PART 5 ***Conclusion***

Chapter 15 Overcoming the Employment Challenges in Africa

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15.1 Introduction

Sub-Saharan Africa's youth population is the key to understanding both the continent's current economic challenges and the best ways of improving the region's future Labour outcomes. As was pointed out earlier in this volume, over 60 percent of Africa's population currently falls between the ages of 15 and 24—that number is projected to rise to 75 percent by 2015 thanks to high fertility rates. This generation of Sub-Saharan Africans has proven itself to be dynamic and diverse, gaining formal education at unprecedented rates and helping turn the region into an increasingly important player in the world economy. Yet, this group has also largely been unable to leave the poverty it was born into, with 72 percent of the youth population still subsisting on under $2 a day and over 70 percent of the African youth population still living in politically and economically marginalized rural areas. African Labour markets—already hamstrung by poor policymaking, corruption, conflict, and diseases like malaria and HIV/AIDS—have been overwhelmed by the youth bulge and are unable to provide adequate opportunities for its youngest workers. Indeed, less than a quarter of the 73 million jobs added in Africa from 2000 to 2008 went to youth.

Unlike in other regions of the world, it is not unemployment that plagues Sub-Saharan African youth—most youth have to have some form of employment in order to survive. Instead, it is best to speak of *under*employment in Sub-Saharan Africa, which according to the Fei-Ranis model is defined as individuals who work in small firms, household enterprises, or self-employed endeavours and produce a very low marginal value product, often approaching zero. These workers may not fit the standard definitions for underemployment (i.e. workers unable to work as many hours as they would like to) but they belong functionally in this category. In this model, underemployment is most heavily associated with the traditional (i.e. rural informal) sector. Within that sector, Labour demand can be highly seasonal, leading to periods of slack. Labour demand may also be spatially uneven, as year-to-year variations in rainfall or market conditions may shift the need for agricultural work from one location to another.

Underemployment also characterizes the urban informal sector, which operates effectively as part of the traditional sector. Families and kinship networks may share output, so it is not uncommon to find some individuals productively and gainfully employed (e.g., as shopkeepers or craftsmen) while others look for work, perform casual Labour, or take on self-employment tasks with very low entry costs but also low sales prospects (e.g., shoe shining, food selling, or roadside marketing).[248]

We can best understand the causes of the underemployment phenomenon by considering both the demand side and the supply side of Sub-Saharan Africa Labour markets. Hence, in this chapter we examine the current shortfall in the demand for public, private, and informal sector employers (demand side) and the lack of skills, chronic health problems, and low productivity of young workers (supply side). We also examine external factors that influence economic opportunities in the region, such as overseas development aid and foreign direct investment, as well as how government overregulation inhibits economic growth. These challenges are by no means insurmountable, and we devote much of this chapter to discussing the many ways in which governments and international donors can help to take full advantage of its increasingly young workforce.

15.1.1 Structure of the Chapter

This chapter seeks to place microeconomic and macroeconomic approaches to youth underemployment in a mutually-supportive policy framework. Its first half is concerned with describing the various aspects of underemployment that persist in the region, while the second half focuses on multi-sector, multi-actor approaches that can help decrease underemployment.

Section 15.1 provides a descriptive analysis of the four major sectors of Sub-Saharan African economies and the current difficulties these sectors have in generating employment opportunities for youth. Section 15.2 reviews the supply-side roots of underemployment and examines shortcomings in education, skills, health infrastructure, and other areas that lower the productivity of young Sub-Saharan African workers. Section 15.3 reviews the demand-side factors—such as macroeconomic policies, overseas development aid, and foreign direct investment—that can constrain growth and deprive youth of decent work.

Section 15.4 marks the beginning of this chapter's recommendations and covers the various demand-side and supply-side approaches that can be taken to increasing Sub-Saharan African youth employment. Section 15.5, the final section, is comprised of two sub-sections. It begins with a discussion of the current difficulties donors and governments have in effectively coordinating their efforts, and it makes recommendations to improve such coordination. Section 15.5 continues—and closes the chapter—with recommendations for further youth-related research programs.

15.1.2 A Note on Sources

The main aim of this chapter is to synthesize the findings of the macroeconomic and microeconomic analyses from this report, "Youth Underemployment in Africa: Challenges and Policies", by Gustav Ranis and Douglas Gollin, and "Youth Unemployment in Africa: Challenges, Policies, and Projects", by Marianne Bertrand and Bruno Crepon. It also draws upon the country-specific chapters that discuss

[248] We break down African economies into four distinct sectors—agriculture, rural household enterprises, urban informal sector enterprises, and urban formal sector—in the following sections.

Ethiopia, Ghana, Kenya, and South Africa.

15.2 The Four Major Sectors of Sub-Saharan African Economies

There are four major sectors in most Sub-Saharan African economies: agriculture; rural household enterprises; urban informal sector enterprises; and the urban formal sector. In the following section, we briefly discuss the current challenges each sector faces in providing sufficient employment opportunities for youth. Following this, we argue that while the formal and informal sectors each have their own distinct set of characteristics, it would be incorrect to depict them as operating independently of one another—thus, we end the section with a discussion of how dynamically linked those sectors are.

15.2.1 Agriculture

Agriculture remains the predominant activity in the rural Sub-Saharan African economy, with up to 90 percent of the region's total population working in agriculture, and with youth accounting for 65 percent of that agricultural Labour force. Some Sub-Saharan African countries have been able to harness their agricultural potential and lead the world in exporting certain crops, while more countries still are developing the technologies, skills, and infrastructure that will allow them to both feed their domestic populations and also introduce their goods to regional and international markets.

But many of the Sub-Saharan youth who work in agriculture face obstacles that prevent their farms and/or cattle from being fully productive. These youths often do not possess titles for their land, a significant problem since titles are often required to access credit. Many young farmers are unable to save money earned from harvests to use for the next planting seasons. They also often do not use enhancing materials—such as fertilizer—that could increase agricultural output. Young farmers lack storage space to preserve their harvested crops, and lack information on important data such as the weather, market prices, and improved farming techniques. As a result, many farmers are only growing for personal consumption or local markets, despite the fact that involvement in export markets can be more profitable (and those farmers who *would* export their goods are often prevented from doing so by issues such as limited access to electricity and poor transportation networks).The introduction of improved agricultural technologies has cut both ways in Sub-Saharan Africa—either increasing Labour demand in the agricultural sector, or decreasing it. For instance, the mechanization of plowing and harvesting can reduce the Labour employed in agriculture, potentially exacerbating employment problems. But other forms of agricultural technology improvement can increase Labour demand by increasing the area under cultivation and the physical quantities planted, harvested, and processed. And, finally, it is important to note that livestock agriculture faces its own unique set of challenges: Farmers often lack information on appropriate cattle production techniques, and often do long-term damage to land and other important resources by overgrazing.

Much of the underemployment in rural areas is dominated by female youth because many male youth migrate to urban areas—such migration is due to limited returns on farming, and also stigmas that attach to those who remain in the agricultural sector.

15.2.2 Rural Household Enterprises

Most rural youth do not limit themselves to agricultural activities, but also engage in rural non-agricultural enterprises that provide simple goods and services. Rural non-agricultural enterprises involve many activities other than the processing and selling of goods created by farmers. The activities in this sector include the provision of services (e.g. repair shops and hairdressers), agro processing, packaging and transporting, and the production of simple goods such as garments and furniture. These enterprises are some of the most inventive in Sub-Saharan Africa, and the young people that often run them have been innovative in finding ways to benefit from trends—such as the explosion of information and communication technologies—that are transforming the continent.

But the lack of rural infrastructure prevents workers in this sector from fully engaging with and benefitting from the wider economy. The physical distance between where young workers/entrepreneurs live and where many markets and job opportunities exist is deeply problematic, and an issue that heavily impacts rural areas. Longer distances to major markets and jobs induce bigger costs. For example, the high cost of traveling to places that have employment or employment agencies may exceed the benefits of searching for a job, and people choose to remain underemployed at home. The costs of relocating to areas near job opportunities may also prevent the unemployed from actively searching. In addition, getting information on jobs can be costly, and the farther away you live from a source of potential jobs, the poorer your information on employment opportunities will be.

15.2.3 Urban Informal Sector Enterprises

The urban informal sector is a permanent and growing feature of Sub-Saharan African economies. In the urban economy, it remains the main employer. But it is incorrect to assume that the entire urban informal sector provides less productive and poorer job opportunities than the formal sector does—the informal sector is in fact diverse, and contains both a modernizing informal segment and the traditional informal segment. With more capital-intensive production, a larger size, and dynamic technologies, the modernizing informal sector is more deeply linked to the formal sector, while the traditional informal sector acts like a sponge, absorbing the residual population. Nevertheless, the traditional informal sector still serves the important function of providing a source of subsistence for the urban poor.

It is crucial to not automatically associate informal employment with lower income and underemployment. Some informal self-employed workers might be quite well-off, enjoying high growth rates and productivity. Such entrepreneurs and their firms sometimes actively *choose* to remain in the urban informal sector in order to avoid rigid regulations and to reduce costs. For instance, in Kenya formal firms that try to do business in the country often face significant government red tape and corruption. In reaction to the heavy-handed approach used by the government, many once-formal businesses take shelter in Kenya's informal sector and thrive there.

15.2.4 Urban Formal Sector

The urban formal sector is a small but rapidly-growing sector that relies on wage employment. It is comprised of the private formal sector and the public formal sector.

There are many reasons why Labour demand is not as high as it should be in the urban formal sectors of many African countries. One constraint is unnecessarily strict Labour market regulations. Because strict Labour market regulations tend to increase barriers to Labour demand in the private sector, many youth are pushed to seek employment in the informal sector or to become self-employed—an example of such disruptive regulations is a minimum wage rate that excludes young workers.[249] Other aggravating factors—such as bureaucratic barriers to firm entry, limits to product market competition, and corrupt environments—make it difficult for new firms to enter, more productive firms to grow, and less productive firms to be replaced by more productive ones.

Typically, urban African youth with higher levels of education seek entrance into formal sector work—and because of the relatively small number of opportunities in that sector, urban youth often find themselves underemployed. Underemployment, in fact, is more prevalent in urban areas and is highest among those with higher formal education attainment. "Moonlighting", in which formal sector employees also work informal sector jobs, is increasingly common in Sub-Saharan African economies.

Lastly, informational imperfections are slowing the progress of the urban formal sector. Youth and employers alike face substantial barriers to information: formal sector firms often struggle to advertise and fill vacancies while unemployed youth may lack information about the types of jobs available and the skills desired by employers.

15.2.5 Links between the Informal and Formal Sectors

As is true throughout the developing world, there are no hard-and-fast divisions between the formal and informal sectors in Sub-Saharan African economies. Production, distribution, and employment tend to lie at some point on a continuum between purely formal and purely informal relations. Youth waiting for formal employment opportunities end up working in the urban informal sector in the meantime, while some workers occupy both sectors at once, like the aforementioned "moonlighting" youth who have successfully found formal sector employment but work second, informal jobs on the side.

In some cases, informality can also be used as a stepping stone for formality—an entrepreneur can explore, without significant sunk costs, the potential feasibility of the work he is trying to do by first attempting it in the informal sector.

15.3 Supply-Side Roots of Underemployment

Youth underemployment is caused in part by the structural characteristics of many Sub-Saharan African economies, including weak health systems (and resulting chronic health problems), inadequate educational systems, gender-based discrimination, overregulation, corruption, and armed conflict. These and other topics are discussed below, and represent the major supply-side challenges that contribute to widespread underemployment in the region.

[249] See Section 2, "Supply-Side Roots of Underemployment", for further discussion of minimum wage rates and other problems linked with overregulation.

15.3.1 Chronic Health Problems

African policymakers and donors are acutely aware of the links between public health and economic stability, and much of the international community's efforts in Sub-Saharan Africa have focused on improving the quality and length of life across the region. Yet poor health systems and poor health education mean that young Africans continue to be highly vulnerable to diseases such as HIV/AIDS, other sexually transmitted infections, malaria, tuberculosis, and water-borne diseases, as well as other health problems such as malnourishment, birth complications, the consequences of pollution and environmental degradation, and dangerous work environments. These conditions make it more difficult for young people to attain decent levels of education; often force them, unskilled and vulnerable, out of the classroom and into the workplace; and decrease the overall productivity of Sub-Saharan African economies.

Despite major advances in decreasing the prevalence of HIV/AIDS in most Sub-Saharan African countries, the disease continues to be one of the major health problems affecting the continent, and the problems that result from infection represent the far-reaching negative effects of disease. An estimated 10 million young people aged 15 to 24 are living with HIV/AIDS and young people account for half of all new infections. HIV/AIDS reduces the earning capacity of affected individuals and increases their medical expenses, pushing families and households further into poverty and creating a cycle of material deprivation and health problems. Overall, the negative effects that HIV/AIDS has on the Labour supply and productivity levels translate to a negative impact on economic growth. The disease also hampers the efforts of governments to achieve sustainable economic development, particularly by diverting scarce resources from other development priorities.

Young women are especially vulnerable to chronic health problems, diminishing their opportunities for decent work. 76 percent of youth living with HIV/AIDS in Sub-Saharan Africa are young women. The burden of HIV means that women in households are forced to drop out of school in order to provide financial support and/or care for their siblings, parents, and other family members. In addition to HIV, women face a particularly daunting set of risks to their long-term health, such as the consequences of early marriage. Early marriage increases the likelihood of child mortality for young women—girls aged l0 to14 are five times more likely to die in pregnancy or childbirth than women aged 20 to 24. Young mothers face higher health risks during pregnancies, including complications such as heavy bleeding, fistula, infection, anemia, and eclampsia.

15.3.2 Barriers to Education

Opportunities for formal education increased dramatically during Africa's first fifty years of independence. Between 1970 and 2008 enrolment in primary education increased 5.5 times, secondary school enrolment grew 8.5 times, and tertiary enrolment increased 22.3 times. The 2000s saw an especially high jump in enrolment figures—the number of primary school enrolees increased from 87 million students in 2000 to 129 million in 2008.

Despite these advances, there continue to be significant barriers to educating young Sub-Saharan Africans, including poverty, disease, and cultural norms that might not emphasize the importance of education or the need to educate girls. The increases in the overall youth population mean that educational systems are struggling to enroll as many students as they need to, and the fast rates of enrolment make it more difficult for these systems to satisfactorily educate those who do reach the classroom. Many young Africans lack the basic literacy and numeracy skills that are vital to developing a dynamic workforce.

This is not due solely to weak educational systems. Poverty prevents families from being able to afford school fees, uniforms, and other school-related items, and many children have to stay at home to perform household chores in order to allow their parents to focus on income-generating work. Older girls are particularly vulnerable to dropping out due to pregnancy, marriage, and pressures to care for younger siblings. Rectifying this gap is by no means an easy task given the different priorities and cultural norms placed on girls and boys, as well as society's different attitudes toward their continued education and chosen occupations.

And though the numbers of Africans receiving secondary or tertiary-level diplomas and certificates continue to rise, Labour markets are not creating skilled job opportunities at the same rates. Hence, more and more high school and college graduates find themselves underemployed, often working unskilled jobs. The resulting dissatisfaction can lead to the radicalization of youth and, as occurred during the Arab Spring, political unrest.

15.3.3 Gender Disparities

Youth underemployment in Africa follows patterns that are highly gender-specific. In rural areas, patterns of land ownership and inheritance may make it difficult for young men to acquire land that they can farm on their own account. In urban areas, rigidly-structured apprenticeship systems make it difficult for boys to enter skilled trades. As a result, many boys and young men in urban areas resort to occasional work as porters or hawkers.

Social pressures prevent many women from acquiring the education and skills necessary to find decent work. Young girls are sometimes regarded as economic burdens that must be married off to older men in order to bring economic and social benefits to the girl's family. Most young African women have already been married before the age of 24, and in many countries they get married even earlier. In both rural and urban areas, girls face pressure to provide labour for household activities, which may leave them unable to work full-time in the market.

15.3.4 Labour Market Regulation

Labour market regulations in Africa are ranked to be the most rigid in the world, with greater de jure rigidity in Sub-Saharan Africa than in North Africa. This worsens the problems posed by the growing oversupply of young job-seekers, since it places further constraints on the ability of formal sector firms to expand the number of people they can employ. Stringent employment regulation leads formal sector firms to rely more heavily on temporary contracts (which have lower firing and hiring costs). The evidence suggests that temporary contracts fail to help youth obtain permanent employment, and can trap them in a series of short-term work where skill development is low and the tasks are not meaningful. Moreover, temporary contracts are often accompanied by lower investment in training, lower wages, and lower job security.

By definition, young workers have less experience than older workers and are less capable of advertising their productivity to potential employers. If they are aware of these disadvantages, young people should be willing to accept lower wage offers in order to secure full-time employment. However, minimum wage regulations and other sources of wage rigidity, such as those induced by collective bargaining agreements and powerful unions, eject youth from the formal labour market who would have otherwise been willing to work below the minimum wage. These regulations therefore place structural barriers on Labour demand and generate losses that disproportionately affect young people.

15.3.5 Corruption

Corruption, both large-scale at the centre and small-scale at the local level, is a prominent feature of the Sub-Saharan African landscape. It is linked with the youth underemployment issue because corruption provides advantages in job-seeking to older, better-connected applicants or to a select number of relatively wealthy young people who benefit from kinship networks. When transactions are subject to such special pleading and discrimination, all sectors of Sub-Saharan African economies are negatively affected, and young workers, already at a disadvantage, suffer even more.

High levels of corruption within a country will induce firms to devote resources to overcoming extra-legal obstacles and obtaining preferential market access. By raising operational costs and increasing uncertainty, corruption deters productive investments. This decreases Labour demand for all workers, especially youth. Finally, corrupt and unstable governments tend to invest less in education and skills acquisition, which directly hinders the cultivation of a strong youth labour force and indirectly retards economic growth.

15.3.6 Post-Conflict Environments

Sub-Saharan Africa is more peaceful than it has been in decades. But it continues to work through the legacies of its many Cold War and Post-Cold War conflicts. And just as youth are signally vulnerable during wartime, so too can they be the most marginalized group once the fighting is over. Because of this, youth in post-conflict environments are extremely vulnerable to remaining underemployed and impoverished, as they experienced disruptions in their educations and could have been victims or perpetrators of violence associated with conflict (and suffer the psychological and social consequences of their traumas). Social stigma as well as a lack of skills may keep conflict-affected youth out of formal labour markets.

The ethical norms and behaviour that allowed youth to survive wars may in fact also impede their integration into post-conflict societies. In war and conflict settings, the heavy focus on the present and the ability to take risky chances can maximize the chance of survival, but in post-conflict scenarios the same tendencies typically lead to criminal behaviour, heavy drug use, low savings rates, and low human capital accumulation.

15.4 Demand-Side Roots of Underemployment

15.4.1 Macro Policies in Sub-Saharan Africa

Sub-Saharan Africa has promising economies that are struggling to keep pace with their rapidly growing youth populations. While Sub-Saharan Africa has kept up with the world average annual Gross National Income growth (expanding by 4% to 5% a year, excluding the period of the 2008-2009 global financial crisis), its population growth has been almost double that of the rest of the world. This disparity has led to a significantly lower Gross National Income per capita growth. Investment rates are lower in Sub-Saharan Africa than in other regions of the developing world.

Macroeconomic policies have often been sound throughout Sub-Saharan Africa, and one of the continent's key achievements has been a general reduction of inflation levels. A new generation of policymakers—often including independent central bank governors—has pragmatically pursued inflation targets and restored monetary stability. This in turn has allowed some countries to maintain reasonably stable exchange rates at competitive levels. Other countries were less successful and struggled to curb soaring commodity prices, creating Dutch Disease pressures.

Persistently high levels of fiscal deficits have been the dominant challenge for Sub-Saharan African policymakers in the past decades, but significant improvements have been made in recent years. Oil-exporting countries have recovered from the global crises of the late 2000s and regained their surpluses, while middle-income countries experienced continuous fiscal consolidation. Results for low-income and fragile states, on the other hand, remain mixed.

Despite so much progress, the developmental role of the financial sector in Sub-Saharan African countries has been undermined by limited access to suitable financial services. Barriers to credit and financial markets pose a particularly serious constraint for agricultural and informal activities operating in remote areas of Sub-Saharan Africa. Moreover, the cost of credit is relatively high throughout the region. This has discouraged investment activities and start-up enterprises, both of which rely on borrowing. It has also raised the financial burden and uncertainty of sustaining profitable employment for existing firms with debts. The high cost of borrowing are in part reflected by the large interest rate spreads, which on average are some the highest in the developing world. Informal financial institutions and development banks have attempted to fill in the gap where commercial banks have failed to meet the demands for credit, particularly in rural communities.

15.4.2 External Factors: Overseas Development Aid and Foreign Direct Investment

External factors—i.e., overseas development aid (ODA) and foreign direct investment (FDI)—play an important role in many African economies. They have contributed to the increase in Sub-Saharan Africa's infrastructure and human capital, and the stabilization of macroeconomic and political environments in the region. On the other hand, these factors have caused considerable instability because they have led to unequal allocations of resources; the encouragement of rent seeking; collective action failures; and the incentivization of poor public policy choices (UNECA, 2010).

Young workers, as some of the most vulnerable actors in the Labour market, are subject to two unfortunate facts—they seldom enjoy the benefits of growing economies as much as other workers do, and they also are more acutely impacted by the instabilities that occur in weakened Labour markets. Depending on how external resources are used in economic management, ODA and FDI can either help to make young workers less vulnerable, or can worsen their long-term employment prospects.

15.4.2.1 Overseas Development Aid

Total overseas development aid (ODA) to Africa has increased since 2000, rising from \$15.6 billion in 2000 to \$43.5 billion in 2006 (there have been fluctuations, especially during and after the global financial crisis). Bilateral aid from a handful of OECD countries constitutes the lion's share of this aid, and non-Western countries—especially China, India, and Turkey—are promoting their own, often significant bilateral programs throughout the region (UNECA, 2010). ODA increased in 2011, but at a slower pace than previous years. Despite such fluctuations, aid dependency has become a common characteristic and persists throughout Sub-Saharan Africa (OECD, 2011).

Aid is generally used to fund infrastructure programs as well as human capital investments. It also provides crucial foreign exchange that enables the import of foreign capital and provides cushions for external shocks. A large part of aid has been for debt forgiveness, which has provided African countries both financial and fiscal space to increase accumulation rather than pay debts (UNECA, 2010). Since the 1990s, aid has increasingly focused on the regulatory and institutional aspects of the investment climates of Sub-Saharan African economies. This has been to the detriment of infrastructure and skills, both of which are crucial to expanding employment for African youth. Education has also been a focus of ODA, with mixed results. The Millennium Development Goals' imperative to provide universal primary enrolment has meant that African governments have had little budget left over to fund post-primary education and skills development. And despite gains that have been made in expanding tertiary education opportunities, research indicates that African tertiary graduates are currently weak in problem solving, business understanding, computer use, and communication skills (Page, 2012).

Aid is, to a certain extent, tied to the business cycle and hence subject to its vicissitudes. In times of recession or other crises, Sub-Saharan African countries that are heavily reliant on aid are made vulnerable (this is especially true for landlocked countries and small island nations). Not only can the amount of aid fall during these periods, but the quality of the aid that is given can also be degraded—this is manifested in higher volatility, delays in disbursement, and changes in the composition of aid packages. Such changes can force aid-dependent countries to run large budget deficits, delay investment plans, or cut social spending that is crucial to expanding the skills and opportunities of working youth (UNECA, 2010).

There are trends in aid that could be encouraging for promoting the youth employment sector. For example, within the production sector side of aid, agriculture, fishing, and forestry are often the largest recipients, which some interpret as the donor community recognizing agriculture as an engine of growth and food security. Given the overrepresentation of youth in the agriculture sector, this could translate into greater support for young farmers—the key is for donors not to just focus on short-term food assistance programs, but also on the long-term development of this sector (UNDP, 2011).

15.4.2.2 Foreign Direct Investment

Foreign direct investment (FDI) is the outcome of the corporate strategy of private businesses facing competition, where differences in cost structures of doing business in different countries lead to cross-border investments. FDI is encouraged by recipient countries as an additional source of economic growth. However, such flows also have the potential to increase internal inequality, as FDI comes from profit-maximizing firms which will seek to invest where costs are low and returns are high. Natural resource-rich countries are particularly attractive to FDI, creating enhanced inequality in favor of those who already "have" at the country-level. FDIs do not flow equally to all parties in a country, and are likely to be directed to the local elite.

Africa has experienced a significant increase in FDI, particularly since 2000. Indeed, the region has attracted about the same share of FDI in GDP as Asia and developing countries as a whole over the past ten years, but that investment has remained almost wholly in mining and minerals, making it vulnerable to the ups and downs of world commodity prices (Page, 2012). FDI inflows to Africa remain concentrated in a few countries, with 15 recipients accounting for 87.9 per cent of total inflows during the 2004-2008 period. The top recipients of FDI are all resource-rich countries, including Angola, Equatorial Guinea, Nigeria, South Africa, and Sudan. There are only two resource-rich countries among the bottom fifteen FDI destinations (Sierra Leone and Sao Tome and Principe) (UNECA, 2010). Hence, using FDI as a means of expanding youth employment is an option only available to a select number of countries in Sub-Saharan Africa.

Thus, even though FDI has great potential for stimulating long-term growth and employment, it has not done so in Africa. The increase in FDI in recent decades did not produce more inclusive growth or sufficient jobs, as most of the finance went to the hunt for resources (AEO, 2012a). Only about three percent of global FDI has gone to infrastructure financing in Africa and an even smaller percentage to manufacturing, both of which are crucial for the kind of broad-based economic growth that can boost youth employment (Page, 2012). Some analysts believe that FDI contributes little or nothing to economic growth or human development, and may indeed *inhibit* development in underdeveloped regions.

One possible positive outcome of FDI is that it can help introduce a higher level of skills to Sub-Saharan African firms. This can both directly and indirectly benefit youth—directly when those skills are transferred to young workers, and indirectly by making firms more productive and boosting economic growth, which can create an environment that is more welcoming to young entrants. Unfortunately, many African countries that enjoy significant FDI have not incorporated strategies that explicitly encourage such skill transfers (Page, 2012).

15.4.2.3 Remittances

In Sub-Saharan Africa, workers' remittances grew at 37.2 per cent between 2000 and 2008, and remittance totals are now greater than those of overseas development aid. Remittances have been a major driver of growth in the value of the continent's services trade, which doubled over the 2003-2007 period (UNECA, 2010). Remittances to Africa peaked in 2011 and are projected to continue to increase strongly in 2012 (AEO, 2012a).

Remittances play a significant role in smoothing consumption and hence contribute to poverty reduction and improving social conditions. Additionally, they can provide capital to small and microenterprises, aiding job creation (AEO, 2012a). Indeed, remittances tend to have a more positive impact on recipient countries than FDI flows or ODA. Remittances lead to an increase in human capital investment, as recipient families, which are largely rural, tend to invest in education and health, ultimately leading to an improvement in equity and the improvement of the skills and health of young workers. Remittances also stimulate entrepreneurial activity within a community, leading families and communities to increase their productivity (again, a boon to young workers, many of whom wish to become entrepreneurs). Remittances are arguably more effective in reducing poverty than government programs, as private transfers can respond more quickly and accurately to changes in the circumstances of households than large government programs with fixed criteria and lengthy bureaucratic processes. Furthermore, remittances leave less room for corruption, as transfers are done directly between the two private parties involved.

Remittance flows are less volatile than ODA and FDI flows and exhibit greater stability over time. Remittances are also counter-cyclical in nature, as migrant workers increase remittances in times of distress in their home countries. Most importantly, remittances are likely to end up with average, mostly rural, members of the polity, unlike proceeds from ODA and FDI flows that are likely to benefit the already-favored urban elite.

Remittance inflows vary considerably across African countries. For instance, in 2008, remittances accounted for more than 5 per cent of GDP in nine Sub-Saharan African countries: Lesotho, Togo, Senegal, Cape Verde, the Gambia, Sierra Leone, Liberia, Guinea-Bissau, and Sudan. However, remittances represented only 0.02 per cent of GDP in Malawi and 0.1 per cent in Gabon, Madagascar, Mauritania, Republic of Congo, and Tanzania. Six African countries—Egypt, Nigeria, Morocco, the Sudan, Algeria and Tunisia—accounted for 78 percent of the total remittances received by Africa during 2000-2009 (UNECA, 2010). Hence, just as is the case for FDI, some countries have enough of this external funding to effect significant changes in youth employment, while other countries do not receive enough remittances for this factor to make a difference.

15.5 Recommendations for Expanding Employment Opportunities for Youth

The principal challenge for Sub-Saharan African governments and international donors is to create quality jobs for youth. In the following section, we recommend a multi-faceted approach to accomplishing exactly that—we encourage both skill acquisition by youth (supply side) and increasing opportunities for decent employment (demand side). We also include recommendations that can help make macroeconomic policies more favorable toward young workers, as well as ways to ensure that external factors such as overseas development aid and foreign direct investment are translated into increased youth employment.

15.5.1 Spurring Youth Employment by Strengthening the Demand Side of the Four Sectors of Sub-Saharan African Economies

15.5.1.1 Develop the Agricultural and Rural Household Enterprise Sectors

There are several, relatively inexpensive steps that can be taken to enhancing young farmers' productivity. Promoting simple productivity-enhancing technologies, as well as agronomic techniques—such as pruning tree crops or using the correct combination of fertilizers—could dramatically increase agricultural output and move young farmers out of subsistence living. There are forms of agricultural technology improvement that can increase Labour demand by increasing the area under cultivation and the physical quantities that are planted, harvested, and processed—such technologies should be widely disseminated. Information barriers often prevent young farmers from learning about new, more efficient farming techniques, and both formal training and the use of social networks can help to disseminate these techniques. Governments and donors should create savings programs that help young farmers save money from harvest time to the next planting season; ease access to much-needed fertilizer by providing pre-pay opportunities; and provide vouchers for discounted fertilizer, savings accounts, and assignment into farmers' cooperatives.

In addition to boosting agricultural productivity by deploying Labour-using innovations, attention should be placed on enhancing the linkages between agriculture and non-agricultural activities in rural areas. Creating such linkages has already begun, thanks in large part to the cooperation of agro-industrial businesses, public agencies, and NGOs. Most of the time, it is producers like distributors, pigment producing companies, and poultry and milk firms that initiate the connection through contract agriculture. To compete for business, producers have deployed more and more innovative forms of agreements. This includes, for example, triangular contracts that involve mediation and financial service providers for credit guarantees.

Nevertheless, room for improvement still exists, especially in terms of protecting the producers. At present, there is no effective evaluation system of technical and credit assistance schemes, which is important for reflecting a producer's opinion. Such a system would also provide market information to producers choosing a subcontractor and thus would deter contract violations. The establishment of a producer organization acting on behalf of its members will further aid the cause of preventing exploitation. At the same time, the coverage of agricultural insurance programs, which at present cater to less than a quarter of producers, should be extended to guard against production risks.

Further recommendations:

- Promote non-farm rural sectors by microfinance interventions.
- Ensure that agriculture—both domestic and export-oriented—experiences productivity change by implementing appropriate growth-oriented macro and exchange rate policies.
- Further reduce agricultural taxes.
- Remove price and policy distortions that may harm the agricultural sector.
- Refrain from policies that artificially reduce the price of machines and chemicals that may tend to substitute for Labour.
- Encourage value-added and agro-processing activities, which can provide excellent sources of jobs.

15.5.1.2 Develop and Integrate the Urban Formal and Urban Informal Sectors

To ensure that the small urban formal sector grows, growth-oriented macro and exchange rate policies must be in place. Reducing corruption and improving financial infrastructures will foster a friendlier business environment, and will help promote the growth of private firms and encourage private investment and capital accumulation. It would help to institute initiatives such as export processing zones and provide fiscal encouragement by increasing the linkages between the formal sector and the innovative components of the urban informal sector.

Indeed, positive linkages between the formal and informal urban sectors have been verified, but the extent of this articulation seems modest in many countries. These linkages take place mainly through final product markets (i.e. forward linkages and via sub-contracts with formal sector earnings invested in the informal sector). These positive linkages need to be expanded in order to match the reality of most Sub-Saharan African economies.

Further Integrate the Formal and Informal Sectors
The formal and the informal ends of the economic continuum in Sub-Saharan Africa can be dynamically linked. For instance, informal enterprises have production or distribution relations with formal enterprises, supplying inputs, finished goods, or services either through direct transactions or sub-contracting arrangements. Also, formal enterprises hire wage workers under informal employment relations.

To bring about informal sector growth and absorption into the formal sector, governments need to design their general policies so that they are relevant for informal firms. These governments also need to design specific programs targeting informal firms. Improving the skill level and policy environment for informal firms will ensure that they are attractive to actors in the formal sector. More important than the formalization of informal firms is making sure that informal firms become more productive and efficient (given that the informal sector will continue to dominate many Sub-Saharan African countries and employ a large number of youth).

Further recommendations:

- Simplify government Labour regulations and expand the Information Communications and Technology (ICT) sector, which will spur the integration of formal and informal sectors.

- Provide tax incentives to formal sector companies to hire young workers from the informal sector.

15.5.2 Spurring Youth Employment by Strengthening the Supply Side of Sub-Saharan African Economies

15.5.2.1 Improving Health

Various policies have been successful in reducing behaviour that exposes youth to chronic diseases. Given their immediate beneficial impacts, many of these programs could and should be enlarged soon. For example, there is ample evidence that investments in childhood health have sustained effects on skill development later in life. Micronutrient supplementation has been demonstrated to improve health and educational outcomes for treated children in several African countries. School-based deworming has been demonstrated to increase school attendance in the short run and improve Labour market outcomes in the long run. Evaluations in several Sub-Saharan

African countries show that school-feeding programs can increase school enrollment and attendance.

Among young women, the likelihood of teenage pregnancy or early marriage represents a substantial impediment to continuing their education and is also associated with chronic health problems. Across many developing country contexts, the use of financial incentives to reduce risky sexual behaviour has been shown to decrease pregnancy rates among youth. Other successful interventions have involved improving the resources adolescent girls have to finance their educations and providing classroom-based education regarding sexually transmitted infections and risky sexual behavior. Both have increased school enrolment and decreased risky sexual behavior. Such interventions are especially important in rectifying the persistent gender gaps in educational attainment and employment opportunities that characterize so much of Africa today.

Further recommendations:

- Determine how health products provision can be designed to bring about equal health improvements for boys and girls.

- Efforts to reduce fertility rates by discouraging early marriage are important. The legal minimum age for marriage should be raised and thoroughly enforced. Discourage child marriage through sanctions for parents and by improving access to education for girls.

- Educate both in-school and out-of-school adolescents about the use and effects of contraception before they become sexually active. This will help to correct the perception that contraception causes infertility and will increase the acceptance of using contraceptive methods for family planning.

- To avoid misunderstanding of religious rules on the use of contraceptive methods, public health professionals should work in partnership with church and spiritual leaders to advocate effective contraceptive practices.

- Increase opportunities in the health services. The potential for young people to work in health services as health professionals, paraprofessionals, or emergency assistants in urban and rural areas should be explored through collaboration between national medical services and youth unemployment programs.

15.5.2.2 Expanding Educational Opportunities

Financial and credit constraints are important barriers to education in Africa, and policies to help relieve these constraints have been shown to increase educational attainment. This includes not only school fees, but also indirect costs such as uniforms and school supplies. Indeed, credit constraints are perhaps one of the most pressing problems facing African youth who seek to obtain more skills and education in order to improve their employment prospects. The alleviation of credit constraints is also one of the most appropriate areas for policy intervention, since low access to credit markets prevents youth with both the ability and the interest in greater schooling from attaining the necessary skills to realize their economic potential. As greater skill sets increase economic productivity and income, policies that relax credit constraints improve both private utility and societal welfare.

Specifically, Conditional Cash Transfer (CCT) programs have seen widespread success. Part of their success is attributed to the fact that they couple the use of extrinsic financial incentives with a simultaneous relaxation of credit constraints. They attack the problem of low human capital investment on multiple fronts by simultaneously combating the problems of low household resources and low motivation for schooling. CCTs have been most widely implemented to condition on attendance and enrolment, but focusing solely on schooling misses the point when it comes to creating more employment. Rather, there is strong evidence that models which account for cognitive skill levels explain the variation in economic growth much more precisely than models which only examine the effect of the number of years of schooling a student obtains.

Further recommendations:

- Determine the specific program components that would maximize the returns of CCTs for African youth.

- Conditionality must be designed and enforced properly to ensure the effectiveness of CCTs. In particular, fulfilment of conditions should be monitored externally (e.g. by schools instead of solely relying on self-reporting). Also, the scale should be increased when possible, since a larger scale has been shown to bear more favourable returns while programs below a certain size may not yield results.

- Eliminate the gender gap at all levels of education. Possible policies could include encouraging parental involvement in school governance and increasing the proportion of female teachers.

- Governments should regulate—not provide—private and enterprise-based vocational education programs to ensure maximum numeracy and literacy for the underemployed. (Training by government is generally too theoretical and too biased toward the small formal sector).

- Increase vouchers for vocational training. These are an effective way to increase demand for vocational schools, and unrestricted vouchers are more effective than restricted vouchers at creating better individual-institution matches. Policies aimed at expanding the supply of private vocational institutions may also increase returns from vocational education, since demand for vocational training increases under the unrestricted voucher and since dropout rates were lower for private institutions.

15.5.2.3 Decreasing Regulation

Labour market regulations such as exceptionally strong employment protections, high costs of hiring and dismissal, and the long duration of contracts have made Sub-Saharan Africa home to some of the most overregulated economies in the world. These policies often make it prohibitively difficult for youth to gain long-term employment, and often push young people into the informal sector or into self-employment.

Many of the policies that lead to overregulation can be relaxed, or dispensed of entirely, which would serve as an effective boost for youth employment prospects. Providing greater social safety nets like unemployment benefits, for example, would reduce the effects of overregulation. These safety nets could ease the pressure on firms to provide generous severance pay, which would in turn decrease dismissal costs, improve Labour market turnover, and improve the probability that youth will land permanent jobs.

Empowering regulatory bodies to lower the costs of establishing and operating a small business (e.g. easier registration procedures and reasonable and fair taxation) is another means of relaxing regulation, and would increase the potential benefits of legal registration (and, as a consequence, help expand the formal sector).

Further recommendations:

- Simplify business rules and lower transaction costs, which would promote entrepreneurship and facilitate formalization.
- Reducing public sector wages could go a long way toward improving employment conditions for highly educated youth. This would contribute to an increase in the demand for more educated workers in a private sector that currently cannot match the high pay rates of the public sector.
- Examine policies to address the structural barriers and deadweight losses resulting from overregulation. These could include instituting a separate minimum wage for youth, lowering Labour taxes for hiring youth, or providing employment subsidies to promote greater hiring of youth in the formal sector.

15.5.2.4 Develop a Culture of Savings and Financial Literacy Among Youth

Youth tend to be impulsive spenders and focused only on the short term, which often prevents them from saving responsibly. This is a major problem, since saving could increase youths' ability to meet the costs of job searches or financing additional schooling. Exacerbating the problem is the fact that many young people in Sub-Saharan Africa have had little or no training in financial literacy and may not be properly informed about the importance of saving. Developing a consistent ethic of saving early on could improve youths' economic position by expanding opportunities for education and giving them opportunities to participate in job training programs.

15.5.2.5 Improve Management Skills

Despite the continuing growth of informal sector businesses, these firms' productivity remains low and their sizes, small. Problems with management are a major reason why informal sector businesses are not becoming larger and more efficient. Studies using randomized control trials found that many informal sector entrepreneurs in developing countries know little about management.

Informal sector entrepreneurs' lack of management knowledge has a great deal to do with their locational choices—the vast majority of informal sector enterprises are located in industrial clusters that produce similar and related products. The increase in the supply of homogeneous low-quality products due to the proliferation of imitative firms will sooner or later saturate the local market, resulting in the decline of the product price and the decreasing profitability of producing such low quality products.

Governments and donors should diversity the nature and location of entrepreneurial firms by making greater investments in managerial capital. Specifically, create training programs for managers that teach good management practices and ways for managers to improve the performance of their businesses. Participation in a rudimentary management training programs has been found to improve the business practices and results of the trainees.

15.5.2.6 Job Training Programs

Job training programs, which take the form of apprenticeships in many African countries, are a direct tool to reduce the mismatch between the skills with which young people enter the Labour market and the demands of the economy. The popularity of apprenticeships in Africa stems from the fact that they focus on the practical training desired by youth and are much more accessible to children and adolescents than other training programs. Such programs could potentially help youths acquire the skills demanded by employers and help informally-employed youth expand their enterprises and become job creators.

Further recommendations:

- Apprenticeship programs should be selectively pursued, but with an eye to avoiding older technologies and limited scalability, as well as pro-male bias. As conditions allow, on-job training provides more tailor-made skills and should be favored over apprenticeships.

- Create job opportunity programs that specifically target young women. Women engaged in the Labour market have lower fertility rates, higher bargaining power, and benefit from an improved allocation of resources at the household level. Therefore, targeted job opportunity programs for girls and young women can have positive effects on family size and women's access to resources.

- Offer a certification for apprenticeships, which has been done in Benin and may facilitate recognition of skills acquired during informal training and rectify information asymmetry.

15.5.3 Spurring Youth Employment by Strengthening the Demand Side of Sub-Saharan African Economies

15.5.3.1 Strengthen Fiscal Policy Frameworks

The accumulation of fiscal deficits over time is the reason why most Sub-Saharan African economies still possess a significant amount of debt. Typical ways of debt financing all have their downsides. In Sub-Saharan African economies, although public sector borrowing does not necessarily crowd out private investment to the extent that it does in rich countries, public sector expansion does tend to drive up wages in the urban formal sector and thereby to squeeze job creation. Higher taxes to fund government spending can also prove burdensome because many countries have a relatively narrow tax base, so that taxes fall heavily on formal sector firms. This can create distortionary patterns and strong disincentives to formal sector investment. Therefore, the most sustainable method to achieve low budget deficits and external debt levels is still through responsible fiscal spending and real economic growth.

Further recommendations:

- Keep public sector debt at a level such that it does not crowd out domestic private sector investment. This requires more disciplined fiscal budget planning instead of financing through monetization (which aggravates inflation) or becoming over-dependent on external aid (which crowds out private investment needed for economic growth).

15.5.3.2 Strengthen Financial Infrastructure

Informal financial institutions and development banks have attempted to fill the gap where commercial banks have failed to meet the demands for credit, particularly in rural communities. These organizations have been shown to have a distinct advantage in obtaining more detailed knowledge of local conditions and their clients, leading to lower costs for accessing credit. Policies should recognize and enhance the potential of informal credit providers in aiding informal and rural enterprises to generate employment opportunities. For example, fostering linkages between formal and informal institutions can increase the amount of financial resources available to improve and expand the services of informal credit providers.

Further recommendations:

- Improve financial sector and financial intermediation through:
- Strengthening the regulation and enforcement of creditor rights;
- Revising institutional infrastructure to make collateralized loans more generally available; and
- Increasing the sharing of information in credit markets.
- Central banks ought to adopt a more active accumulation of foreign exchange reserves when net inflows are strong and allow depreciation when these flows weaken.
- Alleviate credit constraints, since low access to credit markets prevents youth with both the ability and the interest in greater schooling from attaining the necessary skills to realize their economic potential.
- Ease access to credit with a specific eye to helping grow micro-enterprises.
- Relax the credit constraints that hinder migration, which could improve the allocation of workers to jobs and help address the spatial mismatch that exists between Labour supply and demand.

15.5.3.3 Strengthen Monetary Policy Frameworks

Although the optimal monetary policy framework is often a combination of components from different regimes depending on the structural features of an individual country, inflation targeting is often seen as the primary benchmark regime to be used by a developing economy. One important reason for inflation-targeting's empirical success is a higher capacity for attaining dual targets through effective communication and credible long-term strategies.

With respect to underemployment, focusing on a dual mandate of maintaining moderate inflation levels while generating more economic and employment growth is especially relevant. Maintaining low inflation levels will not, by itself, increase the rate of economic growth. In some cases, although supply shock-induced inflation brings about a negative growth effect, demand pull inflation resulting from a process of economic expansion can positively impact growth as long as inflation rates remain moderate. Therefore, macroeconomic policy should not exclusively focus on contractionary measures but comprehensively aim at decent employment targets coupled with moderate inflation targets over the long run.

Nevertheless, it is important to note that effective inflation targeting policy requires a set of preconditions, with credible central bank independence as a key component. Low levels of fiscal deficits, public support for low inflation rates, an effective public communication system, and flexible Labour and product markets are conducive to this goal. However, for the minority of countries in which authorities are likely to set prices or interfere with the central bank's polities due to political pressures, inflation targeting would bear little significance.

Further recommendations:

- Promote sustainable development of the export sector through a more stable and correctly valued domestic currency. Overvaluation of exchange rates, as was common in the 1980s, discourages the development of the tradable sector, which arguably has the capacity to create more jobs than any other sector in the long run. This could be achieved by, for example, setting aside commodity-related windfalls as a buffer against private capital inflows, which tend to surge when commodity prices rise.

15.5.3.4 Employment Subsidies

Employment subsidy programs for young workers aim to increase work opportunities for targeted beneficiaries by transferring subsidies to the firms that employ eligible workers. The subsidy is intended to compensate the firm for screening, orientation, and training costs, as well as any losses in firm productivity that result from hiring a young worker instead of a more senior job applicant. Some employment subsidy programs also provide training for youth in addition to the training provided by firms. High-ability youth who were hired due to the subsidy would be better able to communicate their productivity to employers and increase their chances of obtaining long-term employment. Through increasing work experience, employment subsidies may also improve the employability of youth and better enable them to find jobs on their own after the end of the program. Finally, employment subsidies could generate a scale effect. As long as hiring subsidized workers decreased Labour costs, firms would have more funds available for investment, which could encourage expansion and increase demand for workers in the future.

But the evidence available suggests that employment subsidy policies are difficult to implement and only weakly effective in helping youth access stable and durable employment. While they may have positive effects in the short run, these effects vanish as the program ends. Also, wage subsidy programs can be especially costly—most of the programs that have seen positive effects subsidized half of the entire wage rate for at least a year.

There are many possible reasons as to why employment subsidy programs might fail to translate into longer-term employment gains for beneficiaries, and each entails a distinct set of solutions. First, in many cases the magnitude of the subsidies may not have been enough to make young workers attractive to formal employers. If that is the case, increasing the quality, intensity, or duration of training that often accompanies the wage subsidy, or further increasing the level of the subsidy, may help improve the success of these programs. Second, beneficiaries may not be sufficiently motivated to perform well at the subsidized job, thereby limiting the chance that the job will turn into longer-term employment. Tying the employment subsidy to greater incentives, such as renewal of the subsidized job conditional on performance, may address this problem. Finally, if beneficiaries remain unable to signal their job experience to potential future employers, employment subsidy programs may successfully be combined with formal referral and counseling processes which may reduce any remaining informational asymmetries regarding worker productivity.

Despite these limitations, one potentially under-appreciated benefit of subsidy programs is that they may encourage the formalization of informal jobs. Subsidizing wages decreases the Labour costs for firms and may incentivize informal firms to transition into the formal sector. While this also does not create new jobs, it may be effective in spurring competition in the formal private sector and incentivizing more efficient wage adjustments among formal sector employers. Also, because of easier access to credit and other government benefits, formal firms typically grow more and at a faster pace than informal firms.

15.5.3.5 Microfinance

In theory, microfinance should directly address the structural Labour demand problems that are the primary causes of youth underemployment. Providing greater access to credit enables youth to invest in the capital and Labour inputs that are necessary to start or maintain their small businesses. The profit earned from output sold could then be turned into loan payments and further investments in business production. In this way microcredit would allow youth to directly alleviate the problems of low demand in the formal sector by creating Labour demand themselves. Under microfinance, successful microenterprises would have a greater wealth of financial resources to expand their business and employ a larger number of workers. Microfinance therefore enhances the productive potential of the informal sector and facilitates the expansion of profitable microenterprises into businesses that would employ more job-seekers in gainful full-time work.

However, microfinance programs, as they are currently structured, can only promote micro-enterprise expansion to a certain point, and alone are insufficient to fuel the expansion of small and medium enterprises. There are significant differences in microcredit uptake rates in youth relative to adults. This is partly due to the fact that although youth represent a significant share of the underemployed in Africa, microfinance institutions view youth as riskier clients, given their lack of experience and the sharp information asymmetries regarding their productivity. Youth also represent a small market for microfinance institutions, so the potential profit gains may not justify the costs involved if special services must be developed for youth (e.g. structuring special credit products appropriate for youth). There is also political opposition to microcredit for adolescents, since child Labour might increase and since adolescents may be more likely to exit school as a result.

While microcredit theoretically could be a feasible short-term solution to rectifying the problem of low formal Labour demand, it is unclear what its capacity for creating gainful employment is relative to the formal sector. Does microcredit have the potential to alleviate the problem of underemployment and improve and expand employment opportunities in the informal sector? Rigorous empirical research comparing the benefits of micro-entrepreneurship and formal employment is light, especially when it comes to youth.

15.5.3.6 Expand the Information Communications and Technology Sector

There have been many programs—large and small—to develop Africa's information and communications technology (ICT) sector, including initiatives such as the private sector-led efforts to install marine fibre optic cables along the coasts. Telecommunications investment in Africa is rising to match the dramatic increase in demand for mobile and other technologies.

Despite this, many African economies still suffer from a lack of connectivity, and deficits in basic education hold countries back from significantly expanding ICT opportunities. With that in mind, governments could sponsor initiatives that expand broadband and general connectivity, and they could also increase efforts to integrate ICT into education, which would both improve the skills of the young workforce and also develop a portion of the youth population that specializes in ICT. The ICT sector can become an important means of generating jobs for African youth.

Indeed, youth could be particularly well-positioned to capitalize on the rapid developments in this sector. The rapid expansion of mobile phone networks and other information communications technologies is positioned to continue, and could present unemployed youth, as early adopters, with increased economic opportunities. Specifically, ICT development could improve the Labour prospects for youth through two channels: 1) Through increasing the productivity and profitability of informal activities and 2) Through expanding employment opportunities by helping formal sector businesses operate more efficiently. Regarding the former channel, small entrepreneurs and self-employed individuals in the agricultural sector can use mobile technologies to obtain the information necessary to maximize productivity and profit. Introducing mobile phones could allow traders to access information on prices before they spent time travelling, and would give them better information regarding the markets that offered higher prices for that day. Mobile phones could also deliver reminders through text message to farmers on when to water crops, when to apply fertilizer, and other crop management techniques. Access to this technology could encourage the expansion and growth of informal enterprises, which could employ more youth or increase the attractiveness of informal sector jobs.

The second way ICT development could improve prospects for youth's economic output is through providing new jobs. Mobile phone companies depend on individual shop owners or kiosk operators to sell airtime and sell, repair, or even charge mobile phones. These are suitable positions for youth to fill, as are jobs in African-based call centers, in computer repair, and other ICT-related work that will expand as the continent continues to expand its connectivity.

Further recommendations:

- Integrate ICT into formal education curricula, including computer literacy classes and the purchase of PC's and laptops for staff and students.
- Implement ICT modules in technical school curricula.
- Promote ICT Research & Development in African universities and companies.
- Create Centres of Excellence in ICT that can train senior level managers, entrepreneurs, government and private sector employees, and university students pursuing advanced ICT studies.
- Create independent regulatory bodies for ICT sectors. As most investment comes from the private sector, governments should set the basic goals of telecommunications policy, the regulatory agency should implement and enforce them, and the courts should review them (rather than other government branches).

15.5.3.7 Overseas Development Aid

The need for increasing youth employment has been acknowledged both explicitly and implicitly in various aid packages for Sub-Saharan Africa. Bilateral donors, for example, have supported developing youth employment strategies that have covered large swaths of the region and have mobilized technical advice via bilateral cooperation programs. Such bilateral actors include the official aid arms of the Canadian and British governments and the International Labour Organization. Multi-country initiatives have also been focused on this task, such as the Youth Employment Network (YEN)20 and the Youth Employment in Sub- Saharan Africa Project (YEAP) (ADBG, 2012).

Improving education is one of the most important ways that ODA can impact the long-term employment outcomes of Sub-Saharan African youth. Confronted with rising unit costs in primary education, increasing pressures on secondary education systems as a result of higher primary completion rates, and limited prospects of external finance, African governments have little choice but to open a dialogue with their development partners on the desirability and realism of the primary education Millennium Development Goal. If a more broad-based target were to be used, governments would have greater flexibility to reallocate expenditures from primary to post-primary education, while still making and reporting measurable progress in building human capital (Page, 2012).

In addition to allowing greater budget flexibility and providing additional funding, donors can support two additional ways of expanding educational services (Page, 2012): First,by encouraging the private provision of educational services, especially in technical, vocational, and tertiary education, which represents a significant financing and service provision option. The private provision of technical and tertiary education raises important equity issues. Lack of financial depth in many African countries is likely to constrain poorer students from privately financing their education. Donors can strengthen equality of opportunity by supporting grants and low-cost loans. Governments could also use such support to tackle gender and horizontal (i.e. ethnic) inequalities in educational access and outcomes.

Second, aid donors with significant African immigrant populations can help to develop ways of using the diaspora to build skills in their countries of origin. Africa is the region of the developing world in which the highly skilled form the largest share of all migrants. This brain drain offers the possibility of becoming a brain bank from which emigrants are recruited to support skills development through virtual, temporary, or permanent return.

Further Recommendations

- Push nontraditional exports, support agglomerations, build firm capabilities, and accelerate regional integration, all of which can help accelerate structural change in Sub-Saharan Africa (Page, 2012).

- Support programs that can gather accurate and timely youth employment data in individual Sub-Saharan African countries. The effective design and implementation of youth employment-generating growth strategies requires access to such data (UNECA, 2010).

15.5.3.8 Foreign Direct Investment

Rather than being funnelled to certain elite sectors, Foreign Direct Investment (FDI)should benefit economies as a whole. Specifically, FDI should be used to increase the likelihood that firms hire young workers and that young workers can get the most out of their employment. Accomplishing this depends largely on recipient governments, which can adjust the terms of their relationships with investors so that programs are more favorable to the most vulnerable members of their economies.

First of all, Sub-Saharan Africa needs to continue following the Asian model of attracting more productive FDI to the region, which can help to diversify its economies and bring in benefits like technology transfers and spillover effects (AEO, 2012a). An African Development Bank report discusses how FDI can introduce a higher level of capability to a firm or group of firms, and how exchanges of information between suppliers and buyers with a reputation for high equality can add to the capabilities of supplying firms (Page, 2012).A UNU-WIDER report goes on to point out that complex and interrelated bodies of knowledge and patterns of behaviour can be transferred into firms based in recipient countries. FDI can be a better channel for capability-transfer than ODA, and countries can take advantage of this opportunity by developing effective foreign investment promotion agencies at the country level (Page, 2012).

An important caveat needs to be made: the vast majority of FDI that comes into Sub-Saharan Africa relates to the extraction of minerals, natural gas, oil, and other resources, which means that relatively few Sub-Saharan African countries receive the lion's share of FDI. Further, the scope of these industries' interactions with recipient countries can be extremely circumscribed, and the spillover effects on the broader economies can be limited, or even non-existent. It is therefore imperative for recipient governments to set the terms of FDI and do so with specific benefits in mind—in this case, the development of skills in young workers, and the growth of the economy as a whole, which will also be a boon to young workers.

Further Recommendations:

- Remove obstacles to the formation of vertical value chain relationships. The transmission of capabilities to other firms within an economy most often takes place through these relationships. In many industries there is a close and continuing contractual relationship between buyer and supplier, which often involves a two-way movement of technical and engineering personnel between their respective plants (Page, 2012).

15.5.3.9 Remittances

Though remittances are often too diffuse to directly channel into youth employment efforts, this income is an increasingly important means of encouraging economic growth and increasing the economic possibilities of households. The most important means of improving youth employment in Sub-Saharan Africa is ensuring robust, broad-based economic growth, and remittances can help these economies achieve this goal. Therefore, donors and governments should increase their focus on encouraging and tracking remittances, which are less volatile than other exogenous flows and provide less room for corruption since they flow directly to low-income households. Moreover, governments and donors can work to reduce the costs of sending and receiving remittances. Receiving governments can coordinate with sending-side governments and supranational bodies to reduce the costs of sending remittances. And given the overly strict nature of many Sub-Saharan African regulatory bodies and laws, special efforts need to be made to decrease overregulation in receiving countries.

15.6 Recommendations for Donor-Government Coordination and Further Youth-Related Research

We conclude this chapter with a discussion of the current difficulties donors and governments have in effectively coordinating their youth-related efforts, and we make recommendations that can help eliminate these difficulties. Following that, we list the youth-employment issues that require further research by donors and governments.

15.6.1 Improving Coordination Between Donors and Governments

The task of improving youth employment in Sub-Saharan Africa is vast, and so is the network of supranational bodies, regional blocs, national governments, and sub-national actors that is responsible for formulating and executing youth-related policies. The sheer scale and complexity of the challenge is surely one of the reasons why it is not being satisfactorily addressed—Sub-Saharan Africa is an enormous, and enormously diverse, region, and the problems and solutions that apply to one country are not guaranteed to apply to its neighbours. And given the broader economic, health, and political difficulties many of these countries face, policymakers can sometimes lose perspective on just how crucial expanding youth employment is to the future prospects of these economies.

Some argue that youth employment in Africa has not registered as a key policy focus among donors and governments. Instead of focusing on youth employment as its own issue, the development community embeds youth job promotion in wider development strategies, or alludes to it elliptically in Poverty Reduction Strategy Papers (ADBG, 2012). Indeed, in statements such as the declaration that created the Millennium Development Goals, young people were seldom mentioned (UNECA, 2011).

The youth bulge in Africa makes it increasingly difficult to ignore this issue, and, as was mentioned above, there *is* a growing recognition of the need to focus on youth employment and job creation initiatives targeted at youth (ADBG, 2012). And yet even among those donors and governments that do recognize the issue, there is still the problem of coordination, both vertical and horizontal. Poor coordination leads to scattered, sometimes competing efforts (AEO, 2012b). For example, the escalating number of NGOs operating in recipient countries has led to operational inefficiencies, with each NGO offering its own advice and competing for the same projects. This has increased transaction costs and overwhelmed government officials, reducing their ability to make sound policy decisions

Another problem is that youth employment programs in Sub-Saharan Africa depend almost entirely on external funding (ADBG, 2012), which means that strategies are tied to business cycles and the political vicissitudes of donor countries. It also means that the strategies are often formulated without the substantive input of the very countries these strategies are aiming to assist. And among governments that are dedicated to decreasing youth underemployment, there are inter-agency inefficiencies that attenuate the outcomes of their programs—these inefficiencies include the duplication of efforts among different government agencies.

Just as there is no single solution to youth underemployment, neither is there a silver bullet for improving coordination problems between governments and donors. One long-term goal is for Sub-Saharan African countries to continue decreasing their dependence on external sources of development financing. Another is ensuring that every country formally recognizes the issue of youth underemployment, and embeds frequent and substantive references to the issue in its political and policy-related frameworks. Another task is increasing stakeholders' inputs into donor policymaking, which can make youth employment policies more nuanced. There are indeed solutions that can be accomplished in the short term, including the creation of specific agencies on the supranational and national levels that focus specifically on youth employment. Inter-agency coordination can be promoted, which should be paired with efforts to make Sub-Saharan African economies generally more efficient (UNECA, 2010). Donors can also help to coordinate NGO efforts by appointing one lead NGO for a period of time, which will ensure consistency. This can help to decrease the operational inefficiencies that have resulted from the dramatic increase of NGOs in Sub-Saharan Africa. It can also help to decrease transaction costs and potentially provide government officials with more time to make sound policy decisions.

15.6.2 Further Research on Youth Underemployment

We end this chapter with recommendations for further research that needs to be done on youth underemployment in Sub-Saharan Africa.

Some Sub-Saharan African countries have been more conducive to youth employment research than others, leading to the overrepresentation of certain countries in the literature—it is important to widen the geographic scope of such research. Until that is done, investigators should at least design studies that are more reasonably generalisable across an extremely diverse continent. In addition, some issues with a high potential for improving youth employment have essentially only been studied outside of Sub-Saharan Africa (e.g. wage subsidy programs and job training programs) and will need to be rigorously studied within African contexts. Finally, many of the most convincing studies on boosting employment have not been targeted specifically at youth, and there should be more research on whether the results of these studies carry over to examinations of young workers.[250]

Corruption

- Design rigorous studies that examine the specific effects of corruption on youths' employment outcomes.

Education

- Sponsor research to form a balanced and comprehensive view as to how gender gaps in education arise, why they persist, and how to cost-effectively narrow them.

- Develop micro-evidence on post-secondary education that examines how secondary and post-secondary schools are functioning, and examine the (mis)match between the skills of their graduates and the skills that are currently demanded in the Labour market.

- Further research whether methods to expand higher education for low-income children, such as targeted education subsidies, would be effective.

- Improve research on the relevance of credit constraints at different levels of education. It is a priori less clear whether subsidizing secondary or post-secondary education would significantly increase educational attainment as effectively as it has on the primary level.

- Initiate microeconomic research on college education in Africa. Are colleges providing the expected skills? Are they providing the leadership skills that we know to be so crucial to the creation and development of successful businesses? Are they fostering the spirit of initiative-taking and entrepreneurship that we know to be so crucial to a dynamic and healthy economy? If not, what are the binding constraints? Is it poor infrastructure, or a lack of financial resources, or a lack of properly trained instructors?

- Expand research on how to improve the quality and Labour market-relevance of instruction in secondary and post-secondary schools.

- Research the expectations held by educated youth regarding their future employment prospects, and see whether they are out of sync with countries' employment options.

[250] The following recommendations are arranged alphabetically—hence, the ordering of this section does not reflect the relative importance of each set of recommendations.

- Research the supply of vocational schools, access to them, and the quality of learning that occurs within them.

- Initiate rigorous research in well-controlled environments to test the theory that optimal vocational training programs and apprenticeships focus on short courses centering around the technical skills required for the craft.

- Investigate how to develop a saving ethic among youth and cultivating better financial literacy

Health

- Establish whether using take-home rations as opposed to in-school feeding is more effective in increasing school attendance rates.

- Uncover the age gradient in the relationship between health improvement and skill acquisition. Evaluations that vary child age when investigating the effect of health service provision may help guide the design of more cost-effective interventions. In addition, it would probably be erroneous to assume that health interventions aimed at improving children's educational prospects should only focus on the health of the child. The health of adult family members may have dramatic and sustained consequences for the well-being and skill formation process of young children.

- Further research the relative benefits of incentive-based programs for improving health, including information-based campaigns, cash rewards for negative sexually transmitted infection (STI) tests, and cash transfers (which may reduce STI infections in adolescent girls without conditioning directly on sexual behaviour, since they reduce financial dependence on men).

The Informal Sector

- Increase research aimed at improving design interventions that will help small informal businesses succeed. Also, more work should go into considering other constraints these businesses may face, such as access to infrastructure.

Information Communications Technologies

- Investigate ways of encouraging micro-enterprises to leverage the power of new information communication technologies.

- Expand research on the potential benefits to the Labour market that ICT media (other than mobile phones) could bring and how productivity gains from ICT will also benefit formal sector jobs.

Microfinance

- Test whether business training would enhance the effectiveness of microcredit programs.

- Conduct more research on whether it is cost-effective to design separate microfinance components tailored to youth. Also study further whether the program components that are effective for young men are just as effective for young women.

Public Works, Apprenticeship Programs, and Wage Subsidies

- Sponsor Randomized Control Trial-type micro studies on apprenticeship programs to determine ways of improving their structure.

- Increase research on ways to improve the access, content, duration, and incentives for both students and trainers in apprenticeship systems.

- Research ways that youth who have undergone informal job training can communicate their skills to formal sector employers. While apprenticeships have the highest take-up in most African countries, formal sector employers lack systematic methods to recognize that informally-trained youth may possess additional skills that make them better candidates.

- Expand research on public works programs to learn how these programs might be reshaped (such as by combination with job training, or a referral system, or stronger incentives for job performance) to deliver long-term benefits for participants.

- Rigorously assess the cost-effectiveness of public works programs; truly informative results must incorporate the projected costs and benefits of prolonging such programs.

- Investigate how better incentive structures could be designed to make employment agencies, public or private, more effective intermediaries for young people's Labour market transitions.

- Undertake more rigorous evaluations of wage subsidy programs. These evaluations should be designed so as to better measure displacement effects, and they should also aim to provide information about the full costs and benefits.

- Test alternative models that may combine the subsidies with other policies (additional training, referrals and counselling, financial incentives for good performance) that may improve the chance that stable and durable jobs will be created.

Regulation

- Address the paucity of research regarding Labour employment regulation and its effect on youth employment in Africa. Evidence from a variety of countries has consistently demonstrated the significant detrimental effect Labour market regulation has on permanent hiring.

- Research the use of temporary contracts: Are they used in Africa to resolve information asymmetries regarding worker productivity or to avoid the increased hiring costs of permanent contracts? Africa-specific evaluations would benefit our understanding of Labour market regulations as they apply to African youth employment.

- Determine whether employment regulations should be relaxed for youth hires. A potential drawback of this approach is that it may lead firms to decrease demand for older workers, whose hiring and firing costs are relatively higher, and simply result in displacement effects, with no net job creation.

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OUTPUT III : Africa Youth Employment Initiative: Phase III

Proposal for Implementation of the Joint Recommendations of JICA, the World Bank, and the African Development Bank

Africa Youth Employment Initiative: Phase III

Proposal for Implementation of the Joint Recommendations of JICA, the World Bank, and the African Development Bank

By Kobe University and Oxford Policy Management[251]

August 6, 2013

At the fifth Tokyo International Conference on African Development (TICAD V) held in Yokohama during June 1–3, 2013, it was agreed that creating jobs for the youth is one of the most urgent development challenges confronting Africa. Echoing this theme, the Prime Minister of Japan, Mr Shinzo Abe, singled out the development of human resources as the second most important target of Japanese assistance to Africa, and announced several programs designed to help achieve this target. The programs the Prime Minister announced include: training of 30,000 youth for employment in industries; establishment of a "human resource development hub" in ten African countries; and the Africa Business Education (ABE) initiative.

Reinforcing the critical importance of the employment challenge in Africa, Japan International Cooperation Agency (JICA), the World Bank, the African Development (AfDB) and Kobe University jointly organized a High Level Panel Discussion "Empowering Young Africans to Live their Dreams" as an official side event of TICAD V. At the Panel Discussion, JICA, the World Bank and AfDB put forward their joint recommendations that could, if implemented, go a long way towards achieving the goal of giving all young Africans real opportunities to have the jobs they want. The President of JICA stated in his intervention at the panel discussion that the recommendations could serve as a guideline for JICA's activities henceforth.

This paper outlines an evidence-based action plan that JICA could adopt in partnership with the World Bank and the African Development Bank to assist African governments in implementing the joint recommendations. The implementation of this action plan would constitute Phase III of JICA's Africa Youth Employment Initiative as well as a follow-up to TICAD V. The action plan incorporates and builds on the programs that Prime Minister Abe announced. This paper also proposes a partnership linking a group of top-level researchers with African governments and partner agencies, which would underpin institutional arrangements to coordinate the implementation of the recommended actions as well as evaluation and monitoring of the progress achieved.

Main elements of the action plan

We propose that the action plan contain the following components:

1. ***Adapting and scaling up JICA's existing projects***

[251] This proposal is made by Kobe University and Oxford Policy Management, as a part of the terms of reference of the contract commissioned by JICA, "Research on Policies for African Youth Employment - Recommendations of Strategy for the Fifth Tokyo International Conference on African Development and Plan of Actions". It does not necessarily represent views of JICA or any institutions that were associated with the preparation of the report.

The joint recommendations propose that development partners mainstream innovative programs that have been proven at scale and in the different contexts and, in addition, scale up the programs that have been proven in several specific contexts but still need to be tested at scale. JICA has been successfully implementing a large number of projects in the areas of education, health, vocational training and agriculture that are highly relevant to human capital development and employment creation. Several of those projects could most usefully be adapted to directly address the challenges identified in the JICA/Kobe University TICAD report (Policy Brief); the projects should be evidence-based, through incorporating rigorous evaluation methods, be scaled up, and be implemented in a number of African countries in a scale commensurate with the ambition set forth in TICAD V .

JICA could invite an expert group to: (a) review the record of such projects; (b) incorporate rigorous evaluation methods in the project design; (c) draws lessons from similar projects of other agencies; (d) make other technical recommendations to enhance the projects' impact on employment in the short and long run; and (e) prepare a detailed concept note for implementation. The expert group would consist of selected top level researchers from Africa, Europe, the U.S. and Japan as well as African policy makers, and will work closely with designated JICA staff, the World Bank, the African Development Bank, and other interested agencies.

We would suggest that some of JICA's projects be selected for deliberation by the expert group, and that the group draw upon the experience from other projects and the relevant evaluation literature. The following projects are particularly promising in this regard.

(a) <u>Remedial Education in primary schools</u>: JICA's *School for All* programs have been successful in Niger and Burkina Faso. Randomized Control Trials (RCT) has been introduced in these "community-based school programs." In addition, the programs should incorporate more strongly remedial education in primary schools by educated young people in the community, drawing lessons from RCT programs in India, Ghana and other countries.

In order to strengthen the immediate impact on employment of the youth, the program design could be modified to include deployment of educated unemployed youth to primary schools as volunteers nation-wide to offer supplementary teaching, particularly in mathematics and science. This program would not only contribute to building human capital but also create a large number of employment opportunities. The program could also make the participating youth highly employable in subsequent job search. (This is one of the reasons why "Teach for America" is highly popular among American university graduates.) There appear to be strong interest in such program in at least several African countries as well as donor agencies.

(b) <u>Early Childhood Development</u>: There exists strong evidence that investment in nutrition, health and stimulation in children and their mothers during the first 1000 days improves cognitive skills of children and their long-term labor market outcomes. JICA's EMBRACE (Ensure Mothers and Babies Regular Access to Care) is a successful program that enhances community- and facility-based preventive and clinical care, and supports healthy childhood. EMBRACE could be strengthened by: (i) introducing rigorous evaluation of immediate impact on human capital status and long-term impact on labour market outcomes; (ii) expanding locations where nutrition and health services are offered to mothers and children; (iii) incorporating stimulation programs and maternal (mental) health care in routine health services; and (iv) strengthening financial incentives to mothers to take care of their children properly during pregnancy and after giving birth. Conditional and unconditional cash transfers have been much discussed, and could be effective in this regard. Investigating the impact of such transfers would have a high return.

Early childhood nutrition programs are offered by the World Food Program in the areas where the incidence of hunger is widespread. Early childhood stimulation programs have been piloted successfully in Jamaica and Colombia. Lessons from these and other programs should be drawn in designing an effective early childhood development program with a focus on improving employability of the future youth. Because nutrition, health and stimulation services are typically offered in public health facilities, a key challenge is to find the delivery modes that can cover children at scale, and in accessible locations throughout the country.

(c) <u>Vocational training with Exit</u>: Toyota (in South Africa), Komatsu (in Senegal), Samsung (in Kenya) and other major companies have been offering training programs in which the companies accept African youth as trainees and offer on-the-job training with a view to hiring them after successful completion of the programs. These programs are examples of "vocational training with exit" that Prime Minister Abe advocated in his TICAD V speech. The World Bank's Kenya Youth Empowerment Program (KIEP) supports internships offered in selected private companies by fully financing wages of the trainees. This program is managed by the Kenya Private Sector Alliance (KEPSA) – a Private-Public Partnership.

It would be most useful to scale up the above programs – enough to make a dent in the large pool of unemployed youth – while ensuring that demand exists for the trained youth supplied to the labor market. A possible approach to this end could be to: (i) solicit internship proposals from all companies in the country; (ii) evaluate and select those companies whose training programs are credible, professional and marketable; (iii) incorporate, where appropriate, KAIZEN and other methods to increase group (company) productivity as well as soft skills to enhance motivation; and (iv) offer a wage subsidy to the companies that are selected, on the understanding that trainees will be hired for permanent employment after successful completion of internships; and (iv) issue vouchers to eligible youth that can be used in any of the selected companies as part payment of wages.

Transferable vouchers would introduce competition among private companies, incentivize them to offer more effective training and to hire more youth, and provide a market-like mechanism for demand for and supply of training to be met. A voucher program in Kenya, where trainees receive vouchers and use it either at a private or public vocational school of their choice, has proven effective in raising employability. Although training in a vocational school is different from in-company training, the experience of the transferable voucher program for vocational schools is relevant for the program proposed above.

(d) Smallholder Horticulture Empowerment Program (SHEP): JICA has successfully implemented the Smallholder Horticulture Empowerment Program in Kenya. This program offers technical assistance to farmers' organizations to help them select and target horticulture crops that are in demand in markets. The aim is to change the mindset of farmers. Instead of producing for subsistence, farmers are incentivized to produce for market. JICA reports that the SHEP that was implemented in 2006 -2009 doubled incomes of the farmers who participated in the program. Impact evaluation (with RCT) of a similar and more comprehensive support program in Ghana showed that what impacted farmers' earnings was the choice of product to farm; there was no clear evidence that other forms of support (e.g., training of farmers' group, provision of credit) had a significant impact on earnings.

Prime Minister Abe announced that JICA will extend SHEP to ten African countries. In doing so, it would be important to: (i) incorporate rigorous impact evaluation in SHEP; (ii) expand the scope of support (e.g., road access to market, power supply) to ensure its sustainability, drawing lessons from similar programs and relevant research; (iii) scale it up by expanding it to other locations in Kenya; and (iv) apply it to other countries, adopting horticulture and other products with established market appropriate to the countries concerned.

(e) Science and Mathematics Education: Mastery of mathematics and science not by a select few but by population at large is the foundation for industrial development of any nation. Yet math and science are the areas where most of young Africans lag seriously behind, relative to their peers in other countries. More importantly, mastery and application of math and science are requirements of success in the 21st century economy. The World Bank's survey of Service Delivery Indicators confirms this assessment. Recently released data from Kenya shows strong correlation between the level of educational attainment of students and the quality of teachers, particularly in math and science.

JICA's SMASE (Strengthening of Math and Science Education) project aims to improve quality of teachers by improving attitude, pedagogy, mastery of content, mobilization of resources, and the use of locally available materials. It trains national trainers in a central location in a third country (Kenya), who train class room teachers in a number of In-Service Education Training Centers across the country. Following a success in Kenya, JICA now operates SMASE projects in 10 African countries with Kenya serving as the hub for offering the training. It would be important to demonstrate -- by rigorous evaluation -- the effectiveness of such teaching methods on cognitive skills, scholastic outcomes and labor market outcomes. In addition, the main findings of the World Bank's ongoing Service Delivery Indicators and Skills Assessment initiatives should be incorporated in the SMASE project design. The aim would be to scale it up enough to have an impact on the employability of African youth that can be rigorously evaluated in the labor market.

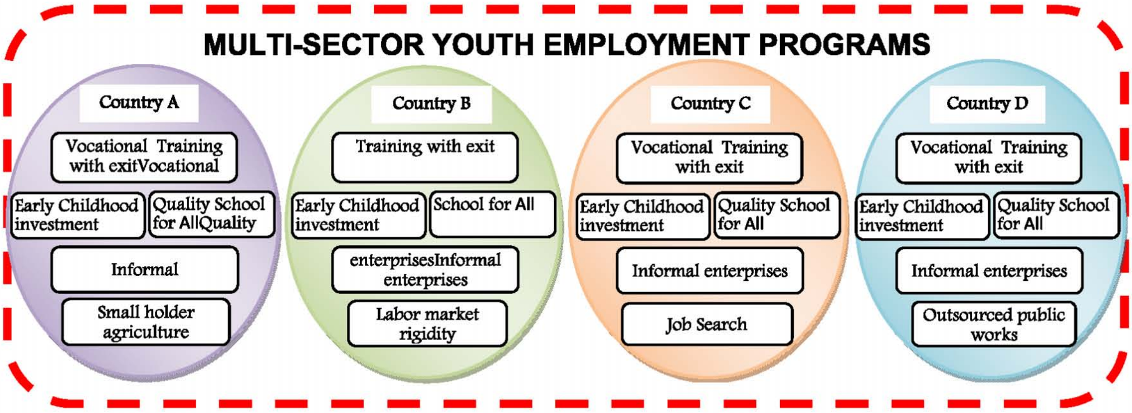
2. Co-financing multi-sector youth employment program loans

The joint recommendations stress that addressing the challenge of youth employment requires a broad and well-coordinated program of action. This is because in most African countries, the unemployment problem is the outcome of a broad range of issues, including inadequate macroeconomic management, low productivity of work, inadequate development of human capital, labour market imperfection, the tradition or history of land ownership, and in some cases the politics of short-term results. The program 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.

While specific components of comprehensive youth employment programs would vary in each country, the programs should typically include policies that: (i) enhance growth and strengthen manufacturing – fundamentally, job-creating growth will require strengthening competitiveness; (ii) raise productivity in agriculture, including with greater use of science; (iii) improve the quality of work and productivity in informal enterprises and smallholder farms – the key will be to remove the constraints African farms and firms face and help them grow in size and in profitability; (iv) build strong human capital, by investing in nutrition, health and education from conception through young adulthood – this includes more effective skills training that better match skills demanded with those supplied; (v) eradicate gender gaps; (vi) promote land and other institutional reforms; and (vii) address market failures in the labour market. The programs should have clearly articulated targets, and their effectiveness must be monitored closely. We would encourage the World Bank in particular to consider supporting such comprehensive programs with Development Policy Loans (DPL).

In the context of Phase III of this initiative, however, it could be more advantageous to focus more narrowly on a package of (micro) projects and programs that are most directly relevant to the countries concerned. The package would constitute a multi sector youth employment program, and include several components that are common across countries (e.g., support for quality education, vocational training, smallholder agriculture) and a few that are particular to each country (e.g., that addresses labour market rigidities).

The expert group proposed above could engage directly with four or five African governments to help them develop multi sector youth employment programs, together with the World Bank, the African Development Bank, and JICA. The expert group would offer expertise particularly in impact evaluation, and share insights from experiences of other countries. The expert group could approach other agencies with relevant expertise for collaboration or advice. Figure below shows the cross country design of the multidimensional employment programs.



The African governments could, if they wished, submit their multi-sector youth employment program to the World Bank, the African Development Bank and JICA for co-financing under a program loan/grant. The loan/grant could be extended as a sector program loan, with the proceeds directed to finance individual projects included in the program. If such program loans/grants are requested, the World Bank would be expected to take the lead in close collaboration with interested multilateral and bilateral agencies.

In addition to the projects mentioned in Section 1, a multi-sector youth employment program loan could finance some of the following innovative programs where feasible and appropriate:

(a) Micro-Franchise program: 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 would then buy materials and supplies from the franchisee, process them, and sell the product. The micro-franchising model provides the youth with an already successful business model, rather than having to test a new model as in a typical micro credit program. The Franchise model has been offered by the International Rescue Committee (IRC) in Kenya, Egypt and one or two other African countries, and has been successful in every case.

(b) Public-Private Partnership for public works programs: Public works programs have been popular in African countries. However, such programs have shown mixed results as an instrument to address employment problems largely because it could more easily be subject to abuse and also does not have an exit strategy. (Public works programs are seen to be more effective as a tool of social protection, e.g., in Ethiopia.) There are promising models of "public works plus" that try to build in "graduation" modules to help youth transition to more productive activities. In addition, it would be highly useful to design and pilot public-private partnership projects as modes of delivery of what are conventionally thought of as public works programs.

(c) Subsidy for Job Search: Job search is costly and, hence, is often constrained to sub-optimal levels for youth from poorer households. In practice there is evidence that high costs of jobs search have been a key factor limiting performance of the labor markets in Northern and Southern Africa. A transport subsidy program has shown some success in alleviating this constraint in South Africa. Other models of job search subsidy, incorporating elements of rigorous impact evaluation, could be considered. For example, in South Africa, cash transfers into poor rural households have been shown to facilitate out-migration of better educated young household members to urban labor markets and to increase probabilities of employment for these members.

(d) Assistance to support informal enterprises: We have more evidence for what might work to help establish household enterprises than we do on how to help them grow. Assisting with alleviating skills and access to finance (and doing this in conjunction with empowering girls in particular) seems to have shown the most robust impact. Priority should be given to supporting those successful programs. Nevertheless, given the prevalence of small household enterprises, assisting them to grow by hiring additional workers could have a large impact in the short run. In an experimental program in Sri Lanka, subsidy to employ additional workers (one half of the wage for a new hire) has shown to be effective in inducing owners of micro enterprises to hire new workers. It may be productive to improve the program design, and pilot this and other interventions that can help micro enterprises to grow so that they can by employ additional workers.

(e) "Land Bank" to create property right for smallholder farmers: It is well known that insecure property rights reduce the ability of famers to pledge land they own as collateral, and thus constrain their ability to borrow. Ill-defined land right also makes it difficult for farmers to lease or sell their land and move out of subsistence farming to more productive activities outside agriculture. In Ghana, a Land Bank has been proposed for decentralized, private creation of property rights. A Land Bank would take 'deposits' of land from landowners, and lease it out to commercial farmers and developers. Those with some wealth from the community and elsewhere as well as local government could be the Land Bank's shareholders. It could be productive to test this model as a pilot project using impact evaluation methods in a few African countries. If successful, it could be institutionalized as a formal institution in that country's financial sector.

Other innovative projects that African governments wish to roll out could also be included in multi sector youth employment program loans/grants. Providing a scope for funding such programs would be useful because in African countries, line ministries often find it difficult to convince the Ministry of Finance to fund projects that are yet to establish a strong track record unless the projects have very strong political support.

3. *Innovation Fund*

The joint recommendations propose that development partners facilitate a platform to finance evaluation of promising new ideas. 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 World Bank's Strategic Impact Evaluation Fund (SIEF) is an example of a fund in which applicants compete for financing of rigorous evaluation of Bank-funded and other projects.

A useful instrument for channelling resources to implementing and evaluating innovative ideas could be developed. This could be "Youth Employment Project Innovation Fund (YEPIF)" (modeled on SIEF), a new "window" in an existing funding channel for impact evaluation (such as SIEF), the modification of an existing partnership channel to focus on impact evaluations (such as the Japan Fund for Sustainable Development), or another model to be determined. Researchers as well as African governments would apply to such a fund, and compete for funding for innovative programs to address youth employment issues and encourage entrepreneurship.

We would recommend that the Expert Group work with staff at the World Bank and JICA to explore how such a model could work. Given that the World Bank has expertise and strong administrative capacity in managing similar funds, a possibility might be to request the World Bank to administer YEPIF. Once options are clearly identified, the World Bank's Executive Director for Japan could be approached for financing of the Fund together with other interested donors.

4. Strengthening employment statistics

The joint recommendations underscore that the conventional ILO definition of unemployment substantially understates the extent of the employment problem in Sub-Saharan Africa, and hence is inadequate as a basis for analysis and policy formulation. The ILO defines a person as employed if he/she worked even a few hours in a reporting period, regardless of the amount earned or the conditions under which he/she worked. In Africa, almost everyone works because poverty compels a person to work no matter how meager the earnings or how untenable the working conditions. The JICA/Kobe TICAD V report indicates that about two thirds of the youth in Africa are not gainfully employed, but this characterization of the unemployment problem is not based on a precise definition of employment. Conceptual clarity as well as consistent data is needed for sound policy analysis and the correct targeting of vulnerable youth.

We propose that the expert group be charged to recommend an appropriate template for reporting of employment statistics of African countries and apply it to a limited number of countries where necessary data are largely available. The expert group could be tasked to:

(a) Commission a paper that would articulate a conceptual framework (defining labor force, unemployment, underemployment and disguised employment in a manner most relevant to the African context); provide a template for presenting the employment statistics thus defined; and compile necessary statistics for two or three countries where data largely exist (population census, labor market surveys, household surveys, etc). The paper that Prof. Baah-Boateng of the University of Ghana prepared for the JICA/Kobe TICAD V report provides a good basis to move forward.

(b) Extend technical assistance to interested statistics bureaus of African governments to compile and report employment statistics on the basis of the conceptual framework and template produced in the paper above. Such technical assistance could be offered to 4 or 5 countries where necessary data exist to a large degree, in the context of the package of measures to be supported by a program loan/grant discussed above.

(c) Strengthen or create systems for collecting complementary data. It would be most useful to include in this effort the attainment of cognitive and non-cognitive skills in early childhood, educational attainment, skills survey and other measures most relevant to employment creation in the long-run.

Moreover, the expert group should marshal technical resources to develop concepts and provide examples/applications to particular countries. Such information could then be fed to the different agencies (WB, ILO, etc) to strengthen the work that they are undertaking (e.g. statistical capacity building, complementary data collection activities.)

Coordination, monitoring and impact evaluation

As the expert group completes its task of recommending the evidence-based action plan (Stage I) and African governments and partnership agencies including JICA, World Bank and AfDB proceed to the next stage of implementation of the plan and its impact evaluation (Stage II), it will be critical to have an institutional capacity that would allow us to: (a) bring high quality expertise to project design and impact evaluation; (b) assess – quantitatively and scientifically – the impact on employment of the individual projects and the action plan as a whole; (c) derive lessons and recommendations applicable to African countries in general, drawing on synergies from experiences of programs and projects implemented under the action plans in several countries; and (d) report evidence-based achievements of the Africa Youth Employment Initiative.

To this end, it is proposed that JICA and other partners create a partnership, "the Africa Youth Employment Partnership for Evidence-Based Action", that brings together African governments, top-level researchers, the World Bank and the African Development Bank, and of course JICA. A small unit ("Hub for Impact Evaluation and Innovations for Youth Employment"), should be established at a top university in Africa, with the aim of offering high quality expertise to African governments to support the youth employment initiative. The Hub would have a secretariat consisting of a resident director (familiar with the African context), a coordinator (from Japan-familiar with TICAD V goals and expectations), a few high-level researchers, and a small cadre of support staff. The Hub would be linked to an anchor university and an anchor government agency in each African partner country. The Hub would maintain a network of researchers world-wide, and have a partner university in Japan, which would bring forward relevant Japanese expertise and practices to the African context. The Hub would thus serve as a coordination point for the Youth Employment Partnership, a follow-up activity of TICAD V.

We would suggest that four or five African countries be selected as Partner Countries. Ethiopia, Ghana, Kenya and South Africa are obvious candidates as the youth employment challenges of each of these countries were studied extensively for background papers to the Kobe/Oxford Policy Management (OPM) report to TIVAD V. Senegal is another candidate because JICA has particularly strong presence in that country. Cameroon too could be considered as it has a strong research capacity and well-qualified senior government staff. Tanzania should not be excluded from consideration because its President showed an excellent grasp of the employment problem and a strong commitment to addressing this challenge in his interventions in the TICAD V High-Level Panel discussion. Tanzania's Central Bank Governor is a core member of the team that prepared the Kobe/OPM report to TICAD V.

The execution of the Partnership could involve a fairly large volume of impact evaluation work. It would require expert resources that are more readily available in consultancy firms than in universities. For this reason, and also to limit the administrative burden on its secretariat, it might be necessary for the Hub to partner with a consultancy firm with relevant expertise.

It is noteworthy that although a large number of projects and programs are discussed above, few really address the needs of the informal sector. As noted in the Kobe/OPM report (Policy Brief), this is a reflection of the current state of knowledge in development policy and practice. Given the extraordinary importance of informal sectors in the employment challenges in Sub-Saharan Africa, the remit of the hub could include developing effective measures to address the constraints for household enterprises and farm households, and help roll out such measures as "new" activities to be supported by the Partnership.

The proposed Africa Youth Employment Partnership for Evidence-Based Action is illustrated in the attached diagram.

Next steps

If the above proposal is broadly acceptable, we would recommend that JICA, together with the partner agencies, organize an expert group and select an African university where activities of the expert group would be coordinated. We understand that a reasonable schedule might be to have the expert group initiate it activities in the spring of 2014, and complete its work by the spring of 2015. We further understand that JICA, together with the partner agencies, could conclude at a later stage the arrangements for setting up the Hub and the selection of its host university, so that the Hub would become operational by May/June 2015.

We would suggest that a JICA delegation be dispatched to Washington DC and Tunis as soon as practicable to discuss the proposed partnership with the World Bank and the African Development Bank, respectively. In addition, it would be useful to initiate contacts with several African governments to ascertain their interest in participating in the Africa Youth Employment Partnership for Evidence-Based Action.

Proposal on Africa Youth Employment Partnership For Evidence-Based Action

Stage I

Preparation of Evidence-Based Action Plan

Expert Group

- Composed of researchers, Govt Officials and representatives of JICA, World Bank, AfDB
- Coordinated by a top African university
- Commissioned by JICA

Tasks:

- Recommend incorporating impact evaluation and scaling up of JICA's existing projects
- Develop Youth Employment Sector Programs
- Assist in setting up the Program Innovation Fund
- Work out conceptual framework and template of employment statistics

Stage II

Project Implementation

Partner African Governments

JICA

Partner Agencies: World Bank & AfDB

Funding:

- JICA: bilateral projects and technical assistance
- World Bank, AfDB & JICA: Multi-Sector Youth Employment Programme Loans/ Grants
- World Bank Administered Trust: Innovation Fund

Impact Evaluation

Hub for Impact Evaluation and Innovation

- Secretariat in a top African university
- Network of universities, Partner Countries, JICA, World Bank, AfDB
- Partner University in Japan
- Commissioned by JICA

Expert Advice:

- Project design & innovation
- Impact evaluation
- Cross-fertilization
- Inputs to Innovation Fund
- Progress Report

Appendices

Appendix 1

Workshop for

PREPARATION OF JICA REPORT to TICAD V ON YOUTH EMPLOYMENT IN AFRICA

Date: **March 10 – 16, 2013**
Venue: **University of Cape Town**

PROGRAMME

Sunday, March 10

14:00 – 16:00	Preparatory Meeting

Monday, March 11

08:30 – 11:00	Review and Editing of Chapter 1: *Introduction*
11:15 – 12:30	Review and Editing of Chapter 2: *Unemployment, Under-employment, and Disguised Unemployment in Africa: How Serious Is It and What Are Its Implications?*
Lunch break	
13:30 – 14:45	Chapter 2 continued
15:00 – 17:30	Review and Editing of Chapter 3: *Growth and Development Strategies for Employment Creation*

Tuesday, March 12

08:30 – 11:00	Review and Editing of Chapter 4: *Agriculture, with Special Emphasis on Small Holder Farming*
11:15 – 12:30	Review and Editing of Chapter 5: *Future of Pastoralism – Catalyzing Employment in the Arid Lands*
Lunch break	
13:30 – 14:45	Chapter 5 continued
15:00 – 17:30	Review and Editing of Chapter 6: *Promoting Informal Sectors, Apprenticeship, and Entrepreneurship*

Wednesday, March 13

08:30 – 11:00	Review and Editing of Chapter 7: *Nutrition, Healthcare, and Loving Home -- Early Childhood Investments for Development of Human Capital*
11:15 – 12:30	Review and Editing of Chapter 8: *Evidence-Based Education to Enhance Employability*
Lunch break	
13:30 – 14:45	Chapter 8 continued
15:00 – 17:30	Review and Editing of Chapter 9: *Making Labor Market Work Better*

Thursday, March 14

08:30 – 11:00 Review and Editing of Chapter 10: *Motivation, Leadership and Innovation*

11:15 – 12:30 Review and Editing of Chapter 11: *Political Consensus and Government Institutions for Coordinated and Comprehensive Programs to Create Employment for the Youth*
Lunch break
13:30 – 14:45 Chapter 11 continued
15:00 – 17:30 Review and Editing of Chapter 12: *Learning from Successful Policies in Brazil and India*

Friday, March 15
08:30 – 11:00 Review and Editing of Chapter 13: *Conclusions and Recommendations*

11:15 – 13:00 Overall review of the TICAD Report
Lunch
14:00 – 17:30 Drafting of Executive Summary

Saturday, March 16
08:30 – 12:30 Drafting of Executive Summary
13:30 – 17:30 Review and Editing of Executive Summary

End of Workshop

Appendix 2

Oxford Workshop on
Youth Employment in Africa: Challenges and the Way Forward

Date: Thursday and Friday, April 18 and 19, 2013
Venue: Randolph Hotel, Oxford
Objective: To discuss a draft TICAD V report and project proposals
Moderators: Hiroyuki Hino and Mark Henstridge

PROGRAMME

Thursday, April 18

Opening Session

09:00– 09:15 **Welcome**
Mr. Hirotaka Nakamura, JICA

09:15– 09:30 **Introductory Statement: Outline of the TICAD report**
Dr. Mark Henstridge, Oxford Policy Management

Session 1: Appraisal of the Current Situation

09:30 – 11:00 Youth Policy and the Future of African Development **(Chapter 12)**

Presentation: **Dr. Mwangi Kimenyi**, The Brookings Institution (15minutes)

Perspectives from Asia and Latin America **(Chapter 2)**
Presentation: **Dr. Wilfred Mbowe**, Bank of Tanzania and **Prof. Nobuaki Hamaguchi**, Kobe University (15minutes)

Unemployment, Underemployment and Disguised Unemployment in Africa: How Serious Is It? **(Chapter3)**
Presentation: **Dr. William Baah-Boateng**, University of Ghana (15minutes)

Open Discussion (45 minutes)

11:00 – 11:15 **Coffee Break**

Session 3: Human Capital

11:15 – 12:45 Early Childhood Investments for the Development of Human Capital **(Chapter 4)**
Presentation: **Dr. Emla Fitzsimons**, Institute for Fiscal Studies (15 minutes)

Education for Job Creation **(Chapter 5)**
Presentation: **Dr. Kim Lehrer** and **Dr. Francis Teal**, University of Oxford (15 minutes)

Motivation and Leadership **(Chapter 6)**
Presentation: **Prof. Motoki Takahashi**, Kobe University (15 minutes)
Open Discussion (45 minutes)

12:45 – 14:00 **Lunch**

Session 3: Agriculture, Pastoralism, and Informal Sector

14:00 – 15:30 Raising Productivity of Small Holder Agriculture **(Chapter 7)**
Presentation: **Prof. Nobuaki Hamaguchi,** Kobe University (15 minutes)
Comment: **Dr. Douglas Gollin,** University of Oxford (10 minutes)
The Future of Pastoralism – Catalyzing Employment in the Arid Lands **(Chapter 8)**
Presentation: **Dr. Andrew Mude,** International Livestock Research Institute (15 minutes)
Promoting Informal Sectors, Apprenticeship, and Entrepreneurship **(Chapter 9)**
Presentation: **Dr. Samuel Wangwe**, Research on Poverty Alleviation (15 minutes)
Open Discussion (45 minutes)

15:30 – 15:45 **Coffee Break**

Session 4: Development Strategies for Employment Creation

15:45 – 17:45 Political Consensus and Government Institutions for Coordinated and Comprehensive Programmes **(Chapter 10)**
Presentation **Dr. Raufu Mustapha**, University of Oxford, and **Dr. Kate Meagher**, London School of Economics (15 minutes)
Growth and Employment **(Chapter 11)**
Presentation: **Dr. Wilfred Mbowe** (Bank of Tanzania) (15 minutes)

Open Discussion (30 minutes)

18:30 – 20:30 **Dinner**

Friday, April 19

Session 5: Overview and Policy Recommendations

09:00 – 10:45 Labour Markets and Youth Employment in Africa **(Chapter 1)**
Presentation: **Dr. David Lam** and **Dr. Murray Leibbrandt**, University of Cape Town (15 minutes)
Conclusions and Recommendations **(Chapter 13)**
Presentation: **Prof. Gustav Ranis**, Yale University (15 minutes)
Comments (15 minutes each)
Dr. Zuzana Brixiova, African Development Bank
Dr. Deon Filmer, World Bank
Open Discussion (30minutes)

10:45 – 11:00 **Coffee Break**

Session 6: Project Proposals for Funding by Bilateral and Multilateral Agencies

11:00 – 13:00 **Presentations** (10 minutes each)
Macro: **Prof. Douglas Gollin**, University of Oxford
Micro: **Dr. Shawn Powers** , J-PAL
Ethiopia: **Dr. John Page**, The Brookings Institution
Ghana: **Dr. William Baah-Boateng**, University of Ghana
Kenya: **Dr. Germano Mwabu**, University of Nairobi
South Africa: Dr. **Murray Leibbrandt**, University of Cape Town
Open discussion (45 minutes)
Recommended Projects (15 minutes each)
Dr. Rachel Glennerster, J-PAL/MIT

13:00 – 13:15 **Discussion of Policy Brief**
Prof. Hiroyuki Hino, Kobe University

Appendix 3 TICADV High Level Panel Discussion Empowering Young Africans to Live Their Dreams

Background: While Africa's economic growth has been impressive, nearly all young Africans struggle in joblessness or in jobs that are insecure and pay low wages. Most have under-developed human capital and their capacity to earn is limited, due to insufficient nutrition during their early childhood, poor health, and inadequate education. For the relatively well educated, good jobs are few and far between. The youth thus constitutes a potent force of discontent. Yet young Africans are vibrant, talented, and entrepreneurial. The projected rapid expansion of youth population can be a comparative strength of the African continent in the aging global economy. The African Development Bank, the Word Bank, Kobe University, and JICA will co-organize the High Level Panel Discussion and discuss how the African youth can be transformed from a time bomb to a driving force for growth and development, with African Political Leaders and Heads of the Institutions at TICAD V in Yokohama, Japan.

1. Date: June 2nd (Sun.), 2013
2. Time: 15:30 – 17:00
3. Venue: Silk Room, InterContinental Yokohama Grand
4. Moderator: Ms. Aiko DODEN, Senior Commentator, NHK
5. Program

Time	Detail
15:30 – 15:35	Opening remarks
15:35 – 15:50	Joint presentation of key recommendations on youth employment in Africa of the JICA/Kobe, World Bank, and ADB reports
15:50 – 16:25	Initial interventions by panelists ➢ H.E. Ali Ben Bongo, President, Gabon [TBD] ➢ H.E. Jacob Zuma, President, South Africa [TBD] ➢ H.E. Jakaya Kikwete, President, Tanzania [TBD] ➢ Dr. Jim Yong Kim, President, President, World Bank [TBD] ➢ Dr. Donald Kaberuka, President, African Development Bank ➢ Dr. Rachel Glennerster, Executive Director, J-PAL, MIT ➢ Dr. Akihiko Tanaka, President, JICA
16:25 – 16:55	Open discussions
16:55 – 17:00	Summing-up from each panelists

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Appendix 4

JICA AFRICA YOUTH EMPLOYMENT INTITIATIVE RETREAT

Venue:	University of Cape Town
Date:	July 21-23, 2013
Participants:	Hiroyuki Hino, Nobuaki Hamaguchi, Mark Henstridge, Murray Leibbrandt, Germano Mwabu, Mr. Yoshizawa of JICA and David Lam (Research Professor, Population Studies Center, Department of Economics, University of Michigan)

Sunday, July 21st

18.30	Team meeting: Dinner

Monday, July 22nd

9.00-11.00	Presentation by Mr. Yoshizawa of JICA, to be followed by discussion
11.00-13.00	Discussion on proposals on phase III
14.00-16.00	Discussion on Proposals (continued)

Tuesday, July 23rd

9.00-12.00	Drafting of the KOBE/OPM paper
14.30	Meeting with Laura Poswell, Executive Director J-PAL AFRICA
19.00	Dinner hosted by Dr. Crain Soudien (Deputy Vice Chancellor of the University of Cape Town)

Appendix 5

List of Contributors (Alphabetical Order)

Authors of Chapters

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