



TICAD High Level Panel Discussion

Youth and Employment in Africa: the Way Forward

Empowering Young Africans to Live their Dreams

Joint Recommendations of JICA, the World Bank, and the African Development Bank

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This paper presents recommendations for action jointly put forward by JICA, the World Bank, and the African Development Bank for consideration by the governments of African countries, their development partners, and interested members of civil society. These recommendations, if implemented, would go a long way towards achieving the goal we all share – that all young Africans will have real opportunities to have the job they want or to pursue the future they dream of. The recommendations are derived from the findings of major reports on this subject recently undertaken by these three institutions.

A broader and evidence-based approach is essential

It is important to approach the employment challenge not as ‘unemployment’, or a narrow labour market phenomenon. In most African countries, the problem is the outcome of a broad range of issues including: macroeconomic management and performance, low productivity of work, inadequate development of human capital, the tradition or history of land ownership, and in some cases the politics of short-term results. The predominance of informality in economies of low-income Africa is another important factor. Addressing the challenge of youth employment thus requires a well-coordinated programme of action, implemented with resolve.

Such a programme of action should be evidence-based. The programme should consist of policies and interventions that have been shown to be effective by rigorous evaluation, or have solid reasons to expect a high probability of success. African countries and their development partners have devoted considerable resources to addressing the challenge of youth employment, but with limited results. Much too often programs and policies were introduced without due deliberation and coordination. It will be vital to be selective – to do more with less – keeping in mind that constraints of public administrative capacity, or the lack of funding, have often led to unsuccessful implementation of otherwise well-designed projects.

Policy agenda

Each component of the desired program of action should have a clearly articulated target, and its effectiveness must be monitored closely. Specifically, we recommend:

First, strengthen **pro-growth strategies**, with a clear focus on raising the employment intensity of economic growth. In Africa, economic growth has created some private sector jobs. But having started from a small base, such job creation has not been enough to absorb the many youth entering the labour force. Mining and ICT, a big part of Africa's growth story, do not use many workers. In addition, manufacturing, the backbone of job creation in Asia's growth story, has been declining in Africa. The employment intensity of growth can be raised by reversing the decline of manufacturing, developing the value chain around mineral resources, supporting high productivity services, and leveraging abundant natural beauty for expanding tourism. Job-creating growth requires strengthened competitiveness and higher productivity.

Second, raise **productivity in agriculture**. This sector employs a large majority of Africa's workers, and will do so for years to come. Higher agricultural productivity may not create new farming jobs. However, it will convert a large number of low pay jobs to higher earning jobs, and spur an expansion of the rural non-farm informal sector. Promising avenues for raising agricultural productivity include building rural infrastructure, greater use of science and technology to increase yields and control weeds, and promoting integrated land management, with irrigation as one component. Also promising is support for farmers to manage their savings, and to reach export markets. A green revolution will be a springboard for structural transformation of African economies, as experience in Asia demonstrates.

Third, **embrace the informal sector**, and improve the quality of work and productivity of small informal enterprises. Most informal enterprises do not grow, but remain in business to sustain daily subsistence. The key will be to remove the constraints they face and help them grow in size and in profitability. Strengthening the protection of property rights supports investment and productivity. Facilitating sharing of physical infrastructure and soft infrastructure among small informal firms can help them form clusters, build scale, and raise productivity. Developing business management and entrepreneurship skills will also be useful. Informal enterprises often have business links with the formal sector: a goal will be to gradually connect them into the global value chains.

Fourth, build **strong human capital** for the African youth. Critical actions are to:

- Provide adequate nutrition and health care, particularly during the first 1,000 days of life. Nurturing of the new-born, infants and young children in a loving home is crucial, and yields high returns.
- Assure the quality of teaching in schools: improving learning outcomes, as well as acquiring life skills, is critical to raising the productivity and employability of the youth.

Special care should be extended to disadvantaged children so that they can remain in school and learn (e.g., the second chance program).

- Promote Public-Private Partnership in apprenticeships, internships, and vocational training to match better newly developed skills with what employers actually need. On-the-job training in work place is likely to be more effective than vocational training in school setting.
- Strengthen science and technology. It is essential to strengthen the teaching of mathematics and science from primary school through university. Creating a ‘critical mass’ of skilled workers is a pre-requisite for industrialization.

Fifth, improve the **health** of young adults. African youth face higher rates of absenteeism owing to illness than in other developing countries. In addition to HIV/AIDS, malaria and tuberculosis, the rising incidence of non-communicable diseases has to be addressed. A healthy body is vital for stronger human capital.

Sixth, eradicate **gender gaps**. The incentives to get girls into school, and to keep them there, need to be strengthened. Early marriages should be prevented and gender discrimination in access to fertilizer, seeds and credit eliminated. In addition, incentives are needed to encourage participation of women in the labor force and in entering high productivity sectors. Empowering young women increases the productivity of the labor force, and helps achieve inclusive growth.

Finally, address **market failures in the labour market**. It will be essential to improve access to information about the returns to different occupations, assist with matching employers and job seekers, issue vouchers for vocational education in an institution that students choose, and bundle training with access to finance for business start-up. Ways should be found to mitigate the adverse impact of collective bargaining and high reservation wages on employment, particularly in north and southern Africa. While public works programs have considerable political appeal, rigorous studies are needed to determine how to make these programs more cost-effective and lead to more productive long-term employment.

Development partners could help develop new innovative programs.

Development partners and civil society have extended substantial assistance to African countries to implement this sort of policy agenda. We encourage them to redouble their contributions, to follow up on the actions identified here, and to strengthen their coordination with the African governments, the private sector, NGOs, and among themselves.

We propose that development partners go a step further, and take up a select few innovative programs to develop new interventions to tackle some of these critical challenges, particularly where success has so far remained elusive. We recommend that development partners

mainstream the programs that have been proven at scale and in the different contexts, and also scale up the programs that have been proven in several specific contexts but still need to be tested at scale. Development partners should also pilot promising new ideas that need to be evaluated in practice.

In the area of human capital development, two programs with strong evidence stand out:

- **Youth Corps for Remedial Education:** The basic idea of this program is to deploy educated unemployed youth to primary schools as volunteers to offer supplementary teaching to struggling students. In India, the program used local youth to hold after-school camps. The program is now running in Ghana, and JICA is conducting a similar program in Niger and Burkina Faso. It will not only contribute to building human capital but also create employment opportunities.
- **Early Childhood Development:** There is strong evidence that early childhood investment in nutrition, health care and stimulation improves cognitive skills of children and their long-term labor market outcomes. Early childhood nutrition programs are offered by the World Food Program in the areas where the incidence of hunger is wide spread. Early childhood stimulation programs have been tested successfully in Jamaica and Colombia. A key challenge is to find the delivery modes that can cover children at scale, and in locations throughout the country.

In agriculture, despite the necessity and potential of a green revolution in Africa, there exists little evidence on why small farmers do not adopt **new technologies** and improve efficiency. A number of research projects are underway to test ways to overcome barriers that constrain technology adoption. Development partners could pilot or scale up some of those projects; e.g., training and information programs for coffee farmers in Rwanda, weather insurance in Ghana, and smallholder horticulture empowerment in Kenya.

It is perhaps fair to say that we do not know enough about informality in African economies. A variety of measures (e.g., micro credit and financial literacy training) have been implemented, but results are mixed. Understanding what constrains the growth of informal enterprises will be important for designing better policies. Nevertheless, there are a few programs with some evidence that can be piloted or scaled-up:

- **Innovative Business Development Models:** One of such models is the Micro-Franchise program, implemented by the International Rescue Committee. In this program, a group of aspiring young entrepreneurs is paired up with a major company with a large number of well-known franchises. A small grant is given to a young entrepreneur to set up the franchise. He/she then buys materials and supplies from the franchisee, process, and sell the product. The micro-franchising model provides the

youth with an already successful business model, rather than testing a model that the youth tries out as in a typical micro credit program.

- **Hiring to Grow:** There may be cases where informal enterprises are unable to hire an additional worker even though their marginal productivity is higher than the market wage because of limited access to credit and information. There is some evidence that in such cases, providing a direct subsidy to employ additional workers (for example, one half of the wage for a new hire in a Sri Lanka program) may be effective in inducing owners of micro enterprises to hire. It may be productive to improve the program design, and pilot it in one or two African countries – of course, paying attention to the cost-effectiveness of such approaches.

The unemployment of educated youth is a pressing social and political issue in a number of African countries. We do not know well what specific reforms may be effective in alleviating the disproportionate effects of **labor market regulation** on youth employment. However, as a short-term measure, development partners could design and pilot different public-private partnerships as modes of delivery of what are conventionally thought of as public works programs. The World Bank's private enterprise internship program in Kenya – the 'Youth Empowerment Project' – could be replicated in other African countries. Programs similar to the World Bank's Centers of Excellence project could be adopted to absorb and nurture the high potential youth. 'Skills and Technology' for educated youth is one of the priorities of the African Development Bank, which is also pursuing new approaches to promoting social entrepreneurship with and for the poor and most vulnerable people in Africa.

Finally, we recommend establishing an **Innovation Fund** for youth employment. Applicants to the Fund would compete for funding for innovative programmes to address youth employment issues and encourage entrepreneurship. Allowing ideas to emerge, and then investing in evaluating their impacts carefully, could be a way to spur innovation and grow the evidence base for what works. The Development Marketplace of the World Bank and the African Development Bank could be adapted and replicated to host the Innovation Fund.

Conclusion

All of us in the international community share the challenge and responsibility of creating ample opportunities for good jobs for the current and next generations of young Africans, and, in addition, developing their human capital so each of young Africans can reap the full benefit of such opportunities. We call on all African countries to adopt a strong, comprehensive, well-coordinated, and evidence-based program of action to meet this challenge. Equally, we call on all partners of African development to be bold and innovative: together we make sure all young Africans can live their dreams.