Africa’s Demographic Dividend

An Elusive Window of Opportunity?

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Agenda 2063

- A 50-year vision for Africa
- Broad 2-year consultative process
- Expected to shape country development agendas
- Failure to reap DD as a major risk factor
A Continental Roadmap

- 2017, year of the DD
- Recognizes persistent high fertility as a problem
- A how-to guide
- Four pillars
  - Employment & entrepreneurship
  - Education & skills development
  - Health & wellbeing
  - Rights, governance & youth empowerment
Wishful thinking?

- Lots of skepticism
- The challenge of a slow fertility transition
- Preconditions for harnessing a dividend
  - Demographic window of opportunity open
  - Required policies/institutions in place and right investments made (AU roadmap)
Defining the demographic window of opportunity

- Age structure changes favorable to economic growth
- Three commonly used definitions
  - I - Demographic dependency: Under 15 < 30% & 65+ < 15%
  - II - World Bank: TFR < 4
  - III - NTA: Support Ratio rate of growth positive
    SR = number of workers/number of consumers
## Opening the demographic window

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Start of first dividend phase by definition</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>Equatorial Guinea*</td>
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<td>Gabon</td>
<td>2039</td>
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<td>Sao Tome &amp; Principe</td>
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* Profile unavailable
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SR, SR growth rate and status of window in 2100

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<tr>
<td>Cameroon</td>
<td>2014</td>
<td>0.50</td>
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* % increase of income per effective consumer 2015-16 due to changing age structure
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<td>2011</td>
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Questions on the demographic window of opportunity (DWO)

The big question for policy makers is if:

I – the DWO is inevitable....

Or

II – the DWO is a potential...
Questions on the demographic window of opportunity (DWO)

- According to the link between GDP (Y) and Support Ratio (SR), (Mason et al., 2017)
  
\[
\frac{Y(t)}{N(t)} = \frac{Y(t)}{L(t)} \cdot SR(t)
\]

- The solution depends on the potential of the economy and the type of equilibrium that can exist in an economy
Questions on the demographic window of opportunity (DWO)

Potential GDP changes for three reasons:

- An increase in the full-employment quantity of labor
- An increase in the quantity of capital (physical or human)
- An advance in technology
Different types of equilibrium

- **Short-run macroeconomic equilibrium**
  - Short-run macroeconomic equilibrium occurs when aggregate demand equals aggregate supply
  
- In short-run equilibrium, real GDP can be greater than or less than potential GDP
Different types of equilibrium

- **Long-run macroeconomic equilibrium**
  - Long-run macroeconomic equilibrium occurs when real GDP equals potential

- Because the quantity of labor grows, capital is accumulated, and technology advances, potential GDP increases
Different types of equilibrium

Aggregate demand and supply fluctuate in the short run, but the money wage does not change rapidly enough to keep real GDP at potential GDP.

It is therefore important to investigate which of the following equilibriums occur to better analyze the window of opportunity.
Different types of equilibrium

- An **above full-employment equilibrium** is an equilibrium in which real GDP exceeds potential GDP.
- A **full-employment equilibrium** is an equilibrium in which real GDP equals potential GDP.
- A **below full-employment equilibrium** is an equilibrium in which potential GDP exceeds real GDP.
Ensuring effective implementation of the Roadmap (1)

- Political will
- Peace and security
- An efficient state bureaucracy
- Rule of law
Ensuring effective implementation of the Roadmap (2)

- Scientific evidence to guide policy
- Stronger data systems including a multi-sectoral observatory
- Development of national profiles
- Building local capacity
Supporting the movement: Responding to the AU Roadmap

- UNFPA WCARO, Dakar
- CREFAT, U de Thiès, Sénégal
- NTA Network
- Focus on Middle and Western Africa
- Train national teams to produce country profiles
- Support policy dialogue and M&E
NTA training and development of country profiles, 2015-2017
Implement national observatories with DD monitoring index

- Mauritania
- Mali
- Niger
- Chad
- Burkina
- Côte d’Ivoire
Broadening the partnership
More than 12 universities in West Africa

- Center of Excellence for Research in the Generational Economy (CREG)
- Universities of Thiès and St-Louis (Senegal)
- University of Parakou (Benin)
- University Abdou Moumouny of Niamey (Niger)
- University of Ibadan (Nigeria)
- University of Cocody (Côte d’Ivoire)
- University of Ghana, Legon and KNUST (Ghana)
- NTA Network
What next?

- Until now focus on:
  - Training country teams
  - Developing country profiles
  - Developing DD monitoring index at national and subnational level

- Country teams’ ability to lead development policy will be critical
- High-level policy dialogue
- Programing DD by linking it to the budget at national and subnational level
THANK YOU