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P R O C E E D I N G S

MR. MCARTHUR: Okay. Good afternoon, everyone. I think we'll get started. I'm going to hold this mic so it at least works. My name is John McArthur. I'm with the Brookings Institution. I just want to welcome everyone. I'll be our moderator today. This, we have a terrific set of presenters. And we're very grateful for everyone taking them time to come on, not just a major issue for a continent of Africa, Sub-Saharan Africa, but I would argue a major issue for the world, which is the one of, in the fastest-growing continent in the world population wise, en route to a couple billion people before many of our lifetimes are over, hopefully, there's a huge number of people entering what is often called the workforce, but is really a very complicated set of productive activities across an incredibly diverse continent.

Just to share some very simple math, there is about 14 million people, I think entering the workforce this year. By 2030 that's on track to

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increase to, of course, my new number of 21 million people. So this is a huge set of people entering the workforce every year, who many of us are used to thinking of needing to find jobs, but in a continent that is still predominantly rural where farming is what people do for a living, the private sector is often what you grow and what your only family eats.

And so this is not at all analogous to some of the more advanced economy issues. But that said, one of the paradoxes is that even in these highly rural economies, the cities are growing incredibly fast because the population growth is so fast. And they have many of the fastest-growing cities in the world, and many of these economies are becoming more and more urban. And so Nigeria and Ghana, for example, recently crossed the halfway threshold between 50 percent rural, 50 percent urban, two major emerging economies.

So just to set the scene, we have a variety of materials in the back, and I'm sure we'll refer them, we'll come back to them later. But this is

organized, this session by the Africa Growth Initiative, which is lead by our colleague, Mwangi Kimenyi who is here and many of the people around the room who deserve great thanks for bringing us together. But we'd love to just start out, we have Louise Fox, who is one of, I would not say, if not the world's leading experts on African employment and youth-employment issues.

She's just been, I think, the engine room of a tremendous report where we have a summary out back of -- maybe you could hold it up for a second -- youth employment in Sub-Saharan Africa, which I really encourage everyone to read at least the summary, which we have here. And you can go online for the rest. And then we have Peter Shiras, who is with the international youth foundation as Executive Vice President for Business Development. And Peter has been working on, it's fair to say, in the trenches, on a lot of these issues, not less at the policy level, more at the practical level and how we, you know, tackle these issues.

So we need both, and so we're delighted to have both of them here today. Just before we start, I'd love to know, and you don't have to answer this question if you don't have an answer, but are there any burning issues that are on people's minds in terms of, you know, what do we need to figure out here? What is something that you're wondering about? This is a chance just to frame our discussion. We're going to hear short presentations from both Louise and Peter, but we'd just love to know, are there any headline questions that people are wondering about or agonizing over in their day-to-day work that they'd love to make sure, you know, we have time to talk about today?

Yeah, please.

QUESTIONER: Janelle Johnson with (inaudible).

MR. MCARTHUR: Thank you.

QUESTIONER: As if this wasn't a difficult enough issue as is, I have been sort of thinking about particularly engagement for youth in those conflict

settings.

MR. MCARTHUR: Okay.

QUESTIONER: Particularly in rather fragile economies as is. As I said a particularly difficult --

MR. MCARTHUR: Yeah.

QUESTIONER: -- topic, but --

MR. MCARTHUR: Huge topic. Thank you, thank you.

Any others that people would like to make sure we have a chance to talk about today?

MR. SULFAB: Oh, hi. Thank you. Moon Yousif Sulfab, I'm with the Congressional African Staff Association. So I just wanted to thank everyone that's here and specifically the Brookings Initiative for this partnership that we've had almost more than a year. And this is an important topic, and I want to welcome the guests. I work with Senator Mitch McConnell. And as acting president of CASA (the Congressional African Staff Association), I'm happy to see our partnership with Brookings and to have world

scholars with such fantastic experts, to highlight the partnership between the United States and the Sub-Saharan Africa, is how important it is, so thank you so much. And thank you for your time.

MR. MCARTHUR: Thank you so much. Thank you. Thank you for having us. It's a real privilege.

So without further ado, let me hand it over to Louise Fox. Louise is an accomplished PhD economist. She spent many years at the World Bank, most of her career and has recently, I just learned, relocated to the sunny shores of California where she's now on faculty at Berkeley; but she was really the, I think, the driving force of this youth-employment report that just came out.

So, Louise, maybe you can share your thoughts about, you know, how do we think about this problem generally and to the extent on these issues of post conflict from the U.S. perspective. You're welcome to stand or sit as you like.

MS. FOX: I'm happy to stand.

MR. MCARTHUR: Yeah. I'm going to make life

easier.

MS. FOX: Okay. This one doesn't work?

MR. MCARTHUR: Well, this one does work,
yeah.

MS. FOX: Okay. Good afternoon, thanks to everybody for coming. Let me just say, although Peter is kind to say that I am -- I'm sorry, excuse me -- John is kind to say I am the driving force, this was the work, the report is the work of a big team. You have the overview on the website, you can download a full report. And there are background papers for those who really want to dig deep into this subject.

So I think I'm going to start just by alerting you to the facts that you may or may not know. The first fact is that Sub-Saharan Africa today is the youngest continent and will remain the youngest continent for quite sometime. That's because most other continents are farther along in the demographic transition. The demographic transition is coming slow to Sub-Saharan Africa. So not only is half the population under the age of 18, but it's going to

remain so for quite sometime for the foreseeable future.

Projections don't have that diminishes until well after 2050. And so some people talk about a youth bulge. Maybe you, for the foreseeable future, for at least the policy maker's time horizon, it's just a lot of youth coming into the, a lot of new people coming into the labor market, mostly young.

The second point is that Africa is becoming better educated. The education deficit is being reduced, but the quality of that education, it's now clear, has been quite low. So we have data from various sources that indicate that, you know, after three years of primary school, in their local language, students can't read even a single word in a paragraph. They can't, after six years, do basic manipulation of numbers. So this is a, there's the skilled deficit remains. This is a problem for productivity and for competitiveness.

The third point is that most Africans today work in agriculture and household enterprises.

This means they work for themselves or their family in some way. They may have a combination livelihood of say subsistence farming, as well as selling stuff in the marketing, making stuff selling it or just trading or whatever. They may only work in household enterprises. They may produce commercially. They may sell some of their output commercially, especially if they're producing an export crop like coffee or cotton, but or a food crop like rice or wheat or cassava, they may sell some of that, and they may also have a weekend business of say haircutting or making bricks or whatever.

So in rural areas, the livelihood is often a combined livelihood. In urban areas, it can also be a combination of wage employment, casual wage employment, so daily construction labor or something like that combined with again, the household enterprise of trading, making custom items for sale like furniture or working scrap metal to make things for sale or again providing services, selling food, selling beverages, haircutting, bakery, all of those

kinds of things.

Now we did a study to try to identify, not only where Africa is working today, but where the jobs are most likely to be created in the next 10 years. And unless something enormous changes, we project that most of the new jobs in the next 10 years will not be wage and salary jobs, even casual wage and salary jobs. We project even counting the richer countries like South Africa and Mauritius and Botswana, only one in four people entering the labor force in the next 10 years will be able to get any kind of a wage job including a casual wage job like security services or some kind of informal employment.

And most, many of those jobs will be in services, because that's where African economies have been expanding at creating wage jobs. Manufacturing output has not yet expanded rapidly. It has not taken off. And we don't expect that to change in the next 10 years. We think it can change if the steps are taken now so that 20 years from now you could see a major transformation of the labor force. But the

prospect, the best employment prospects for the youth entering the labor force now are in agriculture and household enterprises.

The problem is, that's not where the youth want to work, as I'm sure Peter will tell you; that's not where their families maybe think they ought to work; and that's not where the governments are thinking that they will work. And so most of the effort and the policy effort towards youth employment has been on trying to train youth and get them ready for these wage jobs, that even under the best of circumstances, and we're not in the best of circumstances, but even under the best of circumstances will only employ one in four and maybe only one in eight in the kind of job they're really thinking about as a steady more formal wage job.

And so what we want, the main message of this report that the World Bank produced, and I was one of the lead authors of, is that governments need to step back from this focus on training people for jobs that don't exist. Look at where people are

working, how that can change, what are the opportunities in their country; and focus on finding youth the path, helping youth find the pathways and take advantage of those opportunities.

So our message is that governments and stakeholders, that means also donors and others concerned from the outside about Sub-Saharan Africa need to own the whole problem, not just a sliver. And this is not a problem, while I mentioned the skill deficits and they're serious, governments can't train their way out of the youth-employment problem. Youth today experience a much longer pathway to sustained employment than in other continents.

Females are particularly disadvantaged, partly because of not getting education, not getting access to secondary education, customs surrounding early marriage and early pregnancy. So females are particularly disadvantaged in entering the labor force. And so there's a big agenda on the school-to-work transition in these other sectors of household enterprises and in agriculture.

Now we've set out some issues, what we did in the report is, rather than write yet another book on the agriculture sector of Sub-Saharan Africa or yet another book on how to get private investment creating jobs in Africa, what we tried to do was put a youth lens on some of the those problems and see which ones rise to the surface faster if you do that.

In agriculture, the agriculture productivity problem, I'm sorry sure you've all heard about and you're all familiar with, and there are a number of issues there. What we think rises to the surface is actually the land problem, making land markets work effectively so that youth, who have some skills and want to employ new technology and want to be more commercially oriented, can get the land and the access and finance to capital that they need to do that.

In the household enterprise sector, here I think the problem is that in general, Sub-Saharan African governments aren't really aware of the important role that this sector played in other

regions that have developed such as East Asia.

Everyone focuses on the East Asian tigers and the manufacturing employment, and that's certainly been important. What most people don't realize is that household enterprise employment was very important during that transition, very important. And that's how people earned the money to send their children to school to get those wage jobs and to buy the goods that were produced in the wage jobs.

You know, Vietnam and Ghana today have about the same income, actually Ghana is a little richer, and they have about the same share and employment of agriculture; but in Vietnam, the farmers aren't poor because there's been much more investment and there's higher productivity. Ghana is wiping East Africa and parts of Latin America and whatever off the face of the world in terms of coffee production because of investment. That's also true about rice. And everybody knows about shrimp farming and aquaculture and many other things.

And so agriculture could be a sector of

opportunity, household enterprises could be a sector of opportunity for youth, but governments need to own that sector. They need strategies around that sector. Their urban strategies need to focus on adding employment, adding businesses, helping youth start businesses, and having those businesses be productive instead of chasing them off the streets because they're not pretty and we want our city to look like Copenhagen instead of maybe the way Shanghai looked 15 years ago where there were lots of household enterprises.

And we also discuss that some of the issues about wage employment and labor, getting investment in labor intensive enterprises. And then we talk about a cross-country agenda, a cross-sectoral agenda about financial inclusion and about the problem of young females. So I'm happy to take any questions that you have later about some of the these issues, and I can encourage you to seek more information on the World Bank's website. (Applause)

MR. MCARTHUR: Maybe I'll just introduce

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Peter from here for simplicity. Peter, as I mentioned, is with International Youth Foundation. He spent many years previously with Catholic Relief Services, interaction in the independent sector. He's worked in Latin America and Africa for many years.

So, Peter, I would love to hear your thoughts on, you know, how we should be thinking about this given your experiences around the world.

MR. SHIRAS: Thanks very much, John.

And good afternoon to you all. It's a pleasure for me to be here. Let me just say a word about the International Youth Foundation first. We're an NGO or an operating foundation that works around the world and our core area, everything we do focuses on young people. Our biggest area of work is youth employment, both on the skills-training side, as well as on the entrepreneurship side. We also work in education and leadership development. If you want more information, our website is actually IYFnet.org, so that's how you find us.

So let me just start with a couple of

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additional facts to set the stage that really complement what both John and Louise have said. And you know, I think one of the things that we're seeing more and more is so many positive things coming out of Africa despite the challenges that still exist. By 2035, Africa's labor force will be larger than China's. So this youth bulge is huge, but is creating a tremendous potential there for making that into a youth dividend. By 2050, Africa's labor force will be one-quarter of the world's total.

Africa's unemployment rate increases with education level. And the point of this is that really the key issue is not unemployment in Africa, it's underemployment. It's the number of young people who are simply forced to find anything to do because they can't afford to be unemployed. By 2035, something that John mentioned, 50 percent of the population of Africa in total will be urban, up from 36 percent today. And currently 10 of the world's fastest growing economies are in Africa, so there is just tremendous potential here that we're all looking

to see how we can harness.

We do a lot of work directly with young people. In Africa we have a program funded by USAID where we do assessments in countries, really trying to tease out, what are some of the perspectives, the concerns, the aspiration of African young people. It's obviously impossible to generalize, but from the seven or eight surveys we've done now in different countries, a few themes recur.

One is that young people in Africa are tremendously motivated to be productive, to be productively engaged in employment. This is true everywhere, but there's a real priority placed by African youth on say, how do we get ourselves employed, whether that's wage or small enterprises. There's also a huge gap between what young people are getting from the educational system, as Louise said, and what they need for employment or what they need to get involved in household enterprises or their own businesses. So this disconnect between the educational system and employment opportunities is

very real.

There's also a disconnect between what young people think employers are looking for, i.e., technical skills and what employers actually say they're looking for, which tends to be much more work readiness skills, soft skills, showing up for work on time --

MR. MCARTHUR: Uh-huh.

MR. SHIRAS: -- communication skills, teamwork skills, that whole area of work. So there's a disconnect there. There's also lack of opportunities for youth around leadership opportunities and around other ways of engaging with the community. And this gets a little bit to your question about fragile or post-conflict situations, because there's a tremendous amount that can be learned that is relevant to employment from community service, national service, all those kinds of ways in which you can engage in the community and you learn many of the same skills that you need in a business or employment.

So this is actually one of the things we've been doing in places like Zimbabwe and Liberia, to find ways to really engage young people and use their talents, their skills, their energy, their dynamism in a whole series of community-engagement types of activities. There is young people who also really feel the lack of youth-friendly services in a whole range of areas; career guidance, information about jobs, health services, et cetera. And a fundamental distrust of government and the issues of corruption that are always associated with that.

Just a couple of other, to drill down a lit bit more on this, in the area of education, again, some of the themes that cut across the work we've been done across countries, young people essentially value education very highly, but the issue of cost and the inaccessibility of particularly higher education because of cost is one of their concerns, as well as the lack of relevance, often that education has, to what they see as being it as a pathway into employment.

There is very low prestige associated with technical and vocational education, and this tends to be where more of the jobs are located in the more technical professional areas, and yet young people basically look at the vocational training system as one that they're not particularly interested in. There is little to no emphasis in the educational system on entrepreneurship and how young people can actually get the tools to go out and start their own jobs, grow businesses. So that's an area where they actually are interested, but they are not being served by the educational system or training programs that don't focus on that.

There are huge gender-based inequities that create added problems for and constraints for young women, which they obviously perceive. In addition to the direct costs for many young people of education, there's also the opportunity cost that many of them simply can't afford to spend time in school when they need to be income earners for their families in whatever way they can do that.

In terms of perceptions around youth, around work; there are again, a number of issues. Barriers to entry that they feel are, nepotism is one, lack of information, lack of work readiness skills, and issues of gender discrimination. I mentioned their interest in entrepreneurship, but again, the constraints include not only training, but the whole system of financial inclusion, lack of access to financing, savings, banking.

And an issue that's interesting I think also is that in the informal sector, lack of real training from master craftsman, those who can help young people learn a trade more effectively in informal-sector enterprises. Interestingly employers cite both positives and negatives vis-a-vis young people as potential workers. They recognize their creativity, their flexibility, their energy, and frankly also say their lower cost; but are concerned about the lack of soft skills, the lack of work-readiness skills, and issues of turnover and the fact that young people are looking around for what's

right for them, and this is just a fact of life.

And the young people, when you ask them what are some of the strategies, some of what they say is that they need more opportunities in the formal sector for internships, for on-the-job training. Not necessarily a formal job necessarily right away, but just the opportunity to demonstrate their skills and have a chance to show themselves. And then on the entrepreneurship side, opportunities to actually test out startups.

Let me run through this quickly because we're running out of time here. We also as I mentioned, run a youth leadership program. The dynamism, and we've got all kinds of examples of young people who are working in so many different ways. We have fellow who is training young people with physical disabilities in Kenya for the workplace. We have a fellow in South Africa who is running something called South African Women Engineers, it's all about getting women in engineering. So when you look across the continent, you see all the incredibly dynamic things

that young people are doing, it's just very inspiring.

So I've got eight recommendations here that I will run through very quickly of things that I think we should do going forward. First of all, I think we need a dual strategy both in the informal economy that Louise talked about, but also in the formal sector. We find repeatedly that companies are not finding the kind of skills they're looking for. And it's critical that we train young people more effectively to increase the productivity of those firms that do exist in the formal economy.

So if it's only 25 percent, fine, but let's make sure that those companies get the best trained workers so they can grow and hire more people and be more productive and so that countries can be more competitive. So I think there's an important role to be played in the formal economy, because as I say, we do a lot of work with Hilton, with Walmart, and the retail and the hospitality sector; and they're not finding particularly these soft skills that they need to really grow their businesses. So I think

that's an important piece.

And in that regard, in that area of skills training, there's a couple of things that I think need to be done. One is second-chance programs for those that have dropped out, make sure that those are really relevant to the needs of business. There's this huge disconnect between training and what the private sector is looking for. You see it repeatedly in the vocational training systems. They don't talk to business. They don't talk to HR directors. Their training is not relevant to what the private sector is looking for.

And we've got to bring these groups together so that the training really serves young people by preparing them pour what the private sector is actually looking for in the people they want to hire.

MR. MCARTHUR: Sorry, Peter, I'm just going to have to ask you to zip through this so we can go back to --

MR. SHIRAS: All right. Sorry, sorry.

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MR. MCARTHUR: I know you have seven --
eight on the list.

MR. SHIRAS: All right. I've already been
through four.

MR. MCARTHUR: Okay, good.

MR. SHIRAS: I've already been through four,
so I'm going to go, all right.

And then build a culture of
entrepreneurship. We've obviously got to do a lot
more on the job creation side. So it begins with
building a culture of entrepreneurship and secondary
school and vocational training systems. And then test
out and support different models for youth going into
business startups and growing businesses in the
informal sector.

The final two deal with, one, private
investment, we need more companies who are investing
in Africa, which many, many are doing; but in this
area of the value chains, these companies have huge
value chains, there is so much more they can do in
using their value chains to get young people involved

in business startups and youth entrepreneurship and in making, investing in the skill development that they need for their own businesses.

And the final one is about our own public investment, USAID. This is, really this whole issue of youth and youth employment is not a priority from USAID and is an issue of competitiveness and having trading partners, I think is a key issue. Sorry that I went over.

MR. MCARTHUR: No, that's great. (Applause)
Thank you. This is great.

And we've got a broad landscape to start. And I just want to follow up with this question that we had from the colleague from Senate Foreign Relations relations about conflict. And you mentioned, Peter, Liberia, having worked there, I'm curious if each of you could just add this, and for some context, most people in the room probably know this, but it's also a major issue of extreme poverty because the majority of the world's extremely poor people, at least very soon, will be living in

so-called fragile states.

And so this is interwoven with many other issues, but what do we know about what to do in these post-conflict settings in terms of boosting employment or at least incomes for young people?

Louise, do you want to go first, and then Peter?

MS. FOX: Well, I'd say a couple of points. I think the idea that the causes of conflict are the youth dividend is misplaced. It's pretty clear that the causes of conflict are inequality. And this is particularly a problem in resource-rich countries where, you know, there's a lot of mineral rents being earned and obviously there can be a huge fight over who gets to eat what size of the pie, what size of your piece of the pie. And so and the real problem is that our numbers suggest that the worst job creators in terms of these private sector wage and salary jobs are the resource-rich economies.

So non-resource rich, low and lower-middle income economies in Sub-Saharan Africa,

two-thirds to one-quarter of their wage and salary jobs are in the private sector. It's the reverse in the resource rich, that's what our report, our analysis shows. And so clearly this issue of the private sector and people being able to find productive pathways to employment and private investment in the resource-rich economies has to be dealt with as a priority of conflict prevention. In a post-conflict country, this --

You're thinking this isn't working well? I guess maybe --

MR. MCARTHUR: No, just go ahead.

MS. FOX: In the post-conflict situation, another thing that a lot of well meaning groups go in, donors and the World Bank and NGOs, whatever, go in and immediately start to engage youth and train them, especially to ex-combatants to try to get them out of militarized kind of situation, for jobs that don't exist. And this creates huge, first of all, it's a huge waste of money, but it also creates great frustration.

So again, in the post-conflict situation, we think it's very important to look at where the employment opportunities are going to be, are and are going to be in the next 10 years in the economy and help youth get into those. Often there can be a resurgence in agriculture. Youth may not want to go into agriculture after sort of being a soldier for a while and, you know, kind of having fun wandering around the city or whatever; but often there are opportunities there, and there are opportunities in the household enterprise sector.

The soft skills that Peter talked about are huge here. And some of the most successful projects have been ones that really have dealt with job readiness and soft skills and not so much with technical training, although of course in post-conflict countries, second-chance education is huge as well.

MR. SHIRAS: Yeah, I don't know how much I have to add to that. I --

MR. MCARTHUR: Let me move this out of the

way --

MR. SHIRAS: Okay.

MR. MCARTHUR: -- so everyone can see your face.

MR. SHIRAS: Yes. I, and I think Louise is absolutely right. I mean, you know, you have to be straight with people in general, young people in particular, because training people for jobs that don't exist is maybe the worst thing you can do. But as I mentioned before, the whole notion of finding other productive ways to engage entrepreneurship, we're, in both Liberia and Zimbabwe, we're working on programs with entrepreneurship training that then get followed up with access to credit, mentors, market studies so that these can actually be viable businesses, and then combining that often times with programs of community engagement, which as I say, build a lot of those same soft skills.

And you know, sometimes you find yourself in a situation where, you know, as Louise says, there just aren't jobs and there's a limit to

how much you can create through entrepreneurship, so you've got to find other productive ways to engage young people. And that's one of the things that we've done.

MR. MCARTHUR: Thank you. And I would actually, I can't resist, so I was just add, there are some nice studies that have been done, Jeremy Weinstein, McCart and Humphries, James Habiaramana looking at child soldiers in the Sierra Leone and things and kind of coming back, they did several years ago, ways to support them. Chris Blatman has a recent paper, which is now forthcoming in the Quarterly Journal of Economics, so it has got the official gold star of approval, but it looks at in northern Uganda at actually effectively conditioning, semi-conditional transfers for business startups.

And they find that they're really, with unmonitored grants, if I can paraphrase the study, people have to apply for these grants, but then they really kind of let them run with it. And these businesses do significantly better than anything else

around, and it's an incredibly effective kind of unmonitored intervention after the initial vetting on business plans and things. So there are lots of these forms of new evidence coming out around how to support, you know, the business generation, even in very difficult environments.

And the other thing I would just add that is a big issue here is that we now have, in terms of the sources of conflict, that we have more and more evidence that, you know, things like climate variation are highly linked to the onset of conflict of course. And so if we think through the mechanics of that, this is when the rains fail, the crops fail. When the crops fail, people are more likely to fight. This is a story throughout the Sahel, which I've actually have a slightly different view, it's not necessarily about inequality, it's about scarcity in general in places like Mali and Niger and even Sudan, a lot of technical arguments, but you know, there's some very nice papers in the world's top journal showing how climate variation is a huge issue in conflict.

And so if we take it to the course of the problem, one of the issues is how do you make these places more resilient --

MR. SHIRAS: Right.

MR. MCARTHUR: -- so that they can grow food reliably. And that gets into simple things like irrigation. And so one of the things that I think is often missed is initiatives like Feed the Future are central to the youth-employment agenda, but they're not often thought of as such. And so, you know, drawing those links between growing more food more reliably and productively, a higher value added, is also a central piece of the employment agenda and the peace and stability agenda in ways that I think all of us need to, you know, keep our heads around more regularly.

But with that said, let's open it to up questions and comments and suggestions from the floor. And if you could just introduce yourselves, please. And I should flag that this is on the record, we're recording this. And I'll repeat your question just to

make sure we capture it. Please.

QUESTIONER: So (inaudible) I'm working with congressman (inaudible) from California. I have kind of a question and then would ask maybe if you folks can maybe elaborate on something else. You've talked and you've mentioned education in your opening as a satellite factor. I want to maybe, for you to elaborate a little bit on infrastructures and functioning infrastructures. For example, in a country like Senegal, real energy problems are harming any attempt to divide up high -- like new tech or, you know, startup businesses. This was the first part.

And my question on Saudi investments in agricultural land and how this is harming, in fact, the future of African culture. They invested millions of dollars in more than 800,000 hectares over the past years. And how do you see his harming, in the future for the future of Africa.

MR. MCARTHUR: All right. So the first one, if I could paraphrase was about -- I just have to do it -- was for infrastructure, how does infrastructure,

energy and even transport --

QUESTIONER: Yeah.

MR. MCARTHUR: -- you know, how do we think about that as a constraint to this. And sort of the then the second one?

QUESTIONER: Was Saudi Arabia --

MR. SHIRAS: Large scale.

QUESTIONER: -- investing money in agricultural lands.

MR. MCARTHUR: Okay. The external kind of --

MR. SHIRAS: Commercial.

MR. MCARTHUR: -- the land-grab issue, if you will --

QUESTIONER: Exactly.

MR. MCARTHUR: -- about how does that fit in with external actors coming to invest in agricultural land. Maybe we can see if there are a couple of questions and pool them. Are there --

And, Louise, if you can take note of those, too, to start, please.

QUESTIONER: Just as it segways into --

MR. MCARTHUR: I'm sorry. Could you introduce yourself, please, sir?

QUESTIONER: Yes. My name is Tim Robinson. I work for Congressman Robert Bush. His second question with respect to the effects that foreign investment have on the ability of respective countries to tap into their agricultural and economic potential and how that also ties into comments that, I believe, Louise made about one issue bubbling to the top, and that being land reform --

MR. MCARTHUR: Uh-huh.

QUESTIONER: -- and how do you tap into the infusion of youth, of their energy, so as to make that more vibrant. And the second question has to do with this concept of entrepreneurship. We've heard a lot about it from each of you, how you instill that more deeply in the respective cultures of these nations. What are some of the barriers that you come up against in trying to instill a more healthy sense of entrepreneurship? I would imagine that some state

governments may not want for there to be those sentiments, those sensibilities. So those would be my two questions.

MR. MCARTHUR: Great. So just to paraphrase, one is really about these land-reform issues and links to the FDI foreign investment question and how to tap into the youth.

QUESTIONER: Right, how does foreign investment impede that or --

MR. MCARTHUR: Great.

QUESTIONER: -- or how does foreign investment promote that?

MR. MCARTHUR: How does foreign investment impede it or promote it. And then the second one is, what are the barriers to entrepreneurship, and how do you see those and how can they be overcome.

QUESTIONER: More from the state's perspective.

MR. MCARTHUR: From the government's perspective. Great. And then maybe we'll take a third and take a batch here.

Yeah, please.

QUESTIONER: So my name is (inaudible) I'm legislative assistant for Congressman (inaudible) California for the U.S. District. My question regards the natural resource-rich countries and how to leverage resources for their limit. So I was wondering what are your thoughts on beneficiation and beneficiation as a policy that can leverage jobs and especially jobs for the youth.

MR. MCARTHUR: Okay. So looking at natural resource countries and the policy of beneficiation.

MS. FOX: What's that?

MR. MCARTHUR: Which I have to confess I'm not even sure what that is. Is that -- maybe you can explain it.

QUESTIONER: So beneficiation is downstream processing. So for instance --

MR. MCARTHUR: Uh-huh.

QUESTIONER: -- having beneficiation starting in Sub-Saharan Africa --

MR. MCARTHUR: Okay.

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QUESTIONER: -- so (inaudible) instead of exporting raw materials --

MR. MCARTHUR: Okay.

QUESTIONER: -- as I (inaudible) export still --

MR. MCARTHUR: Okay.

QUESTIONER: -- so you would be able to capture more of the value downstream and create jobs.

MR. MCARTHUR: Right. I'm sure it sounds even better in French. Yeah. (Speaking French) but all right. So this issue of kind of technology ladders and upgrading might be another way to think about it. How do we add value added in the production side. How does that link. So those are great first three questions. If we can hand it over, maybe Louise, you had a couple.

And, Peter, I'm sure you have thoughts on all of these, too.

MS. FOX: Okay. If I can just take this.

MR. MCARTHUR: Please.

MS. FOX: Okay. Those were great questions.

Thanks a lot. Let me just talk about agriculture, land, land grabs, whatever, foreign investment. To me, land grabs are really, to the extent that they're happening, and I'm, I don't want to accuse any particular government or nationals of land grabs, but when they happen and they clearly are happening, they're facilitated by the lack of a secure land 10-year system and by inefficient and not well functioning land markets.

So to me they're like the underbelly. They're facilitated by that, and they're the underbelly of that. And it's not that commercial agriculture is necessarily bad. Commercial agriculture and large-scale agriculture isn't even necessarily bad for small farmers. There can be technology spillovers. Large farmers can put an infrastructure in marketing systems that small farmers can use.

The real question is, who is winning, who is losing, how's it being done? Is there just a land grab, or is there a rural development system?

Those are really, I think, the key issues. And I think what you read about in the press is that too often that policy framework just simply is not in place. And I think governments have been really hesitant to deal with this problem and look at it because it is dicey, it goes to the role of village chiefs, et cetera; but it's clear it's got to be dealt with.

And it, he think African governments don't really realize the important of land 10-year reform in, for example, the East Asian miracle and the importance, for example, higher more productive agriculture in supplying food for urban workers, to keep wages down. So the linkages, I think, are often missed.

And barriers to entrepreneurship, I think I'm going to leave that mostly to you, Peter, but obviously the lack of infrastructure is a barrier to making money. And I think there's a lot of discussion about the problem of ports that don't work, railroads that don't work, electricity that's very

expensive and unreliable. And all those are huge costs to the economy and they deter the investment, both foreign and domestic that are needed to raise productive and create more productive jobs.

I think that sector where the infrastructure issues are often ignored is the household enterprise sector. So African cities are planning for big factories, and, you know, big hotels or something, but they're not planning for these household enterprises and not arranging the infrastructure for them as well and that, the deficit hurts them as well.

Now on research-rich countries, I mean, it's a huge problem because most of the mineral extraction doesn't create jobs or it creates very few skilled jobs. And much of the dastering processing is also highly skilled. So I think there are some examples of some success, obviously South Africa which has a very large skill base. In Botswana, Botswana is asking the diamond companies to teach them to cut diamonds. Sort of like, if the Chinese can learn to

cut diamonds, why can't we? Good question.

And so I think they're hopeful that that will work, but in general I think the much broader issues of economic governments and where the rents are spent and how they're spent and of course macroeconomic management of the resource rents to avoid over evaluation, et cetera, which I think are really the job killer, is part of the job-killing agenda. I also think there are some examples around mining areas, in particular, where there have been some efforts to have local spinoffs in terms of supplies food to the mine workers or services of various types.

And I think those may be have been more, in other words, trying to meet the consumption needs of the people working in these remote areas locally instead of bringing everything in, you know, through Shop Right from South Africa is, I think those have better spinoffs.

MR. MCARTHUR: Peter.

MR. SHIRAS: Yes, so just a word on the

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entrepreneurship question. I think there's a couple of issues here, one is definitely attitudes, I mean, there is a --

MS. FOX: Absolutely.

MR. SHIRAS: -- perpetuation of an attitude that the best way is to get a good government job, and you're set for life. And so there's a real need to change that basic sense of attitudes around entrepreneurship, which frankly is just as important if you're going into a wage job, and having that sense of initiative and an entrepreneurial spirit as it is if you're going to be a business person, number one. Number two, there is the whole issue of the policy environment, the enabling environment. If you look at the IFCs doing-business report, you know, the majority of African countries are way down on that index in terms of how long it takes to set up a business and everything else related to that. So there's a set of issues there that are the policy environment for this.

Third, there is the whole issue of entrepreneurs by necessity versus entrepreneurs by

vocation. There are millions, if not billions, of entrepreneurs by necessity who have no other choice but to go out there and do whatever they can to make a living. And what I think we want to try to identify are, which of those are the entrepreneurs by vocation, which of the ones who can really grow a business and get beyond self employment into hiring other people?

And so finally in regard to that, frankly there is a lack of good evidence about tested approaches that can really work. There's a huge failure rate associated with small business the world over. But what approaches are the most successful? Is it business incubation centers? Is it business prize competitions? Is it psychometric tests of, you know, who's got that entrepreneurial vocational talent and drive and energy?

And then the whole package of additional resources that go along with that in terms of access to finances and mentors and everything else. So I think there's a need for more work on building the evidence base of how do we grow new businesses or

start new businesses and grow existing small businesses.

MR. MCARTHUR: And I'll just chime in quickly. I think that this last point that Peter made is really an important one, and it goes to a lot of the work that Louise has done in identifying this tremendous growth of household enterprises. I actually feel it's a bit of a myth that there's a lack of entrepreneurship. I worked in a lot of rural areas in Africa across a dozen plus countries and, you know, you can't out smart these farmers. They're incredibly clever. They're doing incredibly brave and entrepreneurial things, they're just hugely capital cons trained.

They're in very remote areas where the market, they have no access to markets; you know, their fundamentals are so hard, but you have this incredible growth of entrepreneurs, literally by the millions, which is almost a symptom rather than, you know, a cause. And so part of this is about these issues of deep fundamentals. And it even goes to the

manufacturing and the upgrading and the technology. These places are on what's called a real wage basis, very uncompetitive often. So it's very hard to set up a manufacturing base in a lot of these places for export.

And that's often, in my view and some of the work in report points to, you know, the high price of food actually makes your exchange rate less competitive, because if that's the number good in the consumption basket, it actually hurts your ability to export. So getting the agriculture productivity higher, it gets the real wage lower, makes your exchange rate more competitive, helps create jobs in export-oriented sectors. And that's kind of a chain of causality that we need to understand better, I think, in tackling all these issues.

Let's take maybe a couple more quick questions if there are any. And then we have to wrap up in just a few minutes.

And, Mwangi, I want to see if you have anything you want to add on this issue.

QUESTIONER: I have a question. So I'm Jessica from the Africa Growth Initiative and I just was wondering, do you have any examples of governments that are putting new innovative policies into effect that maybe create an enabling environment for jobs to be?

MR. MCARTHUR: Great. So question is, are there any governments that are doing real work with the enabling environments and the success stories that we can point to and learn from. Any other quick questions?

QUESTIONER: I'm Feno from AGI at Brookings my question is, if you see the unemployment in developed countries, then you would see the (inaudible) answer at the macroeconomic level is the labor market rigidities. And when we see the future of Africa, that we want to develop formal sector and so on, so we would still face that problem. How do you see that in the future for Africa?

MR. MCARTHUR: Great. And one more. Thank you.

QUESTIONER: Hi. I'm (inaudible) just, you know, you refer a lot to South Africa, I just have a question in terms of, you know, I find this all very -- you have the infrastructure increase, you have the (inaudible) markets, you have a sophisticated economy. But what tends to happen is that for the smaller players that come in, you're already coming in into a game that's like, you play a little game with all the big players.

And then in terms of the value chain, entering the village value chain becomes the real big problem. So what would be some of the proposals in terms of how do you place them in (inaudible) a very huge informal, you know, economy that -- so like separate from the formal economy.

MR. MCARTHUR: Great. So I should have repeated. We have a labor market rigidity question from Feno, who I should introduce, is visiting Brookings from Madagascar and has just come from a lengthy assignment in Tanzania, so she's a resource for any of you who might have questions on the region

afterwards. And then about new entrants into the supply chains and especially, including South Africa, but it sounds like a bigger question.

Did you have something very quick?

QUESTIONER: Yeah, I just wanted to know, you know, assuming the worst possible scenario, that, you know, pessimistically that governments don't take the actions that you're recommending, what's going to happen? What can the U.S. Government anticipate happening on this issue?

MR. MCARTHUR: So just to end on a high note, what's the worst possible thing that can happen.

(Laughter) Thank you, Drew.

No, it's great. It's a great question. Like, how do we understand the range of scenarios.

Louise and Peter, you're the last word.

MS. FOX: I always go first. Do you want to go --

MR. SHIRAS: Go ahead.

MS. FOX: -- first?

MR. SHIRAS: No. Go ahead, go ahead.

MS. FOX: Okay, okay. Examples of government putting in place new innovative approaches or environments, it's often said that if all African countries carried out African best practice in every sector, Africa would be much farther along than it is. So I think we can, you know, for example, there are many problems with the Kenyan economy in terms of the issue of land markets and land rights, but in the financial sector, they're a world leader in innovation and financial inclusion in empaca and micro finance, et cetera.

So you can find in other countries, a lot of progress in terms of raising agricultural productivity in some areas and in some crops and not in others. So we have some countries that are doing much better at education than others. So in each area, I think there are examples of things working better and going better, but these are bits. And the whole piece of the puzzle, they're just little puzzle pieces in a big puzzle. And so the question is to pull them all together.

I guess other, perhaps other sessions you've had here, guys, may have highlighted some of those other good practices in other areas as well. So some of you may want to speak to that.

Labor rigidities, well, I have bad news for you, I've done a paper actually that's in the Journal of African Economies that argues that for the low end, lower middle-income countries in Sub-Saharan Africa, labor rigidities are not the issue. And the firms are not reporting that it's the issue. They're much more likely to talk in terms of labor-market issues about the soft-skill issues that you raised than about labor rigidities, and that's part -- or they'll talk about the infrastructure issues, the other issues that we've already discussed, and that's partly because some of, many of these laws aren't enforced and also because they can work around them.

I mean, what may look bad, high severance pay in the situation of no unemployment payment and no taxes to pay for unemployment, you know, it's not such a big thing, and they can often

work around it. In South Africa, labor rigidities appear to be a much greater problem, partly because they, the system works better in terms of the enforcement of the law and they can't work around them quite so much, but also because wages are inflexible downward.

You know, you can have a lot of rights for the workers, but if you also have a wage that's related to the productivity, everything is affordable and everything works. So now South Africa is a very complicated situation, and I don't know if I would even try in a sound bite or two to talk about it, but certainly the lack of competition and the difficulty in entering is clearly one of many aspects of the youth-employment problem.

There have been a number of studies by South African economies on this question, and we summarize them in sort of a four-page section of our whole book. And you can download the book and have a look at that focused section, but the youth employment and unemployment problem in South Africa is clearly a

multifaceted problem. The lack of competition being a key issue as well.

And finally the worst scenario, wow, well, first of all what I would say is that if the nonagricultural sector doesn't grow, then the agricultural sector will have to absorb even more people than we are projecting that it will need to absorb over the next 10 years. When I present our scenario, our good scenario for Africa, which shows the absolute size of the labor force and agricultural rural, people are shocked often. How can this be? Well, the answer is, it's going to have to happen because simply because of the demographics.

And the question is, if it's going to have to happen, can it lead to higher earnings, more productivity, et cetera? That's the way we think about it. So I would say the worst scenario is more urban poverty, caused not by people migrating from the rural areas, because there won't be opportunities in the urban areas, just by the natural growth of cities where fertility is still high. So more poverty in

urban areas, more rural poverty, perhaps more land degradation. And with climate change, farmers hurt even more by climate shocks and unable to cope with the risk. And clearly in that situation where they keep getting these climate shocks, they can't build up any assets, they see a few people getting ahead in the urban areas, the few in elite driving around in big cars and coming to visit every so often and saying, things are going to get better, trust us; you know, you can expect more conflict.

That's kind of, I guess that would be a worst scenario. Let's hope we don't go there. We could also see more illness, you know, more famine. We could see the education, the limited education achievements we have had roll back. How long should I go on this? (Laughter)

MR. MCARTHUR: Probably you should let Peter share his thoughts, yeah.

MS. FOX: Please be more optimistic.

MR. SHIRAS: Yeah, I'm not even going to address that question, because I'm very optimistic.

So let me, I'll just say a word about the question around government policy. I mean, you know, I think as Louise said or implied, you know, the key thing here is getting the fundamentals right. I mean, that, it's growing economies that is going to address the youth-employment issue. There needs to be economic growth. There needs to be an education system that is strong and functional and gets into the secondary and vocational levels where you continue to really have the kind of preparation that young people need to get into the workforce.

So those countries that really have got the fundamentals of economic policy. And let's face is, it is the private sector that is creating jobs. It's not the government that's creating jobs. So they need to create that kind of policy environment for the private sector to be able to work effectively and then public investments go into building human capital that can feed into those jobs. So that is the basic.

A couple of things that I think are interesting, I know in the case of Uganda, they just

started or are starting a new skilling Uganda initiative, which is all about the vocational system in Uganda and really trying to link it much more to the private sector and needs of the formal economy. So that's the kind of thing that I think we need more of and what government can do to really work more on the human capital formation side of things.

South Africa has just put in place a youth wage subsidy law that, you know, I think it remains to be seen how that works. You know, Kenya has talked about doing something, I'm not sure they've ever actually done it, and I'm not sure they should do it, which is this whole notion of giving credit to young people to start new businesses. The problem --

MS. FOX: Definitely they should not.

MR. SHIRAS: Yes.

MS. FOX: That doesn't work.

MR. SHIRAS: Because the problem is that nobody is going to pay it back. It's not, you know, it's not a business proposition. So some things like that may appear to be really focused on youth

employment, but may actually be counterproductive.

MR. MCARTHUR: So I think this underscores this terrific discussion. The range of issues, the range of environments, when it is said all the time, but I'll just say it one more time because I think it bears repeating, you know, each country has its own particular set of issues. South Africa's issues are very different than Cameroon's issues, they're very different than Nigeria's issues and Kenya's issues. And as much as we're here to talk about Sub-Saharan Africa, we have to avoid the human tendency to generalize.

And when we hear people generalize, we have to help pushback to help them avoid the tendency to generalize especially in a world of policy niceties and sound bites because it's just more than that. That said, I would like to, you know, please thank Peter Shiras and Louise Fox for, you know, tremendous insights. We have a variety of reports. Hopefully you guys have got them, but I think they're outside.

And I will add that, through the Africa

Growth Initiative, that we have some partner institutes who have actually written some country-specific documents. I'm not sure if they're up online yet, but they will be soon. That's about Uganda, Kenya, South Africa, Nigeria --

MR. SHIRAS: Ghana.

MR. MCARTHUR: -- Ghana and Senegal. So they're just short notes that they've written, you know, on some of the local issues from their perspective, local researchers looking at it from their vantage point, so those are very important contributions. And you know, we hope that this is the beginning of a much longer-term conversation. And please, you know, feel free to follow up with our speakers and panelists. And those who want copies of their presentations, we can email them to you if you make sure we have your email.

And otherwise please let me thank you all for, you know, coming for a terrific luncheon. So and thank our panelists again. Thank you. (Applause)

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