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# **Key Questions on National Youth Funds (NYF)**

**Supporting youth to create sustainable  
employment opportunities**



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sustainable employment opportunities**

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# Preamble

Youth unemployment in several countries remains a pervasive challenge, particularly in light of the recent global financial and economic crisis. As Governments and other players struggle to look for solutions, one approach has been the establishment of National Youth Funds. A number of them that have been set up in 2000 and earlier are still ongoing in Africa. Evidence from four country case studies, Botswana, Mali, Tanzania and Tunisia undertaken in 2008-2010 has been distilled in order to draw some lessons on their efficiency and effectiveness and provided the basis for the National Youth Fund Guidelines. An Experts Meeting held in December 2010 further discussed the findings from the studies and provided additional input to the Guidelines.

This report, on National Youth Fund is based on 12 questions that are targeted to Governments and institutions that plan to establish new or to improve existing Youth funds. We do not seek to provide any blueprint as such, but rather seek to provoke thought processes that could provide answers or solutions to the challenge of promoting youth employment using the vehicle of National Youth Funds. The document does not seek to be prescriptive because Youth Funds are so complex and the situation in every instance and situation is very unique. In the context of this complexity anything like a “good (let alone “best”) practice” or cookbook recipe will inevitably fail and thus, we can only opt for an “emerging practice”, i.e. one that rises from the particular situation itself. Only you and your stakeholders are capable to provide the responses to the key questions regarding setting up and /or improving a National Youth Fund and develop responses that are relevant for your local context, specific situations and your needs.

We wish to make it clear from the beginning that these Key questions focus on:

- National Youth funds established by governments; and
- National Youth Funds that are aimed at employment creation through enterprise development

Private sector funds are not addressed, as well as funds that focus on wage employment creation in already established non-youth enterprises.

What these “key questions” can guarantee is that if the questions are dealt with in a frank and serious manner, you will manage to get to profound and solid responses and design an effective Youth Fund or improve an existing Youth Fund. It does not matter in which order the questions are addressed. Our hope is that the questions will assist towards the conceptualization process to lead you to a design and plan that stand a better chance of success.

Every question is followed by a series of insights, experiences, ideas, information and illustrations. The ideas and experiences shared do not constitute a template on which you can formulate your own Youth Fund. They serve the purpose of stimulating your own thoughts and ideas about formulating a Youth Fund responsive to the specific environment and needs of your situation. Effort was made to formulate questions that are not answerable per sé; their purpose is to trigger a process of reflection, probing and enquiry. The improvement will not happen because of merely having found answers to these key questions, but will emerge from the process of working towards the best possible responses to your specific needs as you gain

more and more awareness, insight and clarity. The benefit, improvement and value do not come from the answers themselves but from the journey towards finding the answers. This is the real value of the questions.

Lastly the nature of these questions is such that no response is final and definite. In fact you can only find approximations and temporary responses – you will find indications and have ideas on how the questions could be responded to. But there are no final answers and solutions to them. They are not a checklist to tick them off and then you're done with them once and for all. Even if at a given time you have been able to find good responses, the question as such remains, since after some time the same issue may pose itself again in a different manner because circumstances change, time changes, your stakeholders change, because you yourself and your Youth Fund change. Reflection on the responses is a continuous process and must be done periodically.

## **1. Why are National Youth Funds (NYF) set up?**

### **1.1 What Are National Youth Funds?**

Youth Funds are financial resources that are allocated and reflected in national budgets by governments, either as grants or loans for young people to start new businesses or expand existing businesses. When we speak of National Youth Funds, we only refer to those funds that are set aside by governments.

### **1.2 What are the objectives of National Youth Funds?**

The rationale for starting such funds is to address the growing challenge of youth unemployment in an environment, where economic growth is insufficient to generate enough job opportunities for all youth. The objectives of NYF vary from one country to another, depending on the policy issues to be addressed. However, the common thrust tends to define a national goal which the fund objectives address; to focus on employment creation through small enterprise development; to use instruments of financial and other support to youth employment or youth enterprises that create employment; and to focus on a specific homogeneous target group(s) rather than aim to reach a very diverse group of people (e.g. women and youth). A number of Funds are presented below:

The national policy goal prioritised by the Botswana **Out of School Youth Fund** is towards the diversification of the Botswana economy. The emphasis is based on the fact that the diamond reserves on which the economy was built are dwindling. The specific objectives emphasised the creation of income generating projects built on an entrepreneurial culture amongst youth and thereby diversifying the economy. An additional objective was to stem the rural to urban migration.

The **Mali intervention** was established as a response to the existence of multiple funds that had limited or no impact on employment creation or integration of youth and women in the economy. The Fund optimises the effectiveness of funding mechanisms for youth that are operational in Mali, by adapting and complementing the available financial instruments. The objectives of the Fund are to (i) create more employment; (ii) create better quality jobs; and (iii) integrate the informal sector into the formal sector.

The **Tanzania Economic Empowerment Fund (EEF)** and **Youth Development Fund (YDF)** had a big emphasis on employment creation. The national priority was to create jobs for women and youth that were seen in a distinctive political context of fulfilling an election promise. The funds were popularly known as the Jakaya Kikwete (JK) Funds since they were initiated by the President. Other objectives of the Fund included to avail credit to adults and youth with business ideas and projects; and to promote the culture of banking and savings.

The **Tunisia fund** addresses a problem facing a number of other African and European countries, where graduates from tertiary institutions are unemployed. In Tunisia, the approach by the private sector is to employ labour that is “skill poor” (poorly trained) so they can lower labour costs to remain competitive in the global market. This model has resulted in high unemployment levels among highly educated youth. Hence the goal of the Fund is to significantly reduce the unemployment rate, with a main focus on increasing employment among tertiary education graduates. The Fund objectives have been to (i) develop new organizational operational model for employment offices; (ii) establish public private partnership for employment efficiency; (iii) improve support measures for entrepreneurs; and (iv) improve Tunisia’s competitiveness in the global labour market.



### 1.3 How to design a SMART National Youth Fund

The national goal defining the context in which the fund is set up is important. The specific objectives of the funds provide the basis on which progress will be assessed in relation to the national goal. Good practice shows that tracking the performance of any programme, including youth funds, is made easier if the programme objectives are SMART. The Tanzania EEF and YDF developed a job creation tracking tool that gathers basic information on the enterprise (name; mailing address; physical location); date of establishment; main activity; loan access; employment situation by gender prior to acquisition of loan and upon completion of the form. In this way progress can be tracked on the employment situation.

#### SMART Fund Objectives

The Tanzania Youth Development Fund and the Economic Empowerment Funds (EEF) set a **SPECIFIC, MEASURABLE** and **TIMEBOUND** objective in relation to the number of jobs to be created within a specific period of time i.e. **“creation of 1 million jobs in 5 years”**. In 2010, when the PRSP was reviewed, XX jobs had been created in the informal economy hence meeting the condition of **ATTAINABLE** and **REALISTIC**. The EEF further states that those to be targeted are the youth involved in savings and credit schemes. This narrows down the target group to a very specific group of youth and makes targeting clearer during disbursement of the funds.

Less quantifiable objectives pose to be a challenge in tracking the performance of the fund. For example, some schemes target a very diverse group (e.g. youth AND women). Even if a programme only targets youth, this may not be clear enough since youth are a very diverse group, in terms of age; gender; geographical location; in and out of school; own their own enterprises or employed in enterprises. The *Out of School Youth Fund* in Botswana attempts to be specific by targeting “out of school youth...” and targets youth in the age group of 15 to 35 years. However, it did not specify the number of jobs to be created in a specific time period. In conclusion, it is important to be very specific in defining fund objectives, so that it is easier to measure progress during implementation and hold respective stakeholders accountable.

### 1.4 Evaluating the design of the NYF

The design of the Youth Fund can be a major determinant for the success or failure of the fund. Empirical evidence suggests that the following are some of the key NYF design considerations, illustrated by examples of design choices made by other countries. A successful NYF starts with a good design. Therefore, in developing a NYF, it is worth spending considerable time and resources on the design of the NYF. Some key benchmarks which can be used to evaluate whether the specific design of the NYF is likely to be effective or not in reaching the national goal, achieving impact using the institutional and financial instruments to be utilized, as well as other supporting strategies and cost vs. the results to be achieved include the following:

*1.4.1 Scale and outreach of the fund* – given the scale of the youth unemployment challenge that most countries have to address, the fund is expected to have national outreach and impact. It will not target a localised catchment and impact area but must be known and be seen to have high visibility at national level. This is measured by the number and

geographical distribution of beneficiaries to be reached, which is influenced by the Fund's strategy to achieve national outreach. An initial step in the design of the fund is to undertake a national institutional scan to identify strategic partners in the institutional mechanism.

*1.4.2 Stakeholder profile of the fund: players in the fund and the capacities they bring* – for the same reason that collaboration is key to achieving the desired scale and outreach at national level, the same approach has been used to design effective monitoring mechanisms. It is hoped that these will be able to reach the enterprise level to enhance the proper application of Funds for the desired purpose and to check on the performance of the funded enterprises.

#### **Strategy for National Outreach in Mali and Tanzania**

Collaboration institutional mechanisms are imperative in achieving adequate accountability in the implementation of the NYF. With this mechanism where the fund's implementation strategy is inbuilt to the national infrastructure of other already existing institutions, such as local government, national and regional branch networks of financial institutions, such as commercial banks, microfinance institutions and savings and credit associations in Tanzania and Mali.

*1.4.3 Fund size - how much money goes into the NYF?* Since these Funds are financed from national budgets, the money that goes into them depends from country to country. The size of the fund will depend on the availability of funds and the sustainability of such source of funds. There is potential to grow the fund, particularly where other non-government partners are involved. In the case of Mali and Tanzania, private banks have agreed to invest their own funds in addition to what the government has invested into the youth fund. Furthermore, the interest rates charged to borrowers ensure that the value of the fund is preserved against inflation and has the possibility to grow with good repayments and positive interest rates. This builds in sustainability of the funds.

When the Out of School Youth programme in Botswana was first established in 2001, an allocation of P3 million (approximately US\$530,000) was disbursed by the Government for the Fund. The amount increased tenfold to P30 million (approximately US\$5 million) for the financial year 2006/2007. This makes a total of P45 million (US\$5.5 million) that was used for the establishment of youth enterprises from 2001 to 2006/2007.

In the financial year 2006/07, the Government of Tanzania operationalized the Economic Empowerment Fund (EEF) through the programme for empowering Tanzanian entrepreneurs, setting aside a total of 21 billion shillings (approximately US\$16 million) for the provision of soft loans at an average of 1 billion (US\$776,000) per region for the purpose of economic empowerment and employment creation. The EEF, unlike the Youth Development Fund that targeted young people, targeted all age groups including youth.

#### *1.4.4 How do you leverage private sector funds to boost fund size?*

The primary concern for the private sector is return on investment given a certain level of risk exposure. Bank funds are depositors' funds hence there is a need for protecting them. The Fund's design will need to create incentives for private sector agencies to invest resources, as a way to top up government funds. The Fund also needs to indicate how risk exposure of the private funds is going to be managed, how the private funds will result in reasonable, if not competitive returns and whether or not real portfolio growth is possible.

The risk management strategy is the key in the design of a NYF, which seeks to unlock private sector funds to boost the size of the fund and achieve national objectives as well as private sector profitability and growth objectives. The source of the risk lies in the behaviour of the borrowers, their business acumen and the viability of the enterprises they wish to finance with money borrowed from the NYF.

#### *1.4.5 What should the lifespan of a National Youth Fund be?*

Given the demographics in Africa, every year more young people are entering the labour market, which implies that youth unemployment will remain a challenge, hence suggesting that a national youth fund will need to exist indefinitely. However this begets the question whether the best use of government resources is to create these national youth funds or should the role be left to partners that are best placed to offer the range of services that these funds tend to offer?

In most instances, once the Funds are established they continue to exist but whether they receive the same, decreasing or increasing amounts of funding on an annual basis requires further analysis. Youth Funds have been running for a number of years, in Tanzania, Phase One of the Youth Development Fund was established in 1993/94 and the Phase Two was launched in 2000. In addition, the Economic Empowerment Fund was launched in 2007. In South Africa, the National Youth Development Agency, formerly known as the Usombuvu Youth Fund was established in 2001, the National Enterprise Development Fund in Kenya was established in 2006/07 and the APEJ in Mali and Senegal were established in 2003 and 2001 respectively.

Players in the private sector, such as banks and microfinance institutions are in the business of providing people with loans and services. Rather than government creating a fund that replicates what already exists, it can enter into joint ventures to ensure that the objectives of the Fund are met. A fund established for young people in partnership with Government and relevant stakeholders can exist indefinitely. The purpose of the fund is an important determining factor given that if it is to promote youth employment through entrepreneurship, it would aim towards ensuring that young people can access credit. As the enterprises

established by young people expand, they should be in a position to access larger loans from the mainstream financing market. One of the purposes of the Funds would be to facilitate that transition from small loans to large loans from commercial banks and other credit facilities. In such instance, the NYF becomes a government instrument to stimulate private sector participation in youth employment creation with a clear system of input and output showing the intake of young entrepreneurs and their transition to mainstream economic participation with commercial financing.

The National Youth Funds should make themselves redundant in the long run. They should be temporary and dynamic interventions that encourage private sector involvement to gradually provide finance for successful youth enterprises, rather than the government financed Youth Funds being a continuous and static approach.

#### *1.4.6 The design of the NYF implementing agency or mechanism*

The success of the NYF implementing agency will depend first, on the performance of the internal management and mechanisms to deliver the services to young women and men. This includes good governance in terms of a clear fund management organisation structure and well developed and documented systems. Additional factors are qualified staff, financial resources allocated in such a way to allow for multi-annual planning and based on performance and regular reporting on fund performance to all key stakeholders.

However, these are not sufficient factors for guaranteeing the success of the NYF: it is not because the Fund is a well functioning mechanism that it might reach the public policy objective of youth employment. The Fund is only one instrument, within the larger framework of the entrepreneurship development and employment promotion policies. The Fund therefore operates within a given institutional and policy environment and its success to a great extent depends on them.

#### *1.4.7 Economic & social environmental factors influencing success of NYF*

- A macro-economic environment where resources are scarce limits the availability and size of the NYF and a mismatch between what is to be achieved (numbers and outreach) and magnitude of the national issue being addressed.
- Limited fund size means limited scale and limited outreach where youth are spread in both urban and rural areas.
- The structure of the fund vis-à-vis the package of grants or loans and business support services.
- Despondent youth who have lost confidence in the system which would have marginalized them in the first instance.

## 1.5 How to implement the NYF well

### 1.5.1 Who should implement the NYF?

#### a) Can government go it alone?

Government on its own cannot address the complex and multifaceted youth employment challenge. Effective (public-private) partnerships with relevant stakeholders are crucial for the youth employment creation. Even beyond employment, acquiring work experience is a first step towards enhancing the employability of young people. It is upon young people to put into practice the skills that they have learned as they have gone through the education system. It does not make economic sense for an economy to invest heavily in education as most African countries do, to churn out many graduates, who are doomed to a fate of unemployment, discouragement, frustration and low productivity because they have irrelevant skills or the country cannot absorb them. This challenge is what the Tunisia Youth fund sought to address; indeed the point made on youth unemployment being a political, economic and social challenge was illustrated in Tunisia with the youth being the major force driving the revolution that erupted in 2011.

#### b) Who should Government engage as partners and what partnership options exist?

Government could take the lead to rope in and coordinate the private sector and other relevant stakeholders, *including young people themselves* to design, implement and monitor and evaluate a targeted and integrated job creation programme that addresses the demand and supply side. National Action Plans on Youth Employment form the basis for such a programme. Fragmented components, including Youth Funds that are not hinged to or part of a broader strategy to address youth unemployment might contribute towards youth employment; however, they do not provide a holistic solution towards addressing youth unemployment. Government, as the main custodian of developing and implementing policies is the one that creates that enabling environment for job creation, which begets the question whether with its limited resources, it should also be the one designing, implementing and evaluating youth employment programmes?

It needs to be stated strongly here that the government role could be to design, and evaluate, and to coordinate and to create an enabling environment, while leaving implementation to other players.

The provision of funds by the Tanzania Economic Empowerment Fund (EEF) and the Youth Development Fund (YDF) for setting up enterprises has been directed to groups and not to individuals. During Phase 2 of the implementation of both funds, Savings and Credit Cooperatives (SACCOS) have been the main credit channel to reach the target group. However, delivery of credit by the EEF has been through commercial banks, who then give group credit to SACCOS, who then lend to their members. On the other hand, the YDF has been implemented directly with the SACCOS through the District Administration Account from where the funds are disbursed to the SACCOS, who then lend to their members. The difference in the credit channels used has impacted on the performance of the funds with the EEF performing much better than the YDF as measured by recovery rates and arrears. The commercial banks orientation is towards profit they have in place an effective monitoring and evaluation system to ensure that monies are recouped.



Various partnership options that can be used by Government exist, such as the one mentioned above or others that include subcontracting services; the voucher system and the referral system. One fund can combine all these three partnership methods, for a wide set of partners/stakeholders. There is no blueprint on who should implement the NYF. However, partners should be selected on the basis of:

- who can fill a gap in the market (to avoid duplication of efforts?)
- who does what best?

The key consideration is the way the fund is structured and to ensure that the fundamental problem is being addressed by the design choices.

## 1.6 How to monitor and assess the NYF

### 1.6.1 *What are the key monitoring and evaluation questions to be asked and answered?*

The basis for monitoring is the set of objectives defined for the fund. The first question to ask when assessing the success of a NYF is “*what is meant by success?*” of the particular NYF.

#### a) Have jobs or employment opportunities been created for youth?

In this case, success would imply that the support provided by the NYF ensured that the young beneficiary could integrate on a sustainable basis in the labour market. It can be by being an entrepreneur who has a sustainable business, providing him/her with regular income sufficient to cover his/her needs and those of the family, social security, education and also able to invest in the development of the business. It can also be that with the entrepreneurship experience, expertise, tools and capacity acquired by the young entrepreneur, he/she can find wage employment that provides him/her with decent work.

#### b) Is the NYF functioning and operating as desired?

In this case, success would refer to the way the mechanism is working, with a set of procedures, applied in a transparent and fair manner, reaching out to the target groups as defined in its mandate, having a budget that is operated in a sustainable manner, and providing the services that correspond to the needs of the beneficiaries. Success could also refer to the role of the fund in building the capacity of the market providers of services to offer the financial and non financial support that young women and men need to start and develop their enterprises.

Certainly, success would be, in fact a combination of these different aspects and one could argue that one does not go without the other: it is only because a fund is functioning well that

### **Key questions to measuring success of National Youth Fund**

- Have jobs or employment opportunities been created for youth? How many and what type and quality of jobs, in which sectors?
- Is the NYF functioning and operating as desired institutionally? Did the role players fulfil their mandates and if not why?
- What role have the youth played in implementing the NYF?
- The number and profile of beneficiaries reached in relation to the NYF objectives and national goal vis-a-vis the fund size
- The loan portfolio performance in terms of re-payment rate and fund growth

it can truly ensure that the young beneficiary will receive the support needed and hence engage in decent work. Factors of success could therefore be defined along the objectives mentioned above, and measured following a set of indicators built around both social and financial performance of the fund.

#### **c) What are the indicators of the success of the NYF?**

The success of the Fund is measured by comparing the achievements with the set objectives. This implies that the objectives of the Fund must be Specific, Measurable, Attainable, Relevant, and Time-bound (SMART). The objectives should be linked to specific targets, which should be achieved within a certain timeframe. Targets should be made gender-specific, so that achievements of young women entrepreneurs can be compared with those of young men. This also enables the Fund to take corrective measures if the achievements among young women lag behind compared to those of young men. Data on young people should also specify age brackets, geographical regions in which the youth are operating, as well as the business sectors in which the young people operate (such as agriculture, manufacturing, service sector, among others). The M&E system should not only look at quantitative data. It should also look into the quality and relevance of services.

Once these objectives and targets are identified and the data sets available, a concrete and specific work plan needs to be developed, to guide the process towards the attainment of results. The fund itself should develop such objectives and such a work plan and it should request the same from its partners that implement activities under the Fund. As a next step, the fund and its partners should monitor and evaluate the extent to which the work plan is being implemented, and the targets are being achieved. The partners are accountable to the Fund, the Fund is accountable to the Government, and ultimately to the country.

The objectives will vary with the situation, yet the ultimate goal of National Youth Funds is to create employment for youth on a sustainable basis. The bottom line is whether jobs have

been created or not? In addition to the creation of jobs, some key indicators of success could be the following:

#### **Key Indicators of Success for NYFs**

- Number of jobs created
- Cost of creating one job by sector or type of business activity
- Transitioning to mainstream business financing
- Repayment rate for the fund
- Growth in fund size

Therefore the Monitoring and Evaluation (M&E) system may track the number of enterprises created, and the number of jobs created per enterprise. It can also track these businesses over time, as in the micro and small enterprise sector; it is quite common that businesses exist only for a few years, and then collapse. This may be due to the fact that the young entrepreneurs found a wage job, yet in many cases it happens when the business is not viable. In that case, the Fund has only had a short term impact. If one tracks the number of businesses created, and does not follow them over time, one will over-estimate the effect of the Fund.

#### *1.6.2 Who should monitor the performance of the NYF?*

The development and management of a sound monitoring and evaluation system needs to be done by experts. To make the system work effectively, a database is also required at the level of the partners and the Fund, for continued tracking of results. The setting up of such data bases is the responsibility of those employed by the Fund and the partners to implement the NYF. This implies that sufficient funding has to be made available for setting up and maintaining the data bases. However, it is also possible to mainstream the tracking mechanism into the existing national statistical management systems.

Tanzania provides a workable example where all enterprises make returns to the National Bureau of Statistics (NBS), which then collates these into a national data base. Given the fact that most of the youth enterprises are regarded as 'informal' gets them excluded from the national statistical data base. However, it should be the responsibility of respective National Statistical Agencies to coordinate the collation and storage of such data bases from institutions. A policy intervention would be necessary to capture the youth enterprises data into the national data base.



For this reason, the actual measurement of the performance of the NYF can be at the following levels:

<b>Level of measuring success</b>	<b>Possible key indicators</b>	<b>Primary agency measuring success</b>
<b>Enterprise level</b>	<ul style="list-style-type: none"> <li>• Incomes earned</li> <li>• Jobs created and distribution among young women and men</li> <li>• Financial resources accessed and repayments(if loans)</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise or</li> <li>• Enterprise associations e.g. savings and credit association and/or banks</li> </ul>
<b>Regional level</b>	<ul style="list-style-type: none"> <li>• Enterprises funded</li> <li>• Jobs created per enterprise</li> <li>• Cost per job</li> <li>• Funding disbursed and repaid</li> <li>• Quality of jobs/employment</li> </ul>	<ul style="list-style-type: none"> <li>• NYF implementing agency</li> <li>• Local government or regional government</li> <li>• Implementing banks</li> <li>• National statistical agency</li> </ul>
<b>National level</b>	<ul style="list-style-type: none"> <li>• Enterprises funded by sector</li> <li>• Jobs created per region and per sector</li> <li>• Distribution of jobs among young women and men</li> <li>• Trends in cost per cost by sector</li> <li>• Funding disbursed and repaid</li> <li>• Quality of jobs/employment by sector</li> </ul>	<ul style="list-style-type: none"> <li>• NYF implementing agency</li> <li>• National statistical agency</li> </ul>

### 1.7 What are the factors influencing success of NYF?

The success of the NYF will depend on the performance of the internal management and mechanisms to deliver services to young women and men. This includes good governance in terms of Youth Fund organisation structures, policies and procedures, qualified staff, financial resources allocated in such a way to allow for multi-annual planning and based on performance as well as transparency of procedures.

However, these are not sufficient factors for guaranteeing the success of the NYF: it is not just because the Fund is a well functioning mechanism that it might reach the public policy objective of youth employment. The Fund is only one instrument, within the larger framework of entrepreneurship development and employment promotion policy. The Fund therefore operates within these environments, and its success is to a great extent dependent on these:

## ***Factors influencing the success of NYF***

- Conducive environment for youth employment, including a growing economy and specifically for micro and SME development – registration procedures, tax regimes, but also vibrant value chain markets, among others
- Entrepreneurial mindset of the youth: providing training in the process of business creation can help the young beneficiary but is certainly not enough - entrepreneurship will also draw from culture, early education, and personality.
- Providers of financial and non financial services that can enter into partnership with the NYF or provide complementary services that create the continuum of services required to support the youth enterprises.

### **Key Success Factors for the South Africa National Youth Development Agency (NYDA)**

- A mix of financial and non financial support
- Business mentorship via Volunteer Enterprise Mentorship Programme (VEMP) has been critical to sustainability and growth of youth enterprises in South Africa
  - 500 seasoned business professionals as volunteer mentors;
  - Access of services by young aspirant entrepreneurs is at 5 000 between 2006 and 2011
  - Mentorship includes assistance and advice to develop business plans, access finance and markets and business systems and processes development
  - 50 group mentorship sessions held in all 10 provinces
- Entrepreneurship seen as critical for success of job creation through enterprise development by young people.

*(Excerpt from "South Africa Business Report – The Star", 22-09-2011)*

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### **Key Success Factors for the Youth Development Fund and the Economic Empowerment Fund in Tanzania**

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- Collaborative implementation structure combining government and private sector – commercial banks
  - Clear targeting of youth with savings in a peer structure such as savings and credit cooperative
  - Clear leveraging private sector funds through a government credit guarantee fund
  - No direct involvement of the Government in direct implementation of the Fund
- 

#### **1.8 Are Youth Funds Political Tools?**

Depending on the reality in each country, the extent to which political, economic and social objectives are intertwined in formulating National Youth Funds may vary. In defining the specific objectives of the national youth fund, the political, economic and social dimensions of the national context cannot be wished away. Some key questions to ask at design stage include the following: can you afford to ignore your own national political realities? If not, what are the political realities to be considered in setting up the youth fund and, as a consequence of the political link, what is the risk factor for the youth fund e.g. targeting only young people belonging to a specific political party and excluding others? How can this risk be mitigated?

- **Political objectives** – there is always a political context in which youth funds are set up. The context defines the national goal to which the fund objectives point. The most illustrative political context influencing definition of fund objectives is the Tanzania case. The fund objectives were directly addressing a promise made by the President during a previous presidential campaign.
- **Economic objectives** – the funds are intended to achieve specific economic objectives. The economic context in which the funds are set up means the funds are expected to deliver specific economic results at national and individual level. It is clear that job creation or employment creation is as much a political objective as it is an economic one.
- **Social objectives** – there maybe structural social imbalances which the government may wish to correct by using the National Youth Fund. Youth unemployment and the social consequences of such lack of opportunities are some social priorities these funds wish to address. Left unattended, youth unemployment has been linked to the eruption of social unrest and in some cases, to the unseating of governments.

Thus, the Youth Fund objectives eventually translate to address a national goal, which at the same time is so intertwined with the political agenda that politicians aspire to reach. By so

doing, employment creation becomes one of the lethal indicators by which the performance of politicians is measured and will determine whether they return to office or are replaced at the next election.

### Three Dimensions of Youth Fund Objectives

- What is the political context of setting up the youth fund?
- What are the anticipated economic benefits of the youth fund?
- What are the anticipated social benefits of the youth fund?

## 2. Why should Governments Provide Support to Young People Becoming Entrepreneurs?

Setting up a NYF and thus defining the national goals and specific objectives, such as those in the four case studies in Section 1, one may consider some of the following key questions in order to situate the Fund's goal and objectives in the national context:

2.1 Youth unemployment – is it a passing problem or a structural challenge in your own country?

Globally, unemployment and/or underemployment are a pervasive problem and various measures addressing the demand-side and supply side of labour have been established. However, the problem continues and African economies, despite high growth rates do not witness accompanying declines in the unemployment rates. Jobs created in the formal economy are unable to absorb the rising numbers, which include young people; at the same time, the demographics portray a worrying picture. Young people make up 30 percent of and are the fastest growing proportion of Africa's population (Africa Development Indicators, 2008). Youth unemployment cannot be ignored.

2.2 What drives your government's policy towards youth unemployment?

**Livelihoods:** Limited or lack of access to incomes or source of livelihoods for the people in the particular economy. The right to decent work is one of the rights issues being addressed in many countries as unemployment forces children, young people and women into hazardous jobs and exploitation. National indicators on the extent of this challenge provide an appreciation of the magnitude and nature of the problem to be addressed.

**Youth creativity and the future:** The need to harness the potential and creativity of young people to contribute to development is crucial because in the absence of employment opportunities, they can become a threat to social and political stability and be manipulated for political ends. Young people need to be equipped to be able to look forward to a meaningful and rewarding adulthood.

**Institutional failures in implementing government employment policies:** Lack of resources or dysfunctional public and private sector institutional mechanisms to implement government policies that seek to increase employment opportunities for youth motivate the establishment of specific funds, such as national youth funds. In most instances, they have specific implementation mechanisms that are not part of existing institutions but collaborate with existing public or private agencies already working on employment issues.

#### **What Drives Government Policy: The National Youth Development Agency (NYDA) – The Case of South Africa**

NYDA formed in 2009 through an act of parliament number 54 of 2008 with a mandate to initiating, designing, coordinating, evaluating and monitoring programmes aimed at integrating the youth into the economy and society in general. Salient features of youth unemployment and employment creation in South Africa:

- 48% of young people aged between 18 – 29 years are unemployed (*extract from Finance Minister Budget Speech, 2011*)
- Rate of established businesses who have paid salaries and wages for 42 months or more stands at 2.1% indicating high rate of failure of start-ups (new enterprises) in South Africa giving one explanation for the high youth unemployment rate (*Tamari Mavasa, Executive Manager for NYDA*)
- National Youth Development Agency provides financial and non-financial support to youth entrepreneurs to avoid this high start-up failure rate

SINCE INCEPTION THE NYDA HAS:

- Disbursed loans worth R60m through microfinance, group and SME lending;
- Sourced business opportunities worth R143m;
- Offered entrepreneurship training to 49,341 young people; and,
- Created 61,341 job opportunities.

#### **NYDA's Aspirations**

- Young people participate in mainstream economy
- The programmes of NYDA reach as many young people as possible
- Youth enterprises achieve growth and sustainability

#### **NYDA Services**

- Business opportunity support services
- Volunteer enterprise mentorship programme
- Entrepreneurship development programme
- Community development programme
- Microfinance and cooperatives funding

## 2.3 Limitations of National Youth Funds

Youth Funds are not the panacea to the problem of youth unemployment per se. They are only one among the many elements to a solution. Other active labour market policies are also needed to reduce unemployment. Based on experiences from other countries, some of the main limitations of National Youth Funds include the following:

- Lack of institutional infrastructure to engage young people and to be able to monitor their performance as entrepreneurs. Where there may be other decentralised institutions, such as local government or banking institutions with outreach structures, there may be no collaboration between Youth Fund implementing agencies and the institutions with the outreach capacity;
- Young people are a mobile group and can be very high risk for financial institutions. Innovation is therefore critical in the development of partnerships that will see the private sector collaborating with government to invest in youth employment; it would appear that government alone cannot implement National Youth funds effectively;

### **Youth Participation in Design and Implementation of National Youth Funds**

- What role can young people play in the design and implementation of the National Youth Funds?
  - What role can youth organisations in your country play in the design and implementation of youth funds?
- Youth are the fastest growing cohort in many economies and the sheer numbers of out of school youth cannot be addressed through the implementation of National Youth Funds alone;
  - Exclusion of young people themselves in the design and implementation of the youth funds meant to benefit them, except as beneficiaries of a scheme designed by adults in the institutions that govern the country was evident.

The following two stories of youth beneficiaries from Botswana demonstrate the value of including them, not just as beneficiaries but also to provide valuable inputs on the design and implementation of the Youth Funds. One of the young entrepreneurs could have advised on consideration being given for young people that have a viable business idea and are still in school to be able to access funding. Mentoring should also be considered for young potential entrepreneurs in school to nurture their business ideas until they graduate from school or to encourage entrepreneurs. Young women beneficiaries should also benefit from the Fund.



**Dirt Busters Enterprises** was established in November 2007 by a 23 year old young man. He possess certificate in Computer Studies. He started operating from home and then moved to a mall in the city centre. The total grant he received was P49,700 (approximately US\$7900), which was used to purchase 7 washing machines, 7 tumble dryers, 4 irons and 4 ironing boards. The services that the laundry offer ranges from washing and drying clothes, ironing to carwash services, upholstery cleaning and floor and window cleaning. They have a large market in the city but faced stiff competition from foreigners who hand wash clothes and some customers prefer this to machine wash. To deal with the competition, a diversification strategy was used. People collect their laundered clothes, washed cars and did upholstery at one location which saves them money and time. Dirt Busters also offers a very competitive price for services rendered.

There are four employees, two who are on a part-time basis and two on a permanent basis. The full time employees are paid a fixed month salary and the part-time ones are paid on commission.

Records of the everyday activities, a customer database, and records of the business assets are maintained and a marketing plan was developed. The marketing plan discussed issues on how to deal with competition (product diversity and business expansion). The plan also included operational guidelines on the day-to-day running of the business. The young entrepreneur is very ambitious and he hopes to start manufacturing his own cleaning chemicals.

### **Emerging issues**

Dirt Enterprise is in the service sector of the economy, a sector that the government is encouraging expansion. The young entrepreneur broke the boundaries and stereotypes that a laundry is only meant for the females. He applied for the Youth Fund when he was still in school but his application was rejected because he was interested in a business that was for young women entrepreneurs. This however did not discourage him so he started his laundry business at home on a very small scale whilst going to school. As soon as he was out of school and was eligible for the grant he applied for funding and his application was approved so he expanded his home-based laundry service by moving to a commercial location in the city centre. This case study shows a weakness in the Out of School Youth programme.

**Millie's Beauty Clinic and Hair Salon** was established in October 2007 by a 27 year old young woman. The owner applied for a grant in April 2006 and the application was approved in April 2007. The total amount of funding she got was P45,000 (approximately US\$7200). This grant was used to purchase salon equipment, relaxers and hair fibre. The Department of Youth paid rent and wages for the first three months, as they did for all newly founded youth enterprises. Before she got the funding, she underwent a business management training course sponsored by the Department of Youth.

This enterprise offers a wide range of services: *braiding, hair relaxing, oil treatment and haircuts*. The market base is in a rural area, which is felt limits growth of the business, since people in rural areas do not require some of the hair salon services and beauty therapy services that are offered. Given this limitation, the plan is to expand the business to the city centre where the demand for the services is expected to be greater. The young entrepreneur would like to further her knowledge in her line of work, by going to beauty therapy school to learn more about facial treatments, manicures, pedicures and aromatherapy. One male and one female, other than the young entrepreneur are employed. They have been working with her since she opened the enterprise. The employees are paid on commission, 35 percent of profits made from services provided.

#### **Emerging issues**

This case study is a reflection of the features of the Out-of-School Youth Fund. Young women are also beneficiaries of the Youth Fund, as it aims to achieve gender balance in the projects that are funded. Mentorship programmes with more experienced entrepreneurs who are in the same line of business are requested by the young entrepreneur.

### **3. What does it take for youth to be successful entrepreneurs?**

#### **3.1 Are all youth entrepreneurs?**

Not everyone is an entrepreneur. Likewise, not all youth can become successful entrepreneurs and create jobs for themselves and for other young people. Successful business persons, who in turn create employment for other people in their own businesses, have some common characteristics: they typically are independent, entrepreneurial and ambitious. Most importantly, they have a viable idea and some basic resources to turn their idea into action. Some of them receive help from family or friends to get the business moving forward. However, for most, this source of support does not exist or it is not enough if it is availed at family level. This gap is what the National Youth Funds seek to address.



### 3.2 What are some of the key pre-requisites for successful youth entrepreneurship?

#### **Pre-requisites for successful youth entrepreneurs**

- SMART objectives, sharp targeting of specific youth groups and a clear financial mechanism
- A structured, flexible and transparent organisation to run the Youth Fund partnering with local institutions such as Local Government, cooperative societies and decentralised financial institutions that deal with youth
- Financial resources in line with the objectives and expected outcomes
- Establishing and maintaining active regional partnerships to achieve greater outreach to rural as well as urban youth,
- An effective monitoring and evaluation system that enables the Youth Fund to track the youth beneficiaries since youth are a highly mobile group.

Not all youth are ready to become self-employed. Many of them must be sensitized and encouraged to take this step. Someone may have a good business idea, but may not be able to 'sell' the idea to others. A sound business plan for accessing finance and other services is critical. So youth may need a lot of support in formulating and in writing a business plan.

Services to youth need to be offered in a demand-driven way and be tailored to the specific needs of youth. Youth have low business and life experience. They also have not built a track record, have limited business contacts and limited capital (savings, land or a house) that they can use as investment in the business. Some youth are also very mobile, which makes it more challenging for service providers to work with them. On top of these constraints, they are also often considered less serious in running a business. Special programmes or support mechanisms may be created, taking into consideration the specific needs of youth.

Businesses run by youth can only flourish in a conducive private sector environment. In other words: there has to be a demand for the products and services that they deliver. If there is no well-functioning market, it will not be possible to become a successful entrepreneur, even if the other aspects are in place. In such an environment, market development needs to be addressed first, before focusing on youth entrepreneurship. Youth entrepreneurs should be able to engage in transactions in this market on an equal basis with other (larger or more established) entrepreneurs. If this is not the

case, it is desirable that the Fund also invests in improving access to these markets for young entrepreneurs.

The government has an important role to play, in creating an enabling environment in which youth entrepreneurship can flourish. Legislation and regulations should be conducive to youth entrepreneurship, and obstacles, if any, should be removed. Incentives can be put in place to encourage youth entrepreneurship.

### **Youth as stakeholders in national budgets – The Case of Kenya, 2011**

The creation of jobs is not the responsibility of young people. One often hears it being said that young people should not be job seekers but job creators. How realistic is this notion, given that youth unemployment is not the fault of young people? The creation of jobs is the responsibility of Government through ensuring that there is an enabling environment - through the provision of a blend of policies and incentives that attract FDI, local savings and investment and that the education provided is relevant to the labour market. The Government can mobilize other partners to create employment opportunities for young people.

Commitment and political will towards job creation for young people is not just about having the issue mainstreamed into national policy frameworks, but also must incorporate budgeting for youth employment. The theme of the 2010/11 Budget for Kenya was to empower the youth to secure the future of Kenya. Measures, including the establishment of a Revolving Fund of Kshs 3.8 billion (approximately US\$47 million) to empower young entrepreneurs and to encourage SMEs were established. It was expected that 100,000 direct employment opportunities would be generated.

Young people can become job creators in a supporting environment that provides them with a range of opportunities, such as fostering a culture of entrepreneurship from a young age; creating an enabling policy environment; providing access to credit, markets; availing them to job placements and apprenticeship.

A caveat worth mentioning is that along the spectrum, there are many young people who will never be job creators and will always have to be employed so, does it mean that they will be marginalized for not being job creators? Additional jobs still have to be created and the onus will be on those who become job creators, but do we know how many jobs they actually create?

### **3.3 What financial & non-financial services do youth entrepreneurs need?**

Like other entrepreneurs, most young people need the following services:

- Finance (such as grants, loans, savings, insurance and leasing); all the listed financial instruments are controlled at institutional level in government or private organizations; if such institutions do not recognize the need for young people to access financial resources, they will almost always be crowded out by the adults in established businesses or by those who are targeted for grants in some “NGO development initiatives targeting women AND youth...”

- Awareness of the available financial and non-financial services – as much as specific financial schemes may be set up for young people, they may not know about their existence due to lack of promotional strategies for such schemes. It could also be that young people may be in areas that are inaccessible by service providers, who operate specific schemes for youth
- Business development services (a package of training, mentoring and coaching services on various topics, including entrepreneurship, financial and business planning, marketing, management, and technical skills. Entrepreneurs also need access to market information, as well as networking / lobbying support).
- Moral, technical and professional support for the young people - given their limited business experience, mentoring and coaching can be particularly useful for entrepreneurial youth.

#### **What can governments do for youth entrepreneurship to flourish?**

- The Botswana government invested in pre-funding training of youth entrepreneurship before they accessed funds
- The South African government, through the National Youth Development Agency, provides market linkages for youth enterprises to access markets and expertise

### **3.4 Are young women & men equally challenged in being entrepreneurs?**

Entrepreneurship tends to be more challenging for women compared to men. Young women often do not have equal rights as men, for example in owning property, signing contracts and accessing premises. Young women also face vulnerabilities, such as harassment and discrimination. This implies that programmes should assess the specific needs and concerns of young women in setting up and running a business, and that they need to consider making available tailor-made support to young women, so that they can operate on an equal footing with their male counterparts. This is an important part in the design of a NYF.

### Who is doing what to support youth entrepreneurs?

- Is there a data base of service providers for entrepreneurs?
- What challenges do young women encounter in trying to start and run their own businesses compared to young men?
- What communication channels exist with young people in urban and rural areas on schemes meant to benefit them?
- How does the design of your youth fund address these challenges for young women and men?

## 4. How to ensure the NYF benefits those that need it?

### 4.1 Which youth should be targeted by the NYF?

**Those in the “upper” the “lower” or the “middle” group:** The “middle” group are young people that cannot make it on their own, but that can establish or expand a viable business with some external help. The “upper” group, which falls outside this category, includes those young people that can make it on their own, and that do not need any support from the Fund. The “lower” group, which also falls outside this category, comprises those young people that will not make it, even with extensive external support. Entrepreneurship is not for everybody. It takes a combination of skills, good ideas and discipline to run a successful business. Not everybody is gifted with these personal traits and ideas. If these elements are missing, the external support alone will not make the enterprise succeed. By applying for group loans, youth can also overcome some of the challenges they encounter as individuals: group members guarantee each other’s loans, which helps them to overcome the issue of limited savings and collateral. For specific purposes, youth can also obtain grants. Yet this should be determined on the basis of a business plan. If repayments are not feasible, grants are an option. Yet as soon as repayments are feasible, youth should obtain credit, as this will help them to invest in a sustainable business, rather than investing in a business that has limited chances of becoming viable.

Selecting the right target group is easier said than done. First of all, it is difficult to determine which young people fall within the ‘middle category’. One cannot easily see who can (not) make it on their own. In addition, young people may have their own motives to make one feel that they fall within that ‘middle category’: they may think that by accessing the Fund, they can obtain free or cheap funds and services, compared to similar services that are available on the market. This may mean that some of these ‘free riders’ (meaning young people that are only in it for getting cheap loans or free training), apply for support when they are not motivated to start a sustainable business. Especially in an environment where the government has been providing heavily subsidised credit or services, or in an environment where agencies have not been insisting on repayments, the risk of attracting ‘the wrong target group’ is high.

### Targeting the “middle” group – generating a profile

Define specific criteria and procedures as the basis to select applicants with the potential to become successful entrepreneurs and then:

- youth applicants submit a business plan
- have a subsequent discussion with the youth to assess the person’s motivation, mentality and intentions
- assess the financial prospects and viability of the business plan
- check the youth’s ability and willingness to invest personal savings
- consider the availability of a guarantor especially in a peer structure
- examine efforts undertaken so far to engage in business activities

The following come out as some of the specific criteria that can be used to identify and target the “middle group” likely to achieve the investment objectives of the NYF, given private sector participation and sustainability objectives, as well as the national objectives of employment creation:

#### Suggested specific pointers for the selection process

**Clear selection process** – coordination of various stakeholders is key – local selection to be first step followed by an agreed business appraisal process focusing on specific criteria, for the Tanzania Economic Empowerment Fund and the Youth Development Fund, a selection process that begins at the Savings and Credit Cooperative Societies (SACCOS) that ensure that the local or peer screening of applicants is done effectively before their application gets into the credit appraisal channel.

**Prefunding conditions** to be met are critical to illustrate youth commitment to their business idea and commitment to business discipline and job creation and having the minimum skills required to run the business

**Own input** into the enterprise by the entrepreneur, even when they are among the poor and marginalised – some level of savings being linked to the eligibility to borrow and the size of borrowing entitlement

**Belonging to a “peer structure”** such as a savings and credit association, a project group or having individual commitment in the form of existing activities and records and any other intangibles demonstrating commitment

**A sound business idea** with a business plan demonstrating the expected results of implementing especially ability to service loan and growth

**Acceptance of the need for engagement with a local intermediary institution** or structure for monitoring and collection of repayments..... understanding and willingness to sign a contract



## 4.2 Designing the Selection Process

The selection of eligible youth begins even before they actually approach the Fund for assistance. By sending out clear messages – through promotion campaigns and during individual interviews with youth - the Fund informs youth of what it expects from them. By focussing these communications on expected results at the business level, rather than on the fact that one can receive support through the Fund, youth will understand that they need to do something in return for obtaining assistance. By requesting youth to report on how the services have contributed to achievements, youth will further grasp the message that the approach is results-based. This also implies that youth must be made accountable, and that they are to provide information for monitoring and evaluation of the Fund.

It is also advisable to provide ‘staggered’ support: applicants will undergo an assessment, based on which package of required support services is identified. At this stage, youth and their ‘account managers’ and/or their mentors, should jointly set targets for the enterprise and monitor to what extent these targets are being achieved. Based on a discussion on these targets and subsequent achievements, the next step (level of support) can be discussed and agreed upon. By providing access to services on a graduated basis, there is an incentive for youth to perform well, as this enables them to receive additional support. This approach also enables service providers to obtain information on progress among youth, and then to decide whether and where the additional support is relevant and desirable.

Both the service providers and the youth must commit to invest in the business (*through provision of services by the providers and through implementation of agreed actions by the entrepreneur*). Youth should not only receive support, they should also make their own contributions. Youth should not be considered as weak: they often have resources to bring, such as skills, a bit of savings, and relatives or friends on whom they can rely. It is important to build on these assets. It is clear from the Tanzania case that even among the very poor communities the Fund can require that youth invest some personal savings into the business to reflect their commitment to the business.

**KickStart** in Botswana is a private sector initiative that was launched by Kgalagadi Beverages Trust (KBT) in 2004. It aimed at youth that either wanted to start a business or expand their existing business. Its main aim is to inculcate an entrepreneurship culture among young people.

Once a year, various media campaigns are run to enable the submission of business plan proposals from young people aged 18 to 30 years old. The winning proposals are given a ‘KickStart’ in the form of grants, business training, and mentorship. These grants range from P1,000 to P100,000 (US\$131-13,000) per grant and mentorship takes place for a period of 12 months. The recipients do not receive grants in cash form but as fixed assets required for the businesses. From 2004-2009, the programme supported businesses employed over 50 young people and turned over in excess of 6 million Pula (approximately US\$800,000).

The youth should only obtain temporary support from the Fund. After a certain period, the enterprise should run on its own and it should be able to continue doing so or be connected to a financial institution. If not, the Fund has not had any sustainable impact and hence has not reached its goals. Some skills and experiences may have been built for the youth, which may have helped them to find a wage job (so in that sense it has done something useful), yet this was not the ultimate goal of the fund. This reflects the importance of identifying specific objectives of the fund and an exit point, and stating clear criteria on the basis of when the Fund will stop to support a particular entrepreneur.

#### **Some issues to consider**

- How long should the fund support an entrepreneur?
- Can a borrower return for re-financing after the first loan?
- Is there a support structure to which borrowers can graduate from the fund e.g. commercial banks or MFIs?

## **5. Partnerships and accountability**

### **5.1 What Are Some of the Common Forms of Partnerships?**

The previous section looked at the different actors that may be involved in support schemes to support youth in the path to entrepreneurship. It is now important to consider how these different stakeholders can work together in an effective way to be able to reach out to youth and provide them with a whole range of services, both financial and non financial. The modalities for working together can be articulated in various forms: from directive arrangements such as:

- contracting between the NYF and the service providers, through subsidizing part of the services that providers offer to the NYF beneficiaries;
- more flexible arrangements, for example through vouchers that link beneficiaries to service providers or employment pacts, whereby the partners agree to coordinate their actions; or
- exchange of information and making sure that services complement each other.

#### **Forms of partnerships**

- Voucher system in South Africa
- Partnership in Mali of the Guarantee Fund, Commercial Bank (BMS), Ministry for Youth: PAJEM programme
- Employment Pacts in Austria and Bulgaria
- Credit guarantee in Tanzania with government and private

## 5.2 What are the key challenges to forming viable partnerships?

One of the challenges to be considered when defining the strategy to deliver the services is that the different actors have various motivations and constraints, first of all due to their nature. Whereas the NYF, for example is a public policy initiative and is not looking for profit, other providers such as financial institutions would not undertake any action that would lead to losses but instead they would want their services to bring a return on investment. It might, for example not be profitable for a financial service provider to reach out to youth in very remote areas while on the contrary, it is important for the NYF to reach disadvantaged and excluded youth with such services. When discussing partnership, an important step is for each actor to understand these respective constraints and put in place a strategy to overcome them. In the above mentioned example, subsidizing the financial institution to reach out to remote areas could be one strategy for the NYF to fulfil its mandate. While there is a divergence in the objectives of government and the private sector financial institutions in providing credit to youth, their different perceptions are not mutually exclusive but complementary to each other as was illustrated in the Tanzania case.

Further, motivations might change over time, or priorities might get shifted, with consequences on the services available, either by opening new opportunities or closing certain doors: a micro-finance institution which was focusing exclusively on women might decide to open to men, with some new opportunities for partnership. It is therefore important for the NYF to review on a regular basis the actors on the market and be open to a redefinition of partnerships.

Having a referral system in place could be a good strategy to ensure a steady flow of communication.

Beyond the differences in motivations and mandates, the different actors have also different comparative advantages and expertise. It is important, in the cooperation, to acknowledge this and make the best out of it. For example, it is usual business procedure for financial institutions to review applications for enterprise credit, they have at their disposal tools and expert staff to review the soundness of business plans and assess credit worthiness of an applicant. On the other hand, the NYF would be able to assess whether the young applicant qualifies or not according to the criteria defined to enter the target group of the programme. Thus, one guiding principle for defining the partnership should be: “focus on who does what best”.

To be able to monitor the synergies and respective performances, the partners can agree on a set of targets that they should reach and against which they are accountable.

Another example is the cooperation between local and national institutions: Local institutions can often define better the needs of the specific target groups in their areas, but also the potentials in terms of economic development. In that respect it is important for a NYF to partner with youth organizations that can represent the target groups and voice the needs and concerns which have a direct relevance for the strategy of the NYF.

Further, it is important for the NYF at national level to allow for flexibility in the implementation of the programme, to make sure that the services offered correspond to the needs of the youth and offer them real opportunities for economic development.

Based on the above elements, one could characterize the NYF as defining the framework to provide resources to the youth that face challenges in accessing the services they need to be



successful entrepreneurs. The NYF should be able to identify where the youth can find the non financial and financial services they need, refer them to these institutions, and in case the services do not exist or are not accessible for the beneficiary, support the development of training programmes, or avail funding to support the institutions so that they can serve the young women and men.

## 6. Conclusions – Some essential building blocks for a successful NYF

The following can be seen as some of the essential building blocks of a successful NYF:

### 6.1 Key messages

Governments should be aware that NYF may be perceived as a political tool. By working with non-government agencies, one can reduce the risk that youth may think that they do not have an obligation to demonstrate results (including repayment of loans) in return for the services they receive. The following are some of the key messages that come out of the case studies:

- **Invest in designing the NYF and evaluate the design** before signing it off as viable. The design of the NYF is a key success factor, both in terms of successfully creating jobs for youth and for sustainability
- **Government can't go it alone-** engaging multiple stakeholders bringing in diverse experiences, resources and capacities to mitigate the risk of failure and to increase the possibility of success. This is especially crucial in designing the implementation mechanisms, where government may need to partner with private sector players such as banks, technical service providers e.g. trainers and local authorities and beneficiary associations, such savings and credit unions. Government's role to be largely at design and funding and monitoring and evaluating stages while other players implement.
- **Invest in M & E to tell whether the NYF is succeeding or not-** monitoring the implementation of the NYF hinges on the definition of specific measurable targets / indicators in the design of the NYF and having an explicit data collection system and structure with capability for outreach to where the beneficiary enterprises are located. The NYFs studied have weak M & E systems and can't tell how many jobs have been created for youth
- **Youth may be high risk borrowers but can be attractive even to private sector financiers** – the perception that youth are high risk is true but that does not mean they should be excluded from facilities to enter mainstream economic activity. The NYFs show that with careful design, even private commercial banks and MFIs can invest and make reasonable returns from youth enterprises. The design of a NYF can leverage as much funding from the private sector, if not more, for financing youth entrepreneurship.

- **Targeting is key in the design of NYFs otherwise the fund misses the intended beneficiaries** – the design of the NYF must be explicit in terms of who is targeted in relation to the age group, personal profiling, location and conditions for accessing the NYF.
- **Grant financing is not sustainable and may not solve the unemployment challenge that the NYF is set up to address-** perceptions of government money being “free” money exist and the obligation to repay may be weakened if government shows its face in the NYF implementation process where loans are the financing mechanism in place. Where grants are the mechanism, there is a low level of motivation to succeed since the money can be lost and there is no consequence for the borrower.
- **Invest in business training to reduce chances of business failure** – a design gap in all cases, except the Botswana case, shows lack of investment in systematic and sustained training of entrepreneurs who are youth and may have little or no experience in setting up and running business. This gap weakens NYF performance and can lead to business failures.
- **Belonging to a peer structure and demonstration of personal commitment to investing in a business venture increases the chances of success of the NYF, given the risk associated with youth borrowers** – the credit delivery mechanism of using savings and credit associations in Tanzania as the credit delivery mechanism for initial identification and peer monitoring produced good performance results.

## 6.2 *Emerging Best / Effective Practices*

1. A decentralized data collection system feeding into the national data base through the national statistical agency can actually be put in place and work to provide the data base for monitoring and evaluating the achievement of objectives in relation to jobs created and the quality of the jobs. The Tanzania case illustrates this.
2. Use of peer structures to target youth for accessing the NYF produces good results as demonstrated in the use of SACCOS in the Tanzania case study. Working with individual borrowers not belonging to any peer structure produces very poor results as there is no peer identification of would be borrowers and no local monitoring on the use of credit for the intended purpose. The Tanzania case (during the first phase of the Youth Development Fund) and the Botswana case, where grants are given, both illustrate the high level of business failures associated with this approach.
3. Collaboration between government and the private sector can produce good results in mobilizing private sector funds for investment in job creation for youth if the design of the collaboration is sound. An evident best practice is the provision of a credit guarantee to unlock private sector funds for investment in NYF, whereby the risk of lending is reduced through the guarantee.

4. Credit financing of youth enterprises is more viable than grant financing for the simple reason that government funds are seen as free money and may not be repaid, especially where there are weak monitoring systems with little or no follow up post grant making phase. Borrowers are not accountable and don't feel obliged to repay. Grant financing of youth enterprises should only be done if there is a clear structure for follow up and support to ensure the grants are used for the intended purpose.

5. Four different implementation modalities, including the advantages and disadvantages from Botswana, Mali, Tanzania and Tunisia are presented below. A hybrid of a National Youth Fund that draws on the experiences of various models can be developed to fit a national context.

### **Botswana**

#### **Source of Funds**

The Botswana national youth fund is wholly government funded. The Department of Youth is the implementing agency. The funds are given as a 100% grant.

#### **Implementation modalities**

The following are the major implementation modalities:

- Government makes budget allocation for the youth fund annually
- The Department of Youth identifies the youth to benefit from the funds through its district structures
- The identified youth are taken through a pre-funding training programme by selected service providers for which the government pays
- The youth can be funded as individual entrepreneurs or as a group or as a company. The choice is theirs.
- The Department of Youth disburses the funds based on proposals prepared by the youth after training
- Monitoring of implementation is done through the same district structures that do the selection of the grantees.

#### **Advantages**

- Government directly pays out, which reduces the cost of fund management
- Government channels money to suppliers, who in turn provide assets to grantees.
- Government retains ownership of assets during the first few years thereby reducing the risk of misuse of grants by the youth
- 

#### **Disadvantages**

- Government funds seen as 'free' funds and may not be handled with high levels of entrepreneurial discipline by the beneficiaries
- Grants mean dependency and no pressure to succeed
- Grants do not revolve, so the fund is depleted and continues to draw from government coffers
- Government implements directly without partnership, yet it has limited business development and business support capacity

## **Mali**

### **Source of funds**

Government provides the funds for the Youth Fund with a private bank providing additional funds. The funds are given as loans to young people.

### **Implementation modalities**

The modalities in Mali emphasise segregation of responsibilities depending on respective competencies, while at the same time putting in place partnerships that seek to maximise cooperation of various stakeholders as follows:

- Youth Employment Promotion Agency (APEJ), which is a government agency oversees the implementation of the fund
- A private subcontractor for capacity building for non financial services delivery exists in APEJ
- Steering committees at national and regional level are set up to coordinate implementation and bring together various stakeholders
- A private bank manages the fund and provides additional funds
- At the local level, a Decentralised Financial System(DFS) disburses and collects repayments

### **Advantages**

- The Government face not seen directly by borrowers and they do not treat the fund as 'free' government money thereby enhancing the chances of viable repayment levels
- Borrowers deal with the financial institution, which fosters a business approach to the administration and application of the fund
- Decentralised fund disbursement contributes to good outreach in rural areas
- Partnership with the private bank creates the opportunity to leverage private sector money into the Youth Fund as the bank also realises the existence of good business opportunities as it manages the government youth fund

### **Disadvantages**

- Lending is directly to individual borrowers and there is no peer mechanism to leverage peer pressure on borrowers
- APEJ is a government agency and this is known, so it may militate against the full impact of working through the bank for fund management

## **Tanzania**

### **Source of funds**

The source of funds for the Tanzania youth funds is the government, the private banks and savings from borrowers. The funds are accessed as loans attracting interest rates above the bank rate. The funds are revolving and escalate to more and more beneficiaries.

### **Implementation modalities**

The major features of the implementation modalities in Tanzania include involvement of various stakeholders, depending on their respective competencies, shared responsibilities between borrowers and financiers for funding the borrowing enterprises and the existence of an oversight structure bringing together various government arms. The main elements are the following:

- Government oversight committee & Department of Labour coordinate the implementation at national level
- The Central Bank guarantees loans by setting aside a guarantee fund as a deliberate strategy
- Private banks and micro-finance institutions (MFIs) disburse loans (with additional funds of their own), monitor & collect repayments
- Savings and Credit Cooperatives identify and recommend borrowers based on their savings with the societies
- Local government follows up borrowers at local level
- Borrowing is linked to own savings
- Lending is done to groups or to individuals through their Savings and Credit Cooperatives
- The Savings and Credit Cooperatives collect repayments

### **Advantages**

- Borrowers deal with own associations and banks and don't see loans as 'free' government money thereby enhancing the business approach of the Youth Fund
- Associations link borrowing to borrowers' savings (which should enhance commitment on the part of the youth entrepreneur), provide peer pressure & improve quality of borrowers
- Partnership between government through the Central Bank guarantee scheme and private banks provides a deliberate leverage of private sector money to be invested in the youth enterprises, in addition to government funds
- Charging interest rates above the bank rates makes the fund grow in real terms
- The revolving fund means the same amount of funds will service more and more beneficiaries as the repayments come in and they are lent out to new borrowers

### **Disadvantages**

- The monitoring role of government and the financial institutions is fragmented and weak
- The government face is still seen by borrowers, as there are announcements at policy level that government has set aside funds to be accessed by young people
- No training component included in this model, both for training at client level and for capacity building of financial service providers (SACCOs), this leaves the borrowers vulnerable to failure as a result of lack of capacity



## **Tunisia**

### **Source of funds**

The source of funds for the Tunisia scheme is the government, which finances the public service, who are a key player in the labour market intervention. There are no youth funds set aside to finance youth enterprises as in the other cases.

### **Implementation modalities**

The Tunisia modalities largely do not involve movement of funds from the government to finance youth enterprises. Rather the focus is on linking youth with other players in the labour market to try and place them into employment. This means the thrust is to enable employers to employ the young graduates, who may or may not be entrepreneurs. The following are the main features of the scheme:

- Partnership between public service and private employment agencies and institutions with relevant data on employment opportunities
- Central data base on job opportunities as the major tool for career advice to students and job seekers

### **Advantages**

- Does not require a big financial outlay
- It promotes efficiency by linking job seekers to employers

### **Disadvantages**

It does not expand economic opportunities

- It is subject to structural and geographical limitations for access to information

# Appendix 1: Monitoring & Evaluation Tool in the Tanzania NYF

## Central Registry of Establishments – Job Creation Tracking Tool

<b>1. Full name of Establishment:</b> ..... <b>Name of respondent:</b> ..... <b>Date of completion of this form: Date</b> ..... <b>Month</b> ..... <b>Year</b> .....	
<b>2. Mailing Address</b> <b>P.O. Box</b> ..... <b>Telephone number</b> ..... <b>Town</b> ..... <b>Fax number</b> ..... <b>E-mail</b> .....	
<b>3. Physical location of establishment/SACCOS/enterprise</b> <b>Region</b> ..... <b>District</b> ..... <b>Ward</b> .....	
<b>4. When business / activity started:</b> <b>Year</b> ..... <b>month</b> ..... <b>Main activity of the business</b> ..... .....	
<b>5. Loan access: when did business/activity access loan / credit? Year</b> ..... <b>Month</b> ..... <b>Amount Tsh</b> ..... <b>Purpose</b> .....	
<b>6. Employment situation Before getting credit/loan:</b> <b>How many people were employed in business before loan was obtained? Total number</b> ..... <b>How many males?</b> ..... <b>How many females</b> ..... <b>How many below 24years?.Wanaume(male)</b> ..... <b>Wanawake(female)</b> .....	
<b>7. Employment situation now (date of completion of form.....)</b> <b>How many people are employed in the business now? Total number</b> ..... <b>Wanaume/male?</b> ..... <b>Wanawake/female</b> ..... <b>How many below 24years?.Wanaume/male</b> ..... <b>Wanawake/female</b> .....	

Source: UN - Delivering as One / Government of the United Republic of Tanzania "Impact Assessment of the Youth Development Fund and the Economic Empowerment Fund and Development of Job Creation Tracking Guidelines" (July - August 2009)-S. Matsvai