



CoM 2013

“Industrialization for an Emerging Africa”

21-26 March 2013 • Sofitel Abidjan Hotel Ivoire • Abidjan, Côte d’Ivoire

AFRICA AND THE CHALLENGE OF REALIZING THE DEMOGRAPHIC DIVIDEND

Over the past decade, countries throughout Africa have experienced sustained economic growth. Despite this growth, almost two of every three people—or 660 million—are still living on less than \$2 per day. Accelerated economic growth is needed to reduce inequality and poverty, and improve people’s lives across Africa. The experience of many countries in Asia and Latin America suggests a pathway to this accelerated economic growth. An economic window of opportunity opened in these countries as a result of a rapid decline in fertility, which increased the proportion of working-age people relative to dependent children. Countries responded by improving health and education, attracting foreign investments, and enacting economic policies that created jobs, which resulted in the accelerated economic growth that is referred to as the demographic dividend.

To realize a demographic dividend, countries must make strategic investments in four key areas:

- **Initiating Demographic Change.** The first step toward a demographic dividend is a rapid fertility decline through investments in family planning, child survival, and educating girls.
- **Improving People’s Health.** Healthy children do better in school, and this success ultimately contributes to a higher-skilled labor force. Youth also have health needs to be addressed, and maintaining the health of adult workers is critical to economic productivity.
- **Investing in Education.** Education systems must focus on ensuring that more young people complete school and giving youth the skills to adapt to the changing labor market.
- **Implementing Economic and Governance Policies.** Economic and governance policies must foster job growth and investment in labor-intensive sectors, support the expansion of infrastructure, promote trade to ensure access to international markets, and create a secure environment and incentives for foreign direct investment.

Defining the Demographic Dividend



The demographic dividend is the accelerated economic growth that may result from a rapid decline in a country’s fertility and the subsequent change in the population age structure. With fewer births each year, a country’s working-age population grows larger in relation to the young dependent population. With more people in the labor force and fewer young people to support, a country can exploit the window of opportunity for rapid economic growth if the right social and economic investments and policies are made in health, education, governance, and the economy. While the benefits of a dividend can be great, the gains are neither automatic nor guaranteed.

FERTILITY DECLINE AND AGE STRUCTURE TRANSFORMATION

Today, 40 percent of Africa's population is under age 15, and while youth can be a great force for economic and political change, there is a common misperception among leaders that a large youth population is itself an indicator of a coming demographic dividend. Before thinking about a demographic dividend, countries must first achieve a demographic transition and focus on lowering fertility. One key strategy to achieving this goal is by providing women and men with voluntary family planning information and services. One of every two women of reproductive age in Africa who want to avoid becoming pregnant or delay or space births are not using a modern family planning method. Other factors, especially girls' education and child survival, also contribute to the demand for smaller families and the uptake of family planning. When women can choose how often to become pregnant and the timing of those pregnancies, they are more likely to want fewer children and are better able to achieve their desired family size; this sets the stage for a demographic dividend.

INVESTMENTS IN HEALTH

For children to make the most of educational opportunities, they must be healthy and attentive at school. Health programs that provide immunizations and prevent and treat many common infections will help children excel in school and, over the long term, to be better-skilled workers. More than 40 million children in Africa are underweight, yet we know good nutrition fosters cognitive development among infants and young children and sustains child health. Improving nutrition ensures that children reach their full cognitive potential and can excel in school. As children grow into adolescents, they need different types of health services. They must have access to reproductive health information and services to avoid unplanned pregnancies and to prevent HIV and sexually transmitted infections—all of which can undermine educational opportunities, especially for girls. Investments in promoting healthy lifestyles during young adulthood ensure that youth transition into healthy adults who can contribute productively to the economy. Adult health is also an area that requires investment. For the labor force to be as productive as possible, adult workers must also be healthy.

EDUCATING YOUTH FOR A CHANGING ECONOMY

Links between education and economic development are well established. The analytic and entrepreneurial skills and experience acquired through secondary education and beyond position young people to take on higher-level jobs in the formal

sector or to access loans and financial support that allow them to grow their formal or informal businesses. Education systems must adapt to the changing needs of the economy and provide students with the skills needed to participate in the formal workforce and in creating new business initiatives. Only 17 percent of women in sub-Saharan Africa are wage and salaried workers, compared to 31 percent of men in the region; numbers in North Africa are better (46 percent vs. 57 percent), but a gender gap persists. Thus, girls in particular should be a focus of education efforts. Women who are better educated are more likely to work outside the home in the formal sector—increasing the size of the labor force and the potential for economic development.

ECONOMIC POLICIES AND INVESTMENTS TO CREATE JOBS AND FOSTER SAVINGS AND INVESTMENT

Even as fertility declines, African countries will have large numbers of youth entering the workforce each year. Economic policies and investments must focus on labor-intensive sectors that can create jobs. Trade policies must ensure that local products have access to international markets. Policies are needed to provide incentives for people to save and invest the additional income they make; investments also encourage banks and other financial institutions to yield a profitable return for investors. A labor force that is trained to move into different types of work is also important as the size of the working-age population increases and the economy becomes more diversified. Finally, tax incentives and transparent, efficient government institutions are needed to encourage local and foreign investment. Investments in infrastructure, including ports, roads, transportation, and communication, are also necessary to maximize economic growth.

REALIZING THE DIVIDEND

Africa is the remaining region of the world where many countries still have the opportunity to realize a demographic dividend. Many countries are making progress in the key policy areas, but most countries in East, Central, and West Africa must increase their commitment to strategies that hasten a fertility decline and open the window for a demographic dividend. In Northern and Southern Africa, the fertility decline and age-structure transition and higher levels of education achievement have set the stage for a demographic dividend; now these countries must put in place the right set of economic and governance policies in order to harness a demographic dividend. While each country is unique, the demographic dividend suggests an opportunity for accelerated economic growth in Africa, and the time to take necessary action is now.

Acknowledgments

This brief was jointly sponsored by the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), with support from the United States Agency for International Development (USAID) and the Bill & Melinda Gates Foundation through the Johns Hopkins Bloomberg School of Public Health and the David and Lucile Packard Foundation. Technical research material was provided by David Bloom, David Canning, Andrew Mason, Ronald Lee, and the Population Reference Bureau.



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