

# EMN STUDY FOR YOUTH ENTREPRENEURSHIP



EU INITIATIVES FOR YOUTH  
ENTREPRENEURSHIP

DEVELOPING AND IMPLEMENTING  
YOUTH ENTREPRENEURSHIP POLICIES

SELECTED GOOD PRACTICES FROM  
THE EMN NETWORK



Europe is hard hit by the European crisis. Unemployment rates have risen in almost every European country. However, recession does not affect every European citizen equally. When general unemployment rises by 1%, youth unemployment rises by 1.8%<sup>1</sup>. Consequently, young people who have entered the labour market are two or three times more likely than their older counterparts to be found unemployed. In Italy, this ratio even reaches 3.6 times<sup>2</sup>. Indeed, young people face several barriers when entering the labour market: they lack work experience and the associated soft skills (communication, presentation). Moreover, they are often the first to lose their jobs in times of recession.

Youth unemployment has consequences for the development of a country as a whole and Europe cannot afford to underutilise the asset that young people represent. It is therefore necessary to implement inclusion strategies such as entrepreneurship. According to the **Flash Eurobarometer 2011**, 43% of young Europeans would like to set up their own business. However, young people lack the skills and experience, as well as funding opportunities. Consequently, they need special measures from all stakeholders (European Commission, Member States, NGOs, MFIs, etc.) to address the specific barriers they are facing, in a holistic approach.

Several key measures have to be developed in order to promote entrepreneurship in Europe, especially among young people. Firstly, the European Union has a relatively low entrepreneurial activity index compared to that of the United States for instance. It is therefore necessary to promote an entrepreneurial culture among young people and to improve entrepreneurial education. Also, young people often lack guarantees and are consequently denied a loan. Thus, improving access to finance is primordial. Moreover, most of the time administrative procedures for creating an enterprise are very complex and entrepreneurs lack social protection. An improvement in the regulatory framework for microenterprises is essential for simplifying business creation and guaranteeing protection for young entrepreneurs. Finally, young people are characterized by their lack of experience. Therefore, the development of business development services to support young entrepreneurs is necessary to help them launch and grow their enterprises.

The European Union has adopted several measures to address the barriers young people are facing in the labour market, notably measures for promoting entrepreneurship. The most recent initiative is Youth on the Move, implemented in 2010, which proposes a set of policy initiatives to improve youth education and employment. It notably supports young entrepreneurs through the European Progress Microfinance Facility. Progress Microfinance is an initiative enabling microcredit providers to issue guarantees and to benefit from increased funding. Indeed, microfinance institutions are key stakeholders in the promotion of microfinance. They have the expertise to develop comprehensive programmes including access to funding but also business development services.

In the present study, EMN presents models of youth entrepreneurship programmes from throughout the world as well as analysed good practices taken from EMN members' activities. The aim is to disseminate these initiatives in order to contribute to the provision of programmes that are more adapted to the needs of young people and especially to those of young entrepreneurs. The selection of good practices has been carried out according to certain criteria such as the relevance of the programme, its effectiveness, its innovativeness, its ability to be replicated; the main criterion being that the programme specifically targets young people and is adapted to their particular needs.

Several areas of action have priority for developing youth entrepreneurship. Policymakers should implement adapted youth entrepreneurship policies and create a favourable environment for business creation. They should also insert entrepreneurial education into the education system in order to develop an entrepreneurial mind-set among young people. Microfinance institutions should insert Business Development Services into their youth entrepreneurship programmes so as to provide young people with the skills they lack, such as bookkeeping or promotion. They should also assess the impact of their programmes by carrying out evaluations in order to improve them. Finally, policymakers and microfinance institutions should facilitate access to affordable funding for young people.

The development of youth entrepreneurship can only be achieved through a joint and comprehensive approach. MFIs as well as policymakers must understand the diversity of youth and take into account its specific needs when developing young entrepreneurship programmes.

<sup>1</sup> John Evans, General Secretary, Trade Union Advisory Committee to the OECD, during the conference "Youth Employment - A Call For Change", 13-14 December 2011.

<sup>2</sup> OECD calculations based on OECD Main Economic Indicators Database; and ILO, LaborSta



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Reducing youth unemployment is one of the major challenges being faced by most governments in the world. The need for employment creation efforts focusing on youth is evident.

There is no general definition of youth: the definition and nuances of the term “youth” often vary from country to country, depending on the specific socio-cultural, institutional, economic and political factors. The United Nations defines youth as “those persons between the ages of 15 and 24 years old.”

According to the International Labour Organization (ILO):

- » Half of the world’s population is under 25 years old
- » 85% of young people between the ages of 15 and 24 live in developing countries
- » Young people make up 25% of the global working-age population, yet their share of total unemployment is 44%

Failing to integrate young people into the labour market has consequences for youth, their families, their communities and the development of countries. There is growing awareness among countries and the international community of the importance of tapping this important resource.

ILO Director-General Juan Somavia said: “Young people are the drivers of economic development. Foregoing this potential is an economic waste (...). It is important to focus on comprehensive and integrated strategies that combine education and training policies with targeted employment policies for youth.”

Developing countries, as well as developed countries, are investing considerable resources in youth employment programmes. Youth entrepreneurship is increasingly seen as part of a solution to address the youth employment challenge. However, it is more difficult for young people to engage in business as they lack knowledge, skills, experience and they have more limited access to finance.

In the European Union (EU), a range of activities and initiatives for youth entrepreneurship have been undertaken at different levels (national, regional and local), from the creation of regulatory frameworks to the creation of business support infrastructures. According to the Flash Eurobarometer (2011), 43% of young Europeans said they would like to set up their own business while 42% were not interested. The proportion of those willing to set up their own business was higher among 15-19 year-olds (50%) than 30-35 year-olds (34%).

But the current entrepreneurial culture and activity in Europe is not satisfactory compared to the US or even to the BRIC countries. European entrepreneurship is still slow-moving. EU citizens are less risk oriented than citizens in the US and access to finance and complex administrative procedures still remain the major obstacles. Young people are mostly treated as part of the general adult population, while their specific needs and particular entrepreneurial potential as well as their contribution to economic and social progress are underestimated.

Therefore, young people are prone to face greater barriers. This is why youth entrepreneurship initiatives should provide a set of measures that make it easier for young people to start and run their own business.

Microfinance is one of the useful tools for addressing the main issues that hinder young people when starting a business. However, microfinance institutions (MFIs) need to consider a set of factors and requirements before creating their programmes.

The first section of this paper presents an overview of the key issues and the policy challenges that youth entrepreneurship is encountering. The second section explores existing models of youth entrepreneurship programmes that MFIs can take as examples for creating their own programmes and provides a detailed analysis of selected good practices in Europe, in terms of relevance, effectiveness and efficiency, innovativeness, replicability and sustainability. The last section highlights the key points covered in this paper and suggests measures and gives recommendations that are necessary for the improvement of youth entrepreneurship programmes.

The Youth Employment Challenge, available at <http://www.ilo.org/public/english/employment/yen/about/youthchallenge.htm>.

European Network on Youth Employment (2010): “Focusing on Youth Entrepreneurship, Baseline Study, Learning Area: Youth Entrepreneurship”, available at [http://www.european-microfinance.org/data/file/section\\_bibliotheque/baseline-study-entrepreneurship.pdf](http://www.european-microfinance.org/data/file/section_bibliotheque/baseline-study-entrepreneurship.pdf).



According to the OECD, there is no single policy model for the promotion of entrepreneurial activity among young people and the programmes developed in different cultural and national settings tend to show a broad diversity in their content. Each country has to find an appropriate policy mix of initiatives that corresponds to the most significant barriers and constraints that exist in that country.

Within the European Union, entrepreneurship is promoted among youth through five policy areas that were underlined in the World Bank paper on youth entrepreneurship development (2008).

### 1. Promoting an entrepreneurial culture among young people

Promoting an entrepreneurial culture is one of the most underdeveloped strategic areas of entrepreneurship development worldwide and is poorly articulated in policy terms. In order to promote an entrepreneurial culture among young people, it is essential to know more about young people's attitudes, awareness and aspirations towards entrepreneurship and business.

An effective way of promoting an entrepreneurial culture among the young population is to call upon successful entrepreneurs. They are the best ambassadors, as they deliver an image of independence, success and achievement and they can motivate young people to consider and explore entrepreneurship and self-employment.

OECD (2001): "Putting the Young in Business: Policy Challenges for Youth Entrepreneurship", available at [http://www.yefafrika.org/file/yef\\_resources/putting\\_the\\_young\\_in\\_business.pdf](http://www.yefafrika.org/file/yef_resources/putting_the_young_in_business.pdf).

ILO (2006): "Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people", Geneva.

Other initiatives such as youth business fairs, exhibitions and public relations campaigns can be useful tools for introducing entrepreneurship to young people. Youth business events (e.g. galas, concerts, open business days), competitions and awards are other ways to tap into the youth culture and to gain media exposure. A good example of the impact of media coverage on the promotion of entrepreneurship will be explained in the second section.

## 2. Improving entrepreneurial education

Entrepreneurship education is not only a way to foster youth entrepreneurship but it is also a means for young people to acquire the attitudes (e.g. responsibility) and skills (e.g. flexibility and creativity), necessary to cope with the uncertain employment paths of today's societies

In 2004, the European Commission proposed that all EU member states introduce entrepreneurship education into their national programmes, but only in a few member states is entrepreneurship a recognized objective of the education system. Moreover, implementing means (teacher training, teaching materials) still need to be built up

The ILO report (2006) outlines some key educational constraints such as:

- The general failure to introduce and adopt enterprise education
- The inadequate study programmes
- The wrong learning methods
- The lack of trained/educated teachers
- The lack of career information and assistance
- The weak links between schools and businesses
- The lack of an Information and Communication Technology (ICT) infrastructure

In response to these shortcomings, the ILO developed an entrepreneurship education programme called **Know About Business** (KAB).

Through interactive and participatory teaching methods, KAB aims to develop entrepreneurial skills, attitudes and mind-sets among youth, and seeks to prepare them to be more entrepreneurial in their work and in their everyday lives. The KAB training package is designed to be taught over 80 to 120 hours and comprises nine modules, each representing a key area of entrepreneurship. Other support materials for teachers are included in the KAB package.

Between 2001 and 2004, a number of countries around the world adopted KAB in their National Education Programmes. In 2009, the KAB programme was introduced to vocational, secondary and higher education in 50 countries, 17 of which already had KAB in their national curriculum.

More than 4,500 educational institutions have tested and are offering KAB through 10,800 KAB teachers to more than 485,600 trainees and students. The KAB programme has been translated into 22 languages

## 3. Improving access to finance

According to the Eurobarometer Survey (2004), the lack of adequate start-up finance is one of the most significant barriers to young people seeking to create their own business. Due to their lack of resources, of credibility, of a substantive credit history or sufficient collateral, young people are often seen as particularly risky investments and therefore face difficulties in accessing finance.

ILO (2006). -u European Network on Youth Employment (2010).

ILO (2009): "Supporting Entrepreneurship Education: A report on the global outreach of the ILO's Know About Business programme", Geneva.

Some of the key constraints young entrepreneurs face in accessing funding for their business ventures are outlined by the ILO:

- The lack of security and credibility (for debt financing)
- The lack of business experience and skills (for debt financing)
- The strict credit-scoring methodologies and regulations
- The complex documentation procedures
- The long waiting periods (time needed to decide on an application for funding)
- The lack of knowledge, understanding and awareness of start-up financing possibilities
- The lack of successful micro lending/finance funding

In many countries, young people seem to be underrepresented in the microcredit programmes. One of the reasons why microcredit has ignored young people is the requirement for clients to be at least 18 years old to ensure that they can sign a legal contract.

The policy environment is a key determinant of youth access to microfinance. In most countries, a minimum age requirement of 18 for eligibility to enter into a legally binding contract prohibits many MFIs from issuing loans to adolescents.

One way to circumvent this restriction is by the use of joint signatures with the parents, who by so doing can guarantee the loan. Youth entrepreneurship programmes wishing to work with minors should also make sure that their programmes stipulate equivalent school attendance or provide adequate comparable schooling in its place.

Access to finance can be facilitated through:

- Grant financing: grant-based schemes can be an important source of finance for young entrepreneurs, but providing grants does not deal with the real problem of access to finance.
- Debt financing: specific loan schemes like soft, micro and guaranteed loans are increasingly replacing traditional grant schemes.
  1. Soft loans generally have zero or low interest rates and do not require collateral. However young entrepreneurs should demonstrate commitment, responsibility and ability to repay the loan and be able to present a business plan.
  2. Microloans are particularly interesting and adapted to young entrepreneurs as they require limited business experience and little or no collateral.
  3. Loan guarantee schemes are an effective way of facilitating youth access to conventional banking finance, as the governments assume the credit risk involved in lending to young entrepreneurs.
- Equity financing: small businesses are often launched with personal savings or family resources. This type of investment can be fostered through a general reduction in administrative and regulatory costs.

Angel investors can also be a way to link young entrepreneurs with sources of financing, and they can provide valuable management advice and important contacts. However, this is probably not the most appropriate source of financing as angel investors expect high returns on investment

#### 4. Improving the regulatory framework for microenterprises

The administrative and regulatory burdens on youth entrepreneurship are among the most important barriers to young people's start-ups in high-income and developing countries. Government regulations and bureaucratic formalities also drive start-ups into the informal sectors in many countries, as the costs and tax burdens are higher than the gain in productivity from entering the formal sector (World Bank 2005).

Some of the key administrative burdens listed by the ILO are:

- The unsupportive tax regimes
- The business registration procedures and costs
- The bankruptcy laws: bankruptcy laws in many countries are often excessively harsh on business failures and can impact the willingness of young entrepreneurs to engage in business.
- Regulatory framework changes and lack of transparency: regulatory changes can take place on a yearly basis in some countries and can therefore impact the young entrepreneurs' planning accuracy.

Moreover, the social security systems are often penalising for entrepreneurs. In many countries, being an entrepreneur means losing certain entitlements to future social security benefits. The social security issue can greatly discourage young people from engaging in entrepreneurial activities as they already bear enough risks by choosing this path. This is another reason why most of the young prefer the stability, the regular income and the social protection of the employee status.

In order to improve the administrative and regulatory framework, governments can replicate the initiatives and policy instruments already used in different countries. These initiatives include:

- Supportive taxation regulations and rates
- Facilitating business registration procedures and lowering costs
- Re-framing of bankruptcy laws
- Considering young entrepreneurs when changing business regulations
- Providing information, counselling and assistance on regulatory issues
- Adapting and modernising social security systems for young entrepreneurs and ensuring equal access to social security and insurance for both employed and self-employed people.

#### 5. Improving business support and development services

Business support plays a key role in each phase of a young entrepreneur's start-up. A young entrepreneur receiving assistance is more likely to have a successful and sustainable business. However, there are still some gaps in business support. Some of the constraints in this area are:



- The lack of business connections. The lack of knowledge of available business support services: in some countries, particularly in high income countries, young entrepreneurs are not aware of the variety of public and private business support services.
- The lack of tailor-made business training and advice
- The lack of trained counsellors: as White and Kenyon put it, counselling young entrepreneurs requires specific skills and sensitivity. Counsellors should provide young people with the relevant tools that correspond to their business or to the difficulties they face (for instance, techniques of market research, cash flow forecasting, and stock control).
- The lack of mentoring capacities: experienced mentors are not of great help if they are not capable and willing to guide, coach and support a young person.
- The lack of workspace and ICT infrastructure

To improve business assistance, efforts should be made on:

- The provision of business skills training, guidance and counselling services comprising:
  - o "One-Stop shop" systems to help entrepreneurs with all the registration procedures and to provide information and assistance at one location for a fixed fee.
  - o On-the-job training and workshops
  - o Mentor support and business coaching
- The provision of working infrastructure through business incubators and shared workspace
- The promotion of enterprise integration and business linkages through:
  - o Youth chambers of commerce, trade associations, entrepreneur clubs
  - o Online business networks and virtual meeting places
  - o Trade fairs and exhibitions
  - o Media support

<sup>1</sup> John Evans, General Secretary, Trade Union Advisory Committee to the OECD, during the conference "Youth Employment - A Call For Change", 13-14 December 2011.

<sup>2</sup> OECD calculations based on OECD Main Economic Indicators Database; and ILO, LaborSta

In the broader framework of the youth policy field, the European Union has launched many initiatives to encourage young people's enterprise and creativity.

### **The resolution of the Council and of the representatives of the Governments of the Member States (2001)**

The Resolution of the Council and of the representatives of the Governments of the Member States meeting within the Council of 28 June 2001 invited the Commission:

- to associate young people in the preparation of Community cooperation policy geared to youth, education and training;
- to ensure that the «youth» dimension is taken into account in Community activities;
- to take stock of the experience gained from the Youth Programme;
- to take the «youth» dimension into account in devising new strategies for lifelong learning.

The Resolution invited the Member States:

- to encourage young people's initiative, enterprise and creativity in all fields;
- to provide young people with better information about the opportunities and support available;
- to promote pupil participation, initiative and creativity for active citizenship;
- to promote student participation in higher education, in vocational training and in research;
- to take note of young people's initiative, enterprise and creativity in devising innovative methods of teaching and learning;
- to integrate young people's initiative, enterprise and creativity into practical employment-oriented measures;
- to promote the sharing of good practice.

### **The 2006 Communication from the European Commission**

The Communication from the European Commission Implementing the Community Lisbon Programme: Fostering entrepreneurial mind-sets through education and learning (2006), points out the importance of learning about entrepreneurship from primary school through to university, and presents recommendations based on best practice observed in Europe, so that education can have a more active role in creating a more entrepreneurial culture in Europe.

### **New Skills for New Jobs (2008)**

A joint policy initiative carried out by the European Commission in cooperation with the EU Member States, New Skills for New Jobs, aims to address the challenge of providing a highly skilled workforce able to meet the current and future needs of the labour market.

The purpose is to analyse and predict which skills will be needed, and to develop and adapt education and training so that workers gain the skills required. New Skills for New Jobs contributes to the EU 2020 Strategy, the follow-up of the EU Lisbon Strategy for Growth and Jobs.

### **A renewed framework for European cooperation in the youth field (2009)**

An November 2009, the EU Council of Youth Ministers adopted a resolution on a renewed framework for European cooperation in the youth field (2010-2018). The new EU Youth Strategy defines two overall objectives of the new framework:

- More and equal opportunities for young people in education and in the labour market
- Active citizenship, social inclusion and solidarity of young people

The main fields of action in which initiatives will be taken are

- Education and training
- Employment and entrepreneurship
- Health and well-being
- Participation
- Voluntary activities
- Social inclusion
- Youth and the world
- Creativity and culture

The aim of the second field of action, employment and entrepreneurship, is to support the integration of young people into the labour market, either as employees or as entrepreneurs. The EU Member States and the European Commission will take action to:

- Integrate concerns of young people into employment strategies;
- Invest in the provision of skills for those jobs in demand on the labour market;
- Develop career guidance and counselling services
- Promote possibilities for young people to work and to follow training abroad, including lowering barriers to free movement across the EU;
- Promote quality traineeships to increase young people's chances on the labour market
- Improve childcare and promote sharing of responsibilities between partners in reconciliation between professional and private life;
- Support young people's entrepreneurship through targeted education, access to funds, mentoring and support networks, and structures in favour of youth entrepreneurship.

## Youth on the Move and Progress Microfinance (2010)

Youth on the Move is a comprehensive package of policy initiatives on education and employment for young people in Europe. Launched in 2010, it is also part of the Europe 2020 strategy for smart, sustainable and inclusive growth. There are four lines of action: attractiveness of higher education, high quality lifelong learning, transnational learning mobility, and young people's participation in society. Youth on the Move also aims to increase support for young entrepreneurs via the new European Progress Microfinance Facility (Progress Microfinance).

Progress Microfinance is a microfinance initiative established in March 2010 with € 200 million of funding from the European Commission and the European Investment Bank. It aims to make it easier for people who want to start or develop their own small business to access credit. This initiative promotes employment and social inclusion through entrepreneurship and self-employment in Europe and is closely coordinated with existing instruments to support microfinance in the European Union.

White, S.; Kenyon, P. (2001): "Enterprise-Based Youth Employment Policies, Strategies and Programmes". Initiatives for the development of enterprise action and strategies, Working Paper, InFocus Programme on Skills, Knowledge and Employability, ILO, Geneva.

Information available at [http://europa.eu/legislation\\_summaries/education\\_training\\_youth/youth/c11051\\_en.htm](http://europa.eu/legislation_summaries/education_training_youth/youth/c11051_en.htm).

Progress Microfinance increases the availability of microcredit – loans below € 25,000 – and enables selected microcredit providers (private or public banks, non-bank microfinance institutions) in the EU to:

- Issue guarantees: the European Investment Fund provides to selected intermediaries guarantees on micro-loans granted to micro-enterprises, including self-employed people, female entrepreneurs, young entrepreneurs etc.
- Provide funding to increase microcredit lending.

Several elements of these policies and initiatives have already been implemented in different countries. The following part describes some of the relevant models and frameworks promoting youth entrepreneurship and identifies the common features of youth entrepreneurship schemes.

## EXISTING MODELS

There is no single model for the promotion of youth entrepreneurial activity. The programmes developed in different national and cultural settings vary in their content and delivery mechanisms. This part attempts to highlight the common needs and main elements of the youth entrepreneurship programmes.

The most common services in many youth programmes involve business development support, counselling and mentoring throughout the different stages of youth enterprises. Because young people lack education, training and awareness of the potential of self-employment, youth programmes try to address these impediments, with a variation in goals, objectives and techniques, by:

- Raising awareness of the viability of self-employment as a career option
- Enhancing the learning, the business teaching and the entrepreneurial skills at all levels
- Providing start-up support services

## What MFIs need in their youth entrepreneurship programmes

As underlined previously, microloans and microfinance in general can be an effective way to promote youth entrepreneurship. However, microcredit programmes for young entrepreneurs need more than just financing. Client selection, training, and on-the-job technical assistance are essential components of a successful youth programme.

## Katalysis Network

The Katalysis Network is an alliance of 21 Microfinance Institutions in Central America. Katalysis published a report in 2008 for MFIs wishing to create youth microfinance programmes and provides a general “10 Step Guide to Creating a Youth Entrepreneurship Programme”. It is a comprehensive guide that is still in progress and will be updated in the future.

The 10 steps are the following:

1. **A basic market research** to understand the regional market demands and determine the status of youth in the target community.
2. **A clientele selection:** in the report, the clientele selection divides youth between Entrepreneurs of Necessity, those young people who do not have sufficient resources and start their own businesses due to lack of job choices, and Entrepreneurs of Opportunity, those young people who have sufficient resources but choose to be entrepreneurs. It is important for MFIs to identify their target and define the young entrepreneur (age range and characteristics) in order to evaluate and design the appropriate policies and strategies to foster youth entrepreneurship.

Chigunta (2002) proposed another categorization into three phases:

- » Pre-entrepreneurs (from 15 to 19 years old): these young people have to establish their project and choose what they want to do.
- » Budding entrepreneurs (from 20 to 25 years old): these young people are likely to have gained some experience, skills and capital to enable them run their own enterprises. They often face three enterprise pathways: 1) remaining stuck in marginal activities; 2) going out of business; and 3) running successful enterprises.
- » Emergent entrepreneurs (from 26 to 29 years old): they have a higher level of maturity than those in the lower age groups and they are likely to run more viable enterprises.

### 3. Choose between outsourced and proprietary programmes

Before MFIs create their own training and technical assistance programmes, they should first try to outsource these services to those who are specialized in them. They should also try to coordinate with other local organizations (such as NGOs) or consider alliances with other existing youth programmes. This allows MFIs to concentrate on their core activity (finance) and enables them to be cost effective.

Proprietary programmes are more costly, but they have the advantage of providing all the services under the same roof.

### 4. Make institutional decisions to create a youth entrepreneurship programme

- a. Create a youth programme plan
- b. Allocate a portion of their credit portfolio to youth
- c. Create a credit committee for youth clients
  - » Develop credit-scoring policies for youth
  - » Develop best practices for youth entrepreneur loans
- d. Risk mitigation to determine how to reduce perceived risk. MFIs can reduce their risk by:
  - » Creating a guarantee fund to cover a set percentage of their losses
  - » Requiring co-signers
  - » Working with the children of successful adult entrepreneurs
  - » Providing group loans for group businesses
- e. Create youth microfinance networks that provide for:
  - » Youth forums
  - » Youth fairs and exhibits
  - » Experience sharing and exchange of lessons learned
  - » Competitions
  - » Success stories
- f. Form strategic alliances with collaborative agencies
- g. Measure the social and economic impact of the programme

### 5. Resolve legal issues for clients under 18 years old by:

- » Using co-signers
- » Focusing on training only
- » Creating savings accounts

### 6. Define business structures:

Providing business development support and financial products at the same time can be very costly for an MFI. Therefore MFIs have to define whether they will use an individual loan model, a group loan model or a group business model in their programmes. Costs can be reduced through alliances with Youth Organisations, community leaders and business people who can take the place of trainers and technical assistance staff. Moreover, if an MFI uses a group loan model, it can benefit from the group members assisting each other; if it uses a group business model, there is an added cost reduction of less technical assistance per youth as there is one business for multiple youths.

### 7. Decide on training skills and training programmes

- a. Business management skills
- b. Financial training
- c. Personal and social skills
- d. Social capital:
  - » Tools for working in teams
  - » Confidence building programmes
  - » Life skills

### 8. Plan technical assistance and mentoring programme

- a. Technical assistance should involve:
  - » The monitoring and the follow-up to the training programme
  - » Working with youth through the different stages of their businesses
  - » Visits and on-call staff to respond to any difficulty that could affect the business
  - » Auditing financial statements
  - » Exchange programmes between similar entrepreneurs or similar cultures
  - » Involvement of local and/or national institutions
  - » Innovation assistance. The young entrepreneur has to be able to interpret the market and adjust to the demand. Therefore, he needs to continually innovate.
- b. Mentorship programme should enable the young people to connect with the mentors (experienced local businesspeople, Entrepreneurs of Opportunity, more experienced youths, business leaders etc.) who can help them in different ways and in all areas.



<sup>1</sup> John Evans, General Secretary, Trade Union Advisory Committee to the OECD, during the conference "Youth Employment - A Call For Change", 13-14 December 2011.

<sup>2</sup> OECD calculations based on OECD Main Economic Indicators Database; and ILO, LaborSta

### 9. Create financial products

Appropriate youth loans should include the longest grace period possible to allow the young entrepreneur to properly establish his business. These loans should have the lowest interest rate and the longest term possible.

They should also require a youth counterpart to the loan so that entrepreneurs get involved and are committed. However, the Katalysis report stresses that low and overly subsidized interest rates can have a negative impact, in the long run, on the sustainability and the viability of the youth enterprises. Young people can get a very low interest rate at the beginning and face high interest rates once the MFI's subsidized project ends. This can discourage the repayment of the loan, so MFIs should pay attention to the size of the loans and make sure that young entrepreneurs can handle them.

### 10. Develop youth loan terms

- a. Individual vs. group loans
- b. Interest rates
- c. Term lengths
- d. Grace periods
- e. Collateral policy
- f. Youth counterpart investment policy
- g. Co-signer policy

### Imprenditorialita Giovanile (IG) S.p.A and the Prince's Trust – Business (PTB)

In addition to the "10 step guide" mentioned above, some elements from two successful youth entrepreneurship programmes, Imprenditorialita Giovanile (IG) S.p.A in Italy and the Prince's Trust – Business (PTB) in the United Kingdom, can be considered. Those programmes:

Have a clearly defined objective, unlike other programmes that failed because of the multiplicity of their objectives;

- Have highly trained and properly supported staff;
- Are initiative-based as they let the young entrepreneurs take the initiative to start a business and choose their activity;
- Provide customer-centred loans. The young people are treated as clients and have access to individualized loans that match their specific needs. The conditions for accessing these loans is to have a business plan and to accept a mentor.

## Other international networks and models

### Youth Entrepreneurship and Sustainability (YES)

YES is a non-profit organization that supports youth employment and entrepreneurship. It has a network that operates actively in fifty-five countries around the world. It promotes youth education, skills development, business development services, markets, mentors and credit in the context of sustainable development. With the support of the Headquarters based in Cambridge, MA, the country networks work independently to identify, design and implement specific training and development programmes for young entrepreneurs. These programmes are designed to address the countries' specific issues on youth employment and entrepreneurship

60% of YES programmes focus on education and capacity-building, 30% on employment creation, and 10% on policy-making and awareness-building.

YES launched the Youth Employment Summit to promote its 10-year campaign and build a global network. The 2010 summit was held in Sweden and brought together 1,700 participants (including investors, policymakers and corporate leaders) from 120 countries and highlighted some initiatives for promoting youth employment.

#### Examples of the projects that are part of the YES Summit

**Bamyan Media:** Bamyan Media is a social enterprise that internationally distributes and produces a popular reality TV competition designed to promote social entrepreneurship. It uses Reality TV to identify, support and train social entrepreneurs and encourage entrepreneurship nation-wide. The participants are linked up with local entrepreneurship resources, sponsors (corporate sponsors, local banks, microfinance institutions, and international donors) that offer access to finance, business assistance and technical assistance tailored to their business needs. The contestants and businesses are judged, among other criteria, on:

- The financial sustainability of their business
- Their innovation, leadership and courage
- The positive social and environmental impact of their project

A model tested in Afghanistan is now globally distributed. The show was an immediate success and became the number one TV hit of the season in Afghanistan. An estimated average of seven million viewers learned each week about microfinance, developing a business plan and voted for their favourite innovative idea. The show introduced thousands of participants to resources and new ideas about social business.

This example shows how well used media can effectively and positively impact the promotion of an entrepreneurial culture in a country.

**MyBnk:** MyBnk is a charity based in UK working with young people (11-25 years old) to build the knowledge, skills and confidence to manage their money effectively and make enterprising choices throughout their lives. MyBnk created several youth fun and interactive programmes such as:

- **The Business Battle:** to enable young people to create, implement and evaluate their own business in a competitive environment using real money in a real marketplace. The programme is delivered in five two-hour workshops and a day in the marketplace and covers ideas generation, product design, budget and costs, logistics and production, pricing and marketing, selling and an evaluation of the activity.
- **The Enterprise-in-a-box:** a step-by-step start-up toolkit for social entrepreneurs delivered in two 100-minute sessions where young people gain the practical experience of running their own social enterprise, working as a team, conducting market research, identifying their target audience, advertising, pricing, customer service, cash flow monitoring and planning ahead.



The information can be found at <http://bamyan.org/what-we-do/>.

The information can be found at <http://www.mybnk.org/>.



YBI is a not-for-profit organisation that heads a global network of independent country initiatives helping young people to start their own businesses. It was founded in the UK in 2000 and is one of The Prince's Charities. YBI Network operates in 38 countries across six continents. The members of the YBI Network target young people in their country who want to become entrepreneurs but don't have access to the support they need. YBI members assist young entrepreneurs with a combination of training, access to capital, mentoring and other business development services. They adapt this common approach to their local context, working in partnership with governments, businesses and multilateral and civil society organisations.

In 2010 YBI helped 6,346 young people to start their own business and an estimated 70% of these businesses are still trading after three years

YBI Network has taken a number of initiatives to enhance and expand its connections and partnerships, to share best practices, to promote youth entrepreneurship and reach a global audience, and to raise awareness of the role of youth entrepreneurship among key decision-makers. In 2010, the Canadian Youth Business Foundation (CYBF), with the support of YBI members, hosted the G20 Young Entrepreneur Summit in Toronto bringing together more than 200 young entrepreneurs to discuss how to harness the potential of young entrepreneurs worldwide. The result of this meeting was a document calling on governments to take concrete steps to support young entrepreneurs in five areas: access to finance, coordinated support, entrepreneurship culture, regulation and taxation, and education and training:

In 2010, YBI members developed partnerships with other organisations to help them create a better range of support services for young entrepreneurs. For instance, the Barbados Youth Business Trust and Butterfields Bank formed a partnership in which the bank agreed to match its financial support with non-financial assistance (business mentoring and sharing of best practices). In Australia, a YBI member (Enterprise Network for Young Australians) established a partnership with the National Bank of Australia to expand the Microenterprise Loan Programme. This programme supports young entrepreneurs by offering loans and access to a wide network of support services, including a free advice line, an online forum for young entrepreneurs and free access to business information.

YBI is also a global partner of the Global Entrepreneurship Week (GEW). In addition to the GEW, YBI members play leading roles in other campaigns around the world. In Europe, YBI has members in England, Northern Ireland and Wales, France, Poland, Russia, Ukraine and Scotland. An example of YBI Scottish partner's best practice (The Prince's Scottish Youth Business Trust) will be further detailed later.

The information can be found at <http://www.youthbusiness.org/about-us.aspx>.

The Prince's Youth Business International Network Review 2010, available at <http://www.youthbusiness.org/pdf/YBINetworkReview2010.pdf>.





The Umsobomvu Youth Fund (UYF) was established to respond to the youth unemployment crisis in South Africa. Its purpose is to enable the implementation of effective youth development programmes and to promote the creation of jobs and skills development for South Africa's young people. In their research report on **Entrepreneurship Skills Development and Business Support Needs of Potential and Existing Young Entrepreneurs** (2002), they suggested a framework for youth entrepreneurship programmes. The framework comprises three major components.

#### Motivation and Entrepreneurship Skills

The motivational component is aimed at increasing awareness of entrepreneurship. This can be done by promoting entrepreneurship through **mass media coverage** (television programmes, newspapers, public entrepreneurship events). As previously mentioned in the Bamyam Media example, media coverage is effective, increases entrepreneurship's legitimacy and stimulates discussions on the entrepreneurial process.

**Role models** are also used to inspire and motivate young people. Disseminating positive role models through the media contributes to motivating and stimulating young people to start new businesses.

Another way to promote entrepreneurship among young people is to include **entrepreneurship education** as a key component in an Entrepreneurship Development Strategy. The goal is to expose young people at every grade in every school to entrepreneurship content. This will contribute to building a strong entrepreneurial culture. However, introducing entrepreneurship units in vocational programmes confronts several barriers such as an already crowded curriculum, a lack of resource and support materials and a lack of instructor knowledge of teaching entrepreneurship. This is why entrepreneurship education requires a significant budget allocation and significant support and commitment from governments.

Finally, **networks** play an important role at all stages of the entrepreneurship process. Youth-oriented business associations and (social and entrepreneurial) networks can provide a valuable resource and support structure for young entrepreneurs. These networks can also facilitate the identification of business opportunities and access to financial and non-financial resources.

#### Business Skills and Support

The entrepreneurship and business skills component is aimed at enhancing entrepreneurship and business management capabilities through business development support (BDS) and access to finance.

As we previously mentioned, BDS is widely used in youth entrepreneurship programmes. The business environment is increasingly complex and young entrepreneurs need a range of BDS services that are critical to the operation, survival and growth of their enterprises. These services include, among others, skills development, management training, technical assistance, access to counselling and mentoring, the facilitation of market access and technological support, the provision of information in a variety of areas as well as physical facilities and shared services.

In UYF's framework, microfinance is defined as a sustainable provision of financial services (including credit) to those traditionally marginalised by the formal financial sector and, therefore, facilitates access to finance for young people.

#### Environment

Finally, the last component is aimed at facilitating entry, survival and growth of the enterprise. There is a negative correlation between extensive regulatory and administrative barriers and firm entry. Stricter regulation of entry is associated with lower profitability of firms or lower quality of products. Thus, UYF stresses the need to reduce those barriers (registration, licensing and permits,



discriminatory tax systems, social security, labour regulations, bankruptcy and so on) by simplifying the procedures using, for instance, electronic communication tools and one-stop regulation shops.

UYF also emphasizes the need to enhance public support through the creation of an "institutional value chain" enabling different institutions (universities, chambers of commerce, NGOs etc.) to perform various functions in accordance with their expertise and capacity in a complementary manner.

Based on this framework, UYF has developed a variety of youth programmes such as:

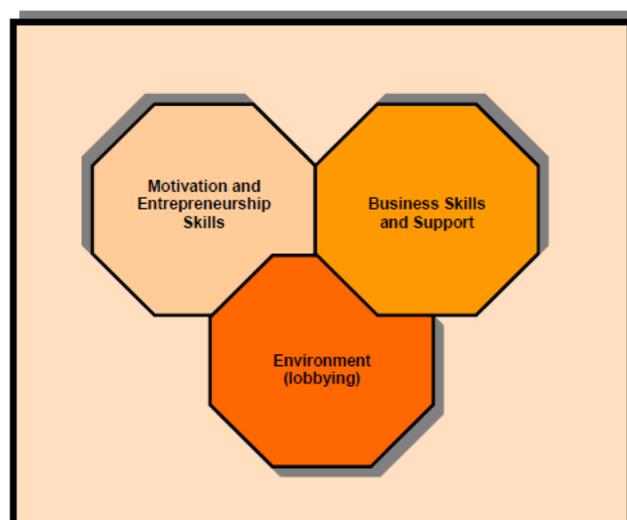
- **The Entrepreneurship Education Programme:** to provide entrepreneurial skills for youth related to core entrepreneurial knowledge, skills attitudes and practice. In 2008, 44,272 in-school youths underwent entrepreneurship education training. As a result, 48 businesses were created (for the period under review) and 56 jobs were created.
- **The Business Consultancy Services Voucher Programme:** to enable potential and existing entrepreneurs to acquire innovative business development support through the use of a voucher for business creation, improvement and sustainability. In 2008, 10,534 vouchers were issued, 11,958 jobs and 4,443 new businesses were created.
- **The Microfinance Loans Programme:** to allocate and disburse funds to create and sustain youth microenterprises. In 2008, 19,516 loans were issued to 19,351 microenterprises. This resulted in 24,364 jobs being created and/or sustained. The microfinance loan repayment rate was around 81%.

## IMAGINATIONS

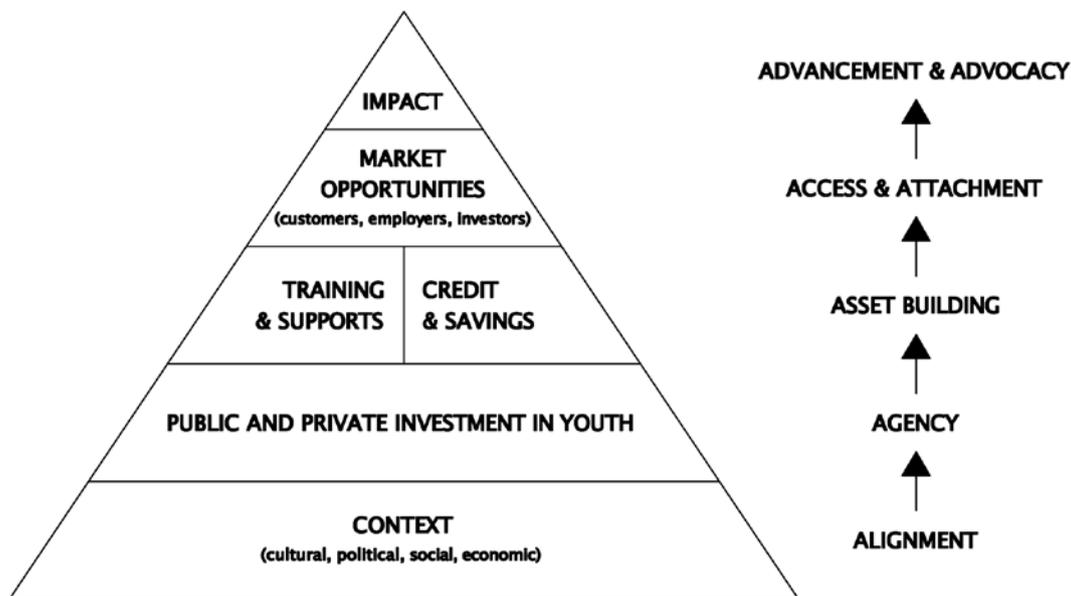
ImagineNations is an alliance of companies, NGOs, policy makers, social entrepreneurs and private investors, that are working together to create development opportunities for young people (from 15 to 29 years old) across the world, with specific initiatives in South-East Asia, southern Africa, the Middle East and North Africa. ImagineNations promotes youth employment and entrepreneurship through its global network and its partners and provides access to soft loans, loan guarantees and fully market-based loans and equity investments.

ImagineNations produced a conceptual framework more elaborate than that of the UYF, to explain the conditions, processes, resources and agents necessary for effective strategies that provide access to capital, training and supports, and that generate enterprise and employment opportunities for young people. The framework is comprised of six main components: context, investment, training and supports, credit and savings, market opportunities, impact.

The components are then defined by corresponding processes. These processes are the actions required to ensure that youth employment and entrepreneurship programmes are successful.



## Conceptual Framework for Youth Employment and Entrepreneurship Programs



**Context - alignment:** factors such as perceptions of small business owners, regulatory and administrative frameworks, labour market needs, education policy, family structures and so on, influence employment opportunities for young people. Therefore, alignment with the political, cultural, economic and social context is crucial for the relevance of youth programmes.

**Investment - agency:** ImagineNations defines agency as the mobilization and the coordination of existing resources, infrastructure and stakeholders (such as governments, investors, donors, industry associations and multilateral organisations). The stakeholders have to work together and use their authority, capacity and expertise to build sustainable initiatives and to connect young workers and entrepreneurs with market opportunities.

**Training and support - asset building:** for ImagineNations, technical skills training in the entrepreneurship programmes must focus first on motivating and inspiring young people to understand and pursue business start-up options. Then programmes should provide training in financial management, business planning, marketing and other business activities. Moreover, entrepreneurship is best learned from the direct experience of managing one's own business. Therefore, mentors and coaches are a vital support in youth programmes.

**Credit and savings – asset building:** it is important that youth entrepreneurship programmes develop effective loan products that match the age, capabilities, education, experience and progress of young entrepreneurs.

**Market opportunities – access and attachment:** the access and attachment to market opportunities is essential in any youth programme. The access to market opportunities for young people is very limited, thus programmes must facilitate this access and build a bridge to these opportunities.

**Impact – advancement and advocacy:** in the case study, ImagineNations highlights the challenge and the need to develop an impact assessment strategy to measure the effectiveness of the programmes. Impact assessments and evaluation plans are necessary to establish which approaches work and which ones fail; thereby, youth programmes can either set the example or improve the quality of the services they provide.



In 2006, CGAP launched a pilot model of a youth asset-building programme. The model involved cooperation between a donor subsidy, a Business Development Services (BDS) provider and an MFI.

In this programme, the BDS provider assists young entrepreneurs to progressively save small portions of their subsidy at an MFI, while at the same time participating in on-going training.

These young people can then build relevant skills, a business strategy and a relationship with the MFI. When they accumulate enough assets, they can meet the MFI lending criteria and start a business with on-going support from the BDS provider.

This programme is interesting because it allows youths to develop a range of skills over time and become creditworthy as they gain financial and business literacy. MFIs are therefore more willing to lend money to their youth clients, in a sustainable way.

These networks and models provide the guidelines for successful youth entrepreneurship programmes. As we can notice, the programmes have globally the same characteristics that are then adapted to the young entrepreneurs' and the countries' specific needs.

Through a detailed analysis of three good practices observed within the EMN network, the following part shows how youth entrepreneurship programmes can effectively be implemented and adjusted to the countries' markets and needs.



Shrader, L.; Kamal, N.; Darmono, W.A.; Johnston, D. (2006): "Youth and Access to Microfinance in Indonesia: Outreach and Options", A study jointly commissioned and financed by ImagineNations Group and The World Bank, co-founding partners of the Global Partnership for Youth Investment, Jakarta.

## The Prince's Scottish Youth Business Trust (PSYBT) Microfinance for young people – United Kingdom

**Objective:** Support young people in starting their own business with financial and non-financial services



### IMPLEMENTING ORGANISATION

The Prince's Scottish Youth Business Trust (PSYBT) is a limited company with charitable status and is funded by both the public and private sector. PSYBT was formally constituted in April 1988 with a Board of Directors comprising representatives from the public and private sector with a mission: "to provide essential finance and professional support to young people in Scotland aged 18 to 25, whoever they are and wherever they come from, so that they can start up and continue to run their own business".

Nowadays, PSYBT is firmly established throughout Scotland in 18 regions. Regional Managers, located within the Business Gateway, are responsible for organizing pre-start training and aftercare support for young people helped by PSYBT. Regional panels of volunteers interview all applicants and make decisions on awards. The Head Office in Glasgow sets policy, establishes procedures, directs training, manages most administration centrally and devolves operational matters to the 18 regions. PSYBT has a staff of 36 people and over 750 volunteers providing a range of advice, guidance and mentoring support to young businesses across Scotland.

### THE PROGRAMME

PSYBT brings together a mixture of private and public sector supporters. In this way it has built a strong network thanks to which it can reach out to any young person in Scotland who would like to start his own business. PSYBT offers loans to young people for start-up businesses and for developing businesses. Loans range from £1,000 (€1,147) up to £30,000 (€34,416). It also offers services in the pre-start phase including training, advice and test marketing. Furthermore it supplies an important one-to-one support, thanks to the aftercare mentors, a critical factor in the success of their clients. The PSYBT Aftercare Programme has been a key part of its product portfolio since its inception in 1989. The provision of aftercare begins as soon as the young person receives the funding and continues for a minimum of 2 years. A volunteer is matched with the young business owner and his/her role is to:

- » Provide support and guidance;
- » Facilitate learning using practical examples and experience of business;
- » Motivate and encourage;
- » Help with forward planning;
- » Capture business performance data that PSYBT can use to demonstrate impact.



<sup>1</sup> John Evans, General Secretary, Trade Union Advisory Committee to the OECD, during the conference "Youth Employment - A Call For Change", 13-14 December 2011.

<sup>2</sup> OECD calculations based on OECD Main Economic Indicators Database; and ILO, LaborSta

## TARGET GROUP

PSYBT's task is to help those young people aged 18 to 25 who have the imagination, energy and determination to start their own business.

## RELEVANCE

The PSYBT's action plays a key role in the economic development of Scotland. In fact, self-employment is one of the few routes available in this area to young people who need to generate income. Moreover, in the longer term, it allows the creation of jobs for others in the communities in which these activities are established. For this reason, PSYBT's action is a perfect fit with the Scottish Government Strategy to support Scotland's economy.

Whilst the rationale for PSYBT was, and continues to be, based on supporting start-ups from disadvantaged young people, the organisation has evolved over time to address clear market failures relating to:

- » The difficulty of securing finance for young people who typically have much more limited personal finances and a higher reliance on external funding; and
- » Risk Aversion – due to a lack of information and experience, young people may have a disproportionately high risk aversion to starting their own business. Both the financial assistance and the guidance and support offered by PSYBT are aimed at addressing such risk aversion.

While these market failures can exist in all age groups, they are more acute in the younger age group. A major government survey undertaken in 2007 showed that nearly 60% of respondents reported that the most serious issue for them in setting up a business was raising the necessary finance. Furthermore 43% reported early cash-flow considerations as a concern with 25% reporting not knowing how and where to start.

Scotland has a poor performance in business formation and survival and the level of start-ups has long been recognised a significant weakness in Scotland's economic performance. It has a lower business birth rate than comparator regions, a lower "conversion rate" of interest in entrepreneurship and historically more negative attitudes towards entrepreneurship. This market failure is evident across the board, but some issues are of greater significance than others including the low level of start-ups by young people and the issues they face in accessing microcredit.

PSYBT has demonstrated success in responding to these needs and continues to promote awareness amongst young people and to provide a range of support services from pre-start to business growth.

## ACCESSIBILITY

Crucially, PSYBT is prepared to back only those young people who have failed to find support for their idea from other sources, whether this is because of social or economic disadvantage. Although very much a national initiative, PSYBT is given a local focus via a Regional Structure throughout Scotland.

## INNOVATIVENESS

PSYBT is unique in that it brings together a mixture of public and private sector supporters, some 799 volunteers, and partnerships with local councils and chambers of commerce. This network allows the organization to reach out to any young person in Scotland who would like to start his or her own business. Moreover, for the moment, PSYBT is the only organisation that finances young entrepreneurs in this region with microcredit.

PSYBT has very well structured Business Development Services representing one of the core elements of its activity. In fact, the network of Volunteer mentors has been the lifeblood of PSYBT since its inception in 1989; thanks to them it has developed the Aftercare Programme that is one of the key parts of its portfolio. The provision of aftercare begins as soon as the young persons receive their funding and continues for a minimum of 2 years.

<sup>1</sup> John Evans, General Secretary, Trade Union Advisory Committee to the OECD, during the conference "Youth Employment - A Call For Change", 13-14 December 2011.

<sup>2</sup> OECD calculations based on OECD Main Economic Indicators Database; and ILO, LaborSta

PSYBT also has a Growth Fund that was launched in response to research, which highlighted gaps in the information and funding available to young businesses considering growth. To date, 210 Awards to 195 businesses have been supported with an investment of £2.46 million.

This has levered out a further £4.2million. The businesses have collectively predicted an increase in turnover of £25.0 million in the 12 months following the investment and the creation of 290 jobs. 81% of the businesses supported through the Growth Fund are still trading. In 2010, 23 businesses were supported by the Fund, which enabled the creation of 47 jobs.

Finally PSYBT runs the Elevator programme that is a programme of events providing networking opportunities exclusively for young people aged 18 to 30 who are in business.

## IMPROVEMENT

Over the years, PSYBT has at the same time increased the number of both its locations and its volunteer mentors in order to reach out to a larger number of young entrepreneurs, and support them with an efficient service.

With its traditional Aftercare Programme, PSYBT has added some services in the pre-start phase such as training, advice and test marketing, and the Elevator programme that helps young business owners to develop their own business network.

## EFFECTIVENESS / EFFICIENCY

Since its inception, PSYBT has helped over 12,000 individuals start over 10,000 businesses, 82% of which continue to trade after their first year in business and 64% are still trading after 3 years.

This support to over 12,500 young people has seen an investment of almost £37 million (€39 million) with a current Loan Fund of £4.2 million (€7.12 million) and with an annual write off rate of 9.5%.

### Outreach Achievements:

	2006-07	2007-08	2008-09
<b>ACTIVE BORROWERS</b>	640	653	678
<b>FEMALE</b>	243	258	270
<b>MALE</b>	397	395	408
<b>UNEMPLOYED</b>	333	321	312
<b>DISABLED</b>	35	34	61
<b>CRIMINAL RECORD</b>	19	21	32
<b>AVERAGE DISBURSED LOANS</b>	€ 3.981	€ 4.079	€ 3.618
<b>PORTFOLIO</b>	€ 3.938.535	€ 3.786.159	€ 3.527.407
<b>NUMBER OF BRANCHES</b>	19	19	19
<b>STAFF</b>	20	21	22
<b>LOAN OFFICERS</b>	16	16	16

1 € = 0.90400 £ (at 30.12.2009) / 1 £ = 1.106194 €

The evaluation undertaken by DTZ Consulting in 2007 confirmed that PSYBT has a strong fit with the Scottish Government strategy to support Scotland's business birth rate, to contribute to the pipeline of growing businesses and to encourage a culture of entrepreneurship. The report also measured that every £1 (€1.15) of public sector investment in PSYBT generates £26 (€29.87) of additional net sales. In 2005/06 the total impact of PSYBT was estimated at £22.6 million (€25.96 million) and 489 full time jobs, demonstrating significant added value.

- » The average investment per business is £4,290 (€4,924).
- » The average age of a beneficiary is 23 years.
- » Experience demonstrates that almost 80% of the loan capital awarded is repaid.
- » Some 52% of the young people PSYBT helped were unemployed.
- » 42% of business owners are female

### ADAPTABILITY / REPLICATION

PSYBT delivers a simple model of support to young entrepreneurs in Scotland and places significant emphasis on creating individual solutions for individual needs - the focus is on building relationships with businesses rather than offering off-the-shelf products or programmes.

By combining access to microcredit with a package of wrap-around support activities, delivered by a core team of staff and volunteers, PSYBT has been able to offer a service to aspiring young entrepreneurs, which helps them to overcome the barriers they face in creating their own self-employment. The contribution of volunteer mentors is a particularly significant feature of PSYBT and one that could easily be replicated in other similar programmes.

PSYBT continues to work closely with **The Prince's Youth Business International (YBI)** to be able to share best practice and intellectual property with other established YBI programmes across the world as well as providing a model for new and/or evolving programmes.

In 2008, PSYBT hosted a major conference on Youth Enterprise. It was attended by some 150 delegates from 38 countries, all totally focused on supporting young people in enterprise and entrepreneurship.

### SUBSTAINABILITY

Funding to sustain the work of PSYBT is secured from loan repayments made by the young people it helps (35%), core funding from Scottish Enterprise/Scottish Government (20%), private sector fundraising (38%) and support from the European Union (7%). PSYBT does not envisage that it will ever be completely independent from public funding but over the next five years aims to achieve financial sustainability of microcredit activities.

### KEY LEARNING POINTS

- » A focus on building relationships with businesses rather than offering off-the-shelf products or programmes is a pre-condition of working with disadvantaged young entrepreneurs.
- » Intensive one-to-one pre- and post-loan support is a critical factor in the success of young clients.
- » Dedicated staff, a large network of volunteers and strong partnerships with private as well as public sector organisations, are key elements for developing an effective support for young entrepreneurs.

- Giordano Dell'Amore Microfinance Best Practices Award 2009: The experiences of the finalists
- The Prince's Scottish Youth Business Trust Report and Accounts 2008/2009

## Adie – CréaJeunes –France

**Objective: Integrated start-up support for young people**



### IMPLEMENTING ORGANISATION

Adie is a not-for-profit organisation that was created in 1989 by Maria Nowak who adapted to France the principle of microcredit that had proven to be successful in developing countries. The organisation helps people who are excluded from the labour market and from the traditional banking system to start their own enterprise and thus create their own job with the help of microcredit. In addition to microcredit, Adie provides the microentrepreneurs with adapted business support. The organisation also contributes to improving the institutional environment for microcredit and entrepreneurship.

### IMPLEMENTING PERIOD, SOURCE OF FUNDING AND BUDGET

CréaJeunes is a project launched by Adie in 2007 to support young people in France aged between 18 and 32, especially from deprived neighbourhoods, to start their own enterprise as a mean of reaching social and professional inclusion. The programme offers mainly support services to assist the business creation. CréaJeunes was started as a pilot project in six different locations. In 2009, the project was considered as successfully functioning and was subsequently extended to ten additional French towns. Funding comes from the "Haut Commissariat aux Solidarités Actives" within the framework of a special fund for the integration of young people ("Fonds d'Expérimentation à la Jeunesse"), from other public sponsors such as regions and the European Union as well as from private enterprises such as banks. The funding is coupled with an evaluation of the entire programme to be carried out in mid 2011.

### POLICY CONTEXT

Unemployment weighs heavily on young people. In 2007, according to a study from the OECD, more than 18% of people between 15 and 24 years old were unemployed in France, a percentage that rises considerably in deprived neighbourhoods.

Adie promotes entrepreneurship as a way to fight unemployment and social exclusion. Precisely, the entrepreneurial spirit is widespread among young people. Indeed, in 2010, 52% of people under 25 in France wanted to start a business, against 25% for all age groups according to an IFOP (French institute of public Opinion) Study<sup>1</sup>. This group is, however, handicapped by a lack of resources, ignorance of the economic environment and a lack of management training. To expand its market among young people and further improve the results among the poorest populations, Adie launched a unique initiative in 2007, CréaJeunes.

The initiative is also contained in the framework of the public policies developed after the 2005 crisis in disadvantaged urban neighbourhoods. Indeed, in 2005 in France, youth riots occurred in several parts of the country to protest against the marginalization of young people from underprivileged urban areas.

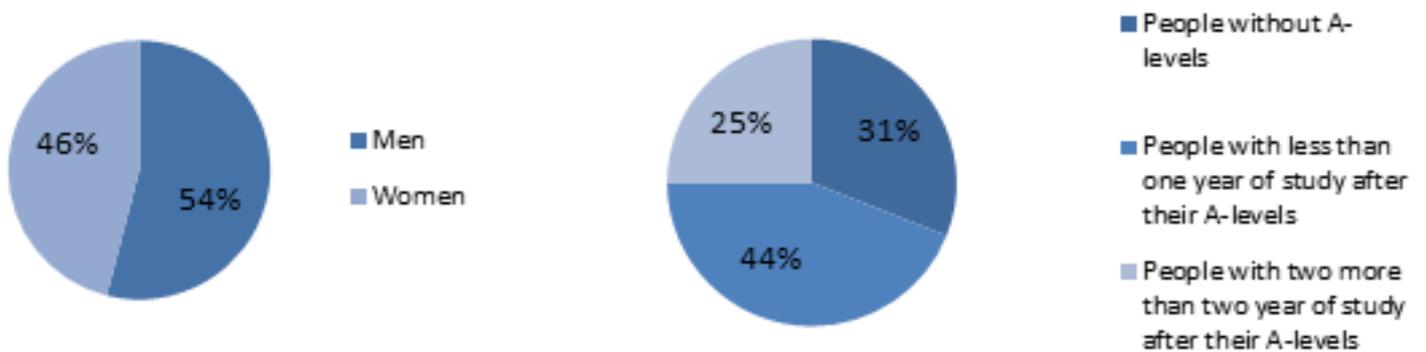
### OBJECTIVES

CréaJeunes aims to help young people to create their own businesses and thus to support their social and professional inclusion through support services. The objective is to give the opportunity to 35% of the young people benefiting from the CréaJeunes support services to start their business within ten months following their entry into the programme.

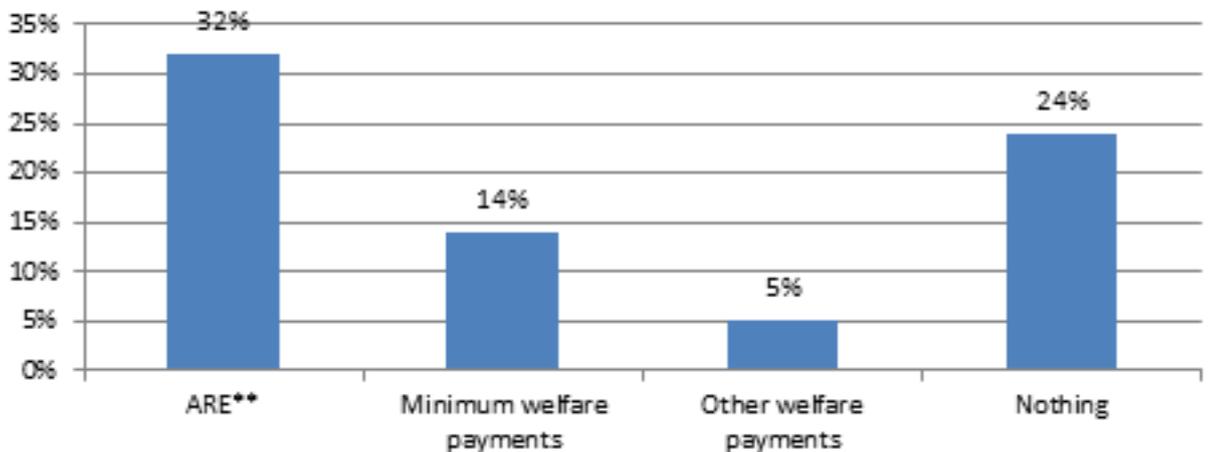
**TARGET POPULATION**

The CréaJeunes programme targets people between 18 and 32 years old, especially young people from underprivileged neighbourhoods, to set up their own businesses. Initially aimed at young people up to 30 years of age, the maximum age was increased to 32 due to difficulties in finding enough participants. The programme aims to help people both socially and economically excluded who, in spite of their ideas and motivation, are unable to create their enterprise because they lack experience and tools.

The young people that have participated or are participating in the programme have very heterogeneous backgrounds. 58% of the people entering the programme are less than 26 years old. Some more statistics about the young people supported by CréaJeunes can be found in the graphics below:



**Beneficiaries of welfare programmes**



**THE PROGRAMME**

The programme is built around an adapted pedagogy, flexible and dynamic, involving young people at every stage of the learning path. The aim is not only to give them the technical tools to enable them to realize their project but also to accompany them in their reflexion and project development. The programme focuses on three areas: collective training, individual support with a volunteer tutor and networking activities. Entrepreneurs can also benefit from post-creation support services.

At the branches where CréaJeunes is available, one or two employees work exclusively for the programme. They lead the group of volunteers involved, cultivate partnerships with public and private partners, organise meetings and training sessions and manage a network of former participants.

### 1. **Collective training**

The training courses include five types of educational module, each one containing workshops in groups:

- A personal development module trains students to speak in public, to gain confidence, to manage one's time and to develop one's network. This module also contains a review of the tools needed to develop one's project.
- A commercial module allows students to become familiar with key management tools (market research, sales techniques, prospecting for new customers, etc.).
- Finally, the programme includes three modules on the legal and tax environment of the very small business, fundraising and accounting and financial management.

The training period lasts from two to four months.

### 2. **Coaching**

Coaching is carried out by a volunteer tutor (usually one appointment per week) for a period of eight weeks to four months. It aims to support young people in the concrete preparation of their project, to validate the learning outcomes and to address any special difficulties.

### 3. **Networking activities**

This is a module to help participants understand the importance of having a network and why it is useful, and to help them develop one. Moreover, group activities are organized to enable participants to meet other start-up entrepreneurs with complementary activities as well as established entrepreneurs. Finally, the CréaJeunes team, composed of one or two staff as well as around ten Adie volunteers, shares its own networks with the participants; many Adie volunteers are former entrepreneurs or have held high positions in companies and have an important network in their region.

### 4. **Financing**

The participants have the possibility of obtaining financing: a bonus of €1,000, in addition to an Adie or a bank loan, where there is no public mechanism to promote business set-up for young people locally, and eventually a microcredit, an unsecured loan and a reimbursable State advance. The programme also encourages its participants to take part in competitions for business start-ups that are organized on a local or regional level by the French Ministry for National Education and Youth or sponsored by enterprises.

Moreover, since October 2011, Adie has launched a new loan product for all its young clients which is made up of half of a traditional Adie microloan and half of quasi-equity (zero interest). The loan product has thus a lower interest rate, hence a lower amount needs to be guaranteed, and the loan can be paid back over a longer period of time, thus enabling the young clients to access higher loan amounts. This product is not restricted to CréaJeunes participants but is accessible to all of Adie's young clients. It has been developed based on Adie's long-standing working experience with young people.

### 5. **Optional post-start-up services**

CréaJeunes entrepreneurs can also benefit from the provision of post-start-up support services offered by Adie for a period of 18 months.

## RESULTS

2,130 young people were trained between 2007 and 2011 (September) and, in 2010, one third of young people who were supported had started their own activity in the ten months following the programme and another 23% had found salaried employment. Moreover, internal evaluations show that the programme has an added value even for the youngsters who have not started their business or found a job, as they have been enabled to think about, present and defend their project, project themselves into working life and create a network.

The project now covers 16 sites in the whole of France, and there are at least 2-3 new sites planned for 2012.

## EVALUATIONS

The Paris School of Economics is carrying out a study on behalf of the "Haut Commissariat aux Solidarités Actives" that financed the programme at the beginning. The evaluation compares a group of young people who were accepted to take part in the programme with a control group of youngsters who were normally eligible, but arbitrarily excluded from the programme for study purposes. The aim of the evaluation is to analyse the effects of the programme on the young participants and find out how many have started a business or found employment one year after taking part in the programme. The conclusions of the evaluation should be available in May 2012.

## RELEVANCE

The project targets a group that is often neglected by social programmes: young people from deprived neighbourhoods; it thus responds to a topical burning issue. The programme is also tackling the critical issue of youth unemployment. Even before the onset of the current economic downturn, the youth unemployment rate in France was already significantly above the OECD average. During the crisis it has increased to more than twice the overall unemployment rate (i.e. 20%) and it is much higher in the deprived areas (i.e. 43%)<sup>2</sup>.

## ACCESSIBILITY

The programme is challenging but accessible. Its training modules were designed by professionals in the field of pedagogy so as to make them accessible to young people with heterogeneous educational backgrounds. It provides support, but leaves enough autonomy for the young participants and it provides the necessary tools, without being overwhelming.

Moreover, the training modules are presented by volunteers who were trained to be able to work with young people from all social backgrounds.

## EFFECTIVENESS AND EFFICIENCY

One third of the CréaJeunes participants start their own activity in the ten months following the training. No study has yet been carried out on the survival rate of the CréaJeunes businesses after 2 or 3 years. However, it can be mentioned that the average overall survival rate of enterprises started by young people financed by Adie in general is comparable to the average survival of all entrepreneurs supported by Adie: 63.5%<sup>3</sup>.

The overall rate of participants who have left the programme before it had ended is not yet known. The reasons for which participants abandon the programme are mainly personal such as lack of time or problems in finding child-care, but also false expectations and underestimating the seriousness of the programme. It has also been shown that the sites that were more selective with their participants had fewer of them abandoning.

Information available at <http://www.lefigaro.fr/emploi/2010/12/15/01010-20101215ARTFIG00570-43-des-jeunes-au-chomage-dans-les-quartiers-sensibles.php>.

Enterprises started between 18 and 42 months before the date of the survey and still operating.

## INNOVATIVENESS

The programme is very innovative in its approach. The content and pedagogy of the programme are well adapted to the target population with interactive training focusing on the specific needs of young entrepreneurs. The modules are composed of both theoretical parts and practical examples and the training is very concrete since, along the way, the participants must adapt what they have learned to their own project. As such, during the lessons dedicated to commercial aspects, the participants must work on the market study for their own business. The programme also associates group activities with individual support. As such, each participant has his/her own tutor who accompanies the young person in his/her project and verifies that he/she has understood everything well.

Moreover, to make the programme known, CréaJeunes makes use of social networks such as Facebook, largely utilised by young people. And networking activities enable young people to extend their network at an age where the number of their professional contacts is limited. Finally, the programme is completely free of charge.

## REPLICABILITY

Setting up the programme has taken a lot of effort. The pedagogical programme is very sophisticated and designing the training sessions has taken 300 hours of work. Now that the programme is already in place, it can be applied to other contexts with fewer costs involved. Nevertheless, subsidies need to be made available as the programme's costs cannot be covered without external financing. Beside access to subsidies, an organisation that implements such a programme needs to be very well anchored locally and well known by the local stakeholders in the field of business support who can re-direct young people to the programme.

## SUSTAINABILITY

The programme is sustainable in the sense that it is adapted to the targeted audience: training is interactive and based on concrete examples to fit young people's needs and it takes into account the personal dimension in the business creation approach. The sustainability of the project is also assured due to Adie's 22-year-long experience in supporting young entrepreneurs, and due to the fact that Adie is now well known amongst all stakeholders in the field of youth employment and entrepreneurship.

## KEY LEARNING POINTS

- » The training content and pedagogy need to be well adapted to the young target group: a programme targeting young people from different educational backgrounds should provide close support, but leave sufficient autonomy. It should provide enough tools for the particular business without being overwhelming.
- » In order to successfully implement such a programme you need to have a good knowledge of the local context, the target public and the microenterprise environment.
- » Providing adapted and close training, support and advice to young people has a cost. Public and/or private subsidies are necessary to run such a programme. In order to access funding, it is thus important that the national and regional governments and other stakeholders acknowledge the problem of youth unemployment and have a clear commitment and policy for youth employment, including entrepreneurship.



Websites: [www.adie.org](http://www.adie.org)

<http://fr-fr.facebook.com/pages/Adie-Cr%C3%A9aJeunes/230972118033>

Interview with Maité Giraud, Network Manager, Adie



## Partner – Youth programme – Bosnia and Herzegovina

Objective: Providing support and loans adapted to young entrepreneurs

### IMPLEMENTING ORGANISATION

Partner Microcredit Foundation (Partner MCF) is a non-profit, multi-ethnic, inter-entity organisation with 59 offices covering all of Bosnia Herzegovina. Partner provides accessible financial services to microentrepreneurs and people with a focus on rural areas. It stimulates an improvement in the standard of living and contributes to an increase in the employment rate throughout Bosnia and Herzegovina. Partner MCF provides loans for business purposes (agriculture, entrepreneurship, trade, services and production), but also disburses housing loans for improving household income and other non-earmarked loans.

### IMPLEMENTING PERIOD, SOURCE OF FUNDING AND BUDGET

The project was initiated in mid 2008 and was originally planned to be completed by the end of 2009. However, as the implementation turned to be very complex, the project was extended until the end of 2010 and terminated when the final impact study had been finished. Initially, 100 clients were supposed to receive business training, with a total cost of KM 18,200 (approx. €9,300), half being paid by the World Bank and the other half by Partner MCF. Due to changes in the study design additional costs were incurred, amounting to KM 36,800 (approx. €18,800), paid by the World Bank.

Under the new project design, 300 clients received training. One hundred and fifty of these clients received financial literacy training in addition to the business training. The new costs were KM 1,500 (approx. €750) per group of 15 clients for the business training and KM 2,000 (approx. €1,000) per group of 15 clients for business and financial literacy training. Moreover, there was a budget of KM 1,000 (€500) per group for transportation, meals, and materials (higher than the KM 850 (€435) previously budgeted since Partner included clients who lived further away, thus increasing transportation costs).

Partner also decided to conduct one pilot training session with individuals who were not in the organisation's study sample, which allowed Partner to detect and remedy any potential problems before launching the study. The cost of the pilot session was KM 3,000 (€1,500).

### POLICY CONTEXT

In one of its macroeconomic studies, Partner identified the youth population as one of the most marginalised in the country. Partner also conducted two market research studies, one with potential clients aged 18-30 and the other with its active clients. The lack of experience and of available financing sources were identified as the main obstacles to youth entrepreneurship.

### OBJECTIVES

The goal of the youth programme was to increase self-employment opportunities for young people in Bosnia and Herzegovina, by providing market-oriented business training and mentorship services for youth clients in addition to loans. The programme aimed to increase the number of self-employed young people among Partner's clients, to provide appropriate business training enabling the youth clients to obtain practical skills and knowledge and to raise awareness among young people of the idea of running their own business. By doing this, Partner wanted to contribute to the self-employment of young people, usually very passive, in order to ensure stable economic growth.

## TARGET POPULATION

The Youth programme was designed for people from 18 to 29 years old, for financing business activities in the areas of agriculture, stock-breeding, trade, services and production. However, in the course of the project, the age limit was increased to 35 years due to a lack of sufficient candidates willing to attend business training.

## THE PROGRAMME

The Youth programme included a Youth Loan coupled with support services to help people from 18 to 29 start their businesses as a way to address youth marginalization in Bosnia and Herzegovina. The programme was launched in cooperation with the World Bank and the SEEP Network. It was part of a detailed impact study on how business training affects the sustainability and expansion of youth business.

The loan amount ranged from KM 2,500 up to 10,000 (€1,300 - €5,000) with a reimbursement period of from 12 to 48 months and a maximum grace period of nine months, granted in accordance with Partner's policies. Partner's management decided to offer the loan at a regular market interest rate of 19.43%, in order to make the product profitable, but also to align the new clients with the existing youth clients in the active loan portfolio.

Beside the financial support, selected youth clients were offered free business training and mentoring. The training was designed based on the results of a survey with questions related to timing and resources. At the end of the training an exit test to measure business and financial knowledge was administered to all participants. Finally, a telephone-based follow-up survey was conducted in May and June 2010, one year after the survey. For the follow up, Partner was able to track down and interview 396 out of the 445 individuals in the study.

## EVALUATIONS

This project constituted a randomized experiment designed to assess the impact of increasing maturity and loan size on business investment and growth. Moreover, some of the borrowers received business training in conjunction with the loan in order to determine whether this improves their investment choices and business outcomes.

The young entrepreneurs were randomly divided in the following four groups:

- 1) 100 youths received the youth loan product with a maximum maturity of 48 months and a maximum loan amount of KM 7,500;
- 2) 100 youths were offered the possibility of extending the loan term to 60 months;
- 3) 100 youths were offered the possibility of extending the loan term to 60 months AND increasing the loan size to KM 10,000;
- 4) 100 youths received the loan as specified in 1) and were offered free business training.

## RESULTS

During the project period a total of 445 young clients received a loan from Partner for business purposes. Of those, 267 invested the loan assets into an existing business; the remaining 178 started a new business with the microloan.

In addition to the loan, 149 clients attended a five-module business training course, while 148 clients attended business education in addition to business training.

The survey found that the business and financial literacy training had no effect on the setting up of new firms or the survival of businesses. However, it showed that individuals who already had a business tend to use better business practices and make more investments in their business due to the training.

Businesses that received training were significantly more likely to implement new production processes and to inject new investment into the business, consistent with the central theme of the training which was to encourage greater capital growth.

Further, it showed that businesses that receive training were more likely to separate personal and business accounts, refinance their loans for more favourable terms, and obtain new loans with lower repayment instalments. Moreover, the evidence suggests that the training increased profits by about 50% for clients with high baseline levels of business and financial knowledge.

While the group that received training was not more likely than the control group to take out a new loan (from Partner or any other source), the training group clients who took out a new loan from Partner had longer term loans (more instalments) than their peers in the control group. The training also lowered default rates among clients with low baseline levels of business and financial knowledge.

It is however important to note that the financial crisis that hit Bosnia and Herzegovina very hard might have influenced the final results of the impact study.

### **EFFECTIVENESS AND EFFICIENCY**

The total project cost of approximately €30,000 is relatively affordable for the project period and the total of 297 young entrepreneurs who received complimentary business training, out of which 148 received financial education in addition to training.

For the purpose of this project, Partner MCF hired leading experts and university professors as teachers. Hiring some less qualified trainers would decrease the costs. The project would be even more efficient (even though not profitable) with development of an internal capability to provide business training.

### **INNOVATIVENESS**

The first innovative approach of the project was precisely measuring the impact of business training and financial literacy on all aspects of youth entrepreneurship.

The second innovative approach was to offer tailor-made business training, with an adapted content for loan clients, based on client and loan-officer interviews and pilot training with university students. The training consists of the following modules: General concepts; Business planning; Marketing; Managing the firm's finances; Business growth, plus one extra module on external finance and financing sources, the importance of financial responsibility, interest rates and diversification.

### **SUSTAINABILITY**

The cost of business training was very high because Partner needed to hire an external agency. Partner was able to do so only because the expenses were covered by the World Bank. The project can only be profitable for commercial financial institutions if the complimentary trainings can be handled without relying on a costly external agency. Another possible model would be a partnership between financial and educational organizations. Educational facilities could provide the young clients with the necessary entrepreneurial skills while an MFI could provide the loan i.e. access to needed finances.

In the future, Partner MCF is seeking partners in order to:

- » Scale up the youth program to the whole country (it was limited to seven municipalities)
- » Develop internal capacities for business training in order to make the project sustainable (the seminars were financed by the World Bank)
- » Develop a special set of indicators for M&E on a monthly basis

**REPLICABILITY**

The project can be replicated by institutions that have a good understanding of the needs of young clients and that can handle the complex and relatively time consuming logistical organization of business training.

**KEY LEARNING POINTS**

Findings from the evaluations showed that the development of practical business skills can have the following results:

- a) Improved business practices
- b) Encourages new business investments
- c) Greater capital growth
- d) Separation of business from personal accounts
- e) Refinance the loans under more favourable terms
- f) Obtain new loans with lower loan instalments
- g) Improvements in business performance and sales

One of the key learning points was the difficulty in motivating youth (clients) to regularly attend and complete business and financial literacy training. The organisation learned that:

- The training must be concise, comprehensive, practical and relatively brief.
- The training must be individualized and provide concrete results, such as the development of individual business plans for each client.

Moreover, establishing strong partnerships with youth networks, NGOs and employment offices is essential in order to find new youth clients.



Youth entrepreneurship can be a sustainable solution to youth unemployment but it requires the engagement of diverse stakeholders who are able to offer different inputs, experience and knowledge that can be put together into practical solutions. The analysis of all the factors fostering youth entrepreneurship leads to the conclusion that the main areas that need particular attention are the following:

- Implementation of youth entrepreneurship policies
- Entrepreneurship education
- Access to finance
- Provision of training and Business Development Support (BDS) services
- Impact assessment of the youth programmes

In order for youth entrepreneurship to become and remain a sustainable solution to youth unemployment, both policymakers and MFIs have to take actions in the main areas mentioned above:

### **Recommendations for policymakers**

#### **Policy makers should implement effective and adapted youth entrepreneurship policies**

Youth entrepreneurship policies and programmes should complement broader youth employment strategies, entrepreneurship and business development policies but they have to be considered in the context of the economic realities of the countries to avoid wrong choices.

Governments should design policies and programmes that consider the specific problems of youth and create an enabling environment for investment and enterprise creation. It is essential for the success of any youth entrepreneurship programme that governments of each country improve the institutional infrastructure for entrepreneurship and develop policy instruments which are flexible and selective enough to ensure that young people are provided with an appropriate set of skills and relevant experience before entering the real world of business<sup>1</sup>.

These policies should involve a process of questioning about the current situation. Each country has to take into account<sup>2</sup>:

- The socio-cultural attitudes towards entrepreneurship
- The ease of business entry
- The level of entrepreneurial skills
- The availability of financing
- The accessibility of business information
- The equality of entrepreneurial opportunity for all segments of society
- The availability of working infrastructures
- The ability of young firms to grow

Both national and local governments should work together to enhance the regulatory and administrative framework and make it efficient, with emphasis on the specific constraints and barriers faced by young entrepreneurs.

OECD: "Promoting Entrepreneurship in South East Europe: Policies and Tools", available at <http://www.oecd.org/dataoecd/42/25/39872944.pdf>.

Particular attention should also be paid to social security benefits for young entrepreneurs and self-employed people. In many countries, being an entrepreneur means losing certain entitlements to future social security benefits. This implies that, in practice, young entrepreneurs are responsible for their own social security payments, holidays, retirement plans and other social benefits.

The social security issue can greatly discourage young people from engaging in entrepreneurial activities as they al Particular attention should also be paid to social security benefits for young entrepreneurs and self-employed people. In many countries, being an entrepreneur means losing certain entitlements to future social security benefits. This implies that, in practice, young entrepreneurs are responsible for their own social security payments, holidays, retireent ready bear enough risks by choosing this path. This is another reason why most young people prefer the stability, the regular income and the social protection of the employee status. Therefore, it is vital for governments to take measures to adapt and modernise social security systems for young entrepreneurs and to ensure equal access to social security and insurance to both employed and self-employed people.

### **Policymakers should integrate entrepreneurship into the education system<sup>3</sup>**

As previously mentioned, entrepreneurship education is vital for promoting a knowledge of entrepreneurship and of economic knowledge in general. Entrepreneurial education increases the individual's capability to learn to recognise his own skills and abilities, and improves the individual's self-esteem. But developing a culture of entrepreneurship through education and skills development, that eventually will lead young people to choose entrepreneurship as a career option, remains a challenge.

Entrepreneurship should be integrated into the basic education system. Governments, schools and universities should formalise entrepreneurship as an important part of the curriculum and should ensure that students are exposed to all of the entrepreneurial growth phases. They should also develop tailored educational programmes that focus on skills and attitudes and provide basic knowledge of various business activities.

Entrepreneurial education is a long-term approach because it attempts to change the mind-sets of people about entrepreneurship; that is why it is important to ensure a systematic promotion of entrepreneurship at all levels of the education system.

### **Recommendations for MFIs**

#### **MFIs must incorporate training and BDS services into their youth entrepreneurship programmes**

Another key success factor is the package of services offered to young entrepreneurs. As we previously illustrated, these services are indispensable as they address the issues that make young people a risky target for enterprise creation. Young entrepreneurs need more than just access to credit. They also need to know how to manage budgets and business finances, how to make a business plan, how to manage and reduce costs and so on. A common feature of all the youth entrepreneurship programmes is the provision of adequate training and business development services. Therefore, it is important that MFIs incorporate into their programmes:

- Skills training
- Business counselling
- Coaching and mentor support
- Business incubation and workspace
- Business linkages
- Networks and associations

It is agreed now that non-financial support is by far one of the most significant contributions to the success of any youth entrepreneurship programme. The provision of specific BDS services helps young entrepreneurs to guide their business planning, registration, launch and development, to reduce youth's risk profile and to improve their repayment rates<sup>4</sup>.

In its report, YBI emphasises that "non-financial support should be recognised as an alternative to traditional types of collateral and guarantee in expanding access to start-up capital for young entrepreneurs". In YBI's network providing BDS services, the average repayment rate is around 90% and, in some countries, it reaches 95%<sup>5</sup>.

In the three examples of good practice described in this paper, adapted training and BDS services are seen as a critical factor in the success of youth enterprises. In designing programmes, it is also important to have highly trained and skilled staff and/or volunteers to properly support and guide young entrepreneurs throughout their entrepreneurial endeavour.

### **MFIs should undertake evaluations of their youth entrepreneurship programmes**

It is important that programmes are evaluated so their strengths and weaknesses can be taken into account in the design of other programmes. Assessing performance is a valuable way of making progress. Knowledge about what works and what does not work, in terms of the relevance, effectiveness and efficiency of policies and programmes on youth entrepreneurship, ensures the success of programmes in the future (OECD).

These impact assessments are relevant for those interested in improving entrepreneurial conditions for young people but also for those concerned about the cost-effective use of the private and/or public money. Funding organisations, programme managers, taxpayers and stakeholders may all wish to know if these programmes are worthwhile. But there is still a lack of studies in this regard because resources are constrained and there is a tension between supporting evaluations and supporting the actual youth programme<sup>6</sup>.

If a database with detailed statistics on youth entrepreneurship programmes were available, it would be easier to identify and promote new programs by looking at success rates, and therefore, disseminating best practices to increase the quality of programs, and encouraging cross-agency learning would be an integral part of the impact assessment (World Bank).

### **Recommendations for policymakers and MFIs**

#### **Policymakers and MFIs should facilitate access to affordable finance**

Access to finance remains the main obstacle for every young entrepreneur. As Chigunta<sup>7</sup> points out, in order to be effective microcredit programmes need to:

- Treat young people as "clients" and not mere programme "beneficiaries"
- Shift the focus from "product-centred" to "customer-based" programmes
- Take innovative steps towards new types of collateral, such as business plan, level of education, and residence status
- De-politicize micro or youth credit schemes
- Provide other financing mechanisms such as grants and soft loans
- Strengthen financial systems management

Microfinance is a valuable tool for the development of youth enterprises, as MFIs tend to take a softer view of the need for collateral, tending to replace it with advice and support to ensure that their borrowers succeed and so are able to repay their loans. That is why it is imperative that lending regulations be kept slim and flexible, as long as funds come from donors, so microfinance can continue to be successful (OECD).

National governments and regulators should be encouraged to set an enabling framework for youth enterprise lending and to expand good practice, building on past successes. Regional and intergovernmental bodies such as the EU and the G-20, and international development banks also have an important role in framing policy and encouraging investments into youth enterprise lending (through grants or credit guarantee schemes)<sup>1</sup>. National governments need to promote adapted and affordable access to finance to all categories of youth.

One of the recommendations given by the YBI in The first report in YBI's Making Entrepreneurship Work, is that banks and MFIs should partner with community organisations to improve young people's access to finance. Most of the time, banks and MFIs are unable and/or unwilling to reach disadvantaged young people because they often represent a high risk and a lower profitability. By working with local organisations that better understand the risk profile of young people, financial institutions become able to extend services to new sections of society<sup>2</sup>.

The European Commission also recognises that "the insufficient supply of microloans is a major issue, in particular where business creators are unemployed persons (...). Supporting micro-loan supply is therefore not only an issue of entrepreneurship and economic growth, but also of social inclusion"<sup>3</sup>.

### Closing remarks

Young people are a heterogeneous group and, depending on their age and characteristics, they are at different stages in their entrepreneurial adventure. Organizations that want to promote youth entrepreneurship need to first understand where young people are starting from, their specific needs and the challenges they face. Some of the young people may have the imagination, energy and determination to start a business but what they need above all is guidance, motivation, encouragement, support, counselling, knowledge and attention.

A pondered and relevant combination of all these elements can make young people become successful entrepreneurs and contribute to the economic development of their countries.



YBI (2010): "Youth entrepreneurship beyond collateral: How to increase access to capital for young entrepreneurs".

Information available at <http://www.youthbusiness.org/pdf/RecommendationsforAction.pdf>.

OECD Report.



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