

Proposal for a Global Fund to Promote Employment Opportunities for Young People

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31 August, 2004

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The purpose of the paper is to propose the establishment of a global fund promote employment opportunities for young people in developing countries. The paper canvasses the need for such a fund, its likely benefits, and how it might work in the form of proposed operating principles.

Introduction

Halving world poverty by half by the year 2015, the first target of the Millennium Development Goals, cannot be achieved without paying much more attention to the socio economic needs of young people. In low and middle-income countries, young people (defined as aged 10 to 24 years) account for 29 per cent of the population (or 1.4 billion in number). Over a 100 poor countries have populations with a significant youth bulge of 40 per cent or more. For many young people in the world and the countries in which they live, access to productive employment is the essential starting point for overcoming poverty.

The challenge before the world community is to work out ways to reduce poverty that are substantial, immediate and long lasting. Efforts by governments to lift the education and health levels of children in developing countries have, in many cases, been successful. The result has greatly increased literary levels of young people and reduced child and maternal mortality. However, these improvements are likely to have little impact on reducing poverty in the longer term, as they are not complemented by efforts to enable the newly educated and healthier young people to achieve sustainable and productive livelihoods.

Despite major investments by poor countries in lifting the education levels of their young people, the benefits to their economies are lost as their newly acquired skills and know-how atrophy. Lifting education levels and improving health outcomes are relatively simple challenges compared with the more complex task of finding ways young people can use these new skills and knowledge productively.

About 100 million young people enter the global workforce every year, mainly in developing countries.¹ The difficulties young people in low and middle-income countries face as new entrants to the labour market are typified by their reported income levels for Latin America over the decade of the 1990s. These data show that the income earned by

¹ Report of the Director-General, 2003, *Working out of Poverty*. International Labour Conference, 91st Session, International Labour Organisation, p 25.

young people aged 20 to 24 is half that of adults and, for those under age 19, only 30 per cent of adult incomes.²

The depth of the problem is highlighted by the situation in the middle-income countries of the Middle East and North Africa region. The World Bank in 2003 released a major report on the region pointing to the problem of insufficient jobs for the foreseeable future (see Box 1). The report recommends that to create an additional 100 million jobs over the next two decades for the region, countries need to put strategies in place based on a new social contract to achieve a broad-based transformation of its economies. These conclusions can be applied equally to sub-Saharan Africa, South East Asia and Latin America.

Box 1: Need to Create 100 Million Jobs for a Fast-Growing Work Force

Over the past decade the growth in the labor force has exceeded employment growth in most countries in the region. As a result, unemployment in the Middle East and North Africa is among the highest in the world. A conservative estimate puts unemployment at about 15 percent of the work force. The problem affects almost every country in the region... Unemployment in the Middle East and North Africa is concentrated among youth whose unemployment rates range from 37 percent of total unemployment in Morocco to 73 percent in Syria, with a simple average of 53 percent for all countries for which data are available. There is a gender dimension to the profile of unemployment as well. Unemployment rates for the region as a whole are nearly 50 percent higher for women than for men.

Source: 'Creating 100 Million Jobs for a Fast-Growing Work Force; overview' Unlocking the Employment Potential in the Middle East and North Africa: Toward A New Social Contract. Annual Meetings of the IMF and the World Bank in Dubai, 19 September, 2003, p 3. <http://lnweb18.worldbank.org/mna/mena.nsf>

Neglect of young people in national poverty reduction strategies

Young people are often overlooked in the formulation of national poverty reduction strategies. This claim is based on an analysis of 31 completed Poverty Reduction Strategy Papers to September 2003. The narrow focus of the poverty assessments commonly used by governments and international agencies is one reason for their relative invisibility is to do with. This is often due to the static view of poverty used which does not recognise the variable circumstances in which most young people find themselves. A static view of poverty is also likely to produce in the poverty statistics a bias against young people as they are more likely to be mobile and hence less likely to be enumerated in a household survey.

Why invest in young people?

Two broad sets of arguments support the flow of more resources to young people as a means of reducing poverty. One set of arguments is based on a long-term focus and emphasises the positive benefits to the economy and society. Creating opportunities for

² Ibid, p 25.

employment for young people leads to improved productivity and security. This comes from the more effective use of enhanced human capacities, resulting in greater economic output and increased social cohesion.

The more immediate justification for focusing on young people's employment needs is the widespread perception that they are either vulnerable or a threat. Young people are often viewed by national policy makers as high 'risks' in terms of harmful outcomes. This means that girls and young women, compared with other age groups, are seen, often justifiably, as more highly vulnerable to HIV infection and poor maternal health due to early childbirth. Boys and young men can be a threat to social cohesion through their propensity for violence and potential to be mobilized for armed conflict. Improving employment prospects raises young women's capacity to achieve more independence. More jobs for young men offers the immediate benefit of less chance of in-country armed conflict and improved national security, an essential precondition for good governance and private sector investment.

Precedents

The Global Fund to Fight AIDS, Tuberculosis and Malaria provides a model for a Fund to promote young people's employment. Kofi Annan, General Secretary of the United Nations, in response to inadequate donor funding, called in April, 2001, for the establishment of a Global Fund to Fight AIDS, Tuberculosis, and Malaria. The Global Fund, which has been established independently of the UN system, has been created to increase dramatically the resources needed to overcome three of the world's most devastating diseases, and to direct those resources to areas of greatest need.³ The Global Fund over a two and half year period to 27 August, 2004, has approved grants of \$US1.8 billion, and disbursed funds equivalent to \$US 523m.⁴

The way the Global Fund operates offers a valuable guide as to how major resources can be directed quickly and efficiently with full accountability to specific programs in areas of greatest need. The Global Fund grants funding to national applicants on the basis of the best proposals in terms of delivery mechanisms and expected outcomes. A small number of key indicators are used to measure progress, relying where possible on existing processes. The use of Local Fund Agents is another accountability mechanism designed to provide appropriate oversight of those delivering the programs.

The Global Fund's commitment to transparency is shown by the breadth of information available on its website. All approved proposals and signed grant agreements are available for review in unedited form, as are documents discussed at the Global Fund's Board meetings. The general public is also able to track the progress of local programs by reviewing ongoing grantee reports.⁵

³ <http://www.theglobalfund.org/en/>

⁴ http://www.theglobalfund.org/en/funds_raised/commitments/

⁵ <http://www.theglobalfund.org/en/about/how/>

Benefits

The use of a global fund to address a fundamental cause of world poverty has a number of advantages over existing forms of aid. The first is the scope to lift the amount of resources directed to the issue. A global fund gives the issue a high profile and offers the chance to marshal knowledge and expertise to ensure that funds are spent effectively.

A global fund also makes it easier to work through partnerships with key stakeholders in each country based on a strong appreciation of each country's own poverty reduction priorities. In some countries, the priority may be on improving or extending infrastructure. In other countries, priorities may revolve helping small enterprises get into export markets. Country level participation in identifying initiatives and controlling how funds are disbursed are also essential elements in this new approach.

Principles to shape the Fund's operations

The following set of proposed principles to guide and underpin a Fund to promote young people employment opportunities have been borrowed from those developed for and used by the Global Fund to Fight AIDS, Tuberculosis and Malaria.⁶ Another important source of ideas has been the extensive discussion around options on how the new US Government's Millennium Challenge Account should function.⁷

1. The proposed Fund needs to operate as a financial instrument for disbursing monies in an accountable way, and not as entity that delivers the new services.

The purpose of the Fund should be to 'attract, manage and disburse' resources and not to implement programs directly. As a financing mechanism, the Fund should operate in such a way that it works closely with other multilateral and bilateral agencies to ensure that newly funded programs are coordinated with existing ones.

2. Establish a simplified, rapid and innovative grant-making process and operate transparently, with accountability.

The Fund should use existing in-country financial management, monitoring and reporting systems, where ever possible to record, track and monitor progress.

3. The proposed Fund should develop clear criteria about the type of activities it will support.

Activities supported by the fund should meet four criteria. The first is good evidence that the activity will generate economic growth and reduce poverty among young people. The second is that the activity to be funded helps reduce poverty in a way that has an impact

⁶ <http://www.theglobalfund.org/en/about/how/>

⁷ Brainard, L; Graham, C; Purvis, N; Radelet, S; and Smith, G; 2003, *The Other War: Global Poverty and the Millennium Challenge Account*. Center for Global Development and Brookings Institution Press, Washington, DC; p 24

on more than one Millennium Development Goals (for example, reduces gender inequality as well as lifts the income of the poor). The third criterion for funding should be evidence that public investment is needed because private investment falls short of a socially desirable level. The fourth criterion for funding should be that there is good evidence that the proposed activity can work effectively if scaled up to work beyond a pilot stage.⁸

Programs that can provide evidence of a high success rate in terms of outcomes achieved and the likely size of their multiplier effect should be given priority, other things being equal. Programs which have more than one effect in reducing young people's poverty should be preferred. Careful attention needs to be given to ensuring that funding does not replace existing funding streams from donor agencies or governments. These criteria would also mean that the fund is focused on big ticket items. The big ticket focus would mean that small pilot projects would not be supported. It also means that good evaluation results are needed to justify the expansion of a pilot project that appears to have worked well.

4. The proposed Fund should disburse funds on a competitive basis according to how well applicants for grants meet the above criteria.

It is important that the proposed Fund select the best proposals on a competitive basis. The selection process may need to be restricted to countries of similar per capita income levels. Two or three country pools could be constituted, defined by the World Bank as low income (\$US 745 or less per capita income); lower middle income (\$US 746 to \$US 2,975) and upper middle income (\$US 2,976 to \$ US 9,205). Proposals could be selected on the basis of how well they meet the Fund's criteria, such as those suggested in #2 above.

5. Evaluate proposals through independent review processes.

The selection process should be carried out through an in-depth expert review without creating a large bureaucratic process. Each proposal should be considered against a number of other proposals from the same income pool of countries. Proposals could be consider only on a twice a year basis to ensure that there are sufficient proposals for compare with each other, making the selection process genuinely competitive. A review panel could process proposals in three ways: approval with minor modifications requested, others could be sent back for revision and resubmission while others could be rejected outright.⁹

The Fund can itself encourage the development of high quality proposals by offering some funding to help develop a proposal where an initial simple concept outline shows promise. Technical help could be provided to improve the quality of the proposals and to help achieve stronger results. Between \$US 5,000 and \$US 50,000 could be provided to

⁸ These four criteria borrow from those suggested by Brainard et al; 2003, p 88.

⁹ Brainard, pp114-115.

grant applicants who present evidence of a viable proposal to hire technical assistance to work out the finer details and to cover other proposal development costs.¹⁰

6. The proposed Fund should only support programs that can demonstrate national ownership.

The proposed Fund should make certain that the initiatives proposed for funding are supported by national governments and fully accord with each country's national poverty reduction strategy. If young people do not appear as a significant target group within a national poverty strategy, further consultation with young people may be needed.

Applicants for grants could be central governments, regional governments, non government organisations or private enterprises. However, the proposers would have to demonstrate that their proposal is not only consistent with a national poverty reduction strategy but that it would make a significant contribution to achieving the country's poverty reduction goals and targets. Private enterprises could only be funded if they were part of a partnership arrangement with government.

7. The Fund should support an integrated and balanced approach to program delivery

The proposed Fund can also address the major problem area of aid coordination. It is now well recognised that a large number of small aid projects produce little impact. Aid driven by the donor's own priorities and forms of accountability often leads to parallel or competing projects. The use of one agency in the form of a global fund to deliver a large-scale program with clear objectives works well in disaster relief and post conflict reconstruction.¹¹ The use of a lead agency to coordinate efforts and impose well-designed conditions permits the rapid disbursement of funds in ways that are also easily accountable.

8. The proposed Fund should avoid attempts to target certain groups of young people and focus on directing assistance to the most capable

Targeting the most vulnerable among poor young people may have some downsides. There is a danger that those identified as more vulnerable may be stigmatised by others, resentful of the assistance they are receiving.¹² This resentment may be justified if there is little to separate the target group from the wider population in terms of need. Targeting may also involve higher administrative costs, reducing the overall resources available.¹³

¹⁰ Brainard, pp117.

¹¹ Brainard, L; Graham, C; Purvis, N; Radelet, S; and Smith, G; 2003, *The Other War: Global Poverty and the Millennium Challenge Account*. Center for Global Development and Brookings Institution Press, Washington, DC; p 24.

¹² UN, 2003, *Report on the World Social Situation 2003: social vulnerability – sources and challenges*. Department of Economic and Social Affairs, Division for Social Policy and Development, New York – A58/153?Rev.1.STA/ESA/284, p 58.

¹³ Ibid.

One valuable way to address these potential problems is to involve the community as a whole in identifying who the beneficiaries should be, using their own selection criteria. This method draws on local knowledge and so is likely to be more accurate.¹⁴ It also gives legitimacy to the targeting process, minimising the chances of resentment among non beneficiaries. Another potential benefit of community involvement is minimising the chances of spillage in the delivery of resources if the community is fully aware of who is to benefit, why and by how much.

9. The proposed Fund needs to ensure adequate monitoring and evaluation procedures are in place

Proper attention to program monitoring and evaluation is essential to achieve transparency and to ensure that all donors that the funds are being used effectively and productively. A set of procedures for collecting monitoring data need to be in place from the beginning of a program. This is not only for financial accountability purposes but also to identify where further support for capacity building may be needed. Evaluation involves an assessment of how well the concrete outcomes of a program are being achieved. This requires the specification of a clear set of intermediate targets and longer term goals. The latter may only be assessed reliably if the evaluation methodology includes a comparison with those who have not been part of the program.

Conclusion

The above proposal for a global fund to promote employment for young people in developing countries is based on a number of features which break with past practice. The proposed approach is one that is bottom up, with a strong focus on supporting initiatives that are developed by individual governments or other in-country stakeholders. It is further proposed that these initiatives to employ young people will be selected not merely on the basis that they are innovative. They will need to demonstrate that they can generate a multiplier effect, particularly in relation to different dimensions of poverty reduction. The grant applicants will also need to demonstrate that the initiative is consistent with and significantly advances the country's national poverty reduction strategy and targets.

The competitive nature of the grant assessment process will ensure that the best available proposals only will be supported. Other benefits from use of global fund will include a much better mechanism within countries for coordinating efforts to assist young people, linking education and health outcomes with sustainable livelihoods.

The large share of young people in the populations of most developing countries presents huge opportunities as well as challenges. Mobilising the capacities of an increasingly educated and healthy new workforce will allow low-income countries to break the vicious cycle of the poverty trap in which they are currently locked.

¹⁴ Ibid.