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## **Harnessing the Demographic Dividend**

### **The Future we want for Africa**

#### **Key Issues Paper**



## **Paradigm shift from focus on human numbers to focus on human lives**

The International Conference on Population and Development (ICPD), which was held for the first time in Africa, in Cairo in 1994, marked a turning point in the history of population and development. The Conference adopted a 20-year Programme of Action (PoA), which marked a paradigm shift in population and development programmes from human numbers to human lives. This paradigm shift put people at the center of development policy and implied that development activities should lead to improving the quality of life of people through sustained economic growth and sustainable development, and also, through better management of the consequences of demographic dynamics, in full compliance with the principles of human rights, sustainability and empowerment of people, especially women.

Improving the quality of human lives through investment in health, education, food, nutrition, shelter, and sanitation among others, is an important national development priority in Africa. This requires addressing the demographic dynamics through appropriate economic and social policies that focus on human lives and consider individuals full actors in society. It also requires integration of demographic dynamics in the areas of fertility, mortality, changes in age structure, population movement and distribution, as well as in economic and social development policies. The paradigm shift calls for human rights to become the cornerstone of population and development strategies, programmes and policies. People have the right to develop and to participate in development processes, and to freely decide on the number and spacing of their children. This includes the right to reproductive health, and to the tools and commodities for promoting maternal and child health.

The ICPD PoA is based on sustainability and empowerment. Sustainability is a means to achieving the well-being of all, today and in the future. Besides technology and the economy, sustainability is largely determined by the consumption and production patterns of people, their distribution in rural and urban settlements, and their impact on the environment and climate change. It is therefore, important to integrate the demographic and population dynamics into development plans and strategies, and also into programme implementation, monitoring and evaluation. On the other hand, the empowerment of people, particularly women and girls, is an important factor for equality and social justice, as well as for the welfare and stability of societies. Achievement of these social parameters will greatly contribute to social and economic development, as well as to peace, security and stability.

### **ICPD PoA: Unfinished Agenda**

Given the validity of the ICPD Programme of Action (PoA) and the existence of considerable gaps in its implementation since 1994, the United Nations General Assembly (UNGA) decided<sup>1</sup> to extend the PoA beyond 2014 to enable full implementation and to ensure its follow-up so as to fully meet its goals and objectives. It also emphasized the need for “governments to recommit themselves at the highest political level” to achieving the goals and objectives of the ICPD PoA, and to undertaking reviews of the progress made and the challenges faced in its implementation at all levels, particularly at the national and international cooperation levels.

Indeed, PoA is an unfinished agenda and will remain relevant for decades to come, for two reasons. First, the understanding of population and development issues has greatly improved since 1994. Research on population and development has extended beyond the narrow confines of economic growth and economic development, to the broad and complex areas of social development, the

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<sup>1</sup> UNGA resolution 65/234 (April 2011).

environment and climate change. Though the Conference highlighted the importance of these areas in improving the quality of life of current and future generations, these areas received less attention in the review of the implementation of the PoA in Africa. The effects of human activities on the environment and climate change, the vulnerability of people to climatic and environmental change, are still under study in Africa.

Second, some important demographic trends have emerged. These include rapid urbanization and redistribution of the population from rural to urban areas, international migration and changes in the age distribution of the population. These emerging trends have received attention in recent literature on population and development. Change in the age structure of the population, and its implications for development and public policies, have recently gained more interest and concern, particularly in developing countries. In Africa, these emerging demographic trends, and their implications for economic and social development, need further support through studies and research, data collection, allocation of resources, and development of analytical tools and models.

## **Research on Population and Development**

There has been limited research and analysis on the factors that have contributed to, or inhibited, progress towards achieving the ICPD goals and objectives. Regarding Africa, one of the major issues faced by governments is the shortage of researchers and research institutions in demography and population studies. National researchers and research institutions also face a shortage of demographers and scarcity of funds. This has left research thinking on the continent on important subjects, to external influences. Governments in Africa should therefore, be encouraged to develop an interest and invest in training and research activities on population and development, particularly on matters of population dynamics and their impacts on social development, the environment, climate change, reproductive health and gender equality.

The institutional dimensions of research on population and development are equally important, particularly in terms of the capacity required, the relevance of the areas studied, the funding gaps and the use of research for policy and planning purposes. Within the context of population and development, research is required to provide the much needed information for policy formulation, programme design and management, as well as monitoring and evaluation. Regarding the ICPD PoA in particular, research is required for:

- (a) The design of programmes, activities and services to improve the quality of life and meet the needs of individuals and population groups;
- (b) The formulation of policies and the implementation, monitoring and evaluation of programmes; and
- (c) Understanding the sociocultural contexts of human behaviour and designing appropriate policy and programme response.

Given the significance of research in facilitating progress towards ICPD goals, the PoA urges governments, intergovernmental organizations, funding agencies and research organizations to:

- (a) Promote research on all relevant population, environment and development policies and programmes, including research on sociocultural and economic determinants of demographic processes;
- (b) Make provision for research on operations, evaluation, and other applied social sciences, the

- results of which should be fed into the decision-making process; and
- (c) Invest in improving the quality, timeliness and accessibility of data on various aspects of population and development.

## **Population, environment and climate change**

The ICPD PoA and the 1992 Rio Declaration at the United Nations Conference on Environment and Sustainable Development (UNCED) place humans at the centre of development. Both recognize and emphasize the need to promote human well-being and higher living standards, but at the same time stress the need to do so in harmony with nature. To this end, both suggest policies that promote more sustainable patterns of production and consumption, which are the hallmark of the green economy, as well as policies that address population dynamics.

Unsustainable patterns of consumption and production, which erode essential and irreplaceable natural resources, can ultimately undermine the very basis of economic growth and social progress. It is therefore important that the objective to promote social progress, which requires higher economic output, does not jeopardize the sustainability of the environment. Efforts to achieve these balances - which are at the heart of sustainable development strategies - are strongly influenced by population dynamics.

Both the ICPD and the UNCED also recognize that the environmental impact of human activity is attributable to three principal determinants, namely economic growth, technological progress in production and distribution processes, and population dynamics.

Despite the recognition of these determinants, they were not fully addressed in past policies and debates. Population dynamics have not been adequately addressed by policymakers in the last two decades. There was a misperception that population growth was decreasing and that the “population problem” was about to be solved. In addition, there was concern that some past policies which were implemented in order to influence population dynamics would infringe on fundamental human rights and freedoms, especially as they related to family planning and reproductive health and rights.

There is an urgent need to integrate population dynamics into a rights-based development planning. Efforts to promote sustainable development have a better chance of achieving their objectives, depending on the extent to which they factor in current and prospective population dynamics. The lack of effective integration of population dynamics into national and local policies and programmes is reflected in the partial, rather than full, achievement of the time-bound goals for reproductive health, education and gender equality of the ICPD PoA, the Millennium Development Goals (MDGs), and the Johannesburg Programme of Implementation.

As the international community ponders on the future of population dynamics and the Development Agenda Post-2015, future discussions should focus on accelerating progress towards these goals. Discussions should also focus on how these goals, along with other MDGs, such as reducing infant and child mortality and combating HIV/AIDS, can be integrated into the Sustainable Development Goals (SDGs) and the post-2015 framework. Furthermore, the discussions on population dynamics should seek to empower governments to plan for population change, including growth, spatial distribution and composition, through forward-looking policies based on the collection and analysis of population data and projections, and the consideration of future scenarios.

Since Africa contributes relatively little to greenhouse gas emissions, there is little the continent can do to reduce such emissions. It must however address the challenges of land degradation, water depletion, loss in forest area and desertification which undermine people's livelihoods. As the economies improve and export of commodities increases in Africa, maritime traffic will also increase with its potential attendant environmental risks of hull damage, oil spillage and intentional grounding of ships. To this end, development specialists emphasize the need for a transition to the green economy which must include efforts to encourage more sustainable agriculture, aquaculture and forestry, in addition to low-carbon industries.

## **Changes in the age structure**

Changes in the age structure of the population over the last decade have emerged as an important area in population and development policy, particularly in the literature on demographic dividend. As generally defined, the demographic dividend occurs when falling birth rates change the age distribution, so that more resources could be allocated to investments in human capital, to meet the needs of the younger generations, and for investment in economic development and family welfare. In countries at the beginning of a demographic transition, where mortality and fertility rates are beginning to fall, such as South Central Asia and many countries in Africa, there is an opportunity for governments to capitalize on the impending demographic transition, where the number of adults of working age grows large relative to the dependent population, and potentially acts as a major economic spur. However, if the appropriate policy environment is not in place, particularly to educate and provide appropriate skills training for the youth who are the product of pretransition, high fertility, unemployment and instability may be the result, and health, education, and social welfare systems may undergo unbearable strain (Bloom, and others 2002).

The demographic dividend is also delivered through other mechanisms, namely, savings, and human capital accumulation. Regarding savings, there is evidence that the demographic transition could also encourage the growth of savings, thus improving a country's prospects for investment and growth. When large numbers of baby boomers (those born during the period of high fertility, the pretransition stage) move into the peak of their working lives (after age 40) their propensity to save will increase national savings. A healthy population must plan far in advance if it is to maintain its standard of living through decades of retirement.

Regarding human capital accumulation, the demographic transition has significant effects on investments in human capital, where the effects which are the least tangible, but may be the most significant and far-reaching. The demographic transition typically begins with reductions in mortality rates, resulting in a healthier population and consequent increased longevity. The argument is that as life expectancy increases, parents are likely to choose to educate their children to more advanced levels. Healthier children, in turn, tend to experience greater cognitive development per year of schooling than their less healthy counterparts. The result of this health and educational investment is that the labour force as a whole becomes more productive, as women and men participate fully in the labour force, thereby promoting higher wages and a better standard of living.

It is clear that for the demographic dividend to materialize there must be in place a conducive policy environment, comprising:

1. Sufficient flexibility in the labour market to allow for its expansion in the different sectors relating to the supply of labour;
2. Macroeconomic policies that permit and encourage investment;

3. Access to adequate saving mechanisms and confidence in domestic financial markets;
4. Access to reproductive health services and facilities;
5. A social policy environment where access to high-quality health and educational services are possible.

Research on the demographic dividend shows that the three major developed regions of the world have already peaked (in 2000), while Asia and Latin America have until 2020 to enjoy of a rising percentage of the population in the labour force. Africa is the extreme case—if fertility continues to fall it will experience gains well past 2040. Beginning from 1950, East Asian countries moved quickly through falling fertility rates that resulted in a change in the percentage of their populations in the working-age group. Their dividend opportunity rose quickly during the next 50 years. It is now peaking and will fade steadily as their population ages, so their window of opportunity is beginning to close.

Africa, on the other hand, has now just started to enter its window, under the assumption of declining fertility rates over the next several decades. If these declines occur, and the governments take the necessary actions (effective education and skills development programme, flexible labour market, gender-sensitive planning), the dividends may become real rather than potential.

## **Policies with long-term impact: Creating an opportunity for the demographic dividend**

*Objective: Meet lower demand for fertility through public health programmes*

1. **Increase investments in family planning and other maternal and child health programmes** to allow families to realize their desire for lower-than-actual family sizes. Needs in disadvantaged communities should be targeted first. This is the most cost-effective pathway that may reduce fertility levels and create numerous other benefits for the health and development of the population. Increased investments should be geared towards:
  - (a) **Improving family planning and reproductive health awareness through increased outreach at the community level, aimed at both men and women.** Some programmes should be specifically geared towards adolescents, men and displaced populations. Including men in outreach is important for building their acceptance and endorsement of family planning, especially in patriarchal societies.
  - (b) **Increasing access to contraceptive services,** through geographic coverage and elimination of commodity shortages. Both awareness and access efforts should link pregnant women identified during antenatal care to post-partum care, including family planning, while simultaneously encouraging facility-based delivery. As an example, increasing the number of women seeking care during pregnancy can be achieved through the distribution of vouchers for these services. Young, sexually active men and women regardless of marital status should have access to contraceptives.
  - (c) **Promoting the adoption of long-acting contraceptive methods, thereby lowering unintended pregnancy rates.** Long-acting methods are better for couples who have finished having the number of children they desire; these methods have better compliance, less user failure and are effective over several years.

2. **Enact and enforce laws to prevent early marriage.** This may require a combination of legal reform and outreach efforts so as to promote cultural, systemic and behavioural change regarding early marriage. Families with lower socio-economic status are more likely to put their daughters into early marriage. Therefore, measures that provide alternative financial solutions to brides as property and bridal dowries that will delay marriage should be implemented.

3. **Expand coverage of basic newborn, infant and child health services.** Active promotion of programmes for child immunization and infectious disease eradication are needed to sustain ongoing declines in infant and child mortality. Increasing child survival rates will build parents' confidence in their families' future welfare and willingness to invest in children's schooling. Healthy development during the fetal, newborn, infant and child years also protects the child against chronic diseases in adulthood.

*Objective: Lower fertility demand through education policy*

1. **Enact laws to mandate extended schooling for longer periods of time and for females as well as males.** In addition to improving human capital, this will delay the age at marriage and first birth, and enable young people to get on with their work careers.

2. **Promote female education to increase enrolment and attainment of qualification.** The benefits of increased female education are numerous and include increase in participation in the workforce, income earnings and economic revenues, status of women, and individual efficacy. In addition, better female education improves household health and nutrition, as well as management of sick children and prevention of unintended pregnancies. Education can be made attractive through incentivizing interventions such as conditional cash transfer or cash-on-delivery programmes, which provide funds to parents in exchange for their children's school attendance. School environments also need to be girl-friendly, for example making personal hygiene products available at schools.

3. **Prioritize measures that increase the number of females who complete secondary education.** The more education women (and men) receive, the higher their motivation for skilled jobs, entrepreneurial ventures, and career aspirations. Through peer networks in secondary schools, ideation and norms change, especially regarding the timing of marriage and starting a family.

4. **Promote informal education programmes for women who are out of school either because of their age or family obligations.** For example, microfinance programmes can offer adult women microcredit for pursuing educational courses, which can include subjects such as hygiene, nutrition, and family planning.

**Policies with long-term impact: Capitalizing on the demographic dividend**

As Africa enacts policies that lead to a reduction in births, changing the shape of the population age structure, it must also formulate policies and implement actions with long-term impact that heighten the productivity of the working-age youth bulge and help realize the dividend.

***Objective: Create a growth-conducive environment through economic policies***

1. **Promote free trade to allow for economic expansion.** This enabling market orientation can be achieved through a reduction in protectionist policies.
2. **Diversify the trade portfolio beyond agricultural materials and minerals to reduce the vulnerability of Africa's economies to commodity price fluctuations.** Such a shift from unbalanced trade can strengthen Africa's long-term growth, thereby promoting additional external investments and allow the region to increase its shares in emerging markets. It could also increase African countries' trade surplus and build buffers in their foreign exchange reserves. This additional capital can be reinvested to improve the quality of human capital or invested in needed infrastructure for development.
3. **Diversify the trade portfolio in terms of destination by expanding relationships with emerging markets as well as promoting intra-African trade through accelerated regional integration.** Such a prospect requires the improvement of cooperative links within the region, including better cross-country roads, air and sea connections, banking cooperation, harmonized regulations and tax policies, and simplified customs, border control and cargo inspection procedures.
4. **Invest in infrastructure to improve the supply of electricity, paved roads, telecommunication networks, and internet connectivity.** Developing business-supportive services will greatly reduce costs for foreign investors and promote additional investments. Investments in infrastructure can also unlock additional productive capacity that cannot currently be exploited.
5. **Improve political and economic governance to gain the trust of foreign and local investors.** This will require deepening democratic governance by improving participation of people and civil society in the political process, promoting free and fair elections, strengthening accountability and transparency in decision-making. In addition, efforts to fight corruption and inefficiencies must be increased.
6. **Create favourable economic conditions for local savings and foreign investments.** This should mainly take the form of reduced costs of doing business. African countries should focus on attracting investment for certain industries, namely agribusiness (to increase research and productivity) and infrastructure.
7. **Encourage private investments and private-public partnerships.** Provide various incentives (tax, commodity, infrastructural) for private sector investors, and support private-public partnership.

***Objective: Integrate new workers into the economy through labour policy***

1. **Invest in economic sectors that can create significant employment opportunities for the youth bulge.** This requires diversifying the economy by shifting away from capital-intensive sectors to labour-intensive sectors. It may lead to agriculture having a smaller share of the GDP



but will also increase manufacturing's share, which is a more labour-intensive sector. It will also require investing in agribusiness research to increase agricultural productivity.

2. **Ensure that new jobs are progressively created in more knowledge-intensive sectors with greater added value as the educational quality of the population increases.** Employment opportunities should match the growing skill set of the population.
3. **Support the development of indigenous entrepreneurs** with the capacity to work with their foreign counterparts in mutually beneficial business relationships.
4. **Ease barriers to entry into the workforce and promote job mobility and labour flexibility** to ensure that the workforce can adapt to changes in the economic climate.
5. **Promote gender-neutral hiring practices to take advantage of an increasingly better educated female population and accelerate its successful transition into the working world.** Improving gender-equality in the workforce may require setting quotas for female employees or providing financial incentives for hiring women.

*Objective: Increase the supply of newly skilled workers through education policies*

1. **Invest in the education system to increase the number of educational opportunities available, as well as their quality.** This investment requires an increase in the number of teachers as well as an improvement in teacher training and compensation. The educational infrastructure also needs to be expanded to accommodate the increase in students, and facilities in older schools will need to be updated.
2. **Increase secondary and tertiary education enrolment among all ages and for both sexes in order to turn out graduate workers with advanced skills and ability to occupy positions in sectors producing high value goods and services.** Increasing enrolment requires providing incentives to encourage students to continue their education for as long as possible. Incentivizing interventions have been successfully implemented for primary schooling through conditional cash transfer programmes and could be adapted for secondary education in Africa.
3. **Emphasize the importance of science, technology, engineering and mathematics, as well as business entrepreneurship, management, service industry and leadership training** throughout the educational system. Universities, in particular, need to innovate and serve as catalysts for technological change in order to produce graduates with skills appropriate for transformative and knowledge-intensive economic sectors.
4. **Expand vocational training opportunities to ensure that students graduate with skills useful for the current work environment and general know-how.** Such programmes can facilitate transitions between school and employment.

**Policies with long-term impact: Prolonging the demographic dividend**

As the youth bulge ages through its economically active years, actions will need to be taken to prepare for the increasing number of dependents. A critical time is when the working-age population peaks.

Policies to prolong the dividend past the peak in working-age population can, in fact, be implemented and can finance the support for this cohort of seniors.

*Objective: Prolong the dividend through economic policies*

1. **Reinforce policies to promote private savings among the aging working population to finance their retirement.** Incentives for personal savings include price stability and low inflation as well as instilling competition, transparency, and efficiency in financial institution practices.
2. **Reduce any remaining deficits regarding knowledge transfer, entrepreneurship, and science and technology advances** to push the economy towards technology-driven growth.

*Objective: Prolong the dividend through employment policies*

1. **Lengthen the working-age period** to utilize the maximum number of years that are available to workers before they become retirees dependent on the public sector.
2. **Build up social security systems** as a combination of state pensions, employment pensions, and private savings. Given the imminent size of the older population, the pay-as-you-go scheme in place in many developed nations will not be adequate.
3. **Invest in programmes to allow adults to gain new skills and switch or downshift careers** in response to changing demands of local and global economic environments.

*Objective: Prolong the dividend through health policies*

1. **Invest in health promotion and quality health care provision, particularly for conditions associated with old age.** As countries progress along the epidemiologic transition, non-communicable diseases are likely to be predominant. The costs of treating these diseases are often high but can be managed through well-considered public health programmes, in particular through well-tailored preventive approaches.