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# Youth Entrepreneurship in Sub-Saharan Africa: Trends and Policy Recommendations

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## Executive summary

*Despite many countries in Sub-Saharan Africa having experienced rapid economic growth in recent years, this growth has not translated into adequate employment generation for a growing youth population. Youth unemployment has emerged as one of the continent's biggest challenges with young people increasingly being encouraged to create their own jobs through entrepreneurship. Drawing on a four year research project in Ghana, Uganda and Zambia, this policy brief shows how although young people are highly entrepreneurial, their businesses are unlikely to expand and many fail. Youth entrepreneurship programmes need to move away from an almost exclusive focus on providing start-up capital to also cater to the short-term financial challenges of existing entrepreneurs. Given the concentration of young people in certain sectors of the economy characterised by fierce competition, sector-specific programmes should be developed that support young entrepreneurs to sustain their businesses, assisting them to become more innovative as well as to enter other sectors of the economy.*

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## Project design and methodology

This brief is the outcome of the research project entitled 'Youth and Employment: the Role of Entrepreneurship in African Economies' (YEMP), funded by Danida's research council (FFU), which explored youth entrepreneurship in Ghana, Uganda and Zambia. An interdisciplinary team of 20 researchers from geography, business studies and development studies worked collaboratively conducting both quantitative and qualitative research. The project examined entrepreneurship at the national level, in both urban and rural areas, and in specific sectors. It also explored how entrepreneurship is affected by factors such as education, social capital and finance, and mapped key policies and interventions in the area of youth entrepreneurship.

An important aspect of the quantitative data collection was participating in the Global Entrepreneurship Monitor (GEM) survey. GEM is the largest survey of entrepreneurial activity

in the world. A common methodology is adopted by all GEM participating countries including a survey of entrepreneurial behaviour and attitudes towards entrepreneurship among the general population based on interviews with at least 2,000 randomly selected individuals. Participating in GEM generates quantitative data on levels of entrepreneurship at the national level including detailed information on youth entrepreneurs.

In order to generate a more in-depth understanding of youth entrepreneurship, a series of studies were undertaken by the YEMP team. Within each country, urban and rural areas were selected for detailed case studies along with certain sectors of the economy. Most of these studies entailed collecting both quantitative and qualitative data, some of which used participatory methodologies.

While youth and entrepreneurship are highly complex, multifaceted and debated concepts, in

line with most definitions of youth in a sub-Saharan African context, we refer to youth as 18-35 year olds and consider an entrepreneur to be coincident with owning and managing a business including any self-employment or trade activity.

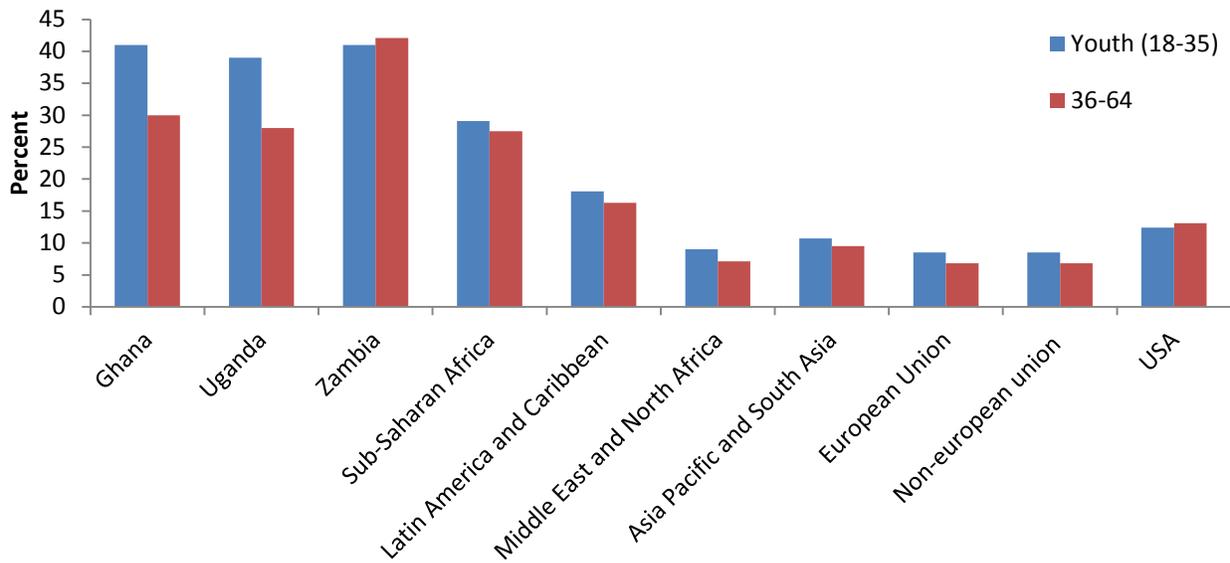
**High levels of entrepreneurship for both young men and women**

The GEM data shows that young people in Ghana, Uganda, and Zambia are highly entrepreneurial with around 4 out of 10 being involved in early stage business activity. These levels are slightly higher than the adult population in both Ghana and Uganda and much higher than their youth counterparts in other regions of the world (see Figure 1).

for male youth, in Ghana, exceptionally the rate of female youth entrepreneurship exceeds that of male youth.

**Positive attitudes to entrepreneurship**

Consistent with the high levels of entrepreneurship, young people in Ghana, Uganda and Zambia generally have very positive attitudes towards self-employment. They exhibit relatively high confidence in their own abilities to start businesses and they perceive the opportunities for entrepreneurship to be favourable. In Uganda, for example, almost 8 out of 10 young people perceive good opportunities for starting a business within the next 6 months. About three-quarters of Ugandan youth who were not already operating a business stated that they intended to start a



**Figure 1:** *Entrepreneurship rates in Zambia, Ghana and Uganda compared to regional averages. (GEM 2012 data)*

Noticeably all three countries have very high rates of female entrepreneurship - much higher than the global norm. While in Uganda and Zambia the rates for female youth entrepreneurship are only slightly lower than

business in the near future. Furthermore, 88 percent believed that they had the required knowledge to start a business. Notably, 90 percent of all young people stated that they would prefer to be entrepreneurs in the future while only 6 percent expressed a preference to be employed by others.

This indicates that for the majority of young Ugandans, Ghanaians and Zambians, starting a

business is perceived to be an attractive employment avenue. This optimistic assessment of entrepreneurship by African youth is due to the lack of and poor conditions of wage employment, perceived fertile opportunities for entrepreneurship, and socio-economic and cultural environments that encourage business start-up.

### **Vulnerability and limits to growth**

Young people's entrepreneurship activities, however, are vulnerable with a high number of businesses failing and few of them growing. On average one in five young people had discontinued a business within the last 12 months. The most common reasons for closing a business cited by the young people were lack of profitability and problems of getting finance. Young people's business activities are concentrated in a limited number of vocations with the majority engaged in trading or providing similar services, hence they are characterised by cut-throat competition.

A key characteristic of youth entrepreneurship in all three countries is that businesses remain at the micro-level. The majority have no or only a few employees hence contribute little to job creation apart from self-employment. The young people also generally have low expectations for business growth. This highlights how although young people in Ghana, Uganda and Zambia are very active in starting up businesses, they face considerable challenges sustaining and expanding their ventures.



### **Policies and programmes supporting young entrepreneurs**

The three countries have all witnessed a mushrooming of entrepreneurship promotion initiatives in recent years initiated by governments, NGOs, private sector organizations and multilateral organizations. While the availability, aim, and scale of these schemes vary, youth entrepreneurship promotion in the three countries is characterized by a plethora of many different and largely uncoordinated schemes. There tends to be a rather narrow focus on promoting business start-ups through providing finance and to a lesser extent vocational training for unemployed youth in a limited number of occupations.

Strikingly few assessment or evaluation studies have been carried out on the impact and effectiveness of the many different schemes in reaching their aim of resolving the youth unemployment situation through entrepreneurship promotion. Moreover, as the schemes are limited in scope, few young people benefit.

### **Recommendations: holistic and coordinated initiatives**

A focus on financial support to business start-ups is too narrow since a considerable number of young people are already engaged in early-stage business activity. The major challenge facing young entrepreneurs is not so much starting businesses but rather sustaining and expanding them. As the high discontinuance rate of businesses set up by young people has been shown to be due to a lack of access to funds and the non-profitability of their ventures, it is imperative that interventions also cater to the short-term financial challenges of existing entrepreneurs. This requires innovation in how youth are provided with financial services.

Given the concentration of young people in certain sectors of the economy characterised by fierce competition, sector-specific programmes should be developed that support young entrepreneurs to sustain their businesses, assisting them to become more innovative as well as to enter other sectors of the economy. While education and training is included in some entrepreneurship programmes, there is also scope for strengthening this element taking into account the low educational background of the majority of young entrepreneurs.

More holistic approaches to entrepreneurship promotion are needed, which recognise the multiple factors that impact on young people's ability to start and grow viable businesses and which are sensitive to the differing needs of various segments of the population. It is important to acknowledge that young people are not a homogenous group of entrepreneurs

but that the incentives and barriers they experience are differentiated by gender, socio-economic status, business type and place etc. Entrepreneurship promotion schemes need to be tailor-made to match the particular economic, social and cultural situations of youth in different settings and the particular conditions of the target groups.

Given the multitude of uncoordinated initiatives to promote youth entrepreneurship, horizontal policy making and coordination mechanisms need to be adopted. At the governmental level this implies more collaboration between different ministries (such as education, finance, labour, youth, trade and industry). Better coordination is also key to linking macro-level national policies on entrepreneurship with initiatives instigated by other stakeholders at the micro-level.



### Further reading

- Gough, K.V. and Langevang, T. (eds) 2015 *Young Entrepreneurs in Sub-Saharan Africa*. London: Routledge.
- Gough, K.V., Langevang, T., and Owusu, G. 2013 (guest editors) Youth employment in a globalising world, special issue of *International Development Planning Review*, 35 (2).
- Gough, K.V., Langevang, T., and Namatovu, R. (2014) Researching entrepreneurship in low-income settlements: the strengths and challenges of participatory methods, *Environment and Urbanization* 26(1).
- Langevang, T., Gough, K.V., Yankson, P.W.K., Owusu, G. and Osei, R. (2015) Bounded entrepreneurial vitality: the mixed embeddedness of female entrepreneurship, *Economic Geography*
- Global Entrepreneurship Monitor (GEM) <http://www.gemconsortium.org/>