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Financing for Youth Development

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Introduction

Close to 1.8 billion people in the world today are aged 15–29, and nearly 90 per cent of them live in developing countries. One in three lives in a Commonwealth country.[1] Those below the age of 30 account for nearly two-thirds of the world's total population. Moreover, young people aged 15–29 constitute more than a quarter of the population in nearly all developing countries.

In September 2015, the international community signed up to the Sustainable Development Goals (SDGs), which provide the blueprint for global development over the next 15 years. Given their sheer numbers, talent and energy, young people have a huge role to play in helping achieve these goals and targets.

This paper first reviews the challenges confronting young people around the world. It then presents a case for investing in young people, takes stock of the youth development financing landscape and proposes approaches for resourcing youth development in line with the Addis Ababa Action Agenda (AAAA)—the new global framework for financing the 2030 Agenda.[2]

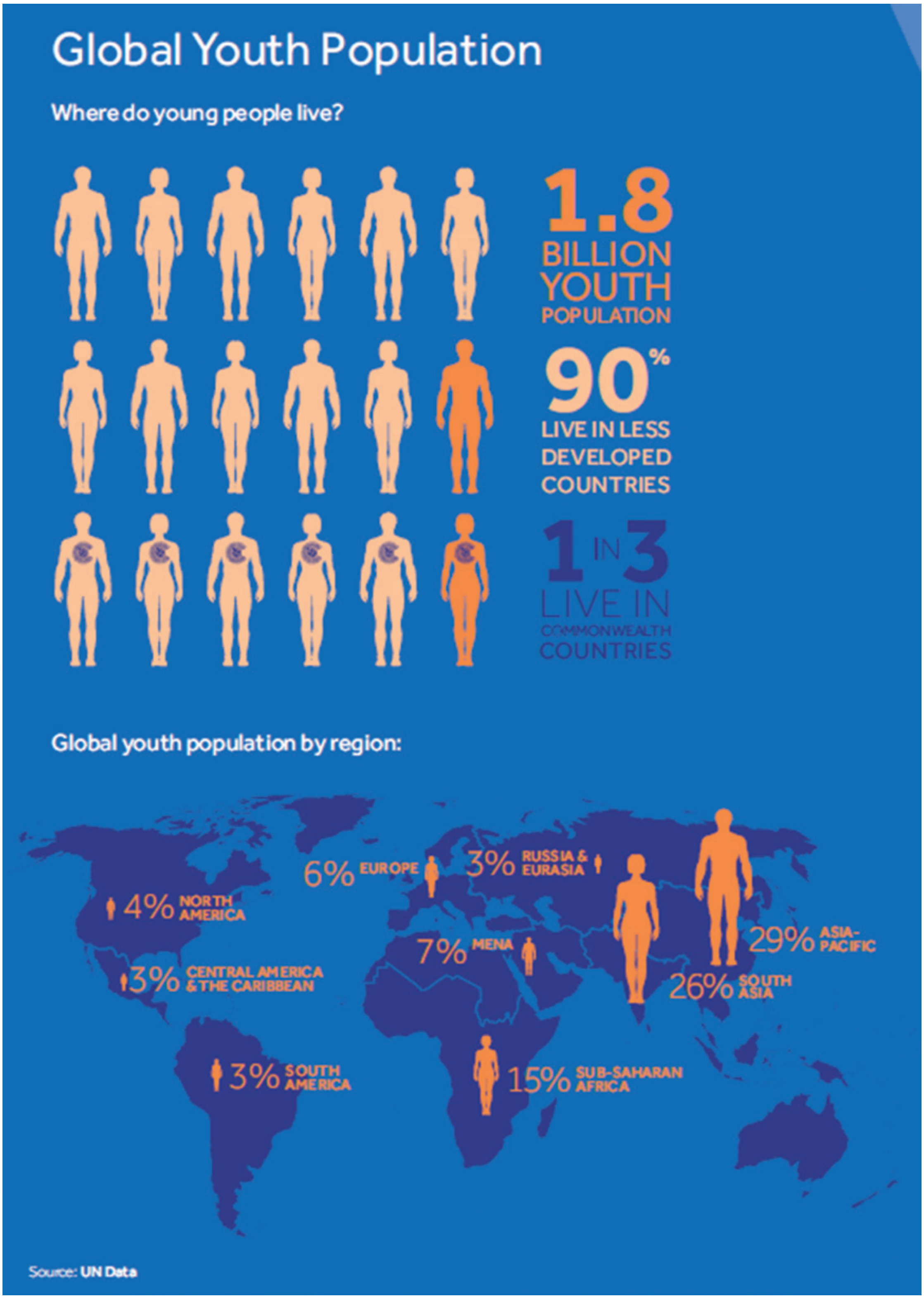
Challenges confronting young people

A number of obstacles continue to undermine young people's potential to be agents of social and economic progress. These include lack of decent work opportunities; poverty; undemocratic and unresponsive participation structures; protracted conflicts and natural disasters; and poor access to education and health services.

For example, young people are three times more likely than adults to be unemployed.[3] Over 500 million young people survive on less than US$2 per day.[4] HIV affects young people far more than others. And at least one-third of the world's youth population is living in fragile and conflict-affected states, disproportionately bearing the brunt of conflict and violence.[5]

Glaring inequalities in levels of youth development persist within and among countries, with the largest gaps in the areas of education, health, digital proficiency and financial inclusion. Nearly three-quarters of the world's youth population is living in countries categorised as having low or medium levels of youth development. Youth who

Figure 1. Global youth population



Source: UN data and Commonwealth Secretariat (2016).

are poor and live in rural areas, as well as girls and young women, fare worst. For instance, young women are on average twice as likely as their male counterparts to be neither in employment nor in education or training.[6] They are also twice as likely to acquire HIV as young men.[7]

Why invest in young people?

Increased recognition of the role and value of young people has not been matched by resources to improve their lives.

The challenges outlined above call for increased and sustained investment in young people's needs and capabilities, to enable them become agents of change for sustainable development. This could yield significant social, economic and political benefits for member countries. And yet, although recognition of the role and value of youth has increased, this has not been matched by a corresponding uplift in the commitment of resources to improve the lives of young people.

1. *Young people have a right to receive support to develop their capabilities*

Under the human rights-based approach,[8] young people have certain intrinsic rights by virtue of the fact that they are human beings as well as citizens of a country. These rights are essential to enable them to lead productive and fulfilling lives. States are the duty-bearers with respect to these rights—that is, they have a responsibility to respect, protect and guarantee them.

In contrast with this perspective, the cost-benefit and needs-based approaches encourage investment in young people only if the returns for society are higher than the original cost of investing or if there is a need to be addressed or a problem to be fixed, respectively.[9]

2. *States are obliged by international commitments to invest in young people*

Countries have made commitments to improve the lives of young people in various regional and international instruments, including some that are legally binding.[10] This provides a stronger imperative for governments to fulfil their responsibilities to young people.

The SDGs are the latest addition to a list that includes the Convention on the Rights of the Child (1990), the World Programme of Action for Youth (1995), the Commonwealth Plan of Action for Youth Empowerment (2007) and the Baku Commitment to Youth Policy (2014). An increasing number of regional mechanisms are complementing these international instruments.

3. *Young people are central to achieving the SDGs*

Getting close to achieving the SDGs will depend largely on the creation of the kind of enabling environments that will help young people realise their true potential and contribute to sustainable and inclusive development at local, national and global levels.

Young people can contribute significantly as 'agents' leading and implementing initiatives and as 'advocates' using their voices to participate in and influence political and decision-making processes.[11] They have a particularly vital role to play in combating climate change (SDG 13) and building inclusive, peaceful and prosperous societies (SDG 16).

4. *Investment in young people is key to economic development and poverty reduction*

Improving young people's education and skills raises their employability and productivity and encourages innovation and enterprise. Schooling leads to a rise in earnings and reduction of poverty for young women in particular.[12] Similarly, investment in youth development can reduce health costs and build greater resilience within society to cope with adversity.[13]

Figure 2. The world's population by age and sex, 2015 and 2100 forecast

Source: UN data and Commonwealth Secretariat (2016).

Young people bring unique skills, ideas and enthusiasm to their employers or their own businesses. Young, educated and competitive workers can also be an engine of innovation. Areas of particular expertise for young people, such as digital literacy, will be increasingly vital to both governments and business in the 21st century economy.[14]

5. *Investment in young people is essential to achieve the promise of a one-time 'demographic dividend'*

In nearly all developing countries, young people now account for more than a quarter of the total population. However, with the exception of Africa, the world is ageing, which means the proportion of young people in the global population will soon start to fall.

There is thus an enormous opportunity to invest more in the human capital of young people while the ratio of dependants to workers is low. Most countries have a limited timeframe within which they can hope to harness the youth bulge: in much of the world the window of opportunity will remain open for another two or three decades at best.

6. *Investment in youth participation boosts democratic legitimacy and accountability*

Greater participation of young people in decision-making strengthens the accountability and legitimacy of governments and democratic institutions and makes governments responsive to, and policies reflective of, the needs of youth.[15] It also fosters a sense of citizenship and belonging, which can help address community and societal issues and improve access to and quality of public services. Lastly, youth participation can lead to personal development and help young people build useful soft skills such as self-confidence, communication, teamwork, conflict resolution, negotiation and advocacy.[16]

7. *States have a duty to support their young people through key transitions*

Young people need to undergo transitions in learning, work, health, family and citizenship. If these transitions are not smooth, the consequences can be costly and long-lasting for countries. School dropout, prolonged periods of unemployment and risky health behaviours can leave permanent scars.[17] Investment in young people, especially girls and young women, and youth who are poor or disabled, is crucial to reduce their vulnerability and strengthen their ability to move successfully to adulthood.

Youth and the Addis Ababa Action Agenda

Adoption of the 2030 Agenda has reinvigorated debate on development finance. Achieving the SDGs will require unprecedented investments, and policy-makers, international development agencies and the private sector are discussing ways to mobilise these.

The AAAA aligns all financing flows and policies with social, economic and environmental priorities. Recognising that investment in youth is critical to achieving inclusive, equitable and sustainable development, it is the first ever Financing for Development outcome document to make explicit references to young people. These are as follows:

- **Paragraph 7** recognises the importance of investing in children and youth and the need to support countries that face particular challenges in doing this.
- **Paragraph 12** highlights the need to deliver social protection systems and essential public services for all, to target marginalised groups in particular, including children and youth.
- **Paragraph 16** commits to generating full and productive employment and decent work for all. It underlines the need for skills development and training of young people, as well as providing them access to affordable and stable finance. It also commits to promoting national youth strategies as a key instrument to meet the needs and aspirations of young people.

The AAAA also refers to young people indirectly and implicitly, for example in paragraphs 9 (gender equality), 17 (ecosystems for all) and 18 (promoting peaceful and inclusive societies).

Financing for youth development: challenges and progress

At current levels of investment in SDG-relevant sectors, developing countries face an annual gap of US$2.5 trillion per year over the next 15 years.[18] In order to bridge this gap, countries have begun efforts to mobilise resources at all levels in line with the AAAA, with some progress evident. However, many implementation gaps persist: a challenging global environment, sluggish growth and humanitarian crises have impeded individual and collective efforts in this regard.[19]

Lack of age- and sex-disaggregated data and tools for tracking investments devoted to youth empowerment makes it difficult to take stock of the youth development financing landscape. Most government budgets do not report expenditures that specifically address the needs of young people. Similarly, there are no detailed mechanisms for tracking international public and private youth-focused expenditures.[20]

This difficulty is compounded by the **absence of a clear definition of what constitutes investment in youth development**. First, nearly all sectors can conceivably benefit young people, thus defining what should or should not go into the 'youth financing basket' is challenging. A narrower definition risks excluding sectors that may benefit young people indirectly, such as infrastructure and governance; a broader definition may dilute the concept altogether. Second, young people have a variety of distinct needs and interests, shaped by gender, income status, region, age, sexual orientation, education level and ability. The 'youth financing basket' will need to cover empowerment of the generic youth cohort and also interventions and funds targeted at particular youth categories.

Notwithstanding these challenges, some **general youth development financing trends** can be identified.

To begin with, gaps in financing are even bigger for youth development than for development financing in general. Looking at the **domestic financing landscape**, based on current trends, low- and middle-income countries are unlikely to achieve major SDG and AAAA commitments for young people by 2030.[21] Sluggish growth rates, weak taxation regimes, illicit financial flows, conflicts and humanitarian crises are thwarting the ability and political will to raise the resources necessary to achieve youth-related commitments.[22] Austerity measures adopted in the wake of the global financial crisis hit young people harder, with services directed at young people bearing the brunt of the cutbacks.[23]

Meanwhile, countries where young people make up a significantly large proportion of the population are the least prepared for fulfilling their commitments to youth.[24] Nearly all of these countries fall in the low- or middle-income categories, with many also affected by a wide range of other issues. Spending on key social sectors and emerging areas of importance to young people, such as digital access and proficiency, access to financial services and housing and sanitation, remains very low.

International public finances are comparatively responsive to the needs of young people. A significant part is devoted to sectors such as education and health and skills development that have direct bearing on the capabilities of young people.[25] Within the 'youth financing basket', much of what is available is devoted to strengthening youth participation in civic and political affairs.[26]

However, with regard to funds allocated to health and education, a large chunk is focused on child-rather than youth-related needs.[27] Flows are comparatively low for areas that primarily benefit young people, such as post-primary education, skills development and digital access and proficiency. Similarly, fewer investments specifically target marginalised young people, especially minorities and young people from rural areas and low-income households.[28] International public funding also often fluctuates.

Nevertheless, a number of new youth-focused global initiatives and partnerships have emerged, such as Solutions for Youth Employment and the Compact for Young People in Humanitarian Action. Efforts are being made to enhance young people's voice in international organisations.[29]

Private investments comprise a low share of investments aimed at developing and empowering young people. Recently, the UK Department for International Development commissioned a review of 333 studies assessing the impact of interventions and initiatives to support young people's greater involvement in development processes. The for-profit private sector funded only six of these.[30]

Resourcing youth development: policy options

The time is right for governments, civil society, the private sector, international organisations and other stakeholders to collaborate on ensuring adequate investment in youth development and empowerment. The policy priorities for each country will be different; this paper provides options to support discussion and optimal decision-making at this critical time in development history.

1. *Strengthen enabling environment for youth empowerment and sustainable development at national, regional and international levels*
   - Adopt and implement the universal social protection floors in the 2030 Agenda, meant to convey minimum benefits to all at every stage in the life cycle, through nationally designed and owned social protection systems.
   - Promote policy coherence, good governance and accountability at all levels to ensure young people are considered across all policy areas and at the heart of efforts to achieve the SDGs.
   - Expand and professionalise the youth work sector, which supports and encourages young people to become positive, productive citizens.
   - Enact legislative and administrative reforms to ensure young people's rights to participate in decision-making and governance, and to access economic and productive resources, such as

financial services, technology and health services. Develop strategies to support young entrepreneurs and youth-owned businesses, including through expanded trade opportunities.
   - Enforce core labour standards and anti-discrimination laws, including ensuring minimum wage legislation and a minimum working age.
   - Ensure access and opportunities for young people in leadership, decision-making and governance in all sectors; institutionalise youth participation in national planning, budgeting, delivery and auditing.
2. *Optimise domestic sources of financing and investment*
   - Ensure fair and progressive tax systems by addressing explicit and implicit biases in tax policies that are detrimental to young people.
   - Build mutually reinforcing links between the social protection and tax systems, to strengthen the social contract and ensure benefits to youth are commensurate with tax and budgetary resources.
   - Provide tax and regulatory incentives to support young people's business creation and ownership.
   - Ensure micro, small and medium-sized enterprises—the main employers of young people in most countries—have access to adequate and affordable trade finance, enhanced capacity and support from the local banking sector.
   - Make public procurement policies more youth-friendly: ensure a minimum percentage of procurement is reserved for young suppliers or predominantly youth-employing vendors.
   - Mainstream youth priorities across all areas of public policy and expenditure, and ensure they are integrated with or closely linked to national sustainable development financing strategies.
   - Prioritise youth-specific investments in accessible, affordable and quality health, education and justice systems, and essential services that reduce the constraints young people face and enable their full participation in the socio-economic development of their countries.
   - Pursue policies and strategies that address long-term development needs, rather than short-term political imperatives.
   - Encourage private sector investment in youth-critical policies, strategies and programming, particularly in areas where the state need not or cannot invest.
   - Support private sector efforts to better align their short-term and/or commercial imperatives with long-term investment and national development, and sustainable development indicators.
   - Make the policy environment attractive for innovative financial instruments such as impact bonds and blended finance products.
   - Consider establishing youth development banks and digitisation of public service delivery to expand access and impact.
   - Broaden eligibility criteria for concessional financing that more accurately reflects the endemic and structural vulnerabilities of young people.
   - Adopt youth-sensitive national financial inclusion strategies, and develop financial literacy programmes for young people, emphasising the impact of finance on sustainable development.
3. *Mobilise international sources of financing and investment*
   - Systematically prioritise and track allocation of official development assistance in support of youth development, and take specific actions to close financing gaps in order to meet new and existing targets on youth development and empowerment.

- Strengthen new youth-specific funds created as a result of the AAAA and make them more accessible to young people.
- Encourage multilateral and regional development banks and organisations to improve and expand the pool of finance available for investing in young people.
- Earmark a minimum percentage of all international development funding for youth development.
- Ensure global trade, financial and investment agreements are conducive to the promotion of youth development and empowerment through impact assessments as well as targeted incentives and investments, capacity-building and participation of young people in global supply chains.
- Encourage private sector partnerships, investment and innovation that are youth-inclusive and youth-targeted.
- Require periodic submission of reports by countries to UN/Commonwealth ministerial meetings on the allocation of resources and direct and indirect public spending on youth development.
- Encourage South–South cooperation to increase resources and financing available to young people and youth development.
- Ensure new and existing international financing pools, such as those related to climate, humanitarian and disaster risk reduction finance, are accessible to and impactful for young people.

4. *Promote multi-stakeholder partnerships to promote youth development at national, regional and international levels*
   - Use all available opportunities and processes to build political momentum and commitment to action—from governments, international organisations, civil society, academia and the private sector—in support of transformative financing for youth development.
   - Adequately resource local, national, regional and global institutions and organisations that advance youth development and empowerment.
   - Institutionalise collective action and public–private partnerships, especially in areas critical to youth employment, such as vocational skills, financial inclusion and access to technology.
5. *Enhance data-gathering, monitoring and follow-up*
   - Develop tools for tracking domestic and international public spending devoted to youth development and empowerment. A youth-equivalent of the gender equality marker of the Development Assistance Committee of the Organisation for Economic Co-operation and Development,[31] which tracks international public finances devoted to advancing gender equality, would be a useful tool.
   - Close data gaps by investing in national statistical capacity to systematically collect, analyse and use data disaggregated by sex and age, through appropriate financial and technical support and capacity-building.
   - Develop and enhance national standards and methodologies to close data gaps.
   - Institute youth-specific Development Finance Assessments and integrate these in national financing frameworks.

End Notes

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