



# Employment, enterprise and skills

## Building business infrastructure for African development

Josephine Osikena,  
Anna Owen and  
Deniz Ugur

Part of the Foreign Policy  
Centre series:  
*Africa rising? Building Africa's  
productive capacity for  
inclusive growth*

Foreword by  
Dr Donald Kaberuka

The Foreign Policy Centre



*Ideas for a fairer world*

A Foreign Policy Centre report supported by CDC Group

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Dr Donald Kaberuka, President, African Development Bank (AfDB)

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## **ABOUT THE PARTNERS**

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Established in 1998, the Foreign Policy Centre (FPC) is an independent, London-based international affairs think tank. Through events, publications and analysis, the centre aims to develop policy ideas and inclusive partnerships that promote a fairer world. The FPC has three Co-Presidents: Rt Hon. Michael Gove MP (Government Chief Whip and former Secretary of State for Education), Baroness Margaret Jay (former Leader of the House of Lords) and Rt Hon. Charles Kennedy MP (former Leader of the Liberal Democrats). It has a diverse range of projects and programmes (including Rethinking Development; Energy and Environment; Democracy, Governance and Human Rights; and BRICS and Beyond, amongst others) and a rich and diverse programme of events. Further information can be found at: [www.fpc.org.uk](http://www.fpc.org.uk)

### **CDC GROUP**

Founded in 1948, CDC Group is the UK's Development Finance Institution (DFI), wholly owned by the UK Government's Department for International Development (DFID). It is the world's oldest DFI with a history of making successful investments in businesses which have become industry leaders, thereby having enormous impact on the private sector in their country and region as well as improving the lives of many individuals. Further information can be found at: [www.cdcgroup.com/Who-we-are](http://www.cdcgroup.com/Who-we-are)

## **ABOUT THE AUTHORS**

This report was jointly compiled by Josephine Osikena, Executive Director; Anna Owen, Events and Projects Director; and Deniz Ugur, Policy and Projects Manager, at the Foreign Policy Centre.

# FOREWORD

This report argues that sustainable employment creation in Africa, particularly for young people, requires the active involvement of the private sector, accompanied by a 'business infrastructure' that supports skills development and entrepreneurship. The report was prepared by the Foreign Policy Centre in London, drawing on a series of roundtable discussions undertaken by international institutions, including the African Development Bank, businesses and development agencies.

I welcome the report's candid discussion of the challenges related to job creation in Africa, especially the trade-offs inherent in creating incentives for inward foreign investment, while attempting to boost local entrepreneurship. Ultimately, the goal is to help transform the host economy—through employment creation and the expansion of the private sector.

Recent surveys indicate that lack of skills ranks among the most serious constraints to starting and operating a business in Africa, a reflection of paucity of technical training in many African countries. For the continent to compete for the manufacturing jobs shed by China as it transitions to a significant wage differential, the problem of lack of skills must be addressed as a matter of priority. Global firms, including the ones that contributed to the discussions in this report, have a role to play. They have increased investments in Africa in recent years, but the continent is still not sufficiently linked to their global value chains. So far, resource extraction has attracted more attention than value addition. The challenge now is to provide a framework where multinational firms contribute more directly to job creation, skills development and technology enhancement on the continent. It is in their best interest. I would like to commend all contributors to this report and trust that it will reach a wide readership in Africa and beyond.

**Dr Donald Kaberuka**

President, African Development Bank Group

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# OVERVIEW

## THE EVENT SERIES

Productive employment does more than simply provide incomes, improve livelihoods, support welfare, promote wellbeing and tackle poverty. Jobs, and more significantly good jobs, have a transformative ability to determine the structure and impact of economic growth on wider development<sup>1</sup>. Yet, the growing buoyancy of African economies is undermined by their lack of structural diversity. This can be illustrated by a number of critical questions. Are ordinary people directly feeling the benefits of record economic growth rates across Africa? Is impressive growth reducing poverty and inequality across African societies? What impact are economic growth rates having on the nature and structure of employment across the continent? Has economic growth resulted in an increase in productivity levels across economic sectors – creating jobs and adding value to economic outputs? Is economic growth translating into the development of modern productive well integrated economic sectors? Are these sectors linked to the real domestic economy, beyond natural resource extraction for export? Essentially, is economic growth delivering broad-based structural transformation?

Addressing these questions underlines the pressing need to forge a new consensus about how best Africa can build its productive capacity. Effectively, exploring how the continent can develop and employ its productive resources and understanding how the region might harness and grow its entrepreneurial capabilities. Moreover, recognising the ways in which Africa can build robust and dynamic networks and linkages, essential for supporting the production and distribution of goods and services to power national and regional economies. Employment creation, entrepreneurship development and skills training all lie at the heart of this transition. National and regional development priorities clearly demonstrate an increasing appetite to rebalance economic growth. They now have a robust focus on economic development and structural transformation for inclusive growth. Moving beyond narrow goals and targets exclusively concentrated on reducing poverty, policy priorities seek to address the multiple challenges of how best to promote employment-led development.

With this in mind, in 2013/14, the Foreign Policy Centre (FPC) convened a series of roundtable discussions supported by the UK's development finance institution, CDC Group. The meetings were held in the UK Houses of Parliament and convened by leading parliamentarians from both the House of Commons and the House of Lords. The FPC brought together a diverse network of domestic and international stakeholders from the worlds of: business, civil society – including diaspora organisations – diplomacy, academia, philanthropy, politics as well as bilateral and multilateral agencies. The event series aimed to address two broad issues.

Firstly, the objective was to dispel myths associated with employment merely being an outcome of development progress in order to better understand the integral role jobs plays in powering development transformation. Secondly, the event series aimed to develop greater awareness about which sectors generate work with the greatest potential to deliver long-term and sustainable development impacts, particularly for young people and women.

Without claiming to be either academic or exhaustive, this concise report aims to capture and share many of the critical issues discussed during the course of the roundtable series. It also provides a selection of short case studies illustrating the practical

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<sup>1</sup> World Bank (2012), *World Development Report 2013: Jobs*. Available at [http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR\\_2013\\_Report.pdf](http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf), accessed 29 August 2014

challenges of achieving employment expansion. While the report perhaps poses more questions than it can possibly hope to address, it seeks to help inform, develop and promote employment policy ideas with a wider public audience.

### **BUILDING A COLLECTION OF WORK**

This event series and publication forms the basis of an emerging body of Foreign Policy Centre work, including events, publications and analysis, entitled; ***'Africa Rising? Building Africa's Productive Capacity for Inclusive Growth'***. This work also includes an events series and forthcoming report focused on exploring how financial inclusion might support employment growth across Africa. This is supported by Barclays. Furthermore, in 2014/15, an events series and publication focused on women and rural development as well as transforming agricultural productivity will be supported by Nestlé. The Foreign Policy Centre also hopes to continue to develop additional related themes of analysis exploring: industrial development, infrastructure as well as technology and innovation for economic transformation.

# RATIONALE

## AFRICA'S RESILIENT RISE: A NEW GLOBAL GROWTH POLE?

Africa has become one of the highest global growth regions, boasting 16 of the world's top 30 fastest growing economies. In 2013, average growth rates across Africa stood at four per cent, outperforming the fragile and recovering world economy which fell behind the continent at a modest three per cent. Africa South of the Sahara registered an impressive five per cent growth rate. This is projected to rise to just under six per cent in 2014.

Disaggregating Africa's 2013 macroeconomic performance reveals that, excluding South Africa, the continent's economic growth rate exceeded six per cent. It is forecast to hover just under seven per cent for 2014. West and East African economies lead the charge, registering the fastest growing regions on the continent. Following the aftermath of an unprecedented financial crisis and global economic slowdown, the world economy has tentatively and steadily regained its confidence. It is against this challenging backdrop that Africa's growth rates have become increasingly robust, broad-based and diverse<sup>2</sup>. This has been principally fuelled by domestic demand through expansions in consumption, infrastructure development and private investment in thriving sectors. These sectors included: as natural resources, modern services (e.g. property development, financial services, retail trade, hospitality services and public utilities), construction and agriculture<sup>3</sup>. It is also important to note that remittances constitute the largest single external flow to Africa. Official remittance flows represented USD 62.9 billion in 2013. This could however be significantly higher, given the scale of unrecorded remittance flows. For economies such as Lesotho, Liberia and Gambia this represented a substantial part of their gross domestic product (GDP) standing at 26.3, 20.2 and 16.5 per cent respectively.

What impact might Africa's economic performance have on the structure and trend of current and future employment? This is particularly important given the continent's substantial informal private sector, chronic underemployment and vast swathes of precarious jobs<sup>4</sup>.

## THE DRIVING FORCE IN DEVELOPMENT TRANSFORMATION: JOBS, JOBS, JOBS

For Africa's impressive growth rates to become robust and sustainable they need to develop the ability to profoundly transform and diversify the structure of the continent's economic landscape. Good employment opportunities are critical for igniting this change. Yet almost 78 per cent of workers across Africa either work for themselves or engage in unpaid family work. This rate of vulnerable employment is the world's highest relative to other global regions<sup>5</sup>.

## FUTURE EMPLOYMENT FORECASTS

The results of a 2012 survey conducted by the McKinsey Global Institute entitled '*Africa at work: Job creation and inclusive growth*' questioned a number of perceptions commonly associated with labour markets across Africa. The continent's labour force stands at 382 million workers, 42 per cent of which are employed outside agriculture.

<sup>2</sup> African Development Bank (AfDB) et al., (2014) *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf) accessed 19 August 2014

<sup>3</sup> Asche, H. and Fritzen, A.-L., (2013) *Perspectives of employment and manufacturing industry in resources-rich African countries*, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Sector project Post-2015-Agenda Eschborn, Germany

<sup>4</sup> African Development Bank (AfDB) et al., (2014) *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf), accessed 19 August 2014

<sup>5</sup> AfDB et al., (2014) '*African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*'. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf), accessed 19 August 2014

The retail, hospitality and manufacturing sectors accounted for 18 per cent and 11 per cent (respectively) of all new waged employment created since 2002. By 2020, these sectors are predicted to create 25 million jobs. By which stage, potentially 122 million more workers will have joined Africa's labour market. This is anticipated to create an additional 72 million new formal sector wage-paying jobs. Predictions suggest that by 2035, Africa will collectively boast the world's largest labour force, exceeding the size of the work forces in China as well as India. This survey uses fast-growing economies across the developing world to forecast Africa's future jobs profile so might be overly optimistic<sup>6</sup>. Yet, it does suggest that other sectors demonstrating strong signs of employment growth potential include: transport, construction, communications and financial services. In spite of all this, today only 28 per cent of Africa's labour force has stable waged employment<sup>7</sup>. The nature and structure of employment across Africa remains vulnerable because of the continent's demographic composition and the slow pace of structural changes in production.

## **AFRICA'S YOUTH BULGE: A DEMOGRAPHIC DIVIDEND?**

Of the 1.2 billion global youth population aged between 15 and 24, 14 per cent reside in Africa, South of the Sahara. This continental demographic is expected to increase by approximately 182 million by 2050. In addition, the youth dependency ratio – the ratio of the young population dependant on the productive or active population – is relatively high in this region. For a vast swathe of African economies, the informal private sector represents the most significant provider of employment for this growing youthful demographic. Examples include the Democratic Republic of the Congo (DRC), Cameroon and Zambia, where the percentage of informal youth employment is approximately 96, 87 and 100 per cent respectively<sup>8</sup>. The pressing need to address this challenge is demonstrated by the fact that each year, approximately 10 million new workers enter the African labour market<sup>9</sup>. The sheer size and scale of the employment dilemma confronted by young Africans is compounded by sluggish structural change which is failing to take advantage of Africa's youthful labour force and generate higher levels of productivity.

## **THE NEED FOR STRUCTURAL TRANSFORMATION**

Nearly 60 per cent of Africa's working population are employed in agriculture. On average the sector accounts for 25 per cent of the continent's economic growth. Yet, the sector is failing to meet its full potential. Less than 5 per cent of cultivated land is irrigated across Africa. Post-harvest loss ranges from 15-20 per cent and universally there is low use of quality inputs. On average 13 kilograms of fertiliser per hectare is used across Africa South of the Sahara compared to 73 kilograms across the Middle East and North Africa (MENA). Given the fact that urban food and beverages markets are set to experience a four-fold expansion potentially reaching USD one trillion by 2030, the potential employment prospects for African agriculture could be colossal<sup>10</sup>.

For many developing economies, the labour intensive industrial sector – particularly manufacturing – has provided an important platform for generating waged employment. However, across Africa South of the Sahara, jobs in industry represent less than 10 per

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<sup>6</sup> Fox, L. et al., (2013) 'Africa's Got Work to Do: Employment Prospects in the New Century'. In *IMF Working Paper (WP/13/201)*. Available at <http://www.imf.org/external/pubs/ft/wp/2013/wp13201.pdf> accessed 19 August 2014

<sup>7</sup> McKinsey Global Institute, (2012) *Africa at work: Job creation and inclusive growth*. Available at [http://www.mckinsey.com/insights/mgi/research/africa\\_europe\\_middle\\_east/africa\\_at\\_work](http://www.mckinsey.com/insights/mgi/research/africa_europe_middle_east/africa_at_work) accessed 19 August 2014

<sup>8</sup> International Labour Organisation (ILO), (2012) *The Youth Employment Crisis Time for Action. Report V*. Available at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_175421.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_175421.pdf) accessed 19 August 2014

<sup>9</sup> World Bank, (2012) *World Development Report 2013, Jobs*. Available at [http://siteresources.worldbank.org/EXTNWD2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR\\_2013\\_Report.pdf](http://siteresources.worldbank.org/EXTNWD2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf) accessed 19 August 2014

<sup>10</sup> Deutsche Bank Research, (2014) *Agricultural Value Chains in Sub Saharan Africa: from a Development Challenge to a Business Opportunity*. In *Current Issues Emerging Markets*. Available at, [http://www.dbresearch.com/PROD/DBR\\_INTERNET\\_EN-PROD/PROD000000000333152/Agricultural+value+chains+in+Sub-Saharan+Africa%3A+From+a+development+challenge+to+a+business+opportunity.pdf](http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000333152/Agricultural+value+chains+in+Sub-Saharan+Africa%3A+From+a+development+challenge+to+a+business+opportunity.pdf) accessed 25 August 2014

cent of paid employment, compared to over 30 per cent in East Asia<sup>11</sup>. This is aggravated by the fact that some of the high growth economic sectors of industry (e.g. mining) are capital intensive and can only claim fragile links to wider national economies, so are failing to support job creating sectors.

Reviewing the number of products that account for more than 75 per cent of exports (in 2010) for a range of African economies also underlines the urgent need for structural transformation. Nigeria and Angola boasted one principal product, petroleum. Ethiopia registered three products, unprocessed coffee, fresh cut flowers and sesame seeds. Economies such as Ghana and Uganda fared slightly better with nine and 13 products respectively. By contrast, countries such as South Africa, Kenya and Tanzania registered a much more varied number of export products totalling 92, 48 and 24 products respectively<sup>12</sup>. Yet, how best might Africa, where possible, move from small scale, local, artisanal crafts and trades as well as a limited concentration of (often natural resources) exports, to large scale, varied, higher value, processed, industrial and manufactured products? All of these can serve demand in domestic markets as well as fuel intra-regional exports.

In addition, how might African economies ensure that the growth generated by this structural transformation results in meaningful employment creation? Africa represents the least integrated global continent with only minor levels of both intra-regional trade and global economic exchange. For example, Europe has long been Africa's major trading partner. In 2012, two-way trade was valued at USD 240 billion. This represented approximately 38 per cent of Africa's total trade with the rest of the world. Asia was the second largest trading partner representing just over 25 per cent of total trade at USD 160 billion. North America represented just under 12 per cent registering USD 74 billion. While intra-African trade is increasing more rapidly than Africa's exports with the rest of the world, it only stood at USD 81 billion in 2012<sup>13</sup>.

A profound shift in the nature of African economies will contribute to: improving ordinary people's living standards, generating the investments needed to develop diverse economic sectors which support social development and building public and private infrastructure. However, understanding the impact of structural change on inequality must not be overlooked. For example, what influence might structural change have on income distributions across economic sectors, as well as rural compared to urban incomes<sup>14</sup>? The reality is that such an economic transition will be a gradual and longer term objective. In the short to medium term, traditional sectors such as agriculture and household enterprises remain a significant source of employment<sup>15</sup>.

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<sup>11</sup> ILO, (2014) *Employment Trends 2014: Risks of a jobless recovery?* Available at [www.ilo.org/global/research/global-reports/global-employment-trends/2014/WCMS\\_233953/lang-en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/2014/WCMS_233953/lang-en/index.htm) accessed 19 August 2014

<sup>12</sup> AfDB et al., (2012) *African Economic Outlook: Promoting Youth Employment*. Available at <http://www.oecd.org/inclusive-growth/African%20Economic%20Outlook%202012.pdf> accessed 19 August 2014

<sup>13</sup> AfDB et al., (2012) *African Economic Outlook: Promoting Youth Employment*. Available at <http://www.oecd.org/inclusive-growth/African%20Economic%20Outlook%202012.pdf> accessed 19 August 2014

<sup>14</sup> Timmer, P. et al., (2012) *Patterns of Growth and Structural Transformation in Africa; Trends and Lessons for Future Development Strategies*. Available at <http://www.ifpri.org/sites/default/files/publications/wcaotn02.pdf> accessed 22 August 2014

<sup>15</sup> Fox, L. et al., (2013) 'Africa's Got Work to Do: Employment Prospects in the New Century'. In *IMF Working Paper (WP/13/201)*. Available at <http://www.imf.org/external/pubs/ft/wp/2013/wp13201.pdf> accessed 19 August 2014

# RECOMMENDATIONS

## KEY ROUNDTABLE FINDINGS

The discussion series identified that the employment challenge across Africa remains a complex issue. Yet, a number of practical responses were suggested which might address the jobs dilemma. These recommendations could contribute to a better understanding of how best to tackle the problems of unemployment, underemployment, precarious employment and working poverty across the continent.

## A FOCUS ON SECTORS

Prioritising public and private investment in labour intensive sectors such as agriculture and industry would help revolutionise employment expansion. This would enable deep structural change to promote economic diversity and increase labour productivity outputs. Developing food processing and light manufacturing sectors would provide important employment opportunities for women and young people. This is particularly the case given the continual growth of African consumer markets and the linkages this creates between firms in domestic economies.

Furthermore, one of the most significant obstacles to the growth of these 'employment-expanding sectors' is inadequate access to and investment in reliable infrastructure. This can range from energy, transport and ICT (information and communications technology), to access to water and sanitation services as well as roads. Beyond jobs created through the initial construction and on-going maintenance of infrastructure, the jobs generation-effect created by infrastructure programmes helps improve service delivery as well as lowers transaction and production costs for enterprise. Infrastructure acts to create economic linkages, develops wealth through creating viable assets as well as markets and boosts economic demand. All of which supports further employment expansion<sup>16</sup>. Efforts to accelerate power generation, distribution and security of supply are critical for jobs growth across the region.

## SCALE MATTERS

The scale of job creation required to meet mounting supplies of labour cannot be underestimated. The private sector provides 90 per cent of jobs created in the developing world. Yet, across many African economies, the complex nature of an expanding work force and the structure of economies means that formal waged employment and formal private sector jobs growth remains an important but long-term objective. The short to medium term reality is that agriculture and household enterprises in the informal private sector cannot be overlooked. They represent the most significant source of current employment in Africa. Furthermore, almost 70 per cent of all permanent full-time jobs are provided by small and medium sized enterprises (SMEs) which are most at risk of failing. This suggests that SMEs have a significant role to play in employment expansion as they have higher rates of jobs growth, despite their frailties. Nonetheless, it is worth noting that large companies are more likely to provide higher rates of productivity, training and income, improving the overall quality of employment. Greater linkages between micro, small and large firms through supply and distribution chains will provide important platforms to create productive employment, particularly growing more medium sized enterprises<sup>17</sup>.

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<sup>16</sup> Hassen, E.K. (2000) 'Infrastructure Delivery and Employment Creation in South Africa'. In *Trade and Industrial Policy Secretariat (TIPS) 2000 Annual Forum*. Available at <http://www.tips.org.za/files/400.pdf> accessed 19 August 2014

<sup>17</sup> International Finance Corporation (IFC) et al, (2013) *IFC Jobs Study; Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. Available at [http://siteresources.worldbank.org/CFPEXT/Resources/299947-1364681190360/IFC\\_Jobs\\_Report\\_Summary.pdf](http://siteresources.worldbank.org/CFPEXT/Resources/299947-1364681190360/IFC_Jobs_Report_Summary.pdf) accessed 19 August 2014

## **EMPLOYABILITY**

Addressing the employability challenge through relevant education, training, technical and specialist skills is central to sustainable employment-led growth. All of these elements build important platforms to develop labour productivity. Furthermore, improving employability skills, experience and expertise provides important access routes for jobs to move from the informal to the formal sector. With respect to education provision, improving the development of solid foundational skills such as robust literacy, competent numeracy and practical information and communications technology (ICT) know-how is paramount. With regard to training, promoting schemes which nurture transferable skills such as: effective communication, leadership development, adopting and adapting to technology and innovation, risk and resource management, as well as fostering entrepreneurial abilities are also crucially important. In addition, building opportunities through work placement and apprenticeship schemes, training programmes, direct vocational training (e.g. in industrial clusters) and mentoring arrangements which support the development of technical, specialist and professional skills needed for employment across a diverse range of essential economic sectors are also vital. Business needs to be central in developing training programmes and curricula. In addition, the African diaspora can provide important platforms to share and support skills development in their countries of origin.

## **QUALITY MATTERS TOO...**

The quality of and access to decent, productive jobs is critical for employment-led growth to drive and deliver long-term development impacts which transform the nature of economies across Africa. Decent employment will enable workers to enhance their well-being and that of their families. In addition, good jobs need to provide stable livelihoods and build robust job prospects. Jobs which compound the vulnerability, poverty and underemployment of workers do very little to develop the structure of economies<sup>18</sup>. An expansion of jobs in the services sector can be regarded as progress. However, a growth in informal urban service sector employment, for example, is a drag on structural transformation due to the low rates of productivity generated.

## **ACCESS TO FINANCE**

Functioning financial markets which provide access to and the distribution of affordable and reliable domestic finance are considered essential. Employment expansion in Africa is dependent on institutions which are adequately able to assess and price risk with respect to: credit, insurance (particularly micro-insurance), savings, payment systems and other forms of financial products and services. The financial sector needs to expand through appropriately regulated non-banking institutions which can provide alternative ways to increase financial sector participation, particularly across the informal private sector.

## **POLICY CO-ORDINATION**

Finally, a co-ordinated policy environment is essential for maximising employment expansion and enhancing its direct as well as indirect impact on improving economic productivity and igniting structural change. National governments and public agencies can build partnerships with the formal and informal private sector as well as other important stakeholders including civil society, international as well as regional development and finance institutions. Where possible, these alliances can set sector-specific measurable targets to support the development of: financial assistance, infrastructure networks, investment climates and regulatory environments that

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<sup>18</sup> AfDB et al., (2012) *African Economic Outlook; Promoting Youth Employment in Africa*. Available at [http://www.africaneconomicoutlook.org/theme/youth\\_employment/youth-in-african-labour-markets/who-are-the-working-youth-in-africa/](http://www.africaneconomicoutlook.org/theme/youth_employment/youth-in-african-labour-markets/who-are-the-working-youth-in-africa/) accessed 19 August 2014

ultimately enhance the development impact of good jobs<sup>19</sup>. Examples include concrete efforts to improve migration policy and promote greater free movement of African workers across the continent. In addition, national governments could create greater opportunities to harness the investment and trade expertise of their diaspora entrepreneur networks. This could prove instrumental for structural transformation by growing and transitioning micro and small informal enterprises to become medium formal sector businesses.

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<sup>19</sup> IFC et al, (2013) *IFC Jobs Study; Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. Available at [http://siteresources.worldbank.org/CFPEXT/Resources/299947-1364681190360/IFC\\_Jobs\\_Report\\_Summary.pdf](http://siteresources.worldbank.org/CFPEXT/Resources/299947-1364681190360/IFC_Jobs_Report_Summary.pdf) accessed 19 August 2014

# JOBS MATTER

## JOBS: CRITICAL FOR DRIVING DEVELOPMENT

Improvements in the nature of employment can generate greater outputs per worker and deliver economic and social benefits. Therefore, development transformation is not merely about what a job is but also what it does in terms of generated outcomes. By way of illustration, jobs for women can improve household investment in education and health, particularly for children. Jobs in towns can help drive migration, ignite urban development and build peace and security through establishing a sense of purpose and empowerment. Jobs can also foster links to a host of regional and global markets. Such modes of integration provide platforms to share new technology, develop innovation, invest in economic diversification, generate fresh ideas and exchange management know-how. In essence, good jobs drive development and, in their absence, social and economic transformation is fragile and has little significant impact on wider communities, economies and regions<sup>20</sup>. This entrenches poverty and breeds inequality. Yet, understanding the sorts of employment which maximise development impacts and which sectors they might be concentrated in remains a pressing priority.

## UNDERSTANDING WHICH JOBS HAVE THE GREATEST DEVELOPMENT IMPACT

Currently, there is a limited body of evidence detailing the structure and development of employment across Africa. Detailed employment data is either scarce, dated, infrequently collected or difficult to compare (due to variations in data indices). In many cases, reliable data sources simply do not exist.

In an effort to understand and forecast current and future employment structures and trends across the region, the International Monetary Fund (IMF) recently developed a survey. It used baseline data from 2005 and attempted to project employment profiles and trends through to 2020<sup>21</sup>. The study identified that employment transformation across Africa was slow due to the rapid expansion of an increasingly youthful labour market. This was made worse by the negligible transition in the structure of employment and the economic output it produced, in spite of growing numbers of workers. This is illustrated by the minor changes in Africa's industrial output share and of manufactured export products. Thus, while across Africa manufacturing exports expanded almost threefold between 2002 and 2012, rising from USD 72 billion to USD 189 billion, only four countries (Egypt, Morocco, South Africa and Tunisia) accounted for almost 70 per cent of the growth in industrial exports. In addition, manufacturing accounted for just under a modest 8.5 per cent of the continent's workforce<sup>22</sup>.

### ***Africa's largest employment sector***

According to the IMF survey (Fox et al.), agriculture remained Africa's most significant employment sector. However, it only accounted for approximately 13 per cent of the region's GDP in 2010. Jobs in agriculture are expected to rise, in spite of the increasing share of employment secured outside the sector, concentrated predominantly in services. In resource-rich economies (such as DRC and Zambia), the formal private sector has not generated considerable employment. The sector is not expected to significantly increase its share of waged employment, at least in the short to medium term. This is due to a number of factors. In many resource-rich economies, few linkages are created to the wider economy. This crowds-out business and credit opportunities to

<sup>20</sup> World Bank, (2012) *World Development Report 2013, Jobs*. Available at [http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR\\_2013\\_Report.pdf](http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf) accessed 29 August 2014

<sup>21</sup> Fox, L. et al., (2013) 'Africa's Got Work to Do: Employment Prospects in the New Century'. In *IMF Working Paper (WP/13/201)*. Available at <http://www.imf.org/external/pubs/ft/wp/2013/wp13201.pdf> accessed 19 August 2014

<sup>22</sup> AfDB et al., (2014) *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf) accessed 29 August 2014

grow the formal private sector, all of which has a negative impact on job creation. Furthermore, resource-rich sectors secure greater productivity gains mainly by employing machinery, technology and other forms of capital. Extractive industries make a limited contribution to job creation in their own sectors and only generate a small number of public sector waged jobs, funded by the wealth produced from the sector. The weak demand for labour from the formal private sector has meant that workers have been forced to create their own employment opportunities in the formal private sector. Unemployment is simply not an option in many economies where there is little, if any, welfare provision.

### ***The importance of household enterprises and services***

The IMF survey concluded that the second largest source of employment across the region is household enterprises. This includes self-employment (including engaging family members) and casual waged workers. The majority of waged employment can be found in the service sector which consists of both formal and informal waged employment. If the general assumption is that the private sector is the source of almost 90 per cent of waged employment created globally, what does this mean for policies focused on employment-led growth in Africa? While much more needs to be done to attract private firms to create employment, agriculture and household enterprises (in spite of their prevalence in the informal private sector) are a significant source of jobs. Understanding how to develop the employment-creating propensity of these two significant job sources is vital. Supporting both sectors to create productive employment through improving levels of productivity, developing better quality jobs and producing better social welfare outcomes, as well as wider economic development, is critical for employment growth in Africa. However, in order to transform Africa's economic structure – given its sizable and growing labour force – employment needs to diversify into a range of sectors beyond agriculture, particularly job-creating industries (such as construction, light industry and processing sectors), where productivity and employment growth is higher. Investment, technology and innovation are all critical in reconfiguring the nature of jobs to become more productive. Furthermore, increasing sectorial economic performance represents an important motor for the creation of additional and better job opportunities. Improvements will lead to a rising share of world market exports (as well as respond to growing domestic demand) through the production of high value products. This will in turn generate robust productivity growth which is broad-based and inclusive, creating important sector links across domestic economies.

# GENERATING JOBS: A SECTORIAL FOCUS

## SUPPORTIVE INFRASTRUCTURE

Infrastructure is critical for Africa's economic development. It has the potential to increase economic growth rates (GDP) by at least two percentage points. Annually, the continent requires infrastructure investment of USD 93 billion. It is estimated that Africa provides USD 30 billion of this investment requirement<sup>23</sup>. Furthermore, in real terms, official development finance (ODF)<sup>24</sup> dedicated to infrastructure has grown from USD 7.3 billion in 2006 to USD 10.1 billion in 2010<sup>25</sup>.

### ***The significance of emerging economies***

High growth economies play an increasingly critical role in Africa's infrastructure development. In 2012 China's infrastructure financing to Africa stood at USD 13.4 billion. This was slightly less than USD 14.9 billion in 2011. It was however significantly more than the 2010 contribution of nine billion US dollars. China represents the largest contributor to Africa's infrastructure development. Its investments are predominantly focused in the transport, energy and water sectors. Examples of other significant emerging economies making substantial contributions to Africa's infrastructure development include Brazil and India. Brazil's state development agency; Banco Nacional de Desenvolvimento Económico e Social (BNDES), made commitments of USD 530 million in 2012. Its financing was concentrated in multi-sector investments as well as transport and energy. In the case of India, the Export-Import Bank of India extended credit lines totalling USD 667 million. This financing was concentrated in both the energy and water sectors<sup>26</sup>.

In spite of this however, there remains a significant deficit between available infrastructure funding and the additional financing required. According to the World Bank, Africa's infrastructure paucity is colossal, particularly in the transport, communications and energy sectors. Africa's inadequate infrastructure investments are a major impediment to growth and productivity. This deficit curtails economic output by approximately 40 per cent. It has a direct impact on employment creation, work productivity and the quality of employment. Power generation, distribution and security of supply represents the most significant infrastructure deficit. Compared to African firms, East Asian companies spend 70 per cent less on transport costs. While Latin American and South Asian firms make transport cost savings of 50 per cent compared to their African counterparts who are often plagued by fragile transport connectivity. 48 countries in Africa South of the Sahara, with a shared population of 800 million, collectively generate the level of power produced by Spain with a mere 40 million inhabitants. Annual per capita power consumption is scarcely sufficient to run a 100-watt light bulb per inhabitant for three hours a day. At current trends less than 40 per cent of the continent will achieve universal power access by 2050. In addition, Africa's road density is considerably limited. Less than 35 per cent of Africans living in rural communities are within a two kilometre radius of an all-season road. This compares to approximately 67 per cent in other global developing regions. Abundant African water resources are severely underexploited. The dearth of adequate water storage and distribution facilities, as well as irrigation infrastructure, means that piped water and reliable water supplies are limited. Africa's infrastructure deficits are heightened

<sup>23</sup> Addison, T. and Anand, P.B. (2012) 'Aid and Infrastructure Financing: Emerging challenges for with a focus on Africa.' In *United Nations University World Institute for Development Economic Research ReCom and UNU-WIDER Working paper 2012/56*. Available at [http://www.wider.unu.edu/publications/working-papers/2012/en\\_GB/wp2012-056/](http://www.wider.unu.edu/publications/working-papers/2012/en_GB/wp2012-056/) accessed 18 August 2014

<sup>24</sup> Official development finance (ODF) includes bilateral overseas development assistance (ODA), concessional and non-concessional finance.

<sup>25</sup> Organisation for Economic Cooperation and Development (OECD), (2012) *Mapping support for Africa's infrastructure investment*. Available at <http://www.oecd.org/daf/inv/investment-policy/MappingReportWeb.pdf> accessed 29 August 2014

<sup>26</sup> Infrastructure Consortium Africa (ICA), (2013) *Infrastructure financing trends in Africa: (ICA) Annual Report 2012*. Available at <http://www.crossborderinformation.com/sites/default/files/ICA%20AnnualReport%202012.pdf> accessed 15 September 2014

by inefficiencies in infrastructure distribution networks, weak service coverage, poor investment and maintenance, frail revenue collection and under-priced services. All of which lead to insufficient infrastructure performance and wastage<sup>27</sup>.

### **Regional infrastructure**

Investing in regional infrastructure provides an important affordable solution, given the scarcity of investment funds. Such cooperation demands that national infrastructure policies are co-ordinated and harmonised. National economies can pool large-scale cost-effective developments and share the benefits and resources such cooperation generates. This provides an important platform to create jobs. It helps build a large, integrated (not small and isolated) common market for goods and services. Ultimately, this can advance trade, drive economic growth and allow Africa to compete regionally and globally. Regional and Africa-wide infrastructure networks also help to improve living standards and expand efficiencies through reducing costs across productive employment-intensive sectors.<sup>28</sup>

#### **Africa at work: Regional infrastructure East African Submarine Cable System (EASSy)**

Direct, high speed and high-bandwidth capacity internet connections within and between African economies is scarce. Many of the high capacity transmission lines are concentrated in North America, Europe and Asia. Thus, approximately 75 per cent of Africa's internet traffic is routed through Europe and North America before being re-routed - via expensive satellite links - back to final destinations on the continent<sup>29</sup>.

EASSy provides competitive and reliable telecommunications and internet connectivity across Eastern Africa. Launched in 2010, it is a 10,000 kilometre, underwater fibre-optic cable system. It facilitates internet communications, voice calls and data transmission. EASSY runs from South Africa to Sudan via landing points in: Mozambique, Madagascar, the Comoros, Tanzania, Kenya, Somalia and Djibouti. The system also accesses a wide range of international destinations through interconnections with international submarine cable networks destined for Europe, the Americas, the Middle East and Asia. EASSy is 92 per cent African owned and it is operated by a number of public and private telecom providers<sup>30</sup>.

This regional infrastructure has enabled the development of nascent ICT-related industries such as business process outsourcing (BPO) companies as well as software development firms. The growth of informal ICT networks fostering knowledge sharing and business co-operation has also emerged as a result of this investment<sup>31</sup>. In Kenya BPO employment has increased from approximately 500 in 2006 to 7,000 in 2012. While this sector does not currently provide the scale of employment expansion needed, it does represent an area in which to improve the productivity of labour and technological diffusion development, particularly among young, poor and vulnerable workers. Such infrastructure also provides benefits for transitioning this key demographic from informal to formal sector employment. There are however challenges around the technological readiness of economies sharing this cable system as well as concerns about affordable and reliable power supplies needed to operate it, All this impacts of which impact jobs growth<sup>32</sup>.

Yet, poor physical infrastructure coupled with patchy legal systems which impede regional integration, means that some of Africa's leading exporters (such as Angola, Nigeria and

<sup>27</sup> World Bank Fact Sheet, *Infrastructure in Sub-Saharan Africa*. Available at [http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21951811~pagePK:146736~piPK:146830~theSitePK:258644,0\\_0.html](http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21951811~pagePK:146736~piPK:146830~theSitePK:258644,0_0.html) accessed 29 August 2014

<sup>28</sup> AfDB Programme for Infrastructure Development in Africa; (PIDA) Interconnecting integrating and transforming a continent

<sup>29</sup> Graham, M. and Mann, L. (2014) 'Imagining a Silicon Savannah? Technological and Conceptual Connectivity in Kenya's BPO and Software Development Sectors'. In *The Electronic Journal of Information Systems in Development* 56, 2

<sup>30</sup> Including: Botswana Fibre Networks, Comores Telecom, Mauritius Telecom, MTN Ltd, Neotel, Sudan Telecom Company (Sudatel), Tanzania Telecommunications Company Ltd, Telecom Malagasy, Telkom SA SOC Ltd, Vodacom (Pty) Ltd, Zambia Telecommunications Company Ltd and WIOCC (which includes Botswana Fibre Networks, Dalkom Somalia, Djibouti Telecom, Gilat Satcom Nigeria Ltd, Seychelles Cable System Company, Lesotho Communications Authority, Libya Post Telecom and Information Technology Company (LPTIC), Onatel Burundi, Telkom Kenya Orange, TDM Mozambique, TelOne Zimbabwe, U-COM Burundi, Uganda Telecom and Zantel (Tanzania). For more information see also [www.eassy.org/](http://www.eassy.org/)

<sup>31</sup> Graham, M. and Mann, L. (2014) 'Imagining a Silicon Savannah? Technological and Conceptual Connectivity in Kenya's BPO and Software Development Sectors'. In *The Electronic Journal of Information Systems in Development* 56, 2

<sup>32</sup> Kennedy, R. et al., (2013) *Impact Sourcing: Assessing the Opportunity for Building a Thriving Industry*. Available at <http://www.rockefellerfoundation.org/uploads/files/0f234180-55d4-4054-b4c1-6b26a8ed544b-impact.pdf> accessed 2 September 2014

South Africa) have much stronger economic relations with the global economy than with their neighbours on the continent<sup>33</sup>. This is illustrated by Africa's first underwater cable system improving East Africa's internet speed connectivity across Africa and beyond.

In addition, rural infrastructure investment represents an important contributory factor needed to raise productivity in agriculture. Reliable rural infrastructure such as irrigation technology and post-harvest storage facilities would help generate both farming and non-farm employment, particularly for women<sup>34</sup>.

## **INVESTING IN WOMEN AND AGRICULTURE**

Women are fundamental to agriculture in Africa. On average, women represent 50 per cent of agricultural labour. Estimates suggest that the proportion of women's time dedicated to agricultural work ranges from 30-80 per cent, compared to 32-50 per cent for their counterparts in Asia. 60 per cent of women employed in rural labour markets are directly engaged in agriculture. Yet, female farmers in Africa are between 13-15 per cent less productive compared to their male counterparts. They represent less than 5 per cent of all agricultural land holders, varying from 5 per cent in Mali to over 30 per cent in Botswana, Cape Verde and Malawi<sup>35</sup>. There are a number of factors which constrain the potential of female agricultural producers. Women receive less than 10 per cent of agricultural advisory and training services available for promoting agricultural productivity, increasing food security and improving rural livelihoods. In addition, a mere one per cent of the limited credit available to agriculture goes to female farmers. All of this is exacerbated by the disproportionate burden shouldered by women with respect to household responsibilities including social protection of the family and the care of children as well as vulnerable family members<sup>36</sup>. Globally, if women agriculturalists had the same level of access to productive resources as men, they could raise their farming yields by 20-30 per cent. Worldwide, this could lift 100-150 million people out of hunger and contribute to an overall increase in sector output of between two-four per cent. Supporting women to improve their farming productivity requires addressing a number of issues including: improved rights and access to land, targeted training programmes, improving access to high quality seeds and fertilisers, tackling the barriers to accessing financial services, enabling women to more easily hire farming labour, as well as supporting women to secure better market access for their goods<sup>37</sup>.

### **Global value chains**

Integration into global value chains provides opportunities to access global markets and increase Africa's world export shares, currently 1.5 per cent of global agricultural value chains. Value chains can promote transformation in agricultural production. This can be achieved through commodity diversification, enabling agricultural enterprises to increase productivity, improving rural livelihoods and incomes as well as creating more and better jobs. Women make up a significant proportion of many of the high-value agricultural commodity chains in vegetables, flowers and deciduous fruit. However, such sectors can expose small producers, particularly poor agriculturists and female farmers to the risks of price volatility and unequal contract negotiations, as well as lower incomes. This is because the supply chain is dominated by a small number of global retailers and brands. The disparity in power and influence over resources exercised by producers, processors, traders and buyers can increase risks associated with primary production. Women can get

<sup>33</sup> AfDB et al., (2014) *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf) accessed 19 August 2014

<sup>34</sup> Gajigo, O. and Lukoma, A. (2011) 'Infrastructural and Agricultural Productivity in Africa'. In *African Development Bank (AfDB) Market Brief*. Available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Infrastructure%20and%20Agricultural%20Productivity%20in%20Africa%20FINAL.pdf> accessed 21 August 2014

<sup>35</sup> Food and Agriculture Organisation (FAO), (2011) *The State of Food and Agriculture: Women in Agriculture; Closing the Gender Gap for Development*. Available at <http://www.fao.org/docrep/013/i2050e/i2050e.pdf> accessed 23 August 2014

<sup>36</sup> Sibanda, L.M. (2012) *The Montpellier Panel, Women in African Agriculture: Farmers, Mothers, Innovators and Educators*. Available at <https://workspace.imperial.ac.uk/africanagriculturaldevelopment/Public/FINAL%20COPY%20OF%20PAPER%20-%20WITHOUT%20EMBARGO.pdf> accessed 24 August 2014

<sup>37</sup> World Bank and One (2014) *Levelling the Field; Improving Opportunities for Women Farmers in Africa*. Available at [http://one.org.s3.amazonaws.com/pdfs/ONE\\_Levelling\\_The\\_Field\\_Report\\_EN.pdf](http://one.org.s3.amazonaws.com/pdfs/ONE_Levelling_The_Field_Report_EN.pdf) accessed 23 August 2014

stuck producing low-skill and low-value products as well as services due to the complicated network of international relationships that characterise global value chains. Strengthening the ability of female producers to integrate into global value chains is critical for employment creation. This can mitigate against exploitation through unsustainable harvest targets, poor working conditions and income insecurity. Ultimately, more equitable engagement can provide better protection through improved property rights and social service provision including improved access to healthcare, education and childcare<sup>38</sup>.

This is illustrated by Twin & Twin Trading, a fair trade charity. It works with small farmers to secure more control of the production and export of their agricultural produce.

**Safe groundnut production in Malawi:  
Women, employment and global value chains**

Groundnuts are a key staple crop among smallholder farmers in Malawi, who account for up to 85 per cent of the population. One of the major challenges facing groundnut producers around the world is aflatoxin, a by-product from a fungus that grows on crops such as maize and groundnuts. Aflatoxin contamination is partly responsible for the collapse of Africa's raw groundnut export trade, which fell from a 75 per cent global share in the 1960s to just five per cent by the mid- 2000s.<sup>39</sup>

Through building partnerships, Twin & Twin Trading has worked with small farmers to revitalise the sector, increase employment and enhance the livelihoods of nut farmers in Malawi and southern Africa. Working with the National Smallholder Farmers' Association of Malawi (NASFAM), Twin supports female smallholders to improve their position within the groundnut value chain. This is achieved through training which helps improve the quality, reliability and volume of nut products for trade on international and domestic markets. This has all had a positive impact on production yields and the quality of jobs in the sector. By working with women to secure greater control over the share of profits secured from groundnut production, health prospects for female agriculturalists has also improved as safer groundnut production methods becomes increasing widespread. Twin estimates that farmers could receive as much as a 20 per cent increase in incomes, given that currently approximately 60 per cent of nut production in Malawi does not reach formal food chain markets.<sup>40</sup>

Population growth means the expansion of consumer markets across Africa provides an invaluable opportunity to strengthen employment prospects in nut farming. Improving support for farmers to develop business planning skills will allow them to build local links with food processing firms and retail outlets, as well as across the service sector including restaurants and hotels.

Given the importance of agriculture to African employment expansion, agricultural processing provides a significant opportunity for the continent to employ its abundant agricultural resources. This can also help to develop labour intensive sectors which can diversify into processing and higher-value products. All of this can help support industry development through new opportunities for agribusiness especially in staple foods for growing local and regional African markets. In 2012, African agricultural exports totalled USD 57 billion of which USD 26 billion went to Europe and USD 12 billion was destined for Asia. Agricultural trade between African economies was valued at USD 13 billion or just over 23 per cent. While this does represent an increase from four per cent in 2005, much more could be done to improve intra-African trade, particularly as agriculture is the

<sup>38</sup> AfDB et al., (2014) *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf) accessed 19 August 2014

<sup>39</sup> Twin and Twin Trading, *Reinvigorating the groundnut sector in Malawi and southern Africa*. Available at <http://www.twin.org.uk/projects/reinvigorating-groundnut-sector-malawi-and-southern-africa> accessed 12 September 2014

<sup>40</sup> Twin and Twin Trading, *Project: Working with women smallholders to produce safe groundnuts in Malawi*. Available at <http://www.twin.org.uk/sites/default/files/images/Liz-folder/documents/GPAF%20Info%20sheet%20print%200812.pdf> accessed 12 September 2014

continent's largest employment sector<sup>41</sup>. Integration into global value chains, must not however be regarded as a magic bullet for the structural transformation needed to create more and better jobs. Several strategies are required to develop deeper and wider links between agriculture and wider domestic and regional economies across Africa including industrial development<sup>42</sup>.

## **DEVELOPING INDUSTRY**

Beyond mining, industrial development, particularly in light manufacturing such as food processing, textiles, apparel and leather products, requires Africa's natural and agricultural resources to be better exploited through diversification. The continent's economic structure needs to transform from small and micro enterprises into a more value-added and competitive industrial base to create better quality employment sectors. This can also help to develop interconnected service sectors in areas such as transport, communications, and financial services. Industrial development will cause a gradual shift away from the predominantly vulnerable agricultural base of commodity extraction for export with few links to national and regional economies. The process of industrial catch-up and eventual upgrading enables a shift from industries merely using technology to developing technological innovation. Such ingenuity can then be diffused to other sectors of the economy including to modernise agriculture and expand productive services. This will improve the quality and standard of processed, manufactured and industrial goods to build trust in domestic markets as well as meet international certification standards. The challenge for developing effective industrial policies across Africa is that the region is a latecomer to industrial development. This coupled with the fact that African economies have already opened up their own markets to international trade, and yet, their domestic infant industries have not had adequate time to become competitive. Therefore, even in their own home-grown markets, fledgling African industries are forced to contend with dominant high-quality and low-cost foreign goods<sup>43</sup>.

Export Trading Group (ETG) is a leading African agribusiness. It demonstrates how business can create linkages between small and large enterprises across agriculture and industry to create jobs, improve labour productivity, increase the global competitiveness of African firms and enhance structural transformation through supporting infrastructure development.

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<sup>41</sup> AfDB et al., (2014) 'African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation'. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf) accessed 19 August 2014

<sup>42</sup> United Nations Economic Commission for Africa (UNECA), (2013) *Industrialisation for an Emerging Africa*. Available at [http://www.uneca.org/sites/default/files/document\\_files/industrialization-for-an-emerging-africa-issuespaper.pdf](http://www.uneca.org/sites/default/files/document_files/industrialization-for-an-emerging-africa-issuespaper.pdf) accessed 29 August 2014

<sup>43</sup> Martins, P., (2013) 'Growth, Employment and Poverty in Africa: Tales of Lions and Cheetahs'. In *Overseas Development Institute (ODI), Background Paper for the World Development Report 2013*. Available at [http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1320956712276/8261091-1348683883703/WDR2013\\_bp\\_Growth\\_Employment\\_and\\_Poverty\\_in\\_Africa.pdf](http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1320956712276/8261091-1348683883703/WDR2013_bp_Growth_Employment_and_Poverty_in_Africa.pdf) accessed 15 August 2014

**Export Trading Group (ETG)  
East African Agribusiness Leader Award Winner 2013**

Founded in Kenya in 1967, ETG has transformed subsistence farming, agricultural processing and manufacturing across Africa. It has become a global and fully integrated agribusiness. ETG works to transform commodities into higher value products for local and global distributions through the creation of direct employment (through the sector) and indirect employment through enterprises developed to service the sector. ETG processes and packages fast moving consumer goods and food processing inputs across the continent. Its high value products include: coffee, soya protein products, black tea, beans, pulses, peas, cereals, rice, maize meal, nuts and oil seed products. These commodities are destined for world-wide consumer markets through five global brands. ETG boasts over 7,000 staff and a presence in 45 countries, 26 of which are in Africa. It has developed a comprehensive network to procure agricultural produce directly from small farmers and achieves the best price for agriculturalists through assured markets which provide guarantee purchases of farming production. From various rural locations, ETG provides transport, storage and warehousing through its seasonal procurement centres. These centres grade, standardise, process, clean, package, transport and distribute merchandise to local, regional and international markets. In addition, ETG supports infrastructure investment and employment creation across its country operation networks. This is achieved through developing expansive logistics systems including fleets of trucks, developing port facilities and building warehouse operations. Furthermore, in order to develop the productivity of smallholder farmers in its network, ETG manufactures and supplies fertilisers, farming implements and machinery (including spare parts and accessories). It also provides credit schemes as well as training and development programmes, working with farmers to increase agricultural yields. The critical issue is how can ETG's success be replicated and scaled up to create a series of African owned and operated enterprises which build linkages across the domestic and global economy<sup>44</sup>.

In addition, developing industrial clusters represents an important way to improve competitiveness. Collections of small and medium sized firms operating in the same sector reduce their geographical and information costs by: sharing market access, pooling labour and sharing technological developments. Overcoming the obstacles to industrialisation will require the adoption of effective government co-ordination and an agile and practical policy mix. As such, governments will need to collaborate with a host of public and private development partners at the domestic, regional and international levels<sup>45</sup>.

**Opportunities as late industrialisers**

The formal private sector – particularly multinationals – represents an important entry point for integration into global value chains and larger external markets. These are both critical for international trade and the employment expansion it generates. Examples include the global brewer Heineken which produces rice in the DRC to make regional beer. In addition, SABMiller is the first international brewer to manufacture beer from cassava, developed and marketed across the continent. This, however, is notwithstanding the limitations already outlined regarding integration into global value chains for agriculture which can also be applied to industry.

Technology and innovation are important elements of structural transformation for employment growth and are critical for the continent's integration into global value chains. Technology can provide access to information and markets and can improve the ability of

<sup>44</sup> Export Trading Group, (2013) *Enhancing Africa's Potential 'Corporate Responsibility (CSR)/Sustainability Report 2012/13*. Available at [http://www.etgworld.com/wp-content/files\\_mf/etgcorporatesustainabilityresponsibilityreport.pdf](http://www.etgworld.com/wp-content/files_mf/etgcorporatesustainabilityresponsibilityreport.pdf) accessed 12 September 2014

<sup>45</sup> Martins, P., (2013) 'Growth, Employment and Poverty in Africa: Tales of Lions and Cheetahs'. In *Overseas Development Institute (ODI), Background Paper for the World Development Report 2013*. Available at [http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1320956712276/8261091-1348683883703/WDR2013\\_bp\\_Growth\\_Employment\\_and\\_Poverty\\_in\\_Africa.pdf](http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1320956712276/8261091-1348683883703/WDR2013_bp_Growth_Employment_and_Poverty_in_Africa.pdf) accessed 15 August 2014

industrial producers and suppliers to bargain for greater profit shares<sup>46</sup>. Given rising labour costs in newly industrialised economies and emerging markets, multinationals may well begin to turn to late industrialisers across Africa in an effort to lower their production costs by securing cheaper skilled labour. In addition, there are growing opportunities to trade between developing countries and regional trade also provides a way for Africa to develop young industries and improve its competitiveness<sup>47</sup>. Dangote, the internationally renowned Nigerian industrialist is a good example of this. He produces and exports a wide range of processed products from Nigeria across Africa include cement and fast moving consumer goods such as refined and packaged sugar, salt, pasta, tomato paste and vegetable oils.

There has long been regional recognition of the importance of closer industrial policy links to ensure the continent benefits from global value chains and develops the industries it needs to advance structural change. However, progress on implementation has been slow. As well as all this, building an industrial base and the efficiencies and global market access this provides also requires a skilled and agile labour force.

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<sup>46</sup> AfDB et al., (2014) *African Economic Outlook 2014: Global Value Chains and Africa's Industrialisation*. Available at [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book\\_African\\_Economic\\_Outlook\\_2014.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/E-Book_African_Economic_Outlook_2014.pdf) accessed 19 August 2014

<sup>47</sup> United Nations Economic Commission for Africa (UNECA), (2013) *Industrialisation for an Emerging Africa*. Available at [http://www.uneca.org/sites/default/files/document\\_files/industrialization-for-an-emerging-africa-issuespaper.pdf](http://www.uneca.org/sites/default/files/document_files/industrialization-for-an-emerging-africa-issuespaper.pdf) accessed 29 August 2014

# DRIVING ENTERPRISE IN AFRICA

## BUILDING BRIDGES BETWEEN EDUCATION, TRAINING AND EMPLOYMENT MARKETS

Currently, there is limited comparable data available providing a comprehensive picture of vocational education and technical training across Africa. Countries such as Cameroon and the Democratic Republic of Congo boast high shares of secondary school students enrolled in formal training programmes, registering 20 and 17 per cent respectively (2007). In addition, from 1999 to 2007 a handful of countries registered a 100 per cent increase in formal enrolment including: Ghana, Kenya, Zambia and Mali<sup>48</sup>. Yet, according to United Nations Educational, Scientific and Cultural Organisation (UNESCO), 90 per cent of young 15-24 year old Africans without vocational preparation for work are absorbed by the informal private sector, taking up precarious and irregular work (e.g. street vendors or seasonal workers)<sup>49</sup>.

Technical and vocational skills development (TVSD) provides an important transition from school to employment for young people. This channel also develops an important repository to build the productive capacity of labour market entrants. It improves the quality of work and in the longer term offers an important bridge to move from informal work to formal sector employment. Yet, the reality is that approximately only six per cent of education budgets across Africa are dedicated to technical education and vocational training<sup>50</sup>. This lack of political priority and underinvestment hinders access. All this is magnified by the training sector often being uncoordinated, unregistered and fragmented. Service providers can range from religious institutions to civil society organisations and public agencies with few links to employers, enterprise or industry. Learning content, assessments and certification are often far from standardised or even evaluated. This leads to low quality training. In addition, employment skills cannot be enhanced by inexperienced and poorly trained instructors who lack the tools to deliver trusted training programmes. An even greater void is subsequently created between the skills gap and labour market needs. This fuels already prevailing poor public perceptions and employer confidence in the quality and merits of such training and education for young people<sup>51</sup>.

### **Addressing widespread skills shortages**

Building employment-relevant skills requires a long-term approach to training development. This needs to be responsive to the informal private sector which is a significant source of employment. Vocational education and technical training must also adapt to local and regional needs as well as promote formal private sector partnerships to develop curricula. The need to diffuse and create technological innovation - in order to improve and expand productivity and the quality of employment - also requires universities and research centres to collaborate with business and enterprise. Improving the quality and relevance of training involves developing and implementing technical and vocational instructor qualifications and standards. It also demands improvements in specific and targeted entrepreneurship education and mentoring. The importance of public-private partnerships to deliver training programmes to young people is illustrated

<sup>48</sup> Kingombe, C. (2012) Lessons for Developing Countries from Experience with Technical and Vocational Education and Training. In *International Growth Centre working paper 11/1017*. Available at [http://www.theigc.org/sites/default/files/christian\\_kingombe\\_paper.pdf](http://www.theigc.org/sites/default/files/christian_kingombe_paper.pdf) accessed 20 August 2014

<sup>49</sup> UNESCO (2011) *Technical and Vocational Education and Training (TVET) Fact Sheet*. Available at <http://www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/Dakar/pdf/Info%20sheet%20TVET%202011.pdf> accessed 20 August 2014

<sup>50</sup> AfDB et al., (2008) *African Economic Outlook 2008: Developing Technical and Vocational Skills in Africa*. Available at <http://www.africaneconomicoutlook.org/theme/developing-technical-vocational-skills-in-africa/> accessed 20 August 2014

<sup>51</sup> Afeti, G., *Technical and vocational education and training for industrialisation*. Available at <http://www.arforum.org/publications/occasional-papers/40/95-technical-and-vocational-education-and-training-for-industrialization.html> accessed 20 August 2014

by a recently established academy training young technicians in the maintenance of heavy duty machinery and commercial vehicles in an Ethiopian suburb near Addis Ababa.

### **Heavy duty machinery and commercial vehicle training: Young people and employment opportunities in Ethiopia**

Ethiopia has a growing demand for skilled workers in construction and commercial vehicle maintenance. This acute skills shortage has negatively affected productivity and growth in industrial sector development.

In 2013, Volvo, an international manufacturer of heavy duty construction and transport vehicles, the Swedish Development Cooperation Agency (Sida) and the United Nations Industrial Development Organization (UNIDO) jointly established an academy to train technicians in the maintenance of heavy duty machinery and commercial vehicles. The training centre is based in Selam, a suburb near Addis Ababa. It is operated by Selam Vocational Training College. Volvo provides training equipment, teacher training and on-going curriculum development support. Between 25 and 30 secondary school students are annually recruited onto the four year training course, regardless of their background. The academy also provides more than 100 local technicians with short term refresher courses to upgrade their skills. This helps to improve as well as deepen local industrial value chains and enhances labour productivity by supporting links with local enterprise<sup>52</sup>. The challenge is how can programmes such as this be replicated and scaled up across priority areas in strategic economic sectors?

Furthermore, addressing the social stigma associated with vocational learning being considered as inferior to academic education, helps improve public recognition of the importance of building such skills. Ironically, graduate unemployment across Africa is relatively high. In Nigeria, is estimated to be as significant as 23.1 per cent and in Ghana the estimates are much higher at 41.6 per cent. Across the region, it is not uncommon for university education to compound inequality with a concentration of students from more privileged backgrounds and only 38 per cent of university students are women. With student to lecturer ratios as high as 50 per cent greater than the global average, many would argue that university systems across the continent fail to educate and train students for employment beyond the public sector. University graduates lack the very skills that young people needing TVSD programmes seek to acquire such as business acumen, networking abilities, leadership skills, customer orientation and team working<sup>53</sup>. Development programmes should help address issues such as: organisational management skills (e.g. communications and planning), business management skills (e.g. decision-making, marketing and accounting), entrepreneurship skills (e.g. risk management and innovation) and financial literacy training though improving financial access and distribution<sup>54</sup>.

## **ACCESS TO FINANCE**

Since 2002, the World Bank Group's Enterprise Surveys have attempted to capture the experience of businesses across a range of developing countries on a number of issues affecting the way firms operate. The survey highlights that 41 per cent of its sample group surveyed in Africa South of the Sahara identified that access to finance was the major constraint to doing business. This compared with 33.4 per cent in South Asia and

<sup>52</sup> United Nations Industrial Development Organization (UNIDO) (2013) *UNIDO-Volvo Group, Partnering to enhance skills development and youth employment in Ethiopia*. Available at [http://www.unido.org/fileadmin/user\\_media/Services/PSD/UNIDO\\_business\\_partnerships/Volvo\\_English.pdf](http://www.unido.org/fileadmin/user_media/Services/PSD/UNIDO_business_partnerships/Volvo_English.pdf) accessed 12 September 2014

<sup>53</sup> British Council, (2014) 'Can Higher Education Solve Africa's Jobs Crisis: understanding graduates employability in Sub-Saharan Africa'. In *Going Global 2014*. Available at [http://www.britishcouncil.org/sites/britishcouncil.uk2/files/graduate\\_employability\\_in\\_ssa\\_final-web.pdf](http://www.britishcouncil.org/sites/britishcouncil.uk2/files/graduate_employability_in_ssa_final-web.pdf) accessed 25 August 2014

<sup>54</sup> Kingombe, C., (2012) Lessons for Developing Countries from Experience with Technical and Vocational Education and Training. In *International Growth Centre working paper 11/1017*. Available at [http://www.theiqc.org/sites/default/files/christian\\_kingombe\\_paper.pdf](http://www.theiqc.org/sites/default/files/christian_kingombe_paper.pdf) accessed 21 August 2014

30.4 per cent in Latin America and the Caribbean. In the case of firms in receipt of working capital financed by banks, the region registered 9.9 per cent while South Asia as well as Latin America and the Caribbean registered 14.6 and 15.9 per cent respectively<sup>55</sup>. The critical role played by micro, small and medium sized enterprises (MSMEs) in creating jobs across Africa is hugely significant, particularly in the informal private sector<sup>56</sup>. In spite of their modest size, they account for the largest proportion of jobs growth. Affordable and appropriate access to financial products and services enables MSMEs to achieve greater employment creation rates. They are able to set up enterprises, make asset and capital investments (e.g. machinery, technology and communications), increase their liquidity to improve management of business risks, as well as create additional jobs indirectly through supply and distribution chains. However, MSMEs are often either unserved or underserved by a frail financial system littered with constraints<sup>57</sup>.

### **Alternative ways to access and distribute financial services and products**

The financial sector across Africa is dominated by relatively small banks (mainly foreign financial institutions) which are concentrated on lending to large firms or holding government securities (e.g. bonds) offered at very high interest rates. Excessive fiscal expansion by governments can increase public debt, compromising the investment climate for job creating business. This government borrowing can crowd out incentives to provide credit services to MSMEs for productive investments. Compared to funding government spending, MSME financing (in contrast) is perceived to carry much greater risk. Addressing this information dilemma will require improving the development of institutions such as credit bureaus, credit registries and movable collateral registries. In addition, the African financial sector could be expanded by creating greater levels of competition within the banking sector. This could also include a much wider introduction of non-banks into the financial sector such as microfinance institutions, mobile financial service providers and micro-insurance providers. These alternative sources of funding and the innovative financial products and services they provide such as mobile payment services (e.g. M-pesa) micro-insurance, savings and loans products (e.g. M-Shwari), are much more responsive to the unbanked demand for financial services. Greater development of regional financial service networks also supports the drive to expand competition in the sector. Furthermore, MSMEs face prohibitively high costs with respect to fees, charges, interest and other transaction costs. This further hinders their employment-generating potential. The question is, how can financial service providers within and beyond the banking sector be incentivised to support and promote investment for employment creation particularly in small and medium sized firms? Given the inability of banking models across Africa to support long term investment financing, the role of sub-regional, regional and transnational development banks are significant. Examples include the African Development Bank, the Development Bank of South Africa and the recently launched BRICS Development Bank. They all have the potential to provide long term financing to productive investment projects in the MSME sector, helping the transition of enterprise from the informal sector and further developing the formal private sector to respond to local needs and create jobs<sup>58</sup>.

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<sup>55</sup> International Finance Corporation (IFC), *Enterprise Surveys*. Available at <http://www.enterprisesurveys.org/data/exploretopics/finance> accessed 24 August 2014

<sup>56</sup> IFC (2013) *Access to Finance Sub-Saharan Africa; Fiscal year 2013*. Available at <http://www.ifc.org/wps/wcm/connect/e8ea2e004149f9f48008a39e78015671/For+Print+E+FY13+highlights.pdf?MOD=AJPERES> accessed 22 August 2014

<sup>57</sup> IFC et al., (2013) *IFC Jobs Study; Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. Available at [http://siteresources.worldbank.org/CFPEXT/Resources/299947-1364681190360/IFC\\_Jobs\\_Report\\_Summary.pdf](http://siteresources.worldbank.org/CFPEXT/Resources/299947-1364681190360/IFC_Jobs_Report_Summary.pdf) accessed 19 August 2014

<sup>58</sup> United Nations Conference on Trade and Development (UNCTAD), (2014) *Economic Development in Africa, Report 2014, Catalysing Investment for Transformative Growth in Africa*. Available at [http://unctad.org/en/PublicationsLibrary/aldcafrica2014\\_en.pdf](http://unctad.org/en/PublicationsLibrary/aldcafrica2014_en.pdf) accessed 27 August 2013

### **African Guarantee Fund: Bridging access to finance for small and medium sized enterprises<sup>59</sup>**

Launched in 2012, the African Guarantee Fund (AGF) is a pan African, non-banking financial institution which operates as a private commercial entity. It was established to facilitate better access to finance for SMEs across Africa. Jointly set up by the African Development Bank (AfDB) and bilateral development agencies of Spain and Denmark, AGF initially provided loan and equity guarantees via a share capital of USD 50 million. By July 2013, AGF had approved guarantees as well as guarantees under consideration with over 20 banking investors. This amounted to a total portfolio of approximately USD 113.5 million. It hopes to grow this to USD 500 million by 2017 through support provided by African governments, European aid partners and development finance institutions. By 2018, AGF aims to promote the mobilisation of USD 5.7 billion in new SME financing as it supports banks to increase their lending to SMEs. It is hoped this will open up credit support to 18,800 additional SMEs and potentially create 453,000 new jobs across the SME sector.

Through the fund's equity capital as well as loan portfolio guarantees it aims encourage more long term finance from banks to SMEs. The guarantees offered by the fund help tackle the numerous hurdles which deter banks from providing such lending to the sector due to a lack of credible information about the viability of SMEs seeking credit and the absence of SME collateral. Beyond providing lending guarantees, AGF supports banks to improve the ways in which they assess SMEs for risk. Furthermore, it supports banks to develop financial services and products that better suit the needs of SMEs, enabling them to expand and create employment. In addition, AGF delivers the support needed by SMEs to improve their financial and business management enhancing the operation and performance of enterprises.

In spite of its initial success, AGF faces a number of challenges. It needs to develop appropriate tools and mechanisms to monitor and evaluate the impact of the fund with respect to employment effects (e.g. on young people and women, on improving the quality of jobs). It is however imperative that these impact assessments are not excessively burdensome to resource scarce customers of the guarantee scheme. In addition, as a commercial entity AGF needs to ensure it raises sufficient revenues and turns over adequate operating profits to remain competitive to customers and investors.

Above, all the cornerstone of robust financial systems includes reliable institutions employing trusted technology all overseen by fair and appropriate rules and standards<sup>60</sup>. National governments are pivotal in supporting an enabling policy and regulatory environment which promote and prioritise the primacy of employment expansion.

### **COORDINATED AND PRACTICAL GOVERNMENT STRATEGIES**

There are three significant areas in which government activities can support private sector development for employment-led growth. Firstly, enterprise needs to make the transition from informal micro and small to formal medium and large businesses in order to improve competitiveness. Secondly, this transition can only be sustainably achieved through greater linkages between firms. And finally, achieving all this requires supporting innovative entrepreneurship supporting enterprise development from households to industry<sup>61</sup>. Africa's global diaspora networks, while diverse (within and between countries), represent an instrumental platform to help address many of these

<sup>59</sup> Ministry of Foreign Affairs, Denmark, (2013) *Capital Injection in the African Guarantee Fund for Small and Medium Sized Enterprises (AGF) Ref. 104.Afrika.34-2*. Available at <http://um.dk/en/~media/UM/English-site/Documents/Danida/About-Danida/Danida%20transparency/Consultations/Del%202%202013/Concept%20Note%20-%20AGF.pdf> accessed 12 September 2014

<sup>60</sup> IFC (2013) *Access to Finance Sub-Saharan Africa; Fiscal year 2013*. Available at <http://www.ifc.org/wps/wcm/connect/e8ea2e004149f9f48008a39e78015671/For+Print+E+FY13+highlights.pdf?MOD=AJPERES> accessed 22 August 2014

<sup>61</sup> United Nations Industrial Development Organisation (UNIDO) et al., (2008) *Creating an enabling environment for private sector development in sub-Saharan Africa*. Available at [http://www.unido.org/fileadmin/user\\_media/Publications/documents/creating\\_an\\_enabling\\_environment\\_for\\_private\\_sector\\_development\\_in\\_subSaharan\\_Africa\\_01.pdf](http://www.unido.org/fileadmin/user_media/Publications/documents/creating_an_enabling_environment_for_private_sector_development_in_subSaharan_Africa_01.pdf) accessed 12 September 2014

challenges. In order to support the mobilisation and impact of this global network, how can home country governments increase their facilitation capabilities?

### ***Harnessing the African diaspora***

The impact of migration on economic development across Africa is complex. Comprehensive data and analysis on this issue is only just beginning to emerge. Nonetheless, the impact of migration ranges much wider than significant flows of skilled workers moving from their home countries to economies commanding higher wages and better living conditions. In addition, their contribution is much deeper than the growing volumes of remittances migrants repatriate. There is a growing body of evidence that suggests that diasporas significantly contribute to support trade and investment across Africa, as investors and entrepreneurs. Their expertise enables them to overcome many of the informal barriers to trade and investment that are characterised by a lack of information and insufficient cultural and customary awareness doing business across the continent. The dynamism of diaspora groups and their well connected networks also represent an access point to acquire and develop technology, skills and an understanding of regulation which can be shared between host and home countries. Migrants also provide a catalytic effect on investment in existing businesses and the establishment of new enterprise ventures across the continent.

Diaspora remittances are one of the largest sources of net foreign inflows into the region, after foreign direct investment (FDI). Yet, little is known about the share of diaspora investment within gross FDI. In 2011, a conservative estimate of the combined share of savings (remittances) and investment (given the large and growing size of unofficial flows) was estimated to represent just over three per cent for the region (USD 30.4 billion). The question is how might African governments and international organisations (such as the African Development Bank, the World Bank and bilateral development agencies) in host countries do more to mobilise and organise these resources? Existing initiatives include: business forums, improving the dissemination of information on trade and investment opportunities, supporting the development of transnational social networks and investment promotion agencies in countries including Ethiopia, Ghana, Nigeria and Uganda. Nonetheless, how can governments support the building of links between diaspora investors seeking trade and investment opportunities and the informal sector in order to promote formalisation and thereby create more and better jobs<sup>62</sup>?

### ***Unlocking migration within Africa***

A 2010 UNIDO Africa investor survey compared the export performance of diaspora, domestic and foreign enterprises across 19 economies. Contrary to common perception, 40 per cent of the UNIDO diaspora sample were investors and entrepreneurs residing in other African or developing countries. This poses questions about how best to improve the mechanisms supporting greater migration between African economies.

Over 60 per cent of Africans migrate within the continent and the levels of intra-regional migration are significantly higher. Yet, little policy exists to ease the regulated flow of African migrants. On average, 60 per cent of African countries stipulate visa requirements for visitors from other African countries and business visas are difficult to obtain. There are however a handful of exceptions. The Economic Community of West African States (ECOWAS) boasts the best African migration access. This has been accelerated by the visa-free movement of ECOWAS citizens. In 2013, Rwanda permitted entry visas for all African citizens on arrival. In spite of this, much more needs to be done to improve mobility within the continent. This includes: expanding visa on arrival schemes, simplifying visa application processes (including making online visa services more readily available), and providing visas which remain active for longer periods of

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<sup>62</sup> UNIDO (2012) 'Diaspora investments and firm export performance in selected sub-Saharan African Countries', In Boly, Amadou et al., working paper 6/2012. Available at [http://www.unido.org/fileadmin/user\\_media/Publications/Research\\_and\\_statistics/Branch\\_publications/Research\\_and\\_Policy/Files/Working\\_Papers/2012/WP062012\\_Ebook.pdf](http://www.unido.org/fileadmin/user_media/Publications/Research_and_statistics/Branch_publications/Research_and_Policy/Files/Working_Papers/2012/WP062012_Ebook.pdf) accessed 12 September 2014

time, promoting visa-free access to members of the same trading block and ensuring favourable migration policies are reciprocated. Such an approach to intra-African migration could have important implications for job creation, allowing for the free movement of professionals, seasonal workers and cross-border traders<sup>63</sup>.

Arguably, migration flows between African countries and the wider developing world enables diasporas to more readily apply their knowledge and experience of how to effectively operate businesses in similarly challenging contexts. The UNIDO investor survey on export performance revealed that diaspora firms were better informed with good access to relevant market information (e.g. an understanding of preferential trade, bilateral and regional agreements). They also developed better business planning skills which helped maximise trade and investment opportunities. Diaspora investors and traders were more likely to export and build links with international markets. They also had a greater impact in terms of employment growth and labour productivity. In addition, they were much more likely to develop into medium or large businesses creating important linkages. There were drawbacks however, as diaspora firms were less likely to seek inputs from domestic suppliers due to concerns about reliability and quality of merchandise and services. Nevertheless, links between business and enterprise helps support the transition of firms from the informal to the formal private sector. Such links create better networks (within and beyond specific sectors) between large and small businesses. These links also help improve competitiveness through achieving reductions in production costs, sharing and developing technology and innovation as well as providing finance (such as trade credit) and business support services<sup>64</sup>.

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<sup>63</sup> Ratha, Dilip et al., (2011) *Leveraging Migration for Africa: Remittances, Skills and Investments*, World Bank and African Development Bank, Available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Leveraging%20Migration-P4-rev-3.31.2011.pdf> accessed 12 September 2014

<sup>64</sup> UNIDO et al., (2008) *Creating an enabling environment for private sector development in sub-Saharan Africa*. Available at [http://www.unido.org/fileadmin/user\\_media/Publications/documents/creating\\_an\\_enabling\\_environment\\_for\\_private\\_sector\\_development\\_in\\_subSaharan\\_Africa\\_01.pdf](http://www.unido.org/fileadmin/user_media/Publications/documents/creating_an_enabling_environment_for_private_sector_development_in_subSaharan_Africa_01.pdf) accessed 12 September

# CONCLUSION

## **WANTED: MORE THAN JUST A JOB!**

National governments have a limited impact on directly creating more and better jobs. Governments do however play a critical role in shaping the structural context in which the informal private sector can become more formalised and thereby expanding wider private sector development. This ultimately helps productive employment generations to thrive. The importance of developing linkages between economic sectors locally and regional integration illustrate the vital role of public institutions in supporting job growth. In addition, the public sector is pivotal in identifying strategic economic sectors such as infrastructure, agriculture and industry. In order to focus on priority areas within strategic sectors, governments need to develop an appropriate, evidence-based blend of measurable and specific target-driven policies. Such programmes need to be designed and implemented to incentivise employment creating enterprises and enhance the impact of organisations which support the development of productive jobs.

Given Africa's growing demand for jobs, this report has attempted to explore the pivotal role played by employment in deepening and widening economic growth across Africa. The report has tried to understand how improvements in the quality of jobs can enhance their productivity. It has also explored how the development transformation process driven by jobs helps to create a series of well-integrated markets across a diverse range of strategic and priority sectors. Furthermore, the report has underlined how more and better jobs facilitates links between local and regional economies, maximising the new employment opportunities presented by growing markets across Africa and the wider developing world. Therefore, beyond what employment is with respect to incomes, livelihoods and improving welfare, this publication and its associated event series has provided a brief snapshot of what employment does. In essence, how it can transform the effects of economic growth by building strategic economic sectors driven by entrepreneurship through skills development. The project has highlighted the invaluable role played by governments collaborating with networks of local, national, regional and international partners. Such cooperation aims to enhance the ability of the informal and formal private sectors to achieve the expansion of more productive and stable jobs. This can be achieved through improving access to finance, engaging the expertise of Africa's global diaspora and doing more to support the free movement of African migrants across the continent. In a world of increasing uncertainty and scarce resources, such an approach to employment-led growth presents unprecedented opportunities which could help to ensure Africa's rise works in favour of the majority and not just the few.

# GLOSSARY

AfDB	African Development Bank
AFFORD	African Foundation for Development
AGF	African Guarantee Fund
BNDES	Banco Nacional de Desenvolvimento Económico e Social (The Brazilian Development Bank)
BPO	business process outsourcing
BRICS	Brazil, Russia, India, China, South Africa
DFI	Development Finance Institution
DfID	Department for International Development
DRC	Democratic Republic of the Congo
EASSy	East African Submarine Cable System
ECOWAS	Economic Community of West African States
ETG	Export Trading Group
FAO	Food and Agriculture Organization
FDI	foreign direct investment
FPC	Foreign Policy Centre
GDP	gross domestic product
ICA	Infrastructure Consortium Africa
ICT	information and communications technology
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IT	information technology
MENA	Middle East and North Africa
MSMEs	micro, small and medium sized enterprises
NASFAM	National Smallholder Farmers' Association of Malawi
ODA	overseas development assistance
ODF	official development finance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PIDA	Programme for Infrastructure Development in Africa
TVSD	technical and vocational skills development
Sida	Styrelsen för Internationellt Utvecklingssamarbete (Swedish Development Cooperation Agency)
SMEs	small and medium sized enterprises
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
USD	United States Dollar

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Given Africa's growing demand for jobs, this report attempts to explore the pivotal role played by employment in deepening and widening economic growth across Africa. The report tries to understand how improvements in the quality of jobs can enhance their productivity. It also explores how the development transformation process driven by jobs helps to create a series of well-integrated markets across a diverse range of strategic and priority sectors. Furthermore, the report underlines how more and better jobs can facilitate links between local and regional economies, maximising the new employment opportunities presented by growing markets across Africa and the wider developing world. Therefore, beyond what employment is with respect to incomes, livelihoods and improving welfare, this publication provides a brief snapshot of what employment does. In essence, how it can transform the effects of economic growth by building strategic economic sectors driven by entrepreneurship through skills development. The project highlights the invaluable role of government collaboration with networks of local, national, regional and international partners. Such cooperation aims to enhance the ability of the informal and formal private sectors to achieve the expansion of more productive and stable jobs. This can be achieved through improving access to finance, engaging the expertise of Africa's global diaspora and doing more to support the free movement of African migrants across the continent. In a world of increasing uncertainty and scarce resources, such an approach to employment-led growth presents unprecedented opportunities which could help to ensure Africa's rise works in favour of the majority and not just the few.

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