

UNLOCKING FINANCE FOR YOUTH ENTREPRENEURS:

Evidence from a Global Stocktaking



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ABBREVIATIONS AND ACRONYMS



ABB	Al Barid Bank
ACSI	Amhara Credit and Savings Institution
ALA	African Leadership Academy
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BDS	Business Development Services
BoC	Bank of Cyprus
BPC	Business Plan Competition
BPI	Bank of the Philippine Islands
CBO	Community-Based Organization
CDA	Community Development Association
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
DBP	Development Bank of the Philippines
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EET	Entrepreneur Education and Training
EGP	Egyptian Pound
FATF	Financial Action Task Force
FOJAL	Jalisco Fund for Business Development (<i>Fondo Jalisco de Fomento Empresarial</i>)
FTB	Finance Trust Bank
GPII	Global Partnership for Financial Inclusion
HR	Human Resources
ICT	Information and Communications Technologies
ID	Identification
IDEA	Innovate Develop Excel Accomplish
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IT	Information Technology
KYC	Know-Your-Customer
KYEOP	Kenya Youth Employment and Opportunities Project

LMIS	Labor Market Information System
MENA	Middle East and North Africa
MFI	Microfinance Institution
MNO	Mobile Network Operator
MPYG	Ministry of Public Service, Youth and Gender Affairs
MSMEs	Micro, Small and Medium Enterprises
NATSAVE	National Savings and Credit Bank of Zambia
NGO	Non-governmental Organization
OECD	Organization for Economic Co-operation and Development
PAR	Portfolio at Risk
PEACE	Poverty Eradication and Community Empowerment
QR	Quick Response
RD	Dominican Pesos
RYEEP	Rural Youth Economic Empowerment Program
S4S	Schools for Startups
SAB	South African Breweries
SDG	Sustainable Development Goal
SEED	Sustainable Enterprises for Economic Development
SMEs	Small and Medium Enterprises
SMS	Short Message Service
SSA	Sub-Saharan Africa
STRYDE	Strengthening Rural Youth Development through Enterprise
TA	Technical Assistance
TAF	Technical Assistance Funds
TAG	Savings for Tomorrow (<i>Tawfir al Ghad</i>)
TEB	Turkish Economic Bank
TL	Turkish Lira
TVET	Technical and Vocational Education and Training
UFC	Umutanguha Finance Company
UK	United Kingdom
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
WEDP	Women Entrepreneurship Development Project
YS	Youth Savings
YSG	Youth Savings Group

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FOREWORD



Four in 10 people, or 42 percent, of the world's population are under the age of 25. Globally, an estimated 70.9 million youth were unemployed in 2017. Thus, job creation and economic growth through private sector development have become primary areas of focus for policymakers around the world. As more youth enter the workforce, they are known to face increasing difficulties in obtaining employment. The traditional sources of opportunity in many developing countries — governments and large corporations — are generally not hiring at the same levels, if at all. As such, small and medium enterprise (SME) entrepreneurship is seen as an important option for creating sustainable livelihoods for this segment of the population.

Youth entrepreneurs are more likely to be constrained by access to finance in starting and growing their businesses. Youth are perceived to be riskier clients by financial institutions because of a lack of business experience, credit histories, savings and other assets to offer as collateral. Such shortcomings often contribute to this perception. Youth entrepreneurs may also be restricted by access to business networks. Consequently, youth are more reliant on family savings, informal lenders or other

similarly suboptimal means of financing businesses that yield limited funds and/or are exploitative in nature.

Recognizing the importance of addressing youth unemployment through youth entrepreneurship, the G20 Global Partnership for Financial Inclusion (GPMI) and the SME Finance Forum of the International Finance Corporation (IFC) undertook a global stocktaking of programs that finance youth entrepreneurs in a profitable and sustainable manner. We hope that these case studies will inform future program design and policymaking to improve the access of young entrepreneurs to finance.

We, the co-chairs of the Global Partnership for Financial Inclusion's SME Finance Sub-Group, are very pleased to issue this report. We commend the authors and all who supported them. SME finance still struggles in this area, and we must make better progress. The era where youth, particularly well-educated youth, could look to governments and large corporations for lifetime employment has ended. Thus, helping to provide for alternatives, such as entrepreneurship, is vital to addressing the world's future employment challenges.

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EXECUTIVE SUMMARY



Entrepreneurship holds the promise of mitigating today’s youth unemployment crisis. According to the United Nations (UN), youth — defined as those individuals between the ages of 15 and 24 — now number 1.2 billion today. This burgeoning youth population represents a significant economic opportunity, particularly in emerging economies, as increased youth participation in the labor force can be a key driver of economic growth. However, youth population growth rates are outpacing the creation of jobs. In the 20 years between 1997 and 2017, the youth population grew by 139 million, whereas the youth labor force shrank by 34.9 million. In 2017, an estimated 70.9 million young people were unemployed.¹ Against this backdrop, entrepreneurship presents a pathway to addressing the challenges of high youth unemployment and underemployment.

Constraints in access to finance represent a significant barrier for youth entrepreneurs to start and scale their businesses. Youth are perceived to be riskier clients because they tend to lack business experience, credit histories, savings and other assets to offer as collateral. They may also lack access to business networks. As a result, youth are more likely to depend on family savings, informal lenders or other similarly suboptimal means of financing businesses. These sources ultimately yield limited funds and/or are exploitative in nature.

This report is the outcome of a global stocktaking of programs that finance youth entrepreneurs in a profitable and sustainable manner. A total of 35 cases were collected, from which lessons and best practices were drawn. The impetus behind this exercise is to inform future program design and policies — including both the financial and non-financial aspects — as part of the joint efforts

between the G20 Global Partnership for Financial Inclusion (GPMI) and the SME Finance Forum of the International Finance Corporation (IFC) to improve the landscape for youth entrepreneurs.

Key Success Factors in Financing Youth Entrepreneurs

Early-stage, rigorous market research enables financial service providers to better serve their target youth markets. Thorough market research has the power to discredit preconceived notions about the riskiness or financial behavior of underserved youth clients. Potential focal points for market research include levels of engagement on behalf of a country’s ministry of youth; the existence of youth entrepreneur coalitions; the types of relevant legal frameworks; and attitudes toward youth financial behavior. Methods should be diverse and may include focus groups, individual interviews, or large-scale surveys. Market research can be costly and time consuming. However, costs can be mitigated — without compromising the quality of data and insights — by partnering with third parties.

Flexible criteria for assessing youth clients can facilitate increased access to finance for youth entrepreneurs. Youth have limited ability to meet traditional criteria for acquiring financing for their new businesses. As such, financiers can better serve youth by developing criteria that can include evaluating youth based on their enterprising tendencies and/or business acumen rather than their sparse credit histories. Alternative methods for assessing the creditworthiness of youth entrepreneurs include psychometric tests and talent-identification processes that screen for traits such

as grit, ambition, and effective decision-making skills. Such methods should also be consistent with applicable consumer protection laws.

Providing tranching financing can mitigate the perceived high risk levels associated with youth entrepreneurs. The disbursement of funds can be based on predetermined milestones related to business performance, a proven commitment to building a financial track record, and/or relevant business or vocational skill acquisition. This type of tranching financing has the potential to lower the loan default rate, that is, the amount lost in the case of default. At the same time, it also raises the probability that youth will be able to launch sustainable businesses. In addition, it encourages financial service providers to offer more individualized services.

Customized products for youth entrepreneurs can expand access to finance. By definition, youth enter into entrepreneurship with minimal business experience, little-to-no assets, and short financial histories. Financial products can be designed to better match youth client needs by providing greater flexibility in terms of collateral requirements, interest rates, and/or repayment schedules.

FinTech innovations can cut costs, increase financial inclusion, and improve the quality and flexibility of financial products available to youth. FinTech is technology that can enable new financial products or processes, such as mobile phone-based banking. This innovation has the potential to improve the accuracy of financial risk assessments. As such, it can reduce the risks inherent in lending to all clients, enabling financial service providers to develop higher levels of trust. As the FinTech ecosystem grows, financial service providers can adopt the use of FinTech by either directly incorporating it into their products or partnering with existing FinTech companies.

Non-Financial Aspects of Financing Youth Entrepreneurs

Comprehensive non-financial services can be used to complement financial services to help youth entrepreneurs to overcome other barriers, such

as the lack of education and business experience. For instance, mentoring and entrepreneurship education — including financial literacy and business training — can provide youth with the necessary social and emotional competencies and technical skills to start and grow their businesses.

Mentorship that spans the life cycle of the business ensures that youth receive customized support according to their particular business stage. Local champions — including youth who have successfully started and sustained businesses, and industry experts — can also serve as effective mentors, offering first-hand insights into entrepreneurship. Institutions should leverage existing networks to more easily identify willing and effective mentors.

Customized training to suit the needs of youth and industry can yield more effective results. Entrepreneurship training should be carefully timed to adapt to the stage of fund disbursement. As such, it should ensure context-specific curriculum and delivery mechanisms, and emphasize approaches to guided learning to increase knowledge transfer.

The successful provision of non-financial support often requires institutional partnerships. Among the various partnership models, the linked partnership between a financial service provider and a youth-service organization tends to be an appropriate model for serving youth, particularly when there are institutional capacity constraints. To ensure effective partnerships, stakeholders should have clearly delineated roles and responsibilities and well-established lines of communication. However, those financial service providers with sufficient capacity can leverage existing institutional networks to provide both financial and non-financial services to youth.

Suggested Policy Recommendations

Amend existing regulatory frameworks to make financial markets more inclusive of youth entrepreneurs. Policymakers may wish to explore the benefits of amending prudential financial

regulations to allow lenders to accept alternative forms of collateral, such as jewelry or government welfare payments, while also ensuring that such changes do not compromise safety and soundness considerations. Regulations obligating microfinance institutions (MFIs) to remain net-lending institutions could be altered to allow them to offer savings products to youth, while also placing appropriate safeguards to protect these deposits.

In addition to changes to prudential regulations, governments are encouraged to adopt a risk-based approach to Customer Due Diligence (CDD)—including requirements for customer identification and verification of customer identity (customer identification/ verification) when establishing business relations (that is, at onboarding). Such procedures are in line with the global anti-money laundering/combating the financing of terrorism (AML/CFT) standards established by the Financial Action Task Force (FATF). As part of broader regulatory reform efforts, it would be helpful to encourage greater SME formalization among youth entrepreneurs by simplifying the procedures for registering, running and closing businesses. This approach would also hold much promise for improving youth business financing.

Incentivize the finance industry to support youth entrepreneurs, particularly in markets with large unemployed youth populations. Governments can motivate lenders to finance youth entrepreneurs by providing them with tax breaks after successfully meeting targets to maintain a certain proportion of youth clients in their portfolios. Alternatively, governments can act as guarantors for financial sector loans to youth entrepreneurs. Governments also can directly fund entrepreneurs. However, as there is no case presented of such effective scaling of funding, it would seem prudent to focus on those indirect measures that can mobilize funding from the existing financial sector institutions. In all cases, measures should be carefully piloted and include strong monitoring systems to safeguard against unintended distortions.

Foster an enabling environment and entrepreneurial culture so that youth

entrepreneurs can thrive. Policies that promote more and better school and university programs nationwide, as well as better integration of entrepreneurship promotion into existing curricula, can help generate interest in entrepreneurship among youth. This educational push could be supplemented with the creation of knowledge-sharing platforms to better integrate financial and non-financial services. In addition, it could provide incentives for angel investors to finance and mentor more youth entrepreneurs.

Ensure the availability of diverse, up-to-date census data that is disaggregated by age. Making such data available to lenders can help tailor products to the needs of youth entrepreneurs, as well as improve screening processes. Credit bureaus and collateral registries can function as platforms to store and disseminate data, particularly data pertaining to client borrowing histories.

Facilitate the incorporation of FinTech by improving digital infrastructure and fostering a regulatory environment to ensure data security and privacy. FinTech can help streamline data collection and dissemination, as well as increase the cost-effectiveness of screening and fund disbursement. Therefore, increasing mobile and internet penetration through improved infrastructure is crucial. Governments should also update regulatory frameworks to ensure data security, particularly as financial service providers shift from analog to cloud information systems. In this way, the rights of all stakeholders are protected in today's increasingly data-driven markets. The new G20 Policy Guide, *Digitisation and Informality: Harnessing Digital Financial Inclusion for Individuals and MSMEs in the Informal Economy* (2018), contains a lot of specific guidance for making improvements in this area.

Road Map for the Report

Chapter 1 summarizes the employment challenges faced by youth today, including how entrepreneurship holds promise for a solution to youth unemployment, as well as how access to finance for youth entrepreneurs can be improved.

Chapter 2 elaborates the methodology applied in the collection of cases about programs that have successfully financed youth entrepreneurs.

Chapter 3 outlines the best practices and lessons learned for designing and developing viable financial products for youth entrepreneurs. It begins by categorizing methods of financing youth entrepreneurs, and then describes innovative ways of adapting financial products to suit the needs of young entrepreneurs. This chapter also explores the role of FinTech in overcoming the barriers to financing youth entrepreneurs.

Chapter 4 describes how non-financial services, such as mentoring and entrepreneurship education, can complement financial services. It also explores how non-financial and financial services can be integrated through different kinds of partnerships between various stakeholders.

Chapter 5 outlines the role that governments can play in improving financing opportunities for youth entrepreneurs. This role can range from governments becoming directly involved in administering finance to youth entrepreneurs to providing an enabling environment for markets to better cater to the financing needs of youth entrepreneurs.

CHAPTER 1: YOUTH SME FINANCE IN CONTEXT



Small and medium enterprises (SMEs) are recognized as important drivers of job creation, innovation and economic growth, particularly in emerging economies where they are responsible for the majority of jobs.² However, entrepreneurs often face significant barriers to obtaining sufficient financing to start and sustainably grow their businesses. These barriers are particularly pronounced for youth entrepreneurs due to their limited work experience and common perception among financiers as being riskier clients. Despite these challenges, promoting youth entrepreneurship is critical for advancing economic growth, particularly in emerging economies with large youth populations.³

1.1 Youth Unemployment is a Pressing Global Challenge

Youth unemployment continues to be a pressing global challenge. According to the International Labour Organization (ILO), the global youth unemployment rate in 2017 was 13 percent, as compared to the adult unemployment rate of 4.3 percent. These figures indicate that youth are three times more likely to be unemployed than adults.⁴ The rate varies across regions, with a particularly severe crisis in North Africa, where the youth unemployment rate reaches almost 30 percent.⁵ Inequalities related to gender are also pronounced, with female youth unemployment reaching 15.6 percent in 2017.⁶ Furthermore, the rate of inactive youth, that is, those who were neither in school nor employed, was 18 percent globally for youth aged 20-24 years in 2016 — with some countries recording figures as high as 36 percent for this age group.⁷

High unemployment also affects young people with

higher levels of education, prompting educated individuals to migrate in search of work opportunities elsewhere. The ‘brain drain’, or the flight of skilled individuals, poses a significant challenge throughout the developing world.⁸ Those youth who are able to find jobs in their home countries are more likely to have low-quality jobs with lower pay, and they are more likely to be active in the informal economy.⁹

As roughly half of the global population is under 30 years of age, the disproportionately high rates of unemployed and inactive youth lead to significant adverse socioeconomic and political consequences, including hindering economic growth and increasing the likelihood of crime and social unrest.¹⁰

1.2 Entrepreneurship Presents a Potential Solution for High Youth Unemployment

The slow economic growth recorded in 2017 hampers the global economy’s ability to create decent jobs, specifically, the quantity, quality, and inclusiveness of labor opportunities.¹¹ As a result, entrepreneurship offers a pathway to combatting youth unemployment, ultimately promoting economic growth and higher living standards.¹² Evidence demonstrates that well-established youth-led SMEs tend to hire other youth, which further decreases youth unemployment rates.¹³ However, it should be noted that entrepreneurship only represents only one possible solution in a larger, comprehensive set of strategies to address unemployment. In addition, due to the nature of entrepreneurial work, entrepreneurship may not be a viable solution for all youth.

Despite the potential for entrepreneurship as a solution to youth unemployment, youth

entrepreneurs face multiple obstacles to start, scale, and sustain their businesses. From 2012-2016, across the Organisation for Economic Co-operation and Development (OECD) countries, approximately two-thirds of youth viewed the lack of entrepreneurship skills as a key barrier to business creation.¹⁴ Youth also have less work experience and often lack the networks and social capital necessary to run a successful business. In addition, education and training programs often do not encourage entrepreneurial mindsets.

In some countries, social attitudes may discourage entrepreneurship because of culturally ingrained beliefs about entrepreneurship as riskier and less reputable than other professions. This can result in a lack of mentorship for youth entrepreneurs, as well as difficulties for youth in accessing information about the various methods of SME financing and business development. As a result of weak support structures, youth may face high administrative burdens. When combined, these factors can lead to youth exclusion from the formal financial system.¹⁵

Youth also face particular challenges in acquiring sufficient financing to start and grow their businesses. Youth typically do not have sufficient personal savings to invest in their businesses. At the same time, formal financial institutions often hesitate to lend to youth entrepreneurs because of perceived higher risks due to a lack of business experience, social capital, credit histories and assets to serve as collateral.¹⁶ This increases the dependency of youth entrepreneurs on informal lending, family savings, or other income-generating activities,¹⁷ thereby constraining growth or even jeopardizing the survival of their businesses. Youth also face unique regulatory constraints, such as falling below the legal age to sign a contract.

To close the financing gap, a multitude of actors — including the private sector, commercial banks, accelerators, microfinance institutions, non-governmental organizations, and multilateral organizations — can play a role in spurring youth entrepreneurship to tackle the youth unemployment crisis. For instance, the G20 and the OECD represent a collection of governments and major institutions that have worked together to champion the financing of youth entrepreneurs.¹⁸ Specifically, the G20 Global Partnership for Financial Inclusion (GPFI) seeks to promote youth entrepreneurship through the *Global Platform for Young Entrepreneurs*, developed in partnership with Child & Youth Finance International.

The GPFI's efforts to bolster youth entrepreneurship are also supported by the G20 Initiative for Rural Employment, which recognizes the need to increase access to financial services for rural youth. However, despite efforts to promote youth entrepreneurship and the recognized importance of its role in catalyzing economic development through job creation, governmental interventions have largely failed to unleash their full potential.¹⁹ Understanding that that policies must be customized to address the specific country context, this report presents the findings of a global stocktaking to identify a variety of successful models for financing youth entrepreneurship.

CHAPTER 2: BACKGROUND TO THE GLOBAL STOCKTAKING EXERCISE



The potential for realigning the demand and supply of finance was explored through a global stocktaking of successful models for financing youth entrepreneurs. The stocktaking exercise was designed to study a wide range of approaches to financing youth entrepreneurs, which vary in terms of geography, method, and sector.

A total of 35 case studies relating to the financing of youth entrepreneurship were identified and analyzed. The cases came from the public and private sectors, as well as from international organizations and non-governmental organizations (NGOs). The case studies represent a range of approaches, notably including FinTech-based, mobile-money lending platforms, commercial bank-sponsored accelerators, startup incubators, and microfinance institutions (MFIs). This diverse set of cases demonstrates that although providing financing for youth-owned small and medium enterprises (SMEs) is challenging and risky, there is a great opportunity for innovation-driven success. Youth entrepreneurs are a unique and diverse market segment. Thus, financing requires attention to the country and market contexts, as well as to an integrated provision of non-financial services.

This report arises from the SME Finance Subgroup of the G20 Global Partnership for Financial Inclusion (GPFI). As such, it focuses on how young people can be supported to self-generate employment opportunities in a world where governments and large companies no longer provide the opportunities they once did. The report therefore focuses on credit and financing rather than savings, retained earnings, and financial literacy. The purpose is not to diminish the importance of a general financial education and savings, nor to encourage irresponsible, rushed lending. Rather, the global stocktaking exercise

was conducted with the intention of identifying good practice in financing young entrepreneurs who aspire to start, sustain, and scale their businesses. In doing so, they in turn create new jobs for their youth peers. Therefore, despite the report's focus on credit and financing, it does not advocate credit to all youth.

2.1 Methodology

The cases for inclusion in the global stocktaking exercise were obtained through outreach to the SME Finance Forum members and associated networks. Additional cases were acquired throughout the research by recommendations from completed cases. The programs included in the research targeted youth under the age of 35.

At the outset of the stocktaking exercise, the key research questions were as follows:

- What types of financing approaches are most successful with youth clients?
- What modifications can be made to existing approaches to specifically reach youth?
- What are the major barriers preventing youth entrepreneurs from accessing loans, credit, and other forms of funding?
- What types of businesses or industries are ready for the entrance of youth SMEs?
- What types of regulatory environments enable youth entrepreneurship financing programs to be successful?

Due to the diversity of approaches and relatively nascent stage of global research regarding available financing for youth-owned SMEs, a rigid definition for the criteria for success was not set prior to the

stocktaking exercise. Rather, the research was driven by an inductive approach, wherein the above listed questions informed the creation of a standardized interview questionnaire, which was then used for primary data collection.

The questionnaire was designed to capture comprehensive, uniform, and accurate data during 30-45 minute phone interviews. The questionnaire items aimed to collect information about the following components of each case: product development; client targeting and acquisition; results monitoring and impact measurement; challenges in terms of the economic, cultural and regulatory context; and the future outlook for the program. Additionally, as financing for youth entrepreneurs is a relatively new sector, it was considered prudent for the questionnaire to include open-ended questions to allow for flexibility. See *Annex I* for a detailed list of the questionnaire components.

As the stocktaking exercise evolved, the criteria for success and the subsequent grounds from which to evaluate and analyze the full sample of cases became clear. The following four criteria emerged as the most appropriate ways to evaluate the relevance of each case:

- **Youth Lens:** Initiatives should have a specific focus on youth, with a well-defined target youth market. This may be demonstrated by the inclusion of market research in the product development process, as well as by differentiated youth products.
- **Results and Track Record:** Initiatives should report a measurable impact in terms of increasing access to financing for youth entrepreneurs. This may be demonstrated by the existence of pilot testing, monitoring and evaluation frameworks, impact evaluations, and/or consistent outcome reporting.
- **Implementation Capacity:** Initiatives should have sufficient capacity to complete or sustainably manage the program/project within its timeline/lifespan. This may be demonstrated by clearly defined personnel roles and capital investments that align with project goals and anticipated outcomes.

- **Scale and Sustainability:** Initiatives should demonstrate either existing efforts to scale, or evidence of the potential to scale. Such initiatives should also display the ability to operate sustainably in the future. This may be demonstrated by indicators, such as multi-location operations, phase-oriented project planning, or iterative internal evaluations paired with external market research.

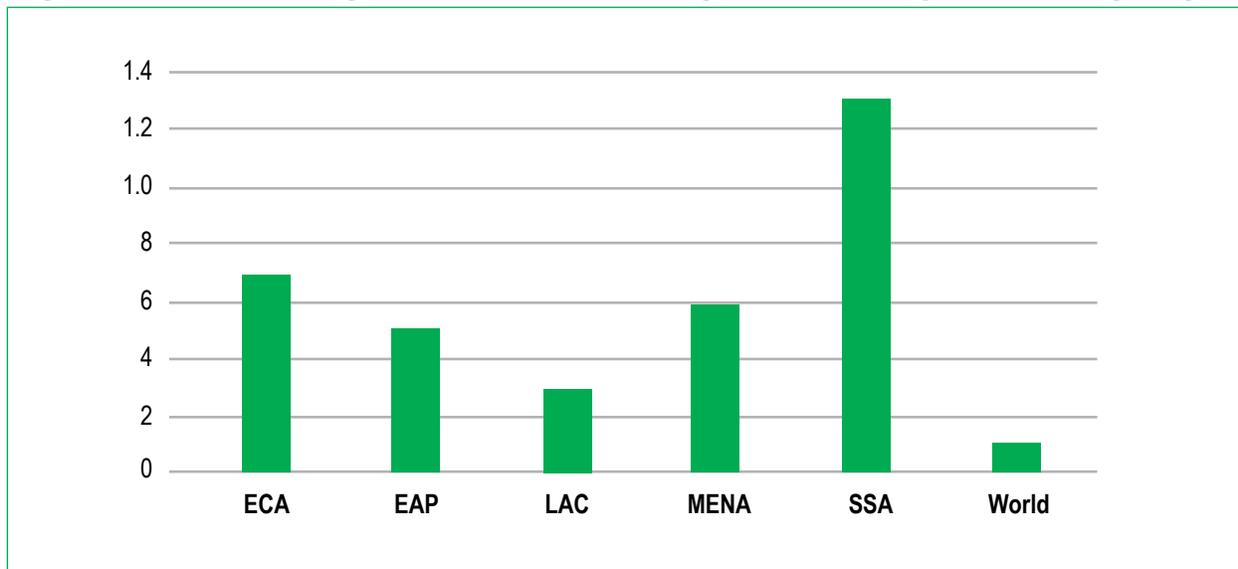
2.2 Case Collection Overview

The 35 models for financing youth entrepreneurs included in the stocktaking exercise featured different approaches in both developing and developed countries across all regions of the world. 4. Generally, the cases were equally distributed across the globe, with most located in Sub-Saharan Africa. (See Figures 1 and 2 for the regional distribution of cases).

The cases represented both private- and public-sector initiatives, as well as those run by international organizations and NGOs. In 18 of the 35 cases, private sector actors accounted for the majority of the case studies. Within the private sector cases, though, there was a great heterogeneity both in terms of the type of implementer and approach. Whereas 7 of the 18 private sector cases were operated by commercial banks, some of the cases were implemented by consulting firms, investment managers, development finance institutions, MFIs, FinTech companies, and accelerators. All 18 private sector cases provide some form of financing for youth entrepreneurs, in contrast to solely sponsoring business training or financial literacy programs. The range of financial services included lines of credit, digital lending platforms, working capital loans, seed funding and equity investments. The financiers also delivered non-financial services, such as mentorship programs, financial literacy programs, vocational training, and legal support.

The 11 initiatives managed by international organizations were primarily programs that provided technical assistance to MFIs, either by piloting or scaling up youth-specific financial products. The types of services offered by the four NGO case

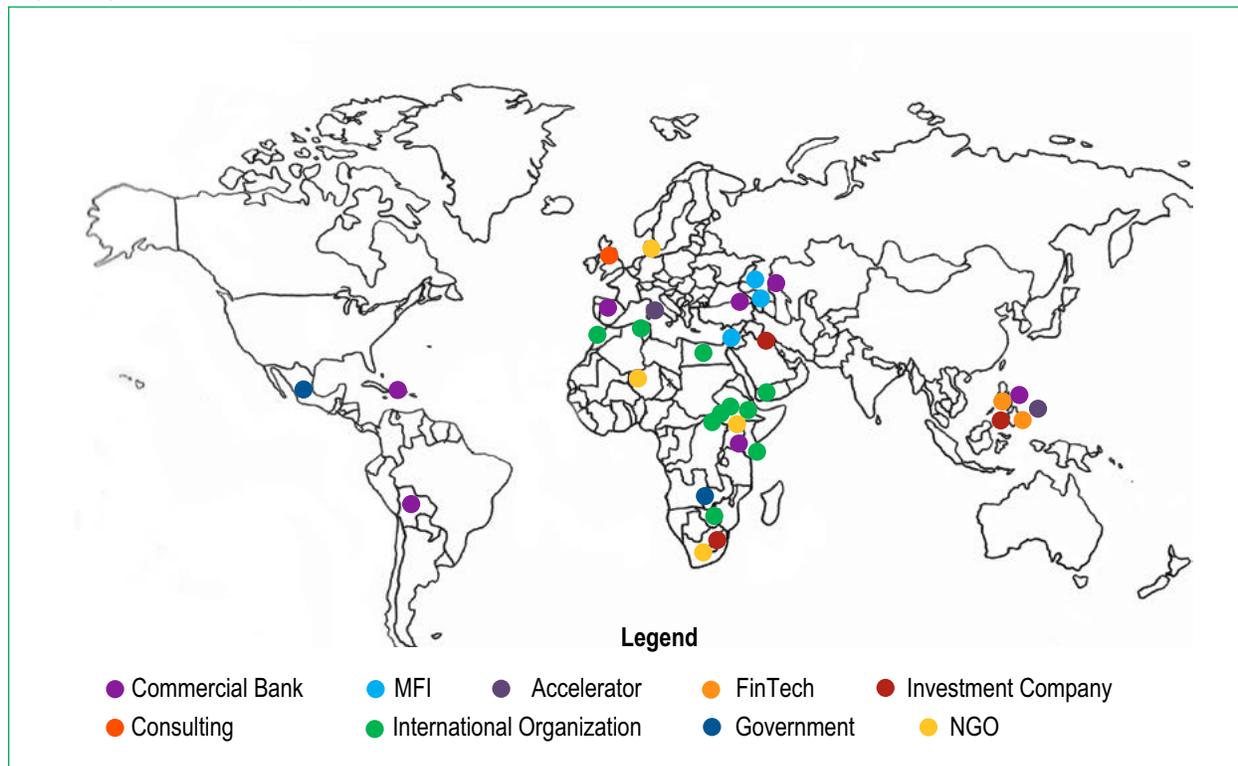
Figure 1. Stocktaking Models for Financing Youth Entrepreneurs, by Region



Source: Authors' calculations.

Note: EAP= East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; and SSA= Sub-Saharan Africa. World = model operated worldwide.

Figure 2. Stocktaking Models for Financing Youth Entrepreneurs, by Region and Implementer



Source: Authors' calculations.

Note: MFI= microfinance institution; NGO= non-governmental organization.

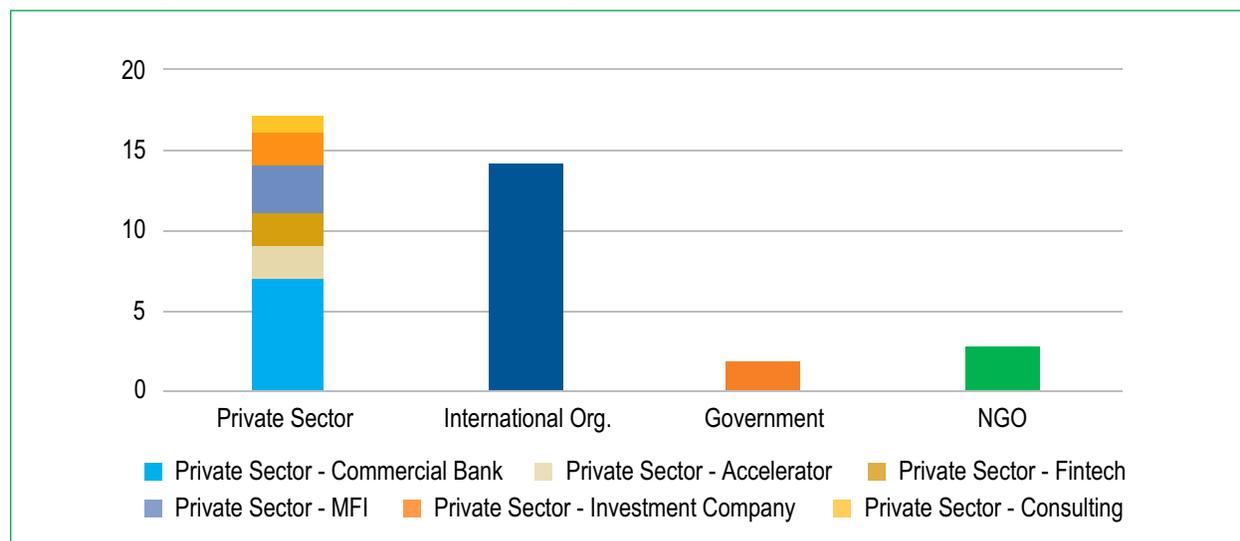
studies varied from working directly with MFIs to supporting and improving youth-oriented products, to operating as a stand-alone MFI and directly providing loan products, and to delivering business competition grant funding and business acumen training. The two public sector programs included government-initiated coalitions to expand access to SME financing for youth, as well as a government-run, non-bank financial institution that offers microfinance loans to youth. (See Figure 3 for the types of models included in the stocktaking exercise).

The 35 cases vary in terms of geography and sector, as well as their target youth market. Some cases focus exclusively on rural youth, whereas others target urban centers to leverage the higher concentrations of youth, greater density of SMEs, and the resources and access to youth offered by universities. Most of the cases did not target youth working in a specific sector or industry. Some have a mandate to serve greater percentages of young women. The cases also serve youth working in a range of sectors, including agriculture, tourism, services, technology, and cottage industries (such as small-scale manufacturing operations). They also provide financial services to both in- and out-of-school youth.

It should be noted that the stocktaking exercise is based on a limited sample of models for financing young entrepreneurs. Therefore, the geographical approach and sectoral composition of the sample may not be representative of current global trends. The efforts to create standardized metrics for comparison were further complicated by the fact that the models of financing differed based on various factors, including time to maturity, size of the financial instrument, target clients, access to resources, respective goals, and approaches to providing financial services. Additionally, due to confidentiality requirements, evidence-based results were not available in some instances, consequently hindering the ability to determine an initiative's impact, scalability and/ or sustainability. However, cases were identified with the goal of maximizing diversity in terms of geography, implementer, and model.

Despite these data-based constraints, the stocktaking exercise provided a valuable opportunity to qualitatively analyze trends that emerged within this diverse set of cases. The analysis not only illuminates best practices and key lessons learned in increasing access to finance for young entrepreneurs, but also reveals creative innovations that are being leveraged to reach a traditionally excluded, but rapidly growing market segment: youth.

Figure 3. Stocktaking Models for Financing Youth Entrepreneurs, by Implementer



Source: Authors' calculations.

Note: MFI= microfinance institution; NGO= non-governmental organization.

CHAPTER 3: OPTIMIZING FINANCIAL SERVICES FOR YOUTH ENTREPRENEURS



The successful models for youth-owned SME financing analyzed in this global stocktaking exercise show a number of approaches and innovations that successfully increased access to finance for youth entrepreneurs. Moreover, such approaches facilitated the profitability and sustainability of those youth-run enterprises and the financial institutions that supported them. The cases included in the study provide evidence that there are indeed promising models for financing youth entrepreneurs that can be scaled.

3.1 Best Practices for Delivering Financial Services to Youth Entrepreneurs

Across the range of approaches included in the stocktaking exercise, common themes emerged regarding success factors for developing, delivering, and sustaining youth-centric SME financing initiatives. The following analysis provides insights extracted from the case studies regarding best practices for delivering financial services to youth. For ease of policy application, each success factor is introduced with a descriptive explanation of importance, exemplary case studies — and notable challenges and mitigating factors.

Research the Market Segment First

Accurate and comprehensive market research is critical to ensuring that youth entrepreneurs can access and sustainably use the financial products designed for them. Market research yields important benefits at both the macro- and micro-levels. At the macro-level, thorough market research can be leveraged to dispel myths about young people as a risky market segment by encouraging more financial service providers to enter the market. On a more micro-level, market research enables financial service providers to attain a deeper understanding of the needs and preferences of the target youth market. In this way, different segments of the youth market — such as those based on gender, geographic location, or enrollment status — can be further refined. Market research can also ensure that products are well aligned with the specific needs of the target youth population and enable the integration of quality Know-Your-Customer (KYC) components.

Investing in market research upfront can save time, expense, and lessen problems related to client dissatisfaction or dropout. Financial service providers successful in serving their target youth markets do not simply replicate products that work

Key Recommendations

To best serve their target youth markets, it is imperative that financial service providers have access to accurate and complete information. Therefore, financial service providers should invest in early-stage, rigorous and diverse market research involving various stakeholders and methods. Stakeholders may include banks, community associations, government entities, NGOs, and youth entrepreneurs themselves. Methods may include secondary as well as primary research, such as large-scale surveys, individual interviews, and focus groups.

elsewhere or with different market segments. Rather, they engage in thorough and often continuous market research.

Recognizing that market research can be costly and time consuming, it can be tempting to forgo it altogether. However, partnering with third parties can help to reduce costs, while still ensuring high quality data and insights.

Market research can encompass a broad range of data. The following are a few key indicators that may be considered when targeting youth entrepreneurs:

- The social, political, economic, financial, and regulatory environment, with a particular focus on those areas that would affect youth-centric financial products, such as the presence of:
 - youth entrepreneur coalitions, committees, hubs, or associations;
 - laws related to access to finance based on age (in some countries, only adults can enter into legal contracts) or credit history;
 - level of engagement with youth entrepreneurship development on behalf of the Ministry of Youth and the Ministry of Labor (or comparable government agencies);
 - NGOs focused on youth employment or workforce development, among others; and
 - Other financial service providers that have specific strategies to serve youth clients;

- Barriers to use of and access to SME financing, segmented by gender, age, region, school enrollment, or industry;
- Strengths, weaknesses, impact, and take-up of existing financial service providers and youth support programs;
- Mindsets and financial behaviors of unemployed youth, for example budgeting, planning for the future (saving), and spending habits; and
- Penetration of technology, such as mobile money, and its role in SME financing, among others.

It should be noted that context is primary when conducting market research. Each initiative should take the time to collect indicators that are appropriate to their given target markets.

A good example of a program that conducted market research during the product development stage is the West Bank and Gaza-based MFI, **Ryada** (now *Vitas Palestine*). It conducted in-depth market research to guide the development of a startup business loan product for youth. Ryada worked with Making Cents International to design its pilot and utilize its youth-friendly market research tools. The market research included youth focus groups, interviews with Ryada staff and loan officers, as well as product concept testing. This enabled Ryada to speak with potential clients and obtain feedback about the product idea.

Key Recommendations

Promoting risk-based customer identification/verification at onboarding can help increase access to regulated financial services for youth entrepreneurs. Youth may have a limited ability to meet traditional official identity document requirements for verifying customer identity for loan or credit applications, or for opening savings or payment accounts.

Under the risk-based approach to customer identification/verification established by the FATF, governments may authorize financial service providers to accept, on a risk-basis, alternative forms of identity documentation, such as school IDs, marriage licenses, or letters from a recognized authority, such as a village chief or local council member. These could serve as an in-person customer identification or as an identity proofing component of a digital identity system.

Governments may also establish digital identity systems or authorize financial institutions to use trustworthy digital identity solutions provided by the private sector to conduct customer identification/verification at onboarding, and in compliance with the global standards. It should be noted that the use of tranching to mitigate credit risks may also mitigate money laundering and terrorist financing (AML/CFT) risks.

Detailed information about risk-based approaches to customer identification/verification and other elements of customer due diligence (CDD) is provided by the FATF Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion with a Supplement on Customer Due Diligence (November 2017). It is available at <http://www.fatf-gafi.org/publications/fatfgeneral/documents/financial-inclusion-cdd-2017.html>.

Information regarding the risk-based approach to digital identity systems, consistent with the global standards, is provided in the FATF Guidance on Digital ID (February 2020), available at <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/digital-identity-guidance.html>.

Governments, traditional financial institutions, FinTechs, financial inclusion experts and other development stakeholders are encouraged to consult the FATF Guidance, and implement risk-based approaches to anti-money laundering/ combating the financing of terrorism (AML/CFT) and financial inclusion.

Youth entrepreneurs often struggle to meet the strict credit scoring criteria set by financial service providers. Thus, the use of alternative data for credit scoring and innovative personal background screening processes for evaluating credit worthiness can be beneficial for promoting increased access to finance for youth entrepreneurs.

Youth typically have a limited ability to meet traditional bank conditions for loan or credit applications, such as documentation of financial transaction history in the regulated financial sector or documentary proof of required background information such as education, address, or assets. Financial service providers could explore complementing traditional forms of credit history and background checks for credit risk evaluation with personality, behavioral, or psychometric tests—so long as such tests are demonstrated to be valid, non-discriminatory, and are consistent with applicable consumer protection laws. Traditional credit scores can be supplemented by alternative credit histories that include data, such as a utility or cell phone payment history.

Evaluating youth based on their enterprising tendencies rather than their financial health can make it easier for youth entrepreneurs to access financial products. Enterprising tendencies can include traits such as high levels of motivation, personal responsibility, a proclivity for innovation, and evidence of strong goal orientation.

The data collected by Ryada built a strong foundation for a viable financial product, but also challenged the staff's preconceived notions about loan products for youth. The research revealed insights, such as the fact that unemployed youth in their target market saved more than expected. This discovery debunked initial assumptions that unemployed youth exhibit low levels of financial responsibility.²⁰ Furthermore, Ryada was able to leverage the findings of the market research to evaluate its own appetite for risk, as well as determine the types of initiatives and additional youth-oriented programming that may be necessary to ensure the successful impact of their products on the target market segment. The product offers loans of up to US\$5,000, with a repayment period of up to 36 months. Since launching the startup business loans for youth in 2011, Ryada grew its youth client-base to 40 percent of its total US\$46 million portfolio as of December 2017. (In this context, it should be noted that Ryada defines youth as those aged 30 and younger.)

Focus groups are a particularly relevant research tool in designing financial products for financing youth-led SMEs. Data extracted from focus groups tends to be rich due to its qualitative nature. As such, it can reveal latent insights regarding the barriers faced by youth entrepreneurs.

Four of the case studies reported on the benefits of using focus groups for market research. In Tunisia, for example, the International Fund for Agricultural Development (IFAD) Rural Youth Economic Empowerment Program (RYEEP) supported **Microcred Tunisie** in developing *Irada*, the first small enterprise start-up loan developed specifically for urban and rural youth in Tunisia. Prior to launching the product, three groups of potential clients were interviewed to inform the design of the loan product. Insights gained from the focus groups included the need for support and coaching, as well as the fact that the requirement of a guarantor for a loan was a significant barrier for youth clients.

Microcred Tunisie also carried out a quantitative study, which revealed that of the 1,342 unemployed youth surveyed, 83 percent considered access to financing to be the biggest constraint to starting

a business, and 65 percent could not identify organizations or programs that support youth entrepreneurship. Moreover, 93 percent believe that they need to borrow funds to start a business. This type of in-depth market research enabled Microcred Tunisie to disburse 91 loans with an average size of US\$2,269 to rural youth for business expansion in the initial seven months of its product launch.

The **Turkish Economic Bank (TEB)** conducted focus groups with more than 80 women managers in five different cities in Turkey prior to launching its *TEB Women Banking Program*. In the first two months of operation, 6,000 clients utilized the loan product.

The **Development Bank of the Philippines (DBP)** conducted similarly designed focus groups prior to launching its SME loan products. The focus groups informed the loan product design, specifically by helping the DBP realize the need for a product that provides working capital loans for small businesses. The Small Business Puhunan Loan Program, launched in early 2018, provides permanent working capital from US\$5,600-16,000 to micro and small enterprises.

Apart from conducting direct market research with youth, it may also be appropriate to analyze the market at a higher level by conducting landscape and competitor analyses. **ADA Microfinance**, a Luxembourg-based NGO that empowers and supports the growth of MFIs, leveraged the use of a feasibility study to scale its programs to new markets. ADA Microfinance used the feasibility study to screen countries and analyze youth markets and actors prior to initiating its *Young Entrepreneurs Program* in Burkina Faso, Niger, Rwanda, and Togo. The NGO spent approximately 2-3 months researching its partner MFIs and the corresponding target youth markets. Its research included investigating the number of actors involved in youth financing and whether there were sufficient non-financial support providers to complement the new youth-oriented loan products. Additionally, following the feasibility study, ADA Microfinance worked with partner MFIs to conduct a market survey and pilot configuration. In 2016, the NGO

supported its partner MFIs in Burkina Faso, Niger and Togo, granting more than 1,500 microcredit loans to young entrepreneurs. As of December 2017, the program in Rwanda was still in its pilot phase — but had already financed 40 youth entrepreneurs.

Schools for Startups (S4S), a multi-country social enterprise that provides entrepreneurship educational training and various forms of funding for entrepreneurs, also emphasizes up-front investments in higher level, ecosystem mapping research. The S4S model stresses the importance of context. As such, prior to implementing a project and disbursing funding to their program participants, program coordinators conduct what they refer to as “local mapping”. This entails research about the context and drivers of local markets where there may be potential for entrepreneurship to emerge. This research helps S4S to achieve three goals, namely, to: (i) understand the nature of the local entrepreneurship ecosystem; (ii) identify potential sponsors, exploring how their goals may align with S4S entrepreneurship training programs; and (iii) make connections with local consultants who can later be used during program implementation. Since its founding in 2008, S4S has been commissioned to train over 40,000 entrepreneurs across six countries in Africa, Europe, and Latin America. S4S is also employing comprehensive market research to develop proposals for new forms of investment funds designed to finance entrepreneurs.

Umutanguha Finance Ltd., a Rwanda-based partner of the United Nations Capital Development Fund (UNCDF) and the Mastercard Foundation’s YouthStart program, identified local market needs and youth-run businesses which were typically successful. The findings led to the provision of micro-leasing opportunities. Given the context, Umutanguha achieved great success in leasing moto-taxis for youth to start their own moto-taxi businesses. The key success factor of the MFI’s micro-leasing program was ensuring that their products were linked with growing, easy-to-enter markets. The Umutanguha YouthStart program portfolio operates on a smaller scale, serving only 353 clients, and representing only 6.7 percent of the bank’s total portfolio. Nonetheless, it has performed

better than the total portfolio, with a portfolio-at-risk (PAR) 30 ratio of 3 percent as compared to 4.9 percent at the end of 2014. After the culmination of the YouthStart program in 2014, Umutanguha institutionalized the youth product. As of 2016, 387 youth loans were disbursed. They represented 8.3 percent of the bank’s total portfolio, with a PAR 30 of 1.8 percent as compared to the bank’s institutional PAR 30 of 5.26 percent.

The International Fund for Agricultural Development’s RYEEP partner microfinance institution in Yemen, **Al Amal Bank**, conducted a market study that revealed that the honey industry in Yemen was highly populated by youth beekeepers. The bank then designed its loan products to align with the specific needs of youth who were interested in accessing financing for the purchase of equipment related to the honey industry. By January 2016, Al Amal Bank had disbursed 2,512 loans to youth for business expansion purposes.

Thus, integrating market research during the initial development stage of financial products for youth entrepreneurs does not come without challenges. Building strong partnerships, particularly with youth groups, local NGOs, and research organizations, is essential to success. So too, having sufficient capacity at the outset of the market research phase is important to ensuring that is conducted in a thorough and accurate manner.²¹

Develop Flexible Criteria for Assessing Youth Clients

Youth entrepreneurs often struggle to meet the strict credit scoring criteria set by financial service providers. Generally, young people tend to lack a financial history or formal records. As such, they are less likely to receive approval for financing — or attract investors to their new businesses. Consequently, it is useful for financial service providers to screen youth clients based on criteria other than their scant financial histories.²² Financial service providers can use references from teachers or mentors to help find and select promising youth entrepreneurs. In-person interviews may also be used to assess the skills and dedication of

youth entrepreneurs to their new businesses.²³ It should be recognized that starting a new business is innately risky. Not all youth may be well-suited to successfully taking on these risks. In this regard, financiers should also take this into consideration when assessing the skills, character, and credit worthiness of youth clients.

Mynt is a FinTech startup in the Philippines that provides loans and credit lines to small business owners. It partners with a psychometric scoring company to evaluate the behavior and financial decision-making tendencies of potential customers. In addition to this unique screening process, Mynt requires their customers to take a short survey, which is designed to reveal details about the individual's business acumen. It should be noted that Mynt does not solely rely on these alternative assessments to evaluate potential clients. In this context, Mynt's use of surveys and psychometric tests indicates that there is potential for integrating more holistic and flexible forms of client evaluation, particularly for market segments that may not have high credit scores, such as youth. Mynt is still in the early stages of launching its Fuse Lending¹ platform. Therefore, results are not yet available.

Another Philippines-based initiative that uses alternative means to screen its youth clients is **BPISinag**, a business competition accelerator program run by the Bank of the Philippine Islands (BPI) Foundation. The program does not evaluate youth based on their business experience or credit history. Rather, it places an emphasis on a qualitative evaluation of the entrepreneur's ambition. The program can capture rich qualitative data about the

participants because it is committed to investing in the provision of hands-on mentoring and training. The success of this component can be partially attributed to strong cohorts of academic and business experts who repeatedly volunteer, working as mentors, evaluators, and judges in the business competition. The program is based on the belief that in order to be a successful young entrepreneur, traits such as ambition and an appetite for risk are necessary. BPISinag provides funding to businesses that have progressed past the ideation phase, that is, the entrepreneur must already have developed a business plan.

Credo Bank, a Georgia-based financial institution that provides micro, small and medium enterprise (MSME) financing with a focus on financial inclusion of rural areas, paired the more traditional use of credit bureaus to assess client creditworthiness with a more personalized assessment based on connections with local village councils. Credo Bank emphasized the importance of building trusting relationships with clients, as well as integrating dependable monitoring systems. The bank is currently serving more than 230,000 active customers through 67 service centers throughout Georgia. About 29 percent of the bank's clients are under the age of 35. In 2017, Credo Bank's net income was approximately US\$9 million.

S4S discovered an innovative method for incorporating an evaluation of the enterprising tendencies of youth into its client-vetting process. Due to the lack of diversity in funding platforms, S4S found that youth entrepreneurs often approach banks for startup business loans. However, because

Key Recommendations

Financial service providers can reduce the credit risks associated with lending to youth entrepreneurs by designing products that disburse funds in tranches. Financing can also be tied to programming or monitoring that enables and incentivizes youth to build a solid business plan, a strong financial track record, and increased financial and entrepreneurial skills. Incorporating milestone-based financing into the product design allows young entrepreneurs to develop and grow successful businesses. At the same time, it enables financial service providers to mitigate the credit risks often associated with financing youth entrepreneurs. Thus, by utilizing milestone-based financing, the financial service provider can more closely monitor the financial health of a youth entrepreneur's new business.

of their weak credit histories, these motivated entrepreneurs are often rejected by banks. However, S4S recognizes that those rejected by banks are often a self-selecting group of dependable and ambitious entrepreneurs. The very fact that they are attempting to obtain loans from the formal financial sector indicates that they possess an innate enterprising tendency, as revealed by their motivation and commitment to approaching banks and completing all the related paperwork — even with a high potential for rejection. Thus, they are ideal candidates for receiving S4S entrepreneurship training programs. In this context, S4S found success in acquiring program participants by collecting the banks' long lists of rejected youth entrepreneurs. Essentially, these lists are used as a proxy measure for entrepreneurial spirit.

Zimbabwe:Works program was a five-year (2012-2017) workforce readiness program implemented in Zimbabwe. It developed a two-way referral process, whereby youth who were rejected for funding by local MFIs because they did not meet the credit history requirements, were referred to Zimbabwe:Works for its financial literacy programs. Through its formal arrangements with MFIs, Zimbabwe:Works was able to provide youth who were originally rejected by the MFI with financial knowledge and skills. These skills then enabled them to return to the MFIs, re-apply for funding, and start their own businesses. Similar to S4S, Zimbabwe:Works recognized that these youth have an innate tendency toward entrepreneurship. However, on paper, they appear too risky for traditional MFIs to earnestly provide financing. As a result of this integrated partnership referral model, the Zimbabwe:Works project enabled about 34 percent of program participants to start their own businesses. These businesses, in turn, had a 90 percent survival rate, with an average of about 3 jobs created.

The Awethu Project, a South African incubator and investment company, has moved away from using traditional criteria for vetting entrepreneurs for participation in its incubator program. The founder, Yusuf Randera Rees, intended to create a model that does not use traditional metrics. Therefore, it does not identify whether an individual has a business, or

has completed secondary education. The only true criterion for participation in the incubator program is demonstrated entrepreneurial promise. Awethu's talent-identification process includes assessments designed to evaluate the grit and potential for business among South African youth.

Beyond the realm of credit-scoring, more traditional models of SME financing present another barrier for youth clients. Prospective clients are often required to present formal documentation related to their education, financial history, residence, and assets — apart from other personal and financial traits. Youth, often accustomed to the informal sectors, may be easily discouraged by such tedious documentation procedures. Furthermore, youth face time and cost constraints in preparing documentation for credit evaluations. Financial service providers often expect, or offer greater respect, to clients who can present their documents on time and in a professional manner. Although a customer's inability to present documents in a professional manner most likely has limited correlation with loan repayment habits, it may still be emphasized by financial service providers. Thus, to enable financing pathways for youth entrepreneurs, it can be useful to relax formal documentation requirements for credit history and personal background evaluations. Financial service providers can instead adopt more flexible criteria for demonstrating financial and personal responsibility, as well as overall good character and trustworthiness. As noted, a risk-based approach to customer identification/verification at onboarding is also important to providing financial services to youth entrepreneurs.

One notable example concerns the **Finance Trust Bank (FTB)** in Uganda, a partner of the UNCDF and Mastercard Foundation YouthStart program. In conducting customer identification/verification, and as part of its financial responsibility/credit risk screening process, the FTB accepts a recommendation letter from an individual who knows the youth entrepreneur as a form of identification. Letters from a school head, church authority, existing FTB client, or local council authority were all deemed to be acceptable. The FTB also accepted other non-traditional forms of identification, such as school

IDs for in-school youth and village IDs for out-of-school youth, as well as voter's cards and driving permits/licenses when applicable. It should be noted that these alternative forms of identification are often accepted as sufficient documentation for customer identification/verification to open an account. In this regard, the FTB accepted alternative identification from youth clients with the initial goal of increasing the number of youth holding savings accounts. However, this information is rarely recognized as adequate, stand-alone indicators of creditworthiness, as in the case of the FTB.

A youth entrepreneur with a bank account has the beginnings of a credit history and is thus more likely to qualify for future small business loans. As of December 2014, the total number of FTB YouthStart active savers was 28,747 with a total savings balance of US\$738,178 — an increase from 5,941 active savers holding a balance of US\$100,731 in 2012. This increase in the number of youth savings accounts encouraged the FTB to develop and launch two new loan products for youth, including an individual and a group lending offering. From the products' initial launch in March 2014 to December 2014, the outstanding portfolio reached US\$11,139 with 34 borrowers, holding an average loan balance of US\$328. This balance compares to an average loan balance of US\$1,045 for all clients.

Use Tranched Financing to Mitigate Risks

A useful method for mitigating the credit risk associated with financing youth entrepreneurs is to disburse funding in tranches based on the achievement of key milestones.²⁴ This type of financing, referred to here as milestone-based financing, has the potential to lower the loan

default rate, raise the probability of successfully launching sustainable businesses, and encourage the financing entity to provide more hands-on, customized services, which tend to work best for young people. It can also lower the AML/CFT risks associated with the loan, supporting risk-based identification/verification for the loan application and disbursement of proceeds.²

This type of phased financing also increases the financial service provider's ability to closely monitor youth financial behavior, as well as the status of their new business. Furthermore, benchmarked funding increases the financial service provider's ability to iteratively design its products based on the changing needs of the youth customers, specifically, according to the business development and growth stages.

The case studies revealed three distinct methods for benchmarking financing: basing benchmarks on either quantitative or qualitative business performance achievements; the progression of the youth's financial track record; or by measuring the levels of increased skill acquisition. These are all powerful ways to ensure that youth entrepreneurs are using the funds for productive, income-generating activities. They also help youth to become more viable and sustainable clients.

Tranches Based on Business Performance Achievements

Milestone-based financing and augmented funding streams based on business performance metrics work particularly well for accelerator programs. For example, **BPISinag**, an accelerator in the Philippines, modified its financing model. Instead of providing a lump sum to program participants, it

Key Recommendations

Financial service providers can design financial products that are more attractive and accessible to youth clients. Some mechanisms include reduced collateral requirements; adjusted and flexible interest rates; flexible payment schedules; and loan disbursements that are strategically timed to match the entrepreneur's business or inventory cycle.

segmented or tranching funding based on progress-related milestones. BPISinag reported that funding in this segmented manner served as a form of monitoring and accountability. This minimized the risk of program drop-outs, while also ensuring that funds were not spent by the clients on activities unrelated to the development of their enterprises. BPISinag also found success in personalizing the funding milestones to each entrepreneur's business plan. The entrepreneur worked directly with the program staff to determine the appropriate benchmarks, which ensured clear expectations for both parties.

Using a comparable model, **TBC Bank**, a Georgian bank developed a startup financing program called *Startuperi*. It makes use of this best practice by disbursing loans based on a staggered funding model. Loan payments to all clients are staggered based on industry-specific benchmarks. *Startuperi* is a new program, launched in early 2017. Thus, it is too early to report any real results. However, there has not yet been a single overdue loan despite the large number of loans disbursed. Indeed, to date, *Startuperi* has disbursed US\$1.6 million to over 10,000 startups. Such milestone-driven funding schemes can be useful in SME lending in general. However, they are particularly useful for the youth market segment because youth tend to lack business development experience and a financial history.

S4S also embraced a segmented funding scheme. Its model was based on an integrated approach, combining financing and training. It was synchronized to milestones achieved in the entrepreneur's business plan. Specifically, financing was predicated on the attainment of specific quantitative and qualitative performance milestones. S4S piloted its milestone investment approach during the 12-month S4S Nigeria program. S4S was able to train and mentor over 1,200 small business owners. It also partnered with the United Kingdom's Department for International Development (DfID), the Federal Ministry of Finance of Nigeria, and the World Bank to supervise the distribution of US\$50 million in the form of one-time equity grants.

In using these types of milestone-based financing models, both the financial service providers and the youth entrepreneurs should be aware of the implications of late disbursement risk. Specifically, there should be mechanisms in place to ensure that once the pre-determined milestone is confirmed, the disbursement of the next tranche of funding should not be delayed.

Tranches Based on Building Youth Financial Track Records

Youth are typically viewed as risky clients due to their lack of credit histories and perceived inability to save. However, oftentimes, they do possess the proclivity to save, but are simply not given the opportunity to do so. Therefore, to de-risk youth clients, financial service providers discovered the importance of creating products that allow youth clients to simultaneously access financing and strengthen their financial history. This method is built on the notion that it is important to strengthen the capacity of youth to repay their business loans. Over time, it also enables the financial service provider and youth client to build trust in one another.

This type of milestone-based financing was particularly well done across the partner MFIs in the UNCDF Mastercard Foundation YouthStart program. The UNCDF found that a savings-led approach, coupled with financial education, supports youth in building assets from an early age. For example, **Umutanguha** in Rwanda offered a savings account for youth, which could be designated for the specific purpose of starting a business. Once the savings account contained a predetermined minimum amount for six months, the youth client qualified for the bank's loan products. Subsequently, when applying for a loan, the youth were eligible for loan amounts equal to four times the value of their savings account, plus interest. The loans provided by the MFI were also coupled with financial literacy programs. As a result, youth learned how to manage money, and plan to save. They were also required to participate in training pertaining to the responsibilities of accessing credit.

The youth clients of **Amhara Credit and Savings Institution (ACSI)**, a government-owned MFI and one of the largest MFIs in Ethiopia, were required to have an open savings account for one month. During this time, they were obligated to make a minimum of three deposits and up to eight withdrawals to qualify for the youth business loan. As part of the YouthStart program, the number of ACSI active borrowers increased from 3,313 in 2012 to 65,948 as of the end of 2014; likewise, the gross outstanding portfolio increased from US\$1.2 million to US\$6.6 million. Additionally, the PAR 30 in December 2014 was 0.6 percent compared to 1.0 percent for ACSI's total portfolio. Thus, the youth segment registers as a higher quality portfolio.

Banco ADOPEM, a savings and credit financial institution in the Dominican Republic, launched a savings account product exclusively for children up to the age of 15, as well as for youth from the ages of 16 to 24. Its intention is to help children build a financial track record starting at a young age. The minimum deposit amounts required to open an account are Dominican Pesos (RD) 200 (about US\$4) and RD 200 (about US\$4) for children and youth, respectively. The interest rate is 2.5 percent per year, credited every six months, with a charge of RD 10 (about US\$0.20) for six months of inactivity. Thus, Banco ADOPEM presents a unique model for enabling children and youth to build sufficient credit to access finance once they are at a point where they would want or need to start their own businesses. As of December 2017, Banco ADOPEM had a portfolio of 35,312 savings accounts with a total of RD 54.6 million (about US\$1.1 million).

These approaches, predicated on the maintenance of savings, enable youth to develop financial stability and know-how. At the same time, they also enable the financial service providers to better serve their youth clients. The UNCDF reported that there was some initial uncertainty regarding the ability of youth to manage and repay loans. However, after offering savings products to youth, and building relationships with their clients, its partner MFIs discovered that youth were in fact just as trustworthy and “bankable” as other clients. Furthermore, introducing youth to savings products

was a productive and less risky way to prepare youth for participation in the formal financial sector. Once youth clients proved their ability to consistently save — even at small levels — they could gain access to credit and loan products, which could then be used to start their own small businesses. For young entrepreneurs with no previous credit experience, this type of model helped prove their viability as trustworthy and financially stable customers.

Tranches Based on Skill Acquisition

Financial service providers use other methods to mitigate risks associated with youth, for example, by creating financing preconditions based on skill acquisition requirements. This can include conditioning loan or funding disbursements on the completion of programs that provide non-financial services, such as technical and vocational education and training (TVET) and financial literacy programs. If youth can prove that they have acquired the necessary skills to start, manage, and sustain a business, then financial service providers are more likely to view them as reliable customers.

A number of successful initiatives pair the provision of funding with the required completion of financial literacy or skills training programs. For example, **ADA Microfinance** required youth to complete training in financial literacy, entrepreneurship skills, and business plan development prior to loan disbursement. As a result, ADA Microfinance achieved promising results across its three youth financing programs in West Africa. For example, the program in Burkina Faso has financed 1,687 youth since 2008, enabling the creation of 2,100 formal and informal jobs. Moreover, 89 percent of the microenterprises financed since 2009 are still active. In another example, since 2016, 781 youth entrepreneurs in Togo have been financed, and 1,200 jobs created. Again, 98 percent of these businesses remain active. Finally, in Niger, 2,011 young entrepreneurs have been financed since 2016, with 400 jobs created. In this case, 50 percent of these businesses started by youth are still active.

Youth who complete *Academia Fojal*, the seven-level financial literacy training program offered by the **Jalisco Fund for Business Development (Fondo**

Jalisco de Fomento Empresarial) (FOJAL), a state development bank in Mexico, were immediately eligible for the bank's credit products. More than 60 percent of FOJAL's loan portfolio consists of youth under the age of 30. In cases where the youth clients need larger amounts of startup funding, they are referred to one of the commercial banks with which FOJAL has alliances. Those clients who participate in *Academia Fojal* have a 96 percent loan application success rate. Indeed, FOJAL disbursed 14,989 loans in 2017, which represented an impressive 71.4 percent increase from 2016.

Zimbabwe:Works provided a range of services such as business development support, financial literacy training, and entrepreneurial vocational training. These services were offered prior to linking youth to MFIs with which Zimbabwe:Works had formal partnerships. Since its inception in 2012 until the end of 2016, the program has reached 25,339 young people. Similarly, the YouthStart partner MFI, **Umutanguha** in Rwanda, made its micro-leasing opportunity available to youth only after they had completed the work readiness curriculum. Umutanguha grew from having only 152 active borrowers in 2012 to 353 active borrowers in 2014. The MFI projects sustainable growth backed by a high commitment to continuing to serve the youth segment. The 2015-2019 business plan sets annual targets of 408, 486, 540, and 571, respectively, for the number of annual youth business and leasing loans. As of June 2017, Umutanguha had 863 youth borrowers.

Ibercaja, a Spanish commercial bank, pairs loan and subsidy financing with a rigorous 30-hour entrepreneurial training program called *Emplea-T y Emprende*. The training includes both customized group and individualized sessions and mentorship. Only after completing the training can participants request funding from *Emplea-T y Emprende's* special line of financing. The loan amounts can be up to €30,000 (about US\$34,252) for a six-year period, with an interest rate of 3 percent during the lifetime of the loan. When financing is provided in the form of a subsidy, it amounts to 3 percent of the loan. Since the start of the program in 2012 until October 2017, 407 entrepreneurs became eligible to

access financing from Ibercaja. About 19 percent of those eligible young entrepreneurs opted to request financial support. Seventy-five percent of applicants were approved for financing, amounting to a total of about €1.3 million (about US\$1.5 million), with an average loan size of approximately €24,367 (about US\$27,820). The outstanding balance of these 57 requests totals €884,391 (about US\$1 million).

The **YAPASA Youth's** agribusiness product was started by the National Savings and Credit Bank of Zambia (NATSAVE) in 2016. It trained program beneficiaries in farming and business skills. Each participant received a bank loan equivalent of US\$350 for the purchase of soybean seeds, fertilizers, and pesticides. Coupling the loan with skills training enabled NATSAVE to achieve 100 percent approval ratings during the pilot period. In terms of profitability, the bank receives approximately US\$100 per six-month period for each individual youth. Youth are also able to make a profit of about US\$70 during a six-month period.

S4S developed the Launcher Program through a contract with the Startup Loan Company, a subsidiary of the British Business Bank. The key program feature is that the loan is accompanied by extensive training, providing time before the loan is disbursed to improve the nascent businesses of young entrepreneurs. S4S offered entrepreneurs the opportunity to attend boot camps and make use of the analytical skills they acquired to support their funding applications. During the two years that S4S was involved in the program, it lent £14.2 million (about US\$18.2 million) to approximately 1,500 startups, with a default rate of about 25 percent. This compares with the current default rate for all new businesses in the United Kingdom, which is more than 50 percent in the first two years.

S4S leveraged its successful experience linking funding to a strong teaching and training curriculum when developing its S4S Southwest Program. The program consisted of condensed training conducted over 6-week intervals. The training focused on preparing entrepreneurs to be investment/ investor ready. S4S reached 380 businesses, successfully securing over £2.5 million (about US\$3.2 million)

in funding. In addition, over 400 new jobs were generated through this program.

The premise of equipping youth with the skills to mitigate innate business risks sufficiently to open the doors to funding is particularly appropriate to the discussion of accelerator and incubator financing models. By definition, the incubator model adopts this best practice by first training and mentoring, and then funding youth entrepreneurs. Importantly, it is conducted on the basis that they will need guidance and monitoring throughout the lifecycle of their business development process. Accordingly, Triple Jump reported that accelerators are the best way to reach youth entrepreneurs because they support them from business ideation through maturity and expansion.

Innovate Develop Excel Accomplish (IDEA), an incubator-accelerator program founded by the Bank of Cyprus (BoC) and the Cyprus International Institute of Management, utilized a 9-month training model. In the acceleration phase, the prospective client received 3 months of intensive training, followed by a 6-month incubation period, during which time the bank distributed funding. IDEA provides a total of about US\$14,750 in seed funding to each startup, disbursed in two installments. Approximately US\$10,000 is provided when the entrepreneur completes the acceleration stage. After about 6 months of incubation, the remaining funds are remitted — provided that the business was effectively launched, and the entrepreneur remains active in the IDEA community.

xChange, an impact investor and incubator for early-stage, impact-driven social enterprises in the Philippines, tailors the incubation and financial services to the unique needs of each portfolio company. In some cases, xChange takes a board seat while engaged with the company to provide guidance on governance, long-term strategy, capital expenditure investments, and fundraising. xChange is also able to support its investees by connecting them to clients, funders, suppliers, service providers, and other advisors.

BPISinag, also located in the Philippines, provides business plan and financial statement training

during its intensive 2-week entrepreneur boot-camp. It then distributes seed funding in the form of one-time grants to the competition winners. From 2015 to 2017, funding was awarded to 30 entrepreneurs, and in 2017 the top five finalists were granted a total of Philippine Pesos ₱500,000 (about US\$9,505).

Some financial service providers have even found success in developing innovative models that combine the provision of training and the building of financial trails to alleviate risks associated with youth clients. ACSI, a former partner MFI of UNCDF, Mastercard Foundation and YouthStart, is a relevant example of the potential for this type of financing in Ethiopia. It partnered with a government-run TVET program focused on training youth in entrepreneurship, while also offering the participating youth access to savings accounts conditional on their participation in financial education classes. The financial education classes were delivered in tandem with the TVET training. Upon completion of their technical training, the youth accumulated enough savings to access loans so that they could then start or expand their businesses.

STRYDE, an 8-year program in East Africa, was launched in 2011 by TechnoServe in partnership with the Mastercard Foundation. It pairs entrepreneurship skills training with programs that help youth build both their businesses and their creditworthiness. After youth participants complete an intensive 3-month “self-efficacy” training course, they are eligible for two types of funding: technical assistance funds and business plan competition grants. As part of the training course, participants complete a savings module to gain financial literacy skills related to group savings and lending. After completing this module, youth are encouraged to form groups and either apply to youth-centric government funds, MFIs, or start their own saving and lending groups with each other. Thus, the STRYDE program enables youth to access new forms of funding through the program’s funding streams. It also opens the doors to accessing previously inaccessible sources of finance for their new businesses. Seven years into the 8-year program, a total of 15,552 youth have graduated from the STRYDE program. On

Key Recommendations

Given the increasing relevance and importance of FinTech, traditional financial service providers will eventually embrace FinTech to remain competitive in the financial service arena. They can do so by directly incorporating responsible FinTech—that is, Fintech that aligns with consumer protection, AML/CFT, anti-fraud, and other financial integrity objectives—into their products or by partnering with FinTech companies.

Financial service providers should also utilize responsible FinTech as an innovative method to cut costs, improve product quality, and overcome geographical constraints to reach a wider range of potential clients, while safeguarding financial sector transparency and integrity. Finally, FinTech can also be used by financial service providers to devise a more accurate financial risk assessment tool.

average, these youth increased their income by 133 percent, with 90 percent of participants now saving regularly. This represents a nine-fold increase from before the training was implemented. Of the youth who completed the training, 30 percent are currently running micro and small enterprises.

Consider New Products that are More Suited to Youth Entrepreneurs

Financial service providers targeting the youth market are now modifying some of their products to meet the financial needs of youth entrepreneurs, including their limited ability to meet bank conditions for financing. The main barriers to successfully financing youth entrepreneurs include high interest rates, administrative fees, and collateral requirements.²⁵ A number of the case studies highlight financial providers who designed collateral requirements to better serve the needs and business-building goals of their target youth markets.

In Yemen, the IFAD RYEEP enabled **Al Amal Bank** to leverage the power of alternative forms of collateral to develop a youth-inclusive small business loan product called the *Reayah Welfare Payment Program*. The program targeted poor households receiving government support payments. Through this product, Al Amal offered small loans with the government support payments used as collateral. In January 2015, two years into the three-year grant, the *Reayah* program had 3,106 active loans, with an outstanding portfolio of about US\$1 million.

TBC Bank in Georgia developed a startup loan product that features zero collateral for loans of up to

Lari 40,000 (about US\$15,600). This zero-collateral element encourages youth who, under normal collateral requirements, would not be able to enter the market to risk starting their own businesses. TBC Bank also developed a new agriculture loan product that allows clients to use the land as collateral.

Similarly, through market research, **TEB** in Turkey found that collateral requirements were one of the largest barriers for their target market in accessing SME financing. They then developed financial products that offered zero collateral. With the support of the European Bank for Reconstruction and Development (EBRD), TEB offered collateral-free business loans of up to Turkish Lira (TL) 125,000 (about US\$33,000).

Another case that highlights the viability of zero collateral products is the UNCDF Mastercard Foundation YouthStart former partner MFI, **Umutanguha**, in Rwanda. The MFI's micro-leasing product enabled youth to start their own businesses without the need for collateral. The micro-leasing concept minimizes the risk for the MFI because it ensures that youth are utilizing the loan, or in this case the leased capital, for an income-generating activity. Therefore, not only can youth work around the challenge of not having collateral, but some of the innate risk of financing youth is minimized for the MFI. However, despite the product's ability to reach youth and connect them directly to an entrepreneurial income-generating activity, the program faced various challenges. The UNCDF reported that Umutanguha found that it became difficult and expensive to monitor equipment that was used by clients in remote areas. In addition,

some equipment was difficult to register or was uninsurable.

An alternative mechanism for overcoming the challenge of serving youth clients who do not have access to collateral was incorporated by **Equity Bank Kenya Ltd.** It is a commercial bank that offers micro business loans to youth entrepreneurs. Specifically, it offers to help youth who are not able to meet the traditional collateral conditions by allowing them to apply for a group loan instead. The group loan is structured so that 15-30 individuals guarantee each other's payments. Group members also make weekly payments of 100 shillings (about US\$1) to a savings account for collateral. Since its inception in 2007, Equity Bank Kenya has reached 423,000 customers between the ages of 18 and 35.

Beyond adjusting collateral requirements, the Philippines-based **Mynt** utilized a unique method for modifying loan disbursements to fit its target youth market. The business owner loan product took advantage of the fact that it provided loans to young retail shop owners using a revolving credit line that aligned with the stock replenishment cycle of their clients. For example, if a client restocked every two weeks, Mynt required a loan repayment every two weeks. This modification allowed clients to have access to shorter-term loans that aligned better with their business models and goals.

Qredits, a MFI NGO in the Netherlands, offers several types of loans and credits to its youth clients. These financial products have interest rates ranging from 1 to 9.75 percent. Qredits strategically designed different products to meet the diverse needs of their perceived riskier youth clients. The concept of Qredits is based on flexibility and personal attention. After clients submit their loan application and associated business plan, the Qredits loan officer then develops a personalized, flexible plan for the most suitable loan. Over the last three years, the MFI has been profitable, which can be attributed in part to their flexible interest rate product offerings. Qredits experienced increasing demand of about 30 applications per day. About 160 loans are issued per month. As of late 2017, approximately 37 percent of Qredits customers are between the ages of 18

and 35. Also, since 2009, 3,300 loans have been disbursed to that youth market segment.

MFO Crystal, a Georgia-based MFI, also leveraged the benefits of flexible interest rates to reach young rural-based entrepreneurs. Young entrepreneurs with early-stage businesses are provided with interest-free loans of up to US\$2,500. The young client can start repaying the interest-free loan two years after the disbursement. If the new enterprise fails, the young client is not required to repay the loan, as it is written off by MFO Crystal. However, if the business becomes profitable, then MFO Crystal has the right to convert the loan into an equity share of about 10 percent. Although the project is still in its pilot phase, it has shown early signs of potential. MFO Crystal's management expects a 50 percent success rate for its financed ventures, with 10 percent of the funded businesses constituting breakthrough successes.

Also, in Georgia, **Credo Bank**, a leading financial institution that provides financial services to MSMEs with a focus on rural areas, designed its SME loan products to be flexible to best serve hard-to-reach or traditionally unbanked customers. Loan products are flexible in terms of interest rates, grace periods, and terms/tenures. Credo Bank loan officers work directly with customers to ensure that the loan satisfies the specific needs of the customer's business. The average loan size is approximately US\$590, and the average loan term is two years. In 2017, Credo Bank fostered the creation of more than 14,000 jobs, maintaining a total portfolio of more than 23,000 clients. The Bank has total assets of more than US\$259 million and a gross loan portfolio of more than US\$205 million. Thus, Credo Bank serves its youth clients by balancing its portfolio, with about 29 percent of its SME clients under the age of 35.

3.2 Instruments for Financing Youth Entrepreneurs

Generally, models for financing entrepreneurship can be grouped into three broad categories: grant-based schemes, equity financing, and debt financing.

Grant-based schemes refer to initiatives that involve monetary prizes for enterprise competitions or the provision of startup grants. Equity financing includes initiatives that rely on angel investors or venture capital funds that seek to fund long-term corporate investment. In this context, equity financiers seek to provide entrepreneurs with start-up capital in exchange for an equity stake. Debt financing refers to the provision of loans and credit. Delineating these categories helps to frame the successful models for financing young entrepreneurs within the broader narrative of SME financing.

The majority of the cases examined use debt financing. Only 6 of the 35 cases involved grant-based schemes, and only two cases offered pathways to equity financing. The limited sample of grant-based and equity financing programs may be revealing. In this regard, questions remain as to whether these approaches are viable options for financing young entrepreneurs — and whether the necessary social, regulatory, and financial infrastructure to make them viable exists. Another hypothesis for the case study composition is that it is difficult for very early stage enterprises, particularly those started by youth, to source financing outside of close family and friends. Once the enterprise survives past the initial stage, debt might become the most appropriate form of financing for the next stage.

Equity financing tends to be more appropriate for companies that have a high risk-return profile.²⁶ **The Awethu Project**, a South African incubator and investment company, designed a unique model for the company's SME Equity Fund. The Fund found success in making supply-chain investments. Specifically, it takes equity stakes in the investee corporation's suppliers, which de-risks investments through long-term offtake agreements with the corporation. The first fund has a value of US\$23 million with one of Africa's biggest corporations, and is supported by Absa, one of Africa's biggest banks. The Fund's target internal rate of return (IRR) is 20 percent.

xChange, an incubator and impact investor in the Philippines, provides funding for entrepreneurs in

the form of equity, convertible debt, debt, project finance, and grants. The xChange team works closely with entrepreneurs participating in its incubator program to determine which type of financing best suits both the entrepreneur and xChange. Thus, xChange made US\$238,621 in equity investments between 2012 and 2016, with amounts ranging from US\$14,706 to \$91,034 per youth client.

Angel investors also present themselves as a viable alternative to debt financing. The **Mekong Business Initiative (MBI)** is a development partnership between the Asian Development Bank and the Government of Australia. It was created to accelerate economic growth in Cambodia, Laos, Myanmar, and Vietnam. It vouched for the viability of connecting angel investors to young entrepreneurs as a funding option. Angel investors tend to provide more favorable financial terms compared to other funding sources. This is because they often make investment decisions based on the individual entrepreneur rather than on the viability of the business. This type of investment decision-making is particularly relevant to the youth context because it allows youth to circumvent the requirements of more traditional financial service providers. If formal linkages can be made between young entrepreneurs and affluent individuals who are willing to inject capital into youth-run startups, then more young entrepreneurs can thrive.

Triple Jump, a Netherlands-based, impact-focused investment manager, echoed these sentiments regarding the potential benefits of leveraging angel investor networks to increase funding avenues for youth entrepreneurship.

According to a case study interview with **GroFin**, a development financier that works with small businesses across Africa and the Middle East, equity financing is often not a suitable financing option for young entrepreneurs, particularly in developing countries. First, entrepreneurs are discouraged from equity financing because they do not want to part with ownership; equity investors also often require drag-along rights³. Second, equity investment tends to be rigid, and often lacks a clear exit option. By contrast, debt financing can be simple and flexible,

Key Recommendations

Youth require support to successfully start and grow their businesses. Mentorship directly helps youth gain the necessary life skills to undertake entrepreneurship, and it indirectly supports technical skills acquisition. Providing mentorship during pre- to post-loan disbursement — and spanning the life cycle of the business — strengthens the relationship, increasing mutual trust. It also maximizes the likelihood of knowledge transfers. In addition, it ensures that youth receive customized support according to their business stage needs.

To ensure effective relationships, institutions should carefully select and assess the quality of their mentors. Local champions and youth who have successfully started and sustained their own businesses often serve as effective mentors due to their ability to more easily connect with and inspire youth. Industry experts can also offer important first-hand experience and insight into entrepreneurship by aligning training to industry needs. In addition, institutions should leverage existing networks to more easily find willing and effective mentors. This also helps in the broader formation of an entrepreneurial ecosystem.

which allows for better customization in the diverse youth market. Third, equity investment requires flourishing stock exchanges, hindering the viability of this financing mode in many developing countries, such as those in the Middle East and North Africa (MENA) region. In sum, the costs and benefits of using equity financing schemes to finance youth entrepreneurs are still to be determined.

Although debt financing represents the majority of the cases included in the global stocktaking exercise, it is important to recognize grant and equity financing as available options — while also acknowledging the debate surrounding equity financing for youth entrepreneurs.

3.3 Leveraging Fintech for More Competitive and Affordable Financing

Over the last decade, digital financial technology, better known as FinTech, has grown significantly. The term FinTech carries two meanings: the financial technology itself and the companies that employ technology to either directly deliver financial services to users or facilitate financial product delivery for partner financial institutions.²⁷ Since the 2008 global financial crisis, increasingly strict financial service regulations imposed on traditional banks have been helpful in mitigating risks for economies at the macro level. However,

they have left less room for banks to innovate and customize their products. This is particularly true for products targeted to high-risk customers, such as youth entrepreneurs. Therefore, FinTech companies are well placed to fill the service gaps left by the traditional banking sector.

Although FinTech has generally been viewed by some traditional financial service providers as a threat — a disruptive wave reshaping the way that financial activities are conducted — many traditional financial service providers are increasingly embracing and partnering with FinTech companies. This is because FinTech companies with responsible, innovative products and services have the potential to improve financial service delivery, reduce operating costs, and increase the scope of financial products and services.

Responsible FinTech can improve financial service provision in the following five ways. First, it can increase the accessibility of services. Second, it can cut operating costs. Third, it can improve the quality of financial services. Fourth, it can provide more accurate financial risk assessments. Fifth, it can encourage traditional financial institutions to consider incorporating FinTech into their products. Thus, FinTech promises great potential in complementing the character of youth entrepreneurs, who are generally deemed financially risky and unworthy of investment consideration.

Technological devices such as mobile phones and computers, as well as various social media platforms, can facilitate and simplify the financial transaction process. They can help to overcome geographic barriers — such as distance and inhospitable geography. They can also help to overcome social barriers, for example, in societies where women’s mobility outside their homes is limited. In this case, FinTech can ensure financial inclusion by bringing financial services to them, with little need for them to leave their homes.

In a similar manner, FinTech helps to increase access to finance for the youth population, as this generation relies more on social media and mobile phones. However, despite FinTech’s presence, reaching marginalized and underprivileged youth who live in remote areas remains a challenge. Therefore, it is crucial that digital infrastructure — mainly mobile penetration and internet connectivity — be adequately and concurrently developed so that FinTech can be fully leveraged by youth in rural areas.

Related to geographic challenges, innovative digital financial services—including those that facilitate cross-border transactions, may have potential illicit financing risks that must be mitigated. In this context, a number of FATF documents provide useful information and guidance. These include “FATF Guidance on New Payments Methods” (for example, Guidance for a Risk-Based Approach [RBA] to Prepaid Cards, Mobile Payments and Internet-Based Payment Services, June 2013), as well as “FATF Guidance on Digital Identity and on the RBA to CDD and Financial Inclusion.”

FinTech can help to cut operating costs and enhance the quality of financial services by providing cost-effective methods for outreach programs, client acquisition, data collection, and transaction costs. By leveraging digital platforms and eliminating geographical barriers, responsible FinTech that promotes consumer protection and aligns with AML/CFT safeguards can provide a cost-cutting vehicle for financial service providers to streamline their financial products for users, including youth, who are properly equipped with the right hardware.

This advantage will reduce, if not entirely dismiss, any hesitation that financial service providers may initially have regarding youth. Instead, it may encourage them to invest in the development of a digital platform to serve youth entrepreneurs.

FinTech offers financial service providers the opportunity to build and/or access a higher quality and more accurate financial risk assessment tool. Emerging and rising technology trends such as big data, machine learning, and crowdsourcing are gradually, yet firmly, transforming bank risk management.²⁸ It is, however, crucial to acknowledge the fact that the financial data trails/records of young people are often lacking. In order to utilize such data in devising more accurate financial risk assessment tools, efforts to improve the collection of diverse data from various platforms are a priority — indeed, almost a prerequisite — to strengthening the data trail for youth. At the same time, any new product or risk assessment tool that draws on larger pools of data should be developed, while also remaining mindful of laws and good practices around financial consumer protection.

With a more technologically advanced credit risk assessment system that leverages relevant technological tools and diverse pools of data, financial risks associated with youth could be assessed in a more precise and transparent manner. Financial service providers can now make better informed decisions due to the availability of more financial risk-related data. They could also eventually develop more trust in young entrepreneurs whose credit assessments prove to be low risk. Those youth determined to have a relatively lower financial risk profile will therefore have a higher probability of being approved for small business loans. This data trail can also be used to strengthen trust that the financial institution knows its customers. As such, it also serves as a basis for customer identification/verification CDD purposes — and progressive CDD (as discussed in the FATF Digital Identity Guidance, p. 56).

The recent proliferation of FinTech companies has led to more efficient financial services, as it pressures traditional financial institutions to shift away

from the status quo toward better digital service delivery.²⁹ Thus, FinTech companies have acted as a disruptive force, boosting market competitiveness and spurring greater efficiency. The incorporation of FinTech, with its lower cost structure, can push banks to alter their business models. This change in the status quo of the banking sector brought about by FinTech can work in favor of the entire financial service ecosystem. Indeed, it is expected to result in increased financial inclusiveness and more cost-effective financial services.

Mynt, a Philippines-based FinTech startup, conducts SME lending to young entrepreneurs through a mobile lending platform. Although Mynt does not specifically segment its customers based on age, the majority of its clients fall within the age bracket of 25 to 40 years of age — proof of the inevitability of technology-based mobile lending platforms gravitating toward a younger consumer base. In taking advantage of the high mobile phone penetration rate in the Philippines, Mynt has been able to disburse cashless, mobile money-based loans to SMEs. As a result, Mynt can now leverage this FinTech-enabled product design to reach a wider pool of customers who might otherwise have fallen outside of its purview.

Two of IFAD's **RYEEP** programs, one in Tunisia and another in Yemen, employ FinTech to help improve program efficiency and cost effectiveness. Specifically, they created field-based technologies to improve the efficiency of their loan officers in rural areas. In Tunisia, a mobile phone application was developed for loan officers to access through their smartphones. The application (app) was designed with functions that would facilitate and simplify the loan lending process in rural areas. Using this app, loan officers could have real-time access to their loan portfolios and create customized repayment

schedules for their clients. They were also able to monitor the overall performance of the portfolio. The program in Yemen employed a similar strategy by developing software that enabled loan officers to record and manage their loan portfolios using computer tablets. The goal of the technology investments in both locations was to increase the efficiency in financial service delivery, as well as lower the long-run operational costs. This type of FinTech intervention is particularly useful for reaching youth entrepreneurs in rural areas because it helps overcome the capacity constraints of loan officers whose efficiency may be hindered due to geographical constraints.

The RYEEP's FinTech-enabled program in Tunisia utilized a social media platform to promote its program to rural youth. Since Facebook is considered the second most-used form of media by youth aged 15 to 35 years in Tunisia, the program launched a Facebook campaign to enhance its outreach and target the rural youth population.³⁰ The campaign was deemed successful according to one measure, that is, the 'likes' on the Facebook page of the local partner, **Microcred**, increased almost six-fold, that is, from 3,000 to 20,000 likes.

The RYEEP program in Yemen, lowered operating costs by using a FinTech-enabled agent network. After the local implementation partner, the **Al Amal Bank**, was able to build business relationships with 12 agents to integrate agent banking with the loan program, software was developed to centralize information management. Thus, the agents' computers were linked to Al Amal's central management information system, enabling them to assist RYEEP with loan repayment, savings deposits, and savings withdrawals. As a result, they were able to streamline their lending activities.

Challenges in Tailoring Fintech-Enabled Financial Services to Youth

FinTech can make financial services for youth more cost effective and inclusive. However, challenges remain in enabling youth to benefit from FinTech financial programs.

Developing FinTech platforms requires high upfront costs, especially for financially high-risk clients. Poor infrastructure, especially in low-income countries, can be a huge barrier to extending FinTech-enabled financial services to youth living in areas with poor electricity or telecommunications connectivity. Indeed, some youth may have difficulty in accessing the internet, or they may not be able to afford a mobile phone.^{31, 32} Additionally, the lack of data about youth is a hindrance to the development of well-informed designs for youth-centric financial products.

In some countries, the regulatory environment is characterized by inertia in adapting to a changing market landscape due to the advent of FinTech. Furthermore, the lack of government support or collaboration may prevent youth from receiving financial services delivered through FinTech-based platforms. Finally, in tandem with the rise of FinTech, the FinTech companies and financial service providers will also have to address and overcome the issue of trust and transparency with regard to the use of client and/or potential client data, given that concerns about data protection and privacy have been at the forefront of the agenda.

CHAPTER 4: THE KEY ROLE OF NON-FINANCIAL SERVICES IN SUCCESSFUL PROGRAMS



In recent years, there has been growing recognition of the important role that non-financial services play in supporting the successful financing of young entrepreneurs. The delivery of non-financial services, in tandem with financial services, helps to ensure that youth have the necessary knowledge and skills to start, develop, and scale their businesses. Despite their acknowledgement of the importance of non-financial services, financial entities may still avoid providing comprehensive non-financial services due to the high costs and longer-term returns, as well as their own lack of capacity.

The cases reviewed demonstrate the importance of providing comprehensive, long-term non-financial services adapted to the youth context. Such support includes training in financial, business, and social skills for each phase of business. Customizing services for the youth market entails modifying non-financial services based on the youth context, specifically examining factors such as baseline levels of education, culture, geography, and sectoral characteristics. This helps to ensure that services are aligned with youth and industry needs. The cases also highlight the importance of providing both mentoring and entrepreneurship training, including financial education and business development.

Other context-specific, customized services, such as vocational training and networking opportunities, also proved to be important.

4.1 Mentoring

Mentorships encourage social-emotional development and bolster entrepreneurial skills. Social-emotional development in this context refers to the acquisition of 21st century life skills, which include the development of self-control, social competence, problem-solving techniques, goal-setting abilities and perseverance.³³ Mentoring tends to have a more direct impact on the acquisition of 21st century skills, but a more indirect impact on that of technical skills.³⁴

The period of transition for youth into the workforce is marked by the challenges of developing a stable occupational self-image and finding a niche for oneself in society.³⁵ Mentors help in the development of youth identity by acting as counselors, motivators, and role models, while also encouraging attitudinal changes and supporting entrepreneurial mindsets. The mentor helps the mentee develop other personal competencies, such as self-confidence, initiative, and motivation, which are essential to undertaking entrepreneurial activities.³⁶ To take one example, in

Key Recommendations

Youth often lack knowledge about the methods of accessing sustained financing and business development due to their limited business experience, the lack of entrepreneurial education in school curricula, and their weak support networks. Therefore, entrepreneurial education should be a precursor to accessing financing for youth clients.

Entrepreneurial education includes both financial literacy and business development training. The cases demonstrate that the timing of the delivery of entrepreneurship education is absolutely critical, and it should be adapted to the stage of fund disbursement. An assessment of youth needs, carefully considering the context, should be conducted to determine the curriculum and delivery of training. Hands-on, interactive education increases knowledge transfer for youth clients.

the pilot phase of **Enterprise Your Life**, a program supported by IFAD's RYEEP in Egypt, youth understood what entrepreneurship was, but lacked the confidence and communication skills to take the initiative. Thus, there was a need to help instill confidence in such youth.

The presence of a mentor is particularly critical for vulnerable youth who lack parental involvement or the presence of a guiding figure, and who are thus more likely to be poor. Since household poverty is the factor most consistently correlated with risky behavior, mentors can act as a positive influence for at-risk youth, minimizing their vulnerability to negative influences. Instead, they can encourage their participation in positive, income-generating activities.³⁷

Mentoring, particularly in the form of coaching, can also help to strengthen technical skills. Individual mentoring or coaching tends to be an effective learning form due to its customized and hands-on approach. The extent of the impact depends on the ability to find willing and skilled mentors, as well as on the level of mutual trust that can be built into the mentor-mentee relationship. This can be particularly challenging in certain cultural contexts. For instance, it may be difficult to build such a relationship if the mentor and mentee are of the opposite sex in a cultural context where interaction between the sexes is constrained/prohibited by cultural constraints.

Key mentoring good practice lessons include: providing youth with continual mentoring, leveraging existing networks, and using local champions as mentors.

Provide Sustained Mentoring

Youth will require sustained support, given their important developmental stage and limited employment experience. They require support over the course of the business life cycle so that they can successfully develop and sustain their businesses over time. Although mentors do not ultimately make the decision about whether financing should be provided, they should be deeply involved in supporting youth entrepreneurs both during pre- and post-loan disbursement. The benefits of mentorship

also increase as trust grows with time and continuous interaction.

The IFAD RYEEP partner MFI in Tunisia, **Microcred Tunisie**, delivered non-financial services at various stages of the client selection and loan delivery process. Pre-financing and individual coaching were offered to help applicants craft their business plans. The coaches assisted applicants in reflecting on their businesses and developing solid plans. In the post-financing stage, loan officers provided ongoing coaching focused on helping the youth borrowers create their businesses, particularly during the critical first few months.

Similarly, in its early implementation stages, **Zimbabwe:Works** saw the need to provide follow-up mentorship after loan disbursement. As a result, it included this component as an essential feature in its operations.

Leverage Existing Mentor Networks

The most effective mentors possess entrepreneurial or business experience, a knowledge of the SME sector, the social skills to cultivate a strong relationship, and a willingness to invest in the relationship. As a mentor with these characteristics may be difficult or costly to find, the non-financial service provider's network is a logical starting place. Accelerators formed with the support of banks are uniquely placed to leverage bank networks. For example, certain accelerators — **IDEA** in Cyprus and **BPISinag** in the Philippines— provided mentors sourced from their own bank networks. In addition to mentoring, IDEA offered networking, business opportunities, and access to investors through the Bank of Cyprus (BoC) network. Likewise, using the Bank of the Philippine Islands' (BPI) network, BPISinag was able to offer mentorship opportunities to its youth clients from academics, investors, and finance specialists. Thus, by leveraging existing networks, organizations can often provide high-quality, cost-effective mentorship without external hiring.

Use Local Champions or Industry Experts

Local champions can act as inspirational role models and mentors for youth. These champions could include youth who have successfully developed and sustained their own businesses. In this regard, ZimbabweWorks highlighted the importance of using owners of established SMEs as mentors — and powerful role models — for youth in high-risk areas. As highlighted by the Equity Bank Kenya Limited Micro Business Loan program, it is important for youth clients to feel that they can identify with their mentors. Therefore, they introduced their youth clients to entrepreneurs who had started with their basic group loans, and who are now clients with more advanced loans and growing businesses. In addition to providing inspiration, more seasoned SME owners offer first-hand insight into entrepreneurship, which helps ensure that coaching is aligned with industry needs.

If local champions or experts are difficult to contract, institutions can use other types of volunteer mentors or hire professional mentors. Regardless of the model used, it is important to attract qualified mentors with industry expertise because the impact of the mentorship depends on the strength of the relationship and the ability to pass on skills. For example, **JSCO MFO Crystal's** Youth Entrepreneurial Skills for Advancing Employability and Income Generation Program in Georgia stressed the success of using trained and certified mentors from MFO Crystal branch offices. In another example, **ADA Microfinance's** Young

Entrepreneurs Program emphasized the critical role of hiring local professional mentors to support their clients as a form of quality assurance.

Due to the distinct challenges involved in each of the different business phases, youth entrepreneurs can benefit from having a variety of mentors as they grow their businesses. Developing startup hubs with various types of mentors and facilitating the interaction of youth entrepreneurs with these centers could prove to be a useful avenue. For example, the Philippines has seen success in creating *Negosyo Centers* in provinces across the islands, which serve as hubs for mentorship and entrepreneurship training.³⁸

4.2 Entrepreneurship Education and Training

Entrepreneurship education has two main components: financial literacy and business training. Financial literacy focuses on practical tools to manage personal finances, particularly personal budgeting, saving, and debt management. Entrepreneurship training varies substantially depending on the program. However, it generally incorporates aspects that pertain to business development and marketing abilities. It can include writing business plans, keeping business records, separating household and business finances, and managing taxes. As training is targeted toward youth who may be aspiring business owners, it may also focus on generating product ideas, as well as the steps needed to take a product to the market.

Key Recommendations

Youth often lack knowledge about the methods of accessing sustained financing and business development due to their limited business experience, the lack of entrepreneurial education in school curricula, and their weak support networks. Therefore, entrepreneurial education should be a precursor to accessing financing for youth clients.

Entrepreneurial education includes both financial literacy and business development training. The cases demonstrate that the timing of the delivery of entrepreneurship education is absolutely critical. Furthermore, it should be adapted to the stage of fund disbursement. An assessment of youth needs, carefully considering the context, should be conducted to determine the curriculum and delivery of training. Hands-on, interactive education also increases knowledge transfer for youth clients.

In addition, training providers may incorporate business ethics and social impact teachings into the curricula.

Financial education should be mandated in schools due to its integral role in helping to develop economically active citizens. **Aflatoun**, a Netherlands-based NGO, maps how social and financial education (SFE) directly contributes to the United Nations (UN) Sustainable Development Goals (SDGs), specifically those goals related to poverty (SDG 1), decent work and economic growth (SDG 8), as well as reduced inequalities (SDG 10). In this context, it indirectly supports the majority of SDGs. However, because of weak educational systems, marginalization, and/or the failure to incorporate SFE in school curricula, youth in many countries lack access to this education, thereby resulting in a significant barrier to economic development.

The lack of access to education has pushed an increasing number of financial institutions and NGOs, such as Aflatoun, to promote access to financial education, or to directly offer this service to vulnerable populations. It is important to note that this training should be provided on an as-needed basis, as some young entrepreneurs may have already acquired such skills through other means.

BancoFIE is a good example of a bank that emphasizes the centrality of education in helping to increase access to finance for vulnerable populations. From its beginnings as a Bolivian NGO in 1985, FIE (now BancoFIE) recognized that financial products for youth were causing indebtedness because youth did not have the tools to manage their loans. As a result, FIE launched education financing credits to help youth finish their university degrees. It also promoted accessible financial literacy workshops and courses.

Adapt Education to Stage of Fund Disbursement

The timing of non-financial service provision and its interplay with financial product disbursement is critically important. Both **ADA Microfinance** and **S4S** emphasized the importance of providing ongoing

training in tandem with financial service provision. ADA Microfinance offered non-financial support both before and after financial service provision. Prior to loan disbursement, ADA Microfinance provided educational content regarding business plan development and financial literacy to ensure loan readiness. Following loan disbursement, it offered mentoring from a local professional, as well as periodic visits to the client's new business. Similarly, S4S provided training for both pre- and post-financial service provision. Its goal was to continuously assess technical skill acquisition and build deeper financier-client relations.

Equity Bank Kenya Limited's Micro Business Loan program stressed the importance of setting training as a loan prerequisite. It requires individuals to complete a two-month financial literacy training program, which covers topics such as record keeping, credit, loan eligibility, and loan repayment, as well as a guide to the different types of loan products offered.

Ensure Context-Specific Training

A careful assessment of youth needs and enterprise potential ensures that the training is well-adapted to the context.

IFAD's RYEEP modified its program based on a thorough analysis of the rural context in MENA countries. The analysis identified several key challenges for working in these rural communities, including poor quality education, fewer work opportunities, and cultural stereotypes hindering young girls from accessing economic opportunities. Given these challenges, the implementing partner modified its financial literacy training to specifically address the rural context. It did so by focusing on the improvement of financial management skills, as well as by increasing knowledge about available financial products among youth.

One of the supported programs, **Enterprise Your Life** in Egypt, found that the provision of foundational life skills was necessary to initiate entrepreneurship activities. It also discovered that savings groups were a cost-effective way to deliver non-financial services for hard-to-reach

rural populations. Furthermore, due to the limited opportunities for income-generating activities outside of the agricultural sector for the targeted rural youth population, RYEEP provided vocational training in agriculture, livestock, carpentry, simple electronic engineering, and soap-making.

In Morocco, RYEEP supported the **Al Barid Bank** (ABB) program, “Savings for Tomorrow,” focused on rural outreach to youth with low levels of financial literacy. Using Making Cents International’s 11S method (that is, student, setting, scale, sequence, scope, style, skillset, sale, supplies, systems and success), ABB adapted its training program to address the low skill levels of its target population. ABB concluded that only 7 of the 11 categories were particularly relevant to their context, including: setting, scale, sequence, scope, style, skill set and success. As ABB realized that ensuring accessibility is particularly important when working with hard-to-reach rural youth, the MFI prioritized delivering non-financial services locally in safe spaces to maximize knowledge transfers, while also taking into account the time constraints of youth. They found that 3-4 hour training sessions provided a good balance, ensuring sufficient knowledge transfer without overburdening youth.

In other contexts, less rigorous programs were deemed to be more viable and, therefore, more effective. For example, **YouthStart** programs, which were implemented in Sub-Saharan Africa (SSA), promoted the Critical Minimum Approach due to limited access to resources and time constraints. Guided by three components — providing key messages, using minimal materials and simplifying facilitation techniques — the Critical Minimum Approach, developed by Reach Global, is designed to help youth internalize content more quickly. As such, MFI partners can train more youth in a shorter period of time. Thus, it provides a cost-effective and time-efficient option to train youth who may face various contextual constraints. The divergent training delivery mechanisms employed by the ABB and YouthStart programs highlight the need to conduct a careful analysis of the context prior to designing both the educational content and its associated delivery mechanism.

In some cases, phased training provided a mechanism to ensure that services were customized to youth’s existing level of know-how.

Both **FOJAL** and **Ibercaja** offered layered training programs. **FOJAL** offered a 7-level education program: levels 1-to-3 provided an introduction to SMEs and entrepreneurship, and levels 4-to-7 addressed the process of managing credit. Applicants were placed in a given level, depending on their prior experience, which helped to ensure that services were customized to individual and industry needs.

Ibercaja provided a 6-level education program: *start*, for entrepreneurs with less than 1 year of experience; *development*, for those with 1 to 3 years of experience; *accelerate*, for those who intend to enter the market in a few months; *internationalize*, for those who seek an international presence for their products and services; *capacitate*, for those who may benefit from socio-emotional training; and *specialize*, for those who may benefit from specialized skill workshops.

Similarly, the African Leadership Academy (**ALA Anzisha Prize** Program) has a three-track boot camp designed to meet entrepreneurs who are in distinct phases of enterprise development. The first track, the Foundations Track, aims to provide basic business acumen as a foundation for growth. The second track, the Growth Track, aims to provide specific business support to ventures seeking to overcome current barriers and expand their operations. The third track, the Investment Track, aims to prepare entrepreneurs and their businesses for investment, linking them to potential investors.

In addition to the training content, it is also necessary to ensure that delivery mechanisms are well suited to the youth segment. In some cases, the use of mass media channels can be particularly effective in reaching remote populations. For example, **BancoFIE** implemented an online-based, interactive education program to increase its reach. The **Awethu Project** in South Africa reported that its online training application allows it to reach a greater number of youth. Likewise, **ABB’s** “Savings for Tomorrow Program” leveraged the high rates

of radio and internet penetration in Morocco by launching its program through both radio and online video platforms.

Promote Guided Learning

Education specialists recognize that guided learning, rather than learning through trial and error or observation, is the most effective form of learning because it allows the individual to continually reinterpret and develop knowledge through practice and application. Likewise, entrepreneurship training should take a hands-on, guided approach by providing opportunities for youth to interact with business owners, visit exemplary SMEs, and participate in interactive training. For instance, **Banco Adopem** in the Dominican Republic noted the effectiveness of providing financial education through games and dances, particularly for younger populations.

Interactive learning methods can also leverage the use of technology. For example, in addition to its online application, which provides a user-friendly database of information, the **Awethu Project** created online networking sessions to allow youth entrepreneurs to ask questions and share insights.

The use of interactive education methods can be a cost-effective method because it does not require the purchase of costly instructional materials, such as workbooks. For example, in **YouthStart** programs, which employed the Critical Minimum Approach, the use of interactive methods was particularly relevant in marginalized communities. Without this approach, local facilitators may have been deterred from transporting materials needed to implement the session because of the costs involved, thereby

excluding the most vulnerable populations from accessing education.

4.3 Coordinating Closely with Financial Services

In most of the cases analyzed, financial and non-financial services were provided through partnerships between a financial institution and a youth-serving organization, suggesting that this is an effective model for youth clients. This model, known as the linked model³⁹, may alleviate the burden of non-financial service provision on financial service providers, allowing them to focus on providing financial services. It also allows for the sharing of the additional cost burden when servicing the youth entrepreneurship segment. These partnerships can be between NGOs, commercial and state banks, financial institutions, universities, and government entities — with each partner bringing complementary strengths. To determine appropriate partnerships, stakeholders should evaluate their capacity, strengths and weaknesses and then seek out potential complementary partners.

Linked partnerships help to maximize institutional capacity, strengthen expertise, and widen scope and impact. In addition, they help to build entrepreneurial ecosystems. For instance, **S4S** emphasized the need for social investors, including local governments, to actively participate in efforts to bolster youth entrepreneurship and business growth. Its partners included local government bodies, business associations, private sector firms, and universities. Partnerships allowed S4S to provide both financial and non-financial services, thereby fostering a broader ecosystem for entrepreneurs.

Key Recommendations

The integration of financial and non-financial services is essential to ensuring that both services are delivered in a complementary fashion. In most cases, linked partnerships between a financial service provider and a youth-serving organization are appropriate, given institutional capacity constraints and youth needs. Clearly established lines of communication and allocation of responsibilities are key to effective partnerships. When the financial service provider has sufficient capacity, non-financial services can be directly provided by leveraging existing institutional networks.

To create effective partnerships, providers should have clearly defined roles and responsibilities, as well as established channels of communication. Moreover, target areas must be well-aligned. Identifying synergies between the financial and non-financial service providers also helps to build fruitful long-term partnerships. For instance, both **Zimbabwe:Works** and **S4S** employed two-way referral relationships with partners, anchored in trusting relationships among financial institutions. Zimbabwe:Works also referred sufficiently trained youth to supportive MFIs. These MFIs then referred other youth applicants seeking loans who needed additional training to Zimbabwe:Works. Similarly, S4S leveraged a two-way referral partnership by obtaining lists of young entrepreneurs who were denied business loans when they first approached banks. Thus, through these partnerships, Zimbabwe:Works and S4S were able to work with banks to reach motivated entrepreneurs seeking financial support, providing them with the necessary knowledge to access finance.

If the financial service provider has greater capacity, both services can be provided through a unified or parallel model, that is, the financial service provider offers the non-financial service either directly or through a specialized unit.⁴⁰ This model may allow the financial service provider to have a greater impact by providing a wider range of services. However, it may face sustainability challenges due to capacity constraints. As examples, **IDEA**, **BPISinag**, **Equity Bank Kenya Limited's** Micro

Business Loan Program, and **JSCO MFO Crystal's** Youth Entrepreneurial Skills for Advancing Employability and Income Generation in Georgia provided training and mentorship directly through their respective bank networks. This can be a cost-effective method, since the cost of hiring external non-financial service providers is eliminated. However, it presents a challenge in managing staff among different service networks. These examples demonstrate that the unified and parallel models are only effective in cases where financial institutions have expansive existing networks.

A holistic approach to providing integrated financial and non-financial services is needed. Global partners should collaborate to create a supportive ecosystem in which services are backed by relevant policies. **The Ye! community**, an initiative of Child and Youth Finance International, is a global community of youth entrepreneurs. It has been endorsed by the G20 Global Partnership for Financial Inclusion SME Subgroup. Using Child and Youth Finance International's successful system change model, the Ye! community brings together global stakeholders to create an international network to support the provision of financial and non-financial services for youth entrepreneurs. By being involved in this network, stakeholders can benefit from global learning and innovation. Stakeholders can also create partnerships to foster the local and global ecosystems that support youth entrepreneurs.

CHAPTER 5: POLICY RECOMMENDATIONS



Governments have a crucial role to play in increasing access to finance for youth entrepreneurs. In doing so, they have a variety of policy tools at their disposal. However, there is no single policy formula that works across all countries. This chapter offers suggestions for policy initiatives that have achieved some success in specific markets.

5.1 Amend Regulatory Frameworks to Ensure More Inclusive Markets for Youth Entrepreneurs

Policymakers should consider the possible benefits of introducing flexibility into prudential regulations, which would enable financial service providers to tailor client screening processes to meet the needs of youth entrepreneurs. Financial service providers, particularly banks, are highly regulated entities. This can result in strict collateral requirements, which prevent youth entrepreneurs — who often do not own physical assets — from accessing formal sources of financing. Policymakers could also consider allowing banks to complement traditional forms of credit and background checks for vetting potential youth clients with personality, behavioral, or psychometric tests. These alternative tests could be used so long as they can be demonstrated to be valid and non-discriminatory. In addition, they should be consistent with applicable consumer protection laws. Evaluating youth based on their enterprising tendencies could enable youth to access financial products⁴¹. This was done successfully by the Philippines-based FinTech startup, **FINTQ**. Through its digital loan origination and loan management platform, Lendr, it used alternate sources of data, such as usage of utilities, telecommunications and mobile phones. As such, it achieved loan approval rates almost four times as

high as the industry rate. In this regard, governments can also encourage financial service providers to accept alternative sources of collateral, particularly movable assets such as receivables, equipment and inventory. For example, IFAD RYEEP’s partner in Yemen, Al Amal Bank, developed a loan product for rural youth that depended on using the government’s Reayah Welfare Program as collateral. It proved to be popular, with 69 percent of the bank’s rural youth clients starting businesses with this product.

Allow some MFIs to offer savings products to increase their willingness to serve youth clients. Prudential regulations often require MFIs to be net lenders. Due to the inherently higher credit risk of their customer base, governments often prohibit MFIs from accepting deposits. By making this regulatory requirement more flexible and allowing certain MFIs to offer savings products, MFIs could more effectively encourage saving habits among their youth clients. This would mitigate the risks of providing financing to them. At the same time, it would improve their clients’ overall creditworthiness by building their assets as early as possible.

The case of IFAD’s RYEEP in Egypt, “**Enterprise Your Life**”, effectively highlighted the role of MFIs in improving client savings. Although the informal savings groups created as part of the program were successful, there were often cases in which the entrepreneurs’ credit needs surpassed the lending capacity of their savings groups.

Allowing MFIs to accept deposits entails certain risks. Apart from ensuring that there is adequate capacity within the regulatory body to provide the additional oversight that such an amendment would require, the risks can be mitigated in three ways. First, only MFIs that have robust business

lending models— that is, those that are profitable and have proven to yield low delinquency rates — should be allowed to offer savings products. Second, higher capital adequacy ratio (that is, the ratio of equity to risk-weighted assets) and liquidity ratio requirements could be imposed on those MFIs allowed to accept deposits. Third, following such a regulatory amendment, efforts should be made to develop the MFI market to encourage players willing to enter the market.⁴²

Encourage lenders to adopt risk-based CDD, including conducting risk-based customer identification/verification that uses non-traditional forms of identity documents/credentials to onboard a potential youth client.

Youth often do not possess valid ID documents or digital credentials. In some cases, under their country's legal framework, they are not old enough to obtain an official ID.⁴³ Governments should enable financial service providers to conduct risk-based customer identification/verification. This could include permitting them to accept a range of available ways — commensurate with AML/CFT risks — to prove legal identity in the financial sector. Accepted forms of identification could include school IDs, marriage licenses, or letters from a recognized authority — such as a village chief, local council member or government official. Steps to promote risk-based CDD should be coupled with efforts to improve the proportion of youth with official IDs. In addition, strict enforcement of laws will prohibit identity fraud with alternative IDs.

Improve the ease of doing business to encourage and enable a shift among youth entrepreneurs toward the formal sector, particularly formal sources of financing. This would entail simplifying the procedures to register a formal business, file taxes, and close a business⁴⁴. By streamlining such procedures, more youth entrepreneurs could be convinced to leave the informal sector. In Tunisia, a 2014 World Bank survey found that “one-third of all self-employed youth struggle with the burden of bureaucracy, including the costs, difficulties, and delays involved in obtaining required business licenses.” As a response, the government launched

the “*Guichet Unique*” (single counter) initiative to shorten the duration of the registration process to one day.⁴⁵ IFAD RYEEP's partner, Microcred in Tunisia, subsequently encouraged its clients to benefit from this facility as part of its client training program. In addition, governments can endeavor to make youth more aware of the benefits of formalization, such as more secure property rights and greater access to finance. In doing so, governments can catalyze the shift toward the formal sector for youth entrepreneurs. From a regulatory standpoint, it is also important for governments to make it easier for youth to establish other businesses following an initial business failure.

5.2 Design Government Programs to Finance Youth Entrepreneurs either Directly or Indirectly through the Private Sector

Develop government incentives to encourage greater financing for youth entrepreneurs. Government incentives to finance youth entrepreneurs can be effective in markets where youth comprise a large proportion of the market, and where there is a nascent local financing industry. Large financial players such as banks are risk averse. Also, they cannot lend smaller sums profitably using their traditional approaches. Microfinance institutions face challenges as well. They have limited capacity to lend larger sums, and venture capital is sparse. Thus, the right incentives can help the financial sector invest in innovative practices to overcome these obstacles.

Policies can incentivize the financial sector to support youth entrepreneurs either through the provision of tax breaks or through other compensation to lenders on meeting targets to maintain a certain proportion of youth clients in their portfolios. Alternatively, the government can act as a guarantor for loans to youth entrepreneurs⁴⁶. However, policymakers should remain cognizant that such policies can crowd out the local financing industry. They may also discourage both local and foreign investment, if not appropriately designed and implemented.

Such policies should therefore be designed for limited time periods and include steps to strengthen the private sector. They should also include strong monitoring mechanisms to prevent the politicization of such funding.

Government funds can provide loans or grants to youth entrepreneurs.⁴⁷ This funding can be administered either through government agencies or through partners with the appropriate sectoral expertise. As with policy incentives, care must be taken to avoid unintended crowding out of private initiative. One successful example is **Qredits**, a Netherlands-based microfinance institution, which partnered with government ministries to obtain funding from the European Investment Bank to address the lack of financing available to youth entrepreneurs.

5.3 Promote an Entrepreneurship Ecosystem in the Economy

Incorporate entrepreneurial education in schools and universities through the accreditation of existing entrepreneurship programs and the promotion of new ones. Despite evident market failures reflected in the lack of formal government and private sector jobs, young people in countries where entrepreneurship is not ingrained in the culture still do not recognize that starting their own businesses can be a viable professional alternative. Therefore, nationwide efforts should be made to push for better entrepreneurial education. Such efforts should incorporate entrepreneurship lessons into the national curricula of pre-college education so that the younger generations can learn to appreciate the entrepreneurship culture early in life.

Governments can help to promote an entrepreneurial culture, starting from early schooling, by accrediting the existing programs and providing financial and technical support for schools and universities to establish new programs. An example of a program that promoted entrepreneurship among students is the **African Leadership Academy Anzisha Prize**, which operates across more than 32 countries in Africa.

The Anzisha Prize includes a monetary prize as well as a non-financial service, the Anzisha Accelerator Program. This program is instrumental in helping youth entrepreneurs refine and scale their businesses according to their needs, primarily through mentorship from seasoned entrepreneurs and business professionals. Despite its extensive network and current level of success, additional support from governments can help the program extend its reach and achieve better economies of scale. Governments can also support the integration of entrepreneurship training modules, such as those of ALA, into national curricula at all grade levels. If entrepreneurship education is strategically placed throughout the educational system, youth may start to recognize entrepreneurship as a serious career choice.

Foster partnerships and platforms to facilitate the integration of financial and non-financial services and knowledge-sharing practices; also, encourage the involvement of youth in policy dialogues. Governments should provide platforms for key stakeholders, including commercial banks, MFIs, NGOs, and youth entrepreneurs to meet, exchange ideas, and collaborate. These platforms enable governments to gather relevant inputs to generate better-informed policies. They can also help to develop partnerships among key players, thereby enabling the potential integration of financial and non-financial products. In providing platforms for key stakeholders to meet and collaborate, governments should also ensure that youth voices are incorporated in policy panels, including issues such as the support for youth-financing, as well as product design.

S4S's program demonstrates a successful partnership with the government of Nigeria. S4S provided entrepreneurs with milestone-based funding from a government grant. It designed non-financial service components, such as mentorship and monitoring, which were critical to helping youth entrepreneurs overcome obstacles and remain on track with their business plans. **TechnoServe's** STRYDE shows that the key to the program's sustainability is strong partnerships among local partners. Governments can certainly endorse and leverage this type of partnership to further strengthen the entrepreneurship

ecosystem. **ADA Microfinance** is another example of a case that can benefit from governmental assistance in this area. Despite its current successful partnerships with local MFIs to deliver integrated services to youth, ADA still seeks to build additional partnerships to recruit more qualified mentors, which remains a persistent challenge. In ADA's case, the government's provision of broader platforms would facilitate more partnership opportunities, removing programmatic barriers.

Incentivize angel investors to become mentors for both aspiring and existing youth entrepreneurs. Providing role models will help to increase youth's inclination toward entrepreneurship, as well as bolster financial service providers' trust in financing youth entrepreneurs. As such, it can aid in cultivating and sustaining an entrepreneurial culture in a country over the long run. However, the supply of mentors may not be aligned with the demand, that is, there may be an insufficient number of mentors to meet youth demand. This is where governments can utilize their capacity to incentivize local angel investors to join the mentoring community. As such, they can share their expertise with youth entrepreneurs from the investor point of view.

In Turkey, as most SMES have limited access to finance, the government introduced the tax incentives scheme to encourage angel investments in the country⁴⁸. The **Mekong Business Initiative (MBI)** is another case that highlights the vital role of angel investors as both funders and mentors. Thus, the overall effort of governments to promote the role of mentorship and align the supply and demand of mentors is crucial for youth financing programs. This is particularly the case for those programs that seek to improve their non-financial services and incorporate mentorship into their business schemes.

5.4 Ensure Better Data Collection and Dissemination of Age-Disaggregated Data

Invest in funding continuous, rigorous, and context-specific research to improve data collection on youth — both in terms of quantity and quality. To better serve youth clients, financial

service providers should be able to access accurate and complete information that facilitates the design and delivery of youth-specific products. As conducting comprehensive research can be costly for private lenders, governments should utilize their financial capacity to invest in rigorous and diverse data collection. Research methods should aim to extract both quantitative and qualitative data through large-scale surveys, as well as through in-depth interviews and focus groups with key stakeholders. Thus, governments should ensure that data collected includes the types and sectors of enterprises, as well as the gender of business owners. Most importantly, data collected should be diverse in type, disaggregated by age, and digitized so that it can be stored in secure data warehouse systems.

One way to effectively collect age-disaggregated data is for governments to specifically include age-disaggregated questions about access to finance in their national surveys. Information from government-funded research can then be utilized by financial service providers who would benefit from more youth-specific information. However, governments need to ensure that data is collected with the full consent of youth, and that such data is appropriately secured and shared with relevant and reliable financial service providers. Any new product or risk assessment tool that draws on larger pools of data should be developed in keeping with laws and good practices around financial consumer protection.

Support the expansion of credit bureaus and collateral registries to build more diverse and readily available data systems. This can facilitate alternative credit-scoring schemes and enable companies that specialize in credit bureau and business information such as **CRIF**, an Italian-based global company, to gain access to greater volumes of more diverse data. CRIF's "Risk Index for Startups Project" offers traditional lenders an assessment tool that employs alternative, yet objectively indisputable information to serve its goal of helping startup companies. It enables such companies to be assessed in an alternative and financially inclusive way. CRIF acknowledged that this particular project could be enriched if the company gained access to

new and more diverse information sources.

Expanding credit bureaus is one way to enhance the availability of data about credit histories. Governments should ensure that credit bureaus take stock not only of defaulters, but also of clients who successfully pay back their debts so that this information can be utilized in alternative credit-scoring schemes. Additionally, collateral registries should consider diversifying their existing types of collateral assets. However, it is important — especially for countries lacking youth-specific data — that these efforts are preceded by or are concurrently conducted with efforts to be more youth-inclusive, thus, making youth credit histories available for collection. Governments should also ensure the diversification of data collected. More diverse data would allow for more innovative and youth-friendly, alternative credit-scoring schemes to emerge.

5.5 Improve Digital Infrastructure to Facilitate Access to Finance

Invest in infrastructure projects and incentivize mobile network operators (MNOs) to increase mobile penetration, and internet providers to increase broadband connectivity to bring more youth into the digital ecosystem. The Philippines-based FinTech company, **FINTQ**, successfully utilized the country's high mobile penetration rate to advance its product, Lendr, a digital lending platform that allows easier access to loan services from different banks, financial institutions and credit providers via mobile phones.⁴⁹ Meanwhile, Al Barid Bank, the local partner of IFAD's **RYEEP** in Morocco, leveraged high internet and radio penetration rates, and successfully reached over 88,000 target youth clients in remote areas. These two cases demonstrate that governments should strive to enhance mobile penetration and strengthen internet connectivity, especially in rural areas where geographical constraints are particularly evident.

The increased youth digital footprint from the use of telecommunications channels will allow FinTech companies and other financial service providers to have access to data regarding youth activities,

enabling them to better design youth-specific products. For this increased connectivity to be truly effective, however, it is imperative that efforts to improve infrastructure ensure interoperability among various digital platforms and service providers working in FinTech, mobile technology, and internet connectivity. For interoperability to succeed, one crucial step will be to ensure the balance of the economic interests of interoperability participants.⁵⁰ In order to incentivize MNOs to interoperate, governments can act as key enablers to ensure that transactions are properly priced and fair rules for all parties are established.⁵¹ Governments should also create a regulatory environment in which it is easy for new MNOs to enter and attain interoperability.

Link infrastructure development with the establishment of trustworthy digital ID systems to accompany the digital transactions that mobile and internet penetration will enable. As noted, this should be done in ways that align with global AML/CFT standards to mitigate illicit financing risks.

Establish standards for a cloud-based system to operate in a secure environment. Despite the enormous benefits that come with the migration from analog to cloud information systems, there have been concerns about issues of data security and sovereignty. Governments can establish standards of practice for cloud-based systems which will allow financial service providers to operate with fewer concerns, while also benefitting from the system's long-term, cost-cutting nature. Moreover, cloud-based systems can enable governments to monitor more closely the types of services offered and their adoption by the youth market.⁵² An example of programs that utilized cloud-based systems is IFAD's **RYEEP** in Yemen. The program built an agent network through a software system that centralizes information management in order to streamline lending activities in rural areas. As cloud-based systems become more pervasive and relevant, governments can help ensure that the systems are secure, allowing programs to run efficiently.

Facilitate data-sharing with full customer consent so that FinTech companies and data-dependent consulting businesses can gain better access to relevant youth-specific information. With more people sharing their information on social media and the internet, governments should work with FinTech companies, traditional bank partners and alternative lenders to create a system in which youth-related data can be shared and utilized

— with full consent from youth. This will allow companies to generate digital lending platforms that can better address youth limitations, such as the lack of collateral and credit histories. With more available data in hand, FinTech and data-driven companies, such as **FINTQ** and **CRIF**, will be able to improve alternative credit-scoring schemes, allowing them to more effectively service youth entrepreneurs.

CHAPTER 6: CONCLUSION



The alarmingly high rate of global youth unemployment underscores the widening gap between the supply and demand of the youth labor market. To date, 621 million young people are inactive, that is, they are not in school or employed. Those who are able to find jobs may be working in an unpaid capacity and/or not receiving social insurance.⁵³ In many cases, youth are underemployed. Given the unemployment crisis faced by the burgeoning youth population, entrepreneurship provides a crucial opportunity. However, youth entrepreneurs face multiple barriers that constrain their access to sources of finance, thereby hindering their ability to successfully start, grow, and sustain a business.

Drawing on data from a global stocktaking exercise regarding successful models for financing youth entrepreneurs, this report illustrates the kinds of policies, practices and programs that enable youth to overcome the barriers to accessing finance. The report identifies various good practices related to the design, delivery, and integration of financial and non-financial services, which were found to be critical to enhancing the success of financial services. The key policy recommendations highlight the fact that financial services for youth entrepreneurs may not reach their fullest potential without appropriate action by policymakers.

Optimizing Financial Services for Youth Entrepreneurship

Research the Market Segment First

There are a myriad of benefits to conducting comprehensive market research when designing financial services for youth entrepreneurs. Building a deep understanding of the target youth population,

as well as the market demand, enables financial service providers to increase their potential to successfully improve youth entrepreneurs' access to finance. Best practices include the use of focus groups, feasibility assessments, and planning for pilot phases.

Develop Flexible Criteria for Assessing Youth Clients

Youth often struggle to meet the customer identification/verification requirements and strict documentation and credit-scoring criteria set by formal financial service providers. Governments and financial institutions should be encouraged to adopt the risk-based approach to customer identification/verification pursuant to the global AML/CFT standards established by the Financial Action Task Force. At the same time, flexible prudential regulatory approaches may be applied to allow financial institutions to use alternative ways of evaluating credit risk for youth. These alternatives could be based on their enterprising tendencies and business acumen rather than their credit histories and formal documentation of their assets.

Use Tranched Financing to Mitigate Risk

Financial services that deliver funding on a milestone-driven basis can be effective in tapping into the youth market. Three distinct ways were identified: using business performance achievement-based milestones; building a financial track record for youth; and strengthening skill acquisition.

Customize New Products Better Suited to Youth Entrepreneurs

Financial service providers can alter their product designs to better meet the needs of youth. Techniques include lowering or eliminating collateral

requirements, as well as adjusting interest rates for youth clients.

Leverage Responsible Innovation/FinTech to Make Financing More Affordable for Youth Entrepreneurs

Responsible FinTech innovations can be used to increase access to finance for youth entrepreneurs. FinTech can be leveraged to cut costs, improve the quality of financial services, and provide more accurate financial risk assessments through higher quality data. It is evident that investments in FinTech will prove to have both short-term and long-term benefits for increasing access to finance for young entrepreneurs.

The Key Role of Non-Financial Services in Successful Programs

Support Youth through Mentoring

Mentoring to support the delivery of financial services to youth entrepreneurs can be highly effective. It is critical that mentoring be provided on a continuous basis, leveraging existing networks and using local champions or industry experts.

Support Youth through Entrepreneurship Education and Training

Designing and delivering entrepreneurship education and training, including financial literacy and business development training, can significantly improve financing programs for youth. Both financial literacy and business development training are most effectively delivered when adapted to the stages of financial disbursement and context — and when they can be integrated in a hands-on manner with interactive components.

Closely Coordinate Non-Financial and Financial Services

Leveraging various types of partnerships to integrate financial and non-financial services can be crucial. Strong partnerships between financial and non-financial service providers can ensure that youth will have access to a wealth of comprehensive services.

Suggestions for Policymakers

Amend Regulatory Frameworks to Ensure More Inclusive Markets for Youth Entrepreneurs

Regulatory amendments aimed at making markets more inclusive for youth entrepreneurs can facilitate greater financing opportunities. These amendments can range from those that allow lenders to accept non-traditional forms of IDs, to others that encourage greater formalization among youth entrepreneurs by improving the overall ease of doing business. The latter can include simplification of registration procedures, tax filing and the procedures for shutting down a business. Collateral is often a major impediment for youth in accessing finance. As such, policymakers may wish to explore the possible benefits of amending prudential regulations to allow lenders to accept alternative forms of collateral, while also ensuring that safety and soundness considerations are not compromised. The restrictions on MFIs to remain net-lending institutions can also be made more flexible to enable them to inculcate savings habits in their clients, while at the same time encouraging practices among MFIs to protect their depositors.

Motivate the Financial Sector to Support Youth Entrepreneurs through Targeted Incentives

Governments can motivate lenders to finance youth entrepreneurs by providing them with tax breaks upon successfully meeting targets to maintain a certain proportion of youth clients in their portfolios. Alternatively, governments can act as guarantors for loans provided by the financial sector to youth entrepreneurs. Governments can also directly fund entrepreneurs. However, as there is no case presented of such funding effectively scaling, it would seem prudent to focus on those indirect measures that can mobilize funding from the existing financial sector.

In all cases, measures should be carefully piloted with strong monitoring systems to safeguard against unintended market distortions.

Foster an Enabling Environment for Youth Entrepreneurs to Obtain Financing

Policies can support the cultivation of an entrepreneurial culture and greater engagement within a community of entrepreneurs. Initiatives in this domain can promote a curricula within universities, as well as mentorships to generate interest among youth in entrepreneurship opportunities. So too, it can counter cultural stigmas associated with entrepreneurship. Governments can also create platforms to gather different stakeholders, including the various financial service providers along with youth, to exchange ideas and forge partnerships to better integrate the financial and non-financial aspects of youth lending products. Ensuring that lenders have access to quality data from sources such as census authorities, credit bureaus and collateral registries is critical to the success of increasing the availability of financial products tailored to the youth market.

Promote the Incorporation of FinTech in Financing Youth Entrepreneurs

FinTech can improve the cost effectiveness of financing youth entrepreneurs in multiple ways, for example, by improving data collection and dissemination, screening, and disbursement of financing. As such, policymakers should facilitate the incorporation of responsible FinTech in financing youth entrepreneurs. Policies should aim to improve mobile and internet penetration through the overall improvement of digital infrastructure. Governments should facilitate an increase in the digital footprint of users, especially among youth. This will enable lenders to better design youth-targeted products, while protecting the rights of the target market. Governments also have a role in facilitating the shift by financial service providers from analog to cloud information systems by ensuring security.

ANNEX A: GLOBAL STOCKTAKING: CASE STUDY QUESTIONNAIRE COMPONENTS



Table A.1 details each component in the case study questionnaire and provides a brief corresponding description of the types of data points that were collected.

Table A.1: Data Collected

Component	Details
Background Information	General information about the program/project/institution including founding year, project goal, and organizational structure.
Youth Market	Definition of youth and type of target young entrepreneur (for example, gender, industry, rural or urban, and skilled or unskilled).
Financial Services	Product/program details such as: type of product (loan, equity, and so on.), interest rates, payback period, special features or conditions, innovative structures, and lending model (group or individual).
Product/Program Development	Process by which the product was developed: duration, objectives, and sources of funding.
Client Acquisition Process	Eligibility criteria, required documentation, due diligence process, and success rate of applications.
Post-Client Acceptance Procedures	Client onboarding process, such as monitoring or reporting obligations, follow-up, and role of institution following fund distribution.
Non-Financial Services	Non-financial services including training, mentoring, marketing support, skills development, and financial literacy programs. Also included is information about which entity is responsible for developing and administering these services.
Marketing	Youth-specific product outreach and awareness including marketing tools such as social media.
Results	Product/program results including available metrics, such as the number of clients served, loans outstanding/disbursed, and jobs created.
Success Factors	Key elements of success in services for young entrepreneurs including measureable indicators or benchmarks of success and impact.
Challenges	Challenges encountered during creation and delivery of product/project.
Future Outlook	Future vision, plans, potential for expansion, indicators, as well as opportunities — or barriers — to sustainability and/or scalability.
Country Context and Regulatory Environment	Country-specific barriers or opportunities including lending restrictions or subsidies for certain market segments, financial regulations, political environment, and banking system.
Additional Information or Innovations	

ANNEX B: CASE STUDY ICONS KEY



= Number of countries of operation



= Year of founding

Locations of Operation:



= Global



= Africa



= East Asia Pacific



= Europe and Central Asia



= Middle East and North Africa



= Latin America

Types of Implementers:



= Microfinance Institution



= Commercial Bank Initiative



= Accelerator / Incubator



= FinTech



= International/Multilateral
Organization Sponsored Project



= Private Sector Consultant



= NGO



= Investment Company

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ADA Microfinance, Africa



Background: ADA Microfinance is a Luxembourg-based non-governmental organization (NGO). In 2008, ADA launched its *Young Entrepreneurs* program with the aim of integrating a youth financing product within partner microfinance institutions (MFIs). The program was originally designed and implemented in partnership with RCPB, a MFI in Burkina Faso. It has since been adapted to meet the needs of ASUSU in Niger, FUCEC in Togo, and the Umutanguha Finance Company (UFC) in Rwanda.

Youth Lens: *Young Entrepreneurs* focuses on the vocational integration of youth through micro loans for startup companies. The program reaches urban youth between the ages of 18-35. In order to qualify, youth must have either participated in a technical and vocational education and training (TVET) program or worked for at least one year in a business. The youth use the micro loans to launch businesses in trades such as hairdressing, dress making, bricklaying, jewelry making, plumbing, and electrical services.

Product Details: The program provides two types of loans: startup and build-up loans. The startup loans target youth attempting to launch their first business. A key characteristic of these loans is their zero percent guarantee. Given the high level of risk associated with these loans, ADA established a guarantee fund to provide MFIs with partial coverage for unpaid loans. The build-up loans target youth who have owned a business for at least seven months. These clients are then eligible for two types of build-up loans: investment and working capital. Unlike the startup loans, these products require a 5-10 percent guarantee. In order to ensure that the entrepreneur is invested in his/her business, the guarantee takes the form of cash directly invested in the business, rather than cash as collateral.

Young Entrepreneurs offers two phases of non-financial support services. The first phase occurs before the loan is disbursed and includes training in entrepreneurship, business plan development, and financial literacy. The second phase is provided after loan disbursement and includes mentoring from a local professional, as well as periodic visits to the client's new business.

Key Success Factors: There are three major factors that contribute to the program's successful financing of youth entrepreneurs: lower levels of collateral, diligence in client selection criteria and analysis, and the provision of non-financial services for both the pre- and post-loan disbursement phases. When screening clients, the program found success using the "5C" method (that is, character, conditions, capacity, capital, and collateral).

Results: In 2016, the three partner MFIs granted more than 1,500 microcredit loans to youth entrepreneurs. The program in Burkina Faso has financed 1,687 youth entrepreneurs since 2008, enabling the creation of 2,100 formal and informal jobs; 89 percent of the microenterprises financed since 2009 are still active. Since 2016, 781 youth entrepreneurs have been financed, and 1,200 jobs have been created in Togo; 98 percent of the business are still active. Since 2016, 180 youth entrepreneurs have been financed in Niger, and 400 jobs created; 50 percent of the businesses are still active. The program in Rwanda is still in its pilot phase. However, since 2017, 40 youth entrepreneurs have been financed.

Future Outlook: One of the main goals of the program is to enable cross-country knowledge sharing, which will be particularly important as the program expands its operations. ADA identified mentorship services as a critical component to

ensuring the survival of youth businesses. However, the current model, whereby ADA provides and manages the mentors, is not sustainable. Therefore, ADA is now forging partnerships with local NGOs. Additionally, an innovation is being piloted in

Rwanda whereby the partner MFI brings mentors from their existing portfolio of clients, matching them with young entrepreneurs working in the same industry.

Al Barid Bank, Morocco



Background: With funding from the International Fund for Agricultural Development (IFAD) and in partnership with Silatech, Making Cents International implemented the IFAD Rural Youth Economic Empowerment Program (RYEEP). It is a three-year grant aimed at increasing employment and self-employment among young people aged 15-35 in the Middle East and North Africa (MENA) countries of Egypt, Morocco, Tunisia, and Yemen.

Through RYEEP, Morocco's Al Barid Bank (Al Barid or ABB), one of the largest financial institutions in the region, deepened the rural outreach of its youth savings product, *Tawfir al Ghad* (TAG) or "Savings for Tomorrow". Launched nationally in June 2014 with Silatech support, it increased the promotion and use of mobile branches. ABB also began to link its rural TAG account holders interested in self-employment to microcredit services through introductions to microfinance institutions (MFIs). In addition to the provision of financial services, ABB used market research to develop customized financial literacy training and outreach models to reach rural youth.

Youth Lens: Under the RYEEP program, rural youth aged 18-25 were targeted. Prior to the RYEEP program, ABB had had difficulty in serving rural youth; indeed, only 20 percent of its clientele was under the age of 30 — whereas this cohort makes up 45 percent of Morocco's total working-age population. This population has traditionally been underbanked, with only 28 percent having an account at a formal financial institution — and many fewer actually saving there. Nonetheless, rural youth do save; an ABB phone survey indicated that 44 percent of rural youth who opened a TAG savings account had already been saving, mainly informally, as compared to only 36 percent in urban areas.

Product Details: TAG has been tailored to meet the specific needs of youth savers based on extensive market research with urban and peri-urban youth conducted in 2012. The product has a number of special features designed to encourage uptake among youth, including a low minimum balance, a free debit card, no fees, and a lottery scheme that rewards active savers. Finally, recognizing that rural youth are more economically active than urban youth, ABB sought to link TAG clients to local microcredit providers by including these providers in their financial education training sessions. ABB also started to develop mechanisms to allow TAG clients to repay their MFI loans through their ABB accounts.

ABB Financial Service Offerings

In addition to the provision of financial services, ABB delivered financial education training to rural youth through direct training, mobile branches, radio, and its website. The training was developed specifically for rural youth. Information disseminated through video clips, the website, radio, and mobile branches was developed for youth in general. A summary of the different types of financial education offered is included below.

ABB Financial Education Programs for Youth

Key Success Factors: For lower-income and more remote rural youth, the fee structure and accessibility of the product proved critical. ABB had low minimum balance requirements and no fees. ABB's branches were centrally located in most rural communities due to their partnership with postal offices. ABB also used mobile branches to reach the more remote rural communities.

Table C.1: Youth Savings Product

Features	Youth Savings Product	
Product	Tawfir al Ghad savings account	MFI linkage products ^a Individual loans
Purpose	Build assets for education, consumption, and livelihoods	Lending for enterprise development
Amount	MAD 50 (US\$ 5) minimum balance	Average loan MAD 1,042 (ranging from US\$ 190 to US\$ 3,797)
Duration	Savings available on demand	Average 15 months (ranging from 8 to 48 months)
Interest Rate	Variable, based on bank deposit market rates	Ranging from 17 to 30 percent, depending on the fees associated with the loan
Delivery Vehicle	The savings account is linked to a debit card to encourage uptake, enabling easy access to account balances and simple withdrawals.	MFIs deliver the loan, and repayments are made through ABB accounts.
Collateral	N/A	Various, but often include a minimum amount of business experience, pledged collateral, or salaried guarantors
Other	Savings deposits are incentivized through a lottery system (account holders are eligible if they make a MAD 50 deposit during the month).	Loan disbursement may also be conditional on youth receiving entrepreneurship or other forms of training.

Source: Al Barid Bank.

Note: ^a Products are based on the terms offered by the representative MFIs collaborating with the ABB.

ABB= Al Barid Bank; MAD= Moroccan Dinars; MFI= microfinance institution; N/A= not applicable

ABB's reputation as a "trusted institution" — a feature that was not emphasized in the marketing campaigns — was very crucial for rural youth who were more suspicious of marketing and outsiders. Therefore, word-of-mouth from existing clients and well-trained staff at branches proved to be the most effective tool to reach them, whereas marketing through TV, a website and social media were not as effective.

ABB's targeted, short financial education campaign was effective in increasing knowledge and changing behavior, indicating that longer training sessions, common among many NGOs, may not be necessary or desirable.

Results: During the two-year implementation of the program, ABB launched TAG nationally. It tested the mobile bank branches, studied uptake among rural populations, offered supplemental non-financial services, and began to link TAG clients

to microfinance. By the end of the project in 2016, ABB had succeeded in opening TAG accounts for 6,277 rural youth. Its deposits totaled about US\$ 2.4 million (with an average account amount of US\$375). It also linked 474 youth to microcredit services.

The financial education training and awareness sessions reached 2,906 rural youth and demonstrated strong changes in knowledge and behavior. Ninety percent of surveyed participants declared that, after the training, they were able to better manage their budget, and two-thirds reported that they had started saving. In addition, 20 percent of the surveyed participants who previously had no bank account opened one following the training. Finally, radio and internet interventions disseminated a variety of financial education messages to at least another 88,000 rural youth.

Table C.2: Training Tools

	Training	Information Sessions	Videos/Website	Radio
Type	Classroom training	Open-air savings awareness sessions held at markets or in village centers	Two-minute videos and website information on products and financial education topics	Financial education through on-air discussion with experts and callers
Delivery Vehicle	Sigma Tools (consulting company) and local NGO (Civil Space Network Association - <i>l'Association Réseau Espace Civil</i>)	Sigma Tools	Website and LCD screens in mobile branches	4 national radio stations
Purpose	Increase financial knowledge of youth and encourage account opening	Increase knowledge of financial products and partners	Raise awareness of financial tools and importance of saving	Increase financial knowledge
Topics	<ul style="list-style-type: none"> • Banking services • Saving and budgeting 	<ul style="list-style-type: none"> • Banking services • Saving and budgeting • Credit options 	<ul style="list-style-type: none"> • Saving tips • Budgeting tips • Financial products 	<ul style="list-style-type: none"> • Budgeting • Savings • Financial products
Audience	2,000 rural youth	906 rural youth	At least 88,000 rural youth ^a	300,000 adults and youth (42 percent rural)
Approach	Lectures, activities, and exercises	Lectures, activities and videos	Engaging, youth-appropriate content	Expert discussions and real-life examples
Duration	4 hours	2-3 hours	<5 minutes	1 hour, 20 minutes

Source: Al Barid Bank.

Note: ^aTen percent of the estimated 881,000 page views recorded for the TAG campaign.

LCD= liquid crystal display; NGO= non-governmental organization.

Future Outlook: ABB will look to build on lessons from the initial program to deepen its outreach to rural youth. The goal is for “Savings for Tomorrow” to become a habit among youth throughout Morocco. For instance, ABB’s pilot indicated that there are

three key elements to successfully serving youth, including the right product in an accessible location, backed by education that can spur demand. Further expansion of TAG into rural areas will require investments in all three of these areas.

Al Amal Bank, MENA



Background: With funding from the International Fund for Agricultural Development (IFAD) and in partnership with Silatech, Making Cents International implemented the IFAD Rural Youth Economic Empowerment Program (RYEEP). The program is funded by a three-year grant seeking to increase employment and self-employment among young people aged 15-35 in the MENA countries of Egypt, Morocco, Tunisia, and Yemen.

The overarching goal of the Al Amal Rural Expansion Project in Yemen was to increase employment and self-employment of rural youth by enhancing their access and ability to use financial services, while simultaneously building their business management skills. Based on this goal, there were two primary objectives: first, to develop and deliver youth-inclusive financial services in rural Yemen to 3,000 youth, or 30 percent of the bank's rural portfolio; and second, to build Al Amal's capacity to deliver non-financial services to 3,500 rural youth through its partners.

Youth Lens: Al Amal was already a regional leader in youth-inclusive financial services. For example, at project start in 2013, 22 percent of its overall portfolio countrywide was comprised of youth. Al Amal achieved this goal by recognizing youth as a major target segment from the institution's inception. As such, it trained staff on youth-inclusive practices and set ambitious targets for serving youth. Under the RYEEP, the challenge for Al Amal was to maintain this youth-inclusive focus while extending its reach into difficult-to-serve rural areas, as well as having women account for 25 percent of its rural clientele.

Al Amal defined youth as people aged between 18 and 35, reflecting traditional rural practices whereby young people do not gain control over assets (including land) until a relatively late age. Credit and savings products were available for this entire

age range. Al Amal chose to target older youth more expressly with credit products and younger youth with savings products, recognizing that older youth were more economically active and had greater potential to use credit effectively.

Product Details: Al Amal's strategy was to initially offer rural clients the same mix of savings and credit products designed for its urban adults and youth, but slightly adapted for rural conditions. Al Amal would then add specific rural livelihood products to its portfolio of services. Due to the conflict in Yemen, Al Amal was unable to develop rural livelihood products. However, Al Amal found that it was able to achieve significant outreach with its existing products, slightly modified for rural conditions.

Al Amal offered five different lending products for adults and youth. These products were designed for different purposes and accepted different types of collateral.

- **Group lending** provided relatively small, short-term loans to groups of 5 to 25 people for business or household needs, which were group-guaranteed and increased in size over time. This option was chosen by 18 percent of the rural youth portfolio.
- The **Reayah** product targeted poor households who received government support payments. Loan sizes were small, and the government payments were used as collateral. *Reayah* was designed as a graduation product. It was used to test low-income borrowers for credit-worthiness, with the idea that those who repay on time and have a successful business could graduate to larger loan products. This product proved the most attractive for rural youth, with 69 percent of rural youth borrowers beginning with this product.
- The **individual loan** product was Al Amal's core enterprise lending product for adults. It offered loans of up to 1 million Yemeni Rials (RL) (about

US\$4,667), but required more stringent business plans and collateral. Most rural youth were unable to meet the strict requirement for this product. Thus, this product accounted for only 4 percent of total loans disbursed.

- The ***Mawsimi* (seasonal) loan** was a consumption-oriented product that helped active borrowers respond to cash-flow needs around holidays or the school season with an additional supplementary loan.
- The ***Sharakat* (salary) loan** product was for salaried employees and generally used for consumption purposes. Considering the low levels of formal employment of youth in rural areas, this product was not used much, and accounted for only 9 percent of the portfolio.

Al Amal also partnered with the *Reyadah* Foundation, a non-financial services provider based in Sana'a, Yemen's capital, that Al Amal had helped to establish in 2013. Through *Reyadah* and local partners, three types of non-financial services were to be provided to youth: financial literacy, business management training, and technical training.

Key Success Factors: Al Amal identified four success factors in reaching out to rural clients. First, since Al Amal was able to benefit from being the first financial institution to serve many of the rural areas where it is currently active – even products not specifically targeted to youth appealed to them. Second, Al Amal's partnerships with local NGOs to provide non-financial services gave it credibility and encouraged more marginalized populations, including youth, to open accounts and apply for funding — without adding significantly to costs. Al Amal also targeted the provision of non-financial services, based on market studies following the first

wave of lending. The studies suggested that these services were not essential for youth who were already economically active. Third, Al Amal's use of innovative sources of collateral, such as enrollment in the government support payments program, was popular with its clientele, which often lacked collateral to access other formal sources of business funding. Fourth, in rural areas, Al Amal's equal focus on youth and non-youth clientele enabled it to lower its cost per loan — and saturate the market. As a result, Al Amal's rural portfolio grew to 35 percent of its overall business.

Results: Initially, Al Amal's rural expansion proceeded faster than originally expected. Al Amal had exceeded its target of 3,000 youth by 20 percent at the end of March 2015. However, due to the conflict, expansion was halted. Al Amal subsequently focused on protecting its portfolio.

At the end of the program in 2016, there were 5,445 loans disbursed with a value of about US\$2 million, 30 percent of which were disbursed to women. The average loan size was US\$370, and 2,512 youth clients used the loans to expand their businesses.

Future Outlook: Due to the conflict in the country, Al Amal has not been able to develop products specifically targeting the youth in rural markets, nor has it been able to offer graduation products to its existing client base. Although Al Amal discovered that youth loans performed better during the conflict given greater adaptability, many of Al Amal's youth clients have since become unviable since they are losing their sources of collateral. Al Amal's biggest future challenge now is to protect its client base in the rural areas of Yemen.

Anzisha Prize – African Leadership Academy



Background: The African Leadership Academy (ALA) was founded in 2004 with the idea that Africa’s greatest need is ethical and entrepreneurial leadership. It enrolls the most promising young students from across Africa in a 2-year program that provides leadership development, intellectual growth, and hands-on learning opportunities to approximately 260 students per year. The ALA campus is located outside of Johannesburg, South Africa and serves students from across the African continent. The Innovation (later Anzisha) Prize was initiated in 2011 with the goal of reaching youth beyond those enrolled at ALA. In 2016, ALA received a five-year grant from the Mastercard Foundation to launch what is now the Anzisha Prize. It celebrates youth entrepreneurs on the African continent by offering them a global platform and inspiring others to follow suit.

Youth Lens: The Anzisha Prize is focused on very young entrepreneurs between the ages of 15 and 22 years. Applicants must meet the following criteria. They must already be running a venture, and the venture must be founder-led. The venture should demonstrate impact and scalability, as evidenced by existing revenues or beneficiary reach. In addition, the venture should generate new jobs. The Prize application can be accessed through an online portal, with paper applications available upon request. The application itself is not very rigorous, but it requires the applicant to know their business well. After a phone interview, the Anzisha team conducts due diligence. This entails travel to meet the youth entrepreneur to ensure that the business actually exists, and to verify that the applicant actually fits within the 15 to 22 age bracket.

The Prize does not focus on a particular sector, and it is not an ideas-based program. Rather, it evaluates applicants based on the relevance, scalability, job impact, leadership potential, and effectiveness of

the individual and his/her business. However, as the program grows, consideration is given to targeting specific demographics. For example, in 2017 the selection process attempted to specifically identify female and agriculture entrepreneurs. The majority of finalists are about 21 years old. In this context, ALA receives substantially more applications from East Africa — especially Kenya, Rwanda, Tanzania, and Uganda — due to the strong youth entrepreneurship support base in those countries.

Product Details: The Anzisha Prize is a three-pillar program: celebrate, accelerate, and collaborate. It is designed to celebrate young entrepreneurs through publicly awarding 20 top young entrepreneurs from across Africa, including three grand prize winners. Once selected as finalists, the youth become part of a fellowship, and are provided with support through an accelerator program. Finally, the program collaborates with other institutions to create content around youth entrepreneurship.

The Anzisha Prize is funded by a five-year grant from the Mastercard Foundation. In 2016, 12 finalists were selected. As the program developed, it was able to expand its reach. In 2017, it selected 15 finalists, and in 2018 the program accommodated 20 finalists. The grand prize winner receives US\$25,000, the second place receives US\$15,000, and the third place is awarded US\$12,000. The remaining nine finalists receive US\$2,500 each, which is disbursed during the post-award Accelerator Camp. The full US\$2,500 is to be injected into the enterprise, and US\$500 is provided in the form of relevant equipment. Additionally, each of the finalists receive a US\$7,500 fellowship package linked to Anzisha’s Accelerator Program. This includes the Anzisha Week boot camp, mentorship and consulting services, travel and networking opportunities, and business equipment.

It should be noted that the Anzisha Prize is more than a business competition offering a monetary prize. Indeed, the program provides a suite of non-financial training opportunities, which are designed to grow the youth entrepreneurship ecosystem across Africa. The program's main non-financial service is the Anzisha Accelerator Program. All finalists are mandated to attend the all-expense paid, week-long boot camp, which is hosted by the ALA campus in Johannesburg. During the program, the finalists receive training with ALA faculty, mentorship from seasoned entrepreneurs and business professionals, and attend workshops to refine their business models. They also conduct site visits to sector-relevant ventures. In addition, they receive exposure through extensive media coverage for their businesses. Some of the key topics covered during the workshops include resources and partnerships, distribution channels, scaling ventures, introductory negotiations, and management of their online persona.

Customizing non-financial services to the specific needs of each entrepreneur is very important. Therefore, the boot camp offers three tracks, which are each designed to meet entrepreneurs in their distinct phases of enterprise development. The Foundations Track aims to provide the kind of basic business acumen needed as a foundation for growth. The Growth Track aims to provide specific business support to their ventures so that they can overcome current barriers and expand their operations. The third track, the Investment Track, aims to prepare the entrepreneur and his/her business for investment, linking them to potential investors.

In addition to the Accelerator, the Anzisha program offers four other platforms that help the finalists grow and sustain their enterprises. The **Experts in Residence** program brings sector-specific experts and seasoned entrepreneurs to the ALA campus to offer advice to Anzisha fellows. The **Regional Indabas** are regional gatherings throughout Africa that enable fellows to remain connected and learn

from program alumni. The **Global Speaker Circuit** offers fellows the opportunity to travel and tell their entrepreneurship stories across Africa. A final component of the program is the **Anzisha Prize Night**, a large celebration that empowers finalists in realizing that they have arrived on the global entrepreneurship scene. The event is designed to be glamorous and celebratory, and it is guided by the idea of empowering the young finalists to continue their success as entrepreneurs.

Key Success Factors: The success of the Anzisha Prize can be mostly attributed to ALA's familiarity in working with young entrepreneurs. ALA has the ability to transfer the knowledge and learning gained through their programs to the development and improvement of the Anzisha Prize programs. Another key success factor is what the Anzisha team has termed the "Anzisha Effect". This refers to the power of sharing young entrepreneur success stories to trigger and inspire other youth across Africa to pursue entrepreneurship as a career path.

Results: The Anzisha Prize has recognized and awarded 82 entrepreneurs from 24 countries across Africa. These entrepreneurs have collectively received US\$495,000 in cash prizes to invest in their ventures and have created over 500 jobs.

Future Outlook: The Anzisha Prize is mid-way through its five-year grant from the Mastercard Foundation. During its mid-grant evaluation, it drew key lessons and developed a more focused program centered around the three pillars. Looking past the culmination of the Mastercard funding, ALA intends to pursue other grants to sustain and expand the program. ALA is constantly responding to youth entrepreneur experiences and sector needs. For example, in seeing a gap in youth pursuing agricultural entrepreneurship, ALA partnered with the Louis Dreyfus Foundation in 2015 to disburse a special US\$10,000 Anzisha Prize for Agriculture.

Banco ADOPEM, Dominican Republic



Background: Founded by the NGO, ADOPEM, in 2004, Banco ADOPEM is a savings and credit financial institution that operates 74 branches in the Dominican Republic. In 2012, it joined the group of institutions associated with the BBVA Microfinance Foundation, a non-profit organization committed to increasing microfinance access for the poor in Latin America. Banco ADOPEM aims to support the economic growth of small-scale entrepreneurs and vulnerable populations in both rural and urban areas. Its entrepreneur clients are primarily involved in the production and sale of food, clothing and footwear, as well as artisanal crafts. As of the end of 2016, ADOPEM had 390,199 active clients, including 224,771 credit and 165,428 savings clients. Among the credit clients, 58,861 were new entrepreneurs, 90 percent of whom were facing varying levels of poverty and vulnerability. Sixty- seven percent of ADOPEM clients were female.

Youth Lens: Banco ADOPEM targets youth from vulnerable populations who aspire to improve their future outlook. The highest proportion of its active clients are between the ages of 31 and 60. However, the savings account is exclusively for children up to the age of 15 and youth from 16-24 years of age. To target youth, Banco ADOPEM relies on social media and networks, promotional activities inside and outside of branch offices, and campaigns.

Product Details: Banco ADOPEM offers a savings account, *Ahorro Mia* (“My Savings”), for youth and for children who can provide proper documentation from a parent or sponsor. The minimum deposit amounts needed to open an account for children and youth are Dominican Pesos (RD) RD\$100.00 and RD\$200.00, respectively (about US\$2 and US\$4, respectively). The interest rate is 2.5 percent per year, credited every 6 months, with a charge of RD\$10.00 (about US\$0.2) for 6 months of inactivity.

ADOPEM NGO and bank staff also administer and provide a financial education program for youth. ADOPEM holds events, including games and dances, on financial education in schools and bank branches to empower youth and spur a culture of savings from an early age. Bank staff receive extensive training regarding how to interact with this market sector and conduct educational programs. Prior to launching, the savings account began in two pilot branches, and employed focus groups to gain a better understanding of the target market when designing the product.

Key Success Factors: The key success factors include the use of promotional activities in communities; incorporation of educational workshops in schools to instill a culture of saving from an early age; dissemination of educational material through bank branches, social networks, fairs, and social media; and assurance that the product is suitable for the target market through the use of focus groups and direct monitoring of clients. These operations have also been successful because of the partnership between ADOPEM Bank and its NGO.

Results: As of December 2017, Banco ADOPEM had an overall current portfolio of 35,312 savings accounts for a total of RD\$54.6 million (about US\$1.1 million). Since its inception until December 2017, the “*Ahorro Mia*” accounts served 394 young men (aged 16-24) and 1,450 young women (aged 16-24). The program has also contributed to the larger goal of fostering a culture of savings from an early age.

Challenges: Banco ADOPEM notes that the regulatory environment impedes the ease of opening bank accounts on behalf of young people. Given the cultural context, encouraging the inclusion of financial education in school programs and promoting awareness and sensitivity to the savings product have also been challenges.

Future Outlook: Banco ADOPEM aims to ensure the loyalty of its young clients and parents. It also seeks to find new channels for clients to have greater access to their savings accounts. In this context, it is

looking to implement a virtual training program to assist clients in the automatic transition from a child account to a youth account, once a child is of age and has received an official ID card.

BancoFIE, Bolivia



Background: Beginning as an NGO in 1985, FIE became a Bolivian bank in 2010. BancoFIE’s primary goal is to promote financial inclusion by supporting four main areas and groups: micro and small businesses, the productive agricultural sector, women, and youth.

Youth Lens: The savings program serves youth up to 30 years of age, and the credit program is accessible for those 18 and older. With the aim of helping youth break out of the poverty cycle by providing them with the necessary tools to successfully access financial products, BancoFIE’s primary focus lies in youth education. BancoFIE uses several methods, including social media promotion campaigns, university visits, promotional videos, surveys for BancoFIE clients with children, and career fair presentations. BancoFIE serves an average of 30,000 young people through its financial education program, and it has provided education financing credits to approximately 1,500 youth clients.

Product Details: BancoFIE provides both financial services and non-financial services for youth. Its financial services include a credit program, savings accounts, and education financing credits. Credit capital is also offered to the sons and daughters of BancoFIE clients, who act as sponsors to safeguard against the risk of investing in youth. The credit tends to help youth who are associated with family businesses to become independent by creating their own private businesses or by innovating their existing family businesses. The savings program helps youth establish a savings account and provides a personalized debit card as well. Education is at the core of BancoFIE’s youth services. BancoFIE provides the opportunity for youth to complete their studies through education financing credits. It also offers financial literacy training. The education financing credits support youth in completing their studies by providing financing for university fees, living costs, technology/computing expenses, resources and any other costs associated

with technical or university studies. Following the disbursement of credits, there is a rigorous monitoring process to ensure that the credits are being appropriately used. BancoFIE also offers an online financial literacy program, which it recently relaunched to increase the level of user engagement. The online course named “*Aprende Emprende*” (learn and start a business) covers four main themes: savings, spending, the financial system and budgeting.

Key Success Factors: BancoFIE’s key success factor is its deep understanding of the context and needs of youth, originating from its NGO beginnings. According to BancoFIE, traditional credit programs in Bolivia tend to indebt rather than empower youth. Therefore, from its beginnings as an NGO, FIE realized that youth needed to be provided with the tools to understand and interact with financial institutions. Through its emphasis on education, BancoFIE helps youth clients strengthen their entrepreneurial capabilities to maximize future opportunities.

Results: From the 53,526 general credits provided to clients under 30 years of age, the average credit is US\$3,449, with a default rate of 3.8 percent. Of the 1,500 education financing credits provided, the average credit amount is US\$868, with a default rate of 3.43 percent.

Future Outlook: BancoFIE aims to continue scaling up its program to provide financial and non-financial support to the graduates of its financial literacy program. An upcoming initiative toward this goal entails developing a partnership with a university’s incubator program. BancoFIE will nominate graduates of its education program to participate in the incubator. Aligning with its emphasis on education, BancoFIE also foresees expanding its non-financial services by adding a mentorship component.

BPISinag, Philippines



Background: Created in 2015, BPISinag is run by the BPI Foundation, the social development arm of the Bank of the Philippine Islands (BPI). BPISinag’s mission is to discover, equip and empower social entrepreneurs who can contribute to the socioeconomic development of local communities. Through SinagAccelerate, BPISinag aims to attract entrepreneurs who have the potential for growth and help them reach that potential by providing training and seed funding. SinagAccelerate holds an online competition in which selected entrepreneurs are invited to participate in an intensive two-week boot camp, culminating in a final pitch competition judged by experts. The winners of the pitch competition then receive seed funding.

Youth Lens: This program defines youth as those under 35 years of age. Approximately 60 percent of the accelerator participants are youth from across the country. BPISinag relies heavily on social media to attract young social entrepreneurs who are innovative and resilient.

Product Details: BPISinag hosts an intensive 2-week boot-camp for all those selected from the online competition. The program offers basic finance lessons, training on how to work with government entities, and support for idea development/maturation. During the boot-camp, mentorship is offered by academics, investors and finance specialists. The pitch competition or “shark tank” is led by a panel of business experts, who also provide additional feedback to the finalists. The winners of the pitch competition gradually receive seed funding based on the completion of customized milestones.

Key Success Factors: The key success factors include: careful targeting, a gradual provision of funding, and extensive training by experienced coaches and mentors. BPISinag finds that targeting entrepreneurs who demonstrate the personal qualities of ambition and determination increases the likelihood that the entrepreneurs will follow through with their business plans over the long run. Targeting ambitious entrepreneurs also contributes to positive group dynamics, which serve as an additional source of motivation for the entrepreneurs. Providing funding in segments based on the completion of customized milestones identified in the entrepreneur’s business plan also minimizes the risk of drop-outs, as well as serving as a form of monitoring. The non-financial services in this program are unique because support is offered from a range of experts, including from academia, business and the financial sector.

Results: From 2015-2017, funding was awarded to a total of 30 entrepreneurs. In 2017, the top 1-5 finalists were granted a total of Philippine Peso (₱) 500,000 (about US\$9,537) in tranches, and the top 6-10 finalists received a total of ₱100,000 (about US\$1,907) as a one-time disbursement. As the program is in its third year of operations, full business results cannot yet be determined. However, BPISinag has seen more promising results from those who have been awarded funding in tranches, and who have demonstrated personal qualities of ambition. Indeed, this has motivated its decision to pursue a gradual funding scheme, and to continually improve its targeting and screening of entrepreneurs.

Future Outlook: BPISinag aims to expand its mentorship opportunities and continually improve its targeting and screening process.

Credo Bank, Georgia



Background: JSC Credo Bank (Credo Bank) is a leading financial institution in Georgia that provides sustainable financial services to micro, small and medium enterprises (MSMEs). Its focus is on reaching rural geographic areas and businesses that create income and employment opportunities. Credo Bank was founded in 2005 as a microfinance institution (MFI) operated by the California-based microfinance corporation, Vision Fund. In 2014, Credo Bank was sold to a consortium of social impact investors comprised of Access Holding and funds managed or advised by ResponsAbility Investment and Triodos Investment. In March 2017, Credo Bank transitioned from being a MFI to a licensed bank. The bank is currently serving more than 230,000 active customers, operating in 67 service centers throughout Georgia.

Youth Lens: Credo Bank's SME loan clients represent three major sectors in Georgia: agriculture, tourism, and urban retail businesses. In general, only 30 percent of the bank's clients and 29 percent of SME clients are under the age of 35. However, Credo Bank recognizes the need for additional support necessitated by its youth clients, and therefore balances the bank's portfolio accordingly.

Product Details: Credo Bank offers a range of SME loan products, designed to be flexible to the individual needs of its customers. In general, the average loan size is Georgian Lari 1,519 (about US\$586) and the average loan term is for two years. The loan products are flexible in terms of interest rate, grace periods, and terms/tenure. Credo Bank built this type of flexibility into its products to best serve those hard-to-reach or traditionally unbanked customers.

Credo Bank's staff is also flexible in terms of customer service and outreach. It is very easy to access and complete a loan application, and clients are not required to visit the office. In completing

their loan applications, potential clients can send a short message service (SMS) text message, call Credo Bank's call center, or visit Credo Bank's web page. Credo Bank also has instant paying machines in many local shops and villages. Clients can make payments and complete new loan applications using those local machines as well.

Credo Bank uses a credit bureau to conduct credit checks of its potential clients. In this regard, it also connects with local village councils. It emphasizes the importance of building trusting relationships with its clients, as well as integrating steadfast monitoring systems within its model. Credo Bank views as critical the process of obtaining and identifying information pertaining to each client. This includes a Client Protection Certificate, a client financial history (if available), and business progress indicators. This enables loan officers to monitor clients' financial health and avoid over-indebtedness.

Credo Bank also provides non-financial services to its clients in the form of enhancing financial literacy. The bank believes that improving client financial literacy will be beneficial for the future. Clients who understand and take ownership of their own financial situation are less likely to become delinquent — and more likely to become repeat customers. Credo Bank ensures that each client is fully aware of the bank's product offerings, including how they might match a client's personal finances and needs.

The Credo Bank model is designed so that loan officers can provide individualized support to their clients. Loan officers are not just tasked with loan disbursement. Rather, they continuously support their client's business development. Loan officers also support clients in calculating their costs, negotiating with suppliers or manufacturers, and providing business development assistance.

Key Success Factors: Credo Bank attributes a lot of its success to its social mission. The bank is driven by its vision “to enable the poor to increase household incomes and reduce their vulnerability, enabling them to build a meaningful, sustainable, and self-determined livelihood.” This grounding in a strong social mission propels Credo Bank to meet its dual mission: impact and profit. Credo Bank is motivated by its clients’ financial well-being to provide individualized financial services. As such, it has successfully built its social impact brand/image, and clients trust that the bank will support them. Indeed, it has purposefully built a strong marketing team that works to ensure its clients are informed of new products and processes. As a result, Credo Bank is very well known throughout the country, even in very remote areas.

Results: Credo Bank is growing quickly both in terms of services and products, as well as impact. In 2017, Credo Bank fostered the creation of more than

14,000 jobs, and it maintains a portfolio of more than 230,000 clients. Credo Bank has total assets of more than US\$259 million, and a gross loan portfolio of more than US\$205 million. In 2017, Credo Bank’s net income was approximately US\$9 million.

Future Outlook: Credo Bank intends to expand its operations to be a fully functional bank. In other words, it seeks to become a financial institution that not only offers credit and loan products, but also serves as a deposit-taking institution providing clients with access to both checking and savings accounts. To increase its accessibility to clients, Credo Bank wants to become more digitized with regard to record keeping and services offered. In terms of expanding its youth client portfolio, Credo Bank intends to leverage social networks and digital marketing to better serve, communicate, and tap into the youth market.

Development Bank of the Philippines



Background: The Development Bank of the Philippines (DBP) is a state-owned development banking institution, and the seventh-largest bank in the country in terms of assets. DBP has 114 branches and 15 regional marketing centers across the country. In 2017, DBP received the “SME Bank of the Year” for the Philippines Country Awards. DBP demonstrated leadership in growing its SME business, creating value for its customers, and refining its services to be continuously centered on its customers.

Youth Lens: DBP does not have a specific focus on youth. However, the bank offers products to SMEs with relaxed requirements. As such, it is able to provide youth entrepreneurs with access to financing. DBP conceives of itself as a policy bank, that is, an institution not only driven by profit, but also by social impact. Through its SME loan products, DBP intends to empower entrepreneurs and help communities flourish through employment generation and support for local products.

Product Details: DBP has developed a few products to support youth entrepreneurs. DBP’s Sustainable Enterprises for Economic Development (SEED) program aims to enhance financial access and empower marginalized SMEs by offering alternative means of securing credit. The program’s key features include alternative collateral, flexible repayment terms with grace periods based on cash flow, and minimal equity requirements. Thus, loans are not denied because clients do not have collateral. DBP is more concerned with the quality of the cash flow and overall creditworthiness of businesses. DBP also offers customized repayment schedules to match business cash flows.

The SEED program is comprised of five products: retail lending for micro and small enterprises

(MSEs); medium enterprise and other business enterprise lending; a Development Bank of the Philippines surety fund facility; an inclusive lending program for aspiring women entrepreneurs (ILAW); bankability enhancement for startup “technopreneurs”; and an Overseas Filipino Workers (OFW) Reintegration program.

The Small Business Puhunan Loan Program (SBPLP), launched in early 2018, provides permanent working capital from as low as Philippine Pesos (₱) 300,000 (about US\$5,701) to as high as ₱1 million (about US\$19,004) to micro and small enterprises. The SBPLP also offers one-year loans with a fixed interest rate of 9 percent a year, or two-year loans with fixed interest rates of 10 percent a year.

DBP is continuously refining its technology to provide customer-centric services to SMEs. The bank launched an online banking platform, the DBP Digital Banking Portal, which enables clients to access real-time balances, and make electronic fund transfers, among other capabilities. DBP is also in the process of improving its credit scoring system to help hard-to-reach populations, such as youth, to access credit. The bank is working in partnership with Innovations for Poverty Action (IPA) to shorten the credit evaluation process for SME borrowers.

Key Success Factors: DBP can attribute its new success in reaching youth-owned SMEs to its core mission of promoting entrepreneurship. DBP is guided by the “3A” mantra: accessibility, availability, and affordability. The bank provides loans nation-wide with a particular focus on financing entrepreneurs located in the countryside.

Results: In 2015, DBP generated a 14 percent increase in its total MSME loan portfolio, from ₱6.67

billion (about US\$126.8 million) in 2014 to ₱7.6 billion (about US\$144.4 million) in 2015. In 2015, as part of the ILAW program, DBP provided loans to 15 women entrepreneurs with loan approvals of ₱223.45 million (about US\$4.3 million) and loan releases of ₱104.88 million (about US\$2 million).

Future Outlook: DBP achieved and built momentum after being awarded the “SME Bank of the Year” in 2017. The bank continues to develop products to increase access to financing for hard-to-reach clients. Most recently, DBP is focused on developing loan products for sustainable agribusinesses.

Enterprise Your Life, MENA



Background: With funding from the International Fund for Agricultural Development (IFAD) and in partnership with Silatech, Making Cents International implemented the IFAD Rural Youth Economic Empowerment Program (RYEEP). It is a three-year grant seeking to increase employment and self-employment among young people aged 15-35 in the MENA countries of Egypt, Morocco, Tunisia, and Yemen.

RYEEP partner, Plan Egypt, implemented the Enterprise Your Life Project, which aimed to reach 10,000 rural youth through a youth savings group model. The project provides both savings and credit services, as well as life-skills-based entrepreneurship and financial literacy training.

Youth Lens: The RYEEP program targeted rural youth between the ages of 16 and 27. Egyptian youth in this age range comprised two distinct segments. The first were those aged 16-22, including students in secondary school and university or recent graduates. They are just beginning to engage in income-generating activities, and have not previously used financial services, whether formal or informal. By contrast, the older segment, aged 23-27, is in the process of establishing households. This group is therefore more economically active and, in some cases, has used financial services in the past.

The project focused on the rural parts of the Assiut, Beheira and Giza Governorates. Based on the gender composition of its current Village Savings and Loan Association (VSLA) Project, Plan Egypt expected that 65 percent of the project participants would be women.

Product Details: Five different financial products were provided under this project – three through the Youth Savings Group (YSG) and two through linkages to formal financial institutions. Local Community Development Associations (CDAs)

encouraged the formation of these Youth Savings Groups, and provided support for their development. Youth pooled their savings and then decided the borrowing terms for a borrower from within the YSG. In addition, CDAs facilitated linkages to formal banks and microfinance institutions (MFIs) by educating YSG members about available financial products. They also invited bank representatives and MFI loan officers to YSG meetings, facilitating the completion of loan requirements (collateral, loan applications, and so on).

Details of the financial products are summarized in Table C.3, and details of the non-financial services offered as part of the program are summarized in Table C.4.

Key Success Factors: This program was based on a rigorous initial assessment and was well adapted to the rural context. For example, the program hired more youth, especially men, as on-the-ground promoters for the program. The program for adults utilized mainly adult women as promoters, but they were not embedded in youth networks. Social media and SMS texts were used as a promotion tool, as the initial pilot found these channels to be popular among youth. The program also borrowed terminology from sports. For instance, trainers were called ‘coaches’ to appeal more to youth.

Linkages between savings groups and formal financial institutions were prioritized to provide YSG members with access to formal financial institutions, such as microfinance institutions, to lend through the YSGs.

Results: By project-end in 2016, the pilot had adapted an adult-focused Village Savings and Loan Association (VSLA) methodology for rural youth. It also developed a youth-specific entrepreneurship curriculum and launched the program in rural areas within three Governorates. During the course of

Table C.3: Financial Products

Features	Youth Savings Product			Financial Linkages	
Product	Share (term) Savings	Individual Credit	Group Credit (Equity)	Enterprise Credit	Demand Deposit
Purpose	Build assets for enterprise or consumption	Start or grow a microenterprise	Group investment in a joint business venture	Grow micro-enterprise	Build long-term assets
Amount	<ul style="list-style-type: none"> • 5-25 Egyptian Pound (EGP) per meeting (average of 15 EGP-US\$2.14). • By the end of the cycle, average of US\$42.80 per person per year (higher for groups that meet more than 2 times a month) 	<ul style="list-style-type: none"> • 3 times accumulated savings • Range between US\$10-US\$75; estimated average of US\$28 (200 EGP) • Loans capped at US\$75 for first cycle for risk management purposes 	<ul style="list-style-type: none"> • Up to 100% of total group savings • Range between US\$50-\$200 	US\$150-\$500	Minimum of 10 EGP
Duration	1 cycle (9-12 months; 2-4 meetings per month)	1-6 months	1-6 months	3-6 months	On demand
Interest Rate	Variable-dependent on amount of loans disbursed	Variable-between 5-10% per month (group decides)	Variable-all profit returns to group	1-2% per month	Variable currently 2% per year
Collateral	None	Accumulated Savings	Group Savings	Co-signer	None
Other	Total share savings and interest withdrawn at end of cycle (10-12 months)			Local CDAs and Plan facilitate linkages	Local CDAs and Plan facilitate linkages

Source: Enterprise Your Life.

Note: CDA=Community Development Association.

Table C.4: Non-financial Product Offerings

	EYL Entrepreneurship Training	Technical and Vocational Training
Delivery Vehicle	YSG Facilitator (local CBO staff) provides training after savings and credit activities are completed.	Local CBO hires experts to provide training at its offices or in community.
Purpose	Strengthen life skills and entrepreneurial knowledge to enable better enterprise management.	Build technical and vocational skills that can be used in enterprises.
Topics	<ul style="list-style-type: none"> Planning Market Research Investing Negotiation Decision-Making 	<ul style="list-style-type: none"> Agriculture Raising Livestock Carpentry Simple Electrical Engineering Soap-making
Audience	YSG members (10,000 youth)	Individual YSG members who request additional training (1,000 youth)
Approach	Training and ongoing coaching by YSG facilitator	Training
Duration	14-20 short sessions cover 10 months (1 YSG cycle)	Variable-between 1 session on 1 day and 10-15 sessions over 3 months

Source: Enterprise Your Life.

Note: CBO= community-based organization; YSG= Youth Savings Group.

the project, 10,784 youth joined savings groups and accumulated over US\$188,000 in savings. The YSGs provided loans to 2,709 members, helping 1,884 youth to begin or expand their income-generating activities. In addition, 410 members opened savings accounts or borrowed from formal financial institutions.

Enterprise development results were also on target, with almost 20 percent of members beginning or expanding income-generating activities. Interestingly, although these income-generating activities have not yet translated into measurable improvements in poverty rates, in an external evaluation, 63 percent of members reported that their quality of life had improved. This indicates that access to finance and training increased their sense of agency or empowerment. The one area where the pilot did not perform as well as expected was with

regard to formal financial sector linkages (savings or credit), which reached only half of its target.

Considering that these positive results were achieved at a low cost per member (US\$30 per member for the pilot; US\$15 estimated for expansions), this experience suggests that the Enterprise Your Life model is a cost-effective way to reach low-income rural youth. It also indicates that the combination of education and finance builds confidence in youth to engage in income-generating activities. Finally, the program can serve as a route to engagement with formal finance institutions.

Future Outlook: At the end of the program, a more expansive Phase II was being developed. In this regard, it also conducted a multi-stakeholder workshop at the end of 2015, which it plans to use as a starting point for its planned expansion.

Equity Bank Kenya



Background: Equity Group Holdings Limited was established in 1984 with the aim of becoming a movement for socioeconomic transformation of the people of Africa. In March 2017, it secured two credit lines from the European Investment Bank for a total of €95 million (about US\$107.5 million). It is now using these funds for its micro-business lending activities in the Democratic Republic of Congo (DRC), Kenya, Tanzania, and Uganda.

Youth Lens: These micro-business loans cater primarily to young entrepreneurs, that is, people under the age of 35. Youth account for more than 60 percent of Kenya's total population and face the highest unemployment rates in the region.

Product Details: The program consists of two products specifically targeted to youth: the Vijana Biashara Loan (youth business loan) and the Vukisha Biashara Loan (cross-over business loan). Both are available to individual entrepreneurs. The products target entrepreneurs who do not meet the traditional financial security conditions in terms of collateral, banking history, personal savings, credit history and significant experience in business. Specifically, it enables them to organize themselves into groups and still be eligible for loans.

The risk that lending to youth entails is mitigated in three ways. First, the interest rate for micro-business loans is 14 percent, reflecting a significant increase due to the interest rate cap introduced by the Central Bank of Kenya in 2016. The rate is intended to offset the high default rates among youth entrepreneurs.

Second, in addition to individual lending, micro-business loans are also disbursed to groups consisting of 15-30 members. These are self-selected individuals who guarantee each other's credibility. Conditions for group formation are that 80 percent of the members need to have owned a business for at least three months, and the other

20 percent of the group can receive a loan based on a business idea. Moreover, the groups are not allowed to consist of relatives, since Equity Bank Kenya's experience suggests it is more difficult to put pressure on relatives than it is on non-relatives.

Third, individuals are required to participate in a two-month financial literacy training course to qualify for a loan. During the weekly one-hour meeting, potential customers are prepared for becoming responsible and trustworthy customers. Local branch employees cover topics such as record keeping, credit, and how to ensure the ability to pay back loans. They also cover key features of the different loans offered. Upon completion, individuals are eligible for an Entry Business Loan. This loan has a maximum value of 30,000 Kenyan Shillings (about US\$291) for up to six months. This initial loan is a trial to determine trustworthiness, enabling the group to get to know one other before allocating loans to each other. To compensate for the limited amount of savings this group can offer, they pay 100 Shillings (about US\$1) a week to secure their loans.

Ninety-eight percent of the clients who receive this initial loan repay it without any difficulty. Those individuals in the group are subsequently eligible for the Cross-over Business Loan. This loan has a maximum value of 3 million Shillings (about US\$29,095). The payback period ranges from 9 to 24 months, depending on the amount. In this regard, it is tailored to personal needs and the ability to repay.

Even after the initial two-month 'Financial Literacy' training, clients continue to receive guidance and education. One-on-one guidance is offered when business weaknesses are determined. In addition, business records are constructed, and expertise on improving product offerings is shared. There are also weekly group meetings imparting lessons on

financial literacy training. Moreover, successful entrepreneurs are given the opportunity to mentor incoming entrepreneurs, as well as access larger loans.

Key Success Factors: The structure of self-selected groups fosters teamwork and peer pressure. These factors in combination with elaborate financial guidance and education result in a default rate of 1.2 percent for the Micro-Business Loan program.

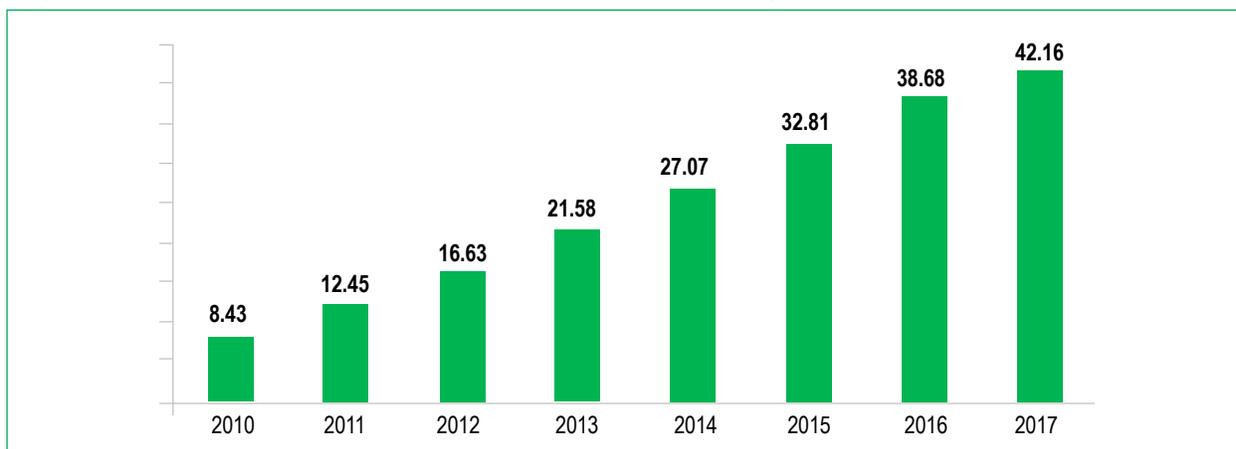
The number of trained persons in local branches who can facilitate group sessions is based on local demand. Training is conducted alongside an employee’s regular tasks. Also, facility costs are kept to a minimum by holding the group sessions at the business premises of the entrepreneurs or at community centers. The fast loans are not aimed

at making a direct profit, and the minimal costs are covered.

Results: The default rate for the Micro-Business Loan program stood at 1.2 percent. Regarding the group lending product, a total of 42.16 billion Kenyan Shillings (about US\$408.9 million) has been disbursed as part of the 697,000 loans made by the end of 2017 (Figures C.1 and C.2).

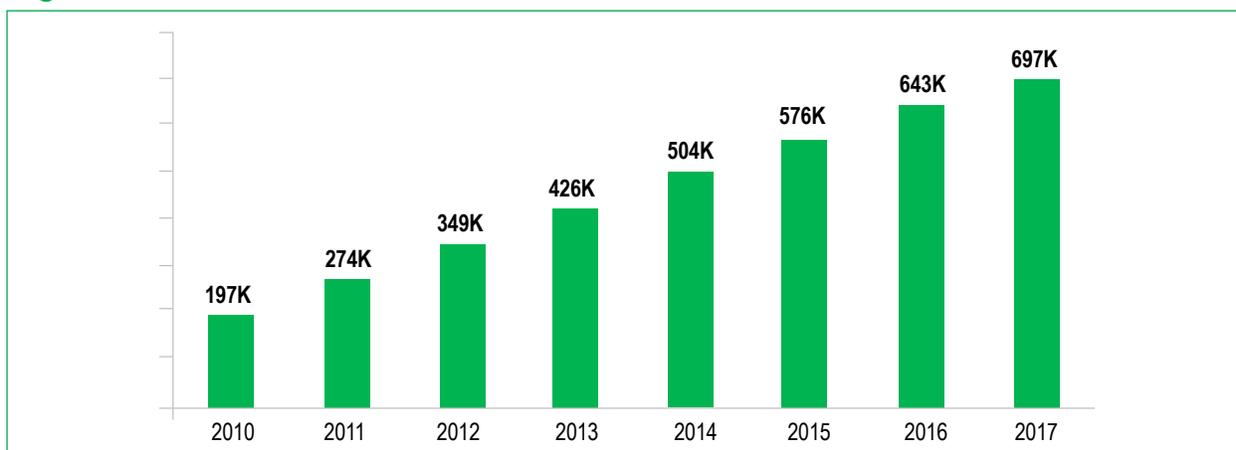
Future Outlook: The bank is presently providing group lending products in Kenya, Rwanda, and Tanzania. It is planning to expand its operations to Uganda. Moreover, since the non-financial assistance provided along with the financial products plays such an integral role, the bank will also focus on improving and expanding these services.

Figure C.1: Group Loan Disbursements (Shillings, billions)



Source: Equity Bank Kenya.

Figure C.2: Number of Loans



Source: Equity Bank Kenya.

FOJAL, Mexico



Background: FOJAL, the Jalisco Fund for Business Development (*Fondo Jalisco de Fomento Empresarial*) is a state development bank that aims to promote the growth of SMEs and ultimately contribute to the economic development of the State of Jalisco, Mexico.

Youth Lens: Although FOJAL does not specifically target youth entrepreneurs, more than 60 percent of its loans are offered to entrepreneurs under the age of 30. FOJAL aims to target female entrepreneurs. In 2017, 4,236 female entrepreneurs received loans, representing a 53 percent increase from 2016.

Product Details: FOJAL offers both financial and non-financial support to entrepreneurs. Through Academia Fojal, FOJAL provides a 7-level financial education training program, using an evidence-based methodology developed with university support. Levels 1-3 provide an introduction to SMEs and entrepreneurship, and levels 4-7 address the process of managing credit. Applicants are placed in a level according to their experience and business needs. After completing the training, entrepreneurs are eligible to receive loans from FOJAL, which range from US\$3,000 to US\$30,000. FOJAL refers entrepreneurs who require greater funding to allied commercial banks.

Key Success Factors: Recognizing the reluctance of commercial banks to provide loans for debt, FOJAL helps close this financing gap by challenging the traditional way of understanding and managing risk. FOJAL's success stems from its evidence-based approach, known as "Business Architecture Managing and Risks Frame," which ensures that services are continuously monitored. It is adapted based on emerging needs, and it is customized to the individual entrepreneur's needs. Following an initial evaluation using the business architecture tool, its rigorous monitoring process requires consultants

to measure commitment and compliance every 3 months based on specific indicators until the credit period ends.

Results: In 2017, FOJAL disbursed 14,989 loans, an increase of 71.4 percent from 2016. It delivered 551,682 training programs, an increase of 51,682 percent from 2016. In 2017, the average interest rate was 11 percent, with an interbank offering rate of 7.25 percent. Academia FOJAL has a loan application success rate of 96 percent. The total bad debt accounts fell from 9.5 percent in 2016 to less than 4 percent in 2017.

Challenges: FOJAL previously used internal personnel for monitoring, but found that it was not a cost-efficient or effective process. Consequently, FOJAL now uses an external contractor for continuous monitoring, which ensures technically accurate collection and analysis while reducing its human resource burden. FOJAL's biggest outstanding challenge now is raising sufficient capital, which it aims to counter by building stronger relationships with FinTech companies.

Future Outlook: In the future, FOJAL aims to continue building bridges between traditional financial entities and FinTech. In March 2018, Mexico approved the FinTech Law, which regulates the fast-growing financial technology sector, giving FinTech companies greater certainty over rules regarding issues, such as crowdfunding, payment methods and cryptocurrencies. By permitting information sharing through public application programming interfaces (APIs), the law allows SMEs to use information from clients of large banks. FOJAL also seeks to continue working with its university partners, including Stanford University and the Massachusetts Institute of Technology (MIT).

GroFin, Africa and MENA



Background: Headquartered in Mauritius, GroFin was founded in 2004 by a South African entrepreneur who recognized the need for SME support and sustainability. Today, GroFin operates in 15 countries to help small, underserved businesses grow. It operates across the Middle East and Africa (*East Africa*: Kenya, Rwanda, Tanzania, and Uganda; *Southern Africa*: Mauritius, South Africa and Zambia; *West Africa*: Ghana, Ivory Coast, Nigeria, and Senegal; and *MENA*: Egypt, Iraq, Jordan, and Oman).

Youth Lens: To target SMEs, GroFin mainly relies on intermediary networks or business associations, as well as social media. As underserved businesses tend to be at an early growth stage, GroFin uses demonstrated potential for success through experience and industry knowledge — rather than financial criteria — as a benchmark for investment. However, by using these indicators, inexperienced youth often do not meet the criteria for investment. GroFin further recognizes that there is a gap in the system for serving youth because programs that specifically target youth, such as incubators, do not adequately prepare youth for GroFin’s investment. Nonetheless, of the 647 SMEs in which they invested, 72 SMEs (or 11 percent) were owned by youth under the age of 35 at the time of investment. Moreover, GroFin’s flagship fund, the Small and Growing Businesses Fund, has been able to leverage its experience with past funds to identify more youth-owned businesses that conform to its viability model. Indeed, 26 percent of its investees are enterprises led by youth entrepreneurs.

Product Details: GroFin services SMEs through self-liquidating debt. It maintains that equity investment is unsuitable for SMEs because equity investors require drag-along rights and exits are difficult to ensure. This fails in regions lacking real stock exchanges and among entrepreneurs who do not want to part with their ownership. The debt

instrument used by GroFin is adaptable, including a customized repayment schedule depending on the business. GroFin also offers non-financial services through its monitoring program. Acting as an investor, GroFin visits the company regularly to offer hands-on business planning and financial management support. It also has partners in the field that offer technical support to the client, as necessary.

Key Success Factors: GroFin’s deep understanding of the target market is the key to its successful operations. GroFin gains this understanding by conducting frequent client visits, as well as ongoing monitoring to ensure that client needs are addressed. GroFin also emphasizes the importance of keeping the debt instrument simple and relatively flexible. This makes it more manageable, customizable to the specific business, and adaptable to the business stage.

Results: Overall, GroFin investees have an 80 percent viability rate. Regarding social impact, for the 72 youth-owned SMEs invested in so far, 2,159 direct jobs have been sustained and 412 direct jobs have been created.

Future Outlook: GroFin notes that the SME segment is still relatively new and ill-understood, but there is high demand. These factors create great market opportunity for the growth of the SME sector.

Challenges: GroFin faces common challenges in investing in the SME sector, particularly the difficulty of finding small businesses with enough growth potential to compensate for the high risk. It is also difficult to find local staff on the ground who can assess the business and provide technical support when needed. Also, in the MENA region, there is a scarcity of local funding partners willing to work within difficult environments.

Ibercaja, Spain



Background: Ibercaja is a Spanish commercial bank with over 140 years of experience, serving 3 million clients, with 1,250 offices in Spain. Managed by its social development arm, Ibercaja helps develop and grow small businesses through its program, *Emplea-T y Emprende*.

Youth Lens: *Emplea-T y Emprende* serves entrepreneurs residing in the provinces of Arago, Guadalajara, and La Rioja, Spain. Utilizing an online application, Ibercaja applies an intensive screening process and selects entrepreneurs who are motivated and demonstrate viable business ideas.

Product Details: *Emplea-T y Emprende* is a rigorous program offering both non-financial and financial services. All selected applicants undergo 30 hours of intensive training, customized based on their prior experience and business needs. Entrepreneurs are placed in one of the following six levels of training: *start*, for entrepreneurs with less than 1 year of experience; *development*, for those with 1 to 3 years of experience; *accelerate*, for those who intend to enter the market in a few months; *internationalize*, for those who seek an international presence for their products and services; *capacitate*, for those who may benefit from socio-emotional training; and *specialize*, for those who may benefit from skill-specializing workshops.

Following the customized group training, participants receive individualized mentoring from experienced entrepreneurs, as well as basic financial education training in key knowledge areas. Ibercaja also offers a 1-year membership to the Association of Young Entrepreneurs to provide networking opportunities — and to build an entrepreneurial support ecosystem. In addition, it provides access to various co-working and accelerator spaces. Participants also have access to two complementary services, including tax and accounting support, and legal advice. After completing the training,

participants may request funding from *Emplea-T y Emprende*'s special financing line, which offers a loan and subsidy. The loan amount can be up to €30,000 (about US\$33,947) for a 6-year period, with an interest rate of 3 percent for the life of the loan. The subsidy amounts to 3 percent of the loan.

Key Success Factors: *Emplea-T y Emprende*'s key success factor is that it is designed and implemented by entrepreneurs, which ensures that the products are practical and aligned with market needs. The trainers and mentors, who are also entrepreneurs, leverage their extensive networks and market access to facilitate the growth of businesses. The rigorous structure of the program, particularly the layered and customized non-financial support, ensures that participants have the requisite tools to grow their businesses.

Results: *Emplea-T y Emprende* helped to develop more than 375 businesses, which generated over 1,510 direct jobs. From the start of the program in 2012 until October 2017, 407 entrepreneurs reached eligibility to access financing, after which 76 entrepreneurs, or 18.7 percent, requested financial support. Seventy-five percent of applicants were approved for financing, amounting to a total of €1.4 million (about US\$1.6 million), with an average loan amounting to approximately €24,367 (about US\$27,573). The outstanding balance of these loans is €884,391 (about US\$1 million).

Challenges: *Emplea-T y Emprende*'s biggest challenge is to continuously generate long-term value by directly and indirectly increasing employment through business creation.

Future Outlook: In 2018, *Emplea-T y Emprende* incorporated new features, including “Idea,” a training program to help young people generate innovative ideas through design thinking processes. It also created “Transform,” a training program to help develop new ideas or redesign ongoing projects

in rural areas. In addition, *Emplea-T y Emprende* is developing its model by strengthening relationships between SMEs and large companies with start-up companies, as well as by generating new partnerships to foster innovation and business growth.

IDEA, Cyprus



Background: Innovate Develop Excel Accomplish (IDEA) is an incubator-accelerator program founded by the Bank of Cyprus (BoC) and the Cyprus International Institute of Management in 2015. The program supports and develops viable startups and fosters a culture of entrepreneurship to help position Cyprus on the international innovation map. Committed to offering services to transform innovative business ideas into profitable businesses, IDEA offers a 9-month incubator-accelerator program. Ideally, the idea transforms into a financially minimal viable product during the 3-month incubator stage, before entering into the market, capturing the interest of investors during the 6-month accelerator stage.

Youth Lens: Youth are broadly defined as students and teenagers. IDEA's main focus is to promote a culture of entrepreneurship among youth and encourage them to follow the entrepreneurial route without fear of failure. IDEA undertakes a range of activities to instill a culture of entrepreneurship. For example, it hosts and sponsors 7-day, mini-accelerator programs run by youth for youth; it organizes events to invite youth to their offices to help them gain a better understanding of entrepreneurship; and it visits schools on invitation, conducting innovation workshops with students. IDEA plans to strengthen its presence in schools to continue further interacting with students. IDEA also reaches out to youth through its strong social media presence.

Product Details: IDEA offers both financial and non-financial services during its rigorous 9-month program cycle. IDEA provides an estimated €50,000+ (about US\$56,578+) in cash, as well as services for each startup up until the business is launched. The non-financial services include mentoring and intensive training; networking,

business opportunities and access to investors provided through the BoC network; professional services, including accounting, human resources, legal, information and communications technology (ICT) and personal development courses; and access to modern, fully equipped office facilities, provided by its strategic partners.

Key Success Factors: The main factor contributing to IDEA's success is its strong bank network, which provides access to networking and business opportunities, professional services and mentorship for entrepreneurs, as well as strong partners (including the Bank of Cyprus, the Cyprus International Institute of Management, Deloitte Cyprus, the Cyprus Telecommunications Authority [CYTA], Innovation/Leo Burnet, and the Lellos P. Demetriades Law Offices).

Results: Of the 132 team applicants, 20 teams comprised of 60 entrepreneurs have been selected to join the program. The program has contributed to the development of 20 new startups in over 10 industries. The 20 new startups have in turn created 23 new jobs, with a portfolio evaluation of approximately €4.4 million (about US\$5 million), and over €1 million (about US\$1.1 million) in capital raised. By working with international partners, IDEA has garnered national and international political and media attention, which contributes to its objective of fostering a culture of entrepreneurship and creating a strong innovation ecosystem. IDEA began accepting new startups for its third cycle, which began early in April 2018.

Future Outlook: IDEA is a non-profit organization and perhaps the only comprehensive incubator-accelerator in the country. Currently fully sponsored by the Bank of Cyprus, IDEA aspires to become self-sustainable in the future.

Kenya Youth Employment and Opportunities Project



Background: The Kenya Youth Employment and Opportunities Project (KYEOP) was implemented in 2016 with a total of US\$150 million in funding from the World Bank. The main purpose of this project, which falls under the purview of the Ministry of Public Service, Youth and Gender Affairs (MPYG), is to increase employment and earning opportunities for Kenyan youth.

Youth Lens: The KYEOP targets youth between the ages of 18 and 29 who are unemployed or who are working in vulnerable jobs.⁵⁴ However, one of the project's activities, the business plan competition, raises the age limit to 35. In terms of the recruiting process, the MPYG is responsible for informing the target youth population about the KYEOP. The youth development officers will then screen the applications and refer the selected pool to the National Industrial Training Authority. For youth interested in self-employment support, they may be referred directly to the Micro and Small Enterprises Authority (MSEA), which will then proceed with the selection process. The youth development officers are trained to provide advice to eligible youth about various KYEOP activities, offering them appropriate support most suitable to their particular situation.

Product Details: The KYEOP consists of four components of financial and non-financial services. The first component aims to improve youth employability through training and work experience in the formal and informal sectors. The informal sector training is especially targeted to vulnerable youth with limited education, including youth in rural areas. Instead of receiving training from formal training institutions, this group of youth will be trained by master craftsmen in a traditional apprenticeship.

The second component aims to encourage job creation. This component supports the self-employed youth through two major activities. First, it provides business startup grants of up to US\$400 in seed funding for youth-led startups. The goal is to support a least 30,000 youth over the project duration. The grants will be disbursed in two tranches. The second activity involves business development services. This activity will entail working with youth entrepreneurs and service providers to determine the skills that youth need. It will customize training contracts with specific providers that to cater to youth.

The second component also includes two other catalytic interventions to promote job creation. One intervention is the 'business plan competition'. After three rounds of selection, 500 business plans will be selected as winners — half of which are randomly selected to receive US\$36,000, with the other half receiving US\$18,000. The award will be disbursed in three tranches, dependent on their progress and economic viability. The other intervention is the 'innovation challenge for the hard-to-serve'. In this case, organizations/companies with youth as target clients compete to win support from the KYEOP.

The third component aims to improve labor market information in Kenya through the strengthening of Kenya's Labor Market Information System (LMIS). It identifies LMIS users and their needs, producing and disseminating such content to create awareness of relevant labor market issues.

The fourth component aims to strengthen youth policy development and project management. Specifically, it strengthens youth employment policy development and coordination capabilities, and monitors and evaluates youth employment policies and funds. In addition, it supports project management and coordination.

Key Success Factors: One of the key success factors is that the project was implemented in partnership with the Government of Kenya. This allows the project to effectively scale nation-wide and reach a greater number of beneficiaries. Moreover, the project was already promised a secure fund of US\$150 million from the World Bank throughout its five-year pipeline. KYEOP's project components also ensure that youth participants receive both financial and non-financial support, that should enable them to effectively and sustainably start and run their businesses.

Results: KYEOP's first call (Cycle 1) for application took place in December 2017 in five counties: Kisumu, Kwale, Mombasa, Nairobi and Nakuru. Approximately 4,000 young people were selected from over 90,000 applications to receive training and grants. The status to date of each project component are as follows:

- **Component 1:** The Life Skills and Core Business Skills Training for Cycle 1 beneficiaries took place between February 2018 and March 2018. Youth participants received training from 34 formal training providers and 500 master craftsmen in various areas.

- **Component 2 – Grants:** Through public randomization, 1,100 youth were selected to receive grants from the over 2,200 youth who took part in the Entrepreneurship Aptitude Test. The first grant orientation offered one-day classes to help youth craft business plans and strategize about how to use the first tranche of their grant.
- **Component 2 – Business Plan Competition:** KYEOP, through MSEA, has been in the process of procuring a firm to manage the competition.
- **Component 3:** The Ministry of Labor and Social Protection has made progress in the design of the LMIS; however, the development of the LMIS roadmap has been delayed.

KYEOP also conducted interviews with their beneficiaries in various job sectors and received overall positive reviews. The findings show that the project has improved their employment prospects, as well as their personal life as a member of their community.

Future Outlook: KYEOP is an ongoing project. Cycle 2 will include beneficiaries from four more counties. KYEOP has an ambitious goal to reach over 280,000 Kenyan youth by 2021, that is, by the end of the project period.

Lendr – FINTQnologies, Philippines



Background: FINTQnologies Corporation (FINTQ) is a Philippines-based FinTech startup company that focuses on customer-centered design, demand-driven innovation, and mobile-first digital financial services. FINTQ was founded on the belief that technology will drive financial inclusion and promote inclusive growth. It works to build its brand and products by engaging regulators, enabling enterprises, and empowering individuals. The company develops sustainable, high impact, and socially-relevant, inclusive digital financial initiatives. It has a diverse portfolio of inclusive digital finance platforms, including lending, micro-savings, micro-investments, and micro-insurance, among others. FINTQ has built into these product tools pertaining to anti-fraud security, monitoring and evaluation, credit scoring aggregation, and digitally-enabled Know-Your-Customer (KYC) platforms. FINTQ is one of the most awarded FinTech startups in Asia, earning over 30 global and regional accolades in less than three years.

Youth Lens: FINTQ launched its digital loan origination and loan management platform, Lendr, in 2015. The majority of its customers who borrow through Lendr are single females classified by FINTQ as millennials, that is, individuals under the age of 35. FINTQ attributes its ability to attract a large youth population to the fact that youth are so digitally connected. In alignment with FINTQ's mission to improve financial inclusion in the Philippines, eight out of 10 borrowers are from the provinces, and about 26 percent are from low-income municipalities.

Product Details: Lendr is a fully digital platform that handles end-to-end loan services, starting from account creation to loan application — and from loan processing and approval to loan repayment. The platform provides customers with a mobile phone interface on which they can view, select, and avail

themselves of loan products offered by FINTQ's partner banks and non-bank financial institutions. The platform operates as a one-stop-shop whereby customers can compare different loan products on the Lendr Loans Marketplace. A key innovation is Lendr's credit scoring aggregation capability. Lendr leverages the inclusive power of alternative credit scoring to provide access to finance for youth populations that might otherwise be scored and treated as uncreditworthy. The alternative credit score algorithm includes data from utility companies, telecommunications operators, and actual mobile devices. It also encompasses over 280 variations of behavioral data. The credit score is applicable to both banked and unbanked customers.

Youth customers benefit from the alternative credit scoring mechanism because it can more quickly expedite their loan applications and approval processes. The system is created so that customers who pay their loans back on time build a better credit standing. They are subsequently introduced to better loan offers as they become qualified for larger amounts with lower interest rates on the Lendr platform. Lendr also increases the efficiency of loan disbursements. Loan turnaround time traditionally ranges from 2 to 4 weeks, but with Lendr it ranges from just 24 to 72 hours.

Key Success Factors: FINTQ's ability to reach the youth market segment with Lendr is due mostly to the accessibility of its digital platform. Lendr was designed with minimal barriers to customer entry. For example, it can be accessed through any device — mobile, tablet, laptop, or desktop — with the only requirement being an internet connection.

Lendr successfully grew its partner bank network on the basis of its strong business case for the creation of a digital loan marketplace. The accessibility of the Lendr platform enables banks to enter into

a large, untapped market. The alternative credit scoring allows banks to improve the quality of client risk assessments, while also minimizing the costs associated with completing in-depth due diligence for each potentially high-risk customer. Ultimately, Lendr helps minimize default rates for its partner banks. Currently, FINTQ has a low, single-digit default rate on the loans facilitated through the Lendr platform.

Lendr can also attribute some of its success to its founder, Managing Director, Lito Villanueva, who has forged strong, sustainable and strategic relationships with regulators and industry partners. Without solid support from the government and financial regulators, the launch of Lendr would have encountered various barriers, especially given the newness of its business concept.

Relationship management was also critical in terms of building partnerships with financial institutions. Lendr demonstrated that the digital platform can improve and sustain the relevance of traditional banks in an increasingly digital world. It is not there to replace them.

Another key success factor was the design of the customer interface. Not only is it user-friendly, but it has gamification components. Through gamified behavioral change nudges, customers can more fully understand their own financial situation. As a result, they are less likely to engage in high-risk or delinquent financial behavior.

Results: To date, Lendr has the most extensive digital footprint with — with loan applications

originating from all of the Philippines' 81 provinces, 92 percent of its 145 cities, and 26 percent of its 1,490 municipalities. Lendr has helped disburse more than ₱ 30 billion (about US\$580 million) from close to 200,000 loans nationwide. It registered annual growth rates of 50 and 33 percent in loans released and number of borrowers, respectively. Loans disbursed through Lendr in 2017 reached more than ₱12 billion (about US\$235 million). This is close to a third higher than the volume of loans disbursed in 2016. Due to its digital platform and ability to match customers with appropriate loans, Lendr has a 40 percent loan approval rating as compared to the industry rate of approximately 10 to 12 percent. At the end of 2017, FINTQ had concluded agreements with over 70 financial and non-financial institutions.

Future Outlook: Lendr regards its operations as a kind of “financial symbiosis”, whereby the digital reciprocates the physical, and where banks partner with FinTechs in a way that is collaborative and beneficial to both parties. These financially symbiotic partnerships result in more cost-effective models that directly benefit customers. Often these benefits come in the form of lower interest rates. FINTQ aims to continue to expand its presence by partnering with more banks and non-bank financial institutions to offer an increasingly diverse loan portfolio through the Lendr platform. The company also has plans to work with CoopHub, a holistic financial empowerment organization, to provide Lendr with access to over 26,000 cooperatives operating throughout the Philippines using a shared services model.

Microcred Tunisie



Background: With funding from the International Fund for Agricultural Development (IFAD) and in partnership with Silatech, Making Cents International implemented the IFAD Rural Youth Economic Empowerment Program (RYEEP), a three-year grant. The program seeks to increase employment and self-employment among young people aged 15-35 in the MENA countries of Egypt, Morocco, Tunisia, and Yemen.

RYEEP partner, Microcred Tunisie (Microcred), started operations as a microfinance institution in 2014. In line with the goals of the global IFAD RYEEP program, it aimed to support youth entrepreneurship in rural areas by building the capacity of Microcred to provide youth with non-financial services. These services were to be combined with startup or expansion loans adapted to youth between 18 to 35 years of age.

Youth Lens: Under the RYEEP, Microcred targeted rural and urban youth between the ages of 18 to 35.

Product Details: The service targeted young would-be entrepreneurs seeking financing to build their businesses. These youth entrepreneurs are active in commerce, services, and agriculture and animal husbandry. They are located in rural areas, as well as peri-urban areas. Some businesses also support the development of rural value chains (for example, fruit and vegetable processing or marketing, clothing produced with locally sourced materials, and so on).

Microcred developed the *Irada* startup loan product with the help of Positive Planet. This was done using information from a local market study (conducted by Sigma Conseil), specifically, a Human-Centered Design Study. It involved two focus groups with potential youth entrepreneurs to better understand the target market and financial needs. These loans ranged from US\$100-\$10,000, with durations ranging between 6 months and 3 years. The loans

covered up to 95 percent of investments at a decreasing monthly interest rate of 2.6 percent. For *Irada* loans under US\$2,500, no physical assets were required as collateral.

Microcred also had an enterprise expansion loan product, designed to serve both adults and youth. This was developed through a separate process, but it used some of the outcomes of the youth market research to inform its design. These loans ranged from US\$100-\$10,000 as well, with durations ranging between 3 months and 3 years, and charging a decreasing monthly interest rate of 2.6 percent. For loans over US\$2,500, physical assets other than the ones being purchased with the loan were required as collateral.

To support its clients' non-financial skills, Microcred partnered with various organizations, such as Education for Employment (EFE) and Positive Planet (formerly PlaNet Finance), to design, develop, and deploy a package of business development services (BDS) in conjunction with the *Irada* product. BDS was offered both before and after financing. These services focused on soft skills development, idea generation, business plan development, financial literacy, bookkeeping and market access solutions.

Key Success Factors: Four reasons can be identified for Microcred's successful pilot program. First, it adjusted its products significantly based on extensive market research. It reduced its collateral requirements by allowing item(s) financed by the loan to count toward collateral. It also allowed for a higher debt-to-asset ratio of up to 60 percent, given that most youth did not have assets of their own. In addition, it reduced the co-financing requirement to 5 percent of the total investments and extended the grace period from 3 to 6 months. Finally, it began by supporting clients early on, that is, during the loan application and selection process as well.

Second, Microcred employed innovative outreach strategies to overcome its lack of market penetration at the outset. It developed partnerships with government agencies and local NGOs, such as the Grand Tunis Business Center, to reach more youth. It also allowed loan repayments at partner banks to overcome long distances within its branch network. In addition, it adapted its products to clients in the agricultural sector by allowing flexible repayment schedules.

Third, Microcred adapted the non-financial service provision to its client base by tailoring it to their education levels. It also provided post-training coaching to support these new entrepreneurs as they developed their business plans and started their enterprises. In addition, it provided information to its clients about how to register their businesses to encourage their entry into the formal sector.

Fourth, to make its loan officers more efficient and increase the institution's ability to work in higher-cost rural areas, Microcred introduced mobile phone applications for its loan officers.

Results: Between March and December 2015, Microcred completed the pilot phase and by project-end, it had launched the *Irada* product more broadly. During this time, Microcred received over 800 applications, and 130 young people with startup projects were trained (30 in rural areas) with the support of EFE, Microcred's local partner. Among those trained, 96 young entrepreneurs received individual coaching to complete their business plans and loan applications, and 13 (3 rural) received *Irada* loans.

During the same period, 91 loans with an average size of US\$2,269 (US\$206,409 total) were disbursed to rural youth for business expansion. This loan size is 10 percent smaller than the amount distributed to urban entrepreneurs for business expansion, reflecting the smaller markets in rural areas. Borrowers were all located in the rural areas on the west side of Tunis, the capital, and were engaged in a variety of activities, from livestock farming to operating grocery stores and clothing shops. The average age of the clients was 28 years old.

Future Outlook: Microcred's planned activities at the end of the program included:

- The opening of 4 branches in the interior Governorates dominated by rural or agricultural industries;
- Research using mobile branches to reach rural areas; and
- Partnerships with additional banks to offer more places for rural clients to repay their loans.

Microcred also plans to incorporate more technology as it expands its operations. More specifically, it is seeking to deploy new technology to improve the underwriting process; enable remote payments; market its services; and improve the efficiency of its loan officers.

Mynt, Philippines



Background: Mynt is a Philippines-based FinTech company that focuses on financial inclusion through mobile money, micro-loans, and technology. It is a subsidiary of Ant Financial, the Ayala Corporation, and Globe Telecom. Globe is the Philippines' largest telecommunications operator, with just over 50 percent of the market share. In 2004, the company launched GCash, a micropayment service and e-money wallet that enables customers to send money domestically and internationally. It can also be used to make purchases online and in stores worldwide. In August 2016, Mynt launched Fuse Lending (Fuse). Fuse is a licensed lending institution that caters to unbanked populations. Fuse leverages FinTech to provide cash loans through a fast, convenient, and affordable technology-enabled platform.

Youth Lens: Mynt typically services small business customers between the ages of 25 and 40. The company does not specifically target youth clients. However, due to the technology-driven nature of the platform, it successfully engages with younger customers. As Mynt continues to expand, it has plans to grow its product portfolio. In addition to serving small business owners, the company has piloted a loan designed to cater to unserved and underserved emerging young professionals, termed the "GCredit". About 80 to 90 percent of Mynt's business customers are in the retail sector. The retailers range from small shops to mini grocers, as well as automotive sellers and service industry workers.

Product Details: Mynt offers SME loan products ranging from Philippine Peso (₱)30,000 to ₱300,000 (about US\$570 to US\$ 5,701), with an interest rate of 3 percent per month. Customers have the option of applying for an amortized loan that is payable within 6, 9, or 12 months. The average approval period for a loan is 5 business days. Mynt

also established partnerships with banks so that its customers can pay their loans back directly through the bank.

Mynt also provides asset financing services for SMEs. Mynt builds relationships with manufacturers so that it can serve as a bridge between previously unbanked SMEs and larger-scale manufacturers. If there is a specific asset that a SME needs, Mynt purchases and provides the SME with the asset. Through partnerships with manufacturers, Mynt then works with the asset manufacturer to finance it for the SME owner. For example, Mynt partnered with Coke so that it can provide mini refrigerators to SMEs. Through this model, Coke helps Mynt to access new SME customers, and Mynt helps Coke become accessible to those previously ill-financed SMEs. In utilizing this service, SMEs can achieve new levels of scale.

Recently, Mynt started offering a closed loop, revolving credit line. It is mobile and based on the GCash e-money platform. It ranges from ₱500 to ₱50,000 (about US\$10 to US\$950). Money is seeded directly to the supplier and goods are delivered directly to the SME, which they then sell in their stores. The payment cycle for this product is about 13 to 15 days, depending on the SME stock replenishment cycle.

In addition to typical loan application requirements, Mynt partners with a psychometric scoring company to evaluate potential customers' financial behavior through the administration of a psychometric survey. They are also in the early stages of introducing alternative credit scoring to their model.

Key Success Factors: All Mynt's products are enabled by FinTech. This is the company's biggest, innate success factor. The loan management system connects to the e-money platform. Therefore, access to loans does not rely on bank infrastructure or a

customer's access to a bank account. Importantly, Mynt's FinTech services can also run on non-smartphones.

Mynt has found success in maintaining a high level of flexibility. The majority of the company's customers use the SME loans to finance additional inventory. As such, they want clustered payments with a specific, inventory-related, monthly repayment date.

Results: As of March 2018, Mynt has disbursed a total of ₱267 million (about US\$5.1 million) to more than 4,000 SMEs. As the company is still in its very early stages, Mynt is currently collecting metrics on the number of borrowers and their repayment rates.

Future Outlook: Although it is still a young company, Mynt has big plans. It plans to innovate in terms of alternative credit scoring. It is also launching a project that will be enabled by data acquisition partnerships with social media outlets, e-mail platforms, telecommunications companies, as well as its existing psychometric partner. Mynt

intends to take advantage of the network analyses so that mobile phone data can be used to map customer ecosystems and track individual-level financial behavior. As a FinTech company, Mynt stresses the importance of automation of the credit evaluation process, which it regards as important for both consistency and scale.

Mynt is also planning to increase the number of merchant partnerships in its move toward a cashless distribution system. Ideally, a large number of merchants will continue to adopt GCash, and their distributors will have a Quick Response (QR) code. Merchants can then go cashless, and transactions can take place by simply scanning QR codes. Merchandise could also be bought and sold on credit by simply scanning the QR code on the distributor's ID. Mynt is currently piloting this innovation. As of March 2018, the company has more than 5,000 GCash merchants accepting payments via "Scan to Pay" (QR code scanning). At this stage, these retailers are mostly major corporations and medium-to-large retailers.

Qredits, Caribbean



Background: Qredits was founded in 2009, adopting a “new sustainable approach to microfinance: a blend of traditional banking with a highly sophisticated information technology (IT) support system”. Qredits is financed from banks and ministries. To date, it has attracted about €240 million (about US\$272 million). It was the first non-bank financial institution to receive funding from the European Investment Bank. Qredits first introduced a pilot program for young entrepreneurs, focusing on loans under €35,000 (about US\$39,605).

Youth Lens: Over a third of Qredits’ clients are between the ages of 18 and 35.

Product Details: After the very successful pilot, Qredits currently offers several types of loans and credits to its customers. These include microcredits (up to €50,000 [about US\$56,578] with an interest rate of 8.75 percent and a loan term of 1-10 years); SME-loans (€50,000-€250,000 [about US\$56,578-US\$282,890] with an interest rate of 7.75 percent and a loan term of 1-10 years); mortgage-loans (€50,000-€250,000 [about US\$56,578-US\$282,890] with an interest rate of 6.75 percent and a loan term of 1-20 years) and; flexible credits (up to €25,000 [about US\$28,289] with an interest rate of 1 percent per month and a flexible duration).

The concept of Qredits is based on flexibility and personal attention. After applicants have submitted a viable business plan — for which guidance is provided on the Qredits’ website — a personal visit by a Qredits loan officer at the applicant’s home is then scheduled. During the personal meeting, at which attendance by all partners is mandatory, in-depth information about the applicant’s project/venture is obtained. A personal, flexible plan for the most suitable loan is developed and submitted to the

Qredits’ risk department for final approval. Through continuous interpersonal contact between Qredits and the entrepreneurs throughout the term of the loan, future steps can be discussed and adapted on a continuous basis. This allows both parties to assess market developments and consider the position of the business venture.

Apart from the various financial products, Qredits also offers personal coaching which can be utilized for a period of one year in combination with a loan or credit — or for a six-month period during the pre-startup stage (without combining it with a loan from Qredits). Furthermore, strong templates for business and financial plans are provided on the website, as well as an e-learning program on ‘How to write a business plan’, which is available in several languages.

Key Success Factors: Over the last three years, Qredits has started to make a profit, thereby enabling it to reduce the interest rate for its clients. The organization is experiencing increasing demand of approximately 30 applications per day. About 160 loans are issued every month. Approximately 25 percent of customers who are rejected by banks successfully apply to Qredits and receive a loan.

Results: Today, approximately 37 percent of Qredits’ customers are between 18 and 35 years of age. Since 2009, 3,300 loans have been issued to this youth segment. Also, in comparison with traditional banks, the Qredits’ default rate can be regarded as very low, at just under 5 percent.

Future Outlook: Based on the success and perceived market opportunity in the Dutch Antilles, Qredits has been expanding to Bonaire and Aruba since the fall of 2015.

School for Startups (S4S), United Kingdom



Background: School for Startups (S4S) is a United Kingdom (UK)-based social enterprise that provides a range of entrepreneur education and training (EET) services in countries across the world. Its most recent projects are in Colombia, Nigeria and the UK. S4S was founded in 2008 with the goal of equipping entrepreneurs with the skills to develop high-growth businesses that create jobs, wealth, and deliver positive change. The company aims to achieve this by focusing on five key elements: (1) inspiring and empowering entrepreneurs to start and grow businesses; (2) strengthening countries' institutional capacities to train entrepreneurs at scale; (3) advising government stakeholders on how best to ensure entrepreneurship that can generate economic and social benefits for all; (4) developing and delivering social entrepreneurship programs focused on vulnerable populations; and (5) strengthening regions by developing local, sustainable tourism initiatives supported by local entrepreneurs.

Youth Lens: S4S has a diverse project portfolio, a portion of which focuses on youth. The enterprise targets new and aspiring entrepreneurs. Therefore, a large share of program participants are between 18 to 30 years of age. S4S projects serve a diverse youth market with initiatives focused on urban and rural youth in a range of sectors, such as agriculture, technology, and tourism. More recently, S4S increased its emphasis on rural youth.

Product Details: S4S stresses the importance of combining financial support with non-financial EET. The non-financial services include boot camps, mentorship programs, and workshops. The S4S EET model has a unique emphasis on the Socratic method. Using their “10 Questions Curricula”, S4S teaches entrepreneurs to analyze their own businesses in the same manner that an investor would assess them. Thus, the youth entrepreneurs

can strategically improve their business model while also increasing their attractiveness to potential investors. The curriculum takes a two-pronged approach. Specifically, business model development training is paired with the provision of the kinds of functional skills required to grow a business.

Regarding the S4S Nigeria program, this type of EET was delivered by matching each entrepreneur with a mentor and a monitor. The mentor assisted in overcoming obstacles, and the monitor audited and reviewed the progression of the business. A key component of the training is timing. Entrepreneurs receive EET before, during, and after receiving financial support. This timeline allows S4S to build deep relationships and assess the entrepreneurs. In addition, it allows the entrepreneurs to improve their nascent business model — before funding is even initiated.

S4S has utilized a variety of financing models. S4S Nigeria focused on implementing a milestone investment approach, tying funding to performance benchmarks. The S4S Launcher Program consulted with an entity at the UK Department for Business, Innovation and Skills to pair wraparound, non-financial services with loans of about £10,000 (about US\$12,747). For the S4S Southwest Peninsula Program, S4S worked with the Regional Growth Fund in the poorest region of England to secure over £2.5 million (about US\$3.2 million) in matching funds for small businesses.

Key Success Factors: S4S is able to deliver results in financing youth-owned, early stage businesses due to its integration of training, ongoing assessment and support, and objective measurement of the entrepreneur's progress. One of S4S's core beliefs is that investment in youth enterprises cannot be passive. If social investors — government programs included — want increased returns and sustained

success for youth entrepreneurs, they will have to participate in improving the businesses. Therefore, S4S partners with local government bodies, business associations, and private sector firms to initiate programs that ensure SME funding is provided in conjunction with iterative, individualized business education programs. S4S programs are also designed so that S4S can identify invest-ready trainees during their EET workshops.

A second major success factor is S4S's commitment to tailoring its programs to the country context. The S4S teaching and training method was designed with a flexible modular structure. Prior to initiating a project, the S4S team maps the local context. The team researches the entrepreneurship ecosystem, including the potential and capacity for training programs, market drivers, partners for local delivery, and potential sponsor agendas. This context-driven approach enables S4S to adapt its modular framework to fit the needs of program participants, government and private sponsors, and partners.

S4S was able to increase youth participation in its programs by innovating its approach. Methods used in urban areas include entering formal partnerships with universities, leveraging social media, and hosting “hackathons” in urban centers. In rural areas, S4S seeks referrals from NGO networks that conduct livelihood training programs. A particularly novel client acquisition process entails open communication with banks. When inspired youth entrepreneurs approach banks for their first source of funding, they are often rejected. Therefore, banks have a list of individuals who were denied business loans. S4S then acquires this list and connects with those motivated entrepreneurs.

Results: S4S has trained 40,000 entrepreneurs across 6 countries. S4S Nigeria conducted a 14-month teaching, mentoring, and local capacity-building project in partnership with the Nigerian Finance Minister, the UK's Department for International Development (DFID), and the World Bank. It taught over 1,200 small businesses and supervised the distribution of US\$50 million in loans. The S4S Launcher Program — a 2-year consultancy supported by the UK's Department for Business, Innovation, and Skills — supported 1,500 entrepreneurs and lent £14.2 million (about US\$18.1 million). The Launcher Program is now a self-sustaining training program. S4S Southwest Peninsula, a 5-month program for the UK Regional Growth Fund, worked with 380 small businesses across a series of 6-week training programs. This generated 400 jobs and secured over £2.5 million (about US\$3.2 million) in funding for businesses.

Future Outlook: A core component of the S4S approach is to ensure program sustainability. S4S achieves this by building local capacity for EET delivery through its context-driven train-the-trainer initiatives. S4S posits that the EET processes and the S4S iterative teaching philosophy can be used to train policymakers to take full advantage of local contexts. Ideally, the training would enable them to “think like entrepreneurs”. In this way, EET training could close policymakers' knowledge gaps about entrepreneurship, and open the doors for high-level process innovation. In order to reach this potential, S4S is currently looking to expand its programs throughout Sub-Saharan Africa.

TBC Bank, Georgia



Background: TBC Bank is the leading player in Georgia’s banking industry, with a 40 percent market share. Banking on its success in financing Georgian SMEs — and following 37 percent growth, it now accounts for 59 percent of the loans to SMEs. TBC Bank launched a program, *Startuperi* (loosely translated as “Startup Nation”), to finance startups. Georgia is ranked among the top 10 countries of the World Bank’s *Doing Business Survey* (in 2019, it is very easy to establish a new business, requiring only 1 day). As such, TBC Bank’s program focuses on helping startups grow beyond the initial stages. The program consists of innovative financial and non-financial products, with the aim of stimulating the startup landscape in the country.

Youth Lens: The program focuses on youth entrepreneurs, with an average age of 30 for its clients. However, there is no age restriction for the program.

Product Details: TBC Bank lends to startups through its *Startuperi* program. TBC defines startups as businesses that have been operating and making sales for at least three months. Prior to this, such businesses were considered to be at the ideas stage, and thus ineligible for a loan. The *Startuperi* program follows this sales-based criterion. As such, approximately one-third of all loan applications were accepted under the program.

Loan amounts range from 10,000 Georgian Lari (about US\$7,500) to 100,000 Georgian Lari (about US\$39,000). Loans of up to 40,000 Georgian Lari (about US\$15,000) do not require collateral. The program places a particular emphasis on two sectors: agriculture and the hospitality industry. Lending to startups is not based on historical figures, but on forecasting. In the case of the hospitality industry, land is often used for collateral purposes. The loan payments are normally staggered. However, in

the case of the hospitality industry, the entire loan amount is disbursed at the outset because it is needed at the initial stage, and collateral is often available.

These financial products are then coupled with a host of non-financial services, including training on relevant business topics, such as taxation or product marketing (particularly through social media). Guest lectures from industry experts are also provided for an audience consisting of both loan customers and potential loan customers. In addition, consulting sessions are arranged for loan customers. Industry experts spend up to three hours discussing problems faced by the startup. Additionally, borrowers obtain significant media support from the program, with video commercials about their startups. These are then promoted through the *Startuperi* and TBC Bank social media channels

Key Success Factors: The program’s utilization of social media has particularly contributed to its success thus far. Social media has been used to reach out to potential clients, as well as to promote the products of existing customers by highlighting them on the TBC Bank’s own Facebook page or by having them featured in a TV show or other media. Promoting client success, in turn, improves the visibility of the overall program.

Results: Only a year into its operations, the *Startuperi* program has already financed many startups, and the loan portfolio stands at Georgian Lari 33 million (about US\$12 million). Moreover, not a single loan payment has yet been overdue. Given TBC Bank’s significance to the Georgian economy, its entry into funding startups is prompting other major players in the economy to become involved in them as well. These players include the largest petroleum chain, the biggest telecommunications company, and the nation’s largest internet provider.

This is precisely the cultural shift that motivated the bank to initially start the program. Georgia is a post-Soviet economy, where entrepreneurship is still looked down upon as a viable source of earning a living. In this context, most startups lack technological innovation and scalability.

Future Outlook: Being a leader in the industry and a major player in the country's overall economy, TBC Bank aims to stimulate a greater interest in the startup space across the economy. There are also plans to tie the bank's insurance operations products to the lending products.

TEB Bank, Turkey



Background: Turkish Economic Bank (TEB), a major player in the Turkish banking market with a presence in 85 percent of the cities across the country, began serving the SME sector in 2005. It has since become a leading player in this segment by combining financial and non-financial services. In early 2015, TEB began supporting female entrepreneurs with a specially designed suite of products and services, formally launching its TEB Women Banking Program in May 2015. Female entrepreneurs in Turkey face significant challenges in running and financing their businesses. Most companies are owned by men, and female shareholders are often given only ceremonial roles.

Youth Lens: Although TEB's lending to women does not focus on youth entrepreneurs, almost one-third of them are young. This is also true for TEB's broader lending program for SMEs in Turkey.

Product Details: TEB's products for female entrepreneurs were based on the provision of four pillars: access to finance; information; mentoring and coaching; and markets. Focus groups conducted during the design phase revealed the main difficulties for their target market: raising collateral and understanding loan products. First, with the support of the European Bank for Reconstruction and Development (EBRD), TEB offered business loans of up to 125,000 Turkish Lira (TL) (about US\$42,000), which did not require 'hard' collateral. To better cater to the female entrepreneurs, gold was also accepted as collateral. Following loan disbursement, the clients were not required to report to TEB.

Second, to provide complete information to their customers, TEB also ensured transparency in their product offerings. The sales team received special training on how to open conversations with women aimed at building relationships and gaining the trust

of the female target market. This approach was based on results from the focus groups that suggested that women need more detailed information about conventional banking products. Also, women value banking relationships, and are not always looking for the most economical product.

Third, bank managers were taught how to coach women, after which clients were enrolled in a 6-month coaching program. The focus groups revealed that most entrepreneurs did not have business plans. Therefore, at the start of the program, women participated in a day-long workshop to develop their business plans, with defined targets for the remainder of the coaching program. This was in addition to three other types of non-financial services provided to female clients by TEB. Business consultancy services were provided to improve business operations in a customized manner. Mentorships were also provided over a year to the entrepreneurs through a partnership with the Cherie Blair Foundation. In addition, the TEB Women's Academy provided women with half-day leadership training sessions by external trainers. This last mode of assistance was crucial because the program managers found that women often lacked the confidence to take ownership of their businesses, struggling to simultaneously manage their businesses along with their families.

Fourth, TEB also partnered with WeConnect International to overcome the constraints posed by the weak networks of female entrepreneurs by integrating them into global supply chains.

Key Success Factors: TEB's approach of combining financial and non-financial services was innovative in many ways, focusing on overcoming the many obstacles women faced in terms of the collateral, skills and networks needed to run successful

businesses. TEB's use of social media was also very useful to the success of the overall program. TEB cultivated a strong social media marketing campaign. Included in the content shared were informational videos, which were broadcast live weekly, as well as advice about various business functions.

TEB's vast experience in catering to SMEs in Turkey is also cited as a key success factor, as was the tailoring of the product offerings to the female target market based on in-depth market research.

Results: TEB's initial €50 million (about US\$56.6 million) fund for this program, established in collaboration with the EBRD, was disbursed within 2 months. To date, over 6,000 loans have been administered through the loan program. TEB has learned that the cross-sell ratios for women-run businesses are higher than that of businesses

run by men, since women have stronger networks and are better promoters. In terms of non-financial services, the TEB Women's Academy has trained more than 3,500 female entrepreneurs. Over 60 women-owned businesses have been enrolled in the 6-month coaching program. In addition, 25 women-owned businesses have benefited from the mentoring program administered by the Cherie Blair Foundation for Women. In July 2016, the Global Banking Alliance for Women (GBA) selected TEB as one of four mentors of its GBA "All-Star" Program.

Future Outlook: Since TEB's experience entering into the female entrepreneur segment has been profitable thus far, the bank aims to continue to serve this market. Indeed, it makes sense from a social, economic, and gender equality point of view.

TechnoServe – STRYDE, Africa



Background: In 2011, TechnoServe and the MasterCard Foundation partnered to help rural young women and men in East Africa transition to economic independence through the initiation of the Strengthening Rural Youth Development through Enterprise (STRYDE) Program. The first phase of the project operated in Kenya, Rwanda, and Uganda, and culminated in 2015. Successes and lessons learned were compiled to develop the second phase, STRYDE 2.0, which expanded into new districts in northern Uganda, as well as into Tanzania. Launched in August 2014, STRYDE 2.0 ran through July 2019. STRYDE is currently in the seventh year of an 8-year US\$43 million partnership.

Youth Lens: STRYDE focuses on rural, vulnerable youth from the ages of 18 to 30 in four East African countries: Kenya, Rwanda, Tanzania, and Uganda. Youth participants in the STRYDE program include mostly those who have a basic education and can read and write. STRYDE 2.0 aims to have a participant pool comprised of 50 percent women. In this context, in East Africa, youth comprise 30 percent of the population, and one in ten cannot find work.

Product Details: STRYDE delivers a comprehensive package of non-financial services, including skills training, business development, and mentoring. Support is provided through three-month training programs, officially termed “Self-efficacy training”. The training occurs four hours a day, twice a week. The core curriculum is comprised of six modules, including: Personal Effectiveness; Personal Finance; Professional Effectiveness; Entrepreneurship; Agribusiness; and Think Business. After the self-efficacy training, business counselors follow up with youth beneficiaries. They provide business advice, take them on learning trips, and organize financial clinics. After completion of the three-month training program, youth participants enter the “aftercare” period. This is a nine-month

program that builds economic skills and creates linkages to economic opportunities. It provides youth with an improved understanding of local income-generating opportunities, as well as hands-on practical experience in planning a business. It also offers business development support as youth test their entrepreneurial potential and skills learned during the core training. During the aftercare period, business counselors monitor the progress of the youth-run businesses. During this nine-month period, essential linkages to financial services and employment opportunities are also established.

STRYDE has three main mechanisms to provide access to capital for youth participants as they start and grow their businesses: Technical Assistance Funds (TAFs), Business Plan Competition (BPC) Grants, and Village Savings Groups. The TAFs range from US\$50 to \$150. STRYDE beneficiaries can apply for TAFs during the 9-month aftercare period. The process of identification starts at the same time as the BPC; at the group level, business counsellors identify youth who have good enterprises, but who did not make it to the BPC. The business counsellors then develop a profile of those individuals, highlighting what makes them good candidates for the TAF. Once the business counsellor completes the profile, one or two candidates are shared with the Senior Business Advisor for final review. A decision is then made about which youth enterprise will receive a TAF grant. The decision takes into consideration what improvements the youth entrepreneur wants to make in their business, as well as their ability to run or build it beyond the TAF.

The STRYDE BPC is conducted at the end of every cohort. Youth write business plans and are encouraged to apply. About 50 percent (15 out of 30) of youth per class apply for the competition. Each cohort has three winners who are selected by local

community leaders. The business prize competition winners receive US\$250, US\$200, and US\$136 for first, second, and third places, respectively. The competition also includes a US\$82 consolation prize. In addition, STRYDE participants attend a savings training module, during which they gain financial literacy skills — particularly skills related to group savings and lending. After this module, youth are encouraged to form groups and either apply to youth government funds, microfinance institutions, or start saving and lending to each other.

Key Success Factors: A key component of the STRYDE 2.0 model is sustainability. The program seeks to develop the capacity of important system actors in the public and private sectors. The aim is to enable these actors to take on key functions of the model. In this way, a sustainable impact can be ensured after the end of the five-year, phase 2.0 program. During STRYDE 2.0, almost 40 percent of the youth participants will be trained by partner organizations. To maintain high-quality training, TechnoServe will train partner organizations and monitor their delivery and impact. Much of the program’s success can be attributed to its focused interventions.

STRYDE 2.0 focuses clearly on scaling the model to reach more youth in new geographies. It strengthens the model’s aftercare component by tailoring activities to the specific needs of different youth segments, sustaining the model through capacity building of local partners, and sharing learning

that will benefit the broader youth ecosystem. The program also attributes some of its success to its robust follow up and monitoring and evaluation (M&E) plan. The M&E system tracks attendance, graduation rates from the training programs, new economic activities, gender-disaggregated data, income generated, and sources and amounts of loans received. In this way, the program is iterative, tailoring its services to the specific needs of youth.

Results: A total of 15,552 youth have graduated from the STRYDE program. The majority of alumni are engaged in gainful employment. On average, these youth have increased their income by 133 percent, with 90 percent now saving regularly. This represents a nine-fold increase from before the training was implemented. Of the beneficiaries who completed the training, 30 percent are currently running micro and small enterprises, 37 percent are engaged in farming, 11 percent have found wage employment, and 6 percent have returned to school.

Future Outlook: As noted, STRYDE 2.0 is working on embedding the model with local actors, such as vocational technical institutes, private NGOs, prisons, and schools. The TechnoServe team is building its capacity to deliver the program using its own resources secured from government or fundraising efforts. TechnoServe is also looking to the private sector to act as market facilitators, taking on some of the community training. It is also working to embed successful training in other Technoserve value chains that work with youth.

The Awethu Project, South Africa



Background: Founded in 2010, the Awethu Project is a South African-based company that invests in young South African entrepreneurs with business potential who are determined to grow their career in entrepreneurship. The project combines people, capital and ideas with the goal of supporting the SME sector in the country. Its mission is to support entrepreneurship to build a fair country for all South Africans.

Youth Lens: From the beginning, the Awethu Project was initiated to serve as a solution to youth unemployment, which is one of South Africa's most persistent problems. In recruiting young people, Awethu utilizes a talent-identification process targeting micro and small businesses. They assess them based on their perseverance and potential, instead of using traditional metrics related to financial capacity. Thus, the program addresses one of the most difficult obstacles for most youth, which is the lack of financial credibility and perceived risk.

Product Details: The Awethu Project offers two main products: the SME Equity Fund and the Business Incubator Program. In the early development of the SME Equity Fund, the program targeted entrepreneurs from informal sectors who lacked both capital and business expertise. These entrepreneurs were paired with Awethu's coaches, who were experienced professionals from private consulting firms. The coaches would also co-invest in the entrepreneur's business. Thus, youth were provided with both mentorship and capital for their businesses to grow and scale. However, only 6 of the 20 enterprises became successful. The Awethu Project then started to recruit entrepreneurs with business expertise, but who lacked access to capital. Thus, they can ensure a higher success rate that is commensurate with their investment.

The most recent evolution of the Awethu Project's SME equity model concerns its work within the supply chain of South African Breweries (SAB), one of the most prominent brewing companies in the world. SAB approached Awethu, asking it to help the company bring more black businesses into the supply chain. Awethu's work with SAB is two-fold. It started with businesses in the SAB supply chain, consulting with the procurement division to identify SMEs that exhibit high potential — and that SAB wishes to become black-owned. Awethu then writes equity checks of approximately US\$1 million, expecting the businesses to grow by 25 percent a year for five years. As for the white-owned businesses, there is a succession element. Specifically, Awethu matches older white entrepreneurs who run successful SMEs — but who have no succession plan — with young black entrepreneurs who are interested in taking over the business. Thus, this transition is highly valuable for both parties.

The Business Incubator Program provides both financial and non-financial services. It offers a 22-week practical entrepreneurship training program, one-on-one mentorship, and networking opportunities. It also offers up to 5,000 South African Rand (about US\$360) in startup funding. Recently, it developed an in-person application for virtual coaching services to scale to everyone with a mobile phone. Awethu also developed a platform which serves as an online community, whereby entrepreneurs can exchange questions and ideas with regard to their businesses. The data generated and shared on the platform is in turn utilized by the application to create better coaching responses and advice for the users.

Key Success Factors: One of the key success factors is Awethu's unique SME Equity Fund, which delivers both financial and non-financial services to young, underserved South Africans. Most youth entrepreneurs do not have strong traditional credit histories and qualifying collateral. Therefore, Awethu assesses them based on their entrepreneurship potential and perseverance. As such, youth can gain access to both capital and mentorship opportunities. Awethu has also successfully leveraged technology in extending its reach to wider groups of entrepreneurs through their recently developed mobile application.

Results: Working with several major supply chains, Awethu has made US\$13 million in transactions to 11 businesses in the most recent stage of its SME Equity Fund. Awethu has also received commitments of US\$30 million, not only from SAB,

but from other major companies in the country as well. Regarding the Business Incubator Program, Awethu has incubated over 2,000 entrepreneurs; each graduate is creating approximately 1.5 jobs and US\$350 in new profits per month.

Future Outlook: Awethu's long-term goal is to eventually scale its SME equity model beyond South Africa. One of the founders, Yusuf Randera-Rees, spoke of his vision to see the model applied to other contexts. For example, in addition to transferring ownership from the older white entrepreneurs to young black entrepreneurs in South Africa, the model could also be used to transfer business ownership from male to female entrepreneurs.

Ryada (Vitas Palestine), West Bank and Gaza



Background: Ryada, renamed Vitas Palestine in 2014, is one of the largest microfinance providers in the West Bank and Gaza. Global Communities, a U.S.-based global development non-profit organization, started Ryada in 1994 as one of the organization's inaugural projects in the region. The microfinance institution (MFI) offers a range of microfinance products including housing, small business, consumption, and youth startup business loans. Vitas Palestine operates ten branches in the West Bank and Gaza and has been a partner of KIVA Microfunds since 2008. It is currently an active member of Sharakeh (a Palestinian microfinance network), Sanabel (a Microfinance Network of Arabic Countries), and MIX Market.

Youth Lens: In 2011, Ryada launched a startup business loan program for youth. Prior to launching the product, an assessment of the portfolio (2010) showed that 40 percent of clients were aged 18 to 28 years old. Those youth that had successfully accessed financing were either employed or self-employed. Ryada realized that the large unemployed youth population presented an opportunity to reach a growing, but underserved market. Through market research, Ryada discovered that most youth entrepreneurs depended solely on savings and borrowing from friends and family prior to starting their businesses. It was only after two years in business that the youth would approach MFIs for a loan. Thus, Ryada sought to enable youth entrepreneurs to borrow earlier in the business cycle.

Ryada defined its target market by assessing both the market demand and risk appetite. The target market for the new youth-oriented product was youth entrepreneurs with some available finance to invest in a startup business, as well as a guarantor willing to vouch for their creditworthiness. In order to ensure that the product was aligned with the specific needs of the target youth population, Ryada partnered with

Making Cents International throughout the design and pilot phases.

Product Details: The startup business loan was designed specifically for youth. The product offers loans of up to US\$5,000 with a repayment period of up to 36 months, including a grace period of up to three months. It differs from Ryada's other loan products in that it has a shorter repayment period and is limited to smaller amounts.

The loan is paired with non-financial services, including training and coaching. Due to a lack of financially viable external partners, Ryada opted to provide the non-financial services. High-performing loan officers who were already comfortable working with youth were tasked with providing training and coaching. Ryada supports clients by helping them turn an idea into a financial plan, while also offering a friendly, safe environment for youth applicants. However, Ryada does not have the capacity or time to provide on-going business coaching and mentoring. Therefore, it is looking for partnership opportunities to make its non-financial services more comprehensive. Indeed, it was able to partner with Save the Children in Gaza to provide business training to youth clients.

Key Success Factors: Ryada's success during the product design, pilot, and implementation stages can be broadly attributed to its commitment to remaining focused on youth. At the outset, Ryada conducted market research that engaged youth in focus groups. Through this type of in-depth market research, Ryada discovered that unemployed youth do save. This discovery demonstrated greater levels of responsibility than expected. Another effective component of Ryada's market research was product concept testing. Ryada intentionally engaged with potential clients about the product and found that they received valuable feedback. During the product

launch, it was critical to incorporate youth-friendly marketing. Product messaging was simple and clear, and staff were trained to engage more effectively with youth clients.

Ryada also recognized that youth clients require more time and investment on the part of the loan officers. However, loan officers are compensated based on the size of their portfolios. In order to appropriately incentivize the loan officers to promote the youth product, Ryada then changed its incentive scheme so that each youth loan was counted as two regular loans. It was also important for Ryada to tailor its existing client character assessment to the new youth market segment. Ryada typically conducts character assessments of all loan applicants. To make the

process more youth-inclusive, Ryada identified the characteristics it was seeking and adjusted the indicators to allow youth entrepreneurs a greater opportunity to demonstrate those characteristics.

Results: As of December 2017, Vitas Palestine had a portfolio valued at US\$46 million consisting of 9,558 clients, of whom 40 percent were youth, defined as those aged 30 and younger.

Future Outlook: Vitas Palestine remains committed to financial inclusion for youth. Apart from offering startup business loans for youth, it has also begun to host workshops on microfinance and banking for university students.

Women Entrepreneurship Development Project, Ethiopia



Background: Initially financed by a US\$50 million credit from the World Bank's International Development Association (IDA), the Women Entrepreneurship Development Project (WEDP) began implementation in 2012. It was administered by the Federal Micro and Small Enterprise Development Agency under the Ministry of Urban Development and Construction of the Ethiopian Government. The project's goal was to increase the earnings and employment of women-owned enterprises in Ethiopia through better access to finance and business development services. The project covered 6 major cities in 4 regions of Ethiopia, providing financial and technical support to women entrepreneurs. Loans were disbursed through Ethiopian microfinance institutions, and training was delivered by a mix of public and private providers.

Youth Lens: The WEDP's target beneficiaries were growth-oriented, women entrepreneurs in Ethiopia. The average age of the beneficiaries was 34 years. A self-selection process was used to enter the program, whereby a woman entrepreneur would go to one of the 45 one-stop shops located across the 6 target cities. Once there, they could receive full exposure to the training and financing options offered by the project. Interested women entrepreneurs registered, and all relevant socioeconomic data were collected in a dedicated database. To date, this database includes information on over 20,000 entrepreneurs. Registering for the program, however, does not provide automatic access to a loan. Decisions about loans remain totally independent for each MFI that bears the ultimate credit risk. Potential beneficiaries are also reached by dedicated marketing initiatives through television, radio and social media, as well as by the WEDP's city coordinators who ensure that all key project stakeholders are involved in each city.

Product Details: The two main components of the WEDP's services include financial and non-financial support tailored to Ethiopian women entrepreneurs. On the financial front, the WEDP created the first line of credit entirely dedicated to women entrepreneurs. The funds flow through the Development Bank of Ethiopia to participating MFIs. The MFIs then on-lend to women entrepreneurs. Acknowledging that women are much less likely than men to own assets, the WEDP encourages MFIs to accept non-traditional forms of collateral such as cash flows, vehicles, personal guarantees, post-dated checks, and psychometric scores. In fact, as of end-2017, 46 percent of the WEDP loans were disbursed based on these alternative forms of collateral.

Regarding the non-financial component, the WEDP provides women entrepreneurs with a cutting-edge entrepreneurship training program developed using the concept of modern cognitive psychology. As such, participants are not only equipped with traditional business skills, but are also trained to think like an entrepreneur.

Key Success Factors: The WEDP is today a flagship project of the World Bank in Ethiopia. One of the key success factors was the dedicated resident technical assistance (TA) to MFIs, linked to the line of credit. With the TA program, the WEDP has changed the way that MFIs operate. It has helped them to scale up their services by providing larger individual loans to women entrepreneurs, while at the same time developing cash-flow lending techniques—allowing for lower collateral requirements. Moreover, given the multiplicity of stakeholders involved, another key success factor is the close coordination among all project participants. In addition, an online management information system has facilitated the connection of all players in real time, providing live data regarding project implementation.

Results: As of March 2018, the WEDP's technical assistance had enabled the 12 participating MFIs to disburse a credit line totaling US\$45.9 million. With support from the WEDP, the MFIs' average loan size increased from Ethiopian Birr 27,000 to 237,000 (about \$US948 to US\$8,320). The MFIs were able to serve over 8,000 clients, 61 per cent of whom were considered first-time borrowers. Finally, the WEDP was also successful in tailoring its non-financial services with its financial services, training over 11,000 women entrepreneurs.

Future Outlook: In Ethiopia, MFIs and commercial banks operate under a strict regulatory framework, and foreign participation is not allowed in the financial sector. Thanks to an active policy dialogue with the National Bank of Ethiopia and the Development Bank of Ethiopia, the WEDP implementation has been very effective so far. Given the high demand for

finance from women entrepreneurs, one of the main concerns for the WEDP was to ensure the availability of additional funds for the project. This is now assured due to co-financing from the governments of Italy and Japan of €15 million (about US\$17 million) and US\$ 50 million, respectively.

The project was extended to 2019 (that is, two years beyond the original deadline) to allow for the additional funds to be fully disbursed. Moreover, MFIs have begun to utilize their own funds for serving WEDP clients, thus confirming the success of the proposed model and its financial sustainability over the longer term. The WEDP team has also significantly increased the number of local staff, while gradually reducing the presence of international staff. Finally, the WEDP recently introduced a hotline so that clients can call to discuss how to further improve their projects.

xChange, Philippines



Background: xChange is an impact investor and incubator for early stage, impact-driven social enterprises in the Philippines. xChange is also an active investor, providing not only financing and capital, but also expertise in enterprise management and finance. The company aims to amplify the impact of its social enterprise portfolio companies by helping them attain sustainability and scale.

Youth Lens: xChange does not specifically target youth. However, a portion of its investees are under the age of 35. When making investment decisions, xChange does not target clients based on demographics. Rather, it conducts an evaluation based on criteria, including the entrepreneurial team and its ability to execute; the business model and evidence of its efficacy; potential for scale; and proposed social impact.

Product Details: The services offered by xChange are divided into two broad categories: financial products and incubation. xChange offers a range of financial products, all of which aim to accelerate the launch and scale of its social enterprise investees. The company provides equity in the form of long-term capital with no specific exit timeframe, and xChange takes a significant minority stake. xChange also offers long-term debt on a case-by-case basis, with an interest rate of 10 percent a year. When xChange provides convertible debt, it does so with an interest rate of 5 percent a year, and with principal plus accrued interest converting in 36 months.

xChange also provides short-term loans for working capital. Interest rates may range from 1 to 2 percent a month, depending on the assessed risk and cash flows of the enterprise. Another form of financing that xChange offers is project finance for project-based enterprise builds. The return depends on the project cash flows, but it should be no lower than 9 percent per project. In some instances, xChange has also offered grants to support a non-profit enterprise or to assist an enterprise with proof of concept.

The second category of services provided by xChange is incubation. Generally, the incubation period starts after xChange provides a financial product to the enterprise. The type of support provided during incubation is designed to fit the needs of each portfolio company. In some cases, xChange takes a Board seat, while engaging with the company to provide guidance on governance, long-term strategy, capital expenditure investments, and fundraising. The xChange team also supports its portfolio companies by meeting with entrepreneurs regularly to discuss their major concerns. Meetings are usually about three hours per week, and issues range from strategy and operations to talent and finance. In some situations, a xChange team member is assigned to the enterprise to implement specific tasks for enterprise projects. Additionally, xChange supports its investees by connecting them to clients, funders, suppliers, service providers, and other advisors, depending on their specific needs.

Key Success Factors: xChange attributes its success to three factors: openness, teamwork, and independence. xChange does not consider its learning proprietary. Rather, it is willing to share what it learns from working with entrepreneurs, learning institutions, and other funders. Indeed, it sees this as a positive development for the entire entrepreneurship ecosystem in the Philippines. The entrepreneurial mindset of the xChange team is complemented by more than 50 years of combined experience in operations, strategy, finance, and social development. The team also has extensive networks in various industries that can be tapped to support its diverse portfolio of companies. Finally, xChange maintains its independence because its funding comes from a private trust fund. Therefore, xChange has the freedom and flexibility to design products and engage enterprises without having to be concerned about outside stakeholders or requirements.

Results: From 2012 until February 2018, xChange had invested a total of US\$2.9 million in a range of startup enterprises. Of the total investment portfolio, 69 percent was in the form of project finance. About 8 percent was in the form of equity, 13 percent in convertible debt, 5 percent in debt, and 5 percent in grants.

Future Outlook: The xChange team has identified opportunities for expansion outside of the metropolitan Manila area, specifically to Visayas and Mindanao. It also intends to engage with enterprises in new industries, such as agriculture and fisheries, culture and the arts, and intellectual property. In terms of scalability, xChange identified a barrier of not having a physical footprint outside of metropolitan Manila. To address this barrier, it will be collaborating with other like-minded institutions

that have operations in the provinces. Another barrier to scale is the size of the private fund held by xChange. There is an opportunity to overcome this barrier by partnering with institutional funders that may want to invest in the Philippines, but who need a local partner. xChange could pitch/position itself as this type of liaison to the local market. In terms of sustainability, xChange identified one major barrier, that is, the long timeframe for xChange's traditional enterprises to achieve scale and sustainability. As such, it sees an opportunity to address this barrier by pursuing a shared services model for accounting services, hiring, and human resource (HR) management.

YAPASA Youth Loan, Zambia



Background: YAPASA is a program of the National Savings and Credit Bank (NATSAVE), a government-owned, non-bank financial institution operating in Zambia. The bank began its operations in 1973 and currently has 38 branches, with 16 branches in rural areas and 22 branches in urban areas. YAPASA was launched in 2015 in two pilot locations in northern and central Zambia.

Youth Lens: The product is offered to youth from the ages of 16 to 35 operating in the agricultural sector in Zambia. Beneficiaries are typically involved in crop farming, livestock production and aquaculture.

Product Details: YAPASA offers microfinance loans in the form of cash or inputs for farming. NATSAVE helps to establish linkages between customers and markets to enable cash flows for servicing loans. Once the farmers produce, processors buy the product and pay the farmer using the associated bank account, typically a NATSAVE savings account. During the pilot stage of the program, beneficiaries were trained in farming methods and business skills, and each received a bank loan equivalent to US\$350 to purchase certified seeds, fertilizers and pesticides.

Interest is calculated using the reducing balance method, and loans are granted for a maximum period of 12 months, repayable at any desired frequency. A uniform fixed interest rate is applicable to all beneficiaries. The rate is 20 percent per year (19 percent during the pilot period), and the rate is currently expected to increase to 25 percent per year. YAPASA agribusiness youth loans are designed to be graduated in nature. This encourages youth to meet debt obligations because they can later progress to other asset financing options or more senior debt products. Due to poor harvesting conditions and drought, the first year of the program experienced high default rates. To mitigate such risks, new processes for refinancing and debt recovery have

been established to support youth during such times.

The program also includes non-financial services to help link farmers with traders, thereby facilitating an integrated commercial process within the community. Microfinance officers are deployed to assist farmers with the logistics of their businesses, including the establishment of a trade process. Officers often intervene as intermediaries to negotiate prices between traders and farmers to ensure equitable commercial dealings. Furthermore, participating youth are placed into small groups, and then partnered with buyers or industrial processors who provide a ready market for the farmer. This support assists farmers in overcoming the usually prohibitive transport costs associated with moving produce from rural to urban or developed areas. In addition, beneficiaries also open a personal savings account, and are taught basic skills about transacting with banks, such as completing deposits prior to loan disbursement.

Key Success Factors: YAPASA's model — including its group lending, partnerships with buyers, and graduation process — allows youth to successfully integrate into the market and financial system. Later, they can progress into other financing options. Furthermore, the combination of financial education and logical assistance effectively positions entrepreneurs to launch their businesses. YAPASA's success is also due to its risk mitigation systems, which include the active involvement of microfinance officers, extensive monitoring, and ongoing adaptation to ensure that the loan process is continuously improved. Moreover, assistance is offered from partner organizations, which group farmers together to create a joint liability. YAPASA has also introduced a crop insurance product, which protects farmers against adverse harvesting conditions by enabling farmers to build supplemental income streams when their businesses

may be performing poorly. This element further integrates these communities with formal banking and insurance products.

Results: Approval rates were 100 percent during the pilot period. The default rate was approximately 40 percent. This poor metric is mainly attributable to adverse weather conditions because there was no built-in option for crop insurance during the pilot phase. The bank's profit per youth is approximately US\$96.60, inclusive of interest and non-interest income, for a Zambian Kwacha 5,000 (about US\$500) loan payable within 6 months at the current interest rate of 25 percent per year. The bank receives about US\$100 per 6-month period for each individual loan. Moreover, the youth themselves manage to create profits of about US\$70 per 6-month period, exclusive of the many other additional benefits of this program.

Future Outlook: This program is currently working to scale its reach and scope. NATSAVE aimed to reach a total of 1,000 youth by the end of 2017, with a long-term goal of introducing 500,000 youth into the system by the end of 2019. NATSAVE is looking to establish at least 3 branches in every province. The bank also intends to diversify into other key agricultural subsectors, such as cassava production and aquaculture.

Challenges: Counterparty risk poses a threat to the viability of the YAPASA youth agribusiness loan. The risk is mitigated by the active involvement of microfinance officers in both the youth application and selection process to ensure that the appropriate people are consistently targeted. Beneficiaries have also reported feeling exploited by traders. NATSAVE is addressing this issue by increasing officer presence and training.

JSC MFO Crystal, Georgia



Background: Officially established in 2007, JSC MFO Crystal is the second largest non-bank microfinance institution in Georgia. Its goals are to serve micro and small businesses, with a specific focus on rural micro-entrepreneurs and smallholder farmers. Crystal currently manages a US\$90 million gross loan portfolio. Crystal offers its services to over 60,000 active borrowers, with 65 percent of its clients living in rural areas. More than 80 percent of its funding comes from international financial markets and microfinance investment vehicles.

Established in 2016, “Youth Entrepreneurial Skills for Advancing Employability and Income Generation in Georgia” or “YES-Georgia”, is co-funded by the United States Agency for International Development (USAID) and is administered by the Crystal Fund. It has served as a pilot program in the city of Tbilisi, the capital, and 15 towns in Georgia, providing integrated services including micro-loan and non-financial support to young Georgian entrepreneurs, especially in rural areas.

Youth Lens: As evident by its title, YES-Georgia targets young Georgian clients under the age of 30 who can demonstrate that they have a promising business plan. To date, almost 400 entrepreneurs have participated in the program. These entrepreneurs were reached and recruited through various channels, including Crystal’s official website, social media platforms, as well as Crystal’s local branches and customer referrals. Applications are processed and assessed by an Investment Committee comprised of its Directors.

Product Details: Crystal’s YES-Georgia program provides youth clients with both financial and non-financial support. On the financial front, YES disburses warranted interest-free loans for an average amount of US\$2,500. The program allows loan repayment after two years if the business is successful. If the business fails, the loan would be

written off by Crystal, and an entrepreneur would not have to repay the principal. Crystal reserves the right to convert the loan into an equity share of approximately 10 percent once the business has proved to be profitable.

YES-Georgia also offers non-financial support to participating youth entrepreneurs in the form of training sessions at the Young Entrepreneurs School, which was especially established for this purpose. The training is conducted by Crystal branch office managers from different regions in the country. The training program lasts for five weeks and requires young entrepreneurs to meet two times a week for approximately two hours per session. The goal of the training program is to increase participant awareness and understanding about entrepreneurship. They are equipped with entrepreneurial skills in problem-solving, negotiations, as well as effective communications and presentation. The program employs the ‘Customer Discovery Process’, a business model canvass methodology borrowed from the lean launch approach. This approach entails designing the training curriculum to help participants translate their business ideas into investable real-world business models. Throughout the training, youth entrepreneurs receive support and close supervision from their assigned mentor (trained and certified by Crystal) in shaping and pivoting their business models. At the end of the program, participants will write a business memorandum and pitch their ideas to the Investment Committee. This Committee consists of Crystal’s high-level managers who will review and select the proposals eligible for co-financing.

Due to their success in reaching out to young entrepreneurs, YES-Georgia has been receiving an overwhelming number of applicants. Therefore, it decided to develop ‘Crystal Crowd’, a crowdfunding platform that functions as an addition to Crystal’s product portfolio. The platform is designed to serve

investors and entrepreneurs seeking to finance their businesses. Crystal Crowd offers entrepreneurs three types of financing: equity, debt and reward. Due to the lack of a regulatory framework, the platform will operate using a reward-based crowdfunding model. The platform is being utilized to promote youth entrepreneurship. Indeed, it is expected to become the medium for entrepreneurs to mobilize and manage their funds. Crystal Crowd will initially be available to YES-Georgia participants, and will later be developed to serve other entrepreneurs outside of the program.

Key Success Factors: YES-Georgia's key success factors include its customized, youth-focused financial and non-financial products tailored to meet the financing needs of youth in Georgia. YES's financial product accommodates youth entrepreneurs through interest-free loans and relaxed repayment schemes, and its training helps bring life to their business ideas. Specifically, it provides them with opportunities to test their ideas in a market environment, while ensuring that they receive appropriate mentorship from experts in the entrepreneurship space.

Results: Despite its socially driven (rather than financially-driven) mission, YES-Georgia has shown good progress toward becoming financially

sustainable and profitable. Crystal's management projects show promising financial returns, with a 50 percent success rate of the funded ventures — 10 percent of which are considered breakthrough successes. Crystal has also been successful in generating interest among youth entrepreneurs in Georgia. With only 120 seats available per application round, they were able to reach more than 1,000 youth applicants when the program was opened for the third round. This represented a near doubling of the first round of 250 applicants. Upon completion of the third round, up to 400 youth were reached and 35 enterprises were funded. YES-Georgia has also helped to position Crystal in the community. Overall, the program has created a positive social impact and contributed to the improvement of the entrepreneurship ecosystem in Georgia.

Future Outlook: Due to its impressive success, Crystal is considering commercializing the program, including increasing the number of seats available for successful applicants. It is also looking to expand the program to other branches in other regions of Georgia. For this future expansion to work, in addition to the Crystal Fund, YES-Georgia will have to seek funding from other channels, such as commercial venture capital funds.

YouthStart: Amhara Credit and Savings Institution, Ethiopia



Background: This program was part of YouthStart Program, a multi-country program with an overarching goal of increasing financial inclusion for youth in Sub-Saharan Africa. The program was funded by the MasterCard Foundation and implemented by the United Nations Capital Development Fund (UNCDF). YouthStart began partnering with the Amhara Credit and Savings Institution (ACSI) in 2010 to develop financial and non-financial services for youth from 12 to 24 years of age. Established in 1995 by a local NGO, the Organization for the Rehabilitation and Development in Amhara, ACSI is owned by the government and is considered the largest microfinance institution (MFI) in Ethiopia. ACSI mainly focuses on micro and small enterprise clients engaged in income-generating activities in sectors such as agriculture and handicrafts.

Youth Lens: Prior to joining the YouthStart program, youth had already been one of the focal points of ACSI, as presented in their previous business plan (2010/2011 – 2014/2015). Within the YouthStart framework, ACSI provided both financial and non-financial products to youth aged 12 to 24 years. When first selected to join the YouthStart program, ACSI conducted market research to better understand youth needs, thereby enabling it to design and customize youth-specific financial and non-financial products.

Product Details: ACSI offers savings and credit products, as well as financial education to youth. Within the YouthStart framework, ACSI offered a primary savings account to youth between 12 to 24 years of age called the *Raey* savings account. Unlike the minor savings account, which can be opened by youth without a guardian, this was offered along with financial education. The minimum opening balance was 5 Ethiopian Birr (about US\$0.26), and the account interest rate was 5 percent. There

were no maintenance fees or limits on deposits and withdrawals. After having opened an account with ACSI, youth were visited at least once a week by ACSI staff, who provided a door-to-door collection service to ensure that the whole process was as convenient and youth-friendly as possible. Moreover, ACSI also promoted *Raey* products at schools, clubs, churches and local governmental offices.

ACSI also offered loan products to youth with shared, similar characteristics to those of its adult clients, specifically in terms of the annual interest rate offered and collateral required. The interest rate was 13 percent for an individual loan and 15 percent for a group loan. The maximum amount for an individual loan is 1 percent of ACSI capital, and US\$1,500 for a group loan. However, the youth loans come with more prudent rules. Youth-targeted loan products require that youth have the *Raey* account, participate in ACSI-provided financial education training, and that their families assume co-responsibility for the loans. Under this scheme, youth can request loans for up to ten times the amount of their savings balance.

Regarding non-financial services, ACSI provided both financial education and entrepreneurial training to its youth clients. ACSI successfully delivered training services through a hybrid (unified and parallel) model, employing their own internal staff, as well as establishing partnerships with other youth-serving organizations. ACSI also signed a formal agreement with schools at the regional level, as well as with the Ministry of Education.

One significant partnership was forged with the Training Vocational School (TVT), whereby ACSI was allowed to deliver financial education to students on campus, and the TVT would refer its students to ACSI's products. As these students

were connected to ACSI prior to graduating, once they graduated, they either had enough savings to start their own businesses or they could gain better access to loans. Another strategic partnership was established with the Digital Opportunity Trust Ethiopia, with whom ACSI had established the Business Development Center. This allowed them to share costs and personnel, as well as to create a system where training in life-skills, entrepreneurship and information and communications technologies (ICT) was linked to a dedicated offering of financial products.

Key Success Factors: One of the key success factors is the non-financial service component of the program. Results showed that participants in the YouthStart program had more than double the amount of net average income, which can be attributed to the increase in their money management skills developed through the financial education sessions. Another success factor is the program's encouragement for youth to develop a regular savings habit by setting short- and medium-term goals. To nurture such behaviors, ACSI employed marketing materials, such as providing youth with a savings passbook, which they can use to fill out their saving plans in the template. ACSI also sought to instill the savings habit through financial education. Financial education also played a vital role in building a better understanding about loan products among youth clients. Finally, the program's savings products exhibited promising potential in terms of empowering youth. With stable savings, they can feel more secure and confident as they transition into adulthood.

Results: At the end of the YouthStart program, ACSI was able to accumulate a total savings volume of over US\$8 million from 278,620 savings accounts. The breakdown of YouthStart clients showed that 43 percent were minors, 54 percent were female clients, and 36 percent lived in rural areas. In terms of loan products, as of December 2014, ACSI had a total disbursed loan amount of approximately US\$6.6 million, including 65,948 outstanding loans. As for its non-financial services, by the end of the program, ACSI had exceeded its initial targets by having trained a total of 214,188 clients, 42 percent of whom were minors, 52 percent women, and 36 percent from rural areas.

Future Outlook: ACSI recently created a separate department for youth-specific financial services. This department is dedicated to managing ACSI's day-to-day activities in serving youth through the provision of financial and non-financial services. The department also works closely with stakeholders, including youth-serving organizations in the government line ministries. It is led by a senior management member and a team comprised of senior- and middle-level officers deployed at the headquarters and area offices.

ACSI has also introduced differentiated product pricing for youth savers. As such, the savings of youth depositors earn an interest rate above that paid for ordinary savings deposits. For loans, the lowest annual interest rate is 8 percent. It is based on the recent contract agreement with the Commercial Bank of Ethiopia and ACSI for lending to youth.

YouthStart: Finance Trust Bank, Sub-Saharan Africa



Background: The YouthStart (YS) Program was a multi-country program with an overarching goal of increasing youth financial inclusion in Sub-Saharan Africa. It was funded by the MasterCard Foundation and implemented by the United Nations Capital Development Fund (UNCDF) from 2010 to 2014. In Uganda, YouthStart partnered with the Finance Trust Bank (FTB) to provide more inclusive financial and non-financial services to Ugandan youth. The FTB was a deposit-taking microfinance institution when the YS program began in 2010. However, it was granted a commercial banking license at the end of 2013.

Youth Lens: As a result of the partnership with the YS program, the FTB developed savings and loan products targeting youth in the 12-17 and 18-24 age brackets. Youth, both those in and out of school, were targeted during the YS Program. Prior to its partnership with the YS Program, the FTB was already engaged with youth through the Girls Choice Project (a Women's World Banking project which ended in 2011). This program offered a savings product at six of its branches targeting girls aged between 10 to 19. Since 2008, the FTB had also been offering Junior Savings accounts by targeting the parents of youth from birth.

Product Details: Under the YS Program, the FTB first launched two current savings products in 2013, the Teen Classic Account for youth aged 12-17, and the Youth Progress Account for youth aged 18-24. These youth savings accounts had lower minimum balance requirements and reduced fees compared to accounts targeting adults. The youth accounts were initially free of charge; however, the FTB later added a Ugandan Shillings (Ushs) 200 monthly fee (about \$US0.05) (as compared to Ushs 500 [about US\$0.13] for adults) when a new tax on financial

services was introduced by the government. Interest rates on the youth accounts then became the same as for the adult accounts.

In December 2014, the FTB developed two youth loan products, a Youth Special Loan (individual lending) and a Youth Solidarity Loan (group lending). While both youth loan products required monthly repayments similar to the products for adults, they had many distinct features. The interest rate was a 23 percent flat annual rate for youth as compared to 30 percent for adults. Regarding maturities, the maturity period for youth was 1 year as compared to 5 years maximum for adults. Small assets were accepted as collateral for youth, which was not the case for adults. Finally, there was no monitoring fee for youth, and other fees were reduced as compared to those charged for adults.

The FTB's non-financial services for youth included financial education (provided as part of YS, with support from Reach Global) and reproductive health (in partnership with Straight Talk Foundation, but not linked to the YS project). The financial education provision started in 2012. FTB staff initially provided this service, but it was later taken over by youth mobilizers from target communities who were trained by staff. This move was aimed at reaching a larger audience, ensuring that FTB staff could focus on account opening and reaching their targets.

Key Success Factors: The FTB's product design was informed by extensive market research. The following characteristics were incorporated into the products based on the market research findings: low charges; fair interest paid to the saver; low initial deposits; low minimum balance requirements; and clear, speedy transaction processing.

The FTB launched two youth loan products in December 2014. It was also planning to develop a youth loan insurance product because of the demand for linkages to complimentary financial products, such as loans and insurance (for older youth aged 20-24). In addition, the FTB developed a financial literacy program with YS support because of the demand for linkages to complimentary non-financial products, including financial literacy, business/entrepreneurship training, and so on.

The FTB was not able to partner with a YS organization or a business/entrepreneurship training organization. However, it did collaborate with churches, mosques, teachers, parents, guardians and other mentors to establish its credibility and expand its reach. It should also be noted that the products were adapted even after they were launched. For instance, the loan products initially had bi-weekly repayments, but the frequency was later changed to each month based on critical feedback from youth clients.

Results: As of December 2014, FTB had reached out to 61,952 youth clients, including 29,018 YouthStart clients (financial services) — of which 38 percent were female, 28 percent were minors, and 55 percent were from rural areas. As of December 2014, the FTB had provided financial education to 27,003 youth. Among the YS clients having received financial education (20,047), 58 percent were women, 37 percent minors, and 52 percent lived in rural areas. The “client conversion rate” (from financial education to account opening) was lower for women and minors. In this regard, 58 percent of women and 37 percent of minors received a financial education. However, only 38 percent of YS savers were women and 28 percent were minors.

As of December 2014, the YS savings balance amounted to US\$ 736,906 (2.6 percent of FTB’s

total deposits), and the average savings balance was US\$ 25.70 for youth compared to US\$ 77.50 for all clients. The YS outstanding portfolio reached US\$ 11,119 with 34 borrowers and an average loan balance at US\$ 328 as compared to US\$ 1,045 for all clients. Since the end of the project, the Teen Classic and Youth Progress Accounts have become part of the mainstream product offerings.

Future Outlook: At the end of the YS program, the FTB had already integrated the youth savings products into its mainstream product offerings. It was also looking to enter into a public-private partnership to support its outreach to youth. In addition, financial education was to be at the heart of FTB’s strategy for the next few years. In this context, it had received funding to pilot financial literacy training to adult groups, including the development of a financial literacy curriculum in 2015.

At the end of the YS program, the FTB planned to develop several initiatives aiming at increasing the financial inclusion of youth. First, it planned to create a school banking model, an initiative discovered through Women’s World Banking, and successfully implemented in Sri Lanka. It consists of establishing mini-branches run by voluntary students in schools. Second, the FTB planned to develop additional services for youth, such as mobile branches (including the purchase of additional vans; one was funded by the YS program) and point-of-sales agents (one initiative had begun operating at the end of March 2015). Third, the FTB planned to develop a youth policy formalizing the processes to engage with youth and minors. It also planned to establish a mobile van operational policy, and a school bank.

YouthStart: Poverty Eradication and Community Empowerment, Ethiopia



Background: The Poverty Eradication and Community Empowerment (PEACE) is a local microfinance share company established in 1999. It was part of the YouthStart Program, a multi-country program with an overarching goal of increasing financial inclusion for youth in Sub-Saharan Africa. The program was funded by the MasterCard Foundation, and implemented by the United Nations Capital Development Fund (UNCDF). In Ethiopia, YouthStart began its partnership with PEACE to highlight the youth client segment by tailoring both financial and non-financial services to young people between the ages of 12 to 24.

Youth Lens: As part of its journey to become a YouthStart local partner, PEACE conducted extensive market research that yielded youth-specific findings, enabling the company to develop a youth-focused marketing strategy. For example, after learning that youth usually save relatively smaller amounts (compared to adults) — and on an irregular basis, PEACE’s saving scheme allowed for a low minimum opening balance. It incentivized youth to first start their own personal savings at home prior to opening a savings account with PEACE. The institution provided them with a ‘locked safe box,’ that is, a box that allows youth to save at home, but which cannot be opened since the keys are stored at PEACE branches. The company also ensured that their marketing campaign reached youth in different settings such as markets, churches and schools (including primary and secondary schools, as well as technical and vocational education and training [TVET] centers). In order to increase the number of female participants, PEACE created an incentive system to encourage existing female clients to bring more female newcomers into the program.

Product Details: Within YouthStart’s framework, PEACE launched a youth-targeted program called “*Lenege*,” which means ‘tomorrow’ in the local language. *Lenege* offered both financial and non-financial products to youth aged 12 to 24 years. Financial products included savings and credit products. The saving products included the current account with an interest rate of 6 percent, and the time deposit account with a 7 percent interest rate. These rates were conditioned on the deposited amount being larger than US\$260, with the capital remaining locked for at least one year.

Under the *Lenege* program, PEACE offered a much lower minimum opening balance of US\$0.26, as compared to one of PEACE’s biggest competitors, the Commercial Bank of Ethiopia, which required a minimum opening balance of US\$1.31 at a 5 percent interest rate. Regarding the loan product, youth above 18 years of age qualified to apply for group loans. However, PEACE did not conduct specific market research to learn about youth’s needs in terms of credit products. Therefore, it did not develop any loan products specifically designed for young people. The loan products offered under the *Lenege* program were the same as those for adults.

With help and guidance from YouthStart, PEACE also provided its youth clients with financial education, which was instrumental in complementing the financial products. PEACE employed a unified model in delivering its training. Specifically, the financial education was tailored to youth — without contracting other youth-serving organizations to facilitate the training process. Rather, financial education training was delivered in group sessions and through informal agreements between PEACE and school directors. In addition, individual training was delivered to youth at their

workplaces or at PEACE branches. Youth clubs were also organized to promote the financial training. PEACE invested in training and coaching by hiring a consulting company called Reach Global to provide training-of-trainers to youth champions and branch managers, who in turn trained staff at their branches. Reach Global also assisted PEACE in developing financial education training modules, as well as a detailed training guide that helped facilitate the learning experience of trainees. The financial education created a further positive impact. Interestingly, once the parents learned about the training from their children, they became interested and asked PEACE to provide them with financial education as well.

Key Success Factors: One of the key success factors of the *Lenege* Program is that it conducted thorough market research that allowed it to successfully develop savings and non-financial products that effectively catered to youth's needs (although it has yet to do the same with its credit products). Its partnership with Reach Global also allowed the company to effectively develop appropriate training modules and programs in financial education for youth clients. Finally, non-financial services were also integrated with financial services, and were considered instrumental in creating and scaling the positive impact on youth, as well as their family members.

Results: As of December 2014, PEACE had a total base of 56,682, of which 50 percent were YouthStart clients. Regarding youth clients, 74 percent were YouthStart clients. PEACE also reached 22,204 borrowers, accounting for US\$4.4 million of its outstanding portfolio. Within the YouthStart framework, however, youth lending was not considered the core activity of the program due to a shortage of funding, as well as a lack of youth-centric loan products. At the end of the YouthStart program, PEACE had distributed 719 loans (69 percent to female clients and 72.3 percent to clients in rural areas), which accounted for US\$101,206 of the gross outstanding portfolio. The average size of loans to youth was US\$130, which was lower than that for adults. As for the savings products, *Lenege* generated a total of 28,871 savers with an

accumulated balance of US\$154,823, accounting for 10 percent of PEACE's total savings portfolio. The average savings balance of youth clients was US\$7, which was four times smaller than that for adult clients.

At the end of the program in 2014, *Lenege* had distributed 247 safe boxes to 99 female clients and 148 male clients. Regarding non-financial services, PEACE was able to double the target by reaching up to 63,691 youth clients, including those who received financial education training, but did not open savings accounts with PEACE. The company was able to form 343 informal partnerships with schools to tailor training programs to youth. Of the total number of schools with which it partnered, 83 percent were elementary schools, 13 percent were secondary schools, 3 percent were TVET schools, and 1 percent were colleges.

Future Outlook: Although PEACE was aware that increasing the amount of its loan portfolio dedicated to youth would likely contribute to the company's sustainability over time, the fund shortage prevented it from fully investing in the development of youth-centric loan products. The youth-focused market research was done only for savings and non-financial services.

Another key challenge that the program encountered — and may have to address in future — concerned dormant clients, which accounted for 17 percent of total accounts. PEACE identified the cause of inactivity as youth's lack of regular savings, high mobility, and lack of follow-up from PEACE branches. It also recognized the fact that youth recruited at schools may have opened the accounts with PEACE just to comply with their teachers' suggestions. As such, they did not have any real interest in saving.

At the end of the YouthStart program, PEACE established a department dedicated to youth affairs. The company assigned a youth champion at its headquarters and a child/youth loan officer to almost every branch. This development holds promise, and PEACE intends to continue serving youth — possibly with a greater variety of products in the future.

YouthStart: Umutanguha Finance Company (UFC), Rwanda



Background: This program was part of YouthStart Program, a multi-country program with an overarching goal of increasing financial inclusion for youth in Sub-Saharan Africa. The program was funded by the MasterCard Foundation and implemented by the United Nations Capital Development Fund (UNCDF). In Rwanda, YouthStart partnered with the Umutanguha Finance Company (UFC), a local microfinance institution, to provide more inclusive financial and non-financial services specifically designed and tailored to youth from 12 to 24 years of age. UFC’s initial mission and services aligned well with YouthStart, as its goal is to enable previously financially excluded populations to gain better access to finance options, and eventually start and grow their own businesses.

Youth Lens: Prior to receiving YouthStart funds, youth were already one of UFC’s target clients. With YouthStart’s financial and technical assistance, UFC was able to conduct thorough market research, enabling them to design youth-focused products and services. Consequently, it increased its proportion of youth clients significantly. To reach youth, UFC tailored its services, such as financial education and ‘light’ entrepreneurship training, through different channels, including schools and churches. It also planned to expand its delivery channels to technical and vocational education and training (TVET) institutions as well.

Product Details: With support from YouthStart, UFC developed and offered both financial and non-financial products to youth. UFC developed three financial products: two savings products and one credit product. The savings product included a youth demand savings account (*Tangira Kare*) and a youth purpose/term savings account (*Ihirwe*). Youth demand savings products offered youth favorable conditions in terms of lower initial capital and minimum balance so that they could start making

deposits into their own accounts. As such, youth were encouraged to save more, even with small amounts. The second savings product allowed youth to obtain a loan for four times the amount of savings they maintained. Although this leverage of funds is the same as the adult term deposit account, youth were not required to wait the mandatory 3 months after opening a savings account to apply for a loan. Regarding the credit product, UFC developed a youth business loan (*Nunguke*), offering lower maximum credit amounts, lower interest rates, as well as lighter collateral requirements. Moreover, youth were allowed to rely on guarantors and/ or apply for a guarantee from Rwanda’s Business Development Fund. This product extended the loan repayment term from 24 to 36 months.

UFC also provided youth with non-financial services in the form of financial education and ‘light’ entrepreneurship training. With the support of YouthStart, UFC adopted a hybrid model using peer-to-peer youth trainers. This model was enabled through UFC’s collaboration with Akazi Kanoze, a local youth-serving organization (YSO). Working together, a total of 25 peer-to-peer youth trainers were engaged in delivering non-financial services to youth. This model has proven successful in terms of its cost-effectiveness (as UFC paid them on a part-time basis), as well for its positive psychological effect on youth clients who tended to feel more comfortable receiving training from local peers of similar age.

Key Success Factors: UFC’s success is based on three key success factors. First, the company has a strong commitment to serving youth clients — even prior to receiving assistance from YouthStart. At the same time, YouthStart’s financial and technical support enabled the company to conduct further market research, offer youth-focused products and reach more youth clients. UFC has also been

able to institutionalize YouthStart social missions to serve financially excluded youth. Second, with YouthStart's guidance, the company has successfully integrated financial and non-financial services, which is key to sustainably financing youth. Finally, UFC has been actively forging partnerships and working in collaboration with other YSOs, which allows it to improve and increase its product offerings.

Results: By the end of the YouthStart program in 2014, UFC had been able to reach and even surpass YouthStart's performance-based agreement targets. In 2010, at the onset of the YouthStart Program, UFC had approximately 650 youth clients, comprising a mere 2.6 percent of its total clients. However, in 2014, it reached 32,231 youth clients, aged 12 to 24, accounting for about 36.2 percent of its total clients — an impressive increase that reaffirmed YouthStart's goal. Moreover, UFC was successful

in serving youth in rural areas, with 98.2 percent of YouthStart clients from rural areas — and female clients accounting for almost half of that number.

Future Outlook: UFC has been able to institutionalize YouthStart's ideology to serve youth. At the same time, it had been developing an exit strategy while still participating in the YouthStart program. As such, UFC has been able to continue offering youth-specific products in a cost-effective manner. It also laid out a set of youth-specific targets in its 2015-2019 business plan. Moreover, UFC has recently developed a financial product for older youth between the ages of 18 and 30. Thus, it will be able to properly serve YouthStart clients who graduated from the program and exceeded the age of 24, but who are not yet ready for their regular (adult) products.

Zimbabwe:Works



Background: Zimbabwe:Works was a workforce readiness and entrepreneurship development program implemented from 2012 through 2017 by the International Youth Foundation with funding from the United States Agency for International Development (USAID), the Swedish International Development Agency (SIDA) and the UK’s Department for International Development (DFID). Starting in June 2012, the project focused on productively engaging youth in Zimbabwe at high risk for crime and violence — predominantly idle young men — through work readiness and entrepreneurship training. After a decrease in violence in the country in 2013, the project expanded its focus in 2014 to promote inclusive economic empowerment of all youth by targeting more young women.

Youth Lens: Youth are defined as those between the ages of 20 and 35. In the violence prevention phase, at-risk idle youth were targeted, specifically those living in regions that recorded higher levels of violence during the 2008 elections and had potential for economic growth. Sixty percent of those targeted were male youth. During the second phase of the project, targeting expanded to emphasize the inclusion of young women. Zimbabwe:Works employed an entrepreneurship diagnostic tool to help identify young people with high potential for entrepreneurship.

Product Details: Partnering with business development organizations and training institutions, Zimbabwe:Works offered a wide range of nonfinancial services to promote entrepreneurship development for youth. These included: financial literacy training; business development support; proposal development; marketing; record keeping and law compliance training; mentorship from owners of established SMEs and other local champions; vocational training integrated with

soft skills and entrepreneurship training; and opportunities to showcase and pitch business ideas. Microfinance institution (MFI) representatives were encouraged to become involved in training to set expectations.

After youth were sufficiently trained, Zimbabwe:Works linked youth to supportive microfinance institutions. These institutions have provided a total of US\$1.5 million in loans to trained youth. There was also a two-way referral process between MFIs and business development partners to ensure that youth were sufficiently trained to receive loans.

Key Success Factors: Key success factors included: (i) the provision of financial literacy training; (ii) coordination between business development institutions and financial institutions to ensure that the curriculum design matched the demands of financial institutions. This was achieved by promoting the presence of financial institutions in business training, as well as the two-way referral process; and (iii) the emphasis on follow-up mentoring and support after loan disbursement.

Results: Over a 66-month period, the program achieved the following results: 20,000 youth (66 percent women) were trained in entrepreneurship and business skills; 9,029 (68 percent women) were trained in financial literacy; 3,681 (73 percent women) accessed finance from MFIs, and a few accessed funding from venture capitalists and loans above the US\$100,000 level for capital procurement. Youth who received loans contributed to a net profit of US\$21.3 million earned from business expansion, and an additional net profit of US\$2.9 million earned from incremental increases in income by employees of the youth businesses. On average, the newly created enterprises employ 2 people.

The program also bolstered partnerships between youth enterprises and business development organizations, as well as relationships between business development organizations and MFI partners. Many financial institutions have provided secondary loans, demonstrating their increased trust

in youth after witnessing promising results from the first loan.

Challenges: The main challenge to scaling program activities was the difficulty of obtaining program funding from international donors.

ENDNOTES



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