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POLICY BRIEF

LEVERAGING DIGITAL INNOVATION FOR INCLUSIVE YOUTH DEVELOPMENT

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EXECUTIVE SUMMARY

Digital technology supports the reduction of youth unemployment through different opportunity channels and promotes socioeconomic development. Africa's youth bulge and its unintended consequences such as unemployment can be mitigated by the opportunities digital innovation offers. Inadequate strategic partnerships, inadequate access to finance and infrastructure, and skill gaps are some of the key challenges that the continent battles with. Strategic partnerships are needed to support the dissemination of key digital technologies to boost job creation. Partnerships ensure that young people gain experience in the best institutions to harness their potential to build on their ideas. Areas where policy can create an enabling environment to support such ventures are benefits such as tax reductions, tax holidays, low interest and other incentives. Innovative finance mechanisms such as angel investing, crowdfunding and venture capital are ways that young people can obtain finance for their entrepreneurial activities. Young people must be equipped with a range of technological skills adaptable to their businesses and situations, have affordable access to connectivity and be sustained. To achieve the vision of the African Union Agenda 2063, stakeholders must work to ensure digital innovation tools are affordable and commercially available, and that there is the right infrastructure for easy uptake by young people to support development on the continent.

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1. INTRODUCTION

Digital technology is increasingly becoming a powerful tool that is integral for economic development. Africa's digital economy is projected to reach $180 billion by 2030 (Teevan & Shiferaw, 2022). Africa is fertile ground for governments to encourage the spread and deepen the use of digital technologies for economic development. There is evidence of over a decade of progress and growth in the uptake of digital innovations both in Africa and globally. Currently, the 4G network can be accessed by over 58 percent of the population, Africa's total inbound international internet bandwidth capacity has increased by more than 50 times, there are 480 million mobile money account users and the number of mobile cellular subscriptions has doubled. The continent currently has over 640 tech hubs, with the largest concentrations in South Africa, Nigeria, Egypt, Kenya, Morocco and Ghana. About 500 companies provide technology-enabled financial services (fintech) according to the African Union Commission (AUC) and the Organisation for Economic Co-operation and Development (OECD) Development Centre (2022). Young people, defined as aged between 15 and 35 by the African Youth Charter of the African Union (2006), form the majority of those who make daily use of digital innovations.

2. DIGITAL INNOVATION IN AFRICA'S DEVELOPMENT AGENDA

The emergence and growth of the digital economy supports the reduction of youth unemployment through different opportunity channels and promotes socioeconomic development. It also serves as a means for young people to leverage the development and sustainability of new and existing businesses across the continent, as a focus on the digital economy serves as a strategic move to support the vision of the African Union. This vision is to become an integrated and peaceful Africa, driven by its citizens and representing a dynamic force in the international arena, thus creating room for digital technology (African Union Commission (AUC), 2015). Furthermore, the sixth European Union - African Union Summit joint vision statement has a common ambition for the two continents. This provides and supports investment in energy, transport and digital infrastructure in Africa. This is aligned with the Priority Action Plan (PAP) II and a digital transformation that supports trusted connectivity through investment in infrastructure, and affordable and enhanced access to the digital and data economy. It will also help develop digital entrepreneurship and skills. The importance put on involvement by young people in the promotion of digital technology and businesses encompasses a developmental interface (e.g. social, economic and environmental factors) which contributes to good jobs, economic growth and achieving the Sustainable Development Goals (SDGs).

TROTRO TRACTOR LTD: A Pioneering African AgriTech

TROTRO Tractor Limited (TTL) is an agriculture technology company founded in Ghana by two young men in 2016. It changes the lives of smallholder farmers (SHFs) by providing platforms that make agricultural mechanisation services available, accessible and affordable. TTL uses low-end technology that makes tractor services readily available to farmers of any educational level on both feature phones and smart phones. With over 125,000 SHFs and 4,000 tractors in Ghana, Togo, Benin, Nigeria, Zimbabwe and Zambia, TTL is poised to power the new wave of agricultural mechanisation using existing communication technologies to ease access to machinery and bring efficiency in the distribution of machinery in order to reduce the impact of deficits.

2.1 The usefulness of digital innovations and their intersection with African young people and employment

Digital innovations are used in various sectors and areas by young people in their livelihoods. The areas which are key to driving job creation include health, entertainment, marketing and advertising, agriculture, transport and software development. However, for young people to be able to access, grow and scale up their businesses adequately, stronger engagement with digital and start-up ecosystems to enhance innovation and the viability of African digital platforms is needed. These are essential elements for young people to thrive in the dynamic digital economy. The International Telecommunications Union (ITU) estimates that 3.7 billion people, including 369 million young people, used the internet in 2019. This translates into more than half the world's population and 69% of young people aged between 15 and 24. In the least developed countries (LDCs) half the internet users are young people. About 38% of the total world's population of young people are active internet users. This points to the market potential for engagement of such young persons in the digital space as a means of employment. However, it also points to a challenge on the one hand and a huge opportunity on the other. Unfortunately, there is not enough support for educating and building the capacity of young people on the continent to bridge this gap. Almost 185 million young people, around 30 per cent of young women and 13 per cent of young men, accounting for 22.2 per cent of the total population of young people, are not in employment, education or training according to an estimate by the International Telecom Union (ITU) and UNESCO (2019). A further argument in the enormous untapped potential for economic development and achievement of the 2030 Agenda. However, it has been argued that young people are the group making good use of digital tools, as almost 69% of young people globally are connected to the internet, compared to just over half (51%) of the overall population, although it is expected that many more will be connected in future (Li et al., 2021).

3. THREE KEY CHALLENGES IDENTIFIED

Inadequate government engagement, interest and partnerships: Partnerships between relevant institutions are key to development. The governments of most African countries continue to preach entrepreneurship as the way for young people to be able to earn an income and create jobs for themselves and others. While this is laudable because of the youth bulge and the high unemployment rate, the commitment to engage and work at this is minimal. Some countries such as Ghana, Nigeria, Kenya, South Africa and Egypt have in place policies and enabling environments to support the entrepreneurial ecosystem, while other countries lag behind, causing a big gap in dealing with these challenges. National flagship programmes of the above governments include 'Youth in Entrepreneurship' and employment programmes. There are not enough partnerships to boost these programmes. Policy implementation for these programmes is not adequately pursued to bring about the necessary change on the ground in the long term, with changing governments and interests.

Inadequate access to finance: A key challenge is access to finance to support business operations and expansion. Many SMEs lack the collateral/security required for them to access loans from banks and other financial institutions (Gukurume, 2018). Young people struggle to find the necessary finance due to the nature of the demands these institutions make to qualify for a loan. These financial institutions associate start-ups with high levels of risk. Innovative finance mechanisms such as equity funding, crowdfunding, venture capital, angel investing and grants are too low or very limited for young people to take advantage of them to fund their initiatives. Across the continent, investment in ICT industries increased in 2020. Start-up funding increased by 44% in 2020, which is six times more than the global rate according to the African Union Commission (AUC) and the Organisation for Economic Co-Operation and Development (OECD) in 2022. In projections by Google and the International Finance Corporation (IFC), Africa's internet economy could reach 5.2% of the continent's GDP by 2025. The internet economy will increase to 8.5% of the total world economy by 2050, up from 4.5% in 2020 as estimated and with this potential, there is room for young entrepreneurs to compete in the growing market and explore the different funding mechanisms.

Infrastructure and skill gaps: While Covid-19 accelerated and changed the use of digital tools for business operations, there are still digital infrastructure and skills gaps, which exclude the majority of young people in Africa. Between 5% and 50% of the population have consistent access to the internet, compared to over 80% in Europe and North Africa (Karuitha, 2020). Countries such as Kenya, Senegal and Rwanda show interest and consistently engage in various forums on the internet, telecommunications and technology, but the collective interest and engagement are very limited (Calandro et al., 2013), thus limiting the attention needed to obtain the right infrastructure and skills. The digital technologies available are sometimes expensive to acquire and sustain, not user-friendly and commercially unavailable to young people, who are limited in their access to and use of such resources to boost business growth. Although SDG 9, which focuses on the development of industry, innovation and infrastructure, seeks to "significantly increase access to information and communications technology and strive to provide universal and affordable access to the internet in LDCs by 2020", progress has been slow so far with global internet user penetration at 51 per cent, with rates of 45 per cent in developing countries and 20 per cent in the least developed countries according to the International Telecom Union (ITU) and UNESCO (2019). Young people need to be equipped with a range of technological skills adaptable to their businesses and situations, have affordable access to connectivity and be able to sustain its use. These may result from a diversity of training, education and awareness creation. Finally, to be effective and impactful, there should also be strong mechanisms to track, monitor and evaluate such programmes and adjust them when necessary with specific timelines.

UNIBRAIN, a Strategic Partnership

A pan-African initiative of the African Union Commission (AUC), Universities Business and Research in Agricultural Innovation (UniBRAIN) was supported by the Danish Ministry of Foreign Affairs (Danida) to promote innovation by supporting the start-up, diversification and up-scaling of commercial ventures in sub-Saharan Africa. The UniBRAIN programme was developed and implemented by the Forum for Agricultural Research in Africa (FARA).

UniBRAIN links university education, research and business in sustainable agriculture. The programme has launched six agri-business innovation incubators in Ghana, Mali, Zambia, Uganda and Kenya. It provides support to graduates for training in entrepreneurial and business skills and advances graduate research-based knowledge that is relevant to the development of African agriculture and agri-business. The UniBRAIN initiative promotes innovation by improving the flow of technology and knowledge by removing barriers between actors in value chains.

4. PROPOSED INTERVENTIONS

Government engagement, interests and strategic partnerships: Policies to engage young people to curtail unemployment involve the government, the private sector and investment firms setting up different centres such as hubs, incubators, accelerators to support the build-up and growth of start-ups by young entrepreneurs. Each partner has a unique strength to offer in such a partnership. Good examples of such partnerships are BioInnovate Africa and UniBRAIN (Universities, Business and Research in Agricultural Innovation) (InfoDev, 2011). Governments are able to create an enabling environment for start-ups and existing businesses through policy formulation and implementation. Funding can sometimes be earmarked for such activities to facilitate the set-up and growth of such centres. Through these strategic engagements long term partnerships and innovative businesses can be created.

The private sector mostly provides these centres with the necessary skills, innovation and funding. Other strategic partners also provide the necessary innovations and research that support the growth of start-ups and young people's ideas. Such centres then become a one-stop avenue to build digital skills, connectivity and data sharing for their targeted group. While some make a significant impact on the lives of young people and contribute to economic growth, other projects do not have the impact needed. Traoré et al. (2022) argue that transforming Africa's industry not only requires strategies but also strong links between policymakers and industry, and real support for digitalisation and industrialisation, such as through digital industrial hubs. In addition, continental programmes such as the African Continental Free Trade Area (AfCTA) present a disruptive environment for young Africans to create innovative businesses and jobs in selected value chains for markets. This is an opportunity in which governments or the African Union can be key drivers to promote job creation on the continent. Therefore, strategic partnerships are also key drivers of the inclusive development of young people.

Access to finance: Governments and other stakeholders such as the private sector can provide policy support in areas that will make it easier for young entrepreneurs to access finance for their businesses. Some suggested areas include: 1) tax reduction and tax holidays for start-ups and SMEs run by young entrepreneurs; 2) cancelling the collateral/ security required by most financial institutions or finding a different means of holding young entrepreneurs accountable for loans; and 3) low interest on loans as finance for SMEs to boost employment opportunities for young entrepreneurs. In this way it will be easier for SMEs to access loans without high interest and collateral, as most of them lack the collateral/ security required to apply for business loans. Entrepreneurship is important, especially in these times, and it can be said to be the most powerful economic force. Individuals who recognise opportunities amidst chaos and confusion and exploit them are termed entrepreneurs and they are catalysts for change in most environments. "Entrepreneurship is more than the mere creation of business and the characteristics of seeking opportunities, taking risks beyond security, and having the tenacity to push an idea through reality" (Abbas, 2018). On the other hand, innovative means of funding – grants, venture capital, angel investing and crowdfunding – can also be explored. These sources have diverse requirements and provide a bigger basket for young entrepreneurs, apart from their personal and family financial support. Such sources can also be instituted in the right enabling environment.

Acudeen Technologies, Inc.
Innovative Fintech Company

Acudeen Technologies is a fintech company that provides a funding platform to support SMEs run by African entrepreneurs to improve their access to working capital. This allows small businesses with less than three years of operation to turn receivables into cash. The businesses are able to gain access to 80 percent of their receivables to instantly boost their cash flow and working capital.

Increased investment in infrastructure and skills: In employing innovation to boost its performance and growth, the business environment takes into consideration the costs, benefits, risks and opportunities associated with digital platforms. Therefore, there is a need for increased investment by various governments to allow young entrepreneurs to afford cost-friendly, sustainable, user-friendly and commercially available innovations for easy uptake and employment. This is a means to create livelihood opportunities for young people and reduce the rate of unemployment, which is a huge challenge for most African governments and the African Union (AU). Two of the aspirations of the Agenda 2063 of the African Union are: a prosperous Africa based on inclusive growth and sustainable development; and a continent the development of which is people-driven, relying on the potential of African people, especially its women and young people, and caring for children to demonstrate an interest in the welfare of young people on the continent. Through entrepreneurship, jobs are created, revenue is generated and direct contributions are made to economic growth. Young entrepreneurs make use of digital technologies as part of their businesses through the deployment of social media in building their business processes, branding and marketing, storytelling, visibility and engagement with the wider society. To fully benefit from the opportunities associated with such tools, young people must be equipped with the right skills, which many lack. If they are income earners from decent jobs, young people feel more useful and have dignity because they can have meaningful lives and contribute to society.

5. CONCLUSION AND RECOMMENDATIONS

This brief has highlighted three key areas that are very important to engage the full potential of young people to create jobs and drive entrepreneurship: interests and partnerships; infrastructure and skills; and access to funding. Advancing digital innovations to create jobs as a means of inclusive youth development can be achieved if attention is paid to commitments and aggressive investments are made to achieve results. In view of this, stakeholders such as the AU, African governments, the private sector and other relevant institutions are encouraged to commit resources (infrastructure, skills, partnerships), and not just policies, to ensure digital innovation becomes a key tool for inclusive youth development. Interests and partnerships, infrastructure and skills and access to funding are areas that can help bridge gaps and take advantage of the huge potential of the digital economy.

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