3. Access to financial services

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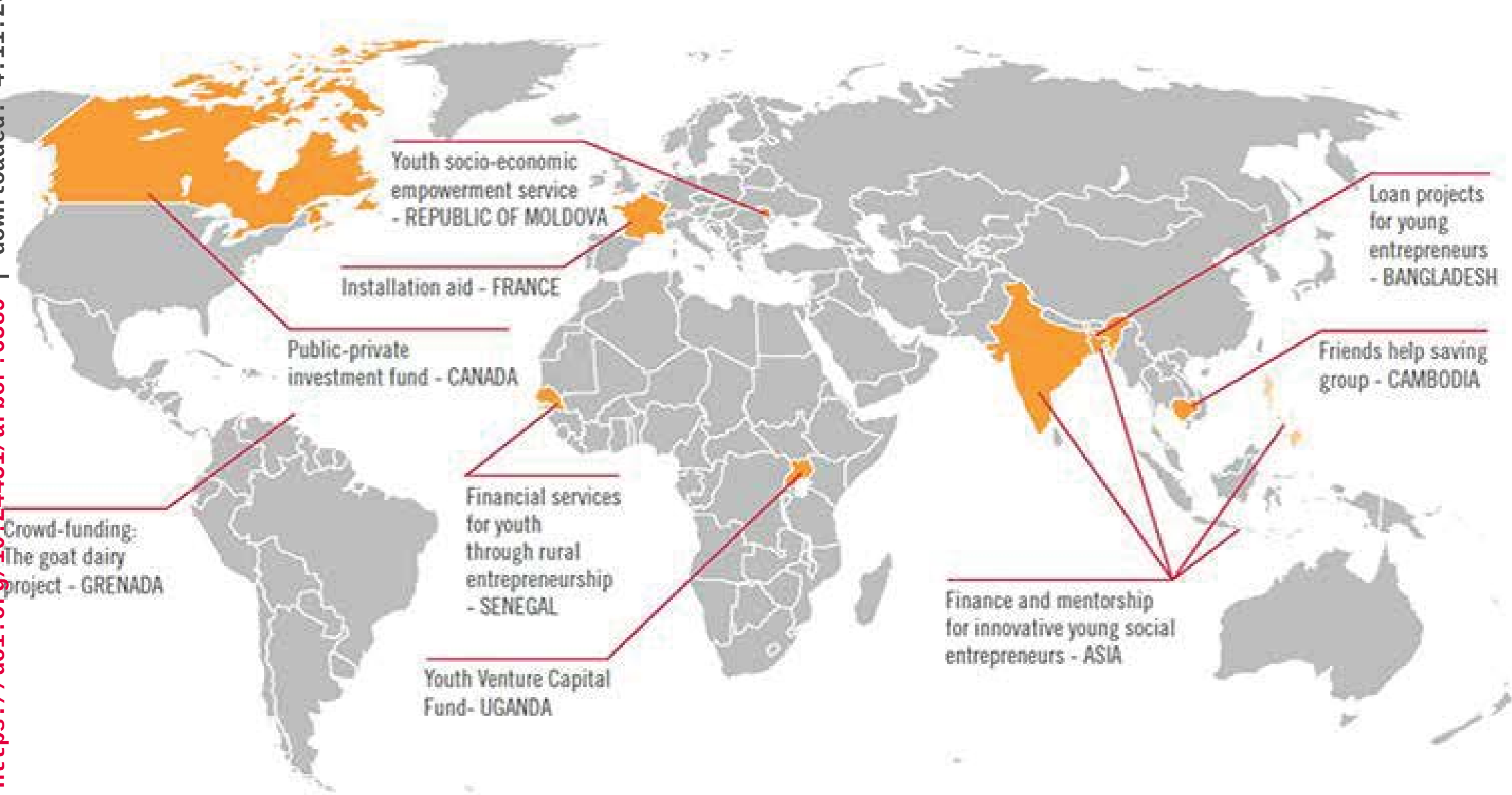

3.1 Introduction

Just like access to land, access to financial services such as savings and loans is of fundamental importance to start any agricultural activity [chapter 2]. Even if youth do have access to land, they still need finance to cover the costs of planting and harvesting, as well as investments in improved productive capacities. Payment and trading services, such as mobile banking and Internet trading, are important tools for selling their produce. Moreover, given that the agricultural sector is often exposed to adverse natural events that negatively affect production (Dalla Valle, 2012), access to insurance schemes is crucial for young farmers.

In order to meet these needs, financial service providers (FSPs) (IFAD, 2010c) have to play a crucial role. FSPs include formal banking systems (commercial and development banks), semi-formal banking systems (savings and credit cooperative organizations [SACCOs]) and informal banking systems not officially registered at national level (e.g. self-help groups [SHGs], village savings and loan associations [VSLAs], moneylenders and traders). However, data from several leading FSPs reveal that young people tend to make up a smaller proportion of overall formal FSP clientele than their overall population demographics would suggest. Providing financial services in rural areas is typically considered high risk due to the unique characteristics of agriculture: dependence on natural resources and seasonality; long production cycles; and vulnerability to variable weather. Furthermore, scattered rural populations greatly increase the operating costs of financial institutions.[29]

While financial services have become increasingly available to poor farmers, there is still much to be achieved to improve the availability of such services to young people in agricultural and rural enterprises (Dalla Valle, 2012). In both developed and developing countries, most FSPs provide few savings or insurance services for youth, focusing more on credit, despite the fact that savings remain extremely important to youth for building up assets for investments and insurance (MIJARC/IFAD/FAO, 2012). In many countries, laws and regulations also exclude people below the age of 18 from accessing any financial products and services (UNCDF, 2012). In addition, few, if any, financial products are specifically tailored to youth (MIJARC/IFAD/FAO, 2012). Research shows that while the majority of micro-finance institutions (MFIs) do serve young people above the age of 18, they are rarely recognized as a specific client group, and few products are developed to meet their unique needs (Shrader *et al.*, 2006). Furthermore, an ongoing global debate demands the revision of MFI concepts, since many MFIs providing loans to youth often charge too high interest rates (UNCDF, 2012). Before releasing funds to youth, many FSPs ask for loan guarantees, such as formal land titles [chapter 2], steady employment, personal guarantors, solidarity group guarantees or more informal guarantees (motorcycles, furniture etc.) – all assets that youth typically do not possess. Furthermore, youth are perceived as a high-risk category (Atkinson and Messy, 2012) because of their limited financial capabilities,[30] often resulting from their lack of experience. Despite growing recognition of the importance of inclusive finance, there are few innovative models on the reduction of risk when lending to youth.

[29] Dalla Valle (2012); http://www.ruralfinance.org/fileadmin/templates/rflc/documents/8_Rural_finance_challenges_web.pdf.

[30] Financial capability: i) day-to-day management of finances, for example effective budgeting and use of a bank account; ii) planning ahead for retirement, other life transitions and unexpected events for example by saving; iii) knowing where, and how, to seek appropriate financial advice; and iv) financial literacy in general (Atkinson and Messy, 2012).

Therefore, youth often rely on informal sources – typically family and friends – to obtain access to financial services. Information about informal services in rural areas is mostly provided through informal channels (e.g. word of mouth and the radio) (Dalla Valle, 2012). Agro-processing companies, input suppliers and traders often supply credit for inputs or farmer insurance [chapter 5], but, like many MFIs, they often charge very high interest rates.

ICT offers a wide range of products for accessing financial services, such as e-banking, e-business and e-trade through mobile banking. Nowadays, a third of the world's population uses the Internet, and more than 45 percent of them are young people, mainly in urban areas. Many rural areas still lack Internet connections – particularly in developing countries – which can act as a drawback for young people wishing to stay in rural areas and conduct their business from there (Dalla Valle, 2012).

Another barely affordable financial service is agricultural insurance. If it were more affordable, it could support young farmers in developing better agricultural risk management strategies for their farms. To improve such services, appropriate policies should be drafted and existing services revised to reach a younger clientele (Dalla Valle, 2012).

Collective action is somewhat lacking among rural youth [chapter 5], and they are rarely organized in self-help groups that could provide the means for generating savings and improving the borrowing power of both individual members and the group. In many developing countries, young rural women face additional constraints in accessing financial services due to their higher rates of illiteracy, restricted liberty of action and lack of consent of family members, much of which can be traced to gender discrimination embedded in societal norms [chapter 1, chapter 2] (Dalla Valle, 2012).

3.2 Case studies

17. INSTALLATION AID

FRANCE

In order to ensure that the younger generation enters farming, the French Government, in collaboration with the EU, provides support to young farmers wishing to set up in business. The mechanism of installation aid has been in place since 1973. Since its creation in 1957, the French Young Farmers Syndicate (*Jeunes Agriculteurs*) has played a big role in the development of the installation procedure, supporting the cause of young farmers and lobbying for and promoting the installation procedure.

The installation procedure offers a range of options, and youth wishing to set up in farming can apply for three types of financial support: (1) an installation grant; (2) special loans at reduced interest rates; and (3) tax and other types of benefits. In order to benefit from the installation grants and special loans, the applicant must be under the age of 40 and adhere to specific conditions related to education. The applicant should also draft a customized professionalization plan and a business plan covering a five-year period. Advisors from the information points set up in the various departments assist the applicants with the drafting of these documents. The application is then assessed by various institutions such as the Departmental Commission for Agricultural Counselling. Most youth applying for installation aid wish to take over an existing agricultural business.

(16) An installation trophy winner. © Pixel Image / Laurent Theeten

In addition to the installation procedure, a specific tax law in favour of young farmers was approved in 2010 following the advocacy activities of *Jeunes Agriculteurs*. The law states that a specific tax is applied when agricultural land is sold for non-agricultural purposes. The money obtained from the application of this tax goes to a fund dedicated to the installation of young farmers.

In 2011, *Jeunes Agriculteur*s launched the Installation Trophies Project in collaboration with the National Federation of Fruit Producers. Young fruit producers who have been active for at least five years can participate by submitting a description of the activities carried out since installation. The career descriptions of ten young fruit producers are selected and put on the trophies Web site; three of them win a trophy. In 2012, the competition was extended to wine makers and market gardeners. The aim of the competition is to showcase the career paths of young people engaging in agriculture and to stimulate others to choose a similar profession.

(Case study drafted by C. Goemans, adapted from Survey)

Information provided by Ms Aurélie Charrier, Installation Advisor of Jeunes Agriculteurs.
More information available at:
www.jeunes-agriculteurs.fr
www.trophees-installation.com
www.gouvernement.fr
http://europa.eu/
Valentin, J., Bigand, J. & Guillaume, S. 2012. Une installation réussie pour tous.
46th National Congress of Jeunes Agriculteurs, Pontarlier.

18. PUBLIC-PRIVATE INVESTMENT FUND

CANADA

The Canadian Government decided to give the younger generation access to resources to start their agricultural activities. In spring 2011, a USD 75 million public-private Investment Fund for the Future of Agriculture (*Fonds d'investissement pour la relève agricole* – FIRA) was launched for young Quebec farmers as a result of four years of lobbying by the Quebec Young Farmers' Federation (Fédération de la relève agricole du Québec – FRAQ) and the Quebec Union of Agricultural Producers (UPA). FIRA features three equal partners: the Quebec Government, the Desjardins financial institution and the pension fund of the Quebec Labor Union. Quebec's farm credit agency, *Financière agricole du Québec*, administers the fund. FIRA's mission is to support young people starting projects or agriculture businesses in all regions of Quebec through investments in the form of loans or agricultural land lease agreements.

The new fund is available to farmers aged between 18 and 40. Not only individuals, but also legal societies, such as collectives and cooperatives, can benefit from the financial services offered by FIRA and which take three different forms, as FIRA can: offer loans with flexible repayment terms,[31] take an equity stake in farms[32] or purchase land for leasing purposes.[33] A young farmer contracting with FIRA may also acquire shares or assets for the farm business, such as equipment, buildings, agricultural land, quotas or even a complete farm. If a loan is received, the repayment has to be initiated after three years, and a progressive and beneficial interest rate is applied.

The contractors must present a strong business and management plan, at least for the first five years of the operation at the start-up or transfer of an agricultural enterprise. After three years of activity, the young entrepreneur must demonstrate a minimum turnover of CAD 30 000 (USD 29 115). For the duration of the investment, the conditions which made the young person eligible for a loan must be maintained, and additional requirements may even be added. The maximum amortization time of a loan is 15 years.

FIRA has already directly contributed to the implementation of 15 projects ranging from dairy farming to beekeeping and organic vegetable production. When fully in place, FIRA hopes to contribute to the establishment of about 50 farming operations a year.

(Case study drafted by C. Goemans and M. Graf, adapted from Survey)

Information provided by Ms Magali Delomier, Director-General of FRAQ
More information available at:
www.lefira.ca
www.upa.qc.ca
www.gouv.qc.ca

31 These are subordinated loans. Through this mechanism, the value of the available seed money can be doubled. Up to a maximum of three years, the capital and the interests of the loan do not have to be paid back in order to give the farmer the opportunity to have working capital and set up his business.

32 FIRA can become a shareholder of the agricultural business through the investment of share capital, which facilitates the transfer of the business.

33 FIRA can buy land and then rent it to young farmers for a maximum of 15 years. During this period, the land can only be sold to the young farmer renting the land.

19. YOUTH VENTURE CAPITAL FUND

UGANDA

In 2011, the Government of Uganda in partnership with DFCU Bank, Stanbic Bank and Centenary Bank launched a venture capital fund of approximately USD 9 800 000 (UGX 25 000 000 000) to start the Youth Venture Capital Fund. The fund was put in place to provide venture capital debt finance to viable projects proposed by young entrepreneurs and to enable them to benefit from associated mentoring services from the participating banks. The fund aimed to support the growth of viable and sustainable SMEs (small and medium enterprises) in the private sector.

To qualify for loans, youth entrepreneurs must be aged between 18 and 35. Each business project must demonstrate its ability to provide employment to at least four people by the end of the loan period and each borrower must present at least two credible guarantors. Eligible sectors include: agroprocessing, primary agriculture, fisheries, livestock, manufacturing, health, transport, education, ICT and tourism. Successful applicants must be willing to receive advice and be ready to participate in financial skills training and mentoring for proper business management. Applicants must be able to prove they are Ugandans and should be able to prove their credit worthiness by presenting a credit reference bureau card. Eligible borrowers must be registered and licensed and they need to have been operative for a minimum period of three months.

Loan amounts are up to ten times the existing value of the business including owners' cash. The loan amounts must be between USD 39 and 2 000 for individuals, while for companies, amounts range from a minimum of USD 195 to a maximum of USD 9 700. The maximum tenure for the loan is four years inclusive of a maximum one-year grace period. Interest rates under this facility are fixed for the duration of the loan. Every year the Government and participating banks review and agree on an applicable rate for all loans to be approved in the subsequent 12 months. A once-only fee (1 percent of the approved loan amount) is chargeable, but payable only on approval of the loan. Personal guarantees of the eligible borrowers and the assets of the borrowing enterprise serve as security. Each borrower benefits from the fund only once.

To date about USD 3 212 851 have been disbursed to 3 000 young people.[34] An additional USD 1 305 220 were added to the scheme in 2012, and a new graduate fund was set up called the Graduate Venture Capital Fund with an allocation of USD 6 425 702 to be implemented with participating financial institutions.

(Case study drafted by F. Dalla Valle, adapted from the Internet)

20. YOUTH SOCIO-ECONOMIC EMPOWERMENT SERVICE

REPUBLIC OF MOLDOVA

Between 2005 and 2008, the Youth Socio-Economic Empowerment Project Phase I (YSEEP) was carried out, with funding from the World Bank and UNICEF in 17 regions of Moldova.[35] YSEEP provided technical and financial support to rural and peri-urban young women and men (aged 18–30) for business development (World Bank/UNICEF/USAID, 2009). The main goal

[34] From the Finance Minister, Maria Kiwanuka, in her 2012–13 budget speech to Parliament on 14 June 2012.

[35] Drochia, Edinet, Donduseni, Falesti, Soroca, Singerei, mun. Balti, Ugheni, Calarasi, Orhei, Nisporeni, Anenii Noi, Criuleni, Cahul, Basarabeasca, Comrat, Cantemir, Causeni.

of YSEEP was to increase the socio-economic empowerment of disadvantaged youth through business creation and participation in innovative community-based service delivery.

Four development agencies (DAs) were contracted to conduct information campaigns, review applications from potential candidates and offer training in “business development”, helping participants work out business plans and supporting post-realization. Candidates applying for participation in the programmes needed to fulfil several criteria, including age (18–30), no credit history and residence in a project implementation area.

A total of 800 candidates participated in the DA business development trainings and 215 business plans were formulated, 143 of which were approved for bank loans in addition to WB grants. All the approved business plans were implemented, creating more than 350 new working places (250 for young men and 100 for young women) in a wide range of jobs (63 percent in services, 33 percent in production, 4 percent in trade). The average investment costs to start a new business were around USD 10 000, and financing consisted of 50 percent WB funds, 40 percent bank loans and 10 percent beneficiaries’ contributions. Training and assistance (for marketing, accounting etc.) were provided throughout the process and also after implementation.

Given the positive outcome of YSEEP, it was decided to launch Business Development for Youth Economic Empowerment in Moldova (phase II) in 2008. The main funders were USAID (United States Agency for International Development), WB and UNICEF, and the goal was the creation of 60 youth-owned businesses all over Moldova. The capacity development needs of selected young entrepreneurs were first assessed, and on the basis of this assessment, a tailored training curriculum was developed. In addition, field trips were undertaken to learn from best practices. The participants received training in financial management (accounting and financial reporting, taxes, preventive measures), marketing (work with customers, promotional activities), human resource management (employment, on-the- job training) and in specific practical approaches of business development, in both agribusiness and non-agricultural production.

The approach was successful thanks to the combination of non-financial (training and advice) and financial support to young people, allowing them to mature their idea and find the means to implement it.

(Case study drafted by M. Graf, adapted from Survey)

More information available at:
http://www.capmu.md/
http://www.capmu.md/images/docs/Reports/2010/CAPMU%20Progress_Report_2010_ENG.pdf

21. FINANCIAL SERVICES FOR YOUTH THROUGH RURAL ENTREPRENEURSHIP

SENEGAL

The young beneficiaries of the Project for the Promotion of Rural Entrepreneurship II (PROMER II) in Senegal had difficulty accessing finance through banks and decentralized financial institutions to support their micro- and small rural enterprises. In order to overcome the challenges, PROMER II has been providing solutions through its Support Service to Rural Finance (SAFIR) component in the regions of Kaolack, Thiès, Fatick, Tambacounda, Kédougou, Kaffrine and Kolda since 2010. PROMER II has identified five financial service providers that are suitable for their rural clients. The West African Development Bank (BOAD), a PROMER II project partner, has provided

FCFA 1 million (USD 2 000) to those five financial institutions to be used as a credit line for the beneficiaries of PROMER II.

PROMER II organizes information sessions to brief rural youth on SAFIR and the different financial service providers, their services and the conditions of access. The youth selected by the project are then trained and coached to develop their project idea and to draft a business plan. The business plan should incorporate all their needs ranging from technical training to financial services and monitoring activities. Subsequently, the youth are put in touch with one of the five FSPs, and additional support is provided to further detail their business plan, focusing on the analysis of their capacity to repay the loan based on the profitability of their activities. The loan aims to cover the working capital as well as the equipment needed for the activities. The project also set up an inventive tripartite guarantee system involving the guarantee groups, the financial institutions and PROMER II. Youth with the same type of micro-/small rural enterprise and engaging in the same type of activities (e.g. the transformation of cashew nuts) are clustered into guarantee groups in order to sign an agreement with the financial institution to receive a loan. The idea behind the group is that the members motivate and help each other to pay back the loan. They also set up a guarantee fund in case a member fails to repay. Clustering groups has proved more effective with women than with men, because women are more likely to motivate their group members to repay the loan. The financial institutions know this and they are thus more likely to trust a women's group than a men's group. The project also acts as guarantor and commits itself to reimburse part of any unpaid debts. FSPs offer loans at a low interest rate and accept this special guarantee system. Youth who take out a loan are accompanied throughout the process, during their activities until repayment of the loan.

Around 33 percent of the beneficiaries of the PROMER II project should be youth and the SAFIR staff have received specific training on targeting youth. As a result, the SAFIR component has enabled 500 young people to join financial institutions, and more than 340 of them have accessed finance for the creation of their businesses.

(Case study drafted by C. Goemans, adapted from Survey)

Information provided by Mr Ameth Hady Seydi, Manager of the SAFIR Component of the PROMER II Project.
More information available at:
www.promer-sn.org

IFAD. 2011. *La promotion des micro et petites entreprises rurales: un moyen efficace pour lutter contre la pauvreté en milieu rural.* Livret de capitalisation PROMER II.

22. FRIENDS HELP FRIENDS SAVING GROUP

CAMBODIA

The Friends Help Friends saving group (FHF) was launched in November 2009 by a small group from the CAN (Citizen Action Net for Social Development) youth team, led by Mr Kok Tha and based in Phnom Penh, Cambodia. The group began with ten members (three women) and a total start-up capital of about USD 200, and by July 2013, it had about 91 members, approximately 65 percent of whom from rural areas, owning a total capital stock of USD 62 539. FHF is a not-registered and self-reliant saving group.

The concept of saving groups in Cambodia existed prior to 2009; therefore, FHF's founders were able to research the basic concepts, overall principles and guidelines of establishing, managing and

(17) FHF members. (18) An FHF member. © FHF

leading the group. Following consultations with external resource persons, they came together to discuss and lay down their own principles. The main objectives of FHF are to: provide financial support to all group members; contribute to improving the living conditions of group members; and build a network of friendship and solidarity. In order to achieve these objectives, five core values were specified during the founding phase: (1) Save–borrow–return; (2) Honesty; (3) Transparency; (4) Mutual respect; and (5) Mutual trust.

FHF's membership is divided into core members and deposit members, and each member has its own account and shares, starting with USD 20 and each month saving between USD 5 and 500 (according to ability). The business management team comprises a chairman, deputy chairman, secretary and cashier.

"Starting small, but thinking big" was the guiding principle of FHF, which grew and improved, thanks to regular and on-time monthly saving, borrowing, and returning; sharing and contribution of ideas and comments; observation, feedback and a willingness to understand the concept of a saving group. FHF's success is due to members' commitment, honesty, trust and strict adherence to FHF's principles. Members borrow money to cover a range of expenses: school and university fees; course material; investments in the small agricultural sector and small businesses; house building and reparation; increased mobility (motorcycles and cars); and assistance to families.

FHF's role extends beyond saving and borrowing to personality development and fostering of self-confidence; improvement of financial prospects; promotion of healthy living; development of resourcefulness; encouragement of social networking; business creation; reduction of youth problems; and social development and welfare. FHF makes a significant contribution to Phnom Penh's society, helping to solve social and youth problems through flexible, affordable, responsible and sustainable financial support. Youth saving groups continue to be established in Cambodia, in particular in Phnom Penh: CAN Youth Team Saving Group (CYTS), Community Management Course Saving Group (CMCSG), Saving for Our Future (SOF), Ladies Saving Group (LSG) and the Youth For Future Saving Group (YFF).

The "Friendship Saving Federation" (FSF) was established in 2010 and current membership comprises FHF, CYTS, CMCSG, LSG, SOF and YFF. The federation is managed by a committee chaired by all member organizations and which meets on a regular basis. There are 219 youth saving groups in the region of Phnom Penh and participating in FSF with a total capital of USD 88 727. The monthly interest reaches USD 1 448, while the monthly saving is around USD 3 207. This ensures the provision of a total loan of USD 93 903.

(Case study drafted by M. Graf, adapted from Survey)

Information provided by Mr Kok Tha, Chairman of the Friends Help Friends Saving Group, Phnom Penh, Cambodia.
More information available at:
https://www.facebook.com/groups/175127332497573/

23. LOAN PROJECT FOR YOUNG ENTREPRENEURS

BANGLADESH

The Grameen Bank model – the "bank of the poor" – was initiated by Prof. Mohammed Yunus in Bangladesh. The underlying premise of Grameen is that, in order to emerge from poverty and remove themselves from the influence of usurers and middlemen, landless peasants, including women and youth, need access to credit, without which they cannot be expected to launch their own small enterprises. When lending to groups, the model›s basic philosophy is based on the fact that weaknesses at individual level are overcome by collective responsibility. The coming together of individual members serves a number of purposes, including: education, awareness building, collective bargaining power and peer pressure. When lending to individuals, microloans are given directly to the borrower. Very small loans are given without any collateral and loans are repayable in weekly instalments spread over a year; eligibility for a subsequent loan depends upon repayment of a first loan.

In 2008, the Grameen Bank started a new project: the Youth Entrepreneur Loan Project (YELP). Most of the young, well-educated students who successfully completed their education financed by the higher education loan of Grameen Bank, struggle to find an adequate job upon completion of their studies. In order to promote self-employment, YELP provides loans to youth who show enthusiasm and entrepreneurial thinking and are hard working. They are motivated to create businesses not only for themselves, but also to offer new job opportunities for others. Loans are not only provided to individuals but also to joint ventures. There is no limit to the size of the loan, but young entrepreneurs are advised to start with small amounts which may be increased as their experience grows. In workshops, the young borrowers are taught to be innovative and to take initiatives, to make environmentally friendly choices and to use indigenous materials as well as local infrastructures. In general, a loan is repayable over two years, but this period can vary depending on the project size, the business plan, costs and return. An interest rate of about 20 percent per annum is charged and repayment begins eight weeks after receiving the loan at the latest. In order to reduce investment risks – natural catastrophes, fires, accidents, serious disease, robbery – a risk fund was also created. This fund is used to deduct 1 percent from the 20 percent interest rate on the loan in the case of an unexpected incident. The fund requires an obligatory life insurance payment by the borrower equal to 3 percent of the loaned sum.

Until August 2011, loans were provided to more than 1 432 young entrepreneurs, of which 154 were young women. Businesses were created in trading, computer services and training, clinics and healthcare, poultry, livestock and fisheries, as well as in phone and fax centres and fashion houses. By 2011, loans provided under YELP totalled USD 1.9 million, and the highest contributed loan was USD 0.8 million. The total repayment rate is 99 percent.

(Case study drafted by M. Graf and F. Dalla Valle, adapted from the Internet)

More information available at:
http://www.grameen.com/

24. CROWD-FUNDING: THE GOAT DAIRY PROJECT

GRENADA

The Grenada Goat Dairy Project, a non-profit organization dedicated to sustainable agricultural production, launched itself using kickstarter.com, a virtual platform to source crowd-funding (the term given to initiatives that encourage individuals to pledge money, usually via the Internet). Thanks to the online funding campaign, it was possible to set up a school-based dairy facility for youth development.

The Grenada Goat Dairy Project, known locally as the Goat Dairy, was launched in 2008 in the wake of Hurricane Ivan to train local farmers and educate young people about the benefits of goat production as a sustainable business model. It offers trainings in animal husbandry, improved livestock breeding, development of local feedstuffs, and milk and cheese production. The project organizers developed the idea of establishing a goat farm, but the cost of USD 55 000 was beyond the budget of the Goat Dairy, which covers 70 percent of operating costs through production of its chèvre cheese, sold to local restaurants and markets. It was decided to attempt crowd-funding, despite the risks involved. The funding platform chosen applies an all-or-nothing policy: either the goal in pledges is met by the set date or it is not, in which case the investors keep their contributions.

(19) Goat cheese produced by the Goat Dairy. (20) Goat, Maxine, from the Goat Dairy.
© Grenada Goat Dairy Project

The team produced a well-designed campaign, including a video explaining the Goat Dairy's work and a range of rewards for people who made pledges: a donation of USD 25 would earn a "thank you" on a postcard designed by a Grenadian artist, a gift of USD 150 would give free classes at a local yoga studio, and pledges of USD 200 would be rewarded by lunch or dinner at one of the island's top restaurants. The campaign was launched in August 2012, and there were just 45 days to meet the set goal. After a good start, donations dwindled and the Goat Dairy organizers turned to social media – Facebook, Twitter and Instagram – and contacted the local media, as well as youth organizations and consulates abroad. "We also secured a few matching fund pledges with donors who promised to match all pledges up to a given amount," said Malaika Brooks-Smith-Lowe, Director of Public Relations. "For instance, we had a local real estate developer promise to match all pledges made within a 72-hour period up to a total of USD 5 000. This created a lot of excitement and allowed people to essentially double the value of their pledge." The Goat Dairy raised more than the target figure, with pledges totalling USD 63 160, as well as an additional USD 2 779 given by donors who were unable to pay by credit card. Even after deductions for Kickstarter administration and payment processing, there was enough money to start building the educational goat farm at a local primary school. Work started on the facility, to be housed at St Patrick›s Anglican Public School, and was due to open in May 2013.

Through both hands-on and classroom activities, students will learn the responsibilities associated with animal care, growing their own food, composting and record-keeping. To expand its impact, the programme will network with other schools so that more children and young adults can be involved.

(Case study drafted by F. Dalla Valle, adapted from CTA)

More information available at:
www.thegoatdairy.org
www.kickstarter.com

25. FINANCE AND MENTORSHIP FOR INNOVATIVE YOUNG SOCIAL ENTREPRENEURS

ASIA

The Youth Social Entrepreneur Initiative (YSEI) was founded in 2005 as a Global Knowledge Partnership (GKP) multistakeholder partnership programme between its members – Thai Rural Net (TRN), Mitra and OrphanIT. YSEI believes in providing access to finance and guidance to young people with innovative ideas, commitment and vision for social change, so that they may emerge as social entrepreneurs and create a lasting impact. This social venture initiative provides financial support to youth in Asia. Through its emergence fellowship, YSEI invests in young visionaries with big ideas who need crucial start-up support to turn those ideas into action. Start-up support includes: financing of up to USD 15 000, development knowledge, tools for social entrepreneurship, technical consulting through mentorship and access to diverse networks. On a practical level, YSEI invests in social ventures with blended values (economic, social and environmental), ICTs and a focus on poverty reduction, improving disadvantaged/marginalized groups, environmental protection, gender equality and human rights. All ventures proposed for investment should be led by youth aged between 19 and 30.

To date, youth-led initiatives receiving YSEI support have included ventures in agriculture supporting food and nutrition security. Brinda Ayer, a young social entrepreneur from India, secured funds to start up a school and community horticulture enterprise in Bangalore in order to supplement the national midday meal scheme with an appropriate level of vegetable nutrition so as to improve overall school enrolment and child health in India. The enterprise provides nutritional horticultural supplements produced via horticulture in polyhouses (greenhouses) and kitchen gardens placed in selected schools. Faisal Islam, from Padma Khulna in Bangladesh, used YSEI support to provide marginalized farming communities with access to an agricultural knowledge management system to improve their livelihoods. The system provides innovative knowledge and global best practices to farmers in their local language and enables farming communities to establish better resource management, access relevant information and market their produce. As a result, farmers at grassroots level are able to form links with national and global expertise while emphasizing local development needs. Other youth-led social enterprises have also been able to secure financing through YSEI in India, Bangladesh, the Philippines and Timor-Leste.

(Case study drafted by F. Dalla Valle, adapted from the Internet)

More information available at:
http://www.ysei.org/
http://orphanit.com/ysei.html

3.3 Conclusions

When trying to access financial services, youth from across the world face several common challenges:

> restrictions in the legal and regulatory environment;

> lack of specifically tailored financial products;

> limited financial capabilities;

> reluctance of FSPs to work with clients who have limited trading records and security (often the case for rural youth).

Provision of financial services allows youth to improve their livelihoods and accumulate assets in the long term. Appropriate and inclusive financial services can equip youth with the resources and support to become productive and economically active members of their agricultural households and communities, and make the transition from childhood to adulthood. Non-refundable grants, incentives and start-up capital for promoting rural youth entrepreneurship are instruments of critical importance.

In the context of MFIs in the developing world, the experience of the Grameen Bank [case 23] demonstrates that it is possible to lend to the poor, including youth with no land or collaterals of any kind. Youth are given the opportunity to purchase their own tools, equipment or other necessary means and to embark on income-generating ventures which allow them to escape from the vicious circle of low income >> low savings >> low investment >> low income.

Grouping in **informal saving clubs** (see the Friends Help Friends saving group in Cambodia, [case 22], can help rural youth to improve their means for generating savings and increasing their borrowing power. Support is offered to young women and men to access finance through group savings and interest, and the scheme also helps youth to build self-confidence and trust in the group – factors which are key to its successful functioning. It provides a first contact with financial culture and can be a step towards the use of traditional financial services.

Youth-dedicated products are beginning to be offered by some commercial banks, for example, the partnership between the DFCU Bank, Stanbic Bank and Centenary Bank with the Government of Uganda and its Youth Venture Capital Fund [case 19]. Nevertheless, youth are still generally regarded by FSPs to be an excessively risky client group and, while initiatives of this kind are emerging, they remain insufficient.

Mentoring programmes provide significant opportunities, as most FSP managers prefer to see an experienced adult mentoring youth business owners to help them deal with rapidly changing trade markets (Atkinson and Messy, 2012). Appraisals undertaken in Africa showed that MFIs with strong outreach to youth had well-trained loan officers who were capable of analyzing business prospects as part of the loan analysis. Credit repayment rates for youth were in fact better than for the overall portfolio, in part because of the tighter risk control associated with their loans (Atkinson and Messy, 2012). Mentoring is also effective in helping youth gain access to markets [chapter 5, case 38].

Lowering the risk of lending to young people can be achieved through various guarantee mechanisms: risk funds (e.g. the Grameen Bank, case 23), guarantee groups (e.g. PROMER II, case 21) and other partnerships. Alternative models for providing youth with enhanced security for FSPs are needed; they require political will and more partnerships.

Start-up funding opportunities exist so that a rural enterprise may access the market, as the example in Benin [case 39] illustrates. However, funding tends to be more readily available to educated youth who are familiar with ICT tools and preferably know a foreign language. The start-up fund for agricultural activities in Canada [case 18] requires the first repayment after three years. This reduces the pressure on youth starting a business and gives them time to get established – a lesson that would also prove useful in the context of developing countries. ICTs also provide access to e-banking and crowd-funding. Crowd-funding sites were successfully used to set up the Grenada Goat Dairy project [case 24]. Such sites offer great potential to get a project started in today's world.

Competitions are another potential source of funds, particularly those targeting rural youth, where a good business plan is evaluated and rewarded. As with MFarm in Kenya [case 33], these competitions provide the winners with increased visibility, giving a crucial boost to their business.

A large number of NGOs act as FSPs for small enterprises in poor rural and urban communities, and many target youth in particular (Dalla Valle, 2012). In response to the limited financial literacy (e.g. unfamiliarity with drafting a business plan) among rural youth – particularly those in developing countries – many NGOs offer technical training related to the loan activity, support to new and existing businesses and/or programmes to improve the living environment with the objective of alleviating poverty. YSEEP in Moldova [case 20] successfully combined training with the provision of loans to launch businesses, and also managed to support young entrepreneurs with follow-up training in marketing and management. Rural youth require a wide range of financial services, not only loans or savings opportunities. The above-mentioned YSEEP and the Grameen Bank [case 23] not only provide loans, but also organize training courses on financial literacy, with support to the creation of local businesses.

The research carried out for this publication reveals that, in developing countries, a number of initiatives providing youth with access to finance are still managed or initiated by development partners. This means that they may depend on donors for funding – a dynamic that cannot be sustained in the long run. It is therefore crucial to include governments and other national organizations in the planning process in order to ensure long-term sustainability. Governments, national financial institutions and other national organizations, as well as the private sector, have a vital role to play in the sustainability of youth-inclusive financial services, building on initiatives such as those reported in this publication. Regulatory barriers (e.g. age restrictions) to accessing loans can be overcome by creating a youth-friendly regulatory environment, acting inclusively and protectively towards youth. Such policies could encourage the design of suitable financial services for youth as well as the provision of low-cost delivery channels like mobile and school banking programmes (UNCDF, 2012).

Youth represent the next wave of clients for FSPs and now is the time to educate and include them. If youth are to benefit from an inclusive financial sector, political commitment is required, in addition to coordinating efforts among different regulatory bodies (ministries of education, agriculture, youth, finance, employment and trade), producers' organizations, FSPs, other youth stakeholders and youth themselves.