How Can Sub-Saharan Africa Harness the Demographic Dividend?

Regional Economic Outlook for Sub-Saharan Africa
African Department
International Monetary Fund
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Outline

➢ Sub-Saharan Africa’s demographic transition

➢ Opportunities it provides

➢ How to realize the demographic dividend
Sub-Saharan Africa is undergoing a demographic transition.
This transition, which is peaking in much of the rest of the world, is still nascent in sub-Saharan Africa.
By 2035, sub-Saharan Africa will exceed the rest of the world in terms of its increase in working age population...
accounting for an increasing share of global population growth and labor force.
Demographic transition varies considerably across sub-Saharan Africa...

Evolution of Shares of Working-Age Population in Countries where Transition is Advanced
Demographic transition varies considerably across sub-Saharan Africa...

Evolution of Shares of Working-Age Population in Countries where Transition is Ongoing
Demographic transition varies considerably across sub-Saharan Africa...

Evolution of Shares of Working-Age Population in Countries where Transition is Nascent
...driven by variations in fertility and mortality rates across countries.
Transition presents both opportunities and challenges.

<table>
<thead>
<tr>
<th>Channels and Opportunities</th>
<th>Challenges in SSA</th>
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<tbody>
<tr>
<td>• Increase in labor force: larger output</td>
<td>• Creating sufficient jobs</td>
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<tr>
<td>• Increase in female labor force participation rate: larger output and lower fertility</td>
<td>• Continuing high fertility: potential to delay and reduce the size of benefits</td>
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<td>• Improvement in human capital: higher productivity</td>
<td>• Providing for larger population</td>
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<td>• Rise in savings: higher investment</td>
<td>• Increasing productivity given large informal sector</td>
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International Experience: Outcome depends on policies

Experiences of East Asia and Latin America suggest:

- Demographic dividend may not be automatic
- The speed of transition and policies determine the size of the demographic dividend
Sub-Saharan Africa’s GDP per capita growth 25 years into the transition has been modest.
Slower growth in sub-Saharan Africa 25 years into the transition is a reflection of:

...slower demographic transition
Slower growth in sub-Saharan Africa 25 years into the transition is a reflection of:

...still high share of agriculture
Slower growth in sub-Saharan Africa 25 years into the transition a reflection of:

... slower increase in exports
Slower growth in sub-Saharan Africa 25 years into the transition is a reflection of:

... smaller increase in savings
Key policies for sub-Saharan Africa to realize the demographic dividend

➢ Speeding up the demographic transition, particularly bringing down fertility
➢ Improving productivity by investing in human capital
➢ Creating jobs
➢ Furthering structural transformation
➢ Fostering trade
➢ Mobilizing and channeling savings into investment
Potential magnitude of demographic dividend

GDP per capita under three scenarios

- Rising unemployment
- More jobs
- More jobs, better policies, faster transition

Dividend from improved policies

- More jobs
- More jobs, better policies, faster transition

GDP per capita, 2005 U.S. dollars

Percent of GDP
Bottom line

➢ Sub-Saharan Africa’s demographic transition presents an opportunity to transform the region.

➢ The magnitude of the demographic dividend will depend on the speed of transformation and policies.

➢ However, failure to address challenges posed by the transition could result in significant economic and social costs.
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