



## **Post-2015 Global Agenda: Employment and Perspectives for the Youth**

Discussion Paper  
Provided by Prof. Dr. Horst Koehler, Germany

21st January 2013

## Post-2015 Global Agenda: Employment and Perspectives for the Youth

### Executive Summary

The enormous demographic challenges facing African and South-East-Asian countries are unique in mankind: Over the next 20 years more than 800 million people will additionally join the global labour force. If their demands for jobs remain unfulfilled, large parts of the world might be faced with persistent violence and social unrest. Given that employment is also closely related to many global concerns such as poverty reduction, equity, social coherence, gender equality and personal security in fragile states, it is argued that employment with a focus on youth should be addressed as a prominent issue within the Post-2015 Global Agenda. Although the nature of the employment challenge differs from country to country, some policy essentials seem equally be relevant to all countries. Firstly, it is argued that structural transformation policies aiming at inclusive and environmentally sustainable patterns of growth are key to job creation. Secondly, all stakeholders need take responsibility for advancing sustainable growth and employment: The business community by committing to ethical responsible business investments and the public sector by assuming the role as a catalyst for growth and development. Moreover, many other stakeholders in the world need to contribute their share to safeguard global public goods which are essential to harness globalization. To be realistic, the process of structural transformation towards inclusive and sustainable growth will take time and may not rapidly enough accommodate all young people with jobs. In order avoid social discontent among young people, they must be provided with greater opportunities to actively engage with the political process and be given a sense of community and self-esteem.

During the last decade Africa experienced strong economic growth due to improved governance and macroeconomic stability. But growth was mostly limited to sectors with very low labour intensity (e.g. extractive resources). To meet Africa's needs for strong and job-creating growth, policies for economic diversification enabling private investment in labour-intensive manufacturing industries with higher value added products will be essential. Beyond that, substantial potentials for employment need also be tapped by promoting agricultural development and greening of economy.

To implement structural transformation and boost job creation, African countries need to remedy their deficiencies with regard to infrastructure, regional integration, education and vocational training, business environment, financial sector development and entrepreneurship. Successful economic transformation policies together with the rise of new powers such as China and India which are searching for new investment options could offer new opportunities for Africa – even to become a new global pole of growth.

When it comes to framing a goal on employment the following indicators seem to be relevant: share of working poor and vulnerable employment; productivity in the formal and informal sector, proportion of people earning less than a minimum wage, unemployment rate; youth unemployment rate, NEET-rate (not in education, employment, and training); share of new and productive jobs generated as well as the proportion of value-added per worker to consumption of non-renewable energies. Finally, it is suggested that the Post-2015 Global Agenda should specify important enablers for job creation and stipulate the different responsibilities with regard to national and international trade and investment policy approaches, institutional arrangements for multi-stakeholder cooperation as well as global regulatory frameworks.

## Post-2015 Global Agenda: Employment and Perspectives for the Youth

*“Beyond their critical importance for individual well-being, jobs lie at the heart of many broader social objectives, such as poverty reduction, economy-wide productivity growth, and social cohesion.” (World Development Report 2013: Jobs, Washington D.C. 2012)*

### Introduction

**1. The lack of remunerative jobs, particularly for young people, is a problem that affects most countries of the world:** one in three workers in the global labour force is currently either unemployed or poor. That is, out of a global labour force of 3.3 billion, 200 million are unemployed and a further 900 million, although working, are living with their families below the US\$2 a day poverty line<sup>1</sup>. Demographic projections suggest that over the next 20 years 800 million people (with 400 million in Africa and 380 million in South-East Asia)<sup>2</sup> will additionally join the global labour force. This order of magnitude is unique in mankind.

**2. What is most alarming is that the highest youth unemployment rates are observed in precisely those regions of the world facing the fastest growth in the labour force.** There is no doubt that these huge cohorts of young people constitute a serious risk for social unrest and violence if their demands for jobs remain unfulfilled. According to a World Bank study unemployment was the main reason for one out of two young people in so-called fragile states to follow rebel movements<sup>3</sup>. The youth protests during the Arab Spring have shown that young people can play a major role in bringing about political change. If young people decide to become active members of their societies or rather join violent activities will crucially depend on job creation.

**3. Considering that youth employment is also closely related to many other important global concerns** like poverty reduction, equity, social coherence<sup>4</sup>, gender equality and personal security in fragile states, it is argued that employment with a focus on youth should be addressed as a prominent issue within the Post-2015 Global Agenda.

In this regard, a number of key questions emerge: What policies both at national and global levels are needed to turn the demographic challenge into a demographic dividend? What are the roles and responsibilities of national governments, the private sector, the civil society, global institutions and development cooperation agencies in contributing to more and better jobs for the young? What could be the value-added of addressing those issues in the Post-2015 framework? How could a goal on employment for the Post-2015 Global Agenda be designed?

---

<sup>1</sup> *Global Employment Trends 2012: International Labour Organization, Geneva 2012*

<sup>2</sup> *Own calculations based on: United Nations Department of Economic and Social Affairs, Population Division: World Population Prospects: 2010 Revision, New York 2011 (medium variant)*

<sup>3</sup> *World Development Report 2011: Conflict, Security, and Development, Washington D.C. 2012, p.11*

<sup>4</sup> *As Nigeria's The next Generation Report points out: “The next generation can make a huge contribution to future, but if its potential is not harnessed, it will become an increasingly disruptive force.” (Nigeria The next Generation Report, Okonjo-Iweala, Ngozi, David E. Bloom, and others, 2010, British Council and Harvard School of Public Health)*

Although the nature of the employment challenge differs from country to country some policy essentials seem equally relevant to all countries facing youth bulges.

**4. First, this paper argues that economic growth is a necessary but not a sufficient condition for employment generation<sup>5</sup>.** Growth can be defined as “inclusive” when higher earnings are driven by employment opportunities for the majority of the labour force, particularly the poor. A crucial finding is that the impact of economic growth on poverty reduction depends critically on the employment intensity of those different sectors in which growth takes place<sup>6</sup>. If growth takes place mainly in sectors with low labour intensity, it does not create (enough) employment opportunities. Such “jobless” growth is even more problematic in regions with a rapidly increasing young labour force, as the experiences of the last decades in the MENA region have shown.

Meanwhile, there is broad agreement that countries facing youth bulges explicitly need to pursue inclusive, i.e. job creating growth strategies<sup>7</sup>. A suitable indicator for capturing the effects of job creating growth strategies seems to be the response of employment to growth (what economists call the employment elasticity) in the formal sector of the economy<sup>8</sup>. Referring to Ghose (2008) three indicators are suggested for a proper assessment of the employment situation in developing countries<sup>9</sup>:

- (1) share of the formal segment in total employment
- (2) out-put per worker in the non-formal segment, and
- (3) unemployment rate

**5. Second, this paper argues that inclusive growth needs to go along with sustainability.** Low-income countries, whose economies are mostly commodity-based and in which low-productivity agriculture is still the predominant source of livelihood, face a specific dilemma with respect to environmental sustainability. On the one hand, structural transformation towards moving up the value chain is necessary for achieving substantial and broad-based improvements in human well-being. On the other hand, such a structural transformation will, together with rising welfare and growing population, necessarily intensify environmental pressures, through the increasing demand for natural resources, including both material and energy inputs used in production, the increasing magnitude of waste and pollution, and the increasing use of non-renewable resources<sup>10</sup>. Resolving such a dilemma is a formidable task, which requires an innovative private sector and an active state in setting the course for green growth through public investment and appropriate regulations and standards. But the Post-2015 Global Agenda should also be an integral part of a global structural transformation, i.e. a development policy for the entire planet. This requires both developed and emerging countries to accelerate substantially their efforts to achieve new levels of resource and energy efficiency and reductions of CO<sub>2</sub>-emission to facilitate sustained green growth in developing countries.

**6. Third, given that the private sector accounts for 90 per cent of all jobs in the developing world<sup>11</sup>, it constitutes a key player in addressing the youth employment challenge.** Rightly so, the

---

<sup>5</sup> Concept note for the Global Consultation: Building the Post-15 Development Agenda held in Tokyo, 15-16 May 2012, [http://www.ilo.org/global/meetings-and-events/events/WCMS\\_184041/lang--en/index.htm](http://www.ilo.org/global/meetings-and-events/events/WCMS_184041/lang--en/index.htm) 2015 Framework for Development

<sup>6</sup> World Development Report 2013, p. 87

<sup>7</sup> World Development Report 2013, p. 87-89

<sup>8</sup> The size of formal sector is regarded as a proxy for the share of productive jobs, see Ghose, A/Majid, N/Ernst, C.: *The Global Employment Challenge*, International Labour Office, Geneva 2008, p. 61

<sup>9</sup> Ghose et al., p. 63

<sup>10</sup> UNCTAD Report 2012: *Economic Development in Africa. Sustainable Transformation and Sustainable Development in Africa*

<sup>11</sup> World Development Report 2013, p. xiii

UN Secretary General (SG) Ban Ki-moon pointed to the need for ethically responsible business investments. A global age requires a global ethic. The Post-2015 Global Agenda should include the establishing of round tables at the national and global level, where investors should discuss and agree on a code of conduct or ethic guidelines for entrepreneurship and investments in developing countries. Respective efforts ought to draw on the “ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption” provided by the UN Global Compact as well as consider concepts elaborated at national level<sup>12</sup>.

**7. Fourth, governance and institution-building will be key** to successfully implementing structural transformation strategies<sup>13</sup>. A new thinking about governance which is different from the past will be needed. The past discussion governance has predominantly focused “on restricting and restraining the state” to ensure economic efficiency and to overcome harmful clientelistic state-industry collusion. While this issue is still relevant, it has hardly been discussed how “the state can be enabled to perform a role as a catalyst for growth and development”<sup>14</sup>. Ideally, a key requisite for bringing about successful structural transformation is a sovereign government that is at the same time autonomous and open for ideas, feedback and critique from private actors<sup>15</sup>.

**8. Fifth, women should be encouraged and enabled to play crucial roles in managing structural transformation - as farmers and businesswomen** - in smallholder agricultural production, as entrepreneurs in manufacturing, as mothers managing household nutrition, and as innovators and educators. As their different roles span across the entire value chain, it is essential to ensure women’s access to markets, credits and inputs<sup>16</sup>.

**9. Sixth, it is argued that the process of structural transformation towards inclusive and sustainable growth will take time and may only gradually improve job perspectives for the young.** In order to counteract the social discontent and instability generated by a frustrated youth, they must be provided with greater opportunities to engage with the political process and become more active citizens. Although efforts to engage youth in policy formulation have increased over the past few years at all levels (examples of these include the African Youth Parliament, and the Mano River Union Youth Parliament), the work of national youth councils and youth parliaments has all too often been limited to one-off events. More comprehensive and sustainable youth policy approaches are needed. With this in view “The Next Generation Report” on Nigeria requests that “Targets should be set for increasing youth voting levels and political parties should start investing in young leaders, ensuring that a new generation is quickly brought onto political stage”<sup>17</sup>.

Last but not least, **volunteer service programmes** run by non-governmental organizations **can play a vital role in providing young people with a sense of community and self-esteem**. Furthermore, public work programs which provide unskilled young people with short-term employment in fields

---

<sup>12</sup> Wittenberg Center for Global Ethics: *Code of Responsible Conduct for Business*, 2012  
<http://www.wcge.org/html/en/529.htm>

<sup>13</sup> For an in-depth discussion on this issue see H. E. Gunilla Carlssons’ *Framing Paper on Governance and Institution-Building*

<sup>14</sup> Noman, A./ Botchwey, K./Stein, H./ Stiglitz, J.E.: *Good Growth and Governance in Africa: Rethinking Development Strategies (The Initiative for Policy Dialogue)*, Oxford University Press 2012;

<sup>15</sup> *The new industrial revolution making it sustainable, Issue Paper provided by Helmut Asche, Philipp Neuerburg, Matteo Menegatti, General Assembly, Fourteenth Session 28 November-2 December 2011, Vienna,*

<sup>16</sup> *The Montpellier Panel. Women in Agriculture: farmers, mothers, innovators and educators. London: Agriculture for Impact, 2012*

<sup>17</sup> *Nigeria - The next Generation Report by Okonjo-Iweala, Ngozi, David E. Bloom, and others, 2010, British Council and Harvard School of Public Health*

such as road construction, maintenance, irrigation infrastructure, reforestation, soil conservation and urban sanitation programmes have proved successful in politically fragile environments.

10. Acknowledging that the **nature of the job challenge varies from region to region**<sup>18</sup> this paper will focus on the African region where the employment situation is most worrying. First, it provides a short diagnosis of Africa's economic development experience since the beginning of this century by discussing its achievements and shortcomings as well as its prospects for becoming a global growth pole (Section I). Subsequently, it describes the particular challenges emerging at national level with respect to achieving strong, inclusive and environmentally sustainable growth. (Section II). Finally, Section III comprises several recommendations and issues for discussion with particular relevance to the work of the HLP.

### **I. African countries have shown a remarkable development during the last decade but failed to meet the needs for job creation...**

11. **Africa faces an enormous youth employment challenge:** With almost 200 million people aged between 15 and 24, Africa has the youngest population in the world and it still keeps growing by 13 million each year<sup>19</sup>. By 2025, one out of four young people in the world will live in sub-Saharan Africa. The present situation is already challenging: Although 73 million new jobs have been created in Africa between 2000 and 2008<sup>20</sup> young people still suffer from unemployment, underemployment as well as poor working conditions in the informal economy. Thus, Africa's challenge is not only one of productively absorbing the growing labour force but also one of transferring workers from low-productivity activities to full-time employment in higher-productivity activities<sup>21</sup>.

12. **Since the beginning of this century African countries have shown strong economic growth** owing to improved governance and macroeconomic stability, a more favourable business climate, a reduction in armed conflicts, increased foreign direct investment and a rise in commodity prices. In fact, between 2001 and 2010, six of the world's ten fastest-growing economies were in sub-Saharan Africa. However, this overall favourable economic development did not translate into sufficient job creation. While African countries achieved annual growth rates between 4 and 7 per cent, economic development failed to be inclusive. On average, about 63 percent of Africa's total labor force is still engaged in some form of self-employment or "vulnerable" employment, such as subsistence farming or urban street selling. This is mainly due to the fact that economic growth was mostly limited to sectors with very low labour intensity (e.g. extractive resources). Natural resource sectors employ less than 1 per cent of Africa's workforce<sup>22</sup>. On the other hand, African LDCs already low share of manufactures in their merchandise exports remained constant at about 15 per cent between 2000 and 2008<sup>23</sup>. This provides strong evidence that it is not only the rate of economic growth which matters for employment but also the pattern of growth<sup>24</sup>.

---

<sup>18</sup> *The World Development Report 2013 on Jobs argued for national job agendas accounting for different country contexts, see chapter 6: Diverse jobs agendas*

<sup>19</sup> *African Economic Outlook 2012, African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme, United Nations Economic Commission for Africa 2012, p 99*

<sup>20</sup> *African Economic Outlook 2012, p. 99*

<sup>21</sup> *Global Employment Trends 2012: International Labour Organization, Geneva 2012*

<sup>22</sup> *McKinsey: Africa at work: Job Creation and Inclusive Growth. August 2012*

<sup>23</sup> *ILO: Growth, Development and Decent Work in the Least Developed Countries, Geneva 2011*

<sup>24</sup> *This is also a key message with respect to resource-rich countries presented by the World Development Report 2013 on Jobs*

**13. To address Africa's urgent needs for job creation national policies promoting sustainable structural economic transformation** towards enhancing agricultural productivity and rural development as well as building up manufacturing industries with higher value added products will be key. This finding has not only been empirically and theoretically well-founded by leading economists as Dan Rodrick<sup>25</sup> but also advanced by several policy reports analyzing Africa's economic performance during the last decade: "Industrialization is critical. African countries should pursue economic transformation programmes to lift the share of manufacturing to at least 25 per cent of GDP and to restructure services from distributive trades (dominated by informality) towards the more modern services. These moves should be complemented by extensive economic diversification where the share of manufacturing exports climbs steeply and the composition of manufactured imports changes towards capital goods, industrial intermediates"<sup>26</sup>.

**14. Africa's opportunities to successfully achieve structural economic transformation are better than ever before.** First, it is the continent's immense wealth of natural resources, which offers great opportunities for growth and investment. Over 60 percent of the worldwide reserves of cobalt, coltan, chrome or platinum are located in Africa and new discoveries of oil and gas deposits constitute major opportunities. But it is also the endowment with renewable resources that can play an essential role in unleashing Africa's growth: Africa has fertile soil and land for agriculture, considerable potential for solar and hydro power generation and accommodates some of the world's largest continuous areas of rainforest absorbing considerable amounts of Carbon Dioxide.

Moreover, the rise of new economic powers such as China and India searching for new investment options offer further perspectives for stimulating growth and investment. Several international organizations and private think tanks have observed these new developments and assessed Africa's potential as possible new global pole of growth.<sup>27</sup> African finance and planning ministers conducted a well-informed discussion about this outlook at a conference organized by the UN-Economic Commission for Africa and the AU-Commission in Addis Ababa in March 2012.

## **II. Major challenges for African states to achieve strong, inclusive and environmentally sustainable growth**

### *Agriculture*

**15. In African economies the agricultural sector is crucial for employment, poverty reduction, economic transformation and food security.** Most people are employed in agriculture. Nearly eight out of ten working poor at the US\$1.25 poverty line live in rural areas where agriculture is the only economic sector that can create income and jobs.<sup>28</sup> Therefore, growth in this sector often delivers more poverty reduction than growth in other sectors. However, per capita agricultural output and

---

<sup>25</sup> Keynote Lecture by Professor Dani Rodrik "Employment, Structural Change and Economic Development" International Conference "Employment and Development - What Do We Know and What Can We Do?" convened by Institute for the Study of Labor (IZA) and KfW Entwicklungsbank 15 - 16 March 2012 at KfW Berlin [http://www.kfw-entwicklungsbank.de/ebank/EN\\_Home/Development\\_Research/Events/Conference\\_on\\_Employment\\_and\\_Development/Conference\\_Results/](http://www.kfw-entwicklungsbank.de/ebank/EN_Home/Development_Research/Events/Conference_on_Employment_and_Development/Conference_Results/)

<sup>26</sup> *Economic Report on Africa 2012: Unleashing Africa's Potential as a Pole of Global Growth*, Economic Commission for Africa, Addis Ababa.

<sup>27</sup> *Economic Report on Africa 2012: Unleashing Africa's Potential as a Pole of Global Growth*, Economic Commission for Africa, Addis Ababa

<sup>28</sup> *ILO Global Employment Trends 2012*

productivity in the region are still low compared to the global average<sup>29</sup> with negative consequences for food security and social stability. With rising rural population densities, farm sizes have been declining and more and more people have been forced to move to more precarious lands. Therefore, sustainable intensification of agricultural production is necessary to boost agricultural productivity and output which would improve food security in the region, as is vividly expressed in “Africa Can Help Feed Africa”, the title of a recent World Bank study.<sup>30</sup>

Financial constraints, lacking or inadequate infrastructure, and regional trade barriers are major reasons why the full potential of agriculture in Africa is untapped and levels of productivity remain low. On the other hand, if Africa was to unleash the full potential of its agricultural sector it could substantially spur economic development. For example, it is estimated that up to 14 million additional wage-paying jobs could be created between 2010 and 2020 by, among others, focusing on relatively labor-intensive and high-value-added horticultural crops.<sup>31</sup> Also, forward linkages could be exploited by supporting downstream agro processing industries.

However, policy makers also need to take into account that working in the agricultural sector is not attractive for youth in Africa and other developing regions. A study revealed “that many young people do not view agricultural jobs as desirable and turn away from crops and commodities because agriculture is not seen as providing future business opportunities. Yet, [ ...] for many youth there is no choice but to remain in agriculture, with the associated risk of frustration and unmet aspirations in a globalising world.”<sup>32</sup> Thus, providing more information and incentives for young people, offering credits or investing in rural agriculture, could help create a more positive attitude of young people towards rural employment.

### *Manufacturing*

16. There is a **lot of scope for increasing job opportunities in the African manufacturing sector** in which only 7% of the labor force are employed. Natural resource sectors (with the exception of agriculture; see above) account for a significant share in Africa’s GDP while they merely provide jobs to less than 1% of the entire workforce.<sup>33</sup> At the same time, natural resource abundance, in connection with the availability of a competitive labour force, may constitute a comparative advantage that can be used to attract labour-intensive manufacturing industries.

Similarly to the case of agriculture there are constraints related to, for example, finance, infrastructure and market size that prevent the African manufacturing sector and its workforce from growing. If these constraints were overcome, it is estimated that up to 15 million new stable jobs in manufacturing could be created between 2010 and 2020 in 11 African countries.<sup>34</sup> The study’s recommendations on how this can be achieved refer to the need for understanding the potential comparative advantage a country holds in a global market, identifying the specific manufacturing subsectors in which it can compete, and then removing the blockages that have prevented these subsectors from reaching their potential. Another study points out that the diversification of manufacturing industries in African

---

<sup>29</sup> *The African Development Bank estimates that Africa’s per capita agricultural output is about 56 per cent of the global average, UNCTAD Report 2012*

<sup>30</sup> *Africa Can Help Feed Africa Removing barriers to regional trade in food staples, World Bank, Washington D.C. 2012*

<sup>31</sup> *McKinsey: Africa at work: Job Creation and Inclusive Growth. August 2012, p.28*

<sup>32</sup> *Small-scale farming and youth in an era of rapid rural change, International Institute for Environment and Development (IIDI) 2012*

<sup>33</sup> *McKinsey 2012*

<sup>34</sup> *McKinsey 2012*

countries cannot be achieved with a blueprint approach: “A strategic, tailor-made mix of capacity building, private sector development, service models for cluster development and global value chain support is needed to boost industrial development in Africa”<sup>35</sup>. To turn this vision into reality governments might consider subjecting all foreign investment proposals to rigorous value-chain and local content analysis and insisting on local processing of primary commodities<sup>36</sup>.

A more in-depth study evaluating African and Asian experiences with strategies for economic transformation towards building up manufacturing industries is currently under preparation and will be submitted as soon as possible.

### *Infrastructure*

**17. Shortcomings in infrastructure, especially in energy and transportation, constitute high barriers to economic growth and job-creation.**<sup>37</sup> This translates into a serious obstacle for employment: It is estimated that reliable electricity supply could increase annual job growth in low income countries by 4 to 5 percent.<sup>38</sup> Ports, railway network, and roads are starkly insufficient. Consequently, high transport costs are a central bottleneck for African enterprises that strive to expand beyond domestic markets and/or are located in landlocked countries.

It is estimated that approximately **\$93 billion per year are needed over the next decade to close Africa’s infrastructure gap**, including both new investments and maintenance of existing infrastructure. However, currently only around \$40 billion are invested annually.<sup>39</sup> But where should the remaining \$53 billion come from? A considerable part could come from economies which have accumulated tremendous amounts of savings over the past decades. After the financial crisis which is not yet over, investors have a strengthened interest in save rates-of-return from the real economy. The late Meles Zenawi had this in mind when he said “the massive global saving that has now become part of the problem could be part of the solution if it was directed to investments in Africa”<sup>40</sup>. This is a historical opportunity for developing countries to attract financing and opens also a strategic road of linking the future well-being of aging societies with the objectives of a Post-2015 Global Agenda. One idea could be that life insurance companies could set up infrastructure debt funds in developing countries. It seems also worthwhile to examine, whether the overliquidity in the international monetary system which constitutes a risk for inflation in the future can at least partly be channeled to investments in developing countries. The IMF and the Worldbank should be asked to discuss this issue and submit ideas to the High Level Panel.

Cross-country transportation and energy pooling are regional public goods. As such those can only be provided if political efforts for regional integration and coordination are reinforced. African leaders acknowledged the need for a regionally integrated approach to infrastructure by establishing the Programme for Infrastructure Development in Africa (PIDA). However, successful regional integration of African economies is still far from being accomplished.

---

<sup>35</sup> *The new industrial revolution making it sustainable, Issue Paper provided by Helmut Asche, Philipp Neuerburg, Matteo Menegatti, General Assembly, Fourteenth Session 28 November-2 December 2011, Vienna, p.2*

<sup>36</sup> *Economic Report on Africa 2012: Unleashing Africa’s Potential as a Pole of Global Growth, Economic Commission for Africa, Addis Ababa, p.12*

<sup>37</sup> *According to McKinsey 2012, 21 % of African businesses cite lack of electricity and 13 % cite poor transport infrastructure as major constraints to their growth*

<sup>38</sup> *ICF Jobs Study: The Role of Reliable Power in Employment Growth (Forthcoming)*

<sup>39</sup> *World Bank: African Infrastructure Diagnostic (Washington DC), 2009*

<sup>40</sup> *Citation from Meles Zenawi’s speech held at the „5th Meeting of African Ministers of Finance, Planning and Economic Development“ in Addis Ababa on March 26, 2012*

## *Regional Economic Integration*

18. **Regional economic integration is key to enabling African countries to create large markets** which help attracting investments to develop a local manufacturing base and spur trade for sustainable products and technologies. This field of policy still offers much potential to be exploited. Intra-Africa trade developed at high rates in the last decade, but since external trade expanded even further, the percentage is still low, at around 11 per cent of Africa's total. Yet, if Africa is to expand its internal trade, it will have to reduce or remove tariffs: intra-African average applied protection remains high at 8.7 per cent, but above all non-tariff barriers to trade and investment. The establishment of a Pan-African Free Trade Area, as agreed by the African Ministers of Trade in Kigali in November 2010, (and recently confirmed by the AU Assembly in January 2012 by "Decision on Boosting Intra-African Trade and Fast Tracking the Continental Free Trade Area") would remove tariffs on internally traded goods and services. That Free Trade Area (FTA) would be an important step to increase the share of intra-African trade. Furthermore, if customs procedures and port handling were made twice as efficient, intra-African trade could double<sup>41</sup>. Sub-regional Free Trade Areas are important and encouraging stepping stones towards the Pan-African Free Trade Area.

## *Business Environment and Entrepreneurship*

19. **African private sector enterprises face greater regulatory administrative burdens**, and less protection of property and investor rights than businesses in any other region (World Bank, 2011b). But, both Doing Business and the Africa Competitiveness Report 2011- 2012<sup>42</sup> point out that several African countries have recently made impressive gains in economic governance. Among the top 30 most improved economies between 2001 and 2008, a third is in sub-Saharan Africa. Nevertheless, corruption is still a serious problem, with 27 of 47 African countries classified as having "rampant corruption". In another 17 countries, corruption is regarded as a "serious challenge" by business people. Only in Botswana, Cape Verde and Mauritius is corruption seen as less of a burden<sup>43</sup>.

20. There is no doubt that **African countries definitely could and need to make more out of their huge entrepreneurial talents**. Impressive African entrepreneurial success stories – also featuring many female entrepreneurs - suggest that there is still much scope. An enabling social climate including appropriate training and financial support programmes nurturing and encouraging the entrepreneurial talent will be key to increasing business start-ups.

As pointed out in the African Economic Outlook 2012, **programmes to support youth entrepreneurship must be comprehensive**: "To start a business, young people do not only need capital: knowledge on how to run a company is also required. Mentoring and business incubators can be valuable tools to convey these skills".<sup>44</sup> Moreover, special attention should be given to spur entrepreneurial spirit among university students: "University and technical institutes should offer

---

<sup>41</sup> *Economic Report on Africa 2012: Unleashing Africa's Potential as a Pole of Global Growth, Economic Commission for Africa, Addis Ababa, p. 42*

<sup>42</sup> *The Africa Competitiveness Report 2011, World Economic Forum, the World Bank and the African Development Bank*

<sup>43</sup> *Economic Report on Africa 2012: Unleashing Africa's Potential as a Pole of Global Growth, Economic Commission for Africa, Addis Ababa*

<sup>44</sup> *African Economic Outlook 2012, p.141*

innovation courses and governments should establish clear policies to encourage innovations and entrepreneurship in academic institutions.”<sup>45</sup>

However, broad and evidenced research on the key binding constraints of entrepreneurship in Africa is still scarce - the latest Global Entrepreneurship Monitor included only one sub-Saharan country — South Africa — in its survey of 54 countries.

21. A recent study on the informal sector in West Africa shows that a **considerable degree of enterprises are so called “constrained gazelles”** with high marginal returns to capital but are not able to expand their businesses due to credit constraints and uninsured risk. It is estimated that constrained gazelles may account for almost 60% of all informal firms in African economies (e.g. Cote d’Ivoire and Niger).<sup>46</sup> Removing these constraints would enable entrepreneurs to grow their business, achieve their full productive potential and create more and better jobs.

### *Education as well as Technical and Vocational Training*

*“Education is a major driving force for human development. It opens doors to the job market, combats inequality, improves maternal health, reduces child mortality, fosters solidarity, and promotes environmental stewardship. Education empowers people with the knowledge, skills and values they need to build a better world.”* (United Nations Secretary-General BAN Ki-moon, September 2012)

22. **Access to high-quality education is vital for strengthening the productivity of the labour force and accelerating economic growth.** Africa has made good progress in accelerating education enrolment for girls as well as boys, particularly at the primary level. By 2011, most African countries have achieved gender parity in primary schools. Of the 36 African countries with data for 2008/09, 16 have achieved net primary school enrolment ratios of more than 90 per cent.

However, while enrolment numbers are rising, they do not necessarily reflect actual learning and skill building, as quality is a major problem. Recent surveys reveal that many children in poor countries have not become literate even by the time they have completed primary school.<sup>47</sup> Consequently, both access to and quality of education need to be addressed, as both have major consequences for the type of employment young people can find. Among working young people who have no education 90% are in vulnerable employment, for those with secondary education the proportion is 70% and falls to 55% for those with at least one year of tertiary education<sup>48</sup>.

23. Technical and vocational education and training (TVET) is a prerequisite for providing firms with skilled labor, yet amounts for less than 5% of training among youth in sub-Saharan-Africa<sup>49</sup>. TVET systems are underfinanced, fragmented and are lacking relevance with regards to the skills required by

---

<sup>45</sup> Aida Opoku-Mensah, Director of ICT, Science and Technology Division of the United Nations Economic Commission for Africa (ECA), cited in press release of April 3<sup>rd</sup>, 2012 on the Africa Forum on Science Technology and Innovation, <http://www.uneca.org/istd/news/pressrelease4712.htm>

<sup>46</sup> Grimm, M./Knorringer, P./Lay, J.: *Constrained gazelles. High potentials in West Africa’s informal economy*, International Institute of Social Studies, ISS Working Paper 537, The Hague, March 2012

<sup>47</sup> UNESCO: *Education for All. Global Monitoring Report 2012. Households surveys in Ghana revealed that 51 % of the young women and 37 % of the young men were illiterate even after they had completed 6 years of schooling. In addition, 28 % of the young women and 33 % of the young men were semi-illiterate.*

<sup>48</sup> *African Economic Outlook 2012*

<sup>49</sup> <http://www.africaneconomicoutlook.org/en/in-depth/developing-technical-vocational-skills-in-africa/the-rationale-for-technical-and-vocational-skills-development/taking-stock-of-technical-and-vocational-skills-development/access-to-technical-and-vocational-education-in-africa/>

the private sector. TVET often has a negative image and is considered to be an option of last resort for school-dropouts and the very poor. Skill mismatches seem to be a major obstacle. In manufacturing, for example, many of the positions that go unfilled are at a level that does not require university education, but technical skills to maintain equipment or supervise unskilled workers.

Enterprise-based training (formal apprenticeship) is regulated by law and based on a formal contract. It is delivered in enterprises, often complemented by training in publicly funded training institutions. Many African countries, for example, Benin, Ghana, Kenya, South Africa, and Tanzania have enacted formal apprenticeship laws regulating, among others, official registration of contracts; access to apprenticeship such as educational or age requirements; training duration; and skills assessment and certification procedures. This institutional arrangement however is applied by only a small number of enterprises. Formal apprenticeship therefore has been able to provide training to only a small share of young people in Africa, mostly in medium and large enterprises. For example, in Kenya, between 1990 and 1996, an average of 750 craft apprentices was trained per year. As in many countries, this low number of trainees is due, among others, to the limited ability of companies or their lack of incentives for apprenticeship training, the limited size of the public training systems, strict entry requirements for students who have to acquire at least Grade 8 of general schooling, and low demand by youth as labour market absorption rates and employability are usually low. There have been attempts at making apprenticeships more attractive. For instance, Ghana has made arrangements with private contractors to identify trades with high employability potential, to arrange for apprenticeships in workshops and to help graduates with job placement<sup>50</sup>.

This analysis suggests that Africa needs heavy investments in TVET systems which are responsive to the needs of the private sector. As in-firm training improves the quality of education, partnerships with the private sector have to be strengthened. In view of the very large informal sector in Africa, vocational training should also emphasize the qualifications in this sector.

### *The financial sector*

**24. Access to private capital from international financial markets** has currently been rendered **more difficult** by the global financial crisis. The crisis led to a retrenchment in global finance, particularly for cross border financing (loans and equity) to local borrowers in developing countries. Although international finance has recovered somewhat since 2009, current expectations are that international debt and equity finance will continue to be less accessible for certain developing countries and local borrowers than it was before the crisis.<sup>51</sup>

Consequently, the domestic financial sector of developing countries is all the more important to finance economic growth, the creation of jobs and poverty reduction. Financial institutions mobilise resources for both public and private investments and allow for easy cashless payment, which lowers the transaction costs of doing business. They offer savings and insurance services tailored to the local demand, which is also vital for investment and job-creation. Financial services are not only provided for the formal but also for the informal economy, which is crucial especially in the case of Africa, where the majority of the work force has informal jobs.

Financial sector development in Africa should be promoted as it serves to provide entrepreneurs – be they formal or informal – with capital, savings, insurance and payment services which, in turn, help

---

<sup>50</sup> [http://www.africaneconomicoutlook.org/en/in-depth/youth\\_employment/employment-outlook-for-youth/](http://www.africaneconomicoutlook.org/en/in-depth/youth_employment/employment-outlook-for-youth/)

<sup>51</sup> *International Finance Institutions and Development through the Private Sector, A joint report of 31 multilateral and bilateral development finance institutions, IFC 2011*

them to grow their businesses and generate employment. 32% of formal African businesses cite limited access to finance as a major constraint to their growth.<sup>52</sup>

In many African countries, financial cooperatives are the most important providers of financial services for the rural population but their networks need to be enlarged and their services be improved. A group of African Ministers recently acknowledged their important role in bringing about rural development and agreed on a number of resolutions which included “the formation of laws and policies to support the sector; look at establishing an integrated financial co-operative at country and regional levels; to ensure education on the creation and sustainability of co-operatives is implemented; to increase regional collaboration and trade among co-operatives; and to create a level playing field for co-operative enterprises in terms of taxation”<sup>53</sup>. Another approach to provide financing and financial services to foster regional and rural development are savings banks.

Finally, the financial sector in developing countries may be about more than credit, savings and insurance. An important financial means that can help mobilize local savings and enables pensions to be invested in the domestic economy are local currency bond markets. Reasons for the unsatisfying provision of financial services in African economies include, for example: an insufficient number of professional local financial institutions that offer services to small, often informal enterprises; a lack of finance skills at banks and other financial institutions; inadequate credit technologies to extent loans with low or no collateral; rather shallow local currency bond markets inadequate to contribute to local financial intermediation and savings’ mobilisation; a lack of collateral registries and credit bureaus; as well as inadequate payment system.

### *Green Economy and green jobs*

**25. Green-economy development strategies should be developed to exploit the potentials for strong and sustainable growth, to mitigate risks from climate change and also detect new dimensions of quality of life.** Harmful impacts of climate change largely impact the poor and exacerbate inequalities in health, education, labour force participation, and access to food and water. Climate change puts major pressures on the agricultural sector which heavily depends on soil, forests and fish stocks. Since agriculture is the major employer in sub-Saharan Africa (e.g. up to 70 per cent of the labour force in Mozambique) a large number of jobs are at stake<sup>54</sup>.

26. At the same time greening the economy offers new opportunities for Africa’s rural population. According to an ILO-report considerable investment in skills and rural infrastructure is necessary to enable smallholder farmers to adopt greener and more productive farming practices. Green agricultural products are key to increasing incomes of small-scale farmers and creating employment in a new agro-industry. The success of Uganda which already started as early as 1994 to introduce sustainable farming practices is impressive: Uganda’s certified organic exports increased almost six fold between 2003 and 2007<sup>55</sup>. Similarly the greening of sectors like tourism or energy supply can be a source of growth and employment. For example the South African Renewable Initiative (SARi) established by

---

<sup>52</sup> McKinsey 2012

<sup>53</sup> <http://2012.coop/en/media/news/african-ministers-agree-support-co-operatives>

<sup>54</sup> *Growth, Employment and Decent Work in the Least Developed Countries, Report of the ILO for the Fourth UN Conference on the Least Developed Countries, 9-13 may 2011*

<sup>55</sup> *Working Towards Sustainable Development Opportunities for decent work and soical inclusion in a green economy, ILO et al. 2012, p.27*

the South African government is expected to create between 35000 and 40000 new jobs<sup>56</sup>. However, green growth strategies can only be implemented at a large scale if substantial financing for investment and training can be mobilised.

27. According to Greenpeace Africa's 2010 report on an energy revolution scenario for South Africa, not only will energy evolution and revolution mitigate climate change, but will also create 78,000 new jobs by 2030<sup>57</sup>. Therefore, initiatives that are aimed at protecting the environment and mitigating the causes and consequences of climate change are major sources of job creation. Notably, items of energy-efficient equipment often require more skilled labour than their inefficient counterparts, thus leading not only to more jobs, but also to higher-skilled, higher-paying ones. Hence, progress towards creating more green jobs needs to be complemented by substantial efforts for adequate training and education as the transition to a green economy will create demand for workers who are skilled in specific areas.

### **III. What needs to happen to make employment and perspectives for the youth a central issue of the Post-2015 Global Agenda?**

#### *Deliberations on a goal on (youth) employment*

28. If we are serious about the enormous youth employment challenge during the next decades, we should initiate a working process to develop a goal on (youth) employment which also captures its various nexus to many broader societal objectives and concerns such as poverty reduction, economic prosperity and equity, youth bulges, gender, environmentally sustainable growth as well as social cohesion. Suitable indicators as well as benchmarks (which are still missing in the current MDG 1 B – which was only added in 2007: “Full and productive employment and decent work for all, including women and young people”) could stimulate new energies for problem-solving and overcome traditional silo policy-approaches. Considering the very different nature of employment challenges in different country contexts, national benchmarks seem to be advisable.

Regarding the various nexus of employment the following indicators (providing specifications on women and youth) might be considered;

Nexus to poverty reduction: share of working poor and vulnerable employment;

Nexus to economic prosperity and equity: productivity in the formal and informal sector, proportion of people earning less than a minimum wage, unemployment rate;

Nexus to youth bulges and social cohesion: youth unemployment rate, NEET-rate (not in education, employment, and training); share of new and decent<sup>58</sup> employment generated;

Nexus to environmental sustainability: proportion of value-added per worker to consumption of non-renewable energies

---

<sup>56</sup> *Employment Potential of Renewable Energy In South Africa*, [http://projects.gibb.co.za/Portals/3/projects/200911%20PMBR/App%20%20Issues%20and%20Response%20Reports/Vol%201\\_2\\_3%20Att/Earthlife%20Africa%20Ethekwini/Employment%20Potential%20of%20renewable%20resources%20in%20SA.pdf](http://projects.gibb.co.za/Portals/3/projects/200911%20PMBR/App%20%20Issues%20and%20Response%20Reports/Vol%201_2_3%20Att/Earthlife%20Africa%20Ethekwini/Employment%20Potential%20of%20renewable%20resources%20in%20SA.pdf)

<sup>57</sup> <http://www.greenpeace.org/africa/en/Press-Centre-Hub/Publications/Green-jobs-SA-2010-presentation/>

<sup>58</sup> A quantifiable definition of decent work (e.g. an income to lift people out of poverty) seems to be desirable.

Further research on this issue<sup>59</sup> will be key to properly inform future discussions at UN level and outreach activities.

29. Moreover, the Post 2015 Global-Agenda should specify important enablers for job creation as well as stipulate the different responsibilities of various stakeholders. In this context the following issues and recommendations should be discussed:

#### *International capital flows*

- a) Which instruments might be helpful in channeling strong capital accumulation prevalent in aging societies to developing countries' real economies?
- b.) What additional effective steps can be taken to fight the illicit capital flight of billions of US-Dollars from countries with seemingly scarce financial resources? Research done by the Political Research Institute of Massachusetts published in October 2012 finds that "33 sub Saharan African countries have lost a total of \$814 billion dollars (constant 2010 US\$) from 1970 to 2010. This exceeds the amount of official development aid (\$659 billion) and foreign direct investment (\$306 billion) received by these countries"<sup>60</sup>.

#### *National and international trade and investment policy approaches*

- a) Today it is widely agreed that market forces will not be enough to spread the benefits of globalisation to all and that we need instruments to harness globalisation, ensuring that both developed and developing countries benefit alike from it. The "Doha Development Agenda" initiated in 2001 was intended to rebalance the world trading system in favour of developing countries, through greater market opening and new trade rules adapted to the new changing trading realities of the 21<sup>st</sup> century. All countries need to take responsibility to overcome the past stalling of the Doha Talk and contribute to safeguarding this global good which is of great importance to poverty reduction and job creation.
- b) Removing trade barriers to developing countries' exports – including cumbersome rules of origin - would lower costs and thereby contribute to increasing international competitiveness and thus provide strong incentives for investment in labor-intensive manufacturing industries. Countries should strengthen their efforts to implement duty-free, quota-free market access for developing countries.
- c) Trade in services is playing an increasing role in international trade. The 2011 decision in the WTO on a waiver for developing countries' preferences in services laid the ground for a preferential treatment of developing countries in this regard. Countries should review their Generalized Systems on Trade Preferences with regard to including services.
- d) How to conduct trade policy in line with the special needs of resource-dependent and developing countries? Many developing countries can still improve the integration of trade and investment concerns in their development strategies. They should actively use existing international instruments such as the Enhanced Integrated Framework for developing countries in doing so.

---

<sup>59</sup> A brief research paper on appropriate indicators done by the German Institute of Global and Area Studies (GIGA) can be made available on request.

<sup>60</sup> James K. Boyce and Léonce Ndikumana: *Capital Flight from Sub-Saharan African Countries: Updated Estimates, 1970 – 2010*, University of Massachusetts, Amherst, October 2012

- e) What are the necessary reform steps to support developing countries in promoting a structural transformation to a green and inclusive economy?

*Institutional arrangements for multi-stakeholder cooperation*

- f) How to strengthen private sector engagement in infrastructure, education and vocational training, technology transfer, transformation to a green and inclusive economy? Which institutional frameworks for coordination could be helpful? Should the Post MDG-Agenda include a benchmark on this?
- g) How could developing countries ensure that investment contributes to sustainable ecologic and social development and to attracting more direct investment engaged in sustainable production? How to support sustainable FDI in developing countries through home-country and international regulation?
- h) What is the role of public-private partnerships in that context and what is the role of governments in setting the framework for a transformation to green and inclusive economies? What is the role of investment, good governance, human capacity building including training programs?
- i) How to facilitate faster technology transfer relevant to enable structural transformation?

*Regulatory frameworks*

- j) How to ensure stronger business compliance with social and environmental standards in order to contribute to sustainable investment and production?
- k) How to ensure that the international investment policy framework supports sustainable investment/ how to support developing countries in using international investment rules to their benefit?
- l) How could a global framework on migration be helpful in stimulating growth and job creation?