

**BOOSTING
DECENT
EMPLOYMENT
FOR AFRICA'S
YOUTH**

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PRIVATE SECTOR DEVELOPMENT INTERVENTIONS AND BETTER-QUALITY JOB CREATION FOR YOUTH IN AFRICA

Linking business performance with productivity growth
and sustainable job creation

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Methodology

This synthesis paper used existing and relevant IDS literature and available IDS research results on youth employment and private sector development as the base for an extensive additional literature search. This includes making use of the Matasa Fellows Network - a joint initiative of The MasterCard Foundation and IDS that supports young African researchers to develop policy-relevant research in youth employment.¹

A literature search and review was undertaken to identify sources responding to the following themes and scope:

- Academic databases (such as ScienceDirect and Scopus) for academic articles.
- Google and Google Scholar, as well as databases such as WIDER Working Papers, DFID's 'Research for Development Outputs', etc., for grey literature.
- Snowballing: sourcing references using the reference list from identified papers.
- Inclusion criteria: e.g. focusing on interventions targeted at enterprises and value chains, at youth employment (15-35 years old), in Africa, and on literature published after 2006.

Abstract

There is consensus among policymakers and the research community that demand for young people's labour is the main constraint to achieving sustainable job creation in Africa (e.g. Fox & Kaul, 2017; AfDB et al., 2012). Thus, this synthesis paper focuses on evidence around the creation of wage labour opportunities in the private sector, linking youth employment with a desired structural economic transformation able to absorb the predicted surge in supply of labour in the decades to come. African economies have failed to transform structurally from low productivity agriculture to higher productivity non-agricultural sectors, with recent economic growth based on commodity exports not delivering enough jobs and lacking inclusive and sustainable linkages with local businesses to increase productivity at enterprise and sector level. Without sufficient policies in place to improve productivity at firm and sector level, the "extremely unproductive" informal sector, with its typically poor-quality employment conditions, will remain a major employer for youth, particularly the less skilled and educated. This synthesis paper looks at what is needed for the private sector in Africa to create more sustainable and quality jobs for youth working in the formal and informal sectors, by linking labour market outcomes with enterprise development interventions.

1 For more information see: <https://www.matasafn.org/>

Key messages

- Evidence shows that **Private Sector Development (PSD) interventions can generate more and better jobs for the youth in Africa**, because these interventions link youth employment outcomes (quality and quantity) with firm performance and productivity improvements.
- **Comprehensive PSD interventions that integrate financial and non-financial support for firms** with sector or value chain specific development interventions have the best potential to generate more and better-quality jobs for youth.
- **PSD interventions need to be integrated within a long-term PSD strategy** by finding a balance between a focus on much needed short-term job creation (and tackling underemployment) in low-productivity firms and sectors in Africa, and better-quality jobs in high-potential growth firms and larger firms.
- PSD interventions alone will not automatically create the better-quality jobs needed for the youth in Africa. **Donors and governments must ensure that specific measures are taken to target the youth in PSD interventions** so direct, indirect, reallocated and induced jobs are created that benefit the youth.
- Ideally, **PSD interventions need to be combined with labour market policy reforms** (e.g. wage subsidies, labour protection) **and interventions on the supply-side of the labour market** (e.g. job seekers' intermediary services) to ensure the best employment outcomes for youth.
- **PSD interventions on the continent should not ignore the informal sector**, nor should they widen the gap between the formal and informal sectors due to higher adaptation costs during formalisation. Formal and informal firms need to be connected with an approach that ensures gradual improvements in productivity, resulting in better quality jobs for youth over time.

Key lessons for policy interventions

- Donors and governments that support PSD interventions in Africa need to **consider the political economy**, as employment outcomes for youth through PSD interventions depend heavily on political factors, not just economic factors.
- **Employment outcomes (for youth) of PSD interventions need to be explicitly embedded in the design of the programme and evaluation processes**, with clear indicators to measure job creation.
- **Aggregate data is necessary for better insights on the dynamics in the labour market** (e.g. job reallocations, job losses) due to the PSD intervention (e.g. specify youth, separate young men and women, if and where they worked before).
- **Donors and governments should give more attention to shorter value chain development and non-export markets** as a way to increase domestic demand in local and regional markets, which could generate more and better jobs for the youth. Urbanisation, green economy and new technologies give entrepreneurial opportunities for new services and products that meet local demands.

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In Africa, 10 to 12 million young people currently enter the labour market each year, but only 3.1 million new formal jobs are being created (AfDB, 2016b). In North Africa and in the middle-income countries of Southern Africa, this results in high youth unemployment rates, while in the other parts of Africa most youth enter the informal sector in search for paid work. With many relying on the informal sector for a job (85 percent of the labour force in Africa according to Fox & Thomas, 2016), in most parts of Africa the youth employment crisis is more a problem of underemployment rather than unemployment, resulting in a lack of quality employment and the incomes that can be derived from it. Labour market studies have largely concluded that more higher quality jobs are urgently needed, mainly through an increasing demand for labour and linked with the economic transformation to higher productivity enterprises. Hence, **the private sector is seen as the engine of job creation**. Increasing firm and labour productivity is key, as it could increase an economic surplus, giving rise to greater value created and thus to rising incomes, particularly in low-productivity sectors. Higher labour productivity is linked with better firm performances, which is also important for firms to be able to participate in competitive (global) value chains. This ultimately could generate more and better jobs for the youth entering the labour market each year, or for those currently working in unproductive and insecure jobs and searching for better job opportunities.

Private sector development (PSD) interventions seek to increase firm performance and improve productivity. Not all these interventions will always create more jobs for youth, but they could also tackle the underemployment problem by increasing labour, income and quality of existing paid work. This is particularly the case for PSD interventions that focus on the many self-employed in micro-sized enterprises or small-sized family enterprises, mostly in the informal sector. Having said that, recent research reveals interesting insights into what kind of firms and sectors enable better-quality job generation within the African context. Larger firms in Africa are viewed as better-able to increase the amount of sustainable jobs than smaller firms. This does not mean that smaller-sized firms do not create jobs, the opposite is true, but over time the failure rate of small and medium-sized enterprises (SMEs) is high, which also means many job losses. Because larger firms have higher productivity levels, generally, they can provide higher wages, better and more sustainable jobs (e.g. Page & Söderbom, 2015; Byiers et al., 2015). This means that **a PSD strategy should balance the focus between formal sector job creation in larger firms (mainly through encouraging investments and business enabling environment) and tackling the constraints SMEs (often in the informal sector) face, so they can not only survive, but over time increase production, productivity and better-quality employment.**

Research shows that employment (for youth) in Africa is mostly prevalent through PSD interventions enhancing higher productivity in labour-intensive sectors, such as agriculture, manufacturing (especially food processing and light industry such as textiles), and construction (e.g. Spratt et al., 2018). However, others, like Jouanjean and te Velde (2013), mention that **investments in capital-abundant sectors may produce relatively few jobs in the short term, and in the long term they generate "transformational" effects** such as increases in labour productivity, which are the source of higher incomes and could spur labour market dynamics through induced job creation. However, because labour-intensive sectors require lower levels of initial investment to increase productivity, they are considered most promising for the current youth employment situation in Africa. Overall, **context-specificity is key for employment outcomes through PSD interventions and investments to develop certain types of businesses, value chains, or sectors:** for example, many researchers emphasise that PSD strategies should consider countries' income levels and phase in the economic transformation (e.g. Fox & Kaul, 2017).

With donors and governments increasingly focusing on PSD interventions to improve firm performance and increase labour productivity, researchers are increasingly making use of programme evaluations for better insights in their actual youth employment impacts (quantity and quality). **This synthesis paper focuses on three employment outcomes of PSD interventions: job generation for youth, better quality jobs for youth, and sustainable jobs for youth.** However, research results are hindered by the **lack of aggregated data on youth employment outcomes**, as PSD interventions often do not accurately measure the quantity (direct, indirect, induced and net job creation), nor the quality (working conditions, wages, protection) of jobs created, and for whom they are created for. This can be explained by the fact that labour is a cost factor for firms. Therefore, from a business perspective, job creation (for youth) is never the purpose of an investment, but it could be the result of growth. Hence, the firm and the development funder have two very different languages here; **a PSD intervention with the purpose of generating decent jobs for youth must find a balance between business perspectives and the perceived social outcomes.**

Although existing data is not ideal, interesting insights can be given from the results. **This synthesis paper uses the following PSD intervention typology: micro-level PSD interventions directly supporting firms** (financially and non-financially), **meso-level PSD interventions supporting the development of specific sectors and value chains**, and **macro-level PSD interventions supporting the development of the overall business enabling environment and the investment climate.** Overall, **research shows very mixed results on PSD interventions' impact on better-quality job creation for youth in Africa.** The micro and small firms often lack access to the more successful direct PSD interventions and rely mainly on training programmes and microfinance services (often separated interventions). Because of their small size, they can access only small short-term loans and are often left out from the more expensive (and by the review literature, higher rated) tailor-made interventions and business service provisions. Some business and entrepreneurship trainings may positively impact small firms' performances or increase income for the entrepreneurs, but this is not enough for significant job creation because of underemployment issues in Africa. From the evidence, it is clear that **more comprehensive approaches which combine direct and indirect PSD strategies and focus on the development of a very specific sector, sub-sector or value chain can be most successful in creating better-quality jobs for youth.** The combination of access to finance with more tailor-made trainings and mentoring shows promising results. If such interventions are also embedded within a specific sector and combined with forward and backward linkages between larger firms (or end markets), employment results (quantity and quality) seem to improve. The same applies if industry-specific infrastructure can be financed within these programmes. However, like always, results depend heavily on the right design of the programme and implementation efforts.

The literature also shows that in **most cases on the macro-level, investment climate and business environment interventions are linked to the demands and needs of larger businesses** (often through powerful political connections), while smaller firms are assumed to benefit from spill-overs. However, the reality in Africa demonstrates that this is rarely the case, as they are often not involved in decision-making processes or even consulted. This is important, as **small firms have different constraints to larger firms**, and other needs that need to be addressed through policy, regulation and interventions. Hence, **any PSD intervention should consider the political economy, as in many cases in Africa constraints are not purely economic but political, creating inequalities between the politically well-connected and the non-connected firms.** In the context of Africa, the literature indeed shows that there is **a lack of mid-size enterprises, as smaller firms are often unable to scale-up their businesses into larger entities.** Due to the lack of mid-sized companies, small businesses have limited options to engage with these larger firms, while building linkages with a few powerful large corporations is near impossible. Improving firm performance in such a political economic environment is more likely a hinderance on (better-quality) job creation, in particular for new entrants (youth) in the labour market who often have no other options than to work in informal low-productivity sectors.

Perhaps because of these complex domestic constraints, **many PSD interventions seem to focus on export markets through sector or value chain development interventions. Evidence of such programmes on decent job creation is very mixed**; although they often (but not always) create additional jobs, they are also often linked with low-paid, low working conditions and are highly insecure (in particular in competitive labour-intensive manufacturing and commodity markets). In such circumstances, the literature shows that youth in Africa often enter export-led firms only if their work situation in the informal sector is worse off. **PSD interventions in these sectors should not only focus on establishing the sector for additional job creation, but also (in the long term) there should be a strong focus on improving job quality by increasing labour productivity and improving working conditions and wages.** Although in the short term this could result in less additional jobs created, it would trigger the path towards a sustainable economic transformation. **A second kind of PSD intervention in export markets are linkage programmes for small businesses. However, the literature shows that efforts to increase their quality standards to the international levels often fail in the African context due to the high compliance costs involved.** Furthermore, the global market is very volatile, and this creates problems for smaller businesses in times of low demand, impacting job security.

As this synthesis paper shows, **there is a link between productivity, business performance and employment outcomes. PSD intervention providers should be aware of the interactions between them, in particular if they aim to seek a balance between generating additional jobs for youth in the labour market and better-quality jobs (both in informal and formal sectors).** In order for interventions to lead to better-quality jobs, they **must be accompanied by higher earning possibilities without harming business performance**, which can only happen with higher labour productivity. In such circumstances, **some experts recommend that donors seeking to create productive jobs in SMEs should concentrate only on the ones that are already growing, and in particular those which are engaging in new sectors or activities by providing finance and infrastructure rather than training** (Grimm et al., 2012). However, as Fox and Kaul (2017) and others show, **such approaches run the risk of failing to increase the amount of jobs to what is needed in Africa. Investments in less productive enterprises could, from a job creation perspective, be more useful, in particular as it could avoid future job losses in smaller less productive firms.**

Finally, **PSD interventions should have a more specific focus on youth and women as they face specific employment challenges.** Women still face significant disadvantages in many countries and sectors - ranging from legislative barriers to cultural norms - that often force them to work in jobs that pay less and are more vulnerable or informal. Women entrepreneurs find it even more difficult to grow their businesses due to these constraints. Overall, **it is clear is that PSD in Africa is one of the best ways to create the much-needed better-quality jobs for the youth. In some contexts, PSD interventions should be combined with supply-side interventions (e.g. skills for youth and intermediary services between job seekers and employers) and labour market reforms.** The key point is that **Africa needs better performing, productive firms to create much needed better-quality jobs for the youth.**

2. Rationale for private sector development interventions to create more and better jobs for the youth in Africa

2.1 Introduction

Youth employment is an issue of particular concern to policymakers, researchers and development practitioners alike (Sumberg et al., 2019). Not only is this issue one of concern for the wellbeing of young people who are seeking job opportunities, activities or livelihoods, or who are already in work but in very poor conditions, but the issue also attracts attention due the perceived statistical challenge that it represents to politicians, practitioners and policymakers. A staggering three-quarters of the African population is under the age of 35 (UN, n.d.), and one-third of its population can be considered 'youth' according to its definition (the African Union defines a young person as being between the ages of 15 and 35).¹ This puts the number of young people on the African continent at 420 million people, and this number is projected to double to more than 830 million in 2050 (AfDB, 2016b). As such, 10 to 12 million young people currently enter the labour market each year, with only 3.1 million new formal jobs being created (AfDB, 2016b). Asking how these young people will find employment, let alone productive employment, seems to be a particularly imperative question.

Given this situation, donors, governments and NGOs have over recent years sought to implement interventions to 'create' employment for young people in Africa. In the past few years, the evaluation and review literatures have attempted to find out which interventions work best in providing employment. A recent review of youth employment interventions reported that "Existing programs to address youth jobs challenges have focused on 'supply side' interventions" (Datta et al., 2018a, p.11), where "65 percent of all programs contained a skills development component" (ibid., p.19). This largely reflects earlier reviews of interventions; for example, a review of the former ILO's Youth Employment Inventory showed that an overwhelming majority (82 percent) of the 730 reviewed interventions had a 'skills training' (and thus supply-side) component, versus only 10 and 2 percent for subsidised employment and labour market reforms respectively (Eichhorst & Rinne, 2015, p.7). However, labour market studies (also sometimes known as 'diagnostic' studies) have largely recognised the conclusion that the youth employment problem, including in Africa, suffers from demand-side constraints; higher quality jobs will likely mainly come from increasing the demand for labour. The recent review by Datta et al. (2018a) pointed very much towards this, stating:

'Supply side' interventions will be less effective and sustainable if policymakers do not address institutional and market failures that might affect the entry and growth of firms in the private sector (World Bank, 2012b).² [...] Promoting job creation requires targeted interventions on the demand side that address specific constraints or market failures facing informal sector enterprises, formal sector firms, and farms. (p.26)

Regarding Africa specifically, the AfDB (2016a) reported in a chapter on young people's engagement with Africa's labour market that "[i]nsufficient youth wage employment is primarily a demand-side problem" (p.114). Thus, the results of these reviews have shown that most interventions on youth employment target the supply side of the labour market, yet there is a consensus in the 'diagnostic' (and research and academic) literature that the main challenge to youth employment lies in the demand side.

1 There exist multiple definitions of 'youth' as an age group, including among different international governments and organisations such as the UN (Flynn et al., 2017). Given the focus on Africa in this synthesis paper, we mainly use the African Union's definition of young people, unless otherwise stated.

2 This citation is as quoted directly from Datta et al. (2018a) and is therefore different to the World Bank (2012) referenced elsewhere in this paper.

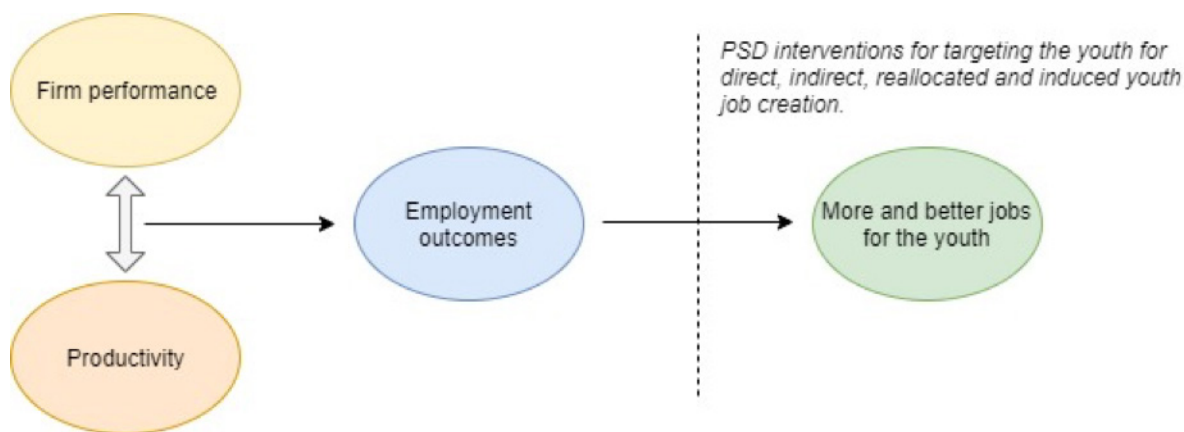
2.2 Why focus on private sector interventions to create more and better jobs for the youth in Africa?

In order to address the lack of employment for a growing (youth) population, the World Bank (2012) stated in its World Development Report 2013 (titled 'Jobs') that "[t]he solution to all these demographic [...] challenges rests with the private sector" (p.58). It argues that "the private sector is the main engine of job creation and the source of roughly nine of 10 jobs in the world" (p.58). This also goes for Africa, where Stampini et al. (2013) found that the private sector also provides "about 90 percent of total employment opportunities" (p.142). However, they point out that the majority of these jobs are low productivity and in the informal sector, with permanent formal sector jobs only representing about ten percent of employment (Stampini et al., 2013). Nevertheless, the key question which we will focus on in this review is (see also Figure 1):

How can donors and governments, through private sector development interventions in Africa, enable the increasing demand for labour, and thus provide greater employment opportunities (in quality and quantity) for the continent's young people?

As we will discuss, productivity is seen as key to labour market economists in improving employment outcomes for young people in Africa. Namely, increasing productivity is proposed as playing a central role in increasing economic surplus, giving rise to greater value created and thus to rising incomes (particularly in low-productivity sectors), while still fostering employment (Losch, 2016). While it may seem paradoxical to advocate for productivity increases as a way to foster employment (since increasing productivity typically means that less labour is needed), it is seen as the key to improving livelihoods and helping to spur a greater internal market, which leads to the creation of further improved employment opportunities (Fox & Thomas, 2016). This process is otherwise known as structural transformation, and Fox and Thomas (2016) argue that productivity was key to structural transformation in Asia and Latin America, and it will be key to structural transformation in Africa as well.

Figure 1. Framework on how PSD interventions can create more and better jobs for the youth



Source: Authors' own (2019)

Thus, this synthesis paper will review the literature on interventions that support the private sector, particularly around productivity, and what evidence there is linking these interventions to youth employment outcomes (quantity and quality of jobs) in Africa. We propose to organise the analysis by specifying what types of firm PSD interventions are supporting (e.g. SMEs or large firms), and at what scale of the economy (e.g. micro-, meso- or macro-level). For example, micro-level interventions can provide support such as business advisory services or mentoring services, or training to individual firms; meso-level interventions can provide support to specific sectors or value chains; and macro-level interventions can provide support to the broader investment climate - interventions here are typically aimed at what is often called the 'enabling environment' (Thorpe et al., forthcoming). Setting up our analysis this way will allow us to map out what types of firms are targeted at what level by interventions and will help to synthesise the relevant and known evidence in relation to these. It will also allow us to identify gaps in evidence about certain firm size interventions or the scale at which they are carried out (see more in sections 4 and 5).

The paper will proceed as follows. Section 3 will provide more insight into the youth employment and demographic dynamics in Africa, including regional and sub-regional trends and variations in the data. It will also provide an overview of the evidence around firm's sectors and sizes in creating decent job opportunities for young people (where possible) in Africa. Section 4 will provide more detailed and specific information about private sector intervention contributions to decent employment creation, and it will map out these different interventions. It will do this by separating private sector development interventions into the three levels of scale (micro-, meso-, and macro-levels) and firm sizes (micro, SME and large) mentioned earlier. Section 5 will focus on evidence around decent youth employment outcomes linked to these private sector interventions. Section 6 will look at some specific African topics that need to be considered by donors and governments in their support of private sector development, if they aim for more and better jobs for the youth. Finally, section 7 will provide our conclusion, along with recommendations for private sector development and decent youth job creation.

3. What kind of businesses and sectors can best tackle the youth employment challenge in Africa?

3.1 The youth employment challenge

Overall, the unemployment rate in Africa is 4.3 percent (ILO, 2019). For young people (15-24 years old), unemployment rates are about twice as high as adults in sub-Saharan Africa (SSA) (Baah-Boateng, 2016), 3.5 to four times higher in Northern Africa (Baah-Boateng, 2016; ILO, 2019), and in South Africa they were about 2.5 times higher in 2009 (Baah-Boateng, 2016). Youth unemployment rates are around 11.6 percent for SSA (ILO, 2015), whilst in Northern Africa they are the highest in the world and expected to exceed 30 percent in 2019 (ILO, 2019), and in Southern Africa's middle-income countries (MICs), youth unemployment rates are typically above 20 percent, but go up to around 35 percent in Namibia and Botswana and are above 50 percent in South Africa (51.5 percent) (Baah-Boateng, 2016). Thus, while youth unemployment rates are particularly high in Northern and much of Southern Africa, on paper they are not particularly high for SSA, and well below other 'developed' regions of the world such as the EU, where it stands at 15.2 percent (EUROSTAT, 2019). Does this mean that there isn't a 'youth employment crisis' in SSA, or that there is only one in Northern Africa? No. This is because the term 'unemployment' masks the real challenge for the vast majority of SSA (mainly Western, Central and Eastern Africa) - that of an 'underemployment' crisis, along with working poverty and vulnerability.

According to the AfDB (2016a, p.120), Southern African MICs "face the challenge of high unemployment among low-skilled workers", where young people are more highly represented, whereas Northern Africa is more characterised by "educated unemployment". What explains low unemployment numbers across SSA, for both adults and younger people, comes down to the fact that people simply cannot afford not to work (Fox & Thomas, 2016; ILO, 2019) and unemployment is a 'luxury' (Fox et al., 2016). Indeed, despite being 'employed', work conditions are generally very poor in SSA, with the vast majority of workers working in the informal sector. It is estimated that 86 percent of employment is informal in Africa (ILO, 2019), mainly concentrated in SSA (Western, Central and Eastern Africa). Regarding low- and middle-income countries (LMICs) of SSA (see section 4.4 for a country classification, along with Annexes 1 and 2), Fox and Thomas (2016) find that those working in the informal sector essentially work in one of two types of work: agriculture and household enterprises (HEs), which together make up around 85 percent of the workforce.¹

At least half of the young people in SSA are involved in agriculture (Elder et al., 2015), and for rural areas in particular, Fox and Thomas (2016) estimate that "agriculture employs over 90 percent of 15- and 16-year-olds, and about 80 percent of young people ages 24 and older remain in agriculture", with concurrent schooling and work in agriculture being very prevalent as well. Fox and Thomas (2016) found that 70 percent of all non-farm enterprises only employ the enterprise's owner/operator ('pure self-employment'), 20 percent include a family member in the operation, and only 10 percent of these hire someone from outside the family. Given the very limited nature of such activities, it is not surprising that over half of the workers in SSA are living in extreme or moderate poverty (ILO, 2019). Young people are amongst those who are hardest hit, with an estimated 300 million working young people (15-24) classified as working poor (under US\$2 a day) (IFAD, 2011) and the majority of the extreme poor (living on less than US\$1.25 per day) in Africa being young people (Natama, 2014, cited in AfDB, 2016a).

In comparison, while unemployment rates are high both in Northern Africa and many countries in Southern Africa, employment conditions for those in employment in those regions are typically much better than for those across the rest of SSA.² In Southern African countries such as South Africa and Mauritius, for example, less than 20 percent of the labour force works in informal employment (AfDB, 2016a), and in South Africa in particular, 46 percent of the labour force works in the formal private sector (Stampini et al., 2013). The difference between SSA and Northern Africa, in terms of job conditions, is also quite striking: wage and salaried work accounts for 68.6 percent of total employment in Northern Africa, while it only represents 22.4 percent of employment in SSA (ILO, 2019).

1 Losch (2016) provides a breakdown of this labour by activity type: about 62 percent of the overall SSA population are involved in family farms, and 22 percent are involved in HEs, accounting for 84 percent of the population.
2 This does not mean that all jobs in the informal sectors can be labelled as bad. However, in reference to the definition of 'decent work', this implies secure and formal jobs.

Thus, for much of Africa, and SSA in particular, the 'youth employment crisis' is more a problem of underemployment rather than unemployment. Underemployed people can refer to "all persons in employment who, during a short reference period, wanted to work additional hours, whose working time in all jobs was less than a specified hours threshold [typically laid out in legislation or according to national practice], and who were available to work additional hours given an opportunity for more work, which is also referred to as 'time-related' underemployment" (ILO, 2016, p.110). However, Ranis and Gollin (2014) make a valuable contribution by proposing their own conceptualisation of the term. They refer to underemployment as working full-time but earning less than the minimum wage (and thus in theory not being able to meet one's own needs adequately), also referred to as 'invisible underemployment', which they note is likely to apply to even more people than those in 'time-related' underemployment.

Another term to describe the employment situation for most of sub-Saharan Africans is 'vulnerable employment', which refers to work based on "short term or no contracts" (AfDB, 2016a, p.122), and therefore also associated with less or no access to social protection, benefits, and more exposure to risk from economic cycles (AfDB et al., 2012). At 77 percent of those in employment, SSA has the highest level of vulnerable employment in the world (ILO, 2014, cited in AfDB, 2016a). All these types of employment - informal employment, underemployment, vulnerable employment - are associated with low productivity and low pay, and even a breach of 'decent work' (Fox & Thomas, 2016; Fox et al., 2016; Losch, 2016), which is at the heart of the reason for broad levels of poverty in Africa.³ In addition, the 'youth employment crisis' does not signify a lack in employment, but rather in the quality of that employment, and the incomes that can be derived from it.

3.2 Labour productivity, structural transformation and the drivers of youth un- and underemployment

What explains the fact that around 85 percent of workers in SSA are still mainly involved in the low productivity sectors of agriculture and household enterprises? According to Fox and Thomas (2016), who take an in-depth look at the structure of (youth) employment in SSA, one constraint facing SSA is that its labour has not moved towards the industrial and service enterprise sectors of the economy. There has been a lack of significant structural transformation, especially in SSA's economy (AfDB, 2016, 2019; Fox et al. 2016; Losch, 2016). Fox and Thomas (2016) mainly attribute this to the structure of growth and the lack of a 'demographic transition'. Regarding the structure of growth, natural resource extraction has played a major role in many SSA countries, yet this is a sector well-known for its lack of labour intensity (Losch, 2016). In terms of the lack of demographic transition, they state that even if SSA had experienced similar output growth to that of East Asia over the last two decades, "[t]he enterprises would not be able to absorb the same share of the labour force because the labour force would be just too big" (Fox & Thomas, 2016, p.i24).

As we saw in the introduction, the number of labour market entrants exceeds the amounts of jobs that are being created (AfDB, 2016b). The ILO (2019) echoes a similar analysis, finding that labour productivity growth is only at 0.6 percent per year in SSA, and 2.5 percent in Northern Africa (which is still below the 3.1 percent registered in the rest of the world for 2018). They conclude that "[u]ltimately, labour productivity growth is expected to remain too slow and population growth too fast to allow African countries either to reduce poverty rapidly or to increase average incomes [Cilliers, 2018]." (ILO, 2019, p.29). As a result, a recent report from the AfDB (2019) stated that by 2030, "only half of new labor force entrants will find employment, and most of the jobs will be in the informal sector. This implies that close to 100 million young people could be without jobs" (p.45). According to Losch (2016) and Rodrik (2016), the context in which Africa is developing is very different from Asian countries' context, where a more globalised and liberalised economy largely hinders Africa from establishing a foothold and competing globally in the industrial sector.⁴ Furthermore, manufacturing work needs more skills due to new technologies and demand structures in international supply chains, which makes it more difficult for low income countries (LICs) in Africa to reduce the skills gap. Consequently, labour could move from high productivity to low productivity, as Rodrik (2016) predicts, and this will result in higher inequality and create islands of modern activity in developing countries, with a far less optimistic outlook for quality-job creation.

3 In SSA, 70 percent of people fall under the \$2 per day (Purchasing Power Parity - PPP) poverty threshold, and 50 percent fall under the \$1.25 per day threshold (Losch, 2016).

4 See also the blog by Borat and Steenkamp (2018): <https://www.brookings.edu/blog/africa-in-focus/2018/02/05/foresight-africa-viewpoint-manufacturing-complexity-in-africa/>

One solution that governments are looking for is focused on opportunities for service sector development, which could link with some industrial clusters. High productivity and tradable services, such as finance and insurance, only attract high-skilled workers and so cannot absorb labour in the way that manufacturing has in the past. However, the bulk of the service sector is low productivity and non-tradable work, for example cleaning and security services. It generates jobs, but they are not economic growth poles and therefore, this falls short as an alternative driver of economic transformation (Rodrik, 2016). Thus, authors like Losch (2016), Rodrik (2016) and Fox and Thomas (2016) recognise that poor employment outcomes are largely down to a lack of structural transformation in SSA, which hinders, according to Fox et al. (2016), a rise in labour demand (p.19). These authors also recognise that agriculture, primarily, and the household enterprises sectors, will continue to absorb large parts of SSA's labour force for the foreseeable future (Fox et al., 2016; Fox and Thomas, 2016; Losch, 2016).

Finally, we briefly consider the possible drivers of young people's consistently higher unemployment rates in all regions of Africa (which is also the case around the world). The main reason for youth and youth unemployment being a primary concern for world development (e.g. AfDB, 2016a; DFID, 2016; G20, 2017; IFAD, 2019; ILO, 2016) is the significant disparity in employment ratios between young people and older members of the labour force (see, for example, AfDB, 2016a). As mentioned above, the ratios tend to be between two and four times higher for young people, depending on the region. However, while one may expect a whole range of factors to explain these important discrepancies between older and younger workers, the literature points to a relatively modest number of drivers that result in a disproportionate number of unemployed young people. A recent review about what is youth-specific about the youth employment challenge in Africa found that the main challenge is the socio-cultural norms, networks and relationships which affect hiring and employment decisions among employers (Irwin et al., 2018), and which young people will have had less time to develop, or may come up against in their pursuit of (better) work opportunities. Indeed, Schöer and Rankin (2011) found that 61 percent of firms in South Africa preferred referrals as the best way to identify candidates to employ (cited in AfDB, 2016a), which puts those with larger networks - typically older people - at an advantage. Others have even argued that African society, particularly in rural areas, are 'gerontocratic' societies, which also favour older people in livelihood opportunities (White, 2012). AfDB (2016a) also mention that young people typically have less experience in the labour market, which may make employers more hesitant to employ them. Overall, they came to conclusions which echo, in part, the conclusion of Irwin et al. (2018), stating "[i]n summary, as they enter the formal or informal labour market, young people are at a disadvantage due to their lack of experience and knowledge of the labour market" (AfDB, 2016a, p.136).

Whilst these conclusions and findings are important, they don't appear to identify a large number of problems with youth, or that the youth have to deal with, which might justify the overwhelming emphasis development actors have placed on this issue. Young people face barriers in the labour market, but what is really driving the 'youth employment crisis' (see ILO, 2012) is not the youth aspect of it, but rather the employment aspect (or lack thereof). As aforementioned, the problem mainly stems from structural economic issues, with a lack of aggregate demand for labour overall (of young or older people). This explains why, according to Fox and Thomas (2016), "the youth employment challenge is simply a manifestation of the overall employment and inclusive growth challenge in SSA" (p.132).

To summarise, we found that 85 percent of the labour force in Africa is employed in agriculture and household enterprises (thus in the informal sector) and will be for the foreseeable future (Fox & Thomas, 2016). On the other hand, permanent wage jobs in the private sector (essentially the formal private sector) account for only 10 percent of jobs across the continent (Stampini et al. 2013), while the remaining jobs are wage jobs in the informal sector (see, for example, Fox and Thomas, 2016). This already gives us a good impression of where job creation, or improvements to employment outcomes, may come from. Betcherman and Khan (2015, p.12) state that "[i]n lower-income, agrarian economies [in SSA], where most people continue to be engaged in farming, low productivity in agriculture is the major constraint to good livelihoods". This supports the approach advocated by Fox and Thomas (2016) to tackle the employment challenge for the largest segment of African workers:

Most of the new jobs will be in the so-called informal sector—household farms and firms. This means that the starting point for a youth employment strategy is a diagnosis of how to increase opportunities— that is, raise productivity and earnings—in these sectors for everyone working in them. (p.132)

Finally, Losch (2016) also suggests focusing on the informal economy, and on household farms and firms specifically, since that is where most of the people - and the poor - in Africa are. Losch further suggests supporting a family agriculture that is labour intensive and environmentally friendly, such as agroecology (Losch, 2016; see also De Schutter, 2014).

What about decent employment and the quality of work? In relation to what we've argued above, Bennell (2007) provides illuminating thoughts about the impact of increasing productivity on employment outcomes for people (including young people) working in the informal sector. He states that in contexts where there are non-existent unemployment benefits, such as many SSA countries whose labour force is primarily engaged in agriculture, total employment is largely determined by supply (and unemployment rates tend to be low). In these contexts, Bennell (2007) states that "an increase in the demand for labour is reflected in an increase in the quality rather than the quantity of employment: workers move from unpaid to wage jobs, from worse jobs to better jobs etc." (p.5-6). Ultimately, Bennell (2007) adds that "[i]ncreasing productivity is at the centre stage for any strategy to increase the quality of employment (see Godfrey, 2005 and 2006)" (p.6). This also reflects a review by Basnett and Sen (2013), which found that an increase in agricultural output (*ceteris paribus*) will likely reduce underemployment (rather than creating new jobs, since overall unemployment is low in these contexts).

In terms of decent work in these overwhelmingly informal contexts, the Food and Agriculture Organization of the United Nations (FAO) admits and advocates for an incremental approach with regard to the quality of work, which would likely support the approach mentioned above. Decent rural employment is their goal, but gradual improvements to the quality of work are condoned by the FAO:

The FAO decent rural employment (DRE) definition applies to both formal and informal occupations with the aim to support a progressive improvement of working conditions and incomes also in the informal sector while it moves to formality. (Grandelis, 2018).

It also must be noted that there is sufficient evidence in the literature to suggest that better quality jobs and productivity are linked (ILO, 2014, Chapter 3). It has long been assumed that investing in quality jobs would make enterprises less competitive due to higher costs. However, quality jobs, often combined with worker participation efforts, could result in higher productivity due to motivation and better decision-making (Leach, 2016; Ghosh, 2015; Thorpe et al., 2019). At the Ghanaian Naara Rural Bank and Builsa Community Bank, employee participation in decision-making meant "decision implementation becomes easy, creates a good working environment, increases commitment and satisfaction on decisions taken" (Abdulai & Shafiwu, 2014, p.1). The study concluded that participation resulted in improved productivity. Godfrey (2018) show for the South African garment factories that in a difficult situation of increased international competition, collective bargaining measures for higher wages that could relate to productivity growth and improved competitiveness of the manufacturer are important ways to search for long term sustainability at the firm level.

3.3 The contribution of firms and sectors to better-quality employment generation

This sub-section summarises the literature in terms of the type of enterprise (e.g. categorised by size) and the sector which appears to hold the most promise in generating (decent) employment opportunities for youth in Africa.

Firm size

A recent review of the literature on firms' contributions to employment creation was conducted by Spratt et al. (2018) in an evaluation of a development finance institution's (DFI) contribution to poverty reduction in lower income countries (Swedfund). They report that "[o]verall, the literature finds that investments in larger firms contribute more to total employment growth than investments in SMEs" (ibid., p.103), citing various studies, including a meta-regression analysis, in making this claim. Another even more recent (unpublished) review of the private sector's contribution to employment in lower income countries (focusing primarily on East Africa) found that larger firms are positively correlated with higher net job creation in Tunisia, citing the study that found these results: "large firms consistently outperform small firms in terms of job creation, even if we confine attention to surviving firms" (Rijkers, Arouri, Freund,

and Nucifora, 2014, p.4, cited in Thorpe et al., forthcoming, p.11). Kersten et al. (2017), found the same results for South Africa. For SSA, an in-depth analysis of firms' contributions to employment using mainly enterprise survey, along with panel data from a total of ten sub-Saharan African countries, found that both SMEs and large firms create similar numbers of jobs, though job quality (e.g. duration and wages) was found to be lower in smaller firms (Page & Söderbom, 2015).

In terms of job quality, Byiers et al. (2015) also suggest that larger firms offer better quality employment than small firms, which are often informal, and where turnover is high and wages generally lower than in larger firms. The smaller nature of wages in small firms compared to larger firms was also found in a study from Page and Söderbom (2015), where they found that small firms trail large firms in wage rise as well. This is the case even when differences in worker education and experience and the nature of the industry are factored in. In developing countries, the wage differential for similar jobs between small and large firms can be up to 50 percent, and even up to 80 percent for African firms (ibid.). Large firms also typically provide better job security (namely because of their higher survival rates) and working conditions and benefits (often because of higher productivity and profitability, see also Li & Rama, 2015). In their sample of ten SSA countries, Page and Söderbom (2015) found that large firms are also characterised by higher productivity (two times more productivity for firm sizes of 30 employees vs 5 employees, and 3.5 times more for firm sizes of 200 employees vs 5 employees) (ibid.). The IFC (2013) also found higher wages were paid by larger firms. However, Cassar (2010) did not find a negative relationship between satisfaction and firm size - although another study she mentions does (Benz & Frey, 2008a, cited in Cassar, 2010). These findings are supported in the review conducted by Thorpe et al. (forthcoming), in that they found that larger firms typically offer greater job stability as well as being associated with higher levels of productivity. Overall, these authors characterise support to larger firms as being the 'safer bet':

a donor can be more confident that such jobs created (and spillover effects) are likely to meet some barometer of job quality standard and job security - due to larger firms often being more formalized and less likely to see jobs destroyed; and better value for money, given low survival rates in small enterprises, and less economic volatility of larger firms, meaning that they are a 'safer bet'. (Thorpe et al., forthcoming, p.10)

However, Spratt et al. (2018) do highlight some arguments in favour of supporting smaller firms in their review of the literature. They highlight the fact that SMEs can "better serve the poor by providing affordable products", "be more dynamic and innovative; more embedded in the local culture; and more seasonal, diurnal or nocturnal, which favours women" (Spratt et al., 2018, p.103). They also mention the "multidimensional role" SMEs can play on poverty reduction, by helping to reduce mass production drudgery, loss of cultural identity, social inequity, etc. (Macqueen, 2005, p.7, cited in Spratt et al., 2018, p.103).

Sectors

Spratt et al. (2018) also reviewed different sectors' contributions to employment growth (combined with poverty reduction and pro-poor growth) in lower incomes countries, and they concluded the following, from most to least significant: "1) agriculture; 2) manufacturing (especially food processing and light industry such as textiles); 3) infrastructure/construction/energy; 4) services (including retail, hospitality, tourism); 5) the financial sector; 6) extractives" (p.34-35). The conclusions (in graphics) provided by Jouanjean and te Velde (2013, p.10) and Fine et al. (2012, p.8) for African countries show that agriculture is at the highest end of the spectrum in terms of jobs created by investment value or GDP contribution of the sectors to the countries' economies, closely followed by construction.

Evidence from Ethiopia shows that 'micro and small enterprises' (MSEs) in the agri-food processing sector could increase job opportunities due to promoted farm productivity growth: 85 percent of the MSE jobs were created by enterprises related to the agribusiness sector (Wossen & Ayele, 2018). Other evidence from Ethiopia revealed that US\$1 of output generated in agriculture stimulated a further US\$1.23 in economic activity in other parts of the economy (Townsend et al., 2017; Diao et al., 2016). Around 40 percent of increased economic activity arises from higher demand for inputs in agriculture and use of agriculture outputs in other industries, while the remaining 60 percent arises from consumption linkages caused by the increased demand for goods and services that result from higher agricultural incomes and

associated spending effects (Townsend et al. 2017; see also Diao et al., 2016). These findings, which are also consistent with Asia's economic transformation, suggest that "the rate of non-farm employment creation and labour exit from agriculture will depend greatly on government policies and programmes that affect the inclusivity of productivity growth in agriculture" (Jayne et al., 2017).

However, there is a potential caveat to this. Jouanjean and te Velde (2013) mention that investments in capital-abundant sectors may produce relatively few jobs in the short term, but that they "may have the greatest potential for long term 'transformational' effects such as increases in labour productivity which are the source of higher incomes" (p.9). Higher incomes are necessary as they will increase demands in domestic markets, which over time will generate more jobs (for youth). Investment in agriculture supports the largest quantity of employment in the short term, but given the low value added per job these investments may not contribute much to the long-term economic development. If donors and governments are simply concerned with high numbers of (wage) jobs being created (in the short term), however, it appears that labour-intensive sectors requiring lower levels of initial investment, such as agriculture, are most promising. For MICs in Southern Africa, for example, where the challenge is a lack of jobs among low-skilled workers (as mentioned previously), developing these more labour-intensive but lower value-added sectors such as agriculture could be particularly beneficial.

There is, however, also the element of context-specificity, where supporting or implementing interventions to develop certain types of businesses, value chains, or sectors will differ between cases. Spratt et al. (2018, p.33) summarise this point: "Estimating direct and indirect employment effects of investments is a very location- and sector-specific task." They mention that important factors that can make a difference in results between cases include, for example, the extent to which domestic businesses are involved in supply chains - this can vary widely between sectors within the same country, or even in the same sectors between countries (ibid.). Thus, while the findings highlighted here are indicative, we cannot necessarily generalise too broadly, given the lack of evaluative data (Datta et al., 2018a).

To summarise, for much of Africa (especially SSA), well-known researchers and academics have proposed a focus on the improvements in labour productivity in the informal sectors that dominate Africa at the moment, in order to raise demand for (youth) labour and consequently increase overall employment quality and outcomes. In terms of sectors that are most likely to contribute to a growth in employment numbers, agriculture (as well as other labour-intensive sectors) are found to make the most important contributions, at least in the short term (most likely during earlier stages of structural transformation for African countries). In terms of firm sizes, however, investment and growth in smaller and larger firms both have advantages, but it seems that investing in larger firms tends to yield more and better-quality employment generation, although these findings should not be generalised too liberally.

Still, while the review thus far has covered a lot of theory and literature on where growth should likely be focused in Africa, it is yet to dive into the literature about PSD specifically, to see which interventions may help to develop private firms in a way that helps generate quality employment creation for young people. Furthermore, what does this literature say about PSD interventions where the labour market is less oriented towards the informal sector, for example in Southern and Northern Africa? We turn to the next section of the evidence review, to see if there are experiences or known ways of fostering quality youth employment through the private sector, whether in agriculture, in manufacturing, or even in high-skilled service sectors.

4. Private sector development interventions for more and better jobs for youth

4.1 Framing private sector development interventions

Promoting decent job creation for youth requires targeted interventions on the demand side of the labour market (mainly in the private sector), that address specific constraints or market failures facing firms. Such private sector development (PSD) is defined by the Donor Committee for Enterprise Development (DCED) as “the range of strategies that aim to establish markets that function vibrantly and fairly, providing economic opportunities of quality to poor people at scale”.¹ Donors and governments support PSD through a mix of interventions at firm, sector, value chain, and business-enabling environment levels; however, the main purpose of these interventions is not often explicitly to create jobs, but mainly to increase competitiveness and productivity at firm and sector levels. Job creation (for the youth) is not a goal for firm managers or other private sector actors (who are the main target group of PSD interventions). Mamburu (2017, p.19), for example, mentions that the main purpose for firms is to generate sales and profits to establish growth, which does not always result in more and better jobs. Moreover, as the literature shows, increased firm productivity and competitiveness has the potential to both create and destroy jobs, and to improve or worsen working conditions (e.g. Li & Rama, 2015; Mamburu, 2017; Carter & Sedlacek, 2019).

Labour is a cost factor for firms. Therefore, private sector investment decisions are made primarily on an expected rate of return, which depends on estimated revenues and costs. This means that job creation from a business perspective never is the purpose of an investment, but it could be the result of growth (also bearing in mind that youth employment could increase labour costs even more, as youth have less experience and often need more supervision). This is different from public investment, which could be based on an expected social rate of return (e.g. create positive youth employment outcomes). Hence, the firm and the development funder have two very different languages here – a PSD intervention with the purpose to generate decent jobs for youth must, therefore, find a balance between business perspectives and the perceived social outcomes. Because the social benefits of jobs are not internalised or even assessed by firms, PSD interventions need special incentives to internalise the social externalities related to job creation for youth (Datta et al., 2018a, p.26).

This section of the synthesis paper will identify the PSD interventions that can be related directly to decent job creation for the youth in the private sector in Africa. Interventions that indirectly relate to business development, like exchange rate policies, will be excluded. This does not mean that PSD interventions that do not explicitly name job creation for the youth as their main goal are excluded. For example, an evaluation of the World Bank Group’s industry-specific competitiveness projects in developing countries mentions that only half of the projects had a specific job creation aim (World Bank Group, 2017, p.69). The evaluation report shows that most projects identified indirect channels as the main mechanisms to create jobs, mainly through business regulations and standards, promoting investment, supply and value chain development. Also, only a small proportion of these projects in developing countries addressed job quality.

Given the huge range and diversity of PSD interventions, there is a need to categorise them. Traditionally, most scholars made a distinction between direct and indirect PSD interventions, where the first directly targets firms (employment training programmes, grants, entrepreneurship training, business plan competitions, subsidies), while the latter targets the wider business environment (business environment reform, challenge funds, zoning, providing technical assistance to banks and microfinance institutions, or other value chain intermediaries). Others, like Fox and Kaul (2017, p.25) frame demand-side interventions to increase wage employment using different inputs, such as access to finance (credit, grants), business development services, and subsidies. Datta et al. (2018a, p.12) frame the demand-side PSD interventions along four main constraints:

1 Information retrieved from: <https://cdn.enterprise-development.org/wp-content/uploads/PrivateSectorDevelopment.pdf>

- Insufficient access to finance is tackled by PSD programmes that address finance constraints.
- Lack of managerial and business skills and lack of information on market opportunities are tackled by capacity building and information provision PSD programmes.
- Coordination failures and lack of learning spill-overs are tackled by sector-specific PSD approaches.
- Under-investment in jobs, given the social value of job creation, is tackled by PSD interventions that enable private sector investments with large job payoffs.

Based on the literature, this synthesis paper concludes that PSD interventions (demand-side interventions) with a significant impact on decent job creation for youth need to be linked with firm productivity growth and separated on three levels:

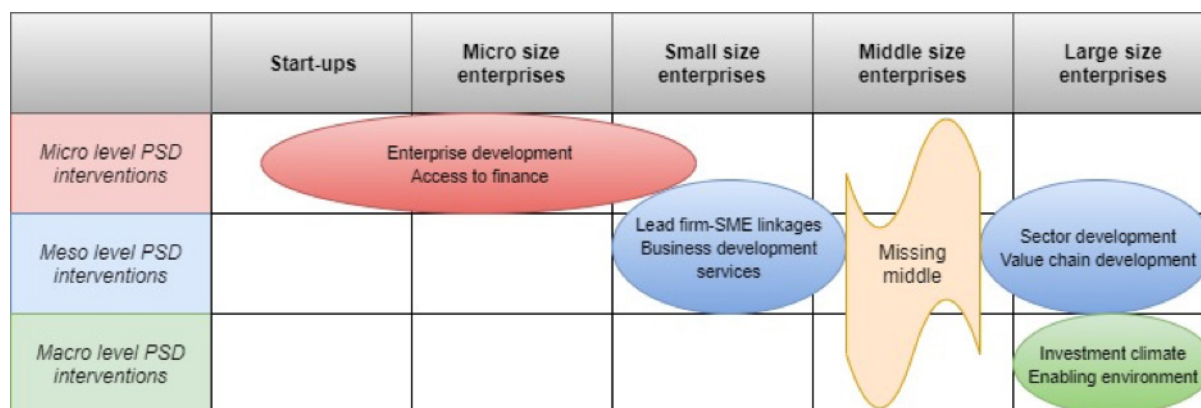
- **On the micro-level, interventions directly target individual firm's productive capacity** through business trainings, technical assistance, grants/subsidies, loan/equity, risk sharing. These enterprise interventions are mainly related to finance (access to capital), entrepreneurship development (mentoring and coaching), broader enterprise development (interventions to improve products' quality and quantity), and supplier development (interventions to become compliant with minimum standards, to connect with lead operators and their contractors).
- **On the meso-level, interventions target specific sectors and value chains** with the purpose to increase firm productivity through improved horizontal and vertical business linkages and interventions addressing constraints within specific markets. These sector and value chain interventions are most likely to focus on developing the finance sector, business intermediary service providers, end markets, value chain coordination, networking, and clustering. It also includes support for industry-specific physical infrastructure works, for example to develop a cold storage infrastructure for vegetables, fruits and dairy products, or to develop special export production zones to cluster business activities.
- **On the macro-level, interventions target the enabling business environment.** Such business environment reforms create the conditions for private sector growth by looking at regulations and standards, investment climate, labour market, and trade policy.

Mapping PSD interventions (as mentioned in the review literature, see section 5) on the three levels and comparing them to different business sizes (see Figure 2), makes clear that interventions have a strong focus on micro and small enterprises on the firm (micro) level. These interventions are directly targeting individual small firms in the formal and informal sectors, and in some cases involve a specific target group of entrepreneurial youth, women, disabled people or people from ethnical minorities. For instance, on the micro-level, business training interventions (with numbers trained and employment garnered) are more often covered in evaluations than business development services as part of value chain development interventions.² This is the case because of the assumption that larger firms can easily and readily access sufficient capital for their needs and have stronger managerial skills.

A forthcoming analysis on PSD donor programmes with an explicit focus on job creation (not specifically on youth) in Africa, also concludes that the most common interventions are technical assistance, followed by business trainings, supporting service providers, grants, finance sector development, and value chain coordination (Thorpe et al., forthcoming). Overall, it can be concluded that most of the direct PSD interventions target micro and small enterprises, while indirect PSD interventions that look at the overall business enabling environment or investment climate, or that address some of the constraints found in that environment, are mainly targeting or involving larger and more established firms rather than start-ups, small and micro-sized enterprises. This synthesis paper separates the indirect interventions into meso-level sector/value chain development interventions and macro-level enabling business environment interventions. In the case of Africa, there is a missing middle segment of middle-sized firms, with PSD interventions mainly targeting micro and small enterprises and large companies (see more about the 'missing middle' in section 6.1).

² Observation based on the analysis of the evaluation review literature as mentioned in chapter 5. Furthermore, this has also been concluded in the forthcoming IDS study on PSD interventions and job creation (Thorpe et al., forthcoming).

Figure 2. Framework for PSD interventions in the African context



Source: Authors' own (2019)

4.2 Measuring job creation and the cost of creating a job

Before digging deeper into the three levels of PSD interventions and their effectiveness in creating decent jobs for youth, this section will first show the complications of measuring job creation and the cost of creating a job for firms. Fowler and Markel (2014) show the importance and different methods of measuring job creation for PSD interventions. The methods vary from obtaining employer records, surveying employers, surveying employees, developing localised multipliers, and using employment elasticity estimates. They conclude that in the design process of a PSD intervention, it is necessary to determine whether to measure job creation at all. If job creation is important, the design process must define and determine what types and quality of jobs are likely to be created, select the appropriate measurement method(s), incorporate job creation into the results chain, and define decent job creation indicators (see also: Gibson & Flaherty, 2017; ILO, 2018).

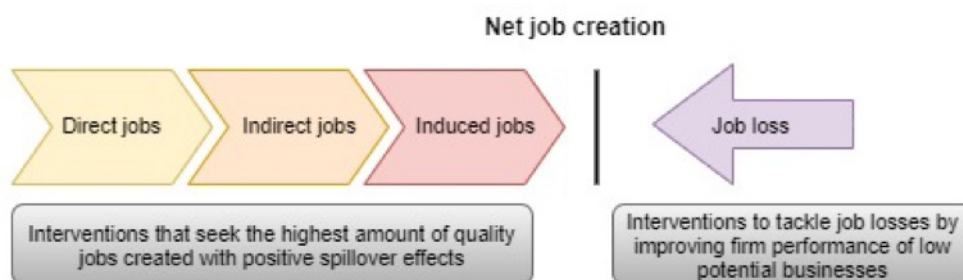
The reality is that PSD interventions rarely measure job creation properly (and even less so for decent youth employment). Even if there are some measurements, the results are very difficult to compare due to the very different characteristics of each intervention, and due to the very different circumstances in which they are used: for example, targeting special entrepreneurs, different firm sizes, enterprises in the informal or formal sector, urban or rural enterprises, etc. Some evaluations compare the effectiveness of interventions by dividing the total programme costs with the amount of jobs created (Datta et al., 2018b, p.74). However, such comparisons are not very accurate, particularly for the quality of jobs and in circumstances where there are high levels of underemployment in economies that urgently need job creation through boosting aggregate demand or investments, like in Africa. Some argue that a better measure is to include the social rate of return on the investment/intervention (Datta et al., 2018b), while others warn that there is a need for more guidance, innovation and learning for investors/funders on methodological choices and how best to combine and complement different approaches for assessing impact in a cost-effective manner (O'Flynn & Barnett, 2017).

The IFC (2013) highlights four categories of jobs created through PSD interventions that need to be considered (see also Figure 3):³

- **Direct jobs:** jobs generated through the intervention are the main beneficiaries of the intervention.
- **Indirect jobs:** employment changes at suppliers and distributors of the main beneficiaries of the intervention.
- **Induced employment:** jobs resulting from direct and indirect employees spending more and increasing consumption.
- **Net job creation:** direct, indirect and induced jobs balanced against the impact of this on job losses in competitors.

3 See also studies under Employment Impact Assessment of Public Policies in Selected Sectors, retrieved from ILO: <https://www.ilo.org/employment/Whatwedo/Projects/sector-trade-policies/sectors/lang--en/index.htm>

Figure 3. Measuring net job creation



Source: Authors' own (2019)

Ideally, programme evaluation results on jobs created should also reflect an understanding of the dynamics of labour markets. For example, the number of direct and indirect jobs created does not say a lot if you do not know who benefitted from these jobs. A new entrant to the labour market is a clear indication of job creation, particularly for the youth. However, if the job went to someone who is already experienced, which is often the case for higher productivity jobs, such a job is only created if this person's position at the former firm is re-allocated to a new entrant (Carter & Sedlacek, 2019). Measuring such dynamics and understanding the real impact of interventions is very complicated and time consuming. The methods to assess displacements and spill-over effects is clear (Gibson & Flaherty, 2017), but not many impact evaluations include it, partly due to additional costs. Aggregated information on the people who get the jobs is very sparse, and some types of interventions need more time to create the outcomes of job creation than others, particularly in the case of skills and training and investment climate projects (Datta et al., 2018a, p.32).

There are some studies which give good insight on market level dynamics through interventions. For example, McKenzie and Puerto (2017) show that business trainings to individual enterprises do not necessarily come at the expense of their unassisted competitors in an experiment in Kenya. Impact evaluations of PSD interventions, however, still mostly only measure the amount of direct job creation and estimate indirect job creation through multipliers generated in the short term after the programme has finished - though multipliers are "highly context specific, rarely based on a counterfactual, and vary across industries, within industries across countries, and even within one industry in the same country" (IFC, 2013, p.23). The size of multipliers also depends on whether it is an urban or a rural area, and whether it is skilled or unskilled labour. For example, multipliers tend to be higher for industries located in urban areas, because "more of the industry's spending is likely to stay within the area" (IFC, 2013, p.29). Higher multipliers are not always desirable and do not necessarily translate into higher total employment. For example, with private sector companies that tend to outsource more, this will result in a higher proportion of indirect jobs relative to direct ones, but not necessarily more jobs in total. High multipliers might also be indicative of low labour productivity or higher informality.

If an increase in income levels is measured, which could be a good indication for decent work, some assumptions can be made about induced employment, mainly through surveys on household spending. The IFC (2013, p.31) meta-analysis of their PSD interventions on job creation is a good example. It shows that in Ghana and Tunisia, interventions in agriculture create the most direct and indirect jobs. While interventions in services create fewer jobs, its induced employment effect is significantly higher. The data from Tunisia furthermore shows that interventions in food processing create more direct and indirect jobs than in manufacturing. The study also looks at value-added effects, which refer not only to wages and salaries gained through interventions, which could result in induced employment, but also includes corporate profits plus taxes. This value-added is not a measurement for job creation, but it gives an indication of the performance of the business sectors which could result in job creation. The macro case studies in Tunisia found that sectors that have the highest overall value-added per US\$1 million of investment also tend to create the highest value-added for workers (food processing and construction). This higher value-added to workers comes mainly through salaries and wages - however, in other cases this result could come from the higher number of workers benefiting without necessarily receiving higher compensation. At the same time in Tunisia, sectors that have the highest value-added per job tend to be more capital intensive (IFC, 2013, p.33).

Measuring decent job creation for youth as a special target group therefore needs specific planning in the design process of PSD programmes, for example to be able to generate data from monitoring and evaluation. For interventions that aim to create decent jobs for youth, the cost factor is important to take into account, as higher costs (costs tend to be higher for employers in the recruitment and initial on-the-job training, plus the cost for better-quality jobs are higher, particularly in the short term) could have a negative effect on youth-related job creation. However, PSD intervention programmes rarely mention the cost of creating a job, and even fewer differentiate the cost for different target groups, such as youth or young women. Robalino (2018) shows that adding a new job in an established enterprise is not cheap, as it is compiled of the salary and benefits paid to the worker (particularly relevant for decent work), the necessary new equipment and workspace, training for professional development (particularly relevant for youth), and increased water and electricity use. What the study also shows is that creating a new job through new enterprises is much more expensive as the starting point is completely different. Datta et al. (2018b) mention some examples that use computable general equilibrium (CGE) models on the cost of job creation in Tunisia. The outcome depends again on specific sectors, but more importantly it shows that “indirect jobs require investments of their own”, which means that the overall cost per job does not change much, even when there is a high multiplier effect (Datta et al., 2018b, p.75).

From this section of the synthesis paper it can be concluded that it is important to understand the different methodologies of measuring decent job creation and to highlight in the design of intervention or investment programmes the specific target groups of youth for disaggregated data outcomes. There needs to be awareness that any aggregated results do not necessarily say a lot about labour market dynamics (displacement, spill-over effects), nor about the quality of the jobs created. Furthermore, results differ widely between specific sectors and sub-sectors per country. Insights on the cost of creating a job need to include the very specific extra costs that youth employment could generate, which could also inform PSD interventions considerations on what is needed to reduce or mitigate these costs to give youth a better opportunity in the labour market.

4.3 Explaining private sector development interventions

1. Interventions directly targeting individual firm's productive capacity

Access to finance: These interventions seek better access to finance for firms that face credit constraints preventing them from starting a business or growing. There is no clear distinction between demand-side and supply-side (of the labour market) finance interventions; however, this synthesis paper will include these interventions as they are one of the main constraints for firms to grow, and are often included in more comprehensive PSD programmes.⁴ As Datta et al. (2018a) show, finance interventions differ according to age and size of firms and the type of financing needed (long term, medium term for equipment, short term for working capital). Cho et al. (2014) further demonstrate that for small-scale enterprise support programmes in developing countries, only 30 percent of the projects include provisions of finance for the enterprises, while 60 percent are linked to outside financial services.

The review of Cho et al. (2014) also shows that cash grants, scholarships and prizes are the most common form of financial support to projects supporting small-scale entrepreneurship in developing countries, followed by microfinance. This bears the question of how sustainable these access to finance interventions are, as they often result in entrepreneurs trying to hop from one project to another (Quak, 2017; Thorpe et al., forthcoming). Grant schemes (unconditional, reimbursement, tranches) have selection processes based on business plan competitions or targeted eligibility criteria, and vary by the type of activities being financed, such as equipment, goods or technical assistance.

Asset-based finance (e.g. inventory, machinery, equipment and real estate) and trade finance (access to cash while waiting for customer payment) can be beneficial for young and small firms that have the potential to expand their activities in developing countries, but are having difficulties in accessing traditional lending. However, most current PSD interventions do not include these forms of finance instruments for micro and small enterprises (Datta et al., 2018a). Although some Development Finance Institutions (DFIs) are increasingly moving into trade finance space, most donors are often contributing

4 For example, read also: Fowowe, 2017.

to long term venture capital funds for SMEs with growth potential⁵ and angel funds for start-ups (Barnett et al., 2018). These funds are mainly targeting highly educated entrepreneurs of start-ups and small businesses, with the objective of upscaling the business on the assumption that this creates direct and indirect job opportunities that might benefit youth (Intellectap, 2016; Whitley et al., 2013).

Non-financial enterprise support: These interventions are mainly based on capacity building and networking. For start-ups, this support is often provided through incubator programmes and for established micro and small enterprises through accelerator programmes (Aspen Network of Development Entrepreneurs et al., 2014). These programmes provide mostly non-financial services (mentoring, counselling, networking, trainings), while some incubator programmes also include financial services. For micro and small enterprises, these are often in-class business training programmes that aim to increase the skills and knowledge of business owners (financial management, human resources, operations, marketing and communication) and, in rare cases, of the employees themselves (Datta et al., 2018a).

Consulting services are personalised trainings, coaching and mentoring. Coaching may include a range of specialised services such as access to financing, business advisory services, access to information, facilities and international connections for partnerships, and the latest information on technologies and business models. A study on small agrobusinesses in five developing countries showed that selection procedures for enterprise support programmes is often limited due to urban bias, reliance on existing but limited networks, and language barriers (Quak, 2017).

On the other hand, these programmes are very often targeting specific groups, such as youth or women entrepreneurs, or sectors, such as health, food, or education. Although the main focus of interventions is on start-ups, micro and small enterprises, non-finance enterprise support is increasingly tailored to larger firms who play a key role in local or international value chains. These larger firms often underinvest in services that may be important for their growth and need support to foster technological upgrading, business development, and exports expansion (World Bank Group, 2017).

2. Interventions targeting specific sectors and value chains

Industry specific support: Sector or industry (e.g. rice sector, garment industry, IT sector) support approaches mainly aim to increase the productivity and competitiveness of some key sectors that are identified in economic development strategies. Interventions such as support for specialised infrastructure, industry-specific institutions, business services, regulations, standards and skills are aiming to build new sectors/industries or enhance industrial upgrading to increase firms' capabilities to offer better products and services that are made more efficiently and/or to enter into new products and services (diversification). Supporting industry-specific business development services could create an environment in which business performances improve (Grimm & Paffhausen, 2015). Industry competitiveness programmes are assumed to create more and better jobs in the medium and long term, but also play a vital role in reducing job losses in less productive firms and sectors.

A recent evaluation of the World Bank Group (2017) on its industry-specific interventions identified seven groups that help understand the nature of support for industry competitiveness. By far the most common intervention category for the World Bank Group relates to industry-specific innovation. Examples include extension services and improved inputs and technology in agriculture; adoption of new technologies, demonstration of techniques, and good practices in manufacturing; and linking research with industry-specific constraints and opportunities. Other common interventions used by the World Bank Group in industry-specific competitiveness support programmes relate to industry-specific institutions, infrastructure and regulations which together improve the industry-specific enabling business environment. Interventions that were hardly used for these programmes relate to industry-specific finance, skills and trade links.

Lead firm-SME linkages: These programmes aim to develop forward and backward linkages for lead firms with SMEs, or sometimes with micro-sized firms. Strong forward and backward linkages are associated with high employment multipliers through the creation of indirect jobs in related enterprises.

5 There has been an influx of African VC funds recently. For more information see: <https://techcrunch.com/2018/10/22/local-venture-capital-fund-formation-is-on-the-rise-in-africa-led-by-nigeria/>

A meta-analysis of the World Bank Group (2018) on these lead firm-SME linkages programmes comes to some interesting conclusions. For example, it found that dairy, livestock, and food crop (vegetables and fruits) linkage programmes are most likely to be publicly supported, whereas private sector-led linkage initiatives are mainly in place for cash crops (cocoa and coffee are common for public-private partnership (PPP) constructions). Publicly-led programmes are mainly bottom-up approaches, which tend to focus on higher levels of processing at SMEs in an effort to increase investment in greater value-added processing capabilities. On the other hand, privately-led initiatives and PPPs are more top-down and tend to focus on quality and improving raw material collection to secure supply.

A recent rapid literature review (Quak, 2019) mentions that overall, these interventions have a positive impact on the inclusion of SMEs, but lead firm partnerships with SMEs are not all positive and not without risk. It is usually the smaller firm that bears the greater risk. However, the review also showed that being part of a business linkage programme requires internal commitments by the lead firm for many years, involving significant resources, technology, and persistence, and lead firms may have difficulty selecting potential SME partners without accurate information. Governments and donors can address these issues, by connecting different companies through information dissemination and competent delivery of basic services (Botelho & Bourguignon, 2011). Thorpe et al. (forthcoming) mention that a lot can be achieved with agreements in principle (with little follow up required) when facilitated well.

Value chain development: Value chain development approaches often aim to foster linkages across firms to improve coordination and collaboration among international value chain actors. There is increasing evidence that using a systematic approach to develop and assess the chains in which enterprises are embedded could help address key underlying constraints in market systems in support of employment measures (Herr & Muzira, 2009). Most of these interventions are based on competitiveness reinforcement strategies, based on mapping value chains, identifying business opportunities, and the design and implementation of an action plan for each chosen value chain, with the aim of creating jobs through improved productivity and competitiveness. For a value chain to achieve sustainable and decent job creation for youth, youth participation in the coordination of actions and negotiation between actors in the value chains, national and international governments and civil societies is critical (FAO, 2019).

Important factors that have spurred interest in value chain development include growing urban demand for added-value products in developing countries, more stringent quality and food-safety standards by governments and private firms, the growth of niche markets (for example, organic and fair trade), and concern over the scarcity of agricultural raw materials. Donovan et al. (2015) and Ingram and Oosterkamp (2014) show that in value chain development approaches, job creation is often not the main objective (this is mainly decent work or inclusiveness, e.g. targeting specific groups, particularly women and minorities). In some cases, these interventions respond to shifting power structures in global markets, which have led to both opportunities and threats for small players in developing countries.

3. Interventions targeting the business enabling environment

Business enabling environment: There are many ways in which interventions can improve the business enabling environment. Those that have a more profound connection with job creation are labour market, trade, finance and business registration reforms (Chari et al., 2017). Making it easier to set up a business, for example through one-stop shops and regulations which ease constraints on trade and finance, are all important factors for business performance, giving business managers improved incentives to invest in productivity growth and job expansion. Specific labour market reforms can more directly incentivise changes in hiring or firing workers, which might include wage subsidies. The business environment is measured by the World Bank's Doing Business scheme by ranking countries.⁶ A good business environment is linked with a good investment climate (White & Fortune, 2015).

Investment climate: Financing is necessary to increase current marginal private investment in Africa. However, investors look at growth, not at employment, for success. To create an attractive investment climate reduces the risk that a sound commercial investment falls short of financial viability due to market or institutional failures (Robalino & Walker, 2017). Investment climate is often used to attract foreign investors - however, for the economic transformation of African countries, domestic productive

⁶ For more information see the Doing Business website: <https://www.doingbusiness.org/>

investments are also (or even more) needed, in particular from the middle classes that could boost economic development. However, the literature shows that approaches to improve investment climate are not specifically targeting productive and/or labour-intensive growth (Choi et al., 2019).⁷ Furthermore, the timeframe needed to estimate the effects of investment climate on job creation is long, and would often extend far beyond the project lifetime.

4.4 Country income-level matters for selecting a private sector development strategy

In the review literature, there is no evidence that regional differences within Africa play a major part in explaining the different outcomes of PSD interventions on creating more and better-quality jobs for the youth. This is mainly due to the heterogeneity of countries within each region. To some extent, Northern Africa is an exception. It has some of the highest youth unemployment rates in the world and young women are at considerably greater risk of unemployment than young men, the majority of whom never make the school-to-work transition (Abbott & Teti, 2017, p.6). In comparison with sub-Saharan Africa, Northern Africa is more urbanised, and youth have enjoyed higher education levels, which would be a good starting point for PSD interventions to take off and create jobs. However, as Fox and Kaul (2018) show, in Northern Africa protective policies block the creation of new firms to protect the profits of established firms and their politically well-connected owners: “[N]ew firms are required to obtain a license (rarely granted) to begin operating, foreign competition is limited by capping FDI [foreign direct investment] and imports, and government discretion may be used to harass firms that are not politically connected” (p.10).

To create jobs for the youth through PSD interventions in such circumstances is an exercise in political economy. The literature is clear that for Northern Africa in particular, “[t]here is no point tackling supply side issues if all that happens is that young people become employable but remain jobless”, because it is mainly urban and educated youth that are excluded from the labour market (Abbott & Teti, 2017, p.6-7). Schiffbauer et al. (2015) estimate that employment growth in Egypt decreases by almost 1.5 percentage points annually when politically connected firms enter a sector where they had no previous presence. The consequence is that a large majority of new labour force entrants fail to get jobs. Schiffbauer et al. (2015) also show that in Morocco in particular, high administrative burdens, such as processes that result in long wait times for construction permits, are a burden on job creation because it constrains new firm growth and firm expansion. This means that both the economic and political barriers to job creation and firm growth need to be analysed for effective PSD interventions.

Sub-regions, like the Sahel (part of West Africa), have common features as well, but in countries like Mauritania, Niger and Mali the most important features of strategic sectors for job creation for youth are very different (Quak, 2018). Therefore, a regional approach to stimulate PSD mainly focuses on regional trade and cross-border infrastructure (see section 6.1). All other PSD interventions that aim to increase jobs for youth need a country or more localised approach to succeed. To understand what different approaches or combinations of approaches are needed in the context of Africa, it would be better to look at income levels and the economic transformation of specific countries, rather than regions. Fox and Kaul (2017, p.11-15) are doing exactly that, by making a typology based on their prospect for a structural economic transformation that could increase business’ demand for labour. Countries are either high-potential low-income or middle-income countries, low potential low-income or middle-income countries, or stalled transforming economies.

For each country, Fox and Kaul (2017) refer to a different youth employment approach, mainly through PSD interventions. For example, high-potential low-income countries could benefit from investments in the informal low-productive economy, for the maximum benefit from productivity growth in combination with positive employment outcomes. High-potential middle-income countries should focus on the business environment to spur enterprise growth and productivity, without neglecting informal sectors. Resource rich low-potential middle-income countries need, according to Fox and Kaul (2017), a fair distribution of resource wealth plus attracting FDI in non-mineral sectors. Low-potential ‘fragile’ low-income countries need employment interventions for youth focussing on resurgent opportunities in the informal sector. The stalled transforming economies are all in Northern Africa, where youth employment strategies need to focus first and foremost on barriers to new firm entry (see more in Annex 2).

7 See for example the blog post of the authors on the World Bank website: <http://blogs.worldbank.org/africacan/future-work-africa-making-productive-investments-more-and-better-jobs>

5. The impact of private sector development interventions on decent job creation for youth

In this section, the synthesis paper looks at the review literature on PSD interventions for their impact on youth employment (quantity and quality). Most relevant literature does not specifically focus on Africa alone. However, they give important insights into how PSD interventions both positively and negatively affect decent job creation for youth in a development context.

5.1 Access to finance interventions

Overall, the review literature is mixed regarding the evidence on job creation outcomes of access to finance interventions, although most conclude that there may be a modest increase in jobs and job quality due to the ability to increase productivity or achieve higher sales; access to cheap financing will allow firms to purchase more capital assets, and converting assets into increased production usually requires more labour and often results in job quality improvements (Ayyagari et al., 2016). Traditionally, access to finance can be granted through business competitions, micro-finance institutions, or special SME services. Paniagua and Denisova (2012) analysed twelve IFC evaluations of PSD access to finance interventions (all outside Africa), which concluded that “improved access to finance can help firms expand their operations, which can have a positive effect on the quality and number of jobs created” (p.3). The analysis showed that the effects tend to be greatest for smaller firms, that access to finance provisions in the services sector in urban areas and in agriculture in rural areas tend to create the most jobs, and that collective loans are likely to have stronger effects on employment than individual ones. Importantly, some evaluations emphasise that male-owned enterprises fare better with financial support, highlighting the constraints on women to expand their businesses (Paniagua & Denisova, 2012).

This is in line with the conclusion of Kersten et al. (2017), who conducted a systematic review and meta-analysis of interventions that provide **finance to SMEs**. The review, which looked at LMICs (mostly outside sub-Saharan Africa), found “a positive significant effect of SME finance on capital investment, firm performance, and employment within the supported firm, whereas the summary effect on profitability and wages is insignificant” (Kersten et al., 2017, p.330). However, other meta-evaluations of SME financing programmes (Grimm & Paffhausen, 2014; Grimm & Paffhausen, 2015; Cravo & Piza, 2016) found limited effects on employment growth for SMEs. The review by Cravo and Piza (2016), which excludes micro-enterprises, shows that access to finance services improved firm performance, but only resulted in higher employment and labour productivity growth for larger firms.

Indeed, most review literature shows that access to finance programmes that favour larger businesses tend to create more sustainable jobs (Fox & Kaul, 2017). This can be due to the specifics of the sectors, individual enterprises, or the loan conditions on offer. It is also a ‘chicken and egg’ issue, as smaller firms in LMICs have the largest constraints to access finance due to higher risks (lower survival and profitability), lower business capacities, and formalisation, accounting and banking structures. According to Fox and Kaul (2017), for that reason larger firms have higher survival and profitability, resulting in better outcomes that could generate employment.

On the other hand, schemes with **thorough selection mechanisms**, identifying micro and small enterprises with high growth and job creation potentials, are the most successful in creating jobs. McKenzie (2015) mentions a programme in Nigeria that gave large grants (US\$50,000) to small, established businesses selected through a youth business plan competition. Surveys tracking applicants over three years show that winning the business plan competition resulted in highly positive youth employment effects, including higher incomes, better quality jobs and job creation. These effects appear to occur largely through the grants enabling firms to purchase more capital, increase sales and profits, and hire more labour. The problem is how to identify and select these firms. Many programmes include a business competition element for funding, and this seems to have a positive impact on employment. Selecting firms via competition ensures high-calibre firms (also referred to as Gazelles); however, the literature also shows the limited outreach of the competition, as it mainly involves higher-educated youth in urban areas, and

there are difficulties in identifying which firms may be most employment-increasing due to a lack of information on the selection panel (Mamburu, 2017).

The sum of funding (grants or loans) is also important, as the literature clearly shows that larger amounts to individual small enterprises are more likely to create jobs than small amounts (Flynn & Sumberg, 2018). Therefore, it seems that SME financing programmes are more successful than microfinance programmes. The review of PSD interventions focussing on micro and small enterprises by Grimm and Paffhausen (2015) showed that SME programmes were, generally, more effective in creating jobs than those for micro-firms. Banerjee et al. (2015) suggest that while many SME access to finance interventions result in business creation and expansion, access to microfinance does not, in general, sustainably increase employment nor raise incomes significantly. This may relate to the informality of businesses that are supported by microfinance and tend to be less productive. This can be linked to the lower amount on offer in microfinance arrangements, and as section 5.2 will explain, can also be related to the combination of access to finance and capacity building within SME programmes.

Several studies of **microfinance** expansion show no effects on employment in existing micro or small firms. However, evaluations on microcredit interventions are usually ineffective at measuring job creation. The main point is that the aim of such schemes is generally income stabilisation, and not employment more generally. Furthermore, loans are too small and loan periods are typically too short to lead to sustainable job creation. However, while jobs may not be created, microcredits could still improve underemployment issues, quality of jobs and increase income, particularly in rural areas (Mader, 2018; Sykes et al., 2016). Over time, this could even result in induced job creation. For the youth, this is an important implication as the majority have no other choice than to work in micro- and small-sized firms in the informal sector.

Access to finance programmes aimed at women appear to be particularly ineffective at creating employment, perhaps highlighting themes of women requiring greater financing through these programmes due to having fewer securitisable assets, in particular young women (Thorpe et al., forthcoming). Inclusive finance programmes often target more specific groups based on age, gender, disability or minority group. However, as Grimm and Paffhausen (2015) show, evaluations of these interventions do show some success stories of self-employment, but often lack the emphasis on further job creation, as their focus is on measuring earnings or increase in hours worked as indications of whether the quality and sustainability of a job has improved for a specific person from a specific target group.

With the current evidence of mixed (but mainly limited) impact of access to finance interventions on decent job creation for youth in developing countries, Datta et al. (2018a) ask whether this is mainly attributed to design and implementation problems, or if access to finance interventions do not address the right constraints, in particular related to youth: “[T]raditional programmes are focusing on credit supply constraints, rather than constraints related to credit information or demand” (p.32). However, from the literature there is one common thread, which shows that combining access to finance interventions with advisory services, technical assistance and business trainings tends to have a more positive effect on employment generation and improvements in quality of jobs (Paniagua & Denisova, 2012; ILO, 2015; Fox & Kaul, 2017). Combining financial and non-financial enterprise support seems important, with many SMEs acting risk averse, lacking the ability to provide a satisfactory loan application, and not recognising the need for financing for expansion. Access to finance is, in the end, the basic requirement to improve the performance and productivity of businesses, but it is not enough on its own as firm and employment outcomes depend on much more.

5.2 Capacity building and business trainings

Entrepreneurship and management trainings have not been found to have a profound impact on the stability of existing jobs nor decent job creation for youth. Impact evaluations of business training for self-employment in Malawi, Sierra Leone and Uganda, for instance, found generally positive effects on psycho-social wellbeing, but mixed results in labour market outcomes (Cho et al., 2012; Blattman et al., 2012; Casey et al., 2011). Evaluations such as Paniagua & Denisova (2012) show that business training and capacity building interventions mainly improves business practices, profitability, and investments by the business, but not job creation. The study also shows that management and supervisory training programmes could have a positive effect on employee and manager work relations and worker productivity, which in the

long term can result in job creation, but outside the evaluation timeframes. Entrepreneurship trainings for the self-employed generally result in better business skills, and in particular improved motivation, but this mainly results in increasing business income rather than job creation (McKenzie & Woodruff, 2015).

Many evaluations of **business training programmes** and capacity building services suffer from small sample sizes, a short timeframe for impact measurement, and high attrition, together with significant variations in the programmes, which all affect the precision of measurements and results (McKenzie & Woodruff, 2015). Training helps young entrepreneurs start a business, but the effects may not be long lasting and the aggregate effect on employment is not clear. There is evidence that training hastens the entry of firms that would enter anyway (Klinger & Schundeln, 2011). Klingeln and Schundeln (2011) also find modest effects of training on business survival. For programmes working with microenterprises, McKenzie and Woodruff (2015) do not find any positive and significant change in employment because of the high cost of hiring an employee for the small size of the firm. The study by Grimm and Paffhausen (2015) finds more positive evidence for training in larger firms in terms of performance, job creation and labour productivity, which create employment opportunities for youth.

Generally, the results show that the more specific and targeted the training was, the more likelihood for improved results for employment. The systemic literature review of Kluve et al. (2017) show that **youth entrepreneurship programmes** have, amongst the different youth employment programmes, the best employment outcomes, by creating self-employed jobs and increased earnings. However, Cho and Honorati's (2013) systemic review of 37 impact evaluations shows that youth entrepreneurship programmes have a positive and large impact for youth and on business knowledge and practice, but no immediate translation into business set-up and expansion or increased income. It shows that providing a package of training and finance is more effective for labour activities, in particular for youth and women. For example, USAID (2017) evaluated an entrepreneurship programme in Burkina Faso for youth but without access to finance. They concluded that the participants could only access small amounts of cash when needed, mainly through informal loan construction, enabling them to keep small business activities going, but not to expand (USAID, 2017).

However, as Makumbi (2018) shows, for the Youth Livelihood Programme and Youth Livelihood Fund in Uganda, which intend to support youth enterprise and job creation by extending grants in combination with trainings, success is not guaranteed if training and funding are combined. Design problems and weakness in the administration of such schemes negatively affected the employment results. Piza et al. (2016) found that technical assistance in particular improves firm performance, productivity and job creation. Thus, employment effects are likely to depend on the nature of recipient firms (size, age, sector, leadership) and the type of training delivered. Cho and Honorati (2013) show that either intensive short training or substantially extended training have the best business outcomes that over time could generate jobs for youth.

The use of a **psychology-based training programmes** that develop key behaviours associated with a proactive entrepreneurial mindset appear to deliver more lasting improvements for small business owners than more traditional business trainings. An experiment in Togo showed that entrepreneurs who went through personal initiative training earned higher profits than those in the traditional training or control groups at every percentile (Campos et al., 2017). Campos et al. (2017) found that these firm owners used more labour, were more innovative and made bigger investments, but did not use more paid workers or have higher levels of inventories than those who received traditional training.

A combination of several **business services**, integrating trainings, mentoring, and support to access new markets are more promising for job creation for youth. Grimm and Paffhausen (2015) reviewed six impact evaluations of such business development services programmes and found that all had positive employment effects, but the quality of the studies was relatively weak owing to an inability to randomise participants. However, providing these business services is expensive and for that reason targeted mostly at larger firms (Fox & Kaul, 2017). Such services are more tailored to the needs of individual enterprises, and therefore show positive employment results (Datta et al. 2018a). Most of these services are provided in incubator and accelerator programmes which show signs of job creation in the form direct jobs (Gonzalez-Uribe & Leatherbee, 2017). On the other hand, consulting services to tailoring microenterprises in urban Ghana did not lead to sustainable changes in either business practices or profits (Karlan et al., 2015). Therefore, it can be concluded that the youth employment outcomes of these programmes depend mostly on how they are implemented, rather than the training itself, and the requirements of local businesses in the community.

5.3 Sector and value chain development interventions

More comprehensive PSD interventions take place on sector/industry and value chain levels, combining access to finance, consulting and business trainings with industry-specific networking, regulations, standards, innovation and linkage programmes. Such interventions not only aim to increase enterprise performance directly, but also indirectly through improved sector-wide competitiveness and industry-specific investments in infrastructure. Employment effects have been measured for these PSD interventions, although again, most evaluations do not specify job creation (Ingram & Oosterkamp, 2014). A programme review of Enterprise Development interventions for USAID by Zandniapour et al. (2004) of micro- and small-sized enterprise performance and growth, found that enterprise development programmes that focus on a specific sub-sector generated sector-led growth, in addition to growth at the enterprise level.

Industry-specific and value chain approaches are targeting the effectiveness of coordination and cooperation between firms. Although difficult to measure, employment effects are the result of complex linkages, multi-level system actors, and constant adaptation to market changes. Farole (2016) reviewed 20 evaluations of **value chain interventions** and Ingram and Oosterkamp (2014) reviewed 96 evaluations; both conclude that significant job creation can be established through higher productivity and more effective transactions. Evidence suggests that programmes facilitating growth and upgrading in labour-intensive sectors are most likely to create jobs, whereas capital-intensive sectors and investments are less likely to do. In the context of Africa, light-manufacturing and the agro-processing sectors could generate many jobs (World Bank Group, 2016; Dinh et al., 2012). Evidence comes from cases from different regions, including Northern Africa and sub-Saharan Africa. One of the often-cited success cases is Ethiopia's cut flower, coffee and garment industries, where a targeted value chain and sector approach stimulated industry-specific infrastructure, regulations and standards that generated many thousands of jobs, including for young men and women (Dinh et al., 2012).

However, evidence from developing countries also shows that interventions that support very isolated or internalised larger production structures are less likely to create forward and backward linkages, meaning that job creation for SMEs will be limited (Farole & Winkler, 2014). With the right incentives, and support and interventions targeted around localised SMEs, forward and backward linkages can be built even around capital-intensive investments (see more in section 6.2). In Zambia, there is evidence that decentralised development of the agricultural value chains (maize and aquaculture) can create large-scale opportunities for female businesses through downstream distribution. In South Africa's automotive industry, global value chain integration reduced employment intensity in suppliers, but led to increased high-skilled jobs in services. Spill-overs and linkages from large (international) firms to small scale (even informal) firms are common in sectors such as garment and footwear (Farole, 2016).

Ingram and Oosterkamp (2014) give a good overview of the impact of value chain development interventions on **the quality of jobs**. They conclude that empowerment of specific actors to enter chains and improve their incomes or wages from the chain activity are often mentioned in programmes: "Social upgrading of workers appears more effective and manageable in local agricultural chains, particularly when producer organisations are involved, than international agricultural food chains" (p.24). They argue that NGOs, international organisations and governments have been driving forces behind impacting workers' rights and working conditions through the introduction of conventions related to guidelines and programmes that support raising awareness of these conventions. Ingram and Oosterkamp (2014) also mention some positive evidence on interventions by governments to increase wages and incomes through chain interventions, such as joint interventions with the private sector where the government provides policy, legal, infrastructure and/or financial (such as tax incentives, land and grants), creating an enabling environment more conducive to promote activities in a chain. The voluntary nature of such programmes is often mentioned as an important way to engage with private sector actors to push for change, but for others this shows a lack of structural change enforcement (Rousset et al., 2015). In evaluations, job security was mentioned specifically in relation to cases about certification, where a job or work in a chain became more formal and secure through contracts (Ingram & Oosterkamp, 2014).

Clustering manufacturing and processing in special production or industrial zones is often part of an industrial strategy. Most focus on foreign investors to enter the market and improve the value chain development through spill-over effects on knowledge and innovation linkages. Export processing zones (EPZs) have been evaluated on employment effects by Cirera and Lakshman (2017). The study shows that EPZs pay better than the informal sector, but when compared with the formal sector the results

are inconclusive. The review also shows that there is no evidence that employment created in an EPZ is additional. However, Cirera and Lakshman (2017) state that “it is likely that a significant share is additional since in some countries EPZs employ a significant number of new entrants to labour markets and there is no evidence of reallocation of plants from outside to inside the EPZ” (p.354). They also find zones that have more skill-intensive sectors are more likely to reallocate existing workers in similar sectors, while zones with low skill-intensive sectors are more likely to employ new entrants. Although firms in EPZs are often linked with better health and safety and other work conditions, the review actually shows very mixed results on the impact of health and safety, health coverage, and working hours. In particular, when services or parts of the production are outsourced locally, this often results in higher employment but is associated with poor quality jobs (see more in section 6.6).

Higher **industry-specific quality standards** are often associated with the opportunity to access global value chains and increase production and labour. SMEs in Latin America, Northern Africa and Asia are increasingly able to apply to such standards and benefit from global value chains (Timmis, 2017). In sub-Saharan Africa, this is often not yet the case for SMEs, hampering international lead firm SME linkage value chain approaches employment outcomes. The literature shows that higher quality standards act for most SMEs in sub-Saharan Africa as a non-tariff barrier, limiting export opportunities. SMEs are often reluctant or not able to implement such quality standards due to high compliance costs (Unnevehr & Ronchi, 2014). Although capacity and supply-side constraints are significant for SMEs to implement quality standards in supply chains, hindering them from access to export markets, some studies emphasise that these constraints are not a causal pathway by which standards exclude SMEs from global value chains. They argue that low capacity SMEs are usually already excluded from global value chains before the introduction of standards, due to various other challenges they face such as access to finance and knowledge (Meliado, 2017). Hence, cost-related aspects, technical assistance and capacity building support programmes often result in lowering compliance costs for SMEs, giving them the chance to be included in global value chains, which often result in higher firm performance and job creation.

When enterprises can comply to quality standards, there is often a link with better-quality jobs as well, in particular through certification schemes. As Ingram and Oosterkamp (2014) concluded, certification standards enhance job quality over a longer term. Certification was most successful when SMEs were already linked to chains and organised into groups, increasing their bargaining position and allowing them to gain economies of scale. Certification schemes often use collective action, the provision of training and support to reach certain clearly specified standards, the use of third-party auditing and monitoring, clear indicators, and the use of baseline and impact assessments to achieve job quality improvements over time (Ingram & Oosterkamp, 2014). However, most interventions focus explicitly on global value chains, ignoring the importance of medium-long regional and shorter national value chains for employment outcomes. Interventions (predominantly implemented in Latin America) that have strengthened linkages between small producers, local larger buyers and the public sector in a particular value chain, have increased production and market access as well as sales, resulting in improved and higher incomes for small producers (the average income of beneficiary producers is 30 percent higher than for control groups) - however, the available evidence on job creation is limited (IFC, 2013). **The role of the public sector as a lead buyer** of local products is increasingly important in value chain development programmes through procurement procedures.

The review literature show that value chains have the potential for inclusion as well as exclusion, in particular for women and migrants from rural areas. Most industries, such as apparel, footwear and electronics, are associated with positive job creation among lower skilled female workers. Conversely, as the quality of jobs have upgraded in the apparel value chain in Bangladesh, the dominance of women in the work force is falling. Value chain development may also result in higher gaps between skilled and unskilled workers. In cases where worker mobility between foreign and domestic firms is limited (e.g. due to differences in skills, or to rigid labour markets), these gaps may persist (Farole, 2016). Sanders and Brown (2012) suggest that in some cases, where pull factors from EPZs on migration flows are very large, EPZs can create significant regional unemployment. This last effect may be more important in downturn periods.

5.4 Business enabling environment and investment climate reforms

Business enabling environment and investment climate interventions are very diverse and therefore very difficult to compare. Most of these interventions (i.e. currency rates) have job implications but are not explicitly targeted to increase employment. The main purpose is often to attract as much **foreign investment** as possible, which it is assumed will generate spill-over effects on labour markets. However, the literature makes a strong case that developing countries, in particular in sub-Saharan Africa and LICs, do not have the absorption levels that are required to benefit from foreign investments. Some literature even shows negative spill-overs due to domestic competitors and investment being crowded out (Farole & Winkler, 2014).

The case study literature on FDI spill-overs complements the econometric studies by providing more detail on the mechanics by which spill-overs occur. Havranek and Irsova (2011) find evidence, based on a review of 55 studies, for positive and economically important backward spill-overs from multinationals on local suppliers in upstream sectors, and smaller positive effects on local customers in downstream sectors. However, the authors reject the existence of horizontal FDI spill-overs. This can be explained with international corporations avoiding spill-overs of knowhow and technology to their immediate competition. Overall, it can be concluded that while substantial empirical evidence has been amassed over the past decade on the existence and dynamics of FDI spill-overs, the results are very mixed (and mostly overlook sub-Saharan Africa, with research mainly in South East Asia and larger emerging markets such as Mexico and India); simply attracting FDI by no means guarantees that a country will benefit from spill-overs (Farole & Winkler, 2014, p.7). One study that does look at FDI and its impact on African employment (not necessarily for youth) concludes the same: employment outcomes for FDI are more positive if linked to better human resources (e.g. education level) (Wall et al., 2018). This study also shows that countries with a higher value of inward FDI are not better performers in terms of the quality of employment, except for South Africa (Wall et al., 2018). This is especially true for the Northern African countries Egypt, Libya and Tunisia, as well as for Mozambique, which are the largest recipients of FDI, but this does not necessarily translate into a higher quality of jobs (ibid., p.144). The study also shows that greenfield FDI (i.e. FDI in new projects that are not merges or acquisitions) does not have a significant impact on total employment when controlled by other indicators e.g. trade openness. The authors conclude that: "A possible reason is that in the case of greenfield FDI the firms neither create enough employment spillover nor transfer adequate technology and skills to employees in host countries" (ibid., p.144). This makes sense for Africa, where a large share of greenfield FDI is targeted at the extractive industries that generate few jobs and low technology transfer.

On the sector level, the study is in line with other research results: the highest employment outcomes (quality and quantity) can be derived from attracting FDI in manufacturing in Africa. FDI in agriculture can generate employment as well, but FDI in the agriculture sector is extractive by nature and focused on exporting raw materials without a lot value added, which could negatively affect employment outcomes (Wall et al., 2018). This highlights the importance of understanding more clearly the conditions under which FDI can lead to positive spill-overs and how governments and donors should target their PSD interventions. Several studies find evidence that a country's level of institutional development significantly affects the extent to which FDI spill-overs affect employment outcomes (Du et al., 2011).

The same applies for **access to infrastructure**. Paniagua and Denisova (2012) show that overall, job creation effects were positive across the different sectors reviewed (roads, power, water, ports and telecommunication infrastructure). However, in design, most of these interventions were focusing on larger firms and not tailoring it to the demands of smaller enterprises. The predominant effects on employment tend to be indirect. Furthermore, some evaluations not only managed to capture economy-wide effects in addition to direct job creation, but also differentiated between employment generated by construction and maintenance phases. Road rehabilitation projects could negatively affect employment in local manufacturing sectors by making imports cheaper, but overall tend to have a positive effect on economic growth and employment (Paniagua & Denisova, 2012). Interestingly, most evaluations focused on jobs created during construction and maintenance of the infrastructure asset but ignored the most crucial development impact of infrastructure - the second order growth effects, or jobs that are created because a crucial constraint is relieved, for example a reliable power supply that helps firms expand their output and create more jobs.

Better **regulations** are also important to improve the overall business enabling environment. The IFC (2013) study shows that evaluations that found positive effects focused primarily on business entry, registration reform, investment promotion, and tax simplification. Overall, it was found that these types of investment climate reforms tend to lead to the creation of new firms, which can have positive employment generation effects. Yet firms that enter after the reform may be less likely to survive their first two years than firms that entered prior to the reforms. So even though new jobs may be created, their duration and quality are not always clear. Fox and Kaul (2017) also show that when regulations and procedures are simplified and become more transparent (e.g. construction regulations or labour market regulations), more wage jobs are created. On the other hand, initiatives that simply help firms comply with existing registration requirements have not shown an employment effect, because there was not change in the overall business environment (de Mel et al., 2013).

Finally, review literature on the impact of **labour market-related business environment reforms** have a mixed result. A review of LICs concluded that most studies showed some association between more stringent labour regulations and increased reliance on informal employment (Nataraj et al., 2014). However, research on labour market-relevant business environment reforms in Africa conclude that there is no strong evidence to suggest that over-regulation is responsible for rigidities in the labour market (Chari et al., 2017). According to the authors, this reflects the fact that there are more important factors influencing business expansion, such as macroeconomic, political and social stability, and supply-side factors such as infrastructure and security. Labour laws and regulations are frequently not enforced, so do not in practice have much impact on business expansion and job creation (Chari et al., 2017).

A meta-regression analysis of the impact of minimum wages on formal and informal employment also suggested that higher minimum wages were associated with lower formal employment and a higher share of informal workers. Bhorat et al., (2013) studied how rolling out minimum wages in six sectors in South Africa affected youth employment. In five sectors, they found no employment effects, but in agriculture they found that employment fell. Fox and Kaul (2017) argue that this is perhaps “because it is easier to substitute capital for labour in agriculture than in the other sectors studied, such as security or retail” (p.28). Bhorat et al. (2013) also found significant levels of non-compliance with the minimum wage policy in half of the sectors.

In terms of youth employment, the evidence on **wage subsidies for youth** shows that more youth may be employed, but this is mostly for the time that the subsidies run and often displacing other employees, as net job creation remains the same. Non youth-related wage subsidies resulted in formalisation of enterprises, although this is also without net job creation (Kugler et al., 2017). Kluve et al. (2017) show that wage subsidy programmes are able to stimulate youth employment and increase probability of employment beyond the subsidy and programme duration. Design features were determinant in securing positive outcomes, particularly in middle-income countries. However, there was no evidence to demonstrate an increased ability of youth to retain a job or secure longer job duration after exposure to a wage subsidy programme. On the other hand, Kluve et al. (2017) show that the duration increases if subsidies are combined with skills formation. Finally, evidence on quality of employment is mixed for wage subsidies for youth. Some long-duration subsidies led to positive employment outcomes in the long term, as well as to long-term contracts or fixed-term contracts (Caliendo et al., 2011, Roger & Zamora, 2011, Brodaty, 2007, as cited in Kluve et al., 2017). Other schemes of shorter duration led to temporary and often unregistered jobs.

White and Fortune (2015) therefore conclude that the effects of labour-related business environment reforms vary, but “are of a smaller scale than most reformers tend to argue” (p.34). The review also highlights the fact that the relationship between business environment reforms and economic growth is affected by a wide range of factors.

6. Private sector development intervention outcomes and lessons in the context of Africa

This section of the synthesis paper looks to some very specific African issues that have a significant impact on the outcomes of more quality jobs generation through PSD interventions. It will show some insights from PSD interventions in how they, in the African context, succeeded or not in creating more and better jobs for youth. This section will first look at the 'missing middle' of middle-sized firms in Africa, after which it will look to how regional trade networks can be used to generate youth employment outcomes. In addition, this section looks in more detail at the rural and urban bias of PSD interventions in Africa and specific gender related issues. It will end with some lessons from value chain and sector PSD interventions.

6.1 The missing middle in Africa

In most developing countries, and in particular in Africa as we have seen in this paper, the slow convergence of productivity in firms has created a sea of smaller low productivity firms, mainly in the informal sector. The important question that remains is why have 'high productivity enclaves' not diffused more rapidly to create the 'middle' segment of enterprises? This question was researched in the context of SSA by Gelb et al. (2014). Why, in the SSA context, have a minority of high productive firms not led a process of equalising growth, absorbing land and labour to employ a larger share of the workforce? If this question of the missing middle in Africa is not solved, according to Gelb et al. (2014), "informal household businesses will need to keep absorbing workers indefinitely" (p.1).

The literature on the missing middle firm segment in Africa explicitly shows that it is a combination between business environment and the political economy that plays a major role in explaining why diffusion of and up-scaling to middle-sized firms hardly exists. In countries where policy-induced distortions are abundant, aggregate productivity will be negatively affected through firm selection (as mentioned for Northern Africa in section 4.4). However, Bartelsman et al. (2013) show that distortions have an even stronger negative impact if they are correlated with firm size and visibility, encouraging productive firms to 'fly beneath the radar screen'. Otherwise, if some firms with privileged positions can negotiate special deals that reduce distortions, the result could be a missing middle with smaller, less productive firms coexisting with a set of more productive, yet constrained firms.

As Gelb et al. (2014) mention, SSA does not lack productive sectors and firms, even in its low-income economies, but they are mostly the exception, generally larger in size and often monopolistic due to privileges. The result is that SSA countries have high levels of inequality in inter-sectoral productivity (between firms). Gelb et al. (2014) estimate the dispersion in sectoral labour productivity and conclude that there is a "strong negative correlation between economy-wide productivity and inequality of inter-sectoral productivity" (p.5) in SSA. To cite Gelb et al. (2014) further:

[I]ntra-sectoral dispersion is lower than inter-sectoral dispersion, but firm-level productivity Gini coefficients are still relatively high for the surveyed SSA countries. To a large extent, SSA's formal manufacturing sector appears to be dominated by a limited number of larger firms with higher labour productivity that coexists with a 'long tail' of lower-productivity firms. (p.6)

Overall, the literature shows that firms in SSA face a steeply upward-sloping labour cost schedule as they grow larger, which constrains growth and increases employment levels, while forcing youth entrants (in particular) to find employment in small informal firms. Furthermore, when costs imposed by the business climate are very high, there is a tendency for economies to degenerate into a large number of subsistence enterprises and very few productive enclaves are able to survive. In particular, the manufacturing sector is crowded out because it is more dependent on non-traded inputs. Overall, it can be stated that small subsistence firms in the informal sector are immune, while large firms have the capacity and bargaining power to 'deal' to such an extent that the formal middle will be squeezed out.

Hence, it is not strange that in sub-Saharan Africa, PSD interventions focus mainly on the smaller businesses as they are overrepresented. In particular, there is a clear absence of access to finance interventions for medium sized companies that could be targeted with financial services and products. Smaller high potential growers often get the most support, but even when these firms manage to grow, further financial support is often not available, which Alibhai et al. (2017) refers to as the “valley of death” (p.5). Even when donors and governments are able to support a significant increase in finance for growing enterprises that go into the middle-size segment, increasing employment, productivity and income levels over time, if business environment constraints and political economy dynamics are not tackled sufficiently, most businesses would rather stay small to avoid the risk of extra costs and becoming less competitive. Lead-firm SME linkages programmes particularly try to overcome some of these constraints, but they are limited in their efforts to improve business environment and political economy outcomes in which upscaling of smaller firms or diffusion by lead firms have limited employment outcomes. This will not only hinder the increase in jobs, but also the quality of jobs available, as productivity levels remain low for the majority of firms, while access to the larger more productive companies remains an opportunity only for a small proportion of youth.

6.2 Targeting Africa’s regional trade versus global trade networks

Review literature on PSD interventions show that many interventions relate to global trade networks. The evidence on job creation and decent work in such export sectors show that there are significant opportunities for job creation, although there is mixed evidence on income improvement and work conditions. Moreover, jobs in global trade networks depend very much on international competitiveness and can be volatile. Hence, there is a case to reallocate more PSD interventions to existing and potential regional trade networks. In the context of Africa, it has often been cited that regional trade for smaller countries provides possibilities to create jobs by reaching into neighbour markets with higher demand, but without complying to the highest international standards with high compliance costs. The literature also makes a link between food security, regional trade and job creation (Lange et al., 2016; World Bank, 2015). The reasoning is that if in regions like West Africa, East Africa or Southern Africa both the total and urban population continue to grow, and if global competition for food available on the world market becomes tenser, regions should put emphasis on feeding their own population as much as possible (Lange et al., 2016). Hence, regional food trade could create jobs in regional food systems such as input markets, food markets, financial markets and food production (de Roquefeuil et al., 2014; Arawomo & Badejo, 2015; World Bank, 2015).

Improving formal cross-border trade in the region and formalising informal trade are the main steps forward mentioned in the literature (Koroma et al., 2017). Poor infrastructure, inefficient customs and other issues obstruct trade flows within regions in Africa, despite the positive impact of the proximity of countries. Trade facilitation measures could particularly target the aspects which cause higher trade costs. Making regional agreements transparent for businesses (not only the modern sectors, but also the SMEs) and focussing more on the principle of mutual recognition, instead of the current principle of harmonisation, in order to align regulations in the African regions are mentioned in the literature (Lange et al., 2016). The problem is that the impact of such interventions in Africa are barely measured adequately for decent job creation, leaving us with only theoretical models on potential job gains.

PSD interventions to create impact on intra-regional trade flows should focus on improving firm performances, particularly by tackling constraints for informal transborder trade, as overemphasising formal trade systems could damage the potential of small traders’ cross-border trading networks.¹ For example, one study illustrates the importance of social networks to succeed in transborder businesses, as it shows that the overall economic performance of small traders is not affected by their education,

¹ Based on the evidence on formalisation interventions for small traders in transborder trade in Africa, Koroma et al. (2017) mention some important lessons learned from interventions on regional trade trying to reduce informality and increase opportunities for growth, which could have a positive impact on job creation. For instance, creation of one stop shops for business registration and rationalising the business registration and licensing regime by deploying user-friendly systems is important. However, incentives need to be tailored during the process of business formalisation. Retroactive regulations, especially in the area of taxation, make informal businesses reluctant to formalise if they fear being exposed to burdensome regulations such as large tax bills. This goes with the need to simplify tax administration, as this sometimes poses a greater problem for informal traders than tax rates. Furthermore, efforts to tackle corruption are likely to have a significant impact on restoring the confidence of informal traders in public administration and their willingness to formalise (Koroma et al., 2017).

but is greatly affected by their ability to invest in size, commercial networks and routes (Kuepie et al., 2014; Walther et al., 2015). Mobile traders in Africa concentrate on mastering the distance between places rather than investing heavily into territories of production organised around a central place (Walther et al., 2015). Koroma et al. (2017) therefore conclude that transborder trade presents unique benefits, such as employment creation, to those engaging in such formal and informal transborder activities.

What this means for youth employment is that informal small traders (mainly family businesses) have better opportunities to formalise their trade in larger amounts of products between countries. This not only benefits them, but could also give opportunities for other small businesses to increase their production over time, if demand for their products remains. In the short term, the main result could be less underemployment, but in the longer term it could generate more quality jobs, in particular if regional value chains are developed through PSD interventions.

6.3 Linking urban and rural areas to boost decent job creation in Africa

PSD interventions to create quality jobs for the youth in urban settings is different from interventions targeting rural areas due to distances to markets and services. Due to the importance of creating jobs for youth in rural areas in Africa (e.g. higher employment outcomes in the short term for agriculture and food-processing), there is some specific review literature on rural PSD interventions. Many programmes in rural areas focus on smallholder farmers, aiming to increase productivity through capacity building, technical assistance, access to finance and linkages to value chains (e.g. commercialisation pathways). Less often, but increasingly, rural PSD programmes target micro and small rural (household) enterprises in processing, storage, retail and services (Quak & Woodhill, 2019). Some programmes focus on ICT services for agricultural development, in which they assume that youth can play a key role (e.g. mobile phone services, drones, open data). However, there is no clear evidence where most of these direct ICT-jobs created are based - in rural villages, provincial cities or in larger urban settings.

Outcomes of access to finance and capacity building programmes in rural settings do not seem to differ much from the overall outcomes as mentioned in section 5. For example, evidence on impact evaluations of microloan interventions in Ethiopia and Morocco (and Mongolia) targeting youth suggest that they did not help rural SMEs to expand their employment (Banerjee et al., 2015). A microcredit scheme in Ethiopia, implemented in rural regions, which did not specifically target young people showed no positive impact for beneficiaries on business creation and employment (Tarozzi et al., 2013). The Youth Opportunities Programme (YOP) in Northern Uganda offered start-up grants for unemployed rural young people, leading to positive impact on their earnings and business performance, hence creating self-employment, but without other direct job creation (Blattman et al., 2014, p.726-727).

This is in line with other evaluations, including the case of the Women's Income Generation Support (WINGS) programme in Northern Uganda. The programme offered a combination of business skills training, cash grants, and follow-up support to young women working in agriculture in a post-conflict setting. It resulted in positive employment and earnings outcomes for the participants and facilitated their start-up businesses (Blattman et al., 2013, p.33). The evidence shows that interventions that integrate capacity development, financial support for start-ups, and continuous mentorship on the technical and financial aspects of youth-run agribusiness projects proved successful in enhancing youth engagement and job opportunities in agribusiness (Yami et al., 2019). This suggests that the design and implementation of future PSD interventions in the rural context of Africa should be based on "an integrated approach that considers diversity of youths' aspirations and shared capabilities, interests, expectations, as well as challenges associated with access to resources and participation in collective action" (Yami et al., 2019, p.11).

Comprehensive interventions are instrumental in fostering relevant partnerships, according to Yami et al. (2019). For instance, the UniBRAIN programme (a combination of supply- and demand-side interventions) has been successful in establishing strong partnerships among universities and private sector actors, equipping university graduates with relevant entrepreneurial and business skills, supporting business start-ups, and scaling up agribusiness activities in Zambia (Yami et al., 2019). This project generated evidence for gainful employment of youth in agribusinesses. However, evidence for significant job creation is weak and often based on self-employment.²

2 Similarly, rural youth programmes with multiple stakeholders involved, such as the agribusiness parks in DRC, IAA Programme

According to Yami et al. (2019) the supporting conditions for collective action include political will, infrastructure development, mentorship, and incentives to support entrepreneurship, integration of capacity development and mentorship, and strong partnerships among institutions and the private sector. Despite significant achievements, Yami et al. (2019) also reveal that the poor emphasis of development partners in promoting collective action and participatory processes in the agribusiness interventions contributed to the low level of youth participation in collective action. What the most successful rural PSD interventions seem to have in common is that they create linkages between agribusinesses with local suppliers and consumers in urban areas.

Allen et al. (2018) show urban-rural linkages for the case of West African food processing industries have a less pronounced urban-rural pattern and tend to be located in proximity to final demand or to rural areas where raw material production takes place. For rural areas, employment diversification interventions need to be connected to the broader transformations observed in the food economy of many African countries (Quak & Woodhill, 2019). Labour demand in agriculture increases as consumption increases in dairy, meat, fish, fruits and vegetables, which are more labour intensive (Allen et al., 2018). Rural labour demand in the off-farm segments of the food economy increases due to the higher shares of associated activities in storage, transport, processing, packaging, wholesale and retail (Christiaensen & Premand, 2017). Grading, storing and wholesaling allow processors to access raw materials; packaging is necessary for product conservation and transport, and logistics and wholesaling are crucial for reaching end consumers.

Hence, urban development is a driver for economic transformation and important for the development of the private sector in more rural settings. For Africa, there is evidence that smaller provincial cities in particular have the best opportunities to increase jobs in a food system approach, as important centres of demand for agricultural produce and to strengthen the connections between different segments of agricultural value chains (Townsend et al., 2017, p.14). Moreover, countries choosing to invest in labour-intensive small and medium enterprises located in rural and peri-urban areas experience more inclusive outcomes than those adopting more capital intensive and urban-based development (Christiaensen & Todo, 2014). In practice, however, rural areas as well as secondary towns are often neglected in both development and government policies (Dekker & Hollander, 2017). Furthermore, PSD interventions in rural and peri-urban areas are still mainly focussing on on-farmer activities, while less attention is given to diversification into promising non-farm activities (Quak & Woodhill, 2019). Hence, PSD interventions seem to generate more jobs, and over time more quality jobs,³ if geared towards improving the business environment in provincial cities (WEF et al., 2017).

6.4 Importance of a gender lens on interventions and job creation in the African context

In Africa, women are more likely to work in agriculture, agro-processing, food retail, and other light-manufacturing sectors such as the garment industry. For example, the low-paid jobs created in the cut flower industry and garment industry in Ethiopia are mainly occupied by women. Looking at how PSD intervention affects job opportunities for women, therefore, is very relevant, because the growth in employment in commercialised enterprises shapes the nature and extent of women's participation in the labour market (Dancer & Hossain, 2018). The data show that the food economy plays a particularly important role for female employment: 68 percent of all employed women work in the food economy in West Africa (Allen et al., 2018). Although women in West Africa account for only a slightly higher share of total food system employment, they dominate employment in the non-farm segments. Women account for 88 percent of food retail, 83 percent of total food manufacturing employment, and 72 percent of total food marketing employment (Allen et al., 2018).

in Morocco, Jeunes Agriculteurs in Senegal, the Strengthening Rural Youth Development through Enterprise (STRYDE) in Kenya, Tanzania, and Uganda, the Technoserve business incubation programme in Mozambique, Agribusiness Link in Rwanda, and the Agricultural Value Chains Support Project in Senegal, all provided (to some extent) improvement in employment opportunities, increased agricultural productivity, value addition, improved market linkages, and increased competitiveness (Yami et al., 2019).

3 The expectation for Africa is, as mentioned in section 3.3, that quality of work in agrifood systems will only gradually increase, as labour productivity remains low due to highly competitive markets for export markets. Many segments of the food system will therefore remain in low-income jobs, high-labour instability and low working conditions (FAO, 2015). Under these conditions, youth will continue to work in these sectors only as a last resort, unless productivity levels increase significantly due to investments in agrifood sectors.

However, most of the research on agricultural commercialisation interventions, including non-farm agribusinesses, does not have a gender perspective (Dancer & Hossain, 2018). Young women may be particularly affected if more integration into agricultural markets for basic goods comes with more volatility in the costs of goods needed for care (Scott-Villiers & Kelbert, 2015). Other gender differences in access to productive resources and social norms, and perceptions that encourage or discourage women's engagement in certain activities, lead women to invest in niche activities where entry barriers are less rigid (IPAR, 2015). Therefore, it can be concluded that commercialisation pathways within the transformation of food systems could create new (and often low-paid) non-farm jobs for women, although they are likely to be pushed aside on ownership of commercial farming activities as men are more likely to take advantage of these opportunities.

In urban areas, non-farm food activities can be highly profitable sources of income for women. Urban food processing and food-away-from-home services, in particular, are growing and lucrative activities for women. Yet, women rarely have access to the resources needed to develop their activities in relation to their potential and ambitions. Private sector institutions, like banks, are poorly informed about the potential of small- and medium-sized food processing enterprises and do not provide funding. Current conditions and obstacles to women's economic participation vary across countries and within countries, depending on specific value chains, trade network structures, barriers to mobility, etc. (Bouchama et al., 2018) - "However, policies and investments that tackle gender specific constraints and promote non-farm food economy segments could have a particularly large impact on women's economic activities and food economy development" (Allen et al., 2018, p.20).

PSD interventions are, in general, less segregated by gender to provide special support to one group compared with supply-side interventions (Fox & Kaul, 2017). The review literature shows that for access to finance and entrepreneurship and business training programmes, women are often targeted, but results on job creation are often very limited. This could relate to the size of women enterprises, which are mostly on the micro level with little room for job creation even after receiving some funds or trainings. It can also relate to the overall more gender-specific constraints for women to upscale their businesses.

PSD interventions on the meso- and macro-levels are barely segregated by gender. Although in linkage programmes women entrepreneurs are sometimes specific target groups, the extent of the impact on job creation is very limited (World Bank Group, 2018). There is no evidence that interventions are creating more jobs for women, other than sector and value chain development interventions focussing on more traditional sectors like agriculture and garment industries create more jobs for women. Less is known about non-traditional sectors for women to work in. IFC (2013) shows some positive results of investments in the private sector in non-traditional sectors for women to work in, to stimulate women jobs in mining or construction for example - however, these examples were all outside Africa and mainly in middle-income countries. The idea behind investing in women friendly workspaces in these sectors is that mixing women with men increases productivity levels (IFC, 2013). Furthermore, where interventions focus on economic upgrading (i.e. higher productivity and value-added activities) this does not automatically lead to social upgrading for all. Most economic upgrading favours a small group - mainly men in higher profile jobs - while women, youth and migrant workers are pushed into highly flexible, unprotected and insecure work. This increases on occasions where value chain development interventions result in subcontracting and outsourcing processes.

Investment decisions in infrastructure, for example to improve investment climate, often neglect gender issues, while women's economic empowerment can be improved significantly through infrastructure by helping them access services, making markets work for them, and opening the door to better paying jobs - which can further empower women (IFC, 2013). Therefore, a gender analysis of infrastructure services is important to understand how some assumptions about gender in infrastructure planning and implementation could in fact create infrastructure facilities that fail to meet the needs of women in poor communities. Furthermore, the Africa Development Bank Group evaluation shows that although most interventions indicate presence of some design elements that relate to ensuring participation of women, youth and/or vulnerable groups, these were most commonly quotas for their participation. It was not evident from the case studies whether participation alone is enough to ensure that these groups benefit equitably from the interventions.

6.5 Lessons from sectoral private sector development approaches in Africa

In section 5 of this synthesis paper, we concluded that comprehensive PSD interventions that target sectors and value chains are the most promising to combine productivity growth with decent job creation for youth. For example, Dinh et al. (2012) show that support to the Ethiopian cut flower industry, by facilitating access to land for strategic investors, tax incentives and industry-specific infrastructure, created a new export industry with over 50,000 jobs. Ethiopia did the same with interventions in the garment chain, which created 1 million productive jobs. The government-led interventions which led to this impact included the setting up of a green channel for apparel at customs, the provision of free and immediate access to foreign exchange, reducing the cost of letters of credit, and setting up an industrial zone close to main ports and airports to solve the most critical trade logistics issues, and position Ethiopia to attract outside investors to lead the industry and reinforce competitiveness by developing a competitive industry (i.e. using comparative advantages such as high-quality raw materials and cheap energy) (Dinh et al., 2012).

One study shows that the same strategy used in the cut flower industry in Ethiopia does not have to work for other sectors in the same country, such as the metal and engineering sector (Gebreeyesus, 2014).⁴ The study concludes that the success of an industrial policy (sector focus) depends on various factors. The success of the cut flower industry depended on an export strategy and encouraging FDI, while the metal and engineering sector is an import-substituting sector with less FDI interests. Gebreeyesus (2014) shows that Ethiopia has a comparative advantage of high value cut flower production over other competitors, which was identified by pioneering private entrepreneurs through their costly experimentation. In contrast, the import-substituting strategy declares the capital- and technology-intensive sectors such as metal and engineering as a priority, despite the country's advantages in labour-intensive industries such as textile, leather or food. Furthermore, floriculture is a specific activity, while the metal and engineering sector is highly diversified, making it more difficult to enable an effective industry action plan and motivate private sector engagement and cooperation with the government, which was case in the cut flower industry.

The USAID post-conflict market development projects have used a value chain approach, which in Rwanda's tourism and coffee sectors created several jobs (Parker, 2008). This was possible through interventions that focussed on identifying, together with participants, specific areas of market growth, learning about it through direct engagement with the market, and sharing this information widely with other value chain participants. There was a strong focus on building linkages both horizontally and vertically throughout the chain, as well as linking participants to service providers (for appropriate financial services, for example). Furthermore, each value chain developed a collaborative relationship with government agencies to set policies that were supportive of value chain development. An important contribution to the success of job creation was that the private sector actors were willing to invest in upgrading the value chain, as they engaged in the programme, identifying the strength of the market opportunity as well as the assessment that risks were manageable. However, Webber and Labaste (2010) report the impact of wider economic dynamics on the Rwandan coffee chain. Despite significant interventions, they show that highly volatile global market prices below production costs resulted in a declining market share and actors in the chain losing money, resulting in job losses.

This is in line with other studies. For example, the Blue Skies company in Ghana is often labelled as successful in creating jobs for youths, particularly for young women - however, as Torvikey (2018) shows, global competition in fruit production and export has undermined the company's ability to sustain secure jobs for the bulk of its workforce. Although many jobs have been created in such export sectors, there is also evidence that job quality is low (Blattman & Dercon, 2018). Blattman and Dercon (2018) show that in manufacturing plants in Ethiopia, many workers left the workspace because they thought they could make better money and have a better work-life by working for themselves or in other sectors. The result was that only the less qualified employees stayed in the job, in part because they had fewer options outside the plant.

Ingram and Oosterkamp (2014) also mention some value chain development interventions that resulted in job losses and a decline in job quality. When interventions result in promoting modern retail outlets and supermarkets, this has some direct negative consequences for employment in less productive SMEs,

⁴ Such sectors are referred to as 'industry without the smokestack', in comparison with more traditional industries (e.g. manufacturing) (Newfarmer et al., 2018).

while jobs are created in higher productive larger suppliers (Hawkes & Ruel, 2011). An analysis of Shiferaw and Bedi (2013) on job creation and job losses for manufacturing development in Ethiopia shows that the weak employment performance of Ethiopian manufacturing is not due to limited job creation of individual enterprises, but a consequence of simultaneous offsetting processes of job creation and destruction. They find strong evidence of intra-industry job mobility, and that jobs created by small firms tend to be transitory as workers move to larger firms during periods of faster aggregate net employment growth. This conclusion is in line with a study of Frazer (2005), which shows that in the African context, the least productive (mainly smaller) firms are more likely to exit if new, more productive ones are established.

The evaluation report of agriculture value chain programmes by the African Development Bank Group also shows some mixed results (AfDB, 2018). Employment creation is the result of 'certain' value chains, it claims. It mentions programmes on cashews (Zambia), fisheries (Uganda) and dairy (Rwanda) where significant job creation was measured. However, it was limited in the cereal value chains, for example wheat (Morocco) and rice (Mozambique). The report finds an explanation for the rice sector, because although the production cycle is labour intensive the employment increase is only seasonal, highlighting the risk of continued underemployment. The case studies show the importance of long-term agriculture value chain development interventions focussing on one sector with multiple intervention points to achieve greater benefit, compared to a short-term, one-intervention strategy without a sector focus.

Furthermore, the literature mention three ways to stimulate productivity growth and job creation in SMEs, which if successfully implemented could create the most jobs by including SMEs in value chains and sector approaches: interventions targeting SMEs directly and connecting them to new markets, interventions in which the lead comes from intermediaries to connect SMEs to new markets, and interventions where stimulus comes from lead firms in existent value chains (Ingram & Oosterkamp, 2014; see also Annex 3). However, to expand industries, stimulate new sectors or improve value chains, African countries need investment, which needs to come from within the country, the region or globally.

6.6 Lessons from African Special Economic Zones on employment outcomes

Farole and Moberg (2017) show the struggle of African countries to develop sustainable manufacturing through Special Economic Zones (SEZs). They conclude that, with the exception of Mauritius and the partial initial success of Kenya, Madagascar and Lesotho, most African zones have failed to attract significant investment, promote exports, and create sustainable employment. In the case of Mauritius, for example, the SEZ programme was the result of a process of political compromise that opened the door for a substantial political experimentation and structural reform of the economy. However, officials in other African countries too often use SEZs as a tool to appease regional interests, often with the aim of alleviating unemployment and spurring growth in lagging parts of the country. As such, SEZs can be a way for policymakers to avoid broader reforms, while the success of SEZs in the long term depends on structural reforms. Even where SEZs have had some initial success, the quality of investment and employment has often been poor, undermining their sustainability (Farole & Moberg, 2017). For example, Madagascar lost tens of thousands of jobs in SEZs following political turmoil and the country's subsequent suspension from African Growth and Opportunity Act (AGOA) (Staritz & Morris, 2013).

Farole and Moberg (2017), however, provide evidence of more political economy constraints for the development of these economic zones in Africa. For example, capital-intensive investments in industrial parks are considered attractive showcases for progress used by African policymakers, whilst the value of other forms of production are dismissed. Food processing in particular has frequently been held in low esteem in comparison to manufacturing oriented SEZs, despite most African countries having a comparative advantage in agriculture. Furthermore, there is evidence that governments lower standards for SEZ licences to attract a larger quantity of firms, many of which are not competitive enough to bring a positive contribution to the zone. "One of the visible manifestations of this in African SEZs is the failure of many allegedly committed investors to actually set up operations on the ground" (Farole & Moberg, 2017, p.9).

In trying to expand their SEZ schemes, policymakers tend to cause inefficient fragmentation of resources. They often allocate investment to peripheral regions that are poorly positioned to attract investment with or without a zone. Several countries have SEZ programmes, designed to establish one zone in each

region, province, or state. In 2009, for instance, Tanzania announced plans to establish 25 to 30 zones, spread out around the country, before its first SEZ was even operational. Such expansion has serious fiscal implications in most countries. In the case of Tanzania's zones, the government committed itself to securing the land and carrying out feasibility studies for all 25 to 30 zones. South Africa is launching a new SEZ programme with 13 identified zones, including at least one zone per province, with government commitment to finance feasibility studies and infrastructure in each zone location. Lesotho faced serious financial constraints, preventing investments from expanding successful industrial estates in and around the capital. The government nevertheless invested scarce resources in developing zones in remote regions. Not surprisingly, these zones went unoccupied, while supply constraints in core areas worsened.

This complexity around the creation of successful industrial clusters within value chains, which should absorb workers from the agricultural sector and informal sector in cities, shows the importance of innovative inclusive business models and enabling capabilities as the building blocks for future economic growth (Bhorat et al., 2016). This also fits with the evidence from Africa on the positive spill-over effects for FDI. Developing countries need to have reached a certain level of development in education, technology, infrastructure and health, which need increased public investment, before being able to benefit from a foreign presence in their markets (Bermejo Carbonell & Werner, 2018). Imperfect and underdeveloped financial markets may also prevent a country from reaping the full benefits of FDI. Weak financial intermediation hits domestic enterprises much harder than it does international corporations. In some cases, it may lead to a scarcity of financial resources that precludes them from seizing the business opportunities arising from the foreign presence (Bermejo Carbonell & Werner, 2018).

6.7 Extractive industries must play their part in creating more and better jobs in Africa

The literature on employment and modern large-scale mining is clear that it does not employ many workers, although they are higher paid. It has historically been capital-intensive, and this feature increased with technological progress (Chuhan-Pole et al., 2017). Extractive industries, like the oil and gas industry or mining industry, could be characterised as being cut off from the domestic economy except through royalties and taxes. For Mali, Sanoh and Coulibaly (2015) report a ratio of 14 national workers to each expatriate in the gold mining sector, and that for every mining job created, 1.67 jobs are created elsewhere through backward linkages and expenditure effects. In other words, the multiplier effects are very limited, partly because of the capital intensity of the mining industry, but mostly because of the lack of local cost-effective procurement opportunities (Chuhan-Pole et al., 2017, p.72).

As Chuhan-Pole et al. (2017) show for Africa's mining sector, this could change over time, as mining companies become better acquainted with local markets and suppliers, and as local entrepreneurs learn to take advantage of the new opportunities arising from the expansion of mining activity. However, even where local procurement is stimulated, including in services such as catering, vehicle repair, machine shop services, welding, metal work, electrical work, and plumbing, the proportion of inputs sourced locally remains low (Chuhan-Pole et al., 2017, p.72). It is argued that the mining sector is increasingly reacting to criticism by linking more to local industry through the use of inputs of other goods and services, and that employment is stimulated through these backward linkages (CABRI, 2016).

However, there is no straightforward consensus about the best way to maximise the local value added that can potentially be built on large injections of FDI in extractives (CABRI, 2016). However, what is known about creating backward linkages with local suppliers in Africa, is that in the African context of an operating environment that can be characterised as "having a weak or limited industrial base and where skills and technical capacity are not well aligned to the needs of a changing industrial sector", it takes time to create such linkages that could create sustainable jobs (CABRI, 2016, p.17). However, there are ways to make early progress, in particular at the lower end of a supply chain.

From the literature on extractive industries in Africa, it is clear that incorporation of local content commitments by investors can generate business opportunities for suppliers, while local procurement can stimulate economic activity (e.g. Chuhan-Pole et al., 2017; CABRI, 2016). Expanding economic activity may, in turn, attract further investment, as suppliers trade with each other, and through the multiplier effects of local employees spending some or all of their wages in their communities. Contemporary local content policies in extractives activities vary in the scope, level and type of regulation applied. In some cases, they

are designed for, and targeted at, groups that are clearly identified in spatial, industrial or social terms. In other cases, they are part of a strategy to fundamentally transform the local economy (CABRI, 2016). The level of complexity and uncertainty attached to different interventions varies, with three main factors: the number of actors expected to benefit from the intervention, the initial state of the local economy relative to expected outcomes, and the alignment of local content interventions with other industrial and developmental policy interventions (CABRI, 2016).

A study on how linkage programmes in extractive industries in East Africa create jobs in SMEs also concluded that such programmes may focus heavily on institutional strengthening activities to encourage an enabling environment for SME development, by providing them with access to legal, business and financial systems, thereby reducing the preparedness gap (Thorpe et al., forthcoming). Investments in the enabling environment are increasingly being made through public-private partnerships (PPPs), such as training centres and technical institutes. These linkage programmes are often developed in partnership between the government and other stakeholders. CABRI (2014) states that “[t]his is where the interface with the fiscal regime is most likely to be encountered, as the resources to fund such programmes (or at least the government’s share) might come from extractives-derived taxes and royalties or earmarked payroll levies” (p.19). Success is not guaranteed and depends heavily on the quality of design and implementation of the programme. Despite the risks that mines pose to agricultural productivity (for example, through environmental pollution or structural shifts in the labour market), there is no evidence in the literature of a decrease of agricultural production in mining districts in Africa, which would risk job losses in agriculture (Chuhan-Pole et al., 2017, p.166).

Given the large-scale mining industry has very few direct job opportunities, small-scale mining activities have increased in many African countries, in particular creating informal and precarious jobs for young men.⁵ Artisanal mining is still a very important sector in many African countries. Exact numbers of employment could not be found in the literature (IMF (2018) states that “the direct employment effects of large-scale mining are limited, but artisanal mining employment has increased in recent years” (p.30) regarding Mali). However, the downside is that artisanal mining counts for high numbers of child labour; at least 20,000 children worked in Malian artisanal gold mines under extremely harsh and dangerous conditions (Human Right Watch, 2011). The findings are backed up by a 2017 Partnership African Canada (PAC) report, which states that the lack of government presence, institutional structure and policy coherence undermine the ability to plan, capture and reap the sector’s full economic benefits and breeds child labour and environmental destruction.

Inclusive growth from extractive industry thus does not depend on direct employment from large firms, although linkage programmes can be successful in creating indirect job opportunities in SMEs in mining regions. The highest impact mining could have on job creation is, however, on the extent to which their output can be used to stimulate overall growth that benefits other sectors of economy, and the establishment of the necessary institutional capacity for resource management and enforcement of regulations in the extractive industries (Evoh, 2017, p.67), including decriminalising artisanal mining through regulation and formalisation of trajectories for artisanal mining activities.

6.8 Employment opportunities in non-traditional sectors in Africa

PSD interventions should not only focus on traditional sectors, but should also engage with newer non-traditional sectors with the potential to trigger growth and job creation, such as the renewable energy and ICT sectors. Evidence on how industry or value chain development interventions in such sectors in Africa create new jobs is not abundant. A whole new industry can be generated through new technology, in particular for green energy. In Morocco, for example, the EU is helping build the infrastructure for solar power plants to increase renewable energy, to cope with an increasing demand for electricity. Burkina Faso opened the biggest solar installation in West Africa in 2017 (funded via EUR 25 million in donations from the EU and a loan of EUR 22.5 million from the French development agency).⁶ Such investments could generate jobs, but there is little evidence on how many jobs this sector can generate. Where the technology is imported and, in case of Burkina Faso, built by French companies, the direct employment generation is small - some jobs could be generated in local maintenance, but this will be limited.

5 For more information see: <http://theconversation.com/as-more-people-flock-to-nigers-gold-mines-economic-boon-may-become-a-new-migration-risk-75417>

6 See: <https://www.news24.com/Africa/News/burkina-faso-launches-sahel-regions-largest-solar-power-plant-20171128>

However, big solar installations are not the only way to deliver renewable energy to the population. A new industry of mini-solar systems for poor households can create more direct jobs, plus, more importantly, generates spill-overs to give communities more productive opportunities where they are not connected to the grid. Eleven percent of pico-solar light users interviewed by SolarAid (2012-15) in several parts of Africa reported using their solar light for business use, including using it for neighbours to charge their phones for a small fee. Of these, 98 percent said it had positively affected their hours of business, and 76 percent said it had positively affected how their customers interacted with their business (Harrison et al., 2016, p.11). Solar Home Systems (SHS) are more expensive, but with pay-as-you-go models proving successful in parts of Africa, for the poorest households the technology is affordable up to around US\$150 for a three-year pay period. Thus, innovative business models can be seen in several parts in sub-Saharan Africa, which impact on job opportunities, particularly in remote areas; for example, giving households access to ICTs and more productive hours (Harrison et al., 2016; UNEP, 2014).

The literature shows that up to 15,000 new jobs have been created in the wider economy in sub-Saharan Africa as a result of the transition to efficient off-grid lighting (UNEP, 2014, p.3). Renewable and efficient energy creates many times more jobs than non-renewable energy systems do, particularly for non-oil producing countries. In Bangladesh alone, the Africa Progress Panel (2015) found that 10 years ago there were an estimated 25,000 small solar systems in the country. There are now 3.5 million and it is estimated that the boom has created around 114,000 jobs in solar panel assembly. A related issue is the traditional role of the kerosene vendor. Rather than trying to put them out of business, the preferred approach should be to involve them in the business of selling modern lighting systems (IEA, 2013, p.13). The combination of more and better light, access to ICTs and awareness of solar technology increases opportunities of marketing new services and technologies to off-grid populations. Entrepreneurs enter the market with special applications for mobile phones, SMS-services and solar enabled technologies (e.g. solar PV irrigation pumps, solar PV cool storage, solar PV food dryers), with the potential to increase economic development and output (IRENA, 2016, p.61).

There is also an increasing optimism about ICT services creating direct employment in an innovative sector (mainly high-skilled work in urban areas and attractive for youth), but more importantly with the potential to increase productivity and indirect jobs through these services in other sectors, in particular for Africa's agribusinesses. The literature shows that digital technologies can create opportunities for small-scale farmers, small entrepreneurs, traders and consumers. ICT technologies could generate faster growth, more jobs and better services. There are a number of compelling examples in literature across sectors of the economy where digital technologies have improved economic prospects, helped support livelihoods, improved entrepreneurship and created jobs. The optimism is mainly based on anecdotal evidence (Duncombe, 2016).

The main objectives of most of ICT-related PSD programmes are related to entrepreneurship for direct jobs and the use of ICT services by agribusinesses to increase productivity and competitiveness, which could over time create more and better jobs.⁷ The literature shows that "digital dividends - faster growth, more jobs and better services - will fall short if digital investments are not accompanied by long overdue reforms in a country's business regulations, skills development systems, and public sector governance" (Deichmann et al., 2016, p.3). For example, workers will not gain if limited skills do not allow them to leverage technology rather than be replaced by it. Overall, the empirical evidence on the impact of digital technologies on rural entrepreneurship and job creation is very mixed (Baumüller, 2018; Hernandez et al., 2016; Deichmann et al., 2016).

7 For example, the World Bank Group established infoDev, a multi-donor programme that supports entrepreneurs in developing economies through a global network of business incubators and innovation hubs for climate technology, agribusiness, and digital entrepreneurs. The programme connects entrepreneurs with knowledge, funding and markets in Climate Innovation Centres, Mobile Application Labs (mLabs) and Agribusiness Entrepreneurship Centres. Also, the Technical Centre for Agricultural and Rural Co-operation (CTA) launched, with the African Development Bank and the Alliance for a Green Revolution in Africa (AGRA), a series of AgriHack events where innovators are involved in training and linked with businesses and incubator programmes. However, evaluations of such programmes on job creation are inadequate.

7. Conclusions and recommendations

7.1 Conclusions

To replace low-productivity, insecure and low-paid jobs with higher productivity, better-quality jobs in Africa is a huge but important task for a better future for the youth who are seeking better job opportunities, or that enter the labour market each year. Both groups of youth experience the brutal reality that not enough quality formal jobs are created each year, resulting in the majority working in insecure, low-paid and low-productivity jobs in the informal economy. Key is creating better performance and productive firms. This synthesis paper demonstrates that job creation and productivity improvement can be a point of tension, as higher labour productivity can result in job losses and job reallocation and does not always relate to higher job quality. However, this synthesis paper also shows that if well executed, PSD interventions that link firm performance (e.g. profitability and competitiveness) with productivity growth are very well able to generate more and better jobs for youth in Africa. Different interventions have different employment outcomes. For example, the review literature shows that direct interventions, such as trainings, capacity building and microfinance on firm level, targeting micro and small enterprises, are less able to generate a surge in quality jobs for youth, but could benefit individuals to tackle the youth underemployment problem in Africa. On the other hand, more comprehensive (direct and indirect) PSD interventions that target a specific sector, sub-sector or value chain are able to create additional jobs by tackling industry-specific constraints, increasing value addition in firms and markets, often combined with productivity growth. However, as the literature shows, not all these jobs are necessarily quality jobs, in particular in high-competitive labour-intensive sectors, which according to the literature have the highest potential to create the most jobs in the short term in Africa.

It can be concluded that in general, smaller businesses have the highest potential to create jobs if they can scale-up; but the reality in Africa shows that low productivity, market and finance constraints (but also political economy) hinder these companies to scale-up and create more and better jobs for the youth. The combination of access to finance with more tailor-made trainings and mentoring show some promising results. If such interventions are also embedded within a specific sector and combined with forward and backward linkages between larger firms (or end markets), employment results (quantity and quality) seem to improve even more. The same applies if industry-specific infrastructure can be financed within these programmes. However, results depend heavily on the right design and implementation efforts.

Another option for PSD interventions for job creation is to focus on larger firms. Such interventions can improve the larger business capability to engage with SMEs through developing forward and backward linkages. This does not always have to be a driver of job creation, as, for example in the African case, the extractive industry must engage more in creating local linkages with SMEs. Upscaling firms in labour-intensive manufacturing and agro-processing seem to have the best potential to create direct and indirect jobs, as there is evidence that these sectors can benefit the most from urbanisation and changes in demand. PSD interventions for these sectors should not only seek initial productive investments through investment climate policies, but should follow-up with a long-term strategy and commitment to increase quality of jobs through regulations, higher standards and stimulating engagement in certification schemes.

A balance should be found between less efficient PSD investment in more labour-intensive low-productivity firms, that could create more jobs directly for the poorest people in the short term but not necessarily good quality jobs, or through PSD investments in only high-potential firms (small and large) that could improve productivity significantly, create some high quality jobs and contribute to the economic transformation in the long term - but in the short term does not generate enough jobs for the poorest youth. A PSD strategy that aims for employment outcomes for the youth should, therefore, answer and balance the following two questions.

How could PSD interventions increase additional jobs for youth in the African economy?

- Focus interventions and investment on labour-intensive light manufacturing, food-processing and agriculture.
- Combine financial and non-financial enterprise development interventions with sector-specific innovations, regulations and infrastructural investments.
- Build connections between lead-firms and SMEs to secure growth via forward and backward linkages.
- Integrate PSD interventions within a broader and consistent long-term PSD strategy that explicitly aims to create jobs for youth.
- Do not exclude low-productive firms in the informal sector from PSD interventions, but do not push too hard towards formalisation as that could backfire on firm performance and job creation.
- In sectors that use less youth, special labour market policies such as wage subsidies can be considered, but only with a long-term focus and integrated with other interventions, such as skills of the youth employees, while considering the overall net effect in the long term.

How could PSD interventions increase better-quality jobs for youth in the African economy?

- Productivity must improve, therefore focus on firms that have the best potential to increase productivity and have the best outcome on creating quality jobs.
- Certification schemes and private standards are a viable tool to increase the quality of jobs in specific sectors.
- Governments must use and implement labour market policy and regulations to improve fair wages, worker protection and working conditions.
- Without access to finance, firms will not invest in higher productivity. The most efficient way is to give SMEs access to larger amounts of capital for productive investments, to increase quality jobs over time.
- Training, capacity building and microfinance could support individual entrepreneurs to increase their labour and income, to overcome their underemployment.

For both more and better job creation for youth in Africa, attention of development partners should focus on:

- Local investment opportunities, by focussing on shorter local value chain developments and, where relevant, on regional trade reforms to improve regional trade and market systems.
- The political economy, as in many cases in Africa constraints are not purely economic, but political, which has resulted in the missing middle segment of the private sector in Africa.
- Significant disadvantages still faced by women in many countries and sectors - ranging from legislative barriers to cultural norms - that often force them to work in jobs that pay less and are more vulnerable or informal. Young women entrepreneurs find it even more difficult to increase their businesses due to these constraints.
- Looking for country and context specific adjustments, as potential sectors are different in each country. Furthermore, income levels of countries, urbanisation levels, and the size of their internal market are all important factors.

Good evidence is scarce because of very limited aggregate data. This makes it less suitable to understand how interventions affect labour market dynamics in Africa. Most of the PSD interventions and strategies do not specifically mention job creation for youth as a goal, and as such there are few employment-related indicators, which results in a lack of data. Better data aggregation is needed to help capture and understand how youth employment processes operate and how jobs for the youth are reallocated through labour market dynamics. However, measuring such job outcomes for PSD interventions is complex and cannot be done in short term evaluations.

7.2 Recommendations

- **The African youth employment challenge of too few formal jobs created each year compared to the new youth entrants in the labour market can only be tackled by increasing demand for labour in the private sector.** Donors and governments can do this with PSD interventions that improve firm performance and productivity. PSD interventions do not target the youth specifically and it must be considered that doing so could increase labour costs for firms. Therefore, **PSD interventions should internalise youth employment issues and aggregate data collection to secure youth employment outcomes and understand them better. Furthermore, PSD interventions should sensitise engagement with specific youth groups, targeting diagnostics on these groups to understand specific and localised constraints, which must be taken into account in the PSD intervention.**
- **Understanding potential sectors for high job creation for youth (light manufacturing and food processing) or understanding firms' potential to increase productivity significantly with positive spill-overs to the economy, including generating high quality jobs, is necessary and target investments should support programmes to these (sub)sectors.** Productivity is an important factor in achieving better quality jobs for youth in Africa. It can be linked with the economic transformation in Africa - however, productivity improvements do not automatically create more and better jobs for youth. Therefore, **strategic decisions in what sectors, what kind of businesses, and what kind of PSD interventions to invest in are important.**
- **Long term comprehensive PSD approaches focused on a specific value chain or sector that includes seeking linkages between larger formal and smaller (informal) firms have better employment outcomes (quantity and quality) for the youth in Africa.** Donors and governments should balance the short term 'quick-wins' that could tackle underemployment issues (e.g. entrepreneurship trainings, access to finance, linkages with lead firms) and create more jobs but not necessarily better ones (e.g. stimulating FDI for labour-intensive manufacturing), with long term wins of focussing on high productivity growth in specific sub-sectors or firms to create added value and high quality jobs that could spur the economic transformation. **PSD interventions in Africa should not ignore the informal sector, nor should the gap between the formal and informal sectors widen with high adaptation costs, which makes formalisation undesirable for many. Formal and informal firms need to be connected with an approach that ensures gradual improvements in productivity, resulting in better quality jobs for youth over time.**
- **Donors and governments should give more attention to shorter value chain development and non-export markets,** as a way to increase domestic demand in local and regional markets, which could generate more and better jobs for the youth. **Urbanisation, green economy and new technologies give entrepreneurial opportunities for new services and products that meet local demands.**
- **Engaging with local business actors in partnership programmes is important for extra financing, creating positive spill-overs and building necessary linkages between small and larger firms.** The partnership approach in PSD interventions could also increase the continuation of activities after the programme has ended.
- The very mixed employment outcomes of PSD interventions have been attributed to the design and implementation of such programmes. **Context-specific factors, such as the complexity of the political economy in different countries, the different phases of economic transformation that countries are in, and the growth potential of some specific sectors or value chains in countries, are crucial to tailor-make the PSD interventions.**

- **PSD interventions ideally need to be combined with labour market policy reforms** (e.g. wage subsidies, labour protection) and interventions on the supply-side of the labour market (e.g. job seekers' intermediary services) to ensure the best employment outcomes for youth.
- **Donors and governments must encourage better data collection to improve the evidence-base for firm performance, productivity and employment outcomes for the youth.** The current data from programme evaluations is not sufficient. Monitoring and evaluation of PSD interventions must measure not only numbers of direct and indirect jobs created, but also understand labour market dynamics (who got the jobs, are they new entrants or experienced, if they are reallocated who is taking their former job, etc.). Moreover, **looking at the process of how PSD programmes are implemented on the funder level (part of the learning) can help to shed more light on programme effectiveness.**
- **More survey research may be needed on how to collect such data efficiently, particularly in low-income settings.** Only one evaluation, conducted shortly after the programme has ended on employment outcomes for youth, is problematic as more important long-term dynamics are not measured. Extended surveys can help to increase this data and combine this with different, more dynamic models which are better equipped than input-output models (for example, CGE models).
- **Donors and governments should also make sure that definitions and data are standardised,** so outcomes from different PSD interventions and in different settings can be better compared.

SSA country classification for low- and middle-income countries (Fox and Thomas, 2016, p.i20)

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

Note: Sudan includes South Sudan due to data availability.

Country typology based on their prospect for a structural economic transformation that could increase business' demand for labour (Fox & Kaul, 2017, p.11-15)

- **High-potential, lower-middle-income countries (e.g. Côte d'Ivoire, Ghana, Kenya, Senegal):** In these countries, even with deficiencies in the business climate, the private sector has the potential to grow and increase the demand for labour. Because labour markets are still not able to absorb all new entrants, Fox and Kaul (2017) recommend: "[A]n employment strategy should feature demand-side policies and projects to spur enterprise growth and productivity...[and] should also feature support for youth to enter the informal sector (agricultural and non-agricultural sectors), especially in countries where the labour force is growing rapidly" (p.11).
- **High-potential, low-income countries (e.g. Benin, Burkina Faso, Malawi, Rwanda):** These macroeconomic stable countries, although among the world's poorest, have high potential for economic growth through investment in infrastructure and basic social services, because they do not need advanced skills and technologies to raise output and productivity. However, these countries have large informal sectors in which most of the young people work. Fox and Kaul (2017) recommend: "[A]n employment strategy should emphasize the development of mixed livelihood strategies in the informal sector in rural areas—a combination of household farms and firms—and provide access to start-up funds and possibly to land" (p.13).
- **Stalled transforming economies (e.g. Egypt, Morocco):** These countries are among the richest and most diversified countries in the lower-middle-income group, which allowed a large share of the labour force to be employed in these modern enterprises. However, their economic transition stalled, new firm entry slowed, and private investment stagnated due to a combination of over-regulation, poor quality of public services and insecurity. Fox and Kaul (2017) recommend: "Employment strategies need to focus first and foremost on barriers to new firm entry, so that the political pressure on the public sector to employ youth graduating from university moderates" (p.14).
- **Low-potential, lower-middle-income countries (e.g. Angola, Nigeria, Republic of Congo, Zambia):** All these countries developed rentier economies due to resource wealth. Inequality is extremely high and resource rents have pushed up public sector wages to a level that private enterprise cannot afford. Overvalued exchange rates bring in cheaper imported agricultural goods, further diminishing the prospect for private sector development. This slow growth also limits opportunities throughout the informal sector. Fox and Kaul (2017, p.14) mention that resource wealth needs to be invested in economic infrastructure, productive sectors and in education and health services for the whole population, combined with foreign investment outside the mineral sector, and fiscal policies should be enacted to ensure that resources flow to the poorest parts of the country and poorest segments of society.
- **Low-potential, low-income countries (e.g. Burundi, Mali, Niger, Somalia, Zimbabwe):** These are fragile countries, often facing protracted crises. Successful enterprises are often politically connected, while the majority work in subsistence agriculture. However, once conflict settles and stability returns, examples such as Côte d'Ivoire, Mozambique, Rwanda, and Uganda show that interventions on improving agricultural output and productivity while restoring basic infrastructure and trading ties are important to increase employment and income-earning opportunities for family farms and businesses. Fox and Kaul (2017) recommend that "[u]nder these conditions, employment interventions for youth should focus on resurgent opportunities in the informal sector" (p.15).

Three ways to include SMEs in value chains with the aim to increase firm performance, productivity and generate more and better jobs (Ingram & Oosterkamp, 2014)

- Interventions targeting SMEs directly and connecting them to new markets:** Ingram and Oosterkamp (2014) mention the case of UNIDO in partnership with the Moroccan Ministry of External Trade and the Moroccan Exporters' Association that started in 2004, as a programme to develop an export consortium via a project funded by the Italian government. Interested SMEs were organised into groups and supported to create consortia. Support was concentrated on enhancing their image, obtaining preferential tariffs with service providers, participating in trade shows and commercial missions, and some also jointly undertook a modernisation and upgrading process, including training facilities, internal restructuring and developing strategic information systems and new products. Such export consortia are considered by the Moroccan authorities to be an effective tool for market access and SME upgrading and modernisation. They have been supported by other national agencies, for SME development and the Export Promotion Agency, and by a government fund for export consortia which co-finances start-up tools and promotional activities for a three-year period.
- Interventions in which the lead comes from intermediaries to connect SMEs to new markets:** Ingram and Oosterkamp (2014) mention the intermediary role of the Better Trading Company (BTC), an enterprise that connected international retailers with producers in low- and middle-income countries to supply goods to international markets. To achieve scale in alleviating poverty while developing commercial returns, the BTC acts as an 'ethical agent' and provides market intelligence, business skills, technical skills and training to help producers deliver products that meet market and retail requirements. They facilitate transparency in trading relationships by encouraging fairer information flow about cost and margins and add a human factor by connecting producers face-to-face with retailers. This approach has helped small businesses to sell agricultural and horticultural products and created over 492 new jobs, increased 2,150 incomes and improved 8,600 livelihoods.
- Interventions where stimulus comes from lead firms in existent value chains:** Ingram and Oosterkamp (2014) give some examples of private sector lead firms that are used as a springboard for inclusive value chains, creating direct and indirect jobs. Webber and Labaste (2010) discuss the impacts of different chain approaches and tools. One of the cases is the Blue Skies Holding Ltd in Ghana that produces fresh chilli, pineapple, mango, watermelon, passion fruit and papaya for export. These products are certified to meet EuroGAP protocols and fruits are mainly sourced in Ghana's eastern and central regions, with supply gaps being filled by imports from other African countries. Since 2000, the company has grown tremendously, creating many direct and indirect jobs. Growth is attributed to the company paying its farmers promptly with a higher price than other buyers. It does not provide credit, believing prompt payments are a sufficient incentive for farmers to invest in their production. Blue Skies has also assumed technical and financial responsibility for certifying its suppliers (through training and education on EuroGAP standards) and provides support to improve local road facilities. This example shows a chain intervention initiated by a private party that has led towards mutual benefits for the company and its smallholder farmer suppliers.

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About INCLUDE

INCLUDE was conceived in 2012 by the Dutch Ministry of Foreign Affairs to promote evidence-based policymaking for inclusive development in Africa through research, knowledge sharing and policy dialogue. INCLUDE brings together researchers from African countries and the Netherlands who work with the private sector, non-governmental organizations and governments to exchange knowledge and ideas on how to achieve better research-policy linkages for inclusive development in Africa. Since its establishment, INCLUDE has supported more than 20 international research groups to conduct research on inclusive development and facilitated policy dialogues in Africa and the Netherlands.