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Youth Financial Inclusion: Promising Examples For Achieving Youth Economic Empowerment

Prepared by Myka Reinsch in collaboration with the e-MFP Youth Financial Inclusion Action Group

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NETWORKING WITH THE SOUTH

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INTRODUCTION TO THE CASE STUDIES

Background and Purpose

Microfinance as a tool for economic empowerment and development has made tremendous progress over the past two decades, but the sector currently faces numerous risks. Widespread economic downturn poses ongoing threats to microentrepreneurs' ability to remain economically active, to save and to repay loans – thereby imperiling the financial sustainability of many financial service providers (FSPs). The reduced availability of donor funds – also brought about by battered economies – has forced many FSPs and their partners to curb the development or scale-up of new product innovations, including savings products that could better address clients' diverse needs. Extreme competition in some markets poses a threat to transparency, responsible lending practices and many institutions' long-term sustainability. And the controversial Initial Public Offerings (IPOs) of Compartamos in Mexico (2007) and later SKS in India (2010), followed by the critical microfinance crisis that began in India in 2010 are having far-reaching repercussions on the sector's reputation.[1] Many are calling for a return to the sector's original focus on fair service for the poor, and initiatives such as the Social Performance Task Force, (SPTF), the Smart Campaign, Microfinance Transparency and the Center for Financial Inclusion are endeavoring to address aspects of this demand.

Against this backdrop, though, there is another issue on the horizon that presents a significant potential setback for the development sector generally and for financial inclusion in particular: the surge of impoverished youth coming of age in least developed countries. The United Nations (UN) defines 'youth' as people between the ages of 15 and 24 – although it is clear that important factors such as gender, psychological maturity, cultural norms and marital, parental and schooling status make this age group far from homogenous. According to the UN, more than 18% (1.2 billion) of the world's population is comprised of youth, and the combined group of youth and children (those under age 15) makes up fully 40% of the world's population today.[2] This proportion is closer to 60% in the least developed countries,[3] where youth lack adequate access to education, financial services and formal employment.[4]

1 SeeMicrofinance Banana Skins 2011 by the Center for the Study of Financial Innovation for more detail on risks facing the sector. Available at: http://www.citi.com/citi/microfinance/data/news110125b.pdf.

2 International Year of Youth: Dialogue and Mutual Understanding. United Nations, 2010.

3 Population Dynamics in the Least Developed Countries: Challenges and Opportunities for Development and Poverty Reduction. UNFPA, May 2011.

4 The ILO holds events in more than 40 countries around the world and recently hosted a General Discussion on the Youth Employment Crisis during the International Labour Conference in June 2012 http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS_175421/lang--en/index.htm

This unprecedented group of youth could offer a golden opportunity to build on the momentum of financial access, economic and social empowerment and poverty alleviation achieved over the past two decades. But unless the unique needs of youth are identified and creatively met, this group may also pose a critical threat to the progress achieved. As the UN Population Fund (UNFPA) states: "A large and growing share of young persons can support the economic and social development of countries, but can also pose considerable challenges, where countries do not have the capacity to ensure adequate investment, especially in their health and education, and where economies do not generate sufficient productive and remunerative employment for young people."[5] But as the UN World Youth Report 2011 points out, there is an alarming dearth of jobs for people under the age of 25.[6] Furthermore, the current world economic environment exacerbates the challenges of youth poverty, underemployment and unemployment – making the need to focus on solutions all the more urgent.[7]

With its extensive networks of branches and clients in both urban and rural areas, and often trusting relationships with the communities served, financial inclusion initiatives are well-positioned to play an important role in responding to the needs of burgeoning youth populations and guiding them out of poverty. FSPs and Youth-Serving Organizations (YSOs) frequently possess expertise in developing and delivering financial and non-financial services specifically adapted to meeting the needs of low-income populations.

The emergence of youth microfinance services specifically designed to stimulate entrepreneurship, innovation and sustainable growth is extremely timely, particularly from the standpoint of a development sector seeking to reinforce its commitment to social impact. This pressing need for socially responsible financial practices can be addressed by FSPs and YSOs working together to develop and deliver adapted financial and non-financial services. These services will in turn enable youth to apply the knowledge gained during a formative stage in their lives and empower them to build a better future both for themselves and their families.

Financial habits and work practices formed early in life influence behavior in adulthood. Thus, combining financial literacy training with access to secure savings and/or business start-up loans can help set positive financial management habits, build assets, avoid costly pitfalls, establish a nest egg for future goals or emergencies and launch a revenue-generating enterprise. Moreover, by reaching people earlier, financial inclusion initiatives may not only inspire the next generation of clients to improved economic performance but might also pave the way for generations to come.

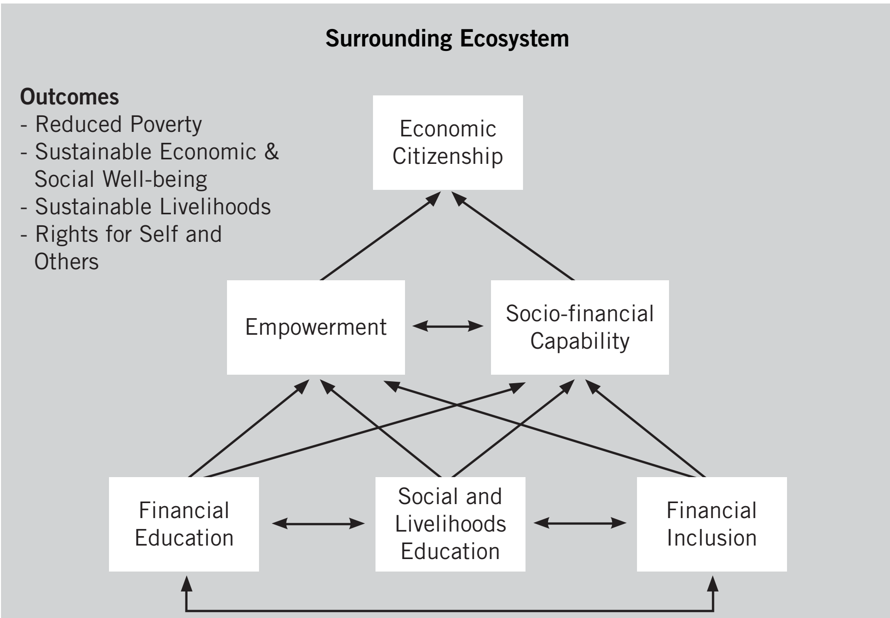
Over the past several years, an increase of donor funding directed towards the youth financial inclusion sub-sector has enabled FSPs, YSOs and the organizations that support them to not only listen to and understand the needs of youth populations but

5 Ibid.
6 United Nations World Youth Report 2011. The United Nations Department of Public Education, 2011.
7 The Youth Employment Crisis: Time for Action. International Labor Organization, March 2012.

also make exciting advances in the development and testing of youth specific financial services and products. These products and services combined with more refined monitoring and evaluation techniques that measure initial outcomes and results, is gradually convincing stakeholders that youth can be successfully served. Furthermore, there is a growing recognition among these organizations that many of their existing clients are youth and that their needs differ from those of adults.

Therefore, developing adapted financial products satisfying those needs makes sense not only from the client's standpoint but also from the institution's, particularly when taking into consideration issues of risk management, reaching economies of scale and fulfilling a commitment to social and financial sustainability.

Figure 1: The Child and Youth Finance Movement's Theory of Change



As the practice of youth microfinance evolves, the financial inclusion sector has begun to document important findings and challenges in serving youth. Publications such as *Savings Accounts for Young People in Developing Countries: Trends in Practice* and *Emerging Guidelines for Linking Youth to Financial Services*[8]*;* UN Capital Development Fund's *Policy Opportunities and Constraints to Access Youth Financial Services*[9]; Making Cents International's *State of the Field* publication[10]; the YouthSave consortium's blog and publications[11];*Youth Savings CGAP Microfinance Blog*[12] and practical learning products developed by SEEP's Practitioner Learning Program on Youth and Workforce Development[13] are notable in this documentation process to date.

Figure 1 depicts the Theory of Change developed by Child and Youth Finance International (CYFI), involving a combination of financial education, social/livelihoods education and financial inclusion as a means for youth to achieve empowerment, socio-financial capability, and ultimately "economic citizenship". Such empowerment implies that young people have increased confidence and efficacy in controlling their lives and claiming their rights. Greater economic citizenship can be achieved through "thrift"[14] whereby responsible economic and civic engagement promotes reduction in poverty, sustainable livelihoods, financial wellbeing and rights for self and others. In many ways, this diagram represents the theory behind the programs described in this publication – financial services and education working together to help achieve meaningful outcomes and results for young people and their families.[15] The sub-sector is still nascent, however, and there remains much to learn and refine.

The purpose of this publication is to contribute to the microfinance sector's collective knowledge base by sharing examples of promising youth financial inclusion programs around the world and the lessons emerging from them. By sharing case studies that illustrate a variety of service combinations, approaches and delivery models, the European Microfinance Platform (e-MFP) seeks to provide the reader with useful reference points for offering savings, credit and non-financial services (especially training and mentoring) to youth. The following examples have been selected not to make a case for a particular approach and not necessarily because the organizations

8 Both published by Enterprise Development and Microfinance in December 2010; volume 21, no. 4. Available at: http://mastercardfdn.org/what-we-are-learning/publications/youth-financial-inclusion

9 Available at http://www.uncdf.org/sites/default/files/Download/UNCDF-http://www.uncdf.org/sites/default/files/Download/UNCDF-Policy_Constraints_and_Opport_V2.pdf

10 2012 State of the Field in Youth Economic Opportunities: A Guide for Programming, Policymaking and Partnership Building. Making Cents International, 2011. Available at:http://www.youtheconomicopportunities.org/SiteManager/CuteEditor_Files/uploads/YME_SOTF2011_Interactive_new.pdf

11 Available at: http://youthsave.org/content/publications-and-updates

12 Available at:http://microfinance.cgap.org/2010/05/page/2/

13 Topics include business models, marketing, financial education and achieving scale. Available at: http://www.seepnetwork.org/innovations-in-youth-financial-services-practitioner-learning-program-pages-60.php

14 Financial Inclusion and the Morality of Thrift by Daniel Rozas, July 27 2011, available at http://financialaccess.org/node/3773

15 More information on the learning outcomes of the three core components of the Child and Youth Finance Education Learning Framework (financial, social and livelihoods education) can be found in, The Child and Youth Finance Education Guidebookonline - http://childfinanceinternational.org/images/CYFI_Child_and_Youth_Finance_Education.pdf

have the right formula – in most cases the products and initiatives are too recent for conclusions to be drawn about their long-term sustainability and demonstrable impact on youth lives and livelihoods. But members of the e-MFP Financial Inclusion Action Group believe these cases offer valuable lessons learned and experiences to consider as the practice of youth financial inclusion expands and evolves.

About e-MFP and the Youth Financial Inclusion Action Group

Founded in 2006 and comprised of more than 135 individuals and organizations from 17 European countries, the European Microfinance Platform (e-MFP) is a microfinance focal point in Europe that links with the South through its members in order to further the achievements and impact of microfinance. e-MFP advances best practices in microfinance and inclusive finance, enhances dialogue and learning, and provides an open forum for cooperation and collaboration among a wide variety of European actors and partners.

Initiated and guided by members, e-MFP Action Groups convene for limited periods in order to exchange ideas on a specific topic and collaborate on a defined output. Recent e-MFP Action Groups have addressed topics ranging from the legal framework for microfinance funds in Europe to microfinance research methodology and findings as well as responsible microfinance investment and rural outreach and innovation. The current publication is a product of the e-MFP Youth Financial Inclusion Action Group, whose members are listed in Box 1.

Box 1: e-MFP Youth Financial Inclusion Action Group Members

**e-MFP Youth Financial Inclusion
Action Group Members**

Appui au Développement Autonome - ADA (Luxembourg)
Child and Youth Finance International (The Netherlands)
Frankfurt School of Finance & Management (Germany)
International Labor Organization
KfW (Germany)
MEDA (Canada, Germany, Morocco)
Partner Microcredit Foundation (Bosnia and Herzegovina)
PlaNet Finance (France)
UN Capital Development Fund - Youth Start Programme
WSBI (Belgium)
Women’s World Banking (USA)

Overview of this Publication

This publication presents a dozen case studies that illustrate the range of approaches e-MFP members and partners are using to provide financial and non-financial services to youth. Examples from a variety of geographic, socioeconomic and regulatory contexts in Africa, Asia, South-East Europe, Latin America and the Middle East have been included. Certain programs represented in these cases cater to youth under 18 whereas others address only those aged 18 and above. The majority of the programs described here offer services to both younger and older youth. Although many of these programs place a special emphasis on serving girls and young women, most serve both boys and girls. Some of the implementing organizations focus primarily on extending savings to youth, while others lead with credit. However, all of them provide financial literacy, livelihood and/or other related training in some way.

The collection of case studies is divided into two groups: savings-led and credit-led. The e-MFP Youth Financial Inclusion Action Group believes that a thorough market research process is key to determining the form and approach that any youth-serving program takes. Nevertheless, it is recognized that many practitioners come to the table with regulatory, institutional or other parameters that dictate early on in the product development process whether they will focus on savings or credit. By dividing the publication along these lines, it is hoped that readers can more easily focus on the area that is most relevant to their needs or examine the subject in which they have less knowledge or experience.

Table 1 below provides a complete list of cases included in this publication. The reader should note that a few of the programs do in fact offer youth financial services in both the savings and credit categories (e.g., VSLAs in Burundi also involve small loans and Al-Amal offers savings products in addition to youth loans). The cases offering both products are classified in the category most central to the program or at least to the case study as presented here.

Table 1: Case Studies Presented in This Paper

Savings-Led	Credit-Led
1. UNCDF YouthStart: Uganda Finance Trust – Uganda *(savings, financial and other education)*	6. Child and Youth Finance International and Making Cents International: Al-Amal – Yemen *(loans, savings, financial education)*
2. Child and Youth Finance International: NATCCO-Aflatoun – Philippines *(savings, financial education)*	7. ADA: RCPB CRED'ART – Burkina Faso *(loans, financial and business training)*

3. Women's World Banking: BancoADOPEM and XacBank – Dominican Republic and Mongolia *(savings, financial education)*	8. MEDA:YouthInvest – Morocco and Egypt *(loans, savings, financial education)*
4. International Rescue Committee: VSLAs – Burundi *(savings, financial education, small loans)*	9. Partner Microcredit Foundation: Partner– Bosnia and Herzegovina *(loans, business, financial education)*
5. KfW: World Savings Day – Democratic Republic of Congo *(savings promotion, education)*	10. Opportunity International: Sinapi Aba Trust Youth Apprenticeship Program – Ghana *(trade education, loans)*
	11. PlaNet Finance: L'HeureJoyeuse and Darna – Morocco *(employment training, no financial services yet)*
	12. Frankfurt School of Finance & Management: Women and Youth Empowerment (WOYE) – South Sudan *(loans, savings, livelihood and other education)*

Common Themes

A number of themes emerge from this collection of case studies, echoing and building on the experience and lessons of others experimenting with youth financial services. These themes are outlined below.

Segmentation of youth according to age and life cycle status

Individuals between the ages of 15 and 24 comprise a large segment of the population and a wide range of situations and needs. Local cultural norms and regulations, marital status, whether in school or not, employment status – all of these play an important role in determining the financial and training needs of youth. A number of cases (Uganda Finance Trust; BancoADOPEM and XacBank) discuss how they identified specific age and other segments, as well as the approach they took for designing appropriate and responsive products.

Role and training of FSP leadership and staff

The commitment of leadership and staff to the youth program plays a central role in its advancement and long-term potential. Many of the cases point out the importance of leadership support and describe the training they use to ensure that staff have the 'buy-in' and 'know-how' to effectively serve youth.

Financial literacy and other training

All of the programs presented in these cases include some combination of financial services with financial literacy, business, livelihood and/or life-skills training. The content and format of these trainings are described, as well as different approaches to delivering such trainings. As per the useful taxonomy first defined by Christopher Dunford,[16] some FSPs train their own financial services staff to provide training to clients in a '*unified'* manner (MEDA Youth Invest; RCPB CRED'ART); others develop a separate staff to handle non-financial services, using a '*parallel'* approach (e.g., WOYE; KfW's World Savings Day; and IRC's VSLAs to some degree); many opt instead for a '*linked'* model by partnering with an external organization that delivers the training (Uganda Finance Trust; NATCCO-Aflatoun; Al-Amal; Partner; Sinapi Aba Trust; BancoADOPEM/XacBank). While the content of this training varies, many FSPs represented here are providing training that is clearly linked to entrepreneurship and livelihood development as a strategy for their young clients' long-term financial success (RCPB CRED'ART; Sinapi Aba Trust YAP).

Table 2: Non-financial Services Delivery Models Demonstrated by the Case Studies

Unified	Parallel	Linked
MEDAYouthInvest –Morocco and Egypt	IRC VSLAs – Burundi	Aflatoun-NATCCO – Philippines
RCPB CRED'ART – Burkina Faso	KfW World Savings Day – DRC	Al-Amal – Yemen
Uganda Finance Trust – Uganda		
	WOYE – South Sudan	Partner – Bosnia & Herzegovina
		Sinapi Aba Trust YAP - Ghana
		WWB: BancoADOPEM and XacBank – DR Congo and Mongolia

16 Building Better Lives: Sustainable Integration of Microfinance and Education in Child Survival, Reproductive Health, and HIV/AIDS Prevention for the Poorest Entrepreneurs.Dunford, Christopher. Published by Freedom from Hunger/Microcredit Summit, 2001.

Strategic marketing to youth

Several of the FSPs and their partners have taken a creative and proactive approach to marketing their products to youth. The cases share useful findings on where and how to reach out and communicate to youth for effective results (Al-Amal; BancoADOPEM and XacBank; KfW World Savings Day). Nevertheless, there are concerns about combining marketing with financial education materials and practices. This point will be discussed further in Chapter 4.

Bringing services to where youth are

Efforts to reach out to youth while accommodating their schedules, whereabouts, preferences and availability are also explored in a number of the cases (NATCCO-Aflatoun; IRC VSLAs; Al-Amal; BancoADOPEM/XacBank). Innovations such as ATM cards, offering services through rural post offices and mobile phone-based SMS services are some examples being investigated. Some cases also touch on the tenet that youth should be granted as much autonomy and control over their savings as regulations allow. This point will also be discussed further in Chapter 4.

Engaging the broader community

A broader community of supporters and participants is needed to make financial services and training possible, meaningful and transformative for youth. Nearly all of the cases describe their engagement of parents, mentors, community leaders, schools, partner organizations and/or others in sustaining the youth programs (Uganda Finance Trust; NATCCO-Aflatoun; MEDA Morocco; Sinapi Aba Trust YAP; Partner).

Importance of appropriate monitoring and evaluation

At this early stage of the pilot test, it seems particularly relevant for FSPs to capture data regularly in order to monitor and evaluate the progress, results and evolution of the youth product, in order to make it more appealing to youth and to assess its long term sustainability. This information would be essential to leverage and scale up the concerned programmes. However, for some FSPs, capturing data may become a challenge due to MIS limitations which will need to be addressed (BancoADOPEM, Al Amal, VSLA Burundi, RCPB CRED'ART).

Achieving scale and sustainability

The scale demonstrated in most of these cases is small. The programs presented across the dozen cases were *collectively* reaching only about 108,000 youth clients as of December 2011 (Table 3).[17] While a few of the programs (Al-Amal; BancoADOPEM and XacBank) have achieved significant scale in proportion to their operations, many are still just emerging from pilot-testing. Similarly, financial self-sufficiency has yet

17 Note that while there are 12 cases, one compares two different programs (BancoADOPEM and XacBank).

to be attained by most of these programs. The implementers share their experience to date with funding the youth products and discuss models and projections for making them affordable or profitable over the longer run.

Table 3: Outreach of Youth Programs Described in Case Studies
(as of late 2011/early 2012)

Financial Service Provider/ Program	Number of Participants
NATCCO-Aflatoun	41,017
XacBank	18,900
KfW World Savings Day	17,000
Al-Amal	13,310
BancoADOPEM	5,200
Uganda Finance Trust	7,432
IRC VSLAs	2,400
MEDAYouthInvest	1,738
WOYE	1,700
Sinapi Aba Trust YAP	1,324
Partner	445
PlaNet Finance Morocco	430
RCPB CRED'ART	152
TOTAL	**107,808**

Regulatory challenges and constraints

Of course, extending effective youth financial services and training is not something that can be achieved at the *micro* (FSP and YSO) and/or the *meso* (technical assistance providers and other supporters) levels alone. There are important *macro* components, such as government regulation of the financial industry and the age at which individuals may open and manage savings accounts, which need more attention in order to foster an economic environment that accommodates the growing youth segment. Although none of the case studies focus on regulatory issues per se, the macroeconomic and regulatory environments – and their associated challenges and benefits – are frequently described as a backdrop to the solutions adopted in various contexts.

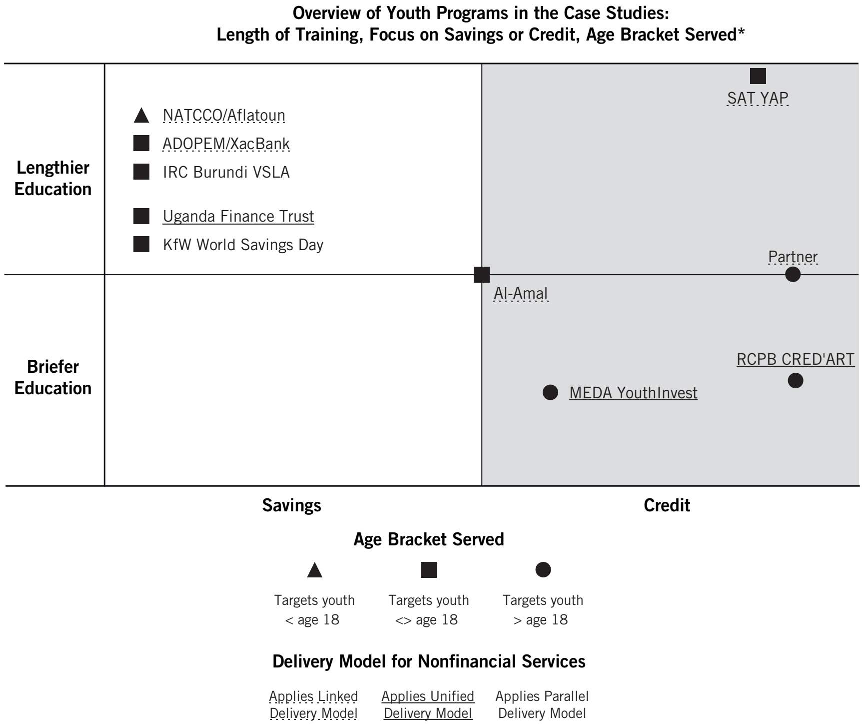
Overview of Youth Program Characteristics Represented

Figure 2 offers a graphical representation of the case studies in terms of the following characteristics:

- Length of training: The vertical axis ranks the programs according to the centrality and duration of the financial literacy and related training provided to youth clients. Those programs that place a greater emphasis on the training component (for example requiring attendance at a long-standing, weekly or monthly education program as an integral component of a youth savings program or prerequisite for a youth loan) appear higher up on the chart, while programs that offer briefer and simpler training (for example, a one-time training for a few hours) appear lower on the chart. This classification is intended to be objective and does not indicate relative effectiveness of training programs or approaches.
- Focus on savings or credit: The horizontal axis displays the degree to which the youth programs are savings-led or credit-led. Those that offer only savings are found at the far left of the chart; those offering only credit are on the far right; and those that offer both are more central. For example, since MEDA Youth Invest has some FSP partners that connect their youth clients to a bank for deposits, as well as other savings mechanisms for youth, the program appears somewhat to the left of the credit-only programs.
- Age bracket served: The shapes appearing as program markers within the chart designate the age bracket accessing the program in question. The triangle represents a program serving only youth under the age of 18; squares represent programs that serve youth in both under-18 and over-18 age brackets, and a broad bracket that includes both younger and older youth; circles represent programs that exclusively serve older youth (over 18).
- Delivery model applied: Underlining of the implementer and program names indicates the delivery model being used to extend the non-financial service component of each program. Dashed underlining means that the program has ‘linked’ an FSP with a separate organization that provides the training; solid underlining indicates that the FSP is using the same staff to offer both the financial and the non-financial components to youth through the ‘unified’ model; and no underlining indicates that a ‘parallel’ approach is being used, where an organization employs different staff for the different components (note that the single example of this is difficult to classify, since the VSLAs are self-managing the financial component, while the technical assistance provider, IRC, offers the training).

This figure is intended as a reference to help the reader visualize the full gamut of programs included in this paper and how their characteristics align and contrast with one another.

Figure 2: Overview of Case Studies in Terms of Youth Program Characteristics



Linked: The program has 'linked' an FSP with a separate organization which provides non-financial services
Unified: The FSP uses the same staff to offer both the financial and the nonfinancial services to youth
Parallel: An organization employs different staff for the different financial and the non-financial services offered

* Note: Since PlaNet Finance's program in Morocco is not yet successfully linked with financial services, it has not been included in this figure. Due to insufficient information regarding the connection between WOYE's financial and various non-financial services for youth, WOYE has also not been included in this figure.

SAVINGS-LED CASE STUDIES

This first group of case studies concerns youth programs consisting uniquely or primarily of savings-based services combined with financial and related training. Some experts and practitioners view savings as the most beneficial financial service for empowerment and poverty alleviation among youth. Research and experience have shown that even very young people do frequently have access to small amounts of money – often given to them by relatives or earned from odd jobs – but that finding a safe and secure place to save can be a challenge. As savings grow, the flexibility of these funds to cover educational expenses, household emergencies, small business investments and other needs is invaluable. When aiming to serve a younger youth segment (under 18), savings is often the only useful, and legal, financial tool available to FSPs. And the potential multiplier effect of instilling good savings habits early on in life may have substantial long-term impacts on poverty alleviation. One case in this group, for example, provides evidence demonstrating that children whose parents regularly save were significantly more likely to save, themselves, as well as to show higher baseline financial literacy than children whose parents do not save (NATCCO-Aflatoun).

The cases presented here cover a wide range of approaches to facilitating youth savings. In one example, a mainstream FSP has carefully segmented youth according to age and designed two different savings products that respond to each segment's needs and goals (Uganda Finance Trust). This FSP trained youth mobilizers from their staff to provide financial education to groups of youth savers on a regular basis, using a unified delivery model. Other cases involve FSPs partnering with local schools, where financial education, marketing and saving accounts are made readily available to youth on-site (NATCCO-Aflatoun; BancoADOPEM and XacBank). For more rural and out-of-school youth, the IRC is experimenting with youth-specific Village Savings and Loan Associations (VSLAs) that equip young people with the skills and basic tools needed to collect and manage their own savings, as well as make small loans amongst themselves – without the involvement of an external FSP (IRC VSLAs). Finally, a very different approach shows how FSPs, governments, schools and other entities can collaborate to raise broad public awareness about the value of and opportunities for savings – thereby boosting savings rates and deposits in an entire area (KfW World Savings Day).

As Figure 2 above illustrates, this group of cases is dominated by programs serving the lower age brackets, and they all have a significant emphasis on the non-financial component of financial, business and other training. In general, the FSPs offering savings-led youth services with accompanying training view their youth products as investments in social mission and "loss-leaders" that will contribute to a more stable, loyal and economically productive clientele in coming years. Perhaps because these programs are not able to pay for themselves for some time, this group of cases also focuses on the 'linked' delivery model (and one pseudo 'parallel' example – IRC VSLAs) – whereby the FSP partners with an external organization to provide the non-financial services .

Table 4 lists the cases in this grouping and the key points discussed.

Table 4: Savings-Led Case Studies and Key Points

Implementer/Program	Key points of case
1. UNCDF YouthStart: Uganda Finance Trust – Uganda *(savings, financial/other education)*	• Segmentation of youth with according product differentiation • Involvement of youth in product design • Involvement of broader community • Options for delivering financial education
2. Child and Youth Finance International: NATCCO-Aflatoun – Philippines *(savings, financial education)*	• Bringing youth financial services to where youth are • Facilitating and promoting access • Research results on outcomes
3. Women's World Banking: BancoADOPEM and XacBank – Dominican Republic and Mongolia *(savings, financial education)*	• Segmentation with product differentiation • Marketing to youth • Achieving scale • Short and finite education approach
4. International Rescue Committee: VSLAs – Burundi *(savings, financial education, small loans)*	• Bringing financial services to youth • Empowering youth • Putting tools in youth's own hands
5. KfW: World Savings Day – Democratic Republic of Congo *(savings promotion, education)*	• Raising awareness about savings for youth among the general public • Facilitating MFI youth and savings services

Segmenting the Youth Market to Deliver Age-Appropriate Savings and Training Services in Uganda

Background

Uganda Finance Trust

Uganda Finance Trust Ltd (UFT) is one of the oldest microfinance institutions in the Republic of Uganda, providing financial services to low- and medium-income, economically active Ugandans. UFT is incorporated under the laws of Uganda and licensed and regulated by the Bank of Uganda as a Microfinance Deposit Taking Institution. The company is recognised as a key player in Uganda's formal financial sector. Since starting operations in 1984, UFT has expanded its outreach and now serves over 150,000 depositors and borrowers, who access a variety of savings and loan products via 30 interconnected branches all over the country. Thirty percent of UFT clients are youth below 24 years old.

Youth Programme Summary	
Types of Youth Services	Savings, financial education and non-financial education
Age Groups of Clients	12–17 and 18–24 years old
Year of Launch	2009, with scale-up in 2011
Number of Clients*	7,432 (60% female and 60% below 18 years old)
Youth Savings Volume*	€ 84,469
Youth Loan Volume*	n/a
Non-Financial Services Model	Unified
Number of Youth Receiving Non-Financial Services	3,669 (60% female and 60% below 18 years old)
Partner Organizations	UNCDF, The MasterCard Foundation and youth serving organizations
	**Data as of August 2012*

UFT made the decision to specialise in youth-specific products in pursuit of its institutional vision, "Access to affordable financial services for all," as well as for business and social reasons. UFT gained appreciation of youth as a viable market segment for savings mobilisation through its experience with an initial youth-oriented product, the Girls' Choice savings account (summary of programme data provided on page 24). With support from Population Council and *MicroSave* and sponsorship by the Nike Foundation, UFT designed Girls' Choice for girls aged 10 to 19 both in and out of school. In 2011, with support from the UNCDF-YouthStart initiative, UFT scaled up Girls' Choice and expanded its youth programme by adding two new youth products: Teen Classic and Youth Progress. Based on its experiences with these products, UFT shares in this case study lessons learned and recommendations to design, test and scale up youth-oriented products.

UN Capital Development Fund and YouthStart

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.

YouthStart, a UNCDF programme in partnership with The MasterCard Foundation, aims to reach 200,000 youth in sub-Saharan Africa with demand-driven financial services and non-financial services, in particular savings and financial education, by 2014. To date, US$7.8 million has been awarded to eleven financial service providers. Of that amount, US$2.5 million has been disbursed to design, deliver and scale up demand-driven youth financial services and youth-centric programmes in partnership with youth serving organizations. For more information, visit http://www.uncdf.org/YouthStart/.

The MasterCard Foundation

The MasterCard Foundation advances microfinance and youth learning to promote financial inclusion and prosperity. Through collaboration with committed partners in 48 countries, The MasterCard Foundation is helping people living in poverty to access opportunities to learn and prosper. An independent, private foundation based in Toronto, Canada, it was established through the generosity of MasterCard Worldwide at the time of the company's initial public offering in 2006. For more information, visit http://www.mastercardfdn.org/.

Overview of Youth Programme

The three youth products developed by UFT—Girls' Choice, Teen Classic and Youth Progress—are youth-driven, youth-specific and youth-friendly. The main features of the products are as follows.

Beneficiaries

The Girls' Choice product continues to focus on girls aged 10 to 19, while the two new products are aimed at both boys and girls in and out of school. The Teen Classic savings account targets youth aged 12 to 17,[18] while the Youth Progress savings account targets older youth aged 18 to 24. Thus the two new products support the expansion of services to both genders and Youth Progress to youth 18 and over.

Advantages

The three products offer youth the opportunity to open a savings account, specifically designed for them, with a formal, regulated financial institution. As compared to savings products for adults, the youth products have more flexible documentation requirements,[19] lower fees for opening accounts, lower minimum balance requirements, and no maintenance or withdrawal charges.

Girls' Choice and Teen Classic account holders are provided with financial and social mentors (more details provided below).

Youth Progress account holders (18–24 years old) have ATM cards, which allow them to access their savings 24 hours a day. They also have the possibility of taking out a loan after saving for one year and participating in financial literacy sessions.

UFT Objectives
for the UNCDF-YouthStart Initiative

- Expand low-income youth's access to appropriate, demand-driven youth financial and non-financial services.
- Increase UFT outreach to youth aged 12 to 24 in both rural and urban areas.
- Build life-long clients from this market segment.
- Document lessons learned and share best practices with others serving the youth market.

All three youth financial products have an integrated non-financial component, which equips the youth with practical knowledge and skills related to financial literacy and other disciplines that influence saving and spending behaviour and promote a smooth

18 With the awareness and consent of a parent/guardian as well as the support of a financial mentor to fulfill legal and regulatory requirements, youth under 18 may legally hold savings accounts in Uganda.
19 UFT accepts more than nine different forms of identification, ranging from passports to school identification cards to letters from an adult, in order to address the difficulty that some youth face (especially minor and out-of-school adult youth) in obtaining government-issued identification.

transition into adulthood. These non-financial services are accessed by youth in weekly or biweekly group meetings of one to two hours, depending on the availability of the youth. The training aims to increase the financial capability of the youth.[20]

Organisation and Delivery Channels

UFT staff is trained to deliver the youth products and services both from UFT branches and in the field. The staff is supported by youth field officers who work to increase community and stakeholder buy-in. Youth are mobilised through parents, local leaders and trusted members of the community.

The positive effect of parents' involvement in the programme is multi-layered. First, the knowledge that parents gain can lead them to provide greater emotional and financial support: parents encourage their children to save, as well as make their own contributions to their children's savings. Second, the parents can help safeguard youth, in particular minors, against risky behaviour while using financial products. Third, un-banked parents often become banked once they observe the benefits the programme gives their children. Fourth, the parents become 'ambassadors' of the programme as they encourage other youth and members of the community to try the products. Fifth, the parents' involvement improves UFT positioning and visibility in the community and gives UFT an opportunity to better understand the financial-service needs of both youth and adults.

Beyond involving parents, the programme also provides financial and social mentors to account holders under 18. The mentors are drawn from a pool of local volunteers. Financial mentors support minor youth during account opening and withdrawals, while social mentors work with them during the education sessions. Financial mentors are selected by the youth themselves, according to agreed-upon criteria, while social mentors are identified and trained by UFT with the support of local leaders. The mentors' work is not remunerated, but social mentors receive useful training as incentive.

Mentors do a remarkable job in bridging the gap between youth, parents and field officers. They play an important role in group formation and group activities (both group financial transactions and education sessions). They also support those whose literacy levels are not advanced enough for them to fully understand the terms and conditions of the youth offerings.

20 "Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market." Source: HM Treasury, Financial Capability: the Government's Long Term Approach (London: HM Treasury, 2007), p.19.

Integration of Non-Financial Services

Emerging best practices suggest that youth receive the most benefit from financial services when they are offered in tandem with non-financial services such as mentoring, financial education, internship opportunities and social asset building. UFT is partnering with two youth serving organizations (YSOs), while working towards greater internal staff capacity, to offer non-financial services that include entrepreneurship and financial literacy training, health tips, career guidance, internships and apprenticeships. UFT plans to complement its own technical team with staff from these YSOs and trained mentors as it scales up youth non-financial services.

UFT leverages its group model for financial services to deliver non-financial services as well. Groups of 10 to 15 youth are formed according to gender, age and schooling status (in or out of school), allowing UFT to organise the education sessions and adapt the content according to the specific characteristics of each group. This model worked well for the Girls' Choice education sessions and thus is being used for the two new products as well.

The sessions are delivered by youth field officers, trained social mentors and patrons in the communities where the youth live or study. They are held in a safe place where youth can meet regularly and feel comfortable.[21] Meetings usually take place on Saturdays or Sundays, during school holidays and/or in the evenings, in order to accommodate the youth's schedules.

Challenges and Sustainability

It is still too early to gauge the sustainability of UFT youth products, but UFT views its work with youth as an investment in the future and is making efforts to compile reliable projections and useful data.

Some elements that contribute to financial sustainability of the youth programme include the following:

- The programme is expected to result in substantial youth savings deposits during the pilot test and rollout, leading to savings growth at the institution.
- The programme creates good opportunities for cross-selling other UFT products to parents and relatives of the target youth market.
- The programme helps to establish long-term relationships with youth leading to better client loyalty and retention in the future.

One of the key challenges to achieving sustainability of the programme is delivery of the non-financial services. UFT currently relies on youth field officers, trained

21 A 'safe place' is described by the Population Council as one that is considered safe and appropriate by the youth as well as their guardians. Source: K. Austrian and D. Ghati, Girl-Centered Program Design: A Toolkit to Develop, Strengthen and Expand Adolescent Girls Programs (Population Council, 2010).

mentors and other mobilisers, some of whom work with the YSOs, for the delivery of the training. The fees that UFT pays to YSOs for these services may jeopardise the financial sustainability of this important component of the programme. Therefore, for the effective scale-up of its youth programme, UFT will use an alternative, more cost-effective business model: the 'unified approach'.[22] Based on this model, UFT will train their own staff to deliver non-financial services during the youth group meetings and will likely use 'youth ambassadors,' to whom they will pay a small fee, for recruiting and training new youth groups.

Results

The two youth products developed with the support of the UNCDF-YouthStart initiative are currently at an early stage of implementation, while the Girls' Choice product has reached the point of expansion. The table below shows some of the key results.

Results of Youth Products	
Girls' Choice Product (October 2009– August 2012)	**YouthStart Products** (January 2012– August 2012)
• 4,388 girls reached • 97% frequently use the savings account and remain loyal to UFT • 926 additional accounts from guardians, parents, etc. opened • Other services (ATM, Mobile Money, transfers, etc.) used by some girls • 3,280 participants in non-financial services • €37,837 (UGX 123,878,377) total saved	• 3,044 total youth clients served • Teen Classic (12–17 years): 682 youth reached (25% female[23]) • Youth Progress (18–24 years): 2,362 youth reached (26% female) Adult youth will access youth specific loans in 2013 • 352 additional accounts from guardians, parents, etc. opened • 389 participants in non-financial services • €46,632 (UGX 152,689,058) total saved

Another important result of UFT youth products is that they have improved the institution's image and positioned it as a youth-friendly financial institution.

22 Christopher Dunford, Pathways out of Poverty: Innovations in Microfinance for the Poorest Families (Bloomfield, CT: Kumarian Press, 2002), "Building Better Lives: Sustainable Integration of Microfinance with Education," pp.75–131.

23 The Girls' Choice product attracted a lot of attention from boys, but the product only targeted girls. As a result, when UFT launched the two YouthStart products, many boys opened accounts. However, UFT's goal for both YouthStart products is to have at least 60% of clients be girls or young women.

Lessons Learned and Recommendations

The main lessons learned and recommendations from the experience of UFT to date are the following:

- ***Youth segmentation:*** During the planning and design phase, it is crucial to segment youth according to sex, age and school status since it helps in designing appropriate financial and non-financial services. For UFT, segmentation proved particularly useful in designing the group activities, which differ according to the participants' profile.
- ***Youth involvement during initial stage:*** From market research until rollout, it is very important to engage youth in all steps in order to align all programme activities with the youth's needs and availability and to effectively plan for resources. In the experience of UFT, bringing the services closer to the youth and their communities made the youth feel honoured. From there, it was easy to direct them to the branches to conduct transactions.
- ***Community involvement:*** Exploring and leveraging existing social or political structures is very important to success. In Uganda, involving communities worked well because of the traditional communal system that has been used for community development and local government structure for centuries.
- ***Partnerships:*** Working with a range of stakeholders—including parents and guardians, community members, local leaders and authorities, and YSOs that have a direct link to youth—helps to create awareness, support and community buy-in and, most importantly, to ensure that everyone contributes. Partnerships can be formal or informal. However, in either case, expectations of both parties need to be clear from the beginning. And, for more formal, technical partnerships, specific timelines and deliverables need to be established.
- ***Outreach:*** Focusing on a small number of branches to offer youth products is an effective means to achieve sufficient scale and to draw lessons for the rollout phase. During initial implementation, youth financial and non-financial services should be limited to the areas around the pilot branches to ensure close financial and activity monitoring. Having a limited initial focus helps to build a strong foundation for assessment and decision-making regarding product efficiency, effectiveness and eventual roll-out to other areas.
- ***Institutional buy-in:*** Obtaining buy-in from institutional staff is very important for enabling quick decision-making as well as for ensuring they embrace the new interventions as a team. Without staff comprehension and endorsement of the youth strategy and products at every level—from leadership down to the field—the coordination of activities and achievement of positive results is not possible.

- ***Specific expertise:*** It is important for the institution to recruit staff specifically for the youth programme and to train them in both the social and financial aspects of the job. In contrast, many banks and bankers focus solely on the financial side. The need for broad expertise calls for significant investment in staff training and development to build awareness and buy-in.
- ***Proper planning and flexibility:*** As in the development of any new product, youth programming requires careful planning of activities to allow room for inevitable changes during implementation. The vital involvement of a variety of stakeholders such as parents, local leaders and other authorities also requires built-in flexibility in order to keep the delivery of the products responsive and on-track[24].

24 The views expressed in this case study are those of the author(s) and do not necessarily represent those of the United Nations, including UNCDF, or their Member States.

Partnerships for Formal Child Savings: The Aflatoun-NATCCO Philippines Case

Background

Overview

Youth Programme Summary	
Type of youth services	Savings, financial education
Age group served	5-16
Year youth program launched	2007
Number of participants*	41,017 (with savings accounts)
Youth Savings volume*	$304,170 (232,750 Euros)
Youth Loan volume*	n/a
Non-financial services model	Linked
Partner organizations	Philippines Department of Education, Cooperative Development Authority, Local Cooperative Partners
	**Data as of February 2012*

This case study presents an Aflatoun savings and education program implemented in the Philippines through the initiative of a national network of financial cooperatives and public elementary schools and the support of Cooperative Development Authority (CDA) and the Department of Education (DepEd). In 2006, the Philippines became one of the first countries outside of India to implement the Aflatoun program when NATCCO began a pilot program with two cooperatives. By February 2012, the NATCCO-Aflatoun program had scaled up to cover 39 cooperatives in 18 Filipino provinces. NATCCO's Aflatoun program has now reached more than 43,434 children who collectively hold over 41,017 active savings accounts. Total deposits from Aflatoun children are over $304,170 USD (232,750 Euros) from students in 265 schools. Results from a small research study on program outcomes – related to children's learning, as well as saving and spending habits, one year after participating – are also presented.

Aflatoun

Established in 2005, Aflatoun is a Netherlands-based network of NGOs and other educational institutions from around the world, supported by capacity building and a resource center. Aflatoun's mission is to inspire children to socially and economically empower themselves to be agents of change in their own lives and for a more equitable world. Aflatoun's social and financial education programme equips children ages 6-14 with life skills to be agents of change for their own development. Currently, Aflatoun is reaching over 540,000 children in 26 countries.

Aflatoun, the fireball character above created and named by the first participants in India, teaches children about:

1. Personal understanding and exploration;
2. Rights and responsibilities;
3. Saving and spending resources;
4. Planning and budgeting;
5. Child enterprise (Social and Financial).

Aflatoun children develop a habit of saving money through informal Aflatoun clubs at school and later on through partnership with local banks, termed "Child Friendly Banks". This graduated savings process provides a stepping-stone for children to develop sustainable relationships with local financial institutions and apply their Aflatoun Club saving and enterprise lessons with formal savings accounts and later other financial services as they grow older.

NATCCO

In The Philippines, Aflatoun is implemented by the National Confederation of Cooperatives (NATCCO). NATCCO is a national network comprised of more than 500 primary cooperatives, regional development centers, and special cooperatives, over 75 percent of which are based in rural areas. NATCCO aims to be the "most trusted world-class financial co-op network" with its mission to "deliver superior, relevant, and ethical financial and allied services anytime, anywhere".

NATCCO implements programs and projects aimed not just at improving the financial performance of the cooperatives but also at improving the socio-economic situation of the co-op members and their families. The network provides financial services (deposit-taking and credit-granting) and offers innovative payment systems for its affiliate co-ops. NATCCO also implements housing projects and distance education programs for co-op management staff. It helped co-ops set up convenience stores, in-house micro-health insurance systems, and funeral care services.

One of the cooperatives identified by NATCCO to implement the Aflatoun program was the St. Martin of Tours Credit and Development Cooperative (SMTCDC), a co-op located in the province of Bulacan, located 27 kilometers northeast of Metro Manila. One of this cooperative's three partner schools, Taal Elementary School, participated in research on program outcomes – highlights of which are described in this case. St. Martin of Tours Credit and Development Cooperative (SMTCDC) implemented the Aflatoun Program in order to enhance its on-going "Tipid Savings Program", designed for children up to 17 years old.[25] With the introduction of the Aflatoun Program, the co-op hoped to expand membership to children of non-coop members and further improve on the Tipid Savings Program by incorporating Aflatoun's financial education modules.

Rationale for Serving Youth

Poverty is one of the reasons why the majority of the children worldwide are deprived of many of their rights. In the Philippines, approximately 31% of the population (27 million people) are between 7 and 17 years old. This national reality has informed NATCCO's commitment to increasing young people's participation in the cooperative activities whether as members, savers, or as active participants in cooperative governance. Through the Aflatoun program, NATCCO hopes to contribute to its objective of producing financially responsible citizens.

Youth Program Description

The entry point for students into the program is through the integration of the Aflatoun in the subject areas where the topics best fit. These lessons are led by teachers trained by NATCCO. There are 1,867 teachers as of December 2011 that have undergone teachers' training. Designed and tested by the Aflatoun Secretariat and its partners, and adapted to the local context by NATCCO, the Aflatoun curriculum uses creative, interactive approaches – such as songs, role-playing and storytelling – to teach lessons about children's rights, goal-setting, good saving habits and careful spending. An opportunity to apply these lessons is presented to participating children, who may open savings accounts with the local cooperative, which makes an agent available on-site at the school once or twice a week to collect the children's deposits or savings.

Aflatoun program uses a Child-Friendly Banking approach to govern the savings process for cooperatives. This means that cooperatives support children's learning about Aflatoun and their savings in the various methods mentioned above (e.g. accounts services), but do so in a "child friendly" manner, that respects children's inability to open high cost accounts or to have restricted access to their savings. A child can open a savings account with individual passbook for $0.50 (less than 0.40 Euros, as compared to nearly 2 Euros at other banks). Cooperatives also send collectors to the schools once or twice a week to collect the savings of the children. With more freedom and access, children have the ability to apply budgeting, planning and savings and spending lessons learned with Aflatoun.

25 Bangko Sentral ng Pilipinas (BSP), the central bank regulating the banks operating in the Philippines, has not set a minimum age for a child to open a savings account.

To develop a "child friendly" savings product, NATCCO has applied the Aflatoun Secretariat's "Golden Rules of Saving" for the Aflatoun Clubs within classrooms in the following ways:

- Student enrolment in the savings scheme is voluntary;
- Parents need not be signatories to accounts;
- The classroom savings process is operated by an Executive Committee comprised of the class president, treasurer and secretary;
- Accounts are registered in both personal passbooks and a separate ledger;
- Deposits are voluntary and can be made on a weekly basis with a minimum deposit of PHP5 (0.09 Euros);
- Deposits and withdrawals exceeding a certain amount (generally in the range of 9 to 18 Euros) must be explained with valid reason presented, such as school expenses, shoes for a school play or program, emergency, etc.;
- Parents can encourage their children to save but cannot participate directly in the savings scheme, though cross-selling for adult savings products does occur[26];
- Parents are informed of the program via letters sent home and PCTA (Parent Teacher Association) meetings;
- The depository co-op regularly sends a collector to the schools for the children's deposits.

Program Implementation and Management Process

To implement the Aflatoun program, NATCCO collaborated with its member-cooperatives through the following activities;

- NATCCO presented the Aflatoun Program to the cooperatives; the cooperatives then identified local public elementary schools that could be possible partners;
- NATCCO presented the program to the Department of Education (DepEd). A DepEd National Memorandum No. 228 Series of 2008 was approved for the nationwide implementation of the Aflatoun program;
- To ensure local relevance and appeal, NATCCO developed a Filipino version of the Aflatoun Curriculum, training materials, and a model savings product;
- In coordination with DepEd Division and District offices, NATCCO and the cooperatives worked together to launch the Aflatoun program in each area;
- NATCCO conducted a two-day Teachers' Training for public school teachers who were tapped to integrate Aflatoun concepts and principles into their curriculum.

26 Parents receive orientation about the program during Parent-Teacher meetings so that they can support their children's savings habits at home. Cross selling of adult savings products takes place at the local cooperative offices for parents who are interested to attend.

Once the program was in place in a particular school, the Aflatoun lessons were integrated in various subject areas such as Values Education, Technology and Livelihood Education (TLE) or Technology and Home Economics (THE). However, the teacher had the option to integrate the Aflatoun lessons in any subject area. The school and the partner cooperative then began implementing a savings program involving schoolchildren attending the Aflatoun classes.

After the initial pilot test and reflection from 2006 through 2008, NATCCO began scaling up the Aflatoun program in 2009. Today 39 of NATCCO's cooperatives have become the depository of Aflatoun children's savings, thereby facilitating savings access even for some of the most remote schools in the country. NATCCO receives a bi-monthly quantitative and qualitative report from each co-op and monitors partner schools using Aflatoun Secretariat evaluation tools on a yearly basis.

Research Study Implementation at Taal Elementary School

Taal Elementary School intended to integrate Aflatoun lessons into the curriculum of all the "star" sections of Grades 1 to 6 during the first year of program implementation. However, only teachers of the "star" sections of Grades 4 and 5 consistently integrated Aflatoun lessons into their curriculum. They integrated Aflatoun lessons, specifically "Savings and Spending" lessons, into the subject "Good Manners and Right Conduct" and taught it every Monday afternoon for 30 minutes. The teachers said that they briefly tackled the topic "Rights and Responsibilities" in the "Geography, History and Civics" subject, and some lessons on "Child Enterprise" and "Budgeting and Planning" in the "Home Economics and Livelihood" subject.

Ultimately Aflatoun lessons were taught at Taal to 19 boys and 24 girls in Grade 4, and to 17 boys and 25 girls in Grade 5. A control group was also identified, comprised of a similar number of students in the same grades at Taal who did not receive the Aflatoun curriculum or in-school savings opportunities with the co-op.

Research was conducted using the following methods one year after implementation:

- Review of cooperative records of deposits and withdrawals;
- A focus group discussion with children in the treatment group (who received Aflatoun lessons) and the control group (who did not receive Aflatoun lessons);
- Interviews with teachers, the school principal and the co-op officer in charge of the Aflatoun program.

Challenges

The NATCCO-Aflatoun program has encountered the following challenges:

1. Some degree of inattention to the social components of the Aflatoun curriculum with a disproportionate emphasis placed on the savings and financial components. NATCCO needs to better convey to teachers and other partners why Aflatoun's social components are key to empowerment and improved behavioral outcomes in enterprise, citizenship-building and other topics, and to engage them in this aspect of the program.

2. Dependency on teacher buy-in. There were reported instances of students unable to deposit their money because at least one teacher viewed the Aflatoun collection as a 'disturbance'. This has been addressed by expanding teacher trainings and closer teacher monitoring by NATCCO.

3. Insufficiency of training. Two days of training may be insufficient for teachers. This has been addressed by increasing monitoring visits after the newly expanded trainings.

4. Existence of "forced savings" in one school. The Cordova Academy school had a pre-existing savings program where students were expected to save PHP5 per week (0.08EUR). The Aflatoun program was 'piggy backed' onto this program; hence some students had two savings pots, termed Aflatoun A (required) and Aflatoun B (optional). Hence, Aflatoun may be perceived as a 'forced' activity. Aflatoun must be a voluntary activity so as to develop the behavioral habit of savings voluntarily and to respect those students who do not have the resources to save.

5. Difficulty in withdrawals. In all schools, there were varying degrees of control when children wanted to make withdrawals of their money. Some were encouraged to withdraw only upon graduation (and thus had to explain their purpose for withdrawal if an emergency came along), while some schools allowed withdrawals after a letter of authorization from parents. As a result of this experience, the program now emphasizes during training and parent orientation the importance of empowering children by giving them control over their savings and does not require parental authorization for withdrawals.

6. Most children state that they are saving for future school expenses, and some parents indicated that they have forbidden withdrawals for any other purpose. Despite parents' legal inability to control their children's accounts (legally, children who are part of the savings cooperative do have full control over their savings), parental influence is still present. Thus there is a need for increased parent-teacher meetings and take-home letters to parents to reinforce youth ownership, control and responsibility for their savings.

7. The schools and teachers lack clear and compelling motivation for implementing and sustaining the Aflatoun Program. From the interviews with the school principal and teachers, it became apparent that they were only implementing Aflatoun

because of the existing Memorandum from the Department of Education, and because the local cooperative asked them to do so. Since the principal and many teachers were members or officers of the cooperative, they were not comfortable declining the invitation. During research study interviews, teachers made comments indicating that they viewed Aflatoun as an extra workload or task of which they hoped to be relieved in the future. Thus, it is important that the program provide more compelling reasons for the school and the teachers to consistently incorporate Aflatoun lessons into their curriculum to ensure that it is implemented well and sustained in the long run. One example of such an incentive might be a special savings product exclusive to actively involved teachers.

8. A lack of Aflatoun workbooks also posed a challenge for the program. With only one workbook distributed per grade, the teachers were forced to spend a significant portion of the 30-minute lesson periods having students copy the lesson into their notebooks. Adequate supply of Aflatoun workbooks is thus necessary to ensure that the program runs smoothly, efficiently and effectively.

Sustainability

Aflatoun does not provide project funding and relies on local partners to finance the start-up and delivery of the Aflatoun program. In order to launch and sustain the program, NATCCO partnered with local cooperatives for implementation. A “terms of reference” (ToR) was signed between NATCCO and each local cooperative partner, stating that after one year of NATCCO’s technical assistance to the cooperative, the cooperative will run the program independently. Over the course of the initial year, NATCCO commits to helping the cooperative to: conduct the teachers’ training, establish linkage with schools, conduct orientations with youth participants, and facilitate Aflatoun events. In return, the local cooperative partner pays NATCCO a minimal fee to cover basic costs (transportation, staff time, materials). After one year of NATCCO’s technical assistance, the local cooperative partner is equipped to assume full responsibility for the program and plan for future expansion.

Aflatoun has created mechanisms to ensure sustainability of the program once implanted in a country, and NATCCO has fully embraced and exemplified these. Aflatoun employs a bottom-up process whereby program experiences are communicated from children to teachers to trainers up to the national partner organization such as NATCCO. This ensures local ownership of the program and develops models that can be replicated based on local situations. During Aflatoun’s Regional Meetings and International Meetings, NATCCO has often shared its model and program experiences with other regional Aflatoun programs and interested organizations. NATCCO has even showcased its work with Aflatoun to regional cooperative institutions, leading to new Aflatoun partners in other Asian countries.

Results

As of March 2012, the 37,500 children in 234 schools across 18 provinces had participated in the program and opened a total of 41,000 child savings accounts with a total portfolio of more than $304,170 USD (232,750 Euros) in savings. Most cooperatives have Aflatoun savings products that require a PHP5 (0.09 Euros) to open the account and a weekly deposit afterwards. When children reach PHP20 (0.36 Euros) they receive an individual passbook to monitor their savings. On average, the PHP317 (5.67 Euros) have been saved per Aflatoun child, although there are extreme values of 50 to 1,00000PHP.

Lessons Learned and Recommendations

Through the research study conducted at Taal Elementary School and other observations over the course of the NATCCO-Aflatoun program to date, a number of lessons learned have been documented.

The research study focused on the following questions:

- To what extent has learning occurred among the children attending Aflatoun classes? Is the Aflatoun program an effective way of encouraging children to save and spend responsibly, to plan for the future and become positive change makers in their community?

Findings showed that:

- Children who attended Aflatoun classes engaged in more savings activities than children who did not attend Aflatoun classes;
- There were more children who attended Aflatoun classes who kept their money in the co-op bank (around 75% of participants), while most of the children who did not attend Aflatoun classes kept their money at home;
- Children who attended Aflatoun classes taught other kids to save money.

Thus the NATCCO-Aflatoun program appears to have increased children's understanding of the importance of saving, and provided them a more secure place for their money and a system for regular saving. An increased understanding of saving also gave Aflatoun children the confidence and a sense of responsibility to impart the benefits of saving to other youth.

The research also found that:

- In general, children saved money when their parents or older siblings also saved (role-modeling) and encouraged them to save;
- Children were encouraged to participate in group savings when it involved their peers or their older relatives (siblings and cousins), and when they had concrete use for the money they intend to save (such as food or gifts for their Christmas party, for summer outing).

According to the teachers and the principal, the most important effect of Aflatoun program on children was their increased awareness and understanding of saving. The principal related, "Now, when children earn some money from helping their parents in their work, they keep the money and put them in St. Martin Cooperative. Without Aflatoun, they could have just easily spent that money."

Research findings further suggested that the Aflatoun Program helped add variety to the teaching methodologies used in classrooms. The activities presented in the Aflatoun workbooks with the easy-to-follow directions encouraged teachers to adapt and use similar activities in their other classes.

Furthermore, in a 2008 survey conducted by the Aflatoun Secretariat's visit to NATCCO's cooperatives with 86 child respondents aged 9-13, 93% of children agreed that they should have and were entitled to formal bank accounts. This has been observed among other NATCCO schools as well, where children mainly voice a high appreciation for being taught to save, or having a venue to save formally. Of the 86 children surveyed, 94% did have a bank account and 93% reported saving regularly. Children also indicated high satisfaction with the feeling that they are saving for their future and can help out with family expenses.

The NATCCO-Aflatoun program continues to grow and evolve. The goal of socially and economically empowering financially disadvantaged children is NATCCO's driving force to continually strengthen, expand, and sustain its Aflatoun Program. For 2012, it plans to expand to 20 more provinces, reaching out to 24,000 more children.

In closing, the following quotes were collected during the Aflatoun Secretariat's country visit in 2008 (report available upon request):

- "The value of the Aflatoun program is that children dream, and believe they can achieve it if they work hard." --Teacher
- "Aflatoun helps us to become better savers and better people." --Girl, Grade 1 student
- "I want to save to help my family. I don't really need the money myself, I live a simple life." --Boy, Grade 1 student

Empowering Youth through Savings and Education in the Dominican Republic and in Mongolia

Youth Programme Summary			
	Banco ADOPEM (Dominican Republic)	XacBank (Mongolia)	Combined
Type of youth services	**Savings, financial education**		
Age group served	7-15, 16-24	14-24	
Year youth program launched	2009	2009	
Number of participants* (financial education)	5,200	18,900	24,100
Youth Savings volume*	10,076 accounts 5,162,614 DOP (298,966 EUR)	7,050 accounts 525,005,669 MNT (299,600 EUR)	17,126 accounts 598,566 EUR
Youth Loan volume*	n/a	n/a	
Non-financial services model	Linked, parallel, unified	Linked (urban), unified (rural)	
Partner organizations	ADOPEM NGO, Local schools	Mongolian Educational Alliance (local NGO), Equal Steps Centre	Women's World Banking, Nike Foundation, Microfinance Opportunities
			**Data as of December 2011*

Background

Introduction

Ana Laura opened her first savings account at Banco ADOPEM in the Dominican Republic in April 2011. She closely monitors the money she has in her account, keeping track of the number and size of deposits she makes. Ana Laura recognizes that the bank not only provides more security than keeping her money at home, but she is also less tempted to spend it.

Ana Laura is only 13.

She lives in Las Enfermeras, a low-income neighborhood in Santo Domingo, along with her mother, three brothers and sisters, grandmother, and uncle. Ana Laura saves a little bit every day from the money her mother and grandmother give her for school, and her main savings goals are to buy a new computer and pay for college.

Unlike Ana Laura, many girls in the developing world do not have access to financial services. The accessibility of savings products and financial education programs tailored to low-income girls has significant implications for girls' economic and social empowerment. By cultivating an understanding of the importance of saving, building saving habits, and opening savings accounts that they control, girls develop skills in asset accumulation, risk management, and goal-setting. With these skills, girls are better equipped to plan for the future.

Women's World Banking

The mission of the Women's World Banking (WWB) global network is to expand the economic assets, participation and power of low-income women and their households by helping them access financial services, knowledge and markets. Headquartered in New York, WWB serves as an umbrella organization to 39 local microfinance organizations in 27 countries. WWB advocates for the benefits of microfinance and for the need to serve women, conduct research and share best practices. Most importantly, WWB develops vital financial products that enable microfinance organizations to better serve their clients and achieve their mission of bringing people out of poverty. WWB's vision is that one day all women will be able to build a secure financial future for themselves and their households.

In 2008 – through the Nike Foundation's *Girl Effect* initiative, which aims to promote girls' empowerment – Women's World Banking (WWB) and its microfinance partners Banco ADOPEM in the Dominican Republic and XacBank in Mongolia saw an opportunity to build on the banks' existing focus on women and youth, increase their attention to client education, and enhance the banks' marketing capabilities.

Banco ADOPEM

Banco ADOPEM, WWB's network member institution in the Dominican Republic, is a leading, award-winning microfinance institution with a focus on low-income women. The bank offers loans, remittances, insurance and savings products. Before this project, however, the bank did not have a savings product specifically geared toward youth

XacBank

XacBank is a leading, award-winning retail bank that operates in all provinces of Mongolia. It has over 400,000 customers, with a focus on micro-entrepreneurs and small and medium-sized businesses. XacBank has been offering savings products since 2001 with a special commitment to youth. The bank also offers loans, money transfers, payment settlement and leasing services, and through its mobile banking services, reaches nomadic herders and other residents of remote rural areas.

Before this project with WWB, XacBank offered – and continues to offer – a long-term savings account, "Future Millionaire", for parents who wish to save for their children's education. The account was the first time-deposit product available on the market with a term of more than one year, and the bank paid higher interest than other comparable time-deposit products. The account became the bank's flagship deposit product, and XacBank became known for its child-friendliness.

Rationale for Serving Youth

Worldwide

WWB believes that the development of financial management skills will lead to an increased tendency among girls to pursue higher education, create businesses of their own, marry at a later age, and become property owners – all of which have broader implications for reducing poverty. WWB has found that many girls as young as 10 regularly accumulate money, actively manage it, and want a safe place to save it.

In the Dominican Republic

Market research conducted by WWB in the Dominican Republic found that girls were motivated to save and had a variety of savings goals, including education, emergencies, trips, a car, and more. Younger girls had fewer spending temptations and potentially more capacity to save in an account and create positive savings habits, while older girls had more realistic and immediate savings goals, thus needing an account to help achieve their goals.

In Mongolia

Market research in Mongolia found that longer-term savings products (such as Future Millionaire) did not appeal to adolescents; instead, girls wanted an account that they themselves could control, rather than their parents.

Youth Program Description

Savings plus Financial Education

For both Banco ADOPEM and XacBank, WWB's approach to program and product design involved comprehensive analyses of the industry, competition and internal capabilities, followed by customer demand research in the form of extensive focus groups and in-depth interviews. Potential financial education partners were selected, curricula designed, and delivery models developed, based on this initial research and analysis. Then, WWB and its network members in the Dominican Republic and Mongolia created and tested prototypes related to the financial products, financial education, and marketing. After revision, the finalized prototypes were pilot-tested, evaluated, modified, and rolled out as comprehensive youth savings programs.

Banco ADOPEM

The joint WWB-Banco ADOPEM project team piloted two savings products under the name "*Mía*" ("Mine" in Spanish) in several pilot branches. A product was developed for each age segment with differentiation in certain terms and requirements. For example, younger *Mía* customers include youth under age 16 who cannot legally own their own accounts and require at least one adult to act as a "sponsor" for the account. The bank decided to broaden the offer beyond just girls in order to make the product more inclusive, and thus help ensure the long-term sustainability of the product. Each product was thus offered to both girls and boys with gender-specific marketing schemes. A financial education program was also rolled out through local schools in early 2010.

By the end of 2011, the bank had launched the product in all of its branches across the country. The *Mía* products are the first savings accounts targeting youth offered by a Caribbean microfinance institution. The *Mía* accounts have a low initial deposit amount, few requirements to open, and no additional charges as long as a transaction is made at least once every six months.

<u>'Mía' Product Overview</u>

	Younger *Mía* Product	**Older *Mía* Product**
Age	7-15	16-24
Minimum opening balance	DOP 100 (2 EUR)	DOP 200 (4 EUR)
Minimum ongoing balance	DOP 25 (0.50 EUR)	
Fees	DOP 10 (0.19 EUR)/month after six consecutive months of inactivity	
Requirements to open account	Guardian with ID	Own ID

XacBank

In response to market research, XacBank and WWB designed "Temuulel" (which means "Aspire" in Mongolian) for girls aged 14-17. XacBank offers *Temuulel* demand and *Temuulel* time-deposit products, since WWB and XacBank's research showed that girls wanted to be able to save both for the long and short terms. Before launching *Temuulel*, no bank was providing services to youth under age 16. But through a closer look at Mongolia's laws, WWB and XacBank found that starting at age 14, youth may legally open and manage savings accounts independently. XacBank became the first bank in the country to introduce savings accounts for youth as young as 14.

Temuulel was originally offered only to girls aged 14-17, but XacBank later made the business decision to expand the offer to boys, as well as to youth up to age 24, so that adolescents could keep their accounts after starting college. These decisions made the product more inclusive and helped ensure its long-term sustainability, while still maintaining the focus on girls' empowerment and gender-sensitive marketing and communications

<u>'Temuulel' Product Overview</u>

Youth Programme Summary		
	Temuulel Demand Account	**Temuulel Time Deposit Account**
Age	14-24	
Minimum opening balance	3,000 MNT (1.70 EUR)	
Minimum balance requirement	3,000 MNT (1.70 EUR)	
Term	None	3-24 months
Fees	Withdrawal: 100 MNT (0.10 EUR) Account closure: 1,000 MNT (0.60 EUR) Passbook: 500 MNT (0.30 EUR)	Passbook: 500 MNT (0.30 EUR)
Requirements to open account	Photo ID or birth certificate	

Marketing to Youth

Given the positive response in prototype-testing conducted by WWB, both Banco ADOPEM and XacBank invested in youth-friendly marketing materials to differentiate their youth savings products from other deposit products at the financial institution.

The materials at each institution were differentiated by gender, with a tested preference for pink among girls. Colors were not tested with boys, as the program was initially envisioned for girls only. XacBank only targeted one age group with its materials, while Banco ADOPEM also differentiated by age. Also, XacBank implemented a more integrated, multi-media marketing campaign that included commercials, newspaper interviews, and online advertisements, while Banco ADOPEM focused primarily on marketing collateral and branch layout.

Banco ADOPEM

Banco ADOPEM created various colorful, age-and gender-appropriate passbooks; incentive structures; and targeted marketing materials with the tagline, "*Ahorrar te hace grande*" ("Savings makes you grown up"). Upon opening an account, each account holder is presented with a passbook, a savings can (or "*alcancía*," similar to a piggybank), and a mini savings plan template.

All ADOPEM branches have instituted a consistent Mía "look and feel", which creates a unified brand identity, is instantly recognizable to clients, and makes the branch a more welcoming and friendly destination for youth. The teller areas have clearly marked lines for youth; each branch has a small Mía stepstool for young clients that cannot reach the teller desk; and message boards with marketing materials and other announcements are displayed in designated "Mía corners".

<u>XacBank</u>

XacBank created colorful, aspirational, and age-appropriate passbooks, marketing materials and incentive structures. Like ADOPEM, all XacBank branches have *Temuulel* signage that is instantly recognizable to clients, making the branch a more welcoming and friendly destination for youth. XacBank also invested in television, radio and website advertisements.[27]

As part of their direct marketing strategy, XacBank created a Student Banker program, where leading students at the partner schools, who are also XacBank savers, serve as student sales representatives. Student Bankers are trained in sales and teamwork, assist branch staff with promotional and financial education events at the schools, refer peers to open *Temuulel* accounts, and answer questions. XacBank provides targets, incentives and competitions for Student Bankers at the various partner schools. Branch staff charged with managing the Student Bankers require ongoing training, guidance, and follow-up from youth program managers at the head office to ensure successful oversight and implementation of the program.

27 The sample marketing materials from XacBank shared here only include girl-specific versions; marketing materials targeting and adapted specifically for boys were also developed and are being used.

XacBank also sponsors "Temuulel days" at schools, when the branch visits the school, provides information about the bank and Temuulel accounts, offers incentives, and opens accounts. Direct marketing is also incorporated into the financial education sessions.

Financial Education

During their pilot stages, Banco ADOPEM and XacBank both launched a formal, stand-alone, eight-session financial education program designed by Microfinance Opportunities (MFO) and delivered by partners outside of the financial institutions. XacBank continues to use this eight-session format in the capital, but for rural areas, it has reduced the number of sessions. Banco ADOPEM also condensed the curriculum to two sessions and has experimented with other financial education formats, such as interactive contests and in-branch financial education, which they have found to better meet the needs and capacities of the bank and partners.

<u>Banco ADOPEM</u>

The MFO-designed financial education curriculum for the Mía program has been implemented and managed by ADOPEM NGO. At the start of the program, Banco ADOPEM and the ADOPEM NGO approached several schools in Santo Domingo and mutually agreed with the schools that certain schoolteachers would deliver the financial education program. The curriculum covers savings, goals, benefits of banking and money management, and is delivered to groups of approximately 25 girls as an after-school activity. This training-of-teachers delivery model is a value-added service for the schools. ADOPEM NGO staff regularly visit the schools to observe and monitor the sessions, and a small stipend is provided to the teachers delivering the curriculum. The sessions are complemented by promotional events in the schools and branches, to encourage product take-up. ADOPEM NGO has also reinforced the concepts taught in these sessions through interactive Jeopardy-like games, which are facilitated by the girls themselves under supervision from the teachers.

ADOPEM NGO and Banco ADOPEM partner to deliver one-time financial education sessions at schools and bank branches to existing and potential Mía clients throughout the country. Mía marketing messages and product promotion are incorporated into these sessions.

Banco ADOPEM is also currently piloting the introduction of savings plans during account opening. Customer service officials help new clients to complete the plans, and then account holders follow these plans over time, with support from bank staff at the time of deposits and withdrawals at the branch. This approach to financial education during transaction touch points promotes account usage and motivates account holders to reach their savings goals, and it may ultimately be a more cost-effective strategy for the bank.

XacBank

The MFO-designed eight-session financial education curriculum for *Temuulel* is implemented in Ulaanbaatar, the capital, by an experienced local NGO – Mongolian Education Alliance (MEA) – contracted by XacBank. MEA trains university students to facilitate the curriculum to groups of 20-25 secondary school students as an after-school activity at each school. School administrators assign one teacher or the social worker from each school to be responsible for regularly observing and monitoring the sessions. XacBank also partners with the NGO Equal Steps Centre to deliver financial education to vulnerable, at-risk and out-of-school youth. In the rural areas (where MEA does not have a presence and the majority of XacBank's branches are located), the bank decided to streamline the program and offer a shortened and more flexible format that is delivered by branch staff in order to effectively reach more youth.

Financial education in Mongolia is delivered with the following characteristics:

- Classroom style (delivered at schools);
- Urban: Eight core sessions covering budgeting, general savings, and savings at a bank; Rural: ranging from one to eight sessions;
- Two additional optional sessions on loans and debt management;
- Content translated into Mongolian and modified by local consultants to match the context;
- Direct marketing incorporated into the financial education at in-school product presentations and events.

Challenges and Sustainability

The youth savings programs in Mongolia and the Dominican Republic both consist of youth-controlled accounts, youth-friendly marketing materials, and a complementary financial education program. The programs have been rolled out to all branches within both financial institutions. Both Banco ADOPEM and XacBank are committed to scale and long-term financial self-sufficiency. In order to achieve these goals in their varying contexts, each institution has adapted its youth programs in different ways.

Financial education

Implementing a school-based financial education program in the Dominican Republic proved more challenging than doing so in Mongolia. Overall, schools in the Dominican Republic are generally less organized and structured than in Mongolia, which contributed to the challenges. Also, the partner NGO in the Dominican Republic had limited capacity to implement and manage a comprehensive school-based program given its commitment to a variety of other social programs. As a result, the curriculum was shortened to be more manageable for the schools and the partner NGO.

Also, Banco ADOPEM is now implementing other approaches to financial education that are delivered by branch staff, such as one-time seminars in schools and integrated financial education at the time of in-branch transactions. Banco ADOPEM is still determining the most effective delivery model, as well as its own internal staff and financial capacity; therefore, it is too soon to conclude what will be most sustainable.

In Mongolia, an NGO specializing in educational programs was contracted, through an additional subsidy secured by XacBank, to manage the financial education program in the capital. This arrangement, as well as the level of organization at the partner schools, has helped contribute to the sustainability of the formal, eight-session financial education curriculum in urban Mongolia. However, given the unavailability of the NGO model in rural areas, the bank has committed its own branch staff to deliver a shortened version of the curriculum to youth, which has proved more manageable for the bank. The combination of the long curriculum in urban areas with the shortened form in rural areas has resulted in a workable model for XacBank that reaches an impressive number of students in Mongolia. The availability of future funding and the bank's continued commitment will shape the long-term sustainability of the financial education program.

Account activity

A common challenge for both institutions is to maintain client and staff momentum around youth savings beyond account opening. During the initial stages of a youth savings program, marketing and promotional events are focused on new accounts, but as a youth savings program matures, it is important to continue promoting account activity and usage. Both Banco ADOPEM and XacBank have confronted this challenge with targeted incentive strategies, phone banking, promotional events, among other activities.

Offering to girls and boys

Though the *Girl Effect* program focuses on the implications of youth savings for girls in particular, both financial institutions decided to offer their youth savings products to both girls and boys, as a long-term business strategy. Banco ADOPEM opted for this approach from the start, while XacBank later chose to include boys in the program.

Data and MIS

The ability to collect solid data to measure the impact of the program, as well as the direct and indirect business impacts, such as profitability and cross-sell figures, is a challenge shared by many financial institutions offering youth savings. Financial institutions also need to be able to show the impact of financial education, through conversion rates and usage data, which is often a challenge if proper coding and collection procedures are not in place that facilitate cross-tabulation of data. Both Banco ADOPEM and XacBank have been working to continuously improve data collection and reporting procedures as they further scale their youth programs.

Results

Overall

As part of the Nike Foundation's *Girl Effect* initiative, WWB and its network members XacBank and Banco ADOPEM have opened more than 17,000 youth savings accounts with nearly 600,000 EUR in deposits and have provided financial education to more than 24,000 youth.

Banco ADOPEM

As of December 2011, more than 10,000 girls and boys have opened *Mía* accounts, with girls owning nearly 60 percent of those accounts. Approximately 30 percent of accounts, on average, have had activity in the last three months, and more than 5,000 students have received financial education. As shown by these positive results, the *Mía* product has become an integral part of Banco ADOPEM's product offering, and youth have become a legitimate client segment for the bank.

Mía's success, however, was preceded by different challenges, including: ensuring financial investment in and commitment to a product with a longer-term profitability horizon than other deposit products; aligning parents and other cohorts around the benefits of the program for youth; maintaining client momentum around the product beyond account opening, so that youth frequently use the account and build savings over time; and finding cost-effective delivery models for financial education.

XacBank

The *Temuulel* product has become an integral part of XacBank's product offering, and youth continue to be a legitimate client segment for the bank. As of December 2011, more than 7,000 girls and boys have opened *Temuulel* accounts; approximately 17 percent have had account activity in the last month; and more than 18,000 students have received financial education since the launch of the program. As per 2010 records, three months after receiving financial education, approximately 10-15% of participants had opened accounts.

According to a recent baseline and endline impact assessment of the project conducted by Microfinance Opportunities (MFO), girls who opened a *Temuulel* saving account *and* received financial education saved more on average than girls who only opened a savings account or girls who did neither.

Lessons Learned and Recommendations

During the pilot and roll-out of *Mía* and *Temuulel*, WWB, Banco ADOPEM and XacBank learned the following valuable lessons, which should be considered when launching youth products at other financial institutions.

- **Secure the full commitment of the financial institution's leadership** to ensure that youth savings is prioritized as part of the financial institution's core product offerings.
- **Invest in in-depth research, monitoring, and evaluation** throughout pilot and roll-out. WWB worked closely with both Banco ADOPEM and XacBank on in-depth product design and implementation process. Thoughtful and significant investment of resources at the beginning of any youth savings program helps to ensure long-term success.
- **Promote youth ownership and control of accounts** even if parents legally own them, and differentiate the product from parent-controlled savings accounts. Explore the legal context for youth accounts in your country to promote youth ownership as early as permitted.
- **Integrate youth savings into the financial institution's regular operations and staff training procedures** to further promote its long-term sustainability.
- **Offer a simple and straightforward product to both girls and boys** to better institutionalize the overall youth client segment, while still recognizing the importance of key product feature differentiations (based on age), as well as gender-sensitive marketing and communication strategies. Similar to adults, girls want a choice of products, accounts that are easy to open and use, and a branch that is accessible.
- **Encourage ongoing account activity** so that youth develop savings habits and build assets, thereby helping contribute to greater empowerment and financial security in the long term. Encourage this behavior through ongoing marketing, incentive schemes, financial education, and increased access to bank branches.
- **Develop youth-friendly marketing materials** that make the savings products attractive to the target market. Banco ADOPEM and XacBank used materials that had been successfully tested in their target markets.

- **Deliver financial education content through a variety of integrated channels** to reinforce messages over time, promote long-term behavioral change, and ensure overall cost-effectiveness and sustainability. Partner with other organizations to deliver financial education if it falls outside the financial institution's core competency. XacBank and Banco ADOPEM both partnered with NGOs on their financial education programs and, over time, adapted the curriculum format and delivery methods in order to better meet the needs of the bank and target audience.
- **Consider "refer-a-friend" marketing promotions** to take advantage of the power of word-of-mouth marketing and spillover effects in the community.
- **Consider working with regulators or government officials** to integrate financial education into school curricula.

Mía and *Temuulel* have become integral parts of Banco ADOPEM and XacBank's product offerings, and youth continue to be a legitimate client segment for these institutions. Youth accounts are viewed as a loss leader but one that will help secure a base of lifelong, loyal customers over a long-term time horizon.

Postscript

Ana Laura has already made two deposits to her account and is still thinking about her dreams of going to university. As Esperanza, a 14-year-old *Mía* account holder puts it, "having a dream is important for saving – you can't reach your dreams without money, and to have money you need to save."

Creating a Dividend for Lasting Peace: Economic Opportunities for Vulnerable Youth in Post-Conflict Burundi

Background

Youth Programme Summary	
Type of youth services	Savings (VSLAs), financial education and small, self-managed loans
Age group served	15-24
Year youth program launched	2010
Number of participants*	2,400
Youth Savings volume*	n/a
Youth Loan volume*	n/a
Non-financial services model	Parallel
Partner organizations	n/a
	**Data as of December 2011*

The International Rescue Committee (IRC) has been a leading provider of relief, rehabilitation, protection, resettlement services and advocacy for displaced people and victims of oppression and violent conflict since 1933. With operations in over 40 countries, the IRC distributes life-saving aid, rebuilds shattered communities and restores livelihoods. When a conflict subsides or an emergency passes, the IRC remains committed to rebuilding communities, investing an average of 10 years in post-conflict recovery and development.

The IRC's Youth & Livelihoods programs use innovative, holistic and result-oriented approaches to provide market-driven employment opportunities for youth in conflict and post-conflict settings. As the world youth population swells to an estimated 1.2 billion people, youth increasingly suffer from little access to social and economic opportunities.[28] The IRC's approach invests in the holistic development of youth, helping them make a smoother and more productive transition to adulthood. Through innovative programming — such as small enterprise start-up and management, business mentoring and the development of youth-specific financial services — the IRC helps youth to identify sustainable livelihood opportunities. The IRC's youth programs work toward three key outcomes for youth: increased financial assets (income and savings), strong self-esteem, and increased goal-setting behavior.

In light of the growing proportion of disadvantaged youth around the world and their need for opportunities to create productive livelihoods, the IRC currently supports programs that help youth access financial services in a range of ways. Financial service support includes such things as participation in savings and loan groups, direct linkages to formal savings institutions and trainings focused on the development of good financial management habits. In line with the IRC's three key outcomes for youth, these activities help youth acquire financial independence and stability, which can increase their confidence and self-reliance, help youth to save money that will allow them to meet goals such as opening a business or attending school, and help youth start their own businesses. Being able to keep their money safe and practicing good savings habits can pave the way for a more secure future as youth transition to adulthood.

Rationale for Serving Youth

Civil war has had devastating effects on the social, economic and political conditions in Burundi. Since 1993, the conflict has claimed more than 300,000 lives and displaced over one million people. In 2009, 31,779 refugees returned to Burundi, joining 506,114 others who had returned since 2002. This influx of returnees has been both an encouraging sign of stability and also a cause of tension: conflicts over land, resources, and access to public services have increased with the rising population. Refugees face the additional challenge of returning to what is essentially a foreign country, after spending much of their lives in Tanzania, and must deal with a new language, an unfamiliar system of government, lack of knowledge of social and public services, and limited economic opportunities.

Youth returnees are particularly vulnerable to such challenges, since they are often deficient in education and marketable skills. Returning youth face a bleak economic environment, with unemployment around 35 percent for the country[29] and more than 75 percent of citizens living below the $1.25-a-day poverty line.[30] The government of Burundi has offered two years of free secondary education to repatriating youth, but a lack of schools and skilled teachers and the high level of demand have prevented

28 United Nations (2010). International Year of Youth: Dialogue and Mutual Understanding. New York.
29 African Economic Outlook. 2009. "Burundi: Social Context and Human Resource Development." Accessible at http://www.africaneconomicoutlook.org/en/countries/east-africa/burundi/.
30 African Economic Outlook. 2009.

many young people from availing of this opportunity. The national Technical Vocational Education and Training sector suffered major disruption and neglect during the conflict and currently does not have the capacity to respond to youth's needs; professional training opportunities offered by local and international NGOs continue to remain limited. Without a safe and productive enterprise and a stake in society, these young people – upon whom the future of Burundi depends – risk becoming a negative force in their communities' development.

Youth Program Description

In 2010 in an effort to address some of the challenges faced by Burundian youth returnees and complement existing apprenticeship training and business startup support activities funded by SIDA and BPRM, the IRC supported the development of youth-focused Village Saving and Loan Associations (VSLA). The IRC's VSLA program provides ongoing support to young savings groups, laying a foundation for self-sufficient savings groups that continue long after the project cycle has ended.

The VSLA project's specific objectives are to:

- Increase employment opportunities and self-reliance among youth; and
- Encourage regular and lifelong savings habits.

In keeping with the IRC's youth programming objectives, throughout the process of creating VSLA groups, youth are trained and supported to maintain their savings groups and establish lifelong savings practices. By pooling together their money with other youth in their community, they can take out small, peer-approved loans. The group fulfills a specific need for youth who want to borrow small amounts (on the order of $10 to $20) but who do not have access to microfinance institutions that make such small loans.

In an effort to provide a holistic package of support, the VSLA program in Burundi is situated within a larger apprentice training program, so that youth have direct links between the money they are saving and money they might be able to earn with their new skills. Because VSLAs fail when members cannot pay back their loans, helping youth to find livelihoods

How do VSLAs work?

In the IRC's Village Savings and Loan Associations for youth, self-selected young men and women pool their money into a fund from which members can borrow small loans. Individuals may take out loans to start a business venture or cover a one-time cost, such as payment for medical services. Members then pay back the money with interest, causing the fund to grow. The regular savings contributions of the group are deposited with an end date in mind for distributing all or part of the total funds—including interest earnings—to the individual members, usually on the basis of a formal system that links payouts to the amount saved. The distribution provides a sum of money that each member can apply to his or her needs.

while encouraging them to save also helps to reinforce the sustainability of the savings groups. The IRC's comprehensive training includes business and life-skills, including lessons on saving and spending money wisely.

In the pilot phase, IRC established four VSLAs comprising a total of 77 youth. These participants were self-selected from a larger pool of youth that participated in the IRC's vocational training programs—teaching youth skills in trades such as carpentry, bike repair, cooking and masonry. While some adults were included in the process of establishing the savings groups, the vast majority (more than 80 percent) of the group members are youth.

After identifying the participants, IRC program staff initiated training sessions specific to VSLAs. Once the four groups were established, community-based facilitators led planning sessions in which youth could agree on parameters for their own VSLAs. In these planning meetings, youth settled on group rules, limits for loan amounts, repayment deadlines, interest rates, and management structure. Each group was then given a VSLA "kit" that included a cash box with locks to ensure the security of the group's money.

Based on a SIDA-facilitated final evaluation, in February 2011 IRC received additional funding to expand its program and refine it based on lessons learned. Also included in the new funding was the expansion of the VSLA component to include 20 groups with a total of 400 youth VSLA beneficiaries. During the current two-year funding period (2011-2013), IRC will be comparing those youth who receive the additional VSLA support to those youth beneficiaries participated only in the apprenticeship program, in order to determine the added effectiveness of VSLA support in reaching project outcomes.

The following criteria were used in selecting beneficiaries:

- Age: between 15-24;
- Sex: 40% should be female;
- Vulnerability: Repatriated or meeting the following criteria: non-accompanied child, victim of sexual abuse, single-mother households, ex-combatants, Batwa (pygmies), handicapped, orphans;
- Not having received other vocational training, except if it was in Tanzania or if the training was less than a month in duration;
- Community confirmation that these criteria have been met.

Results

Project scale:

- Pilot phase: 1,320 total beneficiaries 77 receiving VSLA support
- Current outreach: 2,400 youth beneficiaries 400 receiving VSLA support

During the pilot phase, groups successfully "cashed-out" at the end of the first cycle and started a second round of savings and loans by themselves. This means that even though the IRC has stopped providing formal support, groups have continued running their VSLAs independently. The VSLA savings groups were able to reach up to a total savings of 1,000 USD, with around 60 percent of members taking out loans. Results from the evaluation of the pilot phase provided evidence of the longer term benefits that the program was able to support including 50% of youth still practicing their trade two years after graduation and 76% reporting improvements in their socioeconomic status. With its additional two-year funding, which began in February 2011, the IRC will conduct a rigorous impact evaluation to further measure the effectiveness of the program as a whole.

Lessons Learned and Recommendations

The IRC has gleaned the following recommendations from lessons learned over the course of this project to date:

Separate youth from adults

The IRC in Burundi decided to implement all-youth VSLAs after finding that many youth had successfully participated in VSLAs designed for adults in a gender-based violence program that began in 2009. The groups had included more than 44 youth, but program staff met with resistance when they actively tried to incorporate more youth into the program. Because of society-wide distrust of youth after their role in the conflict and general perceptions of youth as untrustworthy, the IRC decided to separate youth as a way to overcome societal misperceptions. Thus, the IRC youth-only pilot program for VSLAs addressed this generational divide.

Develop innovative ways to keep money secure

Establishing and enforcing group rules can help to keep the funds secure. In one youth VSLA, a member attempted to steal a significant portion of the savings immediately prior to the reimbursement stage, when the amount of funds was at its highest. The other youth members devised a strategy for recovering the money and convinced the youth to pay the money back. However, challenges arise when youth leave their communities. In another example, two youth stole smaller amounts of the group's funds and fled to Tanzania, so the VSLA was left to suffer the losses. By innovating ways to prevent theft and keep the money secure, the VSLAs will suffer from fewer losses in the future. Successful methods have included: using a padlock of different make to ensure a master key wouldn't open the money box, using a steel box to keep the money, keeping the money box with one person and the keys to the padlock with another.

Link the loan to specific trade skills and association groups/businesses

In order to ensure that youth in savings groups are encouraged and comfortable to reap the benefits of accessing loans, the IRC plans to link the VSLAs more explicitly to apprenticeship training programs and established trade associations. Experience from the pilot showed that youth are often hesitant to use their loans for specific business purposes, since many are members of group businesses and associations. By linking groups to association formation it will encourage youth to make their loans useful to their business and encourage association members' trust in one another.

Encourage Girls to Participate

IRC staff in the pilot phase noticed that girls were often hesitant to take on leadership roles within the VSLA groups and were often the last to access loans from the groups. IRC will continue to work with girls to build confidence in engaging in VSLA activities through such things as exchange visits to other VSLAs where women take active roles or speaking with community female community members who have benefited from VSLA.

Continue to monitor and learn from VSLAs

The IRC plans to maintain relationships with VSLAs, including those that have cashed out and are operating independently, to continue to learn and refine its approach. By learning from mature and nascent VSLAs, the IRC can better address challenges and refine its future programming.

German Financial Cooperation

Introduction of World Savings Day in the Democratic Republic of Congo

Background

About KfW

KfW Entwicklungsbank (German Financial Cooperation) is part of the KfW Bankengruppe which is a promotional bank offering support to encourage sustainable improvement in economic, social, ecological living and business conditions. KfW Entwicklungsbank is a competent and strategic advisor on current development issues. On behalf of the German Federal Government, KfW Entwicklungsbank finances reforms, infrastructure and financial systems growth. It is a worldwide financing partner and also employs funds of its own for development projects.

Youth Programme Summary	
Type of youth services	Public savings promotion, financial education
Age group served	6-24
Year youth program launched	2011
Number of participants*	Approximately 17,000
Youth Savings volume*	Approximately 300,000 Euros (approximately 7,000 accounts)
Youth Loan volume*	n/a
Non-financial services model	Parallel
Partner organizations	10 Congolese Financial Institutions,[31] 105 schools and universities, Central Bank of Congo, Congolese Association of Banks, Savings Banks Foundation for International Cooperation
	**Data as of December 2011*

31 Access Bank, Advans Banque, Bank of Africa, Banque Internationale pour l'Afrique au Congo, FINCA, Lifevest, MECRECO / MECREKIN, Pro Credit Bank, Rawbank and Trust Merchant Bank.

About World Savings Day

"World Savings Day" (WSD) was proclaimed in 1924 during the first International Thrift Congress in Milano, Italy and has since become a tradition in many industrialized countries with the annual participation of thousands of financial institutions. WSD takes place annually on October 31 in more than 40 countries. Its purpose is to raise awareness about the importance of savings for both the economy and the individual, with a particular focus on children and youth. On WSD, financial institutions organize events, promote savings products and attract young peoples' attention with giveaways such as educational comic books and piggy banks. From the perspective of modern development assistance, WSD has become a powerful tool for providing financial education to children, youth and (to a lesser extent) unbanked adults.

WSD's particular appeal lies in the combination of substantial developmental impacts with a solid business case. Because of the potential to attract new customers, deposits and opportunities for cross selling of other products, financial institutions have strong incentives to take part and even finance and "run the show". Through direct contact with financial institutions, children and adolescents learn about basic financial products and sound financial principles. Beyond the public educational aspect, WSD also targets local financial institutions themselves by helping them broaden their sources for refinancing. Through such activities, WSD has been shown to increase aggregate savings across financial institutions, which can stimulate investment and trigger economy activity.

In 2011, KfW collaborated with its partners to introduce WSD in the Democratic Republic of Congo (DRC). Planned as a small-scale pioneer project, WSD proved to be an attractive and stimulating concept for all participants. This case study provides an overview of how this youth empowerment program was conducted and presents lessons for practitioners.

Rationale for Serving Youth in the DRC

Half of the DRC's 71 million inhabitants are below the age of 18.[32] Less than 1% of the population has a bank account,[33] and young people are almost universally excluded from basic financial services such as access to savings accounts.

32 World Fact Book (2011): https://www.cia.gov/library/publications/the-world-factbook/geos/cg.html.
33 KfW (2011): Entrepreneurs' Challenges to Access Credit in the Democratic Republic of Congo.

Without access to savings, youth cannot benefit from building assets and planning for the future, including making provisions for their education, families and risks of illness. The financial sector in DRC is competitive, but operates in an extremely unfavorable business environment within an unstable political and economic setting.[34]

There are several reasons for the low level of financial inclusion. First, there is an overall low level of trust in the financial system. After decades of war, economic distress and bank bankruptcies, the population is suspicious of authorities and financial institutions. The Central Bank of the Congo estimates that only 10% of the population's total savings is deposited in financial institutions. Secondly, banking operations and infrastructure are insufficient; financial services are generally not available in rural areas, and individual clients face many constraints when opening an account. Consequently, the informal sector plays a large role and its products, such as the Likelemba or the Bwasika Carte, are widely used. Within this setting, the overarching objective of WSD was to promote access to formal finance for Congolese youth and to raise awareness within local financial institutions of this underserved clientele.

Youth Program Description

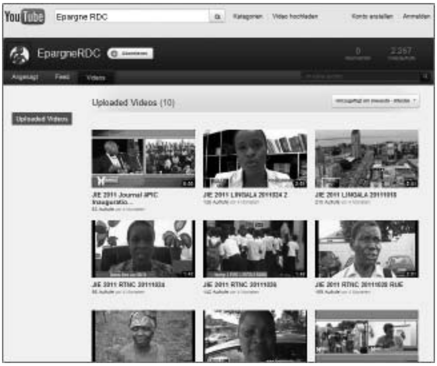
KfW organized this pilot project together with 10 Congolese financial institutions, 105 schools, the Central Bank of the Congo, the Congolese Association of Banks and the Savings Banks Foundation for International Cooperation. The participants from the financial sector unanimously showed great interest in taking part in the event because they expected diverse and tangible results, such as the acquisition of new clients, increased client loyalty and a broader source for refinance. However, in an environment of widespread mistrust of the financial sector, it was important to assure the neutrality of the WSD project. The emphasis of all communication was laid out in the main message of the event: "Saving for my future in DRC – Yes it is possible!"

The inaugural WSD in the DRC was set to span three days – from October 31 through November 2, 2011. For the official inauguration ceremony, the Central Bank invited about 700 guests, including representatives of the Ministry of Education and the Ministry of Economy, several development agencies as well as students. During a preparation period of more than two months, KfW developed a uniform marketing scheme with a logo, slogan, posters and brochures, and its partner Savings Bank Foundation for International Cooperation undertook general organization on the ground in Kinshasa. In addition, KfW and the

34 DRC ranks 180 out of 183 countries in the Doing Business Index 2011.

Central Bank launched widespread media coverage in order to reach a large audience. About ten days before WSD, radio stations started broadcasting 33 diverse commercial spots in French and the local language of Lingala; the media televised a total of 34 reports and published eight newspaper articles. Furthermore, all videos were made available online via a YouTube channel. Financial institutions complemented the marketing efforts by generating promotional material of their own (e.g., t-shirts, caps, pens). In all, about 50,000 marketing products were produced to promote the event.

A central element of preparations for WSD was the organization of two workshops, in which all financial institutions participated. The first workshop covered marketing strategy and provided instructions on how to develop savings products. The second workshop focused on financial education. With the assistance of consultants, participants were trained on how to convey the message of WSD.



During the WSD period, participating financial institutions then visited 105 schools and universities. These institutions were selected based on geographical proximity as well as income level, with a concerted effort made to include schools in low-income areas. At these school visits, representatives of the participating financial institutions used theater plays, interactive debates, questionnaires, playful competitions and simple information sessions to present the concept of WSD to the students and to teach children and adolescents why savings are important. Marketing materials such as brochures, pens and booklets were also distributed in the classroom to increase awareness.

Challenges

Appropriate training materials

Due to lack of experience, the Congolese financial institutions had difficulties finding appropriate training methods and materials. Practitioners must accompany financial institutions in their training preparation and work with schools in order to lay a strong foundation and ensure the long-term success.

Distraction from elections and cost of marketing collateral

The proximity of presidential elections, held on November 28, 2011, led to distraction from the WSD marketing campaign. Where possible, practitioners should plan around such major events to avoid competition and distraction. Furthermore, the large orders for personalized marketing collateral (t-shirts, pens, etc.) due to the demand from financial institutions in addition to the political parties created a burden on suppliers, who ran out of stock and increased prices. Plenty of lead-time should be given to allow for unanticipated shortages or other problems.

Budget timing

The WSD was announced relatively late in the year. As a consequence, financial institutions faced difficulties with budgeting because marketing resources for 2011 were already planned and partially consumed. Financial institutions had to reallocate their budgets and mobilize additional marketing funding in order to participate in WSD. Practitioners should anticipate such difficulties and make an effort to announce the WSD well in advance.

Financial institutions' preference to visit higher income schools

There was competition among the financial institutions for the right to visit the "best" schools – those closer to their branches and with high parental income levels. In order to avoid cases of overlapping, KfW helped to mediate between the parties and created a set of universal criteria for assigning financial institutions to schools. KfW tried to involve schools from poorer areas by addressing the topic in joint meetings, but did not make any binding regulations.

Sustainability

KfW's financial investment in WSD in the DRC was relatively small and primarily comprised of employing a consultant who guided the financial institutions in creating and implementing the event. KfW's primary contribution was the transfer of knowledge related to the WSD concept, marketing strategy and training techniques for youth. The participating financial institutions contributed budgets twice as big as that of KfW for this project.

The primary responsibility for the event was in the hands of the local financial institutions. Although KfW and its partners initiated WSD, the participants actually implemented and realized the project – working with KfW to learn marketing, training and organizational strategies along the way. As a result, the financial institutions are not dependent on the involvement of donors and are prepared to manage future WSDs on their own, thereby ensuring long-term sustainability and local ownership.

Owing to the active involvement of the Congolese financial institutions, a considerable leverage effect has been achieved. While the project's original aim was to engage three to five Congolese financial institutions, it ultimately mobilized 10 financial institutions that actively participated. Similarly, a far greater number of schools joined the event than originally planned – rather than five schools, 105 participated. These numbers show the very high demand for WSD and financial services within the Congolese financial sector and society, and many more financial institutions are expected to participate in 2012 and beyond.

In the project's final meeting, all of the participating financial institutions showed very high interest in continuing WSD in 2012 and beyond, and indicated their willingness to fund their own marketing efforts. All of the participants declared the event a success, pointing to the high number of new accounts, increased deposits and greater public awareness as a result of WSD 2011.

Results

The first WSD in the DRC achieved its primary objective of increasing the financial awareness of youth, far exceeding its original targets: 105 schools and universities were included, and through their active participation, about 17,000 students were sensitized to the benefits of voluntary savings. Even more importantly, approximately 9,000 new accounts were opened within two weeks of the event – at least triple the rate of new account creation in the months prior to WSD. KfW estimates that approximately 7,000 of these new accounts belong to youth under age 25 and that more than 350,000 Euros was mobilized by the ten financial institutions across those 9,000 accounts during WSD.

This figure represents a significant increase of new customers and deposits for the financial institutions that participated. Three institutions also introduced new savings products in the context of the event. Throughout the project, young people and formerly un-banked adults expressed a substantial demand for financial services – and many approached financial institutions for the first time in their lives.

In summary, both KfW and WSD participants considered the 2011 event in the DRC to be a great success. All ten institutions expressed very positive feedback and intention to continue their involvement in WSD in the coming years. For 2012, KfW plans the introduction of the WSD concept to other countries around the world.

Lessons Learned and Recommendations

In addition to the specific lessons learned presented above, KfW and its partners' experience in 2011 has shown that the WSD concept can achieve a significant impact on youth access to formal financial services. As has been shown, the ownership of this project can be effectively transferred to the financial institutions that have been "in the driver's seat" from the outset. Participating institutions can synchronize their marketing efforts and often find more effective, efficient and sustainable approaches to finance the activities than donors. KfW considers WSD to be an effective tool for promoting access to micro-savings, financial inclusion and financial education for young people in developing countries.

CREDIT-LED CASE STUDIES

The second group of case studies discusses programs that focus on credit for youth. The youth unemployment situation is critical, 75 million youth worldwide are currently unemployed and more than 150 million young people are living on less than 1.25USD a day[35]. As a result, there is an urgent need to create employment opportunities at all levels to begin addressing this gap.

Credit-led programs in this set of case studies tend to target youth that are above the age of 18 in order to provide them with the necessary impetus to integrate the job market: "A line-of-credit is the overwhelming product in use for small business financing in developed countries"[36]. Microfinance and other financial inclusion initiatives can play an important role as catalysts for youth entrepreneurship and self-employment. Young people with entrepreneurial potential should be encouraged with adapted and adequate financial products to help develop their enterprises. They also need basic business and/or accounting training, and frequently require in kind grants or cash for consumption smoothing and appropriate management of cash flows for emergencies. However, it is important that financial inclusion initiatives bear in mind that not all youth are adapted for entrepreneurship and shouldn't seek to promote a one size fits all approach to youth financial inclusion[37]. Finally, research combined with input from YSOs and FSPs is required to develop products which serve the market appropriately.

In addition to market research on youth needs and demands, there are a number of reasons that FSPs may opt to lead with credit. In many cases, the regulatory environment does not yet permit certain FSPs to accept client deposits, so they may develop loan products and relevant trainings in an effort to serve this group in another way. Another reason for emphasizing credit is related to the internal capacity of FSPs'. For instance, FSPs seeking to break into the youth market frequently prefer to start with a product in which they have more expertise and confidence – loans – and then gradually add youth savings as the institution's perhaps more nascent deposit

35 ILO consults African youth on jobs crisis http://www.ilo.org/wcmsp5/groups/public/---africa/---ro-addis_ababa/documents/pressrelease/wcms_175271.pdf

36 Where is the micro-line-of-credit?by Timothy Ogden, July 12 2011, available at http://financialaccess.org/node/3769

37 ILO – Know about Business (insert link) – ILO training programme on youth entrepreneurship delivered by schools which helps young people decide which career path to chose – wage work or entrepreneurship

experience grows. Moreover some FSPs can be reluctant or financially unable to offer a "loss-leader" like youth savings and need instead to make the new product financially viable within a short time frame.

The cases presented here again provide an interesting range of examples and experiences. As a result of the credit-led approach, the examples presented here tend to concentrate on older youth segments (over 18), with the capacity to engage in small enterprise and legally entitled to access loans. There is also a noticeable emphasis on livelihood development, with strong and sometimes direct links to specific industries and microenterprises (Sinapi Aba Trust YAP; RCPB CRED'ART). Most of our examples for the unified delivery model for non-financial services are found in this group of cases – perhaps because the loan interest allows for cross-subsidization of the longer-term staff and training involved to specific target groups; and because certain FSPs, have their own in-house training departments and can more readily propose such services. The majority of microfinance institutions that pilot/test youth inclusive financial products tend to be mature, well established organizations. Thus several of these programs have the benefit of a promising business model for eventual and/or ongoing financial self-sufficiency.

Table 5 provides a list of the credit-led cases and the key points discussed.

Table 5: Credit-Led Case Studies and Key Points

Implementer/Program	**Key points of case**
6. Child and Youth Finance International and Making Cents International: Al-Amal – Yemen *(loans, savings, financial education)*	• Achieving scale • Marketing to youth • Withstanding crisis with PAR intact
7. ADA: RCPB CRED'ART – Burkina Faso *(loans, financial/business training)*	• Livelihood development focus • Insertion into artisan industry • Loan delinquency and monitoring challenges
8. MEDA: YouthInvest – Morocco and Egypt *(loans, financial education)*	• Livelihood development focus • Short and finite education approach • Impacts on clients and families
9. Partner Microcredit Foundation: Partner – Bosnia and Herzegovina *(loans, business, financial education)*	• Research results on outcomes, especially impact of financial education • Training costs and sustainability challenges

10. Opportunity International: Sinapi Aba Trust Youth Apprenticeship Program – Ghana *(trade education, loans)*	• Livelihood development focus • Education/training/mentorship first • Tie-in with government goals and programs
11. PlaNet Finance: L'Heure Joyeuse and Darna – Morocco *(employment training, no financial services yet)*	• Livelihood development for at-risk youth • YSO-led with potential for financial link
12. Frankfurt School of Finance and Management: WOYE – South Sudan *(loans, savings, financial and other education)*	• Working in post-conflict setting • Parallel non-financial services on a wide range of topics

Al-Amal Microfinance Bank

Making Cents International

Yemeni Microfinance Bank Significantly Expands Its Services to Youth[38]

Background

Yemen is one of the Arab world's poorest countries. One third of the population suffers from chronic hunger and 40 percent of the population lives on less than US$2 (1.52 Euros) per day.[39] The Yemeni government struggles to absorb the annually increasing number of workers (39 percent growth in just nine years) and to generate appropriate job opportunities for different social segments – especially young people. In 2005, national unemployment rates were estimated to be at 35 percent. Today, with a similar unemployment rate, young people below the age of 25 comprise 75 percent of Yemen's population and have an unemployment

Youth Programme Summary	
Type of youth services	Loans, savings, financial education
Age group served	0-30
Year youth program launched	2010
Number of participants*	13,310 loan clients (ages 18-30) 6,244 current accounts (ages 18-30) 8,925 savings accounts (<18 years)
Youth Savings volume (ages 0-18)*	US$121,284 (92,000 Euros) (40% of deposit accounts; 17% of deposit volume)
Youth Loan volume (ages 18-30)*	US$2.87 (2.18 million Euros) (25% of loans disbursed; 22% of loan portfolio volume)
Non-financial services model	Linked
Partner organizations	Silatech, Making Cents International's Youth-Inclusive Financial Services Linkage Program (YFS–Link)
	**Data as of December 2011*

38 An earlier version of this case study was published as part of the Youth-Inclusive Financial Services Case Study Series 2011, as Case Study N°. 16: First Middle Eastern Microfinance Bank Puts Youth First, available at http://www.yfslink.org/resources/case-studies/yfs-case-study-no.16-first-middle-eastern-microfinance-bank-puts-youth-first.

39 UN World Food Program 2010, http://one.wfp.org/appeals/projected_needs/documents/2010/OMC.pdf

rate approximately twice as high as adults over 25.[40] This lack of opportunity raises many fears of political and social instability.

The government and many development organizations rely on small and micro-enterprises to curb poverty and unemployment rates, including among the youth population. These small businesses, both formal and informal, help to absorb the local workforce. However, most young entrepreneurs lack the required financial services necessary to sustain their businesses and grow. Currently only seven percent of Yemen's population has access to financial services.[41] Youth have been historically excluded from the financial sector and, as a result, face limited options for building livelihoods for themselves and their families.

In January 2011, shortly after the popular ouster of the Tunisian government, many Yemenis, led by the sizable youth population, began protesting against unemployment, economic conditions and corruption, as well as against the government's proposals to modify Yemen's constitution. By late January, hundreds of thousands had joined the movement, and protestors' demands escalated to calls for the resignation of Yemeni President Ali Abdullah Saleh. As of December 2011, the country remained in a state of unrest.

Rationale for Serving Youth

Al-Amal Microfinance Bank (Al-Amal) is the first of its kind in the Middle East and North Africa (MENA) region. Founded in 2008, Al-Amal was created based on the principal of financial inclusion for all, particularly for Yemen's unbanked population, including young people and women. As part of its institutional charter, Al-Amal specifically targets the youth market, including young women and men, with tailored financial services.

To do this, Al-Amal entered into a partnership with Silatech, a Qatari institution that works to devise solutions for youth unemployment in the Middle East. Together, these two institutions created the Youth Fund, designed to be a long-term, self-sustaining source of finance for young people ages 18 to 30. In addition to the fund, Silatech also provides entrepreneurship training to youth clients and equips Al-Amal staff to better serve younger clients.

Originally, Al-Amal aimed to reach 800 young people within the first year of the project. Less than a year later, however, Al-Amal had already disbursed 5,200 loans through the Youth Fund, 63 percent of which went to young women. By the end of 2011, Al-Amal had 13,310 youth loan borrowers (35 percent of Al-Amal's total loan client base), with a youth loan portfolio of 2.2 million Euros.

40 Educational Quality Improvements Program 2008, http://pdf.usaid.gov/pdf_docs/PNADN990.pdf.
41 Central Bank of Yemen 2008, http://www.centralbank.gov.ye/newslettar.aspx?keyid=47&pid=46&lang=1&cattype=6

Al-Amal also developed a voluntary Child Savers account for children under the age of 18. By the end of 2011, Al-Amal had mobilized over 93,000 Euros through 8,925 child saving accounts (40 percent of its total saving accounts). In addition, over 5,000 youth over the age of 18 had opted to open a savings account through the existing Al-Amal (adult) Savings product.

Youth Program Description

Al-Amal has four distinct loan product offerings for its young clients, in addition to youth-friendly savings accounts, insurance products and an education loan. Recognizing that youth represent a unique market segment that requires additional support in starting and growing businesses, Al-Amal has adapted its lending requirements to make loans more accessible to start-up entrepreneurs.

Through partnerships with Silatech and other external organizations, Al-Amal offers its youth clients supplemental non-financial services through training courses such as *Entrepreneurship Education – Know about Business for Yemen* and *Khadijah,* a financial education program designed especially for female clients. In preparation for running a business of their own, exiting youth clients are also given the opportunity to participate in training courses on financial management, marketing and sales, and customer service management.

Al-Amal staff are also available to provide youth clients with business consultations, from conducting visibility studies for their business to making simple suggestions regarding business location.

Youth-Inclusive versus Adult Products

<u>Credit</u>

All four of Al-Amal's youth loans carry the same terms as those of its adult loan products. The primary differences in product design for youth credit products are as follows.

Startup funding: Youth loans are available for start-up ventures, whereas adult products stipulate that a business must have been in operation for a minimum of six months. Loan officers conduct character analyses of potential youth clients and review their business plans to assess their likelihood for success (e.g., prior business experience, skills to run the business, equipment, intention to rent a location).

Fewer collateral requirements: Youth products have fewer collateral requirements, and instead use a solidarity guarantee. Youth borrowers are organized in groups of four to seven members, each group with a minimum of three females, and one member is nominated group leader. The groups attend meetings together at the branch or in a member's home. Loan officers investigate each member, including his/her neighborhood clients and contacts, and each member serves as a guarantor for his or her fellow group members' loans.

Identification: Often Yemeni women and youth under the age of 30 do not have national ID cards, which prevents them from opening bank accounts or accessing loans in many formal financial institutions. Al-Amal accepts alternatives to the national ID, such as a confirmation letter from the local municipality or a marriage agreement, in the case of women.

Staffing: Loan officers who work with Al-Amal's youth portfolio attend an intensive training program on how to serve clients in their homes. Many are also trained in the International Labour Organization's (ILO) *Know about Business for Yemen* entrepreneurship course, which is facilitated by the Yemeni Social Fund for Development to equip loan officers to train and mentor their young clients through the business development process.

Delivery: Young people, as well as women of all ages, often feel unwelcome in banks and, as a result, do not frequent them. In order to reach these groups, Al-Amal employs 70 female loan officers who visit female and youth clients in their homes, ultimately taking bank services to the clients.

<u>Savings</u>

Al-Amal offers four different savings products, including Al-Amal (adult) Savings, Child Savings (<18 years), Time Deposits, and Certificates of Deposit. These products and the main differences between the Al-Amal (adult) Savings product and the Child Savings are outlined below.

Lower minimum balance: Child Savings accounts require a minimum balance of US$1.00 (0.76 Euros), as compared to the Al-Amal (adult) Savings accounts, which require a minimum balance of US$2.50 (1.89 Euros). The lower minimum balance allows greater access to those under the age of 18.

Access: Child Savers do not have full control over their account. Instead, a young person's parent or guardian is responsible for managing his or her account. For example, until the age of 18, a young person must have a guardian present to make a withdrawal from his or her savings account.

Delivery: In addition to allowing child savers to deposit savings directly at the bank, Al-Amal collaborates with schools so that child savers (who attend school) can make deposits into a moneybox at their school. A bank representative collects the pooled money from the moneybox on a regular basis, decreasing operating costs for the bank without requiring the children to spend resources on traveling to and from the bank.

Marketing: Al-Amal's Child Savings marketing campaigns also target schools. In addition, bank representatives participate in school events such as graduation ceremonies and half-term celebrations.

Insurance (Takaful)

A standard credit-life insurance product is offered to all loan clients, including youth clients. The policy covers the remaining loan balance and provides a cash benefit to clients' families in the event of the client's death. There is no difference in terms for youth and adult clients.

Education Loans

Al-Amal's newest product, education loans, target parents who want to help their children attend school, as well as employed youth who want to enhance their education and career opportunities. By connecting young people with universities, Al-Amal aims to prompt post-graduate studies among Yemeni youth, while enabling them to continue making a living. There are no differences in terms for youth and adult clients.

Non-financial Services: Al-Amal's Approach beyond Financing

In addition to the provision of appropriate financial services, Al-Amal recognizes the need to support its youth clients through the provision of supplemental non-financial services. Al-Amal has developed a work-placement program for higher education students who have difficulty finding employment upon graduation. By providing young people with on-the-job experience and mentorship, youth participants gain practical experience in the workplace, a proven essential step in securing meaningful employment for Al-Amal's clients.

The Bank has also created local and global partnerships to inspire and support youth entrepreneurs by connecting them to networks, mentors, and other useful resources. Al-Amal has partnerships with formal school systems, higher education and training institutions, financial services providers, NGOs, the public sector, and local businesses.

Entrepreneurship Education Project – Know About Business for Yemen

Objectives

This project helps create employment opportunities by fostering an enterprise culture in Yemen, through promoting entrepreneurship and self-employment among youth. ILO's Know About Business (KAB) curriculum is introduced in technical/vocational schools and universities with the goals of:

- Creating awareness of enterprise development and self-employment as a career option for trainees;
- Developing positive attitudes towards enterprise and self-employment;
- Providing knowledge and practice of the required attributes and challenges for starting and operating a successful enterprise;
- Preparing trainees to work productively in small and medium enterprises (SMEs).

Challenges and Sustainability

Withstanding Crisis

The unrest of the Arab spring revolutions in early 2011 greatly affected Al-Amal and other MFIs around the country. Many of Al-Amal's clients were injured or displaced; lost their businesses to fire and looting; or abandoned their businesses to take part in sit-ins. Other clients were adversely affected by inconsistent electric power, high-priced transportation, and high prices of other basic services. Al-Amal also lost a large number of staff, especially women, and saw inadvertent increases to operating costs as a result of economic and social changes throughout the country. Between February and June 2011, the number of all active borrowers across Yemen's 11 microfinance institutions dropped from 69,596 to 50,916, while portfolio at risk (PAR) increased from 1.4 percent to 5.9 percent. The number of savers dropped from 52,369 to 43,367, and operational self-sufficiency (OSS) dropped from 119 percent to just 92 percent.

Nevertheless, Al-Amal continued to think innovatively and re-dedicated itself to meet the changing needs of its clients. The Bank decided to ease the pace of its outreach and instead focus its attention on maintaining and helping its existing client base. While Al-Amal continued to follow up on collections on a daily basis, the Bank rescheduled a limited number of loans in conflict areas. Similarly, credit policies and savings withdrawal terms were modified to better suit clients' needs.

Youth Fund Success and Sustainability

Despite these challenges and the increased perceived risk in lending to youth, Al-Amal reported a minimal 0.03 percent portfolio-a-risk greater than 30 days (PAR>30) for the youth portfolio in December 2010. The bank attributes this success to a few key factors such as tailoring financial services, including marketing and delivery mechanisms, according to the particularities of the youth market; and training staff in how to effectively serve younger clients and manage risk. Even during the most intense period of the Yemeni crisis, PAR>30 for the youth portfolio only increased to 2 percent (as of December 2011), less than that of its adult clients. Al-Amal attributes these sustained higher repayment rates to its flexible model, client loyalty, and the culture of timely payments that the bank has instilled in its youth clients.

By the end of 2011, Al-Amal's Youth Fund had achieved 92 percent financial self-sufficiency (FSS). Al-Amal expects the program to be fully sustainable by the end of 2012 and hopes to reach profitability shortly thereafter so as to deliver services to both rural and urban youth throughout the country on a sustainable basis. Al-Amal attributes this great success to a sound business structure, wherein the Youth Fund interest rate will ensure programmatic sustainability, while allowing for future growth and development of the youth market segment.

In spite of its growing portfolio, Al-Amal recognizes that there are often losses when working with start-up businesses. The Bank hopes to cover at least 50 percent of these losses through grant funding or the provision of donated collateral.

Results

Tables one and two outline Al-Amal's performance to date:

Table 1: Credit Performance

Al-Amal Microfinance Bank	December 2010	December 2011
Total Loans Disbursed	US$4,142,718 (3,138,900 Euros)	US$8,499,612 (6,491,226 Euros)
Total Number of Loans	17,565	35,923
Youth as % of Borrowers	36%	25%
Youth as % of Loan Portfolio ($)	33%	22%
Young Women as % of Borrowers	18%	11%

Table 2: Savings Performance

Al-Amal Microfinance Bank	December 2010	December 2011
Total Savings Portfolio	US$604,544 (458,057 Euros)	US$1,194,000 (904,683 Euros)
Total Savings Accounts	18,517	33,047
Youth as % of Savers	44%	40%
Youth as % of Savings Portfolio ($)	15%	17%

In 2011, the average Youth Fund loan was US$133 (101 Euros), just 15% less than the average non-youth loan (US$245/186 Euros). These funds were primarily used by youth to purchase fixed assets and to increase working capital for a variety of businesses, including retail bookstores, mobile phone access points, transportation services, and small shops for selling fast food.

A larger difference is seen in the average savings account, with the average Child Saver accumulating a balance of US$13 (10 Euros) as of December 2011, as compared to US$16 (12 Euros) for the average Al-Amal (adult) saver. Adult Time Deposit and Certificate of Deposit account holders had significantly higher average balances, at US$554 (420 Euros) and US$2,071 (1,569 Euros), respectively.

Lessons Learned and Recommendations

Marketing and Delivery

Since opening its doors in 2008, Al-Amal has been challenged to distinguish itself from traditional banks. Because its target clientele – youth and women – traditionally have been excluded from the financial sector, Al-Amal has focused on finding new ways to communicate its message of financial inclusion to these groups. As a result, Al-Amal coined its slogan "The bank of the unbanked." Another marketing challenge is Yemen's low literacy rate, which makes it difficult to use conventional print marketing materials. Al-Amal uses word-of-mouth as its most effective means of marketing, with loan officers focusing efforts on door-to-door promotion. In its branches, Al-Amal is planning to install LCD screens that display advertisements and client success stories in a youth- and illiterate-friendly form.

In order to effectively reach youth, Al-Amal also targets its marketing campaigns to young people's interests, while adapting its services to meet the needs of the youth population. For example, Al-Amal reaches out to youth at universities, where young people often spend time, and has partnered with vocational training institutions, television networks, radio stations, and lottery campaigns. The bank also extended its hours, now operating on an eight-hour schedule in order to accommodate youth's school schedules and other responsibilities. Currently, Al-Amal is exploring ways to decrease transportation costs to youth clients, including through SMS services and a partnership with the post office in order to provide a broader network of locations for young people to bank while also helping to save on MFI operating expenses.

Staff Training

Serving young people effectively requires a special set of knowledge, skills and attitudes. Al-Amal has found that youth clients respond more positively to younger, more energetic, staff; in response, the MFI has begun hiring from this demographic to serve its youth clients. Moreover, in an effort to build strategic relationships with its clients, Al-Amal secured the support of Silatech in training its loan officers to communicate effectively with young clients and to treat them with dignity and respect. By building youth loan officers' customer service, sales, and marketing skills, Al-Amal strives to acquire young customers' long-term loyalty.

Youth loan officers also receive additional training to equip them to better support youth clients in their businesses. Many youth loan officers are given the opportunity to attend the same youth entrepreneurship course in which many Al-Amal youth clients participate. This supplemental training not only edifies staff themselves but also helps build understanding and awareness of the training that youth clients receive. For those youth clients who are not able to attend the entrepreneurship training, Al-Amal loan officers may also assume the responsibility of equipping them with similar skills and information.

Next Steps for Al-Amal

Based on the initial success of Youth Fund and Child Savings and overwhelming demand for financial services from young clients, Al-Amal is poised to continue to deepen its engagement with young clients in 2012.

As a key component of their strategic partnership, Al-Amal and Silatech created a broad-based technical support facility, the Social Innovation Fund (SIF), to drive the development and roll-out of a comprehensive set of support services for young clients, including institutional strengthening, and ongoing client support services. For example, SIF is currently developing a training of trainer's course on financial literacy to equip Al-Amal staff to better prepare its clients to handle financial services. In addition, SIF is also developing customer service and marketing training courses for the staff. Under the SIF, Al-Amal and a consortium of partners have committed to launching a Youth Savings Scheme to complement the existing Child Savings account. Although the account terms have not yet been finalized, they will aim to better enable youth to build assets for personal and/or business use, while building a credit history that will support future economic activities.

In 2012 Al-Amal also looks forward to expanding its monitoring and evaluation of its Youth Fund product. The Bank already implements the Grameen Foundation's Progress out of Poverty Index (PPI) to measure whether and how clients, both youth and adult, are moving along the poverty ladder. Further, in 2011, Al-Amal won an ILO Youth Employment Network (YEN) call for proposals for Taqeem Monitoring and Evaluation, a regional support program to improve results measurement of youth employment and enterprise organizations in the MENA region. In March 2012, Al-Amal plans to augment its existing M&E process by developing systems to measure the impact and results of the Youth Fund in particular.

In the meantime, Al-Amal continues to explore a number of additional methodologies to increase its youth-specific products and services. In early- to mid-2012, Al-Amal expects to introduce SMS technology that will notify users about withdrawals, deposits, money transfers, and currency exchange rates. Al-Amal is also exploring partnerships with higher educational institutions, formalizing a graduation scheme, and focusing on significantly disadvantaged groups including orphans.

Credit for Young Artisans in Burkina Faso

Background

Overview

CRED'ART (Credit to young artisans) is an innovative microfinance program that is designed to strike a balance between financial services (start-up loans) and non-financial services (trainings, follow-up and support) for the durable insertion of qualified young professionals, ages 20 to 35, into the workplace via the creation or reinforcement of artisanal microenterprises.

Youth Programme Summary	
Type of youth services	Loans, financial and business training
Age group served	20-35
Year youth program launched	2008-2009 (pilot test); mid-2011 (extension and replication)
Number of participants*	183 (76 in pilot test; 107 since May 2011)
Youth Savings volume*	n/a
Youth Loan volume*	98,974,500 FCFA (150,876 Euros)
Non-financial services model	Unified
Partner organizations	ADA, CIF
	**Data as of June 30th 2012*

Collaborators

The CRED'ART program is a collaborative initiative supported by Appui au Développement Autonome (ADA) in partnership with Confédération des Institutions Financières (CIF) and three of its regional members (Réseau des Caisses Populaires in Burkina Faso and Nyésigiso and Kafo Jiginew in Mali). This case study focuses on the experimental phase of CRED'ART involving ADA, CIF and RCPB – the MFI possessing the longest experience with the product.

Each partner in the CRED'ART product has a clear set of roles and responsibilities. These include:

RCPB

Réseau des Caisses Populaires du Burkina (Credit Union Network of Burkina Faso, or RCPB) is a network of savings and credit cooperatives in Burkina Faso whose core mission is to contribute to the social and economic well-being of its members – particularly those that are excluded from traditional financial services. In that sense, the institution focuses on developing strategies to help economically vulnerable populations engage in productive activities that facilitate their economic participation. RCPB views CRED'ART as a potential tool for addressing youth unemployment via the creation of microenterprises and/or the strengthening of productive activities in the informal sector. At an institutional level, CRED'ART enables RCPB to:

- Effectively translate social mission into practice;
- Diversify funding sources;
- Attract and develop a loyal, new client base.

As the financial service provider (FSP), RCPB implements the program and ensures the provision of all financial and non-financial services. RCPB's specific responsibilities include: rolling out the product, identifying and training potential clients; granting loans and following up on repayments.

CIF

Conféderation des Institutions Financières (Confederation of Financial Institutions, or CIF) is a regional confederation of six of the largest savings and credit cooperatives in West Africa and is designed to accompany its members in the professionalization of their microfinance services and practices. Through CRED'ART, CIF aims to capitalize on its network of FSPs to test an innovative financial product that can broaden its members' service offerings while also improving their financial and social performance.

CIF's main role as related to CRED'ART is to configure and develop the product methodology, ensure that it is properly implemented by the FSPs and measure its results. CIF also guides and coordinates the replication of CRED'ART with other regional members.

ADA

Appui au Développement Autonome (Assistance for Autonomous Development, or ADA) is a Luxembourg-based NGO that has been active in the microfinance sector for more than 15 years via diverse activities such as innovative product development, research support, capacity building and awareness-raising. Establishing microcredit as a true driver of youth self-employment (through the creation of microenterprises) enables ADA to contribute towards reaching one of its key objectives of initiating and developing inclusive financial services for the most vulnerable populations of developing countries. With regard to the CRED'ART product, ADA funds all non-financial services and also provides general support and monitoring.

Rationale for Serving Youth

The 1.2 billion youth between 12 and 24 years of age currently represent 18% of the global population[42]. In Africa, the youth population between ages 15 and 24 is currently estimated at 200 million (20% of the continent's population) and is projected to double within the next forty years.[43] The decline in economic growth affects youth more severely than any other age group. For instance, the unemployment rate of 15- to 24-year-old Africans is already nearly 50% and is projected to rise even further if current economic conditions persist. Finally, this large-scale exclusion of youth from economic productivity creates numerous demographic, social, economic and political risks across the continent.

The majority of African youth do not finish secondary school and turn instead to trainings provided by specialized vocational schools or workshops. Once they graduate, African youth are confronted by a labor market lacking adequate formal employment opportunities in both the public and private sectors. Meanwhile, youth self-employment via enterprise creation is hindered by barriers such as extremely limited financing options for start-up capital.

As an initial response to this problem, RCPB collaborated with CIF and ADA to design and introduce a new financial product – CRED'ART – which aims to select, train, finance and provide follow-up support to young artisans.[44] The artisanal industry was chosen due to the increasing importance and potential of this sector in the African economy, the increasing number of people involved in these trades, and the value that it can add to local products and outputs. The program targets young artisans without high school diplomas with the goal of accelerating their creation of economically productive livelihoods.

The specific objectives of the CRED'ART program are to:

a) Facilitate self-employment of young artisans by financing their activities and providing adapted trainings;
b) Contribute towards lowering the youth unemployment rate;
c) Increase the financial performance of the FSP in the long run;
d) Improve the social performance of the FSP.

42 UN Data (http://data.un.org/Data.aspx?d=PopDiv&f=variableID%3A21)
43 World Bank: Africa Development Indicators (2008-2009)
44 Note: This product was first tested with PAMECAS in Senegal but the FSP did not renew its commitment for internal reasons.

Youth Program Description

Following a market research and design phase, a CRED'ART experimental phase (pilot test) was carried out during 2008-2009 in two branches (credit unions). A period of review, consolidation of lessons learned and revision of the project was then undertaken, and a revised CRED'ART product was launched in late 2011 in five additional branches. During the pilot phase, 76 loans were disbursed, and since the product's re-launch, 68CRED'ART loans have been disbursed. This case study concerns primarily the concrete and well documented experience with CRED'ART's experimental phase, with lessons brought in from the revision and re-launch.

Beneficiaries

The CRED'ART target group for the experimental phase with the RCPB (2008-2009) was primarily young artisans who had already received vocational training from a specialized school or workshop and had developed an individual or group entrepreneurial project that required a loan for its implementation.

Following a market study carried out by CIF – in which potential clients were consulted and their artisanal activities evaluated according in terms of modes of production and distribution, commercial viability, cost-effectiveness and constraints – eight pre-defined trades were identified and a goal was set to finance 100 young artisans over a two-year period across two branches of the FSP. The selected CRED'ART trades are: dressmaking/tailoring, hairdressing, refrigeration and air conditioning, electricity, mechanics, welding, carpentry and dyeing.

In order to gain access to the CRED'ART program, the young artisan had to meet the following eligibility criteria:

- Artisan aged between 20 and 35 years old;
- Possess a certificate from a vocational school or workshop (later revised to be demonstrable practical experience with an optional certificate);
- Present a project outline for an individual or group enterprise;
- Have a workplace and/or a fixed address;
- Present a creditworthy guarantor (later revised to be an optional "moral" guarantor, meaning a co-signer who is not required to show proof of creditworthiness);
- Commit to reimbursing the loan;
- Commit to following the support and advisory services of the branch (i.e. set up a project activity report, maintain and update a simple accounting ledger, participate in meetings and trainings);
- Must not have a poor credit history.

Compared to RCPB's regular loan products, the CRED'ART loan carries a similar interest rate and can only be accessed one time (after which the artisan can apply for a regular RCPB loan). CRED'ART allows a higher loan size (500 to 1,500 Euros) than is available to regular first-time RCPB borrowers, as long as the loan is for a start-up activity. Other advantages of these eligibility criteria compared to RCPB's standard credit policies are the following:

1) Repayment can be deferred for a period of 0-3 months following loan disbursement;
2) Does not require 15% of loan in fixed-term deposits, which acts as a form of guarantee for most RCPB loans;
3) Free access to non-financial services such as training;
4) No prior credit history required;
5) Material guarantee replaced by an upfront contribution of 5% of the total amount of the loan.

Operations

The program is carried out according to three distinct phases, each with a number of tasks and milestones, as follows:

a) Activities conducted before the loan is granted:

- Young artisans are directly targeted by awareness-raising/training sessions on CRED'ART and other RCPB services by specially trained RCPB credit officers. These sessions take place at a partner vocational school or at one of RCPB's branches depending on the number of potential clients due to attend. The content of these sessions (which are mandatory for CRED'ART eligibility) includes an explanation of the program, purpose of the loan, eligibility criteria, loan conditions, loan management and business training.
- Young artisans interested in participating in the CRED'ART program must obtain a certificate from the head of the vocational school or workshop before presenting their project at one of the RCPB offering CRED'ART.

b) Activities involved in setting up the loan:

- Young artisans, with the support of the RCPB's loan officers, develop a project outline/business plan; the credit officer then presents the proposed loan before a credit committee for approval.
- Once approved, the branch credit committee considers the loan request. The loan officer informs the young artisan of the decision and, if approved, disburses the loan.

c) Activities conducted after the loan has been granted:

- The loan must be used for working capital (e.g., acquisition of working equipment and/or locale or business registration fees) and receipts must be presented for verification of loan use.
- As payments are made, five percent of the payment (principal + interest) is immediately deposited into a savings account, which can only be accessed once the full loan has been repaid; this serves as a partial guarantee for the remaining payments, an incentive for the borrower to stay current and a useful lump sum of savings for the artisan following loan repayment.
- Loan officers make regular visits to the artisans to provide support and advice for the development of the enterprise, as well as monitor loan use and progress.
- RCPB staff also offers clients voluntary "workshops", flyers, and informal information distribution regarding other available products and services, including the FSP's popular savings products.

Taken together, these activities aim to provide young artisans with the necessary means and support to develop or reinforce their enterprises. More specifically, these activities are designed to help provide the young artisan with the necessary tools to develop client loyalty, increase profitability and engage with the FSP and its services in the long term.

Results

A total of 76 young artisans[45] were financed and followed the trainings of the CRED'ART program during the experimental phase, within the following fields:

	Hairdressers	Tailors/ dressmakers	Electricians	Refrigeration & air conditioning
Male	1	7	3	4
%	4%	18%	100%	100%
Female	23	31	0	0
%	96%	82%	0%	0%
Total	24	38	3	4
%	31%	50%	4%	5%

45 The goal of 100 artisans for the experimental phase was not reached, due to the inability of some potential clients to provide the required certificate and creditworthy guarantor. As a result, these restrictions have been altered for the extension and replication phase.

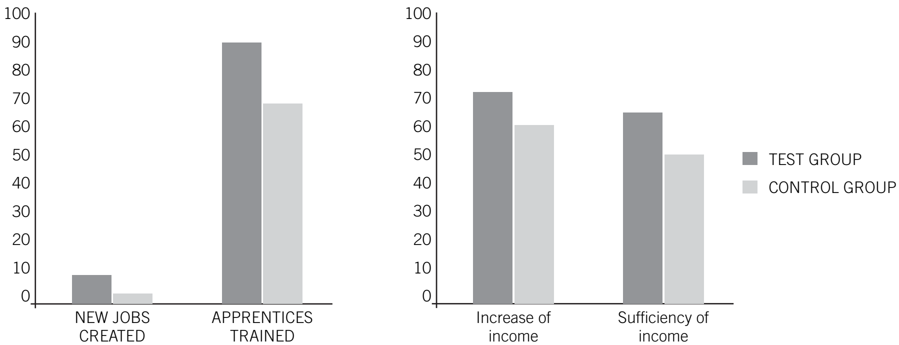
	Mechanics	Carpenters	Welders	Dyers	Total
Male	3	1	2	1	22
%	100%	100%	100%	100%	29%
Female	0	0	0	0	54
%	0%	0%	0%	0%	71%
Total	3	1	2	1	76
%	4%	1%	3%	1%	100%

As shown above, female clients represented 71% of the total number of clients financed during the experimental phase. With regard to the breakdown by trades, hairdressing represents 50% of all clients financed, followed by tailoring/dressmaking at 31%. The dominance of these two trades can largely be explained by the following factors:

- Both trades are more attractive for a loan (i.e. repayments are less daunting), since the working capital required for the start-up phase is lower than for other trades;
- Both trades require a fixed locale or workplace, which renders the enterprise more attractive from the point of view of the FSP (easier to monitor the young artisans).

An impact study was carried out in 2010 with a sample group of 100 young artisans. The sample was comprised of 50 CRED'ART clients and 50 young artisans with similar characteristics such as age, timing of business start-up and types of trade, but who did not receive a CRED'ART loan or training. The following findings were noted:

Figure 1: Job creation and changes in income



- The treatment group (CRED'ART young artisans) created more new jobs than the control group (11 as compared to 4). This result may be explained by the fact that it was easier for them to acquire new equipment thanks to the loan received. According to the interviews conducted during this study, possessing modern equipment in conjunction with the marketing training enabled them to more effectively attract new clients and create consumer confidence. Consequently, the young artisans had a greater need to create new jobs due to the increase in business. Similar arguments can be used to explain the performance of the treatment group in terms of the number of apprentices trained (92 versus 70).
- In terms of changes in income after the launch of CRED'ART, 72% of the treatment group reported an increase in revenue, compared to 60% of the control group. In terms of self-reliance, 66% of the treatment group believe their income is sufficient, versus 50% for the control group. Once again, this increase in productivity is primarily attributed to the purchase of modern equipment and to the training received.
- Finally, 84% (64) of the original 76 enterprises supported through loans provided during the 2008-2009 period are still operational today.

Although these findings should be interpreted with caution, since the sample was small and many other variables come into play, they do suggest that the CRED'ART program had a positive impact on the young artisans that participated.

Following the conclusion of the experimental phase, RCPB decided to take a step back in 2010, draw on lessons learned (some of which are detailed below) and reconfigure the product so that it could be scaled up across four additional branches during a second phase. This process was launched in 2011, and the second cycle of credits across all six branches was disbursed in the course of that year. Furthermore, two FSPs in Mali also began pilot-testing CRED'ART in 2011.[46]

Challenges and Sustainability

Loan Delinquency

During the experimental phase, the program was confronted by numerous cases of loan delinquency. These were primarily attributable to the following factors:

At the level of the FSP:

- Internal mobility of loan officers (transfer to other branches) impeded continuity in follow-up activities and also entailed training new loan officers unfamiliar with the product;

46 The first loans for the Malian FSPs were unblocked in February 2011 and as of the 30th June 2012, a total of 71 young artisans have been financed (44 for Nyésigiso; 27 for Kafo Jiginew).

- The loan officers' large portfolios made it difficult to spend the additional time necessary on monitoring young artisans;
- Insufficient number of loan officers within each branch to effectively follow-up on loan repayments;
- Confusion with regard to the terms of collaboration between the FSP and the professional schools (schools expected incentives and believed they should have carried out the follow-up activities).

At the level of the beneficiaries:

- The absence of certain young artisans in the trainings;
- Equipment theft;
- Lack of clientele due to competition or difficulty in obtaining a fixed workplace;
- Complicity between certain young artisans and the schools and/or the equipment sellers to overstate the loan required for the enterprise.

In order to address the issue of loan delinquency it was agreed by each partner in the program that there was a clear necessity to reinforce the FSP's monitoring practices. To that end, a dedicated monitoring mechanism, involving the recruitment of additional staff[47] and interns[48] to directly support the loan officers, was implemented at the end 2011/early 2012. Furthermore, the partners are considering the implementation of branch incentives to motivate closer monitoring and follow-up.

Integration of Non-financial Services

The successful implementation of non-financial services can be challenging for FSPs. In order for the FSP to commit to and engage in a program that targets higher risk clients, it is important that it take responsibility for the provision of non-financial services so that in the long term this component can be integrated fully within the institution. In the case of CRED'ART, RCPB had extensive experience with *Credit with Education*, which not only provided them with the necessary know-how of combining financial and non-financial services but also a conviction that this combination can be sustainable in the long term. In the case of the CRED'ART program, RCPB collaborates closely with CIF for technical support and with ADA who covers the initial costs of non-financial services. In the long term, it is expected that the FSP will be able to progressively absorb the cost of these services and continue their provision by RCPB's own staff. ADA's funding commitment operates on a declining basis, and eventually the FSP will be ready to offer products such as the CRED'ART loan independent of external support.

47 This is essentially an administrative unit at the level of the federation composed of an RCPB employee who ensures that the product is being delivered coherently, efficiently and according to specific criteria and procedures.

48 These interns are social economy and/or business management grads from Ouagadougou University and were sponsored by RCPB. Their responsibilities are to directly target and mobilise young artisans with awareness raising both within and outside the branch (they have monthly targets); verify/validate the moral rectitude of the young clients (via regular field visits); support loan officers in the provision of training (especially basic accounting) and assist them in their field visits of clients (particularly in relation to checking guarantees and how the business is being run).

Unexpected Reactions of Artisanal Masters/Trainers

The program experienced two unexpected consequences from linking artisans' eligibility with training or workshop certificates. First, it was sometimes difficult for artisans to obtain a written letter or certificate due to concerns from master artisans about competition from their protégés or apprentices. On the other hand, there were instances of artisanal trainers forging certificates or encouraging their trainees to take out CRED'ART loans, and then waiting outside the branch to take a commission. The decision to also accept demonstrable experience (at least 12 months practical experience in a workshop) in lieu of written proof of training or mastery was made in part to counteract these issues.

Achieving Scale

In 2010, the CRED'ART product was adapted in order to draw on lessons learned from the experiences of the 76 initial young artisans financed in 2008-2009. Following a series of meetings, workshops and project assessments, a new set of objectives for the CRED'ART were defined for the 2011-2012 period. These objectives are the following:

1) Fund 80 young artisans per branch across six RCPB branches;
2) This represents a total of approximately 480 additional young artisans to be financed in the near term.

In order to help achieve these objectives and also address some of the difficulties encountered during the experimental phase, a dedicated CRED'ART product team – including a full-time project manager at the level of the federation and the recruitment of six interns to assist loan officers (one intern per branch) in follow-up and support activities – at the level of the FSP has been implemented. The installation costs (salaries, materials etc.) will be covered by ADA for one year, after which the unit will be funded digressively.

Other conditions designed to increase uptake and achieve greater scale include:

- *Adjustment of guarantee requirement:*

  The requirement for a creditworthy guarantor (which proved difficult to obtain for the majority of young artisans) was replaced with an optional moral guarantee (i.e., an individual – ideally a family member – who can vouch for the young artisan and hold him/her accountable to his contract with the FSP). This moral guarantee is not as easy to obtain in an urban/peri-urban area as in a rural environment, so validation of this individual needs to be increased (which will be one of the roles of the new interns).

- *Client level incentives:*

  An incentive of 5% of the total amount of the loan is granted to clients that successfully repay the full loan amount (this has been in place since 2008).

The idea of this incentive is to help the young artisan set aside 10% of the total loan amount in a savings account (10% of total amount is constituted by 5% from the incentive and 5% from the cumulative savings deposited with each reimbursement). This helps the young client get closer to the 15% required as a fixed term deposit for access to a standard loan.

- *Branch level incentives:*
  - An incentive at the branch level will be implemented (5% of loan volume) in order to encourage a more active management and improve portfolio quality, but the exact conditions still need to be defined.
  - Loan officer training related to the provision of CRED'ART will be increased, with all 50-60 credit officers of the six main target branches to be trained by the end of April 2012. Establishing a pool of specialized trainers was considered but finally deemed impractical because the trainers would not be able to meet the existing need, let alone achieve significant scale. Instead, a training DVD is being produced for use in the branches in order to lower training costs over the long term.
  - A loan guarantee fund (with contributions from RCPB and outside investors) can be accessed to cover write-offs, as long as all measures have been exhausted by the FSP in pursuing reimbursement. Furthermore, a start-up fund will be established to help young artisans overcome certain initial start-up costs such as first month's rent, connections to water and/or electricity services or registration costs.

Lessons Learned and Recommendations

Communication between partners is critical

In any multi-stakeholder program involving youth inclusive financial services, particularly those with a loan component, it is crucial that each partner's role and responsibilities be clearly defined at the outset and then communicated appropriately. This point is particularly important for the funding partner who must ensure that information on program grants or subsidies does influence the behavior of loan officers or the beneficiaries.

Any suggestion that external funding is helping to support a program such as CRED'ART, can lead to a lack of motivation on behalf of the FSP's staff and to a misconception of the loan product as a donor driven project on behalf of the beneficiary.

Business training can have a positive impact on business outcomes and employment creation

Although small-scale, the research conducted on outcomes for CRED'ART clients as compared to similar artisans that did not benefit from CRED'ART loans showed notably better outcomes in terms of employment creation, apprentices trained and revenue increase. This is thought to be a result not only of the loan received but also the training provided to CRED'ART clients. The partners involved in this project redoubled their commitment to the combination of financial and non-financial services provided through CRED'ART as a result of these research findings.

Non-financial services can help in achieving an appropriate balance between expanding youth financial access and effectively managing risk

The CRED'ART beneficiary is fundamentally a high-risk client for the following reasons:

- No prior credit history;
- The first loan they will receive represents a significant investment and requires that they demonstrate discipline by following the program's procedures and respecting the FSP's policies;
- In the vast majority of cases, the credit is invested in a high-risk activity, namely launching a first microenterprise.

In order to ensure that the loans are used correctly, it is crucial to establish mechanisms that not only support the beneficiaries in developing their enterprises, but also help them become conscious of their responsibilities towards the FSP. Non-financial services including training, follow up activities and general support are therefore absolutely key and in the case of CRED'ART, a dedicated monitoring mechanism has been implemented in order to increase the frequency and quality of such services.

These non-financial services become even more central to the success of the program during the replication process. In order to expand access to the product, certain material guarantees have been removed and replaced by moral guarantees, which will require the implementation of a formal mentoring structure in order to mitigate the added risk. Therefore, the FSP must redouble their efforts to proactively supervise the CRED'ART beneficiaries if the program is to achieve long-term sustainability.

MEDA

Mennonite Economic Development Associates

YouthInvest: Financial Inclusion for Young Entrepreneurs in Egypt and Morocco

Background

MEDA

For nearly 60 years, Mennonite Economic Development Associates (MEDA) has been designing and implementing innovative and effective market-driven economic development programs that improve the livelihoods of millions of people living in poverty around the world. MEDA has a longstanding reputation as a pioneer in microfinance, particularly in the area of financial institution development – creating, governing and aiding in the sustainable growth of both regulated and transforming institutions around the globe. The organization's expertise is built on over 30 years of experience supporting the development of inclusive financial sectors, providing cost-effective, appropriate, and sustainable financial services to the poor.

Youth Programme Summary	
Type of youth services	Loans, financial education, savings
Age group served	18-30 (loans only) (Overall YouthInvest ages are 15-30)
Year youth program launched	2009 (Overall YouthInvest launched in 2008)
Number of participants*	1,738 (YouthInvest loan clients only) (Total YouthInvest participants: 33,644; of which: 11,051 savers, 21,596 trained, 1,738 borrowers, 346 internships)
Youth Savings volume*	Approximately 590,700 MAD (52,962 Euros) – loan clients only
Youth Loan volume*	4,557,000 MAD (408,582 Euros)
Non-financial services model	Unified
Partner organizations	Al Amana, AMOS and ARDI in Morocco; Alexandria Business Association (ABA) in Egypt
	**Data as of December 2011*

YouthInvest

YouthInvest Financial and Non-Financial Innovations for Youth in Egypt and Morocco is a five-year, five million dollar initiative in which Mennonite Economic Development Associates (MEDA) is partnering with leading microfinance institutions (MFIs) and Non-governmental Organizations (NGOs) in collaboration with The MasterCard Foundation, to develop innovative financial products and services tailored to the needs of economically active youth. The YouthInvest project began in 2008 and has three main objectives:

1) To increase youth access to appropriate financial services, such as loans and savings;
2) To support education and training opportunities for youth to ensure improved long-term prospects and improved use of financial services;
3) To support NGOs and financial service providers – including MFIs and banks – to develop financial and non-financial products appropriate for economically active youth.

This case study focuses on a small but important element of MEDA's programming – the provision of loans to youth aged 18-30. This presentation is intended to demonstrate the preliminary impacts of these loans on both clients and their families, as well as offer important lessons learned for financial service providers and practitioners.

Rationale for Serving Youth

Youth in Egypt and Morocco dominate the ranks of the unemployed.[49] Demographic challenges, gender barriers, a mismatch education and skills, as well as unsafe or poorly remunerated work are among the difficulties youth face in the search for economic opportunities. At the same time, access to appropriate financial services can lead to many positive outcomes for youth, including a heightened capacity to manage money and build assets, as well as increased opportunities for entrepreneurship, employment and education.

Although youth often comprise a significant proportion of financial institutions' active portfolios, few financial institutions specifically target youth. There is limited experience in the industry with designing and delivering specific products that meet the needs of young people, particularly in rural areas, which are most affected by poverty and unemployment. As a result, YouthInvest works with well-established financial institution (FI) partners to build their capacity to better understand and serve the

> *"By offering the youth loan product we have the pleasure to help start their careers and develop their projects. Youth loans encourage youth to take work seriously and to become more integrated in the community." – Loan officer, Agadir*

49 Youth unemployment among 15 to 29 year olds in Morocco makes up approximately 37 percent of the country's total unemployment; in Egypt, youth constitute 59.5 percent of the country's total unemployed. (ILO Tripartite Meeting of Youth Employment Experts in the Arab States, Amman, 2004 http://www.ilo.org/public/english/region/arpro/beirut/employment/youthemploy/background.htm)

youth segment with both savings and loan products. While the project supports the uptake and usage of both youth savings and credit products, this case study focuses on the impact of the loan products and training offered by YouthInvest partners to date.

Youth Program Description

The main objectives of the youth loan program are to:

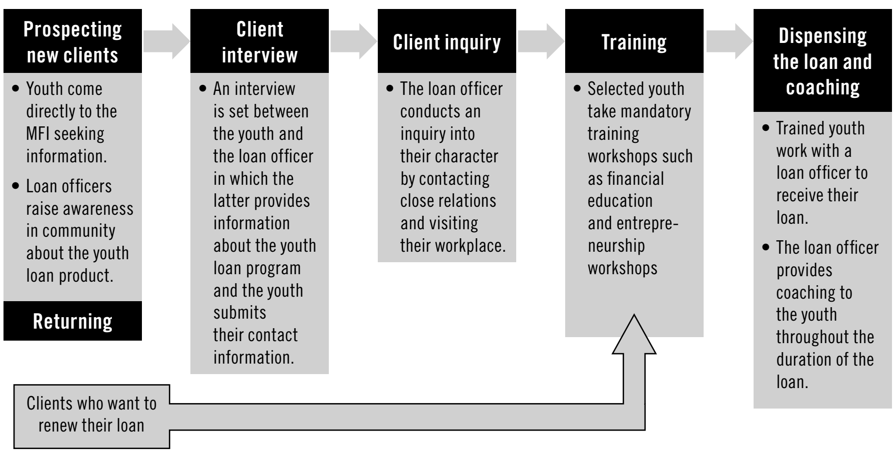
- Help youth create and develop their own enterprises;
- Encourage youth to practice good savings habits and open savings accounts;
- Help MFIs develop tailored financial services for youth

MEDA has established partnerships with three Moroccan MFIs – Al Amana, AMOS and ARDI – and one Egyptian MFI – Alexandria Business Association (ABA) – in order to develop credit and training programs to suit the needs of local youth and fit the capacity and goals of the MFIs. MEDA also encourages youth clients to develop savings habits and supports them in opening their own savings accounts.

The direct clients of the loan program are between the ages of 18 and 30, live mainly in rural areas, and are seeking to create a new business or further develop a current business initiative. This age group was selected based on national regulations, which prevent the provision of credit to individuals under 18 years of age, as well as on the mission and service areas of MEDA's partners.

Figure 1 provides an overview of YouthInvest's loan operations at the Financial Institution level.

Figure 1: Overview of YouthInvest Loan Operations



Loans Designed for Youth

The primary advantages of a YouthInvest loan as compared to a regular adult loan at the partner MFIs are: (a) the availability of start-up capital for youth, whereas adults over 30 may only borrow for existing businesses, and (b) more flexible guarantee options to accommodate the reality that many youth lack assets that can be used as collateral. The loan terms are otherwise the same – loan sizes range from 1,000 to 50,000 Moroccan Dirhams (90 to 4,483 Euros); average loan terms are 18 months; and both group and individual loans are available.[50] The processes for prospecting, selecting and training the youth clients is similar across all of the YouthInvest partner MFIs.

Integrating Non-financial Services

MEDA has worked with its partners to implement several different approaches to delivering non-financial services, in order to compare their effectiveness and efficiency.

Al Amana: This partnership capitalizes on the availability of experienced trainers already employed by Al Amana. The scope includes both the involvement of loan officers (to prospect, select and disburse the loans) and business advisors (to train the youth and advise them throughout the use of their loan). Youth clients must attend one six-hour financial education workshop to be eligible for a loan.

AMOS:[51] As a small, well-known and trusted MFI in the rural region of Khénifra, AMOS's reputation facilitated local acceptance and understanding of the youth loan product. Loan officers trained by MEDA are responsible for prospecting, selecting, training and advising the youth clients. As at Al Amana, AMOS clients must attend a six-hour financial education workshop before having access to a loan.

ARDI: Two approaches have been used in the partnership with ARDI. Clients who are looking to renew their loan must attend a two-hour savings workshop led by loan officers in order to renew their loan. The second approach targets recent graduates from vocational training centers in rural areas, requiring them to attend a three-day financial education and entrepreneurship training workshop led by ARDI trainers in order to be eligible for a loan.

ABA: ABA's uses two approaches closely resembling those of ARDI. Clients who want to renew their loan must attend a four-hour financial education workshop. Vocational training graduates looking to start a business attend a three-day training workshop on "How to Start a Microenterprise" and "Financial Management" through a program entitled *Step by Step*. Those deemed to have the potential to develop a strong business are offered a small grant. If their business grows, they then become eligible for a loan through the YouthInvest youth loan program.

50 Note that, to date, 91% of loans to YouthInvest clients in Morocco have been individual loans.
51 The partnership with AMOS was concluded in June 2011.

All of the partner MFIs inform the youth clients about the importance of developing good savings habits and opening savings accounts. ARDI and ABA's strong commitment to their social missions made them ideal partners for testing several different approaches for reaching vulnerable rural youth and improving the offerings for existing clients. ARDI goes one step further by inviting representatives from a local bank to attend the training workshops and to facilitate the opening of savings accounts at these institutions (generally Crédit Agricole or La Poste). These accounts have no access fees, carry interest and require only a small minimum deposit and balance (if any).

Challenges and Sustainability

Knowledge Transfer

MEDA collaborates with its MFI partners to develop a YouthInvest loan product that is tailored to meet the needs of youth and to fit the MFI's processes and capacities. This process ensures knowledge transfer from MEDA to its partners concerning the youth demographic and how to provide youth with appropriate financial services, thereby enabling them to continue offering the product in the long-term with slight modifications or adaptations as necessary. For example, despite MEDA ceasing to provide formal support to AMOS, the MFI has continued to offer the individual youth loan developed through YouthInvest. By working with MFIs, MEDA has helped to significantly build institutional capacity, and this in turn has facilitated their ability to access funds from a variety of donors.

Challenges and Solutions

- Context matters: A microfinance crisis that began in Morocco in 2007 led to risk aversion among the MFIs, which became particularly uneasy about serving youth. MEDA took this context into consideration during discussion and negotiation with potential MFI partners, especially in terms of setting project objectives.
- MFI motivation is a driver: MEDA was disappointed to find that some MFIs were not as engaged in the youth loan program as expected and did not consider or report the youth program among their organizations' achievements. MEDA now ensures that partners are truly motivated to participate and report and that they remain engaged in the program. By building the capacity of MFIs, especially smaller ones like AMOS, MEDA has helped enhance their staff's understanding of why and how to serve youth, so that this segment becomes part of their long-term strategy. The MFIs' willingness and ability to use the reporting system and deliver on mutually agreed objectives is a key to success.
- Product design is not just about demand: During product design, MFIs were not willing or prepared to offer products based entirely on youth needs identified through market research. Designing demand-driven products with partners requires negotiation and balance between what youth want and what institutions can actually offer. Always work to find common ground between the institutions and the youth they are serving.

- Training must be relevant: Training that was not relevant and accessible to youth did not succeed. MEDA found that it was important to broker partnerships between MFIs and training institutes, networks or youth-serving organizations in order to design training that is practical and complementary with local realities faced by youth.

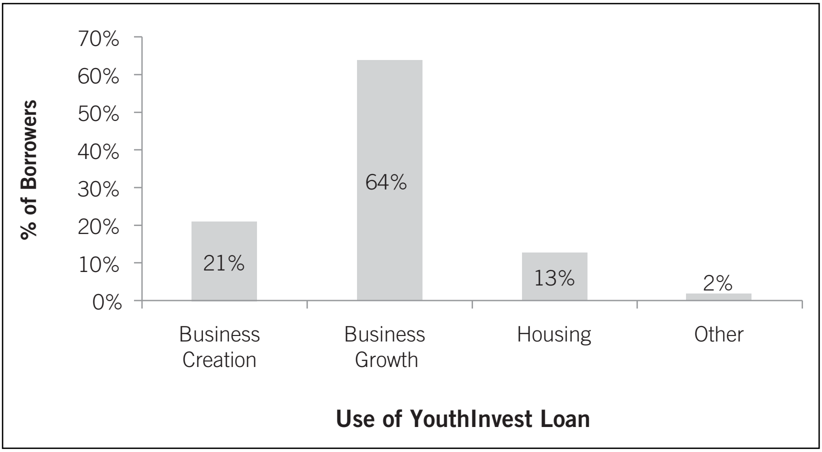
Results

Project status as of December 2011

A total of 893 Moroccan youth loan clients completed a financial education training. Of these, 651 received a loan, and 537 opened a savings account. Among the 651 youth borrowers:

- 49% were female;
- 91% received an individual loan;
- 68% were new clients at the MFIs;
- Average loan size was 8,200 MAD (735 Euros).

Figure 1: Youth Borrowers' Use of Loans



An evaluation of the loan program conducted in July 2011 revealed that 85% of youth used their loans to create and develop their enterprises, while 15% used them for housing or other expenses (Figure 1). Although repayment of youth loans was not directly tracked, the evaluation also suggested that repayment was similar to that of adults.

In Egypt, a total of 845 youth clients have been trained, of which 616 received a loan, and 143 received a grant. Among the 616 youth loan clients:

- 80% were female; and
- 100% received a group loan.

Impact on Clients[52]

- Savings volume and use of money management techniques increased. Clients used their savings mainly for developing their own businesses and for coping with crises.
- Clients' income increased by an average of 20%, with rural youth reporting higher increases than urban borrowers. Rural youth, whose main activities are agriculture, breeding and handicrafts, are reinvesting a high percentage of their profits in their businesses and are saving more than youth urban clients.
- Clients showed improved ability to identify goals for themselves and for their businesses and a greater sense of pride, self-identity and purpose.

Impact on Families

- There were more contributions made to families' meals, household supplies and assets.
- Housing improvements and better access to basic services (water, electricity and other utilities)
- Clients subsidized their siblings' school fees.
- Youth financial independence increased so that instead of being a burden, youth are contributing to their family's expenses and paying more for their own.
- Housing ownership increased (94% compared to 82% before the program).

Lessons Learned and Recommendations

Youth do repay

Prior to offering youth loans many of the MFIs were skeptical about the ability of youth to repay the loans. A study conducted by MEDA in July 2011 determined that MFI field staff **unanimously agreed that youth repay loans as well as adults** and that the idea they previously held of youth being riskier clients proved to be false.

"I prefer working with youth because they are more punctual and are more regular with the loan repayments." – Loan Officer, Khénifra

52 These conclusions are drawn from an evaluation conducted by MEDA entitled, «Youth Loan: Assessing the Impact of MEDA's YouthInvest Loan Programming in Morocco», June 2011.

Loan officers must be convinced of the value of training and loans for youth

Unless loan officers understand and buy into the value of providing loans and training to youth clients, they will not put in the necessary effort to make it successful, and the youth themselves will not be convinced of its value either. The message and comprehension of the program's purpose and goals must be effectively conveyed to staff so that their tasks are handled with importance rather than being seen simply as an added responsibility for them.

Offer Incentives for loan officers

Incentives can be used as an effective motivator to increase the number of youth clients in loan officers' portfolios. Field staff interviewed during the evaluation said that incentives (in the form of cash and prizes) encouraged them to increase the number of youth clients in their portfolio and to take on more risk by granting loans to youth start-ups.

Practical, concise pre-loan training is valuable

As MEDA has learned from a broader '100 Hours to Success' course in the YouthInvest Project, due to the number of commitments that youth have it is difficult to coordinate the schedules of a large group for regular training sessions. Furthermore, in looking at the long-term sustainability of financial institutions conducting the trainings themselves, MEDA determined that the training offered must be concise and targeted to ensure efficient use of resources and maximize the number of clients that can benefit from the package of financial and non-financial services. Further, when the training is practical and well designed, the small upfront investment of time involved helps minimize risks both to the institution and to the youth clients themselves.

Saving may be better than credit when starting a new business

After completing the training, many youth chose to focus on building their savings and to take additional time to further prepare before launching their business. This is a positive outcome for both MFI and client, as it helps mitigate both social and financial risk and can lead to more stable clients and results over the longer term.

Post-loan coaching boosts relationships and business

Coaching by the loan officers and business advisors during the repayment period was helpful for the clients' businesses and instrumental in improving the relationship between MFI staff and youth clients. The MFI operations team should monitor the coaching component to ensure that it is effective, efficient and regular.

Parental support is essential

Whether in the form of encouragement, advice or financial support, parental support makes a difference in the success of youth clients' loans and businesses. The evaluation found that:

- Youth often resort to their parents' experience when they set up their own business. Also, many parents provided financial help to their children for starting their business, either as a complement to the loan or as guarantors;
- Field staff believe, based on their experience with the program, that youth with active parental support have greater success in their business and repay their loans well.

Youth Loans with Financial Literacy Training Show Evidence of Improved Business Profits and Practices in Bosnia and Herzegovina

Background

Youth Programme Summary	
Type of youth services	Loans, business and financial education
Age group served	18-35
Year youth program launched	2009
Number of participants*	445
Savings volume*	n/a
Loan volume*	474,250 KM (242,480 EUR disbursed); 52,340 KM (26,761 EUR outstanding as of 12/2011)
Non-financial services model	Linked
Partner organizations	World Bank, SEEP Network PLP, EDC (local NGO)
	**Data as of December 2011*

Partner Microcredit Foundation (Partner) is a non-profit, multi-ethnic, inter-entity organization with 56 offices covering all of Bosnia Herzegovina. Focusing primarily on rural areas, Partner provides financial services to economically active entrepreneurs and households with difficult or no access to commercial sources of funds and who wish to improve their residence and living conditions. Partner's clients are involved mainly in agriculture, trade, services and production. To be eligible for Partner loans, a client's fixed business assets may not exceed 20.000 KM (10,255 EUR) in value, income per household member may not exceed 350 KM (179 EUR) and the number of business employees may not exceed four including the client. About 85% of Partner's clients are rural, and youth represent close to 20% of the regular portfolio.

Partner provides individual loans in amounts of up to approximately 5,100 Euros for business and other purposes. In addition to loans, Partner also provides several non financial services such as technical assistance in agriculture, business training and financial literacy training. Partner is highly client-oriented with several innovative loan products such as:

- A loan with Life Insurance Policy (where clients can use the insurance policy as collateral);
- A commodity loan called "Fruity" with complete value chain support for farmers (planning crops, providing seedlings and irrigation systems, counseling through the process of food production and finding the market and buyers for the produced fruits);
- A youth loan – the subject of this study – developed and pilot-tested in conjunction with specialized business and financial education; this product is no longer offered at Partner, pending further donor funding.

Rationale for Serving Youth

Partner leadership recognized youth as a key population in need of financial and other support. General indicators on the state of youth in Bosnia and Herzegovina include:

- 58% youth unemployment rate (four times higher than in the EU);
- A notable mismatch between labor supply and labor demand, due in part to an inadequate education system, which leads to significant youth unemployment;
- 57% of youth claim that they would leave Bosnia and Herzegovina if they could;
- 85% of youth ages 15-29 continue to live with their parents.

This data and Partner's market research suggested that the most important obstacles to entrepreneurship among youth were a lack of business experience and unavailability of financing.

Although, as in many markets, formal financial institutions consider youth clients to be too risky, Partner tested its Youth Loan product beginning in 2009 and had a positive experience in working with youth. Partner also aims to provide training and mentoring to its clients in order to build knowledge and capacity, as well as to minimize failure in running a business. As part of the youth program development and pilot test process, Partner collaborated with a local business education NGO and the World Bank develop a program and carry out a randomized control trial focused on the impacts of financial literacy in combination with business loans. Through this research, Partner and the World Bank sought to contribute to the industry's knowledge base regarding the effects of business and financial education on entrepreneurial outcomes.

With the pilot test and research results now in hand, Partner is endeavoring to document its youth experience to date and to share lessons learned with microfinance peer organizations, the broader financial sector, donors and other parties, in an effort to better address the unmet demand among youth for financial and non-financial services.

In summary, the primary goals of Partner's youth program were and are to:

- Increase the number of self-employed young people among Partner's clients;
- Provide appropriate business training enabling the youth clients to obtain practical skills and knowledge;
- Learn how to motivate young people to participate in educational activities;
- Enhance the self-empowerment of young people and in turn contribute to more stable economic growth in Bosnia and Herzegovina.

Youth Program Description

Youth Loan

The Youth Loan product was designed to increase self-employment opportunities for young people in Bosnia and Herzegovina, by providing access to business loans along with market-oriented business and financial literacy training for youth clients between 18 and 35 years of age. Seeking ways to better serve the youth population, Partner worked with the World Bank and the SEEP Network Practitioner Learning Program (PLP) on youth to develop the Youth Loan product. The idea was to personalize financial services for youth by offering loans with the added value of practical business and financial education.

Loan purpose:	The loan is designed for financing business activities in the scope of agriculture, stock-breeding, trade, services and production.
Loan size:	2,500 – 10,000 KM (1,278 – 5,113 EUR).
Loan term:	12 – 48 months.
Interest rate:	17.5% effective, annual.
Methodology:	Individual loan; loan officers visit the client and/or his or her place of business to verify loan use.
Collateral:	In accordance with the Partner's existing policies for all loans.

Conditions:	The youth loan cannot be approved as a substitute loan. However, if the conditions are fulfilled, a client has the possibility to pay off the existing loan, without any early repayment charges, and take a new loan instantly.
Staff training:	Loan officers designated to deliver the youth loan passed a one-day training on working with youth and learned about the youth loan characteristics, marketing of the youth loan, objectives and importance of the product for the organization and information on the organizations partnering to offer and research the product.

Business and Financial Education

Business and financial education was developed and provided to youth loan clients through a local NGO, the Entrepreneurship Development Center (EDC), which already had extensive experience providing entrepreneurship training to university students. Partner's youth clients attended the training in groups of six to 10 individuals on-site at the EDC, located at the Tuzla Chamber of Commerce. EDC instructors, most of whom are also faculty members at the University of Tuzla, led the training. The training was comprised of a three-day course, based on the EDC's existing business course but modified with input from face-to-face interviews with Partner clients and credit officers in the Tuzla region and pilot-tested with first-year university students resembling the Partner target group in age, previous education and income. The training was comprised of six modules introducing basic business concepts and accounting skills, such as separating business and personal household accounts, and explored deeper concepts such as business investment and growth strategies.

Partner's tailor-made business and financial education curriculum consists of six modules:

- General business concepts
- Business planning
- Marketing
- Managing the firm's finances
- Business growth
- Additional module on finance (including sources of business financing, importance of financial responsibility, interest rates, financial diversification, and short-term and long-term debt)

The advantages of upfront capital investment were particularly highlighted throughout the course. The training was designed to be concrete and hands-on, with participants developing a business plan for his or her existing or intended business.

Overview of Research on Program Design and Impacts

Although increased access to microcredit has been shown to be an important factor for business success and growth for low-income people in developing country settings, much less is known about the impact of loan conditions and accompanying training on small entrepreneurs' business outcomes. Therefore, Partner collaborated with the World Bank to conduct a randomized experiment to assess the impact of financial literacy training on business investment and growth. Randomly assigned groups of youth loan borrowers also received business and financial training in conjunction with their loans in order to examine whether this intervention correlates with improved investment choices and business outcomes.

During the pilot test period from May 2009 through June 2010, a total of 445 young clients, all of whom who had indicated their willingness also to participate in business training, received a Youth Loan from Partner for business purposes. Among these loan clients, 297 were randomly selected to attend the accompanying business and financial training offered through EDC, while 148 served instead as a control group and received no training.

Sample Selection and Research Approach

For the purposes of the pilot test and research study, Partner drew on its existing loan clients to make a selection, according to the following criteria:

- Between ages 18 (as the legal limit for a person to take a loan) and 30 (later expanded to 35 due to the lack of sufficient candidates willing to attend business training);
- Have or would like to start up business and are interested to take a loan specifically for a business purpose;
- Not delinquent on any current loans from Partner;
- Willing to participate in the research surveys;
- Interested in attending complimentary business training;
- Live in vicinity of the urban center Tuzla (where Partner headquarters is located, in order to facilitate business training logistics)
- Meet the criteria of Partner's general target population (see *Background* above)

All 2,274 Partner existing clients meeting these criteria received an initial screening phone call, to determine their interest in participating in a business and financial education course. About 500 clients could not be reached over the phone. Among the 1,783 clients who were reached, half indicated their interest to participate in the course. The sample of 445 clients was drawn from this group. Of these, 267 (about two-thirds) had existing businesses in which they intended to invest their loan proceeds, while the remaining 178 did not have existing businesses and planned to use their loans to start a new business.

The implementation of the business training was carried out soon after the baseline screening, between June and December 2009. An exit test to measure business and financial knowledge was administered to all participants at the end of the training. Finally, a telephone-based follow-up survey was conducted by an international survey agency, GfK, in May and June 2010, one year after the baseline survey. For the follow up survey, 396 out of the original 445 individuals in the study were found and interviewed. Thus the attrition rate was relatively low, and was found not to correlate with the treatment.

Challenges and Sustainability

Motivating Youth to Attend Training

The most important challenge that Partner experienced was client's unwillingness to attend the training. The majority of the youth declined to return after the first session, claiming that they did not have time. Although most of those who completed the course reported a high level of satisfaction, ultimately only 39% of treatment clients completed the training course. Partner attempted partway through to address this challenge with two measures:

- Loan approval was made contingent on successful completion of training;
- Small allowances of 50 KM (26 EUR) were offered to participants; this ran contrary to the MFI's initial plan of partially covering the training expenses with small fees charged to clients.

Program Cost and Efficiency

The project was co-financed by the World Bank and Partner itself at a total cost of approximately 30,000 Euros. This included 1,000 Euros per group of 15 clients for business and financial literacy training, plus approximately 500 Euros per group for transportation, meals, and materials. The cost of an initial pilot session, to enable refinement and improvement before the program launch, also cost approximately 1,500 Euros.

Partner views this as a modest cost in light of the number of clients reached with education – an approximate per client cost of 100 Euros. However, Partner expects to attain donor funds in order to help defray this expense in the future, and due to the current financial downturn and limited donor funding, the MFI has had to discontinue the Youth Loan and education, and switch its focus to other vulnerable groups such as rural farmers and land-mine victims.

Partner believes that the Youth Loan product with accompanying education would be more efficient (although still not profitable) if the MFI were to develop internal capacity for business training or to hire less experienced trainers, rather than university professors or other expert teachers. Partner does maintain an internal Team of Trainers for financial literacy training (applying a significantly different curriculum and approach), which is presently being offered to rural clients using agricultural loans. Thus a similar unified delivery approach may be feasible for Partner's youth loan and education product in the future.

Sustainability

Partner was not able to offer this package of services on a financially self-sustaining basis. With training costs at approximately 100 EUR per participant (for hiring the instructors, paying a small fee to participants and other administrative expenses), as well as estimated administrative costs per loan disbursed of 218 EUR during the project period, and the MFI's signature individualized, door-to-door service in rural areas, Partner's standard interest rate of 17.5% could not hope to cover the expense.

While Partner does offer different financial education in conjunction with other financial products using less experienced, internal staff trainers for a lower per-client training cost, MFI leadership believes that the best model for replication of the Youth Loan with accompanying education would be a partnership between a financial institution and an educational organization able to provide the linked training at no cost to the FSP. Educational facilities could provide the youth with necessary entrepreneurial skills while an MFI provides financial services.

Despite the need for some donor or partner support, Partner views this as an investment in the MFI's future. By helping young clients start healthy businesses, the MFI can create a loyal and stable client base for the future, while also contributing positively to its social mission.

Results

Research Study Results

The purpose of the research study was to test the impact that business and financial training can have on young entrepreneurs utilizing business loans. It should be noted that a financial crisis hit Bosnia and Herzegovina quite hard during the year of the study. This had a noticeable impact on Partner's microfinance business and clients in general, and may have influenced the final results from the impact research.[53]

Highlights from the World Bank research findings include:

- "Lack of business knowledge may… not be the primary constraint to new entrepreneurship, or business survival…. Although training programs could form an important part of policies to promote firm growth, lack of access to finance,

53 See: Bruhn, Mirian and Zia, B. The Impact of Business and Financial Literacy Training for Young Entrepreneurs in Bosnia-Herzegovina. Finance and PSD Impact, May 2011. http://www.microfinancegateway.org/gm/document-1.9.55298/The%20Impact%20of%20Business.pdf

for instance, may be a much more important factor in business development. Policymakers might therefore consider targeting business training resources towards existing firms, with an emphasis on particularly teachable behaviors."[54]

- Participation in business and financial literacy training did not appear to have an impact either way on the successful creation of new businesses or the survival of clients' businesses; this would indicate that a lack of business knowledge is not the primary constraint to new entrepreneurship.
- Clients who already had a business and who participated in the business training did report increased implementation of new production processes and more business investment, which is consistent with the central theme of the training on capital growth; thus teaching entrepreneurs the value of capital investment does encourage them to favor business practices that allow for greater innovation.
- The treatment group was more likely than the control group to separate business from personal money, to refinance their loans for more favorable terms and to obtain new loans with more numerous, smaller repayment installments.
- Clients who received business training were neither more nor less likely than the control group to take out a new loan from Partner or any other source.
- For clients who had high baseline levels of business and financial knowledge, participation in the business training was correlated with increased sales and an increase in profits; among clients in this group, there was no change observed in their number of employees during the period (perhaps because this is a slower moving indicator).
- Among clients with lower baseline levels of business and financial knowledge who participated in Partner's business training, there were lower loan default rates.

MFI-Level Results

- Partner in cooperation with the external educational agency, EDC, developed a new curriculum for business training tailor-made to youth;
- Partner developed internal capacities for recognizing the needs and for dealing with the youth clients;
- Partner created a new base of young client with a potential to stay loyal to Partner for their future financial needs.

54 Ibid.

Lessons Learned and Recommendations

Partner would like to share the following transferrable lessons with peer organizations interested in offering a youth loan product in conjunction with business and financial education in similar environments:

- Training for economically active youth should be concise, comprehensive, practical and relatively brief. The training staff and the project coordinators had to adjust the methodology and the duration of the training course during the pilot. The original training was considered too long, and Partner found that it was more convenient for the youth participants when the modules were offered as shorter sessions spaced out over the course of one week, rather than for three consecutive, full days. All the essential topics were kept but the overall duration was shortened.
- The training should be individualized and concrete. Partner found that having each participant develop a business plan by the end of the training helped to keep them engaged and provided them with a clear result from their effort.

Sinapi Aba Trust

Hands-On Job Training and Business Start-Up Loans Hold Promise for Youth in Ghana

Background

Youth Programme Summary	
Type of youth services	Master-apprentice matching, job training, loans
Age group served	15-25
Year youth program launched	2003
Number of participants*	1,324
Youth savings volume*	n/a
Youth loan volume*	8,070 Euros
Non-financial services model	Linked
Partner organizations	Opportunity International
	**Data as of December 2011*

Sinapi Aba Trust (SAT), founded in Kumasi, Ghana in 1994, is a Christian non-profit, non-governmental microfinance organization and a member of the Opportunity International Network. One of the largest microcredit providers in the country, Sinapi Aba Trust was serving 130,000 clients at 47 branches in urban and rural areas across Ghana's ten regions, with over 26 million Euros in active loans as of December 2011. SAT seeks to aid the poorest of Ghana's poor through the provision of financial and non-financial services such as basic business training, HIV/AIDS education, and business advising, in addition to its apprenticeship program for youth.

Rationale for Serving Youth

Youth unemployment in Ghana is a critical issue, as job opportunities continue to be unavailable for those entering the workforce between the ages of 15 and 25. Due to unemployment and lack of a stable income, these youth are at increased risk of extreme poverty, involvement in criminal activities and substance abuse. Those in this age group would not typically qualify as microfinance clients, as they lack the skills, education and resources to engage in sustainable income-generating activities.

SAT's Youth Apprenticeship Program (YAP) aims to improve the quality of life of Ghanaian youth by equipping vulnerable, uneducated youth with employable and entrepreneurial skills, thereby enhancing their ability to become economically productive and empowered members of society. Over the course of this three-year youth program, SAT aims to strengthen the innovation and resilience of Ghanaian youth through the provision of skills and expertise that can be applied to numerous challenges in their lives. Upon graduation, YAP participants become eligible for a start-up capital loan, providing them access to a tool that can help them generate income and break out of the cycle of poverty.

Youth Program Description

The following steps comprise the operations and characteristics of YAP.

Select Youths in Need

YAP seeks to recruit and select the country's most vulnerable youth in order to provide them with vocational skills, business and health education, and access to capital. Recruited publicly at local churches and mosques, as well as through radio advertisements, program candidates are subjected to a non-discriminatory selection process which allows equal opportunities for those individuals most in need, irrespective of gender, ethnicity or religion. Through a vulnerability assessment, candidates' level of skill and need are determined. If an applicant shows potential for success and meets the program requirements for vulnerability, they are invited to enter the program by attending a mandatory orientation as well as a career counseling and guidance workshop designed to prepare them for employment.

Identify Master Craftsmen

Tradesmasters are similarly screened to meet a set of eligibility requirements for the YAP program. They are selected based on their skill level, experience, tools available for practicing their trade, past experience with training others, professional certification, quality of work environment, and commitment to the YAP program. Once deemed a good fit with YAP, they are compensated for their time through a negotiated fee. Tradesmasters also receive training on lesson planning over the duration of the apprenticeship. Their contracts end at the conclusion of each training cycle, allowing new tradesmasters to be recruited regularly. Current trades taught are presented in the table below.

Table 1: Current Trades Taught

hairdressing	dress making & tailoring	carpentry	vehicle maintenance	welding
upholstery	information technology	plumbing	general electrical	masonry
refrigeration	photography	tiling	bicycle repair	shoe repair
	cooking/catering		aluminum fabrication	

Pair Apprentices with Tradesmasters

Once participants and tradesmasters are selected, they are matched with one another for the duration of the program based on proximity, mutual interests, and similar work habits. On average, two apprentices are assigned to one tradesmaster per three-year training cycle. This pairing is mutually beneficial, as the apprentice is able to gain professional knowledge and hands-on experience in their specific trade, while the tradesmaster benefits from the addition to their labor force through the possibility of increased output and revenue, and has the opportunity to build upon their existing business acumen through workshops offered by YAP.

Build Capacity

YAP hosts numerous educational workshops throughout the apprentices' training period in order to increase not only their business acumen, but their knowledge of health and other life skills as well. As the majority of program participants have very little formal education, introductory workshops teaching sound business practices – on topics such as market analysis, product pricing, record keeping, managing time, cultivating savings, care of customers, and understanding reasons for business failure or success – facilitate entrepreneurial success and economic independence. While business skills are critical, YAP also increases youths' knowledge of HIV/AIDS and responsible reproductive health in order to help them adopt positive lifestyles through educational training.

Oversee Programs

Throughout the duration of the program, YAP staff monitor apprentice progress through assessments and field visits. At the beginning of each training cycle, a baseline study is conducted on participants in order to assess each individual's starting point. A Project Management Committee (PMC) comprised of stakeholders is then set up in each project community to aid YAP staff in monitoring the apprentices' evolution, ensuring effective local implementation of the program and inviting the community to take responsibility for the program's sustainability. YAP staff also visit apprentices in the field at least once every quarter to ensure that participants receive appropriate guidance from tradesmasters and exhibit diligent work habits within a healthy and positive work environment. However, if specific challenges are reported in the field, time is spent to visit and address these as soon as possible.

Prepare Apprentices for Examinations

At the end of their training, apprentices must pass a proficiency examination in order to practice their craft. Administered by the National Vocational Training Institute (NVTI), all Ghanaian artisans are required to pass a test to determine whether they possess the skills necessary to produce and sell their product. YAP covers all registration and examination fees, enabling participants to take their examination following six months of review and study at the end of their apprenticeship. YAP then collaborates with the NVTI to assess the performance of participants and award certificates to those who successfully complete the examination.

Provide Financial Services

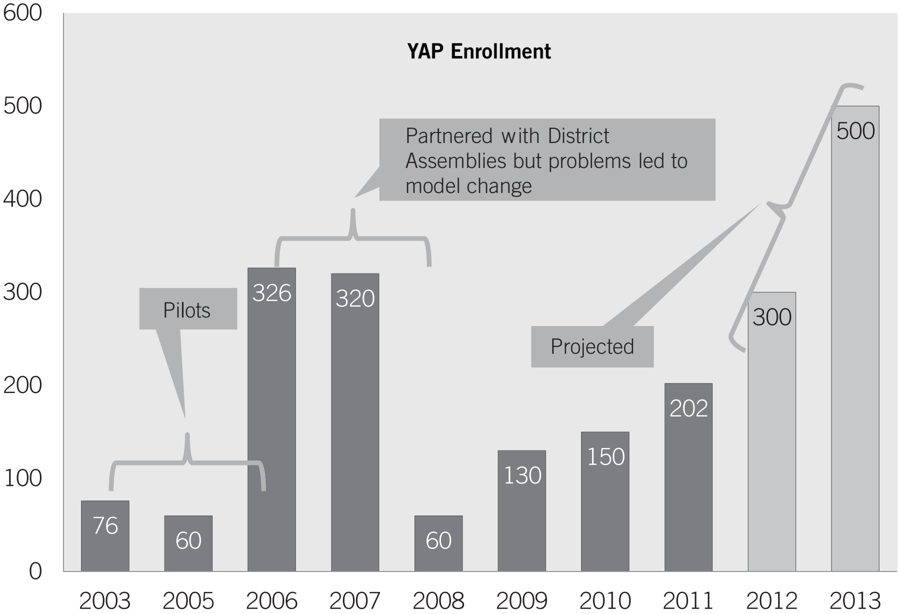
After successfully passing their examinations and graduating from YAP, participants are eligible to receive a start-up capital loan to set up their own small business using their newly acquired skills. Prerequisites for the receipt of capital include an 80% attendance record over the duration of the program as well as passing marks in NVTI Exams. Through this pilot program, the maximum start-up capital loan size is GHS 500 (about 220 Euros), and includes flexible repayment terms, a 15% interest rate and a three-month grace period prior to an eight-month repayment period, as compared to SAT's working capital loans administered with no grace period at an interest rate of 25%. The program is designed to grow future SAT clients. While they were once ineligible for any kind of formal financial products, after completing the YAP program and establishing their businesses with the start-up capital loaned to them, graduates are then in a position to utilize working capital loans from SAT to maintain and grow their businesses.

SAT is currently in the process of becoming a deposit-taking institution. Once this transformation is finalized, it will also be able to provide savings for apprentices. Monitoring visits have shown that the majority of YAP participants have opened savings accounts with local banks, and SAT hopes to provide apprentices with access to savings in the near future. This change creates the possibility of continuing to have graduates of the apprenticeship program remain in SAT's family for their financial needs.

Results

Despite some struggles at the beginning, YAP enrollment has shown promising growth. Since the inception of the first YAP pilot program in 2003, approximately 1,324 apprentices (77% of them female) have participated or are currently enrolled in the program in 30 cities, towns and villages in Ghana. The graph below shows enrollment in the two pilots in 2003 and 2005, the success achieved in working with district assemblies in 2006 and 2007 (though problems in other areas have required rethinking this relationship – see "Challenges" below), the mature growth of the project from 2008 to 2011, and anticipated growth in 2012 and 2013.

Table 2: Historical and Projected YAP Enrollment



Student completion rates over the last three years have also been promising. Since 2009, between 80% and 100% of those who started the program ultimately registered to take the NVTI exams; over 90% of those registered sat for the exams; and 100% of those who sat have passed. These results demonstrate the high quality of capacity building that takes place within the program.[55] Since 2009, 457 apprentices have completed the program. Of the 867 students currently remaining in the program in 2012, 114 are certain to graduate, and an additional 160 are likely after the May and September exams, bringing the possible total to 274 this year.

YAP graduates have succeeded in establishing businesses ranging from hairdressing and dressmaking, to aluminum fabrication and auto electrics. SAT has noted a positive transformation in the lives of graduates, and is in the process of documenting their

55 Completion data prior to 2009 tend to complicate more than clarify and reflect how the need for funding impacts YAP's enrollment and graduation rates. The failure of promised donor funding to materialize in the first two pilot training programs (2003, 2005), and the failure of district assemblies that had helped recruit apprentices (2006, 2007) to fulfill their payment agreement hindered program completion. While some participants were re-enrolled later, and some managed to take the NVTI exams on their own, their unique circumstances result in unreliable completion data.

success stories. YAP endeavors to monitor the financial operations of graduates' businesses in the future to determine the development of each business as well as the challenges they confront. Some of YAP's self-employed graduates are now engaging other vulnerable young persons in their work as apprentices.

YAP began providing start-up capital loans to qualified graduates in 2009. Of the 167 graduates since 2009, 38 have gone on to receive a start-up capital loan. The number of these loans has been low for a number of reasons: 1) loans were not available to those who participated in the early pilots; 2) lack of funding has prevented 120 eligible graduates from receiving funds (see "Challenges" below); and 3) some have been able to invest in their businesses with personal savings. Of those who have borrowed, however, the loan repayment rates have risen from 64% in the initial years (2009 and 2010) to 98% last year (2011) – an encouraging indication for the direction of the program.

Table 3. Start-up Capital Loan Data

Start-up Capital Loan Pilot *			
	2009 (Accra)	**2010 (Kumasi)**	**2011 (Obuasi)**
Number of Loans	22	11	5
Expected Payment (Principal & Interest)	GHS 11,023 (4,775 EUR)	GHS 4500 (1,949 EUR)	GHS 2818 (1,221 EUR)
Payment Made to Date	GHS 7019 (3,041 EUR)	GHS 2873 (1,245 EUR)	GHS 2075 (899 EUR)
Recovery Rate	64%	64%	98%**

**As of December 2011.*

***High recovery rate partway through the repayment period due to changes made since previous pilots.*

Sustainability and Challenges

SAT is a largely self-sustaining MFI with an operating budget of over 10 million Euros. The Youth Apprenticeship Program as it currently operates is supported jointly by SAT and its Opportunity International Network partners. Although the YAP program by itself is not currently self-sustaining, the hope of achieving program-level sustainability remains a long-term goal.

SAT defines sustainability in non-financial and financial terms. In non-financial terms, the program seeks sustainable change in the lives of the apprentices and their families. Moreover, it is hoped that YAP graduates will return to the program as tradesmasters once their own businesses are established, thereby creating a knowledge transfer cycle designed to cultivate skills in new groups of vulnerable youth. In financial terms, although the program is currently being supported wholly by SAT and its Opportunity International Network partners, the program assumes the participation of the district assemblies as the norm.

Components that help to move the project toward program-level sustainability include:

1) Continuing discussions with district assemblies;
2) YAP graduates have pledged to train others inexpensively making program continuation more feasible;
3) The start-up loan capital is designed as a revolving fund in which interest-bearing repayments provide ongoing funding; and
4) This initiative is expected to build responsible and loyal clients who will save and borrow with SAT even as it transitions to become a deposit-taking institution. Indeed, by some models, if the loan components are considered in isolation with the assumption that a certain proportion of the graduates eventually become regular clients, this program has the potential of achieving positive cash flow within a few years as it scales up. It is the apprenticeship and capacity building components that are expensive. This is precisely why finding donor partners is essential for scaling up and for achieving program-level sustainability.

Ultimately, SAT considers the program a service to the communities in which it operates. SAT envisions broadening YAP operations in order to provide opportunities to even more at-risk Ghanaian youth. During 2012, YAP aims to recruit 300 new apprentices into the program and hopes to extend implementation of the program to each branch of SAT. Future plans also include the execution of an additional, shorter training program, without the start-up capital component or NVTI exam requirement, to increase the accessibility of skills training for youth.

The following are a few of the challenges that have proven salient for YAP:

1) A lack of available savings products has made it difficult for apprentices to build their assets throughout the duration of their training. SAT's move toward taking deposits seeks to provide these important additional financial services.

2) Apprentices face numerous barriers to successful program completion. Migration, family loss, or lack of family support can all result in the apprentice performing

poorly, dropping out of the program, or failing exams. In order to address such issues, new initiatives are being considered to provide the families of at-risk youth with capacity building and loans, as well. (See Lessons Learned #1.)

3) The non-financial services provided by SAT require time and funding before apprentices become financially bankable and income generating for SAT. There is, therefore, a great need for funding in order for financial sustainability to be reached. As the value of the apprenticeship and other capacity building components of this program is increasingly proven, efforts to work with the district assemblies continue and other donor funding is also being sought. (See Lessons Learned #3 and #6.)
4) Due to a breach of contract, funds from local district assemblies did not materialize. YAP was originally intended to have 60% of the operational budget supported by district assembly grants. While little can be done about election-season politics related to these contracts, plans for requiring larger payments at the front end of the contract period, tracking payment histories, and adjusting future partnerships based on these records are being considered. (See Lessons Learned #5.)

SAT is aware of these challenges and is working to address them going forward, to ensure the effectiveness and impact of the program.

Lessons Learned and Recommendations

1) Families of at-risk youth need support. Support of apprentices seems to correlate inversely with the poverty level of their parents and guardians. It may be important to engage their guardians also with business and financial literacy training and working capital loans.
2) The added value of education and capacity building in addition to the financial services is well received by clients. The educational component that provides skilled apprenticeships plus business training, career counseling, and education on health and social issues, presents an appealing empowerment package.
3) Partnerships and donors are key to the program. As the local district assemblies defaulted on their agreements to provide financial support, YAP must now cover 60% of the budget through other grants, donations or partnerships. Extensive lobbying is being done to procure funding at the local level, but additional funds remain necessary to scale up and move toward sustainability.

4) Project Management Committees are very valuable. They not only encourage community ownership of the project, but also provide complementary monitoring and assessment to that which is done by SAT staff. These committees serve as vigilant community groups to ensure that the goals and objectives of YAP are achieved.
5) Stipends must be offered to the most vulnerable apprentices in order to reach the poorest of the poor. Currently, it is up to each tradesmaster's discretion whether to offer apprentices a stipend for their work, a decision often based solely on the tradesmaster's revenue. But the most vulnerable apprentices require more in order to ensure that their basic needs are met and to guarantee their continued participation in the program.
6) Special care should be taken when dealing with political bodies, as YAP learned when a change in governance resulting in nonpayment severely limited the budget. In the future, default could be reduced by requesting District Assemblies to pay down a higher percentage of the agreed upon funds prior to project implementation, to ensure that projects such as their start-up capital loan pilot are not stalled.

Youth Employment Training Program Offers Opportunity for Linkage with Microfinance in Morocco

Background

PlaNet Finance

Youth Programme Summary	
Type of youth services	Non-financial services
Age group served	16-26
Year youth program launched	2007
Number of participants*	430
Youth Savings volume*	n/a
Youth Loan volume*	n/a
Non-financial services model	n/a
Partner organizations	L'Heure Joyeuse , Darna
	**Data as of December 2011*

PlaNet Finance is an international NGO that aims to alleviate poverty by contributing to the development of the microfinance sector and facilitating access to financial services. PlaNet Finance supports financial institutions (Microfinance Institutions, Banks and non-Banks) by providing them with capacity building as well as financing to foster their growth. PlaNet Finance also works with government and international agencies to facilitate the creation of an efficient microfinance sector. PlaNet Finance has 11 years of expertise in providing technical assistance to financial institutions and development stakeholders, and has carried out various studies and program evaluations for international agencies.

Moroccan Partners

The Moroccan youth-serving organizations (YSOs) with which PlaNet Finance worked under the youth program presented in this case were: *l'Heure Joyeuse* in Casablanca and *Darna* in Tangiers. Both are nonprofit organizations funded by a combination of government subsidy, public charity and grants from national and international sources.

L'Heure Joyeuse

L'Heure Joyeuse is a leading Moroccan NGOs founded in 1954 whose mission is to fight against all forms of exclusion. With the participation of its partners, employees and many volunteers, the activities of the association in Casablanca and rural areas have evolved to include three main areas:

- A Health Center to meet the medical needs of association members and especially infants suffering from malnutrition;
- An Education Center to provide educational support adapted to the needs of vulnerable children;
- A Training and Insertion Center to facilitate the integration of young people into the workforce through training and appropriate support.

Darna

Created in 1995, Darna is an NGO located in Tangiers that targets vulnerable young people and women. Darna operates four main programs:

- The "Refuge," offering regular accommodation, food and hygiene to an average of forty children between eight and 17 years of age;
- The "Youth Community House," a vocational school providing informal education and training in carpentry, metalwork, bakery and textile manufacturing for 120 to 150 children;
- The "Educational Farm," located in the countryside of Tangiers and providing agricultural training to thirty youth over 14 years of age with the goals of combating rural exodus and supporting rural youth;
- The "Women's Community House," offering girls and women over 16 years of age training on women's rights, literacy and vocations – including textile manufacturing, hairdressing, catering.

Rationale for Serving Youth

Unemployment amongst youth is a growing problem worldwide. A consequence of the global economic crisis as well as inadequate attention and corrective policies, unemployment among youth has severely hit North African (23.7%), Middle East (23.4%), and Eastern Europe (20.8%). Furthermore, according to ILO experts, close to 90% of the 15- to 24-year-olds most susceptible to underemployment[56] are living in developing economies. In addition to this issue of underemployment there is the birth

56 Underemployment exists when employed persons have not attained their full employment level in the sense of the Employment Policy Convention adopted by the International Labour Conference in 1964. According to this Convention, full employment ensures that (i) there is work for all persons who are willing to work and look for work; (ii) that such work is as productive as possible; and (iii) that they have the freedom to choose the employment and that each workers has all the possibilities to acquire the necessary skills to get the employment that most suits them and to use in this employment such skills and other qualifications that they possess. The situations which do not fulfill objective (i) refer to unemployment, and those that do not satisfy objectives (ii) or (iii) refer mainly to underemployment (www.ilo.org)

of new social ills: a phenomenon of discouragement and extended inactivity whereby young people lose all hope of finding jobs.

In light of these challenges, in 2007, two youth-serving organizations (YSOs) in Morocco approached PlaNet Finance, seeking innovative ways to promote the employability and entrepreneurship of at-risk youth.

Youth Program Description

In 2007, PlaNet Finance Morocco and its partners L'Heure Joyeuse and Darna launched a two-year pilot program entitled "Youth in Precarious Situations". Financed by the European Union, the Moroccan Ministry of Social Development, Family and Solidarity and the Accor Group, the project sought to achieve the following objectives:

- Reinforce human capacity;
- Build institutional and financial capabilities in local partner associations;
- Accompany youth entering the labor market.

The project focused on developing a methodology involving "Orientation and Professional Insertion Units" (OPIU), which were implemented and tested within the two YSOs. YSOs that implement OPIUs must meet the following criteria:

- Have professional insertion of young individuals as a strategic development focus approved by their governing bodies;
- Have an excellent knowledge of the local target population in order to best evaluate their needs and constraints;
- Possess at least five years of experience in business coaching and training for the target population;
- Cover its operating costs and have the ability to raise funds for new activities.

Once set up, the OPIUs target at-risk youth ages 16 to 26, whose vulnerability is often due to family problems, lack of income, unemployment and gender discrimination, among others. The OPIUs were designed to support a range of at-risk youth, such as:

- Young individuals with sound technical training who are nevertheless unable to find or maintain a stable job;
- Illiterates and out-of-school youth lacking skills and ideas for their own employment;
- Young people who wish to develop an income-generating activity, but who lack business and entrepreneurial information as well as access to finance.

The approach of the OPIUs is based on global professional orientation methodology, which calls for:

- Individual monitoring of each young person, guiding them in their choices and maximizing their chances of professional success;
- Personal development of young individuals as a foundation for long-term livelihoods;
- Choice of employment goal or micro-enterprise with each young individual oriented towards his own abilities and motivations;
- Technical support to partner associations in addressing the challenges of youth professional integration.

The OPIUs – housed within YSOs – work to train, guide, accompany, and insert young individuals into the working world (in existing enterprises or through the creation of new microenterprises). The OPIUs promote employment and entrepreneurship among youth in the underprivileged neighborhoods where their parent organizations are based.

Since youth come regularly to the YSOs for food, psychological support, training and other services, the OPIU organizes on-site trainings at the OPIU. Groups of around 15 youth participate in employment-related training and coaching, as well as other activities, for several hours daily.

Challenges and Sustainability

Approach to creating autonomous OPIUs

During the two-year pilot period of the project, grant funds covered the investment costs necessary to develop and establish the OPIUs. This included technical assistance from PlaNet Finance, training costs and staff salaries. During the pilot period, the YSO leadership and management were able to assess the approach, integrate the OPIU into the organizations' strategic plan and determine how to operate the program using internal funds. PlaNet Finance undertook the following process to develop and launch the OPIUs with the partners, and to ensure their sustainability (see Figure 1)

Diagnostic study: **Local Non-profit Organization** **Target Population** **Market and environment**	• Internal analysis of the local non-profit organizations • Inquiry about their current and potential target population • Identification of existing professional training, job opportunities and potential partnerships in the region • Result: The association's internal and external context is analyzed
Training of Trainers (= OPIC Agents	• Training of trainers on techniques for adult education • Training of trainers on life skills • Training of trainers on microenterprise creation and management • Result: The human resources (HR) abilities are reinforced in terms of professional integration

Technical Assistance and Institutional Capacity-building	• Definition of a training plan for the HRs' associations • Elaboration of the corporate chart, the action plan, specific processes, orientation and monitoring tools, and partnership operations • Networking and fund-raising support • Result: The OPIU is reinforced and effective
Training Impact Evaluation and Professional Integration Follow-up and Assessment	• Follow-up of the trainers, during the first training cycle for beneficiaries • Assessment of the trainings' impact on the • Follow-up of the beneficiaries having selected the "microenterprise" option • Evaluation of the beneficiaries' progress • Result: The OPIU is monitored and evaluated

Figure 1: PlaNet Finance Process for Establishing Sustainable OPIUs

Difficulties in creating microfinance link

The project was envisioned to include formal linkages between the YSOs implementing OPIUs and financial service providers (FSPs) that would provide financing to young entrepreneurs. Early on in the project, an agreement was development with a local Moroccan FSP, but numerous factors prevented this link from succeeding. The following major factors contributed to this disappointing outcome.

- The microfinance sector experienced a crisis beginning in 2008 characterized by widespread client over-indebtedness, an extreme increase in portfolio-at-risk rates and ultimately significant loan defaults.
- The FSP refused to adapt its criteria to better meet the needs of youth – particularly the requirement of guarantees for individual loans.
- The FSP viewed the target group, which was not only young but also largely comprised of at-risk street children, to be too risky.
- There exists a widespread distrust of microfinance within the Moroccan population, but especially among the youth involved in the project.
- The YSOs participating in the project also harbor distrust of the microfinance sector. The two sectors operate in extremely different worlds with differing perspectives and language. This gap could not be effectively bridged.

Effective sustainability of the OPIUs

Following the pilot project, both YSO partners continued the OPIU program on their own, using their own sources of funding. Results from the pilot phase and autonomous phase since 2009 are presented below.

Results

The project realized the following results during the pilot phase from 2007-2009 and in the ensuing period from 2010 through 2011.

	Heure Joyeuse (Casablanca)	Darna (Tangiers)
Period of pilot project	2007-2009	
Number of young people mentored during pilot	60	40
% men / women	90% - 10%	90% - 10%
Number of youth inserted in companies during pilot	32	37
Number of new youth entrepreneurs created	28 mentored for the creation of a microenterprise, 4 developed a business plan	0
Sustainability of the OPIC put in place	In 2010, 270 youths over 15 years old (71% men; 42% with high school education) benefitted from OPIU services. Among all mentored youth, 38% completed a professional training, 23% secured jobs or internships (62 youths found jobs; 19 found internships), and 3% were reintegrated into the school system.	The structure was not maintained as first planned, but the OPIU was transferred to a different entity of Darna. In 2011, among 60 beneficiaries, 40 youths found jobs (90% men and 10% women). The project recorded a 10-15% dropout rate. The selection criteria have evolved: before 80% of young people came from the streets. Today the beneficiaries are young dropouts and live in neighborhoods near DARNA.

Lessons Learned and Recommendations

Project design:

- It is important to define the target group precisely. The terms "vulnerable youth" and "youth living in precarious situations" can cover different realities experienced by young people and can also have different meanings for the people implementing the project. Project partners should analyze in detail the living conditions of the targeted populations and have a clear understanding of all the elements generating a precarious situation. This will help to design realistic objectives for the project and activities that address the real needs of the beneficiaries.

- The notion of "professional integration" should be put into perspective. The two-year pilot project did not allow sufficient time to train, mentor and fully integrate disadvantaged young people into a long-term profession. The Program should emphasize instead the fact that the OPIU concept provides sustainable paths for professional integration of disadvantaged youth.
- Young people from 16 to 25 years are a large segment with heterogeneous profiles and who have different expectations for socioeconomic integration as compared to older adults. The targeted population should be segmented by age (with two years intervals); for example: 16-18, 19-20 and 21-22. The program should adapt its approach and path to professional integration for each segment.

Project implementation:

- Employability and life-skill training programs are highly valued by both partner associations and young beneficiaries. These provide positive behavior change among the young people, who gain confidence before entering the labor market.
- Microenterprise creation should target youths above 18 years old. The low number of young project beneficiaries (between 16-18) choosing to start a small business indicates that this age group does is not ready or does not view microenterprise as an appropriate path for their own professional inclusion. Younger people tend to view self-employment as too risky and prefer to focus first on salaried employment. They also express distrust for microfinance institutions that can finance their businesses and the perceived high interest rates.
- Microenterprise training should address youth-related specificities: little experience, no capital, lack of confidence. The training related to financial access should also be adapted to the real live youth experience.
- An alternative to direct, individual microenterprise may be the creation of a cooperative structure for several youth to start a group business or several businesses as a group. This type of structure is based on solidarity among its members and may reduce the risks of starting an individual business. For example, a new initiative has been launched with young single mothers in Casablanca to create a women's cooperative specialized in catering and cleaning services.
- Find effective ways to bridge the differences between the microfinance sector and the youth-serving sector, in order to create operable linkages that serve the missions and goals of both types of organizations.

Pioneering Loans for Youth in a New Country: Women and Youth Empowerment in South Sudan

Background

Context

Youth Programme Summary	
Type of youth services	Loans, savings, financial education
Age group served	18 - 40
Year youth program launched	2007
Number of participants*	799 (73% of WOYE's 1,095 total clients)
Youth Savings volume (ages 0-18)*	$97,972 (74,925 Euros)
Youth Loan volume (ages 18-30)*	$119,315 (91,247 Euros)
Non-financial services model	Parallel
Partner organizations	Mundri Relief and Development Association (MRDA)
	**Data as of December 2010*[57]

A civil war raged in Southern Sudan for over 20 years, until South Sudan finally broke away from Sudan in July 2011. Since then, negotiations have been unsuccessful to reach an agreement on how to divide vital oilfield revenues between the two nations. Tensions over this issue and the countries' official border, punctuated by instances of heavily armed militias conducting murderous sweeps of the countryside have conspired to keep the situation in South Sudan quite tenuous.

This situation has crippled the start-up of new microfinance facilities and hindered expansion of the few existing microfinance institutions. Local microfinance capacities related to management, marketing, business plan development, networking, product diversification, technologies and financial instruments are inadequate. These need to

57 Data for 2011 was not available at the time of publication.

be improved in order to provide access to microfinance for Micro, Small and Medium Enterprises (MSMEs) and low-income individuals, in order to enhance the contribution of the private sector to the recovery and reconstruction process of the new country of South Sudan.

The Bank of Sudan commissioned a study of the microfinance sector with the objective of preparing a long-term development strategy for the sector. The resulting strategy includes a five-year action plan aiming to enhance the sector's contribution to economic and financial development as well as to reduce poverty in the country. The strategy also takes proactive steps to support women entrepreneurs who are disadvantaged in comparison to their male counterparts.

In 2006, the study concluded that microfinance, as it is known and practiced worldwide, is at an infancy stage in Sudan with supply being extremely small in relation to demand. Rough estimates have put the demand covered at only about one to three percent. A true microfinance sector – offering ongoing financial services such as micro-loans, repeated and larger loans, consumption loans, savings, money transfers, insurance, and adopting acknowledged performance measurement indicators – is only emerging in South Sudan. Despite several experiments in micro-lending in which loans have been made to small producers and low-income groups, including women, there is not yet any consistency or longevity of approach among implementing institutions and agencies. This is probably a result of differing objectives in addressing poverty and the absence of a shared national strategy for microfinance.

MRDA

Mundri Relief & Development Association (MRDA) was founded by the community in September 1991, at the height of the prolonged civil war between North and South Sudan. MRDA's initial focus was to render practical relief assistance to the war-affected people of Mundri County, which had the peculiarity of being the only county in Western Equatoria State without an international border, and consequently with no escape route for the population. During the war years, MRDA carried out extensive relief operations in Mundri County and other parts of Southern Sudan. It also executed emergency projects in the areas of agriculture, education, health care, women empowerment, water and sanitation. With the arrival of peace in Southern Sudan, MRDA shifted focus to recovery and sustainable development. Today MRDA is a full-fledged development agency providing sustainable services in the areas of Primary Health Care, Education, Rural Livelihood, Civic Education, Microfinance and various cross-cutting issues including Gender, HIV/Aids awareness, and Advocacy. By and large, MRDA has over the years built a credible and respectable track record of service delivery and has along the way forged extensive and fruitful links with several donors.

WOYE

The microfinance institution Women and Youth Empowerment (WOYE) began operations as a livelihood pilot project with the help of Oxfam Novib through the MRDA in greater Mundri area in 2007. The project aimed to help poor women and youth, as well as returning refugees, to resettle and overcome the devastation and trauma of the liberation war for Southern Sudan. Soon, WOYE concentrated on developing models and scaling them up to help a larger number of poor people improve various dimensions of their lives and livelihoods.

Following the success of the pilot project and the recognition that WOYE should be managed as a legal business entity, MRDA decided in July 2009 to spin off the savings and credit component into a fully-fledged microfinance institution. The new, independent, board-governed and registered entity is called WOYE Microfinance Institution (WOYE MFI), operating in Mundri town center. The main task was to transact the work with low-income people from relief to development to the large scale for long run. Today, WOYE has emerged as an independent, virtually self-financed paradigm in sustainable human development.

Rationale for Serving Youth

According to a study by UNICEF and New Sudan Centre for Statistics and Evaluation (NSCSE), about 90 per cent of South Sudanese live on less than a dollar a day, and 48 percent of children are malnourished. After 21 years of war, South Sudan ranks as the worst place in the world for many key indicators of women and children's well-being, including chronic malnutrition, primary school completion, immunization and antenatal care.

Given the large proportion of youth in South Sudan, this is a natural focus for WOYE. WOYE is one of the largest microfinance institutions in Western Equatoria state with around 1,100 clients, 73% of whom are youth. WOYE works with the twin objectives of alleviating poverty and empowering women and youth at the bottom of the pyramid.

Youth Program Description

Although WOYE does not have a youth program per se, a significant number of the MFI's clients are economically active youth. WOYE's parent organization, MRDA, provides youth clients with life-skills training before recommending them to WOYE for financial services. The training is provided free of charge and takes place at various MDRA centers around Mundri County. The majority of the youth being served by WOYE are operating newly established microenterprises, and many are accessing formal financial services for the first time. In order to manage the risk associated with new businesses, the youth are organized in groups through which cross-guarantees are made for the loans. A few of the youth qualify to access financial services individually.

Credit

WOYE provides three types of loans: group loans, microenterprise loans and salary loans. All of these loan products are available to all clients regardless of age.

Group Loans

WOYE delivers financial services through a solidarity group lending methodology. Groups are organized each with five members who are unrelated and ready to guarantee each other. Loans are approved for and disbursed to individuals within their groups. These loans, ranging in size from SSP 300 to SSP 1500 (USD $120 to $600 / 91 to 459 Euros), are repaid over a period of 16 weeks in weekly installments. The precise loan size for each client is based on an assessment of his or her business and the willingness of the group to guarantee the loan. WOYE charges a 20% flat interest rate, prorated over 16-week periods. The rate is discounted to 15% if the total interest is paid upfront at the time of receiving the loan. Borrowers are also required to deposit savings at a weekly rate of SSP 12 per week (USD $5 / 4 Euros) per group (2 SSP per day, six days per week). WOYE pays interest on savings deposits at a rate of 2% per annum.

Microenterprise Loans

In addition to group loans, WOYE offers individual microenterprise loans for small-scale business people. A loan officer appraises loan eligibility – examining the nature of the enterprise, client character and the capacity of the business to generate adequate returns to cover the loan repayments – and then recommends loans to the branch manager. The loan officer is also responsible for monitoring the performance of the loans on an on-going basis.

As of December 2011 the following microenterprises were represented among WOYE's youth loan clients:

Microenterprise	Number of Youth Borrowers
Small trade at the market	335
Agriculture	247
Retail (grocery, medicine, electronics, mechanics, etc.)	158
Handicrafts	55
Ugandan goods imports	45
Catering	28
Mobile charging	12
Total	880

Salary Loans

In December 2010, a new loan product was launched with the objective of reaching out to salaried workers. The Salary Loan carries a one-year term payable in monthly installments.

Savings

WOYE is a company limited by guarantee and mainly focused on providing credit products. However, WOYE does collect minimal savings as a form of loan guarantee. There is high demand for savings among the clients, including youth, and as such many clients save more than the mandatory savings required to secure their loans. The laws regulating microfinance institutions in South Sudan are still under development, and there are not yet any guidelines regarding savings mobilization. Once the legal framework for savings mobilization is clear, WOYE will officially provide savings services to its clients.

Non-financial Services

MRDA and WOYE recognize that not all poor people are in a position to effectively use microfinance services. Therefore MRDA provides a platform that can be used by poor youth, women and other disadvantaged people to acquire basic life skills and knowledge to address important local issues such as HIV/AIDS, malaria and nutrition. Offered by different staff and in various formats, these services complement the financial services provided by WOYE. Thus MRDA and WOYE (as related organizations managing separate lines of business) use a parallel approach to delivering financial and non-financial services. WOYE's clients benefit from the following examples of MRDA's programming.

HIV and AIDS Awareness

MRDA collaborates with the Ministry of Education Science and Technology, Government of Southern Sudan to raise awareness and disseminate educational materials to schools and the community with the goal of equipping children and adults with facts regarding HIV/AIDS and gender issues. In 2010-2011, 48,000 copies of HIV AIDS and gender booklets were produced and distributed to primary schools and adult learners in Mundri and across South Sudan. MRDA also trained teachers on how to use these books. In addition, HIV and AIDS awareness training was provided to 1,650 school children in Mundri.

Gender-based Violence

MRDA's gender projects seek to empower youth on issues of gender-based violence and cultural practices which negatively affect them in Mundri. A MRDA gender officer works together with a psycho-social counselor and an advocacy officer to give support to gender-based violence survivors by helping them start sustainable businesses, enhance the capacity of women in order to prevent violation of their basic rights, raise public awareness on violence against women, increase victims' level of human rights and legal literacy, and enhance the capacity of MRDA to implement sustainable gender-based violence projects in the future. A total of 1,055 youth benefited from this project in 2011.

Youth Friendly Initiative

MRDA's Youth Friendly Initiative in Mundri supports youth in accessing their rights to quality education, youth-friendly schools and improved hygiene through construction and sustainable development. In 2011 the initiative constructed toilets and distributed scholastic materials to 73 schools and provided Head Teachers' Kits to 20 schools. The project has also provided scholarships and distributed hand-washing facilities and Comfort Kits (a kit that contains sanitary towels, soap, mirror etc.) to 554 girls.

MRDA also has civic education department whereby it deals with issues of educating Youth and County Councilors on matters of building local democracy, citizenship, leadership and management skills, good governance, human rights etc.

Livelihood Project

MRDA collaborates with government and other projects to address living conditions, economic vulnerability and food insecurity by enhancing people's livelihoods. As part of its Livelihoods Project, MRDA has implemented a variety of activities in the three counties of Great Mundri, including: training fishermen and provided them with fishing gears; training farmers on modern agricultural techniques; training ox-plough farmers and providing them with oxen and ploughs; training farmers on nutrition; and training vegetable growers on raising vegetables in the dry season for income-generation and family consumption (priority was given to youth). For example, farmers have received farm tools such as hoes, pangas (machetes), slashers, axes, and rakes on a cost-recovery basis – meaning that they must repay the cost of the tools as soon as their farmland becomes productive. Many farmers benefitting from MRDA's Livelihood Project have reported higher productivity that enabled them to feed their families and to sell the surplus in the markets, and the two Mundri Counties (West and East) have witnessed a marked increase in the supply of fresh vegetables in the market during the dry season.

Challenges and Sustainability

The following factors, common in many post-conflict contexts, make WOYE's and MRDA's efforts more challenging.

Nascent regulatory environment

South Sudan's draft microfinance policy does not mention youth per se, and there is no national strategy for ensuring that youth have appropriate access to financial services. Due to the perceived higher risk of lending to unemployed youth and new enterprises, many youth (as well as women and others) are unable to access credit and savings products.

Low levels of financial literacy

Youth and the general population of South Sudan need consumer and financial education in order to better understand banking and finance principles and to be equipped to participate in the financial system.

Scant refinancing

Access to funds for on-lending is one of the major challenges facing microfinance institutions in South Sudan despite the very high demand for financial services. This has hampered the scalability of microfinance programs and presents sustainability challenges for WOYE and other microfinance institutions. The Government of South Sudan recognizes the important role of the private sector and microfinance in particular in the development efforts of the country. It is therefore hoped that more funding will be directed to microfinance both by the government and development partners.

Limited skills and staff retention

Like other MFIs, WOYE has difficulties finding staff with good financial sector skills given the very narrow and shallow national human resource base in South Sudan. Although MFIs, including WOYE, invest heavily in training their staff, they have difficulty matching the salary levels of NGOs and international organizations, and consequently struggle to retain their staff for more than two years at a time.

High cost of operations

The comparatively higher cost structure in South Sudan (compared to other countries in the region) curbs the speed at which MFIs can reach sustainability (with similar interest rates and fees). Certain states have particularly high costs of operation and establishment (due to low infrastructure levels) relative to the market size. This has guided the current geographical expansion of the MFIs, leading to serious gaps in coverage in some areas, yet competition in more desirable markets.

Results

The year 2010 marked significant growth in both loan disbursements and saving deposits for WOYE. Loan disbursements rose substantially, doubling from SDG[58] 257,000 to SDG 534,900 (73,000 to 159,144 Euros) during the course of that year. The number of individual borrowers rose from 583 to 836, and the number of groups working with WOYE also rose significantly from 23 to 38. At the same time, customer deposits rose almost five-fold, from SDG 88,537 in 2009 to SDG 407,800 (25,150 to 115,840 Euros). This was partly attributed to growth in overall WOYE membership, which stood at 697 in 2009 and increased to 1,095 by the end of 2010. Constant promotion of savings by MFI staff among WOYE's clientele and the introduction of

58 Note that the currency used in South Sudan changed from the Sudanese Pound (SDG) to the South Suden Pound (SSP) during the course of 2011.

compulsory savings for all borrowers were other contributing factors to the significant growth in savings. This positive evolution reflects a substantial increase in demand for WOYE's services.

MFI data as of December 2010

Groups	38
Members	1,095
Borrowers	836
Savings (SDG)	407.8 (115,840 Euros)
Disbursements (SDG)	534.9 (159,144 Euros)
Outstanding (SDG)	497,148 (141,220 Euros)

The following tables detail WOYE's performance through 2010.

Credit Performance

Credit Indicators	December 2010
Total Loan Portfolio (USD)	198,859 (152,079 Euros)
Total Number of Loans	836
Youth as % of Borrowers	73%
Youth as % of Loan Portfolio ($)	60%
Young Women as % of Borrowers	56%

Savings Performance

Savings Indicators	December 2010
Total Savings Portfolio (USD)	163,120 (124,748 Euros)
Total Savings Accounts	836
Youth as % of Savers	73%
Youth as % of Savings Portfolio ($)	60%

Lessons Learned and Recommendations

Risk capital is needed to jumpstart microfinance in post-conflict environments

Youth are eager to start income-generating activities, and yet many MFIs are not willing to lend to them. There is therefore a need for MFI access to risk capital that can be used to support youth in launching income-generating activities.

Youth financial services must be represented in national policies

There is a need to lobby for a greater focus on financial services for youth. For example, youth financial services should be conspicuous in the microfinance policy.

More integration between microfinance and training

WOYE intends to continue partnering with MRDA to provide training to microentrepreneurs in specific productive sectors and will further connect this with the provision of financial services. Support is also needed for more MFIs in South Sudan to structure their financial products to facilitate viable livelihoods.

DISCUSSION AND RECOMMENDATIONS

Summary of the Case Studies Presented

The foregoing case studies offer a rich and varied view into the ways that many FSPs and their partners provide financial and non-financial services to youth and the challenges that they face. The first group of cases explored savings products ranging from branch-based savings with weekly financial literacy training to school-based savings deposit points accompanied by financial education integrated into the curriculum; and from self-managed village savings and loan associations designed specifically for youth, to a national campaign for raising awareness and the use of savings for youth. The credit-led cases outlined the different eligibility criteria, loan terms and management applied to youth loans, and described the extensive efforts being made to provide training that helps youth enter a trade or launch a successful income-generating enterprise.

A number of themes, identified in the introduction to this publication, emerged across the case studies. In the current chapter, we return to some of these for further discussion before wrapping up with a set of recommendations drawn from the case studies and other experiences of the e-MFP Youth Financial Inclusion Action Group members and contributors.

Discussion points

The purpose of the following discussion points is to raise awareness on important issues which must be kept in mind when addressing youth financial inclusion initiatives, their strategic planning, implementation processes and product design. The following topics for discussion are drawn from the analyses of the cases presented in this publication and complement the experiences of e-MFP members active in the sector. These discussion points often call for further research and exchange among a variety of stakeholders and should be seen as an initial attempt to outline the complexity of serving youth with appropriate financial and non-financial services and products.

The dialogue is open! e-MFP invites all interested parties to further the discussion and share lessons and findings.

Sustainability

The issue of sustainability has not been treated in detail in the foregoing cases. In many of them, pilot testing has just been completed or is ongoing in order to achieve proof of concept. However, more attention needs to be paid to the question of long-term sustainability and cost recovery associated with youth products and services. Further and deeper analysis of results will be required in the upcoming years and a greater focus should be placed on differences in sustainability between credit and savings led programmes. In addition to conducting client-level impact research in order to verify that social goals are being achieved, research on cross-selling to adult relatives of youth clients as well as longitudinal studies on the effective loyalty and eventual profitability of youth clients are needed in order to establish the financial and ethical value proposition for serving youth. “Propositions regarding the ways in which financial access and education may together lead to financial capability and then ultimately to enhanced social and economic well-being must be systematically tested if efforts to enhance the economic citizenship of children and youth are to be evidence based”.[59] The experience and knowledge gained within the microfinance sector regarding the measures and standards for responsible financial and social performance should be considered. The Social Performance Task Force as well as the well timed interventions of other e-MFP Action Groups – including Making Microfinance Investment Responsible and the Rural Outreach and Innovation Action Groups - are key drivers of this process of documentation and research for best practices within the microfinance sector.

Furthermore, a greater focus should be placed on institutionalizing youth products within FSPs (i.e. integrating youth products into the day to day operations of the FSP; analyzing more efficient ways to integrate non-financial services and conduct marketing strategies; fixing realistic objectives according to staff capacity and service costs etc.). Grants do have a role to play, particularly in terms of the technical assistance and support required by FSPs to examine actual costs and benefits of youth products, but the supply is limited and they may act as an obstacle to the long term delivery and broader replication of such products.

With regard to the delivery model, the ‘linked’ approach is the best represented among these cases. However, most implementers still struggle with financial sustainability and the alignment incentives in order to ensure that partner institutions remain faithful to the program. Although examples of long-term donor support for non-financial services do exist (BRAC in Bangladesh, for example, not represented here), FSP reliance on outside funding for a core non-financial component is a serious risk to program sustainability. Therefore, several “linked” programs among these cases mentioned an intention or interest in moving toward a ‘unified’ model. The ‘unified’ approach has the

59 The CYFI Academics Research Paper 2012 can be found online here: http://childfinanceinternational.org/images/CYFI_Research_Review_Financial_Capability.pdf

advantage of potentially achieving break-even or even profitability, but requires not only creativity to implement in individual lending situations (group savings or credit groups are more conducive and efficient for integrating training alongside financial services), but also significant upfront investment and long-term commitment (in staff, training, supervision, monitoring and so on). The 'unified' model approach also needs to clearly differentiate marketing products for youth from the actual delivery of suitable financial education. There is a latent risk of confusing the purpose of financial education with institutional marketing strategies only destined to sell. Strategies focused on attracting new clients as users, can overlook the actual quality and/or adaptability of the products and services offered. These strategies can seriously undermine the aim of financial education as a means to empower individuals, by reducing the capacity to discern between the products they need (un-harmful products) and the ones they don't (harmful products). Although it can be challenging for an organization to differentiate marketing and financial education practices when implementing the 'unified' model, the introduction of internal audit controls or other mechanisms to provide checks and balances can be helpful.

As youth financial inclusion initiatives mature, it is expected to see FSPs demonstrating viable approaches to delivering a combination of financial and non-financial services to youth on a financially sustainable basis over a longer time horizon.

Scale

Across these cases, we have seen numerous small pilot projects that have not yet achieved significant client outreach. Certain models appear more readily scalable than others. For instance, using a methodology similar to IRC-Burundi's VSLA groups, Freedom from Hunger's AIM Youth initiative (not represented among these papers) has worked with two NGO partners in Mali (CAEB and Le Tonus) to reach about 10,000 youth after just one year. The sector needs to encourage donors not only to fund the market research and innovative product design needed to create youth-responsive solutions, but also to invest in initial scale-up of products that have been proven on a small scale. Promising examples of this include the Bill and Melinda Gates Foundation's support of massive scale-up of savings products in developing countries and The MasterCard Foundation's investment in the expansion of community-based savings programs and financial education for youth.[60] The European Commission has launched a microfinance facility called Progress Microfinance that provides guarantees and funding to FSPs to increase the availability of microenterprise start-up loans.[61] But here too, technical assistance is necessary for FSPs and YSOs to engage in business planning and projections from the earliest stage, in order to plan and lay the groundwork for scaling up successful products and services.

60 The YouthSave project was launched in Washington, D. C, with the aim of piloting and rigorously evaluating the impact of youth savings programs aimed at 12-18 year olds. For more information go to http://microfinance.cgap.org/2010/05/10/youth-savings/

61 http://ec.europa.eu/social/main.jsp?langId=en&catId=836

Creating more employment linkages

We have seen several examples of a strong focus on livelihood development with entrepreneurship-related and even sector-specific training, as well as mentoring and apprenticeships. Since one primary motivator of many implementers of youth financial and non-financial services is the creation of viable self-employment opportunities, it makes sense that FSPs like Sinapi Aba Trust, MEDA, RCPB and WOYE are working to directly insert or train clients in specific trades.

Importance and flexibility of youth savings

As valuable and successful as entrepreneurship can be – and granted, it is often one of the few options available in many LDC economies – in the North we have seen that entrepreneurial success even for highly educated and skilled individuals is not a given. Research has revealed over recent years that one of the most critical areas where microfinance has contributed to poverty alleviation – more than loans used for microbusiness –is income smoothing.[62] While loans can be helpful in this regard, savings are even better. The flexibility of savings – which can be used for investment in a microenterprise as well as to cover the gap between harvests or pay for education that may lead to a salaried job – cannot be overestimated as a tool for poverty alleviation. And by facilitating early access to savings as well as knowledge that leads to positive savings and other financial patterns, YSOs are providing an invaluable service not only to those youth participants themselves but also to successive generations, since the children of parents who save are more likely to develop positive savings habits as well.

Recognizing the importance and flexibility of youth savings implies acknowledging that informal mechanisms are also important for savers. ROSCAs and ASCAs[63] have proven to be convenient saving mechanisms, providing a means to manage low income cash flows and preventing people from spending more than required by helping keep temptation at bay. Financial informality can be criticized through its association with moneylenders and high interest rates or as ground for proliferation of insecure “Ponzi” or “pyramid schemes”. Nevertheless, despite a certain degree of unreliability, it can be posited that the advantages and unique flexibility provided by certain informal financial mechanisms has been overlooked in terms of research, product adaptability and proper financial services design. Loans provided by friends and/or family, are another example of informal financial mechanisms whose conditions and implications could be further investigated. “Success – in product design - can be found by creating formal account mechanisms that adapt ideas from the informal”.[64] Regulators and researchers have an important role to play in this regard.

62 Morduch et al, Portfolios of the Poor. 2009.

63 Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs) facilitate saving and lending within groups. In a ROSCA group meeting savings are collected, the whole pot is then immediately given to one member who has not yet received the pot. In the case of ASCAs, instead of allocating the pot to someone, funds are lent to willing borrowers with interest. The interest paid on the loans will then accumulate in the group fund. For more information http://www.fsdkenya.org/pdf_documents/10-05-07_Role_of_informal_financial_groups_in_Kenya.pdf

64 Formality and Informality: Lessons from the New Findex Survey by Jonathan Morduch : Wednesday, May2, 2012 available at http://microfinance.cgap.org/2012/05/02/formality-and-informality-lessons-from-the-new-findex-survey/

Favorable regulatory environments for youth-inclusive finance

In countries where there is no age threshold for savings, it has been shown that savings outreach is greater than in places where individuals must be at least 18 years old to hold an account.[65] In a recent paper, UNCDF's YouthStart program lays out the regulatory constraints to youth financial inclusion (e.g., minimum age and identification requirements) and calls for the development of policies and strategies that favor increased access to financial services among youth. Recognizing that market-responsive product innovation for youth can only go so far within restrictive regulatory environments, practitioners and donors should be encouraged to collaborate with Central Banks and other regulatory bodies and influential groups, to enable ethical, youth-friendly product development and dissemination on a much broader scale. In regulatory environments where the younger segment cannot yet control their own savings accounts, creative mechanisms that inform and empower youth while giving them as much autonomy as possible are desirable.[66]

Ethical concerns regarding the promotion and delivery of credit and savings products proposed for youth need to be openly discussed, particularly when addressing issues such as child labor, youth guardians responsibilities, Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) policies. These concerns are especially relevant for youth in developing countries that are already engaged in income-generating activities and who are frequently responsible for managing both their own and family members' money. Young people confronted with these responsibilities need to be adequately prepared to respond. However, promoting such responsibilities and encouraging children to bear them at such an early stage in life, is not always desirable. Young people should not have to fulfill these responsibilities before they have the capacity and maturity to cope with the situation. Autonomy represents the capacity to decide and act for the benefit of oneself and others; therefore, the degree of autonomy children should have with regard to savings accounts is dependent on their capacity to discern and act. Even though there are cases where guardians are irresponsible, exploitative (taking advantage of youth assets) or even absent (e.g. when dealing with vulnerable populations, such as orphans or adolescents living independently and far from responsible relatives); the necessity to transfer responsibility to an appropriate "body" ensuring delivery of secure financial products cannot be disregarded. Young people and particularly children need appropriate guidance and assistance to boost confidence, financial literacy and capacity. FSPs and YSOs have a role to play but their responsibilities and motivations need to be adequately defined, regulated and overseen.[67]

65 CGAP.Global Standard Setting-Bodies and Financial Inclusion for the Poor.CGAP White Paper. 2011. Accessible online at: http://www.cgap.org/gm/document 1.9.55147/CGAP_WhitePaper_Global_Standard_Setting_Bodies.pdf

66 Child and Youth Finance International is working with a global network of national financial regulators and other government representatives that are able to create an economic and policy environment more conducive to financial inclusion and education for young people under the age of majority. More information on the national platforms for child and youth finance can be found in the CYFI Country Implementation manual athttp://childfinanceinternational.org/images/Country_Implementation_Manual.pdf

67 Legally, how young is too young to open a savings account?by Bryce Kam : Monday, January 10, 2011 available at http://microfinance.cgap.org/author/bryce-kam/

Recommendations

Based on the case studies presented in this publication, as well as the broad set of experiences represented by the e-MFP Youth Financial Inclusion Action Group membership and supporters, the following set of recommendations are proposed. These recommendations are intended for practitioners, donors, governments, technical assistance providers and others interested in furthering the practice of achieving youth economic empowerment through the provision of appropriate microfinance services.

1. **Do design products that are appropriate to youth-specific needs**

Youth have needs that differ from those of adults, and separating youth from adults can result in significantly better outcomes for beneficiaries and providers alike. 'Youth', however, spans a large and heterogeneous group of people with markedly different expectations, needs and goals. An important element in designing appropriate youth products, then, is segmentation according to age and gender in combination with marital, schooling and employment status. Beginning with the market research phase and throughout the process leading to implementation, it is crucial to involve youth representatives who match the key characteristics of the target group, in order to ensure that the youth products and services effectively match their needs. This can also help providers determine the most effective ways to reach their target participants – for instance through branches, schools, community meetings, rural post offices, ATM machines or other technology.

As the cases on Uganda Finance Trust, BancoADOPEM, XacBank and others showed, product differentiation according to age is particularly helpful in ensuring successful take-up and outcomes. On the financial services side, these FSPs are offering slightly different products and terms to younger and older youth – such as lower opening deposits, lower minimum balances and more flexible identification requirements for youth under 16. Such nuances in financial product design are crucial to meeting clients' needs and achieving FSP goals for scale and impact. On the non-financial services side, the differences in appropriate design for the younger and older segment is understandably more pronounced; aspects such as content (e.g., building savings habits versus managing an enterprise) and delivery approach (e.g., group lessons after school versus evening or weekend workshops) differ significantly, depending on the target audience. When it comes to the design and implementation of non-financial services, such segmentation is key to the creation and delivery of trainings that meet participants' needs, expectations, demands and availability. On the other hand, while age segmentation must certainly play a role in the design of financial services, FSPs should avoid developing a proliferation of financial products based on narrow age segments, as this leads to inefficiencies, confusion and often unneeded complexity.

2. **Do ensure that youth products and services are ethical and that basic universal standards for social performance management are taken into account**

There are several ethical concerns with the provision of finance – to youth – especially the delivery of savings and loans - that underscore the importance of applying the SMART[68] client protection principles and Child and Youth Friendly banking certification criteria[69].The Social Performance Task Force Universal Standards for Social Performance Management ("the Standards") are a set of management standards for microfinance institutions (MFIs) with a double or triple bottom line. Developed through broad industry consultation, the Standards establish clear requirements for the policies, procedures, and operations that an MFI should have in place in order to achieve its social goals. The standards are compatible with the SMART Campaign Principles for Client Protection and should also be compatible with Child and Youth Friendly banking certification criteria.

Ethical concerns with the provision of finance to low income people and youth may be addressed more easily if the interests of clients are prioritized. Whether encouraging savings for children under 18 or providing loans to youth in the older age bracket of 18 to 30, it is critical to ensure that certain principles are applied. Child labor should neither be promoted nor accepted and over indebtedness, discrimination and abusive collecting practices should be consistently avoided. The ILO has examined and identified microfinance interventions that may in fact help prevent child labor;[70] FSPs should familiarize themselves with such practices and undergo staff training on what constitutes child labor (recognizing, for example, that helping parents with chores in exchange for pocket money is *not* child labor). Social audits, external ratings and other thoroughly tested tools have been used by rating agencies, experts and practitioners to progressively formalize certification initiatives within the microfinance sector. Such experience should be taken into account when building up child and youth friendly banking certification products. It is important to harmonize initiatives for inclusive finance when possible and to avoid duplication of efforts. Cooperation in youth client protection issues between UNCDF, CYFI and the Smart Campaign, as well as other members of the e-MFP Youth Financial Inclusion Action Group, is worth highlighting. For example, based on the youth friendly banking certification criteria from CYFI and the 6 Client Protection Principles of the Smart Campaign, UNCDF is currently developing an assessment tool to serve as a starting point for measuring the extent to which YouthStart partners are developing or not youth friendly products.

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68 http://www.smartcampaign.org/

69 The Child and Youth Friendly Banking Product Certification is as initiative of the Child and Youth Finance International (CYFI) organization, it is a work in progress initiative. The Product Certification guide was presented during the (CYFI) Summit in April 2012, outlining the criteria and process for FSPs to have their products certified. More information about the initiative can be found at:http://childfinanceinternational.org/images/CYFI_Certification_Document.pdf

70 For example: Micro-finance interventions: tools to combat the worst forms of child labor, including trafficking. International Labor Organization, 2002; available at: http://www.ilo.org/asia/whatwedo/publications/WCMS_BK_PB_18_EN/lang--en/index.htm; and a more recent exploration of microinsurance and its impact on child labor: Does Micro Credit Increase Child Labor in Absence of Micro Insurance? Chakrabarty, S., Microinsurance Innovation Facility, ILO, 2012. Available at: http://www.ilo.org/public/english/employment/mifacility/download/repaper12.pdf

Furthermore, experience and research have shown that in spite of FSPs' careful product design and loan requirements, microfinance clients tend to use loan proceeds (and the fungibility of cash) to smooth income and pay for consumption – not always exclusively to run their microenterprises. By adhering to client protection principles and ChildFriendly banking criteria, and by including some form of financial education with their youth products, practitioners can minimize the risk of unethical practice and maximize the potential of youth microfinance to reach economic development and empowerment.

3. **Do ensure the commitment, training and monitoring of FSP staff**

As numerous cases emphasized, the full comprehension and commitment of staff – from board and leadership, to managers and human resource personnel, and down to field staff – are key to the success and sustainability of a youth program. The FSP needs to "own" the youth products and – once they are tested and proven – view them as a long-term and integral element of the organization's mission and product offerings. Unique training is required for staff to learn about working respectfully and effectively with youth, and a simple one-off training does not suffice. Once the program has been proven, training on the youth products – including non-financial as well as financial components – must be integrated into the FSP's general staff training, monitoring and incentive structures in order to establish the program as a core ingredient in the FSP's offerings, rather than an extra task that eventually gets neglected and side-lined. Similarly, monitoring and reporting tools – including MIS adaptation – need to be developed to fully integrate the youth products and program into the organization's management processes and planning.

4. **Do market to youth**

Just as financial and accompanying products for youth must be designed to meet their needs, locations and availability, effective marketing to youth takes the unique characteristics of this segment into account. By developing marketing tools and products that speak to youth's interests and preferences, some programs represented here have been able to distinguish themselves clearly from their peers and successfully scale up their youth portfolios. The most successful examples not only employed traditional marketing tools such as brochures and radio spots, but also took marketing to schools and ensured that their branches reflected the same youth brand with details like step stools and school-friendly opening hours. It is worth noting that three of the programs represented here that have achieved the most significant scale relative to their overall microfinance portfolios – Al-Amal, BancoADOPEM and XacBank – are those that developed youth-specific marketing campaigns and techniques.

5. **Do include financial literacy training specially designed for youth**

Although the design and provision of appropriate training can be a challenge, all of the FSPs presented here incorporated a training component into their youth programs, with varying degrees of success. Implementers of the programs described in these case studies view training as a necessary ingredient for youth to make the best use of the financial products and for an effective investment in the FSP's future clientele. The content, form and delivery approach of such training do vary considerably, though, and what works well in one context may be unsuited to the next.

It is important to note that while some overlap can occur in messages and delivery, financial literacy training is distinct from product information dissemination and marketing. Product marketing may occur over the course of financial literacy training, but the latter is focused on building more general knowledge and financial skills that can be applied whether or not the participants opt to use the FSP's own financial products. Clearly, when both the financial products and the training are designed to meet the real needs and demands of youth, these financial and non-financial program elements will dovetail, thereby reinforcing one another and leading to significant take-up by youth who are – hopefully – savvier and more reliable FSP clients as a result.

In general, the most successful trainings seem to be hands-on and highly relevant to participants' circumstances, offered in concise sessions, and reinforced by the financial product offerings as well as staff coaching and follow-up. However, ensuring that everyone – from the FSP to the training provider to the youth trainees and their parents – is motivated to participate remains a challenge. Practitioners seem to agree that youth need to be intrinsically motivated by the subject matter and training approach – and that if they are not, then further market assessment and design are probably in order; for instance, Partner's experiment with cash incentives for client participation did not yield much greater uptake. Parents and other community members need to know about and understand the purpose of the training, in order to ensure their support and reinforcement, as well as avoid misconceptions and suspicion. And as stated above, FSP staff and leadership need to understand the rationale and buy into the training approach in order for it to succeed as an integral element. Furthermore, in the case of linked models, incentives also need to be considered and built in early on for the partner organization (i.e., schools, universities, master artisans and YSOs); the NATCCO/Aflatoun case, for example, described some challenges with reluctant schoolteachers who viewed the program as an extra, uncompensated workload. The Global Financial Education Program[71] (GFEP) has released a generic training on youth financial services which can be easily adapted by FSPs. This is an important effort to facilitate training focusing on youth.

6. **Do build in incentives to guide positive youth financial behavior and quality youth financial products and services design**

An important element of any financial product design is the use of creative incentives to encourage desired behavior. For young people, who are often just beginning to establish financial management habits, certain built-in incentives can positively influence youth clients' financial practices, while also helping the FSP to reach scale, efficiency and sustainability. For example, some of the case studies used branded school supplies and other small prizes, or offered small cash incentives or discounts

71 See http://www.globalfinancialeducation.org/

to new youth clients who opened savings accounts for the first time. Others promoted the “free” training provided to new youth clients taking out a business loan. Incentives that not only encourage initial participation, but also promote ongoing engagement with the FSP through deposits and other transactions are critical to ensure real impact on youth’s financial status as well as to protect against a flurry of new accounts, followed by a dormant savings portfolio.

Certain restrictions on youth financial products – carefully weighed and analyzed for unintended consequences – can have a similar effect and may be useful in combination with positive incentives. An example is limiting (through higher charges or blanket policy) the number of savings withdrawals that can be made within a certain timeframe. Such a restriction can help clients resist the temptation to use their savings and support them in accumulating sufficiently large amounts to achieve their goals. On the credit side, we saw one cautionary example of a restriction that was intended to ensure support and success – an official certificate from a master artisan – resulting in the unintended consequence of coercion and kickbacks. Thus, incentives and restrictions should be designed and implemented with a focus on desired behaviors and outcomes, and must also be carefully monitored and re-evaluated over time to ensure that they are meeting the FSP’s highest priority goals.

7. **Do engage families, communities and external partner organizations**

Many of the cases point out the critical role that families, communities, mentors and other peripheral actors play in supporting the youth financial and non-financial services program and enhancing or enabling its success. In Uganda, for example, the leveraging of traditional community structures helped anchor Uganda Finance Trust’s youth program. Other implementers found that educating and involving parents and guardians led to the understanding and support needed for youth to avail of the services, and even improved financial practices among the adults themselves. Involving the broader community has other positive spillover effects as well, including some that benefit the FSP itself. For example, many FSPs have found that familial and community involvement not only lead to better take-up and outcomes among the youth target population, but as a result, existing participants’ friends and acquaintances also seek to join – leading to greater scale and outreach of the FSP’s youth program.

Moreover, all of the case studies involved FSP partnerships with other organizations in order to offer the youth programs. FSPs partnered with a range of stakeholders – including YSOs, schools and universities, local governments, chambers of commerce, master tradesmen, donors and Northern NGOs – to implement an impressive package of youth-responsive products and services. Sometimes these partnerships were informal (as in the case of parent and guardian involvement described above), while often they were formal. But in numerous cases, there arose misconceptions and misunderstandings on both sides that led to implementation difficulties. Thus, the importance of clarifying goals, expectations and roles on all sides as early as possible in the process – just as with any development intervention – cannot be underestimated

8. **Do work towards sustainability of youth programs from the beginning**

In order to prove the business case for youth finance, FSPs, donors and involved stakeholders need to consider how the youth products will become sustainable once the grants are over. This includes setting targets for economies of scale; actively defining cross-selling strategies to relatives, neighbors and friends; promoting youth usage of savings accounts and loyalty to the FSP; and designing a delivery model for non-financial services that can be assumed by the FSP in the long run.

9. **Do recognize and document youth-inclusive financial innovation**

Inclusive financial sector recognition for best practices in youth microfinance can play an important role in raising awareness about this underserved market, publicizing what is working, refining approaches in order to serve youth more successfully and encouraging experimentation and information-sharing. As the documentation of products, tools and results grows, practitioners will be better positioned to identify and address remaining gaps across the youth-inclusive financial sub-sector, thereby enhancing the state of the practice in order to better meet rapidly growing demand with ever more effective products.

One award that has been established by CYFI aims to address this need. The CYFI Pioneer Award acknowledges the accomplishments of FSPs that are pioneering innovative and original approaches to financial inclusion and education for children and youth.[72] There is room yet, though, for more numerous and other high-profile awards of this nature, in order to further the state of the practice of youth-inclusive financial services.

Conclusion

e-MFP and the Youth Inclusive Finance Action Group submits this body of cases and recommendations to the microfinance community at-large with the goal of contributing to the growing body of experience in providing much-needed financial and complementary services to youth in developing countries. As the youth population expands to unprecedented numbers and employment opportunities remain stagnant or worse, the need has never been greater to equip young people with the tools, knowledge and skills they need to manage what small financial resources they have while also creating opportunities for them to generate income over the longer term.

The microfinance sector has made great strides over the past two decades in providing financial opportunity to lower income people worldwide. Together with governments, donors, YSOs and other supporting organizations, FSPs now have the potential to leverage their strengths and experience to ensure that the burgeoning youth population is seen as an opportunity, rather than a threat, for poverty eradication. By focusing on this segment, designing innovative products that meet the unique needs of youth and sharing successful models and lessons learned, the microfinance sector will be able to put transformative resources and opportunity into the hands of the next generation.

72 More information on this award, including past nominees, selection criteria, judges and nomination process are available at www.cyfi.org

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EUROPEAN MICROFINANCE PLATFORM

The European Microfinance Platform (e-MFP) was founded formally in 2006. e-MFP is a growing network of over 135 organisations and individuals active in the area of microfinance. Its principal objective is to promote cooperation amongst European microfinance bodies working in developing countries, by facilitating communication and the exchange of information. It is a multi-stakeholder organisation representative of the European microfinance community. e-MFP members include banks, financial institutions, government agencies, NGOs, consultancy firms, researchers and universities.

e-MFP's vision is to become the microfinance focal point in Europe linking with the South through its members.

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