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KNOWLEDGE PLATFORM ON INCLUSIVE DEVELOPMENT POLICIES

Productive employment for inclusive development in Africa – what do we know?

DISCUSSION PAPER PREPARED FOR THE INCLUDE PLATFORM MEETING

15 December 2016

The Hague, the Netherlands

INCLUDE Secretariat



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This discussion paper serves as input to the thematic round table discussion to be held on Thursday 15 December. It is structured around **three sets of policy questions** on the three key issues on which the discussion is based: **sectors driving growth, dynamic entrepreneurs and the policy environment**. These policy questions have been derived from the NWO-WOTRO/INCLUDE [‘Call for Proposals on Productive Employment’](#) and sharpened to reflect current policy approaches. The questions are addressed by drawing on INCLUDE’s evidence base, which includes the interim reports of the INCLUDE [research projects](#), INCLUDE’s [policy-knowledge communities in Africa](#), one-pagers, expert contributions, [Questions of the Week](#), and state of the art research documented in [INCLUDE’s knowledge base](#) and beyond.

This document will also serve as a guide for the round table discussion and help to position the work of INCLUDE in the international policy and academic discourse on productive employment. During the round table discussion on 15 of December the document will be thickened with input from the platform members in a process of co-creation. The outcome of the discussion will serve as input for the productive employment synthesis being prepared by the INCLUDE Secretariat for 2017, which will be disseminated in an international conference presenting cutting-edge research on productive employment.

Introduction

Despite rapid growth in many Sub-Saharan African (SSA) countries over the past 15 years, there is [widespread concern](#) that this growth has not created enough productive jobs to enable large numbers of people to move out of poverty. Although the registered level of open unemployment is not strikingly high ([at around 7.6% for the past 5 years](#)), unregistered unemployment is expected to be much higher. A significant number of people work in the informal sector, where they have no access to social protection and are often underemployed. Moreover, a large proportion of the working population are employed in the agricultural, extractive and service sectors, where productivity is low and returns fluctuate and are uncertain. INCLUDE believes that creating productive employment requires the structural transformation of African economies, which entails strengthening the economic sectors that drive growth and productive employment, stimulating dynamic entrepreneurship and creating an enabling policy environment.

This paper takes an inclusive development perspective to employment, which is reflected in [Sustainable Development Goal 8](#): “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. It builds on INCLUDE’s notion of [‘productive employment’](#) as stable employment, with decent working conditions and with high productivity.

For a better understanding of where and how productive employment can be generated, it is important to analyze the structure and state of Africa’s labour markets. Such analyses should consider the potential of the different economic sectors (agriculture, industry/manufacturing, construction and services) as well as the type of employment sectors (public, private formal, informal). 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.

The [African Lions project](#) by the United Nations University World Institute for Development Economics Research (UNU-WIDER) provides state of the art analyses of the relationship between economic growth and labour market outcomes for the six largest economies in Africa (South Africa, Nigeria, Kenya, Ghana, Mozambique and Ethiopia). Three conclusions can be drawn:

- **Ethiopia:** In the last decade, [Ethiopia](#) has witnessed a reallocation of jobs and labour from low-productivity agriculture to more productive industrial sectors (in particular the construction sub-sector) and service sectors, accompanied by a rise in total factor productivity and an overall increase in the labour force participation rate. Rising investment in manufacturing is believed to have led to a more durable shift of economic activities towards the manufacturing sector.
- **Mozambique:** In [Mozambique](#), the labour movement out of agriculture is over-concentrated in the services sector, which itself is experiencing a decrease in labour productivity. The mining sector, although slightly losing labour, has grown in labour productivity. The recent aggregate growth in Mozambique appears to have been driven by capital-intensive growth in the mining sector and by the comparatively rapid growth of employment in the services sector, but typically in activities that have lower productivity than the sector average.
- **Kenya:** [Kenya](#) is an example of two widespread socio-demographic trends in Africa: urbanization, the ‘youth bulge’ and the rising middle class. The size of Kenya’s middle class is an asset, as it has increased demand for goods and services, thereby stimulating investment and entrepreneurship. According to UNU-WIDER, investments in infrastructure are most important, apart from investments in employability, quality institutions and improved working conditions for employees.

These three country cases illustrate that there is no one blueprint for inclusive development in Africa. Countries, regions, political institutions, socio-demographic groups (e.g. women, youth), sectors and their markets all must be treated differently by policymakers. Discussing the five sectors (agriculture, industry & manufacturing, construction & infrastructure, services and ICT) is, thus, a challenging task – and comparing their potential is even more challenging, as it depends on the lens used and the information available is limited.

1. STIMULATING SECTORS DRIVING GROWTH

The five economic sectors discussed in this section (agriculture, industry & manufacturing, construction & infrastructure, services and ICT) all have the potential to drive inclusive growth in Sub-Saharan Africa. Yet, each sector faces its own challenges, which vary from country to country: in many African countries, the agricultural sector is [not productive enough](#) to absorb a significant part of the labour force; the manufacturing sector is underdeveloped due to dependence on the export of [raw materials](#), rather than processed products, which makes it dependent on the global economy (making it sensitive to global shocks); the construction sector could create employment, but the sector remains highly dependent on [foreign investment](#); and, finally, although the services sector has increased tremendously, most of the activities are [informal](#) and insufficient to provide a stable income. ICT has the potential to create jobs, but there are [challenges](#), including disparities in the ICT infrastructure and services in different urban areas and between urban and rural areas, as well as skills mismatches.

With labour market conditions and challenges varying between SSA countries, there is no one best approach. And, it is also important to determine if increasing productive employment opportunities, if realized, will actually benefit the poor. Such analysis has been undertaken by [Klasen and Reimers for the agricultural sector in Rwanda](#), for example. The Rwandan government embarked on a broad-based agricultural investment strategy, including crop intensification, post-harvest handling, mechanization, irrigation and improving rural infrastructure (especially roads) to improve the functioning of input and output markets. The overall mix of programmes led to a situation in which productivity-poor households were able to benefit from productivity growth **disproportionately**. However, future research is needed to shed more light on which interventions work best to reach the (productivity-) poor.

Meso and micro-level studies [provide additional insights about](#) the mechanisms at play in particular sectors. INCLUDE has supported country and sector specific analyses on productive employment to better understand which policies and activities work best in which context. In the Call for Proposals, four research questions were posed about the sectors that drive economic growth in Sub-Saharan Africa. These research questions have been rephrased into five slightly-sharpened policy questions to guide the debate. These are:

- Is the integration of small-scale farmers into agricultural value chains key to providing jobs and livelihoods for the poorest? If so, what are the mechanisms for successful integration and at which levels should this integration take place?
- To what extent is industrial sector development needed in SSA to provide sufficient high-quality jobs, particularly for youth and women? Which sub-sectors are most amenable to large-scale, low-medium skill employment creation?
- Can Africa leverage infrastructure and construction investments to provide and guarantee decent and productive long-term employment for its citizens? How can this be done?
- Is the services sector sufficiently booming to provide productive jobs, especially for women and youth, and to guarantee livelihoods for the poor? What can policymakers do to enhance the contribution of the services sector to productive employment?
- What opportunities does the ICT sector provide to contribute to productive youth employment in SSA?

In answering these questions, an overall issue is that challenges and solutions do not apply to all countries and regions, and that specific groups in society require different interventions. As argued in the [INCLUDE concept note on productive employment](#), policymakers need to distinguish countries based on their opportunities, gauged by factors such as the size of their agricultural sector, level of informality, and richness in resources. There is [no one-size-fits-all](#) solution when it comes to creating decent jobs for women and youth. Furthermore, youth are heterogeneous and do not want to be merely described as ‘youth’. Therefore, strategies that target the diverse interests of youth are useful in enabling them to realize their full potential in agribusiness and other economic activities. According to [Mayra Buvinic](#), the same applies to women, and she stresses that the same intervention may have different outcomes depending on the economic and cultural status of the women targeted. Moreover, interventions in one policy area do not automatically trickle down to other areas; hence, an [integrated approach](#) is key and should be aimed at promoting a favourable business climate, establishing appropriate legislative and regulatory frameworks (such as minimum wage policies), promoting the organization of workers to improve the social dialogue, increasing access to financial and business services, markets, justice, education and healthcare, and establishing social protection floors (see [ILO Recommendation no 204](#)).

1.1 Is the integration of small-scale farmers into agricultural value chains key to providing jobs and livelihoods for the poorest? If so, what are the mechanisms for successful integration and at which levels should this integration take place?

Agriculture is Africa’s largest economic sector and is said to have the most potential to create jobs for youth. However, in many African countries, this potential is undermined because agricultural output is lagging. To boost employment opportunities in agriculture, in particular for women and youth, [transforming](#) Africa’s agricultural systems to enhance productivity is seen as key. An important aspect of this transformation is changing the image of agriculture as an occupation of ‘last resort’; this was the topic of discussion at the panel [‘Jobs for women and young people – the transformative potential of agribusiness’](#), co-hosted by INCLUDE and the African Development Bank (AfDB).

The first question, therefore, is to what extent is the integration of small-scale farmers into agricultural value chains the way forward, or can the productivity of these farmers be enhanced without integration. However, the incorporation of small farmers into transnational or international value chains is no panacea. As argued by [Weigert](#), the lack of bargaining power of actors at the national and local level (governments, unions, SMEs or

subsistence farmers, among others) can expose them to “the opportunism of multinational companies (MNCs) in location choice”. Moreover, the presence of MNCs does not presume inclusion. As argued by [Bekele](#), foreign direct investment may deplete local actors of their resources (such as land or other types of physical or natural capital) and may reduce productivity and employment prospects for the local population. [Weigert](#) also argues that integration in value chains is difficult to achieve in areas where industrialization and infrastructure development lag behind. Therefore, the success of integration in value chains – including the productivity of labour within the chain – depends on political economy factors and should be carefully designed and managed. How to achieve this is the second question.

INCLUDE on agricultural value chains

One of the key findings of the INCLUDE research project [‘Productive employment in segmented markets’](#) is that the integration of Kenyan farmers in the modern avocado value chain – in which farmers are directly linked to exporters through contractual relationships – has multiple effects on productivity and, hence, job creation. This direct link to exporters in the *modern* avocado value chain increases productivity and income and improves access to avocado production and marketing information, compared to farmers in the *traditional* avocado supply chain who do not enjoy such links. The integration of small holder farmers into the modern value chain (and export market) has a multiplier effect on job creation for youth. Although it is commonly assumed that young people are [less keen](#) to be employed in traditional farming activities, agricultural value chains offer substantial entrepreneurial opportunities throughout the whole value chain, for example, in high value-added post-harvest processing and distribution activities.

This research project also found that public-private partnerships (PPPs) in the avocado sector in Kenya could be a vehicle by which to test new ideas for modernizing the sector and could also offer platforms for training and information sharing. The project found that coordinating rural institutions is essential in developing beneficial contracting models with large-scale buyers (e.g. processors and exporters). Such institutions ensure that farmers are connected directly to buyers, overcoming high transaction costs and bypassing middlemen and brokers. Farmers become empowered to negotiate more equitable contracts and increase their productivity, and, hence, income, through training and innovation within those groups. This also enhances their opportunities for certification.

The research project [‘Agricultural partnerships’](#) in Ghana found that the establishment of partnerships in the value chains for cocoa, soybeans and cassava can have a potential positive impact on agricultural productivity. The project found that innovation platforms (platforms that link researchers to farmers and that are aimed at establishing new technological practices, relationships and routines between farmers, processors and markets) increase productivity due to technological improvements (e.g. in irrigation, soil fertility, environmental challenges, the quality of beans and seeds, etc.). These platforms also enhance trust between farmers and other actors in the value chain (processing, delivery etc.). In this way, farmers are encouraged to invest in their agribusinesses (e.g. by buying better seeds), which enhances productivity.

The importance of enhanced private sector involvement in value chain integration, as stressed in the [Africa Competitiveness Report 2015](#), is confirmed by INCLUDE’s policy- knowledge communities and research projects. As argued by the [‘Utafiti Sera’](#) community on wage employment in agriculture in Kenya, although governments play a facilitative role by formulating planning strategies, providing guidance, setting up standards, and monitoring and evaluating, the private sector owns and manages the productive resources and, therefore, has the necessary enablers to improve productivity for job creation and growth. This is supported by the findings of the research project [‘Dutch multinational businesses in Africa’](#). This project found that private sector involvement in the export-oriented flower sector in Kenya has generated 90,000 jobs in the sector and 500,000 indirect jobs. Yet, private-sector involvement requires a stable and solid investment climate. The research project [‘Agricultural partnerships’](#) shows that, over time, private sector involvement in the government-coordinated cacao sector decreased due to time constraints and fear of the commitment required. The project found that PPPs with cost-sharing arrangements are more apt to engage private actors.

In addition, backward-and-forward linkages between private companies and local communities are not always present. This is demonstrated by one of the project's researchers, [Agnieszka Kazimierczuk](#), who stresses that when it comes to private sector involvement in the Kenyan flower sector, there is little room for the inclusion of smallholder farmers and new companies in the value chain. She found that small-scale farmers who wish to access global value chains (GVCs) face constraints related to over-regulation and certification. Certification is often too costly for smallholder farmers and, therefore, financial and technical assistance from private companies is essential. As highlighted in the INCLUDE/AfDB [policy panel](#) in Lusaka in 2016, such constraints particularly apply to youth and women, who often face a lack of access to appropriate technologies, finance, land, markets and agricultural inputs.

Other knowledge

As outlined earlier, upscaling or integrating small-scale agriculture does not necessarily lead to increased productivity. The results of [Wondemu's analysis of small-scale farming in Ethiopia shows](#) that small-scale farming can exhibit scale, technical and scope economies. Therefore, improvement does not have to be found in upscaling or integrating per se, but rather in improving the efficiency of small-scale farms. The analysis also found that:

..... most of the improvement in efficiency in the immediate term is expected to come from the increase in the technical, mix, and scope efficiencies. Farmers that cultivate diverse crops are technically more efficient and are also [more] able to realize economies of scope and scale than farmers with specialized production. While farmer specific factors played some roles, most of the inefficiencies are traced to externally imposed policy and institutional constraints. Addressing market failures and enhancing competition in the goods and factor markets, particular those that led to further land consolidation, will have a significant impact on farm productivity.

The interrelationship between integration in value chains and integration for productive employment is confirmed by a [study on GlobalGAP certification](#) in 10 Sub-Saharan African countries. This study found that farmers who have achieved certification have appreciably higher export revenues, suggesting a significant return on the required investment and enhanced productivity.

The additional constraints for youth can be overcome by establishing partnerships. As youth are underrepresented in unions, employer organizations and political decision-making bodies in general, the increased participation of youth in social and political dialogues, for example, through [youth cooperatives](#), is essential. As stressed by [FAO](#), the organization of youth into cooperatives can lead to improved trust and cooperation between youth and public and private partners. Foremost, a focus on youth should be mainstreamed into all interventions and strategies for agribusiness, which includes involving youth in all stages of their design and implementation.

Women face different constraints in finding quality employment in agriculture, mainly because agriculture is often a last resort. Consequently, the sector has excess labour supply and, hence, low wages. According to the [African Development Bank](#), the transition from agriculture to industrialization or a service-based economy may leave even more women un-employed. Providing enough quality jobs in agriculture, therefore, is a must, particularly in the short-term.

The question remains as to how to optimally integrate small-scale farmers into regional or global value chains. [Van Walsum](#) stresses that government policies should encourage the role of small-scale family farming, which requires a shift away from the current emphasis on *global* value chains to *local* value chains: "the development sector is making efforts to include small-scale producers into global value chains, but evidence suggests that 'inclusive business' schemes along formal value chains benefit only a narrow minority of farmers. Many also collapse once external support is withdrawn." This is also recognized in the [Africa Competitiveness Report 2015](#), which stresses that many farmers do not meet the conditions or standards required to be integrated into global value chains. The report stresses that, in the meantime, regional value chains offer great promise for integrating Africa's agriculture into global value chains and need to be supported. As the report stresses: "Given the nature of the smallholder-based agriculture in Africa, support will need to be provided to small-scale farmers to be better organized so as to

enhance their productivity and ensure the timely off- take of produce from farm to markets”. However, how to optimally support the integration of small-scale farmers remains a topic of debate within academic communities, as is evident in the NWO-WOTRO and the Food & Business Knowledge Platform [Call for Proposals](#) on inclusive food value chains

1.2 To what extent is industrial sector development in SSA needed to provide sufficient high-quality jobs, particularly for youth and women? Which sub-sectors are most amenable to large-scale, low-medium skill employment creation?

Until now, the agricultural sector and services sector have not provided sufficient high-quality jobs in Sub-Saharan Africa. The key question is whether boosting agricultural productivity and investment in the services sector will do the trick, or whether countries in SSA need to pursue policies aimed at promoting industry and light manufacturing. Industrialization gains relatively little attention in debates on economic development in Africa. According to [Lavopa and Szirmai](#), this neglect of the sector is not justified: “Manufacturing is not the only sector of importance in developing countries of the present period. But the relative neglect of industrialization and industrial investment in modern policy debates is not justified. It is a sector which deserves special attention from policy makers and the financial community.”

Some argue that industrialization is [declining](#) in SSA (it was only 11% of GDP in 2014), which has been coined ‘de-industrialisation’. [Others](#) point to the fact that production, employment, trade and foreign direct investment (FDI) in the region’s manufacturing sector have actually [increased](#) in real terms over the past decade. It is most important is to investigate what the potential of this sector is and how it can be unlocked.

In doing so, it is important to distinguish between countries in terms of their opportunities for industrial development. Natural resources particularly influence this potential. [Perez’s](#) concept of ‘resource-based industrialization’ takes this notion into consideration. This concept is useful in explaining why some countries (such as Botswana or Brazil) have managed to exploit their natural resources for development, while others (such as the Democratic Republic of the Congo or Nigeria) have not.

INCLUDE on industrialization

None of the INCLUDE research projects have a direct focus on industrialization, but some relate indirectly to industrialization (e.g. through their research on agricultural value chains or Dutch multinational organizations). Lack of education and necessary skills are obstacles to the creation of sufficient jobs for local people in remote areas by large private companies, such as the Lake Turkana Wind Power (LTWP) mega-project in northern Kenya, which is supported by the Dutch and Kenyan governments, as shown in a case study by the research project on [Dutch multinational businesses](#). This project [stresses](#) the importance of expanding and using local raw materials for industrial production and argues that the governments of Kenya and Nigeria could do much more in this respect.

Other knowledge

In high and middle-income countries industrialization has been the key driving force for economic development. In Africa, however, this process has not set in. Instead, African services sectors have expanded (most notably, retail, distribution and other trade services). [Some commentators](#) have argued that it may be possible to bypass manufacturing and shift directly into high-productivity services, citing the example of India, which has eschewed the traditional path by globalizing through service-led activities.

It can be argued that now is the right time for Africa’s industrialization, for three reasons:

- According to a [SET panel](#), part of Africa’s abstained industrialization can be explained by ‘bad luck’. But why has Asia been able to grow through industrialization, while Africa has not? Part of the explanation can be found in the question itself: particularly China’s development has hindered the demand created for African

industries trying to enter the world market. However, rising wages in China are now providing opportunities for Africa to attract investment.

- According to [Samouel and Aram](#), the share of industrialization (or manufacturing) of national income is dependent on per capita income. The [high increase in \(real\) per capita GDP](#) since 2000 indicates an increased demand and capacity for industrial activity.
- Africa can learn about industrialization from the experiences of other continents to ‘leapfrog’ in this transition, particularly in relation to [‘green industrialization’](#).

Apart from per capita GDP, the [main determinants](#) of industrialization at the national level are a high secondary school enrolment ratio, the rigidity of employment protection legislation, and the real exchange rate of a country’s currency. Financial development (measured as the credit provided to various sectors), political and institutional development (measured through a set of indicators of good governance) and openness to trade (the sum of exports and imports as a share of GDP) are not predictors of industrialization in and of themselves. However, investment in financial development can enhance industrialization in countries that are open to trade and that score high on the governance index. This demonstrates that the success of investments in access to finance is highly dependent on the institutional environment (such as openness to trade or good governance). Therefore, the first and foremost requirement for unlocking the potential of industrialization in Africa, is investment in institutions such as those for law and order, democratic accountability, government stability, openness to trade and corruption control.

Politics, thus, is a key factor in explaining why Africa’s industrialization lags behind. According to the Overseas Development Institute (ODI), broadly-owned institutions, leadership and vision from the top are the [main areas for improvement](#). A pathway to enhancing these developments is the recent shift to ‘green industrialization’ (the development of industries with a low carbon footprint). Recent landmarks in global agreements – the Addis Ababa Agenda, Sustainable Development Goal 9 (promoting inclusive and sustainable industrialization) and the Paris Agreement on climate – provide the policy framework for this transition.

How inclusive is industrialization?

Although there is large potential for industrialization in Africa, this does not necessarily ensure high-quality jobs, particularly for women and youth. [According to Moshi](#), industrialization is the “surest way of tackling Africa’s development challenges of fragile economic growth, poverty, inequality and vulnerability to socio-economic shocks”. In his view, industrialization is an essential component of the structural transformation that lifts workers to activities with higher productivity. This is confirmed by the [Africa Development Forum](#), which stresses that feasible, low-cost, sharply-focused policy initiatives aimed at enhancing private investments are the pathway to becoming competitive in light manufacturing.

The main reason for a focus on industrialization is the potential in terms of workforce: Africa has a youth bulge, many low-skilled workers and a strong comparative advantage in natural resources such as energy, minerals and agriculture. There [is no inherent trade-off](#) between commodity-based sectors and labour-intensive industries. Moreover, [it is argued](#) that “Industrialization’s job multiplication effect has a positive impact on society. Every one job in manufacturing creates 2.2 jobs in other sectors.” Small and medium-sized enterprises (SMEs) that engage in industrial processing and manufacturing are the most critical for the early stages of industrialization and the largest job creators.

The question, therefore, is not how inclusive industrialization is, but how to guarantee that industrialization is inclusive. On the one hand, this builds on the premise that jobs in the industrial sector in themselves resemble progress in the human condition; however, on the other hand, inclusiveness largely depends on the government’s ownership of the industrialization process. Labour market policies that comprehensively address the four pillars of ILO’s [decent work agenda](#)-principles and rights at work, employment, social protection and social dialogue – are likely to not only stimulate employment, but to make it inclusive as well.

This is in line with the conclusions of the research project [‘Dutch multinational businesses in Africa’](#), which investigated the inclusiveness of MNCs. [It can also be argued](#) that the inclusion of local produce is key for the manufacturing sector to be the driver of inclusive development. [Research](#) on the work of Heineken in Nigeria outlines the importance of favourable national investment policies in enhancing this transition. Enhancing this ‘virtuous cycle’ of agro-processing and packaging activities is also proposed by [UNECA](#) and [Woodward](#).

1.3 Can Africa leverage infrastructure and construction investments to provide and guarantee decent and productive long-term employment for its citizens? How can this be done?

Over the past 15 years, large investment flows have been directed towards infrastructure development in Africa. Although there are mixed reports signaling both an increase and a [decrease](#) in spending on infrastructure in Africa, recent programmes, such as the AfDB’s [Programme for Infrastructure Development in Africa \(PIDA\)](#), emphasize the continued importance of infrastructure investment or Africa’s transformation. For example, it is argued that infrastructure development provides an opportunity for [youth to contribute to national development and climate adaptation](#).

These investments are largely driven by the assumption that the lack of roads is a major impediment to productivity and employment. A study by Djembe Communications found that in Ghana, poor infrastructure is seen as the [top barrier](#) to entrepreneurship. In terms of sectors driving youth employment, infrastructure [ranks third and fifth](#) in Mozambique and Nigeria, respectively. Thus, infrastructure and construction projects are seen as instrumental for creating jobs, directly as well as indirectly. The direct effect concerns the construction 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](#). Although evidence suggests that infrastructural investments do indeed lead to employment creation, whether these investments are successful in promoting *long-term* and *inclusive* employment remains a topic for debate.

Rural roads development

If they are to yield productive employment, construction and infrastructure projects need to be inclusive. For one thing, this means that projects should not be limited to connecting important cities, but should also include the development of rural roads (so-called feeder roads). INCLUDE’s own research project, led by Maggie Leung, on [feeder road development](#) in Ethiopia, suggests that nearly everyone benefits from the development of feeder roads, although the type and extent of benefits [differ](#) according to people’s position in relation to the road, their access to markets, and the environmental and social impacts of the road. In addition, Leung’s [research findings](#) point to the fact that there are differences in the direct (and indirect) effects of feeder roads. The scale of the short-term, direct employment opportunities in rural road construction is rather small, especially when considering existing levels of unemployment in the regions the project covers. The indirect impacts of road development on productive employment are likely to be more significant, as improved mobility and access to markets generate productive employment.

The impacts of feeder roads, however, are not all positive. Despite increased market access and new employment opportunities, Leung identifies three constraints on inclusive impacts: First, the majority of rural inhabitants living near the new road merely use the road to access social services, such as education and health, which is possibly attributed to the transportation gap (i.e. there not being sufficient means of transportation to further promote access to markets). In addition, the INCLUDE research project found that feeder road development might [exacerbate gender inequalities](#) if no targeted measures are included in the project. 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. Knowledge of the effect of roads on other forms of inequality is very limited. Third, the construction of feeder roads has environmental and health effects, due to increased water run-off and dust.

Leung argues that to improve the livelihoods of the poorest, investing in roads is not enough; such investments must be supplemented by pro-poor policies that address their continued lack of resources, entitlements and opportunities. Policymakers, however, could already begin implementing policies that counter and prevent any undesirable effects of feeder road development. Depending on the particular context and needs of the affected communities, recommended interventions include: providing affordable public transport to fill the transport gap, local market development, and positive discrimination for women and youth, for example, in water-harvesting and roadside tree planting activities, which also potentially address the environmental and health consequences of road building. These latter measures also tie into the [recent concerns regarding roads and climate change](#).

The findings on the transport gap resonate with other research documenting the positive impact that feeder roads can have on agricultural productivity and rural GDP. [Research](#) in Ghana and other areas of Ethiopia, for example, suggest that making roads suitable for motor-vehicle access 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. Such results are also reported elsewhere, as illustrated by the income gains reported for [feeder road development in Peru](#). In Peru, households having access to newly-established motorized roads saw their annual income increase by more than 35%. In addition, the roads provided 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. 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 reduced, and road investments outperforming investments in other sectors, such as education and health.

Such narratives are also found in the evaluations of Dutch feeder road projects in Rwanda and Benin, which focus on labour intensive, rural road development. [Results](#) suggest that the improved rural roads have brought economic development to rural areas, because of lower transport costs (in terms of money and time), increased agricultural production, increased ease of importing food and supplies, and increased accessibility of health and education facilities. In the Dutch government's [Multi Annual Strategic Plan \(MASP\) for Benin \(2014–2017\)](#), some attention is paid to direct labour creation. This plan explicitly underlines the importance of high-intensity manual labour, with the additional requirement of at least 40% of the workers being female – a condition that was also implemented in a [cobblestone road project](#) in Ethiopia. As shown in an extensive evaluation by DAI Europe Ltd in 2015 of the 'Pistes rurales' projects, this approach yielded results, as increased female empowerment was positively linked to their involvement in road construction. Other impacts in the area surrounding the feeder roads included increased school enrolment, growth in consumption spending and investments in local businesses and livestock, and agricultural development thanks to increased access to inputs such as fertilizer and more cash crops.

Measuring the effects, especially the indirect effects of infrastructure projects, is difficult and [methodologically challenging](#), but increased academic attention and long-term research should gradually shed light on the matter. This reinforces the idea that distributional impact should also be studied. The World Bank's ['Taking on inequality'](#) report advances investments in roads as one of six effective existing policy options to tackle inequality. A word of caution, however: benefits from rural roads don't always flow immediately to the poorest households. In Indonesia, the Philippines and Sri Lanka, the immediate winners from new rural roads were relatively better-off people, who were already operating a transport vehicle or able to invest in one quickly. Similarly, while better roads can lower transportation costs for the poorest, they will generally do so only to the extent that competition exists among local transport providers. Effective programmes can combine road construction with measures to stimulate competition in services using the new infrastructure.

Infrastructural development and extractive industries

In addition to being inclusive, infrastructure and construction projects must also be labour intensive. There are multiple infrastructure and construction projects that have yielded employment. In South Africa, for instance, the Extended Public Works Programme (EPWP) has created [1.6 million work opportunities](#) (both directly and indirectly). However, ILO and EPWP found that this project had an average [labour intensity rate](#) of 11.1% for road building, compared to the international norm of 30% to 50% for similar projects. For infrastructure to create sufficient productive employment, it is important to develop and use techniques that are labour intensive and lead to structural long-term employment. 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 Chinese construction projects, which focus on timely completion rather than employment generation.

Not unlike the Chinese road development projects, projects initiated by Africa's extractive industry (EI) often prioritize timely completion, because the sector has a great and immediate need for new infrastructure to extract and transport its products. Limited by the existing ['infrastructure gaps'](#) in Africa, some mining companies have constructed infrastructure that suits only their own needs and does not yield benefits for local communities. In Sierra Leone, for example, mining companies have built power generating systems without linking them to the national grid or sharing the electricity generated. The challenge for African nations is to encourage the development of [shared use infrastructure](#) that meets more than one objective so that surrounding communities can share in the economic benefits. If countries manage to overcome this challenge, some [experts say](#) that the extractive sector will indeed yield export-based growth and jobs throughout the EI-value chain. However, for EI to yield productive employment and inclusive economic development, [good governance practices](#) and active involvement by multiple stakeholders (including national and local governments and civil society organizations) are necessary. And, as a [study](#) of Uganda's petroleum sector suggests, such good governance is a tall order.

1.4 Is the services sector sufficiently booming to provide productive jobs, especially for women and youth, and to guarantee livelihoods for the poor? What can policymakers do to enhance the contribution of the services sector to productive employment?

The services sector in Africa is booming, and, according to [Junior Davis, United Nations Conference on Trade and Development \(UNCTAD\)](#), the sector "holds tremendous economic promise". In many countries, labour has been moving from agriculture to services over the last decades. For example, 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 services 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 services sector. Within the informal sector, many people work [in trade](#). More recently, technological change has also increased the demand for labour in the services sector.

Services in SSA are increasing, not only as a share of employment, but also as a share of GDP. The services sector provides [almost half of Africa's output](#). In [Ghana](#) and Nigeria, the services sector provides about half of national GDP. In Ethiopia, the services sector is also a ["real driver"](#) of economic growth, as Professor Tadele Ferede, affirmed at the INCLUDE working conference in Addis Ababa in May 2014.

The increasing contribution of the services sector to employment and GDP can [drive value addition](#) (for example, in the export of roses from Ethiopia) and [provide critical inputs](#) to boost other economic activities and diversify exports. The Africa Competitiveness Report 2015 emphasizes that the links between services and other sectors of the economy are substantial, especially in the export of primary activities, such as agriculture and energy, and in the export of manufacturing. [As the report argues](#), "Enhancing the competitiveness of the service sector – in effect, strengthening a country's bonds with the global economy – is now imperative for Africa's continued economic development".

The Africa Competitiveness Report nevertheless also [stresses](#) that “[t]he fact that not all services are positively correlated with economic development reaffirms the importance of taking a country- and sector-specific approach when considering policies to strengthen the competitiveness of service sector exports”. For example, in [Benin](#), about half of the population work in the service sector, but the country is experiencing less economic development. [In Mozambique](#), the increased labour force in the service sector, is mostly engaged in low productivity activities. And, in Uganda, the growth of the services sector has not led to sufficient jobs for youth. A report by the Economic Policy Research Centre (EPRC), therefore, [argues](#) that a move away from employment in agriculture towards the services and industrial sectors is not a complete sign of the structural transformation of the economy.

Informality, vulnerability and low productivity

The growth of the services sector does not necessarily mark a transformation towards more productive employment, because the jobs created in the services sector have low productivity and are mostly informal (e.g. [Ghana](#)). According to the [Africa Competitiveness Report](#), the move from agriculture to services mainly went to the least productive jobs in retail and distribution services, rather than to highly-productive jobs in the business services sub-sector. According to the report, experts do not agree on whether or not Africa will be able to make the transition to high-productivity sectors in the short term, as India did. Some experts argue that “large catch-up requirements” and the small number of people working in business services will hinder this transition.

Low productivity is also due to informal jobs in the services sector. Informality is [associated with low productivity](#), due to lack of physical and human capital and lagging investment. Jobs in the informal sector are often unstable, uncertain and precarious, particularly because employment conditions are not regulated or regulations are not complied with. According to [ILO](#), some of the characteristics of informal employment are “lack of protection in the event of non-payment of wages, compulsory overtime or extra shifts, lay-offs without notice or compensation, unsafe working conditions and the absence of social benefits such as pensions, sick pay and health insurance”.

As stressed in [INCLUDE’s policy brief on the informal economy](#), two policy approaches to improving employment in the informal economy have emerged to tackle these challenges: one is focused on how to facilitate the transition of informal workers to more growth-generating activities (i.e. formalization) and the other is aimed at improving the rights and working conditions (including social protection) for workers in the informal economy. Martha Chen [recommends](#) formalizing as many informal enterprises and informal jobs as desirable and feasible. However, she also emphasizes that formalization should be defined more broadly to encompass not only regulation and taxation, but also social and legal protection, as well as support through investment in the needs of the informal sector (such as for infrastructure and transport), and should enhance the right of informal workers to organize and be represented.

However, other studies argue that the potential of informal companies to formalization is limited. According to [field experiments](#), even when transaction costs are lowered or aligned, only a few informal companies formalize. Micro-credit can enhance entrepreneurship, but [seldom lead to formalization](#). Research conducted in [Benin and Brazil](#) found that very few incentives provided for the formalization of informal enterprises are effective. As concluded in a [recent INCLUDE one-pager](#), it is important to recognize and stimulate companies that operate and move between the informal and formal economy, and to realize the limitations of a focus on formalization.

To capture the strengths of the informal services sector, policymakers need to go beyond the formal-informal economy dichotomy. At a lunch seminar at MFA on 27 October 2016, Natascha Wagner [suggested](#) recognizing ‘transformational’ companies as companies that bridge both formal and informal economies, rather than dichotomizing the two. Also, informal workers do not constitute a homogeneous group and have different roles in the informal economy, as [stressed](#) by the INCLUDE and NWO-WOTRO research project on informal workers’ political leverage. This research project studies informal workers in the textile trade and construction sector in Ghana and the taxi and private-security sectors in Benin. Findings on employment in these informal segments are not (yet) available.

[About a third of women](#) in Africa work in the services sector. Unlike other sectors, the services sector generally employs almost as many women as men. [Most young people](#) work in agriculture and services. Women and youth are overrepresented in informal economic activities and are more exposed to poverty, instability and poor working conditions. Unfortunately, not many studies are available that specifically look into the opportunities for women or youth in the services sector in Africa.

Not all jobs in the services sector are informal. As UNECA [writes](#), “[t]he services sector is largely composed of informal, but also modern services (including ICT and financial services) which reflect a successful shift into higher productive and more formal jobs”. The INCLUDE and NWO-WOTRO research project on the IT sector in Kenya found that women with an IT enterprise are often responsible for one or more enterprises, as well as for caregiving at home. According to the [interim findings](#) of the research project, “switching between these two roles is a big struggle and negatively affects their competitiveness with their male counterparts”. The research group also reported that young IT entrepreneurs can build confidence and self-awareness skills when they are organized in largely youth-based community-based organizations (CBOs), increasing their decision-making capacity.

Training and education

In Ghana, 12% of service sector workers have graduated from [higher education](#). Most service sector workers only attended secondary education, but the services sector has the highest share of people with a tertiary qualification compared to other sectors. The [Africa Competitiveness Report](#), a [World Bank report](#) and an [UNCTAD report](#) argue that to move towards a more productive service sector, long-term investments in higher education and training are needed to increase skill levels. According to [Radwan and Pellegrini](#), “[t]he dynamic process of knowledge and wealth creation raises tremendous possibilities for enhancing productivity and competitiveness. But there is also a risk that countries or firms and organizations that are not able to keep pace with rapid change will fall behind”.

South Africa has a dedicated institution for improving skills in the services sector: the Services Sector Education and Training Authority ([Services SETA](#)). Jobs in the ICT sector can be high-productivity jobs. Nevertheless, many jobs in this sector are low skilled. As high- end ICT skills generate more return, specific training on this is recommended (see section 1.5 below).

As many service sector jobs are informal, the issue of the education and training of informal sector workers arises. There is general agreement about the [importance of recognizing the skills acquired in the informal sector](#). A number of challenges make such validation particularly difficult, including: the highly-varied quality of training in the informal sector; the limited transferability of skills, as skills are often job-specific and learnt ‘on the job’; and the big risk of fraud and corruption when it comes to official skills recognition. To address these challenges and promote the recognition and validation of skills acquired in the informal sector, both the government and private sector have a role to play. In terms of policy, the government is advised to formulate a holistic qualification framework that allows for skills ‘translation’. Such a framework would help to establish equivalence between formal, non- formal and informal skills and education.

Recommendations for increasing productivity in the services sector

To better harness the potential of the services sector for productive employment and move from subsistence and non-tradable services to value-generating services, UNCTAD makes the following [recommendations](#):

- Focus on services that add value and can link with other sectors (such as the logistics and distribution sub-sector of the services sector, which can benefit the agriculture and manufacturing sectors)
- Link the services sector with other sectors of the economy so as to make them complementary
- Improve the quality and lower the costs of service provision to increase the potential of the services sector and make it more competitive
- Bridge the divide between services trade regulations at the national, regional and global levels
- Address services trade in negotiations on intra-African free trade

- Contribute to the formalization of informal service providers to increase their productivity, for example “through the modernization of transport and logistics value chains by addressing the efficacy and fairness of the tax system, lowering corruption and regulatory burdens, providing small business support services, improving access to credit for small firms and enforcing compliance with regulatory frameworks to improve the efficiency and accountability of public institutions”.

According to the [Africa Competitiveness Report](#), countries “need to create an enabling environment for foreign direct investment and technology transfer; both these things together will support building regional value and tap into global value chains”. For long-term growth and employment creation in the services sector, UNCTAD further [recommends](#) strongly increasing investment in basic infrastructure.

According to a World Bank report, importing services from abroad can help to increase productivity because they contribute to “[increased competition, better technologies, and access to foreign capital](#)”. Yet, such trade in services is often constrained by domestic regulations and trade barriers and is most present in the informal sector. Africa has an [export share of 2.2%](#). To make trade in services more productive and increase its contribution to economic growth, the report [recommends](#) that policymakers:

- Prioritize regional cooperation to challenge regulatory heterogeneity, which leads to market segmentation and creates barriers for service traders
- Assist in the development of the regulatory capacity of regional authorities to ensure efficient implementation of good regulatory principles
- Invest in data collection on, and the monitoring of, services reforms
- Put informal and knowledge intensive services on the agenda of policymakers

1.5 What opportunities does the ICT sector provide to contribute to productive youth employment in Sub-Saharan Africa?

Innovation is [considered to be](#) an important driver of job creation in developing countries. Jobs in ICT can, and should be, sought, particularly as Africa can leapfrog using the technological progress in developed countries. Yet, as concluded in the INCLUDE concept note on productive employment: “such technology acquisition is never merely a process of passive imitation. It involves a highly creative process of selection, learning, adaptation, upgrading and sometimes leapfrogging. The capacity to tap into global technology and knowledge flows depends to a great degree on the development of capabilities and absorptive capacities”. The question of how to stimulate employment in the ICT sector is also a matter of inclusive development: How can ICT benefit the poorest of the poor? This is to some extent being researched under the concept of [‘pro-poor innovation’](#).

The ICT sector in Africa has recorded phenomenal growth in the past two decades. The telecommunications sector in most countries has been liberalized, national expenditure on ICT infrastructure is growing, and there is a trend towards the convergence of technologies with some countries issuing converged licenses to private operators. This has lowered the costs of information, communication and services, which has, in turn, led to the expansion of, and increased access to, the Internet and mobile telephony services across the continent. Due to this, governments and other actors consider ICTs as important drivers of economic growth, through [innovation, entrepreneurship and job creation](#) and by promoting the efficiency and productivity of other sectors. A [Dalberg study](#) shows evidence of optimism about the digital economy’s potential to create jobs in the formal sector, especially for youth. To enhance entrepreneurship in the digital economy, governments, civil society organizations and private sectors firms are supporting technology-based incubation hubs. Estimates show that 314 [technology hubs](#) have been established in 42 African countries.

INCLUDE knowledge

INCLUDE’s research project on [‘Multipliers for employment creation in the IT sector in Kenya’](#) seeks to contribute evidence on the contribution of ICTs to productive employment. Kenya is one of the leading African countries in ICT

expansion and usage. The government of Kenya views the sector as central to the attainment of the country's long-term development objectives by creating jobs (digital jobs) and enhancing the efficiency and productivity of other sectors (agriculture, manufacturing, services). With respect to the former, the INCLUDE ICT study shows that the performance of ICT ventures is related to training and that learning from failure is crucial; this can be enhanced by encouraging learning by entrepreneurs and by facilitating training institutions to help entrepreneurs avoid the pitfalls of multiple failure experiences. It also shows that promoting self-employment through entrepreneurship initiatives based on policies informed by knowledge is crucial. This comes together in hubs. Governments should support relevant learning, training, and entrepreneurial development initiatives that enhance entrepreneurial capabilities, competence, and preparedness, all of which are associated with greater success. Governments should also facilitate the connection between investors and high-potential entrepreneurs. CBOs can play an important role in supporting entrepreneurial development, especially in building the confidence and resilience of entrepreneurs.

Other knowledge

Some recent articles on technology in the [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?](#)'. With this increasing role, one of the concerns is the extent to which the ICT sector can drive economic growth and address unemployment. Responses to this concern requires understanding the kind of jobs created in the ICT sector, the digital skills available, the labour market entrants, the relationship between ICTs and other sectors, and the digital divide. For example:

- Digital jobs are based on low-level skills or high-end skills and can be at the level of product creation or distribution. Whereas high-ends skills and product creation generate high returns, [evidence](#) shows that most ICT sector jobs in Africa are 'low- skills' jobs and largely involve the distribution of ICT products. Low-skills jobs include those in outsourcing, telecentres and Internet cafes. This means that for a fundamental transformation of the ICT sector towards the creation of productive jobs, a shift is needed towards the design and creation of digital products. However, African youth have limited capabilities in relation to the digital economy, especially at the design level.
- Another issue is the distinction and/or links between formal and informal sector jobs in the ICT sector. The decision to operate at a formal or informal level is based on the perceived benefits and costs to entrepreneurs. In this sense, formalization is not always the answer.
- ICT sector growth is dependent on diversification of national capabilities to respond to demand (domestic or foreign).
- In relation to the ICT sector and inequality, [the World Bank's Digital Dividends](#) report shows that the distribution, access and benefits of ICTs are uneven within and across countries. For example, [although each of the other African countries have at least one or two active tech hubs, 50% of the tech hubs are concentrated in five countries \(South Africa, Kenya, Nigeria, Egypt and Morocco\)](#). As has been repeatedly pointed out, the contribution of ICTs to growth and job creation varies between different countries and any intervention, such as the promotion of skills development, should be relevant to the context in which it is to be implemented.
- An International Telecommunication Union (ITU) [report on digital opportunities](#) identifies opportunities with potential for job creation. These include app development (including mobile apps), microwork and crowdsourcing, gaming, digital applications in the green economy and computer assembly.
- Another important point to note is that because the number of youth entering the labour market is much higher than the ICT sector can create, the sector does not offer 'the solution', but should be viewed as part of the solution.

2. DYNAMIC ENTREPRENEURS

An analysis of the role of SMEs and entrepreneurship is relevant to inform policy on productive employment for two main reasons. The first is that SMEs and entrepreneurial activities (which constitute the great bulk of the

informal sector) dominate the African economy. The second is that if these micro firms are driven by opportunities and prove to be dynamic and innovative, the constraints on their growth should be eliminated. In this way, more jobs could be created and with the emergence of medium-sized or larger firms, informality and vulnerability could be greatly reduced.

However, African entrepreneurs with small businesses in the informal sector are often seen as [‘necessity entrepreneurs’](#) or ‘survivalist’. Operating on a subsistence level and initiated due to lack of more productive opportunities, they are thought to have little prospects of achieving higher levels of productivity. Although this is indeed the case for many of these small businesses, given the heterogeneity of the informal sector, some entrepreneurs (called [constrained gazelles](#)) also have high potential. As innovators and pioneers of change, they are developing new products, productive methods, markets and forms of organization associated with risk-taking and substantial wealth creation.

The follow questions are, therefore, relevant:

- How can dynamic and innovative entrepreneurs who create employment opportunities be recognized and their constraints identified?
- How can these entrepreneurs be best supported?
 - What is the role of education and skills training in promoting dynamic entrepreneurship and jobs?
 - What is the role of finance in promoting dynamic entrepreneurship and jobs?
 - What is the role of ICT-development in promoting entrepreneurship?
- What kind of support do female entrepreneurs need to grow their businesses?

INCLUDE’s research project [‘Empowering female Ugandan entrepreneurs’](#) explores the barriers to innovation experienced by entrepreneurs in general, and particularly by rural female entrepreneurs in Uganda, with a view to understanding how ‘Muppets’ can be transformed into ‘gazelles’. This project is concerned with identifying: how dynamic and innovative female entrepreneurs who create employment opportunities can be recognized and the best ways of supporting these female entrepreneurs.

The INCLUDE and NWO-WOTRO research project on [economic empowerment and sex work](#) studies sex workers in the informal economy in Kenya and Ethiopia. It looks at how sex workers can be supported by strategic actors to be economically empowered and how developments in the sector can be made more inclusive. One of their [interim findings](#) is that “[e]conomic empowerment cannot be achieved from a top-down position, and ‘a one-size fits all’ approach will not suit every set of circumstances. Tailor-made measures should be implemented to develop a more nuanced, sensitive and inclusive approach”. This entails understanding the money logics of sex workers. According to money logic, patterns of expenditure and economic empowerment can be explained in relation to the sources. This may be analogous to the observation that men and women use cash differently, as is increasingly advanced in the literature.

Using a multi-method approach, the INCLUDE project on the [IT sector in Kenya](#) focuses on the conditions under which small IT firms, which are usually characterized by the informal employment of women and youth, can move into more organized sectors and compete with the multinationals that dominate the field. This research has contributed to exploring ways in which the Kenyan government can promote self-employment through entrepreneurship (e.g. by encouraging learning by entrepreneurs and by facilitating training institutions to help entrepreneurs avoid the pitfalls of multiple failure experiences) as well as the facilitating role of Dutch/international organizations (e.g. by working with hubs and other training institutions to develop relevant curricula).

2.1 How can dynamic and innovative entrepreneurs who create employment opportunities be recognized?

Because dynamic entrepreneurs have the potential to generate economic development and create employment opportunities, adequately identifying them is a first and necessary step towards formulating measures and programmes that can support them in reaching this potential. The [INCLUDE research project in Uganda](#) found that innovative entrepreneurship is determined predominantly by motivational resources. The main predictor of innovation is personal initiative. A second important motivational resource is confidence, especially business confidence. In addition to motivational resources, having a business network is also associated with innovativeness. Non-innovative and unsuccessful entrepreneurs tend to rely on multiplex relations and have dense family networks. To build a rich business network, personal initiative and confidence are needed. While having business networks contributes to success and innovation, about 25% of entrepreneurs are constrained by their personal network. These entrepreneurs have to support family and friends, which extracts financial resources from the enterprise, which that can no longer be invested.

[INCLUDE's research on ICT enterprises](#) in Kenya, led by Harry Barkema, emphasizes the importance of learning mechanisms as a key factor in entrepreneurial development and venture growth. Those entrepreneurs who were 'motivated to learn', 'learned faster from failure experiences', and 'engaged in proactive skills acquisition' were more likely to report indicators of early venture growth than counterparts who were less learning-orientated. The project found that the experience of multiple failures may lead to 'learning traps' Essentially, entrepreneurs who experience learning traps are unable to learn anything new from their failure experiences and continue to make the same mistakes. Hence, learning traps were associated with venture failure. Entrepreneurs who enacted transformational changes after experiencing failures were more likely to focus on changing the organizational strategy and processes in a fundamental way. Transformational changes involve the entrepreneur engaging in deep reflection in order to assess their own strengths and weaknesses in relation to venture performance and the entrepreneurial context. Transformational learning was associated with early venture growth. The relative importance of these learning mechanisms for venture growth vis-a-vis other characteristics, such as the educational level of the entrepreneur, is yet to be analysed.

The findings on the importance of education for entrepreneurship need more scrutiny. Recent [research by the International Development Research Centre \(IDRC\)](#), for example, shows that 65% of low-growth business operators have only a primary school education, while 80% of high-growth business operators have completed secondary, post-secondary or tertiary education. Moreover, a positive relationship was found between the level of education and the likelihood of business owners having growth expectations for their business.

In addition to identifying the 'gazelles', it is important to determine what factors are constraining their development. Because of their context specificity, these constraints (and opportunities) differ across countries and sectors, as found in a study done by [ODI in 2011](#), and differences are further exacerbated by the [heterogeneity of the informal sector](#) itself. Yet, although different entrepreneurs may face different sets of challenges, it is possible to identify some common constraints, such as lack of business skills, lack of access to finance and other resources, and the low use of new ICT technology.

INCLUDE's research confirms the [gender gaps in entrepreneurship](#), which are identified by, for example, [Buvinic Romijn's research](#) found that, compared to their male counterparts, female entrepreneurs experience lower levels of start-up capital, innovation, success in terms of business size and age, and business networks. Women in rural areas in particular also have limited access to resources, capacity and knowledge of marketing, product development and good packaging. In addition, rural women face important market constraints including limited local demand, limited lower purchasing power of customers, and a lack of access to non-local markets.

Women entrepreneurs in the IT sector in Kenya generally operate more than one venture at a time or are working part-time in addition to running their own venture. Moreover, they often need to alternate between their entrepreneurial role and role as primary caregiver in the home, which can negatively affect their competitiveness compared to their male counterparts.

In his study on what works to enhance the productivity of women-owned enterprises, [Arjan de Haan](#) (IDRC) largely corroborates these findings and identifies a number of additional constraints: for instance, women are disproportionately (over)represented in small and informal enterprises. Other constraints are that women's enterprises are more often 'survivalist' in type than men's, (as found by [Grimm et al. in a study in 2012](#)); women tend to be concentrated in sectors that are less rewarding, that lack registration, and with the least growth opportunities (as found by [Minitti in 2008](#)); skills and business-specific training tends to be targeted towards men; and women often lack formal rights and access to justice. In relation to this last mentioned legal constraint, [Vossenber](#)g points to gender biases in laws on inheritance and land ownership that greatly limit women's opportunities. Such gender biases are also deeply ingrained in traditional social and cultural norms within local communities. In a recent Partnership for Economic Policy ([PEP publication](#)) it was shown that some research found that such cultural constraints are even more damaging to female entrepreneurship than lack of access to finance. Whether cultural norms are indeed *more* damaging is open to debate, but [others](#) do indicate that longstanding views on gender roles held by communities – and especially by community leaders – can stand in the way of women's entrepreneurial development. These norms, at a minimum, have practical implications for women who have to combine different roles as entrepreneurs, mothers and spouses.

2.2 How can dynamic entrepreneurs be best supported?

Efforts to promote entrepreneurship and support entrepreneurs can, and must, be various, as the beneficiaries of these efforts, as well as the constraints they face, are also highly varied. Ways to promote and support entrepreneurship may include addressing business environment constraints, providing entrepreneurs with easy and affordable access to finance and credit, and training about best management practices and business skills, as well as the knowledge and mindsets associated with entrepreneurial success (as explained by [Valerio et al. in a report published in 2014](#)). Most interventions that aim to enhance dynamic entrepreneurship focus on education and training or the provision of necessary resources.

The INCLUDE research on entrepreneurs in [Uganda](#) and on [IT entrepreneurs in Kenya](#) both provide more pointers as to the type of training that may be beneficial. The work in Kenya advances critical reflection on failures or near failures, confidence building, a learning orientation, and the development of a sense of self-efficacy and confidence (while avoiding over confidence) through training and mentoring. The extent to which this overlaps with, or is related to, the personal initiative elements highlighted in the Uganda research needs further scrutiny. One example of such training approaches is [STEP training](#), which aims to promote entrepreneurship among youth and undergraduate students by providing them with knowledge, skills, and confidence in how to start a new business. The STEP training is unique in so far as it is action-oriented and evidence-based.

Both researches also emphasize the importance of building up social and business networks and collaborative groups or civil society organizations (CSOs). For IT entrepreneurs, networks with other successful entrepreneurs are important, as are connections to larger companies (backward and forward linkages). For entrepreneurs, social spaces for network building, partnering and learning are productive. But it is clear that a broader enabling environment is essential for both. In Kenya, the government could, for example, encourage more incubators outside Nairobi, support incubators by providing effective physical infrastructure, increase the digitization of government services (procurement policy) and support entrepreneurs to build broader networks.

In Kenya, the research found that incubators can support IT enterprises to create employment. During early development (stage 1), the successful incubator in this study took on a convening role, uniting IT firms and

(aspiring) entrepreneurs in a physical meeting space. This reinforced relationships among entrepreneurs and provided a space where new entrepreneurs could learn about starting a business. Later, in the development (stage 2), the incubator enabled members to take the lead on organizing activities and coordinating projects. The small physical space created a social space for peer-to-peer support (serendipitous encounters), social capital and a community of practice. Early on, the incubator integrated international ties, strengthening its local legitimacy; however, the international relationships were not mature enough to produce clear value from the collaborations for local parties.

The international literature suggests that it is generally easier to help start a business than grow a business, and growing a business requires more extensive support. [Kew et al.](#) propose education and training, business support and advice, business capital and finance, and ICT and technology as key areas of intervention to boost youth entrepreneurship. Key in these interventions is the targeted nature of the approach, which is also suggested in the wider context of youth employment programmes. Based on a systematic review of more than 3,000 interventions globally, [Robalino suggests](#) that: “The key for success is to be able to respond to the needs of an often very diverse population of beneficiaries. For that you need flexible programs that offer multiple services ranging from counselling and training to job search assistance and stipends.”

Education and training

[Research](#) shows that higher levels of education contribute to better entrepreneurial performance as well as higher rates of enterprise formation. This is not only because education provides the skills necessary for self-employment (as argued by [Chandrasehar and Ghosh 2007](#)), education in general has shown to have definite effects on individuals’ self-employment and entrepreneurial decisions (e.g. [Evans and Leighton 1989](#)). Despite these proven effects, and given the importance of the motivational and learning mechanisms referred to above, raising the general education level may not be sufficient to spur entrepreneurship development. Training must also include attention to ‘non-cognitive’ elements or soft skills. A similar argument is used in “changing mind-sets through training and support” to enhance young people’s participation in agribusiness and promote productive employment. In April 2016, AfDB held a ‘[Youth Program Design Workshop](#)’ on youth and agriculture, which addressed skills development, mentorship and investment in youth enterprises.

Some key elements arising from the literature on the impact of education and training on business development are as follows:

- Most studies report mixed results, with [lasting impacts of business training](#) programmes hard to find:
- It is important to identify whom to target (only those who want to grow), what should be included in the training, and the intensity and method of delivery of the training. A [recent study in South Africa](#) found that different business skills benefit different types of enterprises, hence, investments in training are most efficient when targeted. Small business owners who had a lack of exposure to different market and business contexts before training tended to do better when they received a marketing/sales training programme. Marketing encourages entrepreneurs to look outside their existing business context to develop new perspectives on managing products, customers, competitors, distributors and suppliers. In contrast, finance training was more beneficial for businesses that were more established, that is, firms that were operating in a more permanent manner. Once a firm reaches a minimum threshold in terms of size or scale, improved finance/accounting skills can be put into practice to reduce costs and increase efficiencies in the business.

Business capital and finance

Key state of the art literature on access to finance:

- While there are high hopes for micro-credit, a [recent review of](#) six randomized evaluations from four continents suggests that, while microcredit has some benefits, it has not led to the transformative improvements in business performance and poverty reduction widely expected.

- In relation to different approaches, business competitions start up grants are gaining attention. A World Bank Policy Research Working Paper by McKenzie (2015) on [Identifying and spurring high-growth entrepreneurship suggests that 'capital injection'](#) – taking the form of grants to winners of a national business plan competition in Nigeria – had positive effects on increased profits, sales, and employment (for 10 workers).
- On the other hand, statements that availability of money should not be a problem: accessing the money with a good business plan is (policy-knowledge community in Rwanda).

ICT and technology

A promising recent strategy to promote entrepreneurship is through the use of new technologies, particularly social media and mobile phone apps. Mobile phones have had a profound effect on the daily lives of their users and they have been recognized as a potential tool for poverty alleviation and overcoming inequality. As pointed out in a [2012 report](#) on mobile technologies commissioned by the World Bank, "mobile applications not only empower individual users, but they also enrich their lifestyles and livelihoods". New developments, especially mobile phone apps (e.g. the 'Icow' app) are promising for entrepreneurs. For example, mobile money can help the financial management of an enterprise, but can also help alleviate social problems. Women can use mobile money to hide money from their husbands who might otherwise reallocate these funds. Another way these apps can help is by increasing the social capital of entrepreneurs, which is often locked in close-knit family networks.

However, lack of access to mobile applications can also increase existing inequalities, as is evident from the INCLUDE research project in Uganda. Lack of literacy skills, especially among rural women, may [prevent the use of mobile technology](#) for entrepreneurship. (the project is currently experimenting with changing the interface of the application (text length and pictograms) to increase uptake. Very poor women require a package of support. Some women (although a minority) could, with a little help, become successful entrepreneurs. In Uganda, progress has been made through the installation of resource centres in Nakaseke and Mpigi. These centres build on existing initiatives by providing a coordinator/business advisor, a marketing platform and mobile money training. The effects of these centres on entrepreneurial success is still to be established.

However, ICT is no 'magic bullet' or panacea for development. While the [2014/2015 Global Competitiveness Index](#) recognized that new ICT technology can play an important role in developing more productive higher value-added sectors within Sub-Saharan Africa, current practices show that the use of new and latest technology by youth businesses in Sub-Saharan Africa is extremely low. Almost three-quarters (73%) of youth businesses indicated that they were using technologies or procedures that were available more than five years ago. The percentage of adult-based businesses that use older technology is slightly lower (66%) than for youth-based businesses. However, only 16% of adult-based businesses use the latest technology. This suggests that even though youth-based businesses generally have fewer resources, their uptake of the latest technology is equivalent to adult-based businesses. The lack of newer technology, as well as appropriate business skills, keeps these businesses small and in a market in which they do not need to compete with imported goods. However, this also means that these businesses are not in a position to compete in an export environment and will not be able to look forward to export-led growth.

2.3 Supporting female entrepreneurs

The observation that women entrepreneurs have a 'double burden' – having to operate in a imperfect entrepreneurial environment, while at the same time navigating gender roles, domestic responsibilities and societal expectations/constraints – is confirmed in numerous studies, including by [De Haan](#) and by [Buvinic](#) who emphasize that for women entrepreneurs, constraints are bundled. This means that extra interventions are needed for women to grow their businesses. [Romijn et al.](#) identify the following interventions: Local resource centres can offer support and training, for example, to provide women with simple skills (e.g. in how to operate a mobile phone), and conduct training to develop personal initiative, which is a crucial determinant of innovation and success. A natural component of personal initiative training should be 'how to build a business network'. It is also important

to organize women entrepreneurs into small learning groups and capable and successful entrepreneurs can be used to mentor these learning groups. For this to work, it is important to understand women's aspirations and contexts: Different women pursue different goals through their businesses. Their businesses usually form a small part of a much larger palette of activities for household income generation and risk diversification. Support for rural female entrepreneurs must be attuned to these goals, while helping them to attain more income security. In every rural community there are also capable female entrepreneurs who can be coached to become business leaders and provide productive employment to others. It is also important to pay attention to the role of men in supporting women entrepreneurs: Men who support women entrepreneurs should be encouraged to spread the message that women's businesses are not threatening, but can lead to increased financial resilience, social dignity and happiness.

These findings and recommendations resonate with two recent papers that directly deal with the potential of promoting women's economic empowerment through entrepreneurship: IDRC Report [‘Enhancing the productivity of women-owned enterprises: the evidence on what works and a research agenda’](#) by Arjan de Haan (2016) and the World Bank Policy Research Working Paper [‘Promoting women’s economic empowerment what works?’](#) by Mayra Buvinic and Rebecca Furst-Nichols (2014). The IDRC report by de Haan specifically asks the question: “can women-owned businesses grow?”, but accepts that that knowledge on their ‘firm dynamics’ and how they can become successful is still limited. This report suggests that improvements need to be made to gender inequitable laws and regulations and work and labour rights in the informal economy (where women are over- represented) need to be legalized, including providing adequate social protection. It also proposes that government procurement policies should favour women-owned businesses. While improving financial and credit services to women entrepreneurs has been taken up in different contexts the “effects tend to be small, often more so for women and for smaller business than for men and larger businesses”. The report also noted the potential of new technologies, and particularly access of small women entrepreneurs to mobile phones, but noted that this was “likely to be a necessary not sufficient condition for achieving business growth”. Empowering women by integrating them in value chains has also shown that they tend to “provide the least amount of opportunities for most vulnerable farmers (and therefore women, in many cases)” while often ignoring gender disparities in the household and not recognising the gendered nature of the value chain. De Haan, therefore, advances a combined approach with micro-level entrepreneurial interventions (training, access to finance), while also addressing the broader entrepreneurial ecosystem and macro-level constraints.

The 2014 working paper by Buvinic and Furst-Nichols highlights the need for different interventions for women entrepreneurs of different classes and ages. While the provision of small grants or loans, when coupled with business management training, was effective in the case of the non-poor, without other forms of support, it was not beneficial to the very poor. The latter require a more intensive package of services, including a higher level of capital with business training and regular technical follow-up visits to move out of subsistence-level self-employment. Relatively young women also tend to benefit more in terms of increased employability and earnings from skills training and on-the-job training than their more mature counterparts. However, in all cases pre-existing inequalities and social constraints influenced the outcomes of interventions. The review claims that women are often under pressure to use their income for household expenditure or to support relatives and tend to face problems participating in training. The authors suggest “simple, inexpensive adjustments” to overcome some of the constraints faced by women, such as the provision of capital in kind rather than in cash, using mobile money services for private financial transactions, and committed savings (which may also booster female autonomy). The review does point out that while there is some evidence on what works to empower women, “there is very little evidence on the financial and economic costs and benefits and even less evidence on the sustainability of interventions, both in terms of the lasting impacts of programs and the institutional and political dimensions of sustainability”. A recent [update of this work](#) underlines there is no one-size-fits all and provides an overview of the evidence of what works for different types of women, distinguishing between young/old and rich/poor women.

Kabeer cautions against assuming that financial services in themselves automatically lead to women's empowerment. Providing financial capital is most effective when part of holistic approaches that respond to the specific needs of women entrepreneurs. Several organizations, such as WED, SEWA and BRAC, successfully make

use of holistic approaches combining the provision of financing, business development services, improving market access, providing skills trainings and education, and policy reforms. There is, however, [evidence](#) that even if women retain control and title over the original asset, men tend to be the sole owners of the new investments that arose from the extra income, with women viewing their own 'empowerment' not in relation to their individual rights and gains, but more in line with their contribution to improvements in the welfare of the household. Perhaps the conventional understanding of 'empowerment' needs to move beyond a purely individual experience to a more collective capability, as befitting priorities in different societies. BRAC started working in Tanzania and Uganda in 2006, Southern Sudan in 2007 and Liberia and Sierra Leone in 2008.

Moreover the United Nations Foundation's (UNF's) ['Roadmap for promoting women's economic empowerment'](#) underlines that business training alone is insufficient to support the development of women-owned enterprises. Other evaluations have come to similar conclusions, finding that the effects of training combined with financial assistance were larger than the effects of stand-alone business training, mostly because finance helped to overcome women's credit constraints to business entry (see [de Mel et al. 2009](#); [Klinger & Schundeln 2011](#)). A promising example of a programme that adopted a multi-faceted approach is the ['Improving economic opportunities for women and children'](#) project in Malawi, in which women received training supplemented by assistance to get loans, land and access to markets. [Baliamoune-Lutz, Brixiova and Ncube](#), while generally agreeing with the recommendations in the UNF Roadmap, explicitly add that policymakers should not just provide 'women only' entrepreneurial training; they should also aim to make existing technical schools and laboratories more accessible for women. [Vossenber](#) goes one step further: she argues that men should be targeted within training programmes to ensure that they can positively contribute to women's empowerment.



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