GEM

AFRICA'S YOUNG ENTREPRENEURS:

UNLOCKING THE POTENTIAL FOR A BRIGHTER FUTURE

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FOREWORD

Africa's population is expected to more than double, rising from 1.1 billion in 2013 to at least 2.4 billion by 2050.

2013 World Population Data Sheet, http://www.prb.org/Publications/Datasheets/2013/2013-world-population-data-sheet/data-sheet aspx

There are nearly 200 million Africans aged between 15 and 24. This makes Africa the youngest continent on the globe. The potential contribution of its young people to the continent's sustained economic development is immense. By 2040, Africa's young workforce will be the largest in the world, surpassing that of both China and India. Harnessing the potential of Africa's youth is, thus, imperative.

The formal sector is unable to meet the employment demands of the growing young population. For millions of young Africans, creating their own enterprises is the only avenue open to them for employment. In tacit acknowledgement of this phenomenon, governments have adopted a wide range of policies and programmes aimed at facilitating entrepreneurship. However, such interventions must be informed by a solid understanding, based on reliable data that accurately describe young people's aspirations, their challenges, and how they can overcome the obstacles inherent in establishing and running a viable enterprise.

Before research by the Global Entrepreneurship Monitor (GEM), much of the evidence of young people in the private sector was anecdotal and exclusively country-based. Canada's International Development Research Centre (IDRC) rapidly understood the value of analysing and quantifying the participation of young people in the private sector in order to inform policy options and interventions that are most likely to bring choice and change to those who need it the most. The data gathered under the GEM umbrella, financed by the IDRC in more than 10 African countries, has been invaluable in understanding not only the nature and characteristics of youth entrepreneurship but also the kind of policies that might be adopted to support young entrepreneurs in their businesses. Further, GEM data and analysis indicate avenues for supporting successful, job-creating enterprises and those in high-growth, sustainable sectors.

The evidence in this report demonstrates that young people are constrained by insufficient education and training for a business career, a lack of infrastructure and difficult access to finance. These factors not only constrain the efforts of young entrepreneurs, they also hold back the pace of economic and social development more generally. What this report shows is that the dynamism of young people can be unlocked by providing relatively simple but comprehensive policy responses directly targeted at them.

The IDRC is committed to helping developing countries find solutions to their problems by supporting knowledge and innovation for large-scale positive change, building the leaders for today and tomorrow, and working with local teams to achieve the greatest impact. Hence, the centre's 2015 to 2020 Strategic Plan is titled *Investing in Solutions*, a precise reflection of its mandate and activities through its programmes and financial support to research teams across the globe.

The IDRC considers young people in the developing world as central to economic and social advancement through sustained, inclusive growth. Part of 'investing in solutions', therefore, is 'investing in the future': investing in Africa's youth to give them the tools to drive inclusive economic growth and social progress.

This report has produced a solid body of evidence to support policy enhancement and change in the region. With the right policies to support young entrepreneurs and encourage them to enter high-growth and profitable sectors, African countries can start to harness the potential of their youthful resources. The report makes an important contribution to this goal.

Simon Carter
Regional Director, Sub-Saharan Africa
International Development Research Centre

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Opinions stated in this report are those of the authors and do not necessarily reflect the views of the IDRC or the GEM.

EXECUTIVE SUMMARY

An encouraging finding is that youth businesses, in most countries, have an overall positive impact on the livelihood of the entrepreneur.

Sub-Saharan Africa has experienced more than a decade of consistently high growth but the benefits have not been shared by all and inclusive growth – which reduces poverty through opening up new and better job opportunities for all segments of the population – is an urgent policy imperative. Young Africans are three times more likely than adults to be unemployed and the growing young population (62% of sub-Saharan Africans are under 25) requires urgent action to provide sustainable employment opportunities so that young people become active participants in the future economic activity of sub-Saharan Africa. This report, the culmination of a three-year project carried out with financial support from Canada's IDRC, focuses on youth entrepreneurship in the region. It draws on data from nine countries in sub-Saharan Africa – Angola, Botswana, Ghana, Malawi, Namibia, Nigeria, South Africa, Uganda and Zambia – as well as from more than 300 experts.

YOUTH ENTREPRENEURSHIP IN SUB-SAHARAN AFRICA

The youth in sub-Saharan Africa have generally positive entrepreneurial attitudes and perceptions. Most young Africans believe there are good business opportunities in their countries and that they have the skills and knowledge to start and manage a new business. There is also a high level of intention among young people to start their own enterprises and consider running a business to be a desirable career choice, undaunted by any significant fear of failure. Thus, the region has a large pool of potential entrepreneurs, and over a third of young people in all countries except South Africa demonstrate a propensity to engage in private enterprise.

A high proportion of young people are engaged in entrepreneurial activity in sub-Saharan Africa. In Uganda, Zambia and Nigeria, in particular, more than half of them are either starting a business or running one. In addition to their high 'total early-stage entrepreneurship activity' (TEA) rates that represent involvement in new or nascent enterprises, they also show relatively high levels of youth-owned, established businesses.

An encouraging finding is that youth businesses have an overall positive impact on the livelihood of the entrepreneur in most countries. In GEM terms, that means the business is making enough money to survive now and the owner expects future growth, or the business is already in a growth phase. In job creation, however, the majority of these businesses only create employment for the business owner. Angola stands out as the exception. While Angola's youth entrepreneurial rate is lower than most of the region, it has the highest percentage of youth businesses creating jobs for others.

Youth economic activity is concentrated within a limited number of sectors, with 64% of the youth in sub-Saharan Africa involved in the retail, hotel and restaurant trade. Almost all (97%) of youth businesses in the retail sector are low-growth businesses, 54% of which offer employment to only the business owner. This suggests that while most young people are classified as part of an economy's entrepreneurial activity, their small, undifferentiated businesses are unlikely to generate a sustainable livelihood, with very few exceptions, as noted above.

Our research confirms the positive relationship between the level of education and the likelihood of business owners' indicating growth expectations within a business. Sixty-five percent of low-growth business operators only have a primary school education while 80% of high-growth businesses have completed secondary, post-secondary or tertiary education.

Young women are as actively involved in entrepreneurial activities in sub-Saharan Africa, and in some countries such as Uganda, even more so than young men.

These findings reinforce the importance of education, particularly in post-primary school, as well as renewing the focus on improving the quality of education in the region.

Innovation rates, as measured by the degree to which products or services are new to some or all customers and whether numerous other businesses offer the same ones, are relatively low in sub-Saharan Africa. Two-thirds of the youth businesses in the region indicated that what they offer is not new to some or all of their customers, while 57% indicated that numerous other businesses offered the same product or service. Selling undifferentiated products and services in over-traded markets makes it extremely difficult for young entrepreneurs to generate a profit and will rarely lead to viable business creation over the longer term. The use of technology by the youth for business is also generally low.

Own funding and/or funding from family or friends are the primary sources of financing for young people throughout sub-Saharan Africa. Formal financial institutions play an important role in financing youth businesses in only a handful of countries, namely Angola, Botswana, South Africa and Namibia. Only a small number of young business owners in the region have made use of government-funded business support initiatives. Angola is the only exception, with almost a third of both male and female youth business owners indicating that they had made use of government-funded business support.

GENDER

Young women are as actively involved in entrepreneurial activities in sub-Saharan Africa, and in some countries such as Uganda, even more so than young men. However, there are significant gender differences when one considers the types of businesses they are engaged in, the sectors they operate in and their growth potential.

More than half of young women operate in businesses in which no employment is created — young female-owned businesses are 1.3 times more likely than businesses owned by young men

There are significant gender differences when one considers the types of businesses they are engaged in, the sectors they operate in and their growth potential.

to offer no employment other than to the owner. The gender differential with respect to actual job creation is most noticeable with respect to high-growth businesses, with young men being five times more likely to offer employment to 20 or more employees. There is also a significant gender difference with respect to both medium and high-growth business aspirations, with young men 1.5 times and two times more likely to be involved in medium and high-growth potential businesses, respectively, than young women. More than three-quarters (78%) of young women operate in the retail and agricultural sectors, which explains in part the greater proportion of young women operating in low–growth businesses. Young women are also more concentrated in a smaller number of sectors, while young men have a more diversified profile in terms of sector involvement.

Compared to young men, young women (other than in Nigeria and Zambia) are most likely to operate from home and are less likely to operate from the market or from an established business. This limits their market to a smaller local reach. A possible option, to mitigate the limited reach of home-based businesses, is to trade online. Only South African youth show any real online presence and this is dominated by young women who are 3.6 times more likely than young men to use an online option as their primary trading space.

INTER-GENERATIONAL COMPARISONS

The youth entrepreneurial landscape is similar in many respects to that of the adults' but there are also some notable differences. In all but two countries (Botswana and Malawi), young people are more likely than adults to believe that they have the skills and knowledge to start a business and to indicate an intention to start a business within the next three years. In Uganda, Ghana and Namibia young people show entrepreneurial propensity rates of 1.8 times, 1.6 times and 1.4 times higher than adults respectively.

There is not much difference in the levels of fear of failure or the total early-stage entrepreneurial activity (TEA) rates of youth and adults in much of sub-Saharan Africa; the only significant difference is in the rate of established businesses, where – perhaps unsurprisingly – adults are found in greater proportions than the youth. In countries where the youth exhibit higher levels of high-growth aspiration than adults, their potential economic contribution could be more pronounced. Unless policy supports young people's aspirations to achieve higher growth in their enterprises, the current low economic impact of most youth-operated businesses is likely to continue.

There is little evidence of greater diversification by youth-operated businesses into sectors that are currently under-represented or away from over-traded sectors such as retail. Policy needs to be adjusted in recognition of this and encourage more diversification and innovation among young people in business. Without these, youth-operated businesses will merely continue to contribute to the working poor and not to improvements in the livelihood of these entrepreneurs.

AN OPPORTUNITY FOR POLICY MAKERS

The report identifies four areas that can be targeted to unleash the potential of Africa's young entrepreneurs – education and training, business support and advice, business capital and financial support, and ICT and technology.

EDUCATION AND TRAINING

Structural problems affecting the education systems continue to be a stumbling block in the region's efforts to stimulate sustainable entrepreneurial activity and improve business productivity. This report has shown a clear relationship between the level of education and the likelihood of business owners indicating growth expectations within a business. A young, undereducated and under-employed workforce in sub-Saharan Africa is pushed into entrepreneurship as a survival option.

Mentoring programmes should be encouraged and incubators of young enterprises should be supported by public policy aimed at improving the quality of young entrepreneurs and their ventures.

Too often, the formal education system does not equip young people for the realities of the current labour market. Mismatches between the skills required by industry and the economy and those provided by schools and universities are prevalent. Schools need to promote entrepreneurship as a career path alongside interventions that deal with key skills gaps by, for example, promoting apprenticeships and technical and vocational education.

BUSINESS SUPPORT AND ADVICE

A consistent finding across the nine countries that participated in our survey is that a significant majority of young people are unaware of the entrepreneurship-support programmes (both public and private) designed specifically to help them. Moreover, business-support programmes often fail to adequately distinguish between different types of entrepreneurial ventures and need to differentiate between high- and low-growth entrepreneurial initiatives. Hence, support programmes should be better publicised and targeted, reduced in bureaucracy and regularly monitored for efficiency. Mentoring programmes should be encouraged and incubators of young enterprises should be supported by public policy aimed at improving the quality of young entrepreneurs and their ventures. In addition, support needs to be extended to professional and business organisations to encourage young people's participation in them.

BUSINESS CAPITAL AND FINANCIAL SUPPORT

Lack of access to finance is an important disincentive to starting or growing a business. Young people who lack collateral or who have not kept formal records for their business are likely to be particularly disadvantaged in their attempts to start small businesses. The majority of the young entrepreneurs surveyed for this report raised the start-up capital from their own or family savings, rather than approaching formal institutions or agencies. Public micro-lending schemes could reduce the dependence on personal or family funding.

Governments could ease access to credit for young entrepreneurs through the banking system and facilitate the emergence of new financing sources, such as business angels and venture capitalists. A major cost to young businesses is the acquisition of premises, which explains the high proportion of young entrepreneurs who operate from home or the street, limiting their potential. Public policies to ease the burden of acquiring premises would make a major contribution to the viability of youth-owned enterprises. Access to finance, however, is only part of the equation. Once they are able to secure finance, young people also need to be able to manage their money. Interventions that aim to provide them with management skills are needed.

ICT AND TECHNOLOGY

Many young entrepreneurs (particularly young women) run their businesses from home or on the street, which significantly limits their access to suitable markets. While the use of the online platform could enable the many home-based businesses to expand their market reach, the cost of internet access can be prohibitive. Improving IT infrastructure would allow for a reduction in the cost of technology – this, as well as the potential to reach new markets, could have a significant impact on the sustainability of youth businesses. Policy makers should promote training in the business use of ICT. Access to new information and other technologies needs to be brought within reach of younger people - this implies the introduction of pricing mechanisms adapted to young people's means.

This report has identified a number of factors that seem to be holding the sub-Saharan African youth hostage and preventing them from fully benefitting from a relatively high entrepreneurial propensity as well as a high number of actual entrepreneurs. The key issues that can be lifted from this report are that the youth are predominantly trapped in the retail sector in low growth, low innovation businesses that make use of older technology.

CHAPTER 1

Introduction

Africa's population is expected to more than double, rising from 1.1 billion in 2013 to at least 2.4 billion by 2050.

2013 World Population Data Sheet, www.prb.org/Publications/Data sheets/2013/2013-world-population-data-sheet/data-sheet aspx.

1.1 BACKGROUND

Sub-Saharan Africa has experienced more than a decade of consistently high growth – a phenomenon referred to as 'Africa rising'. Real GDP rose by 4.9% from 2000 to 2008, more than twice that of the 1980s and 1990s. This growth has been sustained: in 2014 it averaged about 4.5%, compared to 4.2% in 2013, and is predicted to increase to 5.1% by 2017[1]. This performance is being boosted by rising investment in natural resources and infrastructure, and strong household spending.

Africa is enjoying positive trends such as strong global commodity prices, a rising number of consuming households and growth in sectors such as manufacturing and services[2]. The underlying reasons behind the rapid growth of some African economies include actions to end armed conflict, improved macro-economic conditions and micro-economic reforms that are creating a better business climate. This growth is slowly starting to reduce the poverty rate; however, the impact on health and education is still muted. To lift general living standards to a more acceptable level and have a broad overall positive impact on the continent, the current growth rate will need to be sustained or increased[3]. There is a critical need to focus on the quality of growth, with growing evidence that the benefits of high growth have not been shared by all, and inclusive growth – which reduces poverty through opening up new and better job opportunities for all segments of the population – should be an urgent policy focus.

However, it is important to recognise that the stated unemployment rate, particularly in less-developed economies such as those in large portions of sub-Saharan Africa, disguises the full extent of the employment challenge. In addition, the average unemployment rate hides the large variations found across the region, with countries such as South Africa (25.3%), Botswana (18.4%) and Namibia (17.7%) respectively recording unemployment rates of 3.3 times, 2.4 times and 2.3 times higher than the regional average (Table 1.2)[4].

While the average unemployment rate in sub-Saharan Africa compared to that in other regions does not seem to be cause for much concern, it is imperative to recognise that the official definition of unemployment conceals a great deal. Of greater importance is the significant proportion of the population that is under-employed, (i.e. earning very low wages), stuck in vulnerable employment or classified as the working poor. These individuals are forced to take whatever work opportunities present themselves, most of which are not sustainable nor are they viable routes out of poverty. A large majority of individuals are employed (or self-employed) in informal businesses, often household businesses, or in small-scale farming. These employment opportunities are characterised by low productivity and low growth. The unemployment rates are also understated as they do not take into account unregistered and discouraged work seekers.

Table 1.1: Global unemployment rates by region, 2014

Region	Total unemployment rate (%)
Developed Economies and European Union	8.6
Latin America and the Caribbean	6.5
Middle East	10.9
North Africa	12.2
sub-Saharan Africa	7.6

Source: ILO http://www.ilo.org/global/research/global-reports/global-employment-trends/2014

1 World Bank, 2015, *Global Economic Prospects, January 2015*, www.worldbank.org/content/Worldbank/GEP2015a/pdfs/GEP2015a_chapter2_regionaloutlook_SSA.pdf

2 McKinsey Global Institute, 2010, *Lions on the move: The progress and potential of African Economies*

3 Herrington, M. and Kelly, D., 2012, *African entrepreneurship, Sub-Saharan African Regional Report*

4 ILO, 2014, *Global Employment Trends 2014*

Individuals in vulnerable employment are unlikely to have formal contracts, social security and decent working conditions. Vulnerable employment is likely to offer low earnings and a lack of options with respect to job security.

ILO Global Employment Trends for Youth, 2013

Table 1.2: Unemployment rates by country, sub-Saharan Africa, 2014

Country	Total unemployment rate (%)
Angola	8.4
Botswana	18.4
Ghana	4.5
Malawi	7.6
Namibia	17.7
Nigeria	7.5
South Africa	25.3
Uganda	3.9
Zambia	13.3

Source: ILO http://www.ilo.org/global/research/global-reports/global-employment-trends/2014

Strategic reforms are needed to expand young people's access to science-based education at both the country and the regional level, and to ensure that they graduate with cutting-edge knowledge that is relevant and meets the needs of private sector employers.

Makhtar Diop, World Bank Group's vice president for Africa.

1.2 YOUTH UNEMPLOYMENT IN SUB-SAHARAN AFRICA

A related challenge is Africa's burgeoning youth population. The youth are three times more likely than adults to be unemployed and Africa's growing and youthful population, where 62% of the population is under the age of 25 years[5], requires the continent to address the issue of finding sustainable opportunities for a rapidly increasing workforce. Figure 1.1 shows the population pyramid for sub-Saharan Africa.

The median age in sub-Saharan Africa is 18.6 years, lower than any other geographic regions, including other developing regions. Asia has a median population age of just below 30. The population pyramid in sub-Saharan Africa has a triangular shape, implying a large youth population, a smaller working age population and a small older population (65+). Figure 1.1 indicates an expectation of only a small tapering off with respect to the population growth rate in sub-Saharan Africa and that youth as a percentage of the population will continue to be significant for the foreseeable future (2030).

Even with the optimistic economic growth projections for sub-Saharan Africa and a concomitant increase in wages, the infomal sector in countries such as Uganda will only decrease in importance from 79% to 74% by 2020. Further, many young people in Africa, due to a lack of other options, work in the same place as their parents – in small household enterprises or small-scale farming operations. Youth unemployment and productivity is caused by the lack of employable skills; the difficulty of access to resources such as land and capital; insufficient focus by government organisations on the informal sector and agriculture; and negative attitudes towards work, especially in the agricultural sector. Causes of youth under-employment include inappropriate skills; poor or jobless economic growth; growing youth populations; and a lack of education (or lack of appropriate education). Young people who drop out of education and training avenues fail to access relevant occupational skills.

There is sufficient evidence that the problem is not just poor levels of school completion rates but, more importantly, that of skills mismatch. In many countries, the education system does not prepare young people adequately for the realities of the labour market. A key factor in addressing the youth employment challenge, therefore, requires a focus on improving the quality and type of education on offer, as well as an improvement in the throughput rates to allow greater numbers of students to complete secondary schooling. This will both

5 Swaniker, F., 2014, *Lifting Africa up by empowering its youth, http://voices.mckinseyonsociety.com/empowering-youth-in-africa/*

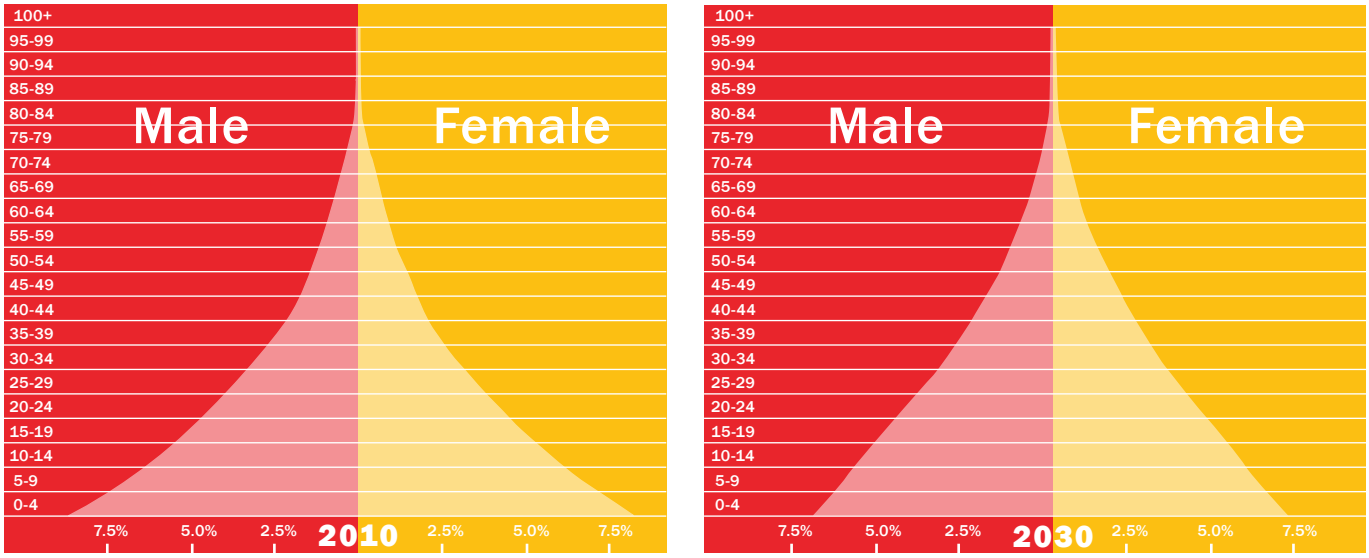


Figure 1.1: Sub-Saharan Africa's population pyramid, 2010 and 2030 (projected)
Source: United Nations Department of Economic and Social Affairs, Population Division. World Population Prospects (http://populationpyramid.net)

The 10 countries worldwide with the highest fertility are all in sub-Saharan Africa. In addition to high birth rates, the region's population is also quite young, with 43 percent of the population below age 15.

United Nations, 2013, *World Population Data Sheet*, http://www.prb.org/Publications/ Datasheets/2013-world-populationdata-sheet

increase the general skill levels within the various countries and widen the pool of potential tertiary students. The pressure on governments with respect to education spending will continue to stretch budgets for the next few decades. The poor quality of basic education continues to trap large numbers of young people in low-earning jobs. With a growing population, improving the quality of basic education to ensure that sub-Saharan Africa is able to increase the productivity of its workforce is an important step in developing a long-term sustainable solution to address the twin challenges of a large youth population and high levels of unemployment (taken as a percentage of people that are not in sustainable jobs).

Between 1960 and 1990, South East Asia experienced what has been termed a 'demographic dividend', a position where the growth in the labour force exceeds growth of the total population. As a result, young people entering the work place in South East Asia had access to sufficient good job opportunities. This, coupled with the fact that the youth in South East Asia had a good level of education, was a key driver of economic growth. Projections from the UN population division indicate that by 2050, the growth in the labour force in sub-Saharan Africa would exceed the growth of the total population, which means that Africa could benefit from its own demographic dividend. However, the situation in Africa is significantly different from South East Asia in that many young people entering the working population are poorly educated and for whom there will be limited work opportunities. It is important to emphasise that a declining fertility rate is a crucial component of the demographic dividend. For sub-Saharan Africa to achieve a similar demographic dividend to that enjoyed by South East Asia, supply and demand-side policies will not only need to improve the quality of education and improve the business climate within the continent, but a concomitant drop in the fertility rate is crucial for sustainable growth.

Table 1.3: The youth unemployment landscape in sub-Saharan Africa

Region/Country	Total unemployment rate (%)	Youth unemployment rate (%)	Youth male unemployment rate (%)	Youth female unemployment rate (%)	Adult unemployment rate (%)
sub-Saharan Africa	7.6	11.9	11.1	12.8	6.0
Angola	8.4	14.1	13.8	14.5	6.1
Botswana	18.4	34.3	28.9	40.0	13.0
Ghana	4.5	8.5	7.7	9.4	3.6
Malawi	7.6	13.6	12.6	14.4	5.4
Namibia	17.7	35.6	31.3	40.8	13.7
Nigeria	7.5	13.7	14.0	13.2	5.7
South Africa	25.3	53.0	48.5	58.4	21.0
Uganda	3.9	6.6	6.1	7.1	2.7
Zambia	13.3	24.6	26.6	22.5	8.1
Rwanda	0.6	0.7	1.0	0.5	0.5

Source: ILO www.ilo.org/legacy/english/get/2014/GET_UR.xlsx

Sub-Saharan Africa (Table 1.3) has an average youth unemployment rate of 11.9%. The average youth unemployment rates in the Developed Economies and the European Union (18.3%), Latin America and the Caribbean (13.6%) the Middle East (27.2%) and North Africa (29.4%)[6] are generally higher than the official average youth unemployment rate in sub-Saharan Africa, with a greater proportion of Europe showing youth unemployment rates that are more comparable with South Africa, an outlier in sub-Saharan Africa[7].

As with the total unemployment rate (Table 1.2), the sub-Saharan African figure disguises similar significant, country-specific differences with South Africa and Botswana at a high of 53% and 34%, respectively, and Rwanda and Uganda at a low of 0.7% and 6.6%. These youth unemployment figures at the extremes mask the reality of the employment challenge within these countries, because official rates do not acknowledge the large number of people who simply cannot afford to be unemployed and therefore engage in vulnerable forms of employment merely to survive.

In general, young women have a higher rate of unemployment than men and Table 1.3 shows that the sub-Saharan African region conforms to this trend. Within sub-Saharan Africa, the male-to-female youth unemployment ratio is 1:1.2 with young women being 1.2 times more likely than young men to be unemployed. Botswana, with a male to female youth unemployment ratio of 1:1.4, and Namibia, with a ratio of 1:1.3, have the highest disparities with respect to youth male and female unemployment rates of the sub-Saharan African countries reported. In a few countries, notably Nigeria (with a ratio of 1.1:1) and Zambia (with a ratio of 1.2:1), male youth unemployment is higher than female youth unemployment.

The ILO's Global Employment Trends for Youth 2013 highlights the following with respect to less-developed regions such as large portions of Africa:

- In countries and regions with high shares of vulnerable employment, the youth employment challenge is as much a problem of poor employment quality as one of unemployment;

6 ILO, 2014, *Global Employment Trends 2014*

7 ILO, 2013, *Trends Econometric Models, October 2013* www.ilo.org/legacy/english/get/2014/GET_UR.xlsx

Unemployment figures mask the reality of the employment challenge within these countries, because official rates do not acknowledge the large number of people who simply cannot afford to be unemployed and therefore engage in vulnerable forms of employment merely to survive.

- Young people have a higher likelihood than adults of being among the working poor; and
- Many young people in developing economies begin their working lives engaged in family businesses (likely to be an informal enterprise) and few make the transition to paid employment in the formal sector.

As is the case for most formal assessments of unemployment rates, the ILO unemployment rate has active job search as a criterion for inclusion in the unemployment rate. When this criterion is excluded, the unemployment rate doubles in many low-income economies and the unemployed rates in least developed economies are then higher than those of the high-income economies. To put this into context, it is estimated that up to 60% of young people in developing regions are either without work, not studying, or engaged in irregular employment[8].

8. ILO's Global Employment Trends for Youth, 2013

The quality of infrastructure and basic education remains low.

1.3 FACTORS INHIBITING YOUTH ENTREPRENEURSHIP

The Global Competitiveness Index published by the World Economic Forum highlights key areas where sub-Saharan Africa continues to underperform. The quality of infrastructure and basic education remains low. Higher education and training also need to be further developed to provide the skills required for higher-value-added growth[9]. As these are basic requirements to enable a competitive economy, they impact on the ability of the region to develop an entrepreneurial environment.

Governmental efforts to boost effective education, job creation and entrepreneurship development within the sub-Saharan African region have included reforms of the education and training systems as well as of the school curricula. Some countries have focused on policies designed to increase the number of young people going into vocational and technical training institutions, while entrepreneurial education has also been introduced into a number of curricula. These appear to be bearing fruit, as youth in the sub-Saharan Africa region are the most likely to have received some form of business training at school, compared to youth in the rest of the world[10]. This is encouraging. However, the quality of this training is likely to be inconsistent, given the lack of teacher training and resources in most countries.

The following obstacles hinder youth entrepreneurial development: access to finance; lack of management, technical and marketing skills; and access to infrastructure and markets. Young people in sub-Saharan Africa perceive lack of capital, lack of skills, lack of support and lack of market opportunities as the main obstacles to entrepreneurial ambitions[11]. Other barriers identified in sub-Saharan Africa include the lack of links to professional networks, corruption, lack of property rights and the over-regulated information and communications technology sector[12]. Barriers to youth employment identified in high-income or middle-income countries include the lack of an enterprise culture in many countries; unfavourable legal, policy and regulatory frameworks for youth entrepreneurship; the lack of entrepreneurship education across formal and informal educational systems; the lack of access to affordable financing in the form of start-up,

9 World Economic Forum, 2015, *The Global Competitiveness Report 2014* to 2015 http://reports.weforum.org/globalcompetitiveness-report-2014-2015/subsaharan-africa/

10 Schott, T., Kew, P, and Cheraghi, M., 2015, *Future potential – a GEM perspective on youth entrepreneurship*

11 Fatoki, O., 2011, *An investigation into the Obstacles to Youth Entrepreneurship in South Africa*

12 United Nations, 2013, *Opportunities and constraints to youth entrepreneurship*

Access to finance has, in particular, been well-documented, both as a general business concern and more specifically as a youth-specific obstacle.

investment or working capital; and lack of knowledge about and access to relevant business development services and support schemes for youth already in business or for those interested in pursuing an entrepreneurial career[13]. While many of these obstacles could be considered to be generic issues that face all business owners, the youth are often more or differently disadvantaged due to their lack of asset accumulation, credit history and work experience.

Access to finance has, in particular, been well-documented, both as a general business concern and more specifically as a youth-specific obstacle. However, while raising bank or investor finance is made more problematic for young people as they are unlikely to have developed a credit history to support their ability to raise funding through traditional routes, it is often over-reported as the key inhibitor of youth entrepreneurial development. Access to finance is often the most visible constraint but it is not, necessarily, the primary inhibitor of youth entrepreneurial development. Increasing the amount of funding available to youth-based businesses without the concomitant mentoring, skills development or market access being available is unlikely to result in a significant increase in youth entrepreneurial activity.

Entrepreneurship is believed to contribute to economic development because entrepreneurs create new businesses, and new businesses create jobs, provide people with a variety of products and services, intensify competition, and increase productivity through technological change. However, not all entrepreneurial activity has an equal impact on job creation and economic development. Given that sub-Saharan Africa already faces enormous issues with respect to under- and unemployment, understanding the key challenges and opportunities for inhibiting and enabling entrepreneurship in sub-Saharan Africa as well as understanding the motivations and impact of entrepreneurs within the region is important to inform policy discussions and decisions with actual data from the region itself.

1.4 WHY YOUTH ENTREPRENEURSHIP MATTERS

Youth is a crucial time of life when young people start realising their aspirations, assuming their economic independence and finding their place in society. Employment is critical to the realisation of these ideals. Despite recent rapid growth in the region, under-employment and poverty have remained stubbornly high in sub-Saharan Africa.

The problem of un- and underemployment has exacerbated the vulnerability of young people in terms of:

- lower quality of jobs for those who find work;
- greater labour market inequalities among different groups of young people;
- longer and more insecure school-to-work transitions; and
- increased detachment from the labour market[14].

The traditional job-for-life career path is no longer an option for most people[15] and youth entrepreneurship should be seen as an additional path into the labour market and source of job creation.

Organisations and initiatives such as the ILO[16], the United Nations, the World Bank, Youth Business International and Nigeria's Youth Business Initiative have highlighted a number of positive advantages to stimulating youth entrepreneurship:

- youth entrepreneurship is an option to create employment for the youth;
- young entrepreneurs are more likely to hire fellow youths;
- young entrepreneurs are particularly responsive to new economic opportunities and trends;
- young people are active in high growth sectors;
- young people with entrepreneurial skills are better employees;
- young people are more innovative and often create new forms of independent work;
- young people who are self-employed have higher 'life satisfaction'[17];
- entrepreneurship offers unemployed or discouraged youth an opportunity to build sustainable

13 Ilo, 2010, *How to build an enabling environment for youth entrepreneurship and sustainable enterprises*

14 Chigunta, Chisupa and Elder, 2013, *Labour market transitions of young women and men in Zambia, http://www.Ilo.Org/wcmsp5/groups/public/dgreports/dcomm/documents/publication/*

15 Schoof, U. 2006, Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people, ilo

16 Simpson, J. and Christensen, j., 2009, *Youth Entrepreneurship and the ILO*

17 AfDB, OECD, UNDP and UNECA, 2012, *African Economic Outlook 2012: Promoting Youth Employment*

It is imperative that the youth become active participants in the future economic activity of sub-Saharan Africa.

livelihoods and a chance to integrate themselves into society[18];

- Entrepreneurial experience and/or education help young people develop new skills that can be applied to other challenges in life. Non-cognitive skills, such as opportunity recognition, innovation, critical thinking, resilience, decision making, teamwork, and leadership will benefit all youth, whether or not they intend to become or continue as entrepreneurs[19].

It is imperative that the youth become active participants in the future economic activity of sub-Saharan Africa. This report, the culmination of a three-year project carried out with financial support from Canada's International Development Research Centre to enhance informed and evidence-based policies and interventions that foster entrepreneurship and sustainable livelihoods in sub-Saharan Africa, therefore focuses on youth entrepreneurship in the region.

This work has been carried out under the auspices of the Global Entrepreneurship Monitor (GEM). The Global Entrepreneurship Monitor (GEM) has completed 14 annual surveys of the entrepreneurial attitudes, activities and aspirations of individuals around the world. Starting with just 10 developed countries in 1999, GEM has grown to include over 80 economies. In 2014, more than 206 000 people were surveyed in 73 economies. Together, this group covers over 72% of the world's population and 90% of the world's GDP. GEM takes a comprehensive snapshot of entrepreneurs around the world, measuring the attitudes of a population and the activities and characteristics of individuals participating in various phases of entrepreneurship. Also revealed are the aspirations these entrepreneurs hold for their businesses, along with other key features of their ventures. This effort is accomplished through the collaborative work of a consortium of national teams consisting of academic researchers from across the globe[20].

It is important to note that GEM groups participating countries into three levels: factor-driven, efficiency-driven and innovation-driven. These are based on the World Economic Forum's (WEF) and Global Competitiveness Report[21], which identifies three phases of economic development based on GDP per capita and the share of exports comprising primary goods. According to the WEF classification, the factor-driven phase is dominated by subsistence agriculture and extraction, with a heavy reliance on labour and natural resources. In the efficiency-driven phase, further development is accompanied by industrialisation and an increased reliance on economies of scale, with capital-intensive large organisations more dominant. As development advances into the innovation-driven phase, businesses are more knowledge-intensive, and the service sector expands.

In order to recognise possible geographic factors, GEM also groups countries into six geographic regions: sub-Saharan Africa, the Middle East and North Africa (MENA), Latin America and the Caribbean, Eastern Europe, Asia/Pacific and the United States and Western Europe.

The research on which this report is based has been conducted in Angola, Botswana, Ghana, Malawi, Namibia, Nigeria, South Africa, Uganda and Zambia. South Africa and Namibia are classified as efficiency-driven economies, while the other surveyed countries are classified as factor-driven economies[22]. For the purpose of this study, 'youth' is defined as young people between the ages of 18 and 34.

Data was collected from some 20 000 young people from the nine countries across sub-Saharan Africa as well as from approximately 320 experts. The experts comment on the nine essential conditions of entrepreneurial capacity. These are: 1) financial support; 2) government policies; 3) government programmes; 4) education and training; 5) research and development transfer; 6) commercial and professional infrastructure; 7) internal market openness; 8) access to physical infrastructure; and 9) cultural and social norms. Experts evaluate these conditions within their own countries, and comment on how government meets the needs of entrepreneurs, impedes the activity of entrepreneurs, and encourages entrepreneurs to start new ventures.

18 United Nations, 2013, *Opportunities and constraints to youth entrepreneurship*
19 World Bank, 2008, *Children and the youth*, Volume II, Number 6
20 Kelley, D. Bosma, N. Amorós, J., 2011, *2010 Global Entrepreneurship Monitor Report*
21 Schwab, Klaus, ed., 2010, *The Global Competitiveness Report 2010 to 2011*
22 Kelley, D. Bosma, N. Amorós, J., 2011, *2010 Global Entrepreneurship Monitor Report*

Women constitute over half of the world population; however, GEM has shown that in many regions women are still under-represented in the entrepreneurial arena.

Addressing the youth employment challenge requires specific policy initiatives that will allow young people to find sustainable livelihood opportunities. It is important that such policy initiatives are driven by actual data, such as that provided in this report, which seeks to offer a view of the entrepreneurial landscape that can be used to enrich and inform policy discussions.

The report supports a regional understanding of youth in sub-Saharan Africa using the data from the GEM research with a particular focus on the following:

- whether the youth have an entrepreneurial attitude and whether this leads them to become active entrepreneurs;
- an examination of the factors influencing/inhibiting the entrepreneurial activity of this group; and
- developing an understanding of the growth potential of youth enterprises in the region.

Women constitute over half of the world population; however, GEM has shown that in many regions women are still under-represented in the entrepreneurial arena. This report looks at the involvement of young women in entrepreneurial activities within the sub-Saharan region to see if they are as active in entrepreneurship as are young men. More importantly, the report specifically looks at the contribution, with respect to actual job creation and intended growth potential, of youth female-owned businesses. It is important to identify whether young women are as likely as young men to be involved in high-growth businesses or whether they are languishing, in small, low-growth, survivalist businesses that offer little opportunity for a sustainable livelihood.

The report addresses the question of whether the entrepreneurial landscape within sub-Saharan Africa is likely to change in the future by looking at the current business activities of the adult population with respect to the sectors in which they operate, the actual impact on job creation, the growth potential expressed by adult businesses and the level of innovation and technology use, and comparing these findings with youth businesses within the region. GEM has recognised that not all entrepreneurial businesses have the same impact on job creation and economic development. If the youth entrepreneurial landscape is not sufficiently different from that of adult entrepreneurs, policy directives will need to focus on specific areas identified in the report that will enable the region to reduce the levels of under- and unemployment and the working poor.

FRED THE CARPENTER

A UGANDAN ENTREPRENEUR

As an apprentice, discipline and hard work were the keys to his success.

Fred is a 30-year-old primary school drop-out who was born in rural Bukomero village. In 1995, he left his village and came to live with his brother in the city where he accepted all work opportunities that came his way, including working as a porter on building sites. Next to where Fred stayed was a carpenter with a small workshop and Fred helped with mundane tasks like carrying timber and other petty work. Over time, Fred became experienced in using carpentry tools. Sixteen years ago, he was an unskilled apprentice in a small carpentry workshop. Today, he owns a carpentry workshop worth millions of shillings and employs 10 other young people.

As an apprentice, discipline and hard work were the keys to his success. “He was obedient and willing to learn. That is why he has succeeded,” comments his former master. Fred had the resolve to start his own carpentry workshop, even with meagre resources. He used all his savings to buy materials and one machine to refine the timber. As luck would have it, a good Samaritan, an old woman in his neighbourhood, agreed to give him a portion on her plot of land to set up his workshop. She gave him a three-month grace period before he should pay her rent. “To become a carpenter one must have tools, labourers and also be able to market themselves. Doing this with a small amount of the initial capital is not easy,” says Fred. In fact, he had to bring in three brothers from the village to fill his labour demands. He trained them and slowly business started picking up, with customer numbers growing.

He reflectively narrates his starting hardships, “In the beginning I used so much energy because I was carrying the timber on the bicycle to a nearby town where I hired the trimming machine. I did not give up. I worked even harder because I needed to grow my business.” During the life of his business, when the capital was insufficient to keep the business up, he decided to return to his village and do some farming until he raised more capital. When he came back, he had to work doubly hard to regain his lost customers and get new ones. At this point, there was no turning back.

Due to his trustworthiness and excellent work, Fred has been contracted by hotels, schools and many other institutional customers. Although he does not speak fluent English, he has still managed to get business contracts from foreigners and expatriates. “They trust and respect me. They know that I do good work,” he says. He is also happy that he has given many unemployed youth an opportunity to do something with their lives because his workshop has apprentices who are school dropouts. In addition to the carpentry workshop, he now has an animal farm in his village.

Fred’s greatest challenge is an unclear understanding of the taxation and licensing policies in Uganda. “We normally pay licenses that we don’t understand. We need clarification about taxes from our leaders,” he laments. Fred now plans to expand his business, since his location cannot handle the current volume of activity.

CHAPTER 2

Youth Entrepreneurship in Sub-Saharan Africa

Entrepreneurship can drive job creation and contribute to economic growth that is inclusive and reduces poverty.

2.1 INTRODUCTION

Entrepreneurship is acknowledged as one of the drivers of sustainable economic growth because entrepreneurs create new businesses, drive and shape innovation, speed up structural changes in the economy, and introduce new competition – thereby contributing to productivity. Entrepreneurship can drive job creation and contribute to economic growth that is inclusive and reduces poverty. Research has attached numerous definitions and explanations to the term entrepreneurship. For the purpose of this report, entrepreneurship is defined as 'any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business[1]'.

1 Bosma, N. Wennekers and Amorós, J. in *2012 GEM Global Report*

2.2 THE ENTREPRENEURIAL PIPELINE

GEM sees entrepreneurial activity as a continuous process rather than a discrete event and we can view this process as a pipeline, where people participating in each phase are the source of those advancing to the next one. While not everyone in the pipeline will move on to the next step, each step will require participants in prior phases (see Figure 2.1).

The entrepreneurial pipeline begins with potential entrepreneurs. In this stage, individuals have not embarked on any specific actions to start an enterprise, even though they believe they have the capacity and believe that there are plenty of opportunities to start a business; for this reason they are called potential entrepreneurs. The second stage in the pipeline is intention, where individuals express an intention to start a business to exploit these opportunities. The following stages represent actual entrepreneurial activity, namely nascent entrepreneurs and new entrepreneurs, established business ownership and finally discontinuance (Table 2.1).

For the purpose of this report, each respondent was given a unique classification: a potential entrepreneur, an intentional entrepreneur, an entrepreneur or a non-entrepreneur. The classification 'entrepreneur' includes nascent, new and

Table 2.1: Entrepreneurial pipeline classifications

Potential entrepreneurs	Individuals who believe that they have adequate entrepreneurial skills and who perceive business opportunities.
Intentional entrepreneurs	Individuals who have indicated that they intend to pursue a business opportunity within the next three years.
Nascent entrepreneurs	Individuals who are actively involved in setting up a business or who already own a business but whose business has not paid any wages or salaries for zero to 3 months.
New entrepreneurs	Individuals that are owners/managers of an active business that has been in existence from three to 42 months.
Established business owners	Individuals who own and manage a business that has been in operation for more than 42 months.

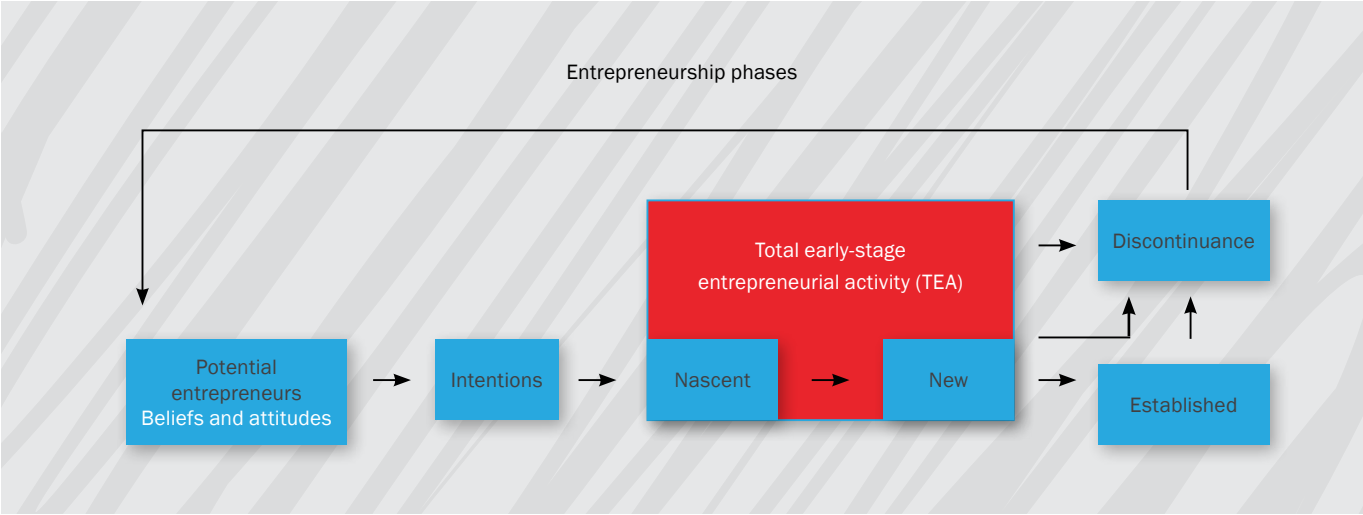
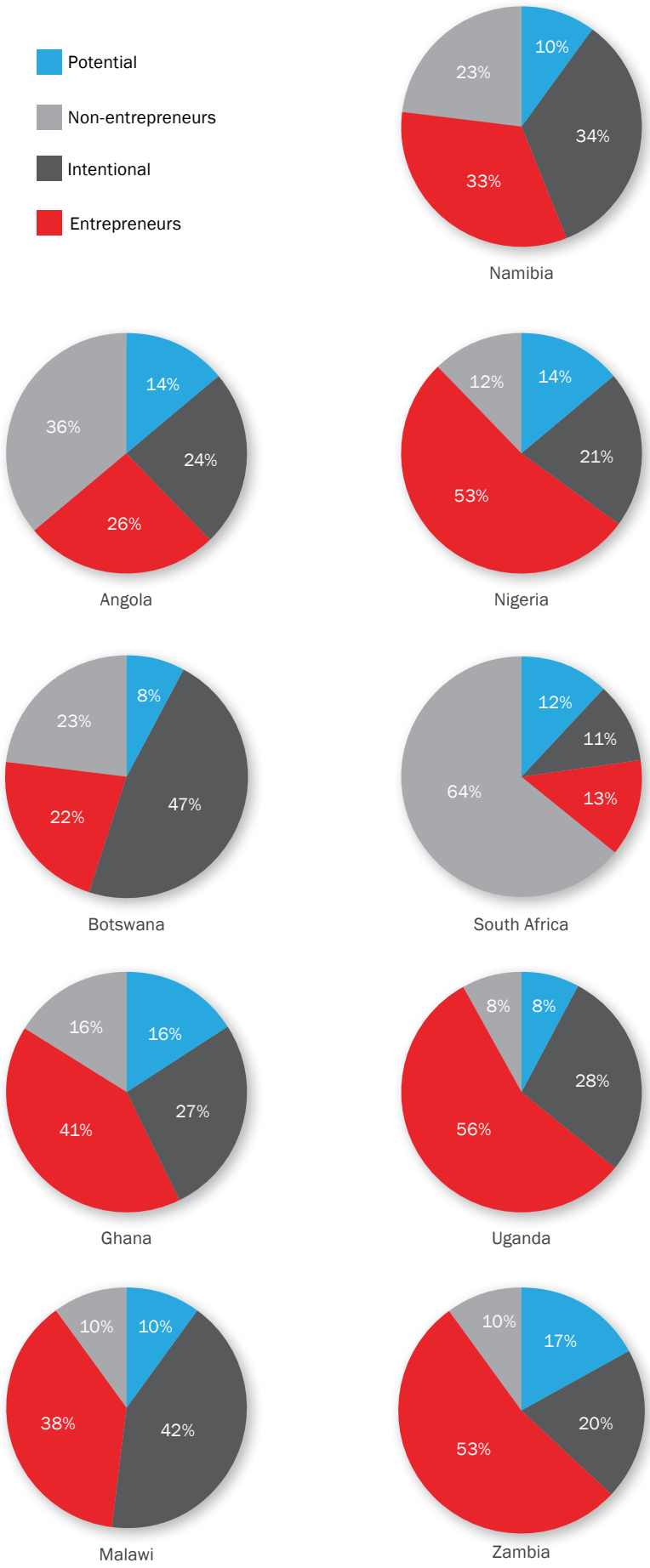


Figure 2.1: The entrepreneurial pipeline
Source: GEM Global Report, 2011

Figure 2.2: The distribution of the youth as potential, intentional, entrepreneurs and non-entrepreneurs in sub-Saharan countries, 2013

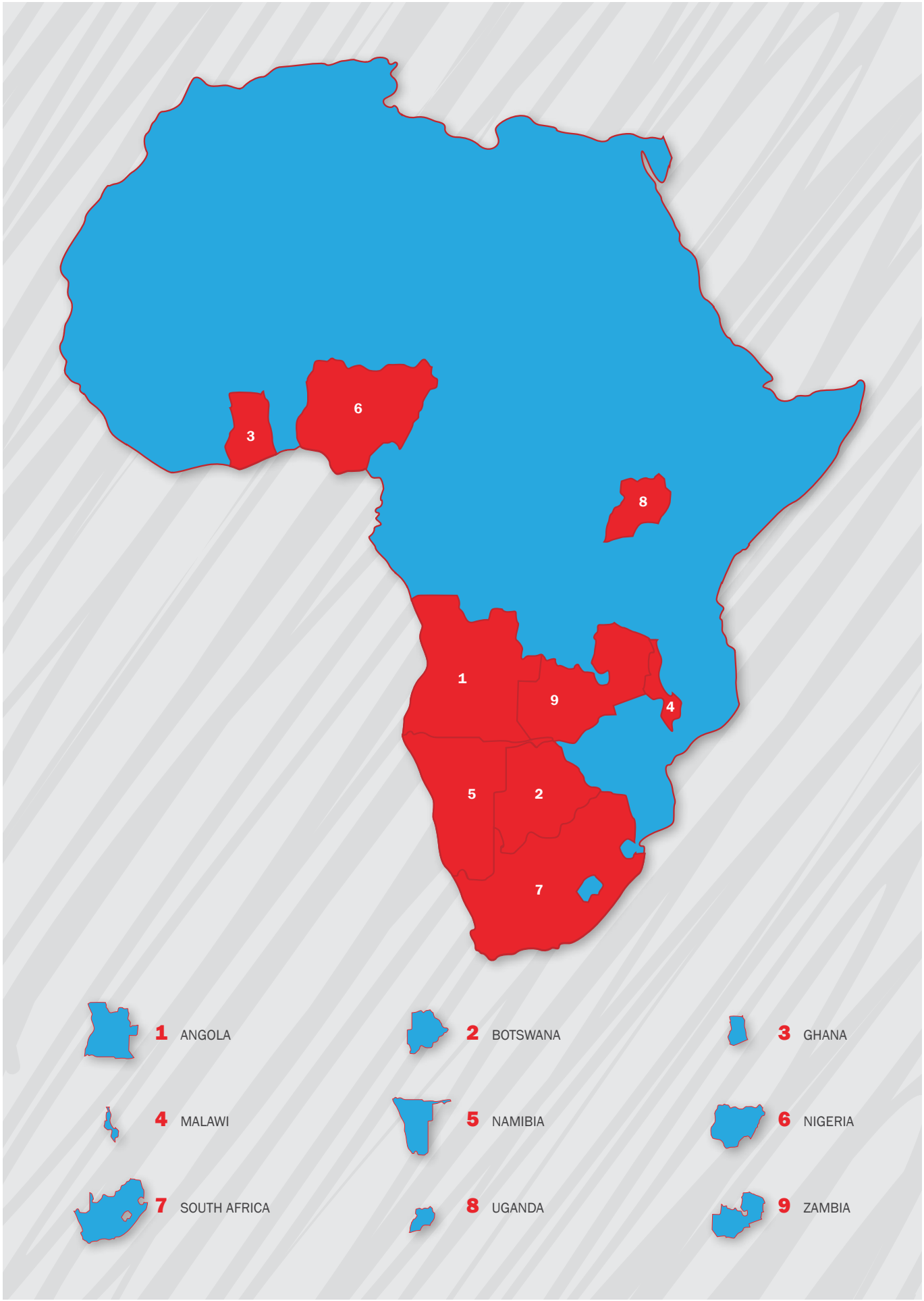


established businesses owners (Table 2.1). The classification 'non-entrepreneur' refers to young people who do not fit into any of the classifications indicated in Table 2.1 above.

Data was collected from some 20 000 young people from nine countries across sub-Saharan Africa (Angola, Botswana, Ghana, Malawi, Namibia, Nigeria, South Africa, Uganda and Zambia) as well as from approximately 320 experts. The report uses this data to develop a regional understanding of youth in sub-Saharan Africa, with a particular focus on whether the youth have an entrepreneurial attitude and whether this leads them to become active entrepreneurs; the factors influencing/inhibiting the entrepreneurial activity in the youth; and the growth potential of youth enterprises in the region.

Youth entrepreneurial activity (which includes nascent, new and established youth businesses) ranges from a high of 56% in Uganda to a low of 13% in South Africa (Figure 2.2). Over half of the youth in Uganda (56%), Nigeria (53%) and Zambia (53%) would be classified as entrepreneurs involved in nascent, new or established businesses. A third or more of the youth in Ghana (41%), Malawi (38%) and Namibia (33%) also fit this classification. Only two countries in our sample – Botswana (22%) and South Africa (13%) have less than a quarter of the youth involved in entrepreneurial activity.

Youth entrepreneurial activity is discussed in more detail in Chapter 3. There are a number of similarities across the countries with respect to the distribution of the youth as potential entrepreneurs, intentional entrepreneurs, entrepreneurs and non-entrepreneurs, when compared to adults in the region. The youth in all but two countries (Botswana and Malawi) are more likely than adults to believe that they have the skills and knowledge to start a business and to indicate an intention to start a business within the next three years. However, the youth in all countries in the sample were less likely to be classified as entrepreneurs, compared to adults in the sample.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3
8
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2
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1 ANGOLA
2 BOTSWANA
3 GHANA
4 MALAWI
5 NAMIBIA
6 NIGERIA
7 SOUTH AFRICA
8 UGANDA
9 ZAMBIA

ANGOLA 1

The youth in Angola are more likely (1.2 times) than adults to believe that they have the skills and knowledge to start a business and to indicate an intention to start a business within the next three years. However, adults are more likely (1.4 times) than the youth to be classified as an entrepreneur. There is no difference in the level of non-entrepreneurs between the adult and youth population in Angola.

BOTSWANA 2

Adults in Botswana are 1.3 times more likely to believe that they have the skills and knowledge to start a business; the youth are 1.3 times more likely than adults to indicate an intention to start a business within the next three years. Adults are 1.3 times more likely to be classified as an entrepreneur. There is no difference in the level of non-entrepreneurs between the adult and youth population in Botswana.

GHANA 3

The youth in Ghana are 1.4 times more likely to believe they have the skills and knowledge to start a business and 1.8 times more likely to indicate an intention to start a business within the next three years, compared to adults. However, they are 1.5 times less likely to be classified as an entrepreneur than adults in Ghana. The youth in Ghana are also 1.5 times more likely than adults to be classified as non-entrepreneurial.

MALAWI 4

In Malawi, there is no significant difference in the rate of youth and adults with respect to being to be classified as an entrepreneur. While adults are 1.2 times more likely to believe that they have the skills and knowledge to start a business, the youth are 1.3 times more likely than adults to indicate an intention to start a business within the next three years. Adults in Malawi are also 1.3 times more likely than the youth to be classified as non-entrepreneurial.

NAMIBIA 5

The youth in Namibia are more likely (1.4 times) than adults to believe that they have the skills and knowledge to start a business and to indicate an intention to start a business within the next three years. Adults are significantly more likely (1.6 times) than the youth to be classified as an entrepreneur. The youth are also 1.5 times more likely than adults to be classified as non-entrepreneurial.

NIGERIA 6

The youth in Nigeria are 1.4 times more likely than adults to be classified as non-entrepreneurial; they are only 1.2 times less likely to be classified as an entrepreneur. The youth is 1.2 times more likely to believe they have the skills and knowledge to start a business; however, there is no significant difference in their intention to start a business within the next three years, compared to adults in Nigeria.

SOUTH AFRICA 7

The youth in South Africa are 1.3 times more likely than adults to believe that they have the skills and knowledge to start a business. However, there is no significant difference between the youth and adults in their stated intentions to start a business within the next three years, with respect to being to be classified as an entrepreneur, or being classified as non-entrepreneurial.

UGANDA 8

The youth are significantly more likely (1.8 times) than adults to believe that they have the skills and knowledge to start a business and to indicate an intention to start a business within the next three years. Adults in Uganda are 1.4 times more likely than the youth to be classified as non-entrepreneurial. Adults are only 1.2 times more likely than the youth to be classified as an entrepreneur.

ZAMBIA 9

The youth in Zambia are 1.2 times more likely than adults to believe that they have the skills and knowledge to start a business. However, there is no significant difference between the youth and adults in their stated intentions to start a business within the next three years, with respect to being classified as an entrepreneur, or being classified as non-entrepreneurial.

GEM reports have shown that on average, individuals in factor-driven economies have higher perceptions that there are good opportunities for entrepreneurship, and that they have the capabilities to start businesses.

2.3 ENTREPRENEURIAL ATTITUDES

The GEM model recognises entrepreneurial attitudes, activities and aspirations as dynamic, interactive components of national entrepreneurial environments. The adult population survey includes questions relating to all three of these components. Entrepreneurial activity does not take place in a vacuum. Entrepreneurial attitudes and perceptions play an important part in creating an entrepreneurial culture and have a profound effect on a number of activities in the entrepreneurial pipeline.

2.3.1 OPPORTUNITY AND SKILLS PERCEPTIONS

Entrepreneurial propensity, i.e. the likelihood that young people believe they have the skills to start a business and either believe there are good business opportunities or intend to start a business in the foreseeable future, is an important indicator of future entrepreneurial activity and, as such, includes both potential and intentional entrepreneurs. Perceptions about entrepreneurship are a vital component of the entrepreneurial process, because before an individual becomes an entrepreneur she/he must identify an opportunity and must believe that she/he has the necessary capabilities to start a successful business venture[2]. Societies develop when they have people who recognise valuable business opportunities and perceive that they have the required skills to exploit them. Therefore, positive or negative perceptions that societies have about entrepreneurship strongly influence the motivations of people to enter entrepreneurship.

As indicated earlier, for the purposes of this report, each individual has been given a unique classification, namely as a potential entrepreneur, an intentional entrepreneur, an entrepreneur or a non-entrepreneur. Potential and intentional entrepreneurship rates are aggregated to give an indication of the entrepreneurial propensity in each country. Entrepreneurial propensity among the youth varied significantly across the sub-Saharan African countries (see Figure 2.2). Botswana (55%) recorded the highest rate of youth entrepreneurial propensity, followed by Malawi (53%). South Africa (23%) had the lowest youth entrepreneurial propensity. All the other surveyed countries had entrepreneurial propensity rates of over a third of the youth population.

As mentioned previously in this section, young people in sub-Saharan Africa show higher levels of entrepreneurial propensity than adults in the region. This difference is particularly notable in countries such as Uganda, Ghana and Namibia, where the youth show entrepreneurial propensity rates of 1.8 times, 1.6 times and 1.4 times that of adults respectively. It is important to remember that this does not necessarily mean that the youth are more entrepreneurial, as individuals with entrepreneurial propensity may not actually start a business in the future. The relatively high rate of entrepreneurial propensity is, however, a positive sign and policies need to ensure that the entrepreneurial ecosystem in which these young people function allows them to convert this propensity into actual business activity and, more importantly, business activity that provides a sustainable livelihood.

GEM reports have shown that on average, individuals in factor-driven economies have higher perceptions that there are good opportunities for entrepreneurship, and that they have the capabilities to start businesses. These attitude measures tend to decline with greater economic development levels. GEM argues that while this seems counter-intuitive, individuals in economies at different stages of economic development are likely to have different kinds of businesses in mind. This would suggest that the perception of what is considered an opportunity and the capabilities required to create and manage this entrepreneurial opportunity in factor-driven economies in sub-Saharan Africa could differ from the perceptions in efficiency-driven economies in the region[3]. It would therefore be expected that South Africa has a lower rate of potential entrepreneurs than the rest of sub-Saharan Africa. However, the extremely high difference is concerning, particularly given the relatively low levels of development in certain areas of South Africa.

2 Turton, N. and Herrington, M. 2013, *2012 GEM South African Report*; Xavier, S.R. et al., 2013, *2012 GEM Global Report*

3 Kelley, D., Bosma, N. and Amorós, J., 2011, *2010 GEM Global Report*

GEM research suggests that the entrepreneurial framework conditions most likely to have an impact on the pool of potential entrepreneurs are market dynamics, education, and research and development.

Favourable perceptions with respect to opportunities and capabilities, i.e. those of potential entrepreneurs, do not necessarily lead to the actual intention to start a business. Of greater importance in discussions related to future levels of entrepreneurial activity are individuals who have indicated that they intend to start a business within the next three years. These individuals provide an indicator of what a country's early-stage entrepreneurial activity (TEA) rate could be over the next few years. In most of the countries surveyed, the entrepreneurial propensity rates were predominantly driven by intentional entrepreneurs (Figure 2.2). Almost half of the youth population in Botswana (47%) and Malawi (42%) indicated an intention to start a business. These figures are encouraging for both economies, and particularly for Botswana, which has lower than average youth entrepreneurial activity. Only 11% of the South African youth indicated that they intended to start a business in the next three years.

GEM research suggests that the entrepreneurial framework conditions most likely to have an impact on the pool of potential entrepreneurs are market dynamics, education, and research and development[4], while those most likely to have an impact on the pool of intentional entrepreneurs are cultural and social norms, and education. Providing an enabling environment and appropriate entrepreneurship-support policies and programmes would help actualise the intentions of these youths. Support policies to encourage prospective youth entrepreneurs should include access to entrepreneurial finance (including grants and subsidies) and low-cost access to physical infrastructure — communication, utilities, transportation, land or space — at a price that does not discriminate against SMEs. It is equally important to focus on entrepreneurship education to encourage youth entrepreneurship development.

2.3.2 FEAR OF FAILURE

Another factor taken into account when assessing entrepreneurial propensity is the fear of failure. Fear of failure is the percentage of people who perceive opportunities in the area in which they live, yet indicate that fear of failure would prevent them from starting a business. Fear of failure can be influenced by intrinsic personality traits, as well as by societal norms and regulations. Much about entrepreneurship can be taught or

4 Turton, N. and Herrington, M., 2013, *2012 GEM South African Report*

Higher levels of fear of failure are more common in developed economies, probably because the types of entrepreneurial activities in highly developed countries demand more knowledge than many of the more simple entrepreneurial activities prevalent in factor-driven economies.

acquired through practical experience, but propensity for risk cannot. For the risk-averse person, the downside risk of failure often outweighs the most promising opportunities or expectations, even if the potential returns are considerably higher than the next best alternative.

Previous GEM reports[5] have indicated that, on average, economies in sub-Saharan Africa exhibit the lowest fear of failure rates. According to the 2012 GEM Global Report, the sub-Saharan Africa region exhibited the lowest average levels of fear of failure, with only 24.5% of all respondents indicating that fear of failure would prevent them from starting a business. Latin America and the Caribbean had the second lowest levels of fear of failure.

Higher levels of fear of failure are more common in developed economies, probably because the types of entrepreneurial activities in highly developed countries demand more knowledge than many of the more simple entrepreneurial activities prevalent in factor-driven economies. In addition, other career options in more developed economies can create the impression that people have more to lose by forgoing these other opportunities. In factor-driven economies, on the other hand, job opportunities are more restricted and society often sees entrepreneurship as a means to improve economic and social standing.

In sub-Saharan Africa, there is little to no difference in the levels of fear of failure expressed by both adults and the youth. The only countries that showed any notable differences are Nigeria, where the youth are 1.2 times more likely to indicate that fear of failure would prevent them from starting a business, and Uganda, where adults are 1.3 times more likely. Figure 2.3 shows the fear of failure rates among the youth in the sub-Saharan countries surveyed. The youth in Angola are the most risk-averse, with 43% indicating that fear of failure would prevent them from starting a business. The youth in Angola are two to 2.5 times more likely to limit their entrepreneurial activity due to fear of failure than youth in the other factor-driven economies in sub-Saharan Africa. This may, in part, explain why Angola has the lowest level of youth entrepreneurs when compared to the other factor-driven economies in sub-Saharan Africa (Figure 2.2). Adults in Angola also show the highest rate of fear of failure within our sample of countries. Both Namibia (34%) and South Africa (28%) are efficiency-driven countries and this may explain the slightly higher levels of fear of failure within these countries, when compared to the sub-Saharan African average (excluding Angola). The negative legal and social ramifications of business failure in certain countries can act as a strong deterrent, reducing the pool of potential entrepreneurs.

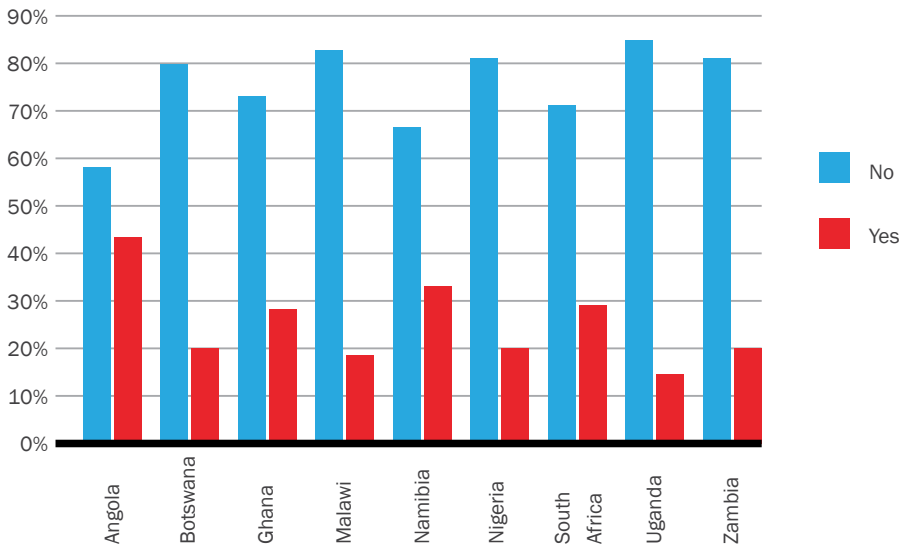

Figure 2.3: Fear of failure among the youth, sub-Saharan African countries, 2013

5 Xavier, S.R et al., 2013, *2012 GEM Global Report*

GEM assesses broader social attitudes towards entrepreneurship, which can indicate the extent to which people are willing to participate in entrepreneurial activity, and the level of social support for their efforts.

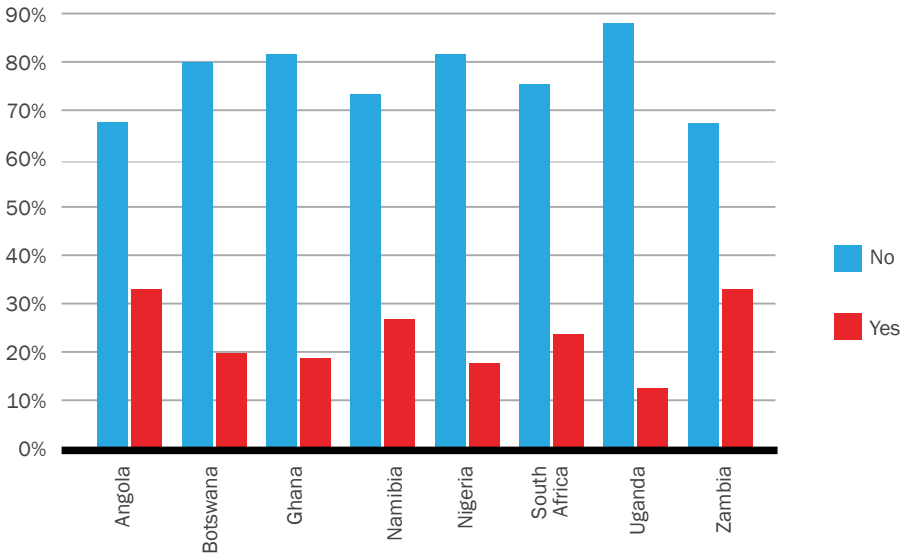

Figure 2.4: Entrepreneurship as a good career choice, youth aged 18 to 34, 2013

2.3.3 ENTREPRENEURSHIP AS A CAREER

Entrepreneurial activity does not take place in a vacuum – the prevalent entrepreneurial attitudes and perceptions play an important part in creating an entrepreneurial culture in an economy. GEM assesses broader social attitudes towards entrepreneurship, which can indicate the extent to which people are willing to participate in entrepreneurial activity, and the level of social support for their efforts. GEM measures societal impressions of entrepreneurship by establishing whether individuals believe that starting a new business is considered a good career choice, as well as whether they feel that successful entrepreneurs are accorded a high level of status as well as garnering significant media attention.

Available GEM data for the nine sub-Saharan African countries suggests that individuals in this region have higher positive attitudes towards entrepreneurship than they do in other geographical regions covered by GEM. This is the case for both the youth and the adult population. Figure 2.4 shows that over 75% of the youth in Botswana, Ghana, Nigeria, South Africa and Uganda consider entrepreneurship to be a good career choice, while over two-thirds of the youth in Angola, Namibia and Zambia consider entrepreneurship to be a good career choice. Although these societal attitudes seem encouraging, research has argued that with extremely high levels of poverty, the working poor, high rates of under-employment and the lack of formal employment options in sub-Saharan Africa, considering entrepreneurship to be a good career choice may, in fact, be an acknowledgement that entrepreneurship may be the only career option available[6]. This argument is further justified by the very similar rates with respect to highly positive attitudes towards entrepreneurship as a good career choice that are indicated by the adult population. It is only in Uganda, Botswana and Ghana that some differences are noted, with the youth in these countries being 1.2 times more likely to indicate that entrepreneurship is not a good career choice, compared to adults.

2.3.4 THE INFLUENCE OF GENDER ON YOUTH ENTREPRENEURSHIP

Development strategies increasingly focus on inclusive and sustainable growth – the creation of policy environments that foster innovation, facilitate more productive economies and, critically, open up new and better job opportunities for all segments of the population. Although female entrepreneurship is increasing around the world, the rate still varies considerably between countries and geographical regions. A number of studies have highlighted that women face greater difficulties in business than men.[7] These obstacles include: higher levels of domestic responsibility; lower levels of education (particularly in developing countries); lack of female role models

6 Kew. J et al., 2012, *Generation entrepreneur*

7 OECD, 2004, "Women's Entrepreneurship: Issues And Policies", 2nd OECD Conference Of Ministers Responsible for Small and Medium-Sized Enterprises (SMEs), Istanbul, Turkey 3 to 5 June 2004

A number of studies have highlighted that women face greater difficulties in business than men.

in the business sector; fewer business-orientated networks in their communities; lack of capital and assets; lower status in society; and a culturally induced lack of assertiveness and confidence in their ability to succeed in business. These factors may prevent women from perceiving and acting on entrepreneurial opportunities.

This report examines potential gender differences with respect to entrepreneurial activities in sub-Saharan Africa. The report specifically explores the type of business entities that young women in sub-Saharan are engaged in, and identifies whether young women are as likely as young men to be involved in high-growth businesses or whether they languish in small, low-growth, survivalist businesses that offer little opportunity for a sustainable livelihood.

GEM surveys (including the GEM special reports on women) have consistently confirmed that, in most regions, early-stage entrepreneurial activity (TEA) is gender-sensitive, with entrepreneurial activities being dominated by men. The sub-Saharan region, however, has shown that women participate as much in early-stage entrepreneurial activities, and in some cases, such as in Uganda, even more so than their male counterparts. There are also no significant differences found in perceived opportunities and capabilities to engage in entrepreneurship, although fear of failure tends to be higher among women[8].

Entrepreneurial propensity among the sub-Saharan African youth follows a similar pattern to that of adults in terms of gender profiles (Figure 2.5). The rates for potential entrepreneurship tend to be similar for young men and young women and there is no significant gender difference in young people who indicate an intention to start a business in the foreseeable future. As is the case with adults, young women in Uganda are slightly more likely (1.2 times) than their male counterparts to be classified as potential as well as intentional entrepreneurs.

Ghana and South Africa, however, show a clear gender differential with respect to both potential and intentional rates of entrepreneurial propensity, with young men being 1.4 times more likely to believe they have the skills and knowledge to start a business and 1.2 times more likely to believe that there are good opportunities. Young men in Ghana are 1.2 times and in South Africa 1.6 times more likely to indicate an intention to start a business within the foreseeable future.

GEM has found that individuals who are confident that they possess the skills to start a business are four to six times more likely to be involved in entrepreneurial activity, so a higher entrepreneurial

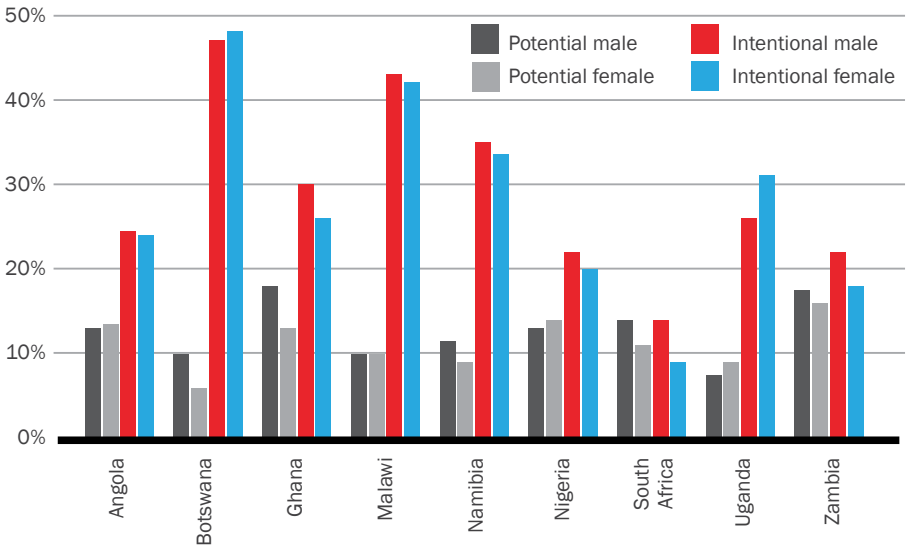

Figure 2.5: Youth entrepreneurial propensity, potential and intention, by gender and country, 2013

8 Singer, S., Amoros, J. and Arreola, D., 2015, *2014 GEM Global Report*

The majority of young Africans believe there are good business opportunities in their countries and that they have the skills and knowledge to start and manage a new business.

propensity is an encouraging finding. However, potential to start a business does not necessarily translate into actual business activity. The important gender story is not only in the entrepreneurial rate but largely in measures such as the sectors in which individuals operate, their number of employees and growth aspirations. These issues are reviewed in Chapter 3 of the report.

In summary, the youth in sub-Saharan Africa have generally positive entrepreneurial attitudes and perceptions. The majority of young Africans believe there are good business opportunities in their countries and that they have the skills and knowledge to start and manage a new business. Furthermore, there is a high level of entrepreneurial intention among the youth, which is further boosted by their low level of fear of failure and positive attitudes towards entrepreneurship as a career choice. This suggests that the sub-Saharan African region has a large pool of potential future entrepreneurs. However, the sectors into which these potential entrepreneurs are drawn, as well as the growth potential of their enterprises, will determine whether or not the impact, on the individual as well as the economy, is muted or not.

2.3.5 ENTREPRENEURIALLY ACTIVE YOUTH

The previous section focused on attitudes, as well as entrepreneurial potential and intention, because a positive attitude towards entrepreneurship can generate cultural and social support, financial and business assistance, and networking benefits that will encourage and facilitate potential, intentional and existing entrepreneurs. However, it is important to recognise that individuals who have the potential and/or indicate an intention to start a business do not necessarily engage in entrepreneurial activities. A key focus of GEM research is therefore to capture the actual entrepreneurial activity within an economy.

The central measure of GEM is the Total Early-Stage Entrepreneurial Activity (TEA) rate, which consists of nascent business owners, i.e. actively involved in setting up a business or who already own a business that has not paid any wages or salaries for zero to three months, and new business owners, i.e. businesses that have been in existence from three to 42 months and are paying wages. Measuring these two types of entrepreneurs is important because it provides the level of early-stage activity that could lead to established businesses. Information on the level of established businesses (i.e. businesses in existence for more than 42 months) is important as an indication of the sustainability of entrepreneurship in an economy. These businesses have moved beyond the nascent and new business phases, and are able to contribute to a country's economy through the on-going introduction of new products and processes and a more stable base of employment. While established businesses are important for preserving stability, early-stage entrepreneurship is important for creating dynamism in economic activity. Advances in economic development require business activities exhibiting both dynamism and stability, i.e. both nascent/new and established businesses. Dynamism ensures a continual renewal of ideas and values in a society, while stability allows those with the most promise to survive and grow[9].

Previous GEM reports have reported that TEA rates generally tend to decline with increasing levels of GDP per capita. This decline is linked to the increasing availability of job opportunities as economies progress and develop institutions accordingly[10]. Sub-Saharan Africa, as a region, has an average TEA rate of 26.6%[11] and the sampled factor-driven countries in sub-Saharan Africa have TEA rates of 20% and above, with Nigeria and Zambia showing rates as high as 40% (Figure 2.6). The countries in sub-Saharan Africa are clustered at the top of the TEA rates of all the factor-driven countries. South Africa shows a significantly lower TEA rate of around 10% and is positioned at below mid-way with respect to all of the efficiency-driven economies. Sub-Saharan Africa has the highest average TEA of all the regions surveyed in GEM, with Latin America and the Caribbean at 18.5% and Asia Pacific and South Asia at 12.4% the regions with the most comparable TEA rates. This pattern is also found in the youth with youth TEA activity highest in sub-Saharan Africa, followed by youth in Latin America and the Caribbean.

9 Kew, J. et al., 2012, *Generation Entrepreneur*

10 Amorós, J., Bosma, N., 2014, *2013 GEM Global Report*

11 Amorós, J., Bosma, N., 2014, *2013 GEM Global Report*

The level of TEA could also be influenced by the level of unemployment in a country.

There is significant variation among the sub-Saharan African countries in terms of youth involvement in actual entrepreneurial activity. Early-stage entrepreneurial activity includes individuals involved in both nascent (start-ups) and new businesses. Youth in South Africa (two times), Namibia (1.5 times), Botswana (1.4 times) and Nigeria and Zambia (both 1.2 times) are more likely to be involved in nascent than new businesses. In contrast, young Ugandans (3.8 times), Ghanaians (2.2 times), Angolans and Malawians (both 2 times) are more likely to be involved in new than nascent businesses. In addition to their high TEA rates, Uganda (28%), Ghana (16%), Zambia (15%) and Nigeria (13%) also show relatively high levels of youth-owned established businesses, while Botswana (1%), South Africa (2%) and Namibia (3%) show extremely low levels of established businesses.

Table 2.2 shows that there is no significant difference between the TEA rates of youth and adults in much of sub-Saharan Africa, with only Malawi, Uganda and Namibia showing any significant variation. In Namibia, adults are 1.3 times more likely than the youth to be actively starting or running a new business.

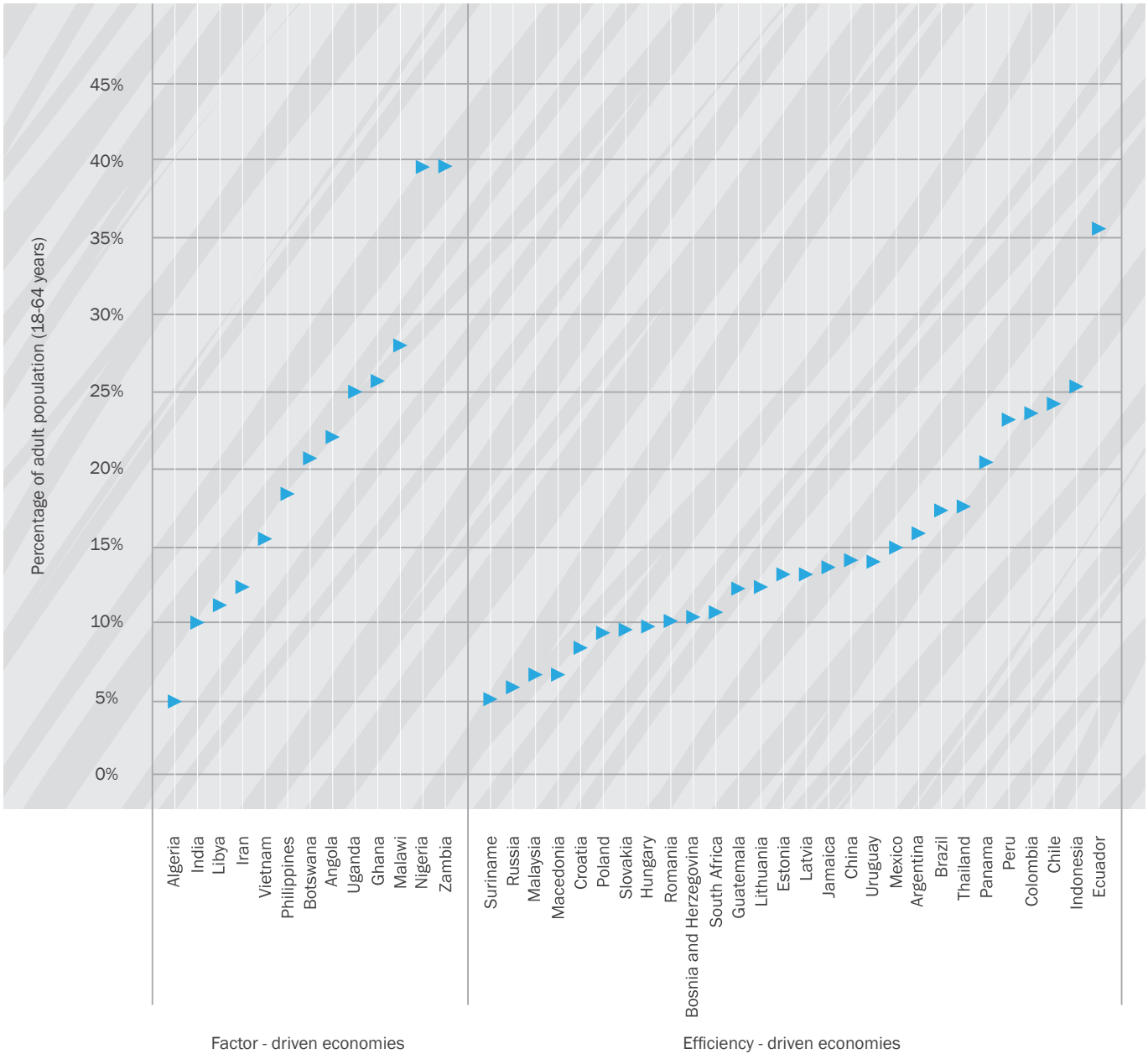

Figure 2.6: Total early-stage entrepreneurial activity (TEA), factor and efficiency-driven economies, 2013
Source: 2013 GEM Global Report

It has been argued that entrepreneurial activity on the continent is motivated by the need for survival, given that many African governments do not have supportive social protection schemes. The level of TEA could also be influenced by the level of unemployment in a country.

Table 2.2: Adult and youth entrepreneurs by new, nascent and established business by country, sub-Saharan Africa, 2013

	Adult TEA	Youth TEA	Adult established	Youth established
Angola	24%	22%	13%	6%
Botswana	21%	21%	7%	1%
Ghana	27%	26%	38%	16%
Malawi	25%	31%	18%	9%
Namibia	39%	31%	15%	3%
Nigeria	41%	41%	22%	13%
South Africa	10%	11%	4%	2%
Uganda	19%	29%	51%	28%
Zambia	41%	41%	19%	15%

The youth in Malawi and Uganda, unlike the remainder of the sample, are more likely than adults to be involved in actively starting or running a new business, with youth in Malawi being 1.2 times and in Uganda 1.5 times more likely than adults.

GEM argues that while early-stage entrepreneurs contribute to dynamism and innovation in an economy, established businesses and their owner-managers often provide stable employment and exploit the knowledge and social capital accumulated in past experiences. Established businesses are also an important source of new businesses. Owner-managers of established businesses may contribute greatly to their societies, even if they are small or even solo entrepreneurs[12]. The significant difference in youth and adult entrepreneurial activity is found in the rate of established businesses, i.e. businesses that have been in existence for more than 42 months. The difference in the youth-to-adult rate is least noticeable in Zambia and Nigeria, where adults are 1.2 times and 1.7 times, respectively more likely than the youth to be involved in an established business, and most noticeable in Namibia and Botswana where adults are 4.7 times and 7.0 times, respectively more likely than the youth to be involved in an established business. The low levels, in general, of established business activity among the youth raises concerns about the potential of youth businesses to contribute meaningfully to sustainable job creation, and is an area that warrants attention from policy makers. The perennial problem of youth access to finance, as well as to targeted and professional business-support programmes, may well contribute to the lower levels of sustainability of youth start-ups.

It is clear from Table 2.2 that a relatively high proportion of the youth is engaged in entrepreneurial activity in sub-Saharan Africa. In Uganda, Zambia and Nigeria, in particular, more than half of the youth are either starting a business or running a new or established business. It has been argued that entrepreneurial activity on the continent is motivated by the need for survival, given that many African governments do not have supportive social protection schemes. The level of TEA could also be influenced by the level of unemployment in a country. One would expect entrepreneurial activity to be higher with higher levels of un- and under-employment, as established companies and the formal economy are unable to meet the demand for jobs. Under these conditions, it is likely that people will start up businesses to create some form of employment for themselves or to increase their income, since wage employment is often not enough to support their families.

12 Amorós, J., Bosma, N., 2014, *2013 GEM Global Report*

CHAPTER 3

The Impact of Youth-operated Enterprises in Sub-Saharan Africa

In order to evaluate the future contribution of youth-owned enterprises to the economic development of sub-Saharan Africa, it is necessary to establish their current impact. With such an analysis, it is possible to discern policy paths and options that could hinder or enhance the youth's prospects as drivers of the development process.

It is important to consider not just the number of entrepreneurs in an economy, but other aspects such as the level of employment they create, their growth ambitions, and the extent to which they are innovative in their product and service provision.

3.1 INTRODUCTION

While every person engaged in any behaviour related to new business creation, no matter how modest, contributes to the national level of entrepreneurship, entrepreneurs differ in their profiles and impact. It is therefore important to consider not just the number of entrepreneurs in an economy, but other aspects such as the level of employment they create, their growth ambitions, and the extent to which they are innovative in their product and service provision.

3.2 STATE OF YOUTH BUSINESSES

To develop an understanding of the possible economic contribution of youth businesses, youth entrepreneurs were asked to indicate which of the following descriptions best characterises the current state of their business:

- the business is struggling to survive;
- the business is making enough money to survive and the owner does not expect much growth in the near future;
- the business is making enough money to survive now, and the owner expects future growth;
- the business is in a growth phase; or
- the business is not, as yet, active.

Figure 3.1 summarises the current state of youth businesses. We classify businesses as having a limited impact on the livelihood of the entrepreneur if they are struggling to survive or making enough money to survive but the owner does not expect much growth in the near future. If they are making enough money to survive now, and the owner expects future growth or the business is in a growth phase, they are classified as having a positive impact. Those that are not yet active are classified as having no impact on the livelihood of the entrepreneur.

An encouraging finding is that approximately half of the youth businesses in Malawi (54.1%), Angola (52.9%), Uganda (51.8%), Ghana (49.1%) and Nigeria (48.7%) are considered to have a positive effect on the livelihood of the entrepreneur and are likely to offer additional benefit in the future.

With a quarter of the youth businesses in South Africa (25.4%) not as yet active, and a further 45.8 percent having a limited impact, youth entrepreneurship in South Africa, however, does not seem to be having a significant impact on the livelihood of the youth. Less than a third of the youth businesses in Botswana (30.0%), Zambia (29.8%) and Namibia (29.5%) would be considered to have a positive impact on the livelihood of the owners. Botswana, at 44.9 percent, has the largest number of youth businesses that are, as yet, not active.

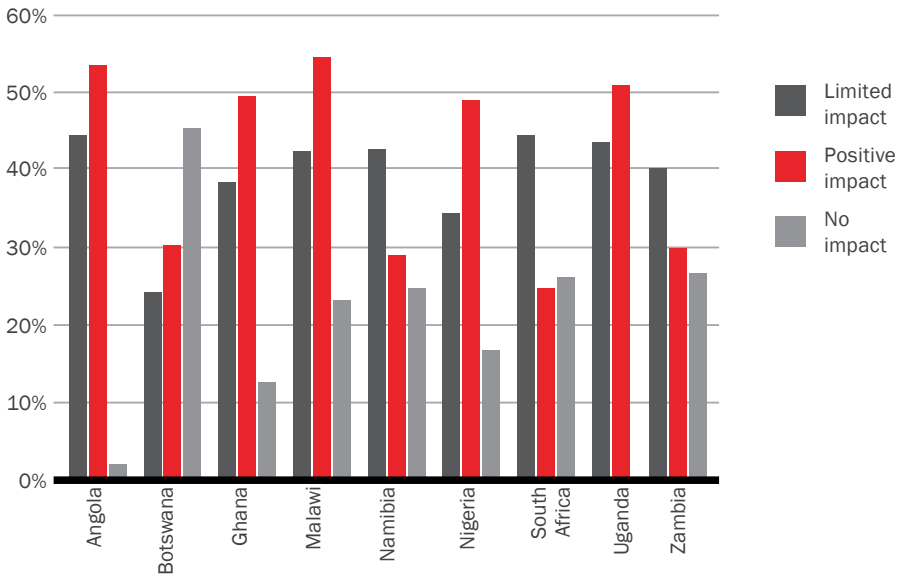

Figure 3.1: State of youth businesses by country, 2013

GEM recognises that not all entrepreneurs have an equal impact on job creation within a country.

3.3 ACTUAL JOB CREATION AND GROWTH POTENTIAL

GEM recognises that not all entrepreneurs have an equal impact on job creation within a country. Table 3.1 shows that the majority of youth entrepreneurs in Malawi (87.5%), Uganda (63.8%) and Ghana (67.5%) only create employment for the business owner. While Uganda has the highest regional rate of entrepreneurial activity (Figure 2.2), with 56% of the youth involved in business activity, the majority of these businesses make no contribution to job creation besides self-employment for the entrepreneurs themselves. In the case of Malawi, with a significantly lower rate of entrepreneurial activity (38%) and a significantly higher rate of youth businesses offering no employment, youth businesses seem to have a negligible impact on job creation within the economy. While self-employment has a minimal impact on a key developmental focus, namely to facilitate growth that is sustainable in order to generate widespread employment, its impact cannot be disregarded in regions characterised by high levels of poverty and chronic underemployment. In many parts of sub-Saharan Africa every job counts, and it is not unusual to find a self-employed person supporting a large family and enabling those around him/her to have a better life.

While Angola's youth entrepreneurial rate of 27% is lower than for most of the region, it has the highest percentage of youth businesses offering one to five jobs (78%), six to 19 jobs (18%) as well as businesses offering more than 20 jobs (3%). While the percentage of young people in Angola engaged in entrepreneurial activity is lower than in most of the region, the impact that youth businesses have on employment is considerably larger (Table 3.1).

The country-specific job creation of youth businesses in the region mimics to a large degree the job creation of adult businesses. Angola is a notable exception, showing the greatest variation. Adults in Angola are 1.2 times more likely to have businesses only offering employment for the owner and 1.7 times more likely to have businesses offering six to 19 jobs, while the youth are 1.2 times more likely than adults to have businesses offering one to five jobs and 3.9 times more likely to have businesses offering 20 or more jobs. The youth in South Africa (1.9 times) and Nigeria (1.2 times) as well as Ghana and Botswana are more likely than adults to have businesses offering 20 or more jobs. The sample of adults in Ghana and Botswana did not show any adult business offering 20 or more jobs, while 3% of the youth businesses in both Ghana and Botswana offered 20 or

Table 3.1: Actual job creation by youth businesses by country, GEM 2013

Country	No jobs	1 - 5 jobs	6 – 19 jobs	20 + jobs
Angola	1%	78%	18%	3%
Botswana	46%	45%	6%	3%
Ghana	68%	32%	1%	1%
Malawi	88%	12%	1%	0%
Namibia	44%	51%	4%	1%
Nigeria	26%	68%	6%	1%
South Africa	33%	56%	8%	2%
Uganda	64%	34%	1%	1%
Zambia	48%	53%	0%	0%

Even with the significantly lower rate of youth established businesses, there are positive signs of a greater proportion of high-growth businesses among the youth.

Table 3.2: Job growth expectations for youth businesses by country, GEM 2013

Country	No jobs	1 – 5 jobs	6 – 19 jobs	20+ jobs
Angola	2.00%	58.80%	31.40%	7.80%
Botswana	13.30%	47.90%	23.30%	15.40%
Ghana	37.10%	49.60%	10.90%	2.30%
Malawi	68.50%	30.40%	0.60%	0.60%
Namibia	10.90%	65.30%	17.20%	6.60%
Nigeria	8.20%	52.90%	29.20%	9.70%
South Africa	10.30%	58.80%	15.80%	15.20%
Uganda	30.90%	61.40%	5.80%	1.90%
Zambia	5.50%	90.50%	3.90%	0%

more jobs. From a regional perspective, this is cautiously optimistic because youth TEA rates are comparable to adult rates, but established business rates are heavily weighted towards adults. GEM has argued that established businesses have a greater impact on job creation than early stage businesses*. Even with the significantly lower rate of youth established businesses, there are positive signs of a greater proportion of high-growth businesses among the youth. It is vital that policy measures are either put in place, or strengthened, to support the development of these business owners.

GEM asks early-stage entrepreneurs how many employees (other than the owners) they currently have and expect to have in the next five years. The difference between current and expected employees indicates growth expectations. GEM research into high-impact entrepreneurship suggests that entrepreneurs with realistic high-growth expectations have a disproportionate impact on job creation.

Almost all of the youth in Malawi (99%) have low growth aspirations, with 69% (the highest in the region by a significant margin) indicating that they do not intend employing anyone within the next five years (Table 3.2). The youth in Zambia (96%), Uganda (92%) and Ghana (87%) show similar high percentages of low-growth youth businesses.

However, in these three countries young business owners are more likely to project offering employment to between one and five employees within the next five years, a more positive trend than in Malawi. At 61%, Angola has the lowest level of young low-growth entrepreneurs. Just under a third of the youth businesses in Angola (31%) and Nigeria (29%) have medium growth expectations, intending to add between six and 19 employees over the next five years. Botswana (15%), South Africa (15%), Nigeria (10%), Angola (8%) and Namibia (7%) all show significant rates of high-growth businesses, particularly in comparison to the actual job creation rates in Table 3.1 (excluding Angola).

*GEM classifies low growth businesses (projecting zero to five new employees in five years), medium growth businesses (projecting six–19 new employees), or high growth businesses (projecting 20+ new employees).

Table 3.3: Growth expectations for adult and youth businesses by country, sub-Saharan Africa, GEM 2013

Country	Adult low growth	Youth low growth	Adult medium growth	Youth medium growth	Adult high growth	Youth high growth
Angola	49%	61%	41%	31%	9%	8%
Botswana	61%	61%	24%	23%	15%	15%
Ghana	89%	87%	7%	11%	4%	2%
Malawi	98%	99%	1%	1%	1%	1%
Namibia	79%	76%	14%	17%	8%	7%
Nigeria	69%	61%	25%	29%	7%	10%
South Africa	68%	69%	24%	16%	8%	15%
Uganda	93%	92%	5%	6%	1%	2%
Zambia	93%	96%	7%	4%	0%	0%

In most economies, a relatively small percentage of strategic or high-growth entrepreneurs generate the bulk of new jobs attributable to new firm entries.

(2012 GEM Global Report)

Table 3.3 shows that low growth expectations are evident in most of the adult and youth population. Zambia has one of the highest TEA rates (Figure 2.6); however, not only do no adult or youth businesses offer employment to 20 or more people, but there are also no adult or youth businesses that have high-growth aspirations. The extremely high rate of low growth perceptions in the region as a whole emphasises the need to look beyond the TEA rate in a country and recognise that the current job creation and perceived growth potential are important indicators of the possible economic impact of entrepreneurship. The findings for countries such as Zambia seem to indicate that the current low economic impact from the majority of entrepreneurial businesses is likely to continue, as the youth landscape with respect to actual and growth potential is almost identical to the current adult landscape. In countries such as Nigeria (1.5 times), Uganda (1.6 times) and South Africa (1.9 times), where the youth exhibit a higher propensity for high-growth business than adults, the potential economic contribution could be more pronounced.

While the expressed growth potential has, as yet, not been tested and may not lead to such a dramatic increase in the actual employment rate, businesses that do not aspire to grow are significantly less likely to do so than those with high-growth aspirations. Given that the majority of the youth businesses in the countries indicated above are nascent and new businesses i.e. early-stage entrepreneurs or TEA (Table 2.2), interventions aimed at providing the correct market dynamics and regulatory framework could enable these businesses to contribute significantly to socio-economic development in the region. Business owners in many parts of Africa often choose to remain small as they are then better able to avoid the complexities (such as taxes and other legal requirements) of formalisation[1]. However, high-growth businesses create a disproportionate number of jobs within an economy, so the requirements to encourage high-impact businesses should be a key policy focus. It is important to identify those entrepreneurs with realistic high-growth aspirations, and institute policies aimed specifically at supporting them in order to optimise their impact on economic growth and job creation. Research has shown that these enterprises are extremely mobile and will move from areas in which they feel their growth potential is being constrained. Small businesses and high-growth businesses have different finance requirements, with small businesses needing better access to grants, subsidies and soft loans, while policies that promote R&D loans and innovation grants, business angel finance and venture finance would be more beneficial in promoting high-growth entrepreneurs[2]. Alleviating regulatory burdens, as well as offering targeted financial support is important in developing an environment that allows high-growth businesses to flourish.

1 Naudé, W. and Havenga, J., 2007, *An overview of African entrepreneurship and small business research*

2 Erkko A., 2007, *2007 Global Report on High-growth Entrepreneurship*

Fifty-seven percent of young women operate in businesses in which no employment is created.

3.3.1 GENDER DIFFERENTIAL WITH RESPECT TO ACTUAL JOB CREATION AND GROWTH POTENTIAL

Young women in sub-Saharan Africa are more likely to be involved in actively setting up or running a new business than adult women in the region (Table 3.4). However, the economic impact of these youth businesses, both on the individual and the countries as a whole, varies.

Fifty-seven percent of young women operate in businesses in which no employment is created. Young female-owned businesses are also 1.3 times more likely than businesses owned by young men to offer no employment other than to the owner (Figure 3.2).

Young men are 1.3 times more likely to offer employment to six to 19 people. However, the gender differential with respect to actual job creation is most noticeable with respect to high-growth businesses, with young men being five times more likely to offer employment to 20 or more employees (Figure 3.2). Only 0.3% of youth female owned businesses offer employment to 20 or more employees.

Young women are 1.4 times more likely than young men to have no growth expectations, i.e. do not expect to offer employment to anyone other than the owner for the next five years. There is also a significant gender differential with respect to engagement in medium- and high-growth businesses, with young men 1.5 times and two times more likely to be involved in medium and high-growth businesses, respectively, than young women (Table 3.5). The significantly higher rate of young women in businesses offering no employment (both actual and potential) as well as the significant gender differential with respect to medium and high-growth businesses (both actual and potential) suggests that young women are still more likely to be languishing in small, survivalist businesses with lower economic contribution than are young men. This is, therefore, an area that needs targeted policy directives.

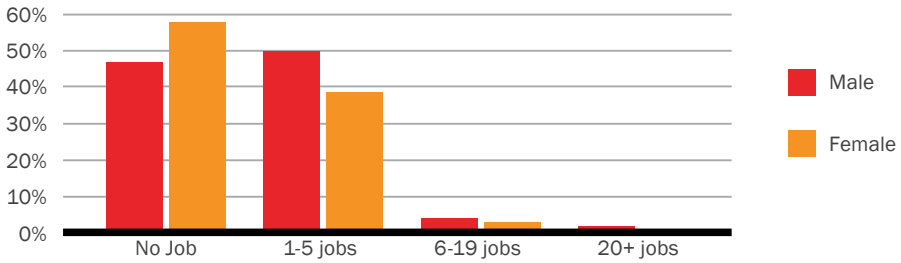

Figure 3.2: Actual job creation, by gender, sub-Saharan Africa, 2013

Table 3.4: Percentage in early stage entrepreneurial ventures, by age and gender, sub-Saharan Africa, GEM, 2013

Age	Male	Female
18 to 34	47%	53%
35 to 64	50%	50%

Table 3.5: Growth expectations for youth businesses by gender, sub-Saharan Africa, GEM 2013

	Low growth potential	Medium growth potential	High growth potential
Male	80%	14%	6%
Female	88%	9%	3%

Our data reveals the concentration of youth-owned and operated business within a limited number of sectors, with 64% of the youth in the sample countries involved in the retail, hotel and restaurant trade.

3.4 SECTOR INVOLVEMENT

Only 21% of employment in sub-Saharan Africa is in wage employment, with the remainder in various forms of self-employment[3]. The majority of the self-employed are found in small-scale agriculture or in the retail sector, neither of which offer much potential for a sustainable livelihood. The limited involvement in sectors such as manufacturing and information and communications inhibit the region's ability not only to create employment, but to improve the quality of jobs and therefore the capacity to offer sustainable livelihoods[4].

Our data reveals the concentration of youth-owned and operated business within a limited number of sectors, with 64% of the youth in the sample countries involved in the retail, hotel and restaurant trade (see Table 3.6). No other sector has more than a 10% youth participation rate in terms of self-employment.

Figure 3.3 reports the youth participation in four sectors, from an individual country perspective. Botswana (43.3%) is the only country in which the majority of the youth are not involved in the retail sector. Countries such as Malawi (83.4%), Angola (71.5%) and Zambia (71.3%) are strongly biased towards youth participation in the retail sector. The retail sector is the easiest sector to join since barriers to entry, in terms of both skills and capital required, tend to be lower, and it is common to find young traders with nominal amounts of capital informally selling by the road side.

The regional average for youth participation in the retail, hotel and restaurant sector (64%) mimics the regional average for adult participation in this sector (63%). The outlook for the other sectors in which the youth are active also mimics the rate for the adult population, with only the manufacturing sector showing a relatively larger participation of adult-owned businesses (10%).

Ghanaian youth have the highest rate of business ownership in the manufacturing sector, with this sector accounting for 10.8% of the youth-based businesses. Youth in South Africa (8.5%), Botswana (7.8%), Nigeria (7.5%) and Namibia (7.4%) have some youth participation in the manufacturing sector (Figure 3.3).

The other sectors that show some youth involvement include agriculture, manufacturing and government, health and social services, though their share is very small. The youth in Uganda (17.6%), Botswana (14.8%) and Ghana (14.3%) are significantly more likely than elsewhere in the region to be engaged in the agricultural sector. There is limited participation in the agricultural sector as a business by the youth in much of sub-Saharan Africa, yet many of these economies could develop this

Table 3.6: Percentage of youth businesses per sector, sub-Saharan Africa, GEM 2013

Sector	% Youth Participation
Agriculture, Forestry, Fishing	9.2%
Mining, Construction	1.6%
Manufacturing	6.6%
Transport, Storage	2.5%
Wholesale Trade	1.8%
Retail Trade, Hotels, Restaurants	64%
Information, Communication	1.9%
Professional Services Activities	1.6%
Government, Health, Education, Social Services	8.1%
Other*	2.7%

* Includes the financial intermediation and real estate (0.7%), administrative services (0.7%) and personal/consumer service sector (1.3%), all of which have approximately a 1% youth participation rate

3 Bhorat, H. Naidoo, K., 2013, *Africa's Job Challenge, DRPU, University of Cape Town*

4 Bhorat, H. Naidoo, K., 2013, *Africa's Job Challenge, DRPU, University of Cape Town*

The other sectors that show some youth involvement include agriculture, manufacturing and government, health and social services, though their share is very small.

sector into a high-growth area. Policies that encourage young people back into the agricultural sector are required; however, this will only be effective if policies focus on allowing this sector to become globally competitive.

The majority of the youth in the retail and agricultural sectors have low growth expectations. The high percentage of young women (78%) operating in these sectors (Table 3.7) explains in part the greater proportion of young women operating in low–growth businesses (Table 3.5). Young women are also more concentrated in a smaller number of sectors, while young men have a higher presence in all sectors other than the retail and government, health and education sectors.

Our data reveals that the sectors within which the majority of youth entrepreneurs are found are low growth, offering either no jobs or between one and five as depicted in Figure 3.4.

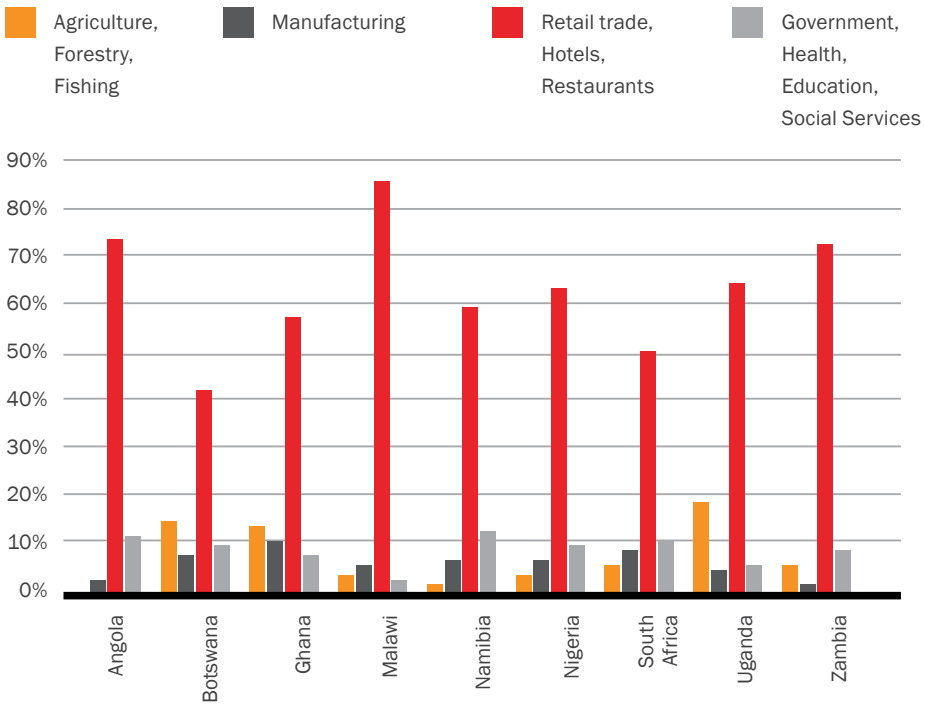

Figure 3.3: Participation in four popular sectors by youth businesses, by country, 2013

Table 3.7: Percentage of youth businesses per sector, by gender, sub-Saharan Africa, GEM 2013

Sector	% Male participation	% Female participation
Agriculture, Forestry, Fishing	10.7%	6.4%
Mining, Construction	2.3%	0.9%
Manufacturing	6.5%	5.8%
Transport, Storage	3.7%	1.5%
Wholesale Trade	2.9%	1.0%
Retail Trade, Hotels, Restaurants	57.8%	71.6%
Information, Communication	2.5%	1.1%
Professional Services Activities	2.1%	0.9%
Government, Health, Education, Social Services	7.8%	8.7%
Other*	3.6%	2.1%

* Includes the financial intermediation and real estate, administrative services and personal/ consumer service sector

While young people are classified as part of an economy's entrepreneurial activity, their small, undifferentiated businesses are unable to generate a sustainable livelihood.

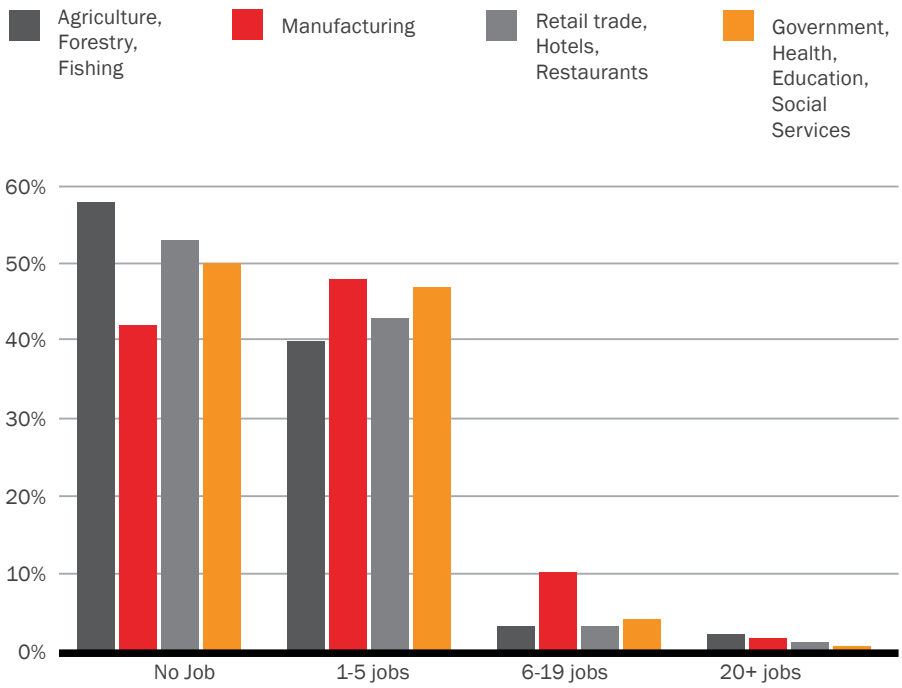

Figure 3.4: Actual job creation by popular sector, sub-Saharan Africa, 2013

It shows the lack of job creation by youth businesses in the four sectors in which the youth are most likely to operate. With 64% of the youth involved in the retail sector, it is of serious concern to note that 97% of the youth businesses in the retail sector are low-growth, offering either no employment or up to five employees. Half of these businesses (54.2%) offer employment to only the business owner. This underlines the fact that a large portion of the retail sector in Africa is over-traded and characterised by 'me too' operations, with low margins and low growth potential. While these young people are classified as part of an economy's entrepreneurial activity, their small, undifferentiated businesses are unable to generate a sustainable livelihood.

This pattern repeats itself in the agriculture as well as the government, health and social services sectors. By contrast, almost 10% of the youth businesses in the manufacturing sector offer employment to between six and 19 people. This is a positive finding and developing the manufacturing sector in sub-Saharan Africa should form an integral part of policy discussions.

Sectors such as retail are not conducive to future job growth, with 88% of the youth in the retail sector indicating low-growth expectations. The over-representation in low margin, survivalist activities often found in undifferentiated sectors such as retail is unlikely to contribute much to solving the dual crisis of high un- and underemployment. While participation by the youth in most of the other sectors is low (Table 3.6), a greater proportion of youth businesses in these sectors offer employment to six to 19 employees (Figure 3.4). Youth businesses in the mining and construction (11.1%), wholesale trade (13.2%), information and communication (12.5%) and the personal and consumer sector (17.2%) are able to impact more on job creation than the popular sectors such as retail. Financial intermediation and the real estate sector (included as 'other') is the only sector in which a significant number of youth-based businesses offer employment to over 20 employees. The financial intermediation and real estate, administrative services and personal/consumer service sectors also have significantly more high-growth potential entrepreneurs, with 23% of this grouping indicating that they intend to offer employment to 20 or more people within five years. Education, ICT infrastructure, funding and development policies need to identify and develop the skills and environment to enable the youth to move towards these high-growth endeavours, instead of marginal businesses operating in over-traded sectors.

Young people in sub-Saharan Africa report significantly lower levels of education than those of other regions.

3.5 IMPACT OF EDUCATION ON GROWTH POTENTIAL

Improving secondary school enrolment, the quality of both primary and higher education, as well as tertiary enrolments, are challenges facing sub-Saharan Africa. Young people in sub-Saharan Africa report significantly lower levels of education than those of other regions. Despite the global shift towards higher levels of education for the young, almost a quarter of the youth in sub-Saharan Africa have less than a primary school education, while 55% have not completed their secondary education.

The situation is exacerbated by the mediocre quality of education offered in most sub-Saharan African countries. The 2014/2015 Global Competitiveness Index identifies education as a key area that is limiting growth and stability in many sub-Saharan African countries. Low enrolment rates and the mediocre quality of education in Botswana are constraints of concern for a country in transition to an efficiency-driven economy. Raising educational standards, with a focus on the quality of education, is an important requirement for South Africa if the country is to combat the almost 50% of unemployment among young people. In Namibia, both school enrolment rates and the quality of education, compared to upper-middle-income countries in sub-Saharan Africa, remain low. Nigeria is noted for its poor quality of primary education as well as low levels of tertiary enrolment. As the largest economy in Africa, increasing the number of young people who complete secondary schooling and continue into tertiary education is central to preventing the economy from slipping further down the Global Competitiveness Index.

A key developmental focus for the sub-Saharan African region is sustainable job creation. Figure 3.5 maps the stated growth potential of a business, namely low growth (five or fewer jobs expected in the next five years), medium growth (six to 19 jobs within the next five years) and high-growth (20 or more jobs within the next five years) with the educational attainment of the business owner. Countries within sub-Saharan Africa have varying definitions of post-secondary and tertiary education. For that reason, we grouped together secondary, post-secondary and tertiary phases of education. Not surprisingly, we observe a clear relationship between the level of education and the likelihood of business owners' anticipating high growth for their enterprise. Sixty five percent of low-growth businesses operators have only a primary school education, while 80% of those running high-growth businesses have completed secondary, post-secondary or tertiary education.

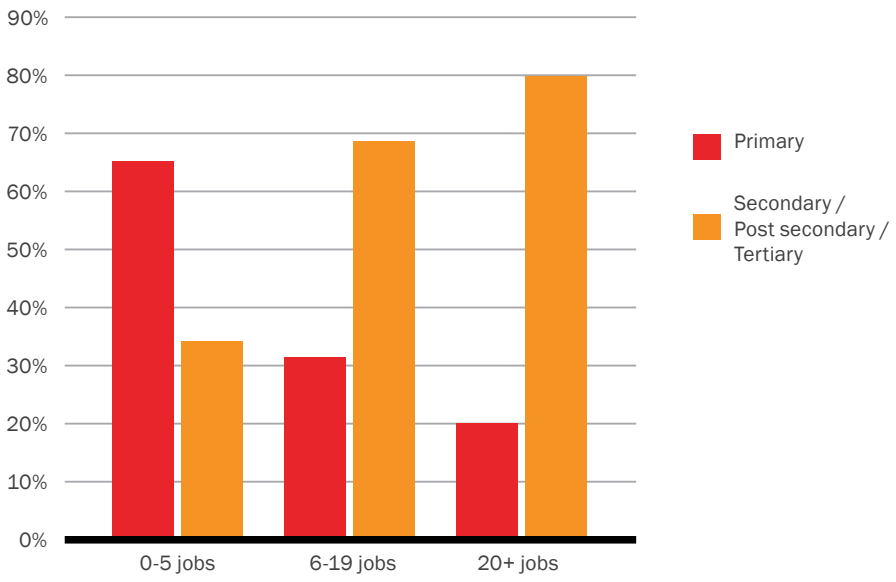

Figure 3.5: Impact of education on growth potential, sub-Saharan Africa, 2013

Innovation refers to the degree of newness an entrepreneur's product or service represents to customers and the extent to which competitors are not offering the same product or service.

Global Entrepreneurship Monitor

Table 3.8: Innovation indicators in youth businesses, sub-Saharan Africa, 2013

	Yes	No
Is your product or service new to some or all of your customers?	32%	68%
Do only a few or no other businesses offer the same product or service?	43%	57%

The significant relationship between the level of education and the likelihood of higher growth potential underscores the importance of education within sub-Saharan Africa. In light of the high-growth gender bias we have noted earlier, particular effort is needed to encourage young women to study subjects such as mathematics, science and information technology, areas that are still considered to be a male domain in many countries. The focus on educational improvement should not only be quantity focused, as the quality and relevance of the educational offering is as important. Educational reform needs to consider the changing requirements for a higher value-added working environment, and access to ICT-related subjects is a priority.

3.6 INNOVATION

Innovative products and services add unique value to societies — entrepreneurs introduce these benefits into markets and create a source of competitive advantage for their businesses. As innovation indicators, young business owners were asked whether their product or service is new to some or all customers and whether few or no other businesses offered the same product.

Two-thirds (68%) of the youth businesses indicated that their product or service is not new to some or all of their customers (Table 3.8). Thus, the majority of customers would not consider the offerings to be new, and there is significant competition within the markets in which the youth operate. This reinforces the concept that many youth businesses are 'me too' businesses operating in over-traded sectors.

Innovation is also measured by identifying the extent to which entrepreneurs believe there are many, few, or no competitors for their products and services. Well over half (57%) of youth businesses indicated that numerous other enterprises offered the same items. Selling undifferentiated products and services in over-traded markets makes it extremely difficult for entrepreneurs to generate a profit and will rarely lead to viable business creation over the longer term.

The lack of innovation with respect to the newness of the product offering and the amount of competition within the market with respect to youth businesses is similar to what we find among the adult-owned businesses. Almost two thirds (65%) of adult businesses indicated that their offering is not new to some or all of their customers and 56% of them indicated that numerous other sellers offered the same product or service.

Table 3.8 disguises the variability with respect to new product offerings from youth businesses within the region. South Africa (70%), Angola (64%) and Malawi (50%) have the highest number of young entrepreneurs who indicated that their products or services are new to all customers (see Figure 3.6). Of the youth in Zambia and Uganda, 80% and 85% respectively indicated that their product or service would not be new to most of their customers. While the rates in South Africa, Angola and Malawi may indicate a high degree of innovation in the type of product or services offered, which is more likely in South Africa, entrepreneurs could also be selling less innovative products into a new market, where customers are not familiar with them. This is the more likely scenario in Malawi, as it has the highest percentage of youth businesses offering job opportunities only to the owner as well as the highest rate of low-growth entrepreneurs. This would seem to indicate that it is more likely that the youth in Malawi are selling less innovative products into a new market, where customers are not familiar with

Almost three-quarters (73%) of youth businesses indicated that they were using technologies or procedures that were available more than five years ago.

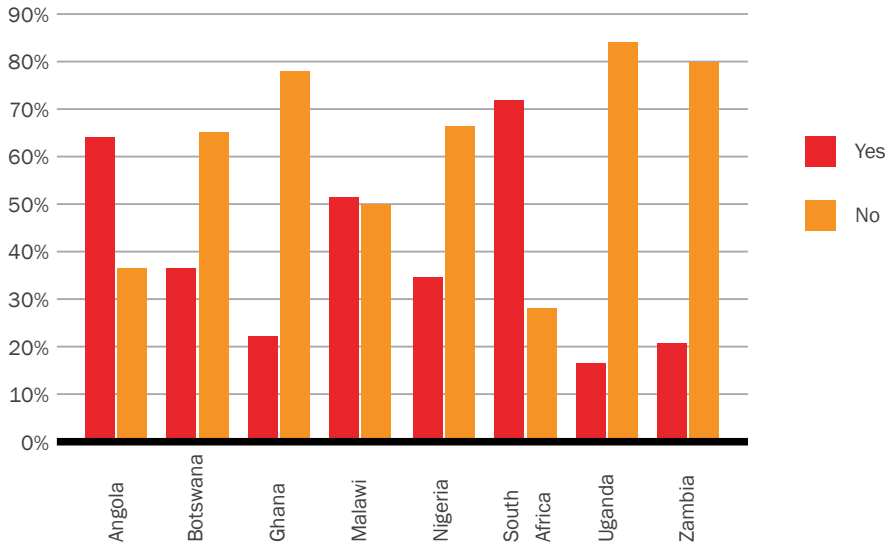

Figure 3.6: Newness of product/service by youth and country, sub-Saharan Africa, 2013

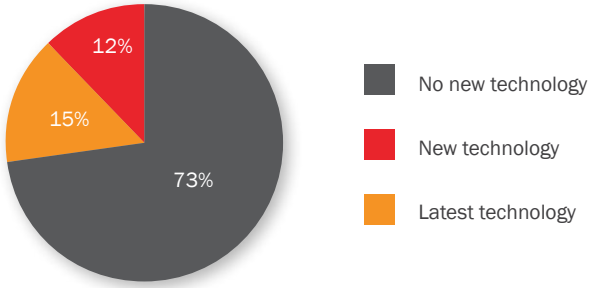

Figure 3.7: The use of technology in youth businesses, sub-Saharan Africa, 2013

them. With respect to Angola, the long civil war is likely to have limited business variety and with the advent of peace, there is greater scope for businesses offering genuinely new products and services, as well as the probability that many of the products and services would be established but new to the local market.

3.7 TECHNOLOGY USAGE

The 2014/2015 Global Competitiveness Index recognises that ICT can play an important role in developing more productive higher value-added sectors within sub-Saharan Africa. Young entrepreneurs were therefore asked whether or not they were using newer technology within their businesses. Respondents were asked to identify whether the technology they were using was the latest – in particular, were the technologies or procedures available less than a year ago, one to five years ago, or more than five years ago. Figure 3.7 indicates that the use of new and latest technology by youth businesses in sub-Saharan Africa is extremely low. Almost three-quarters (73%) of youth businesses indicated that they were using technologies or procedures that were available more than five years ago. The percentage of adult-based businesses that use older technology is slightly lower (66%) than the youth; however, only 16% of adult-based businesses use the latest technology. This is a positive finding as, even though youth-based businesses generally have fewer resources, their uptake of the latest technology is equivalent to adult-based businesses.

Figure 3.7 disguises the fact that there is significant variability with respect to the use of technology in youth businesses within the region. South Africa (41%) and Angola (39%) have a considerably higher number of youth businesses that were using the latest technology, while 82% of the youth businesses in Ghana, Zambia and Uganda indicated that they were using technologies or procedures that were available more than five years ago.

This survey found that two-thirds of youth businesses in sub-Saharan Africa have no customers that normally reside outside of the country in which the business is based.

The use of older technology confirms the findings of research that identified Africa as being located primarily at the less sophisticated end of the technology spectrum in the manufacturing sector[5]. The same can be said about other sectors. While sub-Saharan Africa produces a variety of manufactured goods, the majority of the businesses offering such goods operate at the low-end of the market. The lack of newer technology, as well as appropriate business skills, keeps these businesses small and in a market in which they do not need to compete with imported goods. However, this also means that these businesses will not be in a position to compete in an export environment and will not be able to look forward to export-led growth. The lack of technology, therefore, negatively affects the capacity of countries to develop a globally competitive network of entrepreneurs which, in turn, limits access to individuals with a broader knowledge of key market information, new technology, improved inputs and production practices. This continues to limit the ability of sub-Saharan Africa to develop its capacity for and to benefit from export-led growth.

All economies are now part of the global economy, so it is important to track how internationalisation contributes to the growth of businesses. GEM measures internationalisation by the share of customers living outside the country.

This survey found that two-thirds of youth businesses in sub-Saharan Africa have no customers that normally reside outside of the country in which the business is based (Figure 3.8). While 46% of high-growth businesses had no international clients, a significant proportion of both high- and medium growth businesses (27% and 23% respectively) were more likely to have a reasonable proportion (25% or more) of their sales coming from export-generated sales. However, there are variations within the region. In South Africa and Angola, 16% of youth-owned businesses have 75% or more of their sales coming from customers that normally reside outside of the country in which the business is based. At the other extreme, 92% and 82% of the youth businesses in Malawi and Uganda, respectively, have no customers who normally reside outside of the country in which the business is based.

The regional pattern of internationalisation with respect to adult and youth businesses is similar. The only notable difference is with respect to businesses that offer 75% of their products or services to customers who normally reside outside of the country — the youth are 1.6 more likely than adults to be operating these businesses. This increase in youth businesses, however, comes off a very low base of adult businesses (2%) that offer 75% of their products or services to customers who normally reside outside of the country.

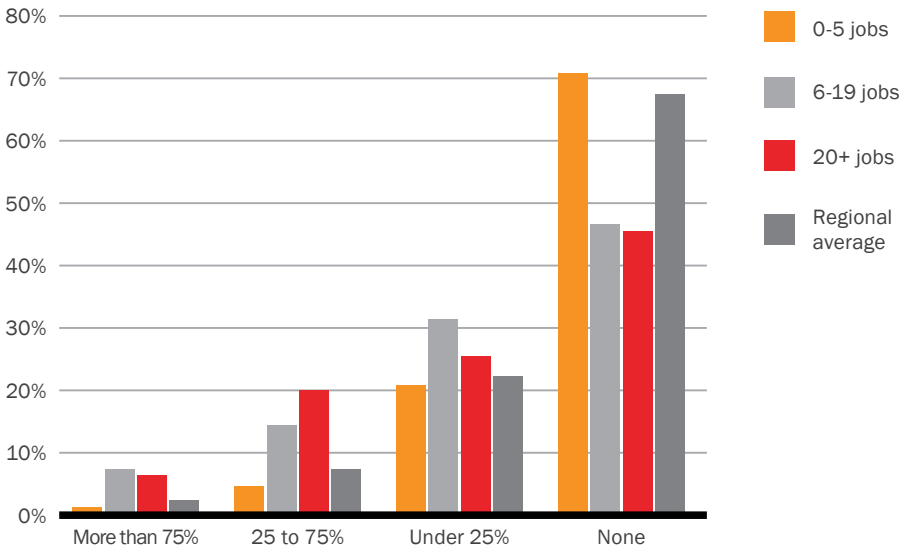

Figure 3.8: Proportion of customers from outside the country, youth, sub-Saharan Africa, 2013

5 Dinh, H., Palmade, V., Chandra, V., Cossar, F., World Bank, 2012, *Light Manufacturing in Africa, Targeted Policies to Enhance Private Investment and Create Jobs*

The survey clearly shows that overall, compared to young men, young women are most likely to operate from home and are less likely to operate from the market or from an established business.

3.8 GENDER, CHOICE AND LOCATION OF BUSINESS

Many countries in Africa have strong cultural practices that have traditionally imposed restrictions on women's choices and mobility. Young men are generally more mobile, while women's primary role in the care economy limits their choices and mobility. Young women in sub-Saharan Africa (other than in Nigeria and Zambia) are most likely to trade from home (Table 3.9). This is unsurprising as young women are often primary care-givers within family structures in sub-Saharan Africa and would need to combine both home and work responsibilities. In both Nigeria and Zambia, a significant proportion of young women trade from an organised market.

A key disadvantage of trading from home is the small market-reach offered due to the business position and a greater reliance on family, friends and neighbours as customers. The survey clearly shows that overall, compared to young men, young women are most likely to operate from home and are less likely to operate from the market or from an established business. As indicated previously, this will limit their market to a significantly smaller local reach.

A possible option, to mitigate the limited reach of home-based businesses, is to trade online. Only South African youth show any real online presence and this is dominated by young women, with young women being 3.6 times more likely than young men to use an online option as their primary trading space. The poor take-up of the online space as a trading platform in the rest of the countries is supported by the findings of the Global Competitiveness Report 2013/2014 which indicates that technological uptake in sub-Saharan Africa remains weak with the exception of three countries (South Africa, Mauritius and Seychelles) in the top half of the GCI rankings for technology. The 2014/2015 Global Competitiveness Index[6] recognises that ICT adoption rates in many countries in sub-Saharan Africa continue to be very low and that this limits their ability to enhance productivity through the use of new technology. The same index ranked sub-Saharan Africa low with respect to ICT use and technological readiness[7]. The findings from the GEM survey echo this and highlight that while the use of cell phones by young entrepreneurs is widespread, the usage of ICT is much lower and when used by young business people, it is predominantly seen as social media and not a business tool. Becoming familiar with the possible business uses of ICT would be an important step in allowing the youth to exploit its possibilities for doing business. An added benefit would be the ability of these businesses to operate outside of their own localities.

6 World Economic Forum, 2015, *The Global Competitiveness Report 2014–2015* http://reports.weforum.org/globalcompetitiveness-report-2014–2015/subsaharan-africa/

7 According to the World Economic Forum the technological readiness pillar measures the agility with which an economy adopts existing technologies to enhance the productivity of its industries, with specific emphasis on its capacity to fully leverage information and communication technologies (ICTs) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness.

Table 3.9 Business premises by country and gender, sub-Saharan Africa, GEM 2013

	Male					Female				
	Home	Street	Market	Building	Online	Home	Street	Market	Building	Online
Angola	39.2%	19.2%	15.0%	19.2%	0.0%	35.1%	13.7%	21.4%	21.4%	0.0%
Botswana	29.8%	12.8%	16.3%	36.9%	0.7%	41.5%	18.5%	13.8%	20.8%	0.8%
Ghana	24.4%	28.5%	19.5%	18.7%	0.0%	39.1%	24.9%	15.4%	13.0%	0.0%
Malawi	28.1%	9.0%	48.7%	7.0%	0.0%	47.7%	5.6%	32.0%	5.1%	0.0%
Namibia	38.3%	12.3%	17.9%	27.2%	2.5%	48.4%	12.8%	16.5%	20.2%	0.5%
Nigeria	21.6%	27.2%	31.9%	16.4%	0.0%	16.9%	34.2%	29.8%	18.0%	0.3%
South Africa	49.1%	15.7%	6.5%	22.2%	1.9%	53.4%	9.6%	13.7%	16.4%	6.8%
Uganda	23.7%	14.5%	31.2%	29.5%	0.0%	44.5%	13.3%	22.3%	19.4%	0.0%
Zambia	14.5%	27.4%	28.7%	20.9%	0.5%	19.0%	19.8%	37.9%	17.8%	0.0%

With young people's lack of a good credit history and generally meagre resources to offer as security, it is likely that the youth would be even more dependent on personal funding and family and friends to finance their business operations.

3.9 FINANCING

Young people face numerous age-related difficulties in raising bank or investor finance, especially the lack of a credit history that could limit their ability to raise institutional funds through normal channels. Small businesses are most likely to rely on personal funding and family and friends to finance the business operations. With young people's lack of a good credit history and generally meagre resources to offer as security, it is likely that the youth would be even more dependent on personal funding and family and friends to finance their business operations[8]. Table 3.10 confirms this and using own funding and/or funding from family or friends is the primary source of financing for young people in many sub-Saharan African countries. This pattern varies between countries but formal financial institutions play an important role in financing youth businesses only in a handful of countries: Angola, Botswana, South Africa and Namibia.

Malawi was the only country in which both young men and young women indicated that the amount of funding they had was one of the factors that most influenced the type of business they chose to start. Young men in Malawi are almost completely reliant on their own resources, family or friends (95.9%) to provide the primary resources to start a business, with only 1% indicating that funding was provided by banks or other financial institutions. Young women in Malawi also rely heavily on their own resources, family or friends (95.9%) to provide the primary resources to start a business. Five percent (5.2%) of young women in Malawi relied primarily on bank financing, which is most likely related to microfinance. As the second source of finance, 12% of young women in Malawi indicated 'other' and a review of this highlighted grant/donor funding as the primary source within this category in Malawi.

Our data reveals that young men generally have greater access to banks and financial institutions than young women, with the exception of a few countries. In Ghana, for example, young men are 2.3 times more likely than young women to use this form of financing as their primary source. Similarly, young men in Botswana and Nigeria (1.4 times), South Africa (1.3 times) and Namibia and Zambia (both 1.2 times) are also more likely than young women in these countries to use bank financing as the primary source of funding for the business.

Bank financing for youth businesses is unequally spread across the sub-Saharan region with financing ranging from a third of youth male businesses in Angola (35.6%) and Botswana (35.5%) to approximately five percent or less in Uganda (5.8%) and Malawi (1%).

8 Kew, J. et al., 2012, *Generation Entrepreneur*

Table 3.10: Business financing by country and gender, sub-Saharan Africa, GEM 2013

	Male			Female		
	Own/family /friends	Banks/financial institutions	Other	Own/family /friends	Banks/financial institutions	Other
angola	56.8%	35.6%	3.8%	53.1%	38.1%	6.2%
Botswana	51.4%	35.5%	10.9%	69.8%	25.6%	2.3%
Ghana	82.2%	17.9%	0.0%	90.5%	7.8%	0.6%
Malawi	95.9%	1.0%	2.5%	80.9%	5.2%	11.9%
Namibia	68.6%	24.5%	3.8%	72.0%	20.4%	3.8%
Nigeria	84.3%	9.4%	3.0%	91.1%	6.5%	1.0%
South Africa	59.2%	28.2%	7.8%	54.7%	21.3%	14.7%
Uganda	89.0%	5.8%	2.3%	87.8%	5.2%	6.1%
Zambia	82.3%	15.6%	0.9%	81.8%	13.2%	1.8%

Although government-funded business-support initiatives abound in most sub-Saharan countries, these initiatives are rarely well-known at the grassroots level.

3.10 BUSINESS SUPPORT

Lack of adequate support structures and a lack of mentorship are barriers to youth entrepreneurship.[9] Earlier GEM surveys found that non-financial support was a strong driver of business performance and capability for young entrepreneurs[10]. Non-financial support included services such as mentorship, training and networking.

Young people who are able to rely on a network of people to help them make business-related decisions are provided with a potential source of support in the form of mentorship, additional networking capacity, as well as the possibility of additional funding. We asked young business owners to identify their source of guidance in creating or managing their enterprise. Figure 3.9 shows that family (parents and/or relatives) and friends are overwhelmingly the primary source of guidance. One concern with the combination of family/relatives being a primary source of guidance, and a low level of private organisation or government business support is that this could hamper technological development, innovation or the diversification of business into different sectors. Other business owners are a primary source of guidance for a significant number of young women in Angola (25%) and South Africa (24.1%).

Although government-funded business-support initiatives abound in most sub-Saharan countries, these initiatives are rarely well-known at the grassroots level. Figure 3.10 clearly shows the small number of young business owners who have made use of public business-support programmes and organisations. Angola is the only exception with almost a third of both male (34.7%) and female (30.5%) youth business owners indicating that they had made use of government-funded business support. The use of such initiatives in Malawi, Nigeria and Zambia is particularly low, with neither male nor female usage rated higher than 3.7%.

With the high levels of small-scale, one person or low-growth businesses in the region, as we have observed earlier, the number of youth businesses indicating that they are struggling to survive raises a major concern that scarce resources are not reaching the targeted population.

In summary, the youth in sub-Saharan Africa have generally positive entrepreneurial attitudes and perceptions. The majority of young Africans believe there are good business opportunities in their countries and that they have the skills and knowledge to start and manage a new business. Furthermore, there is a high level of entrepreneurial intention among the youth, which is further boosted by their low level of fear of failure and positive attitudes towards entrepreneurship as a career choice.

9 Kew, J. et al., 2012, *Generation Entrepreneur*

10 Youth Business International, 2011, *Global Youth Entrepreneurship Survey 2011*

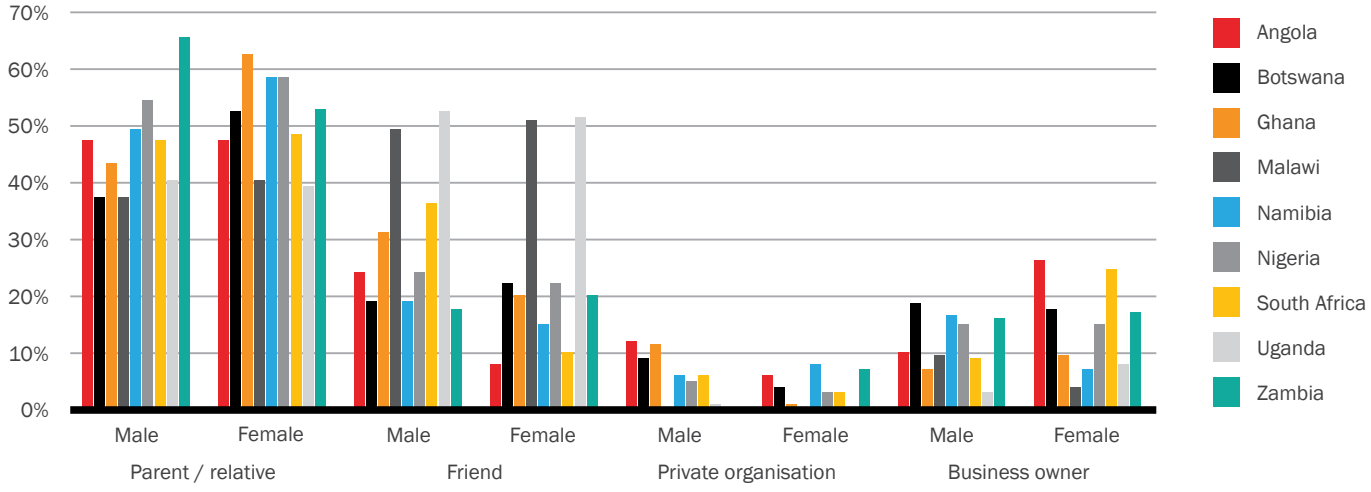

Figure 3.9: Primary sources of guidance with respect to managing a business, by country, 2013

Without clear and specific policy directives, the current low economic impact from the majority of entrepreneurial businesses is likely to continue.

This suggests that the sub-Saharan African region has a large pool of potential future entrepreneurs. However, youth economic activity is concentrated within a limited number of sectors, with 64% of the youth in sub-Saharan Africa involved in the retail, hotel and restaurant trade. Further, 97% of youth businesses in the retail sector are low-growth businesses, offering employment to between zero and five employees, and 54% of these businesses offer employment to only the business owner. The lack of employment impact is even more pronounced with respect to young women, where more than half of young women operate in businesses in which no employment in created. The gender difference related to actual job creation is most noticeable with respect to high-growth businesses, with young men's being five times more likely to offer employment to 20 or more employees. There is also a significant gender difference with respect to both medium and high-growth business aspirations, with young men 1.5 times and two times more likely to be involved in medium and high-growth potential businesses, respectively, than young women. More than three-quarters (78%) of young women operate in the retail and agricultural sectors, which explains in part the greater proportion of young women operating in low–growth businesses. Young women are also more concentrated in a smaller number of sectors, while young men have a more diversified profile in terms of sector involvement.

The regional averages for youth participation in the various sectors within the economy mimics the regional averages for adult participation. There is little sign of a greater diversification into sectors that are currently under-represented or a movement away from over-traded sectors such as retail. The country-specific job creation of youth businesses in the region matches to a large degree the job creation of adult businesses.

It seems, therefore, that without clear and specific policy directives, the current low economic impact from the majority of entrepreneurial businesses is likely to continue, as the youth landscape with respect to actual and growth potential is almost identical to the current adult landscape. This is unfortunate and youth policy directives need to recognise the low-levels of growth in the retail and agricultural sector and that the over-representation in low profit, marginal activities often found in undifferentiated sectors such as retail and agriculture is unlikely to add much to solving the dual crisis of high un- and underemployment and the high rates of working poor. If agriculture in sub-Saharan Africa is going to assist in the development of sustainable livelihoods, then policies focusing on improving technology use in this sector, as well as opportunities along the agro-business value chain, will need to be explored. Without these, this sector will continue to contribute to the working poor, rather than to improvements in the livelihoods of these entrepreneurs.

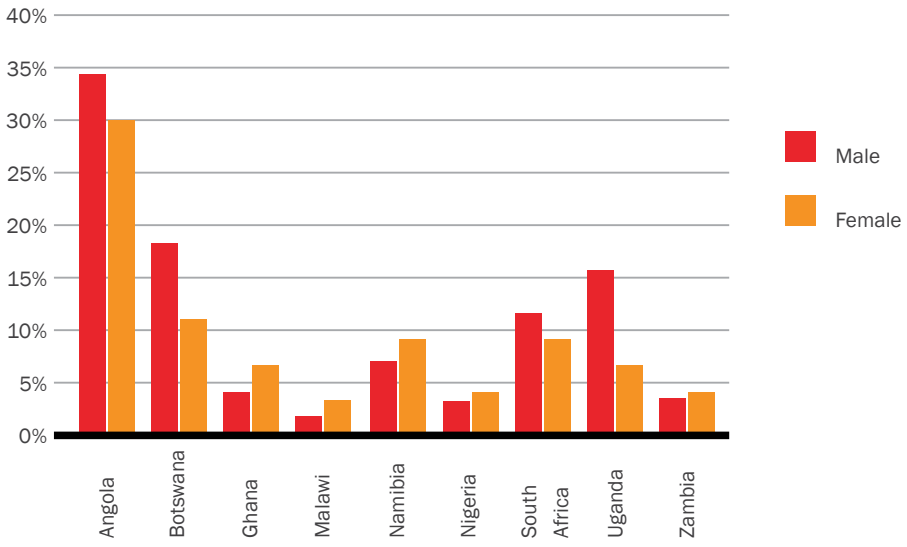

Figure 3.10: Percentage of young business owners who used government business support, by country, 2013

FOUR EXAMPLES OF INITIATIVES TO PROMOTE YOUTH SME DEVELOPMENT IN ANGOLA

1. ENTREPRENEURSHIP CURRICULUM PROGRAMME

UNIDO is providing support to the Government of Angola (Education Ministry) to develop and introduce a new entrepreneurship curriculum in secondary schools. In 2010, entrepreneurship was taught in 40 schools in nine provinces of Angola, with over 2 000 students taking part on a pilot basis. The government rollout of the entrepreneurship curriculum to the whole country started in 2012.

2. PROGRAMMA DE FOMENTO AO EMPRESARIADO

This programme is a partnership between the Government of Angola (Ministry of Economy), with support from the Boston Consulting Group. Its objective is to provide solutions to the following problems facing entrepreneurs in Angola: access to credit (especially micro small enterprises); government guarantees (to obtain credit); creation of a risk-capital fund (with state participation); and support and subsidies for entrepreneurs (e.g. for young entrepreneurs and in specific sectors).

3. INCUBATORS FOR THE FUTURE

This project is jointly implemented by INEFOP and the World Bank (through InfoDev) and provides legal and technical assistance for the constitution of small, youth-owned businesses in Angola. The assistance includes support for financing access, creation of business partnerships, entrepreneurial training and management consultancy.

4. SUPPORTING SPECIFIC YOUTH ENTREPRENEURIAL ACTIVITIES IN URBAN AREAS

The Ministry of Youth and Sports provides support to young Angolans and focuses on car washers and loaders or carriers – common occupations among Angolan youth.

The project provides support by organising the entrepreneurs into co-operatives and shared work spaces with appropriate equipment.

CHAPTER 4

Conclusions and Recommendations for Policy and Practice

The issue in much of sub-Saharan Africa seems to be less about developing entrepreneurial activity (79% of workers are self-employed) but recognising that much of the current entrepreneurial activity within the region is not leading to sustainable livelihoods.

There is a relatively high level of entrepreneurial propensity and activity among the young people in sub-Saharan Africa. This could be for a number of reasons, including the increased policy initiatives in the region that have been aimed at encouraging entrepreneurship. However, the increased and high entrepreneurial activity should not, in itself, be the point of focus. The issue in much of sub-Saharan Africa seems to be less about developing entrepreneurial activity (79% of workers are self-employed[1]) but recognising that much of the current entrepreneurial activity within the region is not leading to sustainable livelihoods. In line with the critical need in sub-Saharan Africa to open up new and better job opportunities for all segments of the population, the focus should rather be on how entrepreneurship addresses the un- and underemployment challenge and, in turn, can help Africa to gain a dividend from its youth bulge. In this regard, the challenge is yet to be resolved. With many young people's enterprises struggling in the retail sector and employing no one beside the entrepreneur, the discussion should turn towards creating more value from entrepreneurial activity.

The Global Competitiveness Report 2014-2015 notes that most economic activity in sub-Saharan Africa takes place in the informal sector, which accounts for more than half of GDP and provides employment for more than 80% of the population. Given the region's high population growth, a particular concern is that only one in two young Africans participates in wage-earning jobs. It is estimated that by 2020 more than half of the continent's population will be below the age of 25. More than half of the 20 lowest-ranked countries in the Global Competitiveness Index are in sub-Saharan Africa, with the region underperforming in many of the basic requirements of competitiveness. Inadequate infrastructure, health and basic education remain problems. Higher education and training also need to be further developed to provide the region's young population with the necessary skills to carry out higher-value-added employment. Key to improving sub-Saharan Africa's entrepreneurial performance, then, is a dual focus on improving the region's human capital through education and skills training, and creating a more enabling environment. A strong entrepreneurial culture cannot develop and flourish in areas with limited access to resources, poor infrastructure, little or no consumer spending and no vibrant markets. A more enabling environment is also necessary to reduce the cost of running a business, and therefore improve the sustainability of enterprises in the SME sector.

It is clear, then, that the challenge facing sub-Saharan Africa is to find ways of fostering innovative and effective entrepreneurial activity among the youth in order to harness their potential to contribute in a meaningful way to sustainable economic development in the region. This study has highlighted a number of key areas that need to be addressed in order to stimulate and support entrepreneurial activity among the region's youth.

4.1 EDUCATION AND TRAINING

An important constraint affecting the quality of youth entrepreneurship in the sub-Saharan African region is the poor quality of education and training. Structural problems affecting the education systems continue to be a stumbling block in the region's efforts to stimulate sustainable entrepreneurial activity and improve business productivity. The findings in this report suggest that the youth in sub-Saharan Africa have relatively high entrepreneurial propensity, including a robust belief that they have the skills to start a business. This is in line with GEM research, which has shown that individuals in factor-driven economies (which predominate in the sub-Saharan African region) tend to have higher perceptions that there are good opportunities for entrepreneurship, and that they have the capabilities to start businesses. However, GEM has also indicated that individuals in economies at different stages of development are likely to have very different kinds of businesses in mind — the perception of the type of skills required in factor-driven economies is therefore also likely to differ significantly from that in more developed economies. This is borne

1 Bhorat, H. Naidoo, K., 2013, *Africa's Job Challenge,* DRPU, University of Cape Town

Business-support programmes often fail to distinguish adequately between different types of entrepreneurial ventures.

out by the finding that the youth in this study indicated that their own skills were the primary motivator determining the type of business they started.

The majority of the youth started small retail-based businesses with no or limited growth potential, and it is through this prism that their perceptions of their own skills need to be viewed. This report has shown a clear relationship between the level of education and the likelihood of business owners indicating growth expectations within a business – in this respect, the fact that enrolment in secondary and tertiary education is low and a large proportion of the youth do not progress beyond primary education is cause for concern. The result is a young, undereducated and under-employed workforce that is pushed into entrepreneurship as a survival option.

In addition, the problem is not only a lack of formal education but also the type of education provided – too often, the formal education system does not equip young people for the realities of the current labour market. In order for more complex business entities to be encouraged, for example in manufacturing or personal services, it is essential that a different skill set

Educational facilities need to improve their capacity to provide the education and job skills that will be needed to develop greater productivity and technology-intensive industries.

needs to be inculcated in the youth. It is, therefore, critical to address the quality and relevance of curricula. Mismatches between the skills required by industry and the economy and those provided by schools and universities are prevalent. Educational facilities need to improve their capacity to provide the education and job skills that will be needed to develop greater productivity and technology-intensive industries. In order to engender an entrepreneurial culture among the youth, schools need to promote entrepreneurship as a career path – inviting successful young entrepreneurs to participate in the educational programme is a way to introduce young people to positive entrepreneurial role models. Given the high drop-out rates from the formal school system, it is also imperative to expand interventions that deal with key skills gaps, for example, apprenticeships and technical and vocational education facilities.

4.2 BUSINESS SUPPORT AND ADVICE

Sub-Saharan African countries need to move beyond policy discussion and creation to effective policy implementation. Most have a considerable number of small-business policies, organisations and committees – however, a consistent finding among the sub-Saharan African countries participating in the survey is that a very small percentage of young people are aware of the entrepreneurship-support programmes (both public and private) designed specifically to help them. This reduces the potential of these programmes to deliver tangible benefits to young entrepreneurs.

Business-support programmes often fail to distinguish adequately between different types of entrepreneurial ventures. They are likely to be more effective in their use of resources if they recognise and tailor their programmes to the specific support needs of different categories of young entrepreneurs. The GEM survey shows that although the majority of youth businesses in sub-Saharan Africa are small, one-person entities with no growth aspirations and active in the informal sector, there are also young entrepreneurs with aspirations to grow their enterprises. Both are important sources of livelihoods for young people, but require different support structures and interventions. The most significant job-creation impact comes from the small group of high-growth entrepreneurs and it is imperative that businesses in selected sectors that show export, employment and technological potential are identified and are provided with sufficient targeted support to enable them to realise their potential and contribute to sustainable economic growth within their regions.

Specific recommendations include the following:

- To increase awareness of existing programmes to support young entrepreneurs, a concerted effort in publicity and youth-oriented information campaigns is needed. Government programmes need to be advertised and explained in the media used by young people, especially the social media.
- It is critical to ensure that entrepreneurship support programmes are not excessively bureaucratic and maintain the drive towards reducing red tape for young entrepreneurs. The aim should be to encourage them to move into the formal sector.
- Existing and new programmes aimed at young entrepreneurs would benefit from transparent evaluation and monitoring of their effectiveness.
- Many young people lack contact with successful entrepreneurs and support networks. Schemes, such as in-service education and the linking of entrepreneurial training to enterprise development, could equip young people with the skills and experience to operate their own enterprises successfully. This could have positive effects in terms of profitability, survival of enterprises and long-term employment creation.
- Mentoring by colleagues in the business arena could provide young entrepreneurs with advice, as well as indicate to them new avenues for operation in higher profit and more lucrative domains. Young people tend to go into

The problem of access to finance is a common feature of research on challenges faced by all entrepreneurs.

the same business areas as their peers, neglecting the more innovative and growth-oriented area of the economy.

- To develop new and innovative business opportunities, as well as to reinforce skills already obtained, there is a need for experiential incubators that are easily accessible to young potential entrepreneurs and can supplement other forms of education and training. Such incubators have been shown to foster innovation and encourage movement into sectors with higher profit potential. These clusters, incubators and business hubs should include entrepreneurs as well as commercial and professional support structures so that youth start-ups can be assisted in a more protected and supportive environment. This is particularly important in rural and semi-rural areas where poor infrastructure (physical and institutional) is a major barrier to small businesses.
- Young entrepreneurs need support beyond formal or on-the-job training; they need to have access to professional organisations that provide advice to businesses, often through partnerships between the government and the private sector. Services – such as access to low-cost financing, networking, provision of equipment and mentoring – are also essential to support young business.
- Business training and mentoring must be provided at affordable rates that do not discriminate against young entrepreneurs in start-ups and micro-businesses.

4.3 BUSINESS CAPITAL AND FINANCIAL SUPPORT

Many young entrepreneurs surveyed by GEM indicate that lack of access to finance is an important disincentive to starting a business. Securing sufficient funding is important for all businesses, but especially for start-ups and for growing firms. The problem of access to finance is a common feature of research on challenges faced by all entrepreneurs. Financial institutions generally require collateral and formal business records as criteria for considering a loan. As a result, business owners who lack collateral or who have not kept formal records for their business are less likely to be successful in approaches to financial institutions. Young people are, thus, likely to be particularly disadvantaged in their attempts to start small businesses. The majority of the young entrepreneurs surveyed for this report raised the start-up capital from their own or family savings rather than approaching formal institutions or agencies.

Specific recommendations include the following:

- There is a need for governments to ease access to credit through the banking system, as well as to facilitate the emergence of new financing sources such as business angels and venture capitalists. Government could step in to provide loan guarantees, itinerant financial advice units and special credit lines specifically for young aspirants to entrepreneurship.
- Introduce incentives for the financial institutions to increase their lending to small, youth-owned enterprises as part of their corporate social responsibility policies.
- Given the additional problems that female entrepreneurs face, it would be wise to encourage financial institutions to pay attention to the particular constraints faced by young female entrepreneurs, when assessing their requests for loans. Young women, for example, are often less confident and assertive when approaching financial institutions and presenting their business plans, because of cultural biases within their societies.
- Access to capital, however, is only part of the equation. Once they are able to secure finance, young people also need to be able to manage their money. Policies that aim to provide young people with money-management skills through training programmes adapted to their circumstances would help to ensure that young entrepreneurs could run their businesses and contribute to the economy, generally.
- A significant contribution to formalising small enterprises would be to provide them with affordable

Photo by Erik Hersman

Many young entrepreneurs surveyed by GEM indicate that lack of access to finance is an important disincentive to starting a business.

space in which to carry out their business activities, for example by reimbursing stall-rental fees. The survey shows that young women in sub-Saharan Africa, in particular, tend to trade from home and policies to support these young women should be encouraged.

- A different approach to the management of funding should be encouraged, with attention given to a state-supported micro-funding model, coupled with training/ mentoring through the first year of operation. This could also be used to improve access to funding for youth businesses, where small loans coupled with technical support are often needed.
- A lack of accessible venture capital facilities constrains the development of innovative SMEs with high-growth potential. There is a need to make funds available from government or provide a tax break for investors to fund young entrepreneurs who have the potential to develop high growth businesses.

4.4 ICT AND TECHNOLOGY

An efficient IT infrastructure reduces cost of business, increases market reach, improves access to information and allows for innovation. Internet access, as well as internet capacity within a region, enhances the opportunity for youth businesses to develop and expand beyond localised markets that rely largely on friends and family as a customer base. As noted, many young entrepreneurs (particularly young women) run their businesses from home or on the side of the street, which significantly limits their access to suitable markets. With the exception of South Africa, there are almost no youth businesses that make use of the online environment in which to sell their products/services. The use of the online platform will enable the many home-based businesses to expand their market reach beyond their immediate locale. ICT can also offer innovative methods of promoting and diversifying the product/ service offerings as well as ways of attracting customer attention.

Improving IT infrastructure would allow for a reduction in the cost of technology – this, as well as the potential to reach new markets, could have a significant impact on the sustainability of youth businesses.

However, the cost of internet access can be prohibitive to young entrepreneurs and being reliant on cell phone connectivity can be problematic. Problems with slow or intermittent internet connections are also a potential concern – particularly in areas outside major city centres. Improving IT infrastructure would allow for a reduction in the cost of technology – this, as well as the potential to reach new markets, could have a significant impact on the sustainability of youth businesses.

Apart from encouraging and supporting the extension of ICT infrastructures, policy makers should promote training in the business use of ICT generally as a medium for sales, market and product research, innovation and seeking sources of finance. Regulations covering the provision of internet and ICT services should also be streamlined for young business customers. High-growth businesses are more likely to use the latest technology compared to both medium- and low-growth businesses. As job creation is of fundamental importance to sub-Saharan Africa, acknowledging the link between latest technology and growth aspirations is crucial. Access to new information and other technologies therefore needs to be brought within reach of younger people — this implies the introduction of pricing mechanisms adapted to young people's means.

4.5 CONCLUSION

This report has identified a number of factors that seem to be holding sub-Saharan African youth hostage and preventing them from fully benefitting from a relatively high entrepreneurial propensity as well as a high number of actual entrepreneurs. The key issues that can be identified from this report are that the youth are predominantly trapped in the retail sector in low growth, low innovation businesses that make use of older technology.

Our conclusions and recommendations focus on four primary areas – these areas have been identified by GEM as creating an enabling environment in which entrepreneurship can be promoted. It is clear that without focused improvement in the type of education offered, suitably tailored business support, youth-oriented finance options and better access to ICT and other technology, there will not be the development of a large enough network of high-growth, export-led entrepreneurs. This is essential to enable the young entrepreneurs in sub-Saharan Africa to tap into a network that will provide access to market information, technological expertise and a global market and be able to participate meaningfully in their own as well as the region's brighter future.

APPENDIX 1:

About GEM

During the last 16 years, this conceptual framework and the basic definitions have evolved gradually without compromising the comparability of the collected information, but bringing more clarity into assumed relationships.

THE GEM CONCEPTUAL FRAMEWORK

Since its inception, the GEM survey was conceptualised to check the interdependency between entrepreneurship and economic development. During the last 16 years, this conceptual framework and the basic definitions have evolved gradually without compromising the comparability of the collected information, but bringing more clarity into assumed relationships. This process was supported by the work of many researchers who, using GEM data, contributed to building the entrepreneurship paradigm (Alvarez et al., 2014, Bosma, 2013, Levie and Autio, 2008, Reynolds et al, 2015).

Three questions that originally opened the way to the GEM survey were formulated as (Reynolds, P. et al, 1999, p. 3):

- Does the level of entrepreneurial activity vary between countries, and, if so, to what extent?
- Does the level of entrepreneurial activity affect a country's rate of economic growth and prosperity?
- What makes a country entrepreneurial and what factors influence it?

In order to answer these questions, GEM had to depart from the conventional approach of thinking about national economic growth and this brought about the existing conceptual framework, which has been through a series of adjustments since its inception in 1999. The GEM conceptual framework, as identified in 1999 (Figure 1.3A), in contrast to conventional model of national economic growth (Figure 1.1A), depicted the basic assumption that national economic growth is the result of the personal capabilities of individuals (Figure 1.2A), wherever they are located (regardless of the size of businesses or if they are self-employed), to identify and seize opportunities, and that this process is happening in the interaction with the environment.

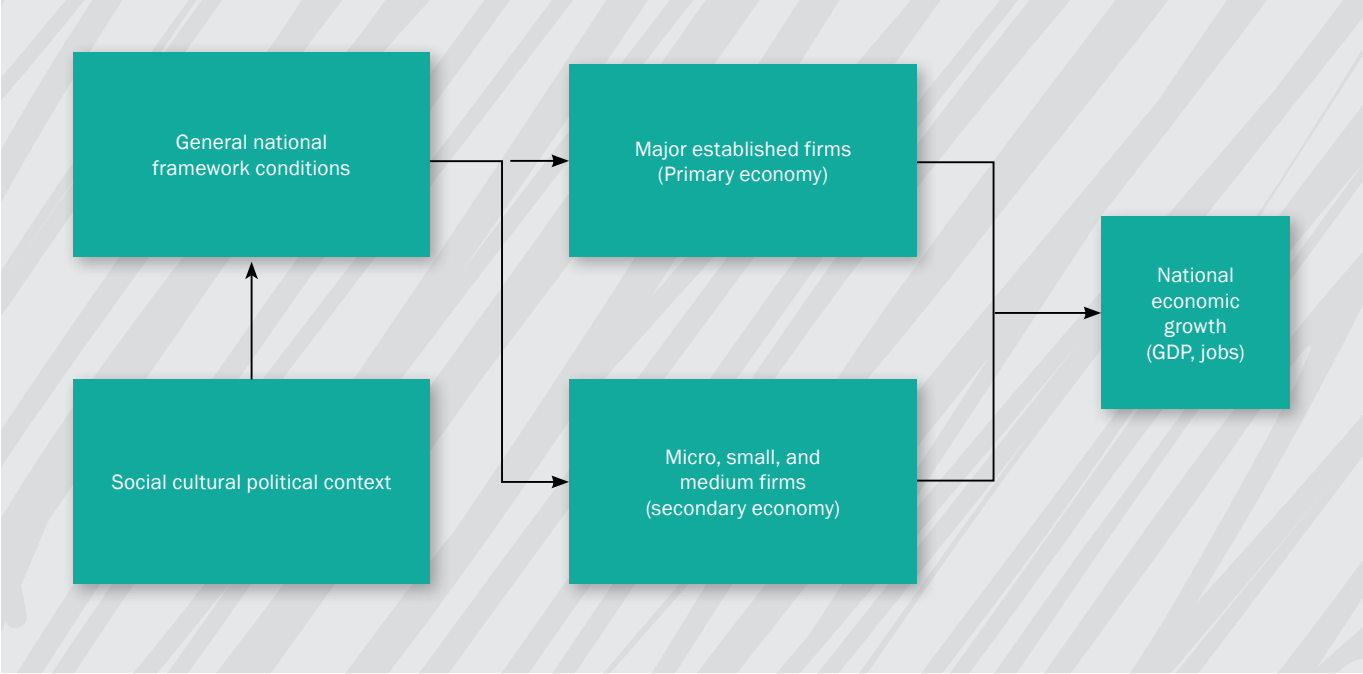

Figure 1.1A: Conventional model of national economic growth
Source: Reynolds, P. D., Hay, M. Camp, S.M. Global Entrepreneurship Monitor, 1999 Executive Report, p. 9

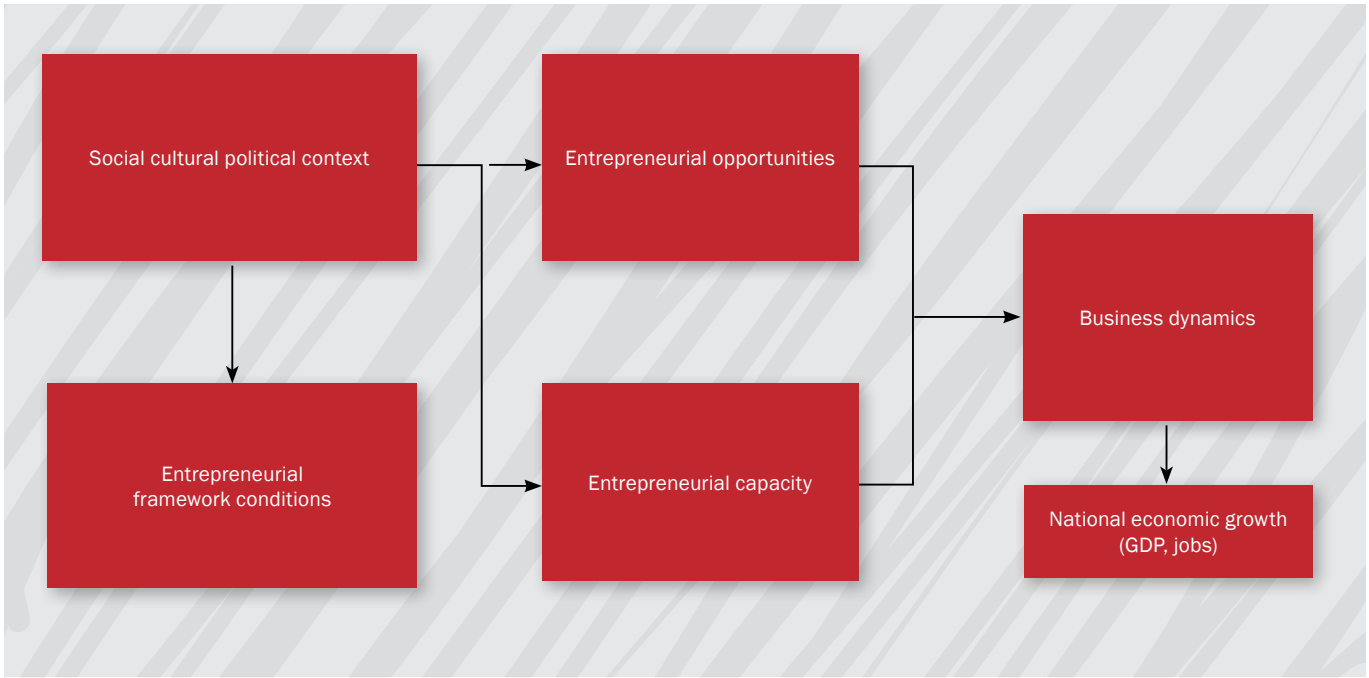

Figure. 1.2A: Model of entrepreneurial processes affecting national economic growth
Source: Reynolds, P. D., Hay, M. Camp, S.M. Global Entrepreneurship Monitor, 1999 Executive Report, p. 10

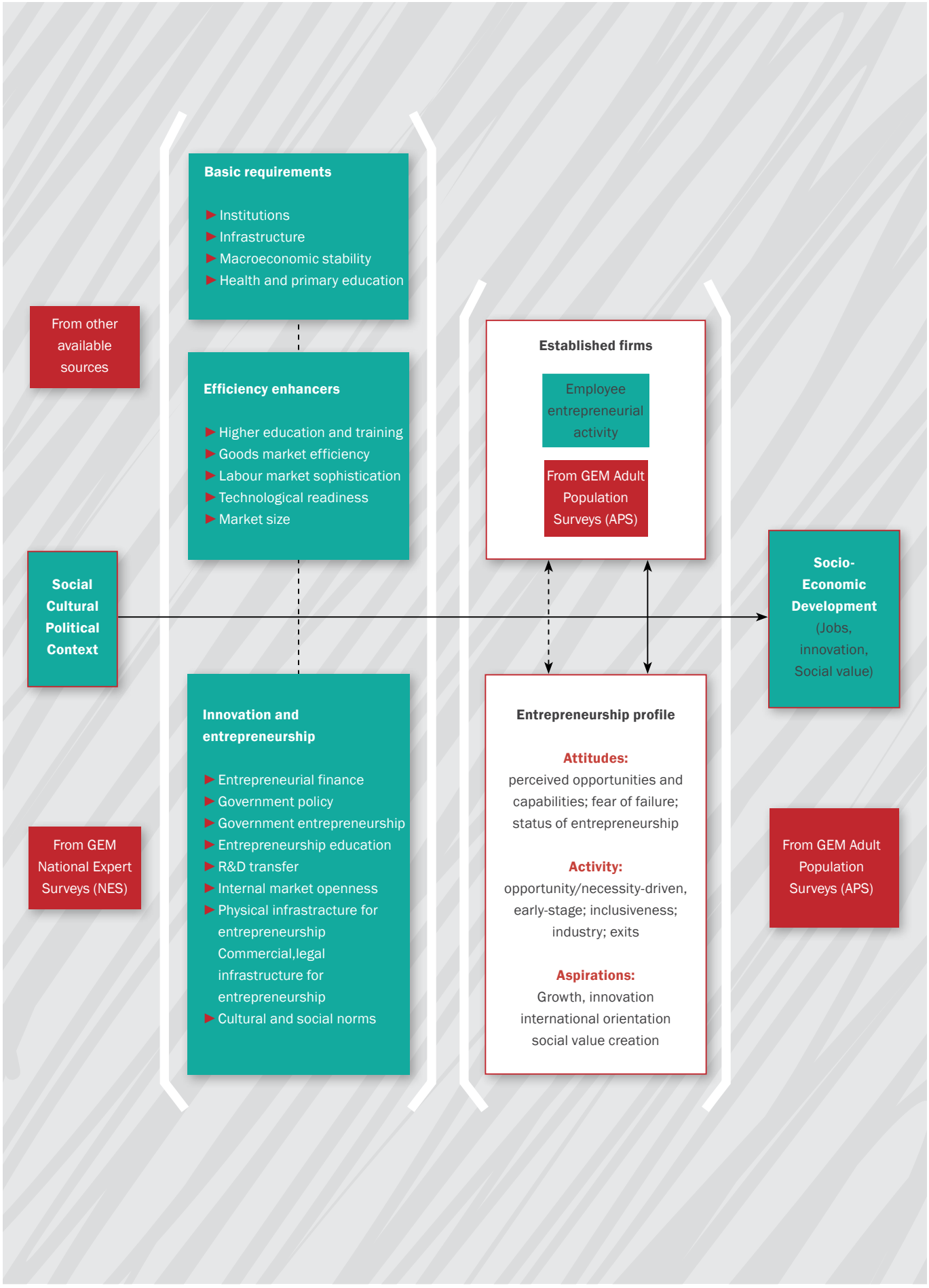

Figure 1.3A: The GEM Conceptual Framework, used in GEM surveys up to 2014

From the start of GEM, the implicit assumption of mutual relationships among attitudes, aspirations and activities was built into the conceptual framework.

Using the findings from many years and of numerous GEM surveys, the conceptual framework presented in Figure 1.3A evolved into the current GEM conceptual framework as presented in Figure 1.4A.

The primary revision of the GEM conceptual framework was due to a further exploration of the area referred to as 'Entrepreneurship Profile' in Figure 1.3A. From the start of GEM, the implicit assumption of mutual relationships among attitudes, aspirations and activities was built into the conceptual framework; however, the nature of these relationships had not been explored.

The revised GEM conceptual framework depicted in Figure 1.5A, the area referred to as 'Entrepreneurship Profile' has been explored and the assumed relationships between social values, personal attributes and various forms of entrepreneurial activity has been tested. The work was carried out by members of the GEM Research and Innovation Advisory Committee (RIAC).

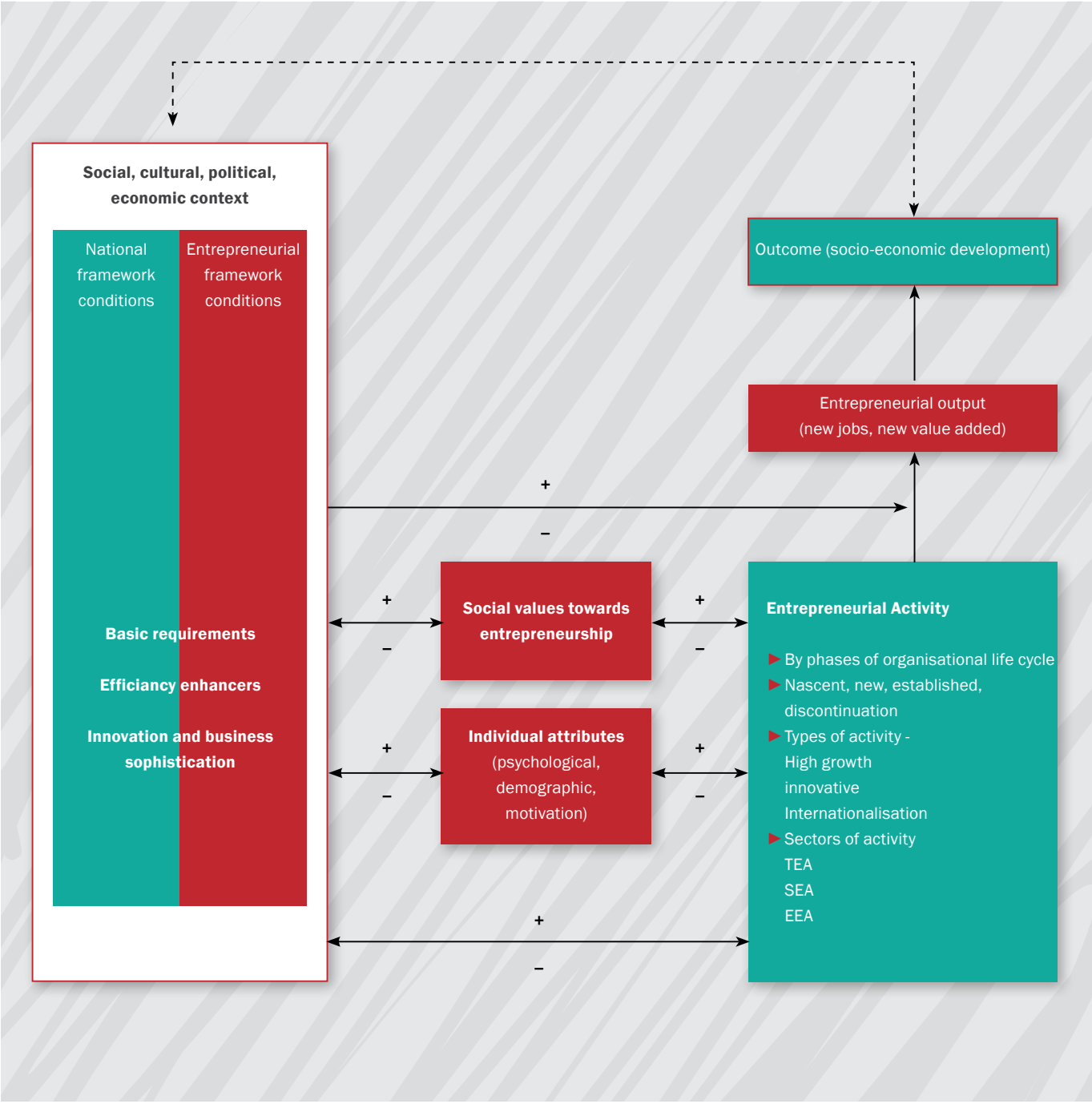

Figure 1.4A: The Revised GEM Conceptual Framework

GEM surveys confirmed that the level of entrepreneurial activity varies among countries at quite a constant rate, and has additionally confirmed that it takes time and consistent policy interventions to build and/or improve the factors contributing to entrepreneurial activity.

The revised conceptual framework is still based on the following basic assumptions:

- Entrepreneurial activity is not a heroic act of an individual, regardless of the environment in which the activity is performed; and
- Entrepreneurial activity is an output of the interaction of an individual's perception of an opportunity and capacity (motivation and skills) to act upon this AND the distinct conditions of the respective environment in which the individual is located.

GEM surveys confirmed that the level of entrepreneurial activity varies among countries at quite a constant rate, and has additionally confirmed that it takes time and consistent policy interventions to build and/or improve the factors contributing to entrepreneurial activity. GEM has also confirmed that entrepreneurial activity (nascent, start-up and intrapreneurship) is positively correlated with economic growth, but that this relationship differs along phases of economic development (Acs and Amorós, 2008; Van Stel et al., 2005; Wennekers et al., 2010).

GEM continues to contribute to global economic development through improving research-based education and research-based formulation of public policies in the field of entrepreneurship.

The revised GEM conceptual framework specifies the following three objectives:

- To determine the extent to which entrepreneurial activity influences economic growth within individual economies;
- To uncover factors that encourage or hinder entrepreneurial activity, especially the relationships between National Entrepreneurship Conditions, social values, personal attributes and entrepreneurial activity; and
- To identify policy implications for enhancing entrepreneurial capacity in an economy.

It is important to note that all components of the environment in which women and men act entrepreneurially are mutually dependent.

From 2008 (Bosma et al, 2009), GEM followed the World Economic Forum's typology of countries based on Porter's (Porter et al, 2002) definitions of economic development levels: resource-driven, efficiency-driven and innovation-driven economies. It contributed to show how the uniqueness of the GEM survey of entrepreneurship (based on individuals) is complementing other major new business creation surveys, by providing important information on individuals (attributes, values, activities) and their interaction with the environment in practicing entrepreneurial behaviour (proactiveness, innovativeness and responsible choices).

COMPONENTS OF THE REVISED GEM CONCEPTUAL FRAMEWORK INCLUDE:

Social, cultural, political and economic context is defined by using twelve pillars for profiling phases of economic development in surveying competitiveness by the World Economic Forum and nine components of the GEM National Entrepreneurial Conditions.

It is important to emphasise that those components can be dispersed in different combinations in different economies, but the levels of economic development are determined by the dominant presence of the identified group of pillars.

It is important to note that all components of the environment in which women and men act entrepreneurially (or cannot act proactively and innovatively) are mutually dependent. This dependency demands a holistic approach, not only in research but also in designing appropriate policies for building a supportive environment in which entrepreneurial behaviour can be performed.

Social values towards entrepreneurship include such aspects as how the society values entrepreneurship as a good career choice, if entrepreneurs have high societal status and how media attention to entrepreneurship is contributing (or not) to development of entrepreneurial culture of a country.

In order to provide for reliable comparisons across countries, GEM data is obtained using a research design that is harmonised over all participating countries.

Individual attributes, include different demographic factors (like gender, age, geographic location), psychological (perceived capabilities, perceived opportunities, fear of failure) and motivational aspects (necessity- vs. opportunity-based venturing, improvement-driven venturing, etc.)

Entrepreneurial activity is defined according to the phases of the life cycle of venturing (nascent, new venture, established venture, discontinuation), according to types of the activity (high growth, innovation, internationalisation) and sector of the activity (total early-stage entrepreneurial activity – TEA, social entrepreneurial activity – SEA, employee entrepreneurial activity – EEA).

GEM METHODOLOGY

In order to provide for reliable comparisons across countries, GEM data is obtained using a research design that is harmonised over all participating countries. The data is gathered on an annual basis from two main sources, namely the National Experts Survey and the Adult Population Survey:

THE NATIONAL EXPERT SURVEY

The National Expert Survey (NES) provides information on the local environment faced by start-up entrepreneurs. Information is gathered within nine economic framework conditions: financing for entrepreneurs, government policies, governmental programmes, entrepreneurial education and training, research and development transfer, commercial and professional infrastructure, internal market openness, physical and services infrastructure, and social and cultural norms.

NES data is collected by interviewing experts identified by the local team. Each team interviews 36 experts according to the Entrepreneurial Framework Conditions (EFCs). The experts are made up of four experts per framework condition. Additional aspects such as geographical distribution, gender, public versus private sector and the level of experience are also taken into account in selecting the sample.

ADULT POPULATION SURVEY (APS)

This data set is a survey of the adult population, generally people between the ages of 18 and 64 years, however countries may sample people between the ages of 18 and 99. Each of the participating countries conducts the survey among a random representative sample of at least 2 000 adults. The surveys are conducted at the same time of year (between April and July) using a standardised questionnaire provided by the GEM global data team. Each national team conducts the survey using a preferred vendor, and the raw data is then sent directly to the data team analysts at GERA (Global Entrepreneurship Research Association) for checking and uniform statistical calculations before being made available to the participating countries for analysis and interpretation, and, ultimately, to compile the annual national report. The individual countries only gain access to the data once the raw data has been analysed by experts at the London Business School for quality assurance, checking and uniform statistical calculations. As the GEM research design harmonises the data, it is possible to conduct reliable cross-national and intra-country comparisons over time.

Accredited research companies in different countries around the world interviewed between 2 000 and 30 000 respondents during May and June 2012 in the 18 to 64 year-old age cohort. The questionnaire is translated into the local languages. To ensure that the sample is representative, area stratified probability sampling is used. The sample is stratified by gender, age and population group, and where appropriate, by region and community size. Metro, cities and large towns, small towns and villages, and rural areas are also used. Certain countries may use national, non-stratified survey designs.

APPENDIX 2:

Detailed Country-specific Information

Table 1A: Attitudes and activity, 2013

	Good career	Fear of failure	Nascent	New	TEA	Established
Angola	66.90%	43.00%	7.40%	14.50%	21.90%	5.60%
Botswana	79.50%	20.40%	12.20%	8.90%	21.10%	1.00%
Ghana	80.40%	26.30%	8.00%	17.50%	25.50%	16.30%
Malawi	Not asked	17.10%	10.50%	20.20%	30.70%	8.90%
Namibia	73.20%	33.90%	18.60%	12.60%	31.20%	3.20%
Nigeria	81.20%	19.70%	22.20%	18.80%	41.00%	12.70%
South Africa	75.40%	28.30%	7.50%	3.70%	11.20%	1.80%
Uganda	87.60%	15.70%	6.10%	23.10%	29.20%	27.70%
Zambia	66.00%	19.60%	21.90%	18.70%	40.60%	15.30%

As percentage of 18 to 34 year-old entrepreneurs

Table 2A: Activity, 2013

	Actual jobs				Growth potential			
	0 jobs	1 – 5 jobs	6 – 19 jobs	20+ jobs	0 jobs	1 – 5 jobs	6 – 19 jobs	20+ jobs
Angola	1.30%	77.50%	18.10%	3.10%	2%	59%	31%	8%
Botswana	46.40%	44.50%	6.40%	2.70%	13%	48%	23%	15%
Ghana	67.50%	31.50%	0.50%	0.50%	37%	50%	11%	2%
Malawi	87.50%	11.70%	0.80%	0%	69%	30%	1%	1%
Namibia	44.40%	50.60%	4.30%	0.60%	11%	65%	17%	7%
Nigeria	25.50%	68.00%	5.60%	0.90%	8%	53%	29%	10%
South Africa	33.30%	56.00%	8.30%	2.40%	10%	59%	16%	15%
Uganda	63.80%	34.20%	1.10%	0.80%	31%	61%	6%	2%
Zambia	47.50%	52.50%	0%	0%	6%	91%	4%	0%

As percentage of 18 to 34 year-old entrepreneurs

Photo by Francois Swanepoel

Table 3A: State of TEA business, 2013

	Struggling	No future growth	Future growth	Growth phase	Other	Not active
Angola	34.60%	9.30%	22.40%	30.50%	1.20%	2.00%
Botswana	16.10%	7.30%	17.90%	12.40%	1.50%	44.90%
Ghana	28.70%	9.30%	32.50%	16.60%	0.30%	12.50%
Malawi	13.70%	8.50%	34.50%	19.60%	0.50%	23.20%
Namibia	37.00%	5.20%	19.20%	10.30%	4.00%	24.40%
Nigeria	26.30%	8.80%	29.80%	18.90%	0.20%	16.10%
South Africa	34.50%	11.30%	14.10%	11.30%	2.30%	26.60%
Uganda	32.30%	11.90%	25.30%	26.50%	4.00%	0%
Zambia	24.00%	15.80%	18.70%	11.10%	2.30%	28.10%

As percentage of 18 to 34 year-old entrepreneurs

Table 4A: TEA Export intensity, 2013

	More than 75%	25 to 75%	Under 25%	None
Angola	16%	8%	30%	47%
Botswana	4%	9%	35%	52%
Ghana	1%	5%	16%	78%
Malawi	1%	2%	4%	92%
Nigeria	2%	9%	26%	63%
South Africa	15%	20%	23%	43%
Uganda	2%	3%	14%	82%
Zambia	1%	8%	47%	43%

As percentage of 18 to 34 year-old entrepreneurs

Table 5A: TEA Innovation, 2013

	New product	New market
Angola	64%	25%
Botswana	36%	55%
Ghana	20%	42%
Malawi	49%	52%
Nigeria	31%	39%
South Africa	70%	68%
Uganda	16%	36%
Zambia	20%	35%

As percentage of 18 to 34 year-old entrepreneurs

Table 6A: TEA technology, 2013

	Very latest technology	New technology	No new technology
Angola	39%	30%	32%
Botswana	8%	13%	79%
Ghana	7%	12%	82%
Malawi	19%	9%	72%
Nigeria	15%	16%	70%
South Africa	41%	18%	41%
Uganda	5%	12%	82%
Zambia	14%	5%	82%

As percentage of 18 to 34 year-old entrepreneurs

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