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# Productive Work for Youth in Africa

*Thematic Paper*



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION





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## EXECUTIVE SUMMARY

The present UNIDO paper summarizes the background, challenges and opportunities in relation to one of Africa's biggest challenges for the next decades: creating productive and decent work for its growing population, especially the young. The high growth and overall positive macroeconomic developments in the past decades have not been translated into sustainable, profitable employment opportunities for the millions of unemployed and working poor. This paper focuses on one continent, i.e. Africa, because it exemplifies many issues that are relevant to youth unemployment around the world. At the same time, the continent contains the majority of the world's Least Developed Countries (LDCs) and is therefore challenged on many levels, one of which is youth unemployment. Obviously youth unemployment is a global issue and the UNIDO approach presented in this paper is therefore also applicable to other regions. Several examples in the paper will highlight UNIDO projects addressing this issue.

The overarching goal is to create decent and durable employment through productive activities. With the public sector's limited capacity to absorb the unemployed, the promotion of private sector can be a solution to employment generation. Jobs are created primarily by the private sector- globally 9 out of every 10 jobs are created by the private sector. However, in many countries the population faces obstacles in starting or expanding productive activities. The development of micro, small and medium enterprises (MSMEs) is a proven and effective mechanism to facilitate economic development and it is within this vital sector that entrepreneurship requires significant support, guidance and investment. At the same time, representing 17% of the world's population, youth are the driving force for social-economic development and innovation of our society. Paradoxically, youth represent over 40% of the global unemployed labor force. Many governments therefore deem the creation of long-term, decent and productive work for youth a priority.

The first chapter gives an overview on economic developments and describes the situation of un- and underemployment in African countries, sketching the most pressing issues as jobless growth, working poverty and vulnerable employment as well as the gender dimension of unemployment and youth unemployment: with almost 200 million people aged between 15 and 24, Africa has the youngest population in the world. Although many jobs have been created, there have not been enough to accommodate the number of young people in search of work and many young Africans find themselves unemployed or, more frequently, underemployed in informal jobs with low productivity and pay.

The second chapter describes how entrepreneurship can be a viable way to create productive and sustainable employment for young women and men and discusses main hindrances to entrepreneurship creation and development. With the public sector's limited capacity to absorb the unemployed, the promotion of the private sector can be one solution to unemployment. Jobs are created primarily by the private sector- globally 9 out of every 10 jobs are created by the private sector – so growth of the private sector is crucial to providing more opportunities for productive employment. The development of micro, small and medium enterprises (MSMEs) is a proven and effective mechanism to facilitate



economic development and it is within this vital sector that entrepreneurship requires significant support, guidance and investment.

The third chapter presents how the United Nations Industrial Development Organization responds to youth unemployment. Entrepreneurship and self-sustainable businesses generate economic growth and jobs for young women and men, especially taking into account that enterprises are the main economic source to support bottom-up economic growth, structural change and innovation. UNIDO therefore developed a holistic and strategic approach to enhance entrepreneurship by rendering support to Micro, Small and Medium Enterprises on the macro-, meso- and micro-level.

The fourth chapter focuses on the Post 2015 agenda and the way forward: as the world considers how to move beyond the expiration of the MDGs in 2015, the opportunity arises to build a framework with goals anchored in the three dimensions of sustainable development: economic, social and environmental. The consultations for a post-2015 development framework pose a unique opportunity to shift the current paradigm towards a more inclusive model built on a consensus aimed at creating sustained prosperity for all. UNIDO proposed the Post 2015 goal: “Promotion of vibrant and inclusive economies” that promises to be an effective way towards inclusive growth, sustainable employment creation and long-lasting poverty reduction.

Concluding the present paper offers an overview on the challenges and opportunities of productive work for youth and it offers recommendations to policy makers and governments, to the private sector as well as to the international community, donors and international organizations on how to move forward and how to best address the needs of the millions of job-seeking and underemployed young African women and men.



## 1. THE EMPLOYMENT CHALLENGE IN AFRICA

### Recent macroeconomic developments

Over the past ten years, Africa has been the second fastest growing region in the world, with an average of 5.1 percent annual GDP growth.<sup>1</sup> Even in times of global financial crisis and following recession, African countries have proven resilience in overcoming crisis.

After setbacks of the average annual growth of 1.6 percent from 2010 to 2011 resulting from the political upraise and turmoil in North African countries; as the political situation stabilizes and the North African economies recover, the growth rates across the continent accelerate again. Projections expect an annual average growth rate of 4.5 percent for 2012 and 4.8 percent in 2013.<sup>2</sup> Despite all prevailing risks mainly in connection with spillover effects from the European debt crisis (lower exports, lower remittances, lower direct foreign investment, lower remittances and others), the African Economic Outlook 2012<sup>3</sup> draws an optimistic scenario for the future economic developments in Africa: the continent's growth trajectory is set to continue.

The continuous high growth in the past decade contributed to major improvements as poverty rates are falling while the macroeconomic landscape and political stability improves. The number of households living in extreme poverty has fallen from 42 percent in 1990 to 32 percent in 2006, since 2000 31 million African households have joined the consuming class.<sup>4</sup>

However, still much remains to be done. Inequalities remain unacceptably high and hundreds of millions of Africans are still trapped in poverty, not able to meet their basic needs, excluded from basic services.

The high growth and positive macroeconomic developments all over the continent have not been translated into the broad-based economic and social development needed to lift millions of Africans out of poverty and reduce the wide inequalities seen in most countries.<sup>5</sup>

Therefore, as proclaimed in 2004 in Burkina Faso by the African Union in the Declaration on Employment and Poverty Alleviation in Africa, it is crucial that African decision makers and Governments *“place employment creation as an explicit and central objective of economic and social policies at national, regional and continental levels, for sustainable poverty alleviation and with a view of improving the living condition of the continents’ population.”*<sup>6</sup>

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<sup>1</sup> Mc Kinsey Global Institute. Africa at work: Job creation and inclusive growth. 2012.

<sup>2</sup> AfDB,OECD,UNDDP,UNECA: African Economic Outlook 2012.

<sup>3</sup> AfDB,OECD,UNDDP,UNECA: African Economic Outlook 2012.

<sup>4</sup> Mc Kinsey Global Institute. Africa at work: Job creation and inclusive growth. 2012.

<sup>5</sup> African Union (AU), United Nations Economic Commission for Africa (UNECA): Economic Report on Africa. Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation. 2013.

<sup>6</sup> African Union. The AU Declaration on Employment and Poverty Alleviation in Africa. Burkina Faso 2004.

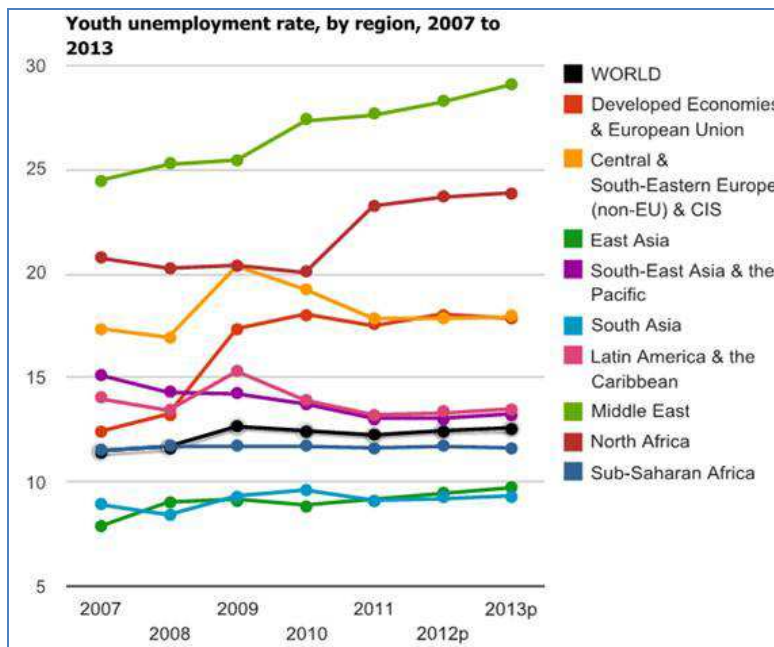




## Unemployment and vulnerable employment

As for many parts of the world (please see the graph below), one of the most pressing challenges for Africa is the rising unemployment as well as the high levels of vulnerable employment and working poor in Africa, which is expected to increase in the coming years.

The number of unemployed worldwide rose by 4.2 million in 2012 to over 197 million, a 5.9 per cent unemployment rate in 2013. The labour market situation remains particularly bleak for the world's youth, with almost 74 million people in the 15 to 24 age group unemployed around the world – a 12.6 per cent youth unemployment rate. An estimated 73.4 million young people – 12.6 per cent – are expected to be out of work in 2013, close to the levels reached at the peak of the economic crisis in 2009. This is an increase of 3.5 million between 2007 and 2013.



Of course, the challenges and also the solutions can be very different and vary from country to country. However, some bigger trends that concern the continent as a whole and will mark the challenges for African economies in the coming decades can be captured. The ILO projects, that in North Africa and Sub-Saharan Africa a total of 34.5 Millions of people will be unemployed in 2013, which means an increase of 0.9 million people in comparison to 2012.<sup>7</sup> At the first glance the average unemployment rates can seem relatively low compared to other regions in the world: Africa's official unemployment rate is at 9 percent. However, this should not be reason for optimism, as only 28 percent of the African working population is engaged in formal wage-paying employment which leaves a total of 63 percent of workers in vulnerable employment. This includes workers engaged in subsistence activities as agriculture as well as contributing family workers who work in family businesses without formal wage. The poor quality of employment is also reflected in the high share of working

<sup>7</sup> ILO: Global Employment Trends 2013: Recovering from a second jobs dip. 2013.



poor in total employment: in 2011 81.5 percent of workers in Africa were classified as working poor.<sup>8</sup>

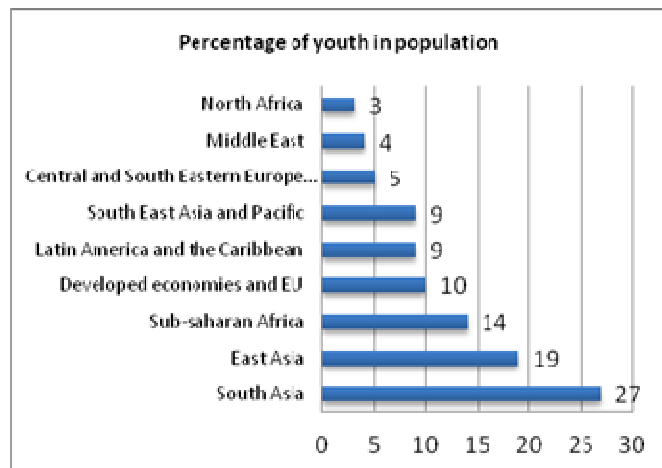
### The gender dimension

For African women the employment challenge is even bigger, as they are more likely to be engaged in vulnerable employment. Almost 97 percent of women hold vulnerable jobs. In some regions, cultural patterns as well as a discriminative regulatory framework exclude most of the women from workforce. In North Africa for example, the gender difference in labour force participation is striking: with a labour force participation of 49 percent in total, labour force participation among men is 74.2 percent and among women only 24.2 percent. By excluding almost half of their work force, economies miss out on substantive growth potential and long term private sector growth. The governments will have to create incentives to urge a cultural change and enhance the inclusion of women in the work force<sup>9</sup>.

Especially in North African and West African countries women face extreme difficulties to start up businesses and become self-employed. Regulatory and legal barriers and discrimination limits women to own land and property, and therefore to access credit and start businesses.<sup>10</sup>

### Youth unemployment in Africa

Globally, there are over 1.2 billion young people between the ages of 15-24, out of which over 90% live in developing countries. As the graph here shows, youth represent a significant group in the global population.



With almost 200 million people aged between 15 and 24, Africa

has the youngest population in the world. And it keeps growing rapidly. The number of young people in Africa will double by 2045<sup>11</sup>. Between 2000 and 2008, Africa's working age population (15-64 years) grew from 443 million to 550 million; an increase of 25 percent. In annual terms this is a growth of 13 million, or 2.7 percent per year<sup>12</sup>.

Africa's youth population is not only growing rapidly, it is also getting better educated. Although significant quality gaps remain, these trends offer an unrivalled opportunity for economic and social development if the talents of this swiftly increasing reservoir of human capital are harnessed and channeled towards the productive sectors of the economy<sup>13</sup>.

<sup>8</sup> John Page. African Development Bank Group. Youth, Jobs and Structural Change: Confronting Africa's Employment Problem. 2012.

<sup>9</sup> OECD (2012), Gender initiative: Gender Equality in Education, Employment and Entrepreneurship

<sup>10</sup> Mc Kinsey Global Institute. Africa at work: Job creation and inclusive growth. 2012.

<sup>11</sup> ILO, Global Employment Trends 2013

<sup>12</sup> World Bank (2011), *Africa Development Indicators 2011*, World Bank, Washington DC.

<sup>13</sup> OECD, AfDB, UNDP, UNECA, African Economic Outlook 2012



Although many jobs have been created, there have not been enough to accommodate the number of young people in search of work. Between 2000 and 2008, Africa created 73 million jobs, but only 16 million for young people aged between 15 and 24. As a result, many young Africans find themselves unemployed or, more frequently, underemployed in informal jobs with low productivity and pay.

Of Africa's unemployed, 60 percent are young people and youth unemployment rates are double those of adult unemployment in most African countries. The problem is particularly acute in middle-income countries (MICs). In 2009 in North Africa youth unemployment was 23.4 percent, and the ratio of youth-to-adult unemployment rates was estimated at 3.8. In South Africa, youth unemployment was 48 percent and the ratio of youth-to-adult unemployment rates was estimated at 2.5. Among the employed young, the proportion of work in informality is significantly higher than that of adults.

When young people are compared to adults, they emerge as overrepresented among the unemployed and the discouraged. Although they constitute around two fifths of the continent's working age population, they make up three fifths of the total unemployed. In African MICs, the ratio of youth-to adult unemployment is often higher than in other parts of the world. Among these, Southern African MICs have the highest unemployment rates for both the young and adults, whereas North African MICs have the highest youth-to-adult unemployment ratios.

South Africa had a youth unemployment rate of 48 percent in 2009, compared to 19 percent for adults. Egypt, on the other hand, had a youth unemployment rate of 25 percent compared to only 4 percent for adults in 2007<sup>14</sup>.

Exceptions are poorer countries of sub-Saharan Africa where adult unemployment is very low and not significantly different from youth unemployment<sup>15</sup>.

Unemployment is higher among urban youth: this higher rate of urban youth unemployment seems to be the result of migration by the young from the countryside to towns in the hope of better opportunities, increasing the young urban population as well as competition in the urban labour market. The reason for this youth migration from rural to urban is inter alia due to the fact that rural youth often contribute to family incomes because of higher poverty rates, which lowers the unemployment rate in the rural areas but does not imply that rural youth are better off.

A similar pattern holds for education: most unemployed young people have little education but the young who do have some education are more likely to be unemployed. In Tunisia, for example, the unemployment rate among university graduates in 2008 was 33 percent among men and 46 percent among women<sup>16</sup>. In Egypt unemployment among university graduates was 34.2 percent in 2006. In South Africa it was 34.9 percent in 2007.

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<sup>14</sup> WEF 2012, Addressing the 100 Million Youth Challenge

<sup>14</sup> OECD, AfDB, UNDP, UNECA, African Economic Outlook 2012

<sup>16</sup> Stampini and Verdier-Chouchane, 2011



On current trends the employment outlook for young people in Africa is challenging, in spite of strong job growth before the crisis; With 10 to 12 million young people entering the African labour market every year, job growth must be much stronger to make a dent in the number of unemployed youth. Growth of good jobs in wage employment is even more limited. This is especially true of the public sector, which has been significantly downsized in many African countries over the last two decades.

Given strong population growth, the role of the public sector as an employer will continue to shrink. The formal private sector is too small to absorb the growing labour force and transition between formal and informal work seems limited.

Given Africa's strong population growth and the necessary downsizing of the public sector in many countries, a vigorous private sector is the most important source of jobs for the young.

### **Youth employment in Africa by sectors**

While the average young worker in Africa works in family-based agriculture, other important occupations are services and sales and 13 percent are business owners. Manufacturing plays only a small role in Low Income countries (LICs) but is important in Upper Middle Income Countries (UMICs). According to Gallup World Poll data, the average young worker in Africa lives in a rural area and works in farming attached to the family: 38 percent of working youth in Africa are in agriculture. Yet this average changes dramatically with a country's income level. In upper middle income countries only 4 percent of working youth are in farming – not far from the OECD average of 2 percent. Of African young people 20 percent work in services, including clerical work, transportation, repair and installation work, and 13 percent in sales, while 13 percent identify themselves as business owners. The proportion of business owners among the young increases significantly with a country's level of economic development, in all probability reflecting better conditions for entrepreneurs. In upper middle income countries 20 percent of working youth are business owners, compared to 11 percent in low income countries.

Construction and manufacturing jobs account for only 8 percent of the working young across Africa and only 5 percent in low income countries. In upper middle income countries 14 percent of working young people are employed in construction and manufacturing<sup>17</sup>.

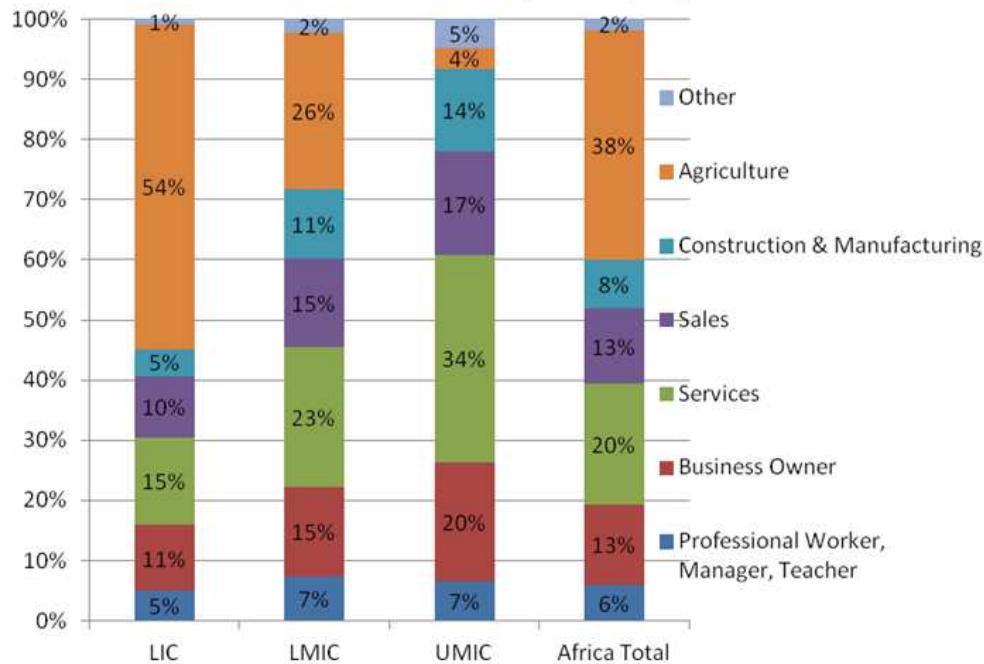
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<sup>17</sup> OECD, AfDB, UNDP, UNECA, African Economic Outlook 2012



### African Youth Occupations

Source: based on Gallup World Poll (2010)



#### Barriers and opportunities to formal employment creation

Improvement in the persisting problem of informal employment, working poor and unemployment in Africa can only be reached when actively engaging and developing the private sector: Africa will have to create more stable wage paying jobs in the private sector. The public sector is not in the position to absorb the jobseekers of today, and even less so the bulge of young Africans entering the job markets in the coming decades. Durable jobs can be created by developing the private sector and concentrating on the informal and rural sectors, as they have probably the biggest absorption capacities.

If governments focus on the development of high growth and employment potential sectors, Africa has huge potential to create jobs in the coming years. Governments will have to identify sectors in which the country has a comparative advantage in global markets or enough domestic consumption and that are able to create sustainable and decent jobs and identify and address gaps and barriers that hinder the specific sector from developing and growing.

Potential sectors with high growth and employment potential are agricultural processing and the manufacturing sector, but also commodities can contribute to the development of the private sector, ultimately to employment, if well handled. The manufacturing sector is expected to create eight million jobs in Africa until 2020 but would have the potential to create an additional seven million jobs if policy makers remove obstacles to private sector growth.

Even if often criticized for not being labour intensive sectors, commodities and natural resources as oil, gas and minerals have the potential to accelerate the development of other



sectors and finally benefit the local population, if rightly managed by decision makers and governments.<sup>18</sup>

A sample survey amongst private sector businesses conducted by the McKinsey Global Institute in different African countries describes the main barriers to development and growing of private sector companies. The most frequently cited barriers were overall macroeconomic conditions, political stability and the missing access to finance.<sup>19</sup>

In 2004 the members of the African Union gathered in Ouagadougou to discuss the crucial challenges of employment and poverty alleviation in Africa and committed *“to empower the poor and the vulnerable, particularly in rural communities and the urban informal economy, the unemployed and the underemployed by enhancing their capacities through education, skills and vocational training an retraining of labour force, access to financial resources, on particular micro financing, land infrastructure, markets, technology and services in order to meaningfully integrate them into the labour market.”*<sup>20</sup>

This commitment is today more relevant than ever and should pave the development of African economies in the coming decades. Creating productive and decent jobs for the coming generations will require a structural change towards increased value addition and concentration on employment intensive sectors as manufacturing.

### **Employment and stability**

The connection between unemployment, poverty and civil unrest is clear, seen most recently in the uprisings of the Arab Spring and the resulting downspin of Arab economies. Leaving large groups of skilled or even unskilled young labour unused results in inefficiency and compromises the continent’s development.

As seen in the 2011 uprising in North African countries, where unemployment certainly was one driving force in the political unrest, the growing numbers of unemployed – especially amongst young women and men - not only represent an economic problem to African economies, but are a threat to social and political stability of the continent.

High levels of unemployment are preventing millions from contributing to society, leaving them both economically and socially excluded. Given youth’s key role in future development, this exclusion exerts a high cost on society, posing a potential threat to human security in its many forms. The repercussions are potentially devastating in social, economic and personal terms for what the ILO warns could become a ‘lost generation’. Their plight could also store up a myriad of problems for the future as those without work experience or education risk passing on the same pattern to their children.

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<sup>18</sup> Mc Kinsey Global Institutite. Africa at work: Job creation and Inclusive Growth. 2012.

<sup>19</sup> Mc Kinsey Global Institutite. Africa at work: Job creation and Inclusive Growth. 2012.

<sup>20</sup> African Union. The AU Declaration on Employment and Poverty Alleviation in Africa. Burkina Faso 2004.



## 2. ENTREPRENEURSHIP FOR EMPLOYMENT CREATION

### Entrepreneurship as one solution to unemployment

Fostering entrepreneurship and developing microenterprises is critical to expand employment and earning opportunities and to reduce poverty. Sound macroeconomic conditions and business environment including infrastructure, regulation, and legal environment have been typically emphasized to improve labor market opportunities. While these remain relevant, an increasing attention is being paid on the role of policies that aim to enhance productivity and reduce constraints among the entrepreneurs in developing countries.

A vigorous private sector is the most important vehicle for creating jobs for young people in Africa<sup>21</sup>. The poor employment outlook, the experts' assessment and the perceptions of young North Africans all converge on insufficient demand for young people's labour as being the most important bottleneck to youth employment. The public sector is shrinking and enabling job creation in the private sector (in both small and large firms) is the only viable option for large-scale job creation in Africa.

### Hindrances to entrepreneurship creation and development

Job creation in small firms needs to address the need of removing barriers to small and microenterprises, enabling them to grow and fill the missing middle, and supporting young people to be entrepreneurs and create their own jobs. Very few small and microenterprises manage to grow into large firms. To foster job creation governments must focus on removing the barriers that are specific to small and micro-enterprises and support their growth into productive firms<sup>22</sup>.

Small firms and micro-entrepreneurs, which are mostly informal, particularly in Sub-Saharan countries, are most constrained by access to finance and land, as well as by high levels of risk<sup>23</sup>. As a consequence of their informality, small and micro-businesses are constrained in their ability to obtain the necessary financing from banks. These businesses often lack basic accounting and have no collateral, since property rights, especially for land, are tenuous at best. In addition, in most countries the number of banks is small. Those that are in the market enjoy high profits from working with the existing large firms. There is little incentive to provide credit to small and medium-sized enterprises (SMEs).

Microcredit institutions have sprung up in many countries, catering to micro-entrepreneurs. However, SMEs that have grown beyond the threshold of microfinance face a dearth of credit providers and a financial system that is often entirely focused on large firms. Savings and insurance devices could be important tools for enabling small entrepreneurs to take risks and invest in the growth of their business.

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<sup>21</sup> Jonh Page (2011), "Aid, Structural Change, and the Private Sector in Africa"

<sup>22</sup> OECD, AfDB, UNDP, UNECA, African Economic Outlook 2012

<sup>23</sup> Shifeaw and Bedi (2009), "The dynamics of job creation and job destruction"



The complexity of obstacles increases with a country's income level. The most fundamental constraints (such as macroeconomic stability, electricity, access to finance) appear to be most binding at low levels of income<sup>24</sup>. Then, as a country develops, firms must confront a number of problems caused by weak governance and low administrative and bureaucratic capacity (corruption, level of taxation, quality of administration).

Finally, as a country moves up to a higher-income status, labour regulation becomes a more serious determinant of the business climate, largely because the state has a stronger capacity to implement it.

In North Africa, the skill level of the labour force is an even more significant obstacle to labour market entry than in sub-Saharan Africa, which indicates a more skill-intensive economic structure and the presence of major skills mismatches.

Although the informal sector is important for job creation and growth, governments should undertake efforts to increase formalization. They must recognize the important role the informal sector plays in job creation and create an environment that supports the growth of these firms. However, the informal sector also represents lost potential for tax income and is by definition irresponsive to government regulation, even when it is benign. In return, tax payers should also benefit from public services to support enterprise development.

Programmes to support youth must be comprehensive. To start a business, young people do not only need capital: knowledge on how to run a company is also required. Entrepreneurship training provides young people with the skills they need to create and manage a sustainable business likely to generate jobs. Mentoring and business incubators can be valuable tools to convey these skills. To be efficient, training has to mix technical skills, such as written and oral communication; technical management and organizing skills; business management skills, such as planning, decision making, marketing and accounting; and personal entrepreneurial skills such as self-discipline, risk taking and innovation.

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<sup>24</sup> Gelb et al. (2007a)





### **3. UNIDO APPROACH: PRODUCTIVE WORK FOR YOUTH**

#### **UNIDO mandate**

UNIDO is a specialized agency of the United Nations mandated to promote and accelerate sustainable industrial development in developing countries and economies in transition. The Organization is recognized as a highly relevant, specialized and efficient provider of key services in support of the interlinked challenges of reducing poverty through productive activities.

By focusing on poverty reduction, inclusive globalization and environmental sustainability, UNIDO offers a vast set of services and tailor made solutions to address the specific challenges faced by developing countries and countries in transition.

UNIDO aspires to reduce poverty through sustainable industrial development and offers customized services, ranging from industrial policy advice to entrepreneurship and SME development and from technology diffusion to sustainable production and the provision of rural energy for productive uses.

The private sector plays a central role in reducing poverty, as it is a primary driver of economic growth and employment creation. However, in many countries the majority of the population faces obstacles in starting or expanding productive activities. Therefore UNIDO aims to unleash the productive potential of disadvantaged groups by promoting productive activities, industrial policies, institution building, and industrial support services.

UNIDO's comparative advantage lies in the proven capacity to develop and successfully implement comprehensive interventions to address the evident challenge of youth unemployment. Moreover, strategic partnerships with relevant local institutions/partners have been forged in recent years, enhancing the sustainability of its interventions and guaranteeing the national ownership of the developmental approaches.

#### **UNIDO holistic approach on productive work for youth**

In its efforts to contribute to sustainable industrial development, UNIDO largely focuses on the manufacturing sector in developing countries. In many developing countries, agriculture is the main economic activity, both in rural and urban areas. Recurring problems in the agricultural sector include food insecurity and unemployment, inter alia due to outdated and inefficient technologies leading to poor productivity and slow economic growth. Agriculture-based industrial products account for half of all exports from developing countries, yet only 30 per cent of those exports involve processed goods compared to a figure of 98 per cent in the developed world. Therefore, UNIDO provides a variety of services geared towards assisting developing countries in adding value to the output of their economic activities, in for example the agricultural or artisanal sector, and by strengthening their manufacturing sectors.

Given the fact that the private sector generates more jobs than the public sector, private sector development is crucial for tackling youth unemployment. Governments will have to identify sectors in which the country has a comparative advantage in global markets.



Agricultural processing and the manufacturing sector in general offer an enormous potential for high economic growth and job creation. For example, the manufacturing sector is expected to create eight million jobs in Africa until 2020 but would have the potential to create an additional seven million jobs if policy makers remove obstacles to private sector growth.

UNIDO's approach for youth employment addresses country-specific issues through value chain analysis, assisting young (potential) entrepreneurs in creating, formalizing and/or strengthening their business and assisting them in acquiring access to finance. The economic activities of these young entrepreneurs often take place in the agricultural sector and can easily be linked to the manufacturing sector as a means to upgrade their activities.

**Example: manufacturing as driver of economic growth in India**

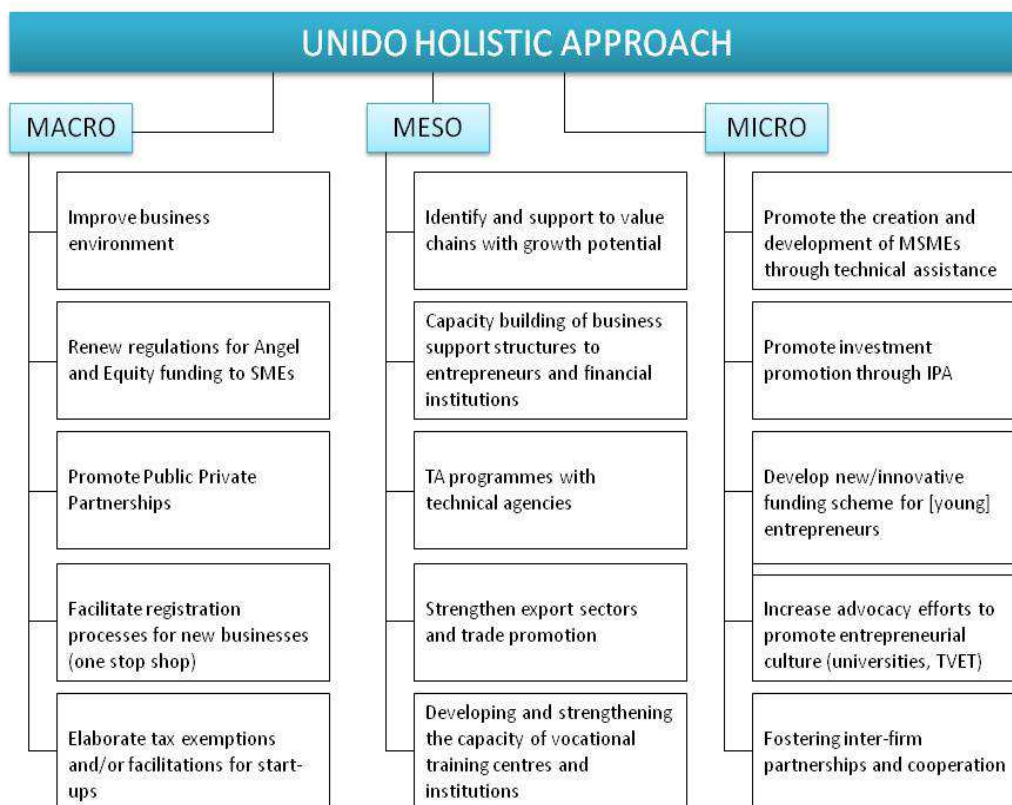
As shown by the Indian Government in its Twelfth Five Year Plan (October 2011), the manufacturing sector is key for economic growth of a country. In India, the Government aims at increasing the manufacturing sector growth to 12-14 percent over the medium term, which would enable the sector to constitute at least 25 percent of GDP by 2025. Through focusing on skills development among rural migrants and urban poor, the Government envisages the creating of 100 million additional jobs by 2025. Also, the Government recognizes the need for an increase in domestic value addition, technological sophistication, environmental sustainability and appropriate policies to facilitate the (further) development of the manufacturing sector. More so, the Government of India also emphasizes the importance of (M)SME development, thereby focusing on improving the access to capital and credit; technology and productivity; cluster development; and upgrading.

UNIDO interventions to enhance productive work for youth are twofold: on one hand they enhance self-employment by assisting young aspiring entrepreneurs in setting up their businesses and unleashing their economic potential, while contributing to their economic independence. On the other hand UNIDO focuses on the development of MSMEs, especially in employment intensive sectors, to create job opportunities for young women and men.

UNIDO interventions in the area of youth employment render the necessary support to assist youth in becoming actors in the socio-economic development of their societies by enhancing the creation of productive and decent work.

UNIDO projects and programs intervene on the macro-, meso- and micro-level, by fostering an enabling environment for the private sector and youth led entrepreneurship, by building the capacities of local institutions and by providing counseling and facilitating the access to finance as well as coaching of young entrepreneurs beyond the start-up phase.

To boost employment and inclusive growth, UNIDO has developed an integrated approach that covers the macro-, meso- and micro-level that applies the following financial and non-financial services according to the specific needs of a given country:



### Macro Level – creating an enabling environment

On the Macro level UNIDO interventions aim at promoting an enabling environment for employment creation for youth through MSME development and creation. In close cooperation with local and national governments UNIDO provides the necessary analytical and advisory services for the creation of an enabling business-friendly environment.

### Meso Level – building capacities at institutional Level

On the Meso level UNIDO aims at increasing the quality of services provided by public and private institutions for employment creation for youth through MSME development and creation. By closely cooperating with local business service providers, consultants and financial institutions a sustainable support infrastructure providing the needed assistance to young entrepreneurs and aspiring entrepreneurs is built.

### Micro Level – enterprise creation and development

On the enterprise level UNIDO promotes innovative and growth oriented youth-led enterprises by providing the necessary technical assistance and facilitating the access to non-financial and financial services. Interventions increase the access to markets and enhance growth potential of MSMEs to create employment opportunities for youth.

### Investment promotion

UNIDO can count on the proven capacity to attract and mobilize domestic and foreign investment, stimulate CSR initiatives and promote investment and technology transfer with



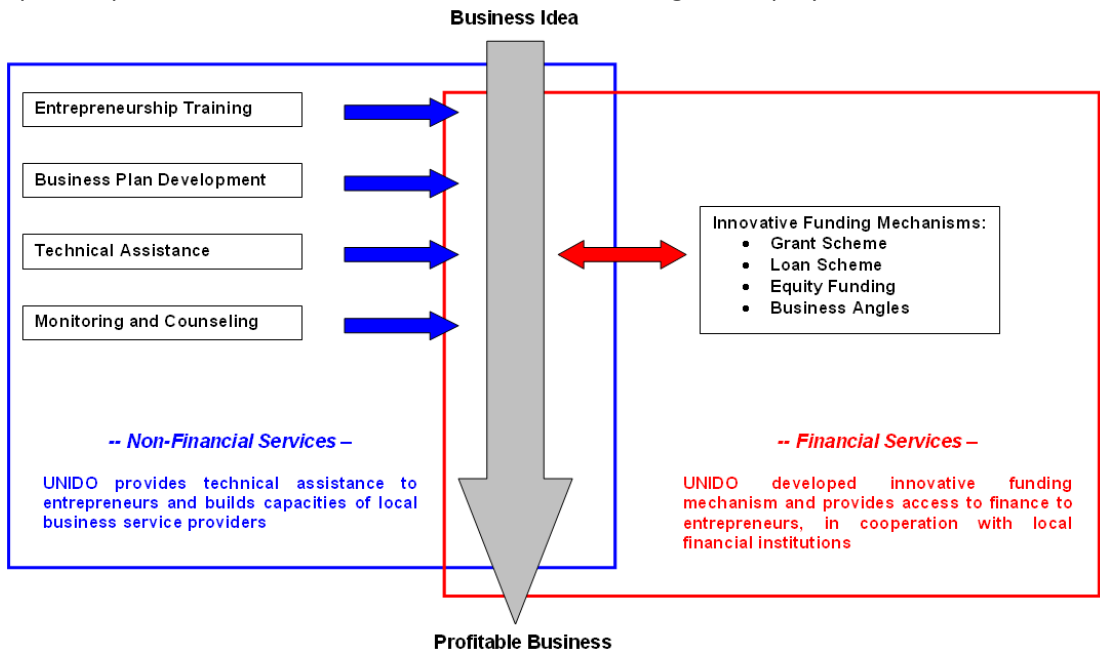
foreign and domestic partners aiming at strengthening and expanding local MSMEs, including youth-led businesses thus creating job opportunities for youth.

By promoting domestic and foreign investment through tools like the Investment survey and the Sub-contracting Programme Exchange (SPX) UNIDO promotes the connection of enterprises to market opportunities and growth potentials.

**Combination of financial and non-financial services**

One of the major obstacles for successful youth entrepreneurship creation and expansion is the missing link between financial and non-financial services.

Experience has shown that entrepreneurial and technical training alone does not generate its full potential of results unless combined with adequate financial services. UNIDO has developed a comprehensive approach that supports young entrepreneurs to create and set up or expand their own businesses while contributing to employment creation, economic



development and growth. Provided with access to funding through innovative mechanisms, such as grant and loan schemes or angel funding as well as the necessary non-financial support, youth are enabled to successfully set up and run profitable businesses.



### **Non-financial services**

UNIDO developed a set of non-financial support measures that, combined with financial services, add substantively to the sustainability of entrepreneurship projects. In particular young people benefit from training, monitoring, coaching and accompanying activities: to start and maintain a business, a young person needs entrepreneurial and vocational as well as financial literacy skills. These skills also help to reduce their perceived high credit risk and thus to gain access to financial services.

#### ***UNIDO BEST PRACTICE: UNIDO-Hewlett-Packard (HP) Global Partnership Programme***

Since May 2008, UNIDO has been partnering with Hewlett Packard (HP), one of the world's largest technology companies, to implement a global programme for entrepreneurship and IT education. Together, UNIDO and HP equip aspiring and existing entrepreneurs in developing countries with hands-on business and IT skills to start, run and grow their enterprises.

Building on the successful deployment of the "Graduate Entrepreneurship Training through IT" (GET-IT) programme in Africa and the Middle East, in 2010 the UNIDO-HP partnership reached a global coverage including Asia and Latin America. Today at the core of the partnership lies the global Learning Initiative for Entrepreneurs (LIFE) training programme which is available in several languages and covers selected topics in the areas of marketing, operations, communication and finance for different stages of entrepreneurship, from imagining to innovating.

The LIFE trainings are provided by carefully selected partner organizations who receive a HP technology package, access to the LIFE curriculum and to various online tools and a cash grant. Selection of partner organizations is based on a scoring system, which, inter alia, includes gender equality factor. Also, designated LIFE trainers are enabled to take part in a training-of-trainers course to become certified and thus to pass on their knowledge to the students. The UNIDO-HP partnership programme is implemented in collaboration with MEA-I (Micro-Enterprise Acceleration Institute) and EDC (Education Development Center).

#### **Current Results:**

- Establishment of 122 LIFE centers in 15 countries (Algeria, Brazil, China, Colombia, Egypt, India, Kenya, Morocco, Nigeria, Saudi Arabia, South Africa, Tunisia, Turkey, Uganda and United Arab Emirates)
- Certification of over 310 LIFE trainers
- Training of approximately 50,000 students face-to-face
- Creation of over 20,000 jobs

For further information please consult: [www.life-global.org](http://www.life-global.org)

### **Facilitating access to finance**

A major obstacle for successful youth entrepreneurship creation and expansion is the weak borrowing capacity of potential borrowers, lack of financial literacy, and that financial institutions have not developed services that could serve potential but marginalized borrowers. Available financial services are often not sufficiently accessible for youth. Loans are often not granted to young entrepreneurs due to lack of collateral, their limited experience and their young age. Provided with access to funding through innovative



mechanisms, such as grant and loan schemes or angel funding as well as the necessary non-financial support, youth are enabled to successfully set up and run profitable businesses.

#### **UNIDO BEST PRACTICE: Multi-stakeholder Programme for Productive and Decent work for Youth in the MRU Countries**

The Multi-stakeholder Programme for Productive and Decent work for Youth in the MRU Countries facilitated the creation of employment opportunities for youth and contributed to social and political stability as well as economic growth in the four countries of the Mano River Union (Cote d'Ivoire, Guinea, Liberia and Sierra Leone).

Under the MRU youth programme, UNIDO has successfully implemented two rounds of a **Youth to Youth Grant Scheme** in the Mano River Union countries in collaboration with the Youth Employment Network (YEN). Especially designed for post-conflict environments, the Competitive Grant Scheme aims at enabling youth-led organizations to design and implement projects for youth employment, by strengthening their institutional capacity as business service providers. Above all, the grant scheme must be understood as an initial incubation model which assists underprivileged youth who would otherwise have had little or no access to funding, to create employment opportunities in their communities. Further rounds of the youth to youth fund are currently being developed for Togo.

Furthermore a **loan scheme for young entrepreneurs** has been set up in Côte d'Ivoire, in close cooperation with a local financial institution that is accompanied by non-financial support schemes providing the young entrepreneurs with technical training, handholding and the needed entrepreneurship skills. The loan scheme approach is now being replicated in Armenia.

#### **Outputs and results:**

##### **- Grant Scheme MRU Region**

- 14 winning proposals from local youth-led organizations were selected and provided with the necessary funding, technical and M&E assistance to implement their ideas
- 724 decent long-term jobs created

##### **- Grant Scheme Sierra Leone**

- 7 projects from local youth-led organizations were selected and provided with the necessary funding, technical and M&E assistance to implement their ideas
- 170 decent sustainable long-term jobs created

##### **- Loan Scheme Côte d'Ivoire**

- Setting up of Revolving Fund for youth-entrepreneurship creation and development
- Providing the necessary non-financial services to young entrepreneurs to reduce risks and assist them in turning their business ideas into profitable businesses.

#### **SME development and expansion**

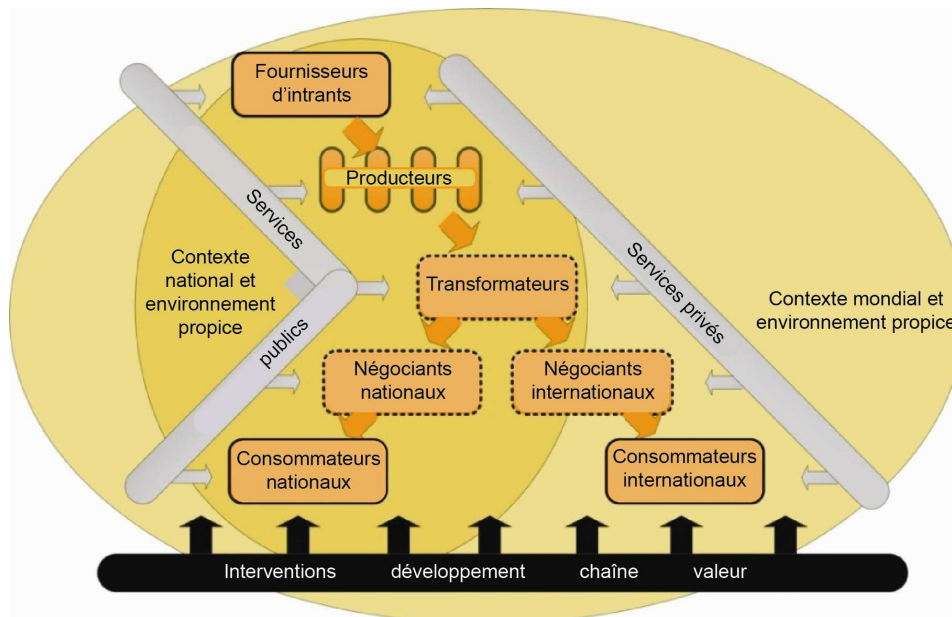
Whilst business start-ups and micro enterprises are best supported by the above described combination of financial and non-financial services, small and medium-sized enterprises require different technical support and specialized assistance. Therefore, the above mentioned interventions for the enhancement of self-employment and entrepreneurship as well as the establishment and development of micro and small enterprises are closely linked to subsequent UNIDO services that focus on the expansion and development of existing SMEs as well as on the successful transition of enterprises to the formal sector:



**Export Consortia:** By combining their knowledge, financial resources and contacts within an export consortium, SMEs can significantly improve their export potential and reduce the costs and risks involved in penetrating foreign markets.

**Clusters:** By building sustainable linkages between small-size enterprises, their larger scale business partners and support institutions, SMEs can combine their strengths and jointly take advantage of market opportunities or solve common problems with a combined effort.

**Value chain development:** UNIDO assists in the identification and development of value chains with high growth and employment potential. By assessing opportunities for young entrepreneurs as well as obstacles hindering the creation and development of youth led businesses or the absorption of young job seekers, targeted assistance can be provided to governments, institutions, private sectors as well as job seekers, to enhance youth employment and entrepreneurship.



### Cooperation with the Private Sector

With regard to the labour market, it is critical that the labour offer meets the demand of the private sector, particularly in countries with high rates of youth unemployment it is important, that job-seekers have the skills and competencies required by the private sector. To enhance youth employability on-the-job training is crucial, as well as skills development training that match the demand of the private sector. Therefore, UNIDO enhances a continued and expanded cooperation with the private sector.

### Skills matching and vocational training

In close cooperation with the private sector, UNIDO assists governments to establish and revise vocational training curricula and directly works with vocational training institutions (capacity building) thus contributing to expanding the human capital base in a country and



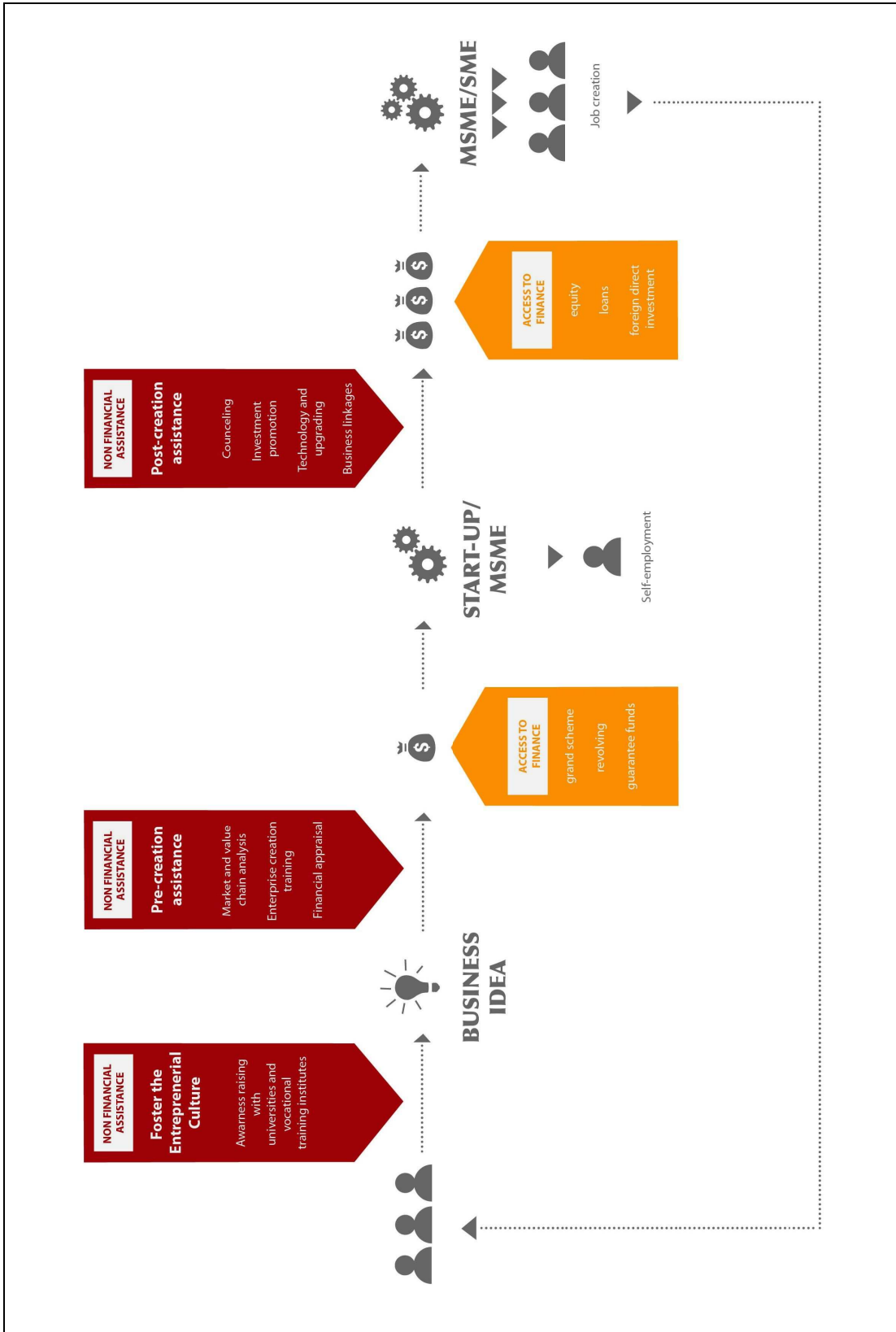
matching the skills of young job-seekers to labour market needs and productive sector demands.

### **IDEA: Innovation, Development & Entrepreneurship for All**

Taking into consideration the challenges that LDCs and MICs in Africa face in creating decent and productive work for youth, UNIDO has developed the IDEA programme: *Innovation, Development & Entrepreneurship for All*. The programme intends to gear micro and small youth led enterprises towards growth and sustainability through the creation of clusters and networks. In 5 steps the IDEA programme assists in the formalization of youth-led innovative enterprises and the creation of clusters and networks within identified segments of selected value chains with high growth potential. Through the creation of youth (self-) employment and formal income generating activities, the IDEA programme contributes to the development of the private sector. By facilitating the formalization process and development of informal and youth-led enterprises, IDEA fosters youth employment and tackles the problem of informality. Furthermore, the approach increases market access by creating clusters and networks in identified segments of selected value chains with a high growth potential. Finally the programme foresees a maturity assessment and post creation assistance if needed, evaluating future opportunities and the necessity for supplementary assistance.

In sum, the UNIDO approach can be summarized as the image on the next page shows:







#### 4. THE WAY FORWARD: THE POST 2015 AGENDA

The continued effects of the global financial and economic crises have brought into renewed focus the relationship between economic growth and global development goals. As noted in the report of the UN System Task Team on the post-2015 Development Agenda, “the vision for global development contained in the Millennium Declaration was intended to unify pursuance of economic, social and environmental objectives”<sup>25</sup>.

As the world considers how to move beyond the expiration of the MDGs in 2015, the opportunity arises to build a framework with goals anchored in the three dimensions of sustainable development: economic, social and environmental. Moreover, as stated in the UN Task Team report, while retaining a focus on ends was important to the success of the MDGs, the opportunity to address the issue of means should not now be missed.

The consultations for a post-2015 development framework pose a unique opportunity to shift the current paradigm towards a more inclusive model built on a consensus aimed at creating sustained prosperity for all. To be effective, it should comprise building blocks of issues that require international cooperation to facilitate the long-term transformations that underpin progress in human development and eradicate poverty in all its forms. Such a global partnership for sustained prosperity will furthermore benefit from a more participatory approach that mobilizes all who have a stake in inclusive and sustainable development - including the public and private sectors and civil society.

##### Development of the productive sectors

Unambiguously, economic development, and in particular development of the productive sector, is a critical driver of enduring poverty reduction. Through its emphasis on productive capacities and value-addition to primary resources, manufacturing has a transformative impact on economic structures and plays a pivotal role in encouraging technological development, productivity, innovation and trade. Sustained prosperity requires a long-term strategy, and building a solid manufacturing base implies putting in place an environment of stable economic, legal and political conditions, as well as creating a policy incentive to invest in education, training and knowledge acquisition over time. Beyond this, it also achieves socio-economic impact that is reflected in the generation of employment and income and the promotion of skills and entrepreneurship. All combined, these have proven to be instrumental factors for enhancing human development overall<sup>26</sup>. The promotion of vibrant and inclusive economies therefore will be key determinant for adequately responding to the persistent development challenges that endured the past decades in order to trigger the necessary social and economic transformation<sup>27</sup> needed to realize sustained prosperity for all.

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<sup>25</sup> “Realizing the Future we Want for All”, Report of the UN System Task Team on the post-2015 UN Development Agenda (2012),

<sup>26</sup> “Human Development Report 2013 – The Rise of the South”, UNDP (2013)

<sup>27</sup> As highlighted in the Communiqué from the Meeting of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda in Monrovia, this transformation agenda should: create jobs, develop



The private sector and its constituting characteristics build the foundation for a vibrant and inclusive economy. In developing countries, SMEs are responsible for a large proportion of economic activity and hence are important actors for driving economic growth, equitable development and job creation.

In the case of agriculture-based economies in LDCs for example, agro-based enterprises spur the much needed structural changes through the value-addition to primary resources and enhance productivity and competitiveness. However, SMEs often experience difficulties in achieving internal economies of scale in the acquisition and use of production inputs, in producing the output quantity that meets market demand, in achieving the quality standards necessary to reap market opportunities, and in fostering innovation.

As experience has proven, these challenges are mainly due to the lack of connectedness of SMEs in developing countries rather than their size. In fact, the economies of many high-income countries equally depend on dynamic SMEs for sustaining GDP growth and employment which - through their networks, surrounding environment and strong institutions – have transformed their size into a critical business advantage. In fostering vertical and horizontal business linkages and collaborative relations with local support institutions, SMEs can boost their competitiveness through reaching external economies of scale, specializing in their core business and encouraging knowledge exchange and learning.

Vibrant actors will however not suffice to achieve the aspired development impact. A strong enabling environment is needed for the private sector to prosper and to bring about more inclusive market outcomes in the form of more sustainable jobs and income as well as affordable goods and services. The public sector must promote institutional reforms and a pro-active policy environment that incorporates a long-term development vision and builds trust and cohesion.

### **Partnership with the private sector**

Each generation has a positive responsibility to take affirmative steps to prepare the next generation for successful economic participation. Employers' response to the youth employment challenge should be shaped by their own responsible self-interest in ensuring their firms' long-term growth and innovation, and in securing their access to talent for emerging and future economic needs. Businesses and economic entities looking toward long-term success must give appropriate attention to creating and securing future talent resources, and they have their own responsibilities in this area alongside and in partnership with government, educators, civil society, and young people themselves.

Global demographic trends suggest that skills shortages will continue to worsen in the coming decade, becoming acute for many specific industries and skill sets. The World Economic Forum's 2011 Global Talent Risk Report identified aging workforces as an acute skills issue in both developed and developing countries. As older, skilled workers retire,

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infrastructure, raise productivity, improve competitiveness and promote sustainable production and consumption.



there are not enough younger, replacement workers in the pipeline to sustain the skills base needed for emerging business opportunities.

Businesses can no longer simply rely on the labor market, or a bidding competition, to ensure access to required talent. Employers must come to understand that pro-active talent development tailored to their own requirements is in their own interest, and is indispensable to sustaining their long-term growth.

The bottom line for youth employment is that businesses' pro-active talent management strategies must include recruitment of potentially trainable workers, including young people, coupled with an employer investment in preparing these individuals in the specific skills that will support emerging business requirements.

Employers therefore should be encouraged to give young people a chance through well pondered and well-designed incentives schemes.

### **Quality of education, including entrepreneurship education**

Quality and relevance of education must be improved to reduce the skills mismatch.

Technical and vocational skills development (TVSD) has the potential to provide young people with more applied skills and better chances in the labour market. Skills can be obtained either through structured and specialized institutions or through on-the-job practical experience, or both – the so-called “dual” training (positive experience can be found in the German, Austrian educational and vocational training system; both countries enjoy relative lower level of youth unemployment in Europe).

As previously indicated, African countries should strengthen partnership with the private sector at all level of education.

Promoting a national culture of youth entrepreneurship is particularly relevant to addressing the lack of opportunities to value or adopt an entrepreneurial spirit or know-how. At the same time, developing entrepreneurial skills in the educational system can be seen as part of preparing youth for the labour market.

### **Youth participation**

As stated in the African Youth Decade 2009-2018 Plan of Action of the African Union, enhance youth participation in process and decision making is an high priority for African States, in particular the promotion of active participation to the political arena.

Effective youth employment initiatives – be it programmes or policies – must involve young people.

Presently, the role of youth in development is limited. They are not consulted, at least not methodically or in a structured fashion, and their voices are not heard or not accounted for. Across Africa the lack of platforms and spaces for youth to participate in national decision making regarding their needs and interests in employment is recognized. In several instances, youth voiced their limited engagement in policy dialogue, implementation, and monitoring.

Therefore the creation of a national inter-ministerial and broad-based coordinating mechanism comprised of relevant ministries, worker and employer organizations, educational and training institutions, private sector and youth organizations to ensure



proper coordination is recommended in order to ensure more youth participation in policy making to the extent that it concerns them.

#### **UNIDO BEST PRACTICE: International Conference on productive Work for Youth in Tunisia and the MENA Region**

The “**International Conference on productive Work for Youth in Tunisia and the MENA Region**” that took place in Tunis from 28 to 29 November 2012 aimed at assisting governments of MENA countries in their efforts to promote entrepreneurship, share knowledge on international best practices and focus on the way forward by bringing together all stakeholder. The Tunis Declaration and the actions plan that have been proclaimed at the end of the conference will set the basis for a follow-up process will contribute to tackling the challenge of youth employment and job creation in the MENA region. Furthermore it once again positioned UNIDO as an implementing partner in the field of private sector development and employment creation.

#### **Results:**

- Tunis Declaration: The declaration states ten recommendations to boost productive employment and decent work for youth in the MENA region.
- 400 conference participants of which 250 young women and men
- organization of 3 regional preparatory workshops to reach out to and promote an active engagement of youth organizations and young entrepreneurs
- to set the basis for discussions a background paper had been drafted prior to the conference and distributed to conference participants, chairs and panelists.
- establishment of a web based platform for the enhancement of active youth involvement and the creation of networks
- organization of 19 side events which aimed at ensuring an active participation of the youth, while promoting investment opportunities in the Mediterranean basin

#### **Access to quality services for entrepreneurs, including access to finance**

Today’s world confront youth with a variety of challenges, particularly in the transitional phase between school and work. Promoting entrepreneurship in schools will certainly instill a stronger entrepreneurial spirit and deeper understanding of business practices. However, this alone will not suffice to create a new generation of successful and innovative young entrepreneurs.

Support services, often referred to as non-financial services, can increase up to two third the rate of success of an enterprise; this is even higher for youth led start-ups.

Concentration of service providers is proportionate to the GDP of a country; in Sub-Saharan countries non-financial services/trainings only 12 percent are provided by Government agencies while in North Africa this figure is as high as 61.5 percent<sup>28</sup>, whereas in the formers MFIs and Banks provide up to 50 percent of non-financial services (along with financial packages); this is intended as a risk mitigation intervention.

<sup>28</sup> World Bank, Jobs, World Development Report 2013



Voiced strongly by youth in various national and regional consultations<sup>29</sup>, the quality of services provided as well the adaptation to more youth-friendly formats will have to be considered for youth are the real potential engine for socio-economic development of African states as evidences demonstrate.

Young people demand better access to information, as registration modalities, clarity in the universe of service providers, but above all, more targeted financial schemes, that are designed to reflect youth needs and constrains (e.g. lack of collaterals or guarantee). Guarantee funds, micro-equity, grants for innovation are just few of good practices (provide examples) that can be set-up in response to such aggravating problem of lack of access to financial opportunities for youth.

### **UNIDO proposed Post 2015 goal: “Promotion of vibrant and inclusive economies”**

Fostering “vibrant and inclusive economies” promises to be an effective response to the high priority poor people place on jobs and financial security as it is an essential lever for lifting themselves out of poverty. Such economies would also be more resilient to external shocks as they are well prepared to develop the productive resources, entrepreneurial capabilities and production linkages which allow a country to produce the goods and services that enables it to enjoy more stable, inclusive and sustainable growth.

However, it will be crucial to ensure that the pursuit of this goal is well coordinated with the measures to ensure more environmentally sustainable patterns of production and consumption. In regards to implementation, this goal could suggest a meeting point between the aid agenda of traditional donors, priorities of emerging development partners and current development concerns of recipient countries thus laying the foundation to realize a global partnership for sustained prosperity for all.

The “promotion of vibrant and inclusive economies” is dependent on set of interconnected indicators which should include **four concrete targets**:

1. An increase in the share of manufacturing value added (MVA) in GDP to 15-20 percent
2. An increase in the share of manufactures in total exports from its current level of less than 1 percent to 5-10 percent in order to enable Africa to transition from being an exporter of raw materials and commodities to an exporter of higher-value manufactured products
3. An increase in the share of manufacturing jobs in total employment
4. An increase in the share of foreign direct investment (FDI) devoted to manufacturing rather than commodities

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<sup>29</sup> Africa’s Response to the Youth Employment Crisis, ILO 2012 and Working with Youth, ILO 2012; and [www.DEF.tn](http://www.DEF.tn)



## 5. CONCLUSION AND RECOMMENDATIONS

Given the great diversity of country specific challenges and opportunities throughout the continent, there are no blueprint solutions to the fundamental challenge of productive employment creation. However, the present report analyzed common trends and developments and general recommendations can be made on how to best address the urgent need to create productive work opportunities for youth.

With the public sector's limited capacity to absorb the unemployed, the promotion of the private sector can be a solution to employment generation. Jobs are created primarily by the private sector- globally 9 out of every 10 jobs are created by the private sector – so growth of the private sector is crucial to providing more opportunities for productive employment. The development of micro, small and medium enterprises (MSMEs) is a proven and effective mechanism to facilitate economic development and it is within this vital sector that entrepreneurship requires significant support, guidance and investment.

Governments, the private sector and the international community have to join forces and together work towards preparing a solid ground for sustainable job creation, inclusive growth and poverty reduction.

In this very important moment as the world considers how to move beyond the Millennium Development Goals in 2015, there is the opportunity to shifting the current paradigm towards a consensus aimed at creating prosperity for all by developing vibrant economies building the base for equal and inclusive growth, sustainable employment creation and long-lasting poverty reduction.

***In order to foster youth entrepreneurship and employment creation through private sector development, the present paper concludes by highlighting the following important actions to be taken by the responsible parties at the Macro, Meso and Micro Level:***

### **Macro Level:**

- *National Governments shall promote entrepreneurship as viable solution to unemployment by fostering an entrepreneurial culture amongst youth*
- *Identify high growth potential and employment intensive value chains and identify employment and self-employment opportunities for young people within and throughout these value chains;*
- *The donor community and international organizations shall advocate for private sector development aiming at job creation and inclusive growth and secure the necessary national and international funding and assistance to support governments in this important endeavor.*



- *Strengthen the legal and regulatory framework towards the facilitation of business creation for the youth and eliminate barriers to youth entrepreneurship and business creation*
- *National Governments should improve facilities related to entrepreneurship, such as infrastructure, energy, water access, etc.*

#### **Meso Level:**

- *Strengthen the capacities of local institutions (business service providers, financial institutions, public and private training institutions and others) to provide better quality and tailor made services to assist young entrepreneurs to set up and develop their businesses*
- *Expand and better coordinate financial and non-financial services for young entrepreneurs*
- *Strengthen public private partnerships to ensure a better match between the skills of graduates and the needs of the private sector;*

#### **Micro Level:**

- *Provide aspiring entrepreneurs with the needed financial and non-financial services*
- *Through the creation of dedicated fund, facilitate the access to funding for MSME creation, especially youth-led businesses*
- *Support and strengthen the networking between young entrepreneurs in order to exchange peer-to-peer-assistance, lessons learned and best practices.*





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