



Concept Note – Session 2

Beyond entrepreneurship: how inclusive will Africa's industrialisation be?

While the last decade has witnessed a robust growth of the economies of most African countries, the continent has not sufficiently seized this opportunity to build up a diversified industrial and manufacturing base. The large majority of Africans, the youth in particular, has integrated into the informal sector. This is partially the result of the formal economy not creating jobs commensurate to the economic growth. Africa is projected to host about 20% of the world's population by 2050, and some 29 million young Africans will on average join the labour market annually between 2015 and 2030. Youth in the continent are three times more likely to be unemployed than adults. They will, in many cases, have no choice but to continue to increase the ranks of the informal sector. The youth employment challenge will therefore become increasingly critical.

The lack of decent jobs is matched with the ongoing and pressing challenges of inequality in Africa. Inequality has led to an overall loss in human development measured in terms of health, education, political participation and economic empowerment¹. Lowering inequality will increase the poverty-reducing power of economic growth so that the benefits accrue to a greater portion of the population. In addition, gender inequality is also negatively impacting industrialisation. For example, in countries with high gender inequality, women have lower access to economic assets, workplace participation, entrepreneurship opportunities and benefits from natural resources and the environment.²

Industrialisation is an essential stepping stone for Africa's development. Each country must develop its own policy mix based on its resources, development vision, technological capability and production systems. Industrialisation will contribute to increased growth and will be key to the emergence of a middle class.

A higher number of entrepreneurs are starting a new business in Africa than anywhere else in the developing world. Approximately 11% of working-age Africans start a new venture to exploit a business opportunity. Thus, there is a good potential for entrepreneurship to build a solid and sustainable base for a diversified and inclusive industrialisation. At the same time, policies should acknowledge that different types of entrepreneurs will require customised policies.

Necessity-driven entrepreneurs, who are pushed into entrepreneurship because other options of work are not available, tend to operate in the informal sector and have limited potential for growth. Governments should encourage them to shift to wage employment by providing on-the-job or applied training programmes. Moreover, social businesses can also offer an opportunity to necessity-driven entrepreneurs. Driven by the mission to provide solutions to social challenges, social businesses offer manufacturing and affordable social services.³ Community enterprises, mainly co-operatives, offer financial services to underprivileged people by providing alternative forms of

¹ AfDB/OECD/UNDP (2017), *African Economic Outlook 2017: Entrepreneurship and Industrialisation*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/aeo-2017-en> (page 110)

² Ibid.

³ AfDB/OECD/UNDP (2016), *African Economic Outlook 2016: Sustainable Cities and Structural Transformation*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/aeo-2016-en>



services. For example, Savings and Credit Cooperative Societies in Kenya, offer alternative to banks for low-income people.⁴

On the other hand, opportunity-driven entrepreneurs, who start a business because they spot an opportunity in the market, are more productive and innovative. Africa needs to create a supportive environment for high-growth firms to develop that can help move the under-utilised labour force into formal employment. Many entrepreneurs often find themselves incapable of growing from a micro-business to a medium-sized one. Governments should give these enterprises more access to finance and refrain from subsidising unproductive entrepreneurs. By providing customised policies, African markets can be more productive and allocate their resources more efficiently.

In order to tap the potential of all types of entrepreneurs in the region, a full menu of policies will be required, addressing among others, issues of social protection, gender inequality, and the needs of entrepreneurial diversity in Africa. This is a prerequisite for growth to become sustainable and inclusive.

This session will bring together government officials from all over Africa to discuss the challenges and opportunities in Africa's strategies and how to boost inclusion in this upcoming period of growth.

Issues for discussion:

- What type of industrialisation strategies are needed to promote inclusive growth?
- What policies can help enhance growth and job creation for SMEs?
- Which policies to support subsistence entrepreneurs?
- How can governments promote social businesses?

⁴ Ibid.