

# Synthesis Report on the

## Demographic Dividend in Africa

May 2015



**AFIDEP**

African Institute for  
Development Policy  
Bridging Development Research,  
Policy & Practice



# Synthesis Report on the Demographic Dividend in Africa

May 2015



Publishing Date: 05-18-2015

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Johannesburg, South Africa

First Printing March 2015

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# Abbreviations

<b>AFD</b>	Agence Française de Développement
<b>AfDB</b>	African Development Bank
<b>AFIDEP</b>	African Institute for Development Policy
<b>AUC</b>	African Union Commission
<b>BMGF</b>	Bill and Melinda Gates Foundation
<b>CAP</b>	Common African Position
<b>DD</b>	Demographic Dividend
<b>DFID</b>	Department for International Development
<b>DHS</b>	Demographic and Health Survey
<b>ECA</b>	United Nations Economic Commission for Africa
<b>FP</b>	Family Planning
<b>FPE</b>	Free Primary Education
<b>FraNet</b>	Network on Strengthening Demographic Training in Africa
<b>GDP</b>	Gross Domestic Product
<b>HPP</b>	Health Policy Project
<b>ICI</b>	Initiatives Conseil International
<b>ICPD</b>	International Conference on Population and Development
<b>IDRC</b>	International Development Research Centre
<b>IMCI</b>	Integrated Management of Childhood Illnesses
<b>IRD</b>	Institut de Recherche pour le Développement
<b>IUSSP</b>	International Union for the Scientific Study of Population
<b>MDGs</b>	Millennium Development Goals
<b>NPA</b>	National Planning Authority
<b>NCPD</b>	National Council for Population and Development
<b>PRB</b>	Population Reference Bureau
<b>RMNCHN</b>	Reproductive, Maternal, Neonatal and Child Health, and Nutrition
<b>SDGs</b>	Sustainable Development Goals
<b>TFR</b>	Total Fertility Rate
<b>UNFPA</b>	United Nations Population Fund
<b>UPE</b>	Universal Primary Education
<b>USAID</b>	United States Agency for International Development
<b>WAEMU</b>	West Africa Economic and Monetary Union

## Foreword

Today with an estimated youthful total population of 1.17 billion Africa's population is projected to continue growing throughout the 21st century, reaching 2.4 billion by 2050 and 3.2 billion by 2070. Currently, 42 per cent of Africa's population is below age 15 and young people aged 10-24 constitute about 31 per cent of the total population. Such high child dependency burden is widely recognized as a major barrier to socioeconomic development in Africa.

Over the past 10-15 years, Africa has witnessed a renaissance of sorts, with its economies growing steadily above the global average. But not all Africans are benefitting from this growth. The growth of the last decade has not been accompanied by the necessary structural transformation and has not translated into equitable human development and improved livelihoods. Nearly 50 per cent of Africans still live in poverty even though countries are becoming richer.

If birth rates in Africa decline rapidly, as it has been the case in other regions, the age structure will change to one dominated by more young people of working age. Coupled with the positive economic outlook for the continent, the change in the age structure will provide enormous potential for economic growth and structural transformation if African countries make the right investments in human and social capital for youth development. These potential gains can be realized through a demographic dividend, which refers to the accelerated economic growth that countries can harness as a result of the change in age structure following demographic transition. Due to reduced child dependency burden and costs of child services, savings increase and resources are freed for greater per capita spending on quality health and education services for capital formation to spur further economic development.

This document is a product of a strategic partnership between the United Nations Population Fund (UNFPA) and the African Institute for Development Policy (AFIDEP) for advancing research, knowledge and practice in order to address and transform the challenges related to the demographic dividend into concrete opportunities for Africa's people-centred and sustainable development. The document analyses the African context in relation to the demographic transition and the subsequent challenges and opportunities for harnessing the demographic dividend based on a review of various initiatives and country-specific studies. The main aim of the report is to highlight the main findings, policy recommendations, key challenges and opportunities that countries can take into account as they determine their country-specific roadmaps for achieving their long term development goals in line with the aspirations of the African Union's Agenda 2063.

This synthesis report was developed by Dr. Eliya Msiyaphazi Zulu, Dr. Bernard Onyango and Ms. Eunice Mueni Williams of AFIDEP, and Dr. Mady Biaye of UNFPA East and Southern Africa Regional Office (ESARO). The discussions and conclusions of the High-Level Ministerial Dialogue on Harnessing the Demographic Dividend for Agenda 2063, which recently took place in Addis Ababa, Ethiopia, on 29 March 2015 also contributed extensively to this version of the document. However, the views expressed in this report are those of the authors and do not necessarily reflect those of UNFPA or UNFPA policy.



# Executive Summary

About half a century after it was established and many of its member states gained independence, the African Union's *Agenda 2063* set the stage for the continent to transform into an "integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena" in the next 50 years. *Agenda 2063* was formulated at a time when the continent is enjoying an economic renaissance characterised by steady economic growth over the past decade or so. African economies are projected to continue growing in future, buoyed by rapidly increasing foreign direct investment for infrastructure development, investments in the extractive industry, and impressive growth in information and communications technology. Further, diaspora remittances are on the rise and increasingly becoming a significant factor in the continent's economic landscape. The emerging opportunities and fast improving business environment has attracted noteworthy investments from Africans in the diaspora and other global investors.

African countries are keen on adopting long-term development strategies. Most countries have developed comprehensive long-term development plans to guide their socioeconomic transformation. These plans take up an integrated approach to development that embrace investments required for both economic and social transformation. In particular, these plans have identified the development of human capital as critical for hopes to graduate from low income to middle income, industrialized and prosperous nations that experience inclusive growth.

At the same time, Africa is undergoing phenomenal population changes. The continent's population is projected to double from 1.2 billion in 2015 to 2.4 billion by 2050. Due to rapid urbanization, it is estimated that by 2050, the majority of Africans will be living in urban areas. Alongside urbanization, migration is also expected to surge, facilitated by increasing regional integration, globalization and improved transportation infrastructure. A large population can serve to ignite growth if it results in a large labour force that increases productivity and a large consumer market that can support growth of local industries. Urbanization too, if well managed, has historically been tapped as an engine of economic growth and socioeconomic transformation. Due to declining mortality and high birth rates, Africa has a population structure with many young dependents compared to working-age adults. However, it is projected that as countries in the continent go through the demographic transition from high birth and death rates to the low birth and death rates, already experienced in other world regions, a youth bulge will be created over time as fewer children are born each year. Subsequently there will be a limited window period in which there will be more working-age adults than dependents in the population. Thus, the demographic changes in Africa present an opportunity to accelerate the socioeconomic transformation of the continent through harnessing the *demographic dividend* (DD). This is the economic benefit arising from a significant increase in the ratio of working-age adults relative to young dependents that results from rapid fertility decline. This increases productivity and lowers costs for basic social services for children, which increases savings by households and governments. These savings can be directed to investments for further economic growth. The DD is augmented through sustained investments in education, skills development, health, job creation and improved governance.

It is key to note that the DD is not automatic or guaranteed. Experiences from other world regions such as East Asia show that to harness a substantial DD, the window of opportunity for harnessing the DD opens

through investments that facilitate rapid fertility decline and create the desired age-structure. In addition concurrent strategic investments to enhance human capital, economic policies that focus on creation of well-paying and quality jobs and good governance are required to earn a large DD. A large labour pool will only be beneficial for development if it is healthy, well educated, highly skilled, and has adequate quality job opportunities.

The continent therefore faces several critical challenges to harnessing the DD:

- (i) A majority of countries still have high levels of fertility that have either stagnated or are declining at a very slow pace. This sustains the continent's heavy young-age dependency burden and it is an obstacle to opening the window to change the population age structure.
- (ii) Inadequacies related to institutions. Institutions here refer to the rule of law, efficiency of the bureaucracy, corruption, political freedom, free markets and movement, and freedom of speech, the quality of infrastructure including healthcare systems, schooling, transport and communication, as well as labour market laws that protect both employers and employees<sup>1</sup>.

Because of the second challenge, Africa's human capital is not as well educated or healthy as in other global regions, the economic sector is operating below capacity, and many in the working-age population are jobless or underemployed despite the continent experiencing resurgence in economic growth in the last decade. Together, these obstacles if not addressed will seriously undermine the ability of African countries to harness a substantial DD.

Realizing both the opportunity of capitalizing on the DD and the possibilities of missing out on its potential, various initiatives have in recent years been established to inform and educate decision-makers on the DD and to advocate for its integration in development plans. The 2013 Sixth Joint African Union Commission and UNECA Conference of African Ministers of Finance, Planning and Economic Development in Abidjan was instrumental in advocating for a continent-wide DD initiative to contribute to accelerated economic development in the continent. Echoing this effort were the 2013 African Regional Conference on Population and Development held in Addis Ababa and the Common African Position on the Post 2015 development agenda, which both endorsed the DD agenda. The pillars of Agenda 2063, which calls for intensified investments and efforts to unleash the potential of the continent's youth and women, also implicitly support the DD programme.

A growing number of actors have joined the DD agenda in the continent and are active in supporting governments, institutions and policy-makers to conduct assessments and analytical studies on the potential of countries and regions to harness the DD and identify critical policy actions that will enable them to do so. These include but are not limited to the United Nations Population Fund (UNFPA), the African Institute for Development Policy (AFIDEP), the Bill and Melinda Gates Institute, the World Bank, the East-West Center, the Population Reference Bureau (PRB), the World Economic Forum, Institut de Recherche pour le Développement (IRD), Initiatives Conseil International (ICI), and the Futures Group.

For Africa to harness a substantial DD, these initiatives have identified the following major policy action recommendations: (i) promote family planning especially modern and long-acting methods, improve women's education and child survival to accelerate fertility decline; (ii) enhance job creation strategies alongside improving economic growth policies to ensure inclusive and people-centred development; (iii) enhance the quality of human capital through increased investments in transformative education, skills

<sup>1</sup>See Bloom, D. E., Canning, D., Fink, G., & Finlay, J. (2007). Realizing the demographic dividend: Is Africa any different. *Harvard Program on the Global Demography of Aging, Working Paper*(23.2007)

development and health; and (iv) enhanced measures to improve governance and accountability to promote a favourable business environment, attract investments, and curb wastage of public resources and the inability to implement good policies to improve livelihoods.

Finally, to move the DD agenda forward there is a pressing need to address pertinent evidence and technical capacity gaps arising from the work of the various initiatives on DD in the continent. These include: (i) review and revision of DD modelling tools to ensure they are fully contextualized to the African context; (ii) incorporation of sub-national DD analyses for tailored policy recommendations in devolved governance systems; (iii) development of tools to assist decision-makers identify and cost game-changer policies and interventions for harnessing the DD; and (iv) strengthen capacity building programmes on DD planning and evidence generation and programmatic translation for researchers, planners and decision makers in the continent.



# 1.

## Background

Africa's population is estimated to be 1.2 billion in 2015 (Table 1). According to the latest United Nations population projections<sup>2</sup>, it is expected to reach 1.6 billion inhabitants in 2030 and 2.4 billion people in 2050, as fertility declines from an average of 4.7 children per woman in 2015 to 3.9 in 2030 and 3.1 in 2050 (United Nations, 2013a, 2013b). Under-five mortality rates are projected to decline from the current level of 101 deaths per 1000 births to 44 by 2050 (United Nations, 2013a). Due to rapid urbanization, it is also expected that by 2050, a majority of Africans will be living in urban areas (United Nations, 2014). Alongside urbanization, migration is expected to surge due to increasing regional integration, globalization and improved transportation infrastructure. A large population can serve to ignite growth if it results in a large labour force that increases productivity and a large consumer market that can support growth of local industries. Urbanization too, if well managed, can be a critical engine of economic growth and socioeconomic transformation in Africa, as has been the case in industrialized and emerging economies.

Past levels of sustained high fertility in the continent and declining mortality have resulted in a population dominated by young people. In 32 African countries out of 54, persons under age 15 account for two fifths (40 percent) or more of the total population. Overall, children younger than 15 years constitute about 41 percent of the population in Africa compared to the world average of about 26 percent, 24 percent for Asia and 18 percent in East Asia (United Nations, 2013a). With fertility expected to decline in Africa in the coming decades, the young age structure will transform into a youth and working age population bulge as fewer children are born. The timing and extent of the working age bulge will however depend on the pace of fertility decline in the continent.

The expected youth and working age bulge has implications for the socioeconomic development prospects of the continent. It can lead to increased productivity and savings due to greater involvement of women in economic activities and lower costs for childcare and basic social services for children. This possibility has over the last few years raised a lot of interest among various actors on Africa's potential to harness the demographic dividend (DD), and how to facilitate the process and ensure that countries reap a big benefit from the expected change in age structure.

**Table 1: Africa Projected Demographic Profiles, 2015-2050**

Indicator	2015	2050 Projections
Total Population	1.17 Billion	2.39 Billion
Young people aged 10 – 24	363.1 Million (31.1%)	679.9 million (28.4%)
Adolescents aged 10-19	22.1%	19.6%
Population aged 0-14	40.6%	32.2%
Population 15-64	55.9%	61.9%
Population 65+	3.5%	5.9%
Population growth rate	2.46%	1.74%
Total fertility rate	4.67	3.09
Life expectancy at birth	58.2 years	68.9 years
Under-Five Mortality rate	101	44
Percent of population living in urban areas	40.4	55.9

Source: United Nations (2013); United Nations (2014)

<sup>2</sup>UN medium variant projections

At the same time, Africa has been enjoying resurgence in the economic sector in the last decade. Favourable factors driving the resurgence include increase in demand for commodities from the continent in the Asia market and higher prices for raw materials and agricultural products; a shift towards value addition processes; a growing domestic market; infrastructure development; increased production in the extractive sector; and general improvement in economic management and business environment (ECA & AUC, 2013a). Africa has some of the fastest growing economies and real GDP growth has consistently outperformed the global world average in this period (AfDB, OECD, & UNDP, 2014).

African economies are projected to continue growing in future, buoyed by rapidly increasing foreign direct investment for infrastructure development, investments in the extractive industry, and impressive growth in information and communications technology. Further, diaspora remittances are on the rise and increasingly becoming a significant factor in the continent's economic landscape. The emerging opportunities and fast improving business environment has attracted noteworthy investments from Africans in the diaspora and other global investors.

Further, African countries are also keen on adopting long-term development strategies that have seen most of the countries develop comprehensive development plans to guide their socioeconomic transformation. These plans take up an integrated approach to development that embrace investments required for both economic and social transformation. In particular, these plans have identified the development of human capital and inclusive economic growth as critical for hopes to graduate from low income to middle income, industrialized and prosperous nations.

However there is a reality check for this rosy outlook of the economic possibilities of the continent. The robust economic growth rates experienced across the continent have not been inclusive and many Africans still live below the poverty line. High levels of unemployment and underemployment prevail, with a majority, and especially the youth, young adults and women, making a living out of the low paying informal sector. Many economies in the continent are also heavily reliant on the extractive sector where mineral resources are often mismanaged and the sector itself is not labour intensive, hence a low-jobs multiplier effect. On the other hand, the agriculture sector, which provides livelihood for most households is still largely underdeveloped and increasingly vulnerable to climate change. The continent's rapid urbanization is also poorly managed and is not being effectively utilised as an engine of economic growth and social transformation.

Against this backdrop, various initiatives have seen an opportunity in the youth bulge as an engine for Africa's socioeconomic transformation. *Agenda 2063 – the Africa We Want* is the long-term development blueprint adopted by the African Union and member countries to realize the continent's aspiration over the next 50 years. Agenda 2063 seeks to realize an “integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena”<sup>3</sup>. Unleashing the full potential of the youth and women is identified as key to the success of the vision. The Agenda calls for investments in education and skills development as well as health for prosperity by 2063. It also urges for a people centred economic development strategy that ensures that youth unemployment is eliminated. The agenda also highlights the importance of good governance, respect of human rights, justice and the rule of law if Africa is to achieve its long-term development aspirations. These are all key ingredients needed for the continent to earn a substantial demographic dividend, and if these development objectives are fully implemented and met at national level, the continent's development prospects will be boosted through the DD.

Africa's potential DD is further important in the context of the post 2015 Sustainable Development Goals (SDGs) to be achieved by 2030. Africa's large youthful population is expected to be the driver in achieving these

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<sup>3</sup><http://agenda2063.au.int/>

goals and the requisite investments to facilitate their success must be made now. To this end, various regional and national initiatives have adopted the DD paradigm into their sustainable socioeconomic development agenda. The opportunity to incorporate the DD in the development agenda of the continent to reduce poverty and accelerate economic growth was recognized at the 2013 Sixth Joint African Union Commission (AUC) and United Nations Economic Commission for Africa (UNECA) Conference of African Ministers of Finance, Planning and Economic Development held in Abidjan. The meeting called for a continent wide DD initiative to contribute to accelerated socioeconomic development in Africa (ECA & AUC, 2013b).

Further, the African Regional Conference on Population and Development held in Addis Ababa in 2013 discussed and adopted a common position for implementation of ICPD Beyond 2014 as part of the continent's social and economic transformation agenda. The title of the ICPD regional report for Africa was: "Harnessing the Demographic Dividend: The future we want for Africa". The conference endorsed and adopted the "Addis Ababa Declaration on Population and Development in Africa Beyond 2014" (AU, ECA, & UNFPA, 2013) that mapped out a shared forward-looking plan that will enable the continent to accelerate progress towards the goals of ICPD beyond 2014. The Addis Ababa Declaration called for African countries to integrate population dynamics in all development programmes, strengthen the link between the DD and economic growth, and ensure inclusive economic development to reduce poverty. These sentiments were echoed by the Common African Position (CAP) on the Post 2015 development agenda, which underscored the need to translate the continent's youth bulge into a demographic dividend (African Union, 2014).

These regional protocols and agreements have become an impetus for increased attention to the DD and ignited various initiatives at country level, including analytical studies, advocacy activities, adoption of roadmaps and interventions to optimise chances of harnessing a sizable DD across the continent. These country initiatives are being implemented and supported by various actors including government ministries, academic institutions, African researchers, and a range of bilateral and multi-lateral partners.

This report endeavours to analyse and discuss the concept of the demographic dividend and its linkages to African development. It also highlights various initiatives around the continent on the DD and critical policy recommendations arising from various country and regional studies supported by these initiatives. The report is part of on-going efforts to inform policy makers and to advocate for the integration of the DD in development planning and policy. The efforts are aimed at helping African countries to adequately plan for, and maximise the potential benefit that can arise from the youth bulge and thereby improve the wellbeing of Africa and its people.

# 2.

## The Demographic Dividend and Africa's Prospects

The *demographic dividend* (DD) is the accelerated economic growth that arises when mortality and fertility rates decline rapidly and the ratio of working-age adults significantly increases relative to dependents (D. Bloom, Canning, & Sevilla, 2003; Mason & Center, 2001). Analyses of the phenomenal socioeconomic development experienced by the East Asian countries like Malaysia, South Korea, Singapore, Hong Kong and Thailand show that a quarter to a third of the economic growth that these countries experienced between 1970 and 2000 could be attributed to the way they took advantage of the change from an age structure dominated by children to one dominated by working-age population (D. E. Bloom & Williamson, 1998; Mason & Center, 2001).

The change in the age structure can accelerate economic growth through increased productivity of the relatively big labour force, which is augmented by greater participation of women in economic activities due to reduced childrearing responsibilities. The DD is also enhanced if the workers are healthy, well educated and skilled, and the economy is able to generate adequate quality jobs for them. Further impetus for economic growth is generated through increased household savings and investment, which result from reduced costs for basic needs of fewer children.

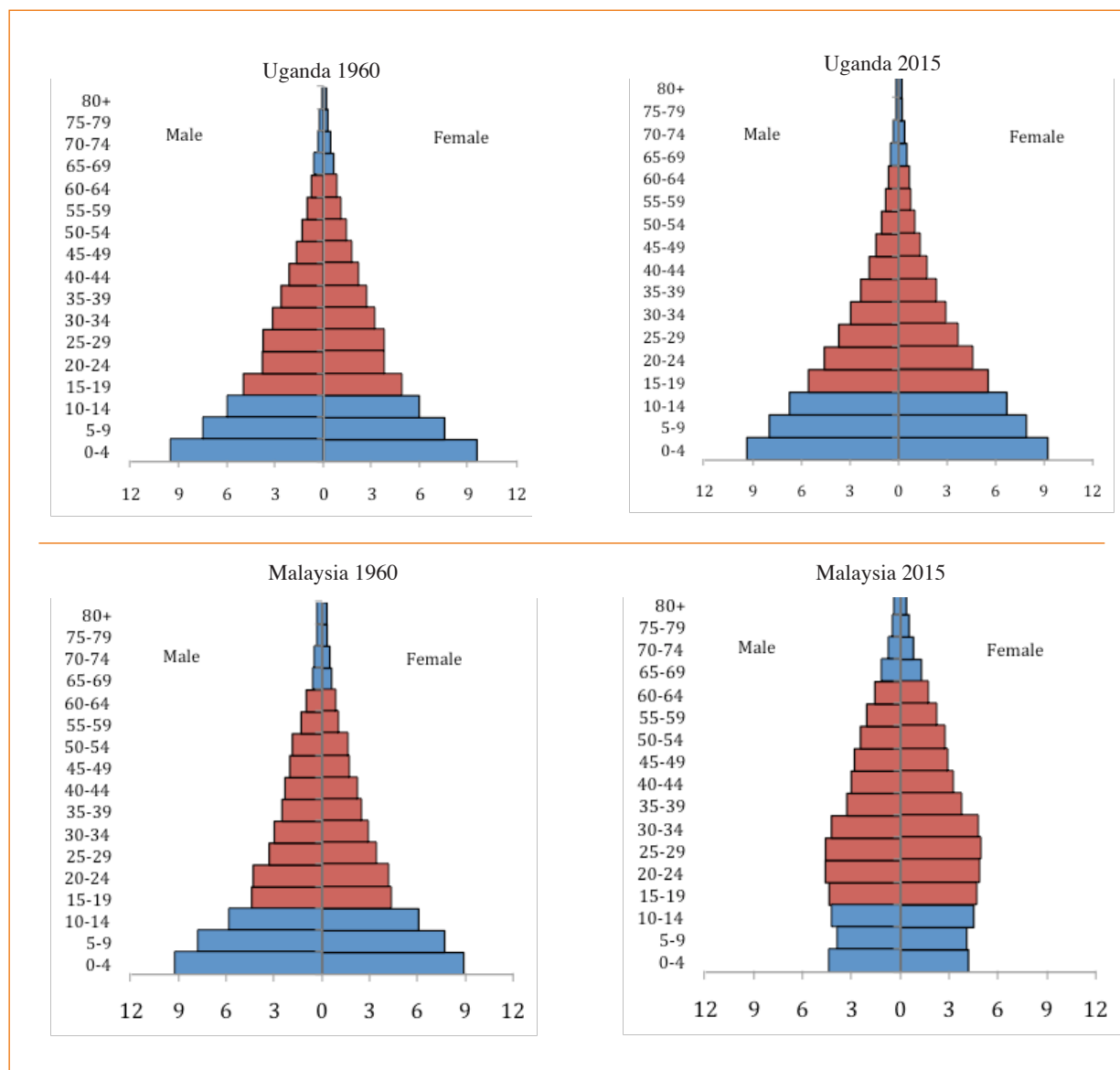
Countries like Malaysia and South Korea were at the same level of development and had the same level of fertility as most African countries in the 1960s. However, the Asian Tigers took a drastically different development path through sustained investments in family planning, education, health, and export oriented economic reforms that helped to accelerate economic growth and job creation. The experience of the Asian Tigers demonstrates the potential DD that African countries can benefit from if they adopt similar development policies over the next few decades.

Figure 1 and Table 2 illustrate the divergent pathways in demographic, social, and economic indicators that Uganda and Malaysia have gone through between the 1960 and 2010/15. Malaysia achieved rapid fertility decline from 6 children per woman to about 2 children per woman over the period, leading to a remarkable change in the age structure from one dominated by child dependents to one with more working-age people. Additionally, Malaysia made massive investments in human capital development (education, skills development and health), economic reforms to accelerate economic growth and job creation, and improved accountability. These integrated investments led to a phenomenal rise in per capita gross domestic product (GDP) from about US\$ 299 in 1960 to US\$ 8,754 by 2010.

On the other hand, Uganda's fertility declined only slightly from about 7 children in 1960 to 6 children in 2010 and consequently, its population age structure remained youthful with high child dependency burden. Increase in income for Uganda over this period was also modest with GDP per capita increasing from about US\$ 62 in 1960 to US\$ 506 in 2010. If fertility rates decline steadily in Uganda and other African countries, it will open a window of opportunity for accelerated socioeconomic development, especially if the age structure changes will be accompanied by the requisite investments in human capital development and job-oriented economic growth.



**Figure 1: Comparison of Population Structures for Malaysia and Uganda, 1960 and 2015**



Source: United Nations, 2013

**Table 2: Comparison of Trends in Economic and Demographic Indicators, Uganda and Malaysia, 1960-2010**

Indicator	1960		2010	
	Malaysia	Uganda	Malaysia	Uganda
GDP per capita	299	62	8,754	506
Total fertility rate	6.0	7.1	2.0	6.2
Under-five mortality	85	220	9	90
Net secondary school enrolment rate	35	10	66	23
Gross tertiary institution enrolment rate	4	0.54	37	4

Sources: United Nations, 2013; UDHS, 2010

## 2.1 Pathways to harnessing the demographic dividend

The effects of the DD operate in two main phases. The first demographic dividend refers to the increase in economic output as a result of the increase in the number of workers and greater participation of women in economic activities due to reduced childrearing responsibilities. The second demographic dividend refers to the increase in output that is created by the enhanced human capital investments per child, and increased savings and investments that households and governments make as a result of increased incomes and reduced costs of taking care of children. Having quality human capital, and more financial resources help to enhance capital formation and development of economic infrastructure critical for attracting capital formation and igniting further economic growth.

Decomposition of the two components of the DD for East and South Asia show that the first demographic dividend accounted for 0.59 percentage points per year of the actual growth in GDP per effective consumer between 1970 and 2000, while the second dividend accounted for 1.31 percentage points per year of the growth (Mason, 2005). This shows that the heavy investments that the Asian Tigers made in education, health and job creation paid off considerably in generating the high DD these countries have achieved.

### Pathways to Harnessing the Demographic Dividend

#### The First Demographic Dividend

1. Bigger labour force following rapid fertility decline can increase overall economic productivity if the labour force is gainfully employed.
2. Reduced fertility enables women to spend more years in school, participate in formal economic activities, and enhance overall economic productivity.
3. Reduced fertility lowers total costs of taking care of dependent children (nutrition, health, education), enabling parents to have more disposable income that they can use to enhance the level of human capital investment per child

#### The Second Demographic Dividend

4. Increased household incomes resulting from greater participation of women in the labour force and improved health and longevity of workers and increased savings for old age security, provide greater impetus for further private investment and capital formation
5. Low fertility enables governments to improve the quality of health and education services and to accumulate savings that can be diverted to capital formation and development of economic infrastructure, which are critical for attracting direct foreign investment

## 2.2 Earning the demographic dividend

The DD is neither automatic nor guaranteed; countries can maximize it by implementing policies that will not only accelerate rapid fertility decline, but also ensure that the resulting surplus labour force is well educated, skilled, healthy, and economically engaged. Therefore, achieving rapid fertility decline and creating an age structure with more working age adults than dependent children is necessary but not sufficient to

harness a maximum DD. Having quality human capital is crucial to optimizing productivity and associated socioeconomic benefits that a country can harness from the demographic transition. Even more important, the economy must have the capacity to generate enough quality jobs for the surplus labour force in order to harness the DD. Finally, in order to instil confidence in both local and foreign investors, there should be good governance, accountability, and stable economic infrastructure such as energy, communications and transport that can support business efficiency.

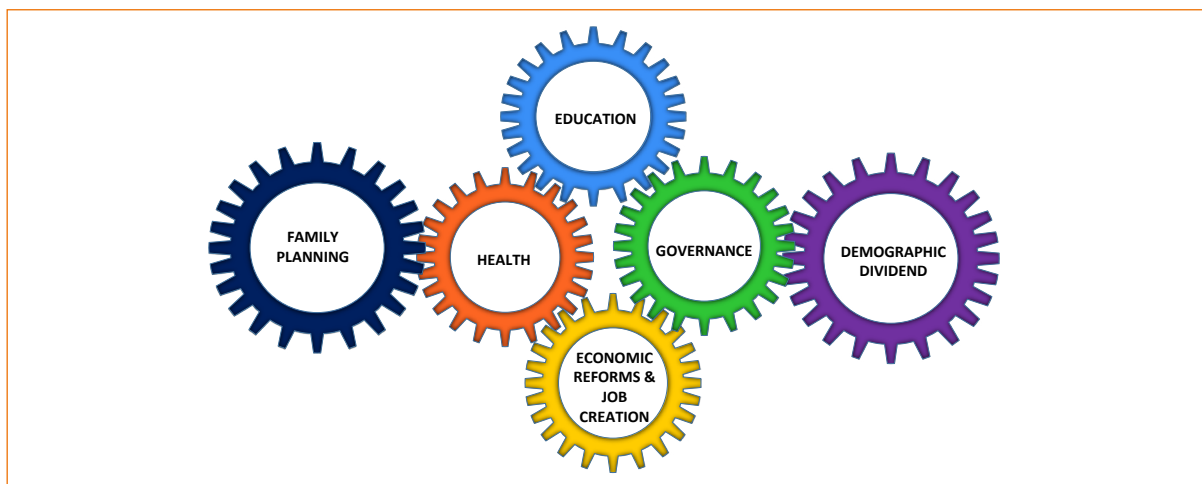
Cultivating a visionary culture of national responsibility and accountability in use of public resources and delivery of social services will increase resources available for investment in the development of human capital and the infrastructure needed to stimulate economic productivity. Therefore, appropriate country-specific economic and governance reforms should be adopted to attract local savings and foreign direct investment. This will stimulate sectors and industries of comparative advantage in accelerating economic growth and creating quality jobs for the rapidly growing labour force.

The comprehensive reforms that countries need to enact and implement in order to maximize the DD that they can harness can be categorised into the following five pillars or wheels:

1. **Accelerate demographic transition** through investments that facilitate rapid fertility decline, enhance child survival, and improve education and general empowerment of women
2. Enhance **investments in high-level education** to develop a well-educated, skilled, and innovative labour force
3. Increase **investments in the health sector** to nurture a healthy and productive labour force
4. Implement sound **economic reforms and develop necessary infrastructure to accelerate economic growth and job creation** for the rapidly expanding labour force
5. **Enhance good governance, accountability and performance management** to ensure efficient delivery of public services, minimize wastage of public resources and curb corruption.

The key point is that all the five policy pillars or wheels are interrelated, they reinforce each other, and should be implemented concurrently in order to drive the country towards the economic prosperity that can accrue from the DD (as illustrated in Figure 2). Like cogs in a wheel, each is integral to the success of the rest. If any of wheels breaks down or is dysfunctional, all the other wheels will be slowed down, thereby limiting the extent to which a country can harness the DD. Furthermore, the demographic dividend is not an event that happens or is achieved in a given year – it is an accumulation of economic gains that accrue to the economy over many years as the population age structure changes in favour of having more working age people and the requisite investments are made in human capital development and jobs-oriented economic reforms.

**Figure 2: Framework to Create and Earn the Demographic Dividend**



Source: Adapted from African Union Commission, 2013

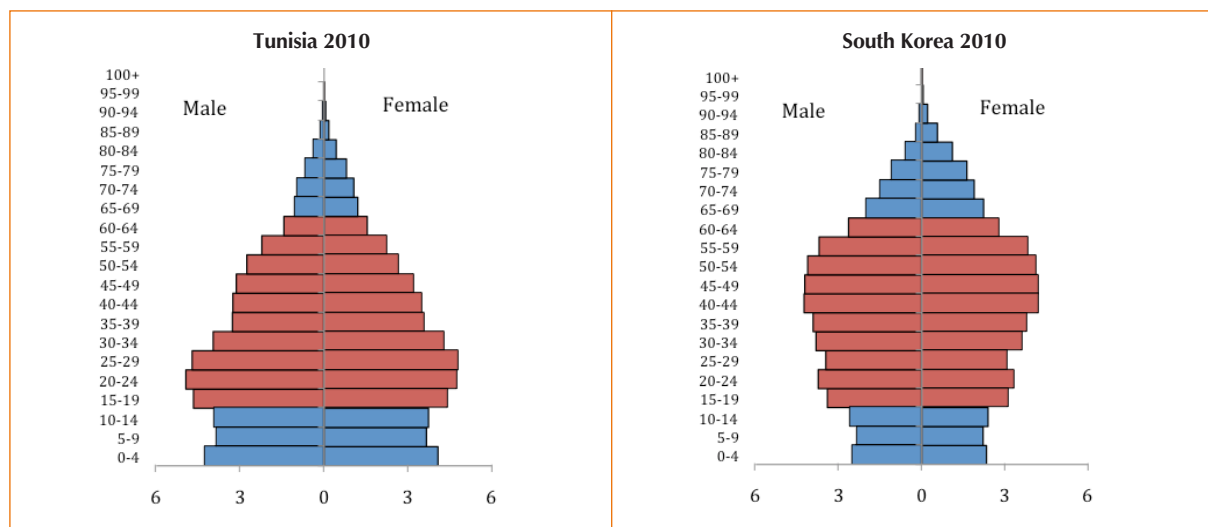
### 2.3 The demographic dividend is time bound and requires immediate preparatory investments

To open the window of opportunity to harness the DD, countries should facilitate a rapid decline in fertility to create the youth bulge and unleash the potential for economic take-off by the subsequent age structure dominated by productive workers. But the window of opportunity to harness the DD is limited and occurs once in the history of a country or population since it is difficult to return back to high fertility regimes once birth rates fall. The working age population bulge that opens the window of opportunity for harnessing the DD only exists for limited period of time because the working-age bulge turns into the old-age bulge as this cohort of workers advances in age. The working age bulge reaches its peak 3-4 decades after the start of rapid fertility decline and the population then starts the slow transition to one dominated by the elderly over the next 3-4 decades. So, if the change in age structure resulting in the youth bulge occurs in the absence of timely and adequate investments in the other four pillars of DD, then a country is unlikely to earn a substantial dividend

The cost of not having timely and comprehensive investments in the other four pillars of the DD is well illustrated by the experience of countries such as Tunisia and South Africa that have achieved low fertility and undergone the demographic transition but have not harnessed the same level of the DD as the Asian Tigers. In 1960 fertility rates for South Africa and Tunisia were comparable to the one for South Korea, estimated at 6.1, 7.1 and 5.6 births per woman, respectively. By 2010, fertility rates had declined to 1.23 in South Korea, 2.05 in Tunisia and 2.6 in South Africa. The 2010 age structures of South Korea and Tunisia were quite comparable in having large working age populations relative to dependent children (Figure 3). In 1966 South Africa's per capita GDP (US\$ 423) was higher than that for Tunisia (US\$ 214) as well as South Korea (US\$ 105). However, by 2010 South Korea's per capita GDP reached a phenomenal US\$ 22,151, compared to South Africa's US\$7,176 and Tunisia's US\$ 4,176. South Africa's GDP per capita for 2010 looks quite high and comparable to other Asian Tigers like Malaysia (US\$ 8,754). However, relatively slow fertility decline and limited investment in human capital development and job creation for the majority black population during the apartheid regime has resulted in serious income inequalities and undermined the magnitude of the DD the country could have enjoyed.

As a number of African countries appear to enter the window period in which to harness the DD, they must take seriously the lessons learned from such experiences and make timely strategic and comprehensive investments to maximize the dividend that they can harness in a few decades time.

**Figure 3: Population Pyramids for Tunisia and South Korea, 2010**



Source: United Nations, 2013

## 2.4 African countries are at different stages of the demographic transition

The history of population change and its linkages to economic development identifies four stages of the demographic transition, from high birth and death rates to low birth and death rates as the economy transforms from an agrarian systems to an industrialised and urbanised economic system. Mortality decline precedes fertility decline and, when the latter occurs rapidly, it results in the youth bulge and the subsequent working-age dominated age structure that can be exploited to ignite economic transformation. Most African countries are at the early stages of demographic transition where mortality has declined significantly but fertility remains fairly high. The timing and pace of fertility decline in these countries will determine the opening of the window of opportunity to harness the DD and the magnitude of the working-population bulge they will get.

Although the TFR in Africa is generally high at close to five children per woman, countries are at various stages of demographic transition and are projected to enter the window of opportunity to harness the DD at different time points (ECA & AUC, 2013a). Countries in Africa can be classified into the 3 categories summarized in Table 3:

**Table 3: Current Status of Demographic Transition in Africa**

	Group 1- Low fertility	Group 2 - Declining fertility	Group - Elevated fertility	
<b>Countries</b>	Algeria Botswana Cabo Verde Egypt Libya Mauritius Morocco Seychelles South Africa Tunisia  10 countries (ESA = 4; WCA = 1; SADC = 4)	Central African Republic, Djibouti, Ethiopia, Ghana, Lesotho, Mauritania, Namibia, Rwanda, Sao Tome and Principe, Sierra Leone, Swaziland and Zimbabwe  12 countries (ESA = 6; WCA = 5; SADC = 4); EAC = 1)	Angola, Benin, Burkina Faso, Burundi, Cameroon, Chad, Democratic Republic of Congo, Equatorial Guinea, Comoros, Eritrea, Gabon, Gambia, Guinea-Bissau, Guinea, Cote d'Ivoire, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nigeria Niger, Republic of the Congo, Senegal, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda, and Zambia  32 countries (ESA = 13; WCA = 17; SADC = 7; EAC = 4)	
<b>Fertility</b>	TFR <sup>1</sup>	2.3	4.1	5.5
	Date decline began	late 1960s & 1970s	1980s, late 1980s	1990s (small decline)
<b>Demographic Dividend</b>	% of the population < 15 <sup>2</sup>	29.2%	38.7%	43.7%
	Dependency Ratio <sup>3</sup> Total   YDR   ODR	53.3   44.8   8.6	73.8   67.5   6.3	87.5   82.2   5.3
	Expected of DD onset	Current	2030s	Unknown
<sup>1</sup> TFR is unweighted averaged for countries included in each group and based on UN World Population Prospects, 2010 Revision <sup>2</sup> % of the population < 15 is averaged for countries included in each group based on UN World Population Prospects, 2010 Revision <sup>3</sup> The three dependency ratios are averaged for countries included in each group and based on UN World Population Prospects, 2010 Revision				

Source: Adapted from ECA and AUC, 2013

**Group 1 → 10 countries with low fertility:** while these countries' fertility decline occurred slowly, their window of opportunity for the DD is currently open as the youth bulge enters into the working age population and dependency ratio decreases (Algeria, Botswana, Cabo Verde, Egypt, Libya, Mauritius, Morocco, Seychelles, South Africa and Tunisia).

**Table 4: African Countries within the Demographic Dividend Window of Opportunity**

Region	Country	Onset of the Demographic Window of Opportunity
North Africa	Algeria	Started after 2000 and is expected to remain open beyond 2065
	Egypt	Started after 2000 and is expected to stay open beyond 2065
	Libya	Started after 2000 and is expected to close in 2065
	Morocco	Started in 2000 and is expected to close after the year 2065
	Tunisia	Started after 1995 and is expected to close after the year 2045
Southern Africa	Botswana	Started from 2010 and is expected to remain open beyond 2065
	Mauritius	Started from 1985 and is expected to close by 2055
	Seychelles	Started from 1995 and is expected to close by 2050
	South Africa	Started in 2000 and is expected to remain open beyond 2065
West Africa	Cabo Verde	Started in 2010 and is expected to close by 2060

**Group 2 → 12 countries with decreasing fertility:** the fertility decline in these countries began in the late 1980s, but has slowed since 2000. The opportunity for the DD will open when the youth bulge enters into the working age population around 2030 (Central African Republic, Djibouti, Ethiopia, Ghana, Lesotho, Mauritania, Namibia, Rwanda, Sao Tome and Principe, Sierra Leone, Swaziland and Zimbabwe).

**Group 3 → 32 countries with elevated fertility:** fertility in these countries has remained virtually unchanged in the past decades, with perhaps small declines after the 1990s. The TFRs in some have even increased between 1950 and 1980. The opportunity to realize the DD depends on the prospects of any fertility decline (Angola, Benin, Burkina Faso, Burundi, Cameroon, Chad, Democratic Republic of the Congo, Equatorial Guinea, Comoros, Eritrea, Gabon, Gambia, Guinea-Bissau, Guinea, Côte d'Ivoire, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nigeria, Niger, Republic of the Congo,, Senegal, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda and Zambia).

In general, in the continent, the Southern Africa and North Africa regions are expected to experience the transition and DD earlier than the Western, Central and East Africa whose trajectory has been delayed by generally high fertility rates.

## 2.5 Is Africa's demographic dividend path and prospects likely to be different?

Despite the enthusiasm with which Africa has embraced efforts towards harnessing the DD, some analysts have previously cast doubt on the ability of the continent to do so (Bongaarts & Bulatao, 1999). Two main arguments on the peculiarity of Africa stand out:

1. Africa is an outlier in the demographic transition with relatively high desire for many children and high and slowly declining fertility rates. This was not the case in other regions of the world that harnessed the DD. Together with the low life expectancy in parts of the continent as a result of HIV/AIDS, the continent's lagged and slow demographic transition remains a serious impediment to the continent's aspirations for harnessing the DD.
2. The second key concern about Africa's ability to earn the DD is lack of a strong and functional institutional environment. It has been argued that even if the age structure changes to one dominated by a working-age population, African countries may miss out on harnessing a sizable DD if the quality of institutions in place is poor (D. Bloom et al., 2003; Lee, Lee, & Mason, 2006). Institutions in this instance refer to the rule of law, efficiency of the bureaucracy, corruption, political freedom, free markets and

movement, and freedom of speech. Other key institutional factors likely to undermine the continent's prospects of harnessing a sizable DD are the quality of social and economic infrastructure including healthcare systems, schooling, transport and communication, as well as labour market laws that protect both employer and employee (D. E. Bloom, Canning, Fink, & Finlay, 2007). African women also have uniquely low socioeconomic capital due to perpetuation of economic systems and cultural values that propagate early marriages and childbearing, high school dropout rates, and limited participation of women in the formal sector. Africa is at a much lower level of institutional development compared to other regions of the world such as East Asia when they harnessed a substantial DD.

Because of weak institutional environment, Africa's human capital is not as well educated or healthy as in other global regions, the economic sector is operating below capacity, and many in the working-age population are jobless or underemployed despite the continent experiencing resurgence in economic growth in the last decade. Together, these obstacles if not addressed will seriously undermine the ability of African countries to harness a substantial DD. Despite the challenge, Bloom et al. (2007) in a study comparing Africa and the other regions that have earned a sizable DD concluded that Africa has the potential to harness the DD but has to make the requisite investments to both open the window of opportunity through rapid fertility decline and to earn a sizable DD by ensuring the right comprehensive development policy environment is in place.

Fertility must decline substantially for countries to attain the DD. There is growing evidence that a number of high-fertility African countries are on course to achieve speedy and voluntary decline in fertility as exemplified by the ten countries in the advanced stage of the demographic transition as noted above, and based on recent experience of other emerging countries such as Rwanda, Ethiopia, Kenya and Burundi.

For example, in Rwanda, strong government commitment in supporting family planning, female education, and child survival programmes has resulted in a rapid decline in TFR from 6.1 to 4.6 between 2005 and 2010. This period witnessed a huge increase in the percentage of married women using modern contraceptives from just 10 percent to 45 percent (World Economic Forum, 2014). Ethiopia's fertility rate has also declined from 5.4 births per woman in 2005 to 4.1 in 2014 (Population Reference Bureau, 2014). In Kenya, TFR has declined from 4.6 births per woman in 2008-09 to 3.9 in 2014. During the same period, the use of modern methods of contraception among currently married women has significantly increased from 39.4 percent in 2008-09 to 53.2 percent in 2014. In Burundi, women's fertility level remains very high because each woman gives birth, on average, to 6.4 children at the end of reproductive life (DHS 2010). Modern contraceptive prevalence for women in union which was 17.7 percent in 2010 reached 30 percent in 2013. To meet the demographic challenges facing Burundi, the national population policy projects a significant increase in contraceptive prevalence rate from 18.2 percent in 2011 to 50-60 percent by 2025. As a corollary, the TFR should fall from 6.2 to 3 children per woman of childbearing age.

If these efforts are still supported, these countries would be able to accelerate their demographic transition process and, therefore, the progress toward a DD.

Many African countries have also made good progress in improving child survival and basic education, and if these efforts are reinforced, it is possible for them to achieve accelerated fertility decline and enhance progression to secondary and higher levels of education, which are key for building the human capital necessary to harness the DD. The sustained economic growth many countries have experienced over the past decade also provides hope that the continent can overcome its perennial economic challenges; especially if efforts are intensified to make the economic growth more inclusive and focused on creation of mass well-paying jobs.

Thus it will be crucial for Africa to strengthen institutional capacity and improve on governance and accountability that stand as a significant impediment to the achievement of socioeconomic development.



# 3.

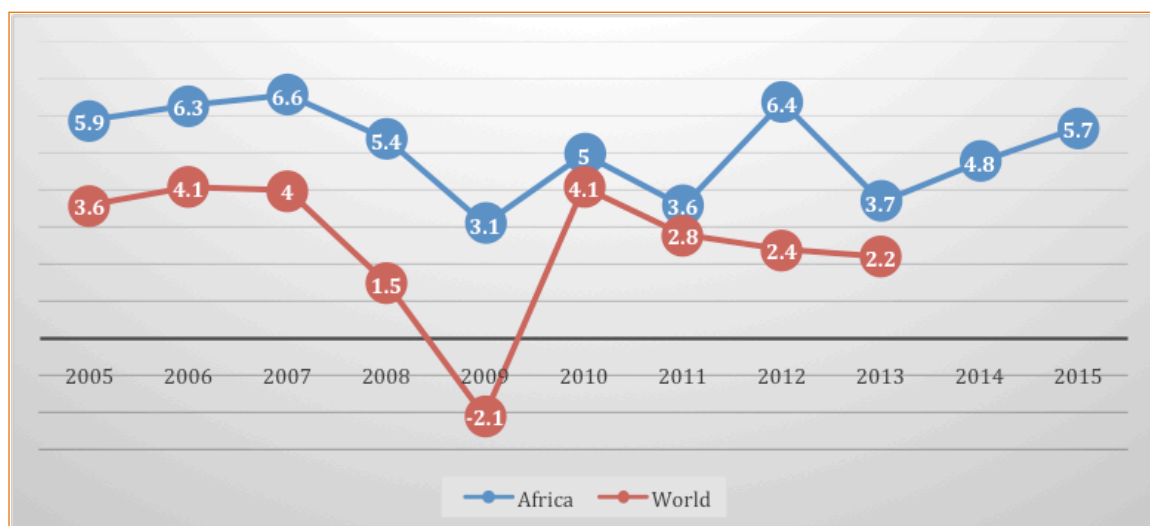
## Opportunities and Challenges for Harnessing the DD in Africa

There are both opportunities and major challenges faced by the continent in the efforts towards harnessing the DD and achieving broader socioeconomic development goals.

### 3.1 Opportunities

- Economic potential:** Over the last decade the economic outlook in Africa has been promising, with the continent growing at a higher rate than the global average (Figure 4). Africa's growth rate has been the second fastest over this period, behind Asia. Between 2000 and 2008, 40 percent of the countries in the continent were growing at more than 5 percent per annum and in 2010 had 10 of its members among the 15 fastest growing economies (ECA & AU, 2012). The continent's economies showed remarkable resilience even after the global recession that started in 2009, outperforming other regions during the period of sluggish growth in the last five years (AfDB et al., 2014). Africa's positive economic performance has been underpinned by: an increase in demand for commodities by emerging markets in Asia as well as higher prices for raw materials and agricultural products; increase in diversification of exports by destination and composition, and a move towards value addition; an increase in domestic demand as a result of greater infrastructure spending that improved productive capacity in agriculture and the extractive industry; and improvements in the economic management and business environment (ECA & AUC, 2013a). This favourable growth is expected to continue for the foreseeable future.

**Figure 4: Annual GDP Growth Rate Trends for Africa and the World, 2005-2015**



*Note: For Africa, 2013 based on estimates, while 2014 & 2015 are projections*

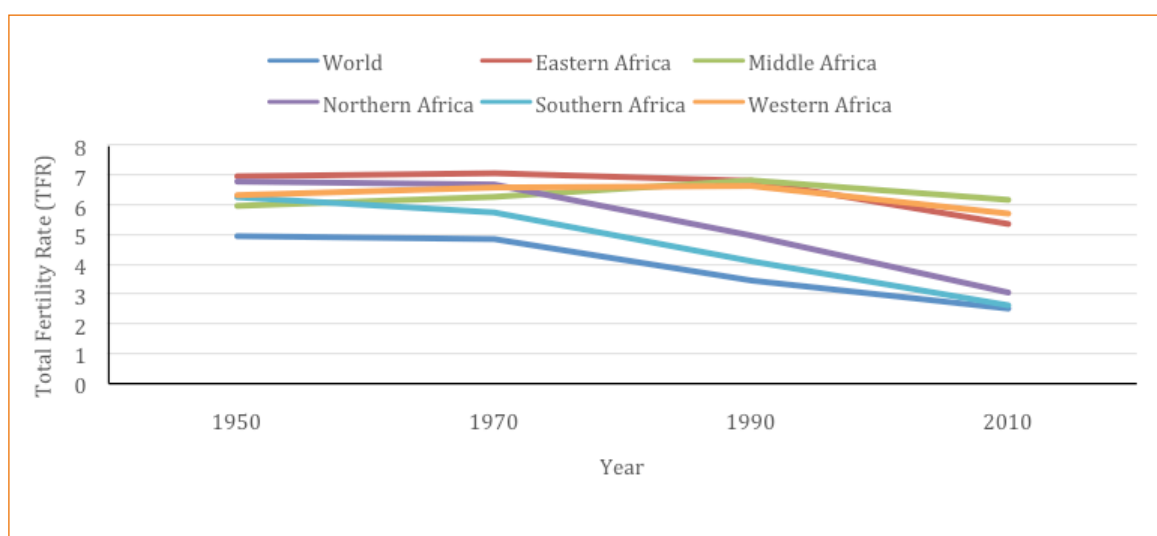
*Source: Statistics Department, African Development Bank and World Bank Data*

2. **Youth bulge:** Although Africa's populations are characterized by a high child dependency burden, rapid decline in fertility will result in an age structure with more working age population relative to dependent children and if this is accompanied by steady investments in human capital development and economic policies that prioritize job creation, the youth bulge can be translated into an engine for rapid economic growth and socioeconomic development.
3. **Progress in health:** Although Africa continues to bear the highest disease burden of all major regions of the World, there have been laudable investments and improvements in health since 2000 when the MDG framework was agreed upon. Over the period between 1990 and 2011 for instance, the continent has reduced under-5 mortality by 47 percent. There have also been some improvements in maternal health and halting the spread of HIV/AIDS, tuberculosis and malaria (AUC, ECA, AFDB, & UNDP, 2013).
4. **Improved basic education:** More African children than ever before are able to access education. Largely due to the Free Primary Education (FPE) programmes, most countries have achieved the second millennium development goal (MDG), with enrolment rates over 90 percent (AUC et al., 2013).
5. **Regional integration and emerging development partners:** enhanced activities on regional integration have fostered economic development and the emergence of alternative development partners has been key in actualizing large-scale projects to boost development. These include the BRICS bloc (Brazil, Russia, India, China and South Africa).

## 3.2 Challenges

1. **High Population growth rate, population momentum and high dependency ratio:** if the high child dependency burden persists, it will be difficult for the continent to achieve its long term development objectives and miss out on harnessing a sizable DD. As noted in Figure 3 above, most African countries are in the high fertility category and fertility rates for all regions of the continent are higher than the global average (Figure 5).

**Figure 5: Trends in Total Fertility Rates in Major Regions of Africa**

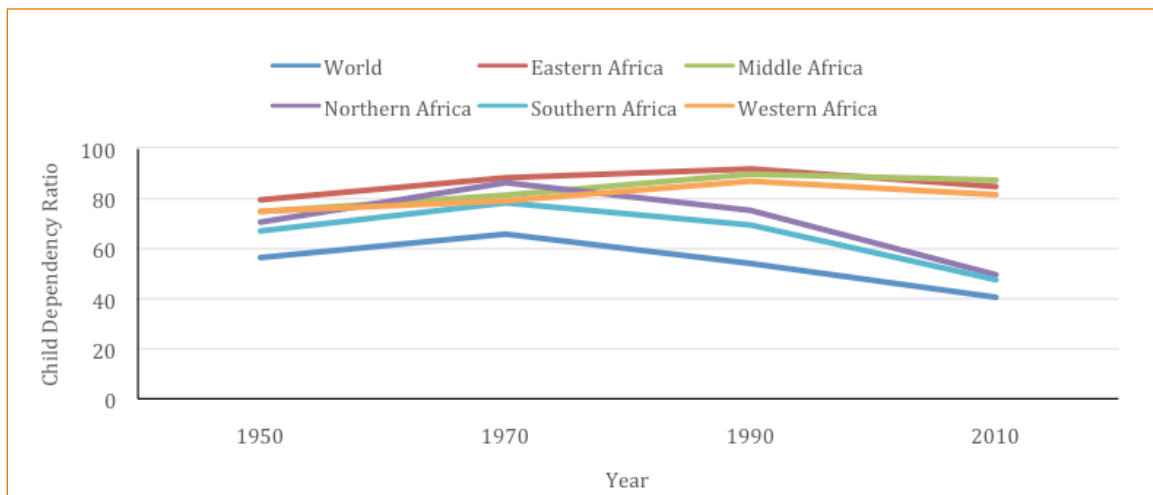


Source: United Nations, 2013

Southern and Northern Africa have experienced steady fertility decline since the 1970s and fertility rates in the regions are now close to the global average. In 2010, fertility rates in Southern and Northern Africa were estimated at 2.6 and 3.1 respectively compared to 5.4, 5.7 and 6.2 in Eastern, Western and Middle Africa respectively (United Nations, 2013a). Fertility rates in the latter three regions are expected to continue declining slowly unless measures are taken to address the three main factors driving high fertility: low levels of demand and use of contraception; high child mortality; and low levels of female education and associated early marriage and initiation of childbearing.

The high fertility rate has resulted in a high child dependency ratio; in 2010, there were about 74 children below 15 years of age for every 100 persons of the working age in Africa, compared to the world average of about 41 children for every 100 working adults. In line with the fertility rates, East, Central, and West Africa have the highest child dependency ratios (Figure 6). This poses daunting challenges for governments and families to make adequate provisions for children, including quality nutrition, health care and education. Further, the spending on many dependents undermines the saving abilities of governments and families that could be directed to investments and capital formation that African economies need to grow fast and diversify.

**Figure 6: Trends in Child Dependency Ratios in Major Regions of Africa**



Source: United Nations, 2013

A key consequence of high fertility is rapid population growth. It is projected that population sizes of East, Central, and Middle Africa will at least double between 2014 and 2050 and that at least 34 African countries will see their populations at least double over this period (United Nations 2013). In the following countries, population will grow by at least 150% over this period - Burkina Faso, Gambia, Mali, and Senegal in West Africa; Burundi, Mozambique, Somalia, Tanzania, and Uganda in East Africa; and Angola, Chad and DRC in Middle Africa. In Niger, South Sudan and Zambia, the population will at least treble by 2050 (ECA & AUC, 2013a; Population Reference Bureau, 2014). Apart from harbouring high child dependency burden, the rapid increase in population size in these countries poses additional sustainable development challenges especially when coupled with the fact that the high fertility countries are also highly vulnerable to adverse consequences of climate change and environmental degradation (Mutunga, Zulu, & De Souza, 2012).

2. **Jobless economic growth:** although the last decade has seen sustained high GDP growth rates across the continent, this has not been accompanied by growth in jobs for the burgeoning working age population. Part of the problem is that the economic growth has been buoyed by the extractive sector and infrastructure development, which have limited feedback linkages to the rest of the economy and therefore do not have high jobs multiplier effects (ECA & AU, 2012). Many countries are thus saddled with high levels of underemployment since most workers depend on the irregular and low paying informal sector. The underemployment challenge is particularly grave for youth and women.
3. **Limited economic diversification:** while African countries are making efforts to improve the diversification of the economy, reliance in anchor sectors whether in the extractive industry, agriculture or tourism exposes the economies to shocks such as fluctuations in world prices for primary products, the adverse effects of climate change that affect agriculture and global security threats that undermine tourism.
4. **Inadequate infrastructure:** Africa lags way behind other world regions in infrastructure development. The recent heavy investments in the sector are far from closing the gap in the critical economic areas including innovation, energy, transport, and information and communications technology. Poor infrastructure limits efficiency and increases the cost of doing business.
5. **Low levels of secondary and tertiary education:** Despite making good progress in increasing enrolment in primary school, Africa lags behind other major regions of the world in enrolment at secondary and tertiary education levels. There are also concerns throughout the continent about declining quality of education due to inadequate schools, learning materials, and well-trained teachers at all levels of education. Furthermore, there are calls for urgent reform of the school curriculum so that there is increased focus on science and technology, innovation, entrepreneurship, and leadership development to address the mismatch between skills produced in the education system and the needs of the globally competitive job market.
6. **Double burden of disease:** while strides have been made in improving healthcare, the continent is still faced with a huge burden of disease. The prevalence of communicable diseases such as malaria, HIV/AIDS and TB are still quite high compared to other world regions. Maternal mortality also remains at unacceptable levels and the population in the continent is being affected by a rise in non-communicable diseases linked to changes in lifestyles and urbanization. Additionally, despite the good progress made in reducing child mortality by many African countries, the current levels are quite high compared to the levels achieved by the emerging and developed countries. For instance, under five mortality rates in African countries that have made good progress in improving child survival among the high fertility countries range between 70 and 100 deaths per 1000 births, while comparable rates for the Asian Tigers are below 10 deaths per 1000 births. Since parents tend to desire smaller family sizes when they are assured that their few children have a decent chance of surviving to adulthood, African countries need to reinforce the child survival interventions if fertility is to decline rapidly.
7. **Governance and accountability:** inadequacies in governance, accountability and performance management in the continent contribute significantly to failure in implementing good policies and in the provision of quality social services for the population. This is one area that if well addressed has the potential to translate into a significant change in the socioeconomic development trajectory of the continent.

# 4.

## Initiatives and Country Studies on the Demographic Dividend in Africa

The demographic dividend paradigm in Africa has gained significant traction with high-level policy makers in the last few years and the number of regional and national initiatives on the subject is growing. These include regional and national studies to assess the opportunities and challenges to harnessing the DD. These studies include basic analyses, modelling the potential DD that countries can harness under different policy scenarios and assessment of policy interventions that can help countries harness a substantial DD. Other initiatives have gone further to get governments secure financial instruments to implement key interventions that would help them address the key barriers for harnessing the DD.

Among some of the key players in these initiatives are the United Nations Population Fund (UNFPA), the World Bank, the African Institute for Development Policy (AFIDEP), the East-West Center, the World Economic Forum, Institut de Recherche pour le Développement (IRD), Initiatives Conseil International (ICI), the Population Reference Bureau (PRB), the Bill and Melinda Gates Institute, and the Futures Group. Many researchers and professors in various northern and African institutions are also conducting various analytical works to illustrate Africa's challenges and opportunities for harnessing the DD. Key funders of these initiatives include UNFPA, United States Agency for International Development (USAID), the Bill and Melinda Gates Foundation, the Flora and the William and Flora Hewlett Foundation, the David and Lucile Packard Foundation, and the UK Department for International Development (DFID).

The following is a listing of some of the major initiatives, and their work (completed and on-going) on the demographic dividend in Africa.

### 4.1 UNFPA and AFIDEP Initiative

UNFPA is playing a major role in supporting African governments conduct DD studies and set up national DD roadmaps around the continent. The UNFPA East and Southern Africa Regional Office (ESARO) has partnered with AFIDEP to support the 23 governments in the region to assess their countries' prospects of harnessing the DD and explore priority policy options that they can adopt within the context of their own long-term development plans. Under this programme, three national studies were done in Uganda, Zambia and Mozambique, and work is on-going or about to be initiated in implementing similar studies in six countries in 2015: Rwanda, Malawi, Zimbabwe, Botswana, Namibia and Swaziland.

The work involves comprehensive analysis of demographic and economic opportunities and policies and modelling of the potential demographic dividend that the countries can harness under different policy scenarios over a forty-year period. The project also includes capacity building of local research experts in generating and translating DD evidence and government officials in interpreting and applying DD evidence in decision-making processes. Typical products include analytical reports, advocacy materials including policy briefs and animated videos. The DD studies in this initiative are led by the government, often the Ministry of Finance, and involve all key governmental and non-governmental stakeholders in population and development, family planning, health systems, gender, education and general youth development, governance, economic analysis

and job creation. So far, the modelling has been done using DemDiv<sup>4</sup>, which was created by the Health Policy Project, funded by USAID.

The modelling under this programme has three primary policy scenarios:

1. **Business as Usual Scenario:** whereby the slow progress in economic development and demographic transition prevails, and the countries continue to perform below their optimal level in all aspects of development. Under this scenario there are no tangible improvements in family planning and education, and consequently fertility levels also decline modestly.
2. **Economic Emphasis Scenario:** whereby the countries optimize public institutions and maximize economic competitiveness to the levels where their long-term development benchmark countries currently are. In countries where these studies have been done, the long term development plans make specific reference to some of the Asian Tigers like Malaysia and South Korea as the benchmark countries. Under this scenario there are modest improvements in family planning and education, and consequently fertility levels also decline modestly and the age structure remains with high child dependency burden in forty years' time.
3. **Combined Scenario:** whereby the countries simultaneously maximize economic competitiveness and prioritize education, family planning, and health. In this case, fertility levels decline to around 2 births per woman and the age structures has more working age adults than dependent children.

The results of the modelling exercise (Table 5) show that African countries can harness enormous demographic dividends if they make the necessary investments to accelerate fertility decline and at the same time prioritize investments in human capital development, governance and accountability, and job-oriented inclusive economic growth. For instance, Mozambique would harness a demographic dividend of US\$ 3,553, which represents the difference between what the country would get under the combined scenario and the economic emphasis scenario. The increase alone is 6.4 times the current level of per capita GDP.

**Table 5: Projected Per Capita GDP by Different DD Policy Scenarios (US\$)**

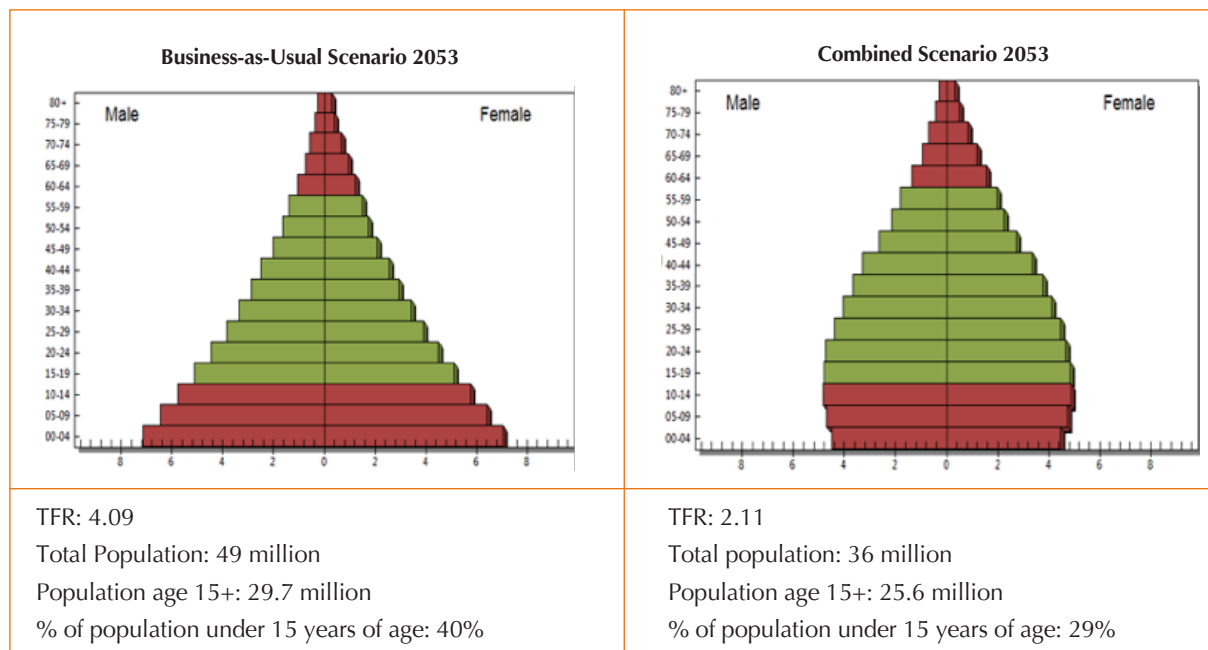
COUNTRY	Current PC GDP	Business as Usual	Economic Emphasis	Combined Scenario	Potential DD Earned
Kenya (2010-2040)	907	896	6,693	<b>11,288</b>	<b>4,595</b>
Tanzania (2010-2050)	514	2,513	5,871	<b>9,018</b>	<b>3,147</b>
Uganda (2010-2040)	506	927	6,084	<b>9,567</b>	<b>3,483</b>
Zambia (2013-2053)	1,839	5,426	19,547	<b>26,940</b>	<b>7,393</b>
Mozambique (2011 - 2051)	557	1,837	4,890	<b>8,443</b>	<b>3,553</b>

*Source: Modelling results generated by AFIDEP with funding from UNFPA using DemDiv software (developed by Health Policy Project, supported by USAID)*

Due to slow decline in fertility assumed under the economic emphasis and Business as Usual scenarios, the age structures in 30-40 years' time would not be that different from the current one. For example, Figure 7 shows the high child dependence burden will persist in Zambia under the business as usual and Economic Emphasis scenario (left pyramid) by 2053, where the current fertility level of 5.6 would decline to 4. However under the combined scenarios, the country will have the working-age population bulge (right pyramid) that will open the window of opportunity for the country to harness a sizable DD (Ministry of Finance, UNFPA, & AFIDEP, 2015).

<sup>4</sup>Details of the DemDiv tool can be found at <http://www.healthpolicyinitiative.com/index.cfm?id=software&get=DemDiv>

**Figure 7: Zambia's Possible Age Structure in 2053**

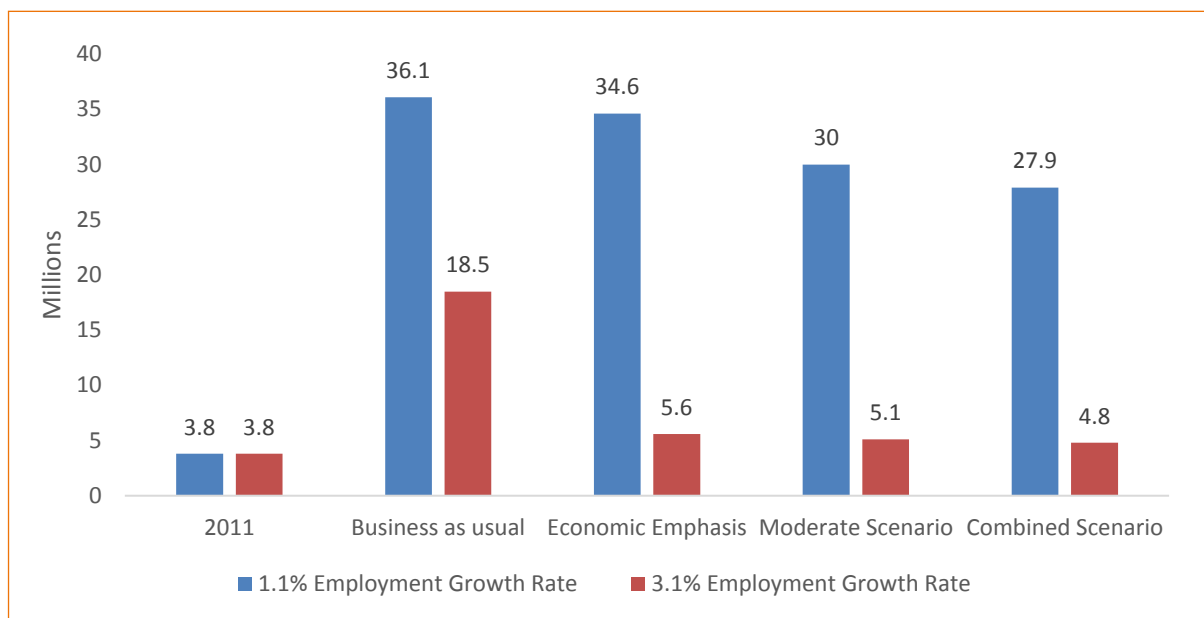


Source: Ministry of Finance (Zambia), UNFPA and AFIDEP, 2015

These studies have also demonstrated the daunting challenge of creating enough decent jobs for the burgeoning population in many African countries amidst robust economic growth. A case that exemplifies this challenge is Mozambique with recent unemployment rate estimated at 21 percent (MEF, 2014). The DD study in Mozambique (MEF, UNFPA, & AFIDEP, 2015) under the UNFPA ESARO initiative modelled the employment gap, defined as the difference between the number of people aged 15 years and above and the actual number of those in employment, under two assumptions: if the annual employment growth rate of 1.1 percent prevailing in Mozambique in 2011 is applied and if an annual employment growth rate of 3.1 percent is applied. The modelling scenarios projected the employment gap over forty years, 2011-2051.

Figure 8 summarizes modelling results for the employment gap, which is the difference between the population aged 15+ and those who are employed, From the 3.8 million employment gap in 2011, under the 1.1 employment growth assumption, it is estimated that the employment gap under the Business-as-usual scenario will rise to about 36 million in 2051 compared to 27.9 million under the Combined Scenario. However if Mozambique can work on employment strategies and raise the employment growth rate to 3.1 percent, the employment gap under the Business-as usual scenario will be 18.5 million compared to 4.8 million under the Combined scenario in 2051. These results demonstrate that Mozambique recent jobs growth rate is inadequate to meet demand for employment. The country has to prioritise skill development and quality job creation and accelerate annual employment growth to avoid high unemployment rates that can destabilize the socioeconomic development of the country. This recommendation applies to other countries in general.

**Figure 8: Gap between Total Population Aged 15+ & Employed Population in 2051 in Mozambique, by Policy Scenario**



Source: Ministry of Economy and Finance (MEF) Mozambique, UNFPA and AFIDEP, 2015

## 4.2 UNFPA and the World Bank

The World Bank in partnership with UNFPA recently launched the *Sahel Women's and Demographic Dividend Empowerment Project*<sup>5</sup>. This is a large multi-year intervention project for women and adolescents to expand their access to reproductive, child and maternal health services and will also promote regional knowledge and data on proven gender development programs. It includes loan facilities to implement DD interventions in five countries including Mali, Chad, Mauritania, Cote d'Ivoire, and Niger. The Bill and Melinda Gates Foundation (BMGF) is also a partner in the initiative.

The project comprises of three components: (i) generation of demand for reproductive, maternal, neonatal and child health, and nutrition (RMNCHN) services by promoting social and behavioural changes and empowering women and girls; (ii) strengthening regional capacity for availability of RMNCHN commodities and qualified health workers; (iii) fostering political commitment and capacity for policy making to strengthen advocacy and political commitment on RMNCHN at regional and national levels. The project targets countries that are furthest behind in their demographic transitions and where there is the greatest opportunity to realize the DD. The unique feature of this programme is that it has created a funding facility to enable countries secure loans to implement integrated interventions to address the most critical barriers for accelerating fertility decline and empowering women and youth.

<sup>5</sup><http://www.worldbank.org/en/news/press-release/2014/12/18/world-bank-improve-reproductive-health-education-women-girls-africa-sahel-region>



### 4.3 USAID-supported Initiatives

USAID is funding a number of initiatives to promote the DD agenda in Africa.

USAID is supporting the Health Policy Project led by the Futures Group to develop modelling tools and conduct national studies in Africa. The HPP has developed the DemDiv modelling tool that has been used in a number of DD studies in Africa. DemDiv is available at no cost for use by anyone. The HPP programme worked with the *NCPD* to pilot the DemDiv modelling tool in Kenya, and plans are underway to conduct similar studies in some countries in Asia and Africa.

Under the USAID funded IDEA project, PRB has been instrumental in popularizing the DD paradigm by preparing high impact presentations and other advocacy materials to explain the DD.

Under the USAID funded Evidence to Action programme, Pathfinder International commissioned a national DD study for Tanzania. The University of Dar es Salaam in partnership with AFIDEP carried out the study. The study assessed the potential DD that Tanzania can harness using the DemDiv modelling tool.

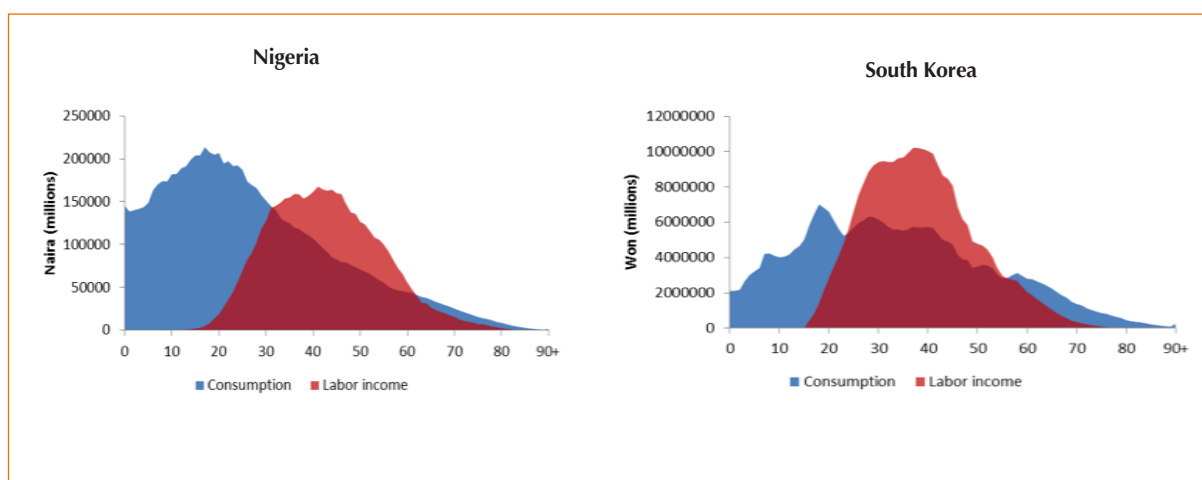
### 4.4 The East-West Center's National Transfer Accounts (NTA) Project<sup>6</sup>

The National Transfer Accounts (NTA) project is an initiative of the East-West Center in collaboration with the Center for Economics and Demography of Ageing at the University of California Berkeley, and national and regional research organizations in 37 countries in Africa, Asia, Europe, North and South America. Support for the project has been provided by the US National Institute on Ageing, the Bill and Melinda Gates Foundation, the International Development Research Centre (IDRC), the United Nations Population Division, UNFPA and European Science Foundation. The NTA generates estimates of income, consumption, saving, and both public and private transfers for specific age groups, providing insights into financial and welfare consequences on alternative policies on areas such as pensions, education and healthcare. The programme provides a unified framework for studying intergenerational economic issues in widely varying contexts globally. In addition to research on DD, the NTA provides training activities and contributes to policy analysis through the *NTA Bulletin*, presentations to policy audiences, and special reports. In Africa, the project operates in Benin, Ghana, Kenya, Mozambique, Nigeria, Senegal and South Africa, where it has produced Country Briefs and other analytical publications.

A key DD feature of the NTA project is the economic lifecycle approach that measures the consumption and labour income at key stages of life (Figure 9). The chart illustrates how high fertility requires that an enormous share of a country's resources must be devoted to the basic needs of children, thereby leaving nothing or too little for pro-growth objectives such as investing in human and physical capital. In Nigeria, prime age adults have a surplus of about 20% of their labour income after they fund their own consumption. The needs of children are about 80% of total labour income. Thus, Nigeria has a huge deficit and the country relies on income from assets including natural resources and remittances to fund the consumption of children with little left over for pro-growth efforts such as investing in human capital or funding entrepreneurial activities. In South Korea, however, the prime age adults have a surplus of 30% during the working ages, while the needs of children are only 35% of total labour income. This means the labour income is almost sufficient to fund all of the needs of South Korean children. Therefore, South Korea can use almost all of the income from non-labour sources to fund pro-growth efforts.

<sup>6</sup>Details on the NTA project can be found at <http://www.eastwestcenter.org/research/research-projects/population-and-health-national-transfer-accounts-measuring-economic-impac>

**Figure 9: Aggregate Labour Income and Consumption by Age in Nigeria and South Korea**



Source: National Transfer Accounts estimates ([www.ntaccounts.org](http://www.ntaccounts.org)); ECA and AUC, 2013

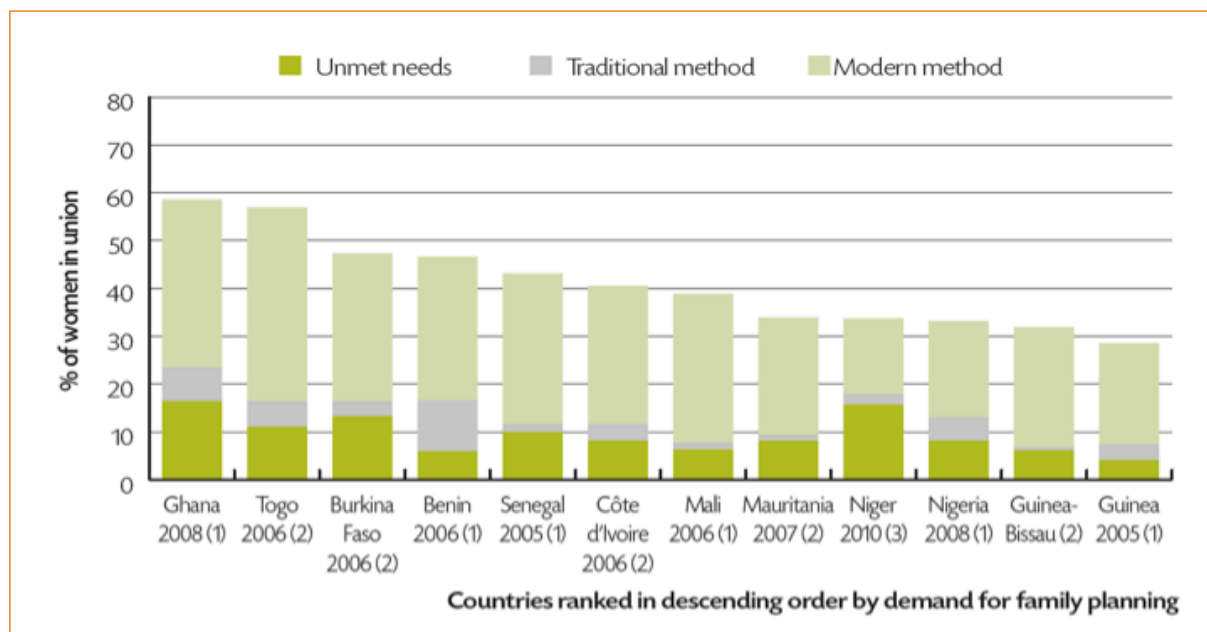
## 4.5 IRD, ICI and AFD

Institut de Recherche pour le Développement. (IRD), Initiatives Conseil International (ICI), Agence Française de Développement (AFD) have partnered with other organizations and governments in 8 countries in the West Africa Economic and Monetary Union (WAEMU) region as well as Ghana, Guinea, Mauritania and Nigeria in 2011 to analyse how each of these countries can capitalize on the demographic dividend to accelerate economic growth and reduce poverty. These analyses were also the subject of deliberations at a conference “Population, Development, and Family Planning in Francophone West Africa: The Urgency for Action” in Ouagadougou in 2011 organized and supported by the French Ministry of Foreign and European Affairs, USAID, AFD, the Bill and Melinda Gates Foundation, The William and Flora Hewlett Foundation and the French NGO Equilibres et Populations.

The project involves secondary analysis of national data and data from international databases (wherever gaps exist) such as the UN Population Division, the World Bank and Measure DHS to analyse past demographic and economic trends. They also apply scenario-based projections using the Spectrum software developed by the Health Policy Project, with support from USAID to assess potential future outcomes under various scenarios. In addition, the initiative conducted analyses of population and development policies. The countries covered by this initiative include Benin, Burkina Faso, Côte d’Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo, Ghana, Guinea, Mauritania and Nigeria and the Democratic Republic of Congo.

Figure 10 shows some results from the study in the 8 WAEMU countries and four other countries on contraceptive use and unmet need. The study found that the total demand for family planning by women in union was below 50 percent everywhere except Ghana and Togo which is quite low compared to 70 to 80 percent observed in developing countries with low fertility (Guengant & Kamara, 2012).

**Figure 10: Proportion of Women in Union Using a Contraceptive Method with Unmet Needs in Family Planning**



Source: Guengant and Kamara 2012

## 4.6 World Economic Forum

The World Economic Forum is implementing the Global Agenda Council on Demographic Dividend 2014-2016 initiative, which seeks to produce a multi-stakeholder thought leadership to support policy-makers in the developing world to harness the DD, promote youth and women empowerment as pillars of investment transformation and raise awareness and support countries to positively impact their transformation towards sustainable and inclusive economic growth.

In its activities on the DD, the initiative works in collaboration with the UNFPA and World Bank country offices. In 2014 the programme completed two case studies in Rwanda and Nigeria to assess their prospects for reaping a demographic dividend. In Nigeria, the study assessed the prospects of harnessing the DD at both Federal level and State level. The World Economic Forum study on the prospects of the DD in Rwanda estimated that if the TFR were to drop to 2.1 by 2050 under a low fertility scenario, projected income levels would more than triple to US\$ 3,500 compared to US\$ 2,800 under a 2.6 TFR medium fertility scenario (World Economic Forum, 2014).

## 4.7 The International Union for the Scientific Study of Population (IUSSP) Network for Strengthening Demographic Training in Africa (FraNet)

This initiative covers Francophone African countries and offers 7-10 days training workshops on demographic analysis. On DD, the project seeks to map current knowledge on prospects and conditions for DD in Africa; strengthen technical capacity in DD methods including NTA, simulations, projections, causal analysis and decomposition; and produce a collaborative report on DD in various African countries.

## 4.8 Packard Foundation and Gates Foundation support for Knowledge Sharing Platform

With support from Packard Foundation and Gates Foundation, PRB is working with the Gates Institute to produce a DD knowledge sharing platform hosted on the PRB website. The initiative also coordinates various actors working on DD in Africa to share experiences and information on DD initiatives in Africa.

## 4.9 Other Initiatives

The World Bank has also conducted DD secondary analyses for the Sahel region, and is planning to conduct various studies in selected countries. The World Bank has also produced a book on the Demographic Dividend, which is due to be released in 2015.

The list of initiatives included in this report is not exhaustive by any means. There are many individual researchers and institutions working on various aspect of the DD that have not been specifically mentioned. The aim of this list was to illustrate that the DD agenda has taken off in a big way in Africa. Many of these organizations are also involved in supporting conference panels, technical working groups and conducting workshops on the DD in Africa, as well as supporting book projects on the subject. With the increasing number of initiatives, it is important to strengthen coordination and collaboration in order to augment the synergies and impact of the DD agenda in Africa.

# 5.

## Policy Recommendations

This section highlights policy recommendations arising from the various regional and country initiatives on the DD in Africa that will enable the countries to harness a substantial DD.

### 5.1 Promote modern contraception, improving women's education and child survival to accelerate fertility decline

Many countries in the continent, especially in Eastern, Middle and Western Africa regions are still experiencing high fertility levels above 4 children per women. With the prevailing limited investments and inadequate government commitment to rapid fertility decline, they are unlikely to experience the desired age structure change to open the window of opportunity to the DD for decades unless urgent policy actions are taken to address the main drivers of high fertility which include high demand for large family sizes and low demand for contraceptive use, limited access to contraception for those wishing to have fewer children, low levels of female education, high levels of teenage marriages and childbearing, and high levels of child mortality, which influences many couples to have many children in order to be assured that some will survive to adulthood.

For countries in the continent to initiate rapid fertility decline and therefore the process of change in age-structure from one dominated by child dependents to one dominated by productive working-age adults they should:

1. Increase investments in family planning (FP) and improve access to safe reproductive health and family planning services that are effective and affordable. These efforts should build on operationalizing the FP2020 commitments that most African countries have made to improve access to and use of family planning.
2. Promote the adoption of modern and long-acting methods to reduce the rate of unintended pregnancies
3. Ensure FP programmes have strong community orientation and ownership and geared towards serving adolescents and encourage male involvement
4. Enhance women's education and empowerment since keeping girls in school reduces teenage pregnancies and early marriages that contribute to increasing fertility
5. Improve child survival through initiatives such as increased immunization coverage, integrated management of childhood illnesses (IMCI), promoting use of insecticide treated nets, and improving child nutrition. Better child survival rates will encourage smaller family sizes by reducing the insurance effect that drives desire for more children.

### 5.2 Prioritize job creation strategies in economic growth policies and programmes

Across the continent, one of the most pressing concerns is the lack of decent jobs especially for youth and women who are disproportionately overrepresented in the low earning informal sector. Exacerbating

unemployment is the fact that despite recent favourable economic growth in many countries, the employment growth rates are outpaced by population growth rates and the rate of entry into the working ages in most countries.

To improve economic performance and growth while ensuring that enough decent jobs are created, countries should:

1. Accelerate the diversification of their economies to avoid the risk of over-reliance on single-sector or product dominated economies that are subject to the uncertainties of global price fluctuations and climate change such as the extractive industries and agriculture
2. Invest in sectors with high job-multiplier effects such as ITC, manufacturing and agro-industries in order to create more job quality and well-paying employment opportunities for the youth and the rest of the labour force
3. Fast-track investments in economic infrastructure, including transport, information technology and communication, and energy to improve productive efficiency and lower the cost of doing business
4. Improve political and economic governance and security to create an enabling environment to attract direct foreign and local investment
5. Put in place incentives to mainstream the large but low earning informal sector and promote growth of small and medium sized enterprises
6. Promote empowerment of youth and women and their inclusivity in socioeconomic development processes

### 5.3 Improve health status of the population to enhance productivity of the labour force

Most of the countries in the continent have high disease burden relative to the rest of the world. This is an impediment to enhanced productivity of its current and future workforces. To improve the health status of citizens, countries should:

1. Ensure sustainable investments in health, guaranteeing that the budget for health reaches at least the 15 percent of the national budget in line with the Abuja commitments<sup>7</sup>. In addition, governments need to identify and implement a sustainable health sector funding system aimed towards universal coverage to cushion the poor and underserved regions.
2. Reinforce the capacity to address pervasive communicable diseases that have a debilitating effect on productivity such as malaria, tuberculosis and HIV/AIDS.
3. Improve efforts on sensitizing the public on the emerging threat of the non-communicable diseases and improve the capacity of the healthy system to manage and treat these ailments.
4. Improve the national capacities for training, recruitment, and deployment of health workers, including the provision of incentives to retain personnel in the public sector and underserved rural regions.

<sup>7</sup><http://www.who.int/healthsystems/publications/Abuja10.pdf>

## 5.4 Promote post-primary education and improve education quality and skills development

Harnessing a substantial demographic will not be possible without a highly trained and skilled labour force. Countries should build on the good progress made over the past two decades or so in improving enrolment in primary schools to improve enrolment and quality of education at secondary and tertiary levels to develop globally competitive and productive workforce. The following steps would help countries make the required progress in this area:

1. Promote development of early childhood education programs to form a good foundation for children's education and address the factors driving low quality education at primary school level and improve progression to secondary school, including high pupil-teacher ratios and lack of learning materials.
2. Adopt a paradigm shift to promote universal secondary education, improve quality of education at this secondary school level, and improve transition rates to tertiary.
3. Reform school curricula and teaching methods at all levels of education to make education transformative by prioritizing practical skill development, innovation, science and technology, ITC, entrepreneurship and strategic leadership. This will help address skills mismatch with the labour market needs and unleash the power of youth as agents of socioeconomic change and sustainable development.
4. Expand vocational training opportunities to ensure that graduating students and those who drop out of school are equipped with useful skills for the current work environment and promote self-employment among the youth.
5. Address factors responsible for gender, income, and rural-urban inequities in education and skill development, with particular focus on higher levels of education where such differentials are most acute..

## 5.5 Improve governance and accountability

A review of policy documents, strategic and development plans across the continents reveals that many are well thought out and very progressive. However, there is a major gap between policies and implementation. Good governance and accountability in use of public resources and in service delivery are vital ingredients in bridging this gap. To improve governance and accountability, countries should:

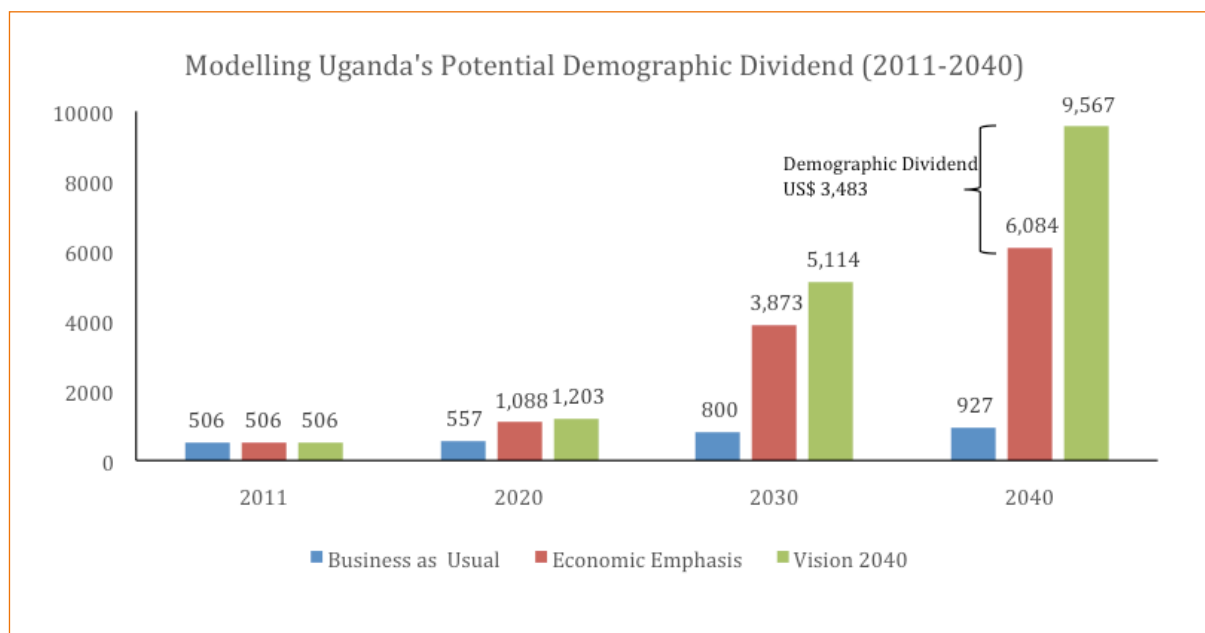
1. Inculcate performance based culture in both public and private sectors
2. Embrace robust monitoring, evaluation and performance management systems
3. Implement zero tolerance policies on corruption and wastage of public resources
4. Enhance political goodwill for good governance, accountability and the rule of law
5. Strengthen the capacity and performance of accountability institutions, including parliaments, the judiciary, and civil society organizations.

## 5.6 Adopt an integrated approach to earn a substantial demographic dividend

The framework to earn the DD (see figure 2) stresses the need for simultaneous investments in all five policy wheels for them to move together and maximize the dividend that countries can earn.

Figure 11 from the DD country study in Uganda (NPA & UNFPA, 2014) depicts the DemDIV modelling results for Uganda presented in Table 2. If Uganda continues with the Business as Usual Scenario mode of doing things over the next 30 years, GDP per capita can rise modestly from US\$ 506 to US\$ 927. If the country maximizes its economic competitiveness to the current levels enjoyed by its benchmark countries (Economic Emphasis Scenario), GDP per capita would rise to a much higher level of US\$ 6,084. But with an integrated investment strategy in all the five policy pillars of the DD would lead to an increase in per capita GDP to US\$ 9,567 by 2040, translating into a demographic dividend of US\$ 3,483. Its key to note that policies aimed at accelerating fertility decline would result in a DD and help in poverty reduction due to the benefits that reduced fertility would create by creating an age structure with lower child dependency burden, creating opportunities for women to participate more in formal employment, and reduced costs of child care services. The integrated development model that simultaneously prioritizes human capital development and job oriented, inclusive economic growth would help maximize the DD that the countries can harness. These results should serve as a springboard for advocacy for decision-makers to incorporate the DD paradigm in their broader socioeconomic development plans.

**Figure 11: Modelling Uganda's Potential Demographic Dividend (2011 -2040)**



Source: Adapted from the National Planning Authority (NPA) Uganda and UNFPA, 2014



# 6.

## Beyond the Demographic Dividend Theories and Numbers

Results of various DD studies have generated immense traction among leaders and key policy makers in countries where the studies have been done and beyond. For example, the Uganda DD study commissioned by the National Planning Authority (Ministry of Finance), with support from the UNFPA-Uganda country office and AFIDEP, received commendation from President Yoweri Museveni of Uganda when he launched the study report. The President noted that the study clarified the importance of age structure changes in a country's development and he committed to prioritize investments in family planning, education, health, economic infrastructure and job creation in order to maximize Uganda's DD and achieve the country's Vision 2040 socioeconomic transformation goals. Following the President's commendation of the study, the government of Uganda is using the findings of the study to inform the development of the second national development plan. Similar plans are underway in Zambia and Mozambique. In Kenya, the National Council for Population and Development (NCPD), Ministry of Planning and Devolution, is also developing a National Demographic Dividend Programme (with support from UNFPA and AFIDEP) to take forward the DD agenda following the modelling exercise that NCPD conducted with support from the Futures Group and USAID. A unique feature of the Kenyan programme is the expansion the DD analysis and advocacy to the sub-national county governance level.

As the DD paradigm continues to generate so much traction among policymakers, with many governments seeking to incorporate the DD paradigm into development planning and implementing processes, it is important to ensure that the evidence generation agenda shifts from the general level (mainly influenced by the experience of the Asian Tigers) to contextualize Africa's unique development challenges and opportunities. Secondly, there is growing demand from policy makers for guidance on how to identify specific game-changer policy actions that they can implement to harness a substantial demographic dividend. Specific areas that require urgent attention to help move the DD agenda forward include:

1. **Review DD modelling tools to ensure they are fully contextualized to the African context**, taking into account the fact that African countries are at varying levels of the demographic transition; and Africa has unique economic opportunities such as extensive extractive sector; high diaspora remittances, etc.
2. Develop **tools to assist decision-makers identify and cost game-changer policies and interventions** for harnessing the DD. Though attractive, the recommendations to simultaneously prioritize investments in all the five pillars of the DD can be daunting to decision makers. This will help identify actions that can be taken to hasten the process of harnessing the DD.
3. Strengthen the **technical capacity of local researchers in conducting DD analyses**, paying particular attention to assembling multi-disciplinary teams that include population and development experts, economists, public health experts, and governance experts. Particular attention should be paid to implementation research and conducting sub-national analyses for tailored policy recommendations in devolved governance systems;
4. Strengthen the **technical capacity of policy makers and programme managers in integrated planning and implementation** of DD game-changer interventions

5. **Formulate DD roadmaps, monitoring and accountability mechanisms** that include policy makers, the private sector, civil society organizations, researchers, the media, faith based groups, and other development actors to assess and improve performance and work towards galvanizing ideological shift and commitment of citizens at large towards achievement of maximum DD and long-term development goals

# 7.

## Conclusion

The demographic dividend paradigm has taken root in Africa and is being embraced as a potential critical booster to sustainable and inclusive socio-economic development. Regional and country initiatives involving multiple actors are underway to help decision makers understand the DD, and its potential role in turning around the human and economic development fortunes of the continent. The African Union, various development partners, and a growing number of African countries have led these efforts. Crucially, there are increased attempts to assess the potential of African countries to harness the DD, when this will happen and what policy actions can be taken to ensure that a substantial dividend will be earned.

Doubts have previously been cast on the ability of the continent to harness the DD chiefly due to generally high and slowly declining fertility rates and the relatively weak institutional and governance environment. This pessimism was buoyed by the slow onset of steady fertility decline in most African countries and stalled decline in countries that pioneered fertility decline such as Kenya and Egypt (Bongaarts, 2008; Ezeh, Mberu, & Emina, 2009; Westoff & Cross, 2006). However, experience of a few African countries that have already achieved substantial fertility decline (e.g. Botswana, Tunisia; Morocco; South Africa) and the growing number of countries that show early signs of rapid fertility decline (e.g. Rwanda, Ethiopia, Ghana, Zimbabwe) provide evidence that it is possible to achieve fertility decline in Africa. These strides have been made possible through strong and sustained political commitment and enhanced investments in family planning, female education and child survival programmes. The recent progress and increased attention to human capital development, governance, and job-oriented economic growth in national long term development blueprints provide further basis for hope that African countries can harness substantial DDs if they walk the talk by fully implementing these plans.

Evidently, much more needs to be done, and urgently, to ensure that countries do not miss the time bound window of opportunity for harnessing a maximum DD. The high desire for many children, weak health systems and family planning programmes, high child mortality and high levels of dropout from school for girls and associated high level of teenage marriages and childbearing continue to be major impediments to achieving steady fertility decline and human capital development in many African countries. Poverty levels remain high and the so-called “job-less African economic renaissance” needs to be urgently fixed to ensure more inclusive and job focused economic growth. The continent also needs to fix its governance systems to ensure peace and security and accountability in use of public resources and in delivery of social services. The call to action to increase investments in family planning, transformational education and skills development, health, job-oriented economic policies and governance by the various DD initiatives is timely and should be heeded. Capacity building and contextualized research and modelling of the DD for Africa to inform decision-makers in initiating timely and effective interventions will be key to ensure that the continent succeeds in unleashing the full development potential of its youth and women to achieve the African Union’s Agenda 2063 that envisages an integrated, prosperous and peaceful Africa.

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