

African Policy Review

Editorial

Transforming Africa's socio-economic landscape through entrepreneurialism

Paradox of a rising Africa

A strong culture of entrepreneurialism is decoupling Africa from foreign aid. Over the last decade, the informal sector has spawned unprecedented economic activities that have sustained the region's impressive economic growth. Notably, Cote d'Ivoire, Ethiopia, Nigeria and Rwanda are growing at a rapid pace (AfDB/OECD/UNDP, 2016¹). As at 2015, the latest recorded external flows to SSA were \$US208billion (World Bank, 2016²), with Chinese \$US26.0billion outward direct investment (ODI) to SSA surpassing its ODI to the US at \$US22.0billion (Chen, Dollar & Tang, 2015³).

In over a decade, SSA's gross national income (GNI) per capita has more than doubled from \$US486.4 in 2000 to \$US1,637.3 in 2015, and the latest real GDP growth was 5.1% (IMF, 2015⁴). Consumer spending is buoyant at \$1.4 trillion, outstripping that of India, Brazil, and more than doubled that of Russia as at 2015. Consumer and business spending by 2025 is forecast to reach \$5.6 trillion (McKinsey, 2016⁵). The 2.9% economic forecast for the region is better than the predicted 2.7% growth for the global economy (World Bank, 2017⁶). Although these are strong reasons to be sanguine about SSA's future economic prospect, unfortunately, they mask the reality of life for millions of Africans left behind.

Persistent poverty and unemployment remain serious challenges. Aggregated data from Pew Research Centre shows that the formerly poor populations in SSA have transitioned mostly into low-income status⁷ increasing from 45% to 54% between 2001 and 2011. Thus, percentage of those who could be classified as either poor or low-income barely changed over that decade, edging down by only 2% from 94% to 92%. Compared to Asia and South Pacific, which increased their middle-income population from 31% to 51% over the same period, SSA's middle-income earners (i.e., those living on \$10 to \$20 per day) were virtually unchanged, only representing 6% of the entire population as at 2011.

If anything, many, particularly young people have become increasingly vulnerable to perennial conflict in SSA because of spiralling youth unemployment. Lack of economic opportunities can force individuals to engage in conflict, which has implications for socio-

¹ AfDB/OECD/UNDP (2016), *Africa's Economic Outlook 2016: Sustainable cities and Structural Transformation*, OECD Publishing Paris.

² World Bank Group (2016) *Migration and remittances Factbook 2016*, Third Edition [Accessed Online 06.03.2017], Available via: <https://openknowledge.worldbank.org/bitstream/handle/10986/23743/9781464803192.pdf?sequence=3&isAllowed=y>

³ Chen, W., Dollar, D. and Tang, H. (2015) Why is China investing in Africa? Evidence from the firm level. *Brookings Institute*. [Accessed Online 06.03.2017], Available via: <https://www.brookings.edu/wp-content/uploads/2016/06/Why-is-China-investing-in-Africa.pdf>

⁴ International Monetary Fund (2015) *Regional Economic Outlook sub-Saharan Africa Navigating Headwinds*. [Accessed Online 06.03.2017], Available via: <https://www.imf.org/external/pubs/ft/reo/2015/afr/eng/pdf/sreo0415.pdf>

⁵ McKinsey Global Institute (2016) Nigeria's renewal: delivering inclusive growth [Accessed Online 21.03.2017], Available via: <http://www.mckinsey.com/global-themes/middle-east-and-africa/lions-on-the-move-realizing-the-potential-of-africas-economies>

⁶ World Bank Group (2017) Global Economic Prospects, Jan 2017: Weak investment in uncertain times [Accessed Online 06.03.2017], Available via: <https://openknowledge.worldbank.org/bitstream/handle/10986/25823/9781464810169.pdf?sequence=5&isAllowed=y>

⁷ Those on \$2 per day with a significant risk of slipping into poverty

economic growth (Sommers & Woodrow, 2011)⁸. At the intersection of this trend are Ethiopia and Nigeria, the two most populous African countries widely predicted to power Africa's economic growth.

As Africa's first economy, producing more than 2.6% of the global oil output, Nigeria is forecast to raise its GDP to more than \$US1.6 trillion by 2030, thereby putting it on the G20 league (McKinsey, 2016⁹). Yet, 13.1% of Nigerians are unemployed and 38% underemployed, whilst youth unemployment rose to 25% in 2016 (Nigerian Bureau of Statistics, 2016¹⁰). Majority of Nigeria's 180+ million people (20% of Africa's population) live below the empowerment line, some in chronic poverty (McKinsey, 2014¹¹). The socio-economic situation is especially problematic for the Nigerian government, and dire for many fleeing famine in the north, as it battles the Boko Haram insurgency. In fact, between 2001 to 2011, Nigeria's poor fell by 8%, resulting in a 17% increase in low-income earners and just a 1% boost to the middle-income population (Kochhar, 2015).

Similarly, Ethiopia's impressive economic dividends from implementing the Millennium Development Goals, through infrastructural investments and pro-poor schemes, led to a 27% decline in the population considered as poor. This translated into a 26% increase in the country's low-income earners and only 1% increase in middle-income bracket (Kochhar, 2015). Yet, Ethiopia remains one of the poorest countries in the world, ranking 174 out of 188 countries on the Human Development Index (Sud de France, 2017¹²). Its per capita income of \$US619.2 is substantially lower than the SSA average of \$US1,588.5. Persistent ethnic conflict means that the current 17% unemployment rate (much higher at 38% amongst the urban population) will be hard to control.

In reality, because of high unemployment, 90% of the SSA population live below \$US10 a day, with an intractably slow middle-income growth of 6.2% as at 2014 (The Economist, 2015¹³). Core to this population are mostly unemployed but burgeoning young Africans.

The 'youth bulge' challenge and unemployment

Washington based Population Reference Bureau (PRB) echoes United Nations latest forecast that Africa's youth population will more than double from current levels by 2055 (United Nations, 2015¹⁴). This makes youth unemployment the most obvious challenge SSA faces. In Nigeria, youth unemployment in the fragile north is 56.1%, and survival is much harder for 30.7% Ethiopians (mostly youths) living below the poverty line. As much as high unemployment, majority of youths lack the employability skills and the training essential to self-employment. In Kenya, for instance, 90% of all unemployed youths, some 35%

⁸ Sommers, M. and Woodrow, W. (2011) Governance, security and culture: assessing Africa's Youth Bulge, *International Journal of Conflict and Violence*, Vol. 5 No. (2), pp. 292-303

⁹ McKinsey Global Institute (2016) Nigeria's renewal: delivering inclusive growth [Accessed Online 21.03.2017], Available via: <http://www.mckinsey.com/global-themes/middle-east-and-africa/lions-on-the-move-realizing-the-potential-of-africas-economies>

¹⁰ National Bureau of Statistics (2016) *Unemployment/Under-employment Watch* [Accessed online 12.07.2016], Available via: <http://www.nigerianstat.gov.ng/report/397>

¹¹ McKinsey Global Institute (2014) Nigeria's renewal: delivering inclusive growth [Accessed online 08.03.2017], Available via: <http://www.mckinsey.com/global-themes/middle-east-and-africa/nigerias-renewal-delivering-inclusive-growth>

¹² Sud de France (2017) Human Development Index, [Accessed online 08.03.2017], Available via: <http://www.suddefrance-developpement.com/en/country-profiles/ethiopia/presentation.html>

¹³ The Economist Intelligence Unit (2015), *Africa's middle class Few and far between* [Accessed online 12.03.2017], Available via: <http://www.economist.com/news/middle-east-and-africa/21676774-africans-are-mainly-rich-or-poor-not-middle-class-should-worry>

¹⁴ United Nations Department of Economic and Social Affairs (2015) *World Population Prospects Key findings and advance tables* [Accessed online 27.03.2017], Available via: http://esa.un.org/Unpd/wpp/Publications/Files/Key_Findings_WPP_2015.pdf

compared to national unemployment rate of 10%, lack the vocational skills for employment and self-employment.

Living conditions for youths in SSA are notoriously daunting. Majority, especially young women, have heavy family burden, less disposable income, and less access to life-changing opportunities than their global counterparts. At a rate of 70%, youth working poverty (i.e., those in employment but earning less than \$2.0 a day) in SSA remains the highest globally (ILO, 2016¹⁵). To compound matters, many are forced to flee from poverty and conflict, which in turn leads to a strong incentive to emigrate. The constant flow of mostly young Africans, some 270,000 between February and September 2016, risking lives on the Mediterranean sea for better opportunities in Europe is a painful reality. It means that they are less able to function as net contributors to the socio-economic development of sub-Saharan African continent (ILO, 2016¹⁶).

Generally speaking, the youth workforce constitutes the economic asset of any society. Understanding how to benefit from this asset requires creating the remunerative pathways that provide youths access to decent jobs, but more importantly, access to the entrepreneurial capabilities to create their own jobs. Providing the entrepreneurial pathways for the 226 million (15-26 year olds) vibrant sub-Saharan African youths (with a median age of 19.5 years representing 19% of the global population) to create their own jobs could be Africa's turning-point - especially now when other world's populations are aging rapidly.

Under the Sustainable Development Goals (SDGs) framework (Targets 4.4 and 8.3), reversing this trend requires access to education, entrepreneurship and innovation. In reality, it means creating about 18.0million jobs annually until 2035 (IMF, 2015¹⁷). For African governments, this is a herculean task. For many unemployed youths transitioning from education into the labour market, it is a hopeless situation. These challenges, coupled with the fact that government resources are inadequate to create the much-needed jobs, make entrepreneurialism an urgent imperative for socio-economic transformation.

Imperatives for governments and stakeholders

Entrepreneurialism in SSA is 'necessity' rather than 'innovation' driven. It merely represents a route out of poverty, a means by which people with little capital, education or experience earn a living, especially in the informal sector. This is not to say innovation is alien to Africa. From insuring small-holder farmers from devastating effects of climate change (e.g., Africa Risk Capacity scheme), to mobile payment systems (e.g., M-pesa) and digitising payment system for Africa's fledgling e-commerce market (e.g., Flutterwave), innovation is indigenous to Africa. However, the burning question of how to harness demographic dividends by closing the skills and knowledge gap amongst diverse African youths, through this secure a path to a more stable socio-economic future, remains unanswered.

To achieve this, SSA economies must articulate coherent national and regional strategies that provide young people, particularly women, with the education, training and the employability skills essential to their personal development. This entails prioritising human capital

¹⁵ ILO (2016) *World Employment and Social Outlook 2016: Trends for youth*, International Labour Office – Geneva.

¹⁶ ILO (2016) *World Employment and Social Outlook 2016: Trends for youth*, International Labour Office – Geneva.

¹⁷ International Monetary Fund (2015) *Regional Economic Outlook sub-Saharan Africa Navigating Headwinds*. [Accessed Online 06.03.2017], Available via: <https://www.imf.org/external/pubs/ft/reo/2015/afr/eng/pdf/sreo0415.pdf>

development. By providing budgetary allocations and tax incentives, governments can work with the private sector and education providers to empower youths to achieve global competitiveness through emphasis on innovation-driven entrepreneurship. Integrating entrepreneurial learning with secondary and higher education (HE) curricula, particularly supporting pedagogies that shift from the prevalent rote learning to innovative learning could prove very effective. Multi-lateral stakeholders including the United Nations Economic Commission for Africa (UN-ECA), The Commonwealth, and African Union share this consensus.

As such, HE institutions (HEIs) must be capacitated to enhance their entrepreneurship ecosystems through expansive investments in Academic-Industry partnerships, innovation hubs, entrepreneurship centers, and 'Africa-appropriate Science Parks' for research, enterprise and innovation. These infrastructures, most likely, will accelerate the pace of skills and knowledge acquisition amongst the youths, the commercialisation of IP rights and provide the much-needed speed-to-market value for young Africans with novel ideas.

Also, governments, working jointly with the African scientific community, must be keyed into emerging global challenges (e.g., climate action) affecting the region (e.g., drought). Expansion of investments in STEM¹⁸ subjects emphasising cross-disciplinary endeavours (e.g., ICT and entrepreneurship) and diffusion of scientific knowledge will catalyse private-sector uptake of inter-governmental initiatives (e.g., African Union's Science, Technology and Innovation Strategy for Africa 2024 - STISA-2024) designed to foster socio-economic transformation through human capital development, innovation and entrepreneurship (Atta-Mensah, 2015¹⁹). Access to scientific knowledge is essential for innovative entrepreneurship. It is a key source of innovation-driven entrepreneurial opportunities necessary for productivity, growth and competitiveness of small and medium enterprises desperately needed in SSA for socio-economic transformation.

For sustainability, there must be a stable and attractive business environment. The tedium of business registration alone makes SSA one of the most unattractive regions to do business. On average it takes about 27 days to register a business in SSA compared to less than a day in Hong Kong SAR, which has a strong entrepreneurial landscape with a GDP per capita of \$US36,173 as at 2016. Governments cannot be impervious to the socio-economic impact of unattractive business environment. Efficient institutions and legal processes that 1) encourage investments in SMEs, 2) protection of intellectual properties rights 3) enforcement of legal contracts, and 4) allow Africans and foreigners alike to take full advantage of market opportunities are urgently needed.

To exploit market opportunities in the most productive manner, the entrepreneurial landscape must be conflict-free. Conflict is the main underlying barrier to human capital development and entrepreneurial effectiveness. Many of today's conflicts in SSA have become regionalised. Yet, policies are constrained by narrow focus on country-level analysis rather than cross-regional solution. The benefits of innovation-entrepreneurship cannot be fully realised if there is a lack of regional integration and consensus around knowledge exchange

¹⁸ Science, Technology, Engineering and Mathematics

¹⁹ Atta-Mensah, J. (2015) The role of science, technology, and innovation in Africa's growth [Accessed online 24.03.2017], Available via: <https://africaupclose.wilsoncenter.org/the-role-of-science-technology-and-innovation-in-africas-growth-1/>

and utility. In these perspectives, SSA governments could pursue the following principles for socio-economic transformation:

- Investments in national youth entrepreneurship policies that link entrepreneurship education curriculum with sector needs and skills gaps
- Human capital development in collaboration with the private sector, employers, and educators.
- Investment in multi-agency and multi-disciplinary STEM-related programmes under the STISA framework
- Create enabling environment for outward and inward capital flows through transparent and accountable governance and institutions
- Support entrepreneurship education schemes that marry rural entrepreneurship with ICT and agribusiness development
- Focus on youth and graduate employability-appropriate schemes through capital investments in entrepreneurship curriculum development, youth apprenticeship, entrepreneurship centres, innovation and research laboratories
- Build sustainable entrepreneurship ecosystem through capacity building e.g., skilling, up-skilling, reskilling of individuals that interface with students and youths
- Capacitate educational institutions with entrepreneurship delivery capabilities through budgetary allocations and impact assessment
- Establish transparent and accountable central units - either within existing ministries/parastatals or as standalone agencies - dedicated to developing evidence-based national policies and strategies on entrepreneurship and innovation.
- Create pathways, (e.g., in collaboration with Chambers of Commerce, SME representative groups) for rural SMEs, informal sector operators and smallholder farmers to access knowledge and networks to transform their economic activities.

Short Bio

Dr. Paschal Anosike (PhD) is Director, Centre for African Entrepreneurship and Leadership (CAEL) at University of Wolverhampton, United Kingdom, and a Visiting Professor of Entrepreneurship Education at Niger State College of Education, Nigeria. He is published and researches the socio-economic impact of entrepreneurship in Africa. He advises African higher education institutions, governments, and Chambers of Commerce on formulation and implementation of institutional and national strategies for self-employment. He has worked with The Commonwealth, UNCTAD, WHO and the UK Department for International Development (DFID) on policy and capacity building initiatives. Dr. Anosike is a Keynote and Speaker in entrepreneurship development in Africa.