



The Challenges of Youth in the 21st Century Africa – Creating Opportunities through Entrepreneurship and Education

Garnet IV Capacity Building Workshop
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Summary Report

The Evian Group, an international coalition based in Switzerland of corporate, government and opinion leaders, in association with Mthente, a South African research driven consulting firm, convened the fourth Garnet Capacity Building Workshop in Cape Town, South Africa, in late November 2008. Building on three previous annual workshops – in Budapest, Kiev and Buenos Aires – the participants worked on the challenges of youth in the 21st century, with a specific focus on the means to creating opportunities and securing sustainable development in sub-Saharan Africa through entrepreneurship and education. South Africa, by far the biggest and most diversified economy with regional leadership aspirations, accounting for roughly 20 per cent of sub-Saharan Africa's GDP, and with its post-apartheid transition to democracy a global symbol of justice and freedom, provided the ideal location for this event.

With 60-odd participants representing civil society, government and business – including members from the Garnet network and a majority of delegates from South Africa and the continent at large –, the workshop was organised along two interlaced layers. General discussions in an interactive roundtable format aimed at exploring the core dynamics at play were ordered along four themes: business education and the transfer of knowledge; governance, entrepreneurship and the opportunities for development; social entrepreneurship and innovative business models; and the impact of entrepreneurship and innovation on trade development. One of the premises behind these roundtables was that the complexity of economic integration cannot be underestimated and capacity building also implies confidence building. Some countries have clearly done better than others – in terms of governance reforms for example – and sub-Saharan Africa cannot be seen as a monolithic mass.

A second layer of dialogue was then introduced in the workshop through an innovative daylong collective brainstorming session. A group of young and promising African entrepreneurs, carefully selected by the Evian Group and Mthenthe, were given a platform to present their business plans and open them to rigorous group scrutiny. The importance of the exercise resided in empowering these entrepreneurs and fine-tuning their entrepreneurial activities through a dynamic deliberation process – thereby fulfilling one of the main objectives of the dialogue. There are many African success stories to be told with courageous and determined individuals struggling to change their societies for the better.

African Youth in the 21st Century

In 2005 over 60 per cent of Africa's population fell below the age of 25. This demographic transition, which will not stabilise before 2050, implies huge pressures for sustainable job creation in all African countries over the coming decades. While much of Asia has undergone a transformation and experienced increasing wealth over the past generation, sub-Saharan Africa has suffered from relative economic stagnation, extensive civil strife, and poor development indicators. Within the present global economic downturn most African nations will endure a distinctive set of shocks and constraints, with their capacity to respond severely tested. There is a risk that the modest gains of recent years will be reversed. Strong political leadership will be required in Africa and abroad to ensure that the coming years are not characterised as 'lost years' in the fight for greater employment generation and higher human development goals.

The economic participation of youth in sub-Saharan countries offers an extremely grim picture. The ILO estimates that 60 per cent of the total unemployed in sub-Saharan Africa are youth – 15 to 24 years old – and, on average, 72 percent of the youth population live on less than \$2 a day.¹ These figures are compounded by the problem of underemployment in societies in which unemployment figures offer an inadequate description of the difficulties faced by youth in a labour market in which the vast majority cannot afford to be unemployed. Africa is the only region of the world in which the number of young working people living on \$1 a day has increased since 1995 – by almost 7.7 million.² Over 50 per cent of all people employed in Sub-Saharan Africa fail to earn enough to lift themselves and their families above the \$1 a day extreme poverty threshold. Despite successive years of relatively high growth rates, this proportion has barely changed over the past decade.

Youth unemployment, their underemployment and employability, will remain a primary policy challenge in all sub-Saharan countries for the decades ahead. As Professor John Lonsdale remarks in rather stark terms: "for the past half-century Africa has experienced the fastest population growth in world history, so that half of Africans are under the age of 16. If they are not adequately educated, as fewer of them now are, and gainfully employed, then never has firepower been so readily and cheaply available to arm their

¹ ILO, 'Global Employment Trends for Youth 2006', Geneva (2006), <http://www.ilo.org/public/english/employment/strat/download/gety06en.pdf>

² ILO, 'The Decent Work Agenda in Africa 2007-2015', Geneva (2007), http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---webdev/documents/publication/wcms_082282.pdf

discontent, carried by superannuated Ukrainian pilots in superannuated Antonov transport planes, nor so profitably employed as by their ethnic political patrons, keen to tip the balance of electoral advantage with a spot of instructive violence.”

Productive job creation, with a renewed emphasis on education, training and skills development, offers the only secure path to ensuring that young Africans are given the opportunity of a smooth transition to adulthood and independence. Beyond the dynamics of demographic change, how well youth are prepared for the labour market, and the labour market for youth, are central factors in ensuring that young people find gainful employment. Despite the many constraining factors, entrepreneurship, although not a panacea, is one of the important avenues for job creation and wealth generation on which attention should be focused. It also represents an alternative to reducing underemployment in the rapidly growing urban informal sector across sub-Saharan Africa.

Youth unemployment and education in South Africa

In 2005, 65 per cent of the four million young South Africans who were part of the labour force were unemployed – among the highest rates in the world. Youth unemployment is probably South Africa’s most immediate policy imperative. It is a threat to the nation’s social fabric, it is jeopardising future prosperity and stability, and it is the manifestation of great inequities. Fifteen years ago, South Africa showed the world that it is possible to change given a sense of justice and values. Despite the promises of democracy, there is mounting anger and a growing sense of opportunity lost within a broad section of the rainbow nation’s youth; thereby contributing to the social ills that accompany disillusionment, political disengagement, and the loss of hope.

South Africa is currently going through a period of political change with a splinter occurring within the ruling ANC. Although this has engendered an element of concern in certain quarters, it has also given rise to a constructive debate that offers the space to rethink afresh policy choices and policy directions. Two of the areas that have been identified for this debate are health and education in the context of globalisation. Although South Africa appears to be on target to meet its Millennium Development Goals for education, there was a consensus at the workshop that this quantitative approach concealed major quality problems – not least in basic numeracy and literacy – and that, despite the considerable sums invested, South Africa is not achieving the outcomes in terms of skills or meeting the education objectives required of a modern middle-income economy.

One of the specificities of South African education, and the transition between school and the labour market, is that the country is still dealing with issues of transformation and the legacy of apartheid era inequalities, with particularly high unemployment rates among the young African population relative to coloured and white youth. There is a strong correlation between the importance, quality, of schooling and the probability of finding work. A literacy and numeracy test administered in Cape Town in 2002 demonstrated large racial discrepancies in results, discrepancies that are probably the manifestation of variations in school quality that may be a contributing factor to large

racial differences in early labour market success.³ Many of the apartheid-era differences – expenditures in schooling, privileged access to the labour market, better access to social and health services, unrestricted geographical mobility, the spatial mismatch between work centres removed from townships – are affecting young people in contemporary South Africa. The transition from school to the labour market for a majority of young black South Africans is a direct shift from education to unemployment, often for many years, or to highly insecure jobs.

The difficulty in finding a first job upon entry into the formal labour market causes discouragement and can induce a rapid depreciation in self-esteem. One of the labour market challenges faced by South Africa is that of premature entry, with a very high number of youth entering the labour market with less than complete secondary education – it was estimated at the meeting that 70 per cent of children employed in agriculture are failing to attend school –, and a third having completed no more than a matric. Unemployment is especially high within this group as the problem of insufficient demand is compounded by deficiencies in capabilities, including soft skills and IT competencies for young people without degrees or diplomas, and a mismatch between skills and market needs.

Given the large variation in the quality of education received by new entrants on the labour market, which makes it difficult for a business to ascertain the employability of a recent matric, and the fact that basic skill requirements that secure sustainable entry into the formal labour market could be met through on-the-job training programmes, a group of international economists advising the South African government has proposed the implementation of a wage subsidy coupled with a brief probationary period targeted at recent school-leavers to facilitate the school-to-work transition.⁴ The added advantage of such a scheme in the context of generating growth and encouraging entrepreneurship is that it would provide youth with the sort of private sector experience and exposure without which entrepreneurial talent will find it difficult to surface.

Business education, entrepreneurship and the transfer of knowledge

The aim of this roundtable was to assess the business education needs in the African context and look at the gaps in current initiatives when compared with international practices. If sub-Saharan Africa at large is to take full advantage of the opportunities presented by global integration, young working men and women will need to be equipped with better skills and qualifications in order to enhance their employability and adaptability, improve management practices in both the public and private spheres, and foster entrepreneurial activity that generates sustainable employment while creating and tapping into new markets. The upgrading of skills is important at all levels of the economy, including for the smallest micro-enterprises, not least for the transfer and absorption of new technologies. Substantial resources and energy will have to be devoted to young people for programmes that assist access to credit, offer training, and secure prolonged business development services such as mentorship. The potential for

³ David Lam, Murray Leibbrandt and Cecil Mlatsheni, 'Education and Youth Unemployment in South Africa', SALDRU Working Paper Series, UCT (2008), http://www.saldru.uct.ac.za/papers/wpapers/2008_24.pdf

⁴ James Leninsohn and Dani Rodrik, 'Greasing the path to a first job', Mail and Guardian Online, 19-05-2008, <http://www.mg.co.za/article/2008-05-19-greasing-the-path-to-a-first-job>

youth entrepreneurship as witnessed at the meeting is very high, but specific support measures targeted at the individual within the environment in which he or she evolves is more often than not needed to overcome financial, management or skill limitations over the longer term.

Interventions designed to support young workers in sub-Saharan Africa and help them integrate the labour market tend to focus on entrepreneurship and skills development.⁵ Improving access to education and skills for disadvantaged urban, semi-urban and rural youth, with a strong emphasis on women, is a priority – lack of access to education is an important contributor to rural migration. It was also remarked that specific attention has to be given to training needs in the informal economy, as the increasing size of the youth population implies that it is likely that informal sector job opportunities will play a very important role in absorbing this youth bulge during the coming years. A huge number of young workers throughout sub-Saharan Africa acquire skills through apprenticeships in the informal economy. It was suggested at the meeting that governments, with their social partners and through training programmes, could review these practices in order to enhance their quality.

Sub-Saharan Africa has experienced a radical increase in the urban informal sector over the past generation. A large proportion of this growth has been driven by the formation of micro-enterprises with few, if any, remunerated employees. Based on these dynamics and future trends, one of the employment priorities for many African nations would be to nurture a small and medium size enterprise sector, which could continue to provide employment and business experience to millions of individuals, while improving productivity through better access to technology, greater security, and improved organisation. A vibrant SME sector can serve as an incubator of entrepreneurs for larger enterprises while acting as a backbone to the emergence of modern industries. Entrepreneur training, fine-tuned to domestic specificities, could offer a route to the development of such a sector.

Partnerships with the private sector are essential to overcome public financial and resource constraints concerning this education and training. Partnerships are also important to obtain feedback on labour market needs and assess the quality of the education a young worker has obtained before entering the job market. A participant at the roundtable remarked that a generation is being sacrificed for whom education, basic skill requirements, and knowledge transfer could be provided through on-the-job training programmes. This, it was suggested, relates to all of sub-Saharan Africa. Another issue that was raised was the empowering and networking potential of mobile phone penetration. This must be contrasted with a digital divide in which only 3 per cent of sub-Saharan Africa's population, outside of South Africa, is internet-connected.

Finally, higher education was touched upon. On the one hand it was suggested that there is a strong correlation between business success and failure – the scaling of business activities and employment potential – depending on whether the manager has had access to higher education. On the other, a number of participants identified mismatches between the education given in business schools and the relationship on the ground – the ability to cultivate relationships, different consumer environments, fragmented retail markets, trade association lobbying. Strengthening partnerships

⁵ World Bank, 'Africa Development Indicators 2008/09: Youth and Employment in Africa', Washington D.C. (2008), <http://siteresources.worldbank.org/EXTSTATINAFR/Resources/ADI-200809-essay-EN.pdf>

between African business schools and international business schools, accompanied by the exchange and dissemination of local case studies, was proposed. Restoring African universities to rethink Africa's development needs, adapt to a knowledge-based world economy, and enable African scholars to critically assess domestic problems of social reform, education, youth employment and economic competition in the context of the global economy would also be a challenging yet welcome step forward.

Social entrepreneurship and innovative business models

Social entrepreneurship has experienced mounting interest and increased sophistication as a tool to tackling some of the most glaring injustices faced by many societies. Although it can take a long time to assess the impact of entrepreneurial activities on the fabric of society, it was underlined at the meeting that the core criteria which distinguishes social entrepreneurship from entrepreneurship is the ability to deliver systemic and endemic social change. Entrepreneurs and social entrepreneurs both seek opportunities and take risks, but the difference resides in this quest for systemic change in organisational structures – as such it should also be set apart from corporate social investment and corporate social responsibility. It represents a convergence within the space left open between traditional business activity and civil society preoccupations, in which social entrepreneurs are some of the individuals coming up with experiments to drive a social agenda within the governance tripod of civil society, government and the private sector.

A number of successful business models in this new field that were cited at the meeting and can be replicated and propagated include micro-irrigation in Kenya, micro-enterprise in Cameroon, social media and social housing in South Africa, and public health in Ghana. It was suggested that these bottom-of-the-pyramid models represent a \$5 trillion market worldwide, of which \$700 billion are to be harnessed in Africa, particularly in food, then energy, housing, health and ICT. A note of caution was introduced in the debate to underline the narrow views of profitability that inform a number of market agents with respect to BOP models; without changing the environment in which these markets evolve their social impact will be limited. This implies the extension of capabilities and the meaningful contribution of agencies within the tripod. It was further added that one of the main obstacles faced by social entrepreneurship is that of reaching scale. In order to counter this, two trends that are growing at rapid pace are partnerships with government and business, as well as the idea of social venture funds through venture philanthropists. Bangladesh offers a fertile ground from which a number of partnership and venture models could be replicated on the African continent.

One of the difficulties often faced with the development of entrepreneurial talent is that of preserving the value within communities once skills and success have been achieved. Cooperative and community-based enterprises are an important means of promoting decent jobs for young people and can provide an opportunity to learn how to become an entrepreneur and collectively accumulate the financial, social and human resources necessary to create employment. Fostering the entry of micro-entrepreneurs into the mainstream of the economy raises the issue of the application of values and justice once it is institutionalised. The onus is to demonstrate that it is possible to create a business that can contribute to change, not only for the individuals concerned, but also for the community at large. It was suggested that narrow perceptions of business-society relations represent an obstacle to the pioneering of different types of business models

that can make a real difference. A concern that was raised was the vacuum in leadership in creating a value system through which the role of business, one that incorporates the ideal of freedom, can be redefined.

Governance, entrepreneurship and opportunities for development

There appears to be a general consensus that improved governance has played a central role in sub-Saharan Africa's economic revival over the past few years – over 5 per cent growth for the region as a whole since the year 2000, although present projections are distinctly less sanguine in light of the global economic crisis. Of importance has also been the rise in commodity prices – yet again this has to be tempered by a temporary bust leading to fiscal retrenchment in many African countries – increased private capital flows, and the growing engagement of China and India with the continent. Given the enormous scope of the debate, which permeates every avenue of government and market activity, the roundtable focused on the governance-development-entrepreneurship nexus.

Despite the challenges that remain to improved political governance in many African countries, there has been a trend towards political liberalisation at the domestic level and agreed principles of good governance at the macro level embodied by the African Peer Review Mechanism that grew out of NEPAD. Although it remains to be seen how effective this mechanism will be, it clearly reflects a rethinking on the part of African governments of their approaches to development management. It was suggested by a number of participants that the opening of space for citizens to hold their governments to account provides an opportunity to set a framework of value that informs market and state agents in the advancement of the broader public good. The challenge is to bring civil society back into the institutions of state and market while moulding this tripod for social change.

Appropriate governance requires an understanding of market development and the manner in which firms make investment decisions. Unless this is understood, there is no guarantee that business investment and entrepreneurship will act in support of development in terms of domestic value creation. The lack of institutional capacity in many poor countries to implement policy, or enforce rules and regulations, may offer opportunities for entrepreneurs and investment, but the exercise of these opportunities cannot necessarily be counted on to favour development. It can detract from potential development outcomes if, for example, excessive market power is abused or inefficient government policies are in place.

Given the size of the problems at hand, the current crisis will provide a severe test of how deep and resilient the new governance principles in Africa have gone. Governments with the best of intentions will find the pressures of burgeoning populations with rising expectations very hard to manage. Food price inflation, severe energy shortages in many countries, increased competition in export markets, fiscal contraction related to commodity price drops, the tightening and crowding out of capital flows, and adaptation to climate change, are all issues with a global dimension that will not be easily be tackled domestically. The phenomenal engagement of China across the continent represents a new element for governments and business, although there remains a question mark as to whether the opportunities this gives rise to will offer a new model of development and a genuine departure from past trends in global interaction.

Trade development and entrepreneurship

Africa is the only low-income region that has failed to diversify its exports out of primary commodities into manufactured goods and services.⁶ It is often suggested that sub-Saharan Africa has missed the globalisation boat, and that the concentration of agglomeration economies, with large clusters of economic activity in Asia, impose severe competitive pressures in the global and regional trading system.⁷ South Africa faces a particularly trying set of circumstances, as it is a middle-income country attempting to sustain a leadership role in a region of considerably poorer countries while its markets are the target of some of the most efficient manufacturers and providers of services in the world. The performance of the export sector following trade liberalisation reforms over the past years has fallen well short of expectations, as most African economies have failed to manage the transition from traditional exports to more dynamic sectors with higher earning potential. There appears to be an urgent need to better understand the impact of globalisation, in all its complexity, on many African countries – the quest for capital, the impact of China on African labour, and global structures in relation to the local agency of rulers.

A subject that was discussed at length was that of creating the space where young entrepreneurs can to be protected, encouraged, and able to extend to regional and global markets. The emergence of dynamic Southern centres of growth would suggest that African countries could reorient their external trade towards these new Asian poles by encouraging FDI and engaging in agreements to identify export market opportunities. This is particularly pertinent given the external constraints imposed by Africa's traditional partners the EU and the US – subsidies, standards, tariff peaks – on the participation of African agricultural producers in the international trade in new market-dynamic agricultural products in which they could hold a comparative advantage. There is a need to look at ongoing initiatives, identify whether there are effective initiatives specifically targeted at youth, which help understand the rules governing trade, the barriers and costs that stifle entrepreneurial drive – infrastructure, red tape, technical barriers, distribution networks, standards, access to technology – in the provision of products in line with consumer demand. Civil society working in partnership with governments can help entrepreneurs identify potential export markets and assist in taking advantage of these opportunities through targeted trade capacity building programmes.

The problems of intra-African synergy were also debated. Trade liberalisation has had little effect on intra-African trade, which has stagnated at around 8 per cent. A number of regional trade protocols exist but they are often weak, suffer from a lack of compliance, and are signed with little private sector involvement. The facilitation of intra-regional trade requires the provision of public goods that many African nations are finding difficult to supply with efficiency. Given the political economy of protectionism prone to the hijacking of the general interest, and the concern that low-income country integration can lead to economic divergence, a focus on regional economic policy-making,

⁶ UNCTAD, 'Economic Development in Africa 2008, Export Performance Following Trade Liberalization', Geneva (2008), http://www.unctad.org/en/docs/aldcafrica2008_en.pdf

⁷ Paul Collier and Tony Venables, 'Trade and economic performance: does Africa's fragmentation matter?', Centre for the Study of African Economies (May 2008), <http://users.ox.ac.uk/~econpco/research/pdfs/TradeAndEconomicPerformance.pdf>

infrastructure, and energy rather than trade could offer an alternative path to strengthened regional synergies. The scope for mutual gains could be much greater in creating the institutional environment and incentive structures for entrepreneurs and investment flows to explore new avenues. Recent riots in Cape Town and Johannesburg against immigrants are nevertheless a reminder that poverty and insecurity are fertile breeding grounds for division and antagonism, and that the road towards greater regional integration will be an arduous one.

Concluding Remarks

In his recent book on Africa, Richard Dowden identifies three causes for hope simmering on the surface of the enormous challenges faced by the continent: the penetration of mobile telephony, a new assertive middle class impatient of corrupt and inefficient government, and a new cultural confidence.⁸ Optimism may also be drawn from a growing awareness that the rest of the world has to change in order to give Africa a better deal – this does not necessarily entail more dependence on international aid but a rebalancing of the rules of world economic interaction and access to opportunities on an equal footing. These, however, are not normal times. Sub-Saharan Africa is potentially facing an unprecedented crisis, one which is not even remotely of its making. Capital flows are reversing, remittances are drying up, export markets are contracting, and commodity exporters are being sent into recession. A deceleration in growth will have an impact on the incidence of poverty and exacerbate youth alienation.

The engagement of China with sub-Saharan Africa is an immediate new global factor that has altered external perceptions of the continent and reignited Africa's economic importance. The challenge for Africa is to use this space in a positive manner and lay solid foundations for national economic development. Whereas China appears to have a strategy for Africa, the reverse is not true. The onus is on using this relationship and the capital flows related to commodity exports to power development while capitalising on international investors' interest. The divergence in structural constraints, human and physical geography, and historical trajectories within sub-Saharan Africa, offer multiple policy options and a very diverse set of possible strategies on this path to greater prosperity.

A common denominator to be drawn from the roundtable discussions is that while entrepreneurship and the entrepreneurial spirit can do much, a competent technocracy based on consistent government policy on which productive economic enterprises can rely-on is fundamental. Governance matters, institutions matter, as does skill development to run the institutions of state. A historical legacy of dependency on the state at the expense of individual initiative underlines the importance of involving citizens in governance processes. Social dialogue is a central component in the implementation of policy interventions to promote much needed employment opportunities for young people in sub-Saharan Africa. The theme of the workshop reflected the urgent need, not only to promote, but also to mainstream innovative means for youth integration and inclusion in the active economy.

⁸ Richard Dowden, 'Africa: Altered States, Ordinary Miracles', Portobello Books, London (2008)

The voice of a young entrepreneur

South African entrepreneur Nontwenhle Mchunu has lofty expectations to expand and develop her chocolate-making company Ezulwini Chocolat (which translates as "Heavenly Chocolate"). Mchunu comes from KwaZulu-Natal in South Africa. She certainly does not have access to the kinds of financing and other resources available to most entrepreneurs in Europe or North America. However, since founding her company in 2002, she has demonstrated – time and time again – her passion, ambition and perseverance – qualities also found in the most famous serial entrepreneurs.

As part of the workshop, participants worked in groups with Mchunu and three other promising entrepreneurs. During the daylong workshop, groups analysed each respective entrepreneur's business plan in a collective brainstorming session. The group participants represented a range of backgrounds, including successful entrepreneurs. The creative and constructive feedback garnered was invaluable, as was the confidence the entrepreneurs gained throughout the course of the day. "I want to express my gratitude for their amazing contribution in entrepreneurship and education development," Mchunu said. "It was humbling to see so many people from different parts of the world come together to discuss change. Although I hoped more governments were listening, I believe we all have the ability to drive change. The workshop left a significant brick contributing to the construction of my dream."

Mthente Research and Consulting Services, co-organisers of the Fourth Capacity Building Workshop, have launched a blog aimed at identifying and celebrating Excellence in Africa.

The blog can be accessed at <http://www.mthente.co.za/excellence-in-africa>.