

DOs AND DON'Ts OF AFRICAN GOVERNMENTS IN ENCOURAGING YOUTH ENTREPRENEURSHIP

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SYNOPSIS

In most African countries, when it comes to promoting youth entrepreneurship, governments perform some roles that are not the most indicated. Indeed, most of the time, governments launch and manage youth entrepreneurship programmes as the main implementer of activities like training or financing. This approach leads to ineffective results as activities become the prerogative of the public sector where corruption, administrative delays and other public recurring factors such as politicisation and poor accountability for results block the effective promotion of youth entrepreneurship. The role of government should return to creating and maintaining a conducive environment for youth entrepreneurship. This primarily involves providing entrepreneurial skills to youth, enabling an attractive financial environment, investing in infrastructure, and ensuring M&E and knowledge management.

Introduction

Globally, the labour market is not favourable for youth. In 2013, the risk of youth not being employed is two times higher than that of an adult because of the lack of experience and resources and the skills mismatch. The recent ILO report on youth unemployment trends indicated that as many as 38 million young people (in the youth bracket: 15-24 years) are estimated to be unemployed in 2013 in Africa.

North Africa has a higher youth unemployment rate than the world average, with about one youth in four without a job. Sub-Saharan Africa has a relatively low but increasing unemployment rate (11.5%), which hides some large disparities. For example, in South Africa 51 per cent of young women and 43 per cent of young men are unemployed (ILO, 2013). Such situation shows that youth unemployment is a top priority problem on the continent.

Unfortunately, governments (national, regional, local) and other stakeholders have not been able to provide enough jobs for all unemployed youths in African countries. Therefore, to close the unemployment gap, the youth will have to be transformed from job seekers to job creators through entrepreneurship development. Although not on a large scale, there are many successful youth-led businesses across Africa that underpin the fact that the youth can create and managing successful business ventures that can contribute to job creation. It is therefore essential to encourage entrepreneurship among the youth as a strategy for mitigating youth unemployment. To this end, African governments have a crucial role to play, along with other stakeholders to ensure that the right policies and programmes are developed and made accessible to the youth. Although many government-led youth entrepreneurship programmes exist across the

continent, available evidence indicated that they have not been successful in developing sustainable youth enterprises. Very often the programme is launched and many youth are supported, but a few succeed in keeping their business operating after the initial (funding) phase.

Such failures are often due to a number of factors including politicisation, poor implementation and accountability for results. Governments tend to use the programmes as a means of compensating their party faithful or supporter and thereby fall prey to poor selection of participants and allocation beneficiaries to programme components. The situation is exacerbated by weak and inefficient management system and implementation mechanism. Accountability for results including sustainability of the intervention is mostly the least concern of the managers of the project. They tend to focus mainly on the short-term imperatives by getting many people on the programme without particular attention to the long term impacts of the programme after funding has ended. There is therefore the need to reconsider and redefine the appropriate roles and responsibilities of governments to ensure effective design, delivery and impact of youth entrepreneurship programmes. This knowledge brief gives an overview of the youth unemployment-entrepreneurship nexus. It highlights some of the expected roles of the state (dos) as well as those that must be left for other stakeholders (don'ts).

Entrepreneurship and youth unemployment

Governments, private sector and non-governmental organisations must complement each other in the fight against youth unemployment. The choices are two fold, to create enough jobs that will absorb young people entering the labour markets or to promote youth entrepreneurship thus support the youth to create their own jobs. Rapid population growth and high annual turnout of graduates from the

secondary and tertiary institutions in Africa generates millions of first time job seekers in addition to those who have been unemployed for more than a year. Unfortunately, the number of jobs created per year in majority of the countries across the continent is not commensurable with the level of demand leaving a yawning unemployment gap which keeps on growing year after year. Youth entrepreneurship appears to be a promising pathway to meet the increasing demand of employment. At the 2012 International Labour Conference, the representatives of governments, employers and workers of the 185 ILO member States identified entrepreneurship as one of the five key policy areas to promote decent work for youth.

Nevertheless, entrepreneurship is not a panacea for youth unemployment. It has the potential to empower the youth to create their own jobs rather than becoming job seeker, however, it has its own disadvantages.

Table 1: Advantages and disadvantages of entrepreneurship

	Advantages	Disadvantages
Entrepreneurship	<ul style="list-style-type: none"> ▪ Can have high employment potential and may meet young people's aspirations (e.g. for flexibility, independence); ▪ Is effective when combined with financial and other services, including mentoring. 	<ul style="list-style-type: none"> ▪ May create displacement effects and have a high failure rate, which limits its capacity to create sustainable employment; ▪ Is often difficult for disadvantaged youth due to their lack of networks, experience, know-how and collateral.

Source: ILO (2011)

Youth entrepreneurship in Africa

The identification of the most appropriate role for governments in promoting youth entrepreneurship requires the preliminary analysis of the existing business environment in a given country. This provides a background to formulate effective policy recommendations. The environment is presented here through the identification and analysis of current challenges and opportunities.

Challenges

- Access to financing

Financing is key in launching or running business. It designates the financial resources needed by entrepreneurs to transform their ideas into a business or keep their existing business operating. Financing is a big challenge for youth because of their limited resources and the lack of collateral. Financial institutions considered them high risk client. Therefore, they often rely on self-financing or family loans to fund their enterprise. Financing is a well-known challenge in African countries. Whereas many young entrepreneurs are complaining about lack of financing for their ventures, financial institutions on the other hand point to the fact that many of the youth oriented projects does not meet the funding requirements or does not assure returns on investment. (Omidyar Network, 2012). This situation unveils another huge challenge confronting the youth in Africa when it comes to entrepreneurship.

- Lack of entrepreneurial skills

Effective entrepreneurship requires capability to analyse, implement and manage innovation within a growing and changing market. Young people who want to become successful entrepreneurs require specific skills that will enable them identify and harness opportunities in a competitive environment. The challenge is that African educational systems do not adequately prepare the youth to take advantage of existing opportunities to create their own business. Post-secondary and tertiary education

in Africa is more theory based rather than developing skills and competencies that will enable graduates to be innovative and entrepreneurial. For example, among the colleges and universities in Sub-Saharan Africa, only 7% have an entrepreneurship centre dedicated to entrepreneurial development; 28% offer courses specialising in entrepreneurship; and 10% offer a course in innovation and technology (Kobongo, 2010). Therefore, the majority of youth has to struggle in the labour market until they get employment in public sector or establish “survival” informal business which is usually not sustainable because of low returns.

- Socio-cultural barriers

In Africa, the other challenges that youth face when they make the decision to start-up companies or develop their own business, is the pressure from parents and the wider society because they consider entrepreneurship as a last resort and a non-acceptable choice. Parents usually do not encourage or support their children to venture into private business. There are no formal mechanisms to identify and groom interest and passion of young people into profitable business ventures. Entrepreneurial potential is considered at best as a subsidiary skill that can supplement the “professional” career of the youth. This is a challenge to consider because this misconception of entrepreneurship by parents and the society makes access to capital and mentorship more difficult for youth.

- Inappropriate infrastructure

The generally poor status of infrastructure across the continent has further worsened the situation of youth entrepreneurship. It is a major challenge entrepreneurs need to face in addition to access to capital, lack of entrepreneurial skills and socio-cultural barriers. Across Africa, access to internet service is still a luxury, poor urban and rural roads, lack of electricity in many towns and villages as well as inadequate access to good and

safe drinking water are some of the infrastructural challenges the youth may have to contend with. The lack of appropriate and reliable infrastructure impacts on the cost of doing business and severely affects the returns and profitability of small scale venture. Damage to equipment because of power surge and long power outage are a big concern in many African countries. Furthermore, due to bad transportation facilities young people who are involved in agribusiness have difficulties in getting their products into markets in the cities or buy agricultural inputs and access other services. In addition to the challenges noted above, inadequate communication infrastructure also impacts negatively on the ease of doing business in many African countries. Whereas countries in North Africa and South Africa have a higher ICT penetration, majority of the countries in sub-Saharan Africa are still struggling to ensure a good mobile and internet penetration and broadcasting coverage.

Opportunities

- Growing population, growing markets

The demographic situation in sub-Saharan Africa is expected to change dramatically. UN projections show that the population of the region is expected to increase from 860 million in 2010 to over 2 billion in 2050 because of its young population.

This high population growth may be seen as a challenge because an increased number of youth is expected to enter the labour market relative to the low number of jobs opportunities, but this demographic growth also means a growing number of potential customers. For example, as the African population is growing, countries will need to feed more people now and over the next years. This is a huge opportunity for the youth to get involved in agricultural value chain and transform agriculture into profitable businesses. This is also applicable to other sectors. Therefore, if the youth are provided with appropriate

capabilities, they will likely innovate and supply this growing demand.

- Regional integration

Regional integration is considerably beyond simple opening of borders between countries for goods and services. It also encompasses harmonizing standards, facilitating exchanges of information and knowledge, mutualizing efforts for infrastructure building or financing. Regional Economic Communities like The West African Economic and Monetary Union (WAEMU) and the Common Market for Eastern and Southern Africa (COMESA) are means of regional integration. They provide pathways for youth to unleash their potential and think beyond their countries. For example, youth can look for opportunities for training and trading not only in their own countries, but in a larger space. To address the issue of funding, an Innovation Fund has been launched during the 16th Summit of the COMESA Authority of Heads of State and Government to boost economic growth in the region. As a result, in 2013, Zimbabwe effectively allocates US\$1.5 million annually for Innovations Programme. This fund is utilized for research, development and commercialization of innovations and is an opportunity for youth. The WAEMU also organized in 2014 a conference that gathers young entrepreneurs from member states to discuss challenges and exchange opportunities. Such regional initiatives provide new opportunities for the youth to succeed in entrepreneurship.

- Information and Communication Technologies (ICT)

Information is very crucial in the business environment. A firm can make huge profit with the right information used at the right time. It means that information management through ICT is a great opportunity to succeed in business. ICT is transforming all sectors including health, agriculture and education. Young people are no longer constrained to wait for face to face

training before acquiring knowledge on how to design a fundable business plan or to manage their start-up. A wide variety of courses exist online to help them to get these skills. An example is the African Virtual University, a Pan African Intergovernmental Organization which has the mandate to increase access to quality higher education and training through the innovative use of information and communication technologies. It has the largest eLearning network on the continent, currently working in 27 countries, through 53 partner institutions. ICTs are also expanding market opportunities for youth businesses. They can find new customers online, advertise or manage their businesses through mobile applications at no or very low cost. Mobile financial services such as M-PESA are making it easier for young people to receive payment for services rendered and to launch their own enterprises. These examples show that ICTs constitute a great opportunity for young people to leverage some barriers related to entrepreneurship, because they are keen to these technologies.

African governments sustaining youth entrepreneurship

Combatting youth unemployment through entrepreneurship promotion requires the joint effort of key stakeholders including governments, the private sector, civil society and academia. To ensure effective youth entrepreneurship promotion, a framework should be established which allows each of the stakeholders to play a clearly defined and well-targeted role. This section focuses on the role of governments as the main stakeholders in these processes. It highlights some of the inappropriate roles performed by governments and suggests some priorities for governments in terms of policy recommendations.

What governments should avoid (don'ts)

The promotion of youth entrepreneurship is a multi-stakeholders process with each of them

carrying out a specific and appropriate role. Nevertheless, in many African countries such multi-stakeholders approach is not adopted. Thus, governments launched and carried out themselves large programmes in which activities like selection of young beneficiaries, training, mentoring and even financing are performed by the government itself.

For example, in many youth entrepreneurship programmes a training component is included. This component is very often internalized by the programme and then delivered by the programme coordination unit or recruited consultants. Adopting this approach is not necessarily bad but in many cases, when training is managed by government, long term impact is not the main concern. Therefore, the programme does not identify and address key skills to provide for youth because training institutions are not involved on a long term basis. As a result, young people who are participating in the programme do not end up with the required skills and the programme obtains limited results compared to the price paid. Such programmes can achieve better results by mutualizing efforts through partnership with existing local training centers or professionals to manage the training component for government.

The other critical domain where government institutions often fail to deliver results is financing. Some government-led programmes establish funding schemes for youth entrepreneurship. Most of these programmes internalize the management of such funding schemes. Given that government institutions are not likely to have the required financial management skills (like private financial firms), the programmes fail to identify profitable and promising business plans to be financed and ensure proper management of disbursed funds. As a result, many youth-led businesses are financed but most of them fail at the inception stage either because the business plan is not solid or the funds were not well managed. In addition,

common behaviour in some African countries considers loans received from government as a gift, so that they have no pressure in managing it properly and pay it back. This is also one of the reasons showing that it is not appropriate for government to manage financing by itself.

These are examples of what the governments should avoid in their efforts to support youth entrepreneurship. These activities should be externalized and managed by institutions that are the most capable to ensure effectiveness, efficiency and accountability.

Policy recommendations - what governments should focus on (dos)

The role of governments should be primarily to create and maintain a conducive environment for youth entrepreneurship. Some of the expected roles of governments include providing skills, enabling an attractive financial environment, investing in infrastructure, and ensuring M&E and knowledge management.

Providing skills

- **Support the integration of entrepreneurship in academic curricula**

Governments should facilitate the creation and deployment of entrepreneurship curricula in education systems. The objective is to help young people to develop basic entrepreneurship skills at school. All education levels should be included. The school system in Mauritius for example provides entrepreneurship learning at the primary level (Omidyar Network, 2012). As a result, teenagers have earlier knowledge on entrepreneurship realities and can identify their passion and get the skills to convert them into a business.

- **Facilitate mentoring and networking**

Mentoring and networking can play a crucial role in the promotion of youth entrepreneurship. Governments have the resources to partner with private actors, so that they provide guidance and mentorship for early stage young entrepreneurs.

This mentorship can be either in the form of internships in well-established and successful enterprises or group/individual guidance provided by senior/youth models business managers. Networking can also provide entrepreneurial skills to young people. Regional Economic Communities are pathways to promote such networking at regional level so that young people can learn from each other and mitigate challenges in a joint effort.

- **Valorise young entrepreneurs success stories**

African youth need also young idols, young people who succeeded in business from almost nothing. Media programmes or public events could then celebrate young entrepreneurs' successes and showcase their experience to enable their peers to get into entrepreneurship too.

Enabling an attractive financial environment

- **Create and maintain a youth entrepreneurship collateral fund**

The lack of collateral is one of the main challenges youth face when they need financing for their business. This is an aspect governments can deal with to promote youth entrepreneurship. A collateral fund provided by the government can be a good option, but the main concern is how to pay attention to the way such fund is established and managed. Some countries established funds for youth entrepreneurship, but most of them failed to deliver sizeable results. Benin launched a youth entrepreneurship fund of USD 12.5 million in 2007, but few results have been achieved with it; most of the young people financed failed to pay the money back.

To overcome this challenge, a collateral fund can be set in place by the government partnering with financial institutions to serve as a security asset for financing youth businesses. This would enable young people to have access to bank funds. Such strategy would give some security to

the government that the most promising youth-led business plans are being financed, because financial institutions will apply a rigorous assessment.

- **Promote youth sensitive procedures and tax policies**

Regulations are a domain in which governments can play a critical role. Business creation procedures should be reviewed to facilitate enterprise launching by young people. This has the advantage to move young people from the informal sector to the formal one, so that they can take advantages from that sector and contribute to the national revenue. In addition, new businesses launched or registered by youth can receive tax exemptions for some years (1-3) to help them make the business more profitable.

Another policy measure that can give more value to youth-led enterprises is to discourage the import of some goods that can be produced locally by youth. This has some implications since many African countries are relying on taxes from export, but providing local markets to youth-led enterprises is a main condition to have durable outcomes from youth entrepreneurship programmes and policies.

Investing in infrastructure

Lack of reliable infrastructure is a global concern in most African countries that is making more difficult the situation of young entrepreneurs. Governments should partner with private sector actors to develop infrastructures. The private sector often has resources to invest and can provide the skills to successfully complete infrastructure projects. Power and roads are the infrastructures on which it is crucial to focus at first. Productive areas should be identified and prioritized in the implementation of infrastructure projects. An attention should also be paid to communication infrastructure to facilitate information management by businesses. Lessons learnt in Kenya, Rwanda or South Africa can be useful for other African

countries in terms of developing ICTs infrastructures.

Ensuring M&E and a better knowledge management

Everyone agrees on the fact that several projects and programmes have been implemented in African countries through the decades to promote socio-economic development and reduce poverty, but despite these trials the continent is still struggling with the same challenges. African countries do not really suffer from the lack of initiatives; some fail and others provide interesting achievements. Unfortunately, the activities and changes produced are not really tracked in projects, programmes and policies related to youth entrepreneurship. As a result, countries often keep doing things in the same way, replicating past mistakes and obtaining past and already experienced failures. Monitoring & Evaluation (M&E) combined with an effective knowledge management can help to better adjust implementation of activities, track changes, identify learning and build new initiatives on lessons from the past. This can be achieved by including M&E and knowledge management as a core and systematic component into initiatives promoting youth entrepreneurship.

Finally, it is very important to mention that such component should be built and kept operating following Managing for Development Results principles.

Conclusion

Youth unemployment is one of the main challenges Africa is facing. It slows down economic growth and is a threat for security and social cohesion as demonstrated by the Arab Spring. There is a strong need to overcome this challenge throughout the continent. Youth entrepreneurship is a very promising option to consider. Despite existing challenges related to financing, skills, socio-cultural barriers and infrastructure, there are some opportunities African countries can tap into to unlock the full

potential of youth and transform African economies. These opportunities include the growing population, regional integration and ICTs. Governments can use these opportunities and their numerous and large resources to support youth entrepreneurship in an efficient and sustainable way. The analysis made in this brief showed that some inappropriate measures are undertaken by governments undermining the efforts for the reduction of youth unemployment through entrepreneurship. The main finding is that government should play a more catalytic role instead of being only an implementer. The role of governments exposed in terms of policy recommendations includes: providing skills, enabling more attractive business environments,

investing in infrastructure, ensuring M&E and effective knowledge management. It is essential to mention that all policy recommendations should be implemented in close partnership with other development stakeholders. M&E and knowledge management are particularly key. They will unleash the potential of African governments in combatting youth unemployment by helping them to track changes and learn from each other with a long-term vision.



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