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The findings of this Brief reflect the opinions of the authors and not those of the African Development Bank, its Board of Directors or the countries they represent.

**Mthuli Ncube**  
Chief Economist & Vice President (ECON)  
[m.ncube@afdb.org](mailto:m.ncube@afdb.org)  
+216 7110 2062

**Aly Abou-Sabaa**  
Vice-President (OSVP)  
[a.abou-sabaa@afdb.org](mailto:a.abou-sabaa@afdb.org)  
+216 7110 2004

**Charles Leyeka Lufumpa**  
Director, Statistics Department (ESTA)  
[c.lufumpa@afdb.org](mailto:c.lufumpa@afdb.org)  
+216 7110 2175

**Steve Kayizzi-Mugerwa**  
Director, Development Research Department (EDRE)  
[s.kayizzi-mugerwa@afdb.org](mailto:s.kayizzi-mugerwa@afdb.org)  
+216 7110 2064

**Victor Murinde**  
Director, African Development Institute (EADI)  
[v.murinde@afdb.org](mailto:v.murinde@afdb.org)  
+216 7110 2075

**Agnes Soucat**  
Director, Human Development (OSHD)  
[a.soucat@afdb.org](mailto:a.soucat@afdb.org)  
+216 7110 2046

## Accelerating the AfDB's Response to the Youth Unemployment Crisis in Africa

Agnes Soucat, Ginette Muteta Nzau, Nawsheen Elaheebocus and Joao Cunha-Duarte<sup>1</sup>

### Abstract

This paper was prepared as a background paper for the Joint Youth Employment Initiative for Africa which was launched in 2011 by the AfDB, African Union, ILO and UNECA. The objective of this initiative is to support Regional Member Countries (RMCs) in addressing the growing youth unemployment crisis in Africa. This paper was primarily a response to: (i) the Board's concerns on high unemployment in the continent, particularly among the youth (ii) the need for a coherent Bank perspective for the high-level seminar on "youth unemployment and inclusive growth" at the 2011 annual meetings; (iii) the need for integration of job creation issues in Bank operations as per the review of the Medium-Term Strategy 2008-2012; (iv) the immediate crisis in youth unemployment in light of the uprisings in North Africa; (v) the need to strengthen AfDB's collaboration with governments, development partners and the private sector to build capacity and develop both regional and country-specific strategies; and (vi) (last but not least) the opportunity for harnessing the demographic dividend for sustainable growth and development.

This paper takes stock of the challenges and responses to youth unemployment in Africa and proposes a framework to address the immediate and urgent needs generated by the crisis as well as the structural needs of the African labor markets. In particular, it proposes to (i) realign Bank operations to address youth unemployment; (ii) scale up the Bank's assistance to RMCs in developing new projects and programs addressing youth unemployment; and (iii) contribute to developing the analytical underpinnings of these programs, building knowledge on labor markets and youth unemployment issues in Africa.

<sup>1</sup> Agnes Soucat (Director, Human Development, AfDB); Ginette Muteta Nzau (Resident Representative, Burkina Faso Field Office, AfDB); Nawsheen Elaheebocus (Senior Human Development Officer); and Joao Cunha-Duarte (Senior Socio-Economist, AfDB). The authors would like to thank Stijn Broecke, Amadou Bassirou Diallo, Laurence Lannes and Alain Mingat for their contributions.

## A | Rationale and Objectives

1. **While providing the contours of a Bank response, this paper lays the ground for a joint AU-AfDB-ECA-ILO Initiative to support RMCs to address the growing youth unemployment crisis in Africa.** During the AfDB's 2010 Annual Meetings, various members of the Board of Directors<sup>2</sup> expressed a strong need to develop specific policies on youth unemployment, referring to this crisis as a "ticking time bomb". This initiative will also respond to senior management's request in the recent review of the Medium Term Strategy 2008-12 (MTS) to strengthen job creation elements by identifying specific areas of interventions on youth employment within the MTS pillars. Building on the Bank's research on youth unemployment, this paper also serves as an initial framework to discuss the youth unemployment crisis at the high-level seminar on "Youth Unemployment and Inclusive Growth" at the Annual Meetings (June 6-9, Lisbon, Portugal). This paper takes stock of the Bank's current programs and policy responses and proposes entry points that include: (i) realign Bank operations to address youth unemployment; (ii) scale up the Bank's assistance to RMCs in developing new projects and programs addressing youth unemployment; and (iii) contribute to developing the analytical underpinnings of these programs, building knowledge on labor markets and youth unemployment issues in Africa.

2. **Recent events in North Africa have highlighted the need for the Bank to stand ready to quickly assist Regional Member Countries (RMCs) in addressing the immediate crisis in youth<sup>2</sup> unemployment as well as structural needs of African labor markets.** In most African countries, larger numbers of increasingly educated youth, women and men, are not matched by increasing number of jobs, translating into inequities and undermining the social fabric. The potential consequences of the tension between an increasing output of educated and trained young people and the limited absorptive capacities of labor markets has been illustrated by the recent wave of discontent sweeping North Africa. The underlying conditions may in various ways be dormant and latent in other parts of the continent. The Bank should quickly mobilize the necessary resources and put in place a rapid-response program to assist RMCs in addressing the problems related to youth unemployment in Africa.

3. **The combination of population growth and the slow pace of job creation in Africa present challenges to its youth.** With more than two thirds of its population under 25 in 2010, Sub-Saharan Africa is the youngest region in the world, providing reservoirs of change, progress and social dynamism. More than 20% of the continent's population – or almost 200 million people are "youth"<sup>4</sup> between 15-24 year old<sup>5</sup>. This youth population in Africa is expected to double by 2045. A very high proportion of these young people are poor. On average 72% of the youth population in Africa lives with less than \$2 per day. The incidence of poverty among young people in Nigeria, Ethiopia, Uganda, Zambia and Burundi is over 80%<sup>6</sup>. The highest rates of poverty can be observed among young women and youth living in rural areas<sup>7</sup>. The youth population constitutes about 37% of the total labor force. This young labor force is projected to expand more rapidly than anywhere else in the world<sup>8</sup>.

4. **The changing demographics and higher numbers of educated and unemployed youth will transform the economic and social landscape of RMCs.** This will increase the pressure to create new jobs over the coming decades. These factors played a critical role in the recent socio-political uprisings in Tunisia and Egypt. What the world has recently witnessed is an educated youth, suffering from humiliation,

### Box 1 The Demographic Dividend

The demographic dividend arises when the share of the working population grows more rapidly than the number of dependents (children and elderly). The phenomenon occurs when a fertility decline yields an immediate drop in the rate of growth in the number of children but a substantially delayed decline in the rate of growth of the working population. A large workforce with fewer children creates a window of opportunity for young adults to invest in the education and health of their children, increase economic outputs (as more people are working) and invest more in technology and skills to strengthen the economy. The window eventually closes when the workforce ages and relatively fewer workers are available to support increasing numbers of old people. The East Asia "economic miracle" provides the best evidence of the potential impact of the demographic dividend. From 1965 to 1990, growth in GDP per capita averaged more than 6 percent per year. Researchers estimate that the demographic dividend accounted for one-fourth to two-fifths of this growth.

Source: Bloom et al. (2002), Birdsall et al. (2002).  
<http://www.imf.org/external/pubs/ft/fandd/2006/09/basics.htm>

<sup>2</sup> Particularly from the constituency including Uganda, Ethiopia, Eritrea, Kenya, Rwanda, Seychelles and Tanzania.

<sup>3</sup> Youth » is defined as ages 15 to 24, adults 25-64 and working-age population as persons aged 15 years and older.

<sup>4</sup> African Economic Outlook 2010.

<sup>5</sup> Over 30% aged 15-35 year old as per AU definition of youth.

<sup>6</sup> Africa Development Indicators 2008/2009 "Youth Employment in Africa: The Potential, the Problem, the Promise". World Bank

<sup>7</sup> <http://www.un.org/esa/socdev/unyin/wpayhunger.htm>

<sup>8</sup> AfDB Data base. The continent has more than 500 million people of working age and by 2040 that number is projected to exceed 1 billion (McKinsey Global Institute, 2010).

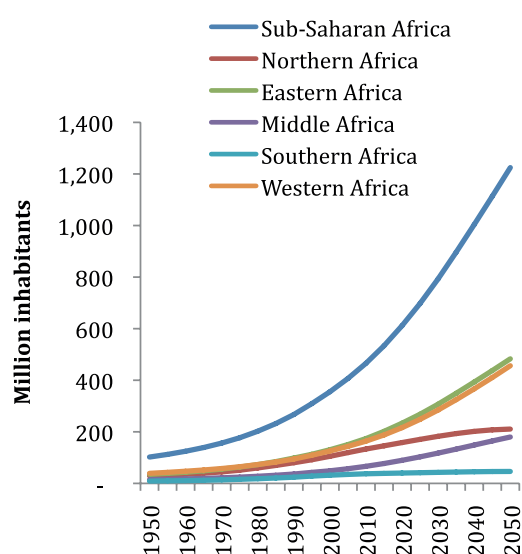
hopelessness and resentment and mass unemployment (Watkins, K. 2011). Overall in sub-Saharan Africa, and despite annual economic growth rates of 5 percent in recent years, there has not been a sufficient increase in stable employment opportunities for young people. High unemployment rates across the African continent coupled with low labor productivity in the bulky informal sector, where the majority of youth works, reinforces income inequality that in turn, undermines the pace of RMCs' economic growth and social and political stability.<sup>p</sup> Yet, a development strategy that will fully employ a country's human resources and raise the returns to labor is a condition for cashing on the "demographic dividend" (see box 1) and contribute to poverty reduction.

5. **Many African countries are now in a position to reap the "demographic dividend" that benefited East Asian economies thereby increasing the size and proportion of the working age population and triggering high rates of economic growth.** The next 20 years presents Africa with a unique window of opportunity to transform its socio-economic landscape. Growth in the working population and institutional quality are considered two major factors, which will determine Africa's future economic growth prospects<sup>9</sup>. The good news is that fertility in Sub-Saharan Africa could decline from over 6 children per woman in 1990, to 3 children by 2030 and less than 2.5 in 2050 (UN, 2010). Most

countries in Africa are projected to have more working-age adults per child in 2030 than they did in 2006 (Figure 1). Good policies are not only critical to secure high growth but also to avoid the potentially devastating consequences of unemployment on the social fabric of RMCs.

6. **To benefit from the demographic transition, Africa will have to make major policy reforms.** Growth in the working population and institutional quality are considered two major factors, without which Africa's future economic prospects may be compromised<sup>10</sup>. The ability to cash in the demographic dividend and turn it into growth and jobs will depend on Africa's capability to improve its policy environment. Because of all the problems it faces, Africa is sometimes seen as unlikely to earn the demographic dividend and likely to miss the opportunity to secure high economic growth. Fertility rates, although declining, are still the highest in the world. AIDS, particularly in Southern Africa is affecting the economically active segment of the population. Continued conflict in some countries and civil unrest can destroy the foundations on which the demographic transition can benefit the economy. Weak institutions-including poor rule of law, inefficiency of bureaucracies, labor market rigidities, and corruption also hamper the capacity of countries to transform the demographic transition into higher income and increased welfare. Without the adequate policy environment countries will be too slow to adapt to their changing age structure.

**Figure 1 Africa's window of opportunity to seize the demographic dividend**  
Working age population (15-64) in Africa



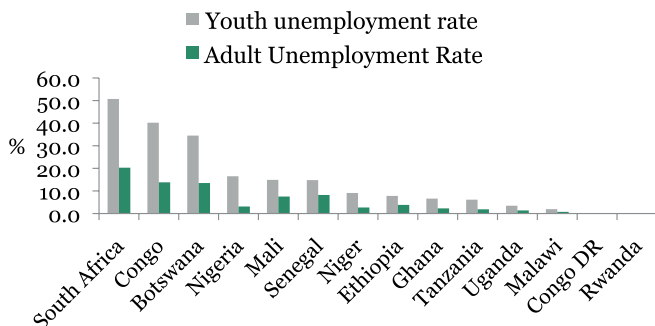
## B | Background

7. **With 60% of the total unemployed, the youth make up the bulk of the unemployed or underemployed in Africa.** The share of unemployed youth among the total unemployed can be as high as 83% in Uganda, 68% in Zimbabwe, and 56% in Burkina. Recent estimates of the AfDB based on household surveys for selected countries in Sub-Saharan Africa and data from ILO reveal that youth unemployment, including those who have stopped actively searching for employment is around 34% (Figure 2). Youth unemployment in Tunisia was estimated at 14.2% in 2010, and is even more pronounced among young graduates with masters' degrees in law, economics and management, estimated at 47 percent in 2007 for individuals between 23-29 years old (Stampini & Verdier-Chouchane, 2011).

<sup>9</sup> David Bloom and al., realizing the Demographic dividend: Is Africa Any Different? PGDA Working Paper No 23, <http://www.hsph.harvard.edu/pgda/working.htm>

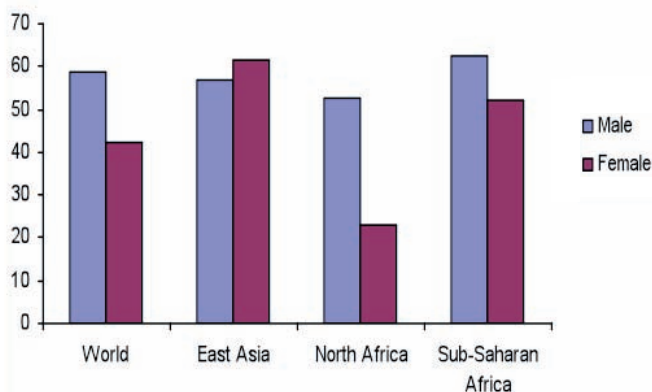
<sup>10</sup> David Bloom and al., realizing the Demographic dividend: Is Africa Any Different? PGDA Working Paper No 23, <http://www.hsph.harvard.edu/pgda/working.htm>

**Figure 2 High levels of unemployment among youth in Africa**  
Rates of youth and adult unemployment in selected African countries



8. **The situation is more severe for female youth, particularly in North Africa.** In Tunisia, unemployment is higher for women (51% vs. 35% for males) especially for female graduates in Law estimated at 68%<sup>11</sup>. In Egypt unemployment rates for females are close to 50% as compared to less than 20% for males. On average, labor force participation rate in Africa is 78.3% for men vs. 61% for women. There are however large disparities in female labor force participation within Africa<sup>12</sup>. Female participation tend to be much higher in

**Figure 3 Youth labor force participation, by region and sex (2010)**



West Africa (80% and higher in Burkina Faso, Burundi, Gambia, Ghana, Guinea, and Sierra Leone) and lower in East Africa (under 40% in Ethiopia, Kenya, Malawi, Uganda)<sup>13</sup>. More strikingly, the share of female participation in the labor force in North Africa is almost half that of Sub-Saharan Africa (Figure 3). In addition, female youth in Africa may be at a greater disadvantage as they face more family constraints. In Mozambique, Malawi, Niger, Chad, Uganda, and Gabon between 40-50% of female youth (15-24) had already given birth at least once<sup>14</sup>.

9. **Although young Africans are increasingly educated, paradoxically youth unemployment is higher among higher education graduates and wealthy households.** The number of university graduates almost tripled between 1999 and 2009 in Sub-Saharan Africa, increasing from 1.6 million to 4.9 million. On average, unemployment is three times higher among those with secondary education or above as compared to those with no education, and twice as high among youth from households in the highest income quintile as compared to those in the lowest income quintile<sup>13</sup> (World Bank, Africa Development Indicators 2008/2009). A typical policy response has been to raise educational levels and increase enrollments in higher education programs. This has however not always yielded the expected results in North Africa. In 2007, youth unemployment in Tunisia was 20% among those without diploma, 30% with secondary diploma and close to 50% among those with advanced degrees in economics, management and law (Stampini & Verdier-Chouchane, 2011). This policy may even have heightened social tensions, as graduates expectations of high returns on their education were not met.

10. **The urban areas continue to attract the rural youth but remain incapable of creating job opportunities.** Rural youth should be at the forefront of interventions aimed at reducing poverty and stemming the current large-scale migration of young people to urban areas. Generally, in Africa is 3 times higher in urban areas compared to rural areas. Young people are more likely than other age groups to migrate from rural to urban areas to find better educational and work opportunities and a way out of poverty. Young migrants from rural areas often earn less than their counterparts in ur-

**Young migrants are more likely to be unemployed and out of the labor force than their non-migrant counterparts**

<sup>11</sup> Stampini and Verdier-Chouchane (2011). Data from a study by Tunisian Ministry of Employment and Professional Integration and World Bank (2008).  
<sup>12</sup> For the purposes of this paper, North African countries include Morocco, Egypt, Libya, Tunisia, and Algeria.  
<sup>13</sup> Arbache, J. et al (2010). Gender disparities in Africa's labor markets. World Bank, Washington, D.C.  
<sup>14</sup> (World Bank, Africa Development Indicators 2008/09).

ban areas, but more than those in rural areas. However, despite increased rural-urban migration, over 70 percent of the African youth still lives in rural areas. Poverty amongst young people in developing countries is concentrated in rural areas, especially among small farmers and landless families. Urban poverty is the consequence of rural deprivation and economic decline, which creates distress migration to the cities as young people leave their rural areas in search of better opportunities. Over the past 10 years, there has been a sharp decline in the resources, both national and international, devoted to agricultural and rural development in developing countries. Specific educational curricula focusing on the needs of rural youth can enhance their skills and productivity. However, such developments cannot fully succeed without structural agricultural transformation on a global level, including access to markets and sharing of new technologies.

11. **The youth unemployment problem in Africa, especially for urban youth, will not be resolved if we don't create jobs in the informal sector.** Young people in Africa are more likely than adults to work in the informal sector and less likely to be wage-employed or self-employed. In 2005, 81.4% of youth in Ethiopia worked in the informal sector (compared to 43% for adults) and 12.5% were self-employed (compared to 49.6% for adults)<sup>15</sup>. Overall, only about 10 percent of the active population is employed in the formal sector and this proportion is growing very slowly. Employment in the non-agricultural informal sector has almost doubled from 23% in 1990 to 50% in 2004 in SSA and will continue to experience natural and significant expansion. A UN-HABITAT study found that the majority of young people working in the urban informal sector live in slum areas. For example, in Benin, slum dwellers comprise 75 per cent of informal sector workers, while in Burkina Faso, the Central African Republic, Chad and Ethiopia, they make up 90 per cent of the informal labor force<sup>16</sup>.

12. **Particular attention needs to be paid to job creation in fragile and conflict-affected states.** Most countries coming out of war have predominantly young populations, many of whom have been deprived of education, have grown up amidst violence, and often have been combatants themselves. From 1990 to 2000, Africa has experienced 19 major armed conflicts. Over the past two decades, countries such as Rwanda, DRC, Liberia, Sierra Leone, Cote d'Ivoire, Guinea, Somalia, Uganda, Angola have, time and time again, been victims of conflicts, leaving their economies and institu-

tions weak and unable to generate sufficient employment opportunities for their increasing number of young people.

13. **When young men and women fail to find productive, decent livelihoods, they can become socially excluded and enter a cycle of poverty, often leading to crime, violence, and drug trafficking.** For the last 21 years, "West Africa has experienced political, communal, and criminal violence"<sup>17</sup>. During conflicts, diamonds, timber, and oil were trafficked. Recently the region has become a transit route for cocaine trafficked from South America to Europe. Youth are often the biggest victims of drug-related gangs. Employment strategies must be adapted to contexts of fragility, violence and conflict. Job creation must not only meet the basic needs but also create a bridge to further opportunities and hope for increased security, better rule of law, mitigating the risks of unhealthy behaviors among youth.

14. **African "Youth" is not a homogeneous group and employment prospects can vary considerably across different regional, social and cultural dimensions.** Youth unemployment strategies require different sets of policy interventions and need to be tailored according to region, gender, age, educational level, ethnicity, health status, and structure of the economy in which youth populations participate. Labor market situations vary significantly even among homogeneous groups such as LICs. For example, whereas in 2005, 47,8% of the population of 21 countries on average were engaged in agriculture, in some countries such as Burkina Faso, Burundi, Malawi, Niger and Uganda, this proportion varies between 70% to 80% as opposed to countries such as Republic of Congo, Gambia, Ghana, Nigeria, where less than 30% of the active population is engaged in agriculture.

15. **Finally, during the financial crisis, employment prospects, particularly for the youth deteriorated.** As both the public and private sectors were downsizing their existing workforce, it became increasingly difficult for African youth to either find or retain a job. For instance, it was reported that over 50 percent of businesses in the Democratic Republic of Congo's Katanga province closed down and about 300,000 people were laid off at the peak of the crisis, according to the Africa Research Institute. In South Africa, statistics show that thousands of young migrant laborers from neighboring countries like Lesotho and Swaziland face job losses as a result of South African businesses cutting back on production costs.

<sup>15</sup> World Bank, Africa Development Indicators 2008/09.

<sup>16</sup> UN-HABITAT State of the World's Cities report 2006/2007.

<sup>17</sup> World Development Report 2011. "Conflict, Security and Development".

## C | Roots of the Crisis

### Factors affecting the demand for labor in Africa

16. **The structure of many African economies is unbalanced and unable to deliver labor intensive and inclusive growth.** Most African economies are characterized by both excessive dependence on export revenues from a few commodities and external financial flows (FDI, aid and remittances) and a weak industrial base and predominance of subsistence agriculture. Up to at least 19 countries in Africa are significant producers and exporters of oil and minerals, which often diverts resources away from “value-adding” sectors. This has left the economy vulnerable to commodity price fluctuations and international vested interests, breeding corruption and environmental problems and, last but not least, condemning the majority of the people to economic exclusion and poverty. The lack of labor-intensive sectors and the highly unequal distribution of resource rents have, in some cases, led to social and political unrest.

17. **Over the last 25 years, the potentially dynamic and buoyant informal sector has not effectively absorbed job seekers.** Productivity has increased in the agriculture sector yet it remains relatively marginalized by virtue of its prevalent rural aspects and the insufficient leverage of technology to enhance its functioning. This continues to affect its ability to

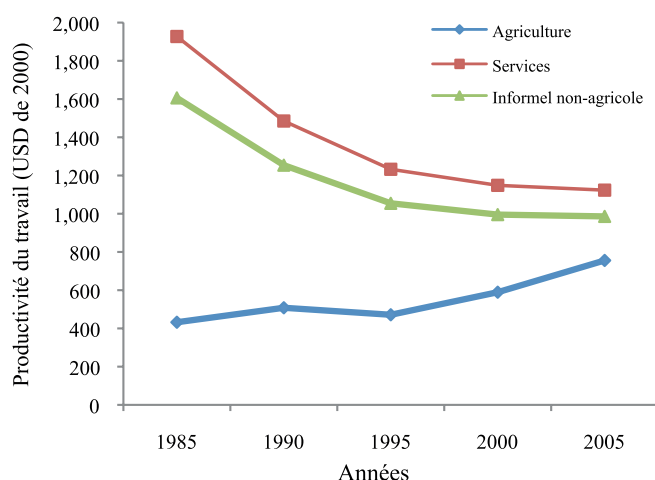
attract educated school drop-outs and graduates. Even more of a concern is the decrease of the average labor productivity of the non-agricultural informal sector in Low-Income Countries (LICs) in SSA over the last decades, from \$US1,606 in 1985 to US\$986 in 2005. (Figure 4).

18. **Private sector promotion strategies are not necessarily geared to employ highly skilled labor (partly because of technological constraints).** Off-shoring and outsourcing strategies implemented in North African countries as well as in some SSA countries (Senegal, Kenya, Ghana and South Africa) which provided job opportunities for unskilled and middle-skilled workers can be considered as a good illustration. Few countries have implemented a global strategy to enable employment for university graduates. Morocco and South Africa have taken some actions in this regard and more university graduates could enter this segment of the labor market.

19. **Investment climate in Africa is not conducive to job creation.** Doing business in Africa continues to have a higher transaction cost, although there is some evidence pointing to an improvement in the general investment climate. Africa’s share of global foreign direct investment flows remains relatively low (at about 5 percent<sup>18</sup>) -- therefore the continent continues to miss out on employment-generating opportunities that accompany such investment flows. Limited access to international credit as well as prohibitive cost of domestic credit and land in some countries are not favorable for private sector development.

20. **Informal employment dominates the labor market and accounts for 72 percent of non-agriculture employment in sub-Saharan Africa (ILO 2002).** The size of the informal economy as a percentage of gross domestic products (GDP) varies from country-to-country, with ranges from under 30 percent in South Africa, the continent’s largest economy, to almost 60 percent in Nigeria, Tanzania and Zimbabwe (World Bank 2009b). About 60% of jobs in the informal sector are not skilled. Studies have shown stark differences in the education levels between youth workers in the informal and formal sectors. For instance, in South Africa, 37 percent of workers in the informal economy have not completed primary school education compared to only 16 percent for the formal sector. Furthermore, youths do not have appropriate skills for other forms of formal sector employment in industry or service activities (the “mismatch”).

**Figure 4 Labor productivity has improved in agriculture, while decreasing for the informal non agriculture sector**



<sup>18</sup> United Nations – Policy Brief of October 2010.

## Factors affecting the supply of labor in Africa

### The number problem

21. **25% of youth in Africa are at a disadvantage in the labor market because they are illiterate.** Among MDG regions, youth literacy rates were lowest in sub-Saharan Africa (72%), Oceania (73%), Southern Asia (79%) and Northern Africa (86%). As with adult literacy, the lowest youth literacy rates at the national level were observed in sub-Saharan Africa. However, while ten countries had adult literacy rates of 50% or less, only five countries fell into this category with regard to youth literacy rates: Niger (37%), Mali (39%), Burkina Faso (39%), Chad (45%) and Ethiopia (50%)<sup>19</sup> (See Figure 5 for global view of youth literacy rates).

22. **There is a mismatch between the increasing number of higher education graduates and the number of jobs available.** African countries are responding to the increasing social demand for higher education, whereas labor markets particularly in the informal sector are not ready to absorb these graduates. In vocational and technical education as well as tertiary education the number of students has risen significantly. Both in Northern and Southern Africa there is an obvious and growing quantitative overproduction of higher education graduates compared to what the labor market can absorb.

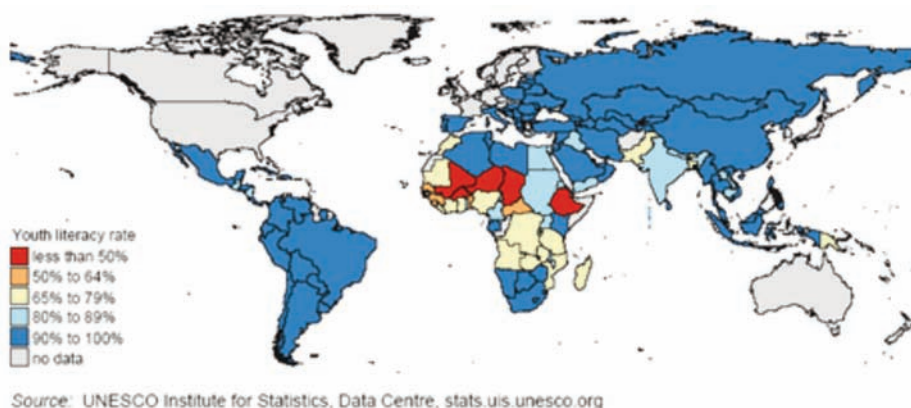
23. **Many Technical and Vocational Training (TVET) programs in North Africa have received quality accredi-**

**tation (ISO type 9200 Tunisia and Morocco) and their graduates can compete globally. However, the number of graduates per year continues to exceed the real absorption capacity of the labor market.** Adopting the dual approach to TVET that allows the acquisition of relevant skills and some work experience during the training is promising but needs to be tuned to labor markets demand. Assessing future needs of the labor market in order to design and to regulate the demand for education will be a challenge for decision makers in the near future. In SSA, despite the rapid development of TVET (including improved apprenticeship) the quality of training is still low and the level of enrolment also needs to be improved.

### The Quality Problem

24. **The increase in the number of higher education graduates has often been at the expense of quality, as expenditure per student has been decreasing throughout Africa.** Within 10 years (1999 to 2009), the number of higher education graduates in low-income SSA countries has almost tripled (from 1.6 to 4.9 million). It is anticipated that this figure will reach 9.6 million in 2020. Only 5% of relevant age group are enrolled in universities in Africa vs. a world average of 25% (World Bank, 2011). Incomplete and low quality education hinder the fair and inclusive participation of African youths in the labor markets causing them to be more likely stuck in low paying, low productivity jobs. Only 2/3 who enter primary school in SSA reach final primary grade; of those only half

**Figure 5 What proportion of youths is able to read and write?  
A global view of youth literacy rates, 2008**



<sup>19</sup> UNESCO Institute of Statistics Fact Sheet, September 2010, No. 3.

master the skills taught. In Mali for example, students' learning achievement scores in reading and mathematics are among the lowest in francophone African countries (along with Niger and Chad). The 2005 Learning Achievement Assessment (PASEC) shows that only 55.2 percent of grade two students in Mali achieved the average score in mathematics, and only 48 percent in reading. The same problem exists in North Africa. According to the OECD PISA report (2009), Tunisia consistently ranked among the last ten countries as far as 15-year-old students' reading, mathematics and science skills are concerned. The MDG push to get all children into schools by 2015 has not only caused overcrowding of primary schools (compromising quality) but has also failed to sufficiently develop the secondary system.

25. **In addition, outdated pedagogic models such as rote learning hinder the youth's ability to develop their critical and creative thinking.** The education system does not provide the skills required in the informal labor market, thus leaving young graduates ill-equipped for the school to work transition. Curricula in the basic education system fail to address skills in relevant areas, such as agricultural education, which youth may readily apply in rural settings to achieve improved farm yields and increased incomes.

26. **Graduates are often entering an inefficient labor market with diplomas of limited quality and little relevance to the needs of the economy.** There is a general pattern of disproportionate enrolments in the social science, humanities and business management courses. Those often reflect the lack of emphasis on Science, Technology and Innovation (STI) subjects in lower levels of education. In the higher education subsector, a significant portion of students in Africa are now enrolled in low quality private institutions that are providing basic training and diplomas in social sciences and business management but very few are training in science-related fields. In general, the education system in SSA countries remains elitist as it still excludes a significant proportion of young people. A "reform of primary and secondary education may have beneficial effects on the quality of the skills acquired by university graduates and improve the match with firms' demand for skills" (Stampini and Verdier-Chouchane, 2011).

## The Efficiency Problem

27. **More investment in education is not always the answer and may only be a delaying strategy.** Recent events in Egypt, Tunisia and Libya have showed that despite

the government's heavy investments and the country's rapid expansion of primary, secondary and tertiary education, schools and universities are producing graduates lacking the skills they need to succeed in employment markets.

28. **In Sub-Saharan Africa, large amounts of funding have been dedicated to infrastructure inputs for schooling (e.g., school buildings) and much less to quality inputs (e.g., teacher training) and more cost-efficient models of schooling such as e-learning and twinning.** This has left the continent with a largely unfunded traditional schooling model and poor education policies producing large cohorts of graduates and few skilled youth that can cater to the needs of Africa's 21st century labor market.

## D | Policy responses

29. **There is growing awareness among various governments and development partners of the urgent and persistent challenge of youth unemployment in Africa.** The theme on youth empowerment in general and youth unemployment in particular has come to the forefront of the development agenda in the past 5-6 years as shown in Box 1. At national levels, youth employment is increasingly mainstreamed into national development framework and policies. From a sample of 17 Poverty Reduction Strategy Papers (PRSPs) in Low-Income Countries (LICs) analyzed by ECA in 2009, 15 specifically addressed youth employment as an issue compared to 11 out of 21 in 2005 ILO (2011). In addition, most countries have now developed specific interventions targeting young people, including supply and demand side measures. Others have developed social protection strategies in response to riots and social unrest, e.g. the Kenya TVET PAD financed by the Bank to address lack of skills and employment/underemployment as a response to the 2007-2008 post-election violence.

### Box 2 Some Recent Initiatives on Youth Employment in Africa

- International Year of Youth (2010-2011)
- 8th Ordinary Session of the Labor and Social Affairs Commission of the African Union on "Promoting Employment for Social Cohesion and Inclusive Growth", April 11-15, 2011, Yaoundé, Cameroon
- The African Union-ILO Conference on Employment in Yaoundé (2010)
- Youth Employment in Sub-Saharan Africa Project (2009)
- The 5th African Development Forum in Addis Ababa on Youth and Leadership in the 21st Century (2006)
- The African Head of States conference on employment and poverty reduction in Ouagadougou (2004)



30. **Youth employment in Africa has not been a policy focus.** Employment creation in general and youth employment in particular were not viewed as a key concern in development policy. This assertion is valid for the whole continent until recently as some countries like Tunisia and Egypt have embedded job promotion in their development strategies. For many countries in SSA, either during the structural adjustment policy era or the new era of PRSP strategies, employment in general and youth employment in particular has not been a key issue despite laudable commitments. In the same vein, few macroeconomic policies in various countries have planned for fiscal stimulus such as tax exemption/reduction for the sake of employment promotion. However, in North African countries, South Africa and increasingly in a number of other countries, the capital expenditure budget (i.e. the investment component supported mainly by donors) is now being used to support some job creation initiatives.

31. **Compared to other parts of the world, Africa in general lags behind in policies and interventions that promote youth employment.** Performance and impact of policy responses and interventions on youth employment has varied and depended on national/regional circumstances. Policies are still inadequate and lack political commitment in terms of investment/resource allocation. Youth employment programs in SSA region depend almost entirely on external funding (Puerto, 2007).

### Box 3 ADB Project in Zanzibar offering a second chance to youth

The Alternative Learning and Skills development Project in Zanzibar financed by an ADF loan of UA5.560 million and a Grant of UA1.010 million aims at (i) the establishment of a school for alternative learning which will absorb close to 600 young men and women who lost opportunities to attend schools;(ii) the establishment of two skills development centers and rehabilitation of a vocational training center that will train and provide necessary skills to 800 out of school youths; (iii) the establishment of Business Incubators in the two skills development centers, expected to provide vocational training for youth graduates, mentoring, tools and working capital.

32. **Several bilateral donors have supported youth employment strategies.** GIZ<sup>20</sup>, DfID, CIDA and ILO have been the most active partners in terms of geographic coverage, resources mobilized and technical advice provided through bilateral cooperation programs. Over the last decade, major multilateral and multi-country initiatives on youth employment

project were initiated. The Youth Employment Network (YEN)<sup>21</sup> and the Youth Employment in Sub-Saharan Africa Project (YEAP) are among the most encompassing and visible initiatives.

## AfDB Operations Directed to Youth Employment

33. The AfDB Group interventions have addressed the linkages between youth and economic development in many of their programs and policies. Youth and women are among the first target group of almost all Bank Group operations either directly or indirectly. More specifically, operations related to education, social funds and microfinance, and reintegration projects are directly targeted at young people. Since 1990, the AfDB has been channeling resources to 37 countries mainly through projects aiming at providing employable skills to vulnerable groups including youth and projects promoting self-employment.

34. **The Bank has made significant investments in all education sub-sectors, particularly in primary schooling and TVET, as to provide the necessary knowledge and skills to a growing labor force.** Between 1964 up to 2005, the Bank Group has invested UA 2.54 billion<sup>22</sup> in the education sector of which 27% was dedicated to TVET and Secondary General Education; 22% to Primary Education; 6% to Higher Education and 1.3% to Non Formal Education.

35. More recently, the Bank has assisted regional member countries in the development and strengthening of post-primary education and training programs, with an increased focus on ICT. This is in recognition of the important effect that appropriate skills development for self-employability can have on the reduction of income poverty. In Egypt, Tanzania, Mozambique, Cameroon and Kenya, interventions to this end have focused on reforms in TVET provision, development of competence-based training approaches, using labor-market information to drive the design of training programs, supporting the decentralized provision of training opportunities, and the provision of enrolment incentives to girls and women to enter increasingly diverse vocational training fields. In some countries such as Kenya, the Bank Group is implementing a project designed to both improve the existing government bursary scheme as well as offer direct bursary support to disadvantaged secondary school students made up of AIDS orphans, girls and children from deprived rural arid and semi-

<sup>20</sup> Formed on 1 January 2011, GIZ brings together the long-standing expertise of the Deutscher Entwicklungsdienst (DED) gGmbH (German Development Service), GTZ GmbH (German Technical Cooperation) and Inwent – Capacity Building International, Germany

<sup>21</sup> <http://www.ilo.org/public/english/employment/yen/about/index.htm>

<sup>22</sup> Over US\$ 4 billion at May 2011 exchange rates.

arid land (ASAL) communities, like hard-to-reach nomadic communities.

36. **Operations on Social Funds and Microfinance.** The Bank has been contributing in the financing of Social Funds for Development in several countries such as Egypt, Djibouti, Guinea, The Gambia and Mali, with the specific objectives of supporting community development and promoting employment through capacity building at local levels, support to income generating activities and basic social services. At least 70% of all project funds are to benefit women and youth. Up to 2006, the Bank Group has financed more than seventy operations with microfinance components amounting to about UA 40 million that are all targeting women and youth in almost all its Regional Member Countries. Recognizing the important role of microfinance in poverty reduction efforts and attaining the MDGs, in June 2006, the Bank adopted its Microfinance Policy and Strategy with the objective of providing access to quality microfinance services to groups excluded from the financial sector, especially, youth and women.

37. **Youth rehabilitation in post-conflict settings and fragile states and providing support to underserved and disadvantaged youth.** Created in 2008, the Bank's fragile states unit is paying particular attention to the problem of youth unemployment. So far, the Bank Group has financed post-conflict and reinsertion operations in various countries such as Sierra Leone, Guinea Bissau, Liberia, the Republic of Congo, Burundi, and Rwanda, and has also contributed to the economic reintegration of more than 100,000 ex-combatants and victims of conflicts in the Great Lake Region in the framework of the MDRP, about 60% of them are youth. These projects put emphasis on skills training, social and professional reinsertion of youth. For example, the multi-sector socio-economic reinsertion project in Burundi comprises the rehabilitation of 6 vocational training centers and the technical training of 3500 young people. In Kenya, the Bank Group is implementing a project designed to both improve the existing government bursary scheme as well as offer direct bursary support to disadvantaged secondary school students made up of AIDS orphans, girls and children from deprived rural arid and semi-arid land (ASAL) communities, like hard-to-reach nomadic communities.

## Lessons Learnt from Policy Responses

38. **More impact evaluations of programs seeking to integrate youth in the labor market are needed.** Evidence from a worldwide inventory of interventions seeking to inte-

grate young people in the labor market has shown that most employment interventions target young workers (ADI, 2008/09). Twenty-two out of the 29 programs (76%) targeted young workers exclusively. Of those 11 programs were directed towards young women and 3 towards workers with disabilities. In addition, 12 programs were aimed at young people with low income and 17 at youths with low level of education. However, there have been very few impact evaluations of these programs to determine the level of success, which is key to inform future policy reforms. This is an area where the Bank can add value to the existing programs addressing youth unemployment.

39. **According to the same inventory, the most successful interventions tend to be multifaceted comprising of an array of services that are provided simultaneously.** A successful bundle of services comprised of skills training (particularly vocational training and apprenticeships systems), promoting entrepreneurship (expert training for young entrepreneurs, skills upgrading) and addressing social problems associated with youth (Puerto, 2007; Rother 2006).

40. **Strong partnerships between the public and the private sector to eliminate barriers to growth and strengthen the competitiveness of the private sector would leverage the development of SMEs.** Partnerships with local authorities and communities are important to help young people start and improve their own businesses with decent incomes. Given the disproportionate number of young people currently working in small family businesses and self-employed in the agricultural sector, putting measures in place to improve the investment climate in Africa is critical.

41. **It is necessary that policies support private sector initiatives to develop value chains and promote labor-intensive manufacturing, especially in areas such as agriculture, agri-business(?) and agro-processing.** Increased emphasis on the role of the private sector in delivering growth and employment is vital in developing competitive markets which attract private investments and create jobs. Private sector partnership in administered programs is more efficient than public sector.

42. **Tailored interventions to meet the needs of different groups, especially the poorest, have the highest impact.** Evidence in Kenya has shown that interventions targeting poor youth have higher probability of improving employability and earnings. Differences within youth populations and between young and adult populations call for a new approach in policy-making. Policies for youth, including labor

market policies, should recognize that young people come from different social and demographic groups, have different needs and are shaped by different economic, social and cultural factors.

43. **Minimizing skill mismatches and matching skills to demand is key to improving youth employability.** Programs providing vouchers for training have promoted flexibility and enabled youth to choose training of their choice.

44. **Educational systems should spur innovation and entrepreneurship amongst youth.** The integration of entrepreneurship education, at an early stage, in school curricula is a great example of how youth organizations and schools could cooperate more.

## E | Proposed actions

45. **This initiative aims to provide an overarching guiding framework to the various Bank policies, strategies and operations which have an impact on the youth population in Africa.** The challenge facing the AfDB is to readjust and reorient these policies and strategies in order to effectively address the short-term, structural and contextual employment issues in a cohesive and urgent way. We, however, need to be cognizant of the fact that the problem of youth unemployment in Africa is but one facet of a more complex challenge of developing and transforming Africa's economy and society including its governance, economic diversification, social transformation, investment in human capital, science and technology and regional integration.

46. **This initiative thus proposes an approach based on both immediate and medium to long-term actions, underpinned by analytical work to inform policies and programs.** A two-pronged intervention strategy is proposed

below: immediate actions implemented as a rapid response to the existing contextual crisis; and Medium to long-term actions to address the structural problems in all African countries. To avoid providing generic solutions, the initiative also proposes carrying out rigorous and country specific analysis to inform decision making on youth unemployment for policy makers and all relevant stakeholders in a particular country, as reflected in the guiding principles (Box 4).

### Immediate actions

47. **Mainstreaming job creation in the Bank's current operations will be systematized and projects in the ongoing portfolio realigned.** Review of selected operations would be conducted in the short-term in order to optimize the job creation potentials of these projects. An indicative list of 29 operations worth UA568.95 million that qualify for this realignment have been identified. In addition, cancellable projects would be restructured in line with the Bank's new cancellation policy, which allows the country to retain 70 per cent of cancelled resources for commitment to ongoing operations or new activities consistent with the country strategy paper. Eighty five (85) loans and grants with resource balances of UA124.9 million have been identified for cancellation and utilization under the initiative.

48. **Fast tracking support to countries with immediate and urgent needs using innovative financial instruments.** For countries in need of urgent support, the Bank would prepare rapidly disbursing operations focused on job creation programs, creating an enabling environment for private sector development and tackling specific sectoral issues such as the mismatch between the skills workers possess and those required by the labor market. These would include sector budget support operations in countries eligible for such operations as illustrated by the Tunisia Governance and Inclusive Development Support Programme recently approved by the AfDB Board (May 30th 2011). Other instruments include social funds/ microcredit – or similar - operations to implement community demand driven interventions for rapid job creation. Supplementary financing could be also provided to existing mechanisms such as the Egypt Social Fund for Development.

### Medium- and long Term actions

49. **These are geared towards addressing the structural and contextual constraints from both the supply and the demand sides.** 27 operations drawn from the 2012 –

#### Box 4 Guiding Principles

- Building on Bank's own strengths
- Aligned to country policies and foster on ownership and political commitment
- Coordinated with lead partners on Youth Employment
- Differentiated according to country specific issues and goals
- Follow an integrated and multi-sectoral approach
- Implemented in collaboration with private sector, civil society and youth representatives
- Gender issues mainstreamed
- Promote policies nested in social protection and national poverty alleviation agendas
- Building Bank's internal capacity while addressing capacity needs of client countries

2013 indicative operational work program worth UA614 million are expected to focus on activities under the proposed initiative. Programs will be designed as packages of measures addressing supply, demand and institutional environment constraints. They will integrate different services including skills training, promoting entrepreneurship and addressing social elements. Those packages will vary from country to country but most likely include some of the following program components.

50. **Supply side program components would address the mismatch between the skills produced by the education and training systems in Africa with those required in the labor-market** through (i) intensifying assistance to integrated TVETs/apprenticeships programs targeting the private and informal sector; (ii) increasing support to higher education reforms with a view to establishing a firm link between skills and education and the need of the job market, particularly the needs of enterprises operating in the private and informal sector and (iii) investing more in education systems, research and innovation in and for rural areas.

51. **Demand side program components would be geared towards creating an enabling environment for sustainable employment creation.** These would include support programs that encourage job creation through urban entrepreneurship and labor-intensive public works, as well as others that focus on rural employment and the emerging “green economy”. Moreover, they would support a reform agenda that fosters job creation through policy-based operations including through decentralization and regional integration. Indeed, regional integration can foster cross-border human resource development initiatives. Finally, the Bank would support specific initiatives such as the novel idea from UNESCO to promote culture as a major employment niche.

### Cross-cutting action: knowledge generation

52. **This initiative will primarily aim at scaling up the analytical base on African labor markets especially on issues facing the growing youth population.** This will be done through the following initial actions:

i. **Upgrading the knowledge base for policy decisions on employment at country level in close collaboration with the Research Department of the Bank (ECON).** This includes: (i) targeted labor market analysis undertaken whenever the required data is not available. This can immediately be undertaken in more than 10 countries that have al-

ready conducted labor force surveys; (ii) Stakeholder consultations, focus groups, and public opinion research are other immediate measures that can be taken to gauge the views of key stakeholders (e.g., youth groups, labor unions, government officials, private sector); (iii) investigating impact of RMCs programs on employment, as well as develop frameworks for integrating employment issues in country strategy papers and large investment loans (iv) Evaluation of programs targeting youth employment in Africa. Such information is both urgent and crucial to inform policy-based operations.

ii. **Regional analytical and policy work through a Pan African Observatory of Youth Employment.** This observatory would be established jointly with partner organizations such as the AU, the ECA and ILO, mainly to review and promote international and African experiences and best practices. This will involve partnerships such as the AU-India Initiative (to set up a string of higher education and vocational training institutions across the continent), and the graduate employment program known as the Africa Technology Transfer Partnership (AKTP). The observatory could also assist MSMEs in technology acquisition, adoption and adaptation to foster and promote a close productivity linkage between industry and research and development institutions such as the AKTP initiative on Youth employment in North Africa.

iii. **A Virtual African Higher Education Observatory jointly with UNESCO and ILO.** The purpose is to focus on developing employability training in higher education institutions by promoting knowledge and best-practice transfer from best-performing African higher institutions to higher education policy makers in Africa. The observatory could include (i) a guide for organizations that provide graduates with top-class professional and technical training leading to career-building jobs (such as university incubators), and enabling educational institutions to better prepare graduates for the workforce by providing quality curriculum and methodologies; (ii) a directory of organizations that conduct rigorous and timely research on policies targeted at improving educational outcomes and the economic competitiveness of university graduates. The observatory could also help promote university-industry alliances for employment creation.

iv. **Building Africa’s capacity on youth employment policies.** In many African countries, the ministries responsible for youth issues are often weak, poorly resourced and unable to leverage needed cross-sectoral support. The provision of technical or financial assistance in support of the formulation and/or review of national youth employment policies or programs are key in order to improve the way youth employment

issues are addressed. A capacity building program would train project managers, government officers as well as Task managers from the Bank in policy and practical aspects of addressing youth inclusive employment in their lines of activity. The Bank can also support RMCs regarding the strengthening of data collection and analysis in the field of employment to better integrate the management of population flows, statistical prediction, etc.

53. **The main deliverables of the proposed initiative will include mainstreaming job creation for youth in Bank operations, and implementing reforms in key sectors such as education and labor markets.** More specifically, outputs in the short term will include realignment of Bank projects (29 ongoing projects and 85 Loans and Grants qualifying for cancellation), fast tracking financing through budget support & supplementary financing, and analytical work in 2011 including 5 regional studies. In the medium to long term key outputs will include technical assistance (data collection, analytical work, capacity building for RMCs and Bank staff, and impact evaluations). Finally, this initiative will help the Bank elaborate evidence-based youth employment programs in 2012-2013 based on ADFXII allocations.

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