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YOUTHSTART GLOBAL

INCEPTION PHASE — YOUTH ECONOMIC OPPORTUNITY ECOSYSTEM ANALYSIS

DEMOCRATIC REPUBLIC OF CONGO
(DRC) COUNTRY REPORT

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Dalberg

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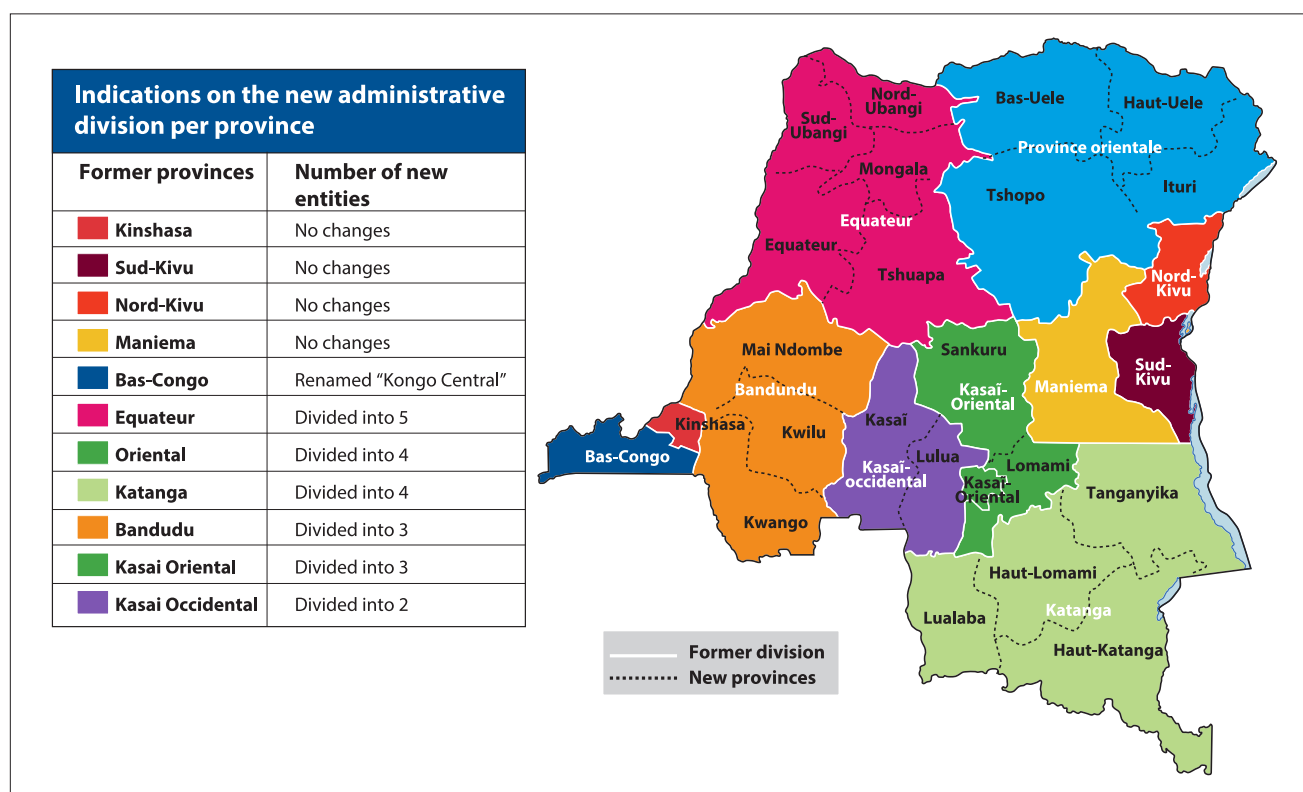
DEFINITIONS, ABBREVIATIONS, AND ACRONYMS

Youth are defined by the government of the Democratic Republic of Congo (DRC) as persons between the ages of 15-35 years, to align with the African Youth Charter (AYC) definition. However, the UNCDF YouthStart Global (YSG) program uses the United Nations (UN) definition of youth: persons aged 15-24 years. Wherever possible, the UN definition is used. In some cases, information or data were only available for youth aged 15 to 35, and thus the government's definition was used.

The DRC's constitution of February 2006 made provisions for a new administrative division of its provinces, given the large size of the former 11 provinces. Due to a number of economic and political considerations, the government decided to put this provision into application only in July 2015. Thus, with the new administrative division, the DRC counts 26 provinces (as shown on Figure 1). Given the unavailability of province-level data taking into account the new division, statistics and illustrative maps used in this report will be based on the former administrative division.

Figure 1

New administrative division of the DRC



Source: UNHCR, Global Insight, 2015.

The term ‘SME’ (small and medium-sized enterprise), as defined by the Ministry of Small and Medium Enterprises (Ministère des Petites et Moyennes Entreprises – MPME) in its “charter for Small, Medium, and Artisanal Enterprises”¹ includes micro, small and medium enterprises, and represents economic units that meet the following three conditions: 1) employ between 1 and 200 employees per year, 2) generate between USD 1 and 400,000 gross annual turnover, and 3) have less than USD 350,000 net capital.

Households are categorized into one of six classifications: one, those in extreme poverty; two, the very poor; three, the poor; four, the resourceful poor; five, the food rich; six, the moneyed rich.

Conversion from Congolese Francs (CDF) to USD is at 900 CDF to USD 1.²

AfDB	African Development Bank
ARTPC	Autorité de Régulation des Postes et Télécommunications du Congo
BCC	Banque Centrale du Congo
BDS	Business Development Services
CEMAC	Communauté Economique et Monétaire de l’Afrique Centrale
COOPEC	Coopératives Primaires d’Epargne et de Crédit
COPEMECO	Confédération des Petites et Moyennes Entreprises du Congo
DRC	Democratic Republic of Congo
DSCR	Document Stratégique de Croissance et de Réduction de la Pauvreté
FEC	Fédération des Entreprises du Congo
FENAPEC	Fédération Nationale des Petites et Moyennes Entreprises du Congo
FMCG	Fast Moving Consumer Goods
FNM	Fonds National de la Microfinance
FSP	Financial Service Provider
GDP	Gross Domestic Product
ICT	Information and Communications Technology
ILO	International Labor Organization
INPP	Institut National de Préparation Professionnelle
INS	Institut National de la Statistique
IOM	International Organization for Migrations
IYF	International Youth Foundation
MESFTP	Ministère de l’Enseignement Secondaire et de la Formation Technique et Professionnelle
MSME	Micro, Small and Medium Enterprise
MT	Metric Tons
OHADA	Organisation pour l’Harmonisation en Afrique du Droit des Affaires
ONEM	Office National de l’Emploi

1 Charte des Petites, Moyennes Entreprises et de l’Artisanat (PMEA) en République Démocratique du Congo, DRC Ministry of SMEs, 2009.

2 Prevailing market exchange rate mostly used for local transactions in the DRC.

PAEJK	Programme d'Activités pour l'Emploi des Jeunes dans la province du Katanga
PDIFM	Projet de Développement des Infrastructures Financières et des Marchés
PNIA	Plan National d'Investissement Agricole
RESOJEC	Réseau Solidaire des Jeunes Entrepreneurs du Congo
SME	Small and Medium-sized Enterprise
SMIG	Salaire Minimum Inter-professionnel Garanti
TVET	Technical and Vocational Education and Training
USD	United States Dollar
YSG	YouthStart Global

ACKNOWLEDGEMENTS

The United Nations Capital Development Fund (UNCDF) YouthStart Global program commissioned Dalberg Global Development Advisors to produce this report. The report relies on the inputs of a broad range of stakeholders in the youth economic opportunities ecosystem in the Democratic Republic of Congo (DRC) who shared their views and advice for the preparation of this document. The authors wish to thank interview participants from the Congolese government, youth-serving organizations, private sector firms, members of the international donor community, financial service providers, and youth focus group participants who generously contributed their time to this study. The authors also express sincere appreciation to Isabelle Legare, for her detailed review of the report, and policy section inputs.

EXECUTIVE SUMMARY

The Democratic Republic of Congo (DRC)'s economy has experienced robust growth at an average of 8% annually since 2010, despite unstable economic growth in the previous decade³ due to political instability and insecurity. GDP performance has been driven by a number of factors including the improved security situation, leading to growing private sector investments in the mining industry, and increased public investments in agriculture, ICT and transportation infrastructure among others. **Manufacturing and agriculture** were the highest contributors to its GDP in 2014, followed by transport and commerce.⁴

Despite significant progress across sectors, the DRC's growth has not yet translated into sufficient productive employment, particularly for the growing youth cohort aged 15-24 years. They make up 38%⁵ of the active population who disproportionately lack access to economic opportunities. Youth are over-represented among the unemployed population and the issue is most critical in urban areas where youth unemployment (38%) is six times that of rural areas (5.8%).⁶ The private sector is still embryonic and its capacity to absorb unemployed labor is hindered by the poor business environment, while the public sector offers even less opportunities. As a result, youth are mostly discouraged from their search for a job, or engaged in activities they are not keen on, or which are below their skills.

To address this growing urban 'youth bulge,' the government is engineering a shift from providing job opportunities, to supporting entrepreneurship as an alternative for youth employment. In its second pillar, the Strategic Document for Growth and Poverty Reduction 2011-2015, targets the creation of 4.5 million jobs between 2011 and 2015.⁷ Furthermore, the government has recently launched a number of programs including the PRO-YEN program, which aims to create 5 million jobs by 2017, and 13 million jobs by 2020 through profit generating activities.⁸

There is an urgent need for the DRC to increase focus on labor-intensive sectors in order to mitigate the unemployment challenge, spur growth, and reduce poverty. The dearth of jobs is considered by more than half of Congolese as the main cause of poverty.⁹ GDP growth has not led to significant poverty reduction as the main engine for growth – the mining sector – is capital intensive and creates few job opportunities. According to the International Monetary Fund, **1% of GDP growth led to 1.1% reduction of the poverty rate in the DRC, against a reduction of 18.1% in South Africa, 7.3% in the Republic of Congo, and 4.6% in Uganda.**¹⁰ Increasing investments and support to youth entrepreneurship in labor-intensive sectors such as agriculture is thus essential.

3 African Economic Outlook, African Development Bank, 2015.

4 Ibid.

5 Statistical yearbook, National Statistics Institute (Institut National de la Statistique – INS), 2014.

6 Employment, informal sector, and household consumption survey, INS 2012.

7 Document Stratégique de Croissance et de Réduction de la Pauvreté-DSCR 2011-2015, Ministry of Planning, 2011.

8 Ministère de l'Emploi et de la Prévoyance Sociale, Cadre opérationnel pour la création de 13 millions d'emplois des jeunes de 2015 à 2020 en RDC, 2015.

9 Employment, informal sector, and household consumption survey, INS, 2012.

10 Country Report No. 15/281, International Monetary Fund, 2015.

KEY FINDINGS

Finding 1: The DRC's labor market is demand constrained, and there is a consensus among stakeholders that self-employment and enterprise development are promising avenues by which youth can access decent economic opportunities.

- Youth are in situations of vulnerable employment. 87%¹¹ of the youth working population are employed in the informal sector, mainly agriculture and commerce, where more than half are paid below half of the minimum guaranteed wage.¹²
- Small and medium-sized enterprises and the public administration's capacity to absorb job-seekers is insignificant.

Finding 2: Youth are not effectively equipped to start their own businesses.

- Limited education and lack of soft and hard skills limit access to economic opportunities for youth. Only 3.8% of youth attain a university education, 53% have not completed secondary education, and 28% have not completed primary education.¹³
- Low qualification often leads to discouragement, particularly for disenfranchised youth with low levels of education.
- Quality of education is low, and skills do not match market needs and do not prepare youth to business life.
- There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises.
- Technical and Vocational Education and Training (TVET) can play a strong role in addressing the critical shortages of hard and soft skills among youth and the difficulties of adapting education curricula to fast-changing labor markets.

Finding 3: Access to capital is a major challenge limiting youth's ability to successfully start a business.

- The DRC is a cash-based society with low levels of financial inclusion, especially for populations with low incomes.
- A lack of individual awareness and lack of understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play to boost access to finance.
- On the supply side, proximity and limited presence of Financial Service Providers (FSPs) across provinces – particularly outside Kinshasa, North and South Kivu – are binding constraints.¹⁴
- In addition, FSPs are reluctant to provide loans to youth, especially in sectors perceived as risky.

11 Demographic and Health Survey, INS DRC, 2014.

12 Employment, informal sector, and household consumption survey, INS 2012.

13 Health and demography survey, INS, 2013.

14 Final evaluation of the YouthStart program, Microfinanza, 2015.

Finding 4: Four sectors have been identified as offering significant employment and entrepreneurship opportunities for youth to engage in, given their current and projected growth.

- **Agriculture** has the potential to generate employment for youth through the production and processing of the DRC's major food crops such as vegetables, cassava, plantain, and maize.
- The **commerce and services** sectors offer various economic opportunities for youth including the retail of FMCGs, retail of ICT products and services, manual works, and waste collection and recycling.
- **Transportation:** Given the size of its population, and the increasing demand, people and goods' transportation provide significant employment and entrepreneurship avenues for youth.
- **Building and construction** is the second fastest growing sector. Employment around road construction projects and building/construction artisans are the major accessible opportunities for youth to engage in this sector.

Finding 5: In the growth sectors identified, existing programs do not fully cover the different elements required for youth to access high-potential opportunities.

- The key gaps across most programs are skills trainings, start-up capital, business support and coaching, and geographic coverage. Youth's success in these sectors will be subject to an improved business environment and policies supporting their integration in the market.
- **Overall, more demand side and comprehensive programs need to be implemented and existing ones must be scaled up to reach a larger number of youth.** In addition, more efforts are required to expand youth programs to north-eastern provinces and rural areas in order to reduce geographic disparities.

INTRODUCTION AND CONTEXT

The United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the United Nations system and a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least-developed countries. **In 2010, UNCDF in partnership with The MasterCard Foundation launched the YouthStart Program, Building Youth Inclusive Financial Sectors in Sub-Saharan Africa**, as a regional pilot.

For the past five years, the YouthStart program has worked with ten financial services providers in eight countries, including DRC, to provide access to savings for over 624,000 youth, access to loans to 85,763 young entrepreneurs, and financial literacy and other complementary non-financial services to 703,444 youth. UNCDF has learned from these different approaches that financial inclusion can help address the youth employment challenge through its regional pilot; however, UNCDF has also found that in order to have a greater and long-lasting impact on youth, the YouthStart program must seek to establish a more concrete link between financial inclusion and the creation of economic opportunities for youth. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships, and other relevant non-financial services that can support their transition from school to work at the right time, and allow them to secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF aims to leverage the lessons learned and best practices from the regional pilot for its new program, YouthStart Global (YSG). YSG will be implemented in three phases: 1) an inception phase that entails an analysis of youth economic opportunities in 10 to 15 countries including the DRC; 2) a first phase that consists of selecting the right partners to work with in each country; and 3) a second phase that involves supporting selected partners in developing, testing, and scaling up relevant, accessible, and affordable services to youth.

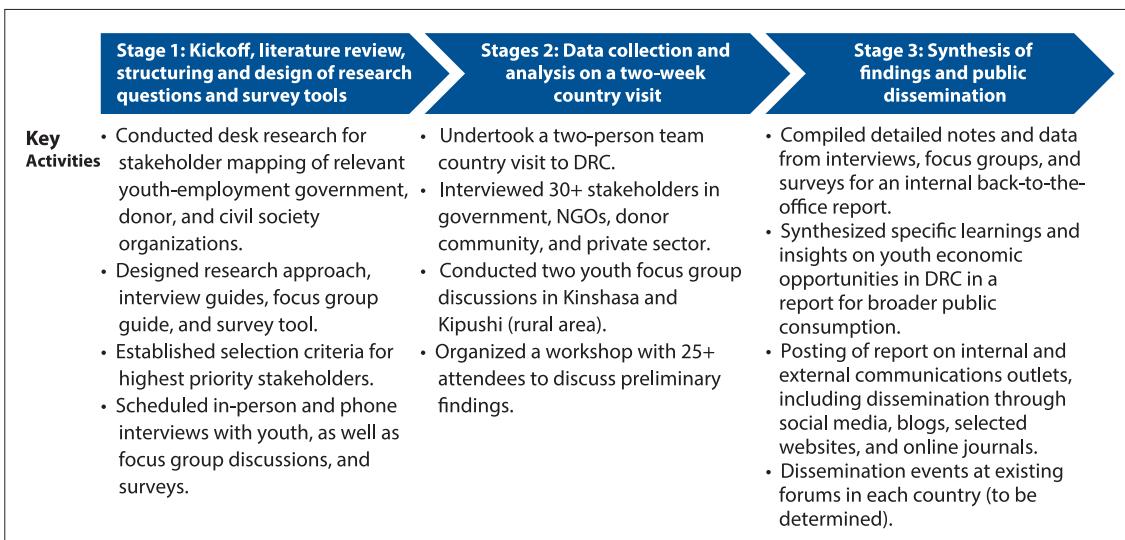
This report is the key output of an assessment implemented over nine weeks in the DRC, as part of YSG's inception phase. The assessment was conducted in three stages, as outlined in the methodology section below: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in the DRC, and 3) final synthesis of findings for the present report.

The report aims to capture a complete picture of the youth economic opportunities ecosystem in the DRC by 1) providing an economic overview of the employment challenge and demand for financial services, 2) presenting a comprehensive analysis of the demand for and the supply of labor, and 3) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and mapping of the current youth intervention landscape and the supply of financial services, as well as an assessment of key gaps for each of the high-potential opportunities for youth (Chapter 2).

METHODOLOGY

Figure 2 outlines the methodology for this assessment of youth economic opportunities in the DRC undertaken in three stages: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in the DRC, and 3) final synthesis of findings. This report is the product of a number of activities including desk research, stakeholder interviews, focus group discussions and surveys, and a participative workshop with key stakeholders.

Figure 2
Study methodology



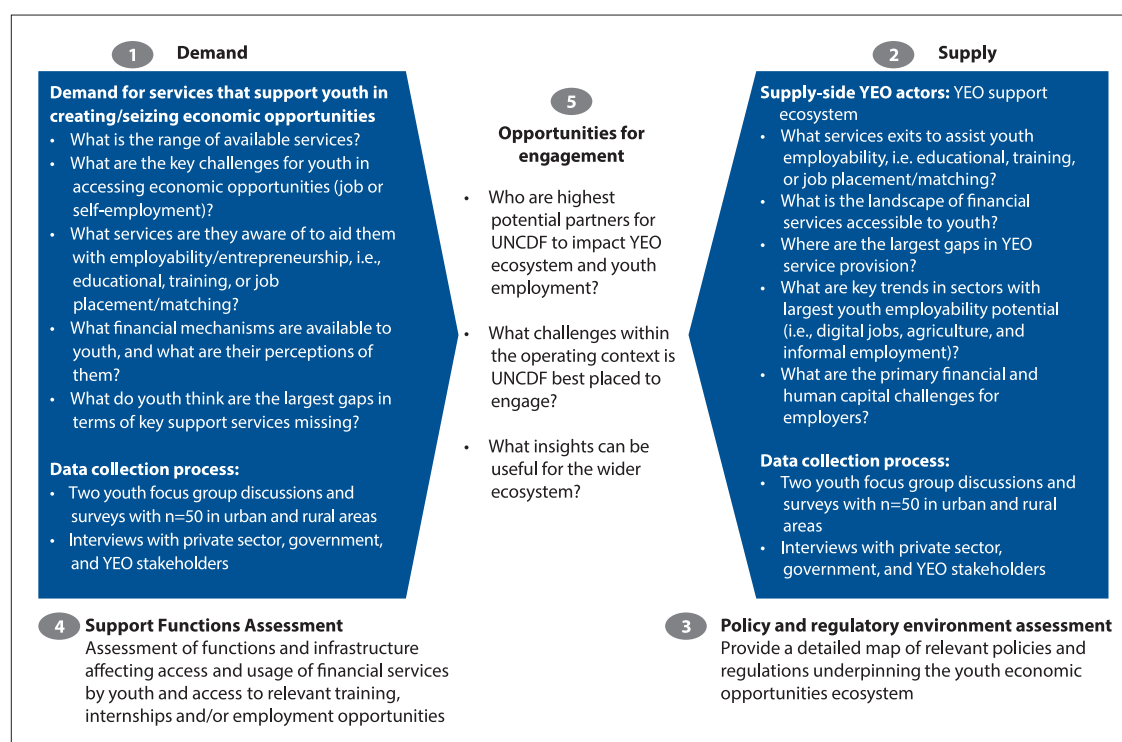
The research approach was structured across five principal elements (Figure 3).

- **Demand-side analysis**, which sought to understand, from the perspective of youth, the principal concerns, challenges, and aspirations with regard to seizing economic opportunities in the DRC. The focus group discussions and surveys were the primary instruments for collecting data for this analysis, supplemented by secondary research and interviews with relevant stakeholders.

- **Supply-side analysis** focused on the supply of youth employment support and financial services from two lenses:
 - A landscaping assessment comprised of interviews with key stakeholders including government actors, training or employment matchmaker services, and youth organizations, as well as a gap analysis of programmatic opportunities based on the needs identified by youth and stakeholders.
 - A macroeconomic analysis of highest-potential sectors. Quantitative sector growth and employment data were used to initially identify sectors that have a large potential for potential of creating economic opportunities, and/or are employing large sections of the youth population. Qualitative insights were used to identify particular opportunities within each sector that are attractive and accessible to youth.
- **Policy and regulatory environment assessment** driven by desk research covering national policy documents and external policy analysis reports, and interviews with government agencies and external stakeholders.
- **Support functions assessment** focused on access and usage of financial services and training, internships, and employment opportunities.
- **Opportunities for engagement** aiming to identify the set of partners and opportunity areas where UNCDF YSG should engage to maximize impact.

Figure 3

Analytical framework



CHAPTER ONE

YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES

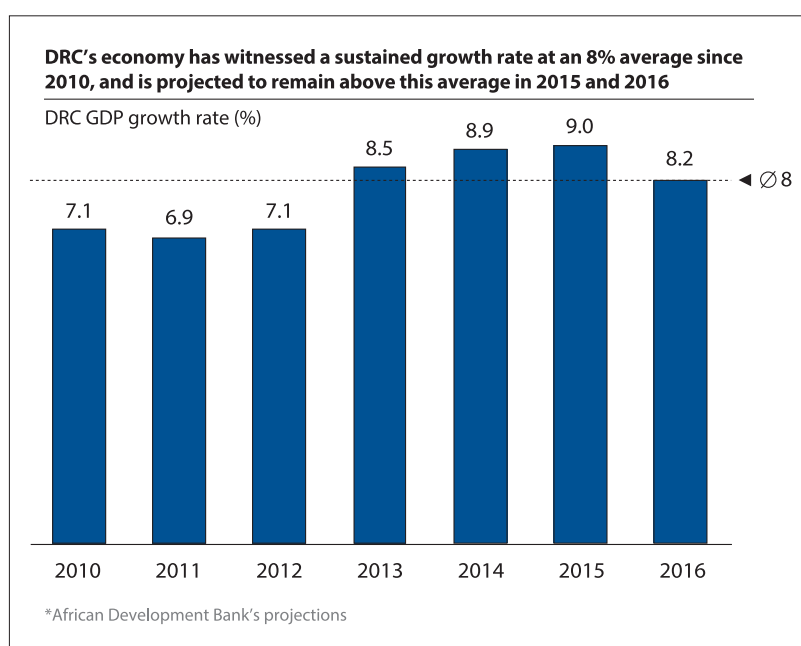


SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

The DRC's economy has experienced robust growth at an average of 8% annually since 2010,¹⁵ despite unstable economic growth in the previous decade. Due to political instability until 2006, and the insecurity that prevailed in parts of the country until 2010, the DRC encountered unstable economic growth, falling to 2.9% in 2009.¹⁶ In 2010, the country embraced a new growth trend, rising from 7.1% in 2010, to 8.9% in 2014.¹⁷ At USD 32.12 billion in 2014,¹⁸ this GDP performance was mainly driven by the growth in the extractives, manufacturing, agriculture, commerce, and construction sectors. The mining sector, driven essentially by copper production, remains the main driver of growth although it creates little value adding opportunities or jobs, and is often exposed to the vulnerabilities of world markets.

Figure 4

GDP growth from 2010 to 2016



Source: African Economic Outlook, African Development Bank, 2015.

Manufacturing and agriculture are the highest contributors to GDP in 2014, followed by transport and commerce (23.6%, 23.3%, 14.1%, and 13.5% respectively).¹⁹ The manufacturing sector is led by the beverage industry and increased private investments in the mining industry.²⁰ With 80 million hectares of arable land and benefiting from favorable climatic conditions, agriculture is a major economic activity in the country, mainly with production of cassava (80% of all food crop production²¹), plantain,

¹⁵ African Economic Outlook, African Development bank, 2015.

¹⁶ Country Report No. 15/281, International Monetary Fund, 2015.

¹⁷ African Economic Outlook, African Development bank, 2015.

¹⁸ Development Indicators, World Bank, 2015.

¹⁹ African Economic Outlook, African Development bank, 2015.

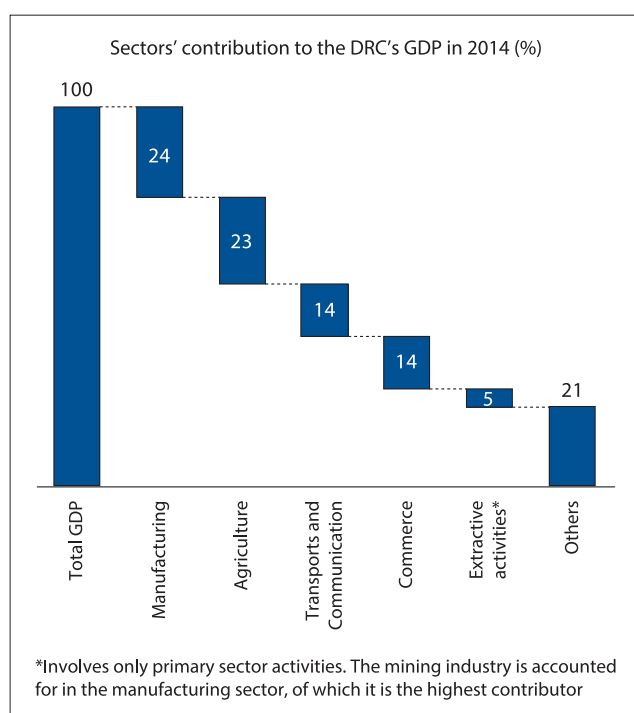
²⁰ Country Report No. 15/281, International Monetary Fund, 2015.

²¹ National Agriculture Investment Plan (Plan National d'Investissement Agricole – PNIA) 2014-2020, Ministry of Agriculture, 2013.

maize, and palm oil. From 2013 to 2014, the agriculture sector grew by 4% due to a slight improvement in labor productivity.²² In fact, since 2010, the government granted support to smallholder farmers for the acquisition of agricultural inputs (improved seeds, agro-chemicals, and agriculture machineries), which resulted in increased productivity in the sector, and the revival of export crops.²³ Additionally, it has launched a series of agro-industrial parks since 2014²⁴ (described in Box 1) in order to achieve food security and reduce food imports, through agriculture modernization. Retail trade makes up for most of the commerce activities, favored by the low inflation rates contained at 1.2% in 2014 (falling from ~21% in 2005)²⁵ and the reduced volatility of currency exchange rates (the USD to CDF exchange rate remained between 921 and 938 throughout 2014).²⁶ With improvement of private property rights and an increase in housing needs, the real estate sector is growing in the largest cities (Kinshasa, Lubumbashi, and Kisangani). Also, the construction of hotels, and several road projects commissioned by the government have spurred growth in the construction sector. The progress in transport was directed by increased government investments in modernized road, air, and fluvial transportation,²⁷ while the consistently growing mobile penetration rate (from 0.4% average in 2001 to 15% in 2008,²⁸ and to 45%²⁹ in 2014) explains the high GDP contribution from the communication sector.

Figure 5

Highest GDP contributing sectors in 2014



Source: African Economic Outlook, African Development Bank, 2015.

22 African Economic Outlook, African Development Bank, 2015.

23 RDC : Secteurs prometteurs, Approche du marché, Recommandations, Beltrade-Congo, 2014.

24 Ibid.

25 Country Report No. 15/281, International Monetary Fund, 2015.

26 Annual report, Central Bank of Congo, 2014.

27 Between 2013 and 2014, the DRC government created a modernized TRANSCO company, and invested in incentives for the private sector, created the new Congo Airways and introduced tax reforms in the fluvial transportation space.

28 Résilience d'un Géant Africain : Accélérer la Croissance et Promouvoir l'emploi en République Démocratique du Congo, Volume I Synthèse, contexte historique et macroéconomique, IBDR & World Bank, 2012.

29 ARTPC, Forum régional sur les aspects économiques et financiers des télécoms pour l'Afrique BDT/UIT, 2015.

Box 1

Revival of the DRC's agriculture: Creation of agro-industrial parks

Revival of the DRC's agriculture through creation of agro-industrial parks

In order to develop the agriculture sector, reduce food importation and achieve food security, the DRC government has increased its focus on local processing of agricultural resources, as expressed in the second pillar of the Strategic Document for Growth and Poverty Reduction (Document Stratégique de Croissance et de Réduction de la Pauvreté-DSCR) 2011-2015. Special economic zones and agro-industrial parks will be gradually implemented across the country to achieve this ambition. The Special Economic Zones include in the same space, all activities of agricultural value chains - production, processing, storage, packaging, sales and transport - as well as health and education services, and training centers. The DRC government is responsible for securing land tenure, the provision of water, electricity, infrastructure, and agricultural services, while the private sector (local and foreign investors, large and small operators grouped into cooperatives) will be attracted to invest and run businesses on the agro-industrial parks.

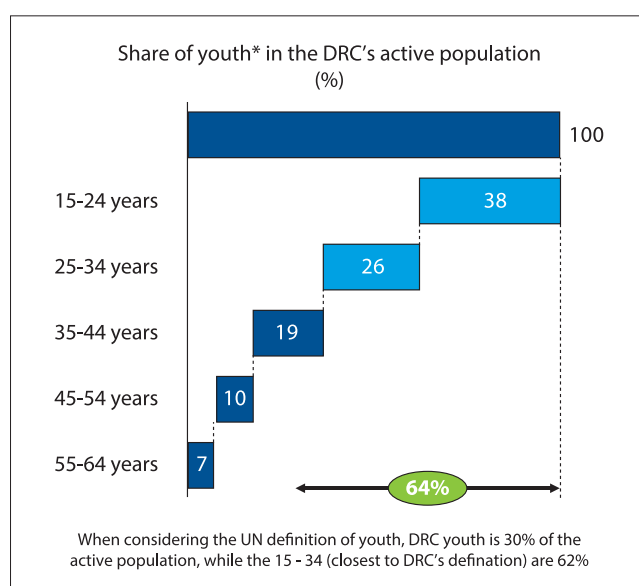
The agro-industrial park of Bukanga Lonzo (Parc Agro Industriel Bukanga Lonzo - PAI-BL) is the first of 20 agro-industrial parks to be gradually created across the country. The PAI-BL is a public-private partnership in which the government of the DRC has invested over USD 80 million for infrastructure development. Located 250 km away from Kinshasa city, the park is 80,000 hectares large, and started operations in July 2015. Experiential crops include maize, cowpea, soya beans, cassava, potato, and vegetables. The first production of maize (planted on 5,000 ha) was harvested in March 2015 with 2MT yield compared to 0.78 MT/ha (FAOSTAT, 2014) conventionally recorded. In order to facilitate product distribution, the construction of the Kinshasa international market was also launched in Maluku in 2015. The market will be equipped with adapted storage facilities to effectively store products sold by farmers and SMEs and reduce losses, and will also benefit products channeled from the Northern part of the country. The park's management is entrusted to a tripartite consortium comprised of: (i) The PAI-BL, responsible for the proper functioning of the facility and service provision for private investors operating on the park, including electricity, water, transportation and ICT infrastructure, and all agribusiness related services; (ii) The Bukanga Lonzo operating company, in charge of agricultural production and processing in the Park; and (iii) the Kinshasa International Market, in charge of product storage and facilitation of distribution.

If fully functional, the park has the potential to employ up to 11,000 workers. The construction of the park enabled increased production of cassava by farmers living on the area covered by the park. The PAI - BL will establish a cassava processing plant with the support of the IITA (International Institute for Tropical Agriculture) and IFPRI (International Food Policy Research Institute). Agreement for the profit sharing mechanism is underway with farmers to ensure a win-win partnership. The government has identified 20 other sites across the country where similar initiatives could be carried out. However, it is unlikely that the State has the resources to develop all the other parks; thus the need to attract private investors.

Source: Beltrade Congo 2014; AfDB - Zones économiques spéciales pour la production agricole et la transformation, 2015.

Despite significant progress across sectors, the DRC's growth has not yet translated into sufficient productive employment, particularly for the growing youth cohort aged 15 – 24 years, which makes up 38%³⁰ of the active population and disproportionately lacks access to economic opportunities. According to the ILO's definition of unemployment³¹, 4.5% of the DRC's active population are unemployed. However, when considering persons without a job, who are willing to start work but not taking initiatives to look for employment, judging their prospects and chances very low on the labor market, the National Statistics Institute (Institut National de la Statistique – INS) estimates that the extended unemployment rate in 2012 was 8%,³² which is below the region's average (9% in Sub Saharan Africa). Youth are over-represented among the unemployed population with a 15.5% unemployment rate.³³ They are mostly discouraged from their search for a job, or engaged in activities they are not keen on, or which are below their skills.

Figure 6
Share of youth in the active population in 2014



Source: INS, 2014 statistical yearbook, 2015.

Youth are more concentrated in rural areas where agriculture predominates rather than urban areas where youth unemployment (38%) is over six times that of rural areas (5.8%).³⁴ Unemployment varies a great deal with geography (as illustrated in Figure 7). The Kinshasa capital territory records the highest youth unemployment rate with 59.1%.³⁵ However, young women are less exposed to unemployment than men (6.7% against 11.76% respectively).³⁶ In fact, female workers are mostly represented in labor intensive sectors such as agriculture and other non-agriculture informal jobs, while male workers tend to focus on formal jobs which provide limited opportunities and are less accessible (Figure 8).

30 Statistical yearbook, INS, 2014.

31 According to the ILO's definition an unemployed person must combine three main characteristics: have not worked during the reference week (and have no job to return to); is available to work within the next 15 days; and is actively looking for a job.

32 Employment, informal sector, and household consumption survey, INS 2012.

33 Ibid.

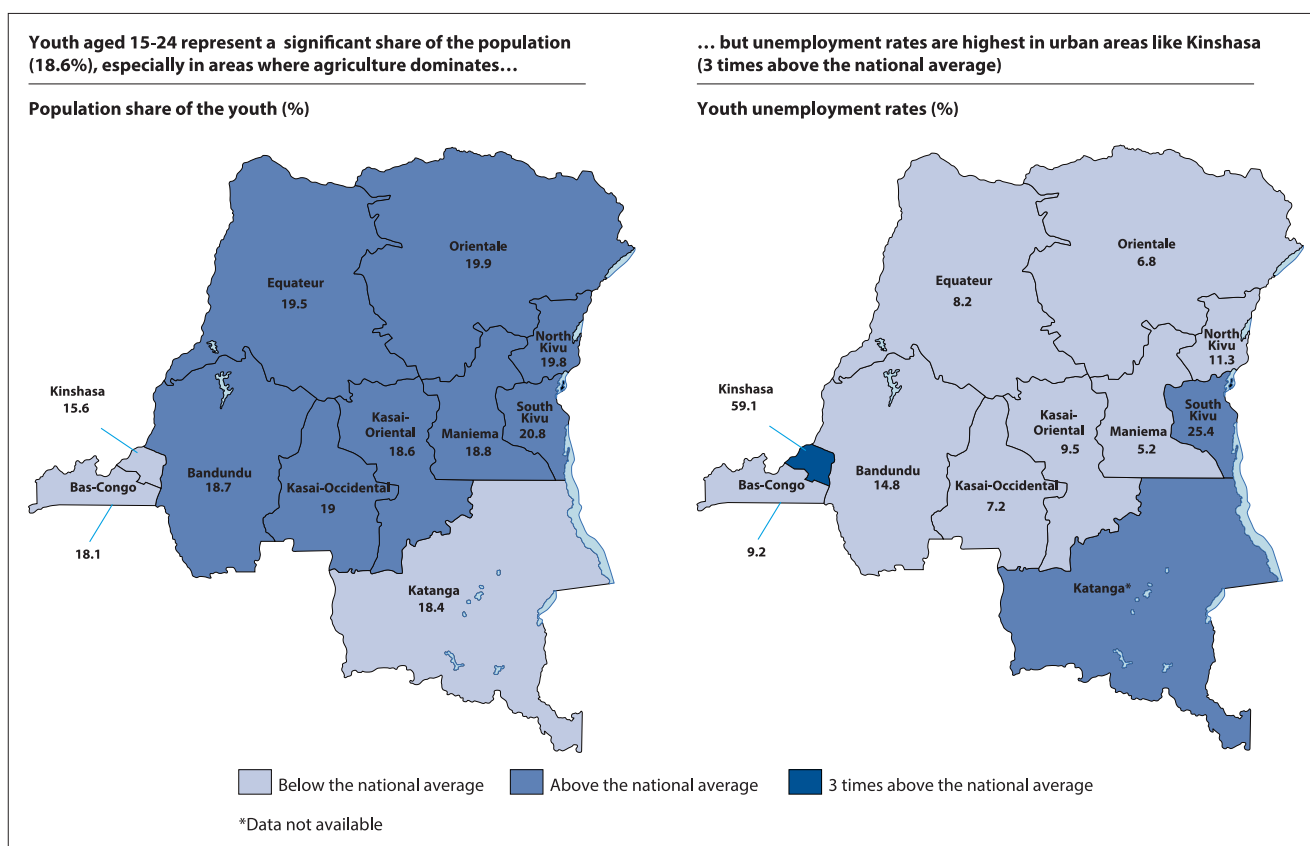
34 Ibid.

35 Ibid.

36 Ibid, ILO's definition.

Figure 7

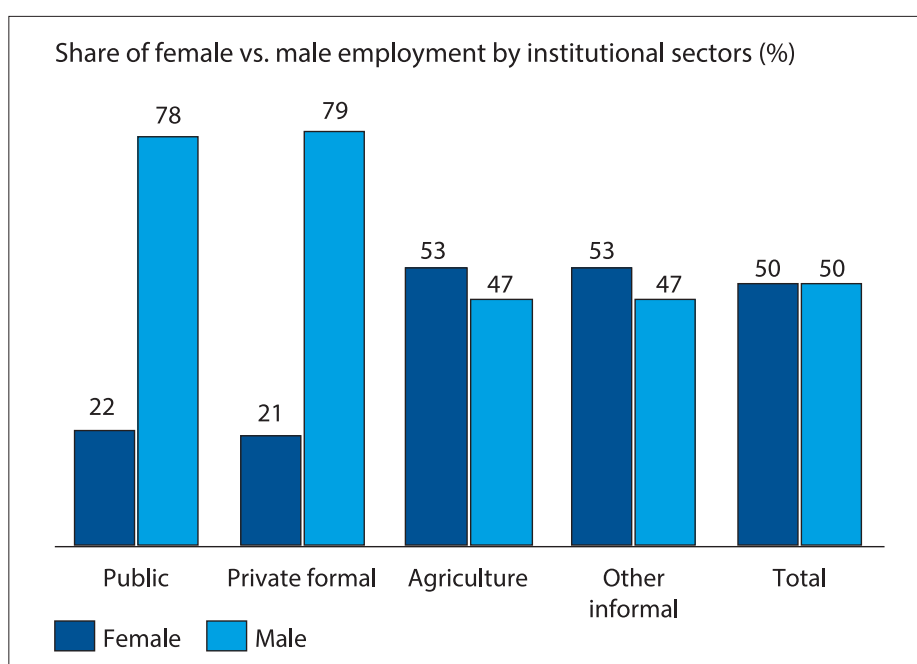
Mapping of youth population and youth unemployment rate per province



Source: 2014 statistical yearbook, INS, 2015.

Figure 8

Share of female vs. male employment by sector



Source: 2014 statistical yearbook, INS, 2015.

To address this growing urban ‘youth bulge,’ the government is engineering a shift from providing job opportunities, to supporting entrepreneurship as an alternative for youth employment.

Diversifying the economy, accelerating growth and promoting employment is thus the second pillar of the Strategic Document for Growth and Poverty Reduction (Document Stratégique de Croissance et de Réduction de la Pauvreté - DSCR) 2011-2015. With a target of generating 4.5 million jobs between 2011 and 2015,³⁷ the DSCR’s employment generation strategy consists of four major components: (i) directing public investments towards labor-intensive projects and programs; (ii) improving the business environment to enable private sector growth; (iii) increasing youth employability and adapting training to market needs; and (iv) improving labor market information systems and governance. In this regard, there are various initiatives among the ministries of the DRC government, aiming to support youth entrepreneurship as an alternative for employment generation. The Ministry of Youth and the Ministry of Agriculture are jointly coordinating an entrepreneurship program for youth in agriculture with the support of the African Development Bank (AfDB). The Ministry of Youth’s objective is to renovate 12 agricultural training centers, and 36 incubators across the country, providing economic opportunities for 19,200 youth between 2016 and 2020.³⁸ The Ministry of Employment and Social Protection is also championing the PRO-YEN program, a government initiative aiming to create 5 million jobs by 2017, and 13 million jobs by 2020 through profit generating activities in selected sectors.³⁹ Through the National Fund for Microfinance (Fonds National de la Microfinance - FNM) and the Markets and Financial Infrastructure Development Project (Projet de Développement des Infrastructures Financières et des Marchés - PDIFM), the Ministry of Finance is also developing economic opportunities for youth and women who are willing to embrace entrepreneurship and lack funding to start or scale up their activities. Financed by the World Bank, the PDIFM through one of its components, seeks to provide a USD 15 million credit line to SMEs, especially youth and women-led SMEs (60-70% of the program’s beneficiaries), through microfinance institutions.

Most of these initiatives are at inception or design phase with bold objectives, but risk to be disjointedly implemented with little collaboration and synergy among government institutions.

37 Document Stratégique de Croissance et de Réduction de la Pauvreté-DSCR 2011-2015, Ministry of Planning, 2011.

38 Ministère de la Jeunesse, des Sports et des Loisirs, Programme d’Appui à la création d’Entreprises Agricoles par des Jeunes à travers la Relance des Brigades Agricoles Pilotes Mécanisées des Jeunes disséminées en RDC 2016 – 2020.

39 Ministère de l’Emploi et de la Prévoyance Sociale, Cadre opérationnel pour la création 13 millions d’emplois pour les jeunes de 2015 à 2020 en RDC, 2015.

Box 2

Overview of the AfDB's youth employment in agriculture scheme initiative

AfDB: Creating opportunities for youth employment in agriculture

In line with its development objectives, the government of the DRC expressed the need for the African Development Bank (AfDB) to support the development of agriculture and improve youth employment in the sector. As such, the bank has granted a USD 35 million financing for the implementation of a youth employment in agribusiness program, as part of a larger program entitled "Empowering Novel AgriBusiness-Led Employment for Youth in African Agriculture (Enable Youth)", targeting 20 African countries.

In the DRC, the program aims to create 1,000 young agripreneurs over a five-year period, and generate employment for a larger number of youth. The program is currently at pilot phase, and operated by the International Institute for Tropical Agriculture (IITA), with pilot centers in Kinshasa, Kisangani (Province Orientale), and Bukavu (Sud-Kivu). It involves 18 months of training on farm management at various stages of the value chain including inputs and seeds production; post-harvest handling/processing; and business management, focusing primarily on the cassava value chain (processing as industrial starch, high quality flour for the baking industry, and other derivatives). After training, select youth will receive start-up capital to launch their activities and in the short and medium term, create jobs for other youth.

At the preliminary stage, the bank has released USD 1 million for an initial assessment through the Ministry of Finance and the Ministry of Agriculture. The AfDB has planned a funders' forum in 2016 in order to raise interest from additional funders and to expand the funding portfolio. The main program is expected to start in 2017, and projected to cover the DRC's 26 provinces, in partnership with the agricultural training centers operated by the Ministry of Youths across the country.

Source: Dalberg field interviews; AfDB, 2015.

There is an urgent need for the DRC to increase focus on labor-intensive sectors in order to mitigate the unemployment challenge, spur growth, and reduce inequalities. 65.6% of Congolese surveyed in the 2012 employment, informal sector, and household consumption survey considered the dearth of employment as the main cause of poverty.⁴⁰ The figure was even higher in urban areas, (77.2% of surveyed people).⁴¹ The GDP growth has not led to significant poverty reduction (71.3% of the population was living below the poverty line in 2005 against 63.4% in 2012),⁴² as the main engine for growth which is the mining sector is capital intensive and thus offers few employment opportunities (detailed in Box 3). In DRC, 1% of GDP growth led to 1.1% of reduction of the poverty rate, against 18.1% in South Africa, 7.3% in the Republic of Congo, or 4.6% in Uganda.⁴³ Increasing investments and support to youth entrepreneurship in labor-intensive sectors such as agriculture is essential.

40 Employment, informal sector, and household consumption survey, INS, 2012.

41 Ibid.

42 Ibid.

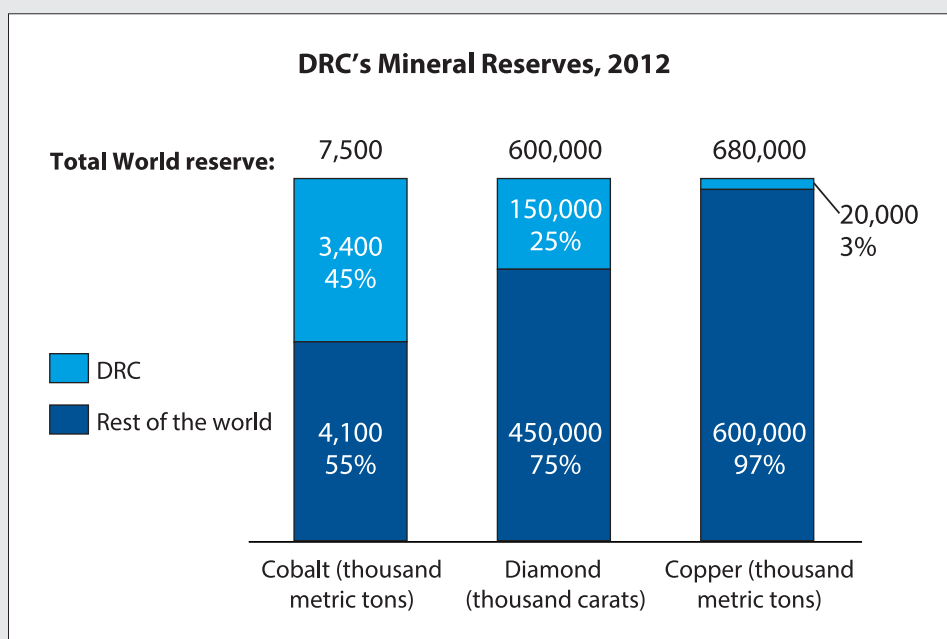
43 Country Report No. 15/281, International Monetary Fund, 2015.

Box 3

Paradox in the mining sector: Fast growing sector, but creating limited job opportunities

The DRC's Mining Sector: Economic growth but limited job creation

Mining activity is the main driver of the DRC's strong economic performance (3.1 point contribution to the 8.9% GDP growth in 2014 - AfDB, 2015). The DRC is endowed with a variety of minerals including cassiterite, cobalt, copper, diamond, gold, and zinc. It holds 45.3% of the world cobalt reserves, 25% of its diamond reserves and 2.9% of its copper reserves. Previously impeded by political instability and decades of war, the sector has witnessed an economic boom since 2002 (International Monetary Fund – IMF, 2015). Mining activity's contribution to GDP increased from 6% in 2002 to 13.2% in 2013 and 2014 (Central Bank of Congo – BCC, 2015), leading to higher exports. These trends were favored by: (i) the stability of the country's political situation since 2009, (ii) the liberalization of the sector through the new mining code of 2002 (allowing investors to access minerals without being required to have a partnership with the state), and (iii) favorable international commodity prices (IMF, 2015). Although statistics vary largely from one source to the other, the sector's contribution to GDP in 2014 is estimated at 19% by the IMF. According to those sources, mining represented more than 94% of all merchandise exports and generated over USD 11 billion in exports in 2014 (IMF, BCC, 2015). In addition, it also indirectly drives growth in related sectors such as services, construction and commerce, thus its actual contribution to GDP is underestimated (IMF, 2015).



The DRC's Mining Sector: Economic growth but limited job creation

Despite its significant growth and contribution to GDP, the mining sector generates limited job opportunities given its capital intensive nature. The extractive industry is characterized by the use of machineries, thus offering limited jobs. Extractive activities accounted for only 5.3% of total formal employment in public and private corporations in 2013 (Office National de l'Emploi – ONEM) albeit, comprehensive data on the total employment generated by the sector is not available. In addition, youth lacks the required technical training to access the few available jobs in the sector. To fill this gap, mining companies often employ skilled migrant workers from other countries (Peru, Indonesia, China), thus limiting the DRC's youth employment opportunities. These facts were confirmed during field interviews with the private sector and donors. According to the International Organization for Migration (IOM), an estimated large number of internal migrants, fleeing conflict zones in the DRC, are employed on artisanal mining sites, and in situations of vulnerable employment (child labor in the Walikale and Bisie territories for example, poor working conditions, etc.).

Furthermore, the sector is highly sensitive to commodity price variations and does not guarantee sustainable growth. International mineral prices are projected to decline (IMF, 2015) and such a situation exposes the mining sector to deterioration in the long term. The decline in the sector would lead to a deceleration of the DRC's GDP growth in 2016 and the following years (IMF, 2015).

Source: Country Report No. 15/281, IMF, 2015; African Economic Outlook, AfDB, 2015; Dalberg field interviews.

SECTION 2 – OVERVIEW OF YOUTH POLICY LANDSCAPE

The DRC government developed a number of policies guiding the creation of employment and entrepreneurship opportunities for youth. However, such initiatives only started after the 2000s given the socio-economic challenges that prevailed in the country for several years. Below is a brief overview of some of the key policies in this sector.

- **PRO-YEN Initiative:** In 2005, the DRC joined the Youth Employment Network (YEN), a partnership launched in 2001 by the United Nations (UN), the International Labor Organization (ILO), and the World Bank. It is a global platform to prioritize youth employment on the global development agenda and to serve as an exchange platform on policies and programs, in order to improve employment opportunities for youth. In line with the YEN objectives and following the recommendations and resolutions of the national employment forum held in Kinshasa in September 2007, the government of the DRC created the PRO-YEN/YEN-RDC in September 2008. The program aims to: (i) develop strategies and actions to improve youth employment opportunities through business and SME creation; (ii) provide direction for government institutions to develop job opportunities for youth; (iii) finance youth initiatives for SME and MSMEs creation as part of cooperatives; (iv) train youth on business plan creation; and (v) bring together all development partners who have a focus on youth employment, to contribute to the achievement of the program. The PRO-YEN program created a **USD 19.4 billion** “operational framework for the creation of **5 million jobs between 2015 and 2017 and 13 million jobs by 2020**”. The framework suggests actions, budgets, and potential partner organizations to implement the strategy, with a focus on agriculture and development, infrastructure, services, and mining and hydro carbons. Implementation of the operational framework has timidly started with no tangible results to date, as the program is still raising funds for implementation.
- **Ratification of the African Youth Charter:** In 2008, the DRC government ratified the African Youth Charter, which aims to strengthen, reinforce and consolidate efforts to empower young people through meaningful youth participation and equal partnership in driving Africa’s development agenda. The charter serves as the strategic framework for African states, giving direction for youth empowerment and development at continental, regional and national levels.

- Adoption of the National Youth Policy, 2009:** The DRC National Youth Policy aims to protect and promote youth through quality education and health, in order to enable the development and fulfillment of their potential. The policy covers five broad areas including: Improving the national education system; promoting vocational training and youth access to ICT; promoting health for youth and adolescents and reducing Sexually Transmitted Diseases (STDs) propagation; promoting training, employment, and youth entrepreneurship; and involving youth in agriculture promotion, good governance and control of population growth. The National Youth Policy is the fruit of several reflections and consultations, starting from 1992 (with the National Sovereign Conference), 1997 (national symposium on youth), 1998 (national reflection days on a national policy for youth integration in the country's reconstruction), 2003 (Forum "youth and actions"), and 2004 (setup of a commission mandated to produce a National Youth Policy proposal). This national consultation process lasted until 2009, the year which the first National Youth Policy was finally adopted. The policy outlines several broad objectives which include the promotion of education, employment and entrepreneurship for youth. As part of this, it is recognized that education needs to be better aligned with labor market needs and that actions at the community level are necessary to increase youth employment. Surprisingly, the policy fails to suggest further concrete steps to reach the stated objectives, other than to mention the fact that the Ministry is responsible for the coordination and implementation of the National Youth Policy – and that it should develop an action plan in collaboration with all relevant partners, including the National Youth Council (Conseil National de la Jeunesse – CNJ). This action plan has not been located.
- The National Agriculture Investment Plan (PNIA):** Recognizing the place of agriculture in the economy and its potential to provide employment for the Congolese youth, the government introduced in 2012, the National Agriculture Investment policy. This policy serves as a framework to guide (1) The DRC's investment policy in order to achieve the 10% allocation of public expenditures to agriculture (with respect to the Maputo declaration), (2) The long term planning of development aid in the directions chosen by the country, and (3) Public-Private partnerships, and business alliances in order to increase and support investments towards agriculture. The policy encourages agriculture mechanization and use of inputs in order to increase productivity in the sector.
- Growth and Poverty Reduction Strategy Document (DSCR II) 2011-2015:** The latest DRC strategic document for growth and poverty reduction released in 2011, is a five year plan that puts an emphasis on improving the living conditions of the population, especially vulnerable groups, reducing poverty by creating on average +900,000 decent jobs per year, limiting health risks, and maintaining inflation below 9%.⁴⁴ The government intends to achieve these goals through four essential pillars: (1) Build peace and governance; (2) Diversify the economy, accelerate growth and promote employment; (3) Improve access to basic social services and build human capital; and (4) Protect the environment and fight climate change.

- **Education transformation reform:** In 2010, the DRC Ministry of Education and Professional Training (Ministère de l'Enseignement Secondaire et de la Formation Technique et Professionnelle – MESFTP) developed an education development strategy. The strategy calls for the reform of TVET system in the following ways: 1) Infrastructure rehabilitation, 2) Modernization of equipment, 3) Updating of the courses so that they better respond to the needs of the national economy and labor market; and also for the construction of TVET schools in each province.⁴⁵ In application of this strategy, and of the agreement signed in March 2011 – related to matching youth training and labor market needs – with corporations of private sector organizations,⁴⁶ the MESFTP published a decree in August 2013, to progressively change about 62⁴⁷ selected general secondary education schools into technical and professional schools. The education transformation reform is being applied gradually since the academic year 2013-2014, with the objective to have a ratio of 60% of secondary technical and professional schools, over 40% of conventional/general secondary education schools as technical and professional schools in the medium term.⁴⁸ The reform would be supported by the creation of application and resource centers housed at selected schools, where students could practice technical skills learnt at schools.⁴⁹ However, the reform does not seem to touch approved private schools or subsidized schools.

Finally, a new **employment policy** is underway for approval by the government of the DRC, to address youth employment issues, social protection, and social dialog; with no clarity on its content and release date.

The DRC's policy environment could gain to be passed faster. As seen above, it took 17 years for the country to create and adopt its first national youth policy. There are a number of aspects linked to employment and entrepreneurship for today's young generation which are not covered by existing policies. These include a national strategy for SMEs (consultations were launched in August 2015 with no concrete plans to date), a national employment policy, and a financial inclusion policy. These 3 types of policies are instrumental in ensuring sufficient investments and efficient interventions for youth economic empowerment across all provinces. Other important policies yet to be developed include a retirement and social protection policy for workers, and a policy for vulnerable and marginalized groups. In response to the slow pace at which youth issues are being taken in consideration through national policies, the DRC has a dynamic Youth Parliament anchored under the National Parliament,

45 Stratégie pour le Développement du sous-secteur de l'Éducation Primaire, Secondaire et Professionnelle, (Education Policy), 2010, page.

46 FEC (Fédération des Entreprises du Congo), ANEP (Association Nationale des Entreprises du Portefeuille), FENAPEC (Fédération Nationale des Petites et Moyennes Entreprises du Congo), and COPEMECO (Confédération des Petites et Moyennes Entreprises du Congo).

47 Ministerial decree N°MINEPSP/CABMIN/0385/2013: Annex, MESFTP, 2013.

48 Baseline EDUKAT, Coopération Technique Belge (CTB), 2014.

49 Ministerial decree N°MINEPSP/CABMIN/0386/2013, MESFTP, 2013.

with representations in all 26 provinces and 50 territories. It represents youth at the national and international levels (provides advice for youth-oriented activities in the DRC), and in the francophone youth parliaments networks where it is also consulted for youth-related resolutions affecting member countries of the OIF (Organisation Internationale de la Francophonie). The national youth parliament advocates for and monitors public policy and indicators related to youth empowerment, and calls the government to action when needed on issues of non-implementation of youth rights.

Although the government is introducing several initiatives such as the entrepreneurship week, and the national savings day, youth entrepreneurship is still at its first stages in the DRC and adopted policies are not always implemented. According to stakeholders interviewed, the main policy challenges with regards to youth employment and entrepreneurship include the following:

- **Poor business environment mainly driven by high taxation and para fiscal taxes:**

The DRC ranked 184 out of 189 in the 2014 Doing Business ranking, despite recent progress.⁵⁰ Among other issues explaining a poor performance is the heavy and several illegal taxes collected by government services. Consultative efforts and lobby from the private sector (Fédération des Entreprises du Congo – FEC) led to the adherence of the DRC to the OHADA (Organisation pour l’Harmonisation en Afrique du Droit des Affaires)⁵¹ in 2012, which has improved business conditions, and the creation of the “Guichet Unique des Entreprises (GUE)” in 2014, allowing any investor to register its company in less than three days – It usually took months to create businesses. However, the GUE is still limited to Kinshasa and companies located in other parts of the country are still subject to the same challenges. Illegal taxes collected separately by numerous government services encourage SMEs to remain informal, and lead many formal companies to set up their headquarters in neighboring countries while they operate in the DRC. Taxes collected by the government are estimated at 35% of net revenue + taxes on provisions, which results in over 50% of net revenue.⁵² These conditions lead to high mortality rates among SMEs, and significantly reduce their capacity to employ. The recent 2011 agricultural law makes a specific provision that agricultural lands can only be acquired by companies having a majority (51% minimum) ownership by Congolese nationals. This regulation could negatively impact foreign investments, and the sector’s growth.

50 World Bank 2015, Doing Business Report.

51 Legal entity harmonizing business laws among member countries of the African Union, with the aim to create a legal and judicial security space that is favorable for business and attracts significant investment flows in the region.

52 Dalberg field interviews with the private sector.

- **Inadequate coordination among actors implementing the various employment and entrepreneurship policies and programs:** There are three institutions within the Ministry of Employment and Social Affairs who are all in charge of youth employment (National Office for Employment – ONEM, the National Institute for Professional Training – INPP, and the PRO-YEN initiative). The PDIFM project and FNM's Economic Insertion of the Poor through Microfinance program within the Ministry of Finance have the same target and similar objectives, but with no coordination between both. Across different ministries, there are also overlaps. For example, the INPP's training programs should be covered under the Ministry of Higher Education's technical training universities, however there is no coordination between the two ministries. Harmonization of efforts is crucial, especially given the extent of the very limited resources available. The inter-ministerial steering committee for youth employment, led by the Ministry of Employment and Social Affairs should address these issues in the very short term.
- **Disorganized social protection system for workers:** According to the retirement observatory, only 17.7%⁵³ of workers who have attained the legal retirement age in the DRC are effectively covered by retirement benefits. It is estimated that 50-60% of public administration workers have passed the mandatory retirement age, and many officials continue to work until the age of 75.⁵⁴ The law 81-003 of July 1981 on the status of public administration staff states in its article 73 that the official retirement age is 55.⁵⁵ However, the government has limited capacity to provide social benefits after retirement.⁵⁶ Often times, workers (both in the public and private sectors) who have reached the limit age for retirement are unwilling to quit their jobs in order to keep their employment status and related benefits.⁵⁷ This reality creates a "job conflict" among generations as it limits possibilities for youth to get employed.

53 Les retraites dans le monde, Retirements Observatory, 2013.

54 Public Sector Rejuvenation Project, the World Bank, 2013.

55 The official retirement age is subject to upcoming revisions.

56 Public Sector Rejuvenation Project, the World Bank, 2013.

57 Dalberg field interviews with donors, government, and the private sector.

SECTION 3 – OVERVIEW OF THE DEMAND FOR FINANCIAL SERVICES

The microfinance sector is still at an infant stage in the DRC, with only 23 Micro-Finance Institutions (MFIs) operating in the country in 2014.⁵⁸ Other players comprise of credit and savings cooperatives (Coopératives Primaires d'Épargne et de Crédit – COOPECs), of which there were 101 in 2014.⁵⁹ Overall, the DRC had 124 financial services providers (FSPs) in 2014. This number is far below several African countries such as Rwanda (491), Burkina-Faso (263), and Senegal (218),⁶⁰ especially given the DRC's large population size. In addition, FSPs are unequally present across geographies, with three provinces – Kinshasa, North and South Kivu accounting for over 70% of all FSPs and almost 90% of accounts opened in 2012.⁶¹

// Poor road networks in rural areas are a major challenge to expand MFI branches there. Even if they had access to credit, it is hard for populations in remote areas to have access to markets to circulate their goods, sell their products and be able to pay back loans. So we invest in areas where road networks are good.

//
- MFI, Kinshasa

Lack of road infrastructure to access rural areas, as well as high business running costs (mostly investment in generator due to lack of electricity, and internet)⁶² limit the ability of financial service providers to expand their presence across the territory. The range of products and services offered is often limited to basic savings and rarely credit schemes. With the new territorial division, some new provinces are left with no financial institution in their surroundings.

58 Monetary Policy Report, Central Bank of Congo (BCC), 2014.

59 Ibid.

60 Final evaluation of the YouthStart program, Microfinanza, 2015.

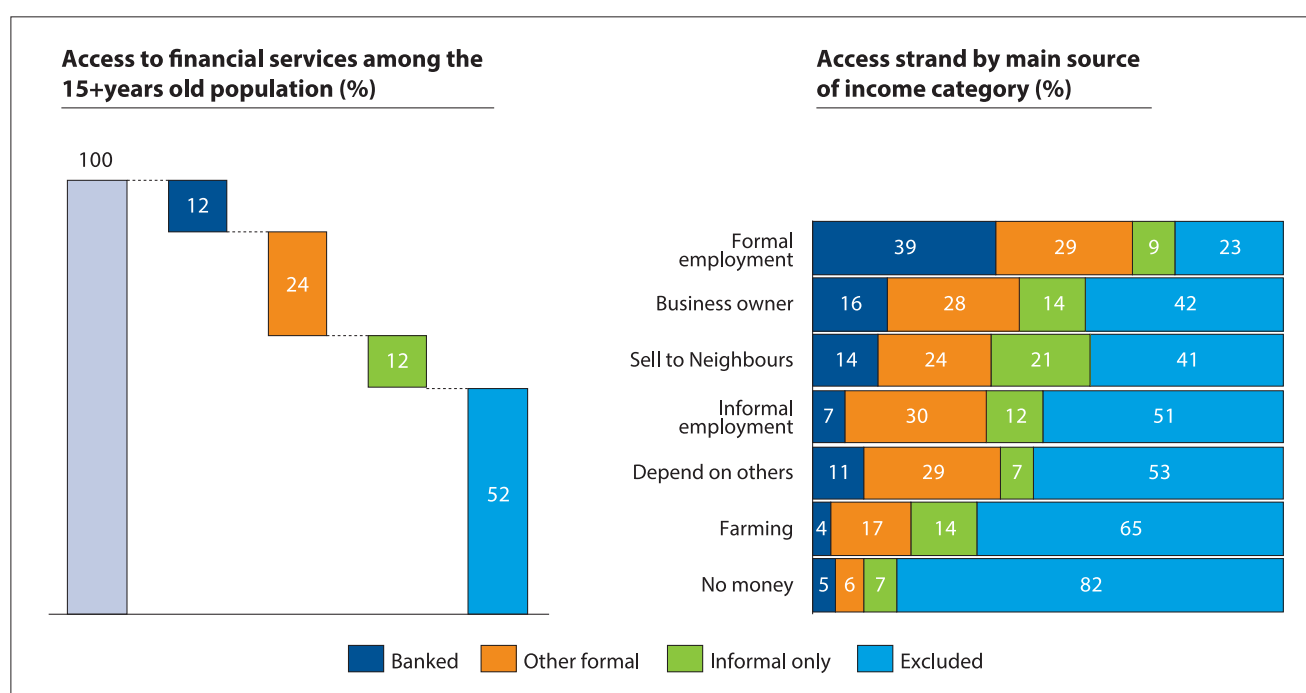
61 Ibid.

62 Dalberg interviews with MFIs, 2015.

The DRC is a cash-based society with low levels of financial inclusion, especially for low-income populations. 76% of Congolese household decision-makers are remunerated in cash and only 1.3% make utility payments at a bank.⁶³ In 2012, the Central Bank of Congo (Banque Centrale du Congo - BCC) estimated the total banking service use to be 5.7%. The situation slightly improves when accounting for urban and peri-urban areas, but remains low - 12% of the adult population (15 years+) use banking services and 24% use other formal services (MFIS and COOPECs).⁶⁴ However the banked population is mostly using banks to receive salary payments from employers, while 4% of adults claim ownership of accounts with MFIs and only 5% with COOPECs.⁶⁵ This situation is explained by the fact that most users of financial services only use them to receive or send remittances. Exclusion from financial services however varies based on population's source of income. Thus, people with no stable revenue (82%), those relying on farming activities (65%), or the informally employed (51%) are more likely to be financially excluded (Figure 9 below).

Figure 9

Access to finance by status and by main source of income



Source: Finscope DRC consumer survey, 2014; Dalberg analysis.

63 GSMA 2013.

64 Finscope consumer survey, FinMark Trust, 2014.

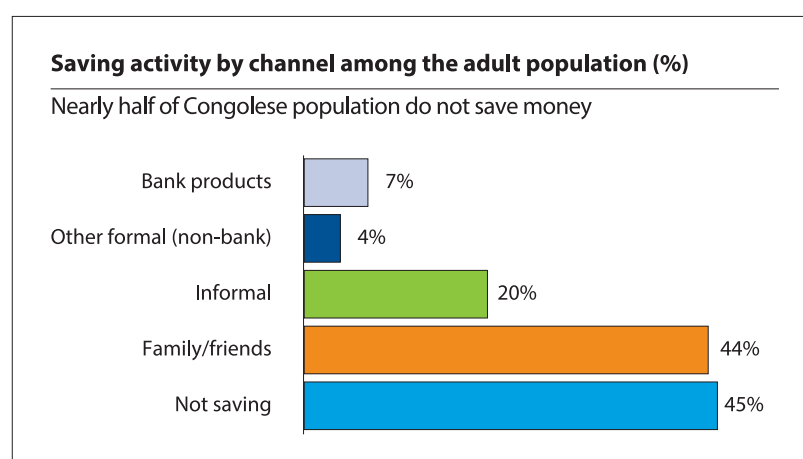
65 Ibid.

A lack of individual awareness of financial products and services providers is the most significant barrier to uptake.⁶⁶ Indeed, 48% of the unbanked population, 76% of those not using MFIs, and 87% for COOPECs are unaware of any financial services. The situation of unawareness is encouraged by the lack of road infrastructure to access financial service providers, and underdevelopment of mobile banking. 20% of the DRC's territory, and 50% of the population have access to ICT infrastructure.⁶⁷ This means that only 50% of the population is able to use mobile networks. Despite the 45% mobile penetration rate in 2014,⁶⁸ only 4% of Congolese interviewed during the FinScope survey in 2014 have registered on a mobile money service, with about half actually using mobile banking services.⁶⁹ The rest of the surveyed population has little information about account openings, fees, or they believe they don't have enough money or regular income to open an account with financial service providers.

Congolese adults do not save money due to low income levels, or they rely on informal channels. 45% of the adult population do not save, mainly because they have no money left after living expenses or they have no incomes, while 44% prefer to save at home (Figure 10).⁷⁰

Figure 10

Share of adult population who save, by savings channel (%)



Source: Finscope DRC consumer survey, 2014.

Access to credit is a chief concern for economic activities. According to the 2013 World Bank enterprise surveys, 39% of enterprises in the DRC identify access to finance as their major constraint, and only 2% of SMEs' working capital is financed by banks.⁷¹ Youth in Kinshasa and Kipushi⁷² during focus group discussions overwhelmingly cited 'financial constraints' as the number one factor limiting the launch or scale up of their business activities. Furthermore, during the 2014 Finscope consumer survey, only 0.2% and 0.3% of adults in surveyed areas have or use credit/loan products from a commercial bank, and from other formal financial services providers, respectively. 3% borrow from informal mechanisms, while 4.5% rely on friends and family if they do not access credit from financial institutions.

66 Finscope consumer survey, FinMark Trust, 2014.

67 2014 Statistical yearbook, INS, 2015.

68 Forum Régional sur les Aspects Economiques et financiers des télécoms pour l'Afrique BDT/UIT, ARTPC, 2015.

69 Finscope consumer survey, FinMark Trust, 2014.

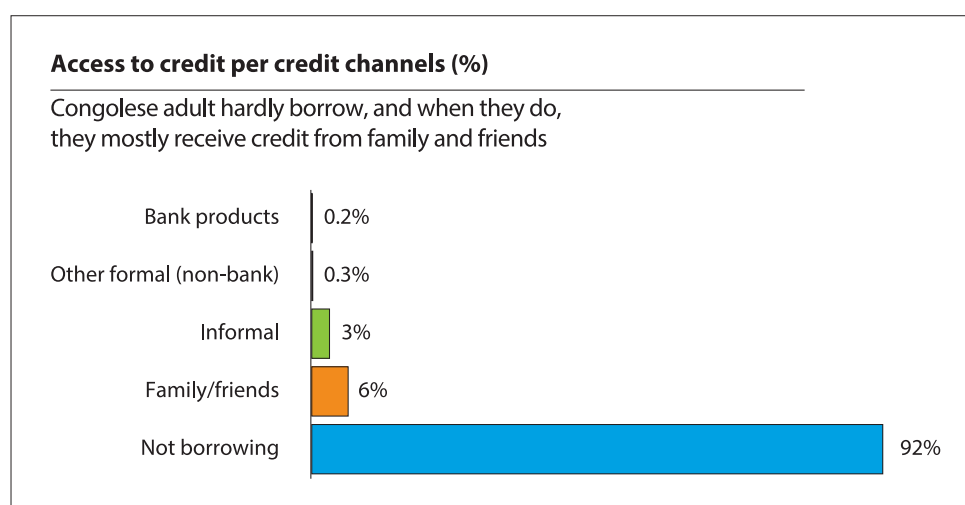
70 Ibid.

71 World Bank enterprise surveys, the World Bank, 2013.

72 Rural area in the province of Katanga.

Figure 11

Share of population with access to credit, by channel



Source: Finscope DRC consumer survey, 2014.

// When prevailing market interest rates are prohibitive, loans for youth starting their business ventures are not realistic. Young entrepreneurs should try to raise their own initial capital (e.g. up to USD 500), at the start of their business, and credit can be included as an option at a later stage of development (preferably after 12 months of activity).

- MFI, Kinshasa

Issues of trust from MFIs particularly limit youth from accessing credit, and when they are granted loans, interest rates are high. Financial institutions interviewed are reluctant to provide loans for youth, either for issues of trust, or youth's ability to pay back their loans.

When they do access loans from MFIs, youth complain of high interest rates and short return repayment periods which are not adapted to their activities. In areas with high concentration of financial services (such as the Eastern part of the country), interest rates are as low as 2.5 – 4% per month as a result of the competition, unlike the Western part (Bas-Congo, Bandudu, etc.) where there is less concentration, and other provinces where there is little presence (MFIs apply between 6% and 10% monthly interest rates).⁷³



Some youth took loans in the past and disappeared without paying back. This puts us at a disadvantage when we are seeking loans; we are not trusted. In addition, when looking for employment, we are asked to pay application fees, or bribes.



- Youth, Kinshasa

Overall, this evidence suggests that improving roads and telecommunication infrastructure, and institutional interventions have a key role to play in boosting access to finance for youth. In particular, streamlining interest rates and incentivizing MFIs to expand services to rural areas (reduced taxes for example in areas with low financial inclusion) would improve access to financial services and products in the DRC.

After the recent financial and economic crisis which affected various aspects related to employment and entrepreneurship, DRC still does not have an extensive financial policy. However, the government is taking some steps to strengthen the system (e.g. de-dollarization)⁷⁴ so that it can move toward a more propitious level of financial stability and security.

On the positive side, the government, through the BCC, instituted a number of initiatives to improve financial inclusion. These initiatives include:

- Instituting the celebration of the International Savings Day every 31st of October to promote financial services and savings among the population, since 2011.
- Paying public administration officers through banks, which has slightly improved the financial inclusion rates.
- Creating the National Microfinance Fund to improve financial inclusion for low income populations and youth.
- Launching the Ministry of Finance's PDIFM project, financed by the World Bank, to provide technical support to financial institutions through an investment in the Microfinance Promotion Fund (Fonds de Promotion de la Microfinance – FPM) and a USD 15 million (to be disbursed) credit line for SME financing, with a focus on youth and women-led SMEs (60-70% of targeted beneficiaries).
- Organizing the Global Money Week (organized for the first time in 2015) to give the opportunity to youth between 11 and 16 years old to visit the central bank and dialogue with central bank staff, creating awareness on savings.

Box 4

Youth entrepreneurship initiatives led by the ministry of finance: FNM and PDIFM

Youth entrepreneurship initiatives led by the ministry of finance

The FNM (Fonds National de la Micro-finance) is anchored in the Ministry of Finance, with accreditation from the central bank of Congo (BCC) to support the intermediation of microfinance and financial laws. To date, the fund is present in 5 provinces (Bandundu; Kalemie; Kisangani; Kinshasa) and has initiated the program “Insertion Economique des Pauvres par la Microfinance” (Economic inclusion of the poor through microfinance), which supports youth and women, as well as MSMEs and smallholder farmers. Through this program, the FNM provides business development support and adapted funding to low income youth and women at attractive rates through dedicated credit lines entrusted to conventional MFIs. The FNM initiative, at its inception stage, has enabled the creation of 44 SMES (created by 140 young people) in Kinshasa, in the sectors of Agribusiness, TIC, piggery, baking, and poultry. The FNM is seeking funding from development actors, in order to scale up the initiative beyond Kinshasa.

The Markets and Financial Infrastructure Development Project (Projet de Développement des Infrastructures Financières et des Marchés – PDIFM), also housed at the Ministry of Finance and funded by the World Bank (USD 30 million fund), works with the Microfinance Promotion Fund (Fonds de Promotion de la Micro-finance – FPM), through a similar mechanism to the FNM approach. The program aims to improve financial inclusion through three major components: (i) strengthening payment systems infrastructure, (ii) providing technical support for the development of financial markets, and (iii) providing a USD 15 million credit line to SMEs, especially youth and women-led SMEs (60-70% of the program’s beneficiaries), through microfinance institutions. Since its inception in April 2014, the PDIFM is underway to set up an Automatic Transfer Service (ATS) in order to facilitate inter-bank transactions. It has also facilitated – through technical assistance provided to FSPs – the expansion of financial services to 9 underserved cities in 2015, leading to 7,365 MSMEs financed by Financial Service Providers (FSP) of which 53% are female-led and 81,444 additional saving accounts opened.⁷⁵ On the component of credit line to finance youth and female-led SMEs, the program is currently identifying the appropriate MFIs to partner with.

Source: Field interviews with the FNM and PDIFM; Projet de Développement des Infrastructures Financières et des Marchés (PDIFM), World Bank, 2016.

Some MFIs such as FINCA are introducing innovative ways to access remote areas through Point of Service (PoS) networks, and introducing mobile banking as a backup to access financial services.⁷⁶ Although only 4% of the population is currently using mobile money services, 47% have a phone which gives hope for increased use of mobile banking.⁷⁷

⁷⁵ Projet de Développement des Infrastructures Financières et des Marchés (PDIFM), World Bank, 2016.

⁷⁶ Dalberg field interviews, 2015.

⁷⁷ Finscope DRC consumer survey, FinMark Trust, 2014.

Box 5

Overview of FINCA DRC's point of sales network

Using ICT to expand the reach of banking operations: FINCA – Point of sales network

FINCA DRC is a subsidiary of FINCA Microfinance Holdings (FMH), which is owned and managed by FINCA International Inc. FINCA DRC started as an NGO in 2003 and was then licensed as a Microfinance Company by the BCC in 2008.

FINCA provides its services to 459,587 depositors and 119,564 active borrowers through 27 branches in the Kinshasa area, Goma, Matadi, Bukavu, and lower Katanga, and plans to expand to two additional provinces by January 2016. FINCA DRC was also part of the YouthStart pilot program of UNCDF.

Recognizing the high costs linked with setting up new branches in remote areas, and in order to easily access population in remote communities, FINCA DRC initiated a network of Point of Services – PoS (FINCA Express agents). Express agents are provided with a machine which allows them to debit or credit clients' accounts and conduct basic banking transactions. FINCA is also engaged in biometric banking, allowing all customers to use their fingerprints to access accounts and make transactions with the PoS networks. When they started to use the PoS in 2013, transactions on youth accounts increased the same year by 480% (5,377 transactions, up from 921), and deposits increased by 173% (USD 224,388, up from 129,750).⁷⁸ To date, FINCA has a network of 620 express agents across provinces, covering 63% (USD 20 million) of the institutions' financial transactions. FINCA is currently assessing the risks and opportunities linked with allowing distance bank account openings through the POS networks – risks with identity control, etc.

Source: Dalberg field Interviews with FINCA; Final evaluation of the YouthStart Program, Microfinanza, 2015.

Low levels of financial inclusion, and difficult access to capital are the major constraints hindering youth's ability to access financial services, and successfully start a business. Increasing awareness, providing guarantee systems for youth to access credits, and improving infrastructure development could significantly lift these barriers. Interestingly, the private and public sector players are taking major steps including the creation of specific credit lines for youth through MFIs, and digital banking.

78 Recommended practices and lessons learned in providing financial and non-financial services to youth: insights from the YouthStart program, UNCDF, 2015.

SECTION 4 – ASSESSMENT OF THE DEMAND AND SUPPLY OF LABOUR

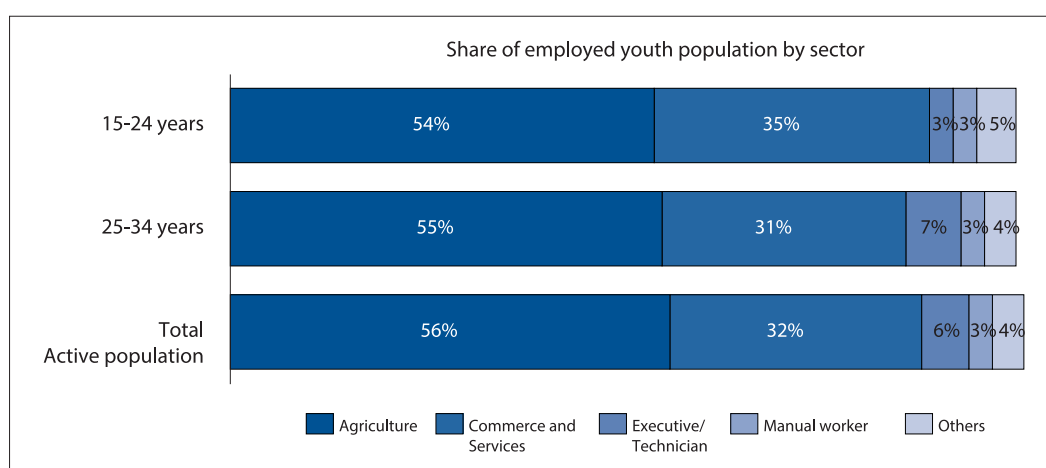
This section analyses the demand for and supply of labor, and derives key gaps and implications for youth.

DEMAND FOR LABOR

The labor market in the DRC is severely demand-constrained. The DRC's robust economic performance has not created work opportunities for a large portion of the labor force. In the face of a 2.8% average yearly population growth from 2010 to 2014, especially in urban areas such as Kinshasa (5.68%)⁷⁹ where youth unemployment rates remain high (38% in urban areas taken altogether, and 59.1% in Kinshasa),⁸⁰ the number of work seekers has continued to increase rapidly. In addition, fast growing sectors such as manufacturing, construction, and mining have hired youth in much smaller proportions than their contribution to GDP would indicate (Figure 12).⁸¹ On the other hand, sectors such as agriculture that tend to employ more labor are still hampered by low productivity.

Underemployment is a particular feature of the agriculture sector, and other informal sectors which employ altogether nearly 87% of youth (Figure 12).⁸² Agriculture and trade and services sectors employ respectively 54% and 33%⁸³ of young people. However, these jobs are often in the informal sector,⁸⁴ with low pay and do not provide social security. Youth engaged in agriculture work an average of 35 hours a week⁸⁵ in highly seasonal and low-productive smallholder farm jobs.

Figure 12
Youth employment by sector



Source: Demographic and Health Survey, National Statistics Institute DRC, 2014.

79 2014 Statistical yearbook, INS, 2015.

80 Employment, informal sector, and household consumption survey, INS, 2012.

81 Demographic and Health Survey, INS DRC, 2014.

82 Ibid.

83 Ibid.

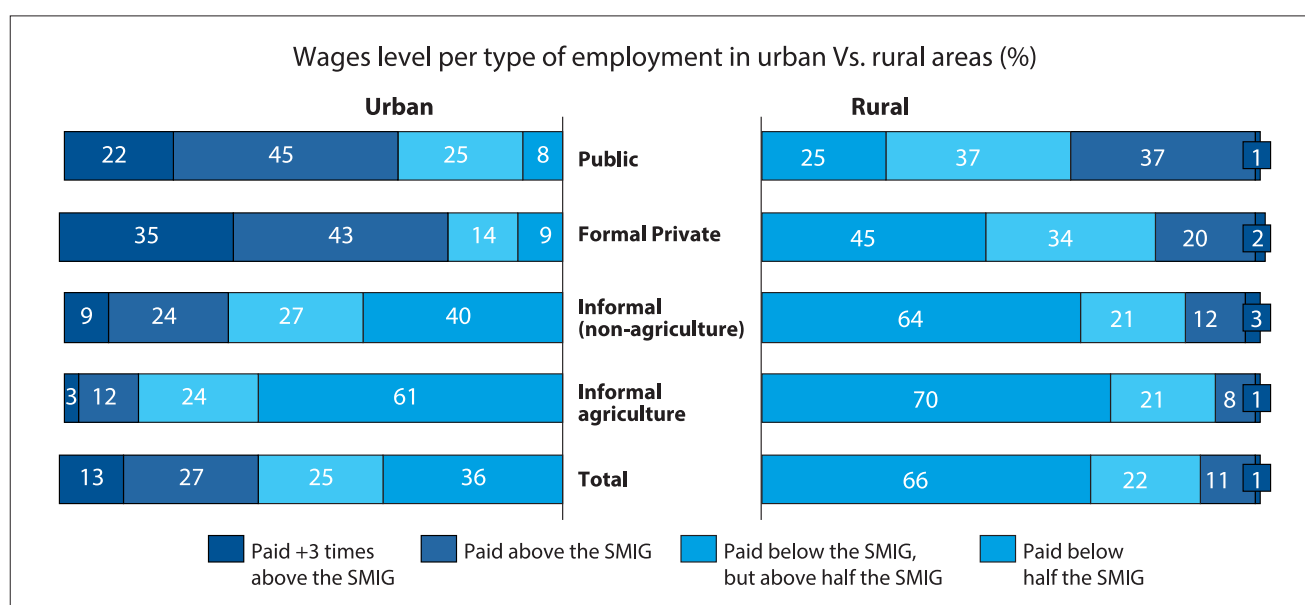
84 Employment, informal sector, and household consumption survey, INS 2012.

85 Ibid.

As a result of their employment status, youth in rural areas are often in situations of vulnerable employment with low pay. 67.4% of the DRC's working population is in a situation of underemployment, working fewer than 35 hours a week and paid below the minimum guaranteed wage (Salaire Minimum Inter-professionnel Garanti - SMIG).⁸⁶ 91% and 85% respectively of agricultural workers and other informally employed populations in rural areas are paid below the SMIG, against 85% and 67% respectively in urban areas (see Figure 13 below).⁸⁷ Moreover, more than two-thirds of the population is paid below half the SMIG, revealing high levels of poverty and lack of social protection. In 2012, poverty⁸⁸ affected 51% of urban households, and 56% of rural households.⁸⁹ Women are the most vulnerable, as they are less employed in formal sectors, thus the most subjected to underemployment.

Figure 13

Level of vulnerabilities per sector of employment



Source: 1-2-3 Survey Report, Institut National de la Statistique, 2013.

⁸⁶ Employment, informal sector, and household consumption survey, INS, 2012.

⁸⁷ Ibid.

⁸⁸ The poverty line (also known as the monetary poverty line) is defined by the INS, as the combination of food poverty (minimum amount required to satisfy a daily intake of 2300 calories per adult per year) and non-food poverty (minimum spending required to cover all non-food related basic needs), taking into consideration urban and rural disparities. The DRC poverty line in 2012 is thus estimated at 869,210 CDF/year (~2.63 USD a day) in urban areas, and 579,248 CDF/year (~1.76 USD a day) in rural areas.

⁸⁹ Ibid.

The private sector's capacity to absorb job-seekers is significantly reduced by the poor business environment and high taxation system, while the government's ability is also limited.

The DRC's economic fabric remains underdeveloped and the private sector employs 2% of the thousands of youngsters who come out each year of university. Few SMEs survive the difficult business environment characterized by non-respect of business rights, high business running costs due to expensive infrastructure and lack of electricity.⁹⁰ Those who survive must sometimes reduce their number of staff in order to face government-collected taxes which are above 50% of net revenue (35% of net revenue and taxes on provisions).⁹¹ The taxation system heavily reduces the private sector's ability to recruit. At the same time, the challenges in the social protection system for retiring workers (discussed in section 2) prevents youth from accessing employment opportunities in the public sector.

Given the dearth of jobs opportunities in the market; there is a general consensus that self-employment and enterprise development will be the mechanisms to create more opportunities for youth. The DRC government is making sensitive efforts to shift its focus to youth entrepreneurship, translated into various initiatives being currently designed, such as the youth entrepreneurship scheme in agriculture with the support of the African Development Bank (AfDB), and the PRO-YEN program aiming to generate 13 million jobs by 2020 by providing specific training and business opportunities in the sectors of agriculture, infrastructure, services, mining and hydro carbons.⁹² Also recognizing that successful entrepreneurship requires access to financing, the National Fund for Microfinance (Fonds National de la Microfinance – FNM) and the Markets and Financial Infrastructure Development Project (Projet de Développement des Infrastructures et des Marchés – PDIFM) under the Ministry of Finance are trying to address youth start-ups' financial needs. The FNM initiative has enabled the creation of 44 SMES (created by 140 young people) in Kinshasa, while the PDIFM has facilitated the expansion of financial services to 9 underserved cities in 2015, leading to 7,365 MSMEs financed by Financial Service Providers (FSP) and 81,444 additional saving accounts opened. Most of these initiatives described in the sections above will require synergy among the different institutions and development actors.

However, Congolese youth have been, for too long, educated and trained for salaried jobs, and entrepreneurship is not viewed by the society as a sustainable source of income. The Congolese education system is generally characterized by conventional education from primary to secondary school level. In 2013, less than 20% of Congolese secondary school students were enrolled in technical schools.⁹³ These schools are confronted with a number of challenges including lack of curricula and programs for certain trades, old and obsolete equipment, lack of and/or aging of qualified teachers, and mismatch or lack of relevancy between training and labor market needs.⁹⁴ In addition to this, students enrolled in technical schools or TVET (Technical and Vocational Education and Training) institutions face a societal challenge as Congolese negatively perceive such training programs as being for those who are unsuccessful in conventional education.⁹⁵ Embracing entrepreneurship is equally perceived as a "failure".

90 Field interviews with the private sector – Fédération des Entreprises du Congo (FEC).

91 Ibid.

92 Ministère de l'Emploi et de la Prévoyance Sociale, Cadre opérationnel pour la création de 13 millions d'emplois pour les jeunes de 2015 à 2020 en RDC, 2015.

93 YouthMap Report, IYF, 2013.

94 Ibid.

95 Ibid.

// When you tell your family that you are starting a business, they perceive you as a “failure” and are unwilling to support you, because entrepreneurship involves a lot of hustle and cannot provide enough revenue to feed a family. They will rather convince you to keep searching for a job.

//
- Youth, Kinshasa

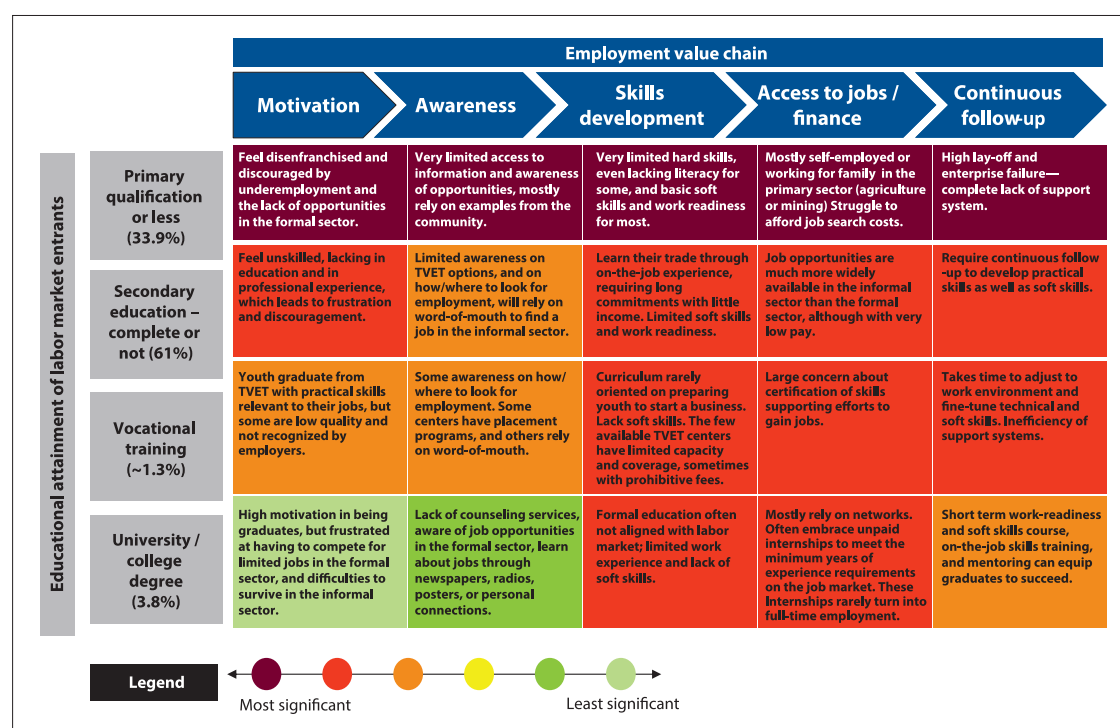
At the university level, the few universities offering technical training lack quality and do not provide business development or management modules that would help youth to successfully run a business.

SUPPLY OF LABOR

While demand does significantly constrain youth's access to economic opportunities, youth are insufficiently and/or inadequately prepared to access existing opportunities. Across education levels, preparation for the job market consists of a number of sub-drivers (Figure 14), which include insufficient and/or inadequate motivation and awareness, skills development or capabilities, access to jobs, and follow-up or guidance.

Figure 14

Characteristics of the youth employment value chain, per education attainment



Source: Youth focus groups; INS, 2013; Dalberg analysis.

MOTIVATION AND AWARENESS

Low qualification often leads to discouragement, particularly for disenfranchised youth with low levels of education. According to the employment, informal sector, and household consumption survey in 2012, nearly 5 million people⁹⁶ among the working aged population, are inactive for reasons involving discouragement. The youth who attained only primary education (27.8%), or uncompleted secondary education (53%) mostly believe that there is no work or feel their chances are too constrained given their low qualification.⁹⁷ Youth express frustration at having to compete for scarce jobs with skilled expatriate workers who are usually employed formally in the mining sector.

Youth awareness about the availability and type of economic opportunities increases with the level of school attainment. Youth with primary or no qualification, are uninformed about jobs. Their aspirations tend to be driven by what they judge to be successful within their immediate community. For the youth with secondary education, interest in certain jobs is often based on word of mouth, information from family, or inaccurate perceptions about earning potential.

Despite better levels of awareness, educated youth believe that they require links to the right networks to reach their aspirations. Educated youth looking for employment know where to get the information on job openings (ONEM, radio, postings, etc.). Yet, these available jobs are perceived to be accessible to people with the right networks, and access to formal employment is highly competitive.

In rural areas, youth mostly aspire to join political groups as they believe it is the only way to have access to the right networks and guarantee success. 30% of the educated youth⁹⁸ are willing to engage in entrepreneurship (ICT services, or agriculture and livestock production) although they rank limited capital as the main constraint to start such initiatives. Again, they have faith in politics and networks as the ultimate way to sustain their economic activities. Youth, especially in rural areas, are interested in quick money, thus their interest in politics. For example, no young women attended the youth focus group discussion in Kipushi, as they received tips to attend a political event.

“Belonging to a political party is the only way to succeed – not any political party, but the one in power, so we can also access the “cake” being shared in the government”; “Politics is a shortcut to economic power; “There is nothing more interesting in this world if not power; that is the reason why no one is ready to leave it.

– Youth, Kipushi

96 Employment, informal sector, and household consumption survey, INS, 2012.

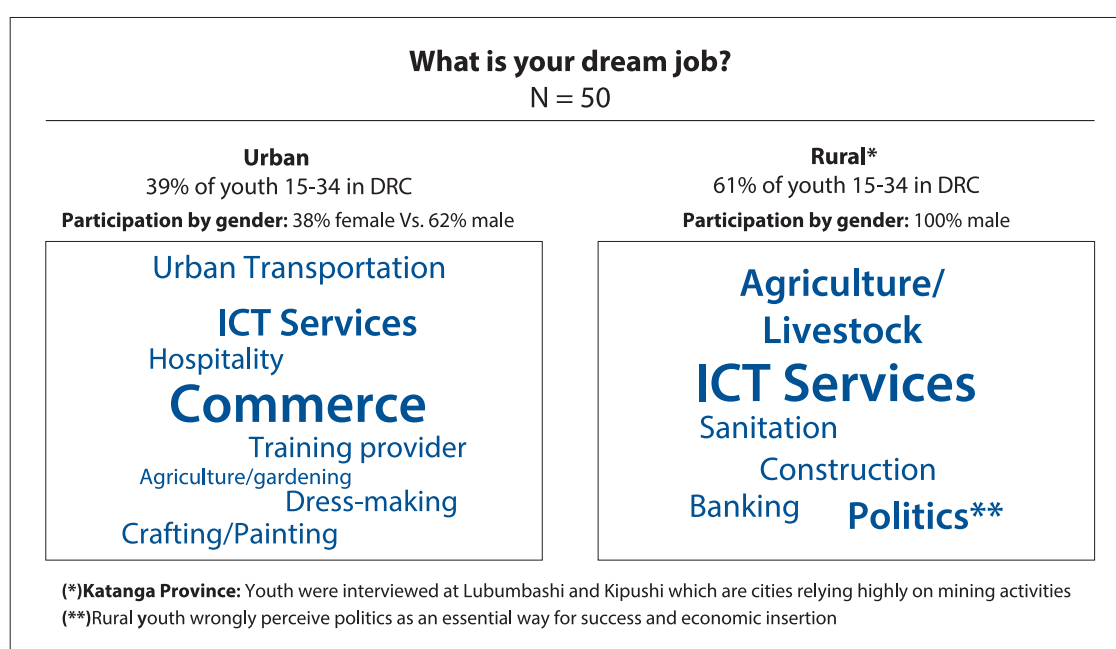
97 Health and demography survey, INS, 2013.

98 Youth focus groups, Dalberg, 2015.

Youth with limited qualifications in urban areas are engaged in foreign exchange dealing, retail of recharge cards, and manual works such as hairdressing and dressmaking. Most aspire to skilled jobs in up and coming sectors such as ICT, but have limited opportunities to access these jobs.

Figure 15

Youth aspirations



Source: Youth focus group discussions; RHPC4, National Institute of Statistics, 2012.

SKILLS DEVELOPMENT

Limited education and lack of soft and hard skills limit access to economic opportunities for youth. Congolese youth are inadequately educated with only 3.8% of the youth aged 15-24 attaining university, 28% who have not completed primary education, and 53% who have not completed secondary education.⁹⁹ Only 9% of youth have a secondary level qualification.¹⁰⁰ Education quality is low, and skills do not match labor market needs¹⁰¹ to enable the educated youth to access the few available job opportunities. Companies cite the skills mismatch as a major constraint for hiring youth.¹⁰² In most cases, companies require three to five years of experience for entry-level jobs, which significantly reduces the chances for the youth aged 15-24 years.¹⁰³

99 Demographic and Health Survey, INS, 2013.

100 Ibid.

101 IYF, YouthMap report, 2013.

102 IYF, YouthMap report, 2013 ; Dalberg field interviews, 2015.

103 Ministère de la Jeunesse, des Sports et des Loisirs, 2015.

Quality of education is low and skills do not match labor market needs. Very few schools or universities provide technical skills training or practical “in-company” training that can get youth ready for the job market. School programs lack practicality, and offer few technical training adapted to corporate jobs or directed towards sectors with the highest employment potential such as agriculture, commerce, and services. For example, companies in the mining industry prefer to hire skilled expatriates or migrant workers from other countries (e.g. Peru, Indonesia, China), who are specifically trained to work on mining sites.¹⁰⁴ There is a need to shift education programs to more technical and soft skills education.

// We recruit only youth who are freshly out from university. However, we have to teach them soft skills to get them up to speed in the business. Youth need better training, interpersonal skills, and ethics //

- Employer, Kinshasa

TVET can play a strong role in addressing the critical shortages of hard and soft skills among youth and the difficulties of adapting education curricula to fast-changing labor markets. TVET, by its nature, tends to be more strongly linked to labor market realities than does the formal education system. TVET is growing to address this large skills gap. The government of DRC created the National Institute for Professional Training (Institut National de Préparation Professionnelle – INPP) in 1966, a training center dedicated to vocational and technical training and capacity building, in order to improve the quality of labor provided to private sector companies (Box 6). In addition, the upcoming youth entrepreneurship in agriculture scheme championed by the Ministry of Agriculture in partnership with the AfDB and the Ministry of Youth, will enable the country to provide vocational training opportunities for youth along various stages of agricultural value chains. Furthermore, through the Better Education for Africa’s Rise (BEAR) project, UNESCO is currently working with the DRC Government to develop a new TVET policy which will specifically target young people. One of the 4 objectives of the BEAR project is it to develop evidence-based TVET policies by setting up sectorial committees for analyzing needs of the labor market and developing appropriate curricula, with a focus on agriculture and construction.¹⁰⁵

104 Dalberg field interviews.

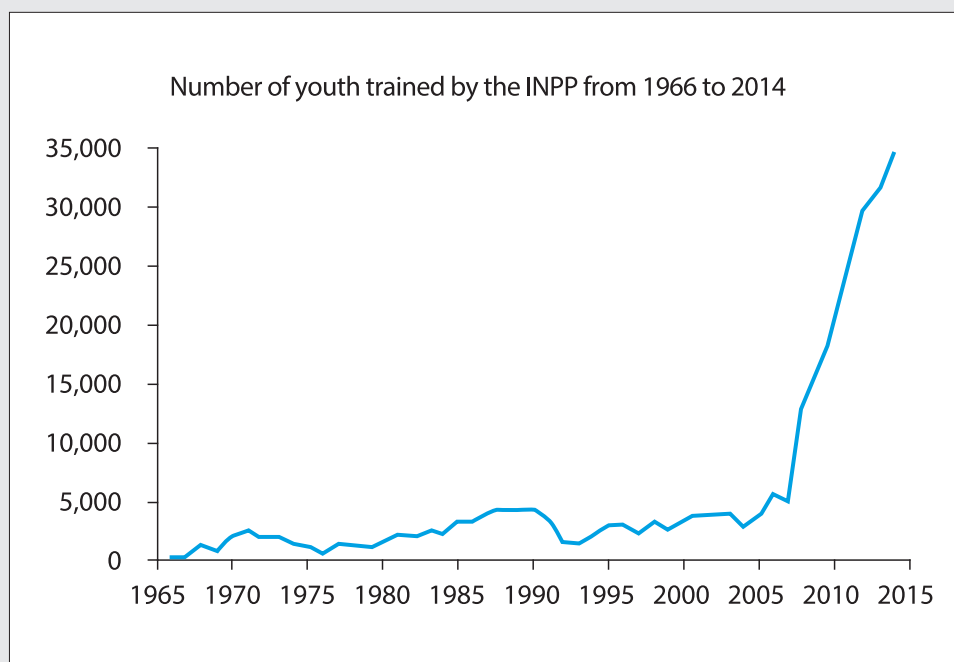
105 UNESCO, Better Education for Africa’s Rise (BEAR) project, 2011.

Box 6

Overview of the INPP

The national institute for professional training (Institut national de préparation professionnelle)

The National Institute for Professional Training (Institut National de Préparation Professionnelle – INPP) is a governmental professional training institution under the Ministry of Employment and Social Protection, with a mandate to solve the issue of mismatch between the demand for and offer of labor on the employment market. It provides vocational training and capacity building to young people (employed and unemployed), in order to increase their employability and improve the quality of labor provided to companies. 66% of the beneficiaries are unemployed, vulnerable, uneducated youth (ranging between 15-30 years old), and educated youth (between 17-25 years of age) who have at least completed secondary education or reached university. Unemployed youth are provided with vocational training in skills such as dressmaking, catering, hairdressing, carpentry, electronics, etc., and educated youth are usually provided with soft and technical skills required on the job market. The rest of the beneficiaries (34%) are private sector companies' staff who require upgrading of their technical skills in order to adapt to newer technologies. The INPP started operations in 1966, and since 2008 its reach is increasing (see adjacent figure). It has trained nearly 35,000 youth in 2014, up from 4,891 beneficiaries in 2007, and 146 in 1966.



The national institute for professional training (Institut national de preparation professionnelle)

The specificity of the INPP resides in its financial autonomy vis-à-vis the government. In fact, the INPP has three main sources to fund its activities including (i) contributions collected from the private sector (these companies usually engage the INPP to provide them with skilled labor), (ii) beneficiary participation fees (an average fee of USD 60-80 per month is collected from each participant; thus the total fee paid per participant trained being approximately USD 500 – this amount can increase depending on the type of training), and (iii) donor funding. Major funders to the INPP's current activities are the Japan International Cooperation Agency (JICA) and the French Development Agency (Agence Française de Développement – AFD). JICA has financed the renovation and provided equipment for the INPP's training centers in Kinshasa and Lubumbashi (Katanga province). JICA is also piloting a five-year youth capacity building program entitled "Solution de l'INPP pour des Entreprises" (SOLIDE). AFD is also funding the renovation of the INPP's training centers in Matadi (Bas-Congo) and Bukavu (South Kivu).

The INPP has the potential to deliver scalable impact through its training centers. However, the USD 500 fee for a six-month training limits the ability of vulnerable youth to access such opportunities. Training at the INPP is usually driven by the demand for specific skills from the private sector. Thus, staff trained by the INPP have more chances to access a job. However, the initiative requires further scale up and accessibility to meet the large demand among the youth cohort, especially in rural areas. The INPP estimates that 64% of the people hired by their corporate partners have been trained by the INPP.

Source: INPP, 2015; Dalberg interviews and analysis.

ACCESS TO JOBS

Access to job opportunities is restricted both for educated and uneducated youth. The 33.9% of youth with primary or no qualification¹⁰⁶ face a crowded and mostly informal, low-productivity segment of the labor market. They are mostly employed in the informal agriculture and other non-agriculture sectors such as commerce and transport. In urban areas, uneducated youth are mostly concentrated in street economy such as street hawking and unqualified labor work in markets, or they work as help, or apprentices. In rural areas, they usually work in family-owned farms or as independent workers on mining sites.¹⁰⁷ Many of these youth, if given the chance, would prefer to go back to school as they believe lack of education is their biggest barrier to economic success.

Youth with post-primary education (61%)¹⁰⁸ also struggle to access informal employment opportunities. They are usually into manual work (unqualified labor, construction, etc.), commerce (hawking or running kiosks), or services–repair stands (shoe, mechanic, etc.).

Even for university graduates, access to formal employment is limited because employers typically require 3-5 years of work experience. Consequently, taking unpaid internship positions upon graduation is commonplace among recent graduates. Graduates complain that many firms abuse unpaid internship offerings to profit from free labor. Most internships are of a long-duration (six months and upwards) and generally do not lead to formal employment.¹⁰⁹

// Employers ask for five years' experience but we just graduated and don't know where to get such experience.

- University graduate, Kinshasa //

Access to jobs is extremely limited in the formal sector, with most youth using personal connections to secure positions. Given limited job opportunities from the private sector and public administration, selection for jobs is very restrictive. There is little transparency in recruitment processes and youth often have to rely on their networks to find jobs.¹¹⁰

106 Ibid.

107 International Organization for Migrations (IOM), 2014.

108 Health and demography survey, INS, 2014.

109 Dalberg interviews with donors and youth focus groups.

110 Dalberg interviews and youth focus groups.

// They asked us to take several successive tests after which they ended up recruiting a candidate who didn't even take a test.

//
- Youth, Kinshasa

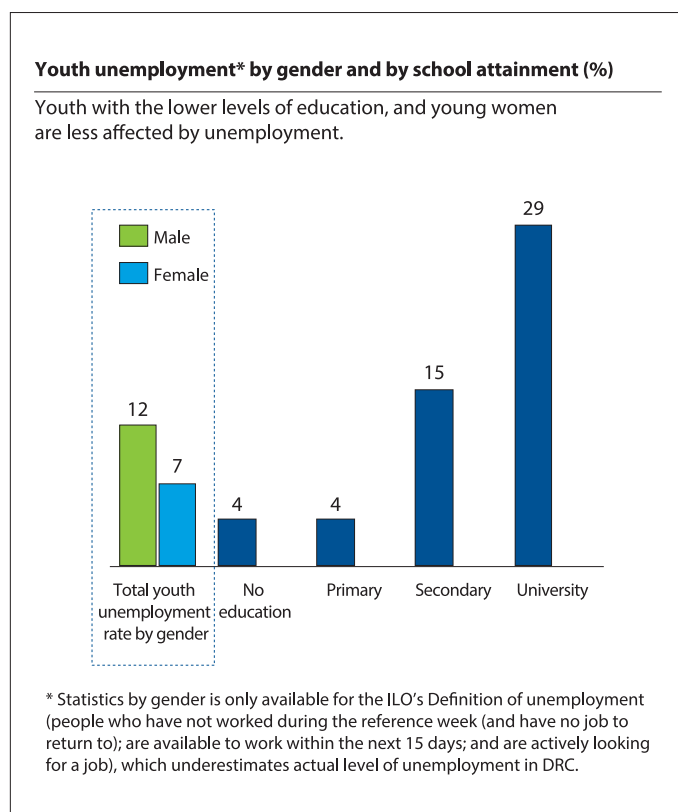
The unemployment rate increases with the level of education, and young men are the most affected. The low education levels among Congolese youth (with only 3.8% reaching university¹¹¹) prevent youth from accessing skilled and formal jobs, but the informal sector and low-skilled labor offer more opportunities compared to the formal sector. Thus, youth unemployment increases with education for two reasons:

1. Graduates hold out a bit longer for a good fit and are more selective on jobs. In some cases they consider certain jobs to be beneath them.
2. The jobs that graduates seek—formal jobs—are scarce and usually require about 3-5 years' experience which the 15-24 years youth do not have.

Finally, the unemployment rates for men are higher, particularly at higher levels of education (Figure 16) given their stronger focus on formal jobs (discussed in section 4).

Figure 16

Youth unemployment by gender and by school attainment



Source: Statistical yearbook 2014, INS, 2015.

CONTINUOUS FOLLOW-UP

There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises. At the end of the employment value chain, once youth access economic opportunities, they often need some formal programs in place to support their professional growth, i.e., ongoing skills development, professional coaching and mentoring, linkages to professional networks, and career guidance and counseling. There is no formal support system in place. Continuous follow-up for youth is disconnectedly offered through a few donor initiatives such as the ILO PAEJK program (Programme d'Activités pour l'Emploi des Jeunes dans la province du Katanga; see Box 7).¹¹² However, after their period of implementation, most programs fail to sustain an ecosystem that can provide continuous follow-up support to young entrepreneurs whose business have not matured. In response, the Congolese Youth Entrepreneurs Network (Réseau Solidaire des Jeunes Entrepreneurs du Congo - RESOJEC), created by Congolese youth who benefited from the ILO's PAEJK program in the province of Katanga, aims to fill this gap (see Box 8).

Box 7

Youth support programs: Overview of the PAEJK

Programme d'activités pour l'emploi des jeunes dans la province du Katanga (PAEJK) – Implemented by the ILO

The PAEJK is a USD 3.5 million program financed by the Belgian bilateral cooperation, in support to entrepreneurship development among youth in the Katanga province. The project covered the mining axis Kolwezi – Likasi – Lubumbashi, and aimed at improving entrepreneurship among the youth, with a focus on increasing financial inclusion and access to credit, training youth on SME management, improving governance of the employment market, and encouraging entrepreneurs through startup funding.

From October 2012 to December 2015, the program provided entrepreneurship and computer science training to 4000 youth and introduced entrepreneurship classes into the secondary school curricula in the province. It has also launched a business plan competition allowing youth to win seed funding between USD 1,000 and 5,000 to start their business activities. 47 youth benefited from funding and business development support, of which only 20 are currently fully in operation.

In order to ensure sustainability, the program trained 20 trainers based on the ILO's concept "Gérer Mieux Votre Entreprise" (GERME). GERME is a set of training modules for potential entrepreneurs to start their businesses, and for those already established to develop and strengthen their management skills for better performance and profitability, while creating jobs. The youth training modules were delivered by GERME trainers who at the end of the program, created the GERME network which continues to provide training and coaching activities independently beyond the life of the project and beyond the Katanga region.

Source: Dalberg interviews with the ILO, the PAEJK team, and the GERME Network.

112 Dalberg interviews with donors, the private sector, and youth-led organizations.

Box 8

Youth business support structures: Overview of the RESOJEC

Reseau des jeunes entrepreneurs du Congo (RESOJEC)

The idea to create a young entrepreneurs' network was launched in July 2013, but the RESOJEC only became operational in February 2015, following the learnings from youth trainers who benefited from the PAEJK-ILO program. The RESOJEC was created due to the lack of specific services supporting young entrepreneurs in the DRC. The RESOJEC seeks to: (i) support, promote, and build capacities of young entrepreneurs; (ii) provide advisory and support services to young people willing to develop their business plans and access funding; and (iii) offer financial and economic analysis support, as well as business management support. Its main activities include (i) connecting entrepreneurs to fund providers, support institutions, high net worth individuals, and large private sector companies; and (ii) providing free consultations for young people who are willing to start businesses and need guidance. In order to reach its objectives, the RESOJEC seeks to build strong partnerships with the Confederation of Congolese SMEs (Confédération des Petites et Moyennes Entreprises du Congo – COPEMECO), and the Federation of Congolese Enterprises (Fédération des Entreprises du Congo – FEC) in order to facilitate business for its members; and with the national agency for investments promotion (Agence Nationale pour la Promotion des Investissements – ANAPI) to facilitate the registration and formalization process for entrepreneurs.

Since inception, the RESOJEC counts a network of 250 – 300 members from the Katanga region (now divided into four provinces – new territorial demarcation), and plans to:

- Expand membership to more provinces, in order to reach national coverage in the short and medium terms.
- Create a youth micro-finance fund by raising contributions from its members and partner organizations in order to increase capital access for young entrepreneurs.
- Set up business incubators in different provinces in order to support youth business development.
- Provide guidance to youth in rural areas on potential ventures in the agriculture and agro-processing sectors in order to reduce rural migration.

Source: Dalberg interviews with the ILO, the PAEJK team, and the GERME Network.

Although few initiatives and organizations providing continuous support to young entrepreneurs exist, Congolese youth are dynamic and self-supportive. Alongside youth initiatives, employers also have a key role to play by recalibrating their mindsets and expectations at the outset and committing to the training, up-skilling, and career guidance of young people in the early stages of their working lives. The Federation of Congolese Enterprises (Fédération des Entreprises du Congo – FEC), the umbrella body of private sector companies operating across the DRC can potentially play such a role.

Box 9

Role of the federation of Congolese enterprises (FEC) in supporting youth entrepreneurship

Federation des entreprises du Congo (FEC)

The FEC Federation of Congolese Enterprises (FEC) is the umbrella body of private sector companies operating in the DRC, with representation in various provinces. It plays 2 major roles in the DRC economic tissue. **It represents a syndicate for enterprises** and as such, it advocates and lobbies towards the government on business conditions for the private sector - recent achievements in this area include the creation of the “Guichet Unique des Entreprises (GUE)”, allowing business creation to be completed in less than 3 days; and the adherence of the DRC to the OHADA system in 2013. **The FEC also plays the role of a Chamber of Commerce.** It provides support and guidance to Congolese diaspora who are willing to set up businesses in the country, and also serves as an incubator – supporting start-ups and small enterprises and providing them with a space where they can work during their first years of activity and gain maturity. The FEC provides business facilitation, lobby and training support services not only to its members, but its activities seek to improve the business environment as a whole (thus benefiting indirectly all actors in the private sector).

Among other activities, **the FCEC is frequently sought for regarding business policy regulations, and youth and SMEs training programs.** As such, the FEC through its provincial directions seek to provide support to youth entrepreneurship, and to promote SMEs and MSMEs. The provincial representation of the Katanga region, is attempting to adapt its membership model in order to create increased membership among SMEs and MSMEs. In fact, to become a member of the federation, an enterprise must: (i) be formally registered with a clear organizational structure; (ii) sign a code of ethics; and (iii) pay annually a membership fee varying between USD 500 and upwards in urban areas, USD 250 in rural areas. The membership fee can go as low as USD 20 or 10 in very remote locations.

Based on recommendations from the ILO, after the PAEJK program, **a committee within the FEC Katanga direction is exploring possibilities to create a “Young Entrepreneurs committee” in order to better address the needs of youth start-ups.**

Source: FEC, 2015; Dalberg field interviews.

MATCHING OF DEMAND AND SUPPLY

Matching interventions, which facilitate the connection between labor demand and supply, are few, but increasing in the DRC. In order to reduce the gap between the offer and demand for jobs, the government of the DRC has committed education budget spending to shift 60% of secondary schools' curricula from conventional education to technical training and education, as part of an education transformation reform launched since the academic year 2013-2014.¹¹³ To support the education transformation reform, the Belgian Technical Cooperation has launched in 2014, the EDUKAT program (Projet d'Appui à l'Enseignement Technique et la Formation Professionnelle au Katanga (described in the box below).

Box 10

Overview of the EDUKAT project


Projet d'appui a l'enseignement technique et la formation professionnelle au Katanga (EDUKAT)

The Belgian Cooperation has allocated USD 40 million to support the government education transformation reform in four selected provinces (Katanga, Equateur, Kasai Oriental, and Province Orientale) in the DRC – USD 10 million allocated to each province. The EDUKAT program aims to introduce quality technical training into curricula at the secondary education level, and helps to consolidate the Belgian Cooperation's previous program entitled "Projet d'Appui à l'Enseignement Technique et Professionnel (AETP)", implemented initially in eight provinces. The EDUKAT program has started in the province of Katanga with an initial funding of USD 10 million and is being expanded to the three additional locations. It is implemented by the Belgian Technical Cooperation (Coopération Technique Belge – CTB), the technical arm of the Belgian cooperation in developing countries.

Launched in January 2014, the EDUKAT program focuses on secondary schools from the conventional system and aims to achieve its objectives through the following three pillars: (i) Support the education sector reform which the government has already started, (ii) Rehabilitate schools, and (iii) Support capacity building/technical training provision to students. An aspect of the program consists of professional internship opportunities for top students who are first trained at specialized centers, in order to multiply their chances to be retained by the hosting company after internship.

Source: CTB, 2015; Dalberg field interviews.

113 Dalberg field interviews.



Youth in the capital city are relatively well informed about ongoing programs or initiatives aimed at helping them access economic opportunities. Youth that took part in focus groups in Kinshasa had heard of a range of interventions from the government including the National Youth Policy, the PRO-YEN, and vocational training opportunities through INPP. However, none of the youth who took part in focus groups in Kipushi districts had heard about the National Youth Policy or any other government programs. Youth are unaware of support organizations, and have the wrong perception of some of them. The national office for employment (Office National de l'Emploi – ONEM) tends to play its role of platform matching job offers with job seekers. However, the ONEM's activities are limited to Kinshasa and require broader coverage.

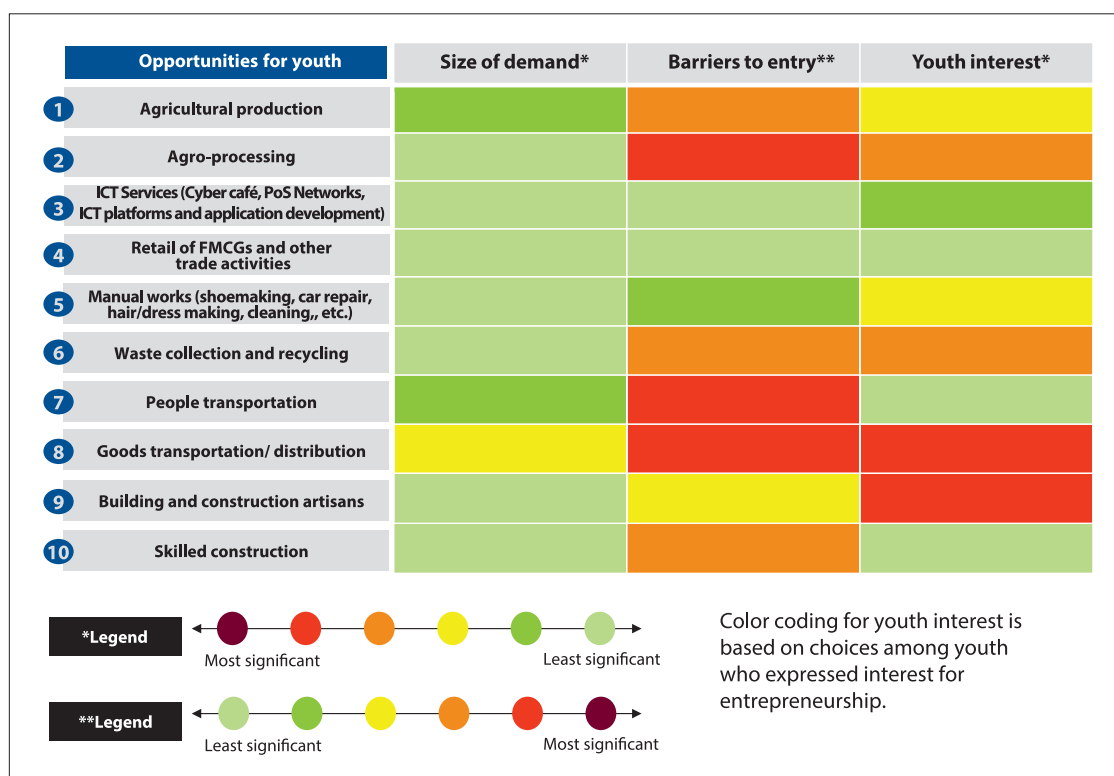
SECTION 5 – HIGH POTENTIAL OPPORTUNITIES FOR YOUTH

Agricultural production and processing, commerce and services (ICT, retail trade, manual works, etc.), transportation, and construction offer opportunities for youth employment given their current and projected growth. In most of these sectors, entrepreneurship is a strong pathway for employability in the DRC. Among these sectors, youth are most interested in ICT services and trade, and less interested in manual works.

Figure 17 summarizes high-potential opportunities for youth discussed in the sub-sections that follow.

Figure 17

High-potential opportunities for youth



Source: Desk research; stakeholder interviews; Dalberg analysis.

I. OPPORTUNITIES IN AGRICULTURE

The agriculture sector has the potential to generate employment for youth through the production of vegetables and the processing of the DRC's major food crops such as cassava, plantain, and maize.

Agriculture accounts for 23% of the DRC's GDP (as shown in Section 1), and provides employment to a majority of Congolese primarily in subsistence farming. Increased productivity investments in the sector have the potential to generate decent livelihoods for the youth population.

The DRC has an important agricultural potential, above the continent's average, but which is not appropriately exploited to support the economy. With about 80 million ha of arable land, favorable rainfall, and dense water resources evenly distributed throughout the territory and offering irrigation potential for nearly 4 million hectares of land,¹¹⁴ the DRC has the possibility to cultivate and export food crops throughout the year, with slight variations depending on the region.¹¹⁵ However, only 10% of the arable land is cultivated.¹¹⁶

Subsistence farming predominates, and the sector has faced unstable growth in recent years. Nearly 80% of agriculture activity is performed by smallholder farmers who usually cultivate a mixture of food crops (cassava, plantain, maize, vegetables) on an average land size of 1-1.5ha,¹¹⁷ with limited use of fertilizers and other chemicals, thus recording low productivity. This type of production is typically characterized by the use of family labor rather than employment of workers. Industrial production is minimal. It mainly concerns oil palm, cocoa, coffee, and rubber production and production has significantly reduced due to political instabilities, and the effects of the "zairanization"¹¹⁸ period starting from 1973. The political instability and the highly risky environment led to the closure of numerous industrial farms. In addition, high taxes, numerous tax collection systems and the new agricultural law (requiring any agriculture venture to have a minimum of 51% ownership by a Congolese national) inhibit investor interest in the sector. Moreover, there has been a shift of interest from agriculture towards mining and extraction activities, causing a decline of the sector's contribution to GDP, from 25% in 2009 to 23.3% in 2014.¹¹⁹

114 Opportunités d'affaires dans le secteur agricole en RDC, Ministère de l'Agriculture et du Développement Rural (MINAGRIDER), 2012.

115 Idem.

116 Plan National d'Investissement Agricole (PNIA) 2014-2020, Ministry of Agriculture, 2013.

117 Idem.

118 Political movement created in the 1970's during the Mobutu regime, which consisted of nationalization of the DRC and expropriation of foreign investors' ownings, and led to a decline of the economy.

119 African Economic Outlook, African Development Bank, 2015.

Lack of agricultural feeder roads and poor post-harvest handling limits distribution of perishable products towards urban areas, but the peripheral areas of urban centers have recently seen the development of irrigated vegetable production. The DRC has 86,000 kilometers of agriculture feeder roads¹²⁰ which are usually inaccessible, prevent access to markets for farmers in rural areas, and reduce access to food in urban areas.¹²¹ Given the scarcity of industrial farms or agro processing companies, there is little value addition in the sector. Yet, the poor accessibility of agriculture feeder roads reduces significantly the potential for distribution of perishable products in urban areas. The implementation of vegetable production farms in peripheral areas of urban centers thus represents a viable option for youth.

To face these challenges, the government has placed significant emphasis on productivity investments in agricultural value chains and agribusiness, making it a key driver of employment generation in the DSCRPII and a key pillar of the National Agriculture Investment Plan. As mentioned before, the government has launched a series of agro-industrial parks since 2014¹²² to modernize agricultural production and processing. The PNIA targets cassava, plantain, and maize, as major produced and consumed food crops in the country with the potential to be promoted not only locally, but also to be exported to countries within the CEMAC¹²³ region (cassava starch, cassava flour, and consumable foods).

The agriculture sector is labor-intensive and will generate decent livelihoods for youth as it gains in productivity. In 2013, more than 54% of the youth working population were engaged in agriculture in the DRC (as shown in Section 3 – Figure 12).¹²⁴ Young women are more likely to be employed in the sector (55% women) than young men (51%).¹²⁵ However, youth are in a situation of vulnerable employment, with more than 91% of workers being paid below the minimum wage, and 70% below half of the minimum wage.¹²⁶ They are mostly employed as unpaid family workers.¹²⁷

120 Statistical yearbook, INS, Roads Office, 2014.

121 Dalberg research and field interviews 0000.

122 RDC : Secteurs prometteurs. Approche du marché. Recommandations, BELTRADE-Congo 2014.

123 Central African Economic and Monetary Community.

124 Calculations based on the Health and Demography Survey 2013-2014 report, INS, 2014.

125 Health and Demography Survey 2013-2014 report, INS 2014.

126 Employment, informal sector, and household consumption survey, INS 2012.

127 Employment, informal sector, and household consumption survey, INS 2012.

The following table summarizes the specific employment opportunities accessible to youth in the agriculture sector.

Table 1

Opportunities in agriculture

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Agricultural production	Youth have the potential to develop food crops production farms, such as vegetables (in urban and peri-urban areas), cassava, plantain, and maize, to feed urban demand.	<ul style="list-style-type: none"> • Strong demand: Cassava, plantain, and vegetables are the major food crops consumed by Congolese households. In addition, in urban areas with high population density and low agricultural production, most of the food consumed is routed from rural areas. Yet, feeder roads are under-developed, and urban demand is unmet for perishable products such as vegetables.
		<ul style="list-style-type: none"> • Low to medium entry barriers: In peri-urban areas, access to farm-land is expensive. However, leasing is a viable option to access land. Youth also require technical know-how and appropriate inputs to succeed, which can be acquired through networks or short-term training.
		<ul style="list-style-type: none"> • Medium to high youth interest: Youth focus groups and data indicate interest from youth who aspire to entrepreneurship, in starting up agriculture production businesses. Some youth have already started vegetables production businesses in Lubumbashi and Kinshasa's peripheral areas.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 2: Agro-processing	<p>Opportunities in agro-processing span across:</p> <ul style="list-style-type: none"> - Cassava (processing of cassava crops, paste – further transformed for local food, industrial starch for breweries) - Plantain (transformed into chips sold in supermarkets) - Maize (flour for household use) - Etc. 	<ul style="list-style-type: none"> • Strong demand: Cassava, plantain, and maize are the major food crops produced and consumed in the DRC (~90% of all food crop production¹²⁸). Given the perishable nature of the products and the lack of agricultural feeder roads for quick distribution, there is a huge opportunity for processed food for household consumption (cassava paste, maize flour), breweries (cassava starch), distribution in super-markets (plantain and cassava chips) and for exports to neighboring countries (CEMAC region).
		<ul style="list-style-type: none"> • High entry barriers: Depending on the level of sophistication required for processing, youth require access to markets, start-up capital for machineries, requisite technical skills, and business acumen. The government however launched a series of agro-industrial parks since 2014¹²⁹ to modernize agricultural production and processing, which youth could benefit from. Furthermore, the unfavorable business environment and tax collection system significantly limit youth possibilities.
		<ul style="list-style-type: none"> • Low to medium youth interest: Youth have little knowledge of market opportunities and potential high returns in the sector, thus show little aspirations for such activity.

128 Ministry of Agriculture 2013, Plan National d'Investissement Agricole (PNIA) 2014-2020.

129 BELTRADE-Congo 2014, RDC : Secteurs prometteurs Approche du marché Recommandations.

II. OPPORTUNITIES IN COMMERCE AND SERVICES

The commerce and services sectors offer various economic opportunities for youth including the retail of fast moving consumer goods, currency exchange bureaus, and retail of ICT products and services. Manual works, waste collection and recycling are also sectors of opportunity for young people.

The commerce sector plays a significant role in the DRC's GDP (14%). The sector's growth is backed by ICT services as a main driver of employment in the services sectors. The commerce and services sectors employ together 35%¹³⁰ of youth and offer significant opportunities and avenues for expansion both for the employed and unemployed youth population.

Commerce has experienced an average annual growth rate of 6% from 2010 to 2014,¹³¹ driven by retail trade of fast moving consumer goods and ICT products. If trained and provided with appropriate coaching, youth could scale up their businesses, gain more revenue, and create jobs for others.

The telecommunications sector is still young but growing rapidly (21.3% growth rate in 2014¹³²), and attracting increasing foreign investments.¹³³ In 2001, the DRC's mobile penetration rate was 0.4%, but rose to 15% in 2008,¹³⁴ and to 45%¹³⁵ in 2014, driven by the construction of modern national telecommunications infrastructure¹³⁶ by the government and private investors. Mobile Operators such as Vodacom, Orange, and Tigo make up to 99% of ICT services in the country,¹³⁷ and the sector recorded a new mobile operator¹³⁸ in 2014. The number of mobile and internet users has significantly grown over time (Figure 18) and associated market opportunities have emerged from basic ICT services to mobile banking, distribution of sim cards and airtime, bulk SMS services and applications development that are generating jobs. Mobile phones and internet alone generated over USD 1 billion and 26 million respectively in 2013¹³⁹ (5% of the GDP).

Despite its growth trends, further government investment is required. Although the DRC's government has made significant infrastructure investments, ICT services cover only 20% of the territory, with a low internet penetration (7% in 2015¹⁴⁰). 70% of the Congolese population lives in rural areas, but the density of the territory (2.3 million km²) and natural barriers (e.g. large equatorial forests at the center of the country) make it difficult to extend broadband networks to rural areas. These result in very low internet usage, compared to mobile network usage (Figure 18). The unsaturated nature of the sector and strong government interest is however an opportunity for youth to quickly grow ICT services ventures (cyber cafes, point of services, point of sales, etc.) as detailed in Table 2.

130 Demography and Health Survey report 2013-2014, INSAE.

131 Central Bank of Congo 2014, Monetary policy report.

132 AfDB, African economic outlook 2014.

133 Idem.

134 IBDR & World Bank 2012, Résilience d'un Géant Africain : Accélérer la Croissance et Promouvoir l'emploi en République Démocratique du Congo, Volume I Synthèse, contexte historique et macroéconomique.

135 Forum Régional sur les Aspects Economiques et financiers des télécoms pour l'Afrique BDT/UIT, ARTPC, 2015.

136 Idem.

137 Idem.

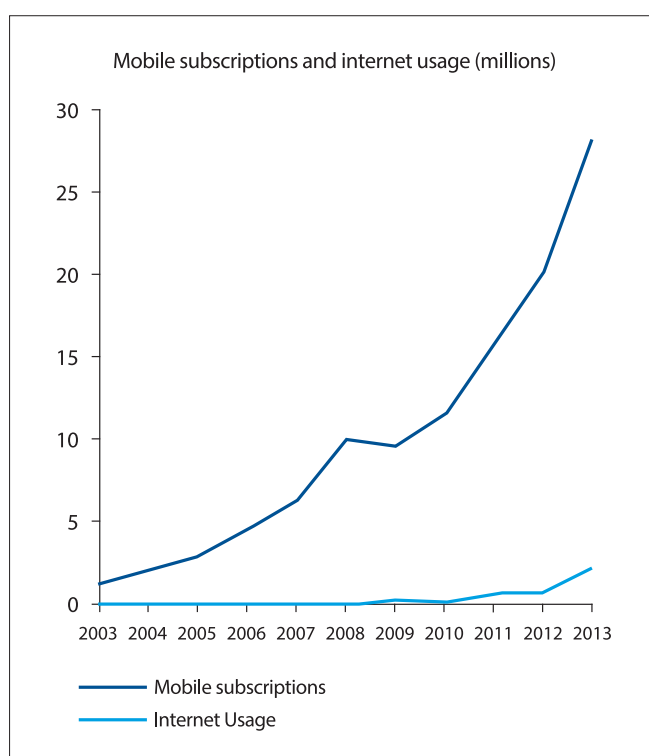
138 Yozma Time Turns.

139 2014 Statistical yearbook, INS, 2015.

140 Idem.

Figure 18

Mobile subscription and internet usage



Source: ARTPC, National Statistics Institute.

Beyond ICT services and commerce, manual works are also quick win employment activities for youth. The DRC's population has been growing at a 2.8% pace year over year during the past decade.¹⁴¹ This demographic evolution, particularly in urban areas such as Kinshasa (5.68%) offer pathways for increased demand for manual works (shoemaking, hairdressing/dressmaking, car repair, etc.), usually requiring low levels of education. With a better organization of the sector and adequate training, there are opportunities to generate sustainable employment for uneducated youth both in rural and urban areas around manual works.

141 2014 Statistical yearbook, INS, 2015.

Table 2

Opportunities in ICT services and commerce

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Retail of ICT goods and services	<p>Opportunities in ICT retail exist through the growing use of ICT in the banking sector, the need for internet based services for schools and companies, and the predominance of large telecom networks. These services include:</p> <ul style="list-style-type: none"> - Cyber cafes. - Bulk SMS services. - Banking: Point of sale networks, mobile money. - Distribution of SIM cards and airtime. - Basic IT training centers for students and contracts with schools. - IT material maintenance and repair centers. - IT platforms and information systems, as well as development of applications for companies and schools. 	<ul style="list-style-type: none"> • Medium to strong demand: Demand is driven by an increased customer base for IT products and services, as mobile and internet usage continue to rise. This is largely boosted by government and private sector investments, and also significant Foreign Direct Investments (FDI). The average mobile penetration rate rose quickly from 0.4% in 2001 to 15% in 2008,¹⁴² and to 45%¹⁴³ in 2014, testifying a strong market opportunity.
		<ul style="list-style-type: none"> • Few entry barriers: Limited capital is required for retail of ICT services, except in banking where POS are required to own a profitable and cash generating business. To perform, soft, hard, and basic French skills are required depending on product sophistication.
		<ul style="list-style-type: none"> • Strong youth interest: Youth interested in entrepreneurship ranked the ICT sector as most attractive to them, particularly as entrepreneurs rather than contract employees.
Opportunity 2: Retail of FMCGs and trade of other services	<p>Retail trade makes up most of the commerce activities in the DRC. Key areas for trade include distribution of products for the growing manufacturing companies through:</p> <ul style="list-style-type: none"> - Trading shops, retail of manufactured products (food, cosmetics, and other fast moving consumer goods – FMCGs). - Online retail and marketing of consumer goods. <p>The predominance of the United States dollar in most of economic transactions within the DRC also opens an opportunity for youth to run forex bureaus for currency exchange.</p>	<ul style="list-style-type: none"> • Strong demand: Driven by the rapid population growth and increasing purchasing power, fast moving consumer goods such as manufactured foods and cosmetic products are highly consumed by households across all economic statuses.
		<ul style="list-style-type: none"> • Few entry barriers: Little capital is required from youth to start such businesses. Also, given the rapid turnaround time for such products, banks are open to lending money to youth for trade activities.
		<ul style="list-style-type: none"> • High youth interest: Most youth surveyed in urban areas are interested in commerce activities, but only 43% are interested in rural areas where youth are usually seeking employee positions.

142 IBDR & World Bank 2012, Résilience d'un Géant Africain : Accélérer la Croissance et Promouvoir l'emploi en République Démocratique du Congo, Volume I Synthèse, contexte historique et macroéconomique.

143 Forum Régional sur les Aspects Economiques et financiers des télécoms pour l'Afrique, ARTPC, 2015.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 3: Manual works	<p>Opportunities for youth in this sector include:</p> <ul style="list-style-type: none"> - Basic manual work and services such as car repair, shoemaking, hairdressing, dressmaking. - Cleaning business: office and house cleaning, roads, and car-wash. - Art work. - Cargo handling (occasional or permanent workers in charge of loading and unloading trucks for large imported cargos). <p>These activities could be quick wins for the uneducated (or low-educated) youth.</p>	<ul style="list-style-type: none"> • Strong demand: With the urban boom driven by a rapidly growing population and urban migration, as well as the rise of a middle class, basic low-skill labor represent a strong market opportunity for youth to engage in.
		<ul style="list-style-type: none"> • Very few entry barriers: Youth require little or no education, as well as low capital to start such activities. Building a client portfolio is however seen as the main difficulty.
		<ul style="list-style-type: none"> • Medium to high youth interest: Although educated youth tend to move away from manual work, some young people during the focus groups in Kinshasa and Kipushi expressed interest for related activities given the quick return they could provide, raising the interest among other participants.
Opportunity 4: Waste collection and recycling	<p>Waste generated by households are sources of pollution when handled ineffectively. Through cooperatives and collective activity, youth can contract with households both in urban and rural areas for weekly collection of waste, and recycling of re-usable objects.</p>	<ul style="list-style-type: none"> • Strong demand: The DRC's public waste collection system has limited capacity, and does not reach all areas within a city or village. As a result, households usually throw waste in open spaces. There is thus a latent demand for waste collection which youth associations can fill.
		<ul style="list-style-type: none"> • Low to medium entry barriers: Capital to purchase waste collection tricycles is the biggest constraint for youth. This can be however bypassed if youth start with small recycled equipment such as wheelbarrows. Youth will also require collaboration with local administrative authorities to facilitate such activity.
		<ul style="list-style-type: none"> • Low to medium youth interest: Youth are unaware of the market opportunity in this space. However, a young entrepreneur during the Kipushi focus group mentioned his plans to start such activity, with conviction of high returns if he is able to raise start-up capital.

III. OPPORTUNITIES IN THE TRANSPORT SECTOR

Given the size of its population, and the increasing demand, people and goods transportation provide significant employment and entrepreneurship avenues for youth. The transport sector is expanding in the DRC, thanks to increased government support in the recent years, making it the main driver of employment in the services sector in 2014.¹⁴⁴ Indeed, the DRC government made significant investments in the sector since 2013, launching TRANSCO (Transport au Congo) company with over 500 buses.¹⁴⁵ In 2014, it also purchased 250 buses sold on credit to private operators,¹⁴⁶ in order to limit the barrier of capital access for local businesses and encourage private investment.

The development of waterways has the potential to stimulate goods transportation, as a backup for road transportation across the country. Poor road infrastructure makes transportation expensive for distribution of manufactured goods or agricultural products in the DRC. However, the country is endowed with rivers evenly spread across the country and linking different provinces. The DRC has 25 harbors along the 10 rivers of the country, of which 21 harbors are functioning. The quantity of goods carried across the waterways rose from 16,3115 MT in 2011 to 29,0321 MT in 2013.¹⁴⁷ The government has also removed 36 illegal taxes and services formerly collected by the State administrative services, offering opportunities to develop activities in this space.

The potential exists for **youth to be employed as transport staff** or to generate **innovative businesses for transportation** of manufactured or primary products to cities across the country.

144 Employment, informal sector, and household consumption survey, INS, 2012.

145 African Economic Outlook, African Development Bank, 2015.

146 African Economic Outlook, African Development Bank, 2015.

147 Statistical Yearbook, INS, waterways administration services, 2014.

Table 3

Opportunities in transport

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: People transportation	<p>Transport is the main driver of employment in the services sector.¹⁴⁸</p> <p>Youth can be employed as transport staff or start transportation businesses in different ways including:</p> <ul style="list-style-type: none"> - Buses and taxis for common transportation, private taxis, etc. - Transportation services for schools and private companies (school buses, staff buses, etc.). - Motorbike transportation in less developed cities and rural areas. 	<ul style="list-style-type: none"> • Very strong demand: Demand for transportation services across urban and rural areas of the DRC is unmet. In Kinshasa, commuters face hours of queues and struggle before finding transportation means. There is thus an untapped business potential for youth to engage in transportation businesses.
		<ul style="list-style-type: none"> • High entry barriers: Capital to purchase buses is high, making the transportation business risky for youth. Banks are also unlikely to provide the required level of start-up loans for youth to start such activities since most vehicles are purchased second-hand and present high risks. There are currently no leasing schemes available.
		<ul style="list-style-type: none"> • High youth interest: About 70% of focus group youth interested in entrepreneurship reported that they were 'very interested' or 'somewhat interested' in the sector. Interest was highest among the urban youth, of which some have started their business without any financial support from banks or MFIs.
Opportunity 2: Goods transportation/distribution	<p>Goods transportation via road or river offers employment and entrepreneurship avenues for youth. Youth could engage in transportation/ distribution of:</p> <ul style="list-style-type: none"> - Agricultural products from production areas to urban and rural markets. - Agro-processed products and FMCGs for manufacturing companies across cities. 	<ul style="list-style-type: none"> • Medium to strong demand: The DRC is vast and has its population spread across 26 provinces. Demand for goods transportation and distribution across the country is significant mainly for agricultural products, and FMCGs.
		<ul style="list-style-type: none"> • Medium entry barriers: Access to capital to purchase transportation material is difficult. Furthermore, the country lacks road infrastructure to facilitate transportation. However, the government is investing in improving road infrastructure and the presence of rivers throughout the country could be capitalized, to make goods transportation more accessible.
		<ul style="list-style-type: none"> • Low youth interest: During focus group discussions, youth reported little interest for transportation of goods.

IV. OPPORTUNITIES IN BUILDING AND CONSTRUCTION

Skilled construction work, and working as building/construction artisans offer numerous employment opportunities for youth. Construction is the second fastest growing sector (contribution of 1.1 point to GDP growth in 2014¹⁴⁹), and offers future employment opportunities for youth.

The DRC is in a reconstruction process, after over two decades of political instability, offering employment opportunities for youth in the construction sector. The DRC's national road network is 65,559 km long, but only 5% is asphalted, while agricultural feeder roads which are 86,000 km in length are generally unpaved.¹⁵⁰ The government embarked on several road construction projects since 2007, to enhance the country's economic potential, reduce disparities among provinces, and ensure connectivity between different parts of the country. In this context, the DRC government signed a USD 9.2 billion contract with a consortium of Chinese companies to finance the construction of basic infrastructure, through a counterpart fund in exchange of mining exploitation in the country.¹⁵¹ If the government pursues its investments in the sector at its current speed in the upcoming years, the sector will create even more jobs.

With improvement of private property rights and an increase in housing needs, the real estate sector also offers economic opportunities in the near future. There is a deficit of up to 12 million houses¹⁵² in the DRC, due to the urbanization boom. The government plans to build up to 30,000 social housing units between 2012 and 2016.¹⁵³ Real estate is expanding, with the construction of new hotels in the largest cities (Kinshasa, Lubumbashi, and Kisangani), although specific statistics are unavailable.

To access these opportunities, youth will require appropriate training and expertise. Companies express the lack of qualified workers to implement their construction projects, thus youth are usually employed as low skilled laborers.¹⁵⁴ Employment opportunities for youth in building and construction are analyzed in Table 4 below.

149 AfDB, African Economic Outlook 2015.

150 Statistical yearbook, INS, Roads Office, 2014.

151 AfDB, African Economic Outlook 2015.

152 BELTRADE-Congo 2014, RDC : Secteurs prometteurs Approche du marché Recommandations.

153 Idem.

154 Idem.

Table 4

Opportunities in building and construction

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Construction artisans	Construction artisan works offer significant prospects for employment as well as entrepreneurship as part of a cooperative. Activities in high demand include: - Welding - Plumbing - Bricklaying - Metalwork - Painting - Electricity, etc.	<ul style="list-style-type: none"> • Strong demand: With improvement of private property rights and housing needs, the real estate sector offers great business opportunities. This represents a huge opportunity for youth to be employed as construction artisans.
		<ul style="list-style-type: none"> • Medium entry barriers: Quality technical training and basic literacy/ numeracy is required for youth to effectively be eligible for such business or employment opportunities. However, very few training centers provide specific training in the country, and the few existing ones such as the INPP have very limited capacity.
		<ul style="list-style-type: none"> • Low youth interest: Youth especially the educated, generally tend to move away from manual work.
Opportunity 2: Skilled construction	Given the reconstruction context in the country, the government is commissioning several major roads construction projects across the country which are implemented by foreign companies. These companies have strong potential to employ the youth workforce for construction projects.	<ul style="list-style-type: none"> • Strong demand: Companies mainly employ local workforce for low-skilled work, but express the lack of qualified workers to successfully implement their construction projects.
		<ul style="list-style-type: none"> • Low to medium entry barriers: Appropriate technical training is the major constraint for youth to get employed in the sector.
		<ul style="list-style-type: none"> • High youth interest: Youth are attracted by the job opportunities on construction projects, or as sub-contractors for large construction projects. During the focus group discussions, youth in both the urban and rural areas were very interested, and some have started sub-contracting companies.

CHAPTER TWO

CURRENT INTERVENTION LANDSCAPE AND KEY GAPS

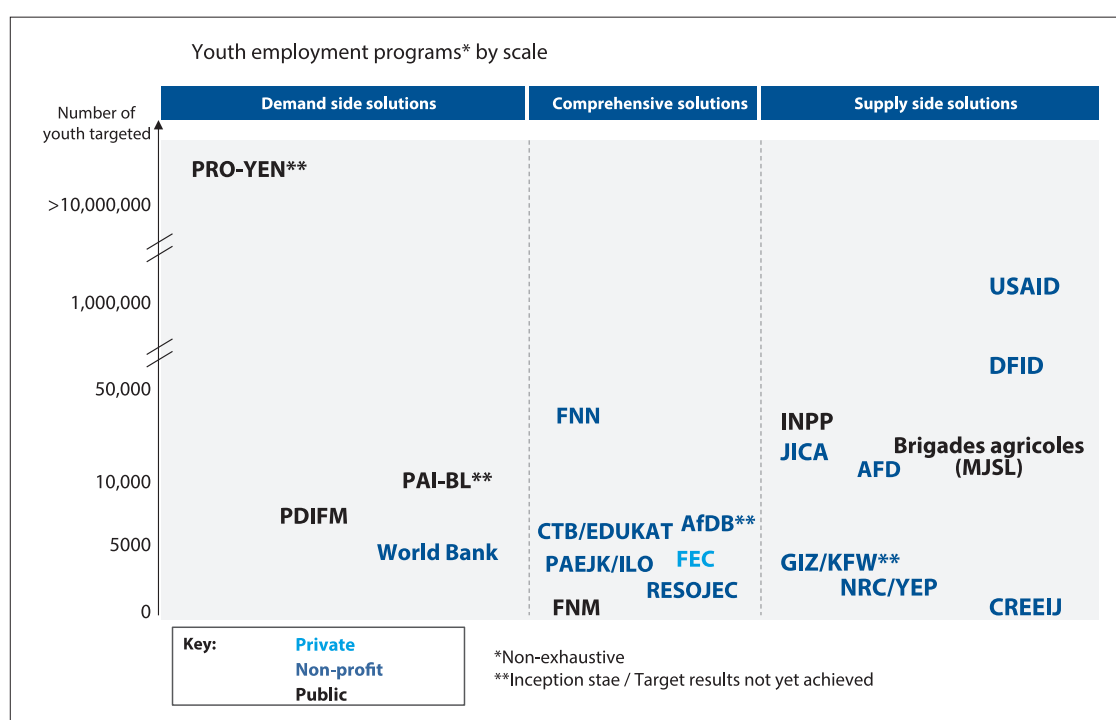


SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

In the face of high unemployment rates, public, private, and non-profit actors have initiated a number of programs to support youth to access economic opportunities in the DRC. Figure 19 maps demand-side, supply-side, and comprehensive youth employment interventions by scale.

Figure 19

Youth employment initiatives in the DRC by scale



Source: Desk research; Stakeholder interviews; Dalberg analysis.

Most youth employment initiatives in the DRC are donor and non-profit funded. As shown in Figure 19, the bulk of youth employment programs (12 out of 19 initiatives) are led by donors and non-profit organizations. These programs are mostly focused on supply-side and some comprehensive solutions. The only donor initiative targeting demand side solutions is the World Bank public service reform and rejuvenation project; which supports the retirement process of civil servants who have reached the legal retirement age, and indirectly provides opportunities for youth who are willing to integrate the public administration to get employed (more details in the box below).

Overview of the world bank's public sector reform and rejuvenation project**World bank public sector reform and rejuvenation project**

The World Bank public service reform and rejuvenation project is a USD 77 million program running from 2014 to 2019. It seeks to enhance the quality of public sector governance and strengthen state effectiveness in implementing its growth and poverty reduction goals by supporting the retirement process for public servants. Given the State's low financial capacity and credibility to provide benefits to retiring workers, 50-60% of all Congolese public administration workers have passed the legal retirement age (55 years), with many officials continuing to work until 70-75 years. The project targets five strategic ministries (Finance, Budget, Planning, Public Administration, and Portfolio). Its main objectives are to: (i) Support the implementation of the Public Service Reform Program; (ii) enable the recruitment of young professionals in order to rejuvenate the targeted ministries, and (iii) facilitate the retirement process for an estimated 5,979 public servants who will retire during the course of the project.

Source: Project appraisal document: Public Service Reform and Rejuvenation Project, World Bank, 2013.

The private sector is still embryonic, hence has few initiatives to support youth economic insertion. As described in section 4, there are few private companies in the DRC. The challenging business environment, and the capital intensive nature of the manufacturing industry leads to few economic opportunities for youth. Nonetheless, the FEC (Fédération des Entreprises du Congo) provides comprehensive solutions including employment opportunities for youth through its network of companies, training and business development support to youth organizations.

// **GECAMINE (the largest mining company in the Katanga region), used to employ up to 34,000 workers, but with improvement in technologies, and prevailing business environment, it reduced its staff to less than 2,000.** **//**

- Private sector, Lubumbashi

The PRO-YEN initiative and the INPP are the main public sector initiatives with large scale ambitions, but have not reached scale. The PRO-YEN strategic framework to generate 13 million jobs, sets bold targets for youth employment opportunities generation, but implementation is expected for the period from 2016 to 2020, with no tangible results at the moment. The INPP attempts to fill the gap of technical training for youth to get them ready for the job market, and is the main organization in the country that provides vocational training for uneducated youth. The INPP's current reach (36,000 youth trained) requires scale up and expansion to rural areas, in order to meet youth needs.

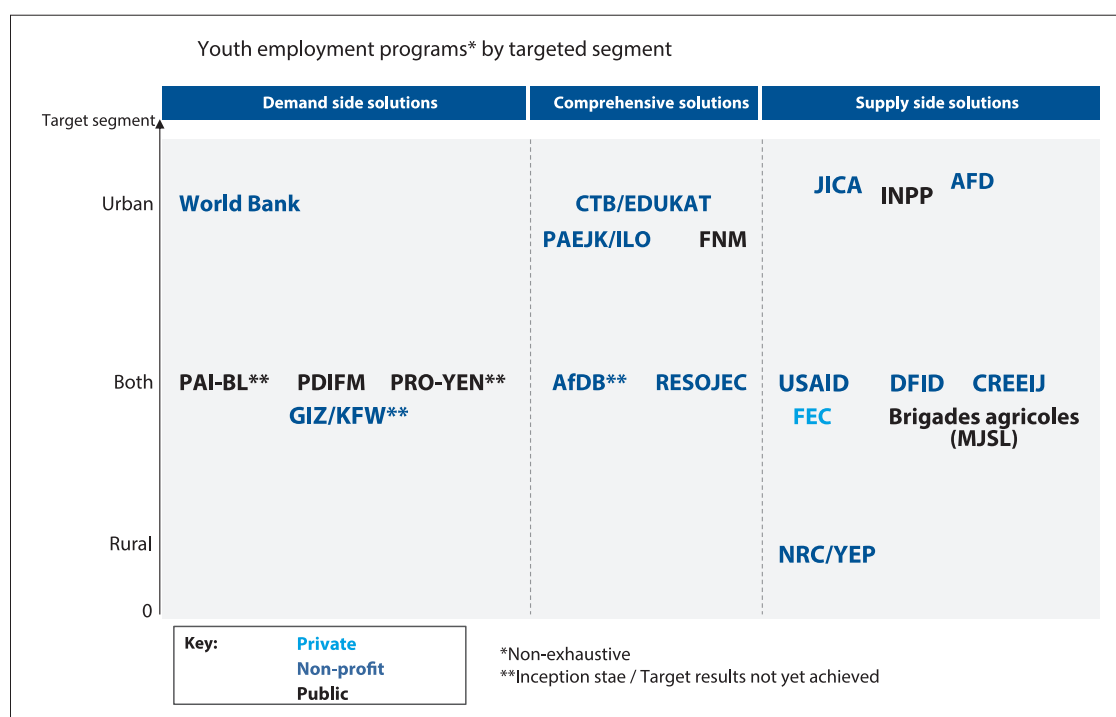
More demand side and comprehensive programs need to be implemented and existing ones must be scaled up to reach a larger number of youth. Most initiatives as shown are focused on supply of labor (9 out of 19), and only few programs (6 and 4 respectively) are directed towards providing comprehensive youth employment solutions, and generating more jobs for youth. Comprehensive programs, especially focused on entrepreneurship such as youth entrepreneurship schemes and incubators will produce far-reaching effects. They have the ability to provide youth with specific training and continuous follow up to develop, implement, and grow their businesses, which can then employ even more youth.

Youth employment initiatives tend to focus on highly populated provinces in the Southern part of the country and north-eastern provinces which are in a post-conflict context, and are concentrated in urban areas. Lack of road infrastructure is a consistent challenge brought up by donors and the private sector during field visits. The DRC is large and lacks road infrastructure to connect cities to rural communities, and the few highways in the country are not evenly spread across the country (as discussed in section 5 of chapter 1).

Figure 20 maps demand-side, supply-side, and comprehensive youth employment interventions in the DRC by geography.

Figure 20

Youth employment initiatives in the DRC by geography

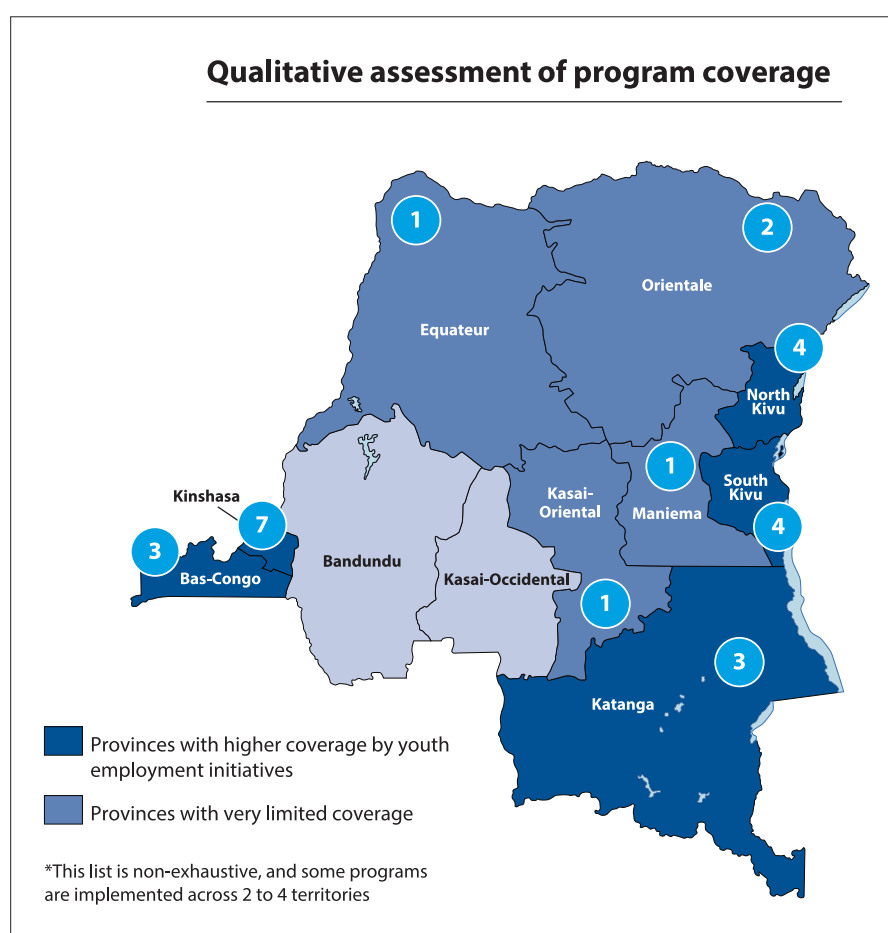


Source: Desk research; Stakeholder interviews; Dalberg analysis.

Most programs are either urban or supply-side interventions, while only 1 program out of 19 is rural. The figure below shows the extent of these geographic disparities. Donors tend to concentrate their initiatives in accessible areas (Kinshasa, Katanga, Bas-Congo, Kasai) as shown on Figure 21. In addition, interventions in the North-eastern part of the country (North and South Kivu) are related to humanitarian support. In fact, the Kivu region has suffered the most from armed conflicts from 1998 to 2012¹⁵⁵ and remains exposed to insecurity.¹⁵⁶ Provinces that are the least inaccessible geographically, especially the equatorial forest areas, and the ones furthest from the capital, and have the least youth programs.

Figure 21

Program coverage by province (number of programs)



Source: Desk research; Field interviews; Dalberg analysis.

In the absence of demand-side interventions in rural areas, and provinces in the north-western part, migration to and overcrowding in urban areas will continue, despite the fact the urban areas are affected by the highest unemployment rates.¹⁵⁷

¹⁵⁵ International crisis group, 2013.

¹⁵⁶ UK travel advice, 2015.

¹⁵⁷ Employment, informal sector, and household consumption survey, INS 2012.

SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

Supply-side information and analysis is important to effectively determine physical access to financial institutions, products and services on offer, requirements for uptake, and the extent of eligibility for financial products and services. Youth under 24 years old represent a great majority of the active population (38%)¹⁵⁸ so youth financial inclusion is key to the development of the country and the improvement of the population's living conditions. **In brief, lack of proximity and awareness are severely binding constraints to financial inclusion for youth in the DRC, with low uptake of financial services – particularly outside Kinshasa, North and South Kivu – and limited focus on youth financial inclusion.**

The microfinance sector is dominated by financial cooperatives (COOPECs) which contribute to 73.9% of the sector total assets.¹⁵⁹ Consumers generally use a combination of financial products and services to meet their financial needs, including banking, microfinance institutions, and informal financial services providers. COOPECs have historically been the sole players providing financial services outside the banking sector until 2009, when the first non-cooperative MFIs formally entered the sector with the enforcement of the Central Bank's instruction regulating microfinance institutions.¹⁶⁰ In 2014, the DRC's microfinance sector counted 101 COOPECs and 23 MFIs.¹⁶¹ There are also two federations of COOPECs: MECRECO (Mutuelles d'Épargne et de Crédit du Congo), and COOCEC (Cooperative Centrale d'Épargne et de Crédit) Kivu.

Limited geographic coverage limits financial inclusion levels, and financial facilities are not easily reachable. Three provinces – Kinshasa, North and South Kivu – account for nearly 72% of financial service providers (FSPs), and 87% of accounts opened in 2012.¹⁶² Expansion of MFIs and COOPECs to other provinces is constrained by very high investment and operational costs related to poor infrastructure, lack of access to electricity in most parts of the country, and insecurity.¹⁶³ Moreover, a Finscope survey in 2014 revealed that it takes up to an hour for over 60% of respondents to reach an ATM or a bank (Figure 23).¹⁶⁴

158 Statistical yearbook, INS, 2015.

159 Microfinance activity report, BCC, 2012.

160 Final Evaluation of the YouthStart Program, Microfinanza, 2015.

161 Annual report, BCC, 2014.

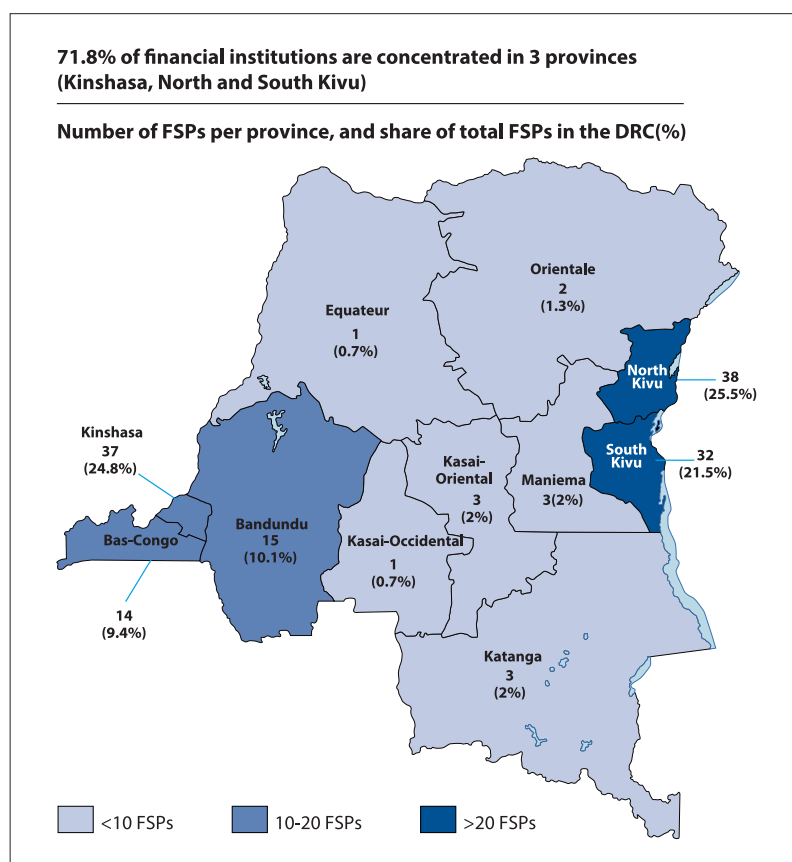
162 Ibid.

163 Dalberg field interviews with MFIs.

164 DRC Finscope Survey, FinMark Trust, 2014.

Figure 22

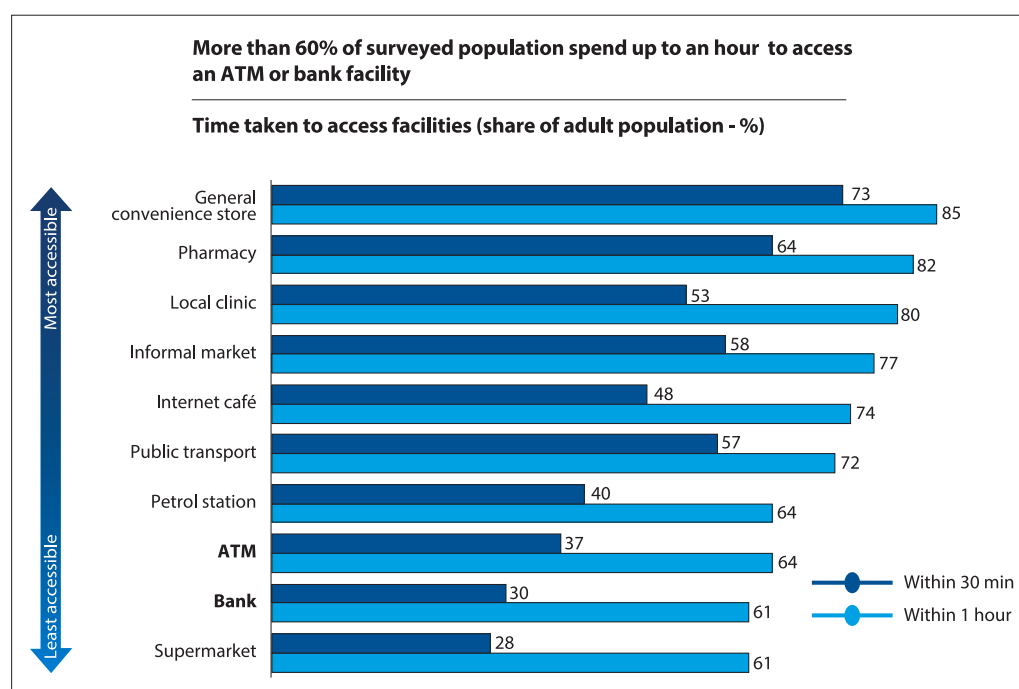
Coverage of microfinance activity per province



Source: Microfinance activity report, BCC, 2012; Dalberg analysis.

Figure 23

Accessibility of financial services and other basic facilities



Source: FinScope Consumer Survey DRC, FinMark Trust, 2014.

The youth and adult population has limited awareness of financial products due to lack of roads and telecommunications infrastructure. More than half of the not financially included 15 years+ population surveyed in the Finscope survey do not use financial services because they are unaware of any financial services.¹⁶⁵ The situation of unawareness is also encouraged by limitations seen in media channels used—only 39% having listened to radio and only 27% having watched television in the past month—and the underdevelopment of mobile banking (only 4% using mobile banking).¹⁶⁶

The current microfinance landscape does not have a specific focus on youth financial inclusion. However this situation is subject to improvement, given increased awareness from national stakeholders of the necessity to integrate youth in the formal financial system. The financial sector regulation in the DRC requires a minimum age of 18 years (the legal majority in the DRC) for youth to manage their savings account independently or to take a loan.¹⁶⁷ Savings accounts for youth below the age of 18 have to be registered both in their name and in the name of their adult parent/guardian.¹⁶⁸ Besides, the latter has to be present for any withdrawal.¹⁶⁹

Recently, the BCC and national stakeholders have developed a series of initiatives discussed in section 3 of chapter 1. In addition, a national financial inclusion strategy is being developed by the BCC, including a financial education national program targeting especially youth and women, in order to train them on credit and budget management as well as on how to create a small business.¹⁷⁰ It is also analyzing possibilities to improve the microfinance regulation in order to allow youth to manage independently their savings accounts from the age of 15, securing youth accounts by preventing parents/guardians to withdraw from the youth account until he/she is 18.¹⁷¹ In terms of credit for youth, no change of legislation is foreseen in the short-term.

Saving products are widely accessible while access to credit is very limited, and these products are led by the informal sector. 55% of Congolese adults have access to savings products, while only 8% have access to credit.¹⁷² The informal sector plays a significant role in widening access to financial services, covering 35% and 8% respectively of savings and credit services (Figure 24).¹⁷³ The formal sector services consist mostly of transactional products and mobile money.

165 Final Evaluation of the YouthStart Program, Microfinanza, 2015.

166 Ibid.

167 Final Evaluation of the YouthStart Program, Microfinanza, 2015.

168 Ibid.

169 Ibid.

170 Ibid.

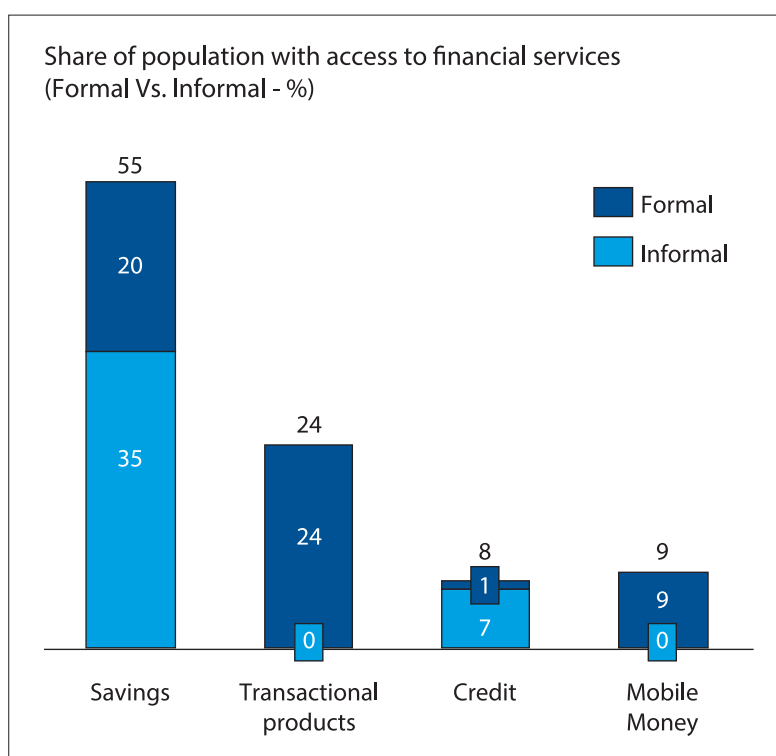
171 Ibid.

172 DRC Finscope Survey, FinMark Trust, 2014

173 Ibid.

Figure 24

Role of the informal sector in expanding access to savings and credit



Source: Finscope survey, 2012.

Credit issuance is driven by commerce activities with lower interest towards agriculture, the major employment generation activity. In 2011, 69% of all credits issued by FSPs were directed towards commerce activities, and this increased to 78%¹⁷⁴ in 2012. In contrast, agriculture related activities received only 3% in 2011 and 4% in 2012.¹⁷⁵ Indeed, agricultural credits are provided to rural populations with unique reimbursement at the end of the growing season, and have a repayment period of 6 to 9 months.¹⁷⁶ Agricultural credits are thus perceived as risky unlike commercial credits which can be paid monthly. Furthermore, field interviews with MFIs confirmed these trends and also revealed that MFIs are not inclined towards providing agricultural credits unless the road infrastructure is developed in an area, and market access is guaranteed for farmers' products.

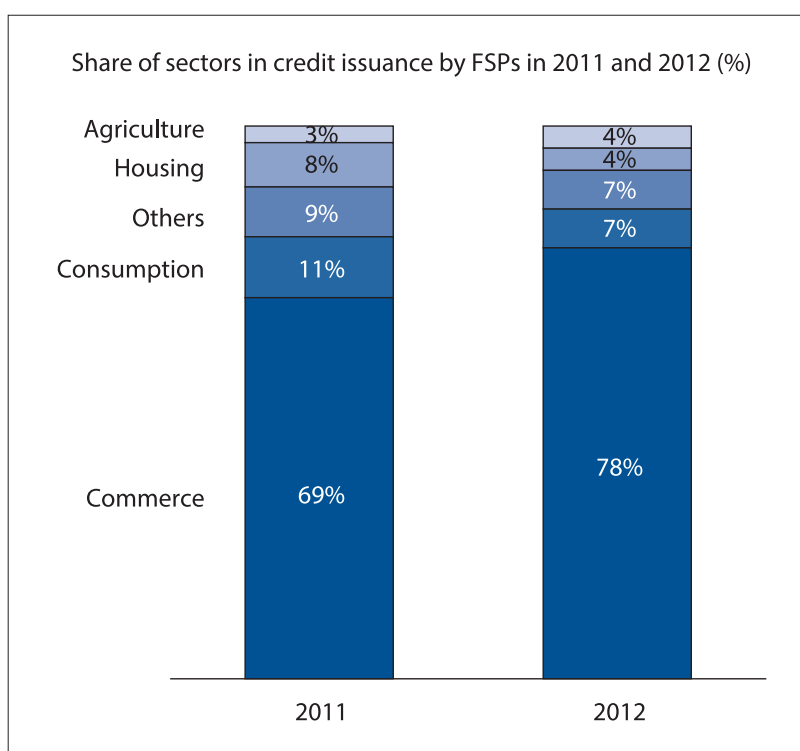
¹⁷⁴ Microfinance activity report, BCC, 2012.

¹⁷⁵ Ibid.

¹⁷⁶ Microfinance activity report, BCC, 2012.

Figure 25

Main drivers of credit issuance by FSP from 2011 to 2012



Source: Microfinance activity report, BCC, 2012; Dalberg analysis.

The use of ICT in the banking and microfinance sector is still embryonic, with only a few players.

There are three mobile money services providers in the DRC: AIRTEL Money, TIGO Cash, and VODACASH, covering only 4% of the population.¹⁷⁷ The population not using mobile money are either not aware of such services, or those who are aware do not have enough information or interest.¹⁷⁸ In addition to mobile money, FINCA's express agents network operated by point of sales (detailed in chapter 1) is a promising channel to reach populations in less accessible areas. There is also a need for increased investments in telecommunications infrastructure in order to expand mobile money as an alternative solution to increase financial inclusion.

¹⁷⁷ Finscope survey DRC, FinMark Trust, 2014.

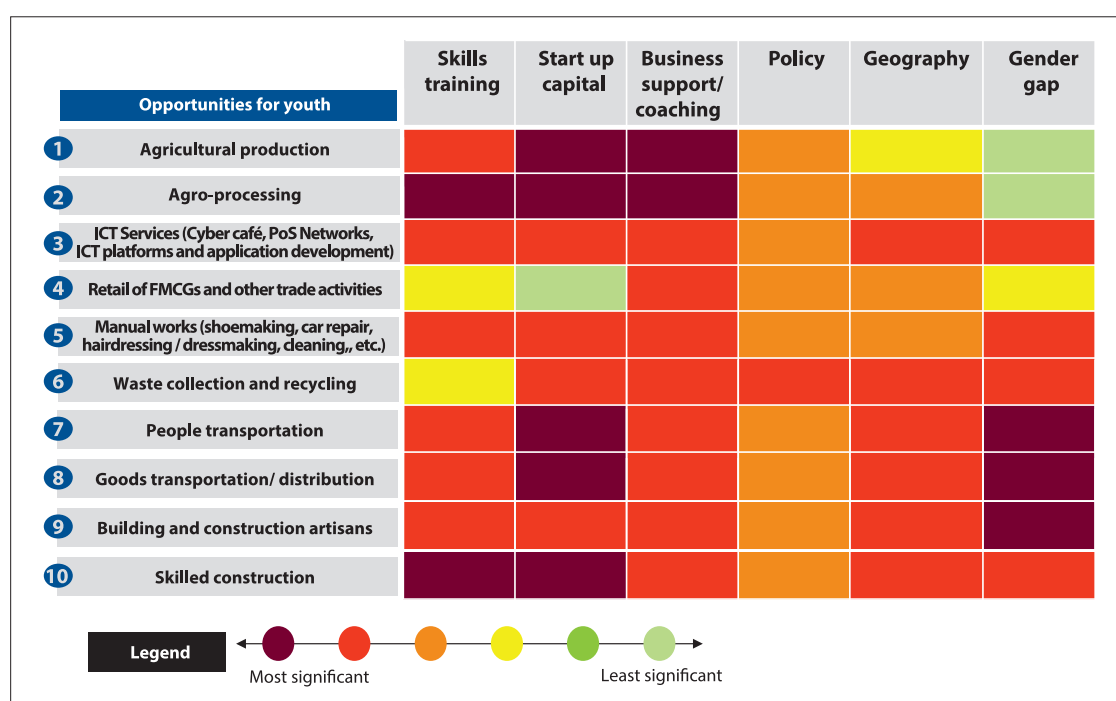
¹⁷⁸ Ibid.

SECTION 3 – KEY GAPS UNADDRESSED BY CURRENT INTERVENTIONS WITHIN HIGH-POTENTIAL OPPORTUNITIES

Existing programs are not fully covering the different elements required for youth to access high-potential opportunities. Key gaps across most programs are skills building, start-up capital, business support/coaching (Figure 26). In addition, social and cultural norms challenge gender equity in accessing economic opportunities,¹⁷⁹ and rural areas tend to receive insufficient coverage.

Figure 26:

Interventions vs. opportunities for youth



Source: Desk research; Stakeholder interviews; Dalberg analysis.

179 YouthMap report, YEN, 2013.

Skill-building

- **Youth lack adequate soft skills, technical knowledge and business expertise, and face significant barriers to skills development across opportunities.** These skills development barriers are greater for opportunities requiring higher levels of education and technical ability such as agro processing, construction, and ICT.
- The challenges youth face in skills-building include:
 - Lack of information or knowledge about skills needed or their potential benefits.
 - Poor access to facilities due to scarcity of training facilities, high training costs, and limited geographic spread altogether.
 - Low quality of the training on offer.
 - Mismatch between training and labor market needs.
 - Employers' poor awareness or recognition of qualifications acquired, e.g., TVET.

Start-up capital

- **Accessing start-up capital is a major challenge across sectors, limiting youth's ability to successfully start businesses.**
- **Informal financial services, such as community-based saving groups and loans from family and friends continue to be the major source of finance for youth in the DRC.**
- Youth face significant capital constraints including:
 - Financial illiteracy, lack of awareness, and wrong perception of financial systems and benefits.
 - High costs of borrowing, e.g., high interest rates.
 - Lack of trust from financial institutions, to provide loans to youth.
 - Lack of collateral or guarantee and lack of cash flow based financing.
 - Short repayment rate.

Business support/coaching and matching:

- A large number of interventions in the youth opportunities ecosystem provide skills, finance or place youth in jobs without mentoring, coaching or business support.
- **There are no incubators in the DRC to support youth starting businesses to nurture and grow their enterprises.**
- **In addition, there are few or ineffective systems in place to facilitate matching between employers and potential employees, or ease market linkages for entrepreneurs—for example, by connecting entrepreneurs to suppliers or distributors.**

Geography and gender:

- Rural areas, especially the less accessible regions, tend to receive less coverage of youth empowerment or employment programs.
- Construction, transportation and to a lesser extent agribusiness and waste collection/recycling are not amenable to women as they traditionally engage very little in the sector.
- Men tend to be less present in activities such as commerce and agriculture, which are predominantly in the informal sector, although there is no systemic barrier preventing male workers.

Table 5

Opportunities, challenges, and interventions

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agriculture value chains			
1. Agricultural production (vegetables, plantain, and cassava)	Skills	<ul style="list-style-type: none"> Youth lack information on appropriate production techniques and inputs required. They mostly learn from work on family farms. 	<ul style="list-style-type: none"> Encourage the formation of youth groups or cooperatives to pool know-how, ease access to group lending facilities from FSPs, and pool savings. Support FSPs to develop credits which adapt to the reality of the sector and provide incentives for FSPs who are willing to offer such products. Partner with the government-led agro-industrial parks, to facilitate access for youth with attractive conditions. Partner with agro-processors and research institutes to test most suitable inputs and guarantee market opportunities for youth. Develop linkages with agro processors to ease access to markets. Develop entrepreneurship modules in schools, including business planning and financial management in curriculums.
	Capital	<ul style="list-style-type: none"> Access to finance is a major constraint—FSPs are reluctant to provide long-term (6-9 months) credits, with no guarantee of access to markets. 	
	Business support/matching	<ul style="list-style-type: none"> Agripreneurs lack training and skills to develop successful agribusinesses. Low levels of literacy lead to poor record of production and cash flow management. 	
	Policy	<ul style="list-style-type: none"> Agriculture's revival is priority for the government in its recent National Agriculture Investment plan. There are no existing policies supporting agricultural credit issuance for youth investments in the sector. 	
	Geography	<ul style="list-style-type: none"> Agriculture related programs occur both in rural and urban peripheral areas. However, all provinces are not covered equally by programs. 	
	Gender	<ul style="list-style-type: none"> Women have a higher participation rate in agricultural activities. They need to be supported to move from microenterprises to SMEs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agriculture value chains			
2. Agro-processing	Skills	<ul style="list-style-type: none"> Youth lack technical and business development skills to start a business, manage investments, and to market the business to find customers. Training programs focused on processing are scarce, and existing ones lack practicality. 	<ul style="list-style-type: none"> Advocate the introduction of agro-processing in college programs. Develop entrepreneurship modules in schools, including business planning and financial management in curriculums. Partner with government-led agro-industrial parks, to facilitate access for youth with attractive conditions. Partner with FSPs to develop asset loans or micro-leasing for processing equipment, or equipment sharing models. Partner with YSOs to provide training and business support to existing micro enterprises to create a domestic brand. Facilitate access to network and markets through YSG's partnerships. Advocate to create policies to support SMEs, in accessing finance, registration, tax, etc. Develop incentive schemes such as scholarships to encourage women to take up training to become agro-processors.
	Capital	<ul style="list-style-type: none"> Access to capital is a major constraint to face the high investment costs and start agro-processing units. 	
	Business support/matching	<ul style="list-style-type: none"> Youth involvement in agribusiness is a new concept in the DRC. Youth lack training on business management, sourcing, and distribution. They have little business knowledge and limited access to market. Lack of skills prevents existing micro businesses to scale up. 	
	Policy	<ul style="list-style-type: none"> Government has strong interest in supporting agro processing activities, with the creation of agro industrial parks. There are no specific policies supporting SMEs growth. The high taxation system is killing businesses. 	
	Geography	<ul style="list-style-type: none"> Traditional processing is concentrated in rural areas. Programs do not equally cover all provinces. 	
	Gender	<ul style="list-style-type: none"> Women have a higher participation rate in agricultural activities. They need to be supported to move from microenterprises to SMEs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Commerce and Services			
3. ICT Services (cyber café, PoS Networks, ICT platforms and application development)	Skills	<ul style="list-style-type: none"> • Training programs lack quality and practicality. • College and university students lack technical experience, e.g., internships. 	<ul style="list-style-type: none"> • Advocate for the introduction of training modules targeted to business-management essentials in ICT-related programs at technical colleges and universities. • Partner with existing universities and telecom companies to develop reinforcement centers and IT hubs where youth can practice what they learn in school, create novel technologies - eg. Robot roulage¹⁸⁰- and scale up existing initiatives. • Identify high-potential youth enterprises through business plan competitions in order to offer guarantees for loans or first loss equity. • Encourage youth to create ICT businesses – eg. Cyber cafes – as cooperatives, in order to pool capital and knowledge, and circumvent the issue of access to capital. • Partner with telecom companies and banks for the retail of mobile banking and mobile money services – eg. FINCA express agents. • Partner with FSPs to develop asset loans for youth in ICT retail. • Partner with Business Development Services (BDS) – eg. GERME Network, to provide youth with assistance and coaching to bring enterprise to the next level. • Advocate and support further infrastructure investments in the sector, e.g., broadband fiber optic.
	Capital	<ul style="list-style-type: none"> • Youth lack start-up capital to purchase initial goods. • They suffer from financial illiteracy and poor awareness of appropriate financial products. 	
	Business support/matching	<ul style="list-style-type: none"> • Youth struggle to sustain and expand business beyond first success. 	
	Policy	<ul style="list-style-type: none"> • The DRC has low internet penetration, despite recent improvements in mobile penetration rates from 15% in 2008 to 45% in 2014. • The country lacks telecommunication infrastructures. 	
	Geography	<ul style="list-style-type: none"> • Limited awareness of, and demand for ICT goods and services in rural areas. 	
	Gender	<ul style="list-style-type: none"> • Good literacy and education is required to operate in ICT services, but men are more educated than women, especially in rural areas. • In urban areas, women are making significant efforts to succeed in ICT. For instance, a team from Women's Technology, a Congolese association of women engineers created the "Robot roulage",¹⁸¹ to regulate traffic in Kinshasa city. 	

180 The "robot roulage" is an android robot developed by a team from Women's Technology, a Congolese association of women engineers. It regulates traffic and is equipped with 4 cameras to control traffic movements, and fueled by solar energy.

181 Ibid.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Commerce and Services			
4. Retail of Fast Moving Consumer Goods (FMCGs) and other trade activities	Skills	<ul style="list-style-type: none"> Trade activities require low levels of education. Youth mostly learn from parents or their neighborhood, and quickly adapt. 	<ul style="list-style-type: none"> Partner with BDS – eg. GERME Network, to provide youth with assistance and coaching to grow retail trade businesses. Partner with the private sector – eg. Manufacturing companies to ease access to goods. Partner with companies to develop distribution models, where youth serve as sales representatives for FMCGs brands or specific products across cities and provinces. Develop in-house mentoring schemes for youth to receive critical guidance and feedback on performance. Partner with existing financial education programs and FSPs to provide financial education and financial management training to youth.
	Capital	<ul style="list-style-type: none"> Low levels of capital are required to start business. FSPs have strong interest in providing credit, given fast repayment periods and higher chances for youth to succeed. 	
	Business support/matching	<ul style="list-style-type: none"> Increased support is required to support cash-flow management, and business growth. 	
	Policy	<ul style="list-style-type: none"> The central bank has made recent efforts to contain inflation, which can have positive impact on the population's purchasing power, and in turn facilitate growth in the sector. 	
	Geography	<ul style="list-style-type: none"> Rural population has lower purchasing power compared to urban population. 	
	Gender	<ul style="list-style-type: none"> Women are more focused on trade activities, than men. 	
5. Manual works (shoemaking, car repair, hairdressing/ dressmaking, cleaning, etc.)	Skills	<ul style="list-style-type: none"> Most learning happens 'on-the-job', as apprentice of a master who they learn from. Manual workers lack formal training in order to specialize due to: 1) the paucity of training institutes, and 2) the prohibitive cost of education. The few existing TVET centers and programs specialized in this field have limited capacity. Low levels of literacy often affect youth ability to ensure proper business management. 	<ul style="list-style-type: none"> Partner with TVETs operating in rural areas, in order to improve training quality and expand their reach. Partner with FSPs to develop working capital loans for youth who want to open small shops. Partner with private sector and the government to ease access to markets – eg. For office cleaning business.
	Capital	<ul style="list-style-type: none"> Youth lack start-up capital to purchase initial goods. 	
	Business support/matching	<ul style="list-style-type: none"> Youth struggle to sustain and expand business beyond first success. 	
	Policy	<ul style="list-style-type: none"> The government-led PRO-YEN strategy targets manual work as a key sector where youth will be supported. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Commerce and Services			
	Geography	<ul style="list-style-type: none"> Demand for manual work services is more common in highly populated urban areas. 	
	Gender	<ul style="list-style-type: none"> Opportunities for women are generally restricted to hairdressing/ dressmaking and cleaning. They generally do not pursue technical repair jobs. 	
6. Waste collection and recycling	Skills	<ul style="list-style-type: none"> Most learning happens 'on-the-job'. No specific training is often required for waste collection. Recycling requires specific training which is not commonly offered. 	<ul style="list-style-type: none"> Partner with local authorities to provide support for youth who are interested in the sector. Partner with FSPs to develop assets loans – eg. lease financing, as an alternative to access work materials. Partner with BDS – eg. GERME Network, to provide youth with assistance and coaching to bring enterprise to the next level.
	Capital	<ul style="list-style-type: none"> Youth have limited access to loans to face the high capital investment required to purchase waste collection tricycles. 	
	Business support/ matching	<ul style="list-style-type: none"> No business development support services (BDS) are available or accessible to youth. 	
	Policy	<ul style="list-style-type: none"> Public waste management systems are inefficient, and provide no incentives to attract private businesses. 	
	Geography	<ul style="list-style-type: none"> Demand for waste collection services is more common in highly populated urban areas. 	
	Gender	<ul style="list-style-type: none"> Women generally do not pursue this type of jobs due to social barriers. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Transportation			
7. People transportation (bus, car, motorbike)	Skills	<ul style="list-style-type: none"> Youth lack professional training programs focusing on transportation as a business. Most learning happens 'on-the-job', as apprentice of a master driver. 	<ul style="list-style-type: none"> Partner with experienced training providers to develop short-term low-cost soft skills course targeted to essentials on managing a business. Develop partnerships between MFIs and private BDS. BDS can ease MFIs' need to monitor loans. Youth benefit from BDS support and are less likely to default. BDS need a financial stake in the business they support. Support the government to expand/ scale its initiative, providing asset loans for youth who want to enter the transport sector to purchase buses on credit. Develop partnerships with the private sector: eg. Maternal, primary and secondary schools for the transportation of pupils; and manufacturing companies for the transportation of their staff.
	Capital	<ul style="list-style-type: none"> Youth have no access to loans to face high capital investment required to purchase cars or buses. FSPs perceive the business as risky. 	
	Business support/ matching	<ul style="list-style-type: none"> There are no specific business development support services (BDS) to support youth. 	
	Policy	<ul style="list-style-type: none"> There is increased government interest and support in the sector. In 2014, the government purchased 250 buses sold on credit to private operators,¹⁸² in order to reduce barrier to capital access. 	
	Geography	<ul style="list-style-type: none"> Demand for transportation services in urban areas (Taxi and buses) is higher and differs from that of rural areas (motorbikes and buses). Lack of road infrastructures, especially in rural areas make transportation business difficult. 	
	Gender	<ul style="list-style-type: none"> Transportation is perceived as a "man's job". Women traditionally do not engage in transportation jobs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Transportation			
8. Goods transportation	Skills	<ul style="list-style-type: none"> Youth lack training focusing on transportation as a business. Most learning happens 'on-the-job', as apprentice of a master driver. 	<ul style="list-style-type: none"> Develop a vocational training course with experienced partners in skill-building for the transportation sector. Advocate the government to expand/ scale its initiative, providing asset loans for youth who want to enter the transport sector to purchase buses on credit. Support FSPs to develop asset loans for youth. Encourage youth cooperatives to develop online products delivery businesses where youth can provide delivery services for products such as food, ICT products, beverages, etc. Partner with manufacturing companies in order to match transport services to their needs.
	Capital	<ul style="list-style-type: none"> Youth have no access to loans to face high capital investment required to purchase trucks. FSPs often perceive the business as risky. 	
	Business support/ matching	<ul style="list-style-type: none"> BDS are not available or accessible. 	
	Policy	<ul style="list-style-type: none"> Road networks must be improved to facilitate business. 	
	Geography	<ul style="list-style-type: none"> Road infrastructures are underdeveloped, especially in rural areas to facilitate transportation. 	
	Gender	<ul style="list-style-type: none"> Transportation is perceived as a "man's job". Women traditionally do not engage in transportation jobs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Building and construction			
9. Building and construction artisans	Skills	<ul style="list-style-type: none"> • Most learning happens ‘on-the-job’; construction workers lack formal training in order to specialize due to 1) the paucity of training institutes and 2) the prohibitive cost of education. • TVET programs cannot absorb all the demand for training; INPP, the government’s vocational training center is attempting to fill the gaps. 	<ul style="list-style-type: none"> • Give employers vouchers—that cover some but not all costs—to send entry-level hires to training and give employees stipends for apprenticeships. • Support TVETs to expand their training capacity in order to cover a larger number of youth both in urban and rural settings. • Support FSPs to develop micro-leasing products or asset finance for tools and other equipment in the construction sector. • Offer start-up kits for cooperatives through business plan competitions. • Encourage certification of construction workers so they are able to access better jobs and pay. • Generate and disseminate information about training services, as well as potential business opportunities, available in rural areas. • Develop incentive schemes such as scholarships to encourage women to attend training and become construction technicians. • Disseminate information on upcoming tenders to youth.
	Capital	<ul style="list-style-type: none"> • Artisans lack access to capital to purchase work material, and to start their own enterprise; • FSPs often require collateral or short repayment terms. 	
	Business support/matching	<ul style="list-style-type: none"> • Construction work is precarious and there is a lack of information about where work exists. • Employers cannot calibrate workers’ skills. • Entrepreneurs struggle to determine adequate price for their services. 	
	Policy	<ul style="list-style-type: none"> • Improvement of private property rights offers opportunity for sector growth. 	
	Geography	<ul style="list-style-type: none"> • Demand is concentrated in high populated areas, where housing needs are greater. 	
	Gender	<ul style="list-style-type: none"> • Women traditionally do not engage in construction jobs. 	

CONCLUSION

MOVING FORWARD



The DRC labor market is demand constrained, and there is a consensus among stakeholders that promoting self-employment and enterprise development are promising avenues by which youth can access decent economic opportunities.

- Youth represent 38% of the working population but face high unemployment rates, especially in urban areas where youth unemployment (38%) is six times that of rural areas (5.8%).
- Youth are in situations of vulnerable employment. 87% of the youth working population are employed in the informal sector, mainly agriculture and commerce, where more than half are paid below half of the minimum guaranteed wage.
- Small and medium-sized enterprises, and the public administration's capacity to absorb job-seekers is insignificant.

However, youth are not effectively equipped to start their own businesses:

- Limited education and lack of soft and hard skills limit access to economic opportunities for youth. Only 3.8% of youth attain a university education, 28% have not completed primary education, and 53% have not completed secondary education.
- Low qualification often leads to discouragement, particularly for disenfranchised youth with low levels of education.
- Quality of education is low, and skills do not match market needs and do not prepare youth to business life.
- There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises.
- TVET can play a strong role in addressing the critical shortages of hard and soft skills among youth and the difficulties of adapting education curricula to fast-changing labor markets.

Further, access to capital is a major challenge limiting youth's ability to successfully start a business:

- The DRC is a cash-based society with low levels of financial inclusion, especially for populations with low incomes.
- A lack of individual awareness and lack of understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play to boost access to finance.
- On the supply side, proximity and limited presence of FSPs across provinces – particularly outside Kinshasa, North and South Kivu – are binding constraints.
- In addition, FSPs are reluctant to provide loans to youth, especially in sectors perceived as risky.

Finally, more demand side and comprehensive programs need to be implemented and existing ones must be scaled up to reach a larger number of youth. In addition, more efforts are required to expand youth programs to north-eastern provinces and rural areas.

With regards to sectors, **agricultural production and processing, commerce and services (ICT, retail trade, manual works, etc.), transportation, and construction** offer opportunities for youth employment given their current and projected growth.

In the growth sectors identified, **existing programs do not fully cover the different elements required for youth to access high-potential opportunities**. The key gaps across most programs are skills trainings, start-up capital, business support and coaching, and geographic coverage. Youth's success in these sectors will be subject to improved business environment and policies supporting their integration in the market.

This report is a key input in YSG's inception phase in the DRC. The next, and first, phase of YSG consists of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for each intervention. Specifically, it will involve building the capacity of partners to develop high quality proposals, conducting required due diligence, and finally, securing financial and political buy-in.

Once the first phase is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, and capturing and disseminating knowledge acquired in this process.



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