THE ANZISHA PRIZE
GREEN PAPER:
SCENARIOS FOR
YOUNG AFRICAN
ENTREPRENEURS

Version One

April 2019
## DEFINITIONS

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>Education</td>
<td>Includes youth development, youth leadership; formal, non-formal, and virtual knowledge-sharing at all ages and all levels.</td>
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<tr>
<td>Entrepreneur</td>
<td>A person who initiates or is actively involved in starting a new venture in response to an identified opportunity. The new venture may be either for-profit or not-for-profit.</td>
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<tr>
<td>Entrepreneurship education</td>
<td>This type of education provides individuals with the knowledge, skills and motivation to encourage entrepreneurial success in multiple contexts. Varying forms of entrepreneurship education are available at all levels of schooling from primary schools through graduate university programmes.</td>
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<tr>
<td>Entrepreneurial experience</td>
<td>Practical contact with setting up and sustaining a business. This includes observation of the various elements therein.</td>
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<tr>
<td>Entrepreneurial skills</td>
<td>A range of technical, management and personal skills.</td>
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<tr>
<td>Entrepreneurial activity</td>
<td>Enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity/new businesses or ventures, by identifying and exploiting new products, processes or markets [drawing on OECD and GEM definitions].</td>
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<tr>
<td>Very young entrepreneur (VYE)</td>
<td>A young person between the ages of 15 and 22 years who is active in some form of entrepreneurial activity. The Anzisha Prize’s focus is on young people who meet these criteria across the African continent.</td>
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INTRODUCTION

The Anzisha Prize (henceforth “Anzisha”) is a partnership between African Leadership Academy (ALA) and Mastercard Foundation that began in 2011. It runs a series of programmes and events to increase the entrepreneurial activity of young people in Africa aged 15 to 22 years. Anzisha celebrates young entrepreneurs and their supporters by conducting a series of entrepreneurship accelerators for school- and university-age entrepreneurs, as well as collaborating with those who form part of young entrepreneurs’ support structures, such as parents, educators and policy makers, to create a nurturing environment in which these young entrepreneurs can operate and grow.

Anzisha imagines a future where there are a significant number of job-generating young entrepreneurs who each hire at least three of their peers and are local role models who inspire other young people to follow their footsteps. In this future, the young entrepreneurs’ environment enables them to do so because the influences around them, including parents, teachers, and policy makers, support their pursuit of entrepreneurship.

In pursuit of this vision, Anzisha initiated the Scenarios for Young African Entrepreneurs project in late 2018. Scenarios for Young African Entrepreneurs quantitatively and qualitatively explores what the future might hold for very young entrepreneurs (VYEs) in Africa, how entrepreneurship can offer exciting alternatives to drive employment and economic growth in Africa, as well as what the required inputs from each of the major stakeholders should be to facilitate employment growth. This Green Paper details the stages of development for what has become The Anzisha Scenario and then sets out an agenda for discussion to determine what can be done to realize the vision encapsulated in that Scenario. The Workshop Report, which can be found at www.anzisha.org/scenario, details the required inputs and implications of operationalizing The Anzisha Scenario. A document outlining the process to develop The Anzisha Scenario, along with a list of contributors, can be accessed at www.anzisha.org/scenario.
PART ONE: SETTING THE SCENE FOR AFRICA’S YOUTH ENTREPRENEURSHIP SCENARIOS

This section provides a contextual background for the project. It examines three elements that focus on youth entrepreneurship and employment: the status quo; entrepreneurship as a means of curbing unemployment; and the idea that younger entrepreneurs can make a greater impact than their older counterparts. All three elements employ a global lens, but seek to hone in on experiences and implications for African countries.

THE STATUS QUO

The current global labour market has been influenced by various forces: cyclical unemployment, unequal division of labour (particularly in developing economies), technology-led automation of many jobs, and the aftermath of the 2008 global financial crisis and subsequent global economic downturn are just a few that have left an impact. Consequently, global youth unemployment rates have risen rapidly and are currently sitting at 13.1%, which is three times higher than the unemployment rate for adults (4.3%). This, according to the International Labour Organization (ILO) has created a ‘crisis of unprecedented proportions’. The ILO warns that adverse economic conditions have created an environment where an entire generation of young people face extreme difficulties in finding employment. This, coupled with skills mismatches between educational institutions and business needs, a lack of entrepreneurship and life skills education, the digital divide, and limited access to capital, has exacerbated youth unemployment. As a result, young people in developed countries will face high unemployment rates, increased labour inactivity, and precarious work conditions, while those in developing countries will face similar circumstances with the addition of consistently high working poverty rates.

Numerous countries in Africa follow the aforementioned unemployment trend, but often on a significantly larger scale. Nigeria’s overall unemployment rate sits at 23.1%, while its youth unemployment rate reached an all-time high of 38% in the second quarter of 2018. This figure is bolstered by a high population growth rate of 3.5% per annum, adding to an already large population of 191 million people. As Karim and Surajo note:

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1 Otherwise known as demand-deficient employment, cyclical unemployment refers to lower rates of employment during recessions that are caused by decreased output.
Unemployed youths in the country have not only been neglected and left unattended but have been imposed by unemployment and poverty. This problem not only leads to their disempowerment but also creates a situation that influences them to involve in deviant behaviours... Youth unemployment and poverty threatened peace and national security which shows that the country needs to re-consolidate, educate, and be dedicated to youths by developing policies and programmes that address their problems.  

Youth unemployment trends are similar in Namibia, which has an overall unemployment rate of 34%, with a higher youth unemployment rate of 45.5%, according to ILO estimates. South Africa’s unemployed population currently sits at an estimated 27.2%, or 9.6 million people – 6.1 million of whom are unemployed youth. This is not too far off from the highest recorded unemployment rate in the last decade of 27.7%, which was recorded over three consecutive quarters in 2017. The unemployment rate for South African youth at the end of the second quarter of 2018 was 38.8%, compared with a significantly lower adult unemployment rate of 17.9%.  

Similar trends can be seen in countries like Mali, where the youth unemployment rate rose sharply from 8% in 2014 to 18.2% in 2015 – the country’s reliance on a few key economic sectors together with weak governance, widespread corruption, and structural weaknesses have driven growing unemployment.  

The graph below shows the youth unemployment rate in North African countries between 2010 and 2015. All North African countries’ youth unemployment rates are above the average youth unemployment rate for middle income countries (13.6% in 2015), some significantly so, such as Egypt (31.3% in 2015) and Tunisia (31.8% in 2014).
According to the African Development Bank, of Africa’s estimated 420 million youth aged between 15 and 35, a third are unemployed and discouraged, a third are vulnerably employed, and just one in six are in wage employment. Unemployment is just part of the problem, with underemployment posing additional challenges for more than half of employed youth in low-income countries. Aside from the obvious effects of unemployment such as a lack of income, skills erosion and higher crime rates, high youth unemployment results in adverse living conditions, encourages migration of youth out of Africa, and fosters conflict on the continent.

Economic growth on the continent remains relatively slow, although there is wide variation between African countries. In 2017, annual GDP growth in Sub-Saharan Africa was 2.6%, Uganda was 4% and Kenya was 4.9%. These conditions work in tandem with higher unemployment rates. For example, South Africans lost 90,000 jobs during the second quarter of 2018 alone and the South African economy slipped into recession in the same period, contracting by 0.7% quarter-on-quarter. At the same time, the number of working-age individuals in South Africa increased by 153,000 between the second and third quarters, prompting an even greater need for job creation.

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Despite demand for jobs, the labour absorption rate\(^{20}\) currently sits at just 43.1%.\(^{21}\) Nigeria also suffered a recession in 2016, with a 1.5% decrease in output due to lower oil prices and policy changes. The recession was a key cause of a sharp rise in unemployment from 4.3% in 2015 to 7% in 2016.\(^{22}\) In North Africa, economic growth slowed from 4% in 2015 to 3.4% in 2016, although it did pick up marginally in 2017 to 3.6%. This creates a concerning picture for the labour market on the continent, suggesting that Africa’s economies are not growing fast enough to allow labour absorption of its existing working-age population, let alone new entrants into the labour market. Indeed, while between 10 and 12 million youth on the continent enter the labour market annually, only 3.1 million jobs are created.\(^{23}\)

**ENTREPRENEURSHIP AS A MEANS OF TACKLING UNEMPLOYMENT**

With a low absorption rate of new entrants into the labour market and an already high unemployment rate, youth are having to look at other avenues for employment opportunities. Amongst possible macro-economic solutions such as implementing policies that promote foreign direct investment, developing upskilling programmes, and deepening trading relationships with other countries,\(^{24}\) entrepreneurship as a career comes to the fore as a viable way to alleviate unemployment.

New enterprises have shown potential for significant job creation in the Organisation for Economic Co-operation and Development (OECD) area. The graph below shows the number of jobs created in OECD countries by employer enterprise births for 2016 or the latest available year. The service sector is the largest source of employment created by enterprise births in the OECD area. The figures indicate that new enterprises are highly likely to create at least two new jobs, with the average number of jobs created increasing to 5.3 in Hungary and 6.6 in Turkey. This suggests that new businesses are a valuable means of employment creation.

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\(^{20}\) The labour absorption rate refers to the proportion of working age (15 – 64 years old) population that is employed
Most entrepreneurs set up micro, small, and medium-sized enterprises (SMEs). SMEs play a significant role in driving economic growth. For example, in the OECD area, they are a relatively reliable source for most new jobs. SMEs account for 60% of total employment in the manufacturing sector and 75% in the services sector. In emerging economies, SMEs contribute to as much as 45% of total employment.

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26 According to the OECD, SMEs are defined as non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across national statistical systems. The most frequent upper limit is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most ten, or in some cases five, workers.

In the United Kingdom (UK), 5.5 million (95%) of businesses were micro-SMEs that employed up to nine people in 2017.28 SMEs accounted for 60% of employment (16.3 million people). The combined annual turnover for SMEs in the UK in 2018 was £2.0 trillion, or 52% of all private sector turnover.29 Not only are SMEs common in the UK, starting one is viewed as preferable to being an employee; a report on the state of small businesses in Britain (2018) notes that when asked about their personal ambitions, SME owners prioritised ‘freedom’ and ‘flexibility’ in their jobs – a finding that is consistent with other research on self-employment and entrepreneurship, which emphasises both the financial and non-financial benefits of working for yourself.30 Looking at entrepreneurship more broadly, a professor at Aston University examined the top 2,000 businesses set up in the UK in 1998 and their progression. He found that they employed a total of 110,000 people with £16bn of sales and that on average each business employed 55 people.31

In India, there are an estimated 42.5 million registered and unregistered SMEs, which comprise 95% of the country’s industrial units. These enterprises employ a staggering 106 million people, 40% of the working age population, and contribute an estimated 6.1% of India’s manufacturing GDP and 24.6% of service sector GDP.32 India also has a high job creation expectation rate, where 9.52% of individuals who are involved in entrepreneurial careers expect to create six or more jobs within five years.33 SMEs are able to fuel economic growth by creating new jobs, expanding the tax base, and promoting innovation and competition. As Katua (2014) explains:  

*There is a high correlation between the degree of poverty, hunger, unemployment, economic well-being/standard of living of the citizens of countries and the degree of vibrancy of the respective country’s SMEs. In most economies, SMEs occupy the greatest proportion of enterprises. The SMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.*34

SMEs in Ghana employ 82% of the working population. Out of the employment that SMEs in Ghana offer, about 81% is permanent.35 In Malawi, 41% of businesses create employment for the population (totalling 1 million people). Of those businesses, the large majority are micro enterprises (81%) employing 1 to 4 people, while small businesses (employing 5 to 20 employees) account for 17%. In total, SMEs employ 66% of the paid labour force.36

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Statistics from Kenya’s 2016 Survey on SMEs found that there were about 1.56 million licensed SMEs and 5.85 million unlicensed SMEs in the country. Findings indicated that, on average, each SME engaged 1.4 persons at inception (rising to 1.6 persons at peak times), suggesting that for each entrepreneur, an additional job is created in the Kenyan labour force.

The potential for job creation that entrepreneurship provides has also been seen in parts of North Africa. For example, more than 15% of Tunisia’s population is between the ages of 15 and 24 and a lack of jobs was one of the key factors that created the conditions for the January 2011 uprising in Tunisia that launched the ‘Arab Spring’. The Tunisian economy relies on the agriculture, tourism, mining, energy, and manufacturing sectors. These sectors have, in the past, lacked investment in technological innovation and new businesses. However, Tunisia has been working towards overcoming youth unemployment by creating new businesses and projects that allow individuals or companies to innovate and produce both within and outside of these sectors, therefore contributing to the national economy by diversifying sectors and industries. Career entrepreneurs who start these businesses create employment opportunities for themselves as well as for those they hire to implement their projects. Statistics indicate that in Tunisia, micro-start-ups created 92% of private sector jobs between 1996 and 2010.37

In South Africa, the inaugural 2018 Finfind report estimates that formal SMEs employ between 2 and 3 million full time employees, with medium-sized enterprises generating 39% of the jobs. An analysis on job figures found that new businesses created 28% of all jobs in the past four years, with 86% of those jobs being created by fast growing businesses. These trends mirror global research findings, highlighting the influence of young and high growth firms in creating new jobs.38

On average, South African entrepreneurs employ between two and four people. Although fewer employees, less overhead, and less infrastructure could act as a disadvantage in comparison to the greater influence of large companies, small businesses have the benefit of being flexible enough to adjust to changing market conditions much more easily than large businesses.39 This gives them a competitive advantage in times of economic instability.

Studies have found that long-term economic growth and prosperity require participation from new entrepreneurs and a large body of literature indicates that over the past two decades, SMEs started by entrepreneurs have been key in driving employment and, by extension, economic prosperity.40 41 A Middle East and North African (MENA) report by the World Bank notes that SMEs have often been considered the main source of employment growth, which explains the large volumes of access-to-

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finance support programmes focused on small firms in developing countries in the past. The evidence for MENA countries highlights the critical role of firm age; i.e., young firms are the engine of job creation. Thus, encouraging the creation of new businesses in MENA is thought to be a key element of job creation.

However, the entrepreneurial environment remains challenging to navigate, with several entrepreneurs noting that they do not know how to access available support. According to Seed Academy, some of the key challenges that entrepreneurs face include: an inability to raise funds; finding customers; performing too many functions in the business; and a lack of guidance.

Despite these challenges, entrepreneurship is an important source of employment and economic growth. Moreover, entrepreneurship becomes increasingly significant in contexts where traditional jobs are being taken over by new labour arrangements, innovative business models are being developed, and there are new ways of doing business.

**THE CASE FOR INVESTING IN YOUNG ENTREPRENEURS**

Entrepreneurship lies at the nexus of youth unemployment and opportunities for job creation. Governments in sub-Saharan African countries, which are unable to underwrite labour markets in which there is regular or secure employment in the formal sector, are advocating for entrepreneurship education and career entrepreneurship to address youth employment problems. Francis Chigunta argues that, while optimism around the entry of youth into entrepreneurship may be justified, the desired effect with regard to reducing unemployment is complex. He goes on to note that entrepreneurship seems to provide a way out of poverty and prevention of severe poverty for some young people. He adds:

> Unlike the majority of nonentrepreneurial youth (that is, those not involved in running a business venture), some entrepreneurial youth, especially older ones, can develop sustained economic activities and can, it seems, pursue independent livelihoods. However, the majority of youth face a complex of issues and challenges in starting and running viable businesses which makes it difficult for them to pursue successful livelihoods.

Data about entrepreneurs indicates that older career entrepreneurs generally start a larger number of companies and that, in particular, more of their companies are high-growth and have a higher chance of surviving. However, when looking at the types of businesses that younger career entrepreneurs tend to launch, the data shows that these businesses make a greater impact when they succeed and leave less of a mark if they fail. This points to the idea that, given the opportunity and the right resources, young entrepreneurs are worthy of investment – they are more resilient in weathering failures in that they have more time to recover and they make a greater impact through their successes. In addition, if it holds true that older entrepreneurs start more high-growth

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companies, young entrepreneurs would presumably follow the same trajectory once they become older and would have the added benefit of creating impactful businesses.

Research also suggests that young people’s inexperience is their greatest asset – they are less likely to be discouraged from trying new solutions for fear that they will not work and are more likely to enter an industry asking questions where others have previously relied on unquestioned assumptions. Unburdened by these assumptions, they are able to create new ways of looking at problems and possible solutions, allowing them to be more innovative. Examples of innovation by young entrepreneurs on the African continent alone are numerous, including people like Jean Bosco Nseyimana who founded Habona Ltd, which provides integrated waste management services and processes the waste into affordable and environmentally friendly fuels such as biogas and biomass briquettes.

The story of Nseyimana suggests that entrepreneurs play an important role in responding to the needs of communities. Literature indicates that what sets young people apart from previous generations is their propensity for ‘social entrepreneurship’ – they first and foremost want to run businesses that tackle social and economic challenges in different areas of society such as health, housing, nutrition, education, gender issues, and empowerment. As the OECD notes:

> Across countries, new and small businesses are often a driving force of innovation and knowledge diffusion, respond to new or niched demands and social needs, and contribute to the empowerment and inclusion of marginalised groups.

A disadvantage that one might argue young entrepreneurs face is a lack of resources in comparison to their older counterparts. In a study on triggers and impediments of youth entrepreneurship, Hulsink and Koek (2014) found that, whilst entrepreneurs under the age of 25 lacked human, social, and financial capital, they compensated for the effects of this by using bootstrapping and effectuation mechanisms to handle financial constraints. The study also found that youth entrepreneurs are able to gather seed money and support from their social circles such as parents and friends. This resourcefulness is a useful quality to have in an entrepreneur as it increases chances of success.

Social capital investment appears to be central to the success of young entrepreneurs. A study on youth entrepreneurship in South Africa found that higher levels of human and social capital investment led to higher levels of performance in youth-owned enterprises. Ultimately, the research concluded that higher levels of entrepreneurial capital had a positive relationship with the

51 The technique of starting with existing resources to create something more effective.
performance of youth-owned enterprises. The above suggests that human and social capital drive performance of these enterprises.53

Scientific research indicates that early entrepreneurship education influences an individual’s career choice as well as increases the chances of that individual pursuing further entrepreneurship training later in life, and also influences their entrepreneurial intentions. Research also shows that early entrepreneurship exposure can cultivate a lifelong entrepreneurial attitude to work even if the career that the individual pursues is not that of an entrepreneur.54 Other studies have confirmed that there is a strong correlation between entrepreneurial intentions and an individual’s perceptions of entrepreneurship and its viability as a career path. These appear to be conditioned by early proficiency and understanding of entrepreneurship, which suggests that early exposure to appropriate training may be critical in developing entrepreneurs.55

Young entrepreneurs have also demonstrated other favourable outcomes. A study by the Hong Kong and Shanghai Banking Corporation (HSBC), found that millennial entrepreneurs are running businesses with a turnover that is 141% higher than businesses run by older entrepreneurs, while 69% of millennial entrepreneurs noted that one of the factors that pushed them into starting a business was that they wanted to have a positive socio-economic impact. HSBC also found that the highest numbers of millennial entrepreneurs are in the Middle East (63%), Mainland China (44%), and Hong Kong (44%) and that, importantly, millennials’ main ventures employ over twice as many staff as their counterparts who are over 35 years old.56

The case for investing in entrepreneurs is well-founded. Ernst and Young’s (EY’s) report on global job creation and youth entrepreneurship notes that entrepreneurs play a pivotal role in expanding their workforce and are therefore directly alleviating unemployment. EY references another report of theirs, Capital Confidence Barometer (2015), which looks at job creation in large public and private companies across 54 countries and shows that just 29% of 1,600 senior executives who were surveyed expected to create jobs or hire in the next year. In comparison to this, entrepreneurs who expected to add talent to their workforce anticipated an average increase to employee numbers of 17%. Chinese entrepreneurs were most confident about their workforce growth, 67% of whom expected to add employees in the next year. This was followed by Sub-Saharan African entrepreneurs (61%) and those in India (54%).57 Perhaps these figures are to be expected – inequalities between developed and emerging countries are shrinking and many emerging countries can capitalize on their rapidly growing middle classes. With emerging markets coming to the fore,

talented employees will be in great demand in a workforce that requires diversity to secure competitive advantage. And with entrepreneurs exhibiting a trend of creating employment, it would follow that the younger an entrepreneur is when starting their career, the greater the opportunity there is for that entrepreneur to absorb labour over a longer period.

Take Leila Velez for example. Velez grew up in the favelas of Rio de Janeiro. Working at McDonald’s in Rio from the age of 15, she learned important lessons about division of labour, standardization, and quality control. By the age of 19, Velez took those lessons and applied them to her own business – a hair salon for women with curly hair that ‘felt like a day spa but was run like an assembly line— with a few adjustments.’ Over time, the business grew from its single location in Rio to a national company with more than 3,000 employees. Velez explains:

There’s a good aspect to it, but I want my co-workers to build a career with us. When they stay, they know they have a very good chance to start a fantastic career.

Today, the company serves 130,000 clients a month in Beleza Natural salons and produces annual revenue of about U$94 million. The company currently has 31 institutes in five different states in Brazil. Velez’s story is one of many that show the value in investing in entrepreneurial talent young.

Young people all over the world are showing increasing interest in wanting to start their own businesses. With data suggesting that entrepreneurship is a useful mechanism to curb unemployment and that young entrepreneurs tend to employ a greater number of people and are more likely to start socially-responsive enterprises, one can certainly see the benefits of investing in entrepreneurs as young as possible. With this in mind, the following section describes three possible scenarios for the future of employment and economic growth in Africa.

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PART TWO: EXPLORING THREE SCENARIOS FOR THE FUTURE OF EMPLOYMENT IN AFRICA

The desktop research provided evidence of entrepreneurship as a valuable means of creating employment and economic growth on the continent. Drawing from the desktop research and workshop engagements, this section provides a conceptual exploration of three scenarios. Each scenario informs a different outcome for employment and economic growth in Africa.

The scenarios under consideration are as follows:

- **Scenario One: The Status Quo** – Continuing on the current trajectory without major interventions. This includes focusing on the mainstream economy and incumbent businesses/government to provide jobs.

- **Scenario Two: Leveraging Entrepreneurship Experience** – Investment in entrepreneurs of all ages, with a focus on older entrepreneurs,\(^{62}\) including those who are already active.

- **Scenario Three: The Anzisha Scenario** – Investment in entrepreneurs of all ages with a focus on VYEs\(^{63}\), which includes providing them with the skills and knowledge to start their own ventures.

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**The Difference Between Entrepreneurial Skills and Entrepreneurship Experience**

Entrepreneurial skills combine a range of technical, management, and personal skills. They are developed through practical experience and/or entrepreneurial activities. For example, Emery is strong at mathematics and studies computer science at university. Once he graduates, he becomes a software developer and starts earning a salary from the company he works for. He develops skills and experience within the technology sector and as a result, picks up some entrepreneurial skills. However, Emery does not experience building a business; and therefore would likely be daunted by the prospect.

Entrepreneurship experience refers to practical contact with setting up and sustaining a business, as well as observation of the various elements therein. For example, Khumo is also strong at mathematics and studies the same computer science degree as Emery. She is passionate about music production and decides to start a small music label, for which she codes her own e-commerce platform. Her chosen career path means that she needs to learn how to sell a product, deal with legal issues, complete administrative tasks and ensure that her business is tax compliant. Through these processes, she gains entrepreneurship experience and entrepreneurial skills.

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This section explores each scenario with three timeframes in mind – the present, 2035, and 2050.

**SCENARIO ONE: THE STATUS QUO**

*Scenario One: The Status Quo* sees incremental improvements in economic, political, and social conditions in Africa without any significant interventions or changes.

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\(^{62}\) For these purposes, the term ‘older entrepreneurs’ is used to differentiate from the VYEs. Older entrepreneurs refers to entrepreneurs who are over the age of 35

\(^{63}\) Entrepreneurs aged 15-22
Governments and incumbent businesses will be at the forefront of driving activity in the economy, including growth in infrastructure, technology, education, and healthcare. Assuming that employment growth continues on the same trajectory as it is currently, without any major interventions to shift it, the trendline will remain positive – economic growth will enable more individuals to find employment. As economic conditions become more favourable on the continent, more people will move into urban centres and become integrated into the formal economy and labour market.

Sustained economic activity will increase demand for goods and services. Higher demand for goods and services will drive employment and education. This will increase the hiring capacity of firms and the quality of education will improve, making individuals more employable. This cycle will continue, gradually reducing unemployment over time. Policy interventions and regulatory measures will progressively adjust to market-led growth. Technological advancements such as Artificial Intelligence (AI) will, at first, have a negative effect on the labour market as certain jobs will become redundant. However, over time, new jobs will be created that will integrate human and AI working arrangements. As more people are educated to perform highly skilled jobs, the employable workforce will become increasingly skilled overall.

Over time, AI will be fully integrated into society and humans will have adjusted to changes in labour market demands. There will be more highly skilled individuals, but youth unemployment will remain prevalent as economies will fail to grow fast enough to absorb the increasing labour force.

In summary, continuing on the current trajectory will see a gradual positive influence on employment, but will not have a significant enough impact to absorb unemployed youth in the foreseeable future.

**SCENARIO TWO: LEVERAGING ENTREPRENEURSHIP EXPERIENCE**

*Scenario Two: Leveraging Entrepreneurial Experience* proposes accelerating employment through economic growth, higher levels of education, and investment in entrepreneurs, with a focus on older individuals who have already gained entrepreneurship experience.

If organizations and institutions want to be more purposeful about tackling unemployment, they need to make a concerted effort to develop entrepreneurial talent on the continent. As desktop research suggests, entrepreneurs are key drivers of job creation and economic growth from OECD countries to North Africa and beyond.

Entrepreneurship is a key mechanism for reducing unemployment, as entrepreneurs create employment opportunities through enterprise growth. Several courses of action could be taken to promote entrepreneurial activity amongst older entrepreneurs:

1. Make it easier to start a business: Governments could formulate effective policy that encourages entrepreneurial activity, ensuring that these policies are broadly focused across all sectors.
2. Encourage a culture of entrepreneurship and treat failure constructively e.g. Allow the proliferation of mentoring and incubation hubs.
3. Make more venture capital available for business startups: Understand different types of entrepreneurs and their needs. Provide easier access to business loans and encourage the use of alternative funding options like crowd-funding.
4. Make business-oriented education more accessible: Promote the use of online courses and local colleges for entrepreneurs to become financially literate and entrepreneurially proficient.

5. Celebrate entrepreneurship as a means to an end and an end in itself: Promote entrepreneurship as a mechanism of generating an income, but also as a means of driving progress, economic growth, and creating an excellent product or service.

New businesses will contribute to the economy through taxation, increased trade, and innovation. Entrepreneurs will spend money buying the local products, services and raw materials they need to run their own operations, thus boosting the economy. The greater the number of successful businesses created, the more governments can cut taxes and create better conditions for more businesses to thrive, which stimulates a cycle of business innovation and growth.

Greater entrepreneurial activity offers opportunities to reduce unemployment levels. Research suggests that older entrepreneurs find their way to business success faster, because they have a higher chance of creating sustainable businesses with steady cashflow in shorter periods. This means that they are also able to start employing other individuals sooner. Furthermore, older career entrepreneurs generally start a larger number of businesses and more of their companies have a higher chance of surviving.\textsuperscript{64} Considering this business success, older entrepreneurs may have a greater appetite to invest in new ventures. They will also be able to harness technological advancements to capitalize on burgeoning markets.

However, employment-led growth with a focus on older entrepreneurs will be limited by various factors. First, older entrepreneurs, particularly those who have not seen considerable success, will be less inclined to launch new ventures later in their business careers as they become increasingly risk averse and less energized. Second, the likelihood that an older entrepreneur will start a business that becomes an outlier is substantially reduced. ‘Outliers’ refer to exceptional cases that deviate from the average performance of most businesses – the three or four businesses out of, say, 10,000 that employ as many, if not more, individuals than the others combined. It takes time for businesses to scale and mature – we estimate 10-15 years – and older entrepreneurs are less likely to take businesses to that kind of scale so late in their careers. Third, older entrepreneurs will be more likely to end a career in business as a consequence of failure, taking them out of the entrepreneurship arena altogether in favour of a less risky income-generating activity.

Scenario Two will have a greater positive impact on employment than Scenario One. However, growth is limited by entrepreneurial activity driven by older individuals as they become increasingly risk averse.

**SCENARIO THREE: THE ANZISHA SCENARIO**

*Scenario Three: The Anzisha Scenario* proposes accelerating employment through economic growth, higher levels of education, and investment in entrepreneurs of all ages, but with a focus on VYE{s}.\textsuperscript{64}

VYE{s} are the most frequently neglected category of entrepreneur, as investing in older entrepreneurs is less risky and yields faster results. In comparison, VYE{s}’ career trajectory begins

slowly as they learn to build businesses, but it accelerates as they benefit from more opportunities over a longer time horizon. Their career longevity is a crucial factor in increasing employment and business success over the long term.

Focusing investment on VYEs assumes making provision for a longer-term strategy, but one that will yield a greater impact on youth unemployment on the continent. VYEs are more likely to face more obstacles initially as they gain entrepreneurship experience and skills. They may experience more business failures, take longer to employ other individuals, and struggle to source capital to fund their businesses because of their inexperience. When they hire people, they are more likely to grapple with directing them due to a lack of management experience. Furthermore, VYEs will lack a brand image because they have not had enough time to cultivate credibility in the market and they will likely battle age stereotypes. These challenges will, however, provide foundational skills for their future success.

VYEs will need to pay attention to their education. All initiatives mentioned in Scenario Two to promote entrepreneurial activity will be necessary here: making it easier to: start a business; cultivating a culture of entrepreneurship; celebrating entrepreneurship as a means to an end and an end in itself; making more venture capital available for business start-ups; and making business-oriented education more accessible. However, whereas the focus on older entrepreneurs would be building on existing knowledge, experience and skill-sets, the focus for VYEs is on building entrepreneurship experience and skills from scratch.

Various stakeholders will play significant roles in VYEs' growth. First, as research shows, social capital investment is crucial to the success of VYEs. Parents, teachers and other champions will play a vital role in nurturing young entrepreneurial talent as well as cultivating an entrepreneurial mindset. They will need to provide the support structure for VYEs to explore and, most importantly, to make mistakes. Second, investors will need to consider how they will integrate support mechanisms in addition to financial support. Angel investors – successful, wealthy entrepreneurs who provide critical early-stage support for new businesses – have a particularly important role to play in this regard. Angel investors will be able to fulfil a mentorship function for VYEs, providing much-needed guidance in creating and sustaining a successful business. Third, policy makers will both need to focus on facilitating entry into entrepreneurship and making it easier to start a business and to support VYEs and their entrepreneurial ventures to give them the best chance possible of success. This includes reducing barriers to entry, such as reforming legislation that requires an individual to be 18 or over to register a company.

It should be expected that, due to the aforementioned factors, VYEs will fail more frequently earlier in their careers. However, each business a VYE starts is expected to employ a few individuals at a time. Those individuals will gain skills through exposure to business management, which in turn, increases the quality of the labour force. Although the long-term net effect on employment may be muted at the beginning of the VYEs' career, there will be a faster impact on skills development for both the VYEs and their employees.

Research suggests that young entrepreneurs are more receptive to starting businesses using new technologies. Technology businesses typically face fewer barriers to growth and can therefore scale faster and more effectively. VYE are also likely to be more adaptable to social and economic changes and to challenging the status quo. It is expected that they would enter an industry asking questions where others have previously relied on unquestioned assumptions, meaning that they can tailor their businesses to suit fast-changing contexts and demands.

Entrepreneurial experience, mentorship, and failure and success in their early years will enable VYE to grow a greater number of successful businesses over time. When VYE eventually reach the point where they can scale their businesses dramatically, they are more likely to have the energy and enthusiasm to drive the business forward. At that point, they are in an ideal position to create employment outliers and thereby create businesses that have a disproportionate effect on unemployment.

In summary, Scenario Three will have a greater positive impact on employment and skills development than Scenarios One and Two over time. Investing in entrepreneurs of all ages, but with a focus on VYE, creates a longer time horizon. Although VYE lack entrepreneurial experience, skills and knowledge in the beginning, they have more business opportunities to impact employment over a longer period.

Having examined the three scenarios, Anzisha decided to pursue the third as it was seen to be the one that would derive the most impactful solution with regard to facilitating employment in Africa. The following section examines the Anzisha Scenario in greater detail.

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66 See www.rain.co.za
PART THREE: OPERATIONALIZING THE ANZISHA SCENARIO

Part Three of this document concentrates on the final scenario presented in Part Two – the Anzisha Scenario – which proposes accelerating employment through economic growth, higher levels of education, and investment in entrepreneurs of all ages, but with a focus on VYEs. It will explore what actions and support are required by all key stakeholders around VYEs to realize the vision of the Anzisha Scenario. Building consensus on this Call to Action will constitute the core of a yearlong consultation process with stakeholders across the continent. Consequently, for now, Part Three maps out the key areas of in which action and support are required, drawing on discussions from the second Anzisha Scenarios Workshop held at ALA on 15 March 2019 (see the Workshop Report for a more detailed description) and sets up a discussion agenda to inform further consultation with key stakeholders across Africa.

FOCUS AREAS FOR REALIZING THE ANZISHA SCENARIO

Bringing the Anzisha Scenario to fruition will require concerted efforts in several areas. The framework below (Figure 3) shows the barriers, drivers, opportunities, and expected outcomes across six areas that will need to be addressed to realize the Anzisha Scenario. Each area came to light during a workshop engagement (See Workshop Report). The six areas are also mapped out in the Workshop Report, first in a table followed by a more detailed narrative. A brief explanation of each can be found below.

Figure 3 Framework for Operationalizing the Anzisha Scenario

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<thead>
<tr>
<th>Barriers</th>
<th>Drivers</th>
<th>Opportunities</th>
<th>Expected Outcome</th>
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<td>Finance and Market</td>
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<td>Approaches to Knowledge</td>
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<td>Legal, Regulatory and Governance Mechanisms</td>
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One of the key themes that arose from workshop discussions around the Anzisha Scenario was Finance and Market factors, which includes access to funding, market incentives, including tax breaks, and financial planning and management. Research shows that financial factors are a primary concern at all stages of business development as businesses need capital and cash flow to grow. VYEs will increase the probability of business success by learning how to invest money intelligently and taking advantage of business incentives and funding opportunities.

Education is a core vehicle for the Anzisha Scenario because it ties in with all other areas in the framework and forms a chief component of Anzisha’s activities. It refers to practices and measures in place for systematic knowledge accumulation and use. VYE should be able to take advantage of several high-quality formal and informal educational opportunities, including entrepreneurship education. Educated VYE will have a greater appetite for innovation and will have a larger knowledge- and skills-base to tackle entrepreneurship systematically.

Infrastructure encompasses public structures and facilities that communities and individuals require to function within society, including transportation, electricity, and information and communication technology (ICT). Infrastructure is a necessary condition to foster sustainable socio-economic development. Better communication channels, more reliable transport and consistent access to electricity will allow VYE to create reliable business plans and use this infrastructure to their advantage.

Social considerations refer to support mechanisms for VYE as well as opportunities for peer-to-peer learning. Due to their age and lack of experience, VYE rely heavily on support from experienced individuals in their inner circles, and from those with more diverse skill-sets.

The Anzisha Scenario will also depend on developing innovative approaches to knowledge. ‘Brain drain’ and a failure to transform knowledge into practice are just some of the issues that the continent faces. Knowledge forms the bedrock of entrepreneurial success and can empower VYE. Approaching knowledge-sharing efficiently might result in the establishment of international networks, as well as solutions to problems at the community and individual levels.

‘Legal, Regulatory, and Governance Mechanisms’ refer to a set of principles employed to control and manage activities within a given context. These three elements are responsible for protecting individuals (including entrepreneurs) and organizations, ensuring that systems function efficiently and maintaining a level playing field. Reaching the Anzisha Scenario depends, crucially, on the state and other institutions developing and implementing legislation and regulations that support VYE and their ventures.

STAKEHOLDERS

To realize the Anzisha Scenario, various stakeholders on the continent will need to ensure that they work collectively towards a shared vision of promoting youth entrepreneurship as a means of curbing unemployment. Governments and policy makers can exert significant influence by implementing policies, regulations and governance mechanisms that are transparent and hold institutions and individuals accountable. Policies and regulations should focus on facilitating entry into entrepreneurship as a career. They should also ensure that starting and sustaining businesses is straightforward and both personally and financially rewarding. Governments can also support VYE by creating incentives to start businesses and investing in infrastructure.

Parents and teachers can provide guidance to VYE by encouraging divergent thinking, creating a safe space for youth to ask questions and exploring ideas (even if they fail). Both parents and teachers can play an important role in teaching VYE financial literacy skills from a very early age.

Investors would need to integrate additional support mechanisms including mentoring and targeted skills development for VYE. This should significantly increase the chances of their businesses reaching success and scaling.

NGOs and development agencies can assist youth in entrepreneurship skills development, as well as providing financial support through mechanisms such as microfinance programmes.

Below are questions to stimulate discussion on how stakeholders can assist in bringing the Anzisha Scenario to fruition.

DISCUSSION QUESTIONS

1. What processes can investors implement to ensure that both they and VYE benefit from the relationship and create successful business models?

2. Given that more than half of start-ups fail in the first five years, how might all stakeholders work together more effectively to assist VYE? What specific actions should each group of stakeholders take across each thematic area outlined above?

3. How can stakeholders assist in identifying entrepreneurial talent early on – in both advantaged and disadvantaged contexts? How might stakeholders work together to ensure that once entrepreneurial talent is identified, prospective VYE have the necessary support to pursue their ideas?

4. What is missing from school curricula that would provide a solid foundation to equip VYEs with the necessary skills and knowledge for a career as an entrepreneur?

5. How can parents and teachers invest in VYEs? What support mechanisms need to be in place for parents and teachers to be able to do so?

6. Modern developments such as the proliferation of ICT and e-learning are changing the roles of government and other stakeholders in education. How can these stakeholders reorient themselves with a view to providing education that is relevant to VYE?

7. What infrastructure requirements will African countries need to address to pave the way for VYE to create sustainable businesses? How can each group of stakeholders contribute to developing this infrastructure?

8. Within the context of the Fourth Industrial Revolution and calls for the decolonization of knowledge, how can each group of stakeholders contribute to creating a reliable knowledge economy on the continent that will support VYE from diverse backgrounds – considering the challenges surrounding knowledge, including ‘brain drain’, access to knowledge, and historical issues surrounding intellectual minorities controlling the status quo.

9. What existing policies and governance instruments (in Africa) contain desirable elements that support VYE? What policies and governance instruments (on a country-by-country basis) would need to be amended?

10. How does the regulatory environment (in your country) protect VYE? What additional regulations are desirable to support VYE’s success?

11. How feasible would it be to create an entrepreneurship bank to fund VYE? What are some of the obstacles in establishing an entrepreneurship bank? How might one overcome these obstacles?

12. How can we create a narrative that celebrates VYE and promotes entrepreneurship?