



Republic of Malawi



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## Demographic Dividend or Threat? Turning Malawi's Youthful Population into an Asset for Socio-economic Transformation

Policy Brief  
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### Why care about youth in Malawi?

About 80 percent of Malawi's population of 17.2 million are aged below 35 years and 46 percent are below 15 years.

Malawi's Government needs to make strategic investments in the youth as they can be critical agents for positive socio-economic change if they are empowered to innovate and engage in economic productivity. On the other hand, the price of inaction is high; uneducated, unskilled, unemployed, and disillusioned youth can be agents of social unrest, crime, and violent extremism.

### Can Malawi harness the demographic dividend?

The Demographic Dividend (DD) is a temporary opportunity for accelerated economic growth that is made possible by a sustained decline in birth and deaths rates, which leads to an increase in the ratio of working age population relative to young dependants. This age structure change can enhance economic productivity if the relatively big working age population and women whose childrearing roles are reduced due to low fertility, have jobs. Further impetus for future economic growth is generated through increased household savings and investments, which result from reduced costs for basic needs of the fewer dependent children.

"The demographic dividend is neither automatic nor guaranteed; countries must make strategic investments to earn it"

*In order to maximise the DD countries should concurrently make investments to a) accelerate rapid fertility decline;*

*b) provide high-quality education and skills development; c) create employment opportunities for the resulting big working age population; d) sustain good health of the population; and e) ensure that there is accountability in use of public resources and delivery of public services.*

Malawi's high birth rate (currently at an average of five births per woman) has declined slowly in the context of steadily declining child mortality over the past three decades. Consequently, its population has grown rapidly and the country has high child dependency burden. This burden is recognised as one of the key bottlenecks for the country's development agenda.<sup>2</sup> Despite reasonably good economic growth at an annual average of 6.5 percent over the past decade, over half of the population live in abject poverty and 22 percent are ultra-poor partly due to pressures exhibited by the high child dependency burden.<sup>3</sup>

### Objectives and methodology of the Malawi demographic dividend study

This brief summarises key findings of the Malawi DD study, which was carried out to assess Malawi's potential for harnessing the DD and to identify policy and investment options that the country should consider to maximise the potential of harnessing the DD.<sup>4</sup> The study involved literature review and assessment of demographic, economic, and human capital development trends; Policy Scenario Modeling to quantify the potential impact of the DD on economic growth using the DemDiv modeling tool developed by the USAID-funded Health Policy Project;<sup>5</sup> and a Policy Review to identify policy and investment options that the country should consider to harness the DD.



## Potential demographic dividend in Malawi

Policy Scenario	Key Characteristics
Status Quo	Slow progress in economic reforms and sluggish demographic transition
Economic Emphasis	Maximise Malawi's global economic competitiveness, and productive efficiency, governance
Social Emphasis	Maximise investments in interventions that reduce family size, including family planning and education, while making modest investments in the economic sector
Combined Emphasis	Simultaneously prioritise investments in economic reforms as well as family planning and education

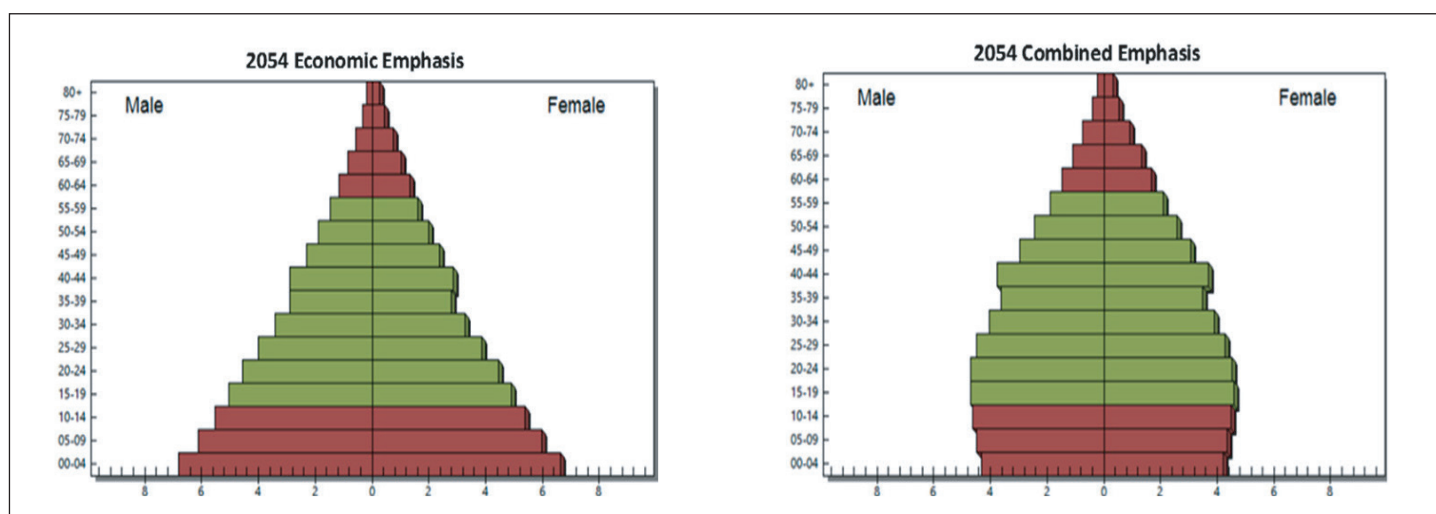
## Key Findings

The results show that Malawi's demographic indicators and emerging economic opportunities can be turned into a sizable DD by 2054 if the country makes the right investments.

### Population and age structure changes (Figure 1)

The Status Quo and Economic Emphasis Scenarios would lead to a total fertility rate of 3.9 children per woman and a total population of 43 million people by 2054. The age structure for this scenario will not be much different from the current one (left hand side of Figure 1) and the percent-age below age 15 will be 36 percent. Under the Social Emphasis and Combined Scenarios, the birth rate would decline to 2.1 and population size would be 33 million by 2054. There would be a marked increase in the working age population relative to young dependants (right hand side of Figure 1), and the percentage of the population under age 15 would be 26 percent.

Figure 1: Projected age-sex distribution of the Malawi population by 2054

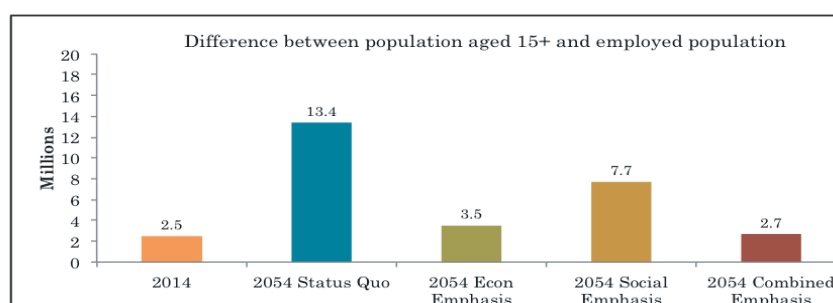


### Working age population and job creation challenge

The employment gap represents the number of people of working age who are not active in the labour force. Because of a long period of high fertility, Malawi's working age population will continue to grow for many years, creating

a huge challenge for job creation. The current estimate of inactive population aged 15 and above of 2.5 million would increase to 13.5 million by 2054 under the *Status Quo Scenario* (Figure 2). However, this number would be about 2.7 under the *Combined Scenario* due to higher levels of economic growth and slow population growth.

Figure 2: Projected employment gaps by policy scenarios, 2054

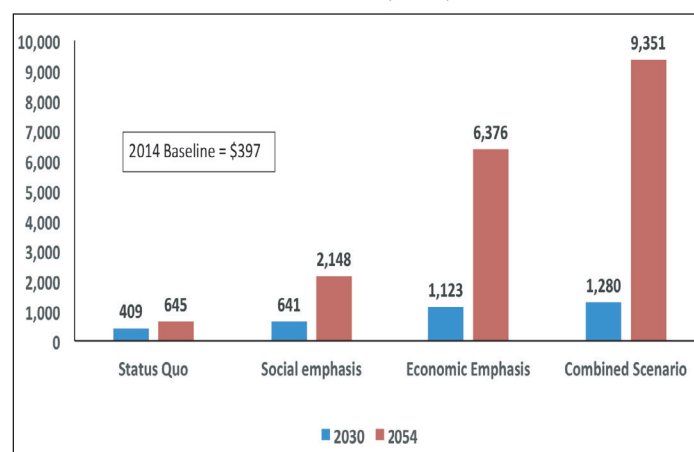


28

## Growth in income

Under the Status Quo Scenario, per capita GDP would increase from USD 397 in 2014 to USD 645 in 2054 (Figure 3). In the Economic Emphasis Scenario, per capita GDP would increase to USD 6,376 - three times higher than what would be achieved under the Social Emphasis Scenario (USD 2,148). Under the Combined Scenario, the country simultaneously prioritises economic, social and development investments to accelerate fertility decline and enhance the quality of human capital. As a result, per capita GDP would increase to USD 9,351. Thus, the country would earn an additional DD of USD 2,957 per capita beyond what it would earn under the Economic Emphasis Scenario. Furthermore, under the Combined Scenario, Malawi's per capita income would exceed the current USD 1,200 mark for entry into middle income status by 2030.

Figure 3: Projected GDP per capita by scenarios in 2030 and 2054 (USD)



## Implications and Policy Recommendations

Malawi's aspirations to turn into a technology driven upper middle-income country can massively benefit from the DD, but the country must act fast by concurrently prioritising investments to accelerate fertility decline, improve human capital, reform the economy to create jobs for its growing working age population, and enhance good governance and accountability.

### 1. Accelerate fertility decline to open the window of opportunity for harnessing the DD

- Fully implement the costed family planning strategy to ensure universal access to contraception for all sexually active people who need it, with a focus on reaching young people with contraceptive information and services to delay onset of childbearing.
- Provide incentives for limiting family size, including cost-sharing in education (e.g. removal of school fees)
- Scale up mass educational campaigns and empower politicians, religious leaders, cultural leaders, the media, and civil society to champion the empowerment of women, the small family size norm and use of contraception.
- Strengthen the coordination and governance of population issues to ensure that they are central to the development processes and is managed in an inter-sectoral manner. This should include the creation of a National Population Council or equivalent vibrant department within the National Planning Commission that the government is planning to institute.

### 2. Improve quality of education and skills development to ensure a globally competitive productive labour force

- Expand early childhood education facilities to ensure all children attend such schools to improve their aptitude for learning.
- Increase the number of schools, provide high quality teaching materials and trained teachers to improve quality of education and progression from primary to secondary school and to tertiary institutions. This could include decentralising the education sector to enhance ownership and oversight by communities.
- Reform the curriculum and teaching methods to incorporate technical, innovation, problem solving, and entrepreneurship skills in formal curriculum, including revitalisation and scale up of technical model primary schools.
- Increase the number of facilities, outreach and quality of technical education, vocational and entrepreneurship training (TEVET) institutions to enhance entrepreneurship skills and the productivity of youth who are not in school.
- Accelerate scale-up of the Community Technical Colleges' Programme by involving the private sector in the design and implementation of such programmes. Furthermore the programme should be extended to develop skills of youth in agricultural production and value-addition activities.

### 3. Sustain a healthy working age population to improve economic productivity

- Step up interventions to **reduce child mortality in order to facilitate fertility decline**, with particular emphasis on child nutrition, which is critical for development of cognitive capacity and productivity later in life.
- Enhance interventions to address diseases that undermine the productivity of workers including HIV/ 5. AIDS, malaria, tuberculosis, and accidents/injuries.
- Strengthen key **pillars of the health system** including training, recruitment, and retention of health workers; supply chain management; healthcare financing; and use of evidence in decision-making.
- Enhance health education to sensitise Malawians on prevention of **emerging non-communicable diseases** and strengthen the capacity of the health care system to manage these diseases.

### 4. Enhance economic growth and create mass quality jobs for the rapidly growing working age population

- Create an **enabling environment for the growth of the private sector as the engine for job creation**, including the promotion of small and medium scale enterprises (SMEs) by enhancing their management capacities and access to financial services; improving key economic infrastructure to ensure reliable energy, transportation, and communications services.
- Provide **incentives to attract foreign direct investment**. This could include tax holidays for new and existing companies that pledge to generate defined levels of jobs for youth.

- **Reform the agricultural sector to enhance its productivity and profitability**. Key reforms could include diversifying and modernising agricultural activities; promoting value addition and agri-industries; reforming produce marketing systems and pricing policies, and building resilient agricultural systems to minimise climate change effects.
- Expand investments **in other potential areas of comparative advantage** such as tourism, fish production, mining, and ICT-based service industry.

### 5. Enhance governance to improve coordination of population programmes, ensure accountability in use

- Develop **long-term national development and socio-economic transformation vision** that succeeding governments will operationalise in their manifestos and implement.
- Build on the public service reform initiative to set up **accountability and performance management systems** at all levels of government.
- Strengthen the capacities and coordination of ministries responsible for development planning, education, labour, youth, industry and trade (and how link with the private sector) to **enhance sharing of labour market and information and maximise opportunities for job creation and development of skills necessary for the country's labour market**.
- Enhance **decentralisation** to captivate greater citizenly ownership and oversight of development initiatives, particularly social services such as education, health care, and general governance.

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## Notes

- <sup>1</sup>Bloom, D. E., & Williamson, J. G. (1998). Demographic Transitions and Economic Miracles in Emerging Asia. *The World Bank Economic Review*, 12(3), 419-455
- <sup>2</sup>Government of Malawi. (2012a). *Malawi Growth and Development Strategy 2011-2016 II*, Lilongwe, Malawi
- <sup>3</sup>World Bank. (2014). 2014 World Development Indicators. International Bank for Reconstruction and Development, Washington DC, USA
- <sup>4</sup>Government of Malawi (2015). *Harnessing the Demographic Dividend to Accelerate Socioeconomic Transformation and Economic Development in Malawi*. Ministry of Finance and Development Planning, Lilongwe, Malawi
- <sup>5</sup>Health Policy Project and United States Agency for International Development (USAID). 2014. DemDiv Model. Washington, DC: Futures Group, Health Policy Project.