

AFIDEP

African Institute for Development Policy

Bridging Development Research, Policy & Practice

Africa's Demographic Transition and Demographic Dividend

Presented at the UN Expert Group Meeting on Changing
Population Age Structures and Sustainable Development
13-14 October 2016, New York

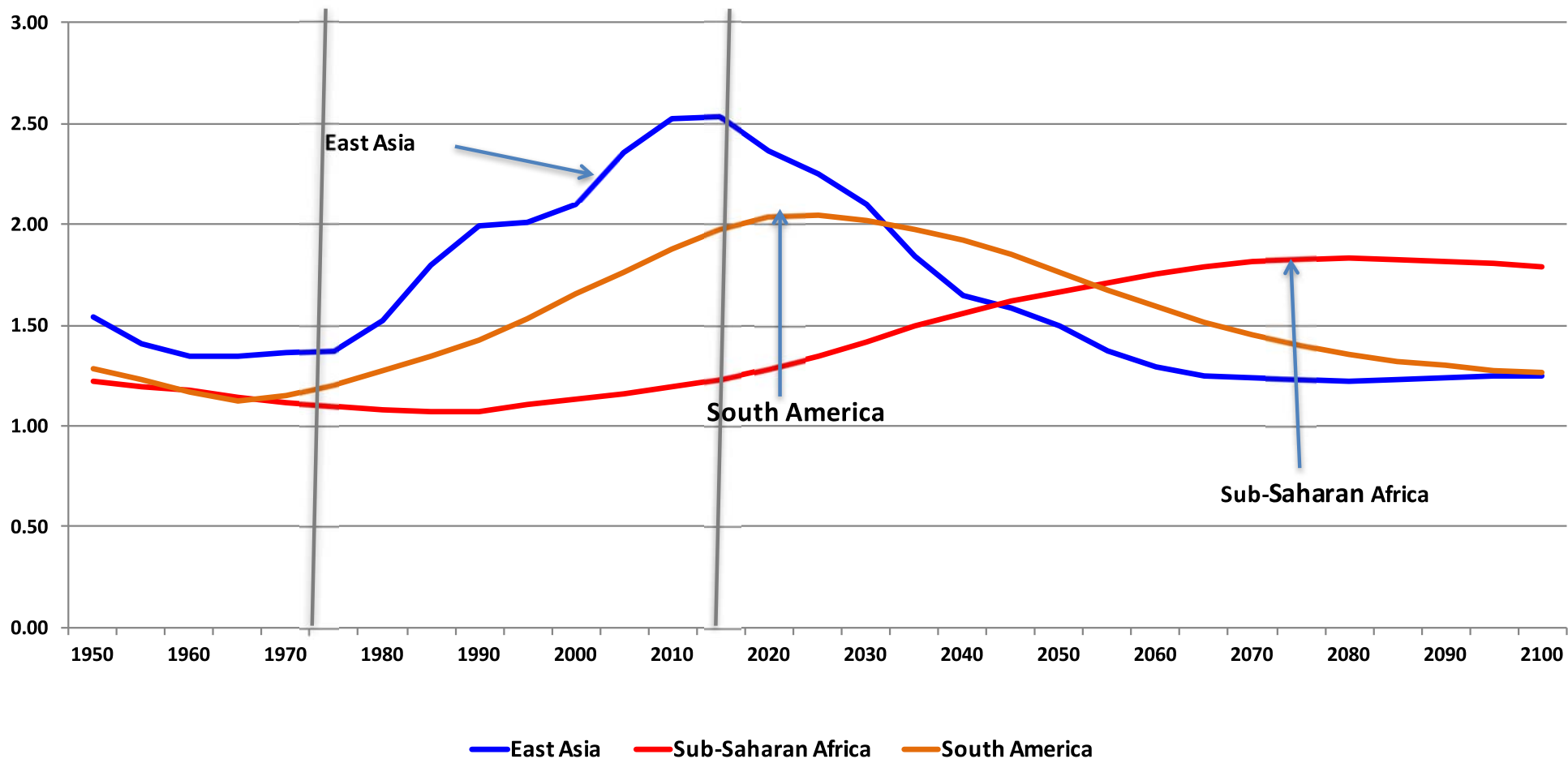
Eliya Msiyaphazi Zulu, PhD

Birth rates have fallen remarkably in the last fifty years in all regions, except in Least Developed countries and Africa

Region	1970	2015
World	4.4	2.5
Developed Countries	2.1	1.7
Less Developed Countries	5.2	2.4
Least Developed Countries	6.8	4.2
South Asia	5.6	2.5
Africa	6.7	4.7

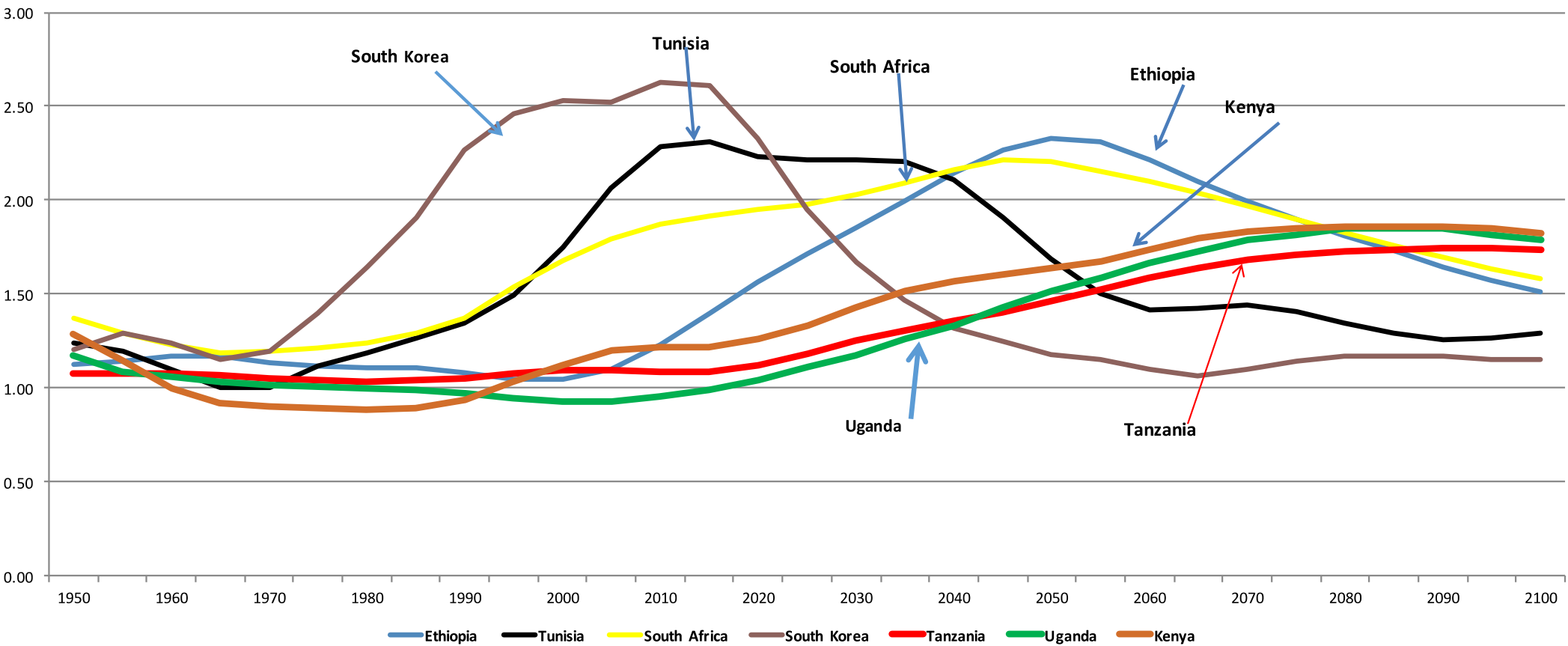
Source: Population Reference Bureau, 2014

Ratio of working age to dependent population



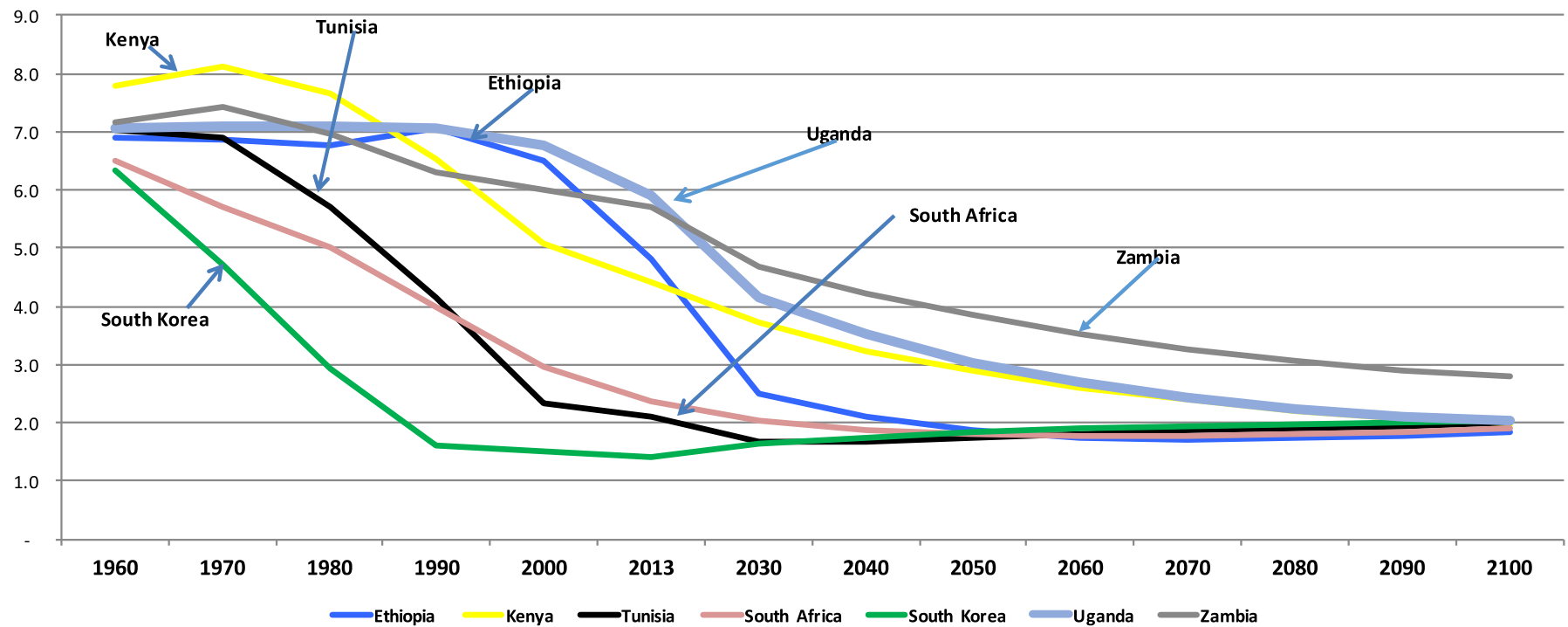
Source: UN Population Division (MEDIUM VARIANT), 2011

Africa's labour force surplus will peak later & at a lower level if fertility continues to decline slowly



Source: UN Population Division (Medium Variant)

Past and projected Fertility Rates

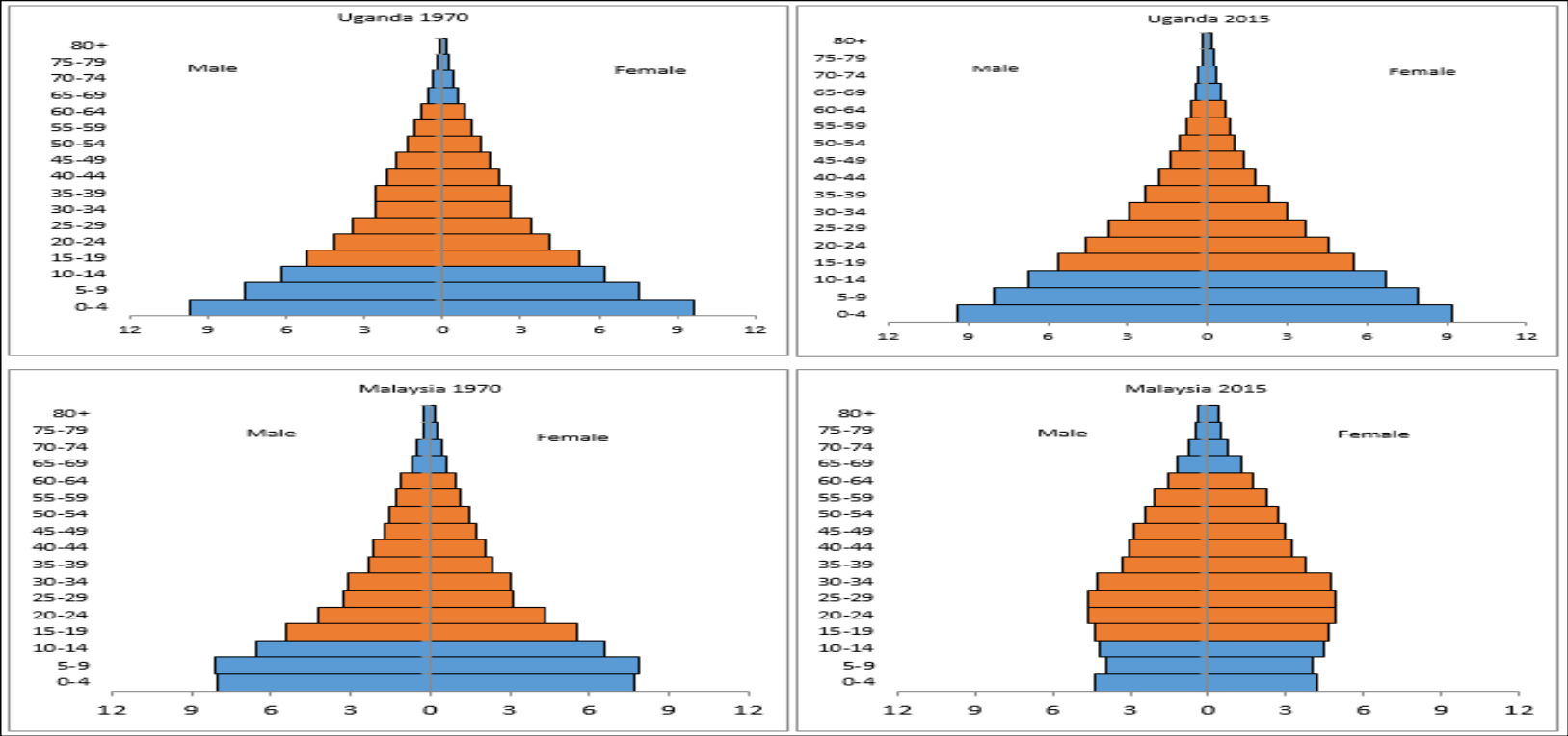


DEMOGRAPHIC TRANSITION IN AFRICA

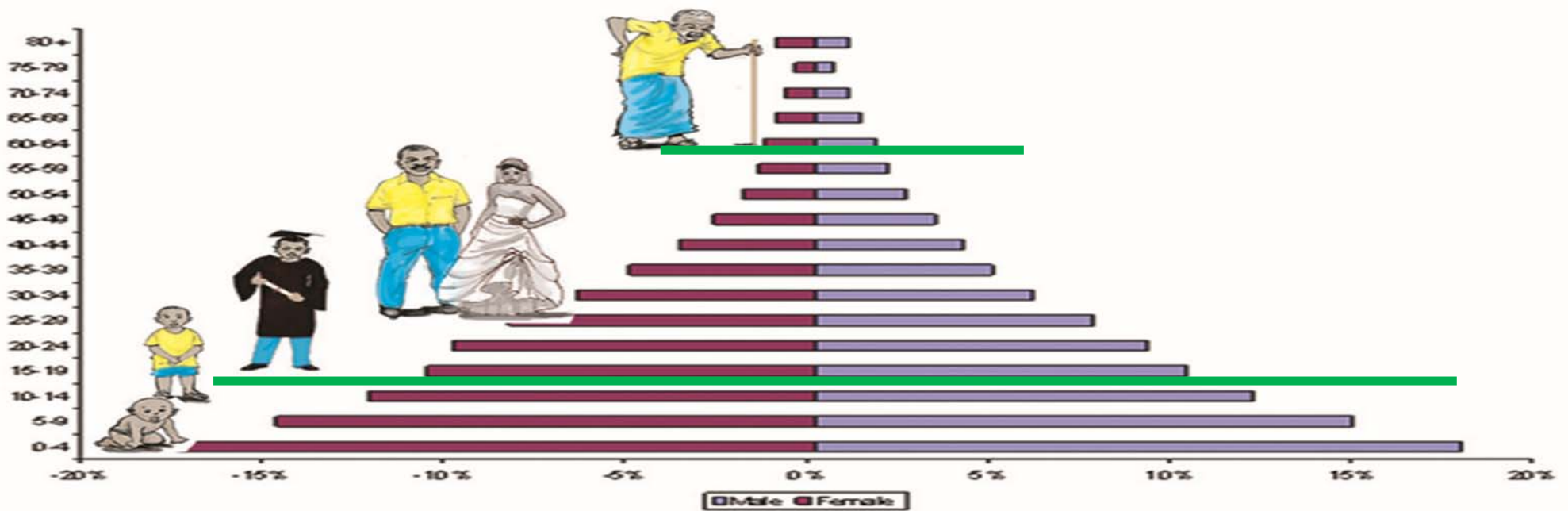
Group 1-Low fertility	Group 2-Declining fertility	Group 3-Elevated fertility
Algeria	Central African Republic	Angola, Benin, Burkina Faso,
Botswana	Djibouti	Burundi, Cameroon, Chad,
Cabo Verde	Ethiopia	DR Congo, Equitorial Guinea,
Egypt	Ghana	Comoros, Eritrea, Gabon,
Libya	Lesotho	Gambia, Guinea, Cote d'Ivoire
Mauritius	Mauritania	Liberia, Madagascar, Malawi, Mali, Niger
Morocco	Namibia, Rwanda	Mozambique, Nigeria,
Seychelles	Sao Tome and Principe	Republic of Congo, Senegal, Somalia,
South Africa	Sierra Leone and Kenya	Tanzania, Uganda
Tunisia	Swaziland and Zimbabwe	Zambia, Sudan, Togo
Expected → DD current	Expected DD → 2030s	Expected DD → Unknown
10 Countries (ESA=4;WCA=1; SADC=4)	10 Countries (ESA=6; WCA=5; SADC=4; ECA=2)	32 Countries (ESA=13; WCA=17; SADC=7; EAC=4)
AVG. TFR - 2.3	AVG. TFR - 4.1	AVG. TFR - 5.5

Source: ECA & AUC 2013

Decline in fertility led to a structure with more working age adults relative to children in Malaysia, while high child dependency remained in Uganda

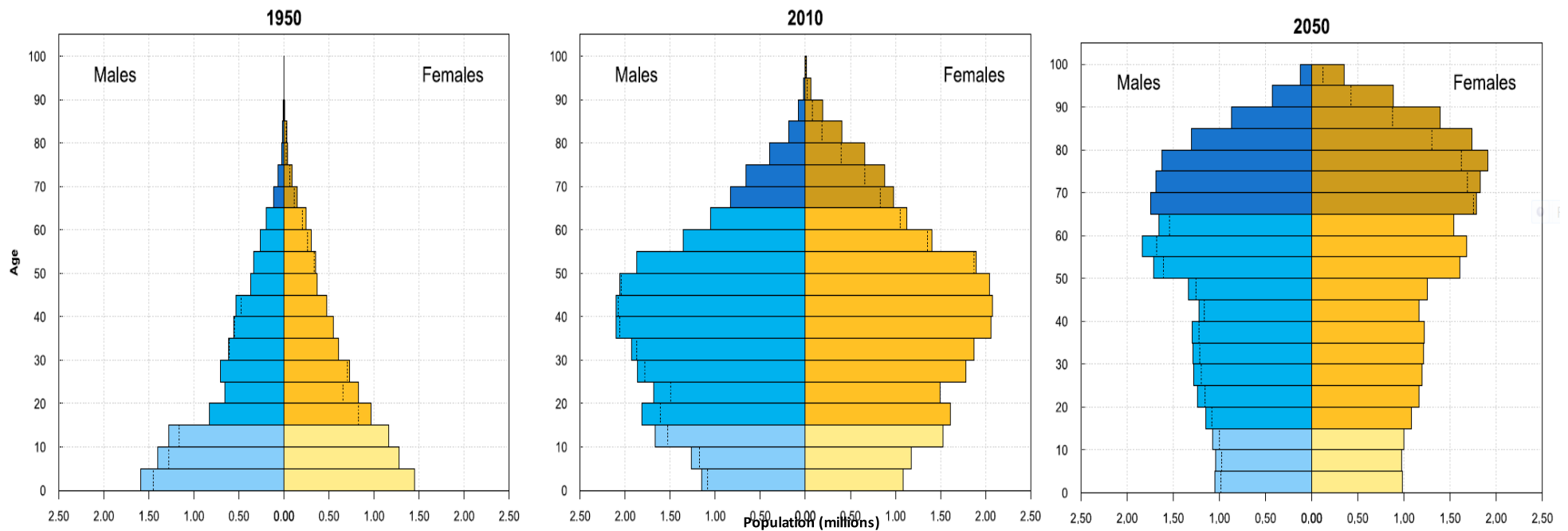


Dividende Demographique



Source: Eloundou, 2015

The demographic dividend is time-bound and happens once in a population's history – the bigger labour force provided an impetus for accelerated economic growth in South Korea, but this will turn into high old age dependency in due course



Source: *World Population Prospects: The 2012 Revision, Volume II: Demographic Profiles*

What level of demographic dividend can African countries and other high fertility countries harness under different socioeconomic policy scenarios?

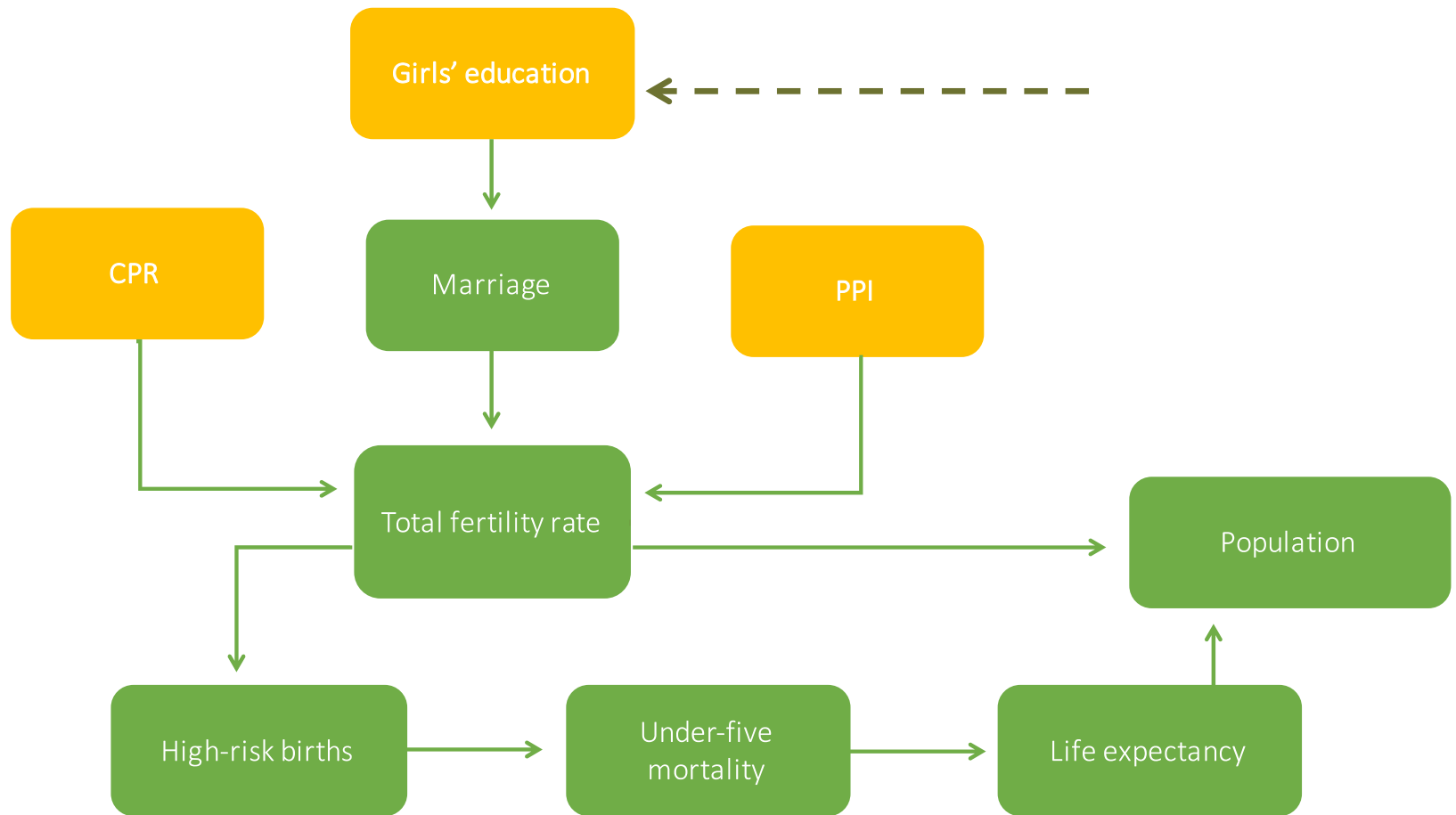
Aggregate Economic Implications of Changing Age Structures – Modeling Approaches

1. **NTA** labor-consumption age profiles -- support ratio a refinement of dependency, economic lifecycle, support system
1. **DemDiv** - macro-based simulation model, policy-oriented ease of use and relevance to policymakers in high fertility countries
1. **CKW** macro-simulation structural model showing channels and mechanisms; with dynamic feedback loops

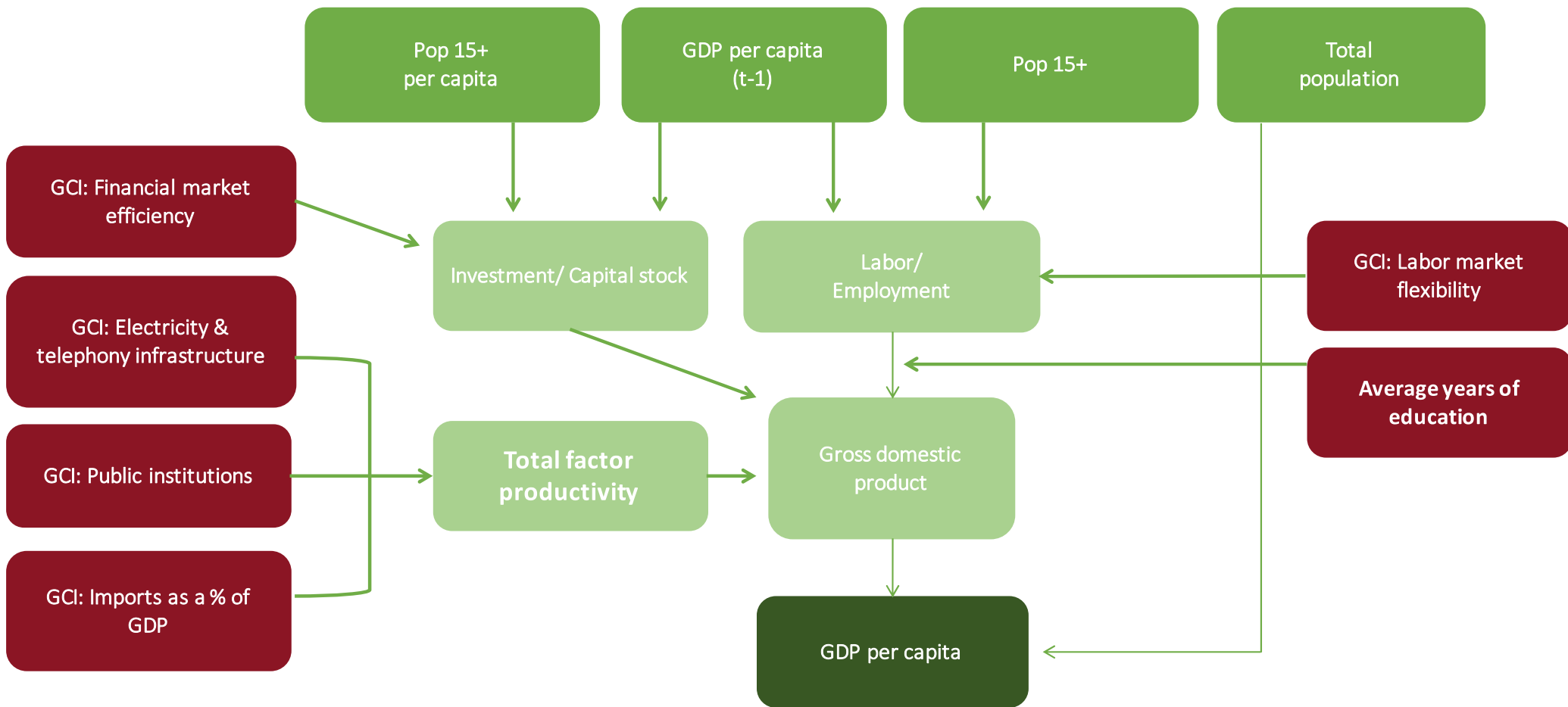
AFIDEP/UNFPA Study Methodology

- **Literature review:** to assess past trends and transformations that need to take place in population dynamics, economic competitiveness and job creation and human capital development for Malawi to harness the DD
- **Policy scenario modeling:** using the **DemDiv Model** Developed by the USAID funded Health Policy Project implemented by the Futures Group / Palladium
 - to quantify the potential impact of the DD on economic growth, employment, and other outcomes
- **Policy review and analysis:** to identify policy and investment options that the country should consider to harness the DD

Demographic Sub Model



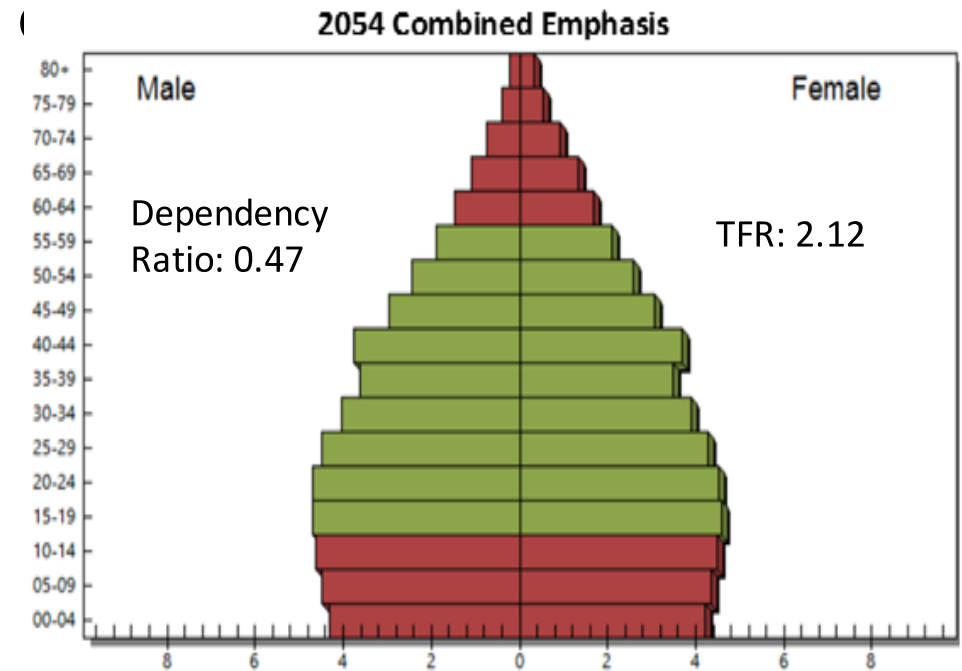
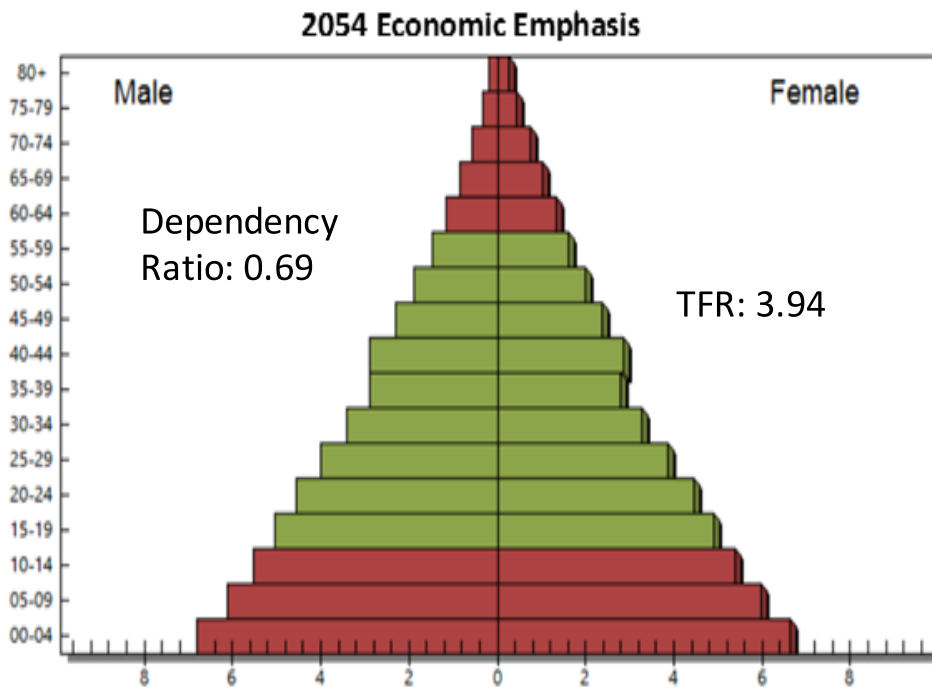
Economic Sub-model



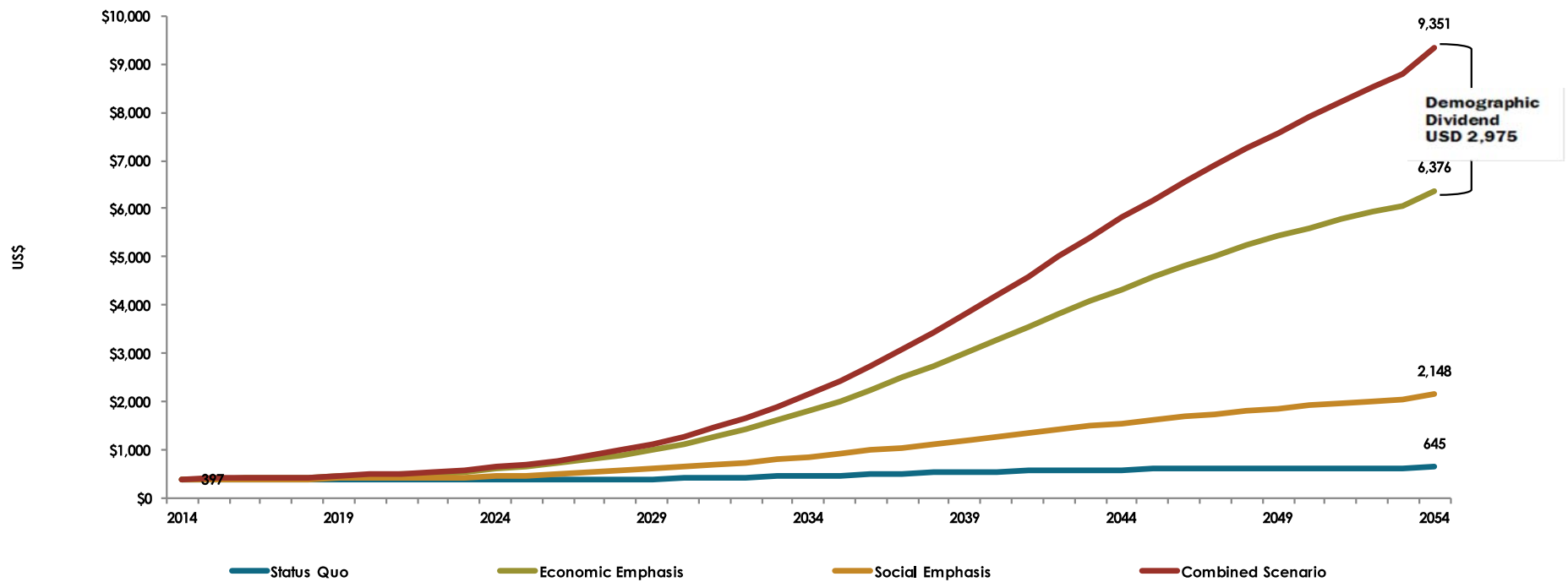
Modelling Policy Scenarios for Malawi

Scenario	Key characteristics
Status Quo	Slow progress in economic reforms and demographic transition to continue
Economic Emphasis	Maximize Malawi's global economic competitiveness, and productive efficiency, and governance
Social Emphasis	Maximum increases in investments in interventions that reduce family size, including FP and education, while making modest investments in the economic sector
Combined Scenario	Simultaneous prioritization of investments in economic reforms as well as prioritization of FP and education

The combined scenario will produce a “youth bulge”



Malawi could earn a massive demographic dividend of \$3,975 by 2054 if she adopts the integrated combined policy scenario

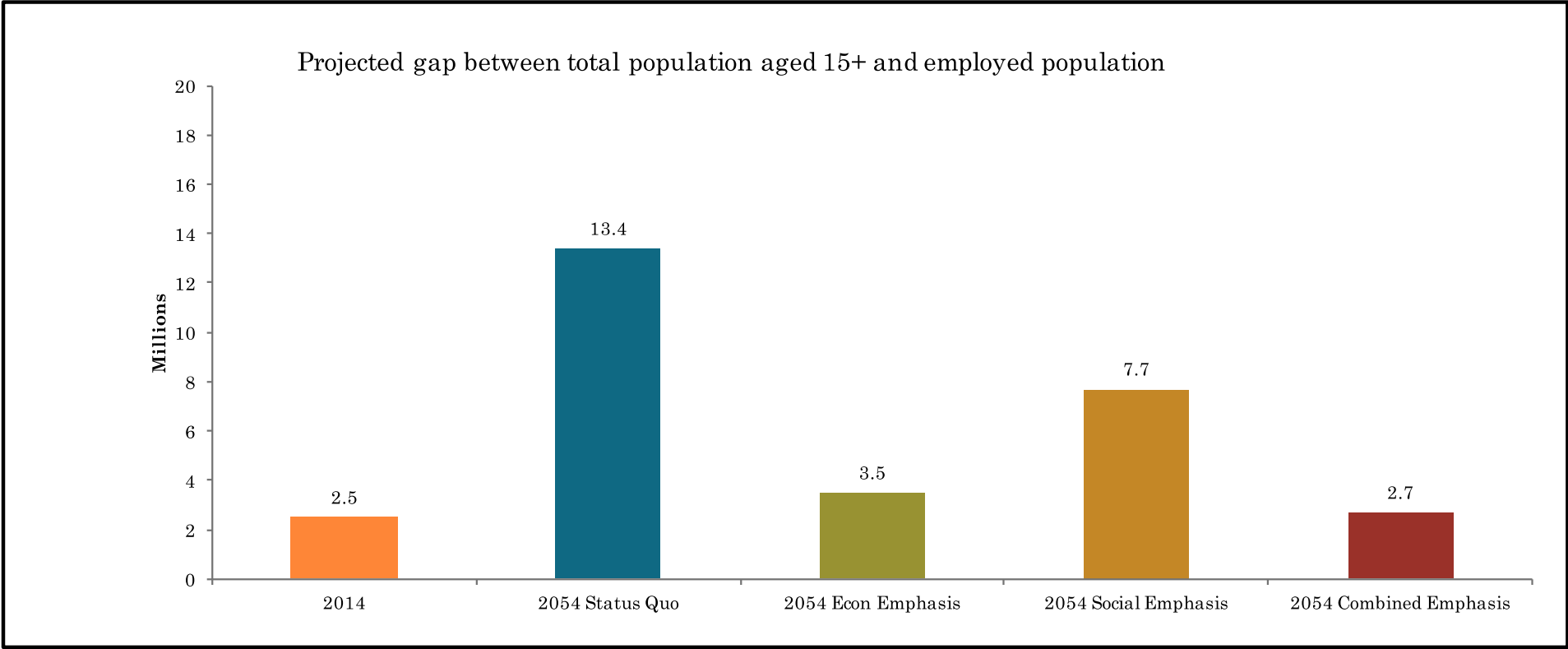


African countries can harness massive demographic dividends if they implement the right policies in an integrated manner

Projected Per Capita GDP by Different DD Policy Scenarios (US\$)					
Countries	Current PC GDP	Business as Usual	Economic Emphasis	Combined Scenario	Potential DD Earned
Kenya	907	896	6,693	11,288	4,595
Tanzania	514	2,513	5,871	9,018	3,147
Uganda	506	927	6,084	9,567	3,483
Zambia	1,839	5,426	19,547	26,940	7,393
Malawi	397	645	6,376	9,351	2,975
Mozambique	557	1,837	4,890	8,443	3,553
Senegal	1,065	847	7,428	12,547	5,119

Source: Modeling results using DemDiv Software

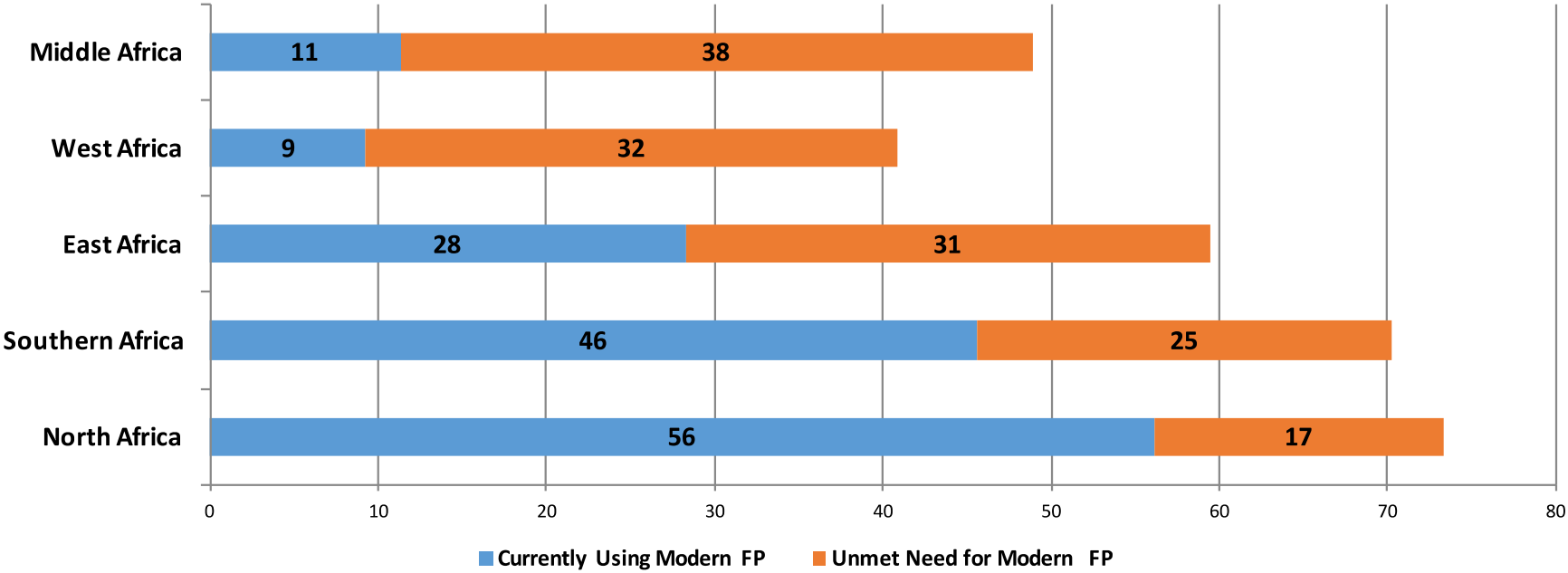
Due to long period of high fertility, Malawi will face a serious job creation challenge, but this will be much worse under the status quo scenario



Challenges and Opportunities for harnessing the demographic dividend

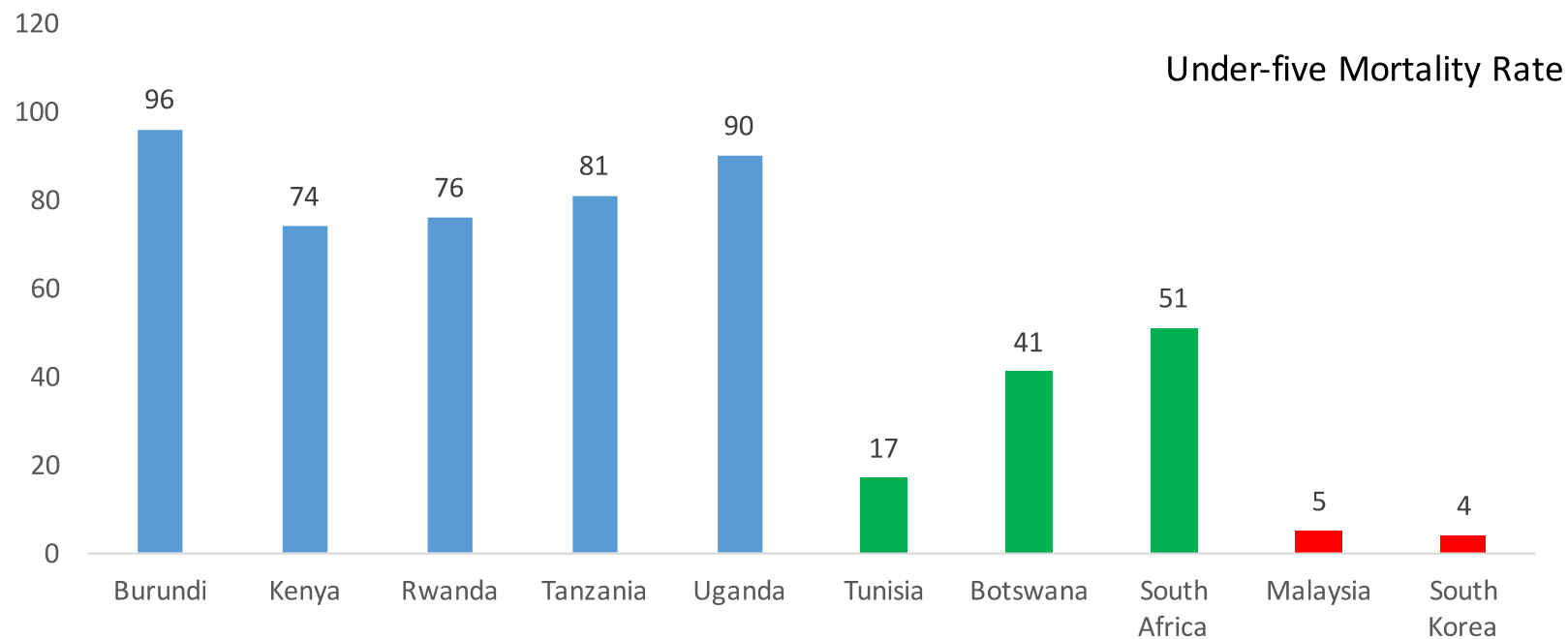
Prioritize family planning and address all barriers of access and use of contraception to eliminate unplanned pregnancies and reduce fertility

% of Married women using modern FP and those with unmet need for FP



Source: DHS Comparative Reports, 2014

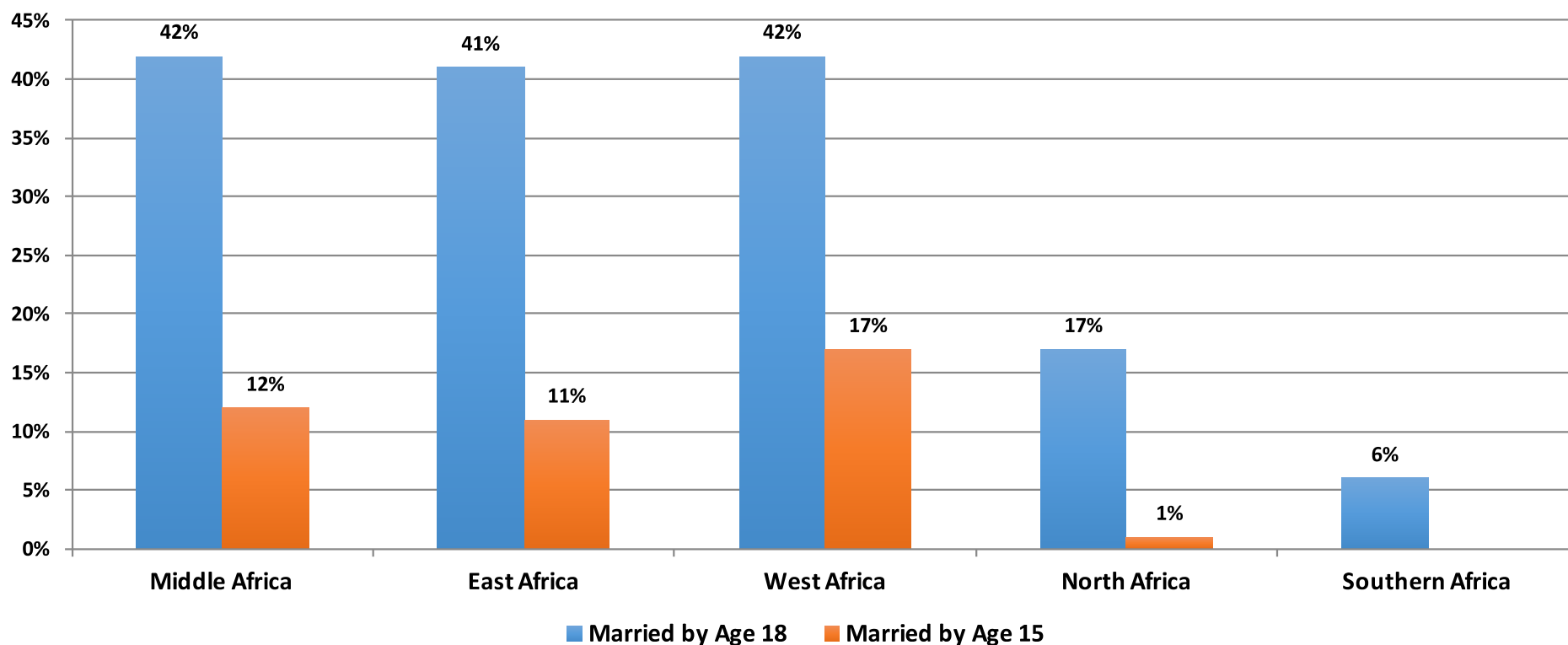
Although many African countries have made commendable progress in reducing child mortality, the current levels are still unacceptably high



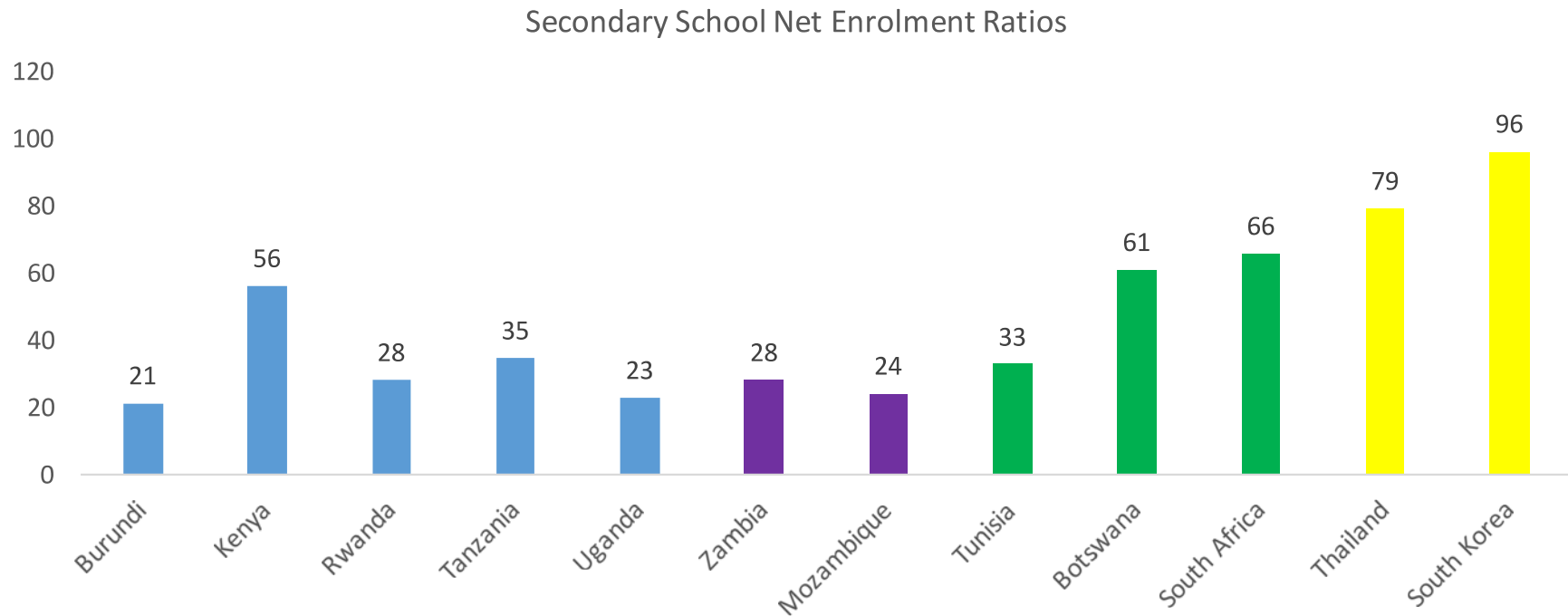
Source: Latest DHS, UN Population Prospects, 2012

There is urgent need to address relatively early entry into marriage in West, Middle, and East Africa

% of women aged 20-24 who got married by age 15 and 18



To Empower youth as the key driver of development African countries should embrace universal secondary education and increase access to tertiary education



Note: 2010-2013 data except Tunisia (1985)

Source: UNESCO UIS, Rwanda (UNICEF), Zambia (MoE)

Education reforms should include refocus to innovation, skills development, science & technology, and entrepreneurship – **transformative education**



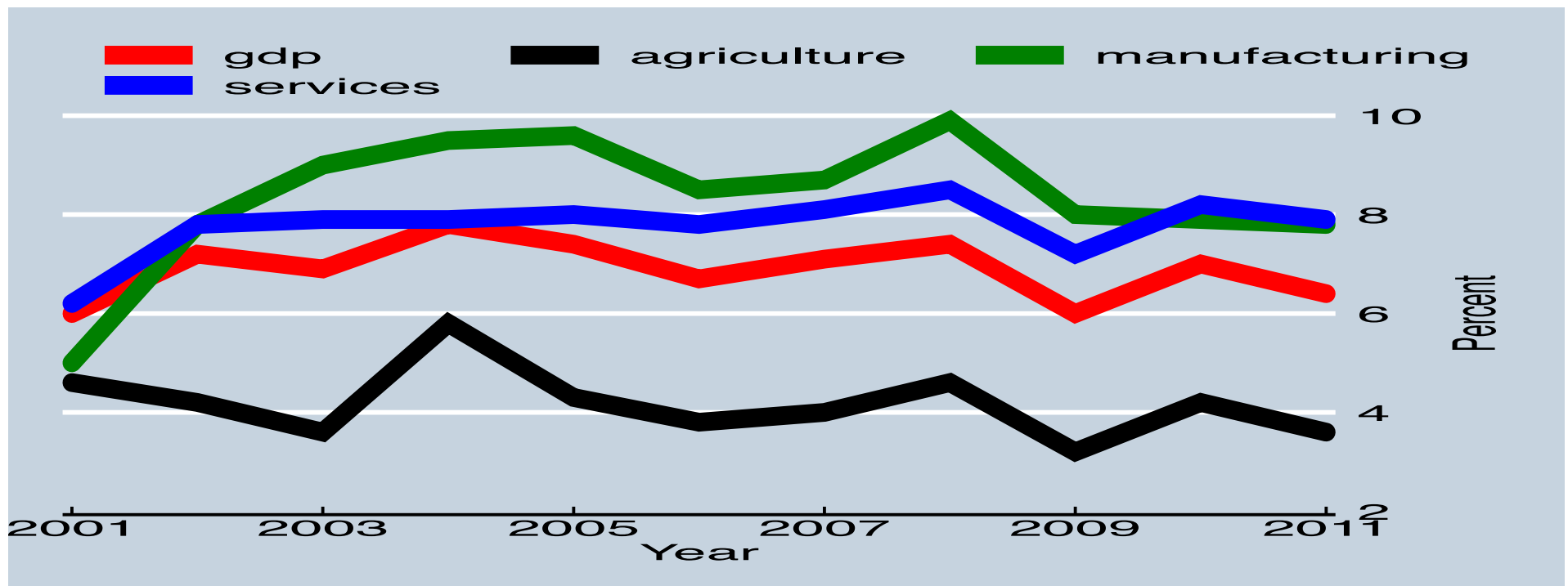
**Where will the African jobs come
from?**

To harness the demographic dividend, African countries need create more quality jobs and enhance innovation and productivity of the informal sector

Country	Unemployment Rate	% in Informal Sector
Mozambique	22.5%	85%
Tanzania	11.7%	87.7
Uganda	6.8%	80%
Zambia	7.9%	70%

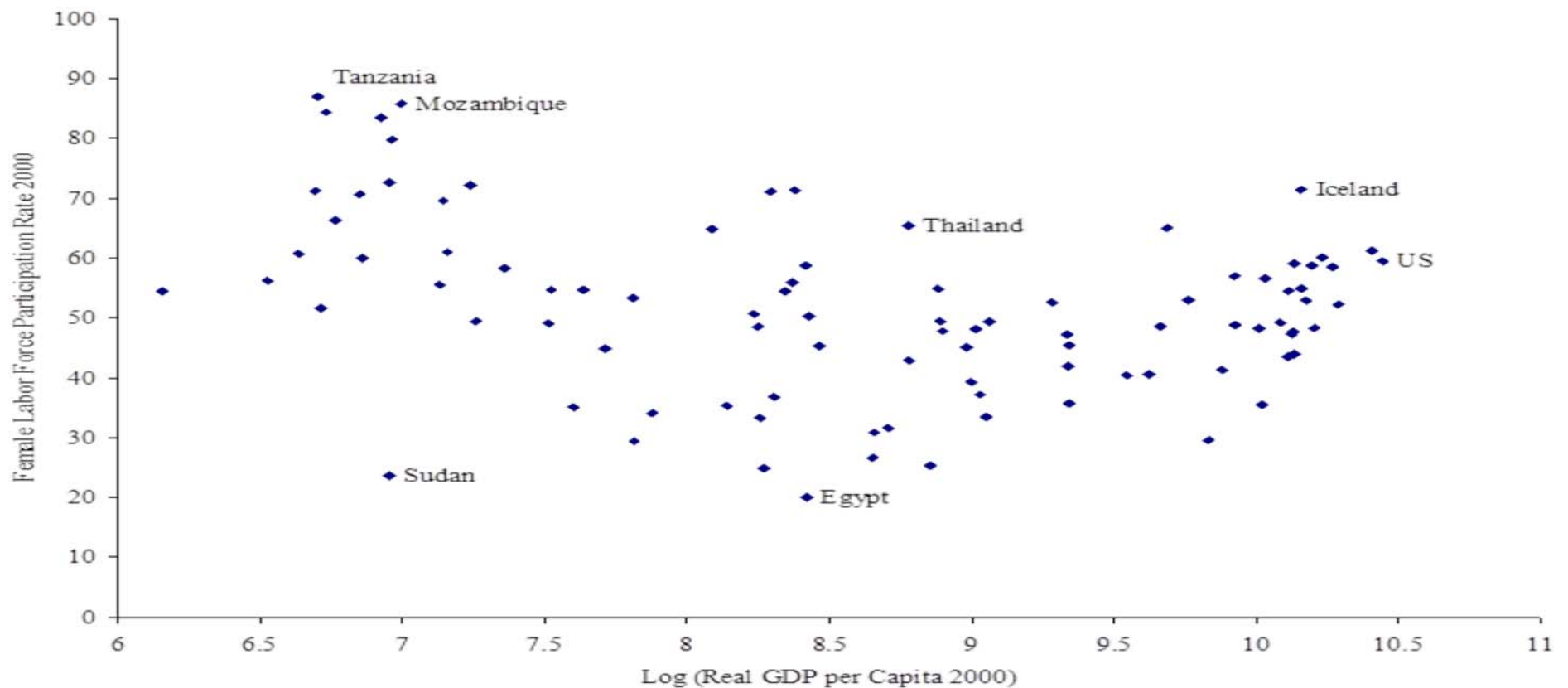
Source: National demographic dividend study reports

Tanzania's economic growth is driven by sectors with low job multiplier effects while Agriculture, where most people work is underperforming



Source: Research and Analysis Working Group, United Republic Trends, 2012

Women in many African countries are already involved in informal economic activities. In order to seize the DD, there should be a shift to the formal sector

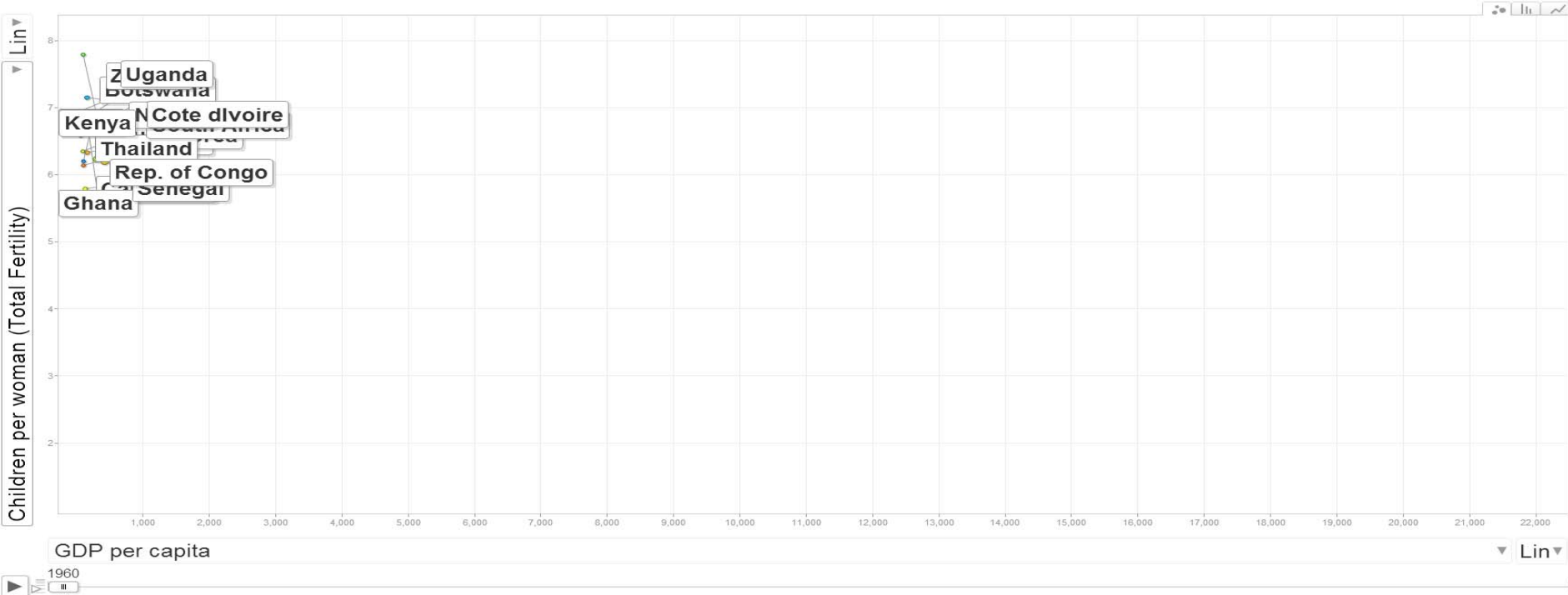


Governance – an Integrated Package

- Favorable economic environment to attract local and foreign investment
 - Regulatory structure, taxation, reliable energy and IT
 - Placing population issues at the center of the development processes
 - Strong coordination systems and bodies
- Accountability
 - Anti-corruption, worker protection policies
 - Efficiency in service delivery

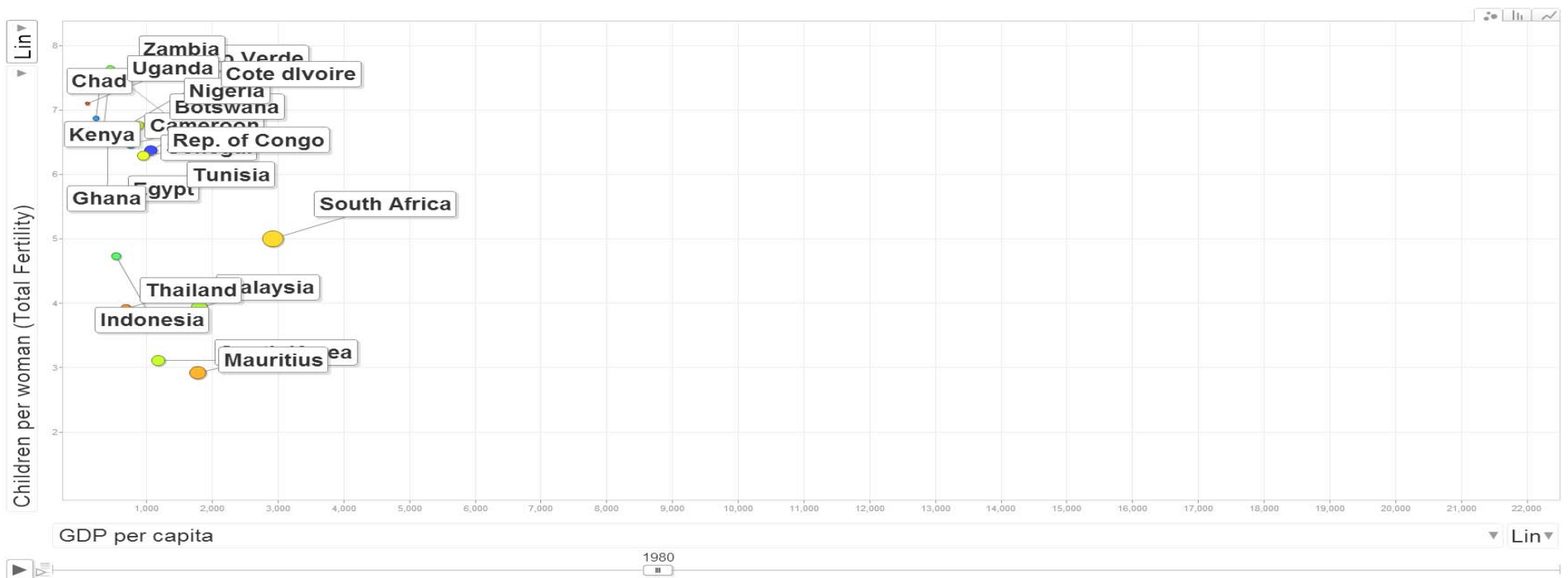
But there is an African
Demographic Dividend
unfolding

In 1960s, African countries were comparable to East Asian countries, with high fertility (more than five births per woman) and low per capita GDP



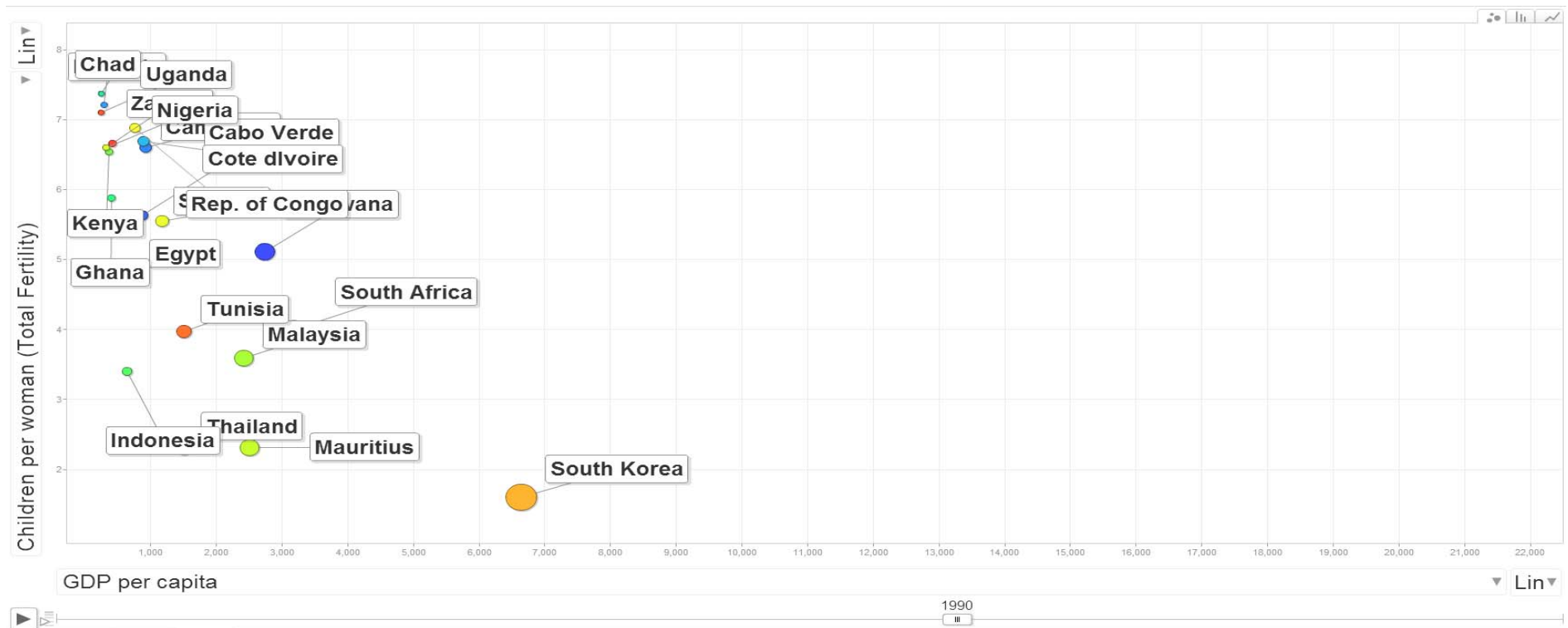
Source: UN Population Division & World Bank

By 1980, rapid fertility decline was underway in most East Asian countries while little change was noted in Africa



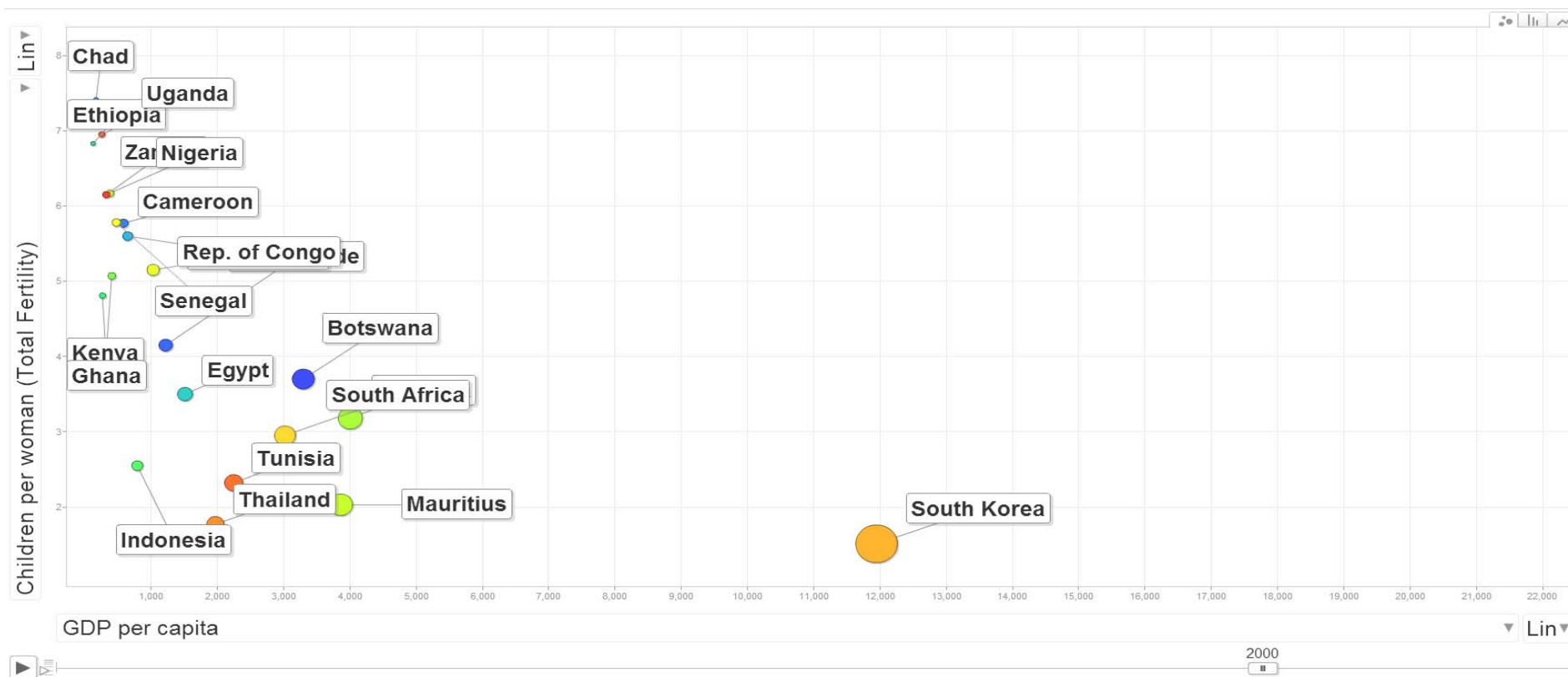
Source: UN Population Division & World Bank

By 1990, per capita GDP increased substantially in countries with fewer than 3 children per woman



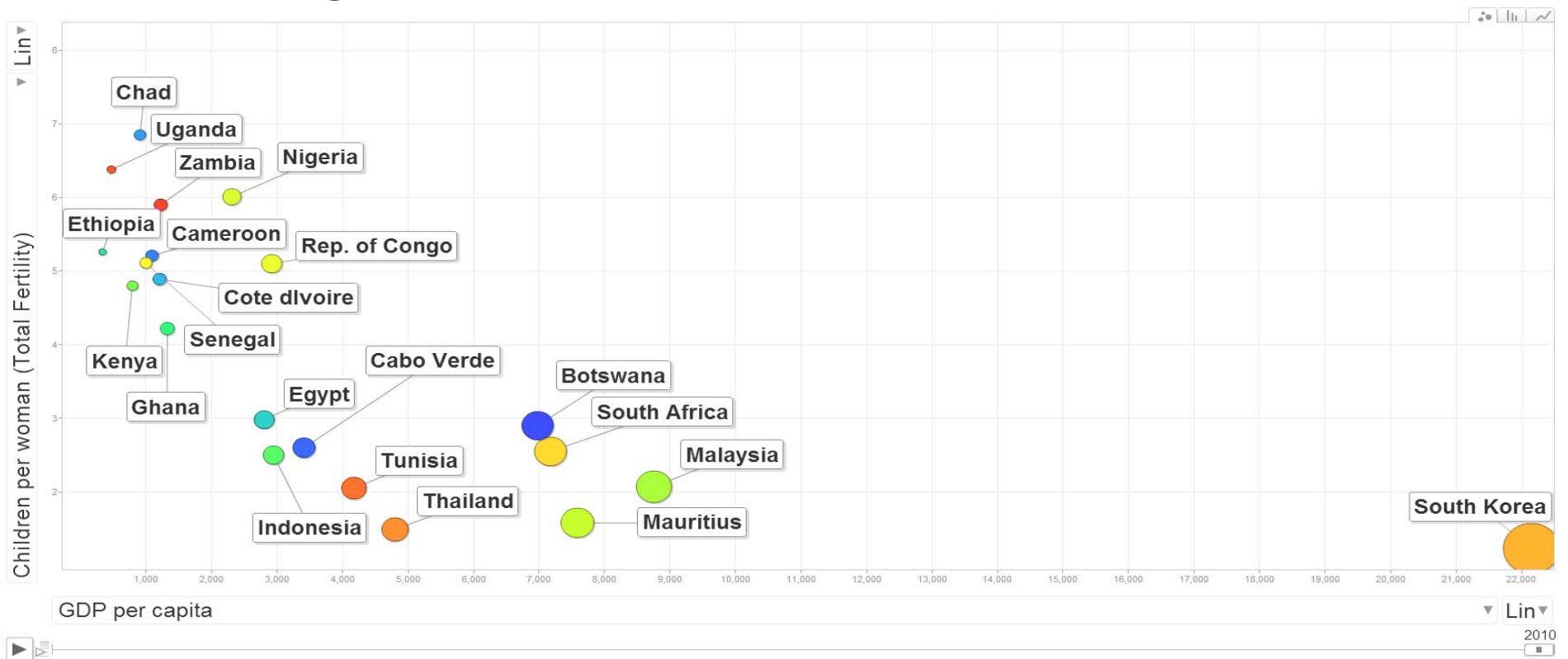
Source: UN Population Division & World Bank

By 2000, per capita GDP increased substantially in countries with fewer than 3 children per woman



Source: UN Population Division & World Bank

By 2010, fertility had not declined much in the majority of Africa countries, and income levels in the Asian Tigers soared to high levels



Source: UN Population Division & World Bank

Big Questions Beyond the Numbers

- What should we do? How do we address the implementation gap?
- How should we prioritize investments? What are the game changers within each of the pillars and how should we balance the investments?
- What is the optimal rate of fertility decline and ultimate level to minimize effects of aging?
- How much will it cost?

