

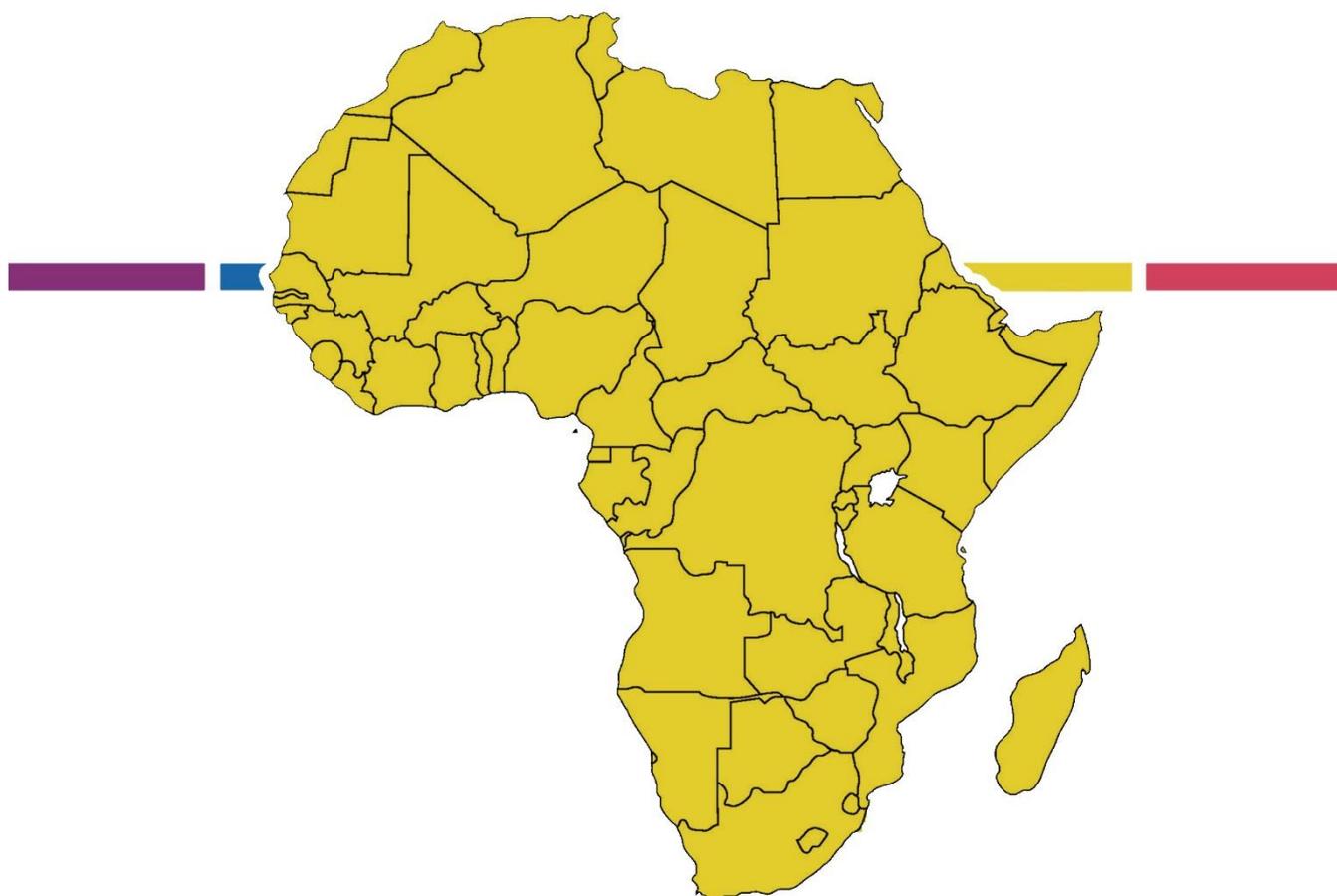
SOCIAL PROTECTION

**PRODUCTIVE
EMPLOYMENT**

STRATEGIC ACTORS

BOOSTING PRODUCTIVE EMPLOYMENT IN AFRICA: WHAT WORKS AND WHY?

Synthesis report series



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INCLUDE

KNOWLEDGE PLATFORM ON INCLUSIVE DEVELOPMENT POLICIES

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Acronyms

| | |
|-----------|--|
| AfDB | African Development Bank |
| APD | African Policy Dialogue |
| CFTA | Continental Free Trade Area |
| CSO | civil society organization |
| EPZ | export-processing zone |
| GDP | gross domestic product |
| GNI | gross national income |
| ICT | information and communication technology |
| INCLUDE | Knowledge Platform on Inclusive Development Policies |
| MSME | micro, small and medium-sized enterprise |
| NGO | non-governmental organization |
| NWO-WOTRO | Netherlands Scientific Organization – Science for Global Development |
| RIDSSA | Research for Inclusive Development in Sub-Saharan Africa |
| SME | small and medium-sized enterprise |
| SZE | special economic zone |

1. Introduction

While most African countries have registered high growth in the last decade, a large number of people remain excluded from the benefits of this progress. The Knowledge Platform on Inclusive Development Policies (INCLUDE) envisages that more inclusive development requires policies for economic transformation, productive employment and social protection to ensure that vulnerable and poor groups, especially young people and women, benefit from growth. However, such inclusive policies can only be realized if they are supported by coalitions of strategic actors across state and society that can overcome resistance to change among the ruling political and commercial elite. This vision is the core of INCLUDE's knowledge agenda laid down in the Netherlands Scientific Organization – Science for Global Development (NWO-WOTRO) programme '[Research for Inclusive Development in Sub-Saharan Africa](#)' (RIDSSA), commissioned by the Dutch Ministry of Foreign Affairs. One of the objectives of the platform is to synthesize existing and new knowledge on inclusive development to 'make knowledge work' for policymakers and practitioners.

With an estimated growth of five million new jobs per year, Africa's growth has not been jobless. However, the number of people looking for work has grown substantially faster than the number of formal wage jobs created (Filmer & Fox, 2014). Although the registered level of unemployment in most Sub-Sahara African countries is not strikingly high (at around 7.6% for the past 5 years) (Adolwa et al., 2017), such official unemployment statistics are generally misleading and mask the monumental labour market challenges in the region. First, a substantial number of people are underemployed: they do work, but their economic activities yield insufficient income for a decent living. Second, many people are no longer actively looking for work, hence, are not captured in formal unemployment data. This is disproportionately true for youth. By robbing youth of a decent living, long-term unemployment and underemployment can be a catalyst for social and political instability, and a strong incentive for young Africans to look for a better future elsewhere.

In this context, and funded by the Dutch Ministry of Foreign Affairs, INCLUDE and NWO-WOTRO Science for Global Development, launched the RIDSSA programme in 2013, with three thematic areas of focus areas, namely, *productive employment*, *social protection* and *strategic actors for inclusive development*. This report focuses on 'productive employment' with an emphasis on youth and women. It synthesizes the results of the [research projects](#) on productive employment and links these findings to state-of-the-art knowledge on the subject, as well as INCLUDE's [African Policy Dialogues](#) (APDs).¹ This synthesis seeks to capture the emerging

¹ This synthesis has been developed by the INCLUDE Secretariat. Funding from the Netherlands Ministry of Foreign Affairs and NWO-WOTRO is gratefully acknowledged. The paper builds on INCLUDE's [discussion paper](#) prepared for the INCLUDE platform meeting on 15 December 2016 (INCLUDE, 2016a) and on [INCLUDE's synthesis report on 'Youth Employment in Africa'](#) published in May 2017.

consensus on the productive employment challenge in Africa and the key short-term and long-term interventions (policies and programmes) required for creating employment and improving employability. It is hoped that this may help guide national governments, the private sector, non-governmental organizations (NGOs) and international development partners in making informed decisions on the design and implementation of employment policies and programmes and investments in Africa. The synthesis speaks directly to the key objective outlined in the new BHOS policy note of the Dutch Ministry of Foreign Affairs '[Investing in Global Prospects: For the World, for the Netherlands](#)' of providing economic opportunities for youth in Africa (Ministry of Foreign Affairs, 2018).

1.1 Prioritizing youth

Africa is the most youthful continent in the world, with 226 million youth (aged 15–24) in 2015, or roughly 20% of the global youth population (United Nations, 2015). While youth populations in other regions of the world have stabilized in size, Africa's youth population is growing rapidly and is expected to increase by 42% by 2030 (United Nations, 2015). This means that by 2030 30 million youth will be entering the African labour market annually (Barlet & D'Aiglepiere, 2017). Youth in Africa face significant economic challenges. According to the World Bank, cited by Ighobor (2013), youth account for 60% of all unemployed in Africa. In all African countries, except Rwanda, Benin and Guinea, youth unemployment rates are double those for adults (African Development Bank, 2016a). Moreover, nearly 70% of working youth in Sub-Saharan Africa live in either moderate or extreme poverty (International Labour Organization, 2016). One can, therefore, argue that African youth are, by and large, economically marginalized.

Youth employment in Africa is both an economic as well as a political imperative. This is a challenge for which African policymakers and other policy stakeholders must, of necessity, find a solution. This, of course, is not lost on African policymakers. In 2017, the African Union adopted 'Harnessing the Demographic Dividend through Investments in Youth' as its annual theme. In addition, the African Union marked the decade 2010–2020 as the 'Decade for Youth' in Africa, with the intention of priming the challenges faced by youth and generating appropriate responses to address those challenges. Not surprisingly, youth feature prominently in the African Development Bank's (AfDB's) [High Five](#) Priorities, as expressed in its 10-year 'Jobs for Youth in Africa' strategy (African Development Bank, 2018). Thus, at least in terms of the rhetoric, African policymakers have successfully elevated the economic challenges facing youth in Africa to become top development priorities for the continent. As they say, the proof of the pudding is in the eating. The test for African policymakers in this regard is in the form and nature of the policies and programmatic interventions that have been put in place, including their efficacy.

Engaging youth in productive employment is a development imperative for Africa. When combined with reduced fertility rates through, for example, access to family planning and girls' education, youth participation in productive economic activities can potentially unlock a demographic dividend for the continent.² According to the Economic Commission for Africa (2015), if all new entrants are absorbed into the labour market, in the sense of being productively employed, gross domestic product (GDP) per capita will increase by 25% by 2050 and 54% by 2100. Such increases in the size of the continent's economy are monumental and would go a long way to reducing, if not eradicating, poverty in Africa. Combined with efforts and policies to reduce exclusion, creating jobs for youth can help tackle other development challenges, such as instability and conflict, radicalization, extremism, interregional and international migration.

1.2 Scope of this review

INCLUDE defines 'productive employment' not only with reference to formal sector jobs, but also to include activities in the informal sector. A job is considered 'productive' if it meets the following three key characteristics/ dimensions:

- **Fair remuneration:** To be fair, remuneration associated with the job (which should be determined by worker productivity) should be sufficient to permit an average family (worker plus immediate dependants) a level of consumption above the poverty line.
- **Stability:** The job and associated earnings need to be reasonably stable and predictable. Instability is associated with vulnerable employment, which is work with highly fluctuating and uncertain returns.
- **Decent working conditions:** Decent working conditions imply, among other things, the absence of coercion (slavery, child labour), equity of conditions and opportunities for all workers, security at work (hazards, risks), and dignity of work, including for the self-employed.

Designing effective short and long-term employment strategies starts with recognition of the underlying constraints in the labour market. On the basis of various analyses of youth employment challenges in Africa (e.g. Allen et al., 2016; Baah-Boateng, 2016; Barlet & D'Aiglepiere, 2017; Filmer & Fox, 2014; Fox, Senbet, & Simbanegavi, 2016; Townsend, Benfica, Prasann, & Lee, 2017), there is consensus that these challenges include both structural macroeconomic constraints that limit the creation of sufficient employment opportunities, as well as microeconomic constraints that limit (youth's) employability, due to a skills mismatch,

² Girls education and access to family planning are two important avenues to reduce fertility rates. The international literature in this field also refers to the aspiration levels of girls and parents and how these can be changed by changes to the law (e.g. [marriage and family law in Ethiopia](#)) and the [political participation of women](#). For a recent review of the evidence on what works, [see Rankin et al. \(2016\)](#).

for example. While skills mismatch as a cause of youth unemployment in Africa is important, non-availability of employment opportunities (i.e. weak labour demand) is the major culprit. According to the African Development Bank (2016a), between 10 and 12 million youth enter the workforce each year, yet only 3.1 million jobs are created, leaving vast numbers of youth unemployed. This suggests that efforts to address youth unemployment ought to focus on strengthening the demand side of the labour market, while of course not neglecting the supply side.

To generate a sufficient number of productive employment opportunities for their growing population, African economies need to: firstly, transform in a way that strengthens the economic sectors that drive growth and productive employment (i.e. labour should be moving from low productivity activities to high productivity activities) and, secondly, stimulate dynamic entrepreneurship (i.e. entrepreneurship that creates jobs beyond self-employment). Both of these policy directions need an enabling policy environment.

This synthesis is structured around three key issues, namely, the sectors driving economic growth in Africa, dynamic entrepreneurship, and the policy environment for inclusive and productive employment in Africa. Box 1 outlines the sets of questions addressed in this synthesis, as derived from [the call for Proposals on Productive Employment](#) by RIDSSA. Findings from the research projects will also be linked to findings from the African Policy Dialogues that INCLUDE supports (see Annex 1), as well as state-of-the-art literature on the issues discussed.³

1.3 Methodology

This synthesis is built on a literature review, publications by the RIDSSA research consortia and evidence from INCLUDE's African Policy Dialogues:⁴

- **Literature review** on productive employment in Sub-Saharan Africa: The literature for this review was collected using different strategies, including snowballing from identified key publications, a bibliographic database search and a hand search of relevant academic journals. While preference was given to academic literature, grey literature (such as published reports from international development partners and implementing agencies) was also included. Although the review has

³ It should be noted that not all questions can be answered based on the research findings, APDs and the literature. Some questions are worth a synthesis in itself and are, therefore, beyond the scope of the current synthesis.

⁴ The INCLUDE platform is grateful to all contributors to the resources outlined above, including the researchers and other members of the five RIDSSA research consortia, the authors of the literature review, the participants of the African Policy Dialogues, and the Dutch Ministry of Foreign Affairs and NWO-WOTRO for their funding and support.

Box 1. Guiding questions for synthesis productive employment

1. Sectors driving growth

- Which economic sectors drive economic growth and employment in Africa?
- What types of activities offer the most opportunities for productive employment for youth and women?
- How can African countries leverage industrial activities, including agro-processing, to enhance their contribution to sustainable employment growth?

2. Dynamic entrepreneurs

- How can dynamic and innovative businesses that have the potential to create additional jobs (for youth and women) be identified?
- What kind of support is needed for youth and women entrepreneurs to grow their businesses?

3. Policy environment

- Which policies promote or hinder productive employment for youth and women?
- What type of policies have failed and why?
- How do extra-sectoral policies (e.g. on education) influence opportunities for employment creation?

covered various types of programmes in different countries, this review should not be read as a systematic review.

- **Publications of the five research consortia** under [the RIDSSA call for Productive Employment](#): The findings of these consortia used in this review stem from the different academic and policy outputs of the research groups, including policy briefs, (interim) findings, presentations, interviews and input provided during the INCLUDE writers’ workshop on 29 January 2018. An overview of the projects and programmes studied by these consortia is provided in Table 1.

Table 1. Five research RIDSSA projects on productive employment

| Project title | Country | Topic |
|--|----------------|--|
| Dutch Multinational Businesses in Africa | Kenya, Nigeria | Dutch multinational businesses, Dutch policy for development assistance and its promotion of productive employment in Sub-Saharan Africa |
| Feeder Road Development | Ethiopia | Direct and indirect employment opportunities arising from feeder road development |
| Productive Employment in Segmented Markets | Kenya | Impact of the segmentation of fresh produce markets (i.e. the avocado sector) on productive employment |
| Empowering Female Ugandan Entrepreneurs | Uganda | Promotion of dynamic entrepreneurship of rural women in Uganda |
| The IT Sector in Kenya | Kenya | Productive employment of IT firms in Kenya |

The publications of the RIDSSA research groups are indicated by the INCLUDE logo:  (for example,  Romijn, 2017)

- **African Policy Dialogues:** In addition, this synthesis includes evidence from the APDs, which are funded by INCLUDE, initiated by platform members and driven by local policy actors, researchers, practitioners and other stakeholders. The stakeholders collaboratively identify research evidence gaps in current policies and new research needs, gather the evidence, synthesize it, and share it with stakeholders for use in policy making and implementation.

The information on APDs in this paper derives from the documents generated by five African APDs, namely:

- [Entrepreneurship Development in Rwanda](#)
- [Wage Employment Creation in Nigeria](#)
- [Youth Employment in the Extractive Industry in Mozambique](#)
- [Youth Employment in Ghana](#)
- [Employment Creation in Kenya](#)

More information about these African Policy Dialogues can be found in Annex 1.

1.4 Structure of report

The structure of this synthesis report is as follows. In section 2, we examine the structure of the labour market and (youth) employment in Sub-Saharan Africa and discuss the opportunities for increased employment creation in different economic sectors. In section 3 we take a closer look at the labour force and the youth labour force specifically. We outline a categorization of youth, discuss constraints in employability and dynamic entrepreneurship and report on what works to improve these elements. In section 4, we discuss crucial elements of the national and international policy environment to support economic transformation, employment creation and dynamic entrepreneurship. In section 5, we summarize the main messages of the report.

2. Sectors driving growth: how to prioritize?

Employment opportunities in Sub-Saharan Africa are determined by macroeconomic factors determining the level and quality of economic growth, including social and political stability (Baah-Boateng, 2016; also see African Development Bank, 2016a; African Union & Economic Commission for Africa, 2015; Filmer & Fox, 2014). In many Sub-Saharan African countries, economic growth has been fuelled by the export of commodities, which is highly capital intensive and creates weak forward and backward linkages to the rest of

the economy (Szirmai, Gebreyesus, Guadagno, & Verspagen, 2013). For a better understanding of where and how productive employment can be generated, it is important to analyse the structure of Africa’s labour markets and the potential of the different economic sectors to generate employment.⁵ In this report, we follow Filmer & Fox (2014) in subdividing the labour market into four employment categories (the employment structure): agriculture, household enterprises, wage services and wage industry. Additionally, we distinguish four economic sectors that capture both formal and informal economic activities: agriculture, industry and manufacturing, services and information and communication technology (ICT), and construction and infrastructure. We discuss the [direct, indirect as well as induced employment effects](#) of developments in these sectors and the productive nature of the employment concerned (Ndung’u et al., 2018). We also assess the potential for employment creation by both the public and the private sector.

To analyse employment patterns in different countries, Filmer & Fox (2014) distinguish four groups of countries (not mutually exclusive) based on their gross national income (GNI) per capita: upper middle-income countries (with a GNI per capita of between USD 4,036–12,475), lower middle-income countries (with a GNI per capita of between USD 1,026–4,035), low-income countries (with a GNI per capita of below USD 1,026) and resource-rich countries (with a ratio of resource-based exports to total exports exceeding 80% between 2008 and 2012) (see Table 2 for overview).⁶

Table 2. Classification of Sub-Saharan African countries

| Upper middle-income | Lower middle-income | Low-income | Resource-rich |
|--|--|---|---|
| Botswana, Gabon, Mauritius, Namibia, South Africa, Equatorial Guinea, Seychelles | Cape Verde, Cameroon, Côte d’Ivoire, Ghana, Kenya, Lesotho, Mauritania, Sao Tomé and Príncipe, Swaziland | Benin, Burkina Faso, Burundi, Central African Republic, Comoros, Eritrea, Ethiopia, The Gambia, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Tanzania, Togo, Uganda, Zimbabwe | Angola, Chad, Congo, Democratic Republic of the Congo, Guinea, Nigeria, Sudan, Zambia |

Source: Fox, Haines, Muñoz, & Thomas (2013)

⁵ See for example the [mapping](#) on labour markets conducted by the African Center for Economic Transformation (ACET) or the [jobs diagnostics and value chain analysis](#) of the World Bank in Zambia and Sierra Leone.

⁶ This classification is only one possible classification. See [Szirmai \(2013\)](#) for an overview of classifications.

Un- and underemployment figures differ across these countries. Measured unemployment is significantly higher in upper middle-income countries than in low-income and lower middle-income countries. In low-income countries, which mostly do not have social safety nets for the unemployed, (young) people simply cannot afford to be unemployed. They have a job, but often work less than full time and in poor working conditions, earning barely enough to survive. They are underemployed, rather than unemployed, which means that they are not included in the unemployment figures.

Private sector involvement in wage employment shows marked differences between these countries. According to Fox & Thomas (2016), the share of public wage employment (as a share of all wage employment) is highest in resource-rich countries. In non-resource-rich countries, most wage jobs are created by the private sector. This generates a rather worrying picture when it comes to employment creation in fragile settings, where private-sector development is almost absent, the informal economy tends to be large, and the government is either absent or not capable of providing the usual state functions, including supporting private-sector development. At the same time, the private sector is not keen to invest in fragile situations and local micro, small and medium-sized enterprises (MSMEs) may not be eager to grow because of possible clashes with (or capture by) elites (Hoffmann & Lange, 2016).

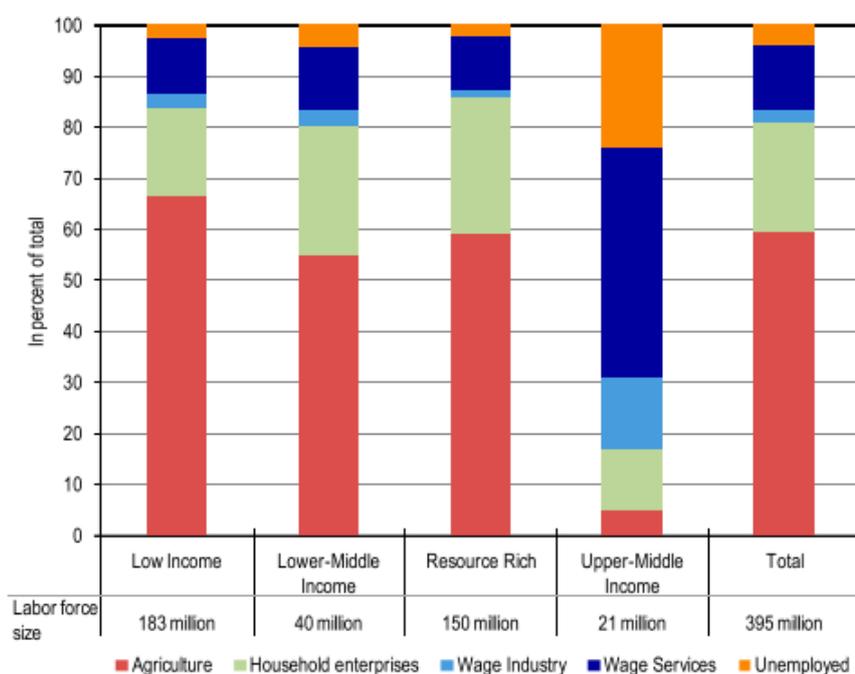
2.1 Structure of employment in African labour markets

Fox et al. (2013) use a four-fold categorization of employment to analyse where people in Sub-Saharan Africa were working in 2010 (Figure 1), where jobs will be created in the coming years (Figure 2), and where new labour market entrants are, or will be, working in 2020 (Figure 3). Given the current labour market structure, there are limited opportunities for formal wage employment for Africa's labour force. Figure 1, shows that in 2010 roughly 16% of the labour force in Sub-Saharan Africa was employed in formal wage jobs, either in services or industry. There are, however, considerable differences between countries. Formal wage employment is much lower in low-income (roughly 10%), lower middle-income (15%) and resource-rich (10%) countries than in upper middle-income countries (60%). In the latter, informality is an exception; as shown in Figure 1, only 18% of the labour force in upper middle-income countries were employed on informal family farms or in household enterprises (Fox et al., 2013).

The number of wage jobs is projected to increase. To an important extent, this is due to the expected increased importance of off-farm segments of the food system, which in many countries account for a large share of the economy's manufacturing and service sectors (Townsend et al., 2017). In the industrial sector, wage jobs are expected to increase by up to 55% by 2020. However, as this is from a very low base, the contribution of this sector to the total number of new jobs is still rather low at 4%, compared to 45% for household enterprises

(Filmer & Fox, 2014). Due to its low starting point, growth in the formal wage sector will not create enough jobs to absorb all the young people entering the labour market each year in the short term – not by far, as the number of people entering the labour market is increasing more rapidly than the number of jobs. On average, wage employment in the industrial sector will increase to 4.5% of all employment and wage employment in the service sector from 13 to 22%, with the large majority of people still working on family farms or in household enterprises (Figure 2). In this context, the notion of a formal wage job as a pathway out of poverty is beyond the reach of many (young) people. In the short term, informal employment will be the norm; formal wage employment is expected to be the engine of employment and growth only in the medium to long term (Fox et al., 2013).

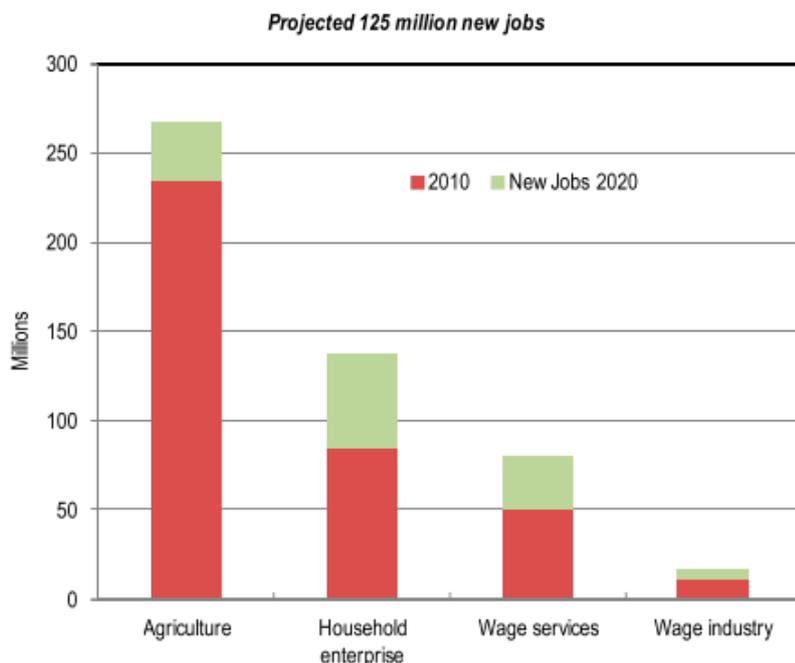
Figure 1. Sub-Saharan Africa: estimated distribution of employment by country type and sector, 2010



Sources: Country household surveys; IMF, African department database; and authors' calculations.

Source: Fox et al., 2013

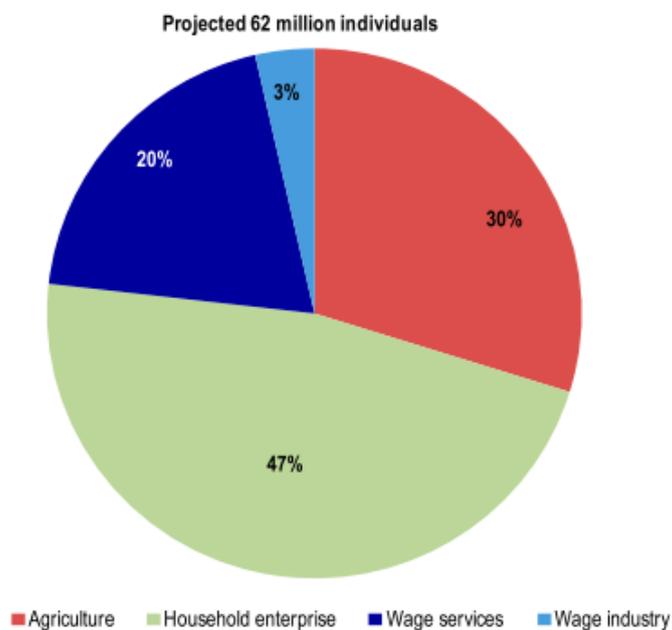
Figure 2. Sub-Saharan Africa: net new jobs by sector, 2020



Source: Authors' calculations.

Source: Fox et al., 2013

Figure 3. Sub-Saharan Africa: gross job flows, 2005–2010 (% of new entrant individuals)



Source: Authors' calculations.

Source: Fox et al., 2013

2.2 Economic sectors driving growth

2.2.1 Agriculture

As shown in Figure 1, in 2010, in low-, lower middle-income and resource-rich Sub-Saharan African countries, agriculture was the primary source of employment and income. In Sub-Saharan Africa's rural areas, 68% of income is generated by farming, 23% from rural non-farm activities and 8% from transfers (World Bank & International Fund for Agricultural Development, 2017). As the majority of the population in low- and lower-middle income Sub-Saharan African countries live in rural areas and will continue to live there for the foreseeable future, agriculture will remain the largest source of employment and income, at least for the next decade (Yeboah & Jayne, 2016). This applies especially to youth and women. The sector, thus, offers the highest potential for employment creation in the short-term. By 2020, roughly 35 million new jobs will be created in agriculture (Figure 2) and 37% of new labour market entrants will be working in agriculture (Figure 3). It is, therefore, not surprising that a number of studies document that growth in agriculture is two to three times more effective at reducing poverty than growth in other sectors, and this is especially true for the poorest (Christiaensen & Martin, 2018).

When assessing the potential to further boost employment opportunities in this sector, it is important to consider in more detail the 'productive' nature of employment in agriculture. Levels of remuneration are generally low due to low productivity and seasonality (Aggarwal, Francis, & Robinson, 2018). These factors are compounded by the challenges of market access in rural Africa and high post-harvest losses due to weak or lack of acceptable storage technologies and facilities, among other things.⁷ Further, with the low levels of irrigation, seasonality (coupled with increasingly erratic weather patterns) also affects the stability of incomes, especially in countries with one rainy season. In addition, due to the low levels of mechanization, agriculture is often associated with hard physical labour, making the sector unattractive to educated youth.

To realize the employment generating potential of agriculture there is a need to improve agricultural productivity.⁸ Raising the productivity of agriculture will, in turn, raise the incomes of farmers and, thus, boost

⁷ While the agricultural sector is commonly portrayed as inherently less productive than other sectors of the economy (i.e. manufacturing and services), when controlling for the number of hours worked, agricultural labour productivity is relatively similar to other sectors (World Bank & International Fund for Agricultural Development, 2017). The main impediment to agricultural productivity is the sector's seasonality, meaning that people employed in agriculture work substantially fewer hours per year than those primarily engaged in non-agricultural activities.

⁸ Raising agricultural productivity is not only important to boost productive employment, it is also needed to decrease Africa's food import bill (expected to reach USD 110 billion by 2025) and to successfully transform an economy from an agrarian to a modern economy with low poverty rates (Allen et al. 2016, p. 41). For that reason, agriculture is perceived as a top priority sector by various regional institutions, including the African Union, the United Nations Economic Commission for Africa (UNECA) and the African Development Bank. For example, the African Development Bank is investing USD 24 billion in agricultural development over the next 10 years (see the *Foresight Africa* report, Ndung'u et al., 2018, p. 16).

local demand for non-agricultural products and services (Benin, 2016; McCullough, 2017; Townsend et al., 2017). Also, raising the productivity of agriculture should reduce the price of food, especially in African cities, which will again raise real incomes and, thus, demand for all other goods. A reduction in food prices, other things being equal, should reduce poverty, especially as food constitutes a large share of poor households' total expenditure. As a result, more jobs will be created in the off-farm enterprises that provide these goods and services, both in and outside the food system. These multiplier effects can be large. Townsend et al. (2017) report that, for example, in Ethiopia, each USD 1 of output generated in agriculture stimulates a further USD 1.23 in economic activity in other parts of the economy, 40% of which is production related (indirect employment, demand for agricultural inputs, increased food processing) and 60% of which is increased spending on non-agricultural goods and services (induced employment). Increasing incomes also improves the appeal of the sector to youth, as it means that they can obtain higher returns from their labour (Yeboah & Jayne, 2016).

How to increase agricultural productivity?

Productivity growth in African agriculture has mainly been driven by the expansion of land under agricultural production (Benin, 2016). As less 'new' land is available, agricultural productivity will have to be increased by making better use of the land, for example, by applying (organic) fertilizers, pesticides, improved seeds, irrigation and other technologies (Christiaensen & Demery, 2017; Minot & Sawyer, 2016; Townsend et al., 2017). Research on the [avocado sector in Kenya](#) has found, for example, that better use of inputs in modern value chains enhances farmers' income (C Mariara, 2017). With substantial heterogeneity in agro-ecological conditions, the programmes promoting agricultural productivity in Africa need to deliver location-specific technologies that are tailored to the relevant agro-ecological conditions and production systems, as well as take into account the profile of the farmers. In [Tigray, Ethiopia](#), for example, INCLUDE research found that agricultural input coupons increase the purchase and use of hybrid seeds more than the availability of weather index insurance, while in [northern Ghana](#) farmers who are insured against low rainfall are more likely to use new agricultural technologies (Karlan, Osei, Osei-akoto, & Udry, n.d.; C Wong, 2017).

Which agricultural sub-sectors to prioritize?

The current state of agriculture, including its seasonal nature, as well as the conditions of the wider economy and labour market, determine which agricultural sub-sectors need to be prioritized in each specific country. This implies targeting sub-sectors for which demand is stable and which have a strong potential to grow. In many countries, the purchasing of food and food consumed away from home are becoming increasingly important, and this will promote employment creation in agro-processing and the broader food system (Allen et al., 2016). Contrary to common wisdom, this is not merely an urban phenomenon. A recent study by

Tschirley, Reardon, Dolislager and Snyder (2015) found that more than half of the middle class in eastern and southern Africa live in rural areas. And it is the middle class who are increasingly purchasing food, rather than producing it themselves (48% of food expenditure) and who are increasingly consuming processed goods and perishable products. These are mostly produced locally and, thus, signify a demand for rural products (not imports) that goes beyond grains and staples. With expected increases in per capita income and changing dietary patterns, the demand for jobs in off-farm segments of the food system will continue to increase, creating jobs in food preparation, marketing, manufacturing and transportation (Townsend et al., 2017). In fact, in relative terms, employment in the off-farm segments of the food system is growing much more rapidly than employment in farming. However, the growth is from a lower base and, thus, the absolute contribution to new jobs in off-farm employment is smaller than that of farming as such (Allen et al., 2016).⁹

In Rwanda, for example, fresh produce (fruit and vegetables), poultry and dairy are promising. These sectors are less seasonal and offer strong growth prospects for farmers, as local demand for each is growing rapidly and export possibilities are strong (Allen et al., 2016). In other Sub-Saharan African countries, however, food staples still dominate the overall food system, and, in such contexts, the food staples sub-sector has the most potential to enhance employment when productivity increases.¹⁰ Additionally, farm diversification (into products that have different labour demands at different times of the year, or more constant labour demands throughout the year) will enhance rural productivity as it reduces seasonal underemployment in agriculture (Townsend et al., 2017).

For youth specifically, low entry barriers are key. A study by Dalberg Global Development Advisors, Mastercard Foundation and Save the Children (2013) on economic opportunities for rural youth in Egypt, Ethiopia, Uganda, Malawi and Burkina Faso found that small-scale simple processing of products such as grain, vegetables or fruits are, in general, more viable for youth than the more complex systems required for processing meat products.

Guaranteeing the multiplier effects

The extent to which raising agricultural productivity results in the hypothesized multiplier employment effect depends on the physical infrastructure as well as the organization of agriculture. Investments in infrastructure are crucial. This includes railways, water management, electricity, communications, logistics (including post-harvest losses) and roads. [INCLUDE research on feeder road development in Ethiopia](#) indeed shows that

⁹ For example, in Rwanda, the broader food system accounts for only 8% of jobs and 11% of job growth, which is about one-third that of farming.

¹⁰ However, employment effects in non-staple crop segments will likely be larger (Townsend et al., 2017, p. 9).

increases in agricultural productivity can be significant and that such indirect effects of rural road construction are in fact larger than the direct employment effects of building the road (Leung, 2018).

The realization of productive employment effects also depends on the land relations and labour conditions in the specific farming model used. In a recent comparison of farming models in [Kenya, Ghana and Zambia](#), commercial farming and contract farming were found to promote most local economic linkages, generating indirect employment, while plantations/estates were found to produce more direct jobs, although of low quality and mostly casual (Hall, Scoones, & Tsikata, 2017). The INCLUDE study on [the avocado value chain in Kenya](#), as well as a review study on 17 [contract farming schemes](#), also document important income advantages for smallholder farmers in contract farming, with incomes increasing by between 25–75% (Mariara, 2017; Minot & Sawyer, 2016). Yet, contract farming remains limited in scale. For most developing countries, the proportion of farmers involved in contract farming is probably in the range of 1–5%. Minot and Sawyer, therefore, argue that more contract farming is viable, especially in value chains for fruit and vegetables for quality-sensitive markets, commercial dairy and poultry production, and certain cash crops (for example, tea, tobacco, sugarcane and cotton).

However, concerns regarding the quality of employment generated in the agricultural sector, especially in commercial agriculture, are widespread. Whether such employment is productive needs to be assessed on a case to case basis. A study on work in the cut flower industry in Ethiopia by Suzuki, Mano, & Abebe (2018), for example, found that production workers in the cut flower sector earn significantly more than similar workers in other sectors, most probably due to the flower farms' interest in reducing costly worker turnovers. In addition, workers in the sector save more regularly and higher amounts than workers in other sectors who have similar characteristics. The subjective valuation of their jobs is also higher in the cut flower sector, particularly in terms of income level, stability, and future prospect, but workers in the sector are not necessarily more satisfied with the type of work they do. Unlike other sectors where wages increase with the worker's age, wages in the flower sector do not vary with age. Risk-averse individuals are more satisfied in the cut flower sector, while work experience reduces the satisfaction level in terms of future prospects more than in other sectors.

The [INCLUDE research project 'Productive Employment in Segmented Markets'](#) reports that Kenyan avocado farmers in contractual arrangements set up by the private sector benefit in terms of higher prices, training and certification. Export companies pay twice as much per piece of avocado as brokers (middle men) (Mariara, 2017). Also, the project found that 44% of the farmers with a contract had been trained in avocado farming,

compared to 7% for non-contract farmers. Global good agricultural practice (GAP) certification was virtually non-existent for non-contract farmers (1%), but reached 19% among contract farmers.

2.2.2 Industry and manufacturing

For a long time, industrialization gained relatively little attention in debates on Africa's economic development, as industrialization-led transformation has not taken off in most African countries (Lavopa & Szirmai, 2012). The structure of employment in Sub-Saharan Africa is different than it was in the 'Asian tigers' at the time of their transformation. In these countries, the share of the labour force employed in wage industry increased significantly at the expense of agriculture. Overall, in Sub-Saharan Africa, the share of the labour force employed in agriculture has also declined over time, with people increasingly working in low productivity services sector (mostly household enterprises), rather than the manufacturing sector (Allen et al., 2016).

Although production, employment, trade and foreign direct investment (FDI) in the region's manufacturing sector have actually [increased](#) in real terms over the past decade, the overwhelming consensus is that Africa has experienced deindustrialization (see, for instance, Economic Commission for Africa, 2014, 2015; Newman et al., 2016; Te Velde, 2016). Such general statements point to significant cross-country differences. To recall Figure 1, in low- and lower middle-income Sub-Saharan African countries, only roughly 2–3% of the labour force are employed in industry, compared to roughly 15% in upper middle-income countries in Sub-Saharan Africa. Fox et al. (2013) expect that, in 2020, relatively few new jobs will be created in industry (see Figure 2). It is, therefore, safe to conclude that, with few exceptions, in the short term the manufacturing sector bears little promise for creating large-scale employment in Sub-Saharan Africa.

Yet, there are signs that manufacturing and industry will become more important in the future and, thus, in the medium and long term manufacturing has significant potential to create jobs.¹¹ Agro-processing, for example, is touted as a way to reduce Africa's food import bill, while rising wages in China create opportunities for Africa to attract the affected industries owing to relatively low labour costs. There are, however, at least two challenges in this regard. First, Africa has to compete with East Asia for these industries. Second, the increasing automation of production potentially presents new challenges for employment creation in Africa. The 4th Industrial Revolution emphasises labour-saving technologies that require ICT skills, which reduces the importance of low labour cost advantages.

¹¹ However, there is growing consensus that manufacturing in Africa will not play the same role it played in Asia (large-scale employment creation), in part due to the growth of labour-saving technologies (so-called 4th Industrial Revolution). Africa will, therefore, need to develop other 'manufacturing like' sectors such as horticulture, tourism, etc. to support structural transformation in the region (see, for example, Newfarmer, Page and Tarp, forthcoming).

Industrialization is a critical component of structural economic transformation. It not only creates direct jobs and has the potential to reduce inequality (Sen, 2018), it also has the potential to generate multipliers; for example, it is estimated that every 1 job in manufacturing creates 2.2 jobs in other sectors. For that reason, various regional African institutions see industrialization as a top priority, and the AfDB is investing a total of USD 40 billion (16 billion more than investments in agriculture) over the next 10 years to raise Africa's industrial outputs (Ndung'u et al., 2018). Initiatives to generate this potential include the AfDB's [industrialization strategy](#), the development of agro-industry, [trade-induced industrialization](#), and the emphasis on [greening industrialization](#) (the development of industries with a low carbon footprint) (African Development Bank, 2018; Economic Commission for Africa, 2015, 2016).

Small and medium-sized enterprises (SMEs) that engage in agro-processing and manufacturing are the most critical for employment creation and, thus, poverty reduction, given their relatively high labour intensity. Indeed, Christiaensen and Martin (2018) found that growth in agro-processing has a poverty reducing effect that is similar to growth in agriculture. This makes promoting SMEs central to economic development in Africa. In particular, raising productivity in existing SMEs will be key to boosting employment creation in this sector, as well as the growth of these SMEs. Many enterprises continue to use archaic machinery and equipment (old production plants, old vehicles, etc.), which require frequent repairs, increasing the downtime of the equipment and negatively impacting on productivity and (employment) growth. Similarly, power outages negatively impact on firm sales and productivity, with disproportionate impacts on SMEs, many of which cannot afford standby generators. In particular, reducing average hours of power outage levels to those of South Africa would increase the sales of firms without a generator in Sub-Saharan Africa by 85%, while reducing the number of outages to the level of South Africa (about 73% reduction) would lead to sales increasing by 117% for firms without a generator (Cole, Elliot, Occhiali, & Strobl, 2018). Investments in infrastructure, including power supply, providing capital (retooling) incentives, as well as vocational and high-level technical education, are among the key policy interventions that could enhance the productivity of SMEs.

With the right policy interventions, industrialization in Africa can provide the much-needed productive jobs to absorb youth and women. However, although there is large potential for industrialization in Africa, this does not necessarily ensure high-quality jobs. Therefore, government investments (through, for example, incentives) in wage employment in industry should consider the type of jobs to be created. As addressed in the [APD on 'Youth Employment in Mozambique's Extractive Sector'](#), high-quality vacancies in the extractive industry (especially in the north) are often filled by foreign employees (partly due to skills mismatches with local workers) (Miroro, 2016b). Moreover, a recent study by [Blattman & Dercon](#) (2017) in Ethiopia shows that wage jobs in industry may not be the preferred option for the majority of people looking for work. Due to poor

working conditions, after one year of manufacturing employment, about a third of factory workers quit their jobs to go back to agriculture or household enterprises. Although factory workers appreciated the stability of the income they receive, the level of income for factory workers is not higher than the income earned by those who did not get a factory job, while the health risks are twice as high.

2.2.3 High value services

The services sector “[holds tremendous economic promise](#)”, as on average, the sector contributes almost half of the continent’s output (Davis, n.d.). In fact, the modestly declining share of labour in agriculture has been accompanied by a high labour share in service-related sectors (Yeboah & Jayne, 2016). There are, however, significant differences across countries in the size and quality of employment in this sector. As can be seen in Figure 1, in low-income, lower middle-income and resource-rich countries, roughly 10–15% of the labour force were employed in the wage services sector in 2010.¹² This percentage is significantly larger in upper middle-income countries, where almost 50% of the labour force works in the wage services sector. In addition, a large proportion of household enterprises are comprised of informal service-related businesses. Fox et al. (2013) (see Figure 2) estimate that, by 2020, roughly 30 million new jobs will have been created in the wage services sector and another roughly 55 million jobs in informal household enterprises, of which a considerable portion entail services. Furthermore, they estimate that between 2010 and 2020, 21% of new labour market entrants will be working in the wage services sector (Figure 3).

While the services sector has grown over the years and accounts for a substantial share of GDP for many African countries, it is worth pointing out that the kind of structural transformation observed in low and middle-income countries in Africa has, thus far, not been a value enhancing transformation and has been associated with increased inequality (Sen, 2018). Most of the services are low value services, and the majority of people engaged in the provision of these services are in vulnerable employment (see, for example, in [Mozambique](#) and [Uganda](#),_Ahaibwe, Mbowe, & Lwanga, 2013; Golubski, 2016). Sustainable structural transformation requires the movement of labour from low productivity activities to high productivity activities. There is, therefore, a need for African countries, firstly, to invest in high value services and, secondly, to implement measures to raise the productivity of the informal services sector. Generally, high value services

¹² Notably, in Ghana, employment in the services sector grew from 25% in 1984 to 41% in 2013. The mapping of employment in Ghana shows that the growth of the Ghanaian service sector started as a consequence of the 1983 economic reform towards a private sector-led economy and the subsequent movement of labour to the private sector. However, due to lack of skills, many former public sector employees ended up in informal work in the service sector. Within the informal sector, many people work in trade. More recently, technological change has increased the demand for labour in the Ghanaian services sector.

are skills intensive, which calls for greater investment in education and training, as well as the necessary infrastructure (e.g. broadband, 4G, 5G networks, etc.).

Services to export

Several countries are performing well in the export of services, for example, business services, finance, and transport in Mauritius; business services, communications, and finance in Senegal; and communications, distribution, and transport services in Tunisia. These countries have implemented country-specific policies that have created a more enabling business environment for service exports and currently export a much higher level of services than most other countries (World Economic Forum, 2017).

Creative industry

Another labour-intensive high-growth sector is Africa's creative industries, ranging from music to films and [African fashion](#) (Gregorio, 2017). Hundreds of thousands of tailors and designers, most of them operating in the informal sector, are producing unique clothes, ties, shoes and accessories with a visible 'made in Africa' brand for the growing middle class. To help [strengthen Africa's fashion industry](#), The AfDB launched a pan-African programme called '[Fashionomics](#)' in 2016, with a focus on MSMEs (African Development Bank, n.d.; Fashionomics Africa, n.d.).

Tourism¹³

The tourism sector bears great promise for growth and job creation in Africa. Africa is endowed with spectacular scenery and unique wildlife, but despite these riches tourism is underexploited on the continent. In Sub-Saharan Africa, the direct contribution of tourism to GDP in 2017 was USD 43.7 billion (2.7% of GDP) (World Travel & Tourism Council, 2018). Only a few countries have been able to exploit their natural resources to an appreciable degree. These include Mauritius, where tourism is one of the main growth drivers, with a direct contribution of 8.4% to GDP in 2016, and foreign exchange earners, contributing 30% of total exports between 2011 to 2014 (United Nations, 2017); Seychelles, with tourism accounting for 22.0% of GDP (World Travel & Tourism Council, 2017b); Kenya, where tourism accounts for 3.7% of GDP and 3.4% of employment (World Travel & Tourism Council, 2017a). As Newman et al. (2016) note, tourism exhibits manufacturing like characteristics and, if managed well, could be a growth sector for Africa. The sector is labour intensive and there is significant scope to raise productivity and, thus, incomes. Further, and unlike manufacturing, substitution possibilities are limited as different countries offer different attractions, suggesting the sustainability of the sector.

¹³ The World Travel and Tourism Council reports the contribution to GDP as 'direct' and 'total' (which includes wider effects from investment, the supply chain and induced income impacts).

ICT

The digital economy holds much promise for employment creation. African countries are just starting to enter this market, as both providers and clients, and there is room for expansion. Indeed, the ICT sector in Sub-Saharan Africa has recorded phenomenal growth in the past two decades and has provided the main boost to the services sector, as described above. In many countries, the telecommunications sector has been liberalized and national expenditure on ICT infrastructure is growing. This has lowered the costs of information, communication and services, which has, in turn, led to the expansion of, and increased access to, Internet and mobile telephony services across the continent.¹⁴

The digital economy is one of the three focus sectors in the [AfDB's 'Jobs for Youth in Africa Strategy'](#). As such, the AfDB estimates that the mobile sector creates over four million direct and indirect jobs in Sub-Saharan Africa (African Development Bank, 2016a). Illustrative of the potential of direct employment generation, funding for technology start-ups in Sub-Saharan Africa increased almost tenfold between 2012 and 2014, and the online outsourcing industry is expected to employ at least 30 million registered workers by 2020. Especially Kenya, Rwanda, Senegal, and South Africa have vibrant ICT-based services sectors (Ndung'u et al., 2018). To enhance entrepreneurship in the digital economy, governments, civil society organizations and private sector firms are supporting technology-based incubation hubs. Estimates show that 314 [technology hubs](#) have been established in 42 African countries (GSMA, n.d.).

Several African governments are making substantial investments in ICT-enabled job creation. For example, Kenya is [increasingly being seen](#) as an emerging ICT hub, with global ICT firms such as Google, IBM, Cisco, Microsoft and Oracle having their regional offices in Nairobi (Miroro, 2016a). Due to enthusiasm about the potential contribution of ICT to job creation and efficient public service delivery, Kenya has pursued several initiatives to leverage this potential, for example, aimed at ICT skills training and development (see, for example, [Konza Technology City](#)) and in support of hubs and incubators (see [this INCLUDE policy brief](#) for an overview) (Konza Technopolis, n.d.; Miroro, 2016a). In a similar vein, Nigeria has established the [ICT University](#) (Rockefeller Foundation, 2013).

INCLUDE's research project on '[Multipliers for Employment Creation in the IT Sector in Kenya](#)' investigated how such ICT hubs contribute to productive employment (Barkema, 2018). The project shows that ICT has a

¹⁴ Some recent articles on technology in [African Business Magazine](#) are evidence of the increasing role of ICTs, including: 'Going the last mile for fibre optics', 'Africa's telecoms sector comes of age', 'M-Kopa lights up East Africa', 'Rwanda: medical drones take off to save lives', and 'Could drone technology help Africa overcome developmental challenges?'.

high potential to contribute to employment creation, when innovation is accompanied by skills-training, mentoring and takes into account the background of the entrepreneur. Young middle class entrepreneurs generally have more time than other youth to develop a concept and see it through to prototype and market. On the other hand, youngsters from the slums, and survival entrepreneurs are typically cash stressed and, thus, focus on generating income immediately, which sometimes results in poorly-executed innovations. However, with proper guidance, support and role models, these youth can become growth-oriented entrepreneurs. This is especially the case if they attribute the causes of failure to themselves, rather than blaming external circumstances and, intriguingly, if social support from family and close friends is low, requiring self-reliance or more 'distant' business support networks (bridging economic groups).

Despite this potential and actual growth, there is also concern about the scale and quality of employment in this sector. In terms of numbers, there are simply more high potential youth entering the workforce each year than there are new digital jobs being created; in addition, international private sector demand, through impact sourcing, for example, develops only slowly (Biteye, 2017; Rockefeller Foundation, 2013). With the current number of digital jobs and number of youth entering the labour market, the Institute of Development Studies (2016) estimates that the digital economy is creating a job for, at best, 1 in 50 young people. And with most of the jobs being created in [the low-cost labour segment](#) for the delivery of digital product or services, there is also concern about the quality of the jobs being created, including the vulnerability of these jobs in the international context (Adolwa et al., 2017). The real long-term benefit of digital jobs is not in the delivery of digital products or services, but in digital design, creation and engineering. However, the majority of African youth are not trained in designing ICT innovations. At present, ICT is estimated to represent only 1–3% of university enrolments in Africa, which is fewer than 200,000 students and far below expected needs (African Development Bank, 2016a).

The ICT sector is not only important for creating new jobs (digital jobs) directly, but also indirectly, by reducing transaction costs and enhancing the efficiency and productivity of other sectors, as well as through inclusion in financial markets for savings, credit and insurance (Adolwa et al., 2017). The Rockefeller Foundation (2013) estimates that ICT applications may reduce the costs for businesses by up to 40%. In Kenya's horticulture subsector, the [African Policy Dialogues](#) on employment creation recommend the application of modern, appropriate and local technologies to reduce the costs that farmers incur in production and create more jobs in local value chains (Kangai & Gwademba, 2017). Moreover, [in the sugar sector](#), the modernization of technologies used in production, transportation and milling is critical to cost reduction in factories and incomes for farmers (Odhiambo & Muange, 2017). As found by the [WOTRO/INCLUDE research group on 'Productive Employment in Segmented Markets'](#), access to ICT will also benefit agricultural productivity and,

hence, prospects for rural youth (C Mariara, 2017), as it enhances their access to markets and reduces transaction costs, thereby raising agricultural productivity and overall food system efficiency. To reap the full benefit of these services, connectivity, affordability and accessibility of services are essential, especially in rural areas. However, poor ICT infrastructure and a lack of basic literacy and numeracy skills may exclude particular groups, such as rural women in [Uganda](#), from using ICTs (C Romijn, 2017; World Bank, 2016a).

Informal service sector

With the low levels of formal wage employment, self-employment in informal household enterprises (also called micro and small-scale enterprises) is a necessary alternative to generate income. Informal household enterprises are a key component of most Sub-Saharan Africa economies, contributing 25–65% of GDP. As shown in figures 1–3, in 2010, roughly 20% of Africans worked in household enterprises, either service or non-service related businesses, and, by 2020, roughly 45% of total new jobs will be created by household enterprises (Fox et al., 2013). For youth without education and skills struggling to find a wage job, household enterprises are a viable short-term alternative. In urban areas this applies to both women and men. In contrast, in rural areas, women are underrepresented in household enterprises in comparison to men. Engagement in household enterprises is either a full-time activity or part of a mixed livelihood strategy.

Most household enterprises are survivalist enterprises and, as such, new jobs in this sector are mostly new enterprises, rather than existing enterprises growing and creating employment. According to Mwanza (2015), Africa has the worst start-up ‘discontinuation rate’ at 14%, compared to 5.4% for Latin America, 4.1% for North America and 3.9% for Asia. Hence, effective short and medium-term employment strategies must recognize and support household enterprises to become more productive, improve working conditions and grow. This includes a conducive business environment (see section 4) and investments in basic education and skills-training, as well as access to financial services, land, markets, and market information (c.f. Benjamin & Mbaye, 2012; Betcherman & Khan, 2015; International Monetary Fund, 2017; Kluge et al., 2017). This is discussed in more detail in section 3.

2.2.4 Infrastructure and construction

Infrastructure projects create jobs directly as well as indirectly and programmes such as the AfDB’s [Programme for Infrastructure Development in Africa](#) emphasize the importance of infrastructure investment for Africa’s transformation (African Development Bank, 2016b). The direct effect concerns the sector’s own absorption power, e.g. its ability to provide jobs in the design, construction and maintenance of infrastructure projects. The indirect effects on employment creation span a broad range of sectors, for example, better infrastructure enhances productivity in agriculture and extractive industries and also creates opportunities in the

transportation and service sectors. The contribution of trade and transport services to growth are, thus, also high (Christiaensen & Martin, 2018).

Measuring the (employment) effects of infrastructure projects, especially the indirect employment effects, is difficult and [methodologically challenging](#), but increased academic attention and long-term research has gradually shed light on the matter (Khandker, Bakht, & Koolwal, 2006). The INCLUDE research project on [feeder road development](#) in Ethiopia found that the scale of direct employment creation by rural road construction is small, while the indirect impacts of road development are significant (Leung, 2018). This is confirmed by [results](#) from Dutch feeder road projects in Rwanda and Benin, which indicate positive impacts on rural economic development, because of lower transport costs, increased agricultural production, increased ease of importing food and supplies, and increased accessibility of health and education facilities (Consultants for Development Programmes, 2010). [Research](#) in Ghana suggests that making roads suitable for motor vehicles has led farmers to switch from subsistence farming to the production of high-value crops, leading to the growth of rural incomes and a decrease in poverty (Knox, Daccache, & Hess, 2013).¹⁵ In addition, the roads provide better access to public assets such as water, electricity and sanitation. In Bangladesh, road improvement increased per capita consumption by 8–10% and reduced extreme poverty by 1% per annum (Khandker et al., 2006). A study in [Uganda](#) documented differential rates of return on investment in different types of roads, with (feeder) road development generating the highest rate of return in terms of the agricultural output generated and poverty reduction (Fan & Chan-Kang, 2004). Depending on the time horizon considered, road investments may outperform investments in other sectors, such as education and health, at least in the short term.

The opportunities offered by new road connections are, however, not equally distributed. Benefits may differ according to people's position in relation to the road, their access to land and markets, and their socio-cultural background. The project on [feeder road development](#) in Ethiopia identifies several constraints on inclusive impacts (Leung, 2018). First, due to insufficient means of (cheap) transportation, such roads only enhance access to markets for people who have access to transportation. Second, people with sufficient land to produce surplus food will have an advantage when it comes to transporting bulk food to urban markets. Third, feeder road development might [exacerbate gender inequalities](#) (Leung, 2018). In Ethiopia, a significant proportion of the poorest households in the region are female-headed. As the women heading these households are less mobile due to responsibilities around the home, they are unable to benefit from all of the potential advantages the roads offer to others in the community. Fourth, the construction of feeder roads has

¹⁵ Such results also followed from [feeder road development in Peru](#), where households that have access to newly-established motorized roads saw their annual income increase by more than 35% (Escobal & Ponce, 2002).

environmental and health effects, due to increased water runoff and dust, which especially affects people living close to the road.

Hence, households enjoy different gains from new feeder roads, and this could very well increase, rather than decrease, existing inequalities. Roads by themselves do not address inequalities (see also [World Bank, 2018](#), which signals that benefits from rural roads do not always flow immediately to the poorest households). These inclusion challenges may, however, be curbed by [additional interventions](#) to ensure that everyone, including vulnerable groups, can make use of the infrastructure (Leung, 2018). Such interventions include the provision of affordable public transport, local market development, gender-sensitive investments, as well as measures to reduce the health and environmental risks, such as tree planting. It should be noted that such measures could give an additional boost to the indirect employment effects.

To sum up, the different economic sectors discussed in this section all have the potential to drive economic growth and employment creation in Sub-Saharan Africa. Yet, each sector faces its own challenges, which vary from country to country. Growth in agriculture, agro-processing and trade and transport, in that order, has the most impact in terms of reducing poverty.

A key issue concerning the employment potential of each of the sectors discussed, is the productive nature of the employment created, which concerns the level of remuneration, the stability of income as well as the working conditions. These different dimensions of productive employment also affect the choices that people make in the job market, and increasingly so due to increases in levels of education and aspirations. This may result in a situation in which, despite high levels of unemployment, formal sector workers may quit their jobs because the working conditions in that sector are not conducive. It is, therefore, important not only to consider how and where new jobs can be created, but also to understand what the needs and aspirations of the labour market entrants are. This starts with recognition of the heterogeneity of the labour force. These issues will be discussed in the next section.

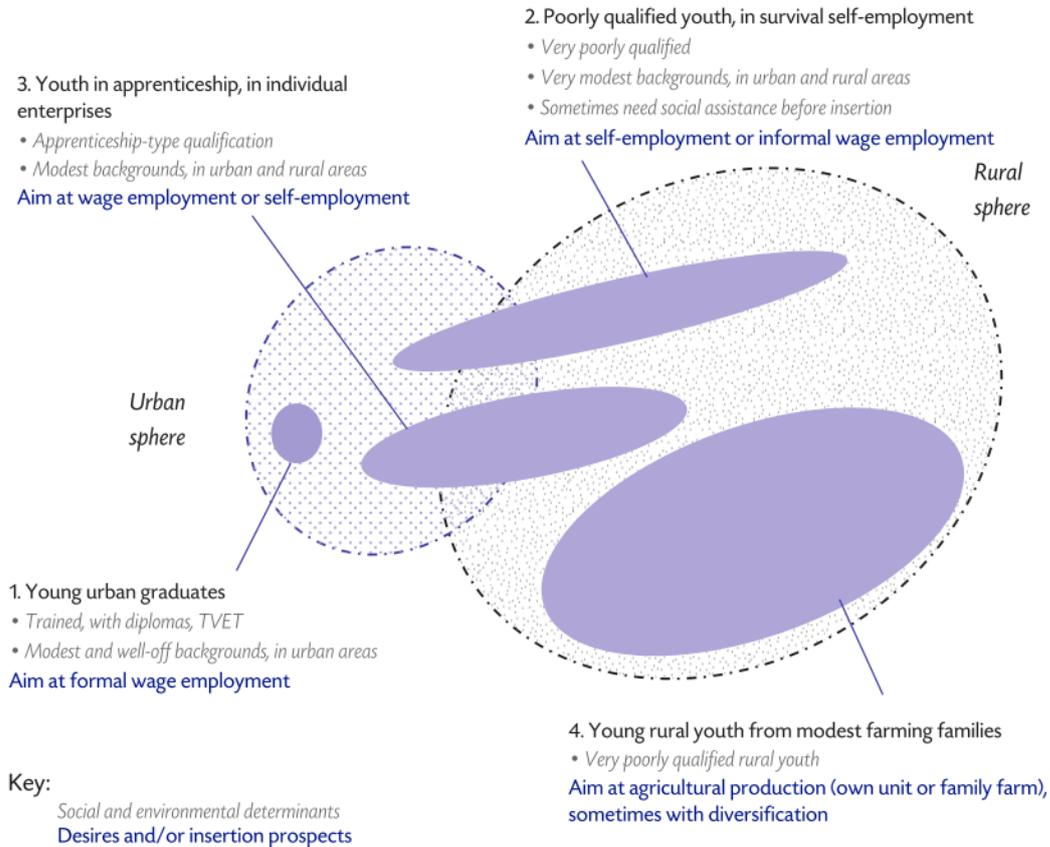
3. Dynamic entrepreneurship: the employability and characteristics of labour market entrants

To determine appropriate policies and priorities for productive employment, it is not only important to understand the nature of employment in a particular country, but also to look at the employability of the labour force and to recognize that employment aspirations and access to employment opportunities differ for different groups people. It is important to consider to what extent young people and women are disproportionately disadvantaged, and how much this has to do with their being young people or women. Young people, by nature, are less experienced and may have different aspirations and norms when it comes to employment (Miroro, 2016b). Also, youth often lack the social networks necessary to access economic opportunities and potential business partners, which would enhance their bargaining power and, thus, their chances and working conditions on the labour market. For example, the [African Policy Dialogue on 'Youth Employment in Mozambique's Extractive Industry'](#), points out that graduates tend to lack the skills to effectively search for jobs (Miroro, 2016b). Similarly, it is generally difficult for young people to access land. In Ethiopia, for example, where land purchases and sales are prohibited, only 9% of youth in rural areas plan to pursue farming and their decision to pursue non-agricultural livelihoods or migrate to urban areas is mainly determined by lack of access to land (Townsend et al., 2017). As emphasized by [Buvinic, Furst-Nichols, & Pryor \(2013\)](#), these challenges particularly apply to young women (Food and Agriculture Organization, 2014). With fewer years of schooling, social and cultural constraints, and work and customary land systems that are discriminatory against women, the transition from school to the workplace is even more difficult for girls than for boys.

3.1 Youth: different backgrounds and needs

While youth are often discussed collectively in terms of risks, opportunities and the demographic dividend, it is important to recognize the group's heterogeneity, both in terms of the backgrounds and needs. Barlet and D'Aiglepiere (2017) distinguish four types of youth (see Figure 4): rural youth from modest farming families; low-skilled, self-employed youth in urban or rural survival enterprises; young apprentices in rural or urban enterprises; and young urban graduates seeking formal wage-employment. The size and proportion of the different groups is country specific.

Figure 4. Four groups of youth in Sub-Saharan Africa



N.B.: The surfaces (urban/rural spheres, as zones of characterization of the profiles) are for reference only. They are not based on concrete demographic data. Rather, they seek only to propose an indication of the relative significance of the publics concerned, according to the knowledge that the authors of this study have of it.

Source: GRET in-house production.

Source: Barlet and D’Aiglepiere (2017)

3.1.1 Rural youth from farming families

The first group of youth consists of low-skilled young people in rural areas who live and work on family farms. This group represents the largest group of youth in low-income agriculture-based Sub-Saharan African countries. Although precise comparable figures on their distribution according to country type are not available, on average an estimated 70–80% of youth in low-income African countries and roughly 50% of youth in middle-income countries reside in rural areas and work on family farms (Barlet & D’Aiglepiere, 2017; Fox & Thomas, 2016). According to Fox & Thomas (2016), 90% of 15 and 16-year olds contribute to family farming and about 80% of those 24-years and older remain employed in these activities. However, despite the progress made in recent decades in improving access to basic education, rural youth often have low or no education. [The Mastercard Foundation’s ‘Invisible Lives’ study](#) documents how this large group of rural youth often pursue mixed livelihoods (Williams & Pompa, 2017). In Uganda and Ghana, as in other countries, rural youth

often combine informal sector employment, self-employment and agricultural activities.¹⁶ Although agriculture is central, agricultural incomes are often meagre. Diversification can be a successful strategy and social networks are essential for advice and information. In addition, according to a study by [Save the Children and Mastercard Foundation](#), self-employment in rural areas is usually driven by necessity, rather than the opportunities offered by such economic activities (Dalberg Global Development Advisors et al., 2013). Some young people want to leave the rural world and decide to join the city via networks. To offer a perspective on local productive employment to this group of youth, basic education, access to land, technology and finance, and support in building networks are crucial (Barlet & D'Aiglepiere, 2017).

3.1.2 Low-skilled, self-employed youth in urban or rural survival enterprises

The second group of youth consists of low-skilled, self-employed youth in urban or rural areas, who seek refuge in survival economic activities. These young people have limited resources and networks and few employment prospects, other than informal and vulnerable economic activities. These youth constitute a large group, mainly in low-income Sub-Saharan African countries. They come from poor backgrounds in peri-urban and rural areas and are concentrated in disadvantaged communities and neighbourhoods or the slums of large cities. Many of these young people are barely literate due to the low quality of education or early termination of their schooling. They are usually not represented in official employment figures. In fact, as opposed to other groups of urban graduates and young apprentices, this group lacks the education required for most formal wage employment and, due to their precarious background, cannot afford to be unemployed. They, therefore, seek refuge in a range of vulnerable economic activities (Baah-Boateng, 2016).

These young survival entrepreneurs are often very innovative in adopting strategies for diversifying their activities and sources of income, mostly driven by the need to seize all opportunities for survival (Barlet & D'Aiglepiere, 2017). However, their economic activities are often extremely precarious and insufficient to lift them out of poverty. This group is likely to be classified as the 'working poor' (i.e. they do work, but earn barely enough to survive). This group can be helped by investing in basic and vocational education and skills training, as well as by interventions aimed at enhancing their access to employment prerequisites, such as finance and networks (Barlet & D'Aiglepiere, 2017; Kluve et al., 2017).

¹⁶ This is similar for adult rural populations. Across 9 African countries, more than half of rural income (52%) come from crops, 10% from livestock, 6% from wage employment in agriculture, 8% from non-agricultural wage employment, 15% from self-employment and 8% from transfers (World Bank and IFAD 2017).

3.1.3 Young apprentices in rural or urban enterprises

The third group of youth comprises young people who are trained ‘on-the-job’ through formal or informal apprenticeships and employed in informal micro- and small enterprises or in search of wage employment. Often, these young apprentices become an employee in the enterprise in which they have been trained. These youngsters generally aspire to start their own business and such jobs allow them to obtain ‘start-up’ capital (Barlet & D’Aiglepiere, 2017). The majority of these young people come from middle-class or modest backgrounds in peri-urban and rural areas. For this group, it is essential that they have access to training programmes in business models and mentoring, as well as an enabling business climate.

3.1.4 Young urban graduates seeking formal wage-employment

The final group of youth comprises young people who have completed tertiary education (university or technical training) and who are in search of formal wage employment. Across Africa, this group is a minority. Fox and Filmer (2014) estimate that this group represents roughly 5% of the African labour force, although the groups is unevenly distributed across countries and regions within countries. The majority of these young graduates come from middle-class or upper-class households and reside in major or secondary cities (Barlet & D’Aiglepiere, 2017). As such, they can ‘afford’ to be unemployed while searching for a wage job, in contrast to young people from modest backgrounds.

For this group, a key problem is the limited availability of wage jobs, for example, in services, financial or knowledge institutions, logistics, trade, or business. Baah-Boateng (2016) found that in most Sub-Saharan African countries (except for South Africa), higher-educated youth are more likely to be unemployed than those with only a basic education. In Ghana, Mali, Malawi, Nigeria and Uganda it is particularly this group of urban graduates who are overrepresented in official unemployment figures (Baah-Boateng, 2016). Yet, unavailability of jobs is not the only problem that this group faces. Often, universities do not sufficiently prepare them to enter the labour market and, as a result, their qualifications and skills do not match the needs of companies and organizations (Barlet & D’Aiglepiere, 2017). As such, they are forced to give up their aspirations or be unemployed. For this group, it is, thus, essential to ensure that their competences match the needs of the labour market.

Distinguishing between the different types of youth is highly relevant for policymakers as it strongly determines the type of intervention and programmes that will be effective. INCLUDE research on ‘[The IT-Industry in Kenya](#)’, for example, emphasizes this (C Barkema, 2018). The research groups found that entrepreneurs in official incubators with middle-class backgrounds usually have the resources to develop their own business, but they need training programmes for business models and mentoring. In contrast,

Box 2. Gender and employment programmes

Young women are more likely to gain long-term benefits from labour market programmes when programmes not only address their employability, but also relax the social and cultural constraints that they face. Livelihood programmes that combine reproductive health with income generation and asset building show promising results for young women in low-income settings and socially conservative environments. As a result of such programmes, the likelihood of young women being engaged in income generation increased by up to 35%, while pregnancy rates have dropped by up to 30% (Buvinic et al., 2013). For young women it is beneficial to also include access to reproductive health services.

entrepreneurs in resource-constrained settings – ‘survival entrepreneurs’ – often lack resources and above all need access to finance, services, and social networks, as well as additional training, to upscale their business. The [African Policy Dialogue on women’s entrepreneurship and social protection in Uganda](#) also emphasises recognition of different types of women’s enterprises in terms of geographical location (urban, peri-urban and rural) and level of education in developing entrepreneurship development interventions (Guloba, Ssewanyana, & Birabwa, 2017).

3.2 Increasing employability and promoting entrepreneurship

A range of interventions aim to improve employability, whether in self-employment or a formal sector job. A meta-analysis of youth employment interventions by Kluve et al. (2017) found that investing in youth through employment programmes pays off: a third of the programmes studied had positive and statistically-significant impacts. These studies showed that context matters and that interventions work best in lower and middle-income countries. The other two-thirds of the studies showed that intensity and scale are also key. Many programmes are too small to show changes. Importantly, Kluve et al. (2017) found that the design of micro-level interventions has more impact on youth employment outcomes than the type of interventions. In other words, the ‘how’ is more important than the ‘what’. Effective programmes are those that combine multiple interventions (such as skills training, mentoring, and financial access and coaching) and that are designed to equip youth to overcome the obstacles they face in finding a job, thereby taking into account the different types of youth involved and their specific aspirations and needs (Kluve et al. 2017; see also Barlet & D’Aiglepiere, 2017; Betcherman & Khan, 2015; International Monetary Fund, 2017). Barlet and D’Aiglepiere (2017) proposes a professional career trajectory that recognizes that rural youth with little education require different interventions than educated youth in urban areas. In addition, adequate individual profiling, efficient monitoring, results-based management and appropriate incentives are key ingredients to enhance the participation of youth in programmes and ensure the quality of service delivery (see also Kluve et al., 2017). Below we will discuss skills training, cash transfers, entrepreneurship programmes, and programmes to increase access to finance, land and social networks, as well as the evidence on the importance of their interlinkages.

3.2.1 Skills training

Across Africa, there is a skills mismatch. Over half of Africa’s youth do not have the level of education necessary for them to engage in productive economic activities (Elder & Kone, 2014). Even when educated, most youth do not have the right skills required for wage jobs or to successfully start a business. The skills mismatch involves both hard skills (such as vocational, entrepreneurial and ICT skills) and soft skills (such as communication skills, general problem solving skills, ethics, and social skills) (Betcherman & Khan, 2015).¹⁷

This resonates with INCLUDE’s studies on the [ICT sector in Kenya](#), which found that young ICT entrepreneurs who are able to reflect on their failures or who have a strong learning orientation are more likely to make transformational changes in their business models and practices, resulting in enhanced business performance (Barkema, 2018). Also, the [INCLUDE research project on entrepreneurs in Uganda](#) found that confidence and personal skills are important predictors of business innovation (Romijn, 2017). The type of skills needed are context and target group specific. For women, especially rural women with vulnerable backgrounds, basic education (literacy) and soft skills are key (see also Guloba et al., 2017). In addition, young urban graduates need to have the qualifications (and experience) that the market demands. Young apprentices in rural or urban enterprises primarily need entrepreneurial and financial skills to successfully start and grow a farm or non-

Box 3. Education and technical skills

Although school attendance rates have increased rapidly in the past 20 years, a considerable number of children, especially already vulnerable children, still [lack basic education](#) (Van Fleet, 2012). Moreover, the quality of education remains low. In 2012, there were seven African countries in which 40% of children or more did not meet a minimum standard of learning. In countries such as Ethiopia, Nigeria and Zambia, over half of in-school students are not learning basic skills by the end of primary school. Poor learning outcomes translate into weak skills acquisition and low productivity in the workplace. Basic literacy and numeracy skills are, for example, necessary to be able to access and benefit from mobile services and ICT development (Townsend et al. 2017). In addition, tertiary education should incorporate the technical skills required in certain industries, especially industries associated with the key economic sectors. For instance, in Mozambique, the [African Policy Dialogues](#) found that inadequate technical and vocation skills required in the extractive sector prevented many youths from obtaining jobs in the sector (Miroro, 2016b). Similarly, the [African Policy Dialogues](#) on employment creation in the agricultural sector in Kenya found inadequate technical skills among local graduates in the lucrative components of the cut flower value chain, especially breeding and propagation (Kangai & Gwademba, 2017). [School enrolment figures](#) for most African countries still show a large gap in enrolment rates between boys and girls, in favour of boys (Dietz, Vink, & Admiraal, 2017). In order for women to catch up with their male counterparts, there is a need to, among other things, increase the enrolment of girls in education. This is essential to guarantee equal chances for women on the labour market (cf. Pradhan, 2015).¹

¹ Moreover, investing in the education of girls and providing access to family planning also reduces the number of youth in the future by reducing fertility rates.

¹⁷ An evaluation in Togo, for example, compared the impact of a standard business training to a soft skills personality-based training stimulating proactive behaviour, including how to deal with obstacles (Campos et al., 2017). For the informal small entrepreneurs in the study (<50 employees), the soft skills training had a greater short-term impact: they realized higher sales and profits compared to the entrepreneurs who received the standard business training.

farm business. Low-skilled, self-employed, youth in urban or rural survival enterprises need basic education, as well as vocational training and hard and soft skills. This also applies to rural youth. As noted by Kluve et al. (2017), investment in skills training leads to substantial changes in labour market outcomes, especially in the long run.

As stressed in the African Policy Dialogue on [youth employment and income generation in the extractive industries in Mozambique](#), there is a need to engage the private sector in curriculum development for both formal and informal training, in order to equip the youth with the skills that the market needs (Miroro, 2016b). Furthermore, collaboration between the different agencies including civil society organizations (CSOs), the government, and oil and gas firms (or other industrial players) on technical skills development initiatives can enhance the effectiveness of the interventions. According to the Solutions for Youth Employment (S4YE) coalition, demand-driven training interventions that closely involve the private sector are more successful than training interventions that do not include employers (Kluve et al., 2017). With the support of national governments and donors, such trainings can be provided ‘on-the-job’ through internships and apprenticeships. However, it should be recognized that firms often do not provide soft-skills training and, hence, these are best provided by the public sector (in partnerships with donors) or NGOs. In addition, youth who are self-employed in informal household enterprises are excluded from trainings provided by the private sector. Voucher systems that cover informal household enterprises would make such trainings more accessible. Youth in informal household enterprises could also be reached through donor or NGO-funded programmes. Yet, to have long-term impact on the employability of youth and avoid phony qualifications, it is important that such programmes are included in standardized diplomas and institution skills certification (Kluve et al., 2017).

3.2.2 Cash transfers

Cash transfers stimulate employment directly, as the cash receipts are often invested in economic activities (e.g. micro enterprises) and productive assets (e.g. livestock), thereby enhancing earnings. Moreover, cash transfers have positive impacts on the demand for labour as they boost demand for goods and services in the local economy. Such ‘spillover effects’ in terms of income multipliers [range from 1.08 to 2.52](#), meaning that for every 1 dollar transferred the average income in the local economy grows from between 1.08 to 2.52 dollars (Baxter, Hastings, Law, & Glass, 2015).¹⁸ In addition, through a [diverse set of indirect impacts](#) (such as household expenses on education, nutrition or healthcare), cash transfers enhance the employability and/or productivity of recipients, including youth (Van Kesteren, Combining cash transfer programmes with savings

¹⁸ This is the gross effect (one-sided). There is also a negative multiplier effect from increased taxation to support transfers – it is costly to collect taxes. However, we have not identified studies that assess this net effect.

services, skills trainings and asset transfers has [proven to be effective](#) in improving incomes, as well as food security and consumption (Devereux & Roelen, 2016). In designing cash transfer programmes, it is important to ensure that interventions are responsive to rural settings and gender sensitive (Townsend et al., 2017).

3.2.3 Access to finance and financial services

To make (self-)employment programmes more effective, it is essential that the beneficiaries have access to finance and financial services. Access to finance allows entrepreneurs, including youth and women, to start small and micro enterprises and to invest in education and skills development, thus enhancing employment and income generation. Financial inclusion is key to inclusive development (Beck, Senbet, & Simbanegavi, 2015). That notwithstanding, finance in Africa is still not inclusive, especially with respect to youth, women, and smallholder farmers. A study by Mastercard Foundation and UNCDF (2012) found that effective interventions to enhance youth's access to financial services are those that: minimize age and ID restrictions for the use and management of savings accounts; reduce or remove minimum opening deposit requirements; reduce or remove withdrawal fees; establish youth-friendly opening hours (for example, beyond school-hours); and promote youth-friendly communication.

Yet, enhancing access to financial services alone may not be sufficient. Mentoring can improve impact, especially for less educated youth (MasterCard Foundation & UNCDF, 2012). For example, in [Uganda](#), government-supported credit counselling programmes have helped young entrepreneurs to explore more formal and informal credit options and to ask for lower amounts of credit, thereby increasing their chance of being able to repay the full amount and manage financial risks (Partnership for Economic Policy, 2018). As they often know the youth they are working with on the ground, NGOs have an important role to play in implementing such tailor-made interventions (see, for example, Barlet & D'Aiglepierre, 2017; Mastercard Foundation & UNCDF, 2012).

3.2.4 Access to land

Secure access to land is crucial for farming to be attractive and profitable. Experience from Asia shows that secure formal land tenure for those currently working the land (including youth) contributes to economic growth via three main channels (Allen et al., 2016). First, land ownership enables young farmers to invest in long-term improvements to their farms and the soil in the expectation that they will reap the benefits of their investments without having to fear that their land will be confiscated. Second, by allowing transferability, secure land tenure promotes efficiency in land use, as land can be transferred to the most productive (young)

farmers.¹⁹ Third, owning land means that youth can more easily access formal credit (using land as collateral), allowing them to invest in their land or acquire new land. The [Voluntary Guidelines on the Responsible Governance of Tenure](#) provide guidance on how to achieve this (Sörös, Dziewas, Manemann, Teismann, & Lütkenhöner, 2012). In addition, with enhanced investment in ICT, Sub-Saharan African countries could more easily establish digital land registries. Setting-up social protection schemes for elderly landowners who control community land can help stimulate intergenerational land transfers (Townsend et al. 2017). Relatedly, two land issues were dealt with by the African Policy Dialogues on employment creation in agriculture in Kenya. The first was that the land tenure system, especially in sugarcane growing characterized by subdivision for heritage, had led to uneconomical units, which discouraged investment and the use of technology to enhance production. Secondly, challenges with access to land, because most youth and women have no land and little control over the available land, and laws for land leasing make it difficult for foreigners to access land.

3.2.5 Social networks

In many African countries, social relations matter for doing business and finding a job. But not all social relations have a positive effect on employment opportunities or business growth. The negative effect of (dense) kinship networks have for example been demonstrated for entrepreneurs in [Uganda](#) and [Kenya](#) by INCLUDE research (Barkema, 2018; Romijn, 2017).

Community-based organizations (CBOs) can play a role in social network-building. For rural youth and women, this means establishing local resource centres or youth or women-oriented farmers' organizations. There is ample evidence that such organizations can be beneficial for farmers and entrepreneurs in the food system. As examined in an exploration on how to engage youth in food systems conducted by the Food & Business Knowledge Platform, networks help young farmers to successfully integrate into (global and regional) value chains (Muiderman, 2016; Muiderman & Van Kesteren, 2016). A promising example is the [IFAD-supported 'Community Based Natural Resource Management Programme' in the Niger Delta](#) (International Fund for Agricultural Development, n.d.). Part of the initiative is the setting up of an 'entrepreneur-cum-mentor' programme called 'N-Agripreneur', which involves university graduates who own and run medium-scale enterprises at different stages of food value chains (International Fund for Agricultural Development, n.d.). Their role is to promote rural-urban linkages by acting as intermediaries between young farmers and large-scale agro-industries.

¹⁹ This can, of course, lead to increased inequality in the ownership of land assets and should, therefore, be carefully weighed.

Young (female) farmers' access to social networks is also strengthened by their participation in [farmers' collectives](#). Here too, it is important to recognize that farmers with different needs and backgrounds may require different types of collectives (Hollander & Dekker, 2017). There is [increasing evidence](#) that the composition, organizational set-up and type of services affects the benefits received by members of such groups (Wiggins, 2016).

The key challenge is to find a suitable organizational form. The [INCLUDE research project on 'Agricultural Partnerships in Ghana'](#), for example, demonstrates that different value chains require different types of expertise and partnerships (C Van Paassen, 2018). Also, young urban entrepreneurs gain access to social networks through innovation hubs. The [research project on 'The IT-Industry in Kenya'](#) documents how innovation hubs play an important role in building trust and skills and serve as a space where entrepreneurs can be matched to investors (C Barkema, 2018). As demonstrated by the [WOTRO/INCLUDE research project on 'Empowering Female Ugandan Entrepreneurs'](#), local resource centres that provide business mentoring are important sources of information that can help boost productivity and women's market access (C Romijn, 2017). Due to the challenges of accessing formal credit, women who operate non-farm enterprises in Uganda rely on informal local groups to access credit. The [African Policy Dialogue on women's entrepreneurship and social protection in Uganda](#) concludes that encouraging collective group financing can help alleviate challenges to credit access (Guloba et al., 2017). In addition, the [research project on 'Informal Workers' Political Leverage'](#) found that trade unions and informal workers organizations can improve the position and working conditions of informal workers, if they function as hubs stimulating and supporting collective action, and not so much as membership or representative organizations (Kaag, 2017).

4. Enabling policy environment

The previous sections on economic sectors driving growth (section 2) and dynamic entrepreneurship (section 3) have stressed the importance of an enabling business environment to promote the structural transformation of the economy to high productivity activities and entrepreneurship that creates jobs. In this section we discuss the role of government in the creation of jobs (section 4.1), in providing an enabling business environment and investing in basic services such as education and infrastructure (section 4.2), in implementing specific sectoral (section 4.3) or spatial (section 4.4) policies, and in addressing implementation gaps (section 4.5).

4.1 Governments creating employment

In resource-rich countries, (sub-)national government parastatals have played an important role in creating formal wage jobs by investing in the public sector, such as education, healthcare and security/police (Fox & Thomas, 2016). Direct employment by governments anchored in resource revenue, however, faces challenges from a sustainability point of view, for at least two reasons. First, most natural resources are exhaustible, implying that at some point in time resource flows will begin to diminish. Second, there is significant volatility in commodity prices, with substantial implications for government budgets. Sustainability, therefore, will require the structural transformation of these economies in order to reduce dependence on resource revenues.

In addition to creating direct wage employment, governments can also implement labour-intensive public employment programmes to provide employment opportunities, usually on a temporary basis. A [recent ILO review](#) showed that such programmes can boost youth employment, improving the livelihood of the community (Lieuw-Kie-Song, Puerto, & Tsukamoto, 2016). Throughout Africa, there are several notable programmes, such as in [Côte d'Ivoire](#), [Sierra Leone](#), Ethiopia and South Africa (Rosas & Sabarwal, 2016; World Bank, 2016a). Such programmes often involve infrastructure and construction development. Although direct employment is created, there are cases where the labour intensity is sub-optimal. In South Africa, for instance, the Extended Public Works Programme has created [1.6 million work opportunities](#) (both directly and indirectly), with an average [labour intensity rate](#) of 11.1% for road building, compared to the international norm of 30–50% for similar projects (Denoon-Stevens, 2015; International Labour Organization, 2017).

However, for infrastructure construction to create sufficient productive employment opportunities, it is important to develop and use techniques that are labour intensive and lead to structural long-term employment (through on-the-job skills training). This approach, also known as the [HIMO approach](#) (Haute

Intensité de Main-d'Oeuvre), optimizes the use of local resources and local manpower and stands in sharp contrast to the large-scale, highly-mechanized, construction projects implemented by large (local and international) construction companies operating in Africa, which focus on timely completion, often at the expense of employment generation (Ministry of Local Government Republic of Rwanda, 2008).

For programmes that target youth and women, it may be effective to adjust the design features in order to facilitate increased youth and women's participation. These design features include the option to work part time, offering work close to home, providing access to child-care, and ensuring equal pay for men and women. Also, there is a need to engage the target groups throughout the programming cycle to make sure that the programme is aligned with their needs (Lieuw-Kie-Song et al., 2016).²⁰

4.2 Creating an enabling business and investment climate

As 9 out of 10 new jobs will be created by the private sector, ensuring a vibrant private sector will lead to significant increases in the availability of wage jobs (Townsend et al. 2017). The importance of enhanced private-sector involvement is highlighted in various [Africa Competitiveness Reports](#), and confirmed by several INCLUDE policy knowledge communities (such as the [Utafiti Sera](#) on wage employment in agriculture in Kenya) and research groups (INCLUDE, 2016a; World Economic Forum, 2017).²¹ The ability of the private sector to create jobs will increase with an enabling business environment (McMillan, Page, & Te Velde, 2017). An enabling environment creates predictability and reduces transaction costs and, thus, provides incentives to innovate and grow, not only for formal private sector investors, but also for household enterprises and informal SMEs (INCLUDE, 2017). This means that governments have a primary responsibility (see, for example, the '[Doing Business](#)' indices and [Africa Competitiveness Report](#), World Bank, n.d.; World Economic Forum, 2017):

- to ensure simple business registration procedures for start ups
- to invest in adequate transport and logistical infrastructure
- to invest in basic education and skills-training
- to develop and promote functional financial systems
- to streamline economic regulations, including tax and employment regulations
- to develop and protect institutions for law and order

²⁰ For example, the type of infrastructure work and the payment schedule should be [different](#) in pastoral areas and non-pastoral areas.

²¹ For example, the INCLUDE research project '[Dutch Multinational Businesses in Africa](#)' found that the export-oriented flower sector in Kenya has generated 90,000 jobs in the sector, as well as about 500,000 jobs indirectly (Uche, 2018).

- to support regional integration and trade
- to ensure accountability and fight corruption²²

Box 4. Access to Government Procurement Opportunities programme in Kenya

Access to Government Procurement Opportunities (AGPO) for youth started in 2012 with the then president of Kenya directing government agencies to set aside 10% of all procurements for youth. In 2013, the newly-elected government raised the proportion of all government procurement set aside for marginalized groups (youth, women and persons with disabilities) to 30%. The programme led to a rise in the number of youth-owned enterprises by 82%, some of which have won tenders under AGPO. However, tenders awarded under AGPO between 2013–2016 were far below the 30% legal requirement (7% of all those above 5 million Kenyan shillings). Furthermore, target groups from urban areas seem to have benefited more than those from rural areas (about two thirds of the AGPO registered firms are in Nairobi county). Challenges include inadequate capital to qualify for tenders, delays in payment after delivering goods and services, which has increased operational expenses especially credit, and the complexity of the tendering system (due to specifications and requirements), which the targeted groups lack

Changes to legal and regulatory environments may take time, as such changes tend to challenge the vested interests of elites and other powerful lobby groups in these business sectors (see also [the African Policy Dialogue on employment in Kenya](#)). However, such reforms can also be implemented fairly quickly if there is political will, as the case of Rwanda demonstrates.²³ In addition to reforming the overall legal and regulatory environments to enhance the business environment, governments could also develop youth specific programmes to increase access to finance by the youth by ensuring youth-friendly financial policies, supported by appropriate subsidies (e.g. credit access facilities with low interest rates, fees and identification procedures accompanied by national regulatory frameworks to protect savings by youth) (Mastercard Foundation & UNCDF, 2012). Governments can also use regulation more pro-actively to promote youth employment and youth businesses, for example, by allocating a defined proportion of all government tenders to designated population groups. There are several examples of this. In 2016, [Kenya](#) enacted a law requiring 30% of all government tenders be allocated to youth, women and people with disabilities (Leftie, n.d.). [Brazil](#) has similar laws and the practice is also being used in international cooperation (e.g. by the [Purchase for Progress \[P4P\] pilots](#)) (Davies, 2014; Schwengber, Ribeiro, Soares, & Orair, 2015).

²² The [World Development Report 2017](#), for example, recognizes the importance of country-specific anti-corruption priorities that increase elite accountability, and engage civil society actors and the media to enhance contestability (World Bank, 2017).

²³ Rwanda moved very quickly to reform its business environment and now consistently ranks high in the World Bank’s ‘Doing Business’ indicators (World Bank, n.d.).

4.3 Boosting productivity of informal sector

As noted in section 2 of this synthesis, in the short-term, most jobs in low- and lower-middle income Sub-Saharan African countries will be created in the informal sector, both in agriculture and non-farm household enterprises. A shift in policy focus towards enhancing productivity and addressing underemployment and working conditions in these two currently low-productive sectors is, therefore, crucial in the short term. Continued public and private investment in industry and high value services is also needed for structural economic transformation, but this will only yield sufficient employment effects in the longer term.

Given that resources are scarce, the crucial question is where African governments and development partners should focus their investments. In this, they are faced with a trade-off: resources that are used for investing in agriculture and household enterprises to boost short-term employment opportunities and productivity

Box 5. Infrastructure

Poor infrastructure is seen as one of the main impediments to Africa’s economic development (World Economic Forum, 2017). Cross-country differences are large, but in any case, the best performers in Africa lag significantly behind international averages. Transport infrastructure (a subset of the overall infrastructure pillar) is well developed only in South Africa, while Morocco (47th), the second-best performer in Africa, is already about 15% below the Organisation for Economic Co-operation and Development (OECD) average.¹ Infrastructure and service delivery have also not kept pace with the nature of urbanization in Africa, resulting in congested, poorly-serviced and low-productive mega-cities.² For example, [over 50% of urban dwellers](#) in Sub-Saharan Africa live in slums and only [42% of the urban population](#) have access to improved sanitation facilities (United Nations, 2013; World Bank, n.d.). The World Economic Forum’s [Africa Competitiveness Report \(2017\)](#) presents better functioning cities as a prerequisite for industrialization and structural economic transformation (see also the Economic Commission for Africa’s *Economic Report on Africa*, 2016). Infrastructure development will also spur intra-Africa trade and further deepen regional integration, especially in light of the Africa Continental Free Trade Area (CFTA)³, already signed by at least 44 of the 55 African countries.

¹ In comparison, Chad’s infrastructure is about 50% less efficient than that of Morocco, and more than 60% less efficient than the OECD average. Namibia, Kenya, and Ghana (the fourth-, fifth-, and sixth-best African performers) have average scores that are 5 to 30% lower than the level attained by Morocco.

² Unlike urban development elsewhere, urbanization in Africa is not the result of a push from agriculture or a pull by higher (industrial) wages in town. Urbanization is fuelled by natural resource spending (consumption cities), politics (proximity to power) and advances in health ([child health is better in urban slums than rural areas](#) although substantially worse than formal settlements in urban areas).

³ The CFTA aims to remove barriers to trade, like tariffs and import quotas, allowing the free movement of goods and services between its members. In addition to the CFTA, African countries have loosened visa restrictions on their neighbours (by introducing common business and single-entry tourist visas) in order to facilitate the free movement of people. Visa openness is vital to increasing trade, filling labour gaps, diversifying economies, and attracting investment on the continent (*Foresight Africa*, Ndung’u et al., 2018, 14). Regional integration will create new markets and lower transport costs, harmonizing trade and monetary policies and, thus, offer much promise for accelerating employment creation. The positive effects are primarily due to the fact that African countries trade more value-added products (mainly commodities) among themselves than with the rest of the world (Ndung’u et al., 2018). Therefore, regional infrastructure and enhanced trade logistics, by lowering trade costs, will facilitate creation of new markets and growth of productive sectors. Such trade facilitation measures will enable SMEs to penetrate regional markets and, hence, provide a boost to job creation, especially in agro-processing and manufacturing (*Regional Economic Outlook Africa*, International Monetary Fund, 2017). Regional infrastructure and enhanced trade logistics would also enhance the efficacy of the CFTA. According to the Global Trade Analysis Project (GTAP), the CFTA will increase GDP and employment by 0.97% and 1.17%, respectively (Knebel, Peters, & Saygili, 2018, p. 12).

cannot be used to invest in long-term wage job creation in industry (and, thereby, structural transformation). Yet, there is growing consensus that strategically investing in increasing agricultural productivity can promote structural transformation, as it has multiplier effects in the rest of the economy (Allen et al. 2016).

As a matter of fact, most African economies have large informal sectors, and employment and growth are driven by the informal sector – and the share of the informal sector in the economies of Africa is likely to increase going forward (Hollander & Van Kesteren, 2016). However, at the policy level, the focus has remained fixated on the formal sector, especially manufacturing, in line with the growth trajectories followed by the now developed countries, including the Asian tigers. This, however, is less likely to be the case for Africa (see, for example, Newman et al., 2016). Accepting that informal is normal in Africa would constitute a major policy shift, with the potential to unleash the growth potential of the informal sector. This will require developing national policies and strategies that recognize informal SMEs, as well as the [many and diverse linkages between the formal and the informal sectors](#), and that promote productivity in this sector (Floridi & Wagner, 2016). This would enhance the earnings of people working in informal enterprises and improve the working conditions of those employed in the informal sector, giving them a voice in social dialogues.

So far, most governments tend to focus on the formalization of enterprises, by integrating them into the tax system and providing them access to public and private services. Yet, globally, formalization programmes are not hugely successful.²⁴ Accordingly, especially for small enterprises, the costs of necessary assistance during the process of formalization are high and most of them prefer to stay ‘under the radar’ (Rocha, Ulysea, & Rachter, 2017). In [a study on informal firms in Francophone Africa](#), Benjamin and Mbaye (2012), recommend focusing on the formalization of large firms only, as they have comparable characteristics to formal sector firms (see also International Monetary Fund, 2017). When it comes to small enterprises, it is essential to recognize their diversity and promote different degrees of formalization. Another option is to provide tax incentives that encourage firms to modernize their operations, thereby enhancing their competitiveness – and greater competitiveness, other things being equal, translates to greater employment as market share expands.

4.4 Spatial economic policy

Research has indicated that countries that choose to invest in secondary towns experience more inclusive outcomes than countries investing in large cities (Christiaensen & Todo, 2014). In Tanzania, for example, in 2008, unemployment rates ranged from 31% in the capital to 16% in other urban centres, but only 7% in rural towns (World Bank, 2008). Hence, the policy focus should be geared towards making secondary towns attractive for people and firms by providing the necessary infrastructure and services (i.e. roads, housing,

²⁴ In Benin, for example, even with substantial supplementary benefits, [the large majority of informal firms](#) choose not to formalize.

energy, communication, education, healthcare) (see, for example, the [Africa Competitiveness Report](#), World Economic Forum, 2017). Such towns are important centres of demand for agricultural produce and strengthen the connections between different segments of agricultural value chains (production, storage, processing and packaging, transport, and marketing) (Townsend et al., 2017). As such, they are effective generators of non-farm employment (Mayaki, 2017).

Governments could also enhance spatial development through the establishment of special economic zones (SEZs) (see Filmer & Fox, 2014), locating them strategically so as to create industry clusters and strengthen agglomeration economies (see, for example, Ayadi & Mattoussi, 2014). Through agglomeration, firms leverage the advantages of proximity to raise productivity and, thus, competitiveness. It is also generally easier to provide supporting infrastructure, including training, to industry clusters.²⁵ The development of SEZs can be viewed as complementary to the investment in secondary towns and cities discussed above. Both facilitate dispersed economic activity across the country, allowing for spatially-equitable development and enhanced employment opportunities, while at the same time helping to reduce pressure on infrastructure and services in the major cities. In addition, SEZs provide opportunities for value chain development, as different clusters may specialize in different production activities.

Alternatively, investment in remote areas, for example, in renewable energy, also has the potential to spur the inclusion of these often economically-marginalized areas, as has been illustrated by the [wind power project](#) studied in the INCLUDE research group on Dutch Multinational Businesses (Kazimierczuk, 2017). The decentralization of government services, such as implemented in Kenya, can also help more equally spread economic activities across different regions in a country. This was illustrated by the INCLUDE research group on the [IT-Industry in Kenya](#), which documented the growth in the number of IT entrepreneurs responding to the digitization needs of the local governments (Barkema, 2018). Interestingly, these new business opportunities have also led entrepreneurs to forge links with parties from other tribes to gain access to government networks, as to ensure business entrepreneurs had to promote business ties across ethnic groups. Governments could facilitate this trend and promote inter-ethnic ties and long-term economic and political stability through an explicit policy of (facilitating) inter-ethnic entrepreneurial ties.

²⁵ There are different types of SEZs, one of which is ‘export-processing zones’ (EPZs). EPZs are export-oriented industrial zones with special competitiveness incentives (such as tax exemptions, regulation exemptions and infrastructure incentives) to attract foreign or domestic investors. Despite the wide implementation of EPZs in developing countries, there is mixed evidence of the labour-market outcomes. According to a review by Cirera and Lakshman (2014), most studies on EPZs report positive effects on total employment, but not on overall working conditions. In addition, EPZs are found to employ a considerable number of new entrants to the labour market, as well as women, although the sector composition of EPZs may also be a factor in this.

4.5 Tackling implementation gaps and other constraints

A key message of the [roundtable discussion in Arusha on 1 December 2017](#) is that politics matters when it comes to creating productive employment (Hollander & Van Kesteren, 2018). In terms of the rhetoric, African policymakers have more than adequately elevated youth employment challenges in the region. Promises about job creation have been made at the highest levels of policy making in Africa, including the African Union and AfDB, in high-level conferences and electoral campaigns for the highest offices in the various countries. Despite the rhetoric, many of these promises have not been kept and significant implementation gaps remain.

The biggest constraint on rural, and thus inclusive, development appears to be political will. Although the most pressing employment challenge in Africa relates to rural youth, it appears that national governments often have little interest in rural youth. This point was stressed by the AfDB President, Akinwumi Adesina, [during the One World conference in Berlin on 27 April 2017](#) (Adesina, 2017). As he put it: “Politicians take the rural areas for granted, turning to them as hunting fields for votes before elections, quickly forgetting them once they get to power”. Rural areas are generally neglected in terms of investment, especially infrastructure development, thus negatively impacting on the ability of rural folks (especially the youth) to meaningfully participate in the economy. As Townsend et al. (2017) note, governments and development partners do not invest enough in improving access to markets, education, and the technology needed to strengthen production, processing, logistics and marketing. An enabling policy environment would involve addressing the above issues. The result would be the enhanced productivity of agriculture and household enterprises, and thus the creation of more productive employment, thereby benefiting rural youth and women.

4.5.1 Coordination and incentives

Among the main challenges involved in addressing the (youth) employment challenge in Africa is the absence of well-defined coordination mechanisms across government departments. Sub-Saharan African countries need a well-coordinated overarching (youth) employment strategy that is shared by all government departments, ensures private sector engagement and guides all interventions (see also Dickson Malunda, 2012 on Rwanda). This appears to be lacking in most African countries. Proper implementation of such strategies needs strong political will and commitment, for example, by appointing a strong government department to oversee the coordination and implementation of programmes, supported by performance contracts.

To expand and maximize employment creation opportunities, such strategies should also promote strong backward and forward linkages between, for example, the agricultural and agro-processing sectors. Failure to integrate these sectors will hamper employment creation (Admassie & Berhanu, 2016).

This also means prioritizing employment and working conditions as a guiding principle for investment decisions, rather than national or local economic interests in terms of revenue collection and overall productivity and efficiency (see the APD on youth employment in the extractive industries in Mozambique). This is often the case in the context of foreign investment, the so-called '[race-to-the-bottom](#)' (SOMO, 2006).

The [African Policy Dialogue on employment creation in the Kenyan agricultural sector](#) and the [INCLUDE project on Dutch Multinationals](#), for example, revealed that key elements of the cut flower sub-sector value chain in Kenya (such as propagation and breeding) are dominated by foreign firms, which makes it difficult for small local firms and farmers to access the technologies affordably (Kazimierczuk, 2016; Miroro, 2017). Moreover, most multinationals and large companies in the flower sector in Kenya are reluctant to collaborate with local universities and firms on marketing, innovation and research. Efforts by the Kenya Flower Council to build the capacity of local firms and skills development through internship are inadequate to address this challenge. This was also found in the [APD on youth employment in the extractives industry in Mozambique](#), where gas and oil exploration and extraction were dominated by foreign firms due to lack of local capacity. System-level knowledge transfers in international private sector development programmes is more commonly found to be challenging (see, for example, Hartmann, Gaisbauer, & Vorwerk, 2017; Miroro, 2016b). These challenges point to a role for the government to facilitate collaboration and technology transfer (where possible, using appropriate incentives) between multinational companies and local firms and research institutions in order to strengthen the capacity and productivity of local firms, as well as the coordination of capacity development (education and skills training) across universities, technical and vocational educational training (TVET) programmes, and prospective employers to ensure that job seekers are appropriately skilled.

In addition to coordination challenges within the government, there also appears to be lack of coordination between the government and other stakeholders. Often, government efforts (both policies and programmes) aimed at addressing the youth employment challenge are not coordinated or carried out in consultation with the private sector. As mentioned earlier in this synthesis, successful interventions for job creation are those that involve the private sector, as the private sector is the primary employer of youth (and other job seekers). Similarly, there are many disparate interventions by CSOs and NGOs directed at addressing the youth employment challenge in Africa. However, these interventions are also neither coordinated between the NGOs themselves nor between NGOs and the government. As a result, most of these interventions are very localized and small-scale in nature, thus limiting their impact. Better coordination between the government and various other stakeholders has the potential to enhance the efficacy of the various interventions and allow for scalability.

4.5.2 Resources

Effective implementation of employment strategies also requires the availability of resources and the prevention of the misallocation of resources for political or personal gain. We have argued in this synthesis that agriculture is, and will remain, at the centre of employment creation in Africa, and thus inclusive development, in the short to medium term. Indeed, African governments have made similar pronouncements, extolling agriculture as the mainstay of their economies. However, the rhetoric has not been matched by the level of resources flowing into the sector. As discussed in the [APD on employment in Kenya](#), the share of national budgets allocated to agriculture remains below the “at least 10% by 2008” pronouncement agreed under the Maputo Declaration (Muma, 2016). There is a need, therefore, for African governments to walk the talk and invest meaningfully in agriculture. Substantial resources are required to address infrastructure bottlenecks in order to improve access to markets by farmers, develop and adapt agricultural technologies to raise productivity, and invest in post-harvest handling and agro-processing, etc.

Resources are also needed to enhance education and skills training. During the [African Policy Dialogue in Mozambique](#), it was strongly argued that low budgetary allocation to education largely explains the inadequate skills and competencies among graduates, which limits their ability to compete for jobs; this, in addition to weak accountability mechanisms, has resulted in public resources earmarked for development being inappropriately spent or misappropriated both at the national and local levels (Miroro, 2016b).²⁶ Furthermore, as argued above under ‘coordination and incentives’, there are many disparate interventions by CSOs and NGOs targeting education and skills training for youth that would benefit from better coordination. The resources being expended on capacity and skills training are substantial, however, the efforts are poorly coordinated and, hence, scaling is not possible. Better coordination could be achieved by having the various NGOs and CSOs work through existing educational and capacity building structures in each country, for example, the ministries of education or higher education.

The resource challenges faced by many African governments are compounded by weak capacity for domestic resource mobilization (especially taxation), as well as leakages through licit and illicit capital flows by multinational corporations and national elites. Governments in Sub-Saharan Africa continue to lose substantial resources, which could be deployed to implement growth and employment programmes. For example, it is estimated that over the last 50 years Africa has lost roughly one trillion dollars through capital flight and currently loses more than 50 billion dollars annually (African Union & Economic Commission for Africa, 2015;

²⁶ In Cabo Delgado province (Mozambique), community members claimed that local development committees used revenue from the extractive industry allocated to community projects for inappropriate projects such as the construction of church buildings, instead of investing in income generation activities, or embezzled the funds outright.

Ndikumana, Boyce, & Ndiaye, 2014). In fact, these studies show that Africa is a net creditor to the rest of the world. Thus, measures to mitigate capital flight can generate resources that could be deployed for (inclusive) development, particularly to address Africa's youth employment challenge. The difficulty is that this is an international issue, because, firstly, part of the resource leakage is through multinational companies (tax avoidance) and, secondly, most tax havens are beyond the remit of Africa. The solution, therefore, has to be global. Unfortunately, it appears that the incentives of the haemorrhaging countries and the recipient countries are, at least for now, not aligned.

The foregoing discussion is quite important for Africa, especially in light of the new trends in development assistance. As stressed in the *Foresight Africa* Report 2018: "with external financing conditions likely to worsen in the medium term, it will become imperative for African countries to enhance domestic resource mobilization" (Ndung'u et al., 2018). African countries will increasingly take more responsibility for financing their development agendas. African countries, therefore, need to build and strengthen their capacity for domestic resource mobilization. Indeed, the [Addis Ababa Action Agenda \(2016\)](#) called for the commitment of African governments and donor countries to develop progressive tax systems, improve tax policies and guarantee more efficient tax collection in order to ensure sustainable financing of Africa's development (United Nations, 2016). As stressed in the Addis Agenda, it also depends on, among other things, the commitment of these actors to fight illicit global financial flows, as well as the commitment of the international community to reduce the global trade finance gap and to ensure that developing countries benefit from global trade. Endorsing the commitments agreed in Addis Ababa should form an integral part of comprehensive (youth) employment strategies in Sub-Saharan Africa (see also Ndung'u et al., 2018).

5. Conclusion

Africa is the most youthful continent in the world, and is the only continent for which the share of the youth population is still on the rise. While there is potential for a demographic dividend for Africa, there are significant challenges to be overcome before such dividends are realized. In particular, the majority of Africa's youth are engaged in vulnerable employment or are unemployed. There are challenges both on the demand side (weak competitiveness and, thus, viability of productive sectors) and on the supply side (inadequately/inappropriately skilled job seekers) of the labour market in Africa.

This synthesis has taken a broad look at productive employment in Africa, especially for youth, and has highlighted some of the challenges that policy needs to address. It has also provided potential solutions to some of these challenges. Specifically, the synthesis explores in detail the sectors driving economic growth in Africa and the kind of sectoral policies that, if followed, could help ease the underemployment challenge. It also looks at the role of entrepreneurship in generating productive employment and the types of support that could likely make a difference in nurturing entrepreneurship in Africa beyond survivalist enterprises. Finally, it looks at the policy environment to help create the appropriate incentives for the creation of productive employment in Africa.

Regarding sectors driving growth in Africa, the main message is that there is no 'one-size fits all' solution. Different sectors play different roles in different countries. However, in most low-income countries, agriculture and household enterprises bear the most promise, at least in the short to medium term. The majority of employment opportunities will be created in these sectors, at least in the foreseeable future. Although continuous investment is needed in industry and services for the creation of wage jobs in the long-term, it must be recognized that, given the current nature of youth employment in Sub-Saharan Africa, raising productivity in the informal agricultural and non-agricultural sectors is necessary to absorb the current growth in the labour force.

In this space, agriculture, agro-processing and trade, and transport offer the most options for poverty reduction and employment creation. As the majority of Africans live in, and will continue for the foreseeable future to live in, rural areas, it is important to pay specific attention to rural development issues in an effort to raise the productivity of agriculture and household enterprises for inclusive development. One important intervention would be to address seasonality, which tends to negatively affect farmers' productivity and, thus, incomes. This could be done by, for example, investing in irrigation and transport infrastructure, among other things. Access to markets is also key to raising the incomes of rural farmers. Governments can also support the propagation of simple technologies in the off-farm food system to promote basic processing and, thus, the

supply off-farm food items. Such interventions provide opportunities for non-farm employment and SME development.

Because youth (and women) in most African countries cannot afford to be unemployed, as these countries do not provide social protection such as unemployment benefits, many find refuge in micro enterprises. These start-ups, most of them survivalist enterprises, are often characterized loosely as entrepreneurship. Entrepreneurship, in particular dynamic entrepreneurship (innovative entrepreneurial activities), should be fostered to enhance productive employment. Unfortunately, not everyone is a dynamic entrepreneur. Many are survival entrepreneurs, but these too, with the right kind of support, can help enhance the productivity of those engaged in these activities. In addition, some entrepreneurial activities that begun as survivalist activities can become dynamic, especially when the policy and business environment is permissive. This synthesis points out that it is not easy to distinguish between survivalist and dynamic entrepreneurship early on. Generally, dynamic entrepreneurs can be characterized as: having strong soft skills, taking responsibility for their failures, learning from their failures, and having a business network that spans beyond next of kin and close friends. Measures that could be undertaken to support entrepreneurship in Africa include providing role models and mentorship and facilitating access to markets, finance, and training. Such interventions, if carried out in combination (i.e. as a package), are more effective in helping small-scale entrepreneurs, as are employment programmes that engage the private sector in design and delivery.

Lastly, the synthesis finds that the policy environment can make or break the efficacy of any interventions to enhance productive employment. The policy environment is key to creating the appropriate incentives to foster productive investment and, thus, create opportunities for employment creation. This requires a suite of microeconomic and macroeconomic policy interventions to boost productive employment in Sub-Saharan Africa. Effective microeconomic interventions are multidimensional and tailor-made to the different needs of different (groups of) youth, aimed at equipping them to exploit employment opportunities. Effective macroeconomic interventions are country-specific and aimed at increasing productivity in potential growth sectors (agriculture, the off-farm food system and household enterprises). Research indicates that programmes with a comprehensive approach, in which demand- and supply-side interventions are combined, are the most successful in fighting (youth) unemployment in Sub-Saharan Africa. Sectoral policies that create greater economic opportunities in agriculture, manufacturing and industry, and ICT, and policies aimed at SME development, need to be accompanied by interventions aimed at human capital development and that equip (different groups of) youth with the necessary skills that position them for the jobs that the market offers today, as well as the jobs of tomorrow. Such sectoral policies are more effective if accompanied by a supportive business environment (e.g. reduced regulations, access to credit, etc.) and infrastructure.

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Annex 1. Overview – African Policy Dialogues

Entrepreneurship development in Rwanda

To develop a deeper understanding of Rwanda's entrepreneurship dynamics, growth and networking impacts, this APD brought together professionals and experts with common interests to facilitate knowledge exchange and synergies. Through research, this APD has proposed and advocated for a range of initiatives including: assisting manufacturing firms to access finance (the key element for their internal entrepreneurship development); public investment in research and development as part of entrepreneurship; and addressing the costs of raw materials and electricity to improve the financial performance of manufacturing firms, promote corporate entrepreneurship and enhance job creation.

Utafiti Sera on social protection in Kenya

'Utafiti Sera' brings together researchers, policymakers, practitioners and the media to ensure that new and existing research evidence on social protection is available to policymakers and practitioners and is used by policymakers at both national and county levels of government. In 2015, this APD contributed ideas to the draft 'Social Protection Bill', including the definition of social protection, and to the establishment of a 'Social Protection Authority'. This APD has also enhanced awareness of social protection policies among national and county governments.

Utafiti Sera on employment creation in Kenya

This APD has established a platform, 'Utafiti Sera', to use research evidence to inform and influence policy on employment creation in agriculture and agro-processing, particularly in the sugar and horticulture sectors. The dialogue has made proposals to develop sector-specific policies for employment creation, diversify Kenya's horticultural produce, and create local innovations and technologies. It has also advocated for productive employment policies by engaging with one of the political coalitions seeking election in the 2017 national and local elections.

Utafiti Sera on wage employment creation in Nigeria

This APD was initiated in response to the evidence that politics and the pursuit of narrow interests by key actors and inequality in payment systems in rice value chains (which adversely affected women) were key hindrances to productive employment creation in agriculture and agro-processing sectors in Nigeria. This dialogue brought together different stakeholders, discussed and proposed strategies for legislation and action based on research to encourage productive employment creation and narrow gender disparities in the rice and cotton value chains. These strategies were discussed during a forum with key members of the Nigerian Senate, House of Representatives, and the Executives in three breakfast meetings. The proposals cover

monitoring and evaluation of the agriculture budget for job creation; operationalization of youth in agribusiness policy; promoting industrial clusters; and how to address gender disparity in wage employment.

Women’s entrepreneurship and social protection in Uganda

This APD was established to increase awareness of the need to pay special attention to women’s entrepreneurship and social protection and to promote interventions that consider gender, geography and the lifecycle of the target groups. To achieve this, the dialogue has generated two synthesis reports and three policy briefs on women’s entrepreneurship and social protection and mapped key actors to enhance their advocacy. This APD supported the INCLUDE research groups in Uganda with a platform to reach policymakers; advocated for appropriate strategies to invest in women’s entrepreneurship and social protection in forums with the Ministry of Gender Labour and Social Development’s Expanding Social Protection programme and contributed to the programme’s research agenda; and shared country-specific evidence on what works and does not work in women’s entrepreneurship programmes and social protection in Uganda with policymakers.

Youth employment in Ghana

This APD organized two national youth employment dialogues with key political parties and other stakeholders in the run up to the 2016 national elections. The dialogues were organized against a backdrop of high unemployment, especially among youth, despite a rise in their education levels. Through these dialogues, key constraints on employment creation were agreed upon and political parties agreed to prioritize employment creation in their campaign manifesto. The main opposition party, which won the elections and runs the government, defined their manifesto as ‘One District, One Factory’ during the election campaign. To follow up on the progress made by the new government, this APD organized another dialogue in 2018 and offered proposals to enhance the implementation of the current government’s policy initiatives towards job creation, including ‘One District, One Factory’ and ‘Planting for Food and Jobs’, which should pay more attention to sectors that have high labour absorption capacity.

Youth employment in Mozambique’s extractive industry

This dialogue promotes a more structured and inter-sectoral debate and action for employment creation for youth in the extractive industry by decentralizing debates to the provinces, with a focus on Cabo Delgado and Zambezia. The aim is to share knowledge and promote the accommodation of priorities and interests of the locals by investors in the extraction of natural resources. This APD has increased awareness among stakeholders, who previously operated in isolation and shared policy alternatives that entail investing in youth’s skills that match market demands and that prioritize youth employment in policy.