disrupt Africa*, 2022, https://disrupt-africa.com/wp-content/uploads/2023/02/The-African-Tech-Startups-Funding-Report-2022.pdf. Almost 80% of the funding in the startup space goes toward pre-series A companies. Rarely does an African company reach series B, C or D. In fact, fewer than 8% raise money post-series A. This is partly due to the types of funding available, and the nature of the investments pursued. Raising funds to build the distribution infrastructure necessary to create access to your product or service requires significant and focused investments. For example, Nigeria's telecommunications companies have invested more than $75 billion in the nation's economy since the early 2000s. The scale of investment and the focus is what's lacking in Africa's innovation ecosystem.
23. Research from Professor Ben Jones at the Kellogg School of Management at Northwestern University suggests that more seasoned entrepreneurs are twice as likely to succeed at new ventures than younger entrepreneurs.
24. Africa's successful mobile telecommunications companies started by simply solving the communication problem. In so doing, these companies realised they needed to also solve many other problems if their solution would scale. From training to infrastructure, companies that succeeded needed to raise enough capital to build the necessary business infrastructure to make it possible for the average African to get access to an inexpensive phone. Similarly, other solutions that have the potential of scaling across Africa, such as instant noodles (Indomie), focus on building the necessary distribution infrastructure. This isn't limited to just Africa. At the onset of many market-creating organisations' lifecycle, they focus on building the systems – or business infrastructure – that will help them solve a very specific problem for customers.
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28. One need not look far to find many failed projects across Africa but consider Nigeria's renewable energy masterplan as an example. With support from the United Nations Development Programme, Nigeria developed a renewable masterplan in 2006. The masterplan stipulated that Nigeria would generate more than 16 000 MW from renewable sources in the 'short term'. Almost 20 years later, and after spending billions of dollars, the country's entire generation capacity is around 12 000 MW, with only 4 000 MW distributed to its more than 200 million citizens on most days.
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Economic growth is the best means by which to achieve prosperity and political stability.

Africa's large youth population has given rise to a debate about how the continent can benefit from a demographic dividend in the coming years. However, to date the rapid population increase in Africa has not been matched with growth in jobs raising concerns that it could equally result in increased instability.

Africa is the youngest continent in the world today. While national populations in most parts of the world are aging, young people are now in the majority in many African countries. Whether they live in the cities and towns of a rapidly urbanizing Africa, or in rural villages and settlements; whether they come from middle-class backgrounds or from vulnerable families that are living in poverty, one thing is certain — these young people have high expectations, and African policy makers are increasingly concerned about how to meet them.

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