Sweating the (not-so) small stuff: millennials and the informal sector

One reaction to David Ndii's op-ed, HUSTLER NATION: Jobless youth, millennial angst and the political economy of underachievement, caught my attention being at once amusing and instructive:

> *I don't know, and its not my problem.*
>
> *— David Ndii (@DavidNdii) May 13, 2018*

> *No I don't. You are asking what individuals should do. Policy is not the source of advice to individuals.*
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It was instructive because Ndii began his piece by explaining the concept of the demographic dividend about which we hear so much. He pointed out that the ratio of dependants to potential earners in Kenya had fallen by 36 percent since the 1980s. With fewer retirees and children to support there is more available for investment. That demographic shift, he said, was a potential avenue for Kenya and other countries with a youth bulge to increase incomes through investment.

He went on to point out that a demographic dividend is not triggered automatically by numbers. Reaping the dividend requires an enabling environment which involves a range of factors including political stability, a favourable investment climate, and an educated youth, "not trained, but trainable".

It goes without saying that for most of Africa one should not assume political stability as a constant. At the same time, said stability is relative. Yet everywhere, human enterprise continues. No African country has yet turned off the lights and shuttered-up the place.

Ndii's article focuses on investment possibilities more than on politics. Far from suggesting an automatic progression from the youth bulge to reaping its dividends, the article is devoted instead to *how* to make the best of a bad situation. When we think of investment, everyone from the leaders down assumes big projects, big money, and therefore, big foreign investors. Ndii argues that the dividend can be reaped by leveraging the income–generating capacity of the informal sector which is the dominant sector of the economy. One would add that the informal sector is only informal because government services do not extend to the grassroots. But a farmer is a farmer, a taxi driver a taxi driver, a vendor a vendor etc, whether s/he is registered, banked and has a PIN or not. The money s/he earns is legal tender.

The third requirement, a trainable youth, is available in abundance.

So where can the youth get the money to invest? I got an idea in a matatu. A young girl on her way to work was chatting to another passenger. She had her own business. She got the capital from her father who, having thrown graduation parties for her four elder siblings, had had the bright idea of giving this youngest child the cash – not much, just under $200.

These parties are not merely elitist preoccupations; in Uganda and elsewhere, even families of the most humble means insist on a party for whatever final certificate their child has managed to obtain. Ditto weddings, pre-wedding introductions, post-wedding parties, lavish last funeral rites, printing "Save This Date" and "Thank you" cards, massive white marquees and tiny ones seating just the *bagole* (the graduands) and lots and lots of flowers. The list of ways in which to fritter away resources is endless.

In Kampala, restaurants, hotels and the National Theatre now charge a fee for holding meetings at their premises because every Saturday there are fundraising committees spread out on the grounds, devising ways and means of extorting cash from every last relative and friend. So ubiquitous are parties that it makes more economic sense to hire out vacant plots as 'Venues' rather than attempt to build on them.

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At the same time, Sunday supplements in the newspapers often feature 'magicians' – youths and older people who have managed to establish cocoa or other non–traditional produce plantations for the domestic and export markets.

What if investment funds were set up each graduation season and money invested in those rather than in celebrations? What if we imposed restraints on ourselves without waiting for austerity measures to be imposed from outside?

In what is it possible to invest?

As an investment target, Ndii gives the example of increasing production capacity in an existing sector – beef production. The details speak for themselves. There is under-utilised capacity in many other sectors.

The Ugandan numbers for milk and dairy products also paint a picture of unrealised potential. Unrealised because the initiative was left to the State. Very much like the cotton and coffee sectors on which the economy was built and which kept British textile manufacturers and their coffee industry afloat, milk is mainly produced by smallholder (informal sector) farmers. Milk vending was and remains mainly informal through kiosks. Because 80 percent of the general population is not connected to the power grid (the figures are probably higher among farmers), milk producers cannot keep the milk fresh. Even if they had refrigeration, frequent power outages make it necessary to use fuel–driven generators, an extra expense.

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It occurred belatedly to the government that ordinary Ugandans may want to participate meaningfully in the profits from the milk industry. Money was invested in milk coolers. Cooling and post-production plants were to be established all over the country to serve small holders – precisely the thing envisaged in 1967 when the Dairy Corporation was established with funds from the public purse. Under the Structural Adjustment Programme, however, the Dairy Corporation was mysteriously transferred to a Thai investor in 2004 for a nominal one dollar after the competitive bidding process for it was cancelled by President Museveni. No reasons were ever given. It is pointless to try to understand it – it doesn't make sense.

In 2008, dairy farmers produced close to four million litres per day. *Processing capacity at the time was just under 300,000 litres per day and even then only one-third of that capacity was being utilized* (Wozemba & Nsanja, 2008[i]). If it can't be made into cheese or another milk product, the produce from the second daily milking is thrown away. An acquaintance from Burundi tells me that his family used their excess milk to fertilize their banana plantation.

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As with all displacements of smallholder interests in favour of large monopolies, the bargaining power of milk producers was weakened by the sale of the Dairy Corporation, forcing producers to rely on a handful of foreign and domestic private milk processors for all post-production services. They simply cannot negotiate competitive prices for their milk.

Some of the slack has been taken up by the Masaka Archdiocese, which has established one cooling plant and has plans for five more. In the absence of the State, is it not possible for young citizens to dominate this sector rather than an oligarchy? If at least as much time is spent on examining this proposition as is spent organising the social binges celebrating academic success, perhaps some progress could be made.

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The exchange between Ndii and Yebei was amusing because it was so predictable. In response to the piece, a proposition for self-employment was floated. The clue is in the phrase – breeding cattle is not rocket science. It was ignored and a solution to unemployment, especially among graduates, was now demanded. When no further suggestions from the author were forthcoming, party and inter–generational politics kicked in. The 'affront' was felt on Facebook where the view was expressed that the issue at play is selfish, privileged older people especially MPs and policy–makers. As though Millennials are not old enough and numerous enough to send representatives to Parliament.

The Alternative

The alternative is not good. Ndii: "If these factors are not there (i.e. the enabling environment), and the requisite investment fails to materialize, a demographic transition can turn into a political nightmare." A la Zimbabwe, the Arab Spring and other places.

It really is up to us – we dialogue or die.

[i] David Wozemba & Nsanja Rashid, Study on Dairy Investment Opportunities in Uganda, 2008, for SNV (a Dutch NGO).