

world development report

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DEVELOPMENT AND THE NEXT GENERATION



THE WORLD BANK

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*Development and
the Next Generation*



THE WORLD BANK
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Foreword

The time has never been better to invest in young people living in developing countries—that is the message of this year’s *World Development Report*, the twenty-ninth in the series. The number of people worldwide aged 12–24 years has reached 1.3 billion, the largest in history. It is also the healthiest and best educated—a strong base to build on in a world that demands more than basic skills.

Today’s youth are tomorrow’s workers, entrepreneurs, parents, active citizens, and, indeed, leaders. And, because of falling fertility, they will have fewer children than their parents as they move through adulthood. This in turn may boost growth—by raising the share of the population that is working and by boosting household savings. Rich and poor countries alike need to seize this opportunity before the aging of societies closes it. Doing so will enable them to grow faster and reduce poverty even further.

This Report examines five pivotal phases of life that can help unleash the development of young people’s potential with the right government policies: learning, working, staying healthy, forming families, and exercising citizenship. Within each of these transitions, governments need not only to increase investments directly but also to cultivate an environment for young people and their families to invest in themselves. The Report identifies three policy directions for helping youth develop themselves and contribute to society: *expanding opportunities, enhancing capabilities, and providing second chances*.

Investing in young people strongly contributes to the Bank’s overarching mission of fighting poverty. At the same time, investing in young people is a challenge for governments in all countries, rich and poor. It is my hope that this Report contributes to addressing this challenge by sharing the experiences of countries where young people, supported by good policies and institutions, have been able not only to cope but to flourish—and in the process, contribute to a future of hope and opportunity for all generations.



Paul Wolfowitz
President
World Bank Group

Acknowledgments

This Report has been prepared by a core team led by Emmanuel Y. Jimenez and comprising Jean Fares, Varun Gauri, Mattias K. A. Lundberg, David McKenzie, Mamta Murthi, Cristobal Ridao-Cano, and Nistha Sinha. The team was assisted by Amer Hasan, Sarojini Hirshleifer, Natsuko Kiso, and Annette Richter, all of whom also contributed to drafting parts of the Report, as well as Mehmet Ziya Gorpe, Claudio E. Montenegro, and Victor Sulla. Additional contributions were made by Deon Filmer, Paul Gertler, Elizabeth King, and Peter Orazem. The work was conducted under the general guidance of François Bourguignon and Jean-Louis Sarbib. Extensive and excellent advice (including help in preparing background papers) was received from Jere Behrman, Robert Blum, David Lam, and Cynthia Lloyd, to whom the team is grateful without implication.

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The team benefited greatly from a wide range of consultations managed by Maya Brahman, Stephen Commins, Viviana Mangiaterra, Juan Felipe Sanchez, Gerold Thilo Vollmer, and Kavita Watsa. Consultations included events and workshops held in 26 developing countries and a few developed countries in Europe, North America, and Asia, as well as online discussions of the draft. The team wishes to thank participants in these workshops, videoconferences, and discussions, which included staff in country offices, researchers, government officials, staff of nongovernmental and private sector organizations and, of course, the young people themselves. Particularly noteworthy were the efforts in the three countries “spotlighted” in this Report: Brazil, Sierra Leone, and Vietnam.

Rebecca Sugui served as senior executive assistant to the team, Ofelia Valladolid as program assistant, and Jason Victor as team assistant. Evangeline Santo Domingo served as resource management assistant.

Bruce Ross-Larson was the principal editor. Book design, editing, and production were coordinated by the World Bank’s Office of the Publisher under the supervision of Dana Vorisek, Susan Graham, Andrés Meneses, and Randi Park.

Methodological Note

Writing about young people

One of the biggest challenges in writing this Report was that the evidence base was uneven. Data to carry out diagnostic analysis for some topics, such as youth citizenship and migration, were limited. More importantly, there were very few rigorous evaluations of youth programs and policies for any of the transitions and issues covered in the Report. To help address these gaps, the team used consultations and surveys, as described below. It also supported several impact evaluations that were either ongoing or could be concluded within the Report's timeframe.

Listening to young people

In one of the most elaborate and wide-reaching consultations for a *WDR*, over 3,000 young people participated in focus group discussions in 26 developing countries: Argentina, Bangladesh, Brazil, Burkina Faso, China, the Dominican Republic, the Arab Republic of Egypt, Georgia, Ghana, Honduras, India, Kenya, the former Yugoslav Republic of Macedonia, Mexico, Mozambique, Nepal, Nigeria, Papua New Guinea, Peru, the Russian Federation, Sierra Leone, Thailand, Timor Leste, Turkey, Vietnam, and the Republic of Yemen. We consulted youth workers and experts from governments, nongovernmental organizations, partner organizations, and the World Bank to ensure that participants were representative of the youth in their country. From November 2005 to May 2006, these young women and men debated and discussed the Report's five life transitions. The process was undertaken by the country offices, supported strongly by a joint team of the Children and Youth Unit of the Bank's Human Development Network, the External Relations Vice-Presidency (EXT), and the *WDR*. A special effort was made to reach out to young people whose voice is often not heard, such as young women, rural youth, and those living with a disability. The team found the discussions immensely helpful in forming hypotheses, validating quantitative findings, and providing a rich context. Some meetings lasted a few

hours, others three days. In a few, members of the core team for this Report engaged directly; in others, they were sent reports, which are available on our Web site, www.worldbank.org/wdr2007. The team also engaged with representatives of global youth organizations and youth leaders in Europe, Japan, and North America, including members of the Bank's Youth, Development and Peace Network and the Francophonie and the Organización Ibero-Americana de Juventud (OIJ). New media were used for e-discussions and videoconferences with youth leaders from around the globe, as well as for an open youth commentary on the World Bank's Web site.

The quotations in the margins of this Report were taken from the *WDR* youth consultations (see Mangiaterra and Vollmer [2006] and www.worldbank.org/consultations) and the e-discussion connected to the Youth Social Technopreneurship Conference in October 2005. For quotations taken from sources other than these, the source is given in an endnote or below the quotation.

Surveying young people

Several of the issues covered in this Report are not covered by existing developing country surveys. To provide insights on these issues, the Report team added questions to nationally representative audience surveys by InterMedia in late 2005 and early 2006 for Albania, Bangladesh, Ethiopia, Iraq, Malaysia, Romania, and Tajikistan. In addition, rich data on information and communication technology use and political attitudes were obtained from InterMedia's survey databank.

A large new database was constructed from existing country household surveys in 97 developing countries, covering all Bank regions and 21 developed countries. For all developed countries and more than half of the developing countries, at least two survey points per country, covering the 1990s and early 2000s, were used for the cross-country comparisons. These data complemented those from the Demographic and Health Surveys (ORC Macro) and Living Standards Measurement Study surveys.

Abbreviations and Data Notes

Abbreviations

ABC	Abstain-Be faithful-use Condoms	MENA	Middle East and North Africa region
AGETIP	Agence d'Exécution des Travaux d'Intérêt Public	MTV	Music Television
AIDS	Acquired immune deficiency syndrome	NEPAD	New Partnership for Africa's Development
ART	Antiretroviral therapy	NER	Net enrollment rate
ASER	Annual Survey of Education Report (India)	NFHS	National Family Health Survey
AVU	African Virtual University	NGO	Nongovernmental organization
BMI	Body mass index	OECD	Organisation for Economic Co-operation and Development
BRAC	Bangladesh Rural Advancement Committee	ORC	Opinion Research Corporation
CDC	U.S. Centers for Disease Control and Prevention	ORT	Oral rehydration therapy
CDCA	Centro de Defesa da Criança e do Adolescente	PETI	Program to Eradicate Child Labor (Brazil)
CEDECA	Center of Defense of Children and Adolescents	PIRLS	Progress in International Reading and Literacy Study
CEDPA	Center for Development and Population Activities	PISA	Program for International Student Assessment
CORFO	Corporación de Fomento de la Producción (Chile)	PRS	Poverty Reduction Strategy
DDR	Disarmament, demobilization, and rehabilitation	PRSP	Poverty Reduction Strategy Paper
DHS	Demographic and Health Surveys	SACMEQ	Southern and Eastern Africa Consortium for Monitoring Education
DPT	Diphtheria, pertussis, tetanus	Sida	Swedish International Development Agency
ECD	Early childhood development	SMS	Short Messaging Service
EFA	Education for All	SPW	Student Partnerships Worldwide
EPL	Employment Protection Legislation	STD	Sexually transmitted disease
EU	European Union	STI	Sexually transmitted infection
FAO	Food and Agriculture Organization of the United Nations	TIMSS	Trends in International Mathematics and Science Study
GDP	Gross domestic product	UCEP	Underprivileged Children's Education Program
GNI	Gross national income	UNAIDS	Joint United Nations Program on HIV/AIDS
GNP	Gross national product	UNDP	United Nations Development Programme
HIV	Human Immunodeficiency virus	UNESCO	United Nations Education, Scientific, and Cultural Organization
ICL	Income contingent loan	UNHCR	United Nations High Commissioner for Refugees
ICT	Information and communication technology	UNICEF	United Nations Children's Fund
IEC	Information education and communication	UNODCCP	United Nations Office for Drug Control and Crime Prevention
IFPRI	International Food Policy Research Institute	USAID	U.S. Agency for International Development
ILA	Individual learning accounts	WDR	World Development Report
ILO	International Labour Organization	WHO	World Health Organization
IMF	International Monetary Fund		
INCAP	Institute of Nutrition of Central America and Panama		
IUD	Intrauterine device		
LRA	Lord's Resistance Army		

Data notes

The countries included in regional and income groupings in this Report are listed in the Classification of Economies table at the end of the Selected World Development Indicators. Income classifications are based on gross national income (GNP) per capita; thresholds for income classifications in this edition may be found in the Introduction to Selected World Development Indicators. Group averages reported in the figures and tables are unweighted averages of the countries in the group, unless noted to the contrary.

The use of the word *countries* to refer to economies implies no judgment by the World Bank about the legal or other status of a territory. The term *developing countries* includes low- and

middle-income economies and thus may include economies in transition from central planning, as a matter of convenience. The term *advanced countries* may be used as a matter of convenience to denote high-income economies.

Dollar figures are current U.S. dollars, unless otherwise specified. *Billion* means 1,000 million; *trillion* means 1,000 billion.

Serbia and Montenegro is used in this Report either because the event being discussed occurred prior to the independence of the Republic of Montenegro in June 2006 or because separate data for the Republic of Serbia and the Republic of Montenegro are not available.

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Overview

Her performance is riveting. Geórgia, 15, an impoverished street child, failing student, and aspiring actress, moistens the eyes of the international aid officials visiting a halfway house for young girls in Recife, Brazil. She is playing the part of an abused young girl on a makeshift stage, where she dreams about coping with the stresses of her life: the indifference of her family, the difficulty of staying in school, the pressure to sniff glue, the unwelcome advances from men, the part-time work as a housekeeper. Perhaps she finds it easy to play the role because it mirrors her life so closely . . . but she also has plenty of talent.

After the play, as she speaks to the visiting foreigners, the precocious performer reverts to the shy, awkward teenager that she still is. She is thankful for the opportunity to develop her craft in a safe space while also improving her reading, writing, and knowledge about life's practicalities. She is anxious about her future, especially how to get motivated for the boring classes in the public school that she occasionally attends. But for the first time in her young life, she is hopeful.

Across the ocean in Freetown, Sierra Leone, Simeon, 23, is wondering what to do next. For the past 15 years his life had been disrupted by the long civil war. He and his family, living in Koidu, a hotspot of the conflict, had to flee for their lives several times. They were once captured and forced to serve the rebel forces for two years. The impact of such unrelenting exposure to violence is clear when he says that he feels as if he has already died three times: when his father was killed for failing to provide a fighter with enough food, when his mother was raped and later died, and when his sister was forced to return to Koidu as a sex worker.

Still, he wants to restart his life. Working as a volunteer for a nonprofit organization that serves and rehabilitates youths through counseling and education, he feels good to be part of a group and learning again, including how to operate computers. He also wants to bring his sister to Freetown and away from her nightmarish life in Koidu. If only he had a paying job.

Half a world away, Van, 21, a third-year student at one of Hanoi's most prestigious tertiary institutions, is at a friend's house rehearsing Celine Dion songs with her band. A conscientious student, she passed the rigorous entrance examination with the unconditional support of her parents, both professionals. She earns extra money by translating newswires from English to Vietnamese on her home computer—experience she hopes would help her enter the journalism field. Her enthusiasm for playing computer games and surfing the Internet gives her uncommon self-confidence in technology. It also helps that she is in almost constant contact with her friends, thanks to Internet telephony and instant messaging.

Her most immediate concern is that her parents may not let her join her boyfriend on his newly acquired scooter to cruise Hanoi's streets on a busy Saturday night. She knows that they rightly fear for her safety, having heard of several friends who recently had serious motorcycle accidents.

There are many young people like Geórgia, Simeon, and Van—indeed, more of them than at any time in world history. Each is entering an age fraught with risks and laden with opportunities, not just for them but for their families, their societies, their economies. Together, their experience will determine the

quality of the next generation of workers, parents, and leaders. Decisions about developing their skills, about starting on the road to financial independence, and about engaging with the broader civic community will have long-lasting effects that have repercussions far beyond them and their families.

"Our parents never got the opportunities we have; it is up to us to make the most of them and achieve [something], and to make sure we can look after our parents in their old age."

Young male,
Dhaka, Bangladesh
January 2006

Most policy makers know that young people will greatly influence the future of their nations. Trying to help, they face dilemmas. When primary school completion has gone up so dramatically, thanks to public investment, why does illiteracy seem so persistent? Why do large numbers of university graduates go jobless for months or even years, while businesses complain of the lack of skilled workers? Why do young people start smoking, when there are very visible global campaigns to control it? What is to be done with demobilized combatants, still in their late teens, who can barely read but are too old to go to primary school? Tough questions, these, and there are many more. The answers are important for growth and poverty reduction. This *World Development Report* offers a framework and provides examples of policies and programs to address the issues.

Decisions during five youth transitions have the biggest long-term impacts on how human capital is kept safe, developed, and deployed: continuing to learn, starting to work, developing a healthful lifestyle, beginning a family, and exercising citizenship. The report's focus on these transitions defines our choice of whom to include as "the next generation." Because they take place at different times in different societies, the report does not adhere to one defined age range, but it takes 12–24 years as the relevant range to cover the transitions from puberty to economic independence.¹

Young people and their families make the decisions—but policies and institutions also affect the risks, the opportunities, and ultimately the outcomes. Putting a "youth lens" on these policies, the report presents three strategic directions for reform:

- **Opportunities.** Broaden the opportunities for developing human capital by expanding access to and improving the quality of education and health services; by facilitating the start to a working life; and by giving young people a voice to articulate the kind of assistance

they want and a chance to participate in delivering it.

- **Capabilities.** Develop young people's capabilities to choose well among these opportunities by recognizing them as decision-making agents and by helping ensure that their decisions are well informed, adequately resourced, and judicious.
- **Second chances.** Provide an effective system of second chances through targeted programs that give young people the hope and the incentive to catch up from bad luck—or bad choices.

Invest in young people—now

The situation of young people today presents the world with an unprecedented opportunity to accelerate growth and reduce poverty (chapter 1 of the report). First, thanks to the development achievements of past decades, more young people are completing primary school and surviving childhood diseases. However, to succeed in today's competitive global economy, they must be equipped with advanced skills beyond literacy; to stay healthy, they must confront new disease burdens, such as sexually transmitted diseases and obesity. Second, lower fertility rates in many countries mean that today's youths will enter the workforce with fewer nonworking dependents, and thus fewer to support. If they remain unemployed for long periods, though, they could be a drain on the economy.

Building on a stronger base of human capital

Because labor is the main asset of the poor, making it more productive is the best way to reduce poverty. This requires enhancing the opportunities to earn money and developing the human capital to take advantage of those opportunities. Broad-based economic growth is important.² So is providing basic education and health care, especially for children—to provide the foundation of basic skills and well-being. Doing both has brought significant progress. Primary school

enrollment rates in low-income countries outside China and India rose from 50 percent in 1970 to 88 percent in 2000. Average life expectancy at birth worldwide rose from 51 years to 65 in less than 40 years.³

With these advances come new challenges. Further progress requires young people who are more capable and involved. But higher completion rates at primary levels strain the capacity for places in secondary school (figure 1). Almost all Indonesian children attend six years of schooling, and 80 percent of even the poorest complete primary levels. Then, however, enrollments drop dramatically, especially for the poor. Fewer poor Zambian children enroll to begin with, but they, too, fall off at secondary levels. Girls particularly are left behind, just as they were in the expansion of primary education, except in South America, Eastern Europe, and the former Soviet Union.⁴ Even more disturbing, the vast numbers spilling out of primary schools have not learned what they should. Standardized tests—not just for science and technology but for the command of basic skills—show that students in developing countries lag far behind those in the Organisation for Economic Co-operation and Development (OECD) countries (chapter 3).

Concerns about the quality and relevance of basic training come just when the demand for advanced skills, such as problem-solving abilities critical for many industries, is increasing. Contrary to what might be expected, the greater availability

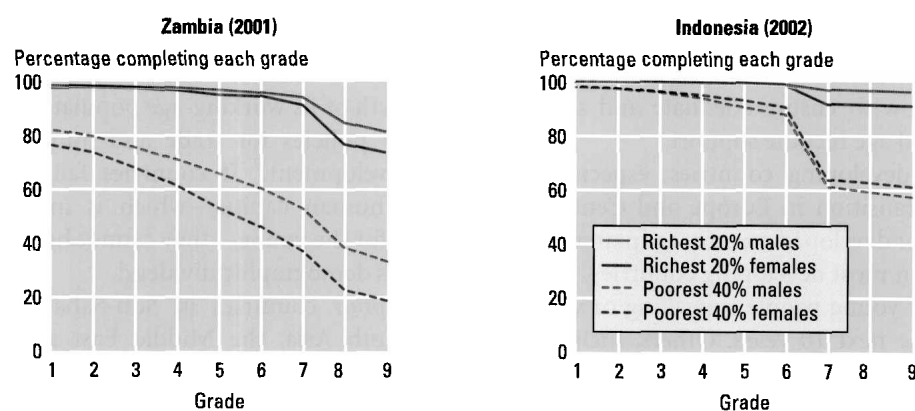
of skilled and educated workers in a more integrated global economy may not necessarily lead to falling returns to skills. It may actually boost the demand for skills even further by inducing faster skill-intensive technological change.⁵ Investment climate surveys show that more than a fifth of all firms in developing countries as diverse as Algeria, Bangladesh, Brazil, China, Estonia, and Zambia rate inadequate skills and education of workers as a major or severe obstacle to their operations.⁶ The private returns to secondary and higher education have been rising, especially in countries that have close to universal primary education.

There are also new challenges in health. Having survived the scourges of childhood, young people confront health threats at a very vulnerable time, initiating sexual activity and entering the age of identity-seeking and risk-taking. In 2005, more than half the estimated 5 million people who contracted HIV worldwide were young people between 15 and 24, the majority of them young women and girls (discussed in chapters 1 and 5 of the Report). The economic effect of such devastating diseases can be enormous. In South Africa, HIV/AIDS can reduce GDP growth by as much as a fifth. It is by far the leading cause of death among young people ages 15–29 in Sub-Saharan Africa. In other regions, noncommunicable diseases are now the leading cause of death for young women. Injuries caused by accidents and violence are the leading cause for young men.

“... even the most low skill jobs ... require secondary school completion, sometimes even university studies—even though there is no need for it. It leaves behind those kids who, for some reason or other, could not finish secondary school.”

Young person,
Buenos Aires, Argentina
December 2005

Figure 1 High enrollment rates in primary school are followed by significantly lower rates at secondary levels in Indonesia and Zambia



Source: Authors' calculations from Demographic and Health Surveys.

Note: Quintiles are based on an index of assets and housing characteristics.

Addressing these challenges will affect poverty reduction far into the future for at least two reasons. First, the capacity to learn is much greater for the young than for older people, so missed opportunities to acquire skills, good health habits, and the desire to engage in the community and society can be extremely costly to remedy. Second, human capital outcomes of young people affect those of their children. Better educated parents have fewer, healthier, and better educated children. In all developing countries, but especially in the low-income regions of South Asia and Sub-Saharan Africa, immunization rates are higher among families whose mothers have some secondary education. These intergenerational effects lift families out of poverty over the long term.

Seizing the opportunities from a “youth bulge” in the population

The need to address youth issues now is also rooted in demographics—because of the fiscal demands of the sheer number of today’s young and their share in the future labor force.

Today, 1.5 billion people are ages 12–24 worldwide, 1.3 billion of them in developing countries, the most ever in history. This number will rise but not by much more, because it is fast approaching a plateau as fertility rates decline, producing a “bulge” in the world’s population structure. Perhaps as important as this bulge is the diversity in age structures across the world’s countries, due to differences in the timing of the fall in fertility rates. For developed countries, this fertility transition occurred so long ago that the bulge is composed of the middle-aged, the baby boomers. Their immediate challenge is how to ensure adequate and sustainable old age income support.

A few developing countries, especially those in transition in Europe and Central Asia, mirror developed country age patterns. However, in most developing countries, the number of young people is peaking or will peak in the next 10 years. Others, including all of Sub-Saharan Africa, Afghanistan, Iraq, West Bank and Gaza, and the Republic of Yemen, will not hit the peak for 20 years

or more. They have more classically shaped population pyramids with broad bases for the youngest ages, tapering up gradually with age.

These numbers can be a fiscal and economic risk. A recent study estimates the yearly cost per secondary school student in Sub-Saharan Africa to be almost three times that of public cost per pupil in the primary level.⁷ Add to that the cost of addressing AIDS and noncommunicable diseases, and financing the fiscal burden, difficult to manage in the best of times, can be a constraint on growth. Moreover, if youth remain unemployed for long periods, as happened when the baby boom occurred in Europe and the United States, this not only wastes human resources—it also risks misaligned expectations and social unrest that could dampen the investment climate and growth.⁸

These large numbers can also be an opportunity. The fertility transition means that many developing countries are in, or will soon enter, a phase when they can expect to see a larger share of people of working age. This expansion of a workforce that has fewer children and elderly to support provides a window of opportunity to spend on other things, such as building human capital.

The window of falling dependency rates can stay open for up to 40 years, depending on the rate of fertility decline. Then aging closes it. The good news is that almost all developing countries are still in this window (figure 2). Of those that entered the window early, some have taken full advantage, and others have not. One study attributes more than 40 percent of the higher growth in East Asia over Latin America in 1965–90 to the faster growth of its working-age population and better policies for trade and human capital development.⁹ If countries fail to invest in human capital—which is most profitable for the young—they cannot hope to reap this demographic dividend.

Other poor countries in Sub-Saharan Africa, South Asia, the Middle East and North Africa are about to see the window of opportunity open (figure 2). If they are to follow the Asian economies’ growth