Enabling the Private Sector to Contribute to the Reduction of Urban Youth Unemployment in Ethiopia

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Acronyms and Abbreviations

AACCSCA  Addis Ababa Chamber of Commerce and Sectoral Associations
AEMFI  Association of Ethiopian Microfinance Institutions
AAIHDP  Addis Ababa Integrated Housing Development Programme
AfDB  African Development Bank
AGETIP  Agence d’ Exécution des Travaux d’ Intérêt Public
BDS  Business Development Services
BoLSA  Bureau of Labour and Social Affairs
BoTI  Bureau of Trade and Industry
CSA  Central Statistical Agency
DO  Desired Outcome
EDRI  Ethiopian Development Research Institute
ESDP  Education Sector Development Programme
FeMSEDA  Federal Micro and Small Enterprises Development Agency
FGD  Focus group discussion
GDP  Gross Domestic Product
GoE  Government of Ethiopia
HIV/AIDS  Human immunodeficiency virus/acquired immune deficiency syndrome
ICA  Investment Climate Assessment
ICS  Investment Climate Survey
ICT  Information and Communication Technology
ILO  International Labour Organization
LFS  Labour Force Survey
MDG  Millennium Development Goal
MFI  Micro Finance Institution
MoLSA  Ministry of Labour and Social Affairs
MoCB  Ministry of Capacity Building
1 Introduction

1.1 Overview and Statement of the Problem

In this report, the term ‘youth’ follows the UN definition, and is defined as those persons between the ages of 15 and 24 years as opposed to the Ethiopian (CSA) definition of those persons between the ages of 15 and 29 years.

Youth make up a major proportion of the population, especially in developing countries. There are 1.2 billion youth between the ages of 15 and 24 years – 18% of the world’s population. The vast majority (about 87%) of these young people live in developing countries. In Africa alone, there are some 200 million youth, comprising more than 20% of the population.1

Ethiopia has the largest youth population in Sub-Saharan Africa. More than half of its population is under the age of 25, and 20% are between 15 and 24. Furthermore, this proportion is steadily increasing, having grown from 14% in 1984 to about 20% in 2005.2

Youth suffer disproportionately from unemployment. The number of unemployed youth world-wide has reached 88 million (of whom 10 million live with HIV/AIDS). Thus youth account for half of the total unemployed population, while only representing a quarter of the total population of working-age.3

The problem of youth employment is getting worse, as the number of young people looking for work in Sub-Saharan Africa is expected to increase by 28% in the next 15 years – an additional 30 million people joining the pool of job seekers.4

Youth unemployment is a critical socio-economic issue. According to the ILO, more than one-third of the world’s youth are currently either seeking but unable to find work, have given up on the job search entirely, or are working but still living below the $2 a day poverty line.

Prolonged unemployment of youth can impair their future employability chances and their access to quality jobs. Moreover, it can result in loss of skills and self-confidence for the youth.

Youth unemployment is especially significant in urban areas. In Ethiopia, the unemployment rate for urban youth is 37.5% as opposed to 7.2% for rural youth.5

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2 CSA as cited in Guarcello et al, 2007
3 World Bank, 2008
4 World Bank, 2008
5 Caveat: rural youth face high levels of underemployment
Among the many contributing factors, most notable are the low absorption capacity of the formal sector, the low rate of employment creation, and the skills shortage as well as the lack of entrepreneurship of the youth.

Unless addressed comprehensively, urban youth unemployment has adverse consequences for society as well as the economy. Without opportunities for today’s youth to earn a living, poverty will persist through the next generation. Furthermore, as has been witnessed, a mass of unemployed urban youth are highly vulnerable to violence and crime, HIV/AIDS and food insecurity – costly burdens on society and the state.

1.2 Desired Outcomes

The low level of employment creation and absorption capacity is one result of the lack of private sector growth and development in Ethiopia. While improving the business and investment climate would play a significant role in creating jobs for Ethiopia’s working age population, it would not be sufficient to address the acute imbalance of unemployment unfavourably affecting urban youth.

Addressing this imbalance requires, at the macro level, deliberate policies to promote urban youth employment and, at the micro (entrepreneurs) and meso (support institutions) levels, identifying the constraints that the private sector face in employing youth and developing strategies and interventions to address those constraints.

To address the stated problem and guide the study, 10 desired outcomes (DO) for youth employment are elaborated (some include associated outputs for necessary detail), 1 and 2 are related to overall employment creation and the rest are specifically related to youth employment:

**Generic Desired Outcomes**

1. The national unemployment rate is reduced through economic growth, private sector development and job creation;

2. Self-employment opportunities are accessible through MSME support packages including, but not limited to, access to finance, entrepreneurship development training, market information platforms, market-oriented skills upgrading programmes, business development services, etc.

**Youth-specific Desired Outcomes**

3. The proportion of youth in the workforce is increased to be more reflective of their representation in the working-age population as well as their competitive proposition as a labour resource;
4. The transition from education to work is smooth and seamless via greater attention and consideration being given by concerned government bodies/policymakers and the education sector institutions;

5. Educational institutions offer market-oriented and market-responsive training curricula and methodologies;

6. The private sector is aware of the benefits of hiring youth (long-term approach towards staff development and retention);

7. The proportion of female youth entering the workforce is increased;

8. The private sector is engaged in youth-labour-intensive businesses via investment incentive packages

9. Youth that enter the workforce early are receiving further education at later stages;

10. Youth have a long-term perspective and committed attitude towards employment, via a constructive approach focusing on gaining experience and skills.

The linkages between the issues and problems identified in section 1.1 and these desired outcomes are presented in Annex 1.

1.3 Report Objective

The objective of this report is to provide recommendations on how to enable the private sector to contribute to the reduction of urban youth unemployment. Sub-objectives are:

- To identify the constraints that deter the private sector from contributing to youth employment creation;

- To propose options for the government to develop deliberate policies to promote employment for youth;

- To investigate and devise possible strategies and interventions that would address the constraints and shortcomings of the private sector in generating employment for the youth in the urban centres.

1.4 Scope and Methodology

In determining the scope of the study, the following definitions are used:

1. Types of employment considered: all forms of employment, including self-employment;

2. Geographical scope: urban areas, characterised by six target cities in Ethiopia, namely Addis Ababa, Adama, Hawassa, Mekelle, Bahir Dar and Dire Dawa;
3. **Youth**: Young people, aged from 15 to 24 years;

4. **Private Sector**: Firms of all sizes in the target areas.

In addition to conducting primary research on issues of youth employment in particular, broader issues relating to economic growth and employment creation (issues such as investment climate reforms, labour intensive programmes and MSE development, as set out in the terms of reference for this study) were reviewed on a secondary research basis through a literature review. Government policies, youth development packages, strategy documents such as PASDEP, and industrial and MSE development strategies were part of the literature review. Case studies and international best practices were also reviewed.

**The Report Methodology**

A situation analysis of the characteristics and causes of youth unemployment is presented in Chapter 2. Chapter 3 complements this by looking at the issue from the perspective of the private sector. A review of current government policies and strategies to address the problems is presented in Chapter 4.

Following the characterisations, Chapter 5 determines and analyses the enabling environment for youth employment by looking at the gaps between the various stakeholders and documents surveyed (see survey instrument overview in Table 1 below and Annex 3 for the list of individuals contacted) as well as looking at international cases.

Throughout the study, attention was given to HIV/AIDS and gender as cross-cutting issues that permeate urban youth unemployment.

**The Survey Methodology**

The aim of the survey tools was to fill in the gaps which were identified in the information available from the literature that was reviewed. They were designed with the objectives of identifying:

- the pros and cons of hiring youth for the private sector;
- the implementation of government policies related to youth employment and entrepreneurship;
- the factors constraining youth in gaining employment or undertaking entrepreneurial endeavours;
- the role and activities of support institutions in promoting youth employment.
Primary data and information were gathered using key informant interviews and Participatory Rapid Assessment (PRA) techniques in the target cities to give representative results of urban youth unemployment. Six survey instruments were designed according to the major stakeholders targeted, as shown in Table 1.

Table 1. Survey instruments and assessment size per city

<table>
<thead>
<tr>
<th>Targeted stakeholder</th>
<th>Survey instrument</th>
<th>Addis Ababa</th>
<th>Dire Dawa</th>
<th>Adama</th>
<th>Bahir Dar</th>
<th>Hawassa</th>
<th>Mekelle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private sector</td>
<td>Private sector tool</td>
<td>12</td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Government</td>
<td>Government tool (Ministry and regional level)</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Donors/NGOs</td>
<td>Donor/NGO tool</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Training institutions</td>
<td>Training institution tool</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>MFIs</td>
<td>MFI tool</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Youth</td>
<td>FGD tool</td>
<td>8 to 10 youth for FGD in each city</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See Annex 5 for an elaboration of the survey methodology, including sampling selections.

The primary information gathered from targeted stakeholders and secondary data and information reviewed from literature were analyzed in order to identify problems and constraints, define desired outcomes and identify gaps that need addressing.
2 Situation Analysis

2.1 Characteristics of Youth Unemployment in Ethiopia

Figure 1. Unemployment rate (%) by age group

![Unemployment rate by age group graph]

Source: CSA, 2005

According to various studies, youth are two to three times more likely to be unemployed than adults, since adults have more years of work experience. Moreover, youth face difficulty finding wage jobs and employment in the formal sector. In 2005, youth (15-24 years old) recorded a 7.8% unemployment rate, higher than any other age group (See Figure 1).

Rural-urban variation

Owing to rural-urban migration and the prevalence of employment opportunities in the agricultural sector, one can observe a very large rural-urban variation in the unemployment rate. While 20.6% of the urban population is unemployed, only 2.6% of the rural population are likewise (See Figure 2). However, part of this low number can be attributed to the fact that rural youth are faced with the issue of underemployment.
Comparing the unemployment rate in the six target cities, Dire Dawa records the highest with an unemployment rate of 37%, followed by Addis Ababa and Adama (See Figure 3). The variation between cities can be seen to be high, with an 18% range between the highest and lowest.

**Figure 3. Unemployment rate in the target cities**
Gender

The unemployment rate for urban women is 27.2% while it is 13.7% for men, indicating that women face a higher unemployment problem (see Table 2). This can be attributed to, amongst others factors:

- **Lower access to education.** The illiteracy rate among female youth is 71% compared to male youth which is only 51%.

- **Engagement in informal sector.** A large number of young women work in the household in order to combine their daily work in the informal sector with household responsibilities and other forms of non-economic work.

Table 2. Unemployment by gender and age

<table>
<thead>
<tr>
<th></th>
<th>Unemployed population</th>
<th>Unemployment rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
</tr>
<tr>
<td>Country total</td>
<td>1,653,685</td>
<td>427,915</td>
</tr>
<tr>
<td>Urban</td>
<td>894,177</td>
<td>292,709</td>
</tr>
<tr>
<td>Rural</td>
<td>759,508</td>
<td>135,206</td>
</tr>
<tr>
<td>15 – 24</td>
<td>713,484</td>
<td>183,924</td>
</tr>
<tr>
<td>25 – 34</td>
<td>437,515</td>
<td>106,575</td>
</tr>
</tbody>
</table>

*Source: CSA, 2005*

Education

**Educational attainment is very low in Ethiopia.** According to Getachew et al. (2005), only 5% of the population has secondary or higher education and, on average, male and female adults have only completed grades 1.8 and 0.88 respectively.

According to CSA, unemployment persists longer for those who have not completed general education or attained a diploma. As agriculture (being the highest contributor to GDP) absorbs the vast majority of the illiterate population (88.7% of rural population is employed in agriculture and allied activities), the unemployment rate for that category is found to be very low.
Duration

The more the time spent without a job, the higher the chance of being exposed to social ills such as juvenile delinquency, narcotic addiction, prostitution, beggary, street life and HIV/AIDS. According to Serneels (2007), the average duration of the unemployment period in urban Ethiopia was found to be more than one year.

From the CSA Labour Force Survey (LFS) (2005), large numbers of the unemployed urban population (38.1%) stay unemployed for 1-6 months. Figure 5, below, shows that almost 25% of the unemployed urban population has been jobless for more than a year.

Figure 5. Duration of unemployment
2.2 Causes of Unemployment in Ethiopia

A high level of unemployment indicates the failure of a country’s economy to use its labour resources effectively. There can be various factors explaining unemployment, such as a low level of general economic activity, recession, inflation, rapid changes in technology, disability, willingness to work and discrimination. In the case of Ethiopia, several factors contribute to the causes of youth unemployment:

- **Poor economic performance.** This is a major problem for most developing countries such as Ethiopia. Low economic growth, which is manifested in low economic activity and low investment, entails low overall job creation. This makes it especially difficult for youth since, even in an economic upturn, youth are at a disadvantage as they lack work experience.

- **Low level of education.** In Ethiopia, a large number of individuals enter the labour market below the age of 15 with little or no formal education. Illiteracy is a major factor contributing to underemployment and employment in the informal sector. Education is a means for enhancing the productivity and employability of a country’s labour force as it has a positive influence on occupational type: more-educated workers are much more likely to be in wage employment and much less likely to be in unpaid work than their less-educated counterparts.

- **High population growth.** The increasing rate of population growth is another factor affecting scarcity of job opportunities. The size of the labour force has been increasing at an average annual rate of 3.2%, reaching an estimated 32.2 million people in 2005. The demand for labour has a slower growth rate than the growing population.

- **Lack of entrepreneurship.** Ethiopia’s labour market is comprised of a large informal economy and this informal sector is predominantly an employment of last resort rather than a preference by entrepreneurs. According to UN Habitat (2003), most people are motivated to start their own businesses and create their own employment because the chances of finding jobs in the current labour market are so limited. However, starting a small business without the capacity to sustain it or cope with other related challenges is not a viable solution to the problem of unemployment.

- **Skills mismatch.** Mismatch of education and training skills with the requirements of the labour market is another important reason for the high level of unemployment. According to Denu et al. (2005), a study of unemployment in urban areas revealed an increase in unemployment rates of young people who have attained high school or a higher educational level. This could be due to a mismatch between the type of education provided at schools and the requirements of the labour market.

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7 Brunero, 2008
4 Guarcello et al, 2006
9 Guarcello et al, 2006
10 Denu et al, 2007
11 World Bank, 2007
• **High rural-urban migration.** Unemployment is most severe in urban areas of Ethiopia due to rural-urban migration. Many people who live in rural areas leave their places of origin in search of better opportunities for employment since employment opportunities are seasonal in the rural areas where agriculture is the predominant means of living. In relation to the social and economic problems that young people face in urban areas of Ethiopia, the national population policy paper puts rural-urban migration and migration among cities and towns as the most important factor behind the social problems that young people in urban areas encounter.\(^{12}\)

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\(^{12}\) [Haile, 2003]
3 The Private Sector and Employment Creation

3.1 Highlights of the Ethiopian Private Sector

The Ethiopian private sector employs a large number of employees of all ages in the formal and informal sectors, in businesses ranging from micro-enterprises such as street vendors and small market traders to MSMEs and large enterprises.

The domestic private sector in Ethiopia is still at an early stage of growth due to the legacy of a command economy. Although some larger private companies are now run by professional managers and boards of directors, most private businesses are family or individual owned.

According to the Ethiopian Central Statistical Agency (CSA) 2003 informal sector survey, the informal sector includes establishments or activities operated by the owner with no or few employees, and contributes to nearly 50% of employment in the country. The same survey also showed that employment in the urban informal sector was eight times greater than wage employment in the formal sector.

The majority of Ethiopian MSMEs are engaged in trade and services, constituting 45% and 36% of the total respectively, with enterprises engaged in manufacturing constituting the remaining 19%.

Most MSEs in Ethiopia are very small: out of the total MSEs, 69% have fewer than five workers and 18% are one-worker firms. Firms with 5 to 10 workers make up about 30% of the total of MSEs. SMEs are the second largest employer in Ethiopia, after the agricultural sector, providing jobs for around 50% of the urban workforce (2005). In 2003, SMEs represented 98% of the total number of formal private sector operators.

The private sector has remained small because of various obstacles impeding its growth. Medium- and large-scale private investment as a share of GDP has declined from around 8% in 2004/05 to around 6% in 2006/07. While registered investments are relatively high, actual investment flows are much lower, since many registered investments fail to materialize or do so very slowly. Foreign investment reached a peak of around $545 million in 2004 and has not been sustained.

3.2 The Role of the Private Sector

Historically, issues such as youth unemployment and poverty in general were thought to be the responsibilities of governments and civil society. The private

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13 UNIDO, 2009
14 Access capital, 2009
15 World Bank, Investment Climate Assessment, 2009
sector’s main objective is making profit and, according to traditional thinking, involvement in social issues like youth unemployment burdens a business.

According to Waddell (2002), the involvement of the private sector in youth employment strategies is critical as the private sector has the resources, expertise and capacity to generate wealth and the capacity needed to create employment opportunities beyond all else. However, since youth employment is not a primary motivator for businesses, even in ideal circumstances, youth employment outcomes will be indirect from the point of view of businesses.

According to Waddell (2002), the motivations for the private sector to hire youth can be classified into four broad frameworks:\(^{16}\):

- Philanthropy – a traditional framework characterized as gifts or donations free from the motivation of self-benefits;
- Social responsibility – creating social norms and acceptable behaviour standards, based on obligatory systems;
- Corporate citizenship (corporate-focused collaboration) – this framework sees corporations as entities with rights and responsibilities. In it, corporations engage other sectors to renegotiate the social contract around specific issues;
- Mutual gains (stakeholder-focused collaboration) – this framework emphasizes that business interaction with other organizational sectors (government, international organizations and civil society) can produce benefits for all. A mutual gains framework recognizes that the challenge is to provide a rewarding exchange.

Addressing the issue of youth unemployment is complex and demands action from all stakeholders – the government, international organizations, civil society and the private sector. This study focuses on the role of the private sector in particular and how it can be enabled.

There are a number of intervention areas where the private sector can contribute towards reducing youth unemployment.

**A. Facilitating school-to-work transition**

Almost every organization looks for work experience when hiring an employee for most positions. This creates an obstacle for graduates who have only theoretical knowledge and little or no work experience.

\(^{16}\) These frameworks are still emerging, and their definition is still contentious. They are not “right/wrong” frameworks, or “either/or” ones. In fact, some of the most powerful impacts occur when more than one framework interacts to address an issue such as youth employment. (Waddell, 2002)
The private sector can play a major role in facilitating a smooth transition for youth to enter the labour market. It can arrange job placement programmes and short-term internship programmes so that students can gain practical work experience, giving them better chances of getting the entry point.

**B. Supporting TVET programmes**

Employment opportunities of youth are characterized by the level of the education they receive and the quality of that education. Skills and competencies are significant factors that often determine the future prospects of a young person.

Most TVET graduates lack practical experience that permits them to get employment. Businesses can partner with technical and vocational training programmes and provide on-the-job training for students while they are still in school. They can also play a role in the development of the curricula to ensure that the skills and competencies acquired are those that the private sector requires.

**C. Supporting entrepreneurship**

Entrepreneurship can play a significant role in reducing youth unemployment and increasing the chances of youth employability. Youth face the difficulty of starting their own businesses for various reasons such as cultural and social norms and difficulty in getting credit due to lack of experience or collateral.

Some government interventions are mentioned in the next chapter, including promoting entrepreneurship by providing grants as seed money and acting as a guarantor in order to facilitate MFI loans.

A culture of supporting entrepreneurship should also be created in the private sector. Businesses can support young people with the capacity of becoming entrepreneurs financially as well as technically in areas such as skill transfer, experience-sharing, market opportunities and providing mentoring services.

**Case Study: Youth Enterprise Society (YES), South Africa**

A good example of best practice in the area of youth training for employment is the Youth Enterprise Society (YES) in South Africa. The YES programme was initiated by Ohio State University in 1989 at the behest of South Africa’s youth and teachers.

YES is an extra-mural activity that runs throughout the year. Students in grades 7 and above are enrolled. The mission of YES is “to empower young people, through enterprise, to become masters of their own destinies. Or, put another way, to help more and more young people to become business creators rather than simply job seekers”. It thus seeks to help alleviate unemployment by encouraging young people to consider entrepreneurship as a career option from an early stage.
Participants develop business competencies through a range of activities. Schools provide their premises, teachers serve as advisors/facilitators and young men and women, along with community leaders, educators and business leaders together contribute to “create awareness and interest in free-market entrepreneurship as a career option amongst young people”, demonstrating the high potential of partnerships between the public education sector and multiple stakeholders for achieving effective education and training for youth.

Source: Youth and Employment in the ECA Region, 2002

3.3 Constraints of the Private Sector in General

According to the Investment Climate Survey (ICS) conducted by the World Bank and the Ethiopian Development Research Institute (EDRI) in 2006/07, the top 10 constraints facing the private sector ranged from competition from the informal sector, access to finance and electricity to the cost of finance (See Figure 6).

Figure 6. Investment Climate Survey (2006/07) – top 10 constraints

![Figure 6](source: WB, ICA, 2009)

According to the ICA, the top ten constraints in order of ranking were:

1. **Competition from the informal sector** – this includes both unfair competition and competition from illegally-traded products including smuggled products, unregistered traders and formal firms (avoiding taxes). Regionally, this problem was ranked highest in Addis Ababa, Adama, Tigray and Harar and Dire Dawa.
2. **Access to finance** – this was a major constraint to the activities of 44% of formal sector enterprises. Firms’ perceptions of access to finance as a constraint had slightly worsened since the 2002 ICA survey (42.8%), as can be anticipated given the tightening in the credit environment. Access to finance was most severe in Addis Ababa and Hawassa.

3. **Tax rates** – this was ranked high, especially in Addis Ababa (42%), Amhara (62%) and Tigray (41%).

4. **Macroeconomic conditions** – this constraint remained unchanged from 2002 to 2006.

5. **Access to land** – around 56% of the survey respondents saw this as a significant constraint hampering their growth. The problem is more severe for small and/or young businesses. According to the ICA report, firms that report being constrained by access to land appear to grow 43% more slowly, with lower fixed investment and employment rates.

6. **Tax administration** – the allocative losses involved affect smaller and younger businesses more than others. On average, businesses held back by this problem are 52% slower to grow and their annual job creation rates are lower by about a third\(^\text{17}\).

7. **Political stability** – this constraint was ranked fifth in Addis Ababa and 7th for all of Ethiopia.

8. **Skills of workers** – most businesses, especially large ones, were constrained by this factor. According to the ICA report, the Productivity and Investment Climate Survey data show strong evidence that skill shortages significantly reduce both the absolute level and the growth rate of in-firm productivity.

9. **Electricity** – lack of electricity was not seen as a major obstacle in the 2005/06 survey since most of the power cuts only lasted for an hour or two. However, the existing power shortage has changed this perspective. According to our survey, almost all private firms have stated electricity to be a critical obstacle.

10. **Cost of finance** – this is less of an issue compared to access to finance. Only 23% of the respondents saw this as a major or very severe obstacle.

Compared to the 2002 survey, most of the constraints mentioned above have shown improvement. However, according to the ICA 2009, despite a substantially improved business environment, productivity still remains low.

\(^{17}\) *World Bank Investment Climate Assessment, 2009*
Doing Business Report

Compared to other countries, Ethiopia’s rank\(^\text{18}\) in Doing Business 2009 dropped steadily from 101\(^{\text{st}}\) to 116\(^{\text{th}}\) due to limited reforms over the years (see Table 3). This was mainly a result of other countries’ continued reforms allowing them to overtake Ethiopia’s ranking (ICA, 2009).

However, Ethiopia has showed some improvement in the Doing Business 2010 survey, moving from 116\(^{\text{th}}\) to 107\(^{\text{th}}\) (see Table 3). Within Sub-Saharan Africa, Ethiopia’s rank in ease of doing business has increased from eleventh to ninth out of 46 economies.

Table 3. Ethiopia’s Doing Business rankings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing Business</td>
<td>107(^{\text{th}})</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Starting a Business</td>
<td>7 procedures</td>
<td>7 procedures</td>
<td>5 procedures</td>
<td>93(^{\text{rd}})</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>12 procedures, 133 days</td>
<td>12 procedures, 128 days</td>
<td>12 procedures, 128 days</td>
<td>60(^{\text{th}})</td>
</tr>
<tr>
<td>Employing workers</td>
<td></td>
<td></td>
<td></td>
<td>98(^{\text{th}})</td>
</tr>
<tr>
<td>Registering Property</td>
<td>13 procedures, 43 days</td>
<td>13 procedures, 43 days</td>
<td>10 procedures, 41 days</td>
<td>110(^{\text{th}})</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>Strong legal rights, limited credit bureau and registry</td>
<td>Limited legal rights, credit bureau and registry</td>
<td>Limited legal rights, credit bureau and registry</td>
<td>127(^{\text{th}})</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>Disclosure index 1 (5 max)</td>
<td>4</td>
<td>4</td>
<td>119(^{\text{th}})</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>20 payments</td>
<td>20 payments</td>
<td>19 payments</td>
<td>43(^{\text{rd}})</td>
</tr>
<tr>
<td>Trading across Borders (exporting)</td>
<td>8 documents, 46 days</td>
<td>8 documents, 40 days</td>
<td>8 documents, 49 days</td>
<td>159(^{\text{th}})</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>39 procedures, 690 days</td>
<td>39 procedures, 690 days</td>
<td>37 procedures, 620 days</td>
<td>77(^{\text{th}})</td>
</tr>
</tbody>
</table>

Source: ICA 2009 and Doing Business 2010

\(^{18}\) Economies are ranked on their ease of doing business, from 1 – 183, with first place being the best. A high ranking on the ease of doing business index means the regulatory environment is conducive to the operation of business.
3.4 The Importance of the Investment Climate in Creating Jobs

“A good investment climate is central to growth and poverty reduction. A vibrant private sector creates jobs, provides the goods and services needed to improve living standards, and contributes taxes necessary for public investment in health, education, and other services. But too often, governments stunt the size of those contributions by creating unjustified risks, costs and barriers to competition.”

François Bourguignon, Senior Vice President, World Bank (2003-07)

In developing countries, where 1.2 billion people are living on under $1 a day and where youth has more than double the average rate of unemployment, a good investment climate plays a central role in economic growth and poverty reduction. Private companies create opportunities for people to be employed and to improve their living standards. Moreover, they are the main source of tax revenues, significantly contributing to the economic growth of a country.

Improving the investment climate is taking advantage of the opportunities of the private sector to contribute towards employment creation. The investment climate lifted 400 million people out of poverty in China; doubled the growth rate in India; and shot the growth of Uganda to eight times the average of other sub-Saharan countries (See box below).

Lessons from China, India and Uganda

China, India and Uganda illustrate some simple lessons about strategies for making investment climate improvements. China and India have both grown impressively in recent years, greatly reducing poverty.

China has reported annual growth of about 8% for the past 20 years, with the share of its population living on less than $1 a day falling from 64% in 1981 to less than 17% in 2001. India's growth has increased from an average of 2.9% a year in the 1970s to 6.7% by the mid-1990s, with the share of its poor falling from 54% in 1980 to 35% in 2000. Yet neither country has an ideal investment climate. China only recently gave constitutional recognition to private property, and non-performing loans hamper its banking sector. India's problems in the power sector are legendary.

So how have these countries managed to unleash growth and reduce poverty? The answer lies in their commitment to making pragmatic improvements in the investment climate. China began with a rudimentary system of property rights that created new incentives for a substantial part of its economy. India

Warrick Smith et al, 2005
began with early efforts to reduce trade barriers and other distortions that covered a significant part of its economy. These initial reforms were followed by a series of improvements that chipped away at other barriers.

Such strategies are not limited to large countries. Uganda, which launched a major investment climate reform in the early 1990s – after a period of civil conflict and macroeconomic instability – saw private investment as a share of GDP more than double, from just over 6% in 1990 to 15% in 2002. Growth averaged 4% per year during 1993-2002 (or eight times the average in sub-Saharan Africa) and the share of its population living below the poverty line fell from 56% in 1992 to 35% in 2000.

Source: Warrick Smith et al, 2005

A good investment climate not only benefits the private sector, it benefits society as a whole. It can play a significant role in reducing unemployment by enabling enterprises to grow and increase their profitability. It also boosts entrepreneurship and the advancing of firms from the informal sector into the formal economy.

Better performance on the ease of doing business rank can be shown to be associated with more jobs and lower unemployment (See Figure 7).

Figure 7. Ease of doing business associated with lower unemployment

![Unemployment rate graph](image_url)

Higher

Lower

Least difficult

Most difficult

Countries ranked by ease of doing business, quintiles

Note Relationships are significant at 1% level and remain significant when controlling for income per capita

Source: Doing Business database, ILO (2005)
According to the World Bank, improving the investment climate not only creates jobs and improves living standards; it also encourages people to invest more in their own education and skills to take advantage of better jobs in the future. There is thus a two-way link between skills and jobs, with an improved investment climate complementing efforts to improve human development.

According to the World Development Report (2005), improving the opportunities and incentives for the private sector to invest productively, expand and to create jobs should be a top priority for governments. The process should not only be about increasing the volume of investments but also about stimulating productivity improvements that are keys to sustainable job creation and growth.

The report further mentions that over 90% of firms claim gaps between formal rules and what happens in practice, and the informal economy accounts for more than half of output in many developing countries. Governments need to bridge these gaps and tackle deeper sources of policy failure that undermine a sound investment climate in order to spur employment creation by the private sector in general.

### 3.5 Empirical Findings: Perception of the Private Sector Towards Youth

The survey included a total of 50 private sector companies with a total of around 14,000 employees (See Table 4). Out of these, only 22% were youth employees. There was also a regional variation in the share of youth employees among the six cities. Hawassa and Adama had the highest shares, which can be explained by the surveyed companies being largely in the manufacturing sector.

<table>
<thead>
<tr>
<th>City</th>
<th>Number of employees</th>
<th>Number of youth (15-24)</th>
<th>Proportion of youth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addis Ababa</td>
<td>5472</td>
<td>712</td>
<td>13%</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>1865</td>
<td>443</td>
<td>24%</td>
</tr>
<tr>
<td>Mekelle</td>
<td>2472</td>
<td>na</td>
<td>-</td>
</tr>
<tr>
<td>Bahir Dar</td>
<td>2514</td>
<td>939</td>
<td>37%</td>
</tr>
<tr>
<td>Hawassa</td>
<td>771</td>
<td>487</td>
<td>63%</td>
</tr>
<tr>
<td>Adama</td>
<td>1091</td>
<td>576</td>
<td>53%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,185</strong></td>
<td><strong>3,156</strong></td>
<td><strong>22%</strong></td>
</tr>
</tbody>
</table>

It was observed that certain companies such as hotels, flower exporters, coffee exporters and most manufacturers hired a higher proportion of youth and the respondents held the view that youth were actually preferred for the position.
In the case of Addis Ababa, the youth proportion is lower since the survey covered companies that required professionals who are graduates of universities and colleges. In such organizations, youth who are under 24 years of age are scarce since it implies hiring ‘fresh graduates’ who would fulfil the age criteria of ‘youth’ for only one or two/three years following graduation.

From the survey, older companies or those which used to be state-owned and privatized tend to be dominated by a large number of non-youth employees. This is mainly as a result of less turnover and lower rate of new vacancies. The result of the finding indicates that the higher the number of newly hired employees, the higher the chance of the youth to be employed, especially for low-profile vacancies. This suggests that firm growth is a central factor for youth employment creation.

Most private sector employers’ attitude towards youth is positive. More than 70% of the respondents ‘strongly agree’ or ‘agree’ that youth are efficient employees. There was also a positive perspective that youth are quick learners (83%) and that they are motivated (76%) (See Figure 8).

Figure 8. Attitudes towards youth

On the other hand, 31% of the respondents 'agreed’ that youth are hasty, followed by 36% that ‘somewhat agreed’ that youth are hasty. It may also be noted that 38% of the respondents more or less had the impression that youth cared only about money.
97% of the respondents mentioned work experience as a desired attribute. The findings also showed that even for junior positions, most employers made work experience one of the criteria when hiring. For instance, in the case of a junior secretary, only 21% of the respondents asked for no work experience when posting vacancies. In the case of a junior accountant, 40% of the respondents made a minimum of one year work experience a criterion and 33% asked for more than two years of work experience.

**Figure 9. Required work experience**

![Figure 9. Required work experience](image)

*Source: Survey data*

On considering leadership roles for youth, the respondents’ estimate of the minimum age required to be a ‘manager’ averaged 32 years.

In the case of gender disparity, 60% of the respondents tended to believe that most positions in their organization required employees to be male.

However, **83% of the respondents said that they offer on-the-job training for their employees.** Only 20% of the private sector companies had linkages with TVET institutions for hiring TVET graduates by directly contacting the institutions.
3.6 Empirical Findings: Constraints to Private Sector Growth

Both the ICA survey and the primary research undertaken for this study highlighted some of the constraints hindering the Ethiopian private sector from growing and creating more jobs. More than 30% of the respondents stressed shortage of inputs as a major constraint.

25% of the respondents highlighted bureaucracy in various government offices as a major constraint, including cumbersome investment procedures and bureaucratic procedures for access to land.

Lack of trained manpower and lack of capacity of TVET graduates were also mentioned as factors preventing certain small enterprises from growing.

In recent periods, power cuts were identified to be a major constraint by almost half of the private sector respondents. In addition, more than 30% of the respondents stressed foreign currency shortage as another factor affecting their growth.

Other constraints mentioned included access to finance, which was exacerbated by the measures taken by the GoE to limit bank lending in early 2009, lack of market, poor infrastructure and burdensome tax rates.
4 Government Policies and Strategies Related to Youth Employment

4.1 Overview

The problem of youth unemployment is gaining attention in Ethiopia as the country is home to one of the largest youth populations in Sub-Saharan Africa, where most young people enter the labour market with low levels of human capital (Guarcello et al. 2008). To this effect, the GoE, has outlined in its main development strategy, PASDEP, a major emphasis on youth policy and strategy. The policies and strategies have been enshrined in various Government documents outlining the main directions to be followed in response to the issue.

The main documents in which these policies and strategies have been reflected include PASDEP – 2004/05-2009/10, the National Youth Policy of March 2004, Labour Proclamation 377/2003, the Education Policy of 1994, the youth development package formulated in June 2006, the Micro and Small Enterprises Development Strategy, Industrial Development Strategy and HIV/AIDS Policy. The institutions most concerned with youth and labour force are the Ministry of Youth, Sports and Culture, the Ministry of Education, the Ministry of Labour and Social Affairs (MoLSA) and the Ministry of Trade and Industry. While PASDEP provides in its generic form development goals and indicators based on MDGs20, the specific policy which can impact youth employment most is the national youth policy.

The following sections summarise these major policy documents and how they relate to youth employment.

4.2 Youth Employment in PASDEP

According to PASDEP (2004/05-2009/10), creating employment opportunities for youth is among the eight pillars of the development goal of ending poverty. One of the methods of creating these employment opportunities is to expand labour intensive technologies. Taking into consideration the fact that the surplus in the Ethiopian labour market has created the problem of underemployment and unemployment among youth in urban areas, due emphasis is given to controlling population growth in addition to expanding labour intensive technologies. PASDEP sets out the direction over the five-year period from the national youth policy and youth development packages as discussed further below.

20 Youth unemployment is included as an indicator for monitoring Millennium Development Goal Target No. 16 to develop and implement strategies for decent and productive work for youth.
4.3 National Youth Policy

The Ethiopian National Youth Policy was formulated in 2004 and deals with major policy issues specifically related to youth. The policy addresses issues ranging from entrepreneurship and education to youth employment, including cross-cutting issues such as social services and HIV/AIDS. The policy acknowledges the benefits created by the informal sector in generating employment opportunities and promises to alleviate youth unemployment and underemployment problems.

A youth development package was formulated in 2006 in order to consolidate, enrich and urgently put into effect this policy.

The policy addresses youth entrepreneurship and ways of enabling the private sector to enhance its role in terms of creating job opportunities and increasing the prospects for employment of youth. The youth policy aims to facilitate the growth of self-employment and formal/informal employment opportunities, and to create conditions conducive for rural youth to acquire farming plots and grazing lands on the basis of existing laws\textsuperscript{21}.

Mentioned as ‘special target groups’ are the out-of-school youth, school drop outs, youth that need special attention and youth with special talents. The policy aims to create an enabling environment for out-of-school youth by expanding adult education services, civic and ethical education to develop their reading and writing abilities. It also plans to study ways of assisting school dropouts, and proposes special education programmes for exceptionally talented youth and those with special needs (See Annex 2 for a summary of the National Youth Policy and Development Package).

4.4 Education Policy

The 1994 Education Policy has dramatically changed and shifted the country’s education system. The policy included major changes in terms of training TVET graduates to facilitate vocational school-to-work transition. The new education policy, in a change from its predecessor, aims to produce a skilled labour force rather than a large number of unskilled secondary school graduates. Under the new school system, those who do not have the chance to go to university can pursue the TVET, which normally takes two or three years. To increase the efficiency of TVET, the MoE issued a proclamation in 2004 providing guidelines for the standards of certification and accreditation, cost-sharing internships, board and council establishments.

With the main goal\textsuperscript{22} of improving educational quality, equity and relevance, and with particular emphasis on education for all by 2015, the government launched three consecutive 5-year indicative plans, the most recent of which is the Education

\textsuperscript{21} \textit{PASDEP, 2005/6 – 2009/10}

\textsuperscript{22} \textit{Specific goals have also been identified for each level of education: general, TVET and higher education}
Sector Development Plan (ESDP III). Under ESDP III (2005/06 to 2009/10), it is planned to achieve the national plan through ensuring the quality and relevance of education; lowering education inefficiency; preventing HIV/AIDS; increasing participation in education and training; ensuring quality; and increasing the participation of stakeholders, including the private sector.

4.5 HIV/AIDS Policy

The HIV/AIDS Policy was established in 1998 in response to the alarming spread of HIV/AIDS in the country. In the document, there are several important provisions covering employment, including that no person should be forced to undergo compulsory HIV screening for job recruitment purposes unless the nature of the work makes this necessary; it also ensured the rights of people with HIV/AIDS to have access to jobs and associated education and training facilities.

In 2003, the HIV prevention and control office developed a mainstreaming guideline to provide both conceptual and practical guidance and information on how the public sector should address the HIV epidemic in the workplace. MoLSA has included provisions in its strategies, action plan and policies about undertaking impact studies of HIV on various social groups. MoLSA also provides guidance on employment procedures and labour law to prevent mandatory pre-employment or periodic medical check-ups for HIV/AIDS.

4.6 Strategies Related to Industrial and MSME Development

The Ethiopian Industrial Development Strategy, formulated in 2001, has an objective of enabling the private sector to utilize its full capacity and increasing its participation, establishing industries that use labour-intensive technologies and local raw materials, and increasing the industrial sector’s contribution to GDP, employment and foreign exchange earnings.

In order to achieve this, the strategy underlines the need for creation of a conducive business environment (financial markets, legal and administration framework, infrastructural set-up, macroeconomic conditions, skilled labour and land issues) and support to target industries such as textiles, agro processing, leather, construction and MSMEs (PASDEP, 2006).

In an attempt to create a conducive environment, it recognizes the importance of SMEs to youth employment by ensuring a speedy and smooth implementation of the investment code.
In addition, the MSE Strategy identifies the importance of MSEs since they absorb agriculturally under-employed labour and diversify the sources of income for farming families as well as being seedbeds for the development of medium and large enterprises.

The GoE’s support is overseen by FeMSEDA, while direct support and promotional activities are carried out by ReMSEDA. Activities include training and counselling, the provision of microcredit, providing working premises and provision of marketing and market information.

As stated in PASDEP (2006), plans for the future include providing more basic training in textile skills, upgrading business development services (BDS) by strengthening capacity and providing staff training to REMSEDA, and creating market linkages with foreign importers.

4.7 Other Proclamations Related to Youth Employment

Labour Proclamation 377/2003

The Labour Law of 2003 ensures that the worker-employer relationship is governed by some basic principles. The law makes certain provisions for youth employment.

Article 29 of the law provides that in the event of a reduction in the size of an organization’s workforce, the employer, in consultation with trade unions, shall give priority based on workers’ skills and productivity, thus positively impacting youth.

Article 48 discusses apprenticeships and allows for contracts to be formed with people at least 14 years old. In addition, the labour law outlines the workforce of 14-18 years of age and prohibits employment of young workers for activities that endanger their lives or health.

Article 90 provides that normal working days for young workers should not exceed seven hours and they are restricted from overtime work performed at night, or on rest days or holidays.

MFI Proclamation of 1996

The proclamation that allowed the establishment and licensing of deposit-taking MFIs, directive 40/1996, is regarded as a great breakthrough in meeting the credit demands of the very poor who were not addressed by banks. Even though most MFIs do not have savings and loan products specifically designed for and targeting youth, they play a major role as the sole providers of loans to young entrepreneurs who are organized under ReMSEDA.

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23 Repealed on 12th May 2009 by a new proclamation that redefined the micro financing business
5 Analysis of the Findings and Gap Identification

5.1 Supply Side Constraints for Youth Employment

The labour market, like any other market, is composed of demand and supply sides. The supply side of the labour market constitutes the labour force (both skilled and unskilled) in the economy. This side is also called a push factor in the labour market; it keeps pushing/supplying labour to the market. On the other hand, the demand side is the employment side of the market absorbing the labour force. Constraints to youth employment have been classified here according to constraints stemming from the demand and supply sides respectively.

Table 5. Summary of supply side constraints

| 1. Low educational level and lack of quality skill attributes | a. Low early human capital development |
| | b. Low quality of training |
| | c. Lack of entrepreneurship confidence and motivation |
| | d. Absence of career advice |
| 2. Youth perceptions of employment | a. Youth aspire to ‘white collar’ jobs |
| | b. Low initiative to start own work and to stay in work |
| | c. Low awareness levels amongst the youth |
| 3. Lack of experience | a. Unemployment problem increases for the inexperienced |
| | b. Youth job seekers lack experience |
| | c. Employers prefer experienced people |
| | b. HIV/AIDS affects youth competitiveness |
| 5. Lack of support towards youth entrepreneurship | a. There are gaps in the support interventions |
| | b. There are no places for free players |
1. **Low level of education and lack of quality skill attributes**

On the supply side of the Ethiopian labour market, there is a low quality labour force. There are various reasons explaining the fact that most of the labour force has low educational levels and lack quality skills.

a. **Low early human capital development.** Owing to the general poverty level in the economy, youth leave school and enter the labour market too early, without having the necessary human capital to succeed. Some findings from the survey implied that youth that leave school at an early age usually stay being employed in the informal sector without further improvement in their human capital.

b. **Low quality of training.** Participating in vocational training increases the probability of being employed\(^{24}\); however the quality of training and its impact on the trainees in actually equipping them with the necessary skills is low. From the survey, both the private sector and some training institutions emphasized and agreed on the low quality of the training that is being provided.

The youth FGD also showed that graduates’ capacity and confidence is very low because of low quality education and training, which can be attributed to training large numbers of trainees at the same time, using out-of-date equipment, and the low capacity of trainers.

c. **Lack of entrepreneurial confidence and motivation.** Being equipped with the necessary skills is important, not only to get employed in a well paying job but also for starting one’s own business. The lack of entrepreneurial motivation, lack of vision/ innovation and inability to produce good business plans or feasibility studies are all part of the problem youth are facing in starting their own businesses.

From the youth FGD, graduates of TVET institutions admitted that they lack confidence to start their own businesses. A necessary motivation needed for entrepreneurship is missing, greatly contributing to the unemployment problem. Furthermore, youth cooperatives who are given financial and other support by MFIs and ReMSEDAs respectively are highly dependent on the government for finding markets and fail to perform once they finish their awarded projects.

d. **Absence of career advice.** According to most TVET institutions interviewed, youth who are lucky enough to get formal education choose their field of studies naively, without considering their capacity and interest. Moreover, they are not given the necessary orientation about their future prospects, often leading them to choose a field of study that has an excess supply.

\(^{24}\) Serneels, 2007
There is a lack of support for university graduates in securing jobs. According to interviews conducted with BoLSAs, it was noted that the bureaus are not fully implementing their roles in linking graduates with prospective employers.

2. **Youth perceptions of employment**

Youth, most of the time, prefer to be employed in the formal sector rather than engage in self-employment. According to Serneels (2007), public sector and formal private sector employment are considered ‘good jobs’ due to their high wages, while self-employment, casual and cooperative employment are considered to be ‘bad jobs’.

a. **Youth aspire to get ‘white collar’ jobs (hence do not value ‘blue collar’ jobs).** Owing to the wage variation, the middle class prefers to get education and queue in unemployment for a good job while foregoing self-employed earnings. Unfortunately, most of those aspiring to formal sector jobs never get one because of the sector’s small share in the labour market. Occupations referred to as “white collar occupations” make up an insignificant proportion of the country’s total employed. They constitute altogether only 2.4% of the country’s employed persons.

The fact that students are still interested in getting employed in the formal sector was also confirmed by most of the training institutions interviewed in the survey. The reasons raised were mainly fear of risk and challenges in starting a business and having a negative perception of practical work.

b. **Low initiative to start one’s own business and to stay in work.** According to training institutions interviewed, graduate ‘expectations’ of a smooth and rapid transition from school to work, attitude towards work and low level of initiative keep youth away from being proactive in starting their own businesses.

With regards to working in a group, most of the key informants in the survey mentioned that youth, most of the time, are not willing to work in groups which makes it difficult to get support in terms of loans and working premises since these supports are mostly given only for those organized in groups. Leadership problems and disagreements were also mentioned as major problems when working in a group/team.

Willingness to work was another factor raised in the survey; the youth FGD raised the issue of cases where youth groups disappeared with advance payments without even starting work or without showing endeavour.

25 Legislators, senior officials and managers, professionals, technicians and clerks
26 Labour Force Survey (CSA), 2005
27 Government offices, MFIs and youth
c. **Low awareness levels amongst youth.** According to the youth FGD, some youth lack awareness about the current labour market and what they want to do in the future. Most youth when asked “**what would you do if you had this amount of money**” or “**...when you finish school**”, gave replies such as, “**What is there to do with only 50,000 birr?**”, “**I don’t know**” and “**I will think about it when I reach there**”.

Concerned stakeholders should work towards raising youth’s awareness of entrepreneurship and making them actively engaged in economic activities.

3. **Lack of experience**

a. **The unemployment problem is higher for those with no experience.** According to CSA (2005), 48% of the unemployed labour force in urban areas has never worked.

b. **Youth job seekers lack experience.** From the supply side, youth job seekers – being new to the work environment – lack the experience demanded by employers. Limited formal work experience and a lack of job-related skills put youth at the bottom of the hiring list.

c. Most youth FGD participants stressed the work experience requirement of most employers as the most critical problem that youth face. In the case of professional jobs, most fresh graduates remain unemployed for more than a year since most vacancies require work experience.

4. **HIV/AIDS**

The country is losing its productive workforce due to HIV/AIDS as the virus is prevalent especially among youth. Trend analysis of HIV/AIDS prevalence indicates that the urban epidemic appears to have levelled off at a high prevalence rate in the past decade²⁸.

a. **HIV/AIDS affects the performance of the economy.** Of adults aged between 15 and 49, 4.4% live with HIV/AIDS. The number of individuals with HIV/AIDS in the labour force is 1.4 million. It is estimated that HIV/AIDS leads to a GDP loss per capita of 2%.

b. **HIV/AIDS affects youth competitiveness.** Children’s opportunities for a basic education and decent childhood are taken away when they lose their parents to HIV/AIDS, becoming orphans. They are typically vulnerable to the horrors of street life at an early age and do not get the opportunity to develop their human capital. They also do not get access to proper care, psychological support and supervision, which affects their ability to develop skills and become competitive in the labour market.

²⁸ PASDEP, 2005/6 – 2009/10
5. **Lack of support for entrepreneurship**

Even though there are various forms of government support for youth employment in the target cities, there are gaps and shortcomings. The support comes in the form of organizing young people and providing start-up requirements such as premises, loans, training and, in some cases, assistance towards finding markets for cooperatives. The government also identifies sectors in which the youth cooperatives can be engaged.

a. **There are gaps in the support interventions.** The interventions can be further improved in the area of implementation. In the youth FGD, issues of ethnicity, language and political inclination were reported as factors influencing the ability to access entrepreneurship support. It was also found that access to loans and premises tends to take a long time (sometimes over a year) after youth are organized and ready to start working, making them idle while waiting for the promised support and sometimes resulting in changes in their plans.

The capacity of officials in the ReMSEDAs was raised as an issue in the FGD. In addition, the loan size and terms offered do not particularly suit the needs of micro enterprise operators. These gaps often led to frustration and youth giving up on their endeavours. There were cases where youth lost confidence in the GoE’s support and had shifted to engaging in other activities.

b. **There are no places for ‘free players’.** According to the FGD, the working system of ReMSEDAs and MFIs is hindering many ideas that have good prospects. Such ideas do not receive support because they do not benefit from the GoE’s preferred sector status. Youth also mentioned that some pre-requisites such as political inclination and involvement are highly considered in providing support.

The overall GoE working system does not appear to support ‘free players’ as much as cooperatives organized in priority sectors. Empowering youth requires improving the support system that is being provided by GoE and other concerned stakeholders.
5.2 Demand Side Constraints for Youth Employment

Table 6. Summary of demand side constraints

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Sub-Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Low absorption capacity</td>
<td>a. Formal sectors absorb less</td>
</tr>
<tr>
<td></td>
<td>b. Weak macro economy</td>
</tr>
<tr>
<td>2. Slow investment implementation</td>
<td>a. Low implementation of investments</td>
</tr>
<tr>
<td></td>
<td>b. Not enough jobs being created</td>
</tr>
<tr>
<td>3. Educational and skills requirements</td>
<td>a. Employers want the finished product</td>
</tr>
<tr>
<td></td>
<td>b. Employers prefer experience as a discriminating factor</td>
</tr>
<tr>
<td>4. Perceptions of youth</td>
<td>a. Youth are not perceived as capable and fit</td>
</tr>
<tr>
<td></td>
<td>b. Seniors are not willing to work with youth</td>
</tr>
<tr>
<td></td>
<td>c. Good perceptions from the government</td>
</tr>
</tbody>
</table>

1. **Low absorption capacity**

   a. **Low absorption in the formal private sector.** The demand side of the labour market is highly constrained by its low absorption capacity. Even though employment in the public sector and formal private sector employment are well regarded because they pay well and offer career prospects, their capacity to absorb the growing labour force is very low.

   The survey findings indicate that there are limited opportunities for new vacancies and low turnover in the case of public and formal private sector employment.

   Out of the total income earners in urban Ethiopia, the largest share, with nearly half of the total, are self-employed, accounting for more than the government and formal private sector combined (See Figure 10).

Figure 10. Employment distribution in urban Ethiopia

Source: Own calculation based on data from LFS, 2005
b. **Weak macro economy.** The low absorption capacity also relates to macroeconomic conditions, which have not kept up with the rapidly increasing labour force. According to data from the 2005 CSA Labour Force Survey, the total of paid employees represented 7.9% of the working population; the figure for urban areas is 42.8%.

2. **Slow investment implementation**

   a. **Low implementation of investments.** Even though the government is promoting new investments, the rate at which licensed investments are being implemented and creating jobs is very low. Between 2000 and 2009\(^{29}\), around 37,700 projects with a total investment capital of ETB 704.8 billion were registered and approved, with the potential to create permanent employment opportunities for almost two million people and temporary employment opportunities for 3.6 million. However, only 4% of these projects are currently in implementation and only 8% have yet reached an operational stage.

   b. **Not enough jobs are being created.** The jobs created by medium and large scale private investments are not sufficient when compared to the rapid growth in the labour force. If the realization of investment projects remains slow, the number of job opportunities created for youth each year will be few.

3. **Skills and experience requirements**

   a. **Employers want the finished product.** Any employing company would like to have a skilled and well-trained workforce.

      From the survey, it was found that employers overwhelmingly do not engage in formal skills development and training programmes for their employees (especially youth, since youth tend to leave their jobs easily), preferring to hire experienced and skilled employees and not greatly valuing investment in training or the available training providers. More than 50% of the respondents from the private sector survey did not appreciate training that is being provided, especially for jobs that require on-the-job-training.

      Despite the fact that employers are not satisfied with the quality of skills available in their workforce, they do not value investment in training. A more long-term approach towards employee development would improve the skills of their workforce and broaden the chance of employment for less skilled workers.

\(^{29}\) EIA, 2009; Up to August 2009.
b. Employers prefer to hire experienced people. With the low level of skilled employees in the labour market, employing companies look and filter only the best and most experienced ones. The survey findings show that 97% of the respondents considered work experience as a desired attribute during job assessments.

Furthermore, employing companies prefer to put some working experience as a requirement for a job application. It was found out that almost all junior positions in employing companies require a minimum of 2 years of work experience, leaving freshly trained graduates unable to access most positions in the job market.

4. Perceptions of youth

Society’s perception of youth is blurred; youth are often not recognized as an important future resource of the country. From the private sector survey and FGD, some employers, older work colleagues and government officials were found to have a negative impression about youth and their working capacity. Unemployed youth are seen by some in society as criminals and irresponsible individuals who do not have any value.

a. Employers’ perceptions. Youth are not perceived as capable and fit for work. Hiring youth is seen as a cost by some companies interviewed since youth require training and might take time to start work with full potential. Furthermore, some employers viewed youth as irresponsible individuals who tend to walk away easily from a company. This influences many employers not to invest in training youth.

From the youth FGD, it was found that youth are discriminated against in certain companies primarily due to their age. Some private sector companies also expressed the view that youth lack confidence as well as the ability to learn due to a highly theoretical educational background.

b. Senior colleagues’ perceptions. Some senior workers do not show a willingness to work with youth. It was interesting to discover that some senior staff at workplaces actively avoid supporting and demonstrating things for younger colleagues most of the time out of fear of losing their own positions. This view was stressed both by the companies’ management officials and the youth themselves. However, there are some positive views of youth as being active, fast learners and implementers; there were also views indicating that youth will be able to assume higher positions as long as they have the competency to take the responsibility.

c. Government perceptions. Even though the government made its perception towards youth clear and acknowledges them as an important part of the workforce, some government officials appear to have a less positive picture about the youth. From the youth FGD, it was indicated that officials at ReMSEDAs and MFIs have the impression that youth are not
trustworthy, due to a couple of instances where youth groups have taken MFI loans and disappeared.

5.3 Opportunities and Support for Youth

Despite some constraints to youth employment, there are promising developments that work towards youth employment and entrepreneurship in Ethiopia. The existing opportunities include:

A growing and expanding economy. Ethiopia has registered unprecedented economic growth rate in the past decade. Real GDP has been growing annually by double digits between the years 2003/04 and 2007/08.

The government has developed strategies to accelerate economic growth in the areas of infrastructure, telecommunications, tourism, education, health and private sector development among others.

In the service sector, there has been a rapid growth in the retail trade, tourism, transportation, financial services and real estate. All this shows the scope for further expansion in various economic sectors which will create a considerable number of job opportunities for youth.

Promotion of labour-intensive technologies. According to PASDEP, expansion of labour-intensive productive activities is one of the ways through which new opportunities can be created to fight unemployment in general. In regard to this, the government has emphasised the growth of rural, industrial, export and construction sectors with a focus on labour-intensive sectors.

The government, in its industrial development strategy, with the objective of increasing the benefits earned from economic integration to make Ethiopia an industrialized country, has given special attention to strategic sectors and is providing direct support and guidance under the industrial development policy. Some of these sectors are:

- Construction;
- Textile and garment industries;
- Meat, leather and leather product industries; and
- Other agro-processing industries.

One of the specific objectives of the industrial development strategy is to increase the industrial sector’s share of GDP and its employment generation capacity.
Support Institutions. There are various support institutions, including the government, directly engaged in promoting youth employment and entrepreneurship. Amongst the institutions most concerned with youth employment and entrepreneurship are ReMSEDAs, MFIs, training institutions and donors/NGOs. Figure 11 below shows the roles of the various support institutions in youth employment and entrepreneurship.

Figure 11. Framework of support institutions in youth employment

A. ReMSEDAs

The main government programmes that promote entrepreneurship and youth employment are run by the Federal Micro and Small Enterprise Development Agency (FeMSEDA) and its regional branches (ReMSEDAs), which are now organized under MoTI and BoTI.

There are numerous support programmes available through ReMSEDAs on employment and self-employment of youth. ReMSEDAs in all target cities organize young people into cooperatives, provide them with working premises and guarantees so they can access loans from MFIs. They also provide basic training in technologies and business skills.

In addition to these customary services, ReMSEDAs identify viable sectors in the city, work with producers to identify existing constraints and create market linkages for youth cooperatives. Follow-up is also given to youth cooperatives once they commence work.
The support shows some good results. There are some promising achievements from the implemented programmes in creating employment, for example, condominium house and cobblestone projects are employing a large labour force in all target cities. Many unemployed youth have improved their conditions and transformed to being employers. However, the sustainability of such large-scale government-funded programmes to create a long term solution for youth, beyond incubation, is unclear.

Furthermore, in some cities where the survey was conducted, ReMSEDAs have special provisions to engage HIV/AIDS victims and disabled people in income generating activities by giving them priority in participating in training programmes and accessing loans.
Cobblestone Project: A success story for youth

Cobblestone paving was first recorded in Egypt 3,500 years ago. Since then, it has been used worldwide, in cities such as Berlin, Paris, New York and Rome. In Ethiopia, paving was limited to roads in the city of Dire Dawa, during the construction of the Ethio-Djibouti railway line in the early 20th century.

Currently, the cobblestone project is one of GTZ’s programmes in Ethiopia. After only 2 years, more than 650,000 square metres have been paved – beautifying marketplaces, roads and walkways. More than 67,000 workers have received on-the-job training in the various skills of the cobblestone trade, many of whom are youth MSEs.

The cobblestone project started in August 2007 in the city of Adama, where 80 local craftsmen had been trained in paving and chiselling by German trainers of the University Capacity Building Programme (UCBP). Following the growing interest of local, regional and federal decision makers, regional training centres were established in five other regions and city administrations, namely Hawassa, Bahir Dar, Mekelle, Dire Dawa/Harar and Addis Ababa. In these towns, men and women of all ages are trained and prepared for future employment in the cobblestone trade. The overall ratio of female labour is about 45%. By the end of 2009, more than 90,000 people were working in this sector.

To date, more than 1,700 MSEs enable chisellers and pavers to get contracts not only from cities and universities but also from the private sector. According to the national strategy, a roll-out to about 150 towns throughout Ethiopia is planned which will lead to the creation of about 700,000 jobs in the cobblestone road construction sector within the next 10 years.

The transferability and sustainability of cobblestone paving was ensured through capacity building at micro, meso and macro levels. This is achieved through, for example, on-the-job training (micro), institutionalizing training in TVET and in City Administrations (meso), strengthening quality and standards nationwide and creating a conducive policy framework (macro).

The many stakeholders involved include the Ministries of Capacity Building, Education, Works and Urban Development as well as MoTI; UCBP, ecbp (which will institutionalize the training in TVET and support the development of MSEs), and the Urban Governance Development Programme of GTZ.

Source: GTZ International Services Ethiopia, 2009
B. Training institutions

There are several governmental and non-governmental institutions providing training in a number of fields. Informal and short-term training is also available at sub-city levels for those who face skill gaps in their business with no education requirement.

The Ministry of Education’s (MoE) Technical and Vocational Education and Training (TVET) system offers an alternative to the academic subjects that were previously being provided in secondary schools. Currently, there are around 126 governmental TVET institutions.

Demand-driven. Ethiopia’s TVET programmes were criticized for being supply-driven in the past but that is shifting as the government has required every TVET to undertake market research in advance before opening any TVET programme so that the courses provided are more demand-driven.

Experience requirement. TVET trainees are required to attend apprenticeship programmes to provide them with hands-on-experience in addition to their theoretical knowledge. Graduates receive their certificate based on the skill competency results from their apprenticeship programmes.

In addition to the formal TVET schools, the Ministry of Education operates adult and informal education programmes for all ages, focusing on literacy and numeracy skills. Privately run informal education programmes, such as those of the German NGO IIZ/DVV, are also available.30

Training institutions, in addition to increasing employability31, promote entrepreneurship. Most TVET institutions provide entrepreneurship courses to prepare youth to be able to start their own businesses. Some training institutions provide support to help graduates organize and start-up their own businesses by writing support letters to institutions such as ReMSEDAs and MFIs.

C. Microfinance Institutions

MFIs play an important role in youth employment and entrepreneurship. They support young people by providing the necessary start up and working capital in the form of loans. Currently, there are 29 MFIs in Ethiopia providing products from individual loans to MSE business and cooperative loans.

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30 World Bank, 2008
31 Serneels, 2007
A number of MFIs were visited in all target cities during the survey. Addis Ababa, Adama and Hawassa have more than one MFI operating there, while, Mekelle, Dire Dawa and Bahir Dar only have their respective regional MFIs.

Most MFIs provide loans that are applicable for youth (at least 18 years old) under various loan products. Some give priority to youth groups with a plan to engage in government priority sectors. However, according to the survey, some MFIs consider providing youth loans as a risky venture since there have been cases where youth clients misused the money advanced. Most MFIs in the surveyed cities work with the ReMSEDA in providing loans for organized youth.

There are different collateral types based on the loan products being advanced. Group collateral is the type most commonly used by youth. TVET graduation credentials are also used as collateral in certain cases when lending to youth.

Almost all MFIs provide training for clients on general book keeping, financial management and repayment, which facilitates the process for MFIs when working with their clients.

Some economic activities in which youth borrowers are engaged include construction of condominium houses, manufacturing of hollow-blocks, animal husbandry, food processing, horticulture, metal work, wood work and trade.

D. Donors/NGOs

There are a number of NGOs and international donors in Ethiopia working on issues directly or indirectly related with youth and youth employment. Most donors/NGOs work with different ministries, city administrations and city bureaux in activities that engage youth in income-generating activities. The cobblestone project can be cited as a very successful project amongst others that are being implemented in the form of a partnership between multilateral and bilateral organizations such as the World Bank/GTZ and GoE.

International donors also provide substantial support both to expand and to build the capacity of Ethiopia's educational system. GTZ, through ecbp, is the main donor in the area of developing the TVET system of the country while the GTZ UCBP is engaged in expanding construction-related MSEs throughout the country.

Amongst the surveyed donors/NGOs in the target cities that engage in youth employment, most operate programmes of capacity building including life skills and vocational training courses as well as training in income generating activities; these activities, however, rarely have a specific focus on youth.
Donors are also playing a positive role in increasing the outreach and efficiency of MFIs. They support MFIs in many dimensions such as providing loan capital, building the capacity of MFIs by providing training, office space and communication equipment, rendering advisory services and contributing towards **developing and piloting innovative savings and loan products** that meet the needs of poor households (AEMFI, 2008).

### 5.4 Policy and Implementation Gaps

#### A. Policy Gaps

Current policies emphasise supply-side interventions in reducing youth unemployment. However, major policy intervention is needed by also intervening on the **demand side**. Interventions such as improving the business environment, providing credit to micro-entrepreneurs, private-public partnerships and reducing barriers to entry have not been sufficiently addressed. **The sectoral bias towards priority sectors also limits the scalability of interventions.**

**The role of the private sector is not sufficiently addressed** (no mention of financial support/sponsorship and capacity building for or from the private sector). Streamlining the role of the public and private sector is important both at the policy and strategy levels.

Youth employment policy has been largely defined in terms of education and training policy. However, there is little indication of **how the training policy strategically addresses the growing demand or mismatches in the labour market**. This point could be elaborated through a strategy.

The youth employment policy says little about **employment opportunities outside Ethiopia**. Many skilled and unskilled youth migrate and work outside Ethiopia. However, there is a need to address this policy gap, by defining skills levels including mechanisms to facilitate expatriation and employment abroad to places such as the Middle East. In fact, it was found that, in one of the largest low-skills employment markets accessible to Ethiopia, Dubai, with its booming construction and related industries, Ethiopia does not even have an embassy to promote and facilitate migrant work. Such programmes could create employment and boost remittances.

Despite the fact that a considerable number of young people are employed in the informal sector, the **policy does not address supporting and gradual transformation into the formal sector** with more employment opportunities and growth.
The policy also fails to specify the government organs/offices responsible for the implementation of certain programmes, which results in a lack of accountability. For instance, policy issues which have not been implemented include:

- Establishing suitable centres and services close to youth with special needs, e.g. creation of specialised youth clusters;
- Awareness-creation and advocacy activities to bring about behavioural change amongst government bodies, civil society, the private sector, the general public, families and youth on the rights and duties of youth.

B. Implementation Gaps

The policy states that the appropriate framework should be established to bring about the linkage that should exist between institutions, stakeholders among different parties who work with these sectors of society. However, little interaction and experience-sharing appears to exist between regional ReMSEDAs, capacity building organisations and the private sector\(^{32}\) as specified in the policy. If at all, it is often on an ad-hoc basis and without binding rules for accountability and responsibility-sharing. As a result, a common shared vision is lacking.

One of the implementation strategies of the national youth policy is the giving of awards and encouragement for role models in job creation. However, the incentive mechanisms for the role models are not properly set out in terms of selection criteria. Clearer directions should be given to incentivize innovative youth groups.

In the face of dynamic economic growth, it is often the case that general job creation opportunities expand. However, the general policy will not be sufficient to create an enabling environment for the transition of youth to work by immediately joining the job market as market failures inhibit youth from taking advantage of immediate job opportunities. The policy needs to ensure such transition at least by defining a strategy. One way of increasing youth capability is through provision of the necessary skills and information that they need to join the workforce. In this regard, the following tasks have not been accomplished:

- Establishment of a youth-focused database and an integrated information system;
- Enabling policy and decision makers, cooperating and funding/partner agencies to have access to the youth database;
- Setting up an information exchange network;
- Conducting youth targeted studies and research to identify best practice.

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\(^{32}\) Three MSE development officials interviewed in the six target cities argued for the need for nationwide cooperation among ReMSEDAs and recommended periodical workshops where experiences and best practices will be shared.
Even though the government has taken on the role of organizing youth into cooperatives and assisting them in self-employment, there are no available data which show their success rates nor how sustainable they are.

5.5 International Best Practices

According to the World Development Report 2007, a successful policy response to the challenge of youth employment rests on three pillars, namely:

1. Broadening employment opportunities for young people to accumulate and preserve human capital;
2. Increasing the capabilities and skills of youth to take advantage of work opportunities; and
3. Providing youth (who are not initially equipped to take advantage of opportunities) a second chance, so that no one is left behind.

Broadening and enhancing opportunities in the labour market

Since youth tend to learn most in their early years of work experience, the difficulties they face while entering employment can lead to deterioration in their human capital and the loss of early investment in skill development – with long-lasting effects on their future work prospects. Therefore, on-the-job training and development programmes by employers are a crucial follow-up that can only be delivered by private sector employers themselves. Support to the private sector is the way to ensure investment in training and skills development.

While economic growth and general job creation will expand the opportunities for youth to find work, the demographic pressure from the large youth cohort entering the labour market will adversely affect youth employment. Policies need to ensure that demand will offset the pressures and allow the market to absorb these new cohorts into productive employment.

Increasing the capabilities of youth to take advantage of work opportunities

Increasing youth capability starts with providing them with the relevant skills and information they need to enter work. Less skilled youth are much more vulnerable than other youth to fluctuations in economic conditions. Youth need to be empowered so they can work for themselves and create jobs for others. Empowering them to do so requires improving the business climate and increasing youth access to credit and information.
One of the challenges youth entrepreneurs face in starting their own business is getting start-up finance. One solution to this constraint is microfinance, which can be developed to target young people who wish to start their own businesses. Youth Business International (YBI) is a general scheme set up by a number of development partners to assist unemployed and disadvantaged youth in becoming self-employed.

**Public Works Projects – Senegal**

Agence d’Exécution des Travaux d’Intérêt Public (AGETIP) was launched in 1989 by the government of Senegal, with the support of the World Bank and the African Development Bank, to provide short-term employment to a growing number of unemployed youth. The central mandate of the programme was to sub-contract, coordinate and supervise the execution of construction, rehabilitation and maintenance of urban infrastructure and to facilitate the provision of essential services.

During the first four-year phase, AGETIP enabled the creation of about 80,000 jobs by subcontracting 416 components of public works projects to small-scale entrepreneurs. Largely addressing urban issues such as the deterioration of infrastructure, mounting social unrest and under-employment, AGETIP quickly expanded to over 3,200 projects, contributing to the creation of 350,000 short-term jobs annually and 6,000 permanent positions. Similar programmes have since been launched in Burkina Faso, Benin, Chad, Togo, Madagascar, Mali, Mauritania and Niger with support from development partners.

*Source: http://www.agnetip.org*

**Giving youth a second chance**

Many youth in developing countries need a second chance. Giving youth a second chance will permit them to manage risks better, allowing them to recover from shocks and move to more productive opportunities.

Second-chance opportunities are particularly important for the estimated 95 million unskilled youth in Africa who are out of school and either unemployed or underemployed. Some African countries are implementing short-term interventions needed as a bridge response. **Long-term policies that increase the opportunities and the capabilities of youth are also taking shape in some countries.** With almost half of Africa’s youth in need of second chance opportunities, these policies need to be a priority (World Bank, 2008).
Youth Business International helping young people become entrepreneurs

Youth Business International (YBI) was set up to bring together the global business community in assisting unemployed and disadvantaged youth in becoming entrepreneurs and setting up their own business. As stated by YBI, “There are currently over 300 million unemployed and underemployed young people aged 18 to 30 years around the world. Although 20% of these young people have the potential to become entrepreneurs, less than 5% actually do. One way of tackling this waste of energy and talent is to help young people into self-employment.” (Chambers and Lake 2002, p.vii). Thus, YBI sees self-employment as a positive role model for young people, and in particular, as an opportunity for unemployed youth.

YBI is based in the UK and was developed in the 1980s with the help of the Prince of Wales International Business Leaders Forum. Corporations, foundations, governments, banks and multilateral donors also fund the scheme. The three core principles of the YBI are: assist disadvantaged young people; provide them with financial support and business mentors; and finally, facilitate access to YBI’s local and national business network.

There are now 12 programmes running in Argentina, Barbados, Canada, Guyana, Hungary, India, Sri Lanka, Trinidad and Tobago, the UK, and the only two African countries, Nigeria and Mauritius. Pilot schemes, however, have commenced in nine further countries, including Gambia, Ghana, and Swaziland. The results from the various YBI programmes are quite impressive – over 50,000 disadvantaged youth aged between 18 and 30 have established their own business with the assistance of YBI, with 60% of them still operating in their 3rd year.

Source: UNECA, December 2005
National Open Apprenticeship Scheme (NOAS) – Nigeria

Nigeria has a history of innovative youth employment programmes. In the 1980s, the government of one of the States, Rivers State, launched an agricultural employment programme directed at youth. The most innovative of the programmes is the National Open Apprenticeship Scheme (NOAS), introduced by the Federal Government in 1987. The NOAS is an attempt to link education and training and the workplace.

Overseen and managed by the National Directorate of Employment in the Ministry of Labour and Productivity, NOAS provides vocational education and training to unemployed youth in over 100 occupations. It utilizes production facilities such as workshops and technical instructors of private industries, government institutions and, by way of a sub-contracting arrangement, way-side craftsmen and tradesmen (informal sector operators).

Unemployed youth and school-leavers are trained for a period of from 6 months to 3 years under reputable 'master craftsmen'. They are also taught management, business and administrative skills to reinforce their understanding of the trade in which they are involved and to complement the practical training received.

Since its inception, over 600,000 unemployed youth have been trained in over 80 different trades. More than 400,000 of these started their own micro-enterprises. 50,000 unemployed youth are currently undergoing training.

Source: Youth and Employment in the ECA Region, 2002
6 Recommendations

6.1 Recap

Youth unemployment is amongst the critical problems facing Ethiopia. This problem is reflected particularly amongst urban youth, the highest incidence rates being in Dire Dawa and Addis Ababa.

Policies and strategies with regards to youth employment and entrepreneurship are well addressed in PASDEP, the National Youth Policy (2004) and the Education Policy, amongst others. However, despite the well-articulated policies and targeted governmental ‘push’ programmes to promote youth employment, there still remain deficiencies in youth employment creation.

One notable programme is the government’s policy of organizing youth in areas that require considerable amounts of labour (construction, cobblestones, weaving, textiles, etc). According to key informant interviewees in the survey, there are some aspects of these activities that bring their sustainability into question. As most of the projects are closely related to short-lived government contracts, the cooperative members (contractors) are often jobless when the projects phase out. Youth need to be made aware of what awaits them and should be given orientation and career guidance in choosing their future paths; for entrepreneurship, they should be given orientation in marketing and other entrepreneurship development support.

Overall, the main constraints to youth unemployment include low levels of education and training, skills mismatches, lack of experience, and inappropriate perceptions of practical work and entrepreneurship. On the other hand, the critical constraints on the demand side of the labour market are low absorption capacity and slow investment implementation.

A vibrant private sector can play a significant role in creating jobs and reducing youth unemployment. Pathways for creating an enabling environment for the private sector should be defined; incentives need to be introduced for the private sector in order to take full advantage of the opportunities that can be gained from sustainably creating jobs for the youth.

The following sub-sections propose policy options and strategic interventions for the public sector, and recommendations for the private sector in order to reduce urban youth unemployment.

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33 Key informant interviewees in Dire Dawa and Mekelle,
6.2 Policy Options

The policy gaps indicated in the previous sections indicate that there are some areas still requiring policy responses for the expansion of youth employment. Proposed policy options are:

- Define, more specifically, how an enabling environment for a vibrant private sector can be made to create jobs in labour-intensive industries. Options such as providing incentive mechanisms, such as tax incentives, to promote youth-labour-intensive investments should be considered. The intended effect of this policy would be to increase job absorption by the private sector;

- Create an enabling environment for youth-oriented or general MSMEs, e.g. through incubation, perhaps led by ReMSEDAs, with the intended effect being a more sustainable youth-MSME sector that is able to secure its markets;

- In the youth employment policy, explore employment opportunities not only available domestically but also outside Ethiopia. Capacitating the relevant agencies for information sharing, promotion and facilitation of youth employment abroad is critical. The intended effect will be to reduce the pressure on urban job markets to absorb rural emigrants;

- Support youth groups and associations engaged in various income-generating activities beyond the priority sectors for employment. Such support may include credit and training comparable to those provided by the government supported projects. This will have the effect of increasing the opportunities for youth income generation;

- Intervene far more on the demand side of the labour market. Such measures would include improving the business climate according to the various measures recommended by the World Bank in its 2009 Investment Climate Assessment. This would have the effect of boosting the private sector, thus creating absorption capacity for youth employment;

- Address the transition of youth from education to work for the currently expanding job market by defining a strategy addressing provision of the necessary skills, support and information that they need to enter work. This would have the effect of improving the match between skills and opportunities;

- Collect data and develop a national youth database as well as conduct youth-centred research and studies, in order to be able to develop, monitor and evaluate interventions and responses to the youth unemployment problem;

- Consider revisions to labour laws, specifically focusing on moving towards creating a more mobile workforce in order to boost employment creation, and away from employment protection, which serves to make the labour market more static.
6.3 Strategic Interventions

Demand side interventions

The problem of unemployment will not be solved by focusing on the supply-side of labour alone. Therefore, on the demand side, starting a business and running it should be efficient, easy and cheap so that youth enterprises can flourish in all sectors.

1. Encouraging firms to employ more youth

   a. **Incentives to encourage private sector employers to employ and develop youth** need to be developed. In addition, to incentives, support packages using BDS providers should be developed;

   b. A **long-term employee-orientation** should be encouraged in the private sector, where hiring, development and retention of employees is incentivized. The enforcement approach of employee retention through strict labour regulations only discourages employers from hiring ‘unfinished products’ in the first place.

2. SME support packages

   a. **Incubation** of youth MSMEs to create viable and sustainable youth entrepreneurs, in both technical and non-technical areas;

   b. **Training subsidies** for SMEs, who are the largest employers, will encourage the private sector to raise the skills of its workers and hence be more amenable to hiring youth;

   c. **Clustering** – SMEs need to be organized towards a specific industry (that has a high current demand at the country level) where forward and backward market linkages can be created, assisting the integration of youth or ‘new players’ into the industry/sector.

3. Promoting youth labour-intensive investments

Most labour-intensive forms of employment are to be found in the primary and secondary sectors of the economy that absorb employees with limited educational skill and background. Thus, in a developing country where literacy levels are low, it would be advisable for the government to promote employment in these sectors (Pandey, 2006).

Therefore it can be said that reducing youth unemployment through labour-intensive industries will be more effectively achieved when the **private sector ‘pull’ is combined with the public sector ‘push’** to promote youth employment in . As such, the following are recommended:
a. **Tax incentives** for firms that recruit youth. These incentives can be related to income tax as well as profit tax;

b. **Acknowledging firms that actively target youth** through other investment privileges, as given to foreign investors;

c. **Creating linkages** between firms that wish to hire youth and the youth labour market through recruitment information systems and job fairs on campuses;

d. **Temporary salary subsidies** for firms hiring youth as a ‘door opener’ for them.

**Supply side interventions**

1. **Filling policy implementation gaps**

   a. Assisting school drop-outs and out-of-school youth: **giving youth a second chance** by re-integrating them into the labour market with targeted support packages;

   b. Initiatives, support and awards to promote: (a) **youth working in areas traditionally reserved for seniors**; and (b) **women working in sectors traditionally reserved for men**. This can be through various methods, including mass media;

   c. Designing special education programmes for exceptionally talented youth as well as promoting skills of those with special needs.

2. **Enhancing the educational system**

   a. **Career-advice** should be given to students in any and every educational/training institution through autonomous centres to provide students with the necessary preparation for finding employment before completion of their studies;

   b. **Employability and career skills training** (e.g. how to search for jobs, write CVs, develop workplace skills/orientation, etc.) should be compulsory at university as well as TVET levels.

**Public-private partnerships**

There are efforts being made to institutionalise PPPs in Ethiopia as there is substantial evidence that it has deeper benefits in building a sustainable constituency for investment climate reform. This partnership also brings solutions to various political, economical and social problems including problems of youth unemployment.
The problem of urban youth unemployment is not one that can be dealt with by the government or the private sector alone. Development cooperation between the two, through dialogue, is necessary to bring a sustainable development solution to the problem.

PPPs for youth enhancement programmes, such as support packages to the private sector for training youth to bridge the gap between education and work, need to be encouraged via collaborations between industry, government and academia/training institutions.

**Case Study: Young Professionals Development Programme (YPDP)**

YPDP is a programme that helps young university graduates with their transition from education to work. It is a positive intervention towards youth employment implemented by government, donors and a BDS provider – ecbp (MoCB and GTZ), SNV and First Consult. The programme was held for two consecutive years – 2007/08 and 2008/09 – with a total of 40 young professionals being hired and developed through one-year internship programmes. About 15 BDS providers were part of the programme, hiring the young professionals by covering half of the salary while the other half was covered by the donors for the internship year.

The project provided financial and non-financial (i.e. training) incentives for BDS providers and other private sector businesses to hire ‘talented recent graduates’ into their organizations, thereby increasing the BDS provider community’s supply capacity and implicitly investing in the next generation of BDS providers and business professionals in Ethiopia.

Candidates for the programme were selected through pre-screening by project implementers and interview by hiring companies. Through intensive year-long training programmes, the programme supported the young professionals by providing them with the necessary skills to succeed in the employment marketplace.

More than 85% of the young professionals received an offer from their employers to continue working for them after the completion of the one-year internship period. In addition, a few of the trainees left their employing companies for better opportunities.

*Source: YPDP*
6.4 Recommendations for the Private Sector

The private sector will be responsive to the issue and orient itself towards increasing youth employment only when it sees some benefit to itself. A readiness on the part of the private sector to employ a competent and committed workforce is an important ingredient in creating the absorption needed for the growing young labour force.

The PSD Hub\textsuperscript{34} is engaged in various intervention projects aimed at improving the business environment and strengthening the capacity of the Ethiopian private sector. It plays a significant role in creating an enabling environment for the private sector. With a vibrant private sector, the issues of youth unemployment can be easier to tackle. A number of such projects that have been prepared by the Hub for implementation include:

1. Modernizing the Company Registration system;
2. Accounting and Auditing Standardization;
3. Support to implementation of the Competition and Trade Practices Proclamation;
4. Improvement of Corporate Governance;
5. Capacity Building of BMOs;
6. Institutionalization of international trade issues in the Chamber System.

However, in addition to the projects being initiated by the PSD Hub, additional efforts are necessary by the private sector. These include:

1. \textbf{Long-termism in business}: many in the private sector were found to have a short-term relationship with their employees and did not see the value in making long-term developmental investments in their workforce. While this is related to the wider issue of development of a more dynamic, professional and institutionalised set of businesses in the private sector, the issue should be tackled from the perspective of youth employment.

   The benefits of employing business strategies centred around younger (thereby cheaper) employees that require training / development but will provide, in the long-term, enhanced productivity need to be demonstrated as well as supported, particularly looking internationally, where such employment practices are widely adopted by leading companies.

\textsuperscript{34} The PSD Hub is hosted by the Addis Ababa Chamber of Commerce and Sectoral Associations, co-chaired by AACC SA and ECCSA, and funded by Sida.
2. Hiring for experience and firing for attitude is a common trend, whereas hiring for potential and building the relevant experience on the job is a more progressive, long-sighted view that is being taken more and more in the most successful global companies; a practice which can be easily replicated in the Ethiopian firm context.

3. Continual dialogue with the government and public-private-partnerships, as discussed in the previous section. The roles played by the government and private sector should be clearly identified and accountability should be established for effective partnerships.

4. Development of BDS industry in developing youth. As in the case of YPDP, a BDS community is critical in helping the private sector to identify win-win strategies for youth employment and business success, as well as in providing generic and specific training packages for youth employees of companies.
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Annex 1. Linkage Between the Issues/Problems and Desired Outcomes

<table>
<thead>
<tr>
<th>No.</th>
<th>Issue/Problem</th>
<th>Desired outcome code</th>
<th>Desired outcome descriptor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Youth unemployment rate is 37.5% in urban Ethiopia, the highest of all age</td>
<td>DO1, DO3, DO4</td>
<td>The national unemployment rate is reduced&lt;br&gt;The proportion of youth in the workforce is increased&lt;br&gt;The transition from education to work is smooth</td>
</tr>
<tr>
<td></td>
<td>cohorts in Ethiopia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Unemployment rate for females are higher than that of males at 11.2% against</td>
<td>DO7</td>
<td>The proportion of female youth entering the workforce is increased</td>
</tr>
<tr>
<td></td>
<td>4.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>High unemployment rate amongst literate (7.8%) versus illiterate (3.5%)</td>
<td>DO5, DO9</td>
<td>Educational institutions offer market-oriented and market-responsive training&lt;br&gt;Youth that enter the workforce early are receiving further education at later stages</td>
</tr>
<tr>
<td></td>
<td>persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Low absorption capacity of the formal sector</td>
<td>DO8, DO1</td>
<td>The private sector are engaged in youth-labour-intensive businesses&lt;br&gt;The national unemployment rate is reduced</td>
</tr>
<tr>
<td>5</td>
<td>Slow investment implementation and job creation</td>
<td>DO1, DO5, DO8</td>
<td>The national unemployment rate is reduced&lt;br&gt;Educational institutions offer market-oriented and market-responsive training&lt;br&gt;The private sector are engaged in youth-labour-intensive businesses</td>
</tr>
<tr>
<td>6</td>
<td>Lack of support towards entrepreneurship</td>
<td>DO2</td>
<td>Self-employment opportunities are accessible</td>
</tr>
<tr>
<td>7</td>
<td>A large number of people enter the labour market below the age of 15 with</td>
<td>DO9</td>
<td>Youth that enter the workforce early are receiving further education at later stages</td>
</tr>
<tr>
<td></td>
<td>little or no formal education</td>
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<tr>
<td>No.</td>
<td>Issue/Problem</td>
<td>Desired outcome code</td>
<td>Desired outcome descriptor</td>
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<tr>
<td>8</td>
<td>Skill mismatch and lack of quality skill attributes</td>
<td>DO5</td>
<td>Educational institutions offer market-oriented and market-responsive training</td>
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<td>9</td>
<td>High rural-urban migration adding to the unemployment number in urban cities</td>
<td>All DOs</td>
<td>(Cross-cutting issue)</td>
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<tr>
<td>10</td>
<td>Poor perception of practical work amongst the youth</td>
<td>DO10</td>
<td>Youth have a long-term perspective and committed attitude towards employment</td>
</tr>
<tr>
<td>11</td>
<td>Lack of entrepreneurial skills amongst the youth</td>
<td>DO2</td>
<td>Self-employment opportunities are accessible</td>
</tr>
<tr>
<td>12</td>
<td>A considerable amount of youth are employed in the informal sector which contributes to nearly 50% of employment</td>
<td>DO1, DO8</td>
<td>The national unemployment rate is reduced</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The private sector are engaged in youth-labour-intensive businesses</td>
</tr>
<tr>
<td>13</td>
<td>The average duration of unemployment for youth is more than one year since work experience is required by most employers in the formal sector</td>
<td>DO4, DO5, DO6</td>
<td>The transition from education to work is smooth</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Educational institutions offer market-oriented and market-responsive training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The private sector are aware of the benefits of hiring youth</td>
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</table>
Annex 2. Summary of National Youth Policy and Development Packages

The Ministry of Youth, Culture and Sports that was established to follow up, direct and coordinate youth affairs at federal level formulated the National Youth Policy in March 2004. The policy listed basic principles and implementation strategies through which its objective would be achieved. Major policy issues (two of which will be discussed in detail later on) related to youth have also been identified. The last section addresses the responsibilities of government, family, youth and civil society.

Two years later, in June 2006, the Youth Development Package was formulated in order to consolidate, enrich and urgently put into effect the participation of youth. The package listed seven strategic directions explaining different directions from which the problem can be tackled. The rest of the package explained, in two separate sections for urban and rural youth, the detailed tasks that needed to be accomplished to alleviate youth’s economic, social and political problems.

In the Youth and Economic Development Package, around six ways of addressing problems related to economic development have been identified. Amongst these is facilitating conditions under which youth would participate in the formulation, implementation and evaluation of national policies, strategies and programmes to bring about sustainable development and fairly benefit therefrom. Creation of an enabling environment in which youth create new jobs for themselves based on their competence and talents and benefit therefrom; facilitating the conditions that would enable the private sector to enhance its role in terms of creating job opportunities, increasing the chance of employment of the youth and the benefits they get also fall under the identified approaches.

The policy holds that an opportune situation should be created that would increase youth participation in and benefits from both the formal and informal employment opportunities, by putting in place an employment policy and systems to help alleviate youth unemployment and underemployment problems.

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35 Bringing about active participation of the youth in the building of the democratic system and good governance as well as in the economic, social and cultural activities in an organized manner to enable them fairly to benefit from the result

36 To work in a united spirit making the youth the major force complementing other strategies; realize that youth are an important problem solving force and enable them to be active; facilitate forums that would enable youth to ensure that they are the prime problem-solvers; ensure youth participation in strengthening, educational, leadership skills. Enable youth to get organized in various occupational fields and interests to strengthen their joint organizational setup, in order to implement the strategic guidelines put in place; follow a direction that would make youth the leading actor and beneficiary of the processes; ensure that the government efficiently fulfils its responsibility to play its supportive role.
In the rural setting it calls for the creation of favourable conditions for rural youth to acquire farming plots of land and grazing lands on the basis of the Federal Constitution and regional laws, in order to enable them increase their products and productivity and enhance their participation and their potential benefits.

Pursuant to these directions set forward in the policy, the development package identified detailed activities to alleviate urban youth's economic problems:

1. Make the youth direct participants in and beneficiaries of micro economic and small scale institutions with a special emphasis given to the construction industry. The state's support is extended by ensuring the availability of credit (in city MFIs and regular banks), land and skill upgrading courses. The youth are also encouraged to establish SMEs by applying their own creative talents.

2. Expand various employment opportunities for urban youth: this is to be achieved by ensuring that employment opportunities in the private as well as public sector give equal opportunities for the youth and by giving skill upgrading training after and prior to starting work.

3. Create job opportunities for urban youth through expansion of urban farming: by facilitating conditions through which youth can get access to plots of land in city outskirts, credit service for initial working capital and skill upgrading training.

4. Establish a special system within the credit system that would serve the purpose of the youth: by capacitating the credit service institutions, following up and solving problems that might arise and enabling youth to develop an outlook and professional competence so that they can not only perform successful tasks using the loans but also pay them back.

5. Provide youth with skill upgrading and capacity building training. This is the most detailed of the activities; it calls for devising a system that gives continuous training to in-school youths, after they have completed grades 4 and 8, in the areas of small scale and micro-economic industries, ensuring that the training given to youth deployed in small-scale micro-economic production, urban farming and service institutions includes entrepreneurship and management training, thereby strengthening youths’ leadership capacity and competence and preparation of competent trainers and curricula for the young people's needs and interests.

6. Facilitate markets suitable for the input needs and products of youth: this is to be done by encouraging them to be members of cooperatives, introduction to new and existing markets and transmitting information through the information system that updates the public on products that are demanded by the government and private sector. The youth education and training policy covering more detailed issues, this section of the policy starts by underlining the need to include the youth in the formulation, implementation and evaluation of policies. It plans to
create an enabling environment for the youth to be acquainted with new discoveries, inventions and innovations in the social and economic fields and become beneficiaries of Information and Communication Technology (ICT), enable them get counselling services so as to identify and put into practice their potential capacities. With an objective of making the youth get an all-round knowledge, assisting their participation in extracurricular activities is being planned. The policy recognizes the need for a favourable environment to bring about balanced educational participation and benefit among regions and between females and males. In addition, creation of favourable conditions is also promised so that various technical and vocational training programmes undertaken in the country for youth conform to the nation's development policies and strategies and are intended to inculcate in the minds of youth a spirit of self-confidence, creativity and hard work.

Mentioned as special target groups are the out-of-school youth, school drop outs, youth that need special attention and youth with special talent. The policy promises to create favourable conditions for out-of-school youth by expanding adult education services, civic and ethical educations to develop their reading and writing abilities. It also plans to study ways of assisting the school dropouts, and special education programme for exceptionally talented youth and those with special needs.

The detailed tasks that need to be accomplished with respect to education and training have been outlined under the “alleviating urban youth’s social problems” section of the youth development package:

1. Enable urban youth to get higher education and training opportunities: this is to be achieved by expanding education and vocational training opportunities; ensuring the availability of educational materials, science kits, libraries and laboratories; nurturing the youth with ethical and civic values; reducing problems which prevent them from assimilating wide knowledge and acquiring professional competence in schools (with a special attention to teacher training programmes).

2. Ensure that uneducated urban youths receive short term training: through vocational training, financial services in the form of loans and providing support in accessing work place, marketing and management for the uneducated urban youth and school drop outs.

In general, the policy identified the following implementation strategies:

A. Organizing and all round participation: is to be achieved by giving professional, technical and leadership capacity building support so that they can get organized in their own interests and common goals by working together and maintaining a culture of cooperative relationship amongst themselves.
B. Capacity building: is to be realized through the establishment of conducive legal policy, strategy and programme environment; youth-focused recreational, culture, sports, information and communication and similar learning centres as well as youth-to-youth services. Efforts will also be made to make suitable centres and services available at close distance to youth with special needs. The capacity building and technical support programme will be provided to youth entrepreneurs and major youth policy implementing federal and regional youth associations, youth bureaux, government bodies, civic society and other social institutions to enable them effectively execute the policy by enhancing their implementing capacity.

C. Information, awareness and advocacy strategy:

- Information: is geared towards making the youth competent, capable and well aware of ongoing social, economic and cultural development activities by enabling them to benefit from ICT and setting up an information exchange network; putting into effect information, education and communication programmes to enhance youth initiative for work, creative, talent, strengthen their participation in education and training.

- Awareness creation and advocacy activities: include bringing about behavioural change amongst stakeholders (government bodies, civil society, the private sector, the general public, the family and youth); organizing different festivals, exhibitions, contests, tours and campaign programmes (to enable the youth have a knowledge of cultural values and norms of nations, nationalities and peoples); celebration of national youth day every year (to draw attention of all sectors of the society).

D. Encouragement and support: will be given to the youth by organizing various competitions in schools, residential areas and workplaces, award and encouragement programmes for role models in job creation, production and productivity.

E. Data, research and studies: the Youth Development Package calls for the establishment of a youth-focused data base and an integrated information system that is consolidated with data collection programmes at defined time intervals so as to enable the nation's policy and decision makers, cooperating and funding partners and general users to have access to it; making continental and intercontinental youth targeted studies and research findings accessible for all sectors of the community, organizing them in a way that is convenient for practical use; conducting continued and sustained study and research activities both at regional and national levels, to identify practices that have negative or positive impacts on overall development.
F. National and international partnership: the strategy holds that at the national level the youth shall be provided with technical and professional support in their effort to create unity and solidarity. With regards to international partnership, it is said that youth issues shall be incorporated into the bilateral and multilateral relations and cooperation, in order to enable youth to establish contacts and partnership with various continental and international youth movements, associations and councils and thereby increase their international participation and ensure benefits from the globalization process. In addition, it holds that the youth shall be encouraged to play constructive roles in realizing the establishment of African Youth Union by making use of the existing enabling environment made available to them.

G. Cooperation and coordination: stresses the need for an appropriate framework to bring about the linkage that should exist between children and youth and among different parties who work with these sectors of society; establishment of Youth Councils which coordinate and integrate various youth associations, clubs, movements, etc. and serve as a bridge with stakeholders; formation of an inter federal government offices committee, inter regional bureaux committee (to bring a holistic impact from a comprehensive youth initiative) a consortium of non-governmental (to make programmes result-oriented by avoiding duplication of youth-related activates carried out and efforts made by various civil society institutions and the private sectors in order) and national youth forum (comprising representatives drawn from inter-federal government offices committee, the consortium of non-governmental bodies, youth councils, regional youth forums, and regional youth bureaux).
## Annex 3. List of Individuals Contacted for the Study

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Location/City</th>
<th>Telephone</th>
</tr>
</thead>
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<tr>
<td>Ato Girum Tsegaye</td>
<td>United Bank S.C</td>
<td>Addis Ababa</td>
<td>0114-655222</td>
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<td>Ato Biniam Mengesha</td>
<td>Joe Flowers PLC</td>
<td>Addis Ababa</td>
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<td>Ato Nigussie Birru</td>
<td>Abraham Tiles PLC</td>
<td>Addis Ababa</td>
<td>0114-670967/0911-227909</td>
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<td>Ato Birhanu Yigezu</td>
<td>GCS PLC</td>
<td>Addis Ababa</td>
<td>011-5513862</td>
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<td>Finifine Furniture Factory</td>
<td>Addis Ababa</td>
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<td>Jupiter Hotel</td>
<td>Addis Ababa</td>
<td>0116-616969</td>
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<tr>
<td>Ato Sileshi Kassaye</td>
<td>DH Geda Trade and Industry</td>
<td>Addis Ababa</td>
<td>0116-638158</td>
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<td>Ato Yosef Birhanu</td>
<td>Kangaroo Shoe Factory</td>
<td>Addis Ababa</td>
<td>0116-293452</td>
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<td>Ato Dejene Bulto</td>
<td>ELICO</td>
<td>Addis Ababa</td>
<td>0114-655683/84</td>
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<td>Fortune Enterprise</td>
<td>Addis Ababa</td>
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<td>Awash Construction S.C</td>
<td>Addis Ababa</td>
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<td>Construction Design</td>
<td>Addis Ababa</td>
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<td>Ato Lakew Bashahder</td>
<td>Guder Food Complex</td>
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<td>Ato Abayneh Mehari</td>
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<td>Bahir Dar</td>
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<td>Bahir Dar</td>
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<td>Bahir Dar</td>
<td>0582-202017</td>
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<td>Bahir Dar Textile</td>
<td>Bahir Dar</td>
<td>0582-200104</td>
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<td>Bahir Dar</td>
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<td>Meset and Sirak</td>
<td>Bahir Dar</td>
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<td>Dire Dawa</td>
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Annex 4. Survey Methodology

For the private sector tool, the assessment size was selected by allocating a total assessment size of 50 in all cities. A total of 50 employing private sector companies were interviewed during the survey in the six target cities. The companies were identified with the assistance of BoTI in each city and the city chambers via a random sampling technique.

For the government tool, interviewees included individuals at MoLSA (Ministry of Labour and Social Affairs), MoYS (Ministry of youth and Sport), MoE (Ministry of Education), MoTI (Ministry of Trade and Industry), Ethiopian Investment Authority, FeMSEDA (Federal Micro and Small Enterprises Development Agency) and ReMSEDA (Regional Micro and Small Enterprises Development Agencies) in Addis Ababa and BOLSA (Bureau of Labour and Social Affairs), BoYS (Bureau of youth and Sport), BoTI (Bureau of Trade and Industry), Investment commission bureaux and MSE development agencies in the other target cities.

Various training institutions were interviewed about their programmes and curricula for youth.

MFIs operating in each city were also targeted and interviewed about the various loan products they offer the youth, the challenges youth clients face while working with the MFIs, and the different business activities that their youth clients engage in.

Donors / local and international NGOs engaged in different youth employment activities in the target cities were interviewed about their programmes, activities and achievements.

Youth, the major stakeholder in the problem being studied, were also part of the survey using Focus Group Discussions (FGD) in each target city. Each FGD was comprised of 8 to 10 youth. Youth participants were selected in such a way that youth with different backgrounds and status would be part of the discussion: TVET (Technical and Vocational Education and Training) students; unemployed youth – with or without skill or education; cooperative members; and self-employed youth were all part of the FGD.

The methodology faced some limitations in getting data on youth as defined in the terms of reference as aged 15–24. This definition difference has led to data unavailability in certain offices/companies in the various cities. Lack of compiled data and information at some of the targeted offices, unavailability of key informants in some offices were some limitations of the study. With such backdrops, the interpretation from the data should be carefully considered.