





# AIDFORTRADE

## AT A GLANCE 2019

### ECONOMIC DIVERSIFICATION AND EMPOWERMENT



International  
Trade  
Centre

#### CHAPTER 8

## EMPOWERING YOUTH FOR SUSTAINABLE TRADE

Chapter contributed by the International Trade Centre (ITC)



WORLD TRADE  
ORGANIZATION



OECD



## CHAPTER 8

# EMPOWERING YOUTH FOR SUSTAINABLE TRADE

*Contributed by the International Trade Centre*

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**Abstract:** Youth economic empowerment is tied to the future of small and medium-sized enterprises (SMEs). This chapter looks at the role of internationally competitive SMEs in providing jobs for young people and examines how improved youth skills and innovation promote the export capacity of SMEs. Firm-level data show that access to finance is more of a challenge for youth-led firms than firms with older leaders. The chapter finds that Aid for Trade programmes which improve access to financial services for youth entrepreneurs, and improve the skills of young people, promote SME competitiveness for trade while helping young people find gainful employment.

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# TABLE OF CONTENTS

<b>ABSTRACT</b> .....	3
<b>ACKNOWLEDGEMENTS</b> .....	5
<b>INTRODUCTION</b> .....	9
<b>YOUTH SKILLS FOR EXPORT READY COMPANIES</b> .....	9
Small enterprises have a key role to play.....	11
Youth skills can help companies go global.....	11
Skill shortages and mismatches curtail employment.....	12
Giving young people appropriate skills.....	13
Forging effective partnerships.....	14
Linking training programmes with job placement.....	14
Customising skills programmes to ensure inclusiveness.....	15
<b>PROMOTING SELF-EMPLOYMENT AND ENTREPRENEURSH</b> .....	15
Entrepreneurship is popular, but difficult.....	16
Management skills are essential for competitiveness.....	17
Youth entrepreneurship spurs innovation and fosters diversification.....	18
Youth-led firms need a supportive business ecosystem.....	20
Facilitating access to finance and business support institutions.....	20
Social networks can nurture an entrepreneurial spirit.....	20
Tailoring support for young women entrepreneurs.....	21
<b>GOVERNMENTS CAN STIMULATE YOUTH EMPOWERMENT</b> .....	23
Policy can help tackle market failures that exclude youth.....	24
Strategies to identify and create opportunities for youth.....	26
Stakeholders can guide decisions on youth trade strategies.....	26
Creating a shared vision and plan for youth economic empowerment.....	28
<b>CONCLUSIONS AND RECOMMENDATIONS</b> .....	29
<b>REFERENCES</b> .....	32

**Figures**

Figure 8.1.	Youth unemployment rates across countries.....	10
Figure 8.2.	Skill shortages and youth employment in SMEs .....	12
Figure 8.3.	Youth entrepreneurship rates by country and gender.....	16
Figure 8.4.	Young managers hire more young people .....	17
Figure 8.5.	Self-reported youth entrepreneurial competencies, by gender.....	22
Figure 8.6.	Access to finance is more of an obstacle for youth-led firms .....	24
Figure 8.7.	How Aid for Trade can best contribute to youth economic empowerment .....	25
Figure 8.8.	Staffing needs in the Tunisian textile and clothing sector.....	27
Figure 8.9.	Barriers to hiring Gambian youth, by sector .....	28

**Boxes**

Box 8.1.	Building skills for tourism in Myanmar: An ILO STED case study.....	12
Box 8.2.	Mashrou3i youth entrepreneurship in Tunisia .....	18
Box 8.3.	Youth IT start-ups in the Zaatari refugee camp in Jordan.....	19

**Tables**

Table 8.1.	Checklist of best practices to skill youth for employability and exports.....	15
Table 8.2.	Checklist of best practices to support youth entrepreneurship.....	23
Table 8.3.	Checklist of best practices in government strategy for youth economic empowerment.....	28

## INTRODUCTION

The question of whether and how trade contributes to inclusive growth remains high on the policy agenda. Decades of trade liberalisation have helped reduce poverty, but have been accompanied in many countries by a growing gap between rich and poor (Draper, 2017; OECD, 2015; Winters and Martuscelli, 2014). Although economies are increasingly interconnected, world trade growth appears to be stagnating (WTO, 2019).

This has led some people to question the ability of trade to deliver benefits for all. Policies that boost the participation of women, youth and other marginalised groups in global commerce can make trade more inclusive and promote economic empowerment.

A focus on youth in trade is particularly relevant today, given that young people account for a large and growing proportion of the population in many developing countries. There are 1.2 billion youth aged 15–24 years around the world (UNESA, 2015), yet 66 million young men and women are jobless and 145 million are working, but poor (ITC, 2019a). Youth are three times as likely as adults to be unemployed (ILO, 2017), and this can lead to migration pressures.

At the same time, small and medium-sized enterprises (SMEs) struggle to find the skilled employees they need to be competitive and to trade. Although SMEs account for more than a third of gross domestic product (GDP) in developing countries, skill shortages restrict their capacity to change, compete and connect to key markets.

The twin problems of youth unemployment and SME competitiveness can and should be solved jointly. Youth economic empowerment is an objective in and of itself: indeed, Sustainable Development Goal (SDG) 8 urges the international community to provide ‘full and productive employment and decent work’ for young people.

Youth feel empowered economically when they have well-paid, interesting jobs. This is more likely to happen when companies are competitive and hire young people. With SMEs accounting for most jobs in developing countries, they are well placed to hire local youth and provide on-the-job training and experience that can be a gateway to a career. In fact, SDG 8 stresses that SME growth is vital to sustainable development. But to grow and be able to hire in today’s globalised economy, small enterprises must boost their competitiveness and attractiveness to youth as a viable career option.

In this paper, we examine the connections between youth economic empowerment and the international competitiveness of small companies. We find that the objectives of youth economic empowerment and SME competitiveness are synergistic – that is, the relationship goes both ways. Improved youth skills and innovation promote SME competitiveness and exports, while internationally competitive SMEs provide more and better jobs for young people. We also assess the characteristics of youth economic empowerment programmes that are essential in helping young people to find gainful employment in small firms, as workers or entrepreneurs.

## YOUTH SKILLS FOR EXPORT READY COMPANIES

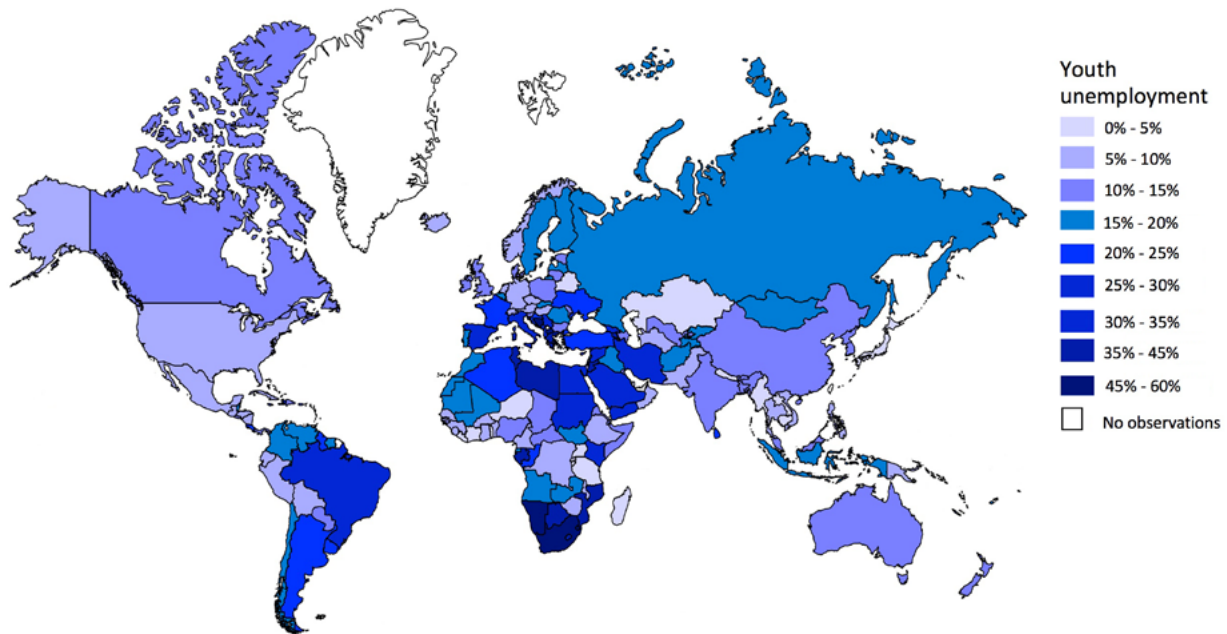
Education and skills are important to youth development, and they influence economic and social outcomes. In the economic literature, the concept of a person’s human capital encompasses ability; formal education and qualifications (whether academic or vocational); and skills, competencies and work experience (Blundell et al., 1999). The human capital of youth is especially important, given their current and future role in national economies.

One of three people in the world today is younger than age 25 (Khokhar, n.d.). When infant mortality rates decline but fertility rates remain high, the result is a so-called youth bulge: a high proportion of young people in the country. In the world’s 48 least developed countries, children and adolescents comprise a majority of the population (Gupta et al., 2014). In contrast, a lower share of the population of developed countries falls in the 15–29 age bracket: 7 percentage points lower, to be exact (Yifu Lin, 2012). The youth bulge meant that in 2014, 90% of people between ages 10 and 24 lived in developing countries (Gupta et al., 2014).

When the growing number of young people find quality jobs and earn a decent income, society as a whole benefits in what is known as the 'demographic dividend'. In many cases, however, this has not happened.

In the Middle East and North Africa, for example, about 25% of youth are unemployed (Purfield et al., 2018), and double-digit youth unemployment rates are common in the developing world (see Figure 8.1). The International Labour Organization estimates that 13% of young people between 15 and 24 years of age are unemployed around the world (O'Higgins, 2017).

**Figure 8.1. Youth unemployment rates across countries**



*Note:* Unemployment, youth total (% of total labour force ages 15–24) (modelled ILO estimate). Youth unemployment refers to the share of the labour force aged 15–24 without work, but available for and seeking employment. The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the International Trade Centre concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

*Source:* World Bank Development Indicators from International Labour Organization, ILOSTAT database. Data retrieved in September 2018.

[StatLink !\[\]\(ec9132f1d27c8919987d92907322654d\_img.jpg\) http://dx.doi.org/10.1787/888933953831](http://dx.doi.org/10.1787/888933953831)

Even when young people have a job, it may be poor-quality employment with bad pay, long hours or substandard conditions. Long periods of unemployment and underemployment can permanently damage a person's long-term career prospects (Pikoko and Phiri, 2018; Weidenkaff, 2018).

Research underscores the risks posed by large numbers of unemployed and underemployed young people. The dissatisfaction of jobless youth can lead to social unrest and political instability (World Bank, 2011). Young people – defined here as those between ages 15 and 24, unless stated otherwise – are more likely to emigrate if they have no job at home, which impacts both their country of origin and the destination country (Fernando, 2018).

Some 600 million jobs will be needed by 2028 to absorb the current number of unemployed across the globe (World Bank, 2012) and to provide job opportunities to the 40 million people – mostly youth – who enter the labour market each year (ILO, 2012). The magnitude and importance of this challenge have been made clear in the 2030 Agenda for Sustainable Development, which calls on the international community to 'substantially reduce the proportion of youth not in employment, education or training' (SDG target 8.6). Therefore, tackling youth unemployment and underemployment is crucial to foster long-term growth and avoid undesirable social outcomes.

### Small enterprises have a key role to play

SMEs have significant potential to create jobs for young people in developing countries. They are the cornerstone of most economies. Small and medium-sized enterprises engage upwards of 70% of a country's workforce, account for 35% of GDP and generate 34% of exports (WTO, 2016). In developing countries, these businesses tend to employ the poorer, more vulnerable segments of society (ITC, 2015a).

Small businesses in developing economies hire substantial numbers of young people. Data from ITC SME Competitiveness Surveys in nine developing countries indicate that one in four employees of small and medium-sized businesses is between 18 and 24 years old.<sup>1</sup> SMEs offer important opportunities to absorb the demographic bulge and transform it into a dividend.

### Youth skills can help companies go global

Yet SMEs suffer from critical skill shortages that inhibit their hiring of young people and their competitiveness. Globalisation and trade offer new market opportunities, but they have also upped the competitive pressure on firms. The job-relevant knowledge and personal attributes of workers, as well as their understanding of what is needed to do the job (Bacchetta et al., 2017: 27), affect the ability of an enterprise to meet cost, quantity and time requirements for competitiveness.

Human capital can be particularly important in dynamic economic environments, where technological evolution is fast and volatile. In this case, greater human capital can encourage technological diffusion in both the firm and the economy, promoting economic growth (Barro, 1991). This is related to the fact that a skilled workforce can help a company anticipate and adapt to changes in the business environment (Woessmann, 2011).

Investments in human capital, such as preservice education and in-service training, enhance the productivity of SMEs (Miller and Upadhyay, 2000; Vandenberg and Trinh, 2016), contributing to their international competitiveness. The impact of human capital on productivity and competitiveness can help to explain why it is an important determinant of economic growth (Woessmann, 2011).

Some research suggests that there is a significant positive relationship between the level of human capital in SMEs and their tendency to internationalise (Onkelinx et al., 2015). Firms with higher-skilled workers may be better able to adapt their goods and technologies to the national economic environment, facilitating domestic economic diversification and enabling exports of adapted products to neighbouring countries (Bacchetta et al., 2017; ITC, 2017a). Empirically, higher levels of human capital are associated with higher export diversification rates (Cadot et al., 2011).

Workers with education and training can enable companies in developing countries to upgrade their position in global value chains, including by helping them to meet the quality standards of foreign clients (Jansen and Lanz, 2013). Moreover, internationalisation can require soft skills such as presentation, communication and language skills (CEDEFOP, 2010).

Investing in youth skills is a promising strategy to boost human capital for trade. Many developing countries have significant numbers of under- and unemployed young people who could be skilled to measure for the future needs of the labour market. As noted above, the Sustainable Development Goals emphasise the connection between youth skills and employment. SDG 4.4, for example, calls for a substantial increase in the number of youth who have relevant skills – including technical and vocational skills – to promote employment, decent jobs and entrepreneurship.

In its response to the 2019 OECD-WTO Aid for Trade Monitoring Questionnaire, the Government of Papua New Guinea highlighted the difficulties that its youth face in securing jobs after graduation and the need to equip young people with the skills to encourage their participation in the economy. Investment in youth education and training has clear long-term benefits in terms of increased employee productivity.

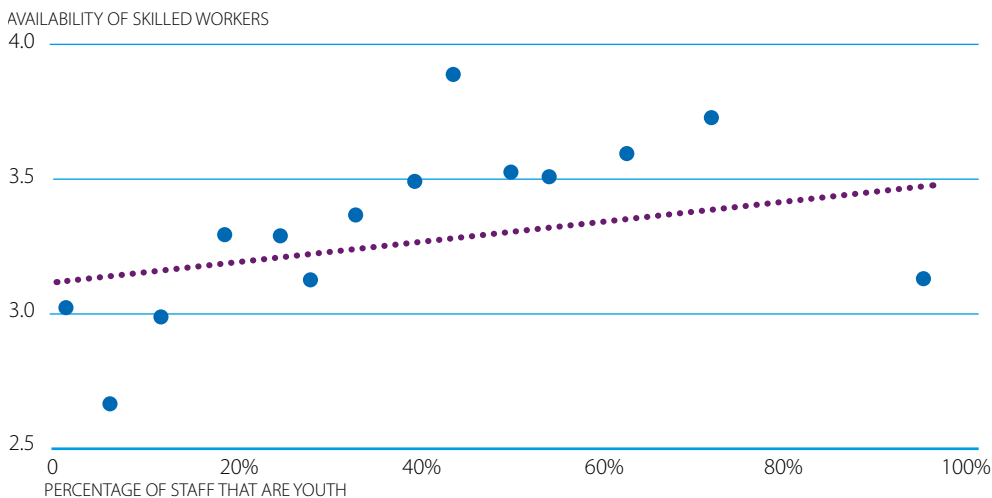
### Skill shortages and mismatches curtail employment

Employers in both developed and developing countries complain about the difficulty of finding workers with the skills they require. In Europe, roughly four out of 10 businesses report such problems. About 30% of employers in Peru and Colombia say it is difficult to fill vacancies. Similar or even higher figures can be found elsewhere in the developing world, including in Panama (40%), Mexico (40%), India (60%) and Brazil (70%) (World Economic Forum, 2014).

Skills mismatches typically occur when the skills taught by educational institutions do not match the demands of the labour market. This is a well-known source of economic inefficiency (Jansen and Lanz, 2013) that has considerable economic and social costs, particularly youth unemployment.

SMEs that are unable to find employees with the skills they need may hire fewer workers, including youth. Conversely, enterprises that manage to find youth or other jobseekers with appropriate skills are more likely to hire them. Indeed, firm-level survey data suggest that companies that highly rate the availability of skilled people for hire tend to have hired more young workers (see Figure 8.2).

**Figure 8.2. Skill shortages and youth employment in SMEs**



Note: Firm response to the question “Please rate availability of skilled workers for hire?” Choices included 0= shortage of skilled workers, 1, 2, 3, 4 and 5= Plenty of skilled workers. The x-axis measures the percentage of full-time employees below 25 years of age. The relationship between the two variables is the result of a binned scatterplot.<sup>3</sup>

Source: ITC SME Competitiveness Surveys. A total of 1784 firms were surveyed in Ghana, Kenya, St Lucia, Ukraine and Zambia in 2017 and 2018.

When skills are mismatched, businesses may hire unprepared staff. Indeed, one in four adults surveyed in OECD countries reports a mismatch between the skills they have and the skills they need for their current job (World Economic Forum, 2017). In a survey conducted in six developing countries, about 28% of company managers reported that the skill set of their workforce did not match the needs of their firm.<sup>2</sup>

Weaknesses in the skill mix available in the labour market are likely to affect SMEs disproportionately, because they have very limited resources to invest in training. ITC survey data indicate that more than half of large companies in the Gambia provide in-house training, compared with just 38% of micro and small enterprises and 33% of medium-sized enterprises (ITC, 2018a). This is similar to the situation in some OECD countries, where SMEs offer less training than large businesses (Almeida et al., 2012; Green and Martinez-Solano, 2011; Kubisz, 2011).

### Giving young people appropriate skills

Ensuring that young people have appropriate training for the workforce can help prevent skills mismatches and the unpreparedness of employees that results. A considerable amount of analysis focuses on effective ways to empower youth by giving them the skills that SMEs need to internationalise.

Official development assistance has helped to address skill shortages to promote the capacity of firms to trade. However, current definitions of Aid for Trade exclude support for technical and vocational skills as well as entrepreneurship programmes. As such, assistance to improve youth skills for trade is not counted in multilateral measures of Aid for Trade.

Initiatives to tackle skill shortages have facilitated consultations between public and private stakeholders. Such collaboration can create solutions to address skills mismatches and the implementation of programmes to support market-relevant technical and vocational training for youth.

#### Box 8.1. Building skills for tourism in Myanmar: An ILO STED case study

In 2017, the International Labour Organization partnered with the Government of Myanmar to assess the future skills needs of the tourism sector. ILO's Skills for Trade and Economic Diversification (STED) technical assistance tool provided strategic guidance for the assessment of skills development needs. The methodology anticipates sectoral growth opportunities based on global competitive position and market development. Combined with an analysis of skill supply and demand, STED forecasts existing and future skill shortages and supports the formation of skills in demand by the labour market, thereby avoiding skills mismatches and unemployment among young people.

STED was used to conduct an in-depth analysis of the tourism sector and outlook that assessed its growth path and the business development constraints faced by tourist guides. This fed into a forecast of the number of tourist guides that would be needed in the future and the identification of deficiencies in their current skill set.

The project highlighted the need for training on delivering quality customer service, organising and managing small and large groups of people, using social media and other technologies, and applying quality and/or sustainable tourism standards. It also identified a gap between the tourist guide training offered by the Government and what the industry demands in terms of curriculum and specialisation, for example in cultural interpretation, heritage and history.

Recommendations from the project included a call for the Government to continue developing policies for the tourist guide sector. The project also suggested that establishing public-private sector mechanisms could make it easier to share knowledge and perceptions from industry with policymakers to ensure that tourist guides in Myanmar receive appropriate skills training.

*Source:* Steve Noakes, Paul Rogers, Ma. Concepcion Sardaña, Qingrui Huang, Sandar Win. 2016. Skills for Trade and Economic Diversification: Tourist Guides Sector, Myanmar. Geneva: ILO.

Providing foundational skills can be an important contribution of such programmes. Skills in information and communication technologies can help young people secure jobs and succeed as entrepreneurs (Coward et al., 2014). In addition, financial literacy and life skills training can assist youth in preparing for new economic opportunities.

### **Forging effective partnerships**

Partnerships between the private sector, government and local education institutions are vital for upskilling and reskilling. Learning programmes are more effective when all stakeholders are involved, with co-funded models showing strong potential. These are typical of successful vocational education systems, such as that of Germany (ITC, 2018b). Aid for Trade programmes that strengthen the ability of technical and vocational education and training (TVET) institutions to meet industry needs have documented positive and significant impacts on youth employment (Tripney et al., 2013).

Nevertheless, building sustainable public-private partnerships for vocational training and education is not straightforward. For instance, it has been difficult to replicate successful apprenticeship systems in countries that lack the relevant historical and institutional arrangements.

### **Linking training programmes with job placement**

Formalised mechanisms for collaboration between private enterprises and educational institutions help ensure that training actually leads to employment. Informational and operational linkages between TVET institutions and industry enables the private sector to provide input in the design of market-relevant training for young people. This means the sectoral, skills and technological focuses of training programmes can equip graduates with the capabilities that businesses seek when hiring.

The risk of a mismatch between training and the job market can be minimised, for example, through improved programme design (The Mastercard Foundation, 2015). The Skills for Youth Employment Fund is a results-based competitive funding approach that aims to ease the transition from skills training programmes to the world of work. To obtain support through the fund, which ITC and the Gambia's National Accreditation and Quality Assurance Authority launched in February 2017, training programmes must target identified skill shortages and lead to work or to the establishment of small viable businesses. This requires participating TVETs to engage closely with industry to ensure post-training placement, and to understand start-up potential and opportunities. Moreover, to link these programmes to measurable outcomes, part of the funding is dispensed only upon proof of the successful employment or self-employment of trainees.



### Customising skills programmes to ensure inclusiveness

Opportunities to develop skills are not available to everyone. Rural youth, for instance, often struggle to find appropriate training (ITC, 2018: 42). Customised training programmes could be created, or core training modules adapted, to include disadvantaged youth.

The *A Ganar Vencedoras* programme deployed donor funding to offer skills training to young Brazilian women. The programme found that they were dealing with specific problems – such as domestic violence, low self-esteem or child-care issues – that hindered their entry into the labour market. Staff realised that the training had to be adapted to address these issues in order to maintain engagement in the programme (Multilateral Investment Fund, 2012: 14). Training for disabled youth and indigenous groups may similarly have to be customised to address their particular challenges.

**Table 8.1. Checklist of best practices to skill youth for employability and exports**

<b>1. Public-private collaboration to identify skills mismatches and design training</b>	<ul style="list-style-type: none"> <li>✓ Informal and/or institutionalised collaboration between TVETs and firms in private sector</li> <li>✓ Identification of missing skills</li> <li>✓ Design of appropriate training programmes</li> </ul>
<b>2. Ensure trained youth get jobs by strengthening training institutions</b>	<ul style="list-style-type: none"> <li>✓ Improve capacity of TVETs to deliver job-relevant training programmes</li> <li>✓ Monitor participant placement in employment or entrepreneurship</li> </ul>
<b>3. Customise training programmes for disadvantaged youth</b>	<ul style="list-style-type: none"> <li>✓ Ensure programme structure and logistics facilitate participation by female and rural youth</li> <li>✓ Address their constraints to employability</li> </ul>

### PROMOTING SELF-EMPLOYMENT AND ENTREPRENEURSHIP

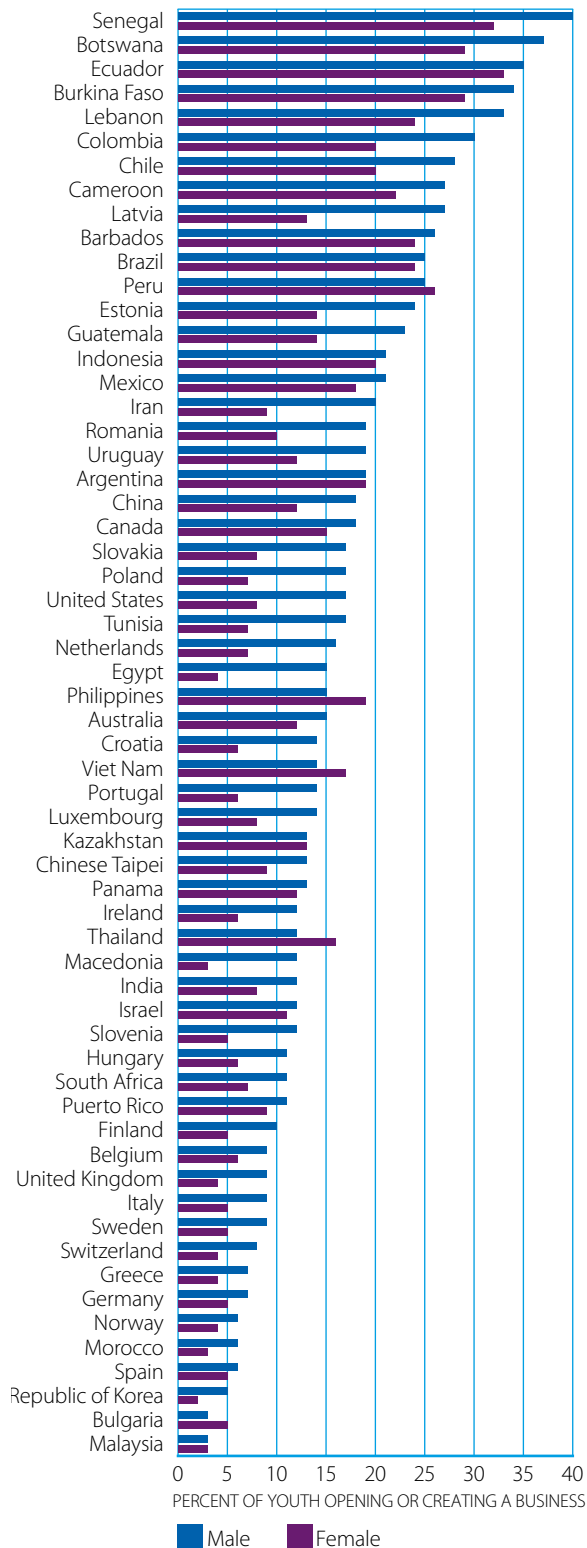
Some young people are agents of change in their society who create jobs and solve social problems through the enterprises they create. Youth are 1.6 times more likely to start-up a new business than people over age 35 (Schott et al., 2015). Many new businesses are created in developing countries, which on average have more nascent and young companies than established firms (Kew et al., 2013).

Youth self-employment and entrepreneurship can be an enticing career option in this context. Indeed, 60% of youth in developing countries consider entrepreneurship to be a good career choice and believe that having a successful business brings a higher status in society (Kew et al., 2013).

One in four young people around the world are entrepreneurs or self-employed, according to the Global Entrepreneurship Monitor (GEM) 2015 survey.<sup>4</sup> This section follows GEM and the literature in defining youth entrepreneurs as those between 18 and 34 years of age. Although some youth turn to entrepreneurship because of a limited job market, others do so by choice. Roughly 40% of young people who start their own business do so out of necessity. The remaining 60% of young entrepreneurs are seeking to capitalise on an opportunity they have identified (Schott et al., 2015).

When young people are driven to self-employment out of necessity, they risk exposure to poor working conditions and a struggle for subsistence. Many youth are self-employed in precarious informal sector activities in a vulnerable employment situation (ILO, 2010). In this context, support should help young people find a better, decent job. In other situations, youth entrepreneurship can involve decent working conditions with real potential to lead to improved livelihoods, competitiveness and participation in international trade.

**Figure 8.3. Youth entrepreneurship rates by country and gender**



Note: Youth 18–34 years of age

Source: ITC calculations, based on GEM 2015 APS Global Individual Level Data.

StatLink <http://dx.doi.org/10.1787/888933953850>

### Entrepreneurship is popular, but difficult

Entrepreneurial activity varies widely from one country to another. Figure 8.3 ranks 60 countries according to the percentage of youth between 18 to 34 years of age who are creating, or already own, a business. In Senegal, 40% of young men are engaged in entrepreneurial activity, compared with just 1.6% in Malaysia.

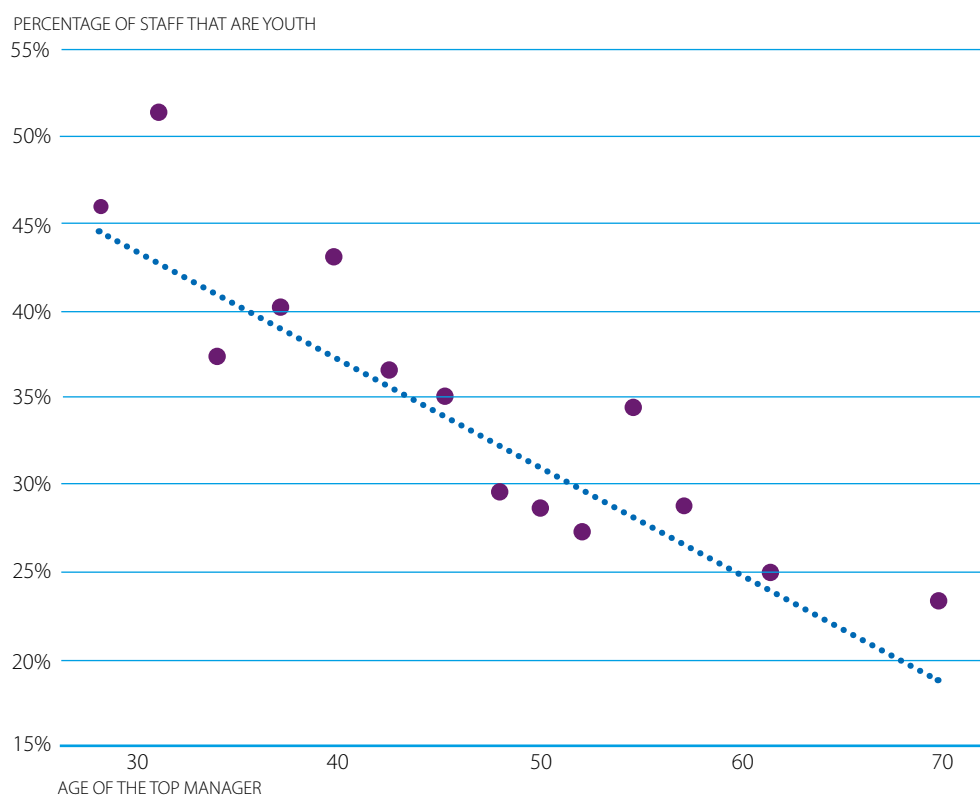
Entrepreneurial activity also varies across gender, with men more likely than women to start their own businesses. Still, there are significant cross-country differences in the ratio of male to female entrepreneurial activity among youth. In the Philippines and Peru, for instance, young women are more entrepreneurially involved than men, while in Chile and Lebanon, the opposite is the case.

In light of high rates of youth entrepreneurship, it is not surprising that youth-led firms account for a substantial share of new businesses. Almost 44% of the world’s entrepreneurs are between 18 and 35 years of age. Yet many youth-led start-ups do not survive: the evidence indicates that the established business rate among youth is significantly lower than for adults (Decent Jobs for Youth, n.d.: 4).

Analysis of data across countries indicates that young entrepreneurs tend to be on average more oriented towards exports than older entrepreneurs (Schott et al., 2015). However, the relative propensity of youth-led firms to import and export, compared to companies led by older entrepreneurs, appears to vary by country, sector and the length of time the firm has been operating.

Firm-level data from ITC SME Competitiveness Surveys offer mixed evidence on whether youth-led firms are more or less likely to internationalise. Youth-led enterprises in Ghana and Hungary are less likely to export than businesses led by their elders, but the opposite is the case in Kenya. GEM data show that youth-led firms export relatively less in the manufacturing and primary sectors, though they appear to export as much as other companies in the services sector.

Finally, young entrepreneurs tend to hire more young workers, according to firm-level data (see Figure 8.4).

**Figure 8.4. Young managers hire more young people**

Note: The y-axis reflects the percentage of full-time employees who are under 25. The relationship between the two variables is the result of a binned scatterplot.

Source: ITC SME Competitiveness Surveys. A total of 2047 firms were surveyed in Morocco, Argentina, Hungary, the Gambia, Kenya, Ghana, Zambia and Ukraine in 2016–2018.

### Management skills are essential for competitiveness

Given that youth lead a significant share of new enterprises and contribute to the innovative capacities of SMEs, the obstacles they face are an important constraint to economic growth. Young people around the globe identify common obstacles to their entrepreneurship, including access to finance and the lack of appropriate skills, infrastructure, support structures and mentorship. Indeed, in its response to the 2019 OECD-WTO Aid for Trade monitoring exercise, Madagascar cited the ‘lack of experience and start-up funding’ as major barriers to youth entrepreneurship.

Research indicates that a substantial proportion of young people who start businesses have no entrepreneurial education and, as such, lack knowledge about financing possibilities and business support services as well as the managerial capacities necessary for success (Schoof, 2006; Schott et al., 2015: 27). Youth-led firms are not alone in contending with inadequate managerial skills; many small enterprises fail for this reason.

SMEs are often limited by the inability of their management to set up and implement strategies to develop skills, adopt new strategies and technology, expand into new sectors or new markets, or even to prepare effective requests for financing. This impedes their growth and is reflected in higher failure rates.

### Box 8.2. Mashrou3i youth entrepreneurship in Tunisia

Mashrou3i ('my project' in Arabic) is a joint project of the United Nations Industrial Development Organization (UNIDO), the United States Agency for International Development, the Italian Development Cooperation and the HP Foundation. Mashrou3i is designed to facilitate youth employment in Tunisia and to support the creation and growth of enterprises.

Mashrou3i empowers aspiring entrepreneurs to succeed in running their own businesses, creating jobs for themselves and others. The project leverages the HP Foundation's Learning Initiative for Entrepreneurs (HP LIFE) e-Learning program to equip young people with entrepreneurial skills and mindsets to start and grow their businesses. It also provides deep-dive business coaching and technical assistance to startups and existing enterprises in areas such as finance, communication and marketing.

Focus is also placed on ensuring young people have the information and networks they need to pursue their business ventures. To strengthen the entrepreneurial ecosystem, Mashrou3i enhances the capacity of local business support institutions and is also enriching the curricula of higher education institutions with business and IT tools.

Source: UNIDO, [https://mashrou3i.tn/wp-content/uploads/2017/07/Mashrou3i\\_Brochure\\_EN\\_WEB.pdf](https://mashrou3i.tn/wp-content/uploads/2017/07/Mashrou3i_Brochure_EN_WEB.pdf)

Learning even elementary management skills in planning, marketing and financial literacy can improve management practices, increase the willingness of owners to pay for follow-up training and boost survival chances (Otsuka and Sonobe, 2011; Sonobe and Otsuka, 2006). Research indicates that the performance of a company is closely linked to the competence of its manager (Hambrick and Mason, 1984). Management practices can improve productivity (Syverson, 2011), as well as growth and longevity (Bloom and Van Reenen, 2010).

Although there are interventions to teach proper management skills, empirical evidence on their impact is statistically weak. The impact of such training programmes is much stronger, however, if they are provided to owners of firms that are struggling to survive, where the lack of managerial skills is a major impediment to innovation and growth (Yoshino, 2011). As such, entrepreneurial training programmes for youth-led firms close to survival can be a valuable form of technical assistance insofar as they address management capacity gaps that would otherwise decimate the youth-led SME sector.

### Youth entrepreneurship spurs innovation and fosters diversification

Investments in youth entrepreneurship yield benefits that stretch beyond the young people in question. Youth-led companies can stimulate innovation across the SME landscape. Both globalisation and rapid advances in new technologies have put the creation and delivery of innovative products and services at the forefront of competition. Firms need to innovate to strengthen their competitive position.

A firm's capacity to innovate – its ability to generate innovative outputs (Neely et al., 2001) or more broadly, its ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of the firm and its stakeholders (Lawson and Samson, 2001) – is strongly linked to its technological capabilities.

Young entrepreneurs may bring new technologies to the business landscape that can help SMEs connect to global markets. They use foundational technologies, such as personal computing and productivity tools, and connectivity tools such as the internet and mobile technology. They have an online presence and use social networks alongside enterprise-enabling cloud-based services.

Furthermore, as recent graduates of educational programmes, they may have recent experience in research and development that bodes well for innovation. Although young entrepreneurs often base their firms on new ideas and have inherent innovative potential, their ability to spend money on research and development depends on their access to finance, the scale of their enterprise and its age.

Youth innovate in response to local problems and opportunities. Young people are deeply rooted in the social and economic context of their country, and craft innovative solutions that they commercialise through entrepreneurship. As ‘digital natives’ who grew up with online technology (McPherson, 2008), they adapt information and communication technology (ICT) to local conditions, thereby helping to create appropriate ICT for firm competitiveness (EY, 2016). In the Gambia, for example, young people (under age 35) owned half of the ICT firms that were interviewed in 2017 for the ITC SME Competitiveness Survey (ITC, 2018a).

### Box 8.3. Youth IT start-ups in the Zaatari refugee camp in Jordan

The Jordanian population is approximately 7.9 million, with an estimated 1.3 million Syrian refugees.<sup>5</sup> The International Trade Centre’s Refugee Employment and Skills Initiative seeks to help Jordan improve the economic resilience of refugees and equip them with the right skills to be able to return home and earn an income when peace is restored.

The project provides vocational training to help young refugees in the Zaatari refugee camp in northern Jordan develop their ability to work as freelance entrepreneurs in online services. During the training programme, participants are taught how to register for digital platforms, boost their activities on online marketplaces and manage online transactions and sales. They develop specific capacities in online services such as graphic design and web development with support from online coaching and one-on-one mentoring. In addition to building skills, the project helps young people generate sustainable sources of income.

Furthermore, ITC partners with a select group of Jordanian enterprises to include specific inputs from Syrian refugees and integrate them into export value chains for business process outsourcing services. In parallel, the project assesses Jordan’s positioning and offerings of these outsourcing services for export, analyses the structure of the sector and identifies specific gaps in relatively low-skilled areas that can be filled using the capacity of Syrian refugees assisting Jordanian nationals.

*Source:* ITC

Young entrepreneurs are increasingly associated with efforts to find business solutions to social challenges and to leverage new technologies. Indeed, there is greater representation of social entrepreneurs than nascent commercial entrepreneurs among those between ages 18 and 34 in the Middle East and North Africa, sub-Saharan Africa and Western Europe regions (Fernando, 2018). Additionally, young Africans with novel approaches on how to address social and environmental problems head many of the start-ups participating in accelerators in Nigeria’s ‘Yabacon Valley’ (ITC, 2019b).

Youth entrepreneurship can also promote economic diversification. Youth-led businesses catalyse economic activities in new, higher-growth sectors and activities (ITC, 2015: 22).

In China, for example, research shows that young returnee migrants in south Jiangxi start up new businesses in their natal communities that promote the economic diversification of the region (Murphy, 2000). Nigeria is targeting education and business environment reforms with a view to facilitating youth entrepreneurship for economic diversification into new sectors (Akpomujere, 2017; Joel et al., 2017).

Youth entrepreneurship is also being encouraged to take advantage of export diversification opportunities through incremental changes to activities within existing export industries. In several African countries, for instance, youth-led companies are pioneering in agribusiness activities that build on existing agricultural sector expertise and extend it to higher-value and more stable exports into global value chains.

### Youth-led firms need a supportive business ecosystem

The success of young entrepreneurs depends on the supportiveness of their business ecosystem (Business 20, 2015). Can a young e-business pioneer acquire financial literacy training? Is financing available? Helping youth-led businesses internationalise and grow entails strengthening the environment in which young entrepreneurs operate as well as the level of assistance they receive.

Components of a business ecosystem differ, depending on whether they support a small or a large enterprise, a start-up or a mature firm, a high-tech or a low-tech company (ITC, 2018b). The business ecosystem of youth entrepreneurs includes both formal and informal institutions. For-profit organisations – including buyers, suppliers, distributors, financial actors and certifying bodies – and non-profit bodies – including education providers, standard-setters and chambers of commerce – make up their business ecosystem.

Local infrastructure is also part of the business ecosystem of youth entrepreneurs. This is because high-quality, local digital and transport infrastructure is a prerequisite for using new, digitally driven technologies to innovate and for international trade. In sum, the business ecosystem starts at the boundary of the enterprise and ends at the border of the country with national institutions or regulations (ITC, 2018b).

### Facilitating access to finance and business support institutions

Deeply rooted prejudices against lending to youth and disadvantaged groups, as well as collateral and other requirements (discussed in greater detail below), are preventing many young people from accessing financial services. Finance from friends and family helps to some degree, particularly in the early stages. One survey found that, on average, 51% of youth-led start-up financing comes from personal savings, while 22% comes from family savings, 19% from a bank or other financial institution, 3% from friends and 5% from other sources (Schott et al., 2015: 22). Other funding sources are needed as firms expand and mature, but these are not always available (ITC, 2019b).

Youth trade accelerators can help address this issue by offering training, coaching/mentoring, institutional support and access to finance to aspiring young entrepreneurs. Programmes create an ecosystem of institutions, advisers, mentors and investors to support youth-owned SMEs with tailored services as springboards to access international markets. Such institutions can help youth obtain appropriate information, including on markets, networking and investment.

In the absence of accelerators and other youth-centred programmes, business support institutions can provide access to financial literacy training and business development support services. This is crucial for young entrepreneurs to create, develop and scale-up sustainable enterprises.

### Social networks can nurture an entrepreneurial spirit

Social norms can shape the attitudes of young people towards entrepreneurship, taking initiative and leadership, affecting their decision to start a business and their subsequent choices as business owners (Schoof, 2006).

One social norm that can deter potential entrepreneurs from setting up a business is the fear of failure. The 2015 Global Entrepreneurship Monitor Global Report reveals that respondents in the European Union have the greatest fear of failure (40.7%), followed by those in Asia and Oceania (37.5%). Negative peer pressure, social stigma, lack of confidence due to insufficient knowledge and skills, absence of respectable exit routes without economic penalties and low aspirations can aggravate these fears (UN-ESCAP, 2012).

Providing entrepreneurial skills can address these fears to some extent. GEM found that people who are confident that they possess the skills to start a business are four to six times more likely to be involved in entrepreneurial activity (Kew et al., 2013: 17).

The social networks to which young people belong can also allay the discouraging effects of certain social norms, while providing connections for SME success. Networks and peer-to-peer support provide young business leaders with sources of motivation, ideas, information, business partners, employees, customers and advice. Networks can help identify promising opportunities, mobilise financial resources, diffuse information, find affordable technology and foster innovation (Stuart and Sorenson, 2005). The nature of networks varies widely, from private networks (family and friends) and market networks (business collaborators) to identity-based networks (e.g. ethnic affiliation), as does the strength of ties between actors (OECD, 2014).

Evidence from India shows that business counselling and assistance had a significant and immediate impact on the business activity of female participants – but only if they were trained in the presence of a friend. Those trained with a friend were more likely to take out new business loans (Field et al., 2015). Indeed, entrepreneurs who network with a new business owner before they themselves create an enterprise are more capable of discovering and exploiting international opportunities and eventually exporting (Evald et al., 2011).

The availability of high-quality mentoring has been central to the success of initiatives that help young entrepreneurs go global. Survey data from young entrepreneurs show that programmes facilitating mentorship improved their confidence, decision-making skills, business development and self-understanding, eventually yielding benefits in terms of successful business creation and higher turnover (Middlesex University and Youth Business International, 2016).

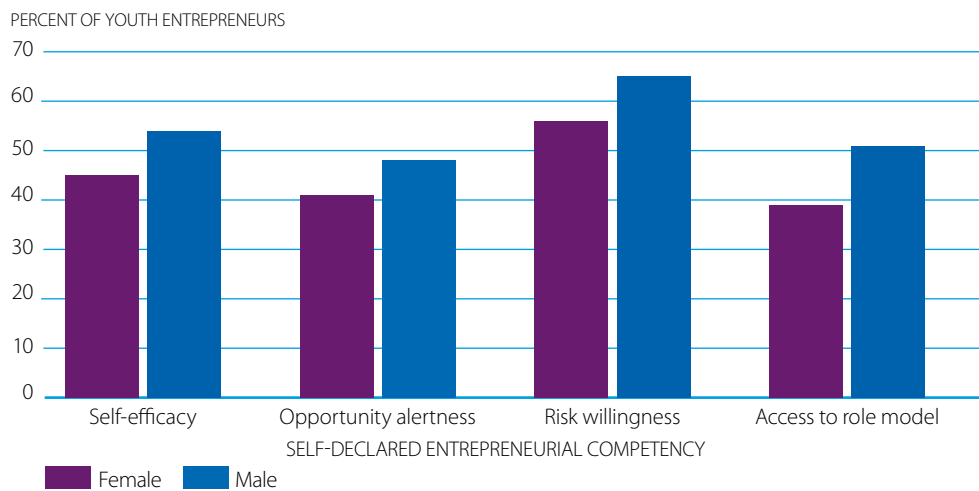
Mentors give young entrepreneurs expert advice from relevant business networks. While youth accelerators and other brick-and-mortar forums are crucial in this respect, not all young people can access a physical entrepreneurial space. Online forums for learning and collaborating are thus essential.<sup>6</sup> The Libyan Online Entrepreneurship School, for example, is a virtual learning space that facilitates continuous growth for young Libyan entrepreneurs. This platform gives them the opportunity to attend courses, access resources, exchange ideas, and communicate with mentors and with each other.

### Tailoring support for young women entrepreneurs


There is an opportunity to better incorporate a gender perspective into Aid for Trade initiatives for youth entrepreneurship. Recent evidence suggests that young men and women start businesses using different approaches and have different needs. Some studies indicate that young businesswomen are more entrepreneurial than their male counterparts. One reason for this is that young women seem to enjoy their independence and the ability to expand their options more than young men, who often turn to business because formal employment opportunities are limited (ILO/ECA, 2009; Solomon, 2010).

Women in low-income countries tend to be more self-confident about their ability to become entrepreneurs than women in developed countries. They are also less afraid to fail than women in middle- and high-income economies. Rates of female entrepreneurship tend to be higher in developing countries than in developed economies, perhaps because women face greater barriers to enter the formal labour market in the developing world and turn to entrepreneurship as an alternative (Minniti and Naudé, 2010a).

Nonetheless, young women say they have lower levels of entrepreneurial competencies than young men (see Figure 8.5), who are 1.2 times more likely to be confident in their ability to run a business ('self-efficacy') and 1.3 times more likely to personally know a start-up entrepreneur than young women (Schott et al., 2015).

**Figure 8.5. Self-reported youth entrepreneurial competencies, by gender**

Note: Percentage of surveyed 18–35 year old female and male entrepreneurs who said they had that competency, 2012–2014.

Source: Global Entrepreneurship Monitor, 2015. Future Potential – A GEM perspective on youth entrepreneurship: 24.  
 StatLink  <http://dx.doi.org/10.1787/888933953869>

Even when women have the skills and knowledge, opportunities and incentives may prevent them from starting or continuing a business. Young mothers are more likely than non-married women to become entrepreneurs, but they are also more likely to quit a business voluntarily. Furthermore, evidence suggests that female entrepreneurs in developing countries are involved in multiple projects. They are portfolio entrepreneurs rather than serial entrepreneurs as they attempt to diversify income sources (Minniti and Naudé, 2010b).

These findings suggest that many young women choose entrepreneurship as a way to escape unemployment and poverty. Yet while the data confirm that young women are more likely than young men to start a business out of necessity, the difference is small: 41% cite necessity as the reason they began their business, compared with 35% of men (Schott et al., 2015: 25).

Still, it is clear that the primary concern motivating the business strategy of some female entrepreneurs is survival rather than growth. Helping these enterprises can have a very strong impact on the Sustainable Development Goals, because income earned by women is more likely to be invested in children's education, health and nutrition (Morrison et al., 2007).

Interventions can help such firms move along the continuum of business development from a focus on survival to growth and export. At the same time, it should be borne in mind that some women-led businesses in the developing world start with the aim of growing and innovating.

Regardless of the motives and origins of young female entrepreneurs, supporting them requires an understanding of their unique business environment.

Women entrepreneurs face specific challenges in building a successful export business (ITC, 2015b). Pervasive and persistent discrimination affects their relationship with customers, their security in the marketplace and their access to services (Solomon, 2010). Discrimination also excludes young women from the social networks that their male peers use for information, advice and finance (Schott et al., 2015: 25). In some countries, there are legal impediments to female business ownership and success, such as business registrations that require the approval of a male family member and the absence of government sanctions on gender-based decision-making in financial institutions.



In Indonesia, more than three quarters of female entrepreneurs interviewed by ITC said that women-led enterprises do not internationalise as much as those owned or led by men. Some of them blamed the perpetuation of gender roles. However, others said it was because women were less confident and competitive, and 80% said that being a women-owned company negatively affected the credibility of their business (ITC, 2017b).

ITC business surveys on non-tariff measures show that exporting firms headed by women report procedural obstacles to trade more frequently than those led by men. In particular, female-owned micro firms report more procedural barriers due to 'informal or high payments' and 'discriminatory behaviour' than male-owned micro firms (ITC, 2016: 50).

Furthermore, gender-blind trade policies may have gender-biased impacts – for example, through tariffs that are higher on goods produced by women (such as textiles and clothing) and non-tariff barriers that are particularly stringent in women-dominated sectors (such as agriculture). Considering these factors when negotiating and applying trade rules can facilitate the development of a gender-responsive trade policy system (Avsar and Piovani, 2019).

**Table 8.2. Checklist of best practices to support youth entrepreneurship**

<b>1. Improve access of young entrepreneurs to relevant skills</b>	<ul style="list-style-type: none"> <li>✓ Improve the scale and quality of entrepreneurship education and skills development, coaching and mentoring</li> <li>✓ Facilitate the acquisition of management skills and financial literacy</li> </ul>
<b>2. Link youth-led companies to appropriate business ecosystem</b>	<ul style="list-style-type: none"> <li>✓ Create youth accelerators and other brick-and-mortar support centres</li> <li>✓ Support peer and mentoring networks</li> <li>✓ Promote and enhance online hubs and communities for young entrepreneurs</li> </ul>
<b>3. Tailor support to address barriers affecting young female entrepreneurs</b>	<ul style="list-style-type: none"> <li>✓ Address legal impediments</li> <li>✓ Reduce procedural obstacles</li> <li>✓ Make trade policy gender-responsive</li> </ul>

Source: ITC and the Global Initiative on Decent Jobs for Youth, Youth Entrepreneurship and Self-Employment thematic area action document (ITC, ILO, UNIDO, UNCDF, UNCTAD).

Aid for Trade initiatives are beginning to address the constraints that young women face when starting a business in developing countries. Peer training and mentoring, along with consideration of the constraints that young businesswomen face when training initiatives are designed, improve programme effectiveness (ILO/ECA, 2009; Solomon, 2010). ITC's SheTrades initiative gives young women entrepreneurs from around the world a unique network and platform to connect to markets.

## GOVERNMENTS CAN STIMULATE YOUTH EMPOWERMENT

The competitiveness of firms that hire young people (and are led by them) are affected by the national environment in which they operate. This paper has thus far examined the role of firm-level capabilities and the business ecosystem in youth economic empowerment. Yet the broader national context – and government action in particular – affects whether firms hire youth, and influences whether these businesses thrive and go global.

Governments have an important role to play in fostering youth economic empowerment through a conducive national policy environment. Public policy can address market failures that hinder the ability of young people to play a part in supporting the competitiveness of the country in international markets.

In addition, governments are uniquely positioned to assess future opportunities in global markets. Through multi-stakeholder consultations, they can identify value chains where today's targeted programmes could prepare youth for tomorrow's exports.

## Policy can help tackle market failures that exclude youth

Several categories of market failures can limit the ability of young people to contribute to the country's international competitiveness.

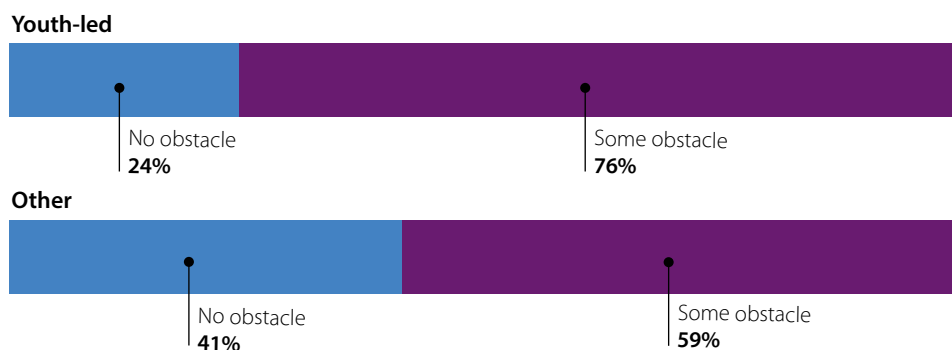
As argued above, skills mismatches can undermine youth employment and SME competitiveness. Governments can help reduce skills mismatches by establishing suitable national educational curriculum and facilitating collaboration between trade-related and education-related institutions.

In Singapore, for instance, the Ministry of Trade and Industry and the National Manpower Council created an interlocking system of communication and interaction among government bodies, the private sector and higher education and training institutions to ensure that workforce skill demands were translated into changes in the population skill set. These initiatives have been crucial to the country's successful upskilling of its workforce in the last 40 years (Kuruville et al., 2002).

Financial market failures can exclude young people from formal credit. Young people often lack the collateral and credit history that banks require before providing credit. For this reason, start-ups founded by 18–24 year olds are 6% less likely to use financing from banks and other financial institutions than those run by 35–64 year olds (Schott et al., 2015: 25).

Firm-level survey data from ITC indicate that youth-led businesses are more constrained by poor access to finance, with 76% reporting that access to financial institutions is an obstacle to current operations, compared to 59% of non-youth-led companies (see Figure 8.6). Some established youth start-ups appear able to obtain family and personal savings to compensate for the lack of formal sector financing. However, no data are available on the number of youth-led enterprises that were not created, or whose potential was severely curtailed, because of financial constraints.

**Figure 8.6. Access to finance is more of an obstacle for youth-led firms**



*Note:* Firm response to the question 'To what degree is access to financial institutions an obstacle to current operations?' Choices included 5= very severe obstacle, 4= very bad obstacle 3=bad obstacle 2= somewhat an obstacle 1= small obstacle 0=no obstacle and do not know. All respondents who chose anything besides 'no obstacle' are categorized as selecting 'some obstacle'. Firms are considered youth-led if their top manager is below 35 years of age.

*Source:* ITC SME Competitiveness Surveys. A total of 1308 firms were surveyed in Argentina, Hungary, Kenya, Morocco and The Gambia in 2017 and 2018.

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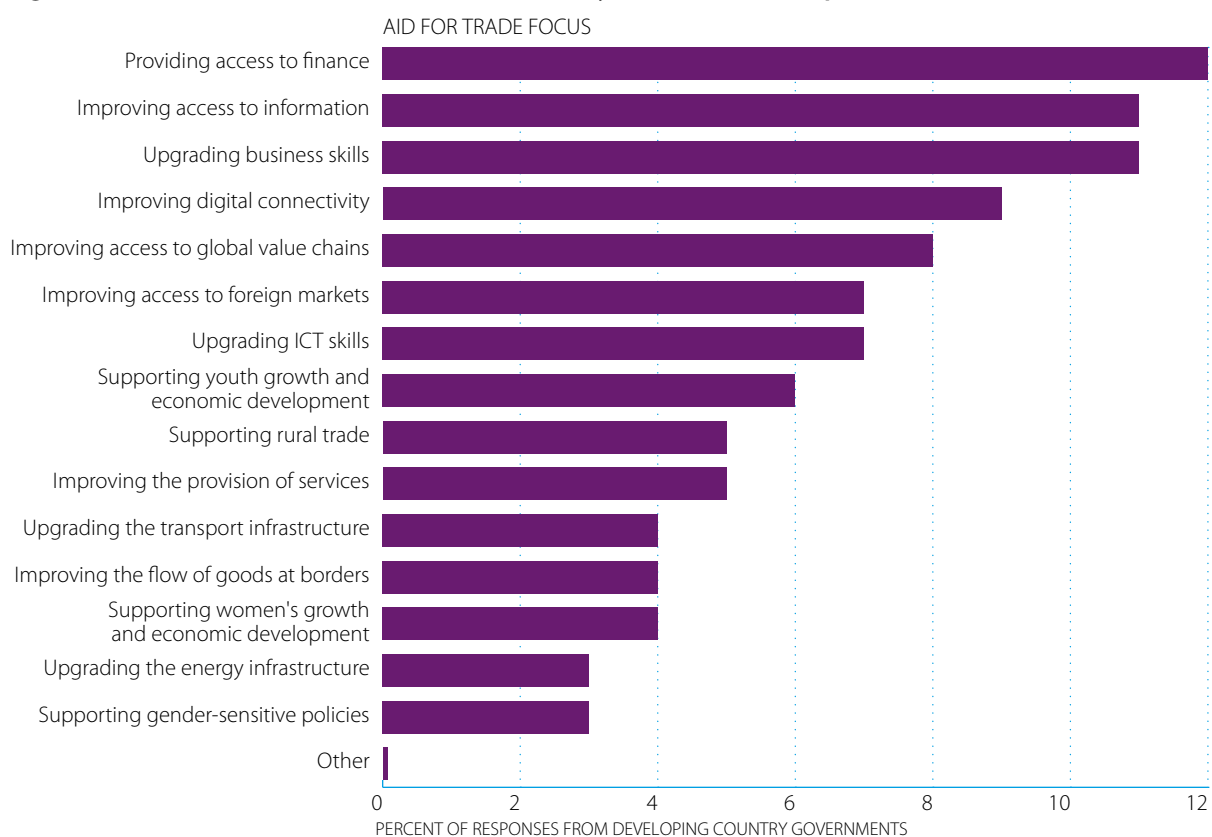
Governments can step in to correct these financial market failures through credit guarantee programmes, seed capital and financial literacy initiatives. The Government of Kazakhstan, for example, has provided credit guarantees to young entrepreneurs through its support to the Damu Entrepreneurship Development Fund (OECD, 2018). The Government of Mauritius provided seed capital to the SME equity fund, which invests in domestic early-stage SMEs. In South Africa, the public sector Financial Services Board collaborated with the South African Insurance Association to develop financial education materials and trained many educators and learners in their classroom use (Sibanda and Sibanda, 2016: 15).

Legal and social restrictions may prevent young people, and particularly women, from owning land and/or businesses. Regulations that prohibit age and gender-based discrimination can help youth gain control of the assets they need to boost productivity, innovate and become globally competitive.

Investment in the information and communications technology infrastructure, and indeed basic infrastructure, can improve SME competitiveness through access to web-based job portals to identify qualified youth. Enhanced ICT infrastructure is also crucial to the ability of youth-led enterprises to go global, because it can help them access markets overseas.

Mobile phones have proven to be an important business tool, especially for young rural female entrepreneurs, as they enable them to expand their business through improved marketing, location of customers, improved communication and time savings (UNCTAD, 2014). In addition to improved information and connectivity, ICT can allow youth to multiply the benefits they reap from access to new technologies, such as green technologies, crowdfunding and credit platforms.

**Figure 8.7. How Aid for Trade can best contribute to youth economic empowerment**



*Note:* Developing country governments were asked, through the Aid for Trade monitoring and evaluation survey, 'How best can Aid for Trade make a contribution to youth economic empowerment?' They were allowed to choose up to five options. In all, 84 governments responded. Figure 8.7 reflects the percentage of the total choices that were accounted for by each option.

*Source:* OECD-WTO Aid for Trade monitoring exercise (2019).

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Official development assistance can also play a role in addressing these issues. Indeed, when asked how Aid for Trade can best contribute to youth economic empowerment, developing country governments reiterated these priorities (see Figure 8.7). An important share of responses highlighted how Aid for Trade could help provide access to finance, upgrade skills and improve access to information and digital connectivity, echoing the need to address the market failures described in this subsection. Respondents also noted opportunities to improve access to global value chains, which as the next subsection notes can be facilitated by Aid for Trade to government sectoral strategies for youth.

### Strategies to identify and create opportunities for youth

A coherent government strategy can identify priority sectors and skills that have export potential and are interesting to young people. Besides generating jobs for youth and helping SMEs become more competitive, this can improve the national trade balance and encourage growth.

The International Trade Centre has worked with several governments to help craft youth and trade roadmaps. By focusing attention on the role of young people in key sectors, youth and trade strategies can stimulate diversification of production, value addition and exports.

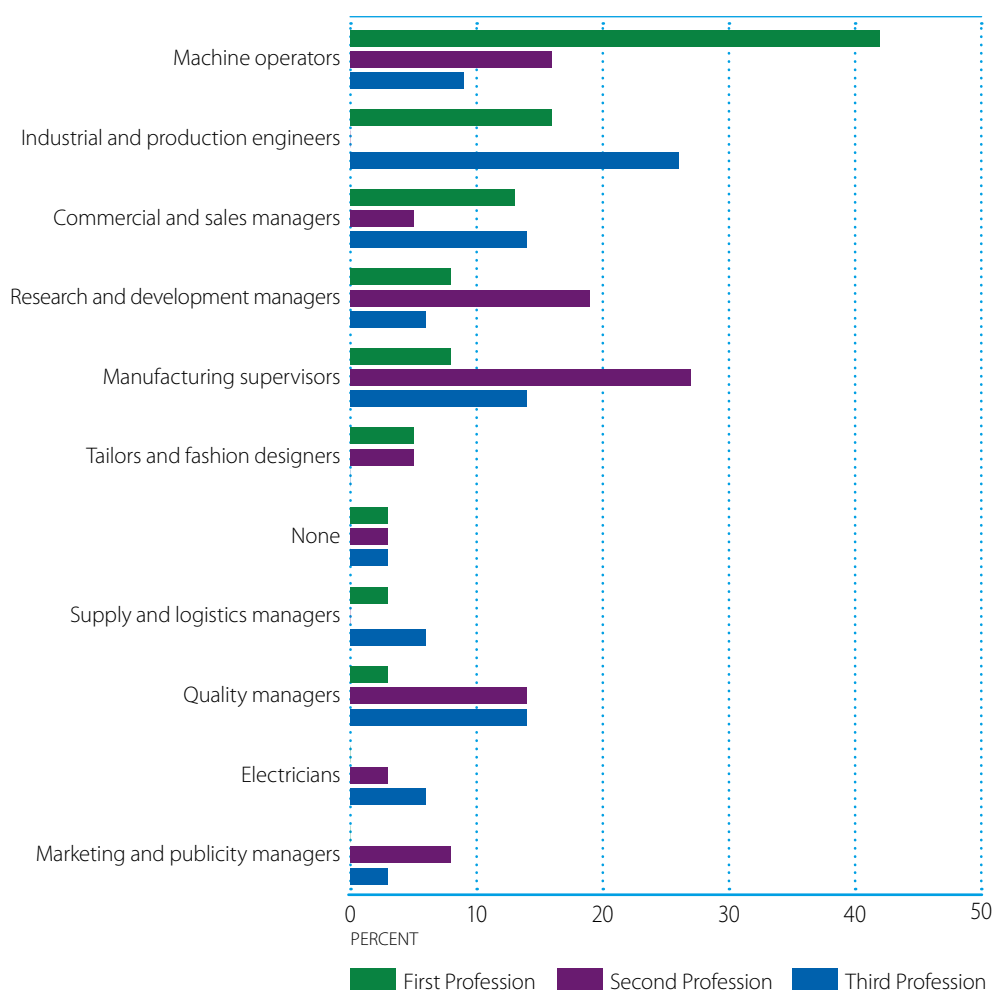
### Stakeholders can guide decisions on youth trade strategies

Consultations with stakeholders not only generate quantitative information about the economy, but they also draw attention to strategic opportunities for youth in the economy. Consultations solicit input from policymakers, trade and investment support institutions, the private sector and civil society during meetings that help to identify sectors and activities where youth can promote the country's exports (ITC, 2018d).

It is crucial to listen to young people and to empower them to solve the problems they face during the consultation and strategy-building process. The Ministry of Education of Liberia, for example, convened a National Policy Dialogue on education for youth skills development for employment, which brought together government, industry and youth organisations (Arai, 2010; Association for the Development of Education in Africa, n.d.). Including youth when formulating policy ensures that solutions are appropriate and attractive to them. The ongoing involvement of young people in policymaking is a goal in itself that can also improve support for policy and ease implementation.

ITC-supported youth and trade strategizing by governments targets priority sectors with the help of information gathered through stakeholder consultations. Priority sectors are selected based on their contribution to a development goal (such as employment generation, poverty reduction or regional inclusion), ability to promote the country's long-term competitiveness potential and capacity to offer youth jobs and entrepreneurship opportunities.

For each sector, a value chain analysis is conducted that forecasts the best opportunities for young people. Identifying youth-relevant activities within sectoral value chains can highlight pre-production, processing and final market prospects for employment.

**Figure 8.8. Staffing needs in the Tunisian textile and clothing sector**

Note: The firm survey in the Tunisian textile and clothing sector asked enterprises what top three professions they were seeking to fill. For example, 42% of respondent firms said they are most in need of machine operators, and 27% of firms said the second-most sought after employees are manufacturing supervisors.

Source: ITC. Stratégie sur l'intégration et l'employabilité des jeunes dans le secteur textile et habillement. A total of 38 firms were surveyed in 2018 in the textiles and clothing sector of Tunisia.

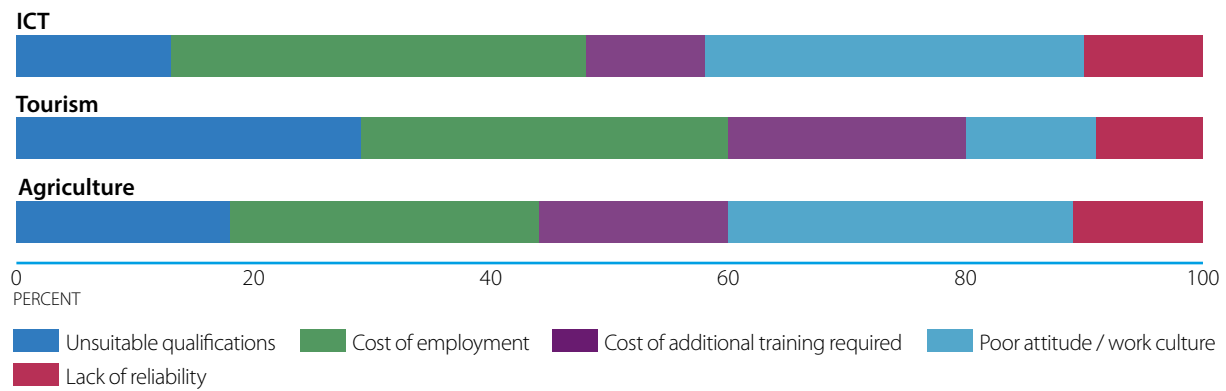
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In Tunisia, for instance, the high export and youth empowerment potential of the textile and clothing sector led ITC to help design a strategy. Analysis of firm-level data showed an acute need for machine operators and supervisors (see Figure 8.8). This information is shaping the education and training plans of Tunisian youth (ITC, 2019c).

After identifying the biggest occupational gaps in target sectors, the ITC youth and trade strategizing methodology analyses gaps in skills. An assessment of the needed skills and levels of preparedness in priority sectors is linked to TVET future planning, to ensure that training institutions help young people develop the capabilities for future job opportunities. This is complemented by a sector-specific analysis of the constraints to youth employment.

In the Gambia, for example, more than half of the companies in the tourism sector cited inadequate qualifications and the cost of workers as the top barriers to hiring young people. Qualifications were not a major issue in the information and communications technology sector, though the work ethic of young people was reported as a hiring obstacle by companies in both the ICT and the agricultural sectors (see Figure 8.9).

**Figure 8.9. Barriers to hiring Gambian youth, by sector**



Note: The graph is based on firms' responses to the following question: 'In your opinion, what is the greatest barrier to employing young people among the following?'

Source: ITC Competitiveness Surveys. A total of 110 firms were surveyed in The Gambia in 2017.

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Finally, an analysis of export requirements in priority sectors is used to help youth-led firms build their niche in growing export markets (ITC, 2018d).

### Creating a shared vision and plan for youth economic empowerment

A coherent government strategy can guide policymakers, institutions and the private sector towards progressive youth economic empowerment. A strategy with a clear vision and prioritised actions can facilitate the inclusion of youth in export and import activities.

**Table 8.3. Checklist of best practices in government strategy for youth economic empowerment**

<b>1. Facilitate access to finance</b>	<ul style="list-style-type: none"> <li>✓ Boost availability of financial services specifically targeting youth</li> <li>✓ Increase access to finance for young entrepreneurs through innovative financial mechanisms</li> <li>✓ Equip young entrepreneurs with financial capabilities</li> </ul>
<b>2. Address market failures</b>	<ul style="list-style-type: none"> <li>✓ Facilitate collaboration between trade and education institutions</li> <li>✓ Tackle age- and gender-based discrimination</li> <li>✓ Provide ICT and basic infrastructure</li> </ul>
<b>3. Prioritise sectors</b>	<ul style="list-style-type: none"> <li>✓ Facilitate inclusive consultation</li> <li>✓ Choose sectors that have high export and youth potential</li> <li>✓ Reinforce market linkages and integration into value chains and identify value chain development needs</li> <li>✓ Align skills training and entrepreneurship support programmes</li> </ul>
<b>4. Craft strategic plan</b>	<ul style="list-style-type: none"> <li>✓ Create shared vision for youth in trade</li> <li>✓ Set out a plan of action in target sectors and across economy</li> <li>✓ Clarify resourcing and responsibilities</li> <li>✓ Monitor progress</li> </ul>

A national-level analysis assesses key cross-cutting elements driving the inclusion of youth in export-led development. This part of the strategy lays out the vision and defines youth-centred trade and competitiveness priorities. National policy priorities to address barriers to youth economic empowerment may also be laid out here. Examples include improving the quality of the youth business ecosystem through trade procedures, offering incentives for research and development, developing market-oriented skills and establishing institutional forums for youth representation and collaboration.

Strategies also pinpoint the sectors and skills that have been identified as having export potential and which are interesting to young people. They detail an approach to attract youth to the sectors and economic activities that leverage the country's comparative and competitive advantages (ITC, 2018d).

Each ITC-led youth and trade roadmap includes a strategic plan of action specifying concrete steps to achieve the national and sectoral objectives of the youth and trade strategy. A master implementation plan complements sector- and actor-specific strategies that transform identified challenges and opportunities into explicit actions.

When resources are limited, realistic targets are set to make it easier to effectively allocate these resources to the sectors and initiatives that count. In the Gambia, for instance, policymakers focused resources on youth entrepreneurship programmes in the ICT sector because so many young entrepreneurs were active in there.

Resourcing and institutional requirements for implementation should be complemented by a monitoring framework that includes realistic target indicators. A definite yet manageable time-frame can facilitate coordinated action.

## CONCLUSIONS AND RECOMMENDATIONS

This paper has drawn attention to the twin problems of youth unemployment and SME competitiveness. SMEs that are understaffed will remain uncompetitive on domestic and global markets, restricting their ability to create jobs, grow and trade. Harnessing the potential of young women and men is not only desirable, it is critical to fulfil the Sustainable Development Goals (notably SDG 8).

Economically empowering youth in SMEs could solve both of these problems. Small firms in developing countries hire local youth and provide on-the-job training and experience that can be a gateway to a career, helping to achieve SDG 8 on decent work for youth. At the same time, youth can help developing countries increase exports by boosting the human capital of firms and fostering innovation, thereby contributing to SDG 9 on innovation and SDG 17 on international trade. Aid for Trade designed to empower youth economically is thus a win-win opportunity to support the well-being of young people and promote international trade for economic development.

One way to make this happen is by matching youth skills to company needs. Programmes that make sure the skills taught by educational institutions align with the needs of SMEs can help young people find jobs. Indeed, firm-level survey data show that enterprises reporting an adequate supply of skilled workers tend to have hired more young employees.

At the same time, improved youth skills lead to greater firm-level human capital. This, according to the economic literature, encourages exports and facilitates export diversification.

Tackling barriers to youth entrepreneurship can also buoy SME competitiveness and youth economic empowerment. About a quarter of young people across the globe are self-employed or entrepreneurs, but many lack the necessary entrepreneurship skills and networks. Aid for Trade can help them develop their businesses, including by boosting management skills to improve the competitiveness of their firms. Doing so ensures the survival of many SMEs and can thereby promote economic growth.

Enterprises headed by young women have specific needs and potential. Young women may be interested in entrepreneurship, but may lack confidence in their ability to run a business. Furthermore, they may be excluded from the social networks that their male peers use for information, advice and finance, and may face discrimination in trade policies and practices. Customised programmes for young women can take these circumstances into account and yield significant sustainable development benefits.

Governments have a major role to play to promote youth economic empowerment for international trade. They can address market failures that specifically hinder youth-led firms, such as limited access to finance. With firm-level surveys finding that 76% of youth-led enterprises face financial obstacles to their operations, compared with just 59% of companies headed by their older counterparts, it is clear that more effort must be made to address the exclusion of young people from financial services.

Aid for Trade can play a role here. The 2019 OECD-WTO monitoring and evaluation survey identified greater access to finance as the most important contribution that Aid for Trade can make to empower youth economically.

Finally, governments can chart the course forward using youth and trade roadmaps. These roadmaps can reshape the trade pattern of the economy by identifying sectors with export potential that are of interest to youth. Through participatory consultations and a practical plan, roadmaps can ensure that young men and women are empowered to participate in international trade.



## NOTES

1. Data are from firm-level surveys in the following countries in 2017 and 2018: Saint Lucia, Zambia, Hungary, Ukraine, Argentina, Morocco, Ghana, Kenya and the Gambia.
2. SME Competitiveness Surveys in Argentina, Saint Lucia, Kenya, Ghana, Zambia and Ukraine. Answers ranged from 0 to 5, where 0 is 'poor match' and 5 is 'good match'.
3. Binned scatterplots are a non-parametric method of plotting the conditional expectation function (which describes the average y-value for each x-value). To generate a binned scatterplot, `binscatter` groups the x-axis variable into 20 equal-sized bins, computes the mean of the x-axis and y-axis variables within each bin, and then creates a scatterplot of these data points. By default, `binscatter` also plots a linear fit line using Ordinary Least Squares, which represents the best linear approximation of the conditional expectation function.
4. Self-employment entails work as the owner of a business that has been established for some time, while entrepreneurs are planning, creating and nurturing new businesses. Although the two concepts are thus technically distinct, most young people who work for themselves identify as entrepreneurs. Following this stylised fact, we use the two terms interchangeably in this chapter.
5. These figures are from 2015, the most recent year for which data are available on both registered and unregistered Syrian refugees in Jordan. Subsequent counts measure just the fraction of those refugees who are officially registered with the United Nations High Commissioner for Refugees and, as such, fail to gauge their overall prevalence in the population.
6. One example of such a forum is MicroMentor, a non-profit online initiative that offers free guidance to many young entrepreneurs and connects them with business mentors at [www.micromentor.org](http://www.micromentor.org)

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**AID FOR TRADE**  
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# AIDFORTRADE AT A GLANCE 2019

## ECONOMIC DIVERSIFICATION AND EMPOWERMENT

*Aid for Trade at a Glance 2019* analyses how trade can contribute to economic diversification and empowerment, with a focus on eliminating extreme poverty, particularly through the effective participation of women and youth, and how aid for trade can contribute to those objectives by addressing supply-side capacity and trade-related infrastructure constraints, including for Micro, Small and Medium-sized Enterprises notably in rural areas.

The analysis is based on the views of 133 respondents – 88 developing countries, 35 donors, 5 providers of South-South trade-related support and 5 regional organisations – who participated in the 2019 aid-for-trade monitoring and evaluation exercise. They share the view that economic diversification is a gateway for economic empowerment, but also that empowerment is essential for economic diversification particularly when it enables youth, women and Micro, Small and Medium-sized Enterprises to engage in international trade.

Overview		<i>Contributed by</i>
Chapter 1	Setting the Scene	WTO
Chapter 2	Aid for Trade, Economic Diversification and Empowerment	OECD
Chapter 3	Economic Diversification through Industrialisation	UNIDO
Chapter 4	Aid for Trade in Challenging Contexts	UNDP and EIF
Chapter 5	Economic Diversification: Lessons from Practice	WBG
Chapter 6	The Critical Role of Trade Facilitation	WB, OECD, and UNCTAD
Chapter 7	Export Diversification at the Time of Slowbalisation	UNCTAD
<b>Chapter 8</b>	<b>Empowering Youth For Sustainable Trade</b>	<b>ITC</b>



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Chapter 9	Supporting Women's Economic Empowerment	OECD
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