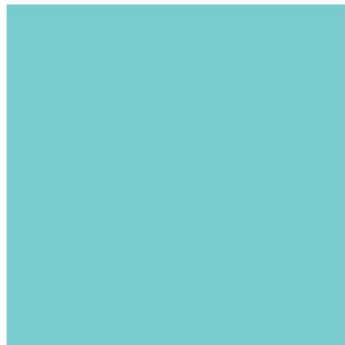


Regional Infrastructure as a Catalyst for Job Creation

**THE FIRST ORDINARY SESSION OF THE AU STC ON TRANSPORT,
INTERCONTINENTAL AND INTERREGIONAL INFRASTRUCTURE,
ENERGY AND TOURISM**

14th March 2017, Lomé/Togo

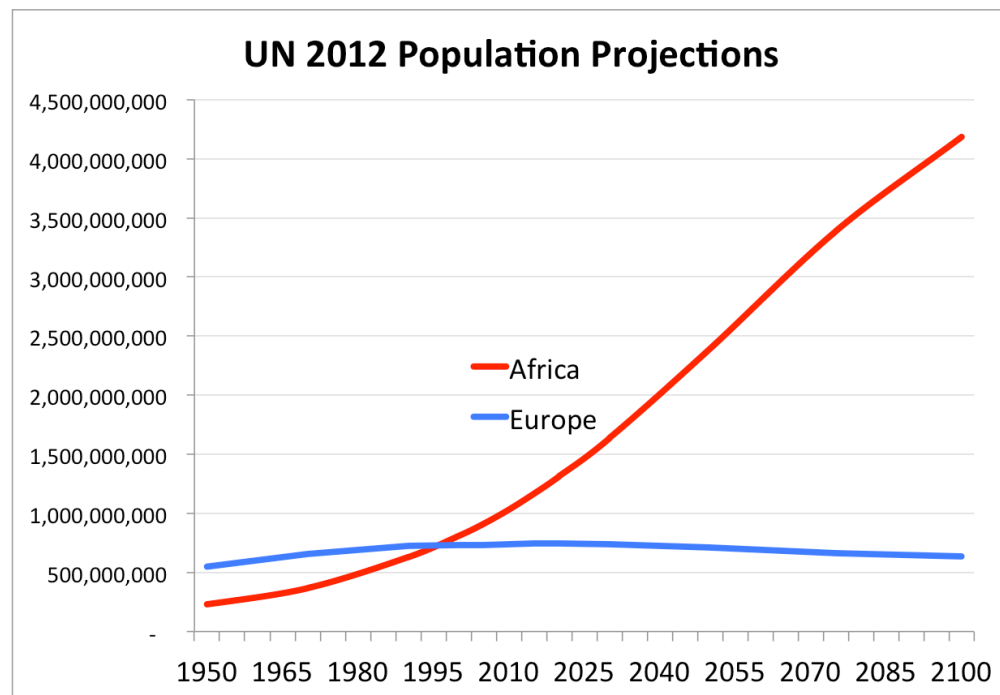


Outline

- 1. How can infrastructure create employment for Africa's labour force?**
- 2. What is needed from our political leaders and policy makers to realize the job creation potential of infrastructure?**



Africa`s Demographic Dividend



Sources: World Bank (2011), Africa Development Indicators 2011, Washington DC; UN World Population Prospects

- 300 million youth entering the labour market until 2030
- Half of Africa`s current population of 1.1 billion under 25 years

“A population that has an average age of 49 years cannot be governed in the same way as a population where the average age is 19 years old. “

=> Capitalize on the demographic dividend and create jobs (see also Agenda 2063)



Infrastructure as a catalyst for job creation

- **Infrastructure and economic development:**
Infrastructure investment contributes up to 2% to GDP of African nations (OECD 2012)
- **Infrastructure and job creation:**

Direct Jobs	Indirect Jobs	Induced Jobs	Spill-over effects
Created through project preparation, construction, operation and maintenance of infrastructure	Created by inputs of goods and services for infrastructure projects	Created by consumption by workers directly or indirectly employed	Created from increased transport and trade, improved electrification, better internet connectivity, etc.



PIDA Can Create Jobs for Africa`s Youth

African leaders adopted PIDA in 2012 as the means to stimulate socio-economic growth, investment, and intra-African trade!

How PIDA can create jobs – some examples/estimates:

1. **INGA III:** 7,000 construction jobs and 3,000 permanent jobs during operation (source: Société Nationale d'Electricité (SNEL))
2. **Trans-African Highway Network:** 350,000 permanent jobs for maintenance and notable spillover effects from increased trade (source: World Bank)
3. **Sambangalou Dam:** 1000 fishing jobs in the reservoir (source: BRL Ingénierie)



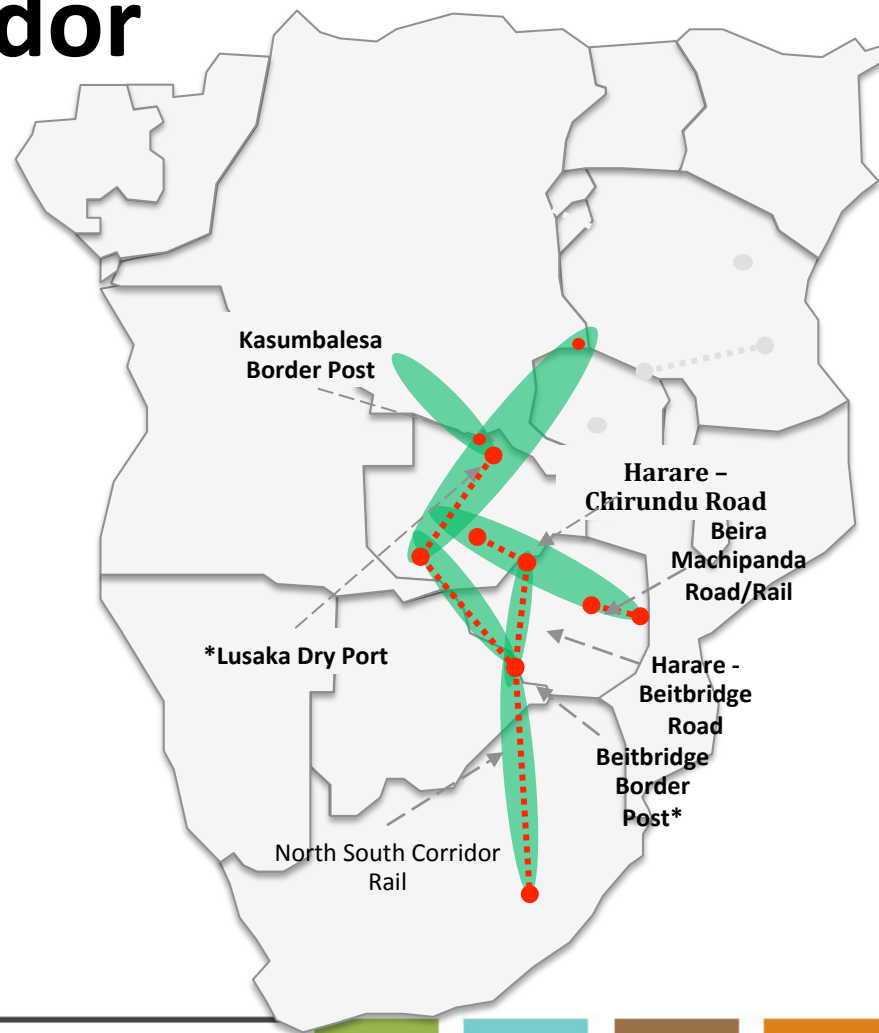
Example: North-South Corridor

North South Corridor – Estimated Impacts

Create 547k extra jobs by 2035; for example:

- 88k new jobs in the agriculture sector of Tanzania 
- 2k jobs in mining in Zimbabwe 
- 43k in retail & wholesale in Mozambique 
- 11k in agriculture in DRC 
- 31k in manufacturing in South Africa 

Source: DBSA/BCG



Maximizing Job Creation with Infrastructure – Planning and Implementation Toolkit

- Currently being developed by NEPAD Agency
- The Toolkit will give practical answers to two questions:
 1. How can we estimate and track the impact of infrastructure development on the labour market, i.e. *how many jobs are created via the implementation of PIDA projects?*
 2. How can we plan and coordinate regional infrastructure projects so that job creation is maximised/optimized?



**What is needed from our political
leaders and policy makers to realize
the job creation potential of
infrastructure?**



Policies and regulations on African Local Content

- Promote infrastructure development supported by African local labour and African local suppliers, thereby creating employment and demand for local businesses
- The spatial dimension of the local content policy in the PIDA/African context will be regional

Examples of optional local content policies that could be adopted by African countries (after economic impact analysis):

- Requiring or incentivizing use of African service suppliers and labour
- Requiring joint ventures or a specified level of domestic equity
- Requiring or incentivizing transfer of technology



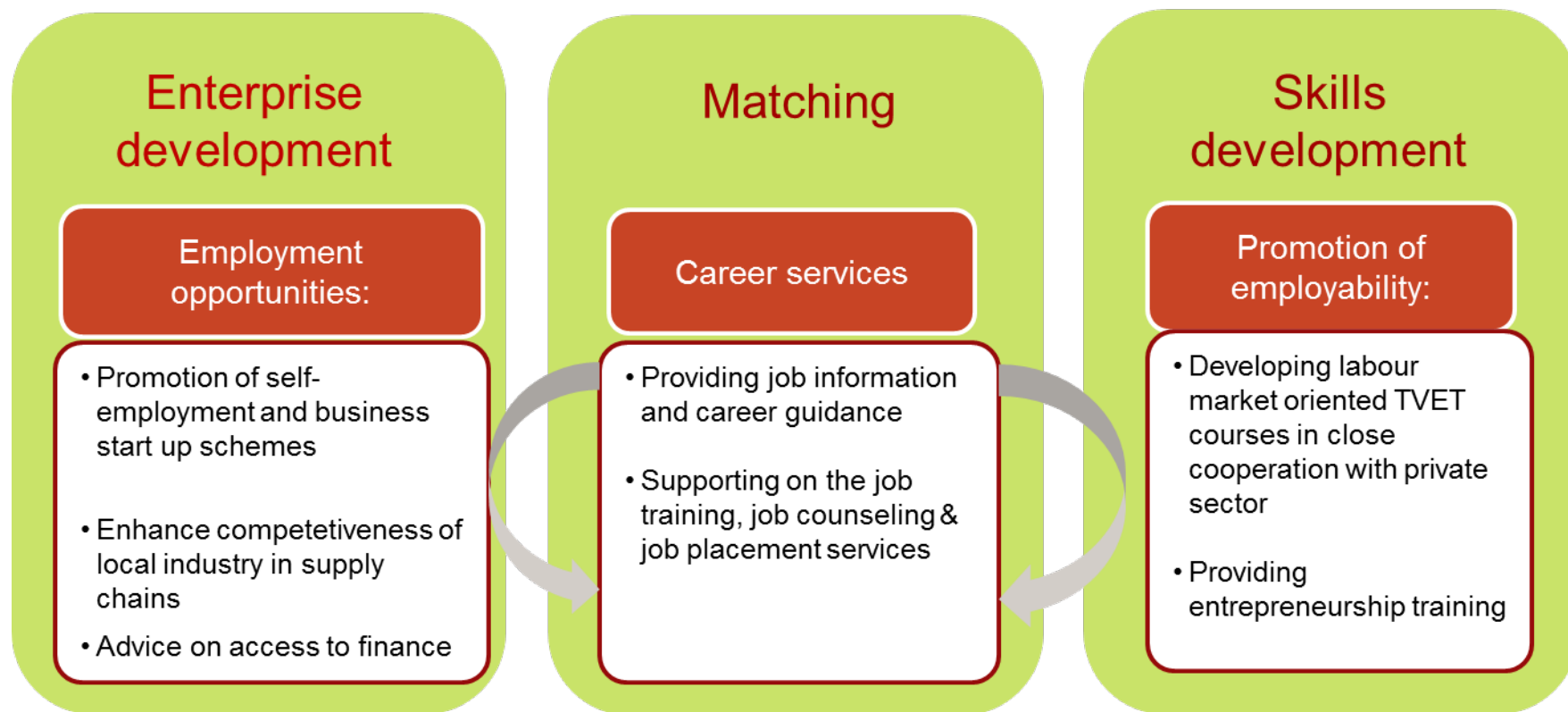
Nigerian Local Content Policy – preliminary results

	Before the Local Content Policy	After the Local Content Policy
Average annual industry spend	US\$ 8 billion	US\$ 20 billion (US\$ 4 billion locally)
Contribution to national revenue	71 per cent	80 per cent
Contribution to export earnings	>90 per cent	96.60 per cent
Contribution to GDP	12 per cent	25 per cent
Local value addition (local content)	10–15 per cent	>40 per cent
Local refining capacity	445,000 bpd	445,000 bpd
Workforce use	Increased use of expatriate workforce	Increased use of local workforce

Source: African Development Bank, Bill & Melinda Gates Foundation; Paper 6: Creating local content for human development in Africa's new natural resource rich countries



Enabling local content delivery with skills and enterprise development



Skills Development – What needs to be done?

Identification of the Skills Gap:

- **Definition of the market demand and skill-sets** needed to implement priority infrastructure projects
- **Comprehensive analysis of labour markets:** What infrastructure-relevant skills are currently available?
- **Identification of the Skills Gap:** What skills need to be developed to prepare and implement the priority infrastructure projects using local labour and supplies?

“Capital for infrastructure financing is available. What is lacking are well-prepared, bankable projects. To have these, capacity and well-skilled experts are needed. Either we build this capacity on our own continent with adequate skills development schemes or we have to import these skills from outside.”



Required policy actions to close skills gap

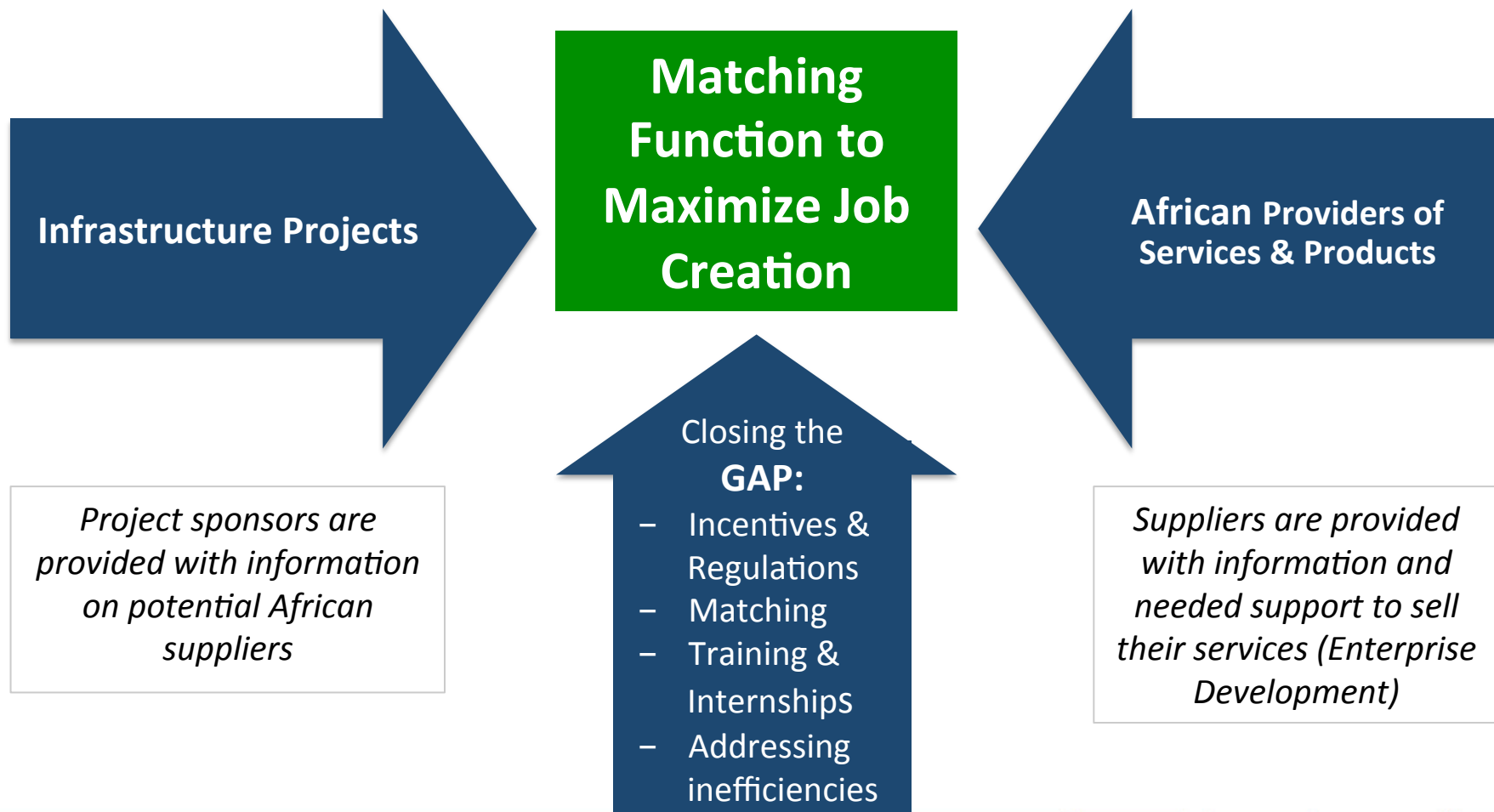
- 1. Make it a political priority**
- 2. Create a regional skills market**
- 3. Strengthen training institutes and universities**
- 4. Adapt Curricula**
- 5. Combine public employment programs with skills development**
- 6. Form strategic partnerships**



- **Identification of suitable local SMEs/ potential entrepreneurs** to respond to market demand
- **Setting up capacity development programmes** in close cooperation with lead businesses
- **Improving access to finance**
- **Upscaling of SMEs to international industry standards**
- **Mentoring programmes**
- **Setting up sustainable structures:** Incubators, partnerships with TVET centers, industry enhancement centers

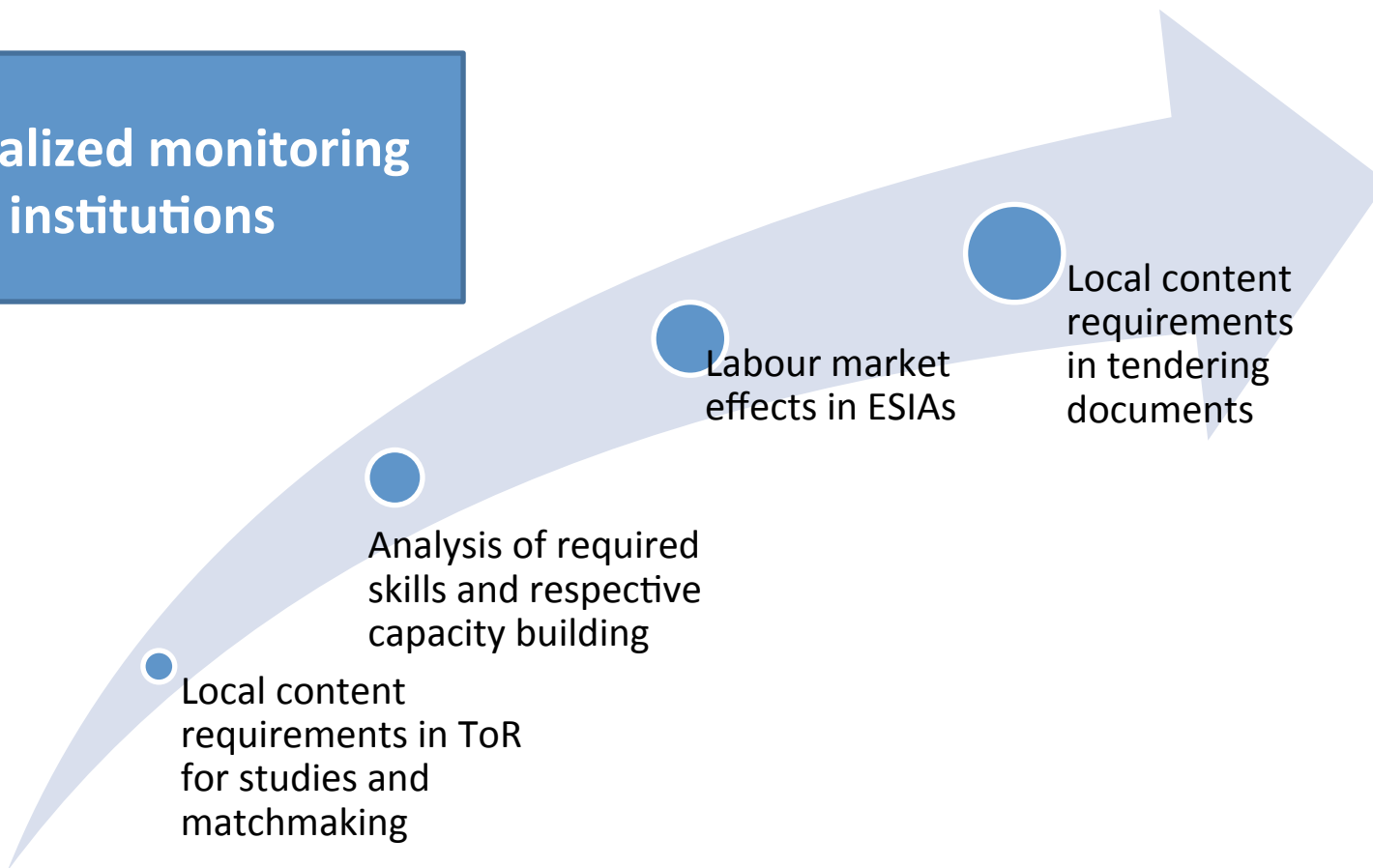


Matching Function aligning Infrastructure Projects with African Suppliers



Integrating job creation in infrastructure project planning

Specialized monitoring institutions



Draft Requests to Member States

(1/2)

We hereby request Member States to:

1. **Acknowledge** the potential of regional infrastructure development as a key lever to create jobs and make available information and data on infrastructure projects as inputs for job estimation
2. **Work together** to formulate harmonized policies, tendering regulations, and regional labor mobility processes for infrastructure development requiring and/or incentivizing the use of African local content to create local jobs, strengthening local businesses, enabling the regional pooling of African labour, and ensuring technology transfer
3. **Identify the infrastructure skills gap and prepare (regional) skills development strategies** that enable Africa's labour force, especially African women, to meet the industry skills requirements to participate in large-scale infrastructure projects.
4. **Engage** in strategic partnerships with key private sector actors to promote vocational training, internships, and transition-to-work initiatives in infrastructure development
5. **Support the capacity building and access to funding of African SMEs**, so that they qualify for infrastructure tenders and can provide supplies for infrastructure projects



We further request Member States to:

5. **Launch project finance training programs** to enable African consulting companies to provide the required project finance support for infrastructure development (e.g., financial advisory, legal support to set up institutional and legal structures, negotiate contracts with suppliers of equipment and services, arrange for equity/debt finance and risk mitigation structures)
6. **Support the creation of a Platform that matches African Infrastructure Projects with African Suppliers**, enabling project sponsors, governments, development partners, and the private sector to collaborate in needed interventions
7. **Task the African Union Commission/NEPAD Agency to:**
 - a) **Finalise and disseminate** the Job Creation Toolkit to estimate and track labour market effects of regional infrastructure programs
 - b) **Provide** a practical guide for project implementers on how to integrate skills development and employment promotion in the infrastructure project lifecycle
 - c) **Develop** and pilot the integrated corridor approach to link industrial hubs and rural areas, promote regional value chains, thus creating new employment opportunities



Questions and discussion



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OBRIGADO

THANK YOU



Vision of Regional Value Chain Corridors

Regional Value Chain Corridors:

- Are multisectoral (energy, transport, ICT)
- Link countries, industrial hubs and rural areas
- Reduce trade barriers for agricultural and manufactured goods
- Trigger further production and industrialization
- Are implemented with skills development programs in cooperation with governments and the private sector to sustainably create jobs across all socio-economic and educational backgrounds!



Key constraints preventing local businesses from competing effectively

1. Capacity: Technical capacity to meet standards; non-technical capacity
2. Funding: Access to credit
3. Information: Information asymmetries on both sides
4. Skills:
5. Regulatory and institutional: High cost of doing business associated with setting up formal sector expertise, land as collateral to access loans

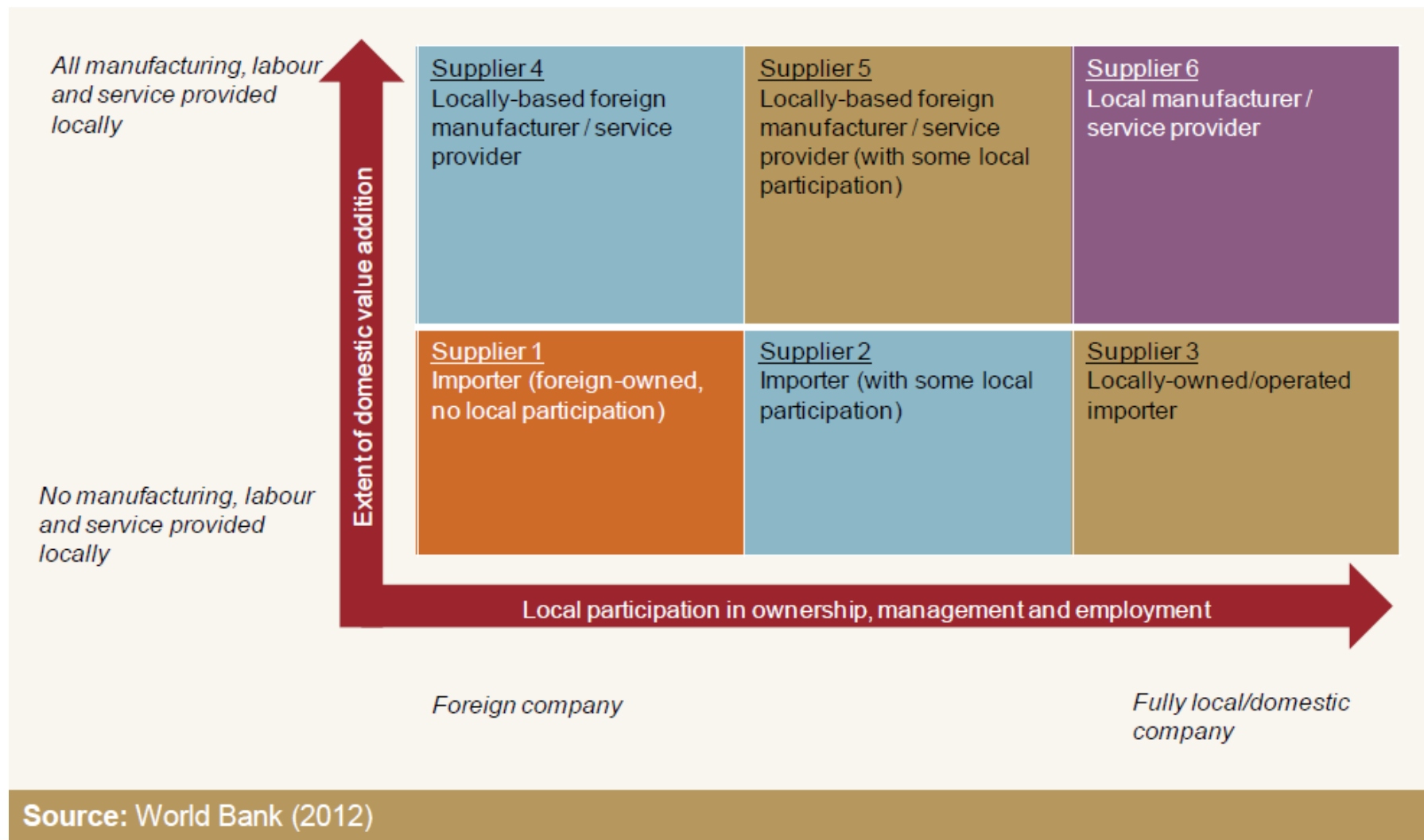


Example: Youth Infrastructure Bootcamps with Private Sector

- **Unrealized job opportunities:** Un(der)employed youth despite the fact that employers complain about empty posts (especially at entry-level)
- **Reason:** Skill demand and supply don't match
- **Methodology:**
 - Identification of high-growth industry in one country/region (e.g., energy sector; logistics; finance sector)
 - Identification of key employers in that industry in that region
 - Identification of skills gap
 - Compilation of a curriculum of 6-12 weeks (bootcamp)
 - Selection of candidates for boot-camp
 - Potential working contracts with employers
- **Successful example of the methodology:** GENERATION Initiative aiming at creating employment for 1 million youths until 2020; successfully applied for instance in finance sector in Kenya
- **Examples for application on regional infrastructure:**
 - Selection of one PIDA pilot project (e.g., Sambangalou Dam, Central Corridor, Abidjan-Lagos-Corridor), identification of necessary skills to advance project, compilation of curricula and identification of employers as partners
 - Identification of the special skill-set required for regional infrastructure development in general, e.g., technical advisory, financial structuring, legal advisory for cross-border projects, construction, etc. and then application of methodology



Local Content Definitions



Clarity and transparency: Monitoring and measuring local content

South Africa's scorecard to monitor compliance with the Broad-Based Black Economic Empowerment (B-BBEE) policy allocates 40 out of 105 points to 'Enterprise and Supplier Development'. To score points on this criterion, firms need to demonstrate that they buy goods and services from suppliers with strong B-BBEE recognition levels. This element also measures the degree to which enterprises carry out supplier development initiatives intended to accelerate the sustainable growth of black enterprises.

Element	Weighting (max score)	Ref. code (subsidiary legislation)
Ownership	25 points	100
Management control	15 points	200
Skills development	20 points	300
Enterprise and supplier development	40 points	400
Socio-economic development	5 points	500
Total	105 points	

Source: Government of South Africa (2013)

