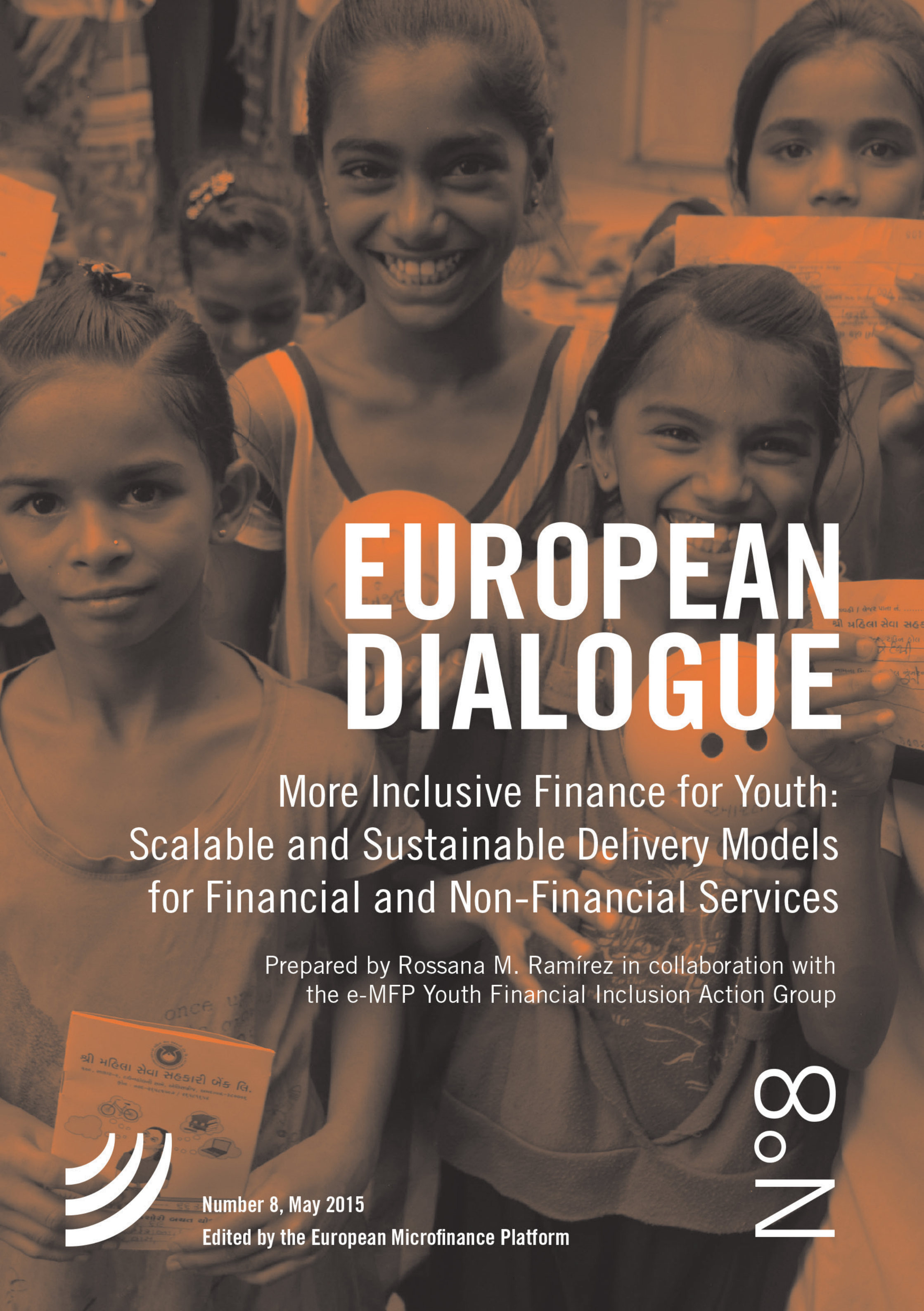

EUROPEAN DIALOGUE

More Inclusive Finance for Youth: Scalable and Sustainable Delivery Models for Financial and Non-Financial Services

Prepared by Rossana M. Ramírez in collaboration with the e-MFP Youth Financial Inclusion Action Group

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NETWORKING WITH THE SOUTH

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Abbreviations and Acronyms

AFI	Alliance for Financial Inclusion
ACSI	Amhara Credit and Saving Institution
ATM	Automatic Teller Machine
CYFI	Child and Youth Finance International
FUCEC	Faîtière des Unités Coopératives d'Epargne et de Crédit
FCPB	Fédération des Caisses Populaires du Burkina
FI	Financial Inclusion
FE	Financial Education
FS	Financial Services
FSP	Financial Service Provider
M&E	Monitoring and Evaluation
MIS	Management Information System
MFI	Microfinance Institution
NGO	Non-Governmental Organization
NFS	Non-Financial Services
OECD	Organization for Economic Co-operation and Development
OIBM	Opportunity Bank Malawi
PAMECAS	Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal
PEACE	Poverty Eradication and Community Empowerment
POS	Point-of-Sale
TVET	Technical and Vocational Education and Training
YFS	Youth Financial Services
YSO	Youth Serving Organization

Abstract

In the financial services sector there has been a significant investment towards advancement of youth financial access and capability, in an effort to improve young people's future economic options, especially in low-income countries. Many projects have designed and offered youth financial services integrated with non-financial services, such as financial and business education. But with demonstration projects coming to a close, there is a need to determine how to scale up services sustainably. This publication by the European Microfinance Platform analyzes a variety of macro- and micro-level factors that can impact the scalability and sustainability of youth integrated services. The objective of the publication is to provide guidance to governments, donors and financial service providers on a context-appropriate approach to offering both financial and non-financial services to young people.

INTRODUCTION

In this second publication focused on youth financial inclusion, the European Microfinance Platform Youth Financial Inclusion Action Group agreed to hone in on youth financial services (YFS) that are *integrated* with non-financial services (NFS). Over the past decade there has been a surge in investment to advance youth financial inclusion, with various organizations around the world testing and evaluating a variety of financial instruments targeting young people in low-income countries. The majority of the projects have incorporated a non-financial component, mainly financial education or business and vocational training, aimed at further strengthening young people's financial capability and business skills. The projects have resulted in numerous publications analyzing policies, business case arguments and impact. Some of the publications are in the form of technical guides, such as the Women's World Banking *Banking on Youth*[1] or the CYFI *Banking a New Generation: Developing Responsible Retail Banking Products for Children and Youth*[2], providing step-by-step practical guidance for designing financial products and incorporating non-financial components for young clients (see Annex 1 for a list of resources).

Most of the initiatives, including ones documented in this publication, have received significant external grants, primarily from private foundations. With many subsidies coming to an end, there is a need to determine how those services, over time, can be continued and replicated with little or no external funding. In addition, the diversity of the projects in context, types of YFS and NFS, and delivery mechanisms, calls for a synthesis of common factors that may contribute to an effective integration approach.

The objective of this publication is to provide guidance to Financial Services Providers (FSPs), youth serving organizations (YSO), donors and government authorities that want to advance youth financial inclusion by analyzing and compiling what is known to date on scaling up financial products along with NFS and assessing the potential for long-term sustainability.

1 http://www.womensworldbanking.org/wp-content/uploads/2014/10/Womens-World-Banking-Banking-On-Youth-2014.pdf

2 http://www.childfinanceinternational.org/resources/publications/2014-banking-a-new-generation.pdf

This edition builds and expands on the 2012 e-MFP publication on youth financial inclusion, which laid out the state of the field in YFS and offered key insights in program design and implementation[3]. At that time, the combined outreach from 13 FSPs documented in the publication added to just over 100,000 youth receiving services. There was little known about the potential sustainability of the services since most of the projects were in their early years of implementation.

In this edition, we examine in depth a series of case studies (see Annex 2) that have a combined outreach of over a half million youth and offer insights on common factors that enable or prevent FSPs in offering integrated services sustainably and at scale.

BACKGROUND ON YOUTH FINANCIAL SERVICES AND NON-FINANCIAL SERVICES

The growth in investment on YFS reflects an acknowledgement by the development community that the global youth population is facing very limited economic options and is largely excluded from formal financial services. According to the World Bank's Global Financial Inclusion Database, 62 percent of youth (ages 18-25) in developing countries do not have access to formal financial services.[4] Moreover, young people tend to have low levels of financial knowledge.[5] The combination of these factors is worrisome because it limits young people's financial capability,[6] which is essential for being able to maximize their financial options in the present and for the future.

The logic for advancing youth financial inclusion is that access to affordable YFS and NFS can equip young people with the necessary tools, knowledge and skills to manage their money better and help them meet their most basic financial needs. Moreover, the combination of YFS and NFS can act as building blocks for greater economic opportunities in the future. For young people living in poverty, greater financial inclusion and capability can strengthen their own resilience to economic stress, which in turn could help break the vicious cycle of poverty.

3 *Youth Financial Inclusion: Promising Examples for Achieving Youth Economic Empowerment*. European Dialogue, Number 5. European Microfinance Platform (e-MFP), 2012.

4 Demirguc-Kunt, A., L. Klapper, A. Kumar, and D. Randall. *The Global FinDex Database: Financial Inclusion of Youth*. FinDex Notes. The World Bank, 2013.

5 Lusardi, A. and O.S. Mitchell. *Financial Literacy around the World: An Overview*. Journal of Pension Economics and Finance 10, 2011.

6 Financial capability includes the ability to transform knowledge into action, as explained by Johnson, E., & Sherraden, M.S. *From financial literacy to financial capability among youth. Journal of Sociology* and Social Welfare 34(3), 2007.

For FSPs, the rationale for offering YFS and NFS to young people is based on several premises, as outlined by CGAP.[7] First, acquiring clients at a young age offers an opportunity for a FSP to establish a lifelong relationship with their clients, offering a variety of financial products over time. In addition, FSPs might be able to tap into young people's networks to gain even more new clients. In very competitive markets, the youth market offers the possibility of expanding market share. Finally, serving young people helps to build up the image of the FSP as a socially responsible organization.

Box 1. Definition of Youth

Youth is a broad category that varies in meaning across a variety of countries. For statistical purposes, the United Nations (UN) defines youth as people between 15 and 24 years of age. However, even within the UN system there are different definitions that include adolescents starting at 10 years old and some that include people up to 35 years old.[8] The age range of the case studies also vary, but in general projects offering youth savings accounts target youth between 12 and 24 years of age, and those offering loans target youth 18 to 30 year olds.[9]

The microfinance sector has evolved over the years in how it perceives and addresses the needs of youth regarding financial products. In a 2005 USAID survey of microfinance institutions and youth serving organizations, loans were found to be "the most commonly offered products for youth."[10] Moreover, the same survey found that "only 6% of respondents [believed] that youth require deposit services more than credit services relative to adults."

Since the 2005 USAID survey, the financial services sector has experienced an increase in market research studies assessing the supply and demand for YFS. A more extensive survey conducted by Making Cents International in 2009 found that while a greater proportion of organizations were still providing more credit than savings, savings products were deemed to be in greater demand than loans.[11] This apparent shift in perception likely reflects a greater awareness by FSPs of the actual financial needs and capabilities of young people that have been documented in the various market studies.

7 Kilara, T. and A. Latortue. *Emerging Perspectives on Youth Savings*. Focus Note 82. Consultative Group to Assist the Poor (CGAP), 2012.

8 Definition of Youth, United Nations. Available at: http://www.un.org/esa/socdev/documents/youth/fact-sheets/youth-definition.pdf

9 One notable exception is Banco ADOPEM in the Dominican Republic, which included in its case study parent-opened savings accounts for minors from 0 to 15 years of age.

10 *Serving Youth with Microfinance: Perspectives of Microfinance Institutions and Youth Serving Organizations*. USAID, 2005.

11 Storm, L., B. Porter, and F. Macaulay. *Emerging Guidelines for linking youth to financial services*. Enterprise Development and Microfinance 21(4). Practical Action Publishing, 2012; *State of the Field in Youth Enterprise, Employment, and Livelihoods Development*. Making Cents, 2009.

The Rationale for Integrating Non-Financial Services

Similar to the evolution of YFS, the offer of complementary NFS has also changed over time. NFS generally encompass financial education and/or livelihoods training, such as business education and vocational training, but could also include health and social components. The 2005 USAID survey found that few FSPs at that time were able to provide any type of training to young clients, mostly consisting of business training as a pre-requisite for obtaining loans. In the 2009 Making Cents survey, FSPs reported financial education, along with business education, as the top non-financial component needed for young people.

While business training is still deemed necessary for young people taking out loans, increasingly government agencies, funders, and financial institutions view financial education as a necessary element for developing the financial capability of young people. Financial education generally covers topics on budgeting, savings and debt management, but can also include consumer protection awareness, explanation of financial products, and information on different types of financial providers.

A few studies in developed and developing countries have shown there are improvements in financial knowledge and behaviors, particularly savings, among financial education participants.[12] However, some of the impacts have been small. Only a few of the studies have focused on young people, but the conclusions from those suggest that financial education does produce “tangible gains in financial capability”.[13]

In one randomized control trial taking place in Uganda, the interplay between youth savings and financial education was examined to determine if the interventions act as complements or substitutes. The study’s findings suggest that the education and savings products individually do lead to increased savings for youth.[14] Emerging best practices are suggesting 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. A YouthInvest study shows that young people aged 15 to 24 increased savings after receiving life skills and financial education training.[15]

12 *Children, Youth & Finance: Action for Sustainable Outreach*. Child & Youth Finance International (CYFI). 2014.

13 O’Prey L & Shephard D. *Financial Education for Children and Youth: A Systematic Review and Meta-analysis*. 2013.

14 Jamison, J.C., D. Karlan, and J. Zinman. *Financial Education and Access to Savings Accounts: Complements or Substitutes? Evidence from Ugandan Youth Clubs.* NBER Working Paper Series, Working Paper 20135. National Bureau of Economic Research, 2014.

15 Harley, Jennifer Gurbin, et. al. *YouthInvest: A Case Study of Savings Behavior as an Indicator of Change through Experiential Learning*. Enterprise Development and Microfinance Vol.21 No.4. December 2010. Accessed online at: http://www.mastercardfdn.org/pdfs/ YouthInvest.pdf.

Recent studies have indicated the significant impact that combining access with education on financial literacy and savings behavior. Students with bank accounts were found to have somewhat larger effects in learning as opposed to students who just received financial education.[16] This data, though limited for students with bank accounts, suggests that education is related to students more active usage of their accounts. Lastly, recent evidence shows that complementing financial education with social education or livelihoods education positively affects a child's feeling of control over their actions and decisions and the likelihood of youth to obtain a job.[17]

Studies on the impact of entrepreneurship training have just recently emerged, though there are just a few focused on youth. A meta analysis of entrepreneurship studies in general (without a focus on youth) suggests that overall there are some positive, albeit modest, results. The analysis concludes that training has a positive impact on business start-ups.[18] A comprehensive review of the literature on youth livelihoods education by Child and Youth Finance International found a few studies that point to promising impacts on self-employment and business skills, and concludes that holistic programming that includes financing or coaching along with education would lead to better results.[19] In the same vein, the authors argue that financial and business skills might not be enough for young people to make positive behavioral changes in their lives. Social and life skills are necessary for young people to apply into their daily lives their acquired financial knowledge and skills. A case in point is the Population Council's program in Kenya and Uganda, Safe and Smart Savings Products for Vulnerable Adolescent Girls, which determined that girls who have savings accounts but do not have adequate social support and skills "can increase their vulnerability".

While some of the evidence on the impact of NFS is mixed, there seems to be a general consensus in the industry that financial education is necessary for young people to make good use of financial services and that business training is needed to help young entrepreneurs manage their businesses and repay loans successfully. This is supported by the Child and Youth Finance Movement's Theory of Change which holds that financial inclusion, combined with access to quality financial, social and livelihoods education, is key to the development of financial capability amongst young people,

16 CFED (2014). Financial Education & Account Access Among Elementary Students: Findings from the Assessing Financial Capability Outcomes (AFCO) Youth Pilot. http://cfed.org/assets/pdfs/AFCO_Youth_Full_Report_Final.pdf

17 *Children, Youth & Finance: Action for Sustainable Outreach*. Child & Youth Finance International (CYFI). 2014.

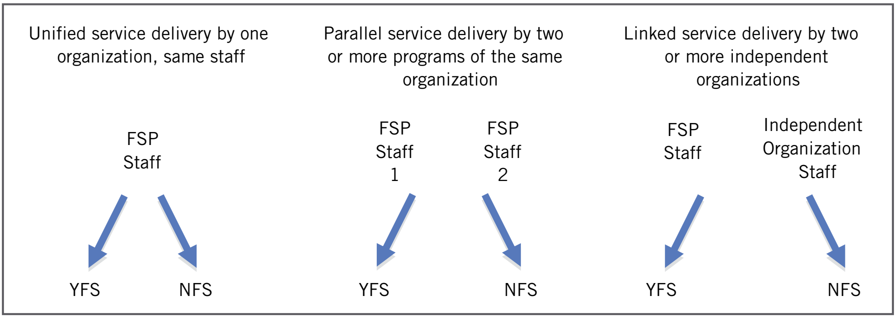
18 McKenzie, David and Woodruff, Christopher M. *What are we learning from business training and entrepreneurship evaluations around the developing world*? Working Paper. Department of Economics, University of Warwick, 2013.

19 *Children, Youth & Finance: Action for Sustainable Outreach*. Child & Youth Finance International. (CYFI), 2014.

allowing them to become empowered economic citizens able to sustain a livelihood for themselves and their families.[20] Moreover, there seems to be a strong recognition that NFS can also add value to a financial institution by promoting client loyalty and offering a competitive advantage.[21]

INTEGRATION OF NON-FINANCIAL SERVICES TO YOUTH FINANCIAL SERVICES

According to a well-recognized categorization of integration approaches developed by Dunford,[22] there are three classic models for integrating a non-financial element to the offer of financial services:



Dunford also acknowledges that there can be hybrids of these models. For example, staff of a FSP might train intermediaries such as community leaders, teachers or volunteers to deliver the NFS directly to clients.

The FSPs included in the case studies range in the type of services they offer youth and the integration approach they have implemented, as outlined in Table 1. The majority of the FSPs offer savings (14), with many offering loans (11) either in combination or as standalone products. In most cases, the FSPs offer financial education (FE), business training, or technical and vocational education and training (TVET); two of the FSPs also integrate a social and/or health component.

20 *Conceptual Development of the CYFI Model of Economic Citizenship for Children and Youth*, Child and Youth Finance International (CYFI), 2012: http://issuu.com/childfinanceinternational/docs/conceptual-cyfi-model-economic-citizens

21 Kilara, T. and A. Latortue. *Emerging Perspectives on Youth Savings*. Focus Note 82. Washington, D.C.: Consultative Group to Assist the Poor (CGAP), 2012.

22 Dunford, C. *Building Better Lives*. Freedom from Hunger, 2001.

Table 1. Financial Service Providers, Services and Integration Approaches

Case Study Author	FSP	Country	Age Range	Financial Services	Non-Financial Services	Integration Model
Al Amal	**Al Amal (AMB)**	Yemen	16-35	Savings; Loans	TVET; FE	Parallel
Freedom from Hunger	**Cooprogreso**	Ecuador	15-24	Savings	FE	Unified
	Cooperative San Jose (COAC San Jose)	Ecuador	15-24	Savings	FE	Unified
INMAA	**Institution Marocaine d'Appui à la microentreprise (INMAA)**	Morocco	18-30	Loans	FE	Unified
Micro Options	**Micro Options**	Pakistan	18-29	Loans	TVET; Social and Health Education	Linked
PlaNet Finance	**Al Majmoua**	Lebanon	18-30	Loans	Financial; business education	Hybrid
UNCDF YouthStart	**Amhara Credit and Saving Institution (ACSI)**	Ethiopia	12-24	Savings; Loans	FE	Hybrid
	Faîtière des Unités Coopératives d'Epargne et de Crédit (FUCEC)	Togo	12-24	Savings; Loans	FE	Unified
	Fédération des Caisses Populaires du Burkina (FCPB)	Burkina Faso	12-24	Savings; Loans	TVET; FE	Unified
	Finance Trust Bank	Uganda	12-24	Savings	FE / Value chains	Unified / Linked
	FINCA DRC	DRC	12-24	Savings	FE	Linked
	FINCA Uganda	Uganda	12-24	Savings	FE	Linked
	Opportunity Bank Malawi (OIBM)	Malawi	12-24	Savings; Loans	FE	Parallel
	Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (PAMECAS)	Senegal	12-24	Savings; Loans	FE	Unified
	Poverty Eradication and Community Empowerment (PEACE)	Ethiopia	12-24	Savings; Loans	FE / Health	Unified / Linked
	Umutanguha Finance Ltd. (Umutanguha)	Rwanda	12-24	Savings; Loans	FE; Market Skills	Hybrid
Women's World Banking	**Banco ADOPEM**	Dominican Republic	0-15; 16-24	Savings	Financial Education	Parallel

Notes:

1. *Some case studies have included information on more than one FSP. The FSPs have been grouped by case study author.*
2. *The data presented in this table is limited to the youth programs presented in the case studies and do not necessarily reflect all of the services available to young people by each FSP.*

SCALE AND SUSTAINABILITY OF YOUTH INTEGRATED SERVICES FOR YOUTH CLIENTS

A main objective for this publication is to analyze key factors that lead to the scalability and sustainability of youth integrated services. For the purposes of our analysis, we analyze scalability by the proportion of youth clients to all clients of a FSP.[23] Given the broad range in size of the FSPs presented in the case studies, this definition makes it possible to quantify and compare the concept of scale relative to the general size and definition of youth of each institution.

The proportion of youth to the total number of clients also allows us to benchmark it against the proportion of youth in the general population. That is, if a country has a youth population of 30%, a FSP would need to have 30% of all their clients be youth clients in order to be considered as having achieved significant scale.[24] A FSP might not necessarily have as an objective reaching such a scale for its youth programming, but the proportional scale is useful in our analysis.

Defining sustainability is more straightforward, because it is generally understood as the capacity of the FSP to generate sufficient direct or indirect revenue from the financial product to support the costs of both the YFS and NFS. Sustainability can be quantified by the break-even point of the services.

These two dimensions – scalability and sustainability – are closely aligned. Without achieving a certain volume of savings and/or loans, the FSP would not reach economies of scale that can make services financially viable over time. And without a solid sustainability plan, a financial institution would not be able to serve significant numbers of young people. There are many variations, however, to this relationship. It is possible that the YFS might achieve scalability but not the NFS or vice-versa. In terms of sustainability, YFS can generate revenues, whereas the NFS are primarily cost-drivers. In some cases an organization can charge young people fees for participating in a training session, thereby offsetting some of the costs of the NFS.

Identifying the key factors that impact the ability of a financial institution to offer youth integrated services sustainably and at scale is critical for replication and innovation within the YFS industry. The case studies included in the publication provide valuable insights on the integration processes that FSPs have implemented, as well as the factors that have enabled or hindered their ability to succeed in their service offering.

Table 2 provides figures on youth outreach of YFS and NFS as reported in each case study.

23 The number of youth clients reported in the case studies reflect outreach for a specific youth program, but it is possible that in some instances the FSP has other clients whose age falls within the definition of youth but who are not accessing the youth-specific products featured in the case studies.

24 The analysis is only able to compare the percentage of youth overall for a country, and is not specific to the internal regions where each of the FSPs are operating. In general, young people (ages 10 to 24 years) make up about one third of the population in most countries.

Table 2. Estimated Scale of Youth Financial and Non-Financial Services

FSP	Country Youth Population	# Youth Loans[b]	Youth Loans / All Loans[c]	# Youth Savings Accounts[d]	Youth Savings / All Accounts[d]	# Youth NFS	Youth NFS / Adult FS Clients[e]
Al Amal (Yemen)	35%	27,005	30.0%	23,848	25.6%	2,783	6.8%
Cooprogreso (Ecuador)	28%	-	-	1,828	2.1%	5,650	6.5%
COAC San Jose (Ecuador)	28%	-	-	2,788	6.7%	2,584	7.2%
INMAA (Morocco)	27%	1,114	15.9%	-	-	53	0.8%
Micro Options (Pakistan)	32%	912	24.6%	-	-	311	8.4%
Al Majmoua (Lebanon)	27%	26	0.1%	-	-	89	0.2%
FCPB (Burkina Faso)	33%	37	0.1%	17,283	1.7%	20,137	2.0%
FINCA (DRC)	33%	-	-	18,342	5.5%	19,719	4.3%
ACSI (Ethiopia)	35%	55,209	5.7%	252,181	10.0%	194,056	7.7%
PEACE (Ethiopia)	35%	644	2.9%	21,273	43.7%	47,779	98.2%
OIBM (Malawi)	33%	6,578	9.6%	26,620	4.9%	43,487	6.5%
Umutanguha (Rwanda)	33%	318	6.0%	28,536	32.0%	27,551	30.9%
PAMECAS (Senegal)	32%	2,115	2.3%	15,592	2.7%	7,131	3.4%
FUCEC (Togo)	32%	63	0.0%	47,966	8.0%	27,070	5.6%
Finance Trust (Uganda)	34%	-	-	26,947	7.6%	19,145	5.4%
FINCA (Uganda)	34%	-	-	14,813	6.5%	31,499	16.6%
ADOPEM (DR)	28%	-	-	35,094	11.9%	7,539	2.6%

a UNFPA 2014.

b Figures for Micro Options and INMAA represent number of youth borrowers, all others represent number of youth loans.

c Percentages were estimated based on number of borrowers or loans, depending on how it was reported in each case study (For ex. youth borrowers to total borrowers OR youth loans to total loans).

d Percentages were estimated based on number of depositors or savings accounts, depending on how it was reported in each case study (For ex. youth depositors to total depositors OR youth savings accounts to total savings accounts), with the exception of ACSI and Umutanguha, which do not publish the total number of savings accounts, so the scale was based on the number of youth savings accounts compared to the total number of depositors.

e Scale of NFS was estimated based on main type of youth financial product offered by each institution. That is, the percentage was based on the number of youth participating in NFS relative to the number of borrowers or depositors (for ex. INMAA offers only youth loans, whereas ACSI offers primarily youth savings).

In a couple of case studies, including YouthStart, the outreach is for a particular product (or set of products) tied to a specific initiative, but in those cases the FSPs might have other products being accessed by young people. In the majority of the other cases, the authors included outreach figures for all their youth clients, regardless of the products being accessed. For the rest of this publication, we use the term YFS to refer to either the number of youth clients or to the number of youth financial products. The outreach figures for the NFS do represent the number of youth who have participated in different types of trainings.

We provide estimates on the proportion of youth clients or youth products to the overall number of FSP clients or FSP products (respectively), as well as the number of youth participating in NFS and their proportion to the FSP's total clients.[25] The table also includes the percentage of the total population of young people (ages 10-24) for each country as a benchmark.[26] In absolute figures, many of the FSPs have reached significant numbers of young people. But in most cases the proportion of youth outreach, relative to the number of clients at each institution, has not yet reached its potential scale. The major exceptions to this are Al Amal in Yemen (30%), PEACE in Ethiopia (43.7%), and Umutanguha in Rwanda (32%).

In terms of sustainability, the case studies did not provide information on the financial breakeven point. However, there are two recent publications that analyze the financial viability of five of the FSPs in the case studies: a business case study by UNCDF YouthStart Programme that analyzed PEACE in Ethiopia, Finance Trust in Uganda, and Umutanguha in Rwanda; and a cost and revenue analysis by Freedom from Hunger, which examined cooperatives Cooprogreso and San José in Ecuador.[27] In both cases, the studies conclude that YFS are financially sustainable, as long as they maintain variable costs to a minimum (for ex. marketing expenses), leverage higher-profit margins from older youth; and cross-sell products to young people's networks (family and friends). One key difference between those studies is that the analysis of the Ecuador cooperatives included the costs of the financial education, which were not included in the UNCDF study.[28]

Table 3 lists these FSPs and the time projected to achieve profitability, with and without grant subsidies, as per each of the studies. It is clear that even without subsidies, most of the FSPs included in that analysis have the potential to reach profitability in five years or less.

25 There is no available information on the extent of NFS for adults. We compare NFS of youth to total clients of financial services. This calculation helps to compare it vis-à-vis the proportion of YFS.

26 Population statistics for youth are available only for the age range of 10 to 24 years old.

27 Muñoz, L., Perdomo, M., and Hopkins, D. Building the Business Case for Youth Services. UN Capital Development Fund, 2013; Loupeda, C. Show Me the Money: The Costs and Revenues of Savings and Financial Education for Young People. Freedom from Hunger, 2014.

28 UNCDF does plan to publish a follow-up business case study that includes non-financial services.

Although the Banco ADOPEM case study does not provide specific financial details, the authors in that case study similarly conclude that even without the initial subsidy the timeline for the breakeven point would not have been affected, though the net and cumulative income level would have been lower.

Table 3. Estimated Profitability of FSPs

FSP	Time to Achieve Profitability with Grant	Time to Achieve Profitability without Grant
Finance Trust (Uganda)	2 years	3 years
Umutanguha (Rwanda)	3 years	5 years
Cooprogreso (Ecuador)	3 years	4 years
COAC San José (Ecuador)	4 years	Data not available
PEACE (Ethiopia)	5 years	Not feasible

Sources: Muñoz, Perdomo and Hopkins 2014; Loupeda 2014.

The rest of the publication will focus on examining the factors that have contributed or impeded the FSPs in these case studies to reach scalability and sustainability.

Methodology and Limitations

The analysis developed for this publication mirrors in part the framework developed by CGAP for "understanding the conditions under which there may be a business case for FSPs to offer savings products to young clients",[29] but builds on and modifies it by including elements and criteria that are distinctive to the integration of NFS. The analysis offered in this publication does not purport to make a business case of the services per se. It focuses instead on offering guidance to organizations that do want to offer both types of services to the youth market.

The quantitative and qualitative analysis carried out for this publication relies primarily on data from the case studies, supplemented by a literature review. We examined data quantitatively when quantifiable data points were available from the case studies, combined with external data. Given the different ways in which outreach is defined by the various case studies (youth products vs youth clients), we focus on trends rather than exact percentages. For this, we explored correlations among different variables, though we are careful to note that correlation does not mean causation.

A few data points were not available from all of the financial institutions, and thus some FSPs were not included in all of the analyses. We also excluded Al Majmoua from the quantitative analysis because of its very limited time offering YFS and very small outreach level. We note those exceptions in each relevant section.

29 Kilara, T., B. Magnoni, and E. Zimmerman. The Business Case for Youth Savings: A Framework. Consultative Group to Assist the Poor (CGAP), 2014.

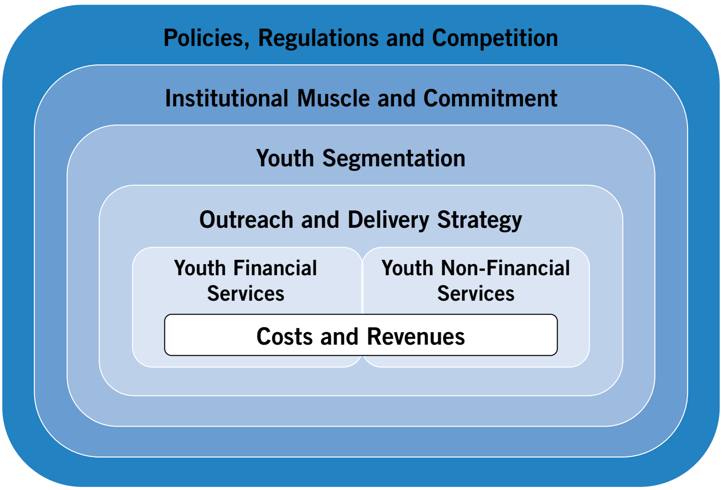
There is limited evidence on the financial sustainability for the FSPs. We rely primarily on the financial studies by UNCDF and Freedom from Hunger to assess the impact of integrated services on the institutional bottom line.

This publication aims to synthesize key factors that contribute towards scaling up services sustainably, taking into account different contexts and approaches. However, we are not able to disentangle the individual effect of each of the various factors.

ANALYTICAL FRAMEWORK FOR INTEGRATED SERVICES

The framework for this analysis considers the extent to which a number of macro and micro-level dimensions can affect a FSP's scale and sustainability of YFS and NFS, with greater emphasis on scale since there is less data available on sustainability (see Figure 1). The analysis in each section offers implications for the different integration models

Figure 1



I. Policies, Regulation and Competition

Policy and Regulatory Environment

A country's policies and regulations can significantly enable or impede access and use of YFS and NFS by young people, which in turn can affect scale and sustainability. Policies that promote youth financial inclusion might include consumer protection or financial education mechanisms with specific provisions for minors.[30] These policies can build young people's trust in financial institutions and encourage take-up of services. Furthermore, financial inclusion initiatives can also implement legislation that enables and facilitates development of new low-cost alternative financial products that are more accessible to youth.[31] Initiatives that include budget line items for YFS and/or NFS could further accelerate scale, though such funding might not be sustainable over time.

According to the OECD, there has been a boom in the increase of national strategies for financial education (many with a focus on youth), a reflection on the financial crisis suffered in many countries.[32] However, the implementation of the policies and strategies can be weak without an appropriate national authority designated to push through reforms. A progressive regulatory environment can make actionable some of those national plans. For example, low minimum age requirements to open bank accounts and expedited issuance of national identification documents can facilitate access.[33]

Table 4 lists the case studies' countries where there are national policies or strategies promoting financial inclusion and/or financial education. In most countries there are national strategies in place, primarily for financial inclusion, but few have a specific focus on youth.

30 Hopkins, D., Porter, B, Perdomo, M., and Muñoz, L. *Policy Opportunities and Constraints to Access Youth Financial Services*. UN Capital Development Fund, 2012; Perdomo, M. *Client Protection for Youth Clients*. UN Capital Development Fund, 2013.

31 *Financial Inclusion Strategies Reference Framework*. Prepared by the World Bank for the G20 Presidency. The World Bank. 2012.

32 *Advancing National Strategies for Financial Education*. A Joint Publication by Russia's G20 Presidency and OECD. OECD. 2013.

33 Hopkins, D., Porter, B, Perdomo, M., and Muñoz, L. *Policy Opportunities and Constraints to Access Youth Financial Services*. UN Capital Development Fund, 2012; Perdomo, M. *Client Protection for Youth Clients*. UN Capital Development Fund, 2013

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Table 4. List of Countries with National Financial Inclusion / Financial Education Strategies

FSP	Country	National Policy on Financial Inclusion FI (Youth Focus)	National Policy on Financial Education FE (Youth Focus)
FCPB	Burkina Faso	Member of AFI, but no comprehensive FI national strategy[1]	-
Banco ADOPEM	Dominican Republic	FI has been prioritized in current government[4]	Drafting a FE Strategy with a Child and Youth Focus[3]
FINCA DRC	DRC	Draft FI policy[4]	-
Cooprogreso	Ecuador	FI focused on cooperatives and small lenders[4]	FE promoted through Central Regulatory Agency, but no specific strategy[5]
COAC San Jose			
ACSI	Ethiopia	FI Strategy with a Focus on Youth[3]	Drafting a FE Strategy with a Child and Youth Focus[3]
PEACE			
Al Majmoua	Lebanon	In progress of including a Youth Focus in their FI Strategy[3]	Drafting a FE Strategy with a Child and Youth Focus[3]
OIBM	Malawi	Member of AFI, but no comprehensive FI national strategy[1]	Existing FE National Strategy; considering a youth focus[3]
INMAA	Morocco	In progress of including a Youth Focus in their FI Strategy[3]	Drafting a FE Strategy with a Child and Youth Focus[3]
Micro Options	Pakistan	Established FI Program Office[2]	National Financial Literacy Program[2]
Umutanguha	Rwanda	Detailed FI action plan[4]	National FE strategy[4]
PAMECAS	Senegal	Member of AFI, but no comprehensive FI national strategy[1]	FE Program, with a focus on youth[3]
FUCEC	Togo	Member of AFI, but no comprehensive FI national strategy[1]	-
Finance Trust	Uganda	FI project strategy[6]	Existing Youth Focus in FE Strategy[3]
FINCA			
Al Amal	Yemen	Member of AFI, but no comprehensive FI national strategy[1]	-

Sources:

1 Alliance for Financial Inclusion, available at http://www.afi-global.org
2 AFI Working Groups Annual Report 2014
3 *Children, Youth & Finance: Action for Sustainable Outreach*. Child & Youth Finance International, 2014.
4 Global Microscope 2014
5 Superintendencia de Bancos y Seguros del Ecuador, available at http://portaldelusuario.sbs.gob.ec
6 Bank of Uganda Financial Inclusion Project, available at https://www.bou.or.ug/opencms/bou/bou-downloads/Financial_Inclusion/Financial-Inclusion-Project-strategy-Paper.pdf

Although this analysis cannot control for the stand-alone effect of the policies and regulations, some of the cases do suggest how an enabling policy and regulatory environment is key to promoting access to youth integrated services. For example, in Rwanda the Financial Sector Development Programme (FSDP) has introduced more financial institutions and encouraged innovation in products and services. These policies promote competition, driving prices down. The FSDP has included a detailed plan for a national financial education program. In addition to these policies, a progressive regulatory environment has lowered the legal minimum age to 16. The combination of these factors is likely a major reason for the success that has been achieved in scale and sustainability by Umutanguha, a FSP in Rwanda.

Similarly, Ethiopia has implemented a financial inclusion strategy with a focus on youth, and an extensive financial literacy program across the country. More significant is Ethiopia's exception to its standard minimum age requirement for opening an account for youth under 18 who can demonstrate they are working.[34] These factors likely contribute to the ability of the two Ethiopian FSPs, PEACE and ACSI, to reach significant scale with both services.

Sector competitiveness

In the youth savings business case framework put forth by CGAP, the authors argue that there is a stronger business case in more competitive environments where reaching out to youth clients could provide an advantage over competitors. But a highly competitive market can have additional implications for the scalability of services. For instance, FSPs that face intense competition might struggle in capturing a significant proportion of youth clients.

In our analysis of the FSPs in the case studies and the countries where they are operating, we compared the level of competitiveness of each of the countries from the case studies with the scale reached by the FSPs in YFS and NFS. For the level of competitiveness we used two different indicators. First we examined the competitiveness as measured by the availability of financial services in each country.[35] With this, there was no clear correlation between the level of competitiveness and the scale of YFS and NFS. It is possible that while a competitive environment might present itself as an incentive for a FSP to enter the youth market, it might not play a major role in the ability of a FSP to reach scale – though clearly additional research on this topic is needed.

Second, we examined a different aspect of competitiveness, by comparing the market share of microfinance clients of an institution with its scale of YFS and NFS.[36] Having a

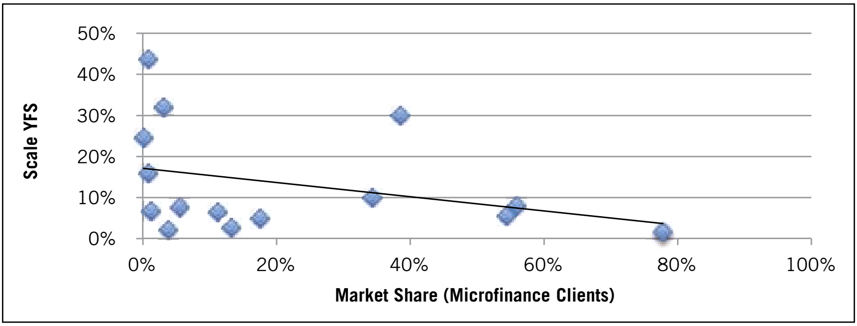
34 Hopkins, D., Porter, B, Perdomo, M., and Muñoz, L. Policy Opportunities and Constraints to Access Youth Financial Services. UN Capital Development Fund, 2012.

35 Data obtained from The Global Competitiveness Report 2014-2015 by the World Economic Forum. There was no data available for DRC and Togo so FSPs in those countries were excluded.

36 Market share was calculated by dividing the number of microfinance clients of each FSP by the entire pool of microfinance clients for all FSPs in the country, using MixMarket data. For Burkina Faso and Togo we relied on the portfolio amounts to determine market share because of limited data on the number of clients in those countries.

significant market share might make it easier for an institution to reach greater scale with YFS. However, the correlation is slightly inverse, meaning that the larger the market share of microfinance clients, the smaller the scale of YFS. It also means that the smaller the market share of a FSP, the greater the proportion of youth (see Chart 1).

Chart 1. Market Share and Scale YFS



Sources: MixMarket and Case Studies

Did not include Al Majmoua in this analysis due to its limited time offering YFS and small outreach.

Many of the FSPs included in the case studies are the largest institutions in their respective countries (ADOPEM, Al Amal, ACSI, FUCEC, FCPB, FINCA DRC). Commandeering a large share of the market does not equate to scale of youth relative to their size. It is possible that large institutions might not be devoting adequate resources to scale up services, though there might be other contributing factors, such as availability of external funding. The findings suggest that larger organizations have the potential to reach even greater scale and that small FSPs might be reaching more youth than their size would indicate, possibly in an effort to increase their future market share.

Similarly, market share is negatively correlated to the scale of NFS. That is, the larger the market share of the FSP, the lower the proportion of youth participating in the NFS compared to smaller FSPs. Although the correlations are not very strong, our analysis suggests there is room to grow for the larger institutions.

In terms of sustainability, Table 5 shows the market share of the FSPs for which there is financial data. The FSPs with the smallest market share (PEACE and COAC San José) also have the longest timeline to profitability, whereas the FSP with largest market share (Finance Trust Bank) is projected to reach profitability in the shortest period of time. This might indicate that FSPs that are small and face intense competition can have a more difficult time making services financially sustainable, possibly because of the potential high costs in trying to attract youth clients. But with only five data points such conclusions might not be generalizable.

Table 5. Profitability and Market Share

FSP	Profitability Timeline	National Market Share
Finance Trust (Uganda)	2 years	5%
Umutanguha (Rwanda)	3 years	3%
Cooprogreso (Ecuador)	3 years	3.8%
COAC San José (Ecuador)	4 years	1.2%
PEACE (Ethiopia)	5 years	1%

Implication of Macro-Environment on Integration Models

Policies that explicitly promote youth financial inclusion and financial capability not only favor scalability and sustainability, but they might also influence the type of integration approach that is best suited for certain FSPs. One example of this comes from Pakistan, where the government's policies have recently contributed to the growth in financial inclusion,[37] including providing funding for technical and vocational training.[38] With the availability of external organizations offering NFS, Micro Options has opted to set up linkages with technical institutions to offer youth loans to those who participate in TVET trainings. This is more financially viable than Micro Options offering the services itself, allowing Micro Options to focus more intensely on the provision of youth loans.

Indeed, in many instances it appears that the decision of which integration approach to take is influenced by the availability of organizations that can provide the NFS. For example, some of the YouthStart partner FSPs struggled to find adequate partners to deliver the NFS through a linked approach, so they opted to offer the services in a unified approach through their own staff.[39]

II. Institutional Muscle and Commitment

We define 'institutional muscle' as the size of human, capital, and physical resources of a FSP. The logical conjecture is that the larger the institution, the greater the resources it can leverage to reach large numbers of youth clients. The case of ACSI would be a case in point. ACSI is a leading microfinance institution in Ethiopia with 2.5 million depositors and

37 Global Microscope 2014: The Enabling Environment for Financial Inclusion. The Economist Intelligence Unit, 2014.

38 Youth Economic Empowerment (YEE) Project. IRM. Available at: http://www.irm.edu.pk/index.php/our-projects-2/youth-economical-empowerment-yee-project-in-district-chakwal/

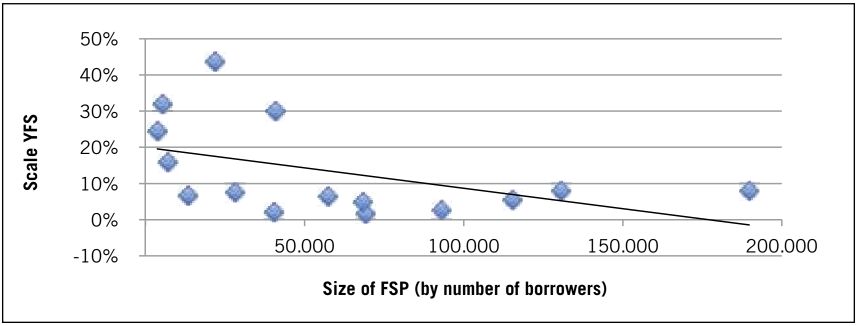
39 Linder, C., Perdomo, M., Muñoz, L., and Cea, C. Assessing new youth-focused products: Pilot testing financial and non-financial services for youth in Sub-Saharan Africa. UN Capital Development Fund, 2012.

almost a million borrowers. In leveraging its resources, ACSI has opened the most youth savings accounts (252,181) and has offered financial education to the largest number of youth (194,056) of all the FSPs profiled in this publication.

In sheer numbers for the FSPs, there is a very strong positive correlation between the size of the institution and the total number of YFS.[40] Not surprisingly, the larger the FSP, the more youth it can serve. However, there's practically no correlation for the number of youth participating in NFS. That suggests that the extent to which FSPs are achieving scale is not necessarily dependent on its size.

In contrast, the analysis of the proportional scale of youth to the size of the FSPs, the correlation is negative for both YFS and NFS. The trend we observe is the larger the institution the smaller the proportion of YFS being served relative to the size of the FSP (see Chart 2). This finding has two implications. First, consistent with the analysis of the effect of market share, the larger organizations seem to have room to grow, given their size.

Chart 2. Size FSP and Scale YFS



Note: *Did not include ACSI due to its size, nor Al Majmoua due to its short time offering services.*

Moreover, these findings suggest that smaller FSPs are reaching proportionally larger numbers of youth. PEACE in Ethiopia is the best example of this scenario. It is a small MFI within Ethiopia (#19 out of 24, with less than 1% of total market share), yet it has provided financial education to over 47,000 youth, almost the same number as the total number of clients.

40 For this analysis we excluded ACSI, given its immense size relative to the size of the other FSPs, to avoid skewing results.

A major element that can explain these seemingly surprising findings is the level of institutional commitment, starting with the FSP's management and leadership and reaching as far as the branch and field staff. Management buy-in is critical for the success in offering services to young people. Management can ensure adequate resources are allocated for training all staff how to work with youth, establishing and aligning appropriate staff incentives, and assigning designated staff as 'youth champions' to oversee the launch of a youth program.[41] Management can also oversee the adequate integration of youth services into the FSP's systems and procedures.[42]

Securing the buy-in of staff throughout the organization is key especially in promoting the take-up of services – without this buy-in, staff might not place as much effort in reaching youth, especially if they have biases against youth (e.g. youth might be viewed as not being able to save or repay loans). Addressing and demystifying any negative biases that youth are not bankable is essential for ensuring that youth feel welcomed into a FSP, as youth themselves might host fears about financial institutions.[43]

Al-Amal Microfinance Bank exemplifies the type of commitment needed by a financial institution to offer youth-friendly services. Al-Amal trains their staff in how to serve young people; the FSP even hired younger staff with whom young clients might relate more easily. More importantly, the bank has established REYADAH, a training and development center, that offers financial and business training. Youth participating in these trainings are linked to YFS offered by Al-Amal. The bank's youth loan officers attend the same youth entrepreneurship courses offered by REYADAH to standard youth clients, so they have a better understanding of the skills young entrepreneurs need to develop. These institutional policies are having positive results for Al-Amal, which has reached the highest scale of youth loans of all the FSPs in the case studies.

41 Linder, C., Perdomo, M., Muñoz, L., and Cea, C. Assessing new youth-focused products: Pilot testing financial and non-financial services for youth in Sub-Saharan Africa. UN Capital Development Fund, 2012.

42 Sebstad, J. Girls and their Money. Microfinance Opportunities, 2011.

43 Understanding Youth and Their Financial Needs. The SEEP Network (SEEP), 2013.

Availability and Use of Technology

With the recent advancements in technology, particularly in mobile communications, there is much excitement being generated in the financial services sector. Technology is being touted as the key for revolutionizing the industry, overcoming major barriers to financial access by lowering costs for providers and bringing financial services to the most remote areas of the world. However, as the study conducted by New America Foundation on this topic warns, the field is still far from being able to realize the potential of mobile technology.[44] There remain significant obstacles, including inadequate infrastructure and protection mechanisms, to ensure mobile banking reaches and benefits the unbanked, particularly young people.

But with the substantial investment in YFS in the last few years, some FSPs have been able to experiment and innovate with technology. For example, FINCA-DRC increased the opening of accounts by almost 500 percent mainly due to the use of Points-Of-Sale (POS) agents. Similarly, in Ecuador, cooperative San José increased its savings volumes when it started collecting savings during field visits with the use of a SmartPhone application. The success of both FUCEC and San José hinged on their strategy to leverage the mobile technology and collect savings deposits where youth are located (in schools, vocational centers, markets).

Implication of Institutional Muscle on Integration Models

The analysis on the institutional muscle suggests that FSPs that have sufficient resources and internal commitment to NFS have the potential for building in-house capacity to deliver training to their clientele, especially young people. This can be accomplished either by having the FSP staff deliver the education directly or establishing a parallel training center that specializes in training. The latter is the case for ADOPEM and Al-Amal, both of which established a parallel training facility. Having extensive resources does not preclude a FSP from offering NFS through linkages, but it does afford the FSP more options.

Smaller institutions that do not have the resources to develop an in-house training center can still offer services through a unified model, but in a more limited scale, as is the case of the Ecuador cooperatives Cooprogreso and San José. These cooperatives integrated the non-financial component to the regular workload of staff, but education had to be scaled back to allow staff to promote more intensely the YFS.[45]

44 Zimmerman, J., J. Nowak, E. Carls, J. Arnold, and V. Rao. Beyond the Buzz: The Allure and Challenge of Using Mobile Phones to Increase Youth Financial Inclusion. New America Foundation, 2013.

45 Ramirez, R. and C. Nelson. Models for Integrating Financial Services with Financial Education for Young People. Freedom from Hunger, 2014.

For FSPs that do not have the resources to build capacity internally, FSPs could establish linkages with YSOs that offer complementary services, like business or technical training. This is the case for Micro Options, which linked up with technical and vocational centers to offer TVET to their youth borrowers.

III. Youth Segmentation

Age

Although the definition of 'youth' varies in different contexts, there is a natural divide between youth who are of legal age (18 years old in many countries) and those who are considered minors. The legal threshold limits financial access for youth under legal age, who cannot open a bank account on their own or take out a loan.

Although minors can open a bank account with a legal co-signer – often a parent or legal guardian– the extra hurdle of obtaining a co-signature can dissuade youth from approaching a financial institution. This is especially the case for young people who do not want their parents involved in their finances.[46] Even if youth are not opposed to having a parent, or another adult relative be a co-signer in the account, the parents themselves might not be willing to be a co-signer.[47]

The effect of these provisions is that scale might be more easily achieved with older youth of legal age. We see evidence of this in a couple of cases. For example, according to the UNCDF case study, 35% of YouthStart's youth clients are minors. Similarly, the cooperatives in Ecuador, involved in the Freedom from Hunger AIM Youth project, had only 18% of their youth clients under legal age (18 years in Ecuador). We are careful to note that reaching large numbers of minors is possible. For instance, the YouthSave consortium has succeeded in opening over 100,000 youth savings accounts.[48] But that project has focused primarily on youth under 18 years old. Our analysis suggests that for FSPs that want to reach a broader range of young people, under and over the legal age, older youth might more easily take up financial products.

In Rwanda we see the effect of a more progressive regulatory environment, where the legal age is 16 years age. Umutanguha in Rwanda has achieved a significant scale with youth savings accounts, likely due to the ability that younger youth have of opening an account on their own. However, in the Dominican Republic, where the legal age regulation is the same as in Rwanda, Banco ADOPEM's youth accounts (MIA product) belong largely to minors (90%). Even though the regulation would theoretically encourage more youth over 16 years old to open account, it is possible that the more extensive take-up by minors is a result of the youth products being heavily promoted to existing adult customers.

46 Understanding Youth and Their Financial Needs. The SEEP Network (SEEP), 2013.
47 Ramirez, R. and Torres, V. From One Generation to the Next: The Role of Parents in the Financial Inclusion of Young People. Freedom from Hunger, 2014.
48 YouthSave project update, August 2014. (n.p.)

In terms of loans, the majority of the FSPs require borrowers to be at least 18 years old. As a result, younger youth are completely excluded from credit options and scale is only achievable for older youth.

The legal age divide also results in some implications for profitability. In the YouthStart case study, we see that FCPB in Burkina Faso and PAMECAS in Senegal have achieved a high savings volume as a result of targeting older youth – with presumably higher incomes – compared to some of the other YouthStart partners, such as FUCEC and Umutanguha, which are reaching out to youth with more limited income. As the higher savings balances from the older youth are on-lent, they can generate more profits for the FSP.

However, savings accounts for minors that require an adult co-signer also have the potential for accumulating significant balances. This is the case in Ecuador, where the cooperatives have average savings balances for youth under 18 years old almost at the same level as those over 18 years[49] This might be the result of parental contributions to the youth accounts.

For the scale of NFS by different age segments there is limited data available to draw conclusions. Only an external report by Freedom from Hunger sheds some light on this issue, indicating that the cooperatives in Ecuador had a majority (89%) of youth 13 to 17 years old participating in the financial education.[50] This proportion of minors was a result of the cooperatives offering financial education directly to youth in middle and high schools. It might be possible that FSPs achieve larger scale of NFS with younger youth who have not started families and have more time to congregate and participate in such activities.

Gender

Only a few of the case studies provided data segmented by gender. In the cases of Banco ADOPEM, Cooperatives San José and Cooprogreso, there is slightly more girls opening accounts than boys. For loans, INMAA reported 64 percent of loans going to males and Al-Amal indicated 60 percent of all clients are young women.[51]

An additional review of the literature on this topic suggests that the question of gender is very context-specific. For example, a study of savings patterns in four countries by the YouthSave Consortium found a pronounced gender disparity in Kenya and Nepal, with male accountholders outnumbering females by 3:2, but an almost equal proportion in Colombia and Ghana.[52] UNCDF had also previously reported that the majority of the YotuhStart

49 Ramirez, R. and C. Nelson. *Models for Integrating Financial Services with Financial Education for Young People*. Freedom from Hunger, 2014.

50 Ibid.

51 *Silatech Case Study*, 2011. Available at: http://www.silatech.com/home/publications

52 Johnson, L., Y. Lee, M. Sherraden, G. A. N. Chowa, et al. Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal: YouthSave Research Report 2013. Center for Social Development, Washington University, 2013.

partner FSPs had reached a slightly greater proportion of males than females with savings accounts.[53]

Data from YouthSave indicates that girls are saving the same amounts as boys.[54] However, a study by MEDA showed that female youth were borrowing less than male youth.[55] The MEDA study suggests that this difference in loan amounts might be a result of women use the loans for home-based start-up enterprises, whereas male youth might borrow for more established businesses that require larger loan amounts. These contrasting results call for additional research on gender differences in financial access and usage.

Data on gender differences for NFS is even more limited, with only the external Freedom from Hunger study indicating that an even number of females and males participated in the financial education.[56]

Geographic Location

Geographic location, primarily in terms of rural and urban areas, seems to be a significant determinant in access to YFS. Rural areas often lack presence of financial institutions because they tend to be farm-based economies that are not as vibrant and diverse as urban economies. Reaching rural areas is costly in terms of transportation expenses and time. Al-Amal reports a delay in reaching sustainability partly due to the additional costs in reaching rural youth.

Rural youth might have lower and less regular income generating capacity, which can further constrain their ability to use formal financial products. The YouthStart case study offers a useful urban-rural comparison. Two YouthStart partner FSPs, FCPB and PAMECAS, have a predominantly urban reach, whereas FUCEC and Umutanguha have reached more rural youth. The geographic differences are evident in the amount of savings balances of those FSPs, which are significantly larger for the urban areas than for the rural ones, reflecting the greater income-generating potential of urban youth.

Data segmented by geographic location is lacking in the other case studies. In general there is less available data on YFS in rural areas.

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53 *YouthStart Results in a Nutshell*. YouthConnect. September 5, 2014. UN Capital Development Fund. Available from: uncdf.org/en/blogs. Accessed December 11, 2014.
YouthStart Update. Newsletter Vol.4 Issue 1. New York: UN Capital Development Fund. Available from: uncdf.org/en/content/newsletter-youthstart-v4-1. Accessed December 11, 2014.

54 Johnson, L., Y. Lee, M. Sherraden, G. A. N. Chowa, et al. *Savings Patterns and Performance in Colombia, Ghana, Kenya, and Nepal*: YouthSave Research Report 2013. Center for Social Development, Washington University, 2013.

55 *Youth Loan Products: Assessing the Impact of Product Features and Financial Education in Morocco.* Mennonite Economic Development Associates (MEDA), 2014.

56 Ramirez, R. and C. Nelson. *Models for Integrating Financial Services with Financial Education for Young People*. Freedom from Hunger, 2014.

Implication of Youth Segmentation on Integration Models

FSPs that want to reach out to the older segment of youth might decide to focus on loans and TVET training through a parallel or linked approach because such training tends to be very specialized. FSPs that target younger youth might offer savings and financial education through a unified model, which can keep costs down since that age segment could be less profitable.

Although reaching out to both boys and girls can work with any type of integration approach, there is a need to consider whether the services could have gender-specific implications. For instance, adolescent girls are most vulnerable to risky behaviors or abuses from financial pressures. One proven approach to address such risky behaviors is through the incorporation of safe spaces, in which girls receive social support in addition to access to YFS and NFS. The integration of safe spaces programming might need to be linked with a specialized organization, as FSPs are not likely to have such expertise.

In terms of geographic location, FSPs that do not already have a strong presence in rural communities, but that want to reach out to rural youth, might need to consider linkages with organizations that have an established presence in rural areas.

IV. Youth Financial Products

Types

Youth savings accounts are by far the most widely accessed financial products in the case studies, with almost six times the number of savings to loans. However, these figures are likely shaped by a few external factors. First, significant funding has been recently available specifically for youth savings accounts. Second, even for projects that do not have a specific mandate to offer only savings accounts, FSPs have opted to start first with savings, which carry less financial risk, before venturing into offering loan products. This is the case of the YouthStart partner FSPs – seven of the partners decided to offer loans after learning more about the bankability of youth clients, so the loans have been available for a shorter period of time.

Nonetheless, it is possible for a FSP to achieve significant scale with youth loan products. Al-Amal is a good example of this potential, with approximately on third of their loans disbursed going to young people.

In terms of sustainability, loan products are inherently more profitable products than savings accounts. Al Amal expects to achieve sustainability of their youth services by the end of the year,[57] an achievement they attribute to the youth-friendly marketing and delivery

57 End of 2015.

mechanisms they have implemented for their loan products. Although savings accounts by design do not have the same revenue generating potential, recent studies on the business case of YFS are showing that even savings can be financially viable over time, especially in the medium- to long-term.[58]

Requirements

Greater awareness on young people's financial needs vis-à-vis their limited ability to meet bank conditions is resulting in FSPs modifying and easing some of their product requirements, which can result in greater scale. For instance, many FSPs are accepting alternative forms of identification that can make it easier for youth to access financial products. Al-Amal has accepted alternative IDs, such as letter from the municipality or a marriage license. Likewise, Finance Trust Bank and OIBM are accepting letters from a recognized authority, such as a village chief, a local council authority or a school head.

There are significant differences in the requirements and processes for obtaining a loan compared to a savings account that likely contribute to savings accounts reaching scale more rapidly. Given the inherent risk in any loan product, obtaining a loan entails more requirements than opening a savings account: in addition to identification, loan products usually require some form of guarantee or collateral, a feasibility or business plan for the loan, and sometimes a savings or security deposit. Some of the FSPs in the YouthStart Programme require young prospective borrowers to save for a fixed period of time before being able to access a loan. This requirement allows the FSP to observe the savings behaviors of youth and assess their repayment capacity. For young borrowers with no previous credit experience, this requirement can help them prove their financial viability. Other FSPs, such as INMAA in Morocco, Micro-Options in Pakistan and Al-Majmoua in Lebanon, require participation in a business or financial training prior to obtaining a loan for a start-up enterprise. Finally, there is an underwriting process for reviewing the loan application to ensure the borrower has the capacity to meet the repayment conditions.

These strategies attempt to minimize loan risk by strengthening the capacity of youth to repay their business loan, though such requirements could also have a slowing down effect in the uptake of loans.

Implication of Financial Products on Integration Models

By their nature, YFS will be offered primarily by the FSPs. How FSPs integrate the NFS is the major decision. The type of financial product that is offered might determine the type of NFS and thus the type of integration approach (we examine this relationship in more detail in the subsequent sections).

58 Muñoz, L., Perdomo, M., and Hopkins, D. Building the Business Case for Youth Services. UN Capital Development Fund, 2013; Loupeda, C. Show Me the Money: The Costs and Revenues of Savings and Financial Education for Young People. Freedom from Hunger, 2014.

As the case studies show, not all FSPs offer the different types of financial products that young people need. For example, not all FSPs are deposit-taking institutions. In those cases, FSPs that offer loans could consider partnering with other financial or non-financial organizations to help young people build savings. For example, Enlace, a non-deposit taking FSP in El Salvador, partnered with CRS to organize youth savings groups who can access Enlace's loan products. This partnership helps to meet the various financial needs of young people.

V. Outreach and Delivery of Financial and Non-Financial Services

Outreach Channels

The way in which FSPs make their YFS and NFS reach young people can drive in part the scalability of the services. FSPs can be very successful in reaching young people in places where they are already congregating, such as schools, vocational centers, or markets. High performer FSPs ACSI and PEACE rely on schools as delivery channels. In Ethiopia, ACSI has also partnered with a TVET program to offer specialized technical training. The advantage in these outreach channels is that FSPs can leverage the educational systems already in place. For example, Banco ADOPEM has trained teachers in schools to deliver the financial education. Moreover, FSPs can collaborate closely with schools to run a school bank model where teachers encourage students to save, and the amounts are deposited into savings accounts.[59]

However, reaching agreements with schools or vocational centers can be difficult. Al Majmoua points to challenges in reaching partnership agreements with vocational schools, due in part to the reluctance from schools to adjust their programming to incorporate Al Majmoua's technical training. Such difficulties can negatively affect scalability of services.

Many of the FSPs reach out to youth through their branches and existing clientele. As noted before, Banco ADOPEM's savings accounts for children are largely resulting from clients who've had a previous account with the institution. Thus, the extent to which a FSP has an extensive branch network could determine their spread of YFS.

Umutanguha and Cooperative San José have trained youth to deliver the financial education to their peers, as a peer-to-peer approach. This is very cost-effective and potentially scalable, though it might be more difficult to monitor and maintain quality control.

Delivery Approach

Once young people are reached, services can be offered individually or in a group. For instance, savings services could be offered as group accounts or as individual accounts. Individual savings accounts are most common and have proven to be very scalable. This

59 *Banking a New Generation: Developing Responsible Retail Banking Products For Children and Youth.* Child & Youth Finance International and MasterCard Incorporated International, 2014.

is likely a result of the youth-friendliness of most of the savings products presented in the case studies.

Group savings accounts are rare, though FSPs could offer individual savings accounts to group members who meet regularly to save. This is the case of PAMECAS, which partnered with Plan International in Senegal to offer account to members of youth savings group members. Such an approach has the potential to leverage economies of scale from existing groups as well as increasing the financial viability of the accounts because groups can be very effective in promoting regular savings.[60]

Group loans have been very common in the microfinance field because group members are able to provide joint guarantees. But young people tend to be quite mobile, which might complicate group dynamics and repayment.[61] This might explain why among the case studies of FSPs that offer loans, the majority are individual loans, with only a handful offering group loans.

The NFS are mostly delivered in a group-format. Groups can reduce delivery costs, but managing groups requires a specific skill set and training.

NFS can also be delivered ‘virtually’. Technology is changing the way in which people communicate, especially with mobile technology becoming ubiquitous. Social media and text messaging can be used for delivering NFS, primarily financial education, via short and concise messages. A couple of studies have shown the potential impact of text messaging to act as reminders to promote savings behaviors.[62] This approach to delivering NFS has the potential for reducing costs, thereby making the NFS more sustainable. However, only one of the case studies, Al-Amal, briefly mentions the use of social media and another one, Freedom from Hunger’s Ecuador cooperatives, highlights financial education text messages sent to youth account holders. But there is no additional information on the scalability or cost-effectiveness of these approaches.

Implication of Outreach and Delivery on Integration Models

Offering NFS to youth in schools or vocational centers can be accomplished through different integration models. A FSP could deliver the services directly at a school in a unified approach, or it can train the teachers who will deliver the education directly to their students as a hybrid approach. In addition, cases where countries incorporate a financial education curriculum in the school systems (as part of national financial education strategies), FSPs would need to create linkages with schools to offer their financial products.

60 Ramirez, R. and L. Fleischer-Proaño. *Saving Together: Group-Based Approaches to Promote Youth Savings*. Freedom from Hunger, 2013.

61 Ibid.

62 Kast, F., S. Meier and D. Pomeranz. *Under-savers anonymous: Evidence on self-help groups and peer pressure as savings commitment device*. IZA, 2012; Karlan, D., McConnell, M., Mullainathan, S., & Zinman, J. *Getting to the top of mind: How reminders increase saving*. National Bureau of Economic Research, 2010.

Whatever approach is selected, there are several significant issues that need to be addressing in collaborating with schools or vocational centers to deliver integrated services. FSPs need to establish clear expectations with their partners to ensure services are successfully taken up and sustained. In addition, FSPs need to establish tracking systems that can identify youth who receive NFS to determine if they have accessed financial products. Ensuring that all youth receive both services is important because the combination of services is intended to result in the best outcomes for youth.

A unified process minimizes a mismatch in expectations and might even result in a more cohesive monitoring system. But a unified approach does not automatically eliminate problems in tracking YFS and NFS. For instance, staff from the Ecuador cooperatives visited schools to deliver financial education sessions and tracked attendance of students. But the forms did not include all the necessary information to match those youth with the youth in the FSP database, as that additional information might have seemed overly intrusive at the school.

Another key difficulty some youth integrated programs have experienced is the conversion rate, that is, the uptake of both YFS and NFS when they are delivered at different times.[63] This was experienced by both the Ecuador cooperatives as well as some of the YouthStart partner FSPs – youth would participate in financial education trainings, but not all of those youth would open up a bank account, at least not in the short-term. On the other hand, some of the youth who opened up savings accounts did not end up participating in the financial education. An efficient tracking mechanism might be able to increase the conversion rate.

VI. Content and Methodology of the Non-Financial Services

Content

The case studies offer NFS primarily in the form of financial education, business training, and technical vocational training, with some offering health and social education. FSPs that offer only savings, or that started with savings before offering loans, tend to offer financial education only. For the most part, the financial education focuses on promoting savings behaviors and strengthening basic money management skills. Financial education has proven it can reach greater scale than other NFS, and even larger than financial products in several cases, as the case is with FINCA Uganda, FINCA DRC, OIBM, FCPB, PEACE, and COAC San José.

FSPs that focus primarily on loans, such as Micro Options, Al-Amal and Al Majmoua provide business education or TVET. These FSPs emphasize the need to build the capacity

63 Sebstad, J. *Girls and their Money: Strategies for Promoting Savings, Financial Education and Social Support for Adolescent Girls in Low-Income Countries*. Microfinance Opportunities, 2011.

of young people to start and manage their own enterprises. TVET has not reached a significant scale similar to loans.

Methodology

The case studies emphasize training has to be adapted to the learning preferences of young people as well as to the needs of the market. In practice, this translates in simple education messages that engage young people through participatory and dialogue-based methods.

Financial education tends to be quite concise; with some FSPs taking a critical minimum approach that consists of as few as three to as many as seven 30-minute long sessions (1.5 to 3.5 hours in duration). This approach is consistent with recent studies that have emphasized the efficacy of 'rules of thumb' and teachable moments.[64] Minimal content is crucial to keep costs to a minimum, making the NFS more scalable and sustainable. This is evident in four of the FSPs (San José, PEACE, FINCA Uganda, ACSI, and Umutanguha), which espouse a critical minimum approach and have reached the largest scale (proportionally) of NFS compared to other FSPs.

Business education or TVET tends to be longer than financial education, even in a critical minimum approach. For example, Al-Majmoua's training approach consists of a total of 24 hours for recent graduates. The more extensive curriculum might be a major reason why scale of TVET has not reached the same levels of scale as financial education.

An important aspect of any NFS methodology is that the facilitators need to be adequately trained and FSPs need to have monitoring mechanisms in place to ensure quality. Without a high-quality curriculum and facilitation, participants might not realize the full benefits of integrated services, such as engaging in positive financial behaviors (i.e. regular savings and timely loan repayment). These behaviors can especially affect the financial viability of the services.

Implications of Content and Methodology on Integration Models

With a critical minimum approach, FSPs have more options on how to offer NFS. The minimum content allows FSPs to integrate services almost seamlessly through a unified approach. FSPs can also take a hybrid approach, as COAC San José and Umutanguha, which have trained university students and youth peer mobilizers to deliver the education to their peers. The critical minimum approach, with simplified content, makes this cascade approach feasible.

More specialized, technical training, such as TVET, might require linkages, unless the FSP has the resources to develop the internal capacity to deliver such services. Al-Majmoua has

64 Drexler, A., G. Fischer, and A. Schoar. *Keeping it Simple: Financial Literacy and Rules of Thumb.* American Economic Journal: Applied Economics 6(2), 2014.; Doi, Yoko, McKenzie, David and Zia, Bilal. *Who You Train Matters: Identifying Complementary Effects of Financial Education on Migrant Households.* World Bank, 2012; Sebstad, J. *Girls and their Money.* Microfinance Opportunities, 2011.

implemented a hybrid approach for its business education. The NFS modules are delivered by Al-Amal's own training staff, but the staff also conducts training-of-trainer workshops for vocational centers and school teachers to increase their capacity to deliver the services directly to youth.

VII. Costs and Revenues of Financial and Non-Financial Services

Although the case studies do not specify costs and revenues of the youth services, for this analysis we draw on this analysis from the UNCDF and Freedom from Hunger financial studies.[65]

Costs

Costs of YFS generally include marketing, delivery channels, and operations, as well as amounts paid on interest-bearing savings accounts.[66] Among operational costs, salaries represent the most significant line item, but this is generally a fixed cost that is difficult to cut back on without having an impact on the scale of the services. The Freedom from Hunger financial study of the FSPs in Ecuador concluded that the most effective strategy for optimizing expenses required incorporating the youth portfolio into the regular workload of staff. Dedicating staff solely to YFS (in the case of savings products) was deemed too expensive, especially considering the potential lower profitability of youth savings. But this strategy also effectively lowered the extent to which youth products could be scaled up.

Marketing costs might be more flexible. FSPs can rely on low-cost promotional techniques, such as word-of-mouth promotions through existing clients or partnerships with YSOs. However, as with salaries, lowering marketing expenses could also affect the scalability of the services if alternative promotional activities are not implemented.

In terms of NFS, expenses consist primarily of staff time to deliver the services. In the majority of case studies, the costs for offering NFS have been funded externally. After the external financing ends, the NFS might not be able to continue offering NFS with the same intensity. This point is highlighted in the Banco ADOPEM's case study – as the grant funds ended, the financial education activities were reduced.

Revenues

Revenues for savings accounts consist primarily of direct revenues, such as account fees and on-lending from savings balances. For loans, the primary source of profit is the interest paid on loans. The financial sustainability of youth savings depends largely on the revenues

65 Loupeda, C. 2014. *Show Me the Money: The Costs and Revenues of Savings and Financial Education for Young People*. Davis, California, USA: Freedom from Hunger; Muñoz, L., Perdomo, M., and Hopkins, D. 2013. *Building the Business Case for Youth Services*. New York: UN Capital Development Fund.

66 Ibid.

that can be generated from on-lending account balances to the FSP loan clientele. Clearly, the larger the balances the more revenue that can be generated.

A significant number of FSPs are offering products that are affordable to young people, such as savings accounts with minimum fees and opening balances. The increased affordability of the products likely increases the scalability of the products, but it also limits the revenues that can be generated from product fees. The Banco ADOPEM case highlights the fact that without the dormancy fees the breakeven point of the accounts would have been delayed by a year. In contrast, account fees could have the undesirable effect of discouraging youth who might fear that fees will erode their limited savings.

Loan revenues are directly generated from the interest paid by borrowers. But actual profitability depends on the repayment rate of clients. Thus far, the portfolio-at-risk is reasonably low for most of the youth loans profiled in the case studies (see Table 6). These results should be taken with caution, though, because youth loan products have been available for a short period of time. There is a need to continue monitoring and documenting youth repayment rates over time according to the different types of loan products that are taken up by youth.

Table 6. Portfolio at-Risk (30 days)

FSP	PAR30
RCPB	0%
FUCEC	0%
PAMECAS	0%
Al Majmoua	0%
Al-Amal	0.02%
ACSI	1%
INMAA (YouthInvest loans only)	1.2%
Umutanguha	4%
OIBM	23%

In addition to direct revenues, a major proposition in the field is the potential to generate indirect revenues from the cross-sale of financial products to the adult relatives of youth as well as to the youth themselves when they are old enough to qualify for a greater variety of products. The assumption on this premise is that the youth savers and their adult networks would be new clients to the institution.[67] Such cross sales could arguably strengthen the financial viability of YFS, especially for less profitable financial products such as savings accounts.

Younger clients whose first relationship with a financial institution is a savings product have the potential to become more profitable clients if they take up loans and other products as they grow up. However, there are no studies yet that have proven the fidelity of youth clients in low-income countries.

There is mixed evidence on the extent for cross sales to youth networks. In Uganda, Finance Trust Bank saw an increase in adult clients after the launch of their youth product. But in the Dominican Republic, Banco ADOPEM reports that the majority of the youth accounts (81%) were opened by existing clients, with only 800 accounts opened by youth themselves who were first time clients.[68] A research study of the cooperatives in Ecuador has similar findings, with 92% of youth with a savings account reporting that their parents had an account first.[69] Clearly there is potential to attract new clients through new youth clients, but financial projections might need to be quite conservative until there is additional evidence on cross sales.

While there is no substantiated data on reducing costs via technology, such as ATMs, there is emerging evidence on increased revenues resulting from the use of technology. According to the UNCDF case study, FINCA-DRC increased its savings volumes as a result of the use of POS agents to collect savings during field visits. Similarly, a survey conducted by Freedom from Hunger on the use of technology by the Ecuador cooperatives to capture savings remotely found that half of the respondents (youth with accounts) reported making deposits through the mobile system.[70] Thus, technology could potentially increase both sustainability and scale.

Implication on Costs and Revenues on Integration Approach

By their nature, NFS are cost drivers that need to be cross-subsidized. FSPs that have cost-reduction as a primary concern might benefit from implementing a unified approach, which can minimize costs.[71] This is the case especially for the smaller FSPs. Large organizations that have in-house training capacity, such as Al Amal and ADOPEM, but want to focus exclusively on financial products, can offer NFS through their parallel training centers.

67 Kilara, T. and A. Latortue. *Emerging Perspectives on Youth Savings. Focus Note 82*. Consultative Group to Assist the Poor (CGAP), 2012.

68 The figure of 800 accounts represents 52 percent of 1,539 Mía accounts that the Banco ADOPEM case study reports as being opened by youth themselves who were first-time clients.

69 Ramirez, R. and Torres, V. *From One Generation to the Next: The Role of Parents in the Financial Inclusion of Young People*. Freedom from Hunger, 2014.

70 Ramirez, R. and C. Nelson. *Models for Integrating Financial Services with Financial Education for Young People*. Freedom from Hunger, 2014.

71 Linder, C., Perdomo, M., Muñoz, L., and Cea, C. *Assessing new youth-focused products: Pilot testing financial and non-financial services for youth in Sub-Saharan Africa*. UN Capital Development Fund, 2012.

CONCLUSIONS AND RECOMMENDATION FOR THE FUTURE OF INTEGRATED SERVICES

Based on the analysis carried out on the case studies profiled in this publication, we draw some general conclusions about how diverse macro- and micro-level factors affect the scalability and sustainability of YFS and NFS. To start, an enabling policy and regulatory environment play a significant role in increasing the financial inclusion of young people. Policies that promote availability and innovation of financial services might help drive prices down, which can increase scale. Regulation on legal minimum age can have the most direct and tangible influence on the scalability of services for young people.

The analysis on market share and institutional size suggests that there is room for growth for large FSPs. Conversely, FSPs with small market shares, such as Micro Options, are proving they can reach out to proportionally large numbers of young people, which could help increase their future client base.

In our analysis we found that the institutional commitment to deliver services is fundamental and plays a defining role in the extent of service provision, possibly more than institutional size by itself. This commitment might not necessarily overcome all other factors, but it can go a long way towards scaling up services. PEACE in Ethiopia is one of the best cases to illustrate the impressive outcomes that can result from a small FSP with a staunch commitment towards youth financial inclusion.

Given that the provision of financial products is aligned to legal age thresholds, age and product type are closely related in terms of scale and sustainability. Loans for older youth are naturally more financially sustainable, but might be more difficult to reach scale. However, as the Al-Amal case shows, it is possible to reach significant scale with youth loan products when the right features and institutional processes are in place.

Savings products for youth of legal age are reaching significant scale around the world. This leaves out younger youth, who might still be economically dependent on parents or caregivers, but who might also be faced with increased economic pressures.

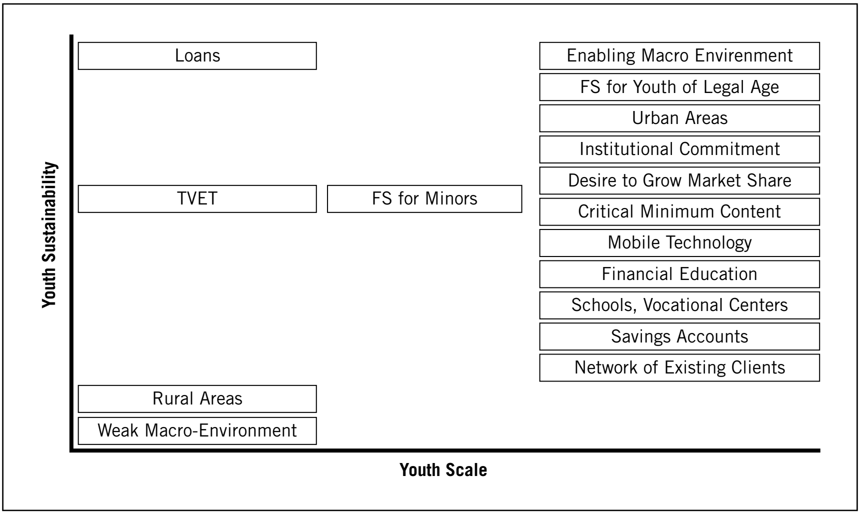
Offering youth services cost-effectively is essential for FSPs to be able to reach and maintain scale over time. Generating revenues from the youth financial products can help balance the costs of the non-financial components. Although additional revenues might be earned from the adult networks of youth, the extent of such cross sales is uncertain. FSPs might be more likely to increase their profits by nurturing the relationship with younger clients and ensuring they are able to access more profitable products as they grow up.

Scaling up youth integrated services can be accomplished by conducting outreach in places where youth are already congregating in groups, such as schools or vocational centers. But the success of such an approach might depend largely on the ability of the FSP to reach clear agreements with those organizations and implement effective monitoring tools. FSPs can also reach significant numbers of youth through their existing clientele, as is the case of Banco ADOPEM.

A critical minimum approach to NFS seems key to reaching significant numbers of young people. This has been demonstrated by all of the YouthStart partners in Africa.

In sum, similar to the conclusion reached by the CGAP business case analysis of youth savings, the decision by FSPs to offer youth integrated services is shaped by various factors that are interrelated. Chart 3 provides an overview of our analysis in showing how a number of factors affect scalability and sustainability of YFS and NFS. This overview intends to inform the industry what aspects might need to be addressed in order to meet key financial inclusion goals. For instance, as the YouthStart case study points out, there is a trade-off that a FSP needs to consider between the greater profitability of products for older youth and the lower financial capacity of younger youth. Given the need to ensure younger youth have access to appropriate financial products before they are faced with increasing financial pressures, this calls for additional experimentation on strategies that can expand financial access for minors. Likewise, youth in rural areas are likely more economically vulnerable. The fact that there is currently limited scale requires additional investment in tackling this challenge.

Chart 3. Key Factors Overview



Integration Approach

The decision on which approach to select for integrating non-financial components to financial products seems to hinge on four main criteria:

1) Institutional commitment – Offering NFS directly to youth through a unified or parallel approach requires a major commitment by the FSP to integrate services seamlessly in their systems and procedures and secure the buy-in of their staff. FSPs that are unable to make such a commitment might opt to establish linkages with organizations that can deliver NFS.

2) Resources – The internal resources to train staff to deliver NFS is key to determining the integration approach. Institutions that want to offer the services directly need to have appropriate skills to facilitate training that meets the learning preferences of young people. If the resources are not available, FSPs might benefit from linkages with technical or vocational centers.

3) Content and methodology – NFS that can be delivered through a critical minimum approach, such as financial education, can be more easily delivered through FSPs directly, whereas more extensive, technical training likely requires either a specialized parallel center or linkages with a training center.

4) Availability of non-financial services – The decision of a FSP to offer NFS should first assess whether the services might already be available through other organizations (e.g. vocational centers, schools). This assessment should also consider the profile of youth that the FSP wants to target. Some NFS might be available only to in-school younger youth and not to out-of-school older youth.

FSPs would consider all of these criteria to determine which integration approach to take. As the case studies show, there are many variations to how NFS can be delivered to young people. FSPs can train youth to facilitate financial education through a peer-to-peer approach. FSPs can also build the capacity of vocational centers to deliver business and entrepreneurial training. In those hybrid or linked approaches, an important design component is a monitoring and tracking system that can ensure trained youth are able to access the FSP's financial products.

Recommendations for the Future of Integrated Services

In an analysis of different models of savings and financial education for adolescent girls, Sebstad points out that "banks might be willing to finance [non-financial] activities, but probably not at scale".[72] As we have seen in the analysis of the case studies, some FSPs are willing to go above and beyond their capacity to offer services at a significant scale. But it also seems to be true that some large FSPs could achieve even larger scale given their size.

72 Sebstad, J. Girls and their Money. Microfinance Opportunities, 2011.

Ultimately, scalability is largely a factor of institutional drive and commitment.

The sustainability and impact of youth services, though, remain outstanding questions. There are key actions that could help answer those questions and further the industry's knowledge of how best to advance youth financial inclusion and capability through the offer of integrated services.

Fund innovation in delivery channels for non-financial services

Despite the significant attention on the potential benefits technology, there is not enough experimentation and research on the use of technology to promote youth financial inclusion and capability. Technology could play a major role in driving costs down of NFS and reaching an even greater scale. The YouthSave Consortium is conducting an extensive research study on the impact of SMS with financial education messages, which will show the extent to which such messages can influence savings behaviors among young people. But additional experimentation and research with technology, such as mobile banking, is still needed.

Child and Youth Finance International is also testing a number of pilot projects that follow a SchoolBank model where financial service providers partner with local schools and educational centers to offer a combination of financial and educational services through innovative and cost effective delivery channels. This can take many shapes depending on the local context (e.g. agent-based, mobile based, school IDs with bank card functionalities). The SchoolBank model delivers three basic financial services to children and youth, with the goal to enable them to save money, receive allowances, and make payments, as well as continuous educational inputs by providing economic citizenship education and generating financial awareness. Such models offer promise of scale and sustainability through effective partnerships between the private sector, government authorities and the public school system.

Conduct financial analysis of different types of services

The recent business case studies on youth savings provide valuable insights on the sustainability question. In addition, the upcoming YouthStart follow-up business case studies will further our understanding of the financial viability of services.[73] There is clearly still a major need for further financial evaluations of different types of youth integrated services, as well as the role of cross-sales to the adult networks of young clients.

Fund programs to reach the most vulnerable and excluded youth

The case studies also showed that there might be vulnerable sub-segments of the youth population being left out, namely out-of-school and rural youth. Reaching these excluded segments of the population might require continued financial support from donors.

73 Muñoz, L., Perdomo, M., and Hopkins, D. *Building the Business Case for Youth Services*. UN Capital Development Fund, 2013.

Invest in better monitoring of Youth Financial Inclusion

Financial inclusion policies that foster product innovations need to consider how to make policies inclusive of young people. Although there are a variety of financial products that young people could benefit from, including remittance and insurance products, we know very little about youth access to other financial products beyond loans and savings. For example, the G20 financial inclusion indicators currently only focus on adults.[74] Although young people over 18 years old would be included in those statistics, without segmented monitoring data by age it will be difficult for stakeholders to advocate policies and regulation that address adequately the needs of a broad spectrum of young people.

Evaluate the long-term impact of YFS and NFS

Finally, there is very limited knowledge on the long-term impact of integrated services on the financial behaviors of young people. Additional research is needed to inform donors, governments and financial service providers on effective and impactful strategies to promote youth financial inclusion.

74 *Financial Inclusion Strategies Reference Framework*. Prepared by the World Bank for the G20 Presidency. The World Bank, 2012.

Annexe 1
Youth Financial Inclusion Resources

- Child and Youth Finance International (a global network advancing economic citizenship for child and youth around the world)
  - o Banking a New Generation: Developing Responsible Retail Banking Products for Children and Youth:http://www.childfinanceinternational.org/resources/publications/2014-banking-a-new-generation.pdf
  - o Beyond the Promotional Piggy Bank: Towards Children as Stakeholders: http://issuu.com/childfinanceinternational/docs/beyond-the-promotional-piggybank
  - o Children, Youth and Finance 2014: Action for Sustainable Outreach: http://childfinanceinternational.org/resources/publications/2014-children-youth-and-finance.pdf
  - o Conceptual Development of the CYFI Model of Economic Citizenship for Children and Youth: http://issuu.com/childfinanceinternational/docs/conceptual-cyfi-model-economic-citizens
  - o Additional Publications: http://childfinanceinternational.org/movement/publications
- Freedom from Hunger - Advancing Financial Inclusion for Youth (an interactive online guide for FSPs)
  - o http://youthfinancialinclusion.org/login/aimyouth.php
- Making Cents – *Youth Economic Opportunities* (a community of practice and knowledge exchange portal)
  - o http://www.youtheconomicopportunities.org
- MEDA – *YouthInvest Praxis Series* (a series of reflective publications on loans and savings)
  - o http://www.meda.org/publications/youthinvest-praxis-series
- SEEP – *Youth Financial Services Working Group*
  - o http://www.seepnetwork.org/innovations-in-youth-financial-services-practitioner-learning-program-pages-60.php
- UNCDF YouthStart (an initiative of UNCDF and The MasterCard Foundation)
  - o http://www.uncdf.org/en/youthstart-resources

- Women's World Banking – *Banking on Youth* (a guide for deposit-taking institutions in any stage of youth savings program development)
    - http://www.womensworldbanking.org/wp-content/uploads/2014/10/Womens-World-Banking-Banking-On-Youth-2014.pdf
- YouthSave (a consortium project led by Save the Children in partnership with the Center for Social Development at Washington University in St. Louis (CSD), the New America Foundation, and CGAP).
    - http://youthsave.org

Annex 2
CASE STUDIES

- Al-Amal Microfinance Bank Youth Inclusive Services
- Youth Entrepreneurship Project (YEP) in Egypt, Lebanon, and Palestinian Territories. The case of Al Majmoua – the Lebanese Association for Development, PlaNet Finance
- I am Saving – Lessons Learned from Implementation of Integrated Savings Services and Financial Education for Two Ecuadorian Credit Unions
- Invest Jeunes – A financial solution for youth, Institution Marocaine d'Appui à la Microentreprise (INMAA)
- Youth Economic Empowerment Program (YEEP), Micro Options
- UNCDF YouthStart
- Banking on Youth: Lessons from Mía at Banco ADOPEM, Women's World Banking

AL-AMAL MICROFINANCE BANK YOUTH INCLUSIVE SERVICES

Written by: Abdullah Al Kassim

BACKGROUND

Al-Amal Microfinance Bank (Al-Amal or AMB) is the first Microfinance bank in Yemen and the Middle East and North Africa (MENA) region to offer only Shariah-compliant products. It was established under the Yemeni Law (23) of 2002, adopted specially for the creation of the bank, regulated, and supervised by the Central Bank of Yemen.

AMB is a non-profit organization seeking to offer inclusive and sustainable financial services (credit, savings, insurance, remittances, foreign currency exchange and cash disbursements) to limited and low income households in Yemen, particularly owners of micro and small enterprises. AMB has 275 employees and operates 18 branches in the 8 main governorates and serves 80 percent of the total population of Yemen.

Al-Amal operates under the slogan "The Bank for the Unbanked". It provides tailored financial services to the youth market segment with no gender specification. AMB recognizes the significant long-term business benefits that the youth market segment can bring to their institution, particularly given the fact that close to three-quarters of Yemen's population is under 30 years old.

AMB has cumulatively disbursed 113,489 loans to clients of all ages and has a 36 percent share of the Microfinance market in Yemen. It has 40,817 active loans as of the end of 2014, with female clients making up 43 percent of the active loan portfolio.

Through its' dual banking license, AMB has rapidly built up its portfolio of products, including voluntary savings (93,057 current accounts), domestic and international remittances, a standard credit-life insurance product (Takaful), and foreign currency exchange.

YOUTH INCLUSIVE FINANCIAL SERVICES

DESCRIPTION

AMB realizes that Yemeni youth are eager and willing to seize any opportunity they come across. Most of them have ideas for successful and profitable enterprises but lack funding and business advice. In response, AMB has developed a program that provides financial and non-financial services to youth. Financial services include credit, savings, remittances and currency exchange. Non-financial services, including technical, vocational and managerial training and business advice, are offered through **Al-Amal Foundation for Training and Entrepreneurship (REYADAH)**. These include financial and non-financial services designed to meet the needs of all youth aged between 18 and 35. Specific information on the AMD Youth Financial Services Program can be found below in Table 1.

Table 1. Inclusive Youth Financial Services Program

Type of youth services	Loans, savings, and non-financial services
Age group served	18-30, **18-35 for** Mashrou3i Product only. (Youth Start-up lending program).
Year youth program launched	2010
Number of clients	27,005 youth enterprise loan clients provided 23,848 youth savings accounts opened
Youth Savings 16-30 (volume)	USD $486,880
Youth Loan volume	USD $8,353,980
Non-financial services model	Linked: Partnerships with Al-Amal Foundation for Training and Entrepreneurship (REYADAH) and youth serving NGOs. AMB has established Al-Amal Foundation with support of MIBI, with the aim of training young people and qualifying them for labor markets.
Non-financial services outreach	2783 youth have received non-financial services.
Partner organizations	Silatech, Making Cents International, IFAD

RATIONALE FOR SERVING YOUTH

Yemen is currently facing an explosive "youth bulge," with about 75 percent of the population under the age of 30. Moreover, Yemen has one of the world's largest population growth rates (5.4 children born per woman).

A crushing youth unemployment rate sits at 50 percent, corruption in both private and public sectors is rampant, and many youth feel they have little or no options for securing a steady job. This large-scale exclusion of youth from economic productivity creates numerous demographic, social, economic and political risks across the continent.

In response to these challenges, AMB has partnered with international development organizations such as Silatech, Making Cents International, IFAD and Al-Asmakh Charity to provide both urban and rural youth with appropriate financial and non-financial services that will help them start up and expand micro and small enterprises to improve their livelihoods.

OBJECTIVES

Al-Amal serves youth to meet the following objectives:

1. Contribute towards reducing poverty through job creation;
2. Instill a culture of self-employment among youth by encouraging them to start up their own enterprises instead of wasting years waiting for jobs in the public or private sectors;
3. Encourage youth to develop good savings habits and open savings accounts;
4. Strengthen managerial and vocational skills of Yemeni youth to manage successful projects.

FINANCIAL SERVICES

1. Credit

a) Existing Enterprises (Tamweelat Shabab)

AMB, with the technical and financial support of Silatech, has developed this product to help youth entrepreneurs expand upon existing enterprises.

<u>Requirements</u>

- Must be 18-30 years old.
- Must have an identity card.
- Must be an owner of an existing enterprise that has been operating for at least one year
- **Must be of good reputation.**
- Must be willing to pay 1% of the loan for life insurance (Takaful)

Features

- Murabaha or Ijarah[75] (where applicable)
- Loan amount ranges between 30,000 YR (USD $140) to 1,000,000 YR for micro loans and between 1,000,001 YR (USD $4,600) to 10,000,000 YR (USD $46,511) for SME loans.
- Loans are provided without any service fees.
- Fees of 1.2% – 2.4% a month depending on size of the loan.
- Loan duration of up to 36 months.
- One month grace period.
- No advance payment required in order to obtain the loan.
- Alternative IDs accepted (letter from municipality, marriage license) for clients who do not have national ID.

Collateral/ Guarantee requirements

The bank realizes that youth have limited ability to provide collateral such as gold, money, property, or other assets. In order to attract them to AMB, the bank has simplified its loan terms to include personal and solidarity group guarantees, as well as those from salaried employees, owners of a commercial shop, or guarantees certified by a chamber of commerce.

b) Start-up Enterprises (Mashrou3i)

AMB, with the technical and financial support of Silatech, has developed the first dedicated youth start-up loan product for the Yemeni market. Mashrou3i (Also known as “my project” in English), targets all youth segments 18-35 to assist them in starting up their own enterprises, with a particular focus on university and vocational institute graduates.

Requirements

- Must be aged between 18-35 years old.
- Must have an identity card.
- Must be an owner of a new or start-up enterprise that has less than one year of operating experience.
- Must have a feasibility study for the enterprise.
- Must be of good reputation[75] and have strong willingness to start up an enterprise.

75 In addition to project feasibility study, AMB conducts a social study to investigate clients in their neighbourhoods and surroundings.

Features

- Lower Murabaha average rate[76] (1.5% a month).
- Loans are provided without any service fees.
- Loan duration up to 36 months.
- Three months grace period.
- Access to periodic business advice and follow up in partnership with REYADAH.
- There is no upfront payment in order to obtain the loan.
- Alternative IDs accepted (letter from municipality, marriage license) for clients who do not have national ID.

Collateral/ Guarantee requirements

While AMB considers lending to start-up enterprises to be riskier than lending to any other enterprise, it recognizes that new graduates, the Mashrou3i target segment, do not have the same ability as other client segments to mobilize the required collateral and guarantees. As such, AMB offers Mashrou3i without collateral requirements and with even more flexibility in the types of guarantee required including recognition of past training qualifications. AMB and Silatech manage the risk of Mashrou3i through an innovative partial guarantee for the Mashrou3i product.

Table 2. Overview of AMB Loan Portfolio Growth

	2010	2011	2012	2013	2014
No. of disbursed loans	17,565	35,923	58,068	84,243	113,489
Volume of disbursed loans	4,142,718	8,499,612	14,296,612	25,459,612	40,182,742
Average disbursed loan size	235	236	246	302	354
No. of active loans	14,730	15,945	26,134	34,374	40,817
Outstanding portfolio (USD million)	$12,162,790	$11,660,465	$20,725,581	$41,148,837	$59,800,000
Average active loan size (USD)	$178	$157	$171	$257	$315

76 This means reducing the percentage of client participation in operational costs.

Table 3. Overview of AMB Youth Loan Portfolio Growth (monetary amounts are in USD)

a) Existing Enterprises (Tamweelat Shabab)					
	2010	**2011**	**2012**	**2013**	**2014**
No. of youth loans disbursed (accumulative)	7,030	9,781	13,950	17,424	19,704
Volume of youth loans disbursed	$1,707,586	$2,390,066	$3,426,629	$4,693,460	$6,106,473
Average Loan Size	$243	$244	$247	$269	$310
No. of active youth loans	4,327	2,370	3,816	3,174	2,093
Outstanding youth portfolio	$1,084,439	$682,480	$1,190,318	$1,237,250	$1,677,174
b) Start-up Enterprises (Mashrou3i)					
	2010	**2011**	**2012**	**2013**	**2014**
No. of youth loans disbursed (accumulative)	1,570	1,863	2,206	2,879	7,301
Volume of youth loans disbursed	$210,330	$267,609	$358,330	$592,716	$2,247,507
Average Loan Size	$134	$144	$162	$206	$309
No. of active youth loans	208	277	253	659	4,422
Outstanding youth portfolio	$19,146	$15,431	$49,936	$357,342	$1,535,398
TOTAL					
	2010	**2011**	**2012**	**2013**	**2014**
***No. of youth loans disbursed - (accumulative)**	8,600	11,644	16,156	20,303	27,005
Youth as % of AMB disbursed loans	48.96%	32.41%	27.82%	24.10%	23.79%
Volume of youth loans disbursed	$1,917,916	$2,657,675	$3,784,960	$5,286,176	$8,353,980
No. of active youth loans	4,535	2,647	4,069	3,833	6,382
Total outstanding youth portfolio	$1,103,585	$697,911	$1,240,254	$1,594,592	$3,212,572

* This figure includes only the loans disbursed to youth enterprises without including loans provided to them for purposes other than enterprises like education and consumption. In general, the total number of disbursed loans provided to youth as of the end of 2014 is 33,823 while the total number of active loans is 9,034.

2. Savings

Youth Savings (Idekar el Shabab)

This product was developed by AMB as part of a Regional Youth Savings Initiative launched by Silatech and the German Agency for International Cooperation (GIZ) to promote a stronger culture of savings in the MENA region. In addition to the product, thousands of youth across Yemen have received financial literacy training prior to their referral to AMB, and a mass media marketing campaign has been developed with the Yemen Microfinance Network which has promoted positive messages on savings to tens of thousands of youth via television, radio, universities, NGOs and social media.

Requirements

- Must be between 18-30 years old.
- Must have an identity card.
- Must be able to make the minimum of opening deposit of YER 200 (Equivalent to USD $0.93).

Features

- Low minimum opening balanceYER200 (Equivalent to USD $0.93).
- Demand deposit and term deposit options.
- Modest financial returns on their balances based on the profit of AMB.
- Eligibility to participate in a prize drawing for youth who maintain active and increasing balances.
- Alternative IDs accepted (letter from municipality, marriage license) for clients who do not have national ID.
- Opportunity to also receive financial literacy advice and training.

Table 4. Overview of AMB Savings Portfolio Growth

		2009	2010	2011	2012	2013	2014
Number of Savers		4,758	18,512	33,047	44,436	57,896	93,057
Number of Female Savers		1,730	8,317	15,207	21,586	26,699	36,555
Number of Child Savers		1,667	7,167	8,929	9,528	9,678	9,740
Savings Portfolio (million)	YER	34	1,197	1,120	2,120	3,811	3,487
	USD $	0.3	5.6	5.2	9.9	17.7	16.2

Table 5. Overview of AMB Youth Savings Portfolio Growth (monetary amounts are in USD)

	2010	2011	2012	2013	2014
No. of youth active savings accounts	4,535	7,328	10,442	13,167	23,848
Savings Volume	$65,149	$121,284	$179,596	$339,001	$486,880
Average savings account	$14.4	$8.9	$17.20	$25.75	$21.41

3. 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.

4. Other Financial Services

All other financial services like local and international remittances and currency exchange are also accessible to youth.

5. Non-Financial Services

Al-Amal Foundation for Training and Entrepreneurship

AMB believes that there must be strong linkage between financial and non-financial services provided to entrepreneurs in order to facilitate their success. In response, AMB established Al-Amal Foundation for Training and Entrepreneurship (REYADAH), with the support of the US State Department, the Bugshan Group and Silatech. REYADAH is a non-profit foundation that offers training and development services to provide young people with technical, vocational and administrative skills in order to meet the requirements and needs of the labor market. The training services include financial literacy, business plan development, enterprise development and vocational training. In addition to providing training services, REYADAH links young entrepreneurs with the financial services offered by its partner AMB.

Specifically, young entrepreneurs are encouraged to join the Al-Amal Club for Entrepreneurs, which aims to support the sustainable development of entrepreneurship projects, with a focus on those led by youth. Young entrepreneurs come together to share and exchange their experiences and knowledge gained from the real business world, and benefit from discussing with others how to reduce the obstacles that confront entrepreneurs.

Vision

To enhance the entrepreneurial environment in Yemen.

Mission

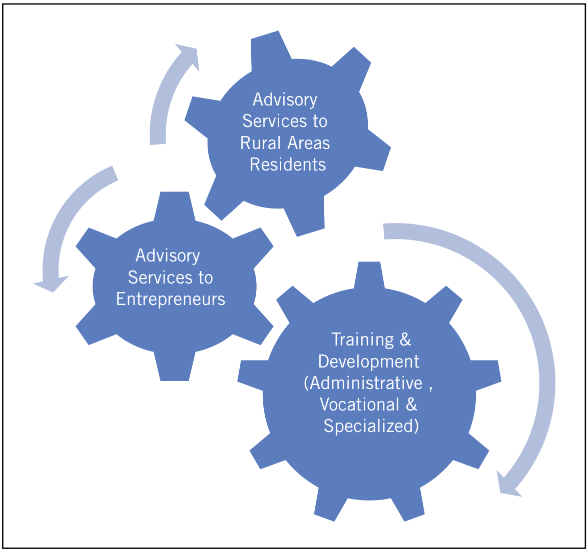
REYADAH seeks to integrate financial and non-financial services for small and micro/ smaller entrepreneurs in order to hone their skills, and provide the labour market with qualified entrepreneurs.

Goals

- To enhance the administrative, vocational and technical skills of Yemeni youth to run and manage successful projects.
- To provide high quality and efficient training services.
- To integrate financial and non-financial services for entrepreneurs.

Services

REYADAH offers a broad, integrated package of training services in both rural and urban locations, which have been designed based on a detailed understanding of the market needs in Yemen.



EVALUATING THE IMPACT OF YOUTH LENDING

AMB is working closely with Silatech and Georgetown University (Washington, DC) to undertake an impact evaluation of the “Mashrou3i” youth start up loan product. The evaluation aims to assess the impact of microloans provided to youth aged 18-35 years who currently have a start-up enterprise (in operation for 12 months or less) or have a sound business plan to establish a start-up. The evaluation will provide evidence of the impact of youth-oriented microcredit on poverty, business growth, market behaviour and financial risk of participants. The study commenced in late 2012 and is expected to conclude in 2015.

While the evaluation will look at individuals who have access to a guarantor or collateral, it will also study the effect of the loan on more marginalized youth who do not have access to a guarantor or collateral.

PARTNERSHIPS

AMB AND SILATECH PARTNERSHIP

AMBs Youth Inclusive Services program was launched in 2010 in partnership with Silatech, the main supporter for youth in the bank. This longstanding and broad based partnership has enabled AMB to obtain the necessary funds and technical assistance to thoroughly execute this program. Through this partnership, AMB has been able to secure funding for loan disbursement, developing and piloting new products and services, marketing and advertising these products and providing non-financial services to youth. Silatech also shares the risks of disbursing loans for youth start-up enterprises through the creation of an innovative partial guarantee for the Mashrou3i product.

AMB AND MAKING CENTS INTERNATIONAL PARTNERSHIP

AMB partners with Making Cents International (MCI) and Silatech under the MCI managed and International Fund for Agricultural Development (IFAD) funded Rural Youth Economic Empowerment Programme (RYEEP). Yemen is one of four countries supported by this project and AMB is one of five partners. With technical support from Making Cents on the development of agent banking networks and adapting products for rural populations, AMB is building its capability to develop and deliver youth inclusive financial services for 3,000 youth in rural Yemen. Making Cents is also supporting the selection and support of partners to provide non-financial services to the same number of youth.

CHALLENGES AND SUSTAINABILITY

ONGOING CRISIS

The unrest of the Arab spring revolutions in early 2011 continues to greatly affect AMB and other MFIs around the country. Three years after the appointment of a new president and Cabinet, the political, economic and social situation remains unstable. Armed confrontations affect the bank's flow of work and the implementation of its business plan. It also hinders plans to attract international funders and donors to support the bank's current and future plans.

In such an uncertain and complicated situation the risk of disbursing loans increases and loan officers must take greater care in assessing credit applicants before approving any loans. In addition, the demand from youth to start up new business is naturally affected by ongoing instability.

Nevertheless, AMB strives to keep meeting the demand of its clients and to target new youth in both rural and urban areas. The bank has successfully maintained the percentage of youth disbursed loans against total disbursed loans at around 30 percent.

YOUTH FUND SUCCESS AND SUSTAINABILITY

Despite these challenges and the increased perceived risk in lending to youth, AMB reported a minimal 0.02 percent portfolio-at-risk greater than 30 days (PAR>30) for its youth portfolio in 2014. The bank attributes this success to a few key factors[77]. Most notably, it has tailored its financial services to the particular needs of the youth market, particularly through youth-friendly marketing and delivery mechanisms. Staff members at AMB are also trained on how to effectively serve younger clients and manage risk.

AMB and the youth program in particular, expect to reach full operational sustainability by the end of the coming year. The delay in reaching this target can be attributed to the introduction of new accompanying services and the targeting of rural areas, which increase operational costs. The Youth program is provided in all of the bank branches in urban and rural areas. Moreover, the bank, in cooperation with Silatech, Making Cents International and Reyadah, is in the last steps of introducing a special package of financial and non-financial services designed specifically to meet the particularities of rural youth. This package will be the first of its kind in Yemen. AMB believes that without the support of its partners[78], the program would not be on the verge of reaching scale and achieving sustainability.

77 AMB is committed to special standards for client protection while delivering services to ensure that its business complies with the best practices for the benefit of clients.

78 Via securing part of the funding required scaling up outreach and TA support to target rural areas.

LESSONS LEARNED AND RECOMMENDATIONS

MARKETING AND DELIVERY

Since opening its doors in 2008, AMB has been challenged to distinguish itself from traditional banks. Because its target clientele – youth and women – traditionally have been excluded from the financial sector, AMB has focused on finding new ways to communicate its message of financial inclusion to these groups. As a result, AMB 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.

AMB uses word-of-mouth as its most effective means of marketing, with loan officers focusing efforts on door-to-door promotion. In its branches, AMB has installed LCD screens to display advertisements and client success stories in a youth- and illiterate-friendly form. In order to effectively reach youth, AMB also targets its marketing campaigns to young people's interests, while adapting its services to meet the needs of the youth population. For example, AMB reaches out to youth at universities, where young people often spend time, and has collaborated with vocational training institutions, television networks, radio stations, and lottery campaigns. The bank has also extended its opening hours, now operating on an eight-hour schedule in order to accommodate youth's school schedules and other responsibilities. AMB continues to experiment with the use of social media to reach youth.

AMB has realized that populations especially youth and women in rural and remote areas, are totally denied access to financial services since the current banking and financial sectors doesn't target them due to being scattered and not collected or grouped at one place and therefore difficult to serve. Consequently, AMB has decided to take the challenge to serve these segments and is adapting its current loan products to meet the needs of these segments with an easy guarantee to facilitate their access to the financial services. They are also adapting new outreach methods in order to reduce the cost to youth clients segments by using Agents, POS and Mobile Branchless Banking ("Four Wheel Track").

STAFF TRAINING

Serving young people effectively requires a special set of knowledge, skills and attitudes. AMB 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, AMB 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, AMB 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 AMB 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 basic skills and information.

LEARNING SYSTEMS

Under the MCI and Silatech managed IFAD funded RYEEP project AMB is developing a robust learning system that enables other RYEEP partners in the region to draw parallels to their own practices in order to enhance their operations. This includes an active role in contributing to learning about the skills, systems and processes required to offer youth inclusive financial and non-financial services in rural areas.

In General AMB pays attention to the delivery of this type of services in an attempt to attain excellence that enhances client loyalty and maintains AMB leadership. Considered as incentives for clients, these programs are intended to increase individuals' capacities in managing their personal and family life. The services include: Project Management Training, Financial Literacy Programs, Product Awareness Programs, and Life Awareness Programs.

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YOUTH ENTREPRENEURSHIP PROJECT (YEP) IN EGYPT, LEBANON, AND PALESTINIAN TERRITORIES
THE CASE OF AL MAJMOUA –
THE LEBANESE ASSOCIATION FOR DEVELOPMENT

Written by: Marwa Akoush, Research & Development, Al Majmoua – Lebanese Association for Development; Nader Habbas, Youth Entrepreneurship Project, PlaNet Finance; Azalea Carisch, University Meets Microfinance, PlaNet Finance; Aymeric Fuseau, Study and Evaluation, PlaNet Finance

Al Majmoua trained almost 50 youth on SYOB in Kfifan area in Northern Lebanon. The youth came from Beirut, Mount Lebanon and the South

Main partners in Lebanon

INTRODUCTION

Youth economic inclusion is of particular importance in the Middle East and North Africa (MENA) region where the percentage of youth between the ages of 18-25 years, and adults who have formal accounts is the lowest across the world.[79] Additionally, long-term unemployment in MENA, ranges between 10 and 25 percent across the general population, but is at its highest among youth ages 15-24 years averaging around 25 percent.[80] In general, entry points for the youth into the formal labor market are limited. The MENA-OECD Investment Program and the World Bank both estimate

79 Demirguc-Kunt and Klapper, forthcoming. http://siteresources.worldbank.org/INTFINRES/Resources/Findex_Note_10_Youth.pdf
80 O'Sullivan, Anthony, Marie-Estelle Rey and Jorge Galvez Mendez. Opportunities and Challenges in the MENA Region. OECD. http://www.oecd.org/mena/49036903.pdf.

that several million jobs should be created over the next years just to maintain the current unemployment rates.[81] Consequently, there is a growing and pressing need to provide support to this young population in their efforts to enter the professional world and develop productive livelihoods.

In the MENA region and around the world, PlaNet Finance's mission is to enable social change through financial inclusion, entrepreneurship solutions and positive economic innovations. In 2013, PlaNet Finance launched the Youth Entrepreneurship Project (YEP): a 3-year project which aims to provide integrated financial and non-financial services, and develop the capacity of young entrepreneurs in three countries in the MENA region, namely Lebanon, Egypt, and the Palestinian Territories. YEP builds on PlaNet Finance's previous experience in supporting and building the capacity of youth entrepreneurs in Morocco. Once the YEP pilot phase is complete, PlaNet Finance and the partner MFIs will work to replicate the project in other rural areas in Egypt, Lebanon and the Palestinian Territories. YEP is financially supported by the European Union, General Electric, the City of Milan, JP Morgan, and PlaNet Finance Foundation.

YEP integrates financial inclusion and entrepreneurship with a special focus on youth. This approach is implemented through working with three local microfinance institutions (MFIs): Al Majmoua – the Lebanese Association for Development, the Arab Center for Agricultural Development (ACAD), and Alexandria Businessmen Association (ABA). YEP's main objectives include:

- fostering youth economic empowerment across the MENA region, through the dissemination of proven microfinance/MSME approaches adapted to the economic profiles of young people;
- contributing to the strengthening of non-governmental microfinance institutions' capacities and improving their support services in targeting youth (for existing and start-up business owners).

The specific goal of the project is that the three MFIs in Egypt, Lebanon and the Palestinian territories will offer sustainable, adapted and quality **non-financial services to 3,030 youth aged 18 to 30 years** to start or reinforce business initiatives by the end of the project in 2015. Additionally, **1,905 of these youth will have received loans**.

In order to achieve these results, PlaNet Finance is supporting the MFIs in developing sustainable business models for youth financial services, and in launching financial and non-financial services for the youth market in the respective countries. This includes targeting three Governorates in Egypt, five Governorates in Lebanon, and all of the West Bank cities (except Ramallah and Hebron) in the Palestinian Territories.

81 O'Sullivan, Anthony, Marie-Estelle Rey and Jorge Galvez Mendez. Opportunities and Challenges in the MENA Region. OECD. http://www.oecd.org/mena/49036903.pdf.

Additionally, specific business sectors were identified in each country based on the current composition of youth in the sector or the potential for growth. They include trade, services, manufacturing, and small industry sectors in Lebanon; agriculture in Palestine; and small manufacturing in Egypt. Finally, the project aims to encourage learning and exchange within the region so that the MFI's programs may provide a model for replication in neighboring countries.

THE CASE OF YEP LOCAL PARTNER: AL MAJMOUA – THE LEBANESE ASSOCIATION FOR DEVELOPMENT

Al Majmoua is a non-profit microfinance institution that has been operating in Lebanon for the past 20 years. It operates as a non-governmental organization and has been registered since 1997 with the Lebanese Ministry of Interior. Today, Al Majmoua has more than 280 employees, a head office in Beirut, 22 branches reaching across Lebanon and 3 Regional Livelihoods, Training and Employment Centers, which are supported through a project with UNHCR.

Table 1. Scope of Al Majmoua's Activities in Lebanon

Al Majmoua Institutional Data (as of 31 October 2014)		
Total outstanding loans	47,691	
Gross loan portfolio	USD $40 million	
Average loan balance	USD $839	
Portfolio-at-Risk	0.8%	
Operational Self-Sufficiency	168%	
Al Majmoua Regional Scope		
22 branches in Lebanon	Beirut & Mount Lebanon (9)	Barbir, Tayouneh, Burj, Hay El Sellom, Choueifat, Aley, Chouf, Dawra, Metn
	South Lebanon (8)	Saida, Ain El Helwe, Sarafand, Tyre, Qana, Nabatieh, Marjayoun, Bint Jbeil
	Bekaa (4)	Al Ain, Baalbeck, Chtaura, Jeb Jennin
	North Lebanon (1)	Tripoli
3 Regional Livelihoods, Training and Employment Centers	Mount Lebanon	Baysour
	Bekaa	Ferzol
	North Lebanon	Anfeh

In Lebanon, the legal minimum age to obtain a loan or a savings account is 18 years. Al Majmoua offers financial and non-financial services to a diverse range of clients within Lebanon, including different genders, nationalities, social statuses (i.e. refugees), as well as those in rural and urban areas. As of October 2014, the MFI has 47,691 active borrowers and, since 2006, more than 20,000 individuals have benefited from Al Majmoua's non-financial services, including women and youth, borrowers or non-borrowers, Lebanese citizens and foreigners. Non-financial services (NFS) are an integral part of Al Majmoua's organizational strategy and have been institutionalized in the form of a dedicated department at the head office that collaborates with loan officers and other field staff to provide NFS. Since 2013, it has directly financed part of these operations. Al Majmoua provides NFS across Lebanon, including Palestinian refugee camps, through its branches, the Regional Livelihoods, Training and Employment Centers, and local partners.

Table 2. Overview of Al Majmoua Financial Services

Group Loans	Group loans target women entrepreneurs and workers whose salary is not high enough for a traditional loan. No collateral for the group loan is required and the group solidarity is considered a guarantee. Loan Size: USD $200 - $2,000 Loan Term: 6 - 12 months
Micro-Entrepreneur Loans	This loan targets owners of existing micro-businesses and in some cases also start-up businesses. In underprivileged areas in the South of Lebanon, these loans are disbursed in Lebanese Pounds as well. Loan Size: USD $300 - $6,500 Loan Term: 6 - 24 months
Worker Loans	This loan targets people who are employed and are either not registered in the National Social Security Fund (NSSF) or their salary is not sufficient to receive a loan from a bank. In underprivileged areas in the South of Lebanon, these loans are disbursed in Lebanese Pounds as well. Loan Size: USD $300 - $3,000 Loan Term: 6 - 18 months
Small and Medium Enterprise (SME) Loans	These loans target owners of existing or start-up small and medium businesses. Loan Size: existing SMEs (USD $6,600 - $20,000), start-ups (USD $6,600 - $10,000) Loan Term: 9 - 36 months
Home Improvement Loans	This loan is directed to low-income individuals wanting to fix or improve their houses. Loan Size: USD $500 - $7,000 Loan Term: 9 - 36 months
Information and Communication Technology (ICT) Loans	This loan targets entrepreneurs with existing or start-up businesses in the ICT sector located in rural areas. Loan Size: USD $500 - $10,000 Loan Term: 6 - 24 months

Back to School Loans	This loan is provided to the spouses of Al Majmoua's existing clients who have a good repayment history to pay for their children's school expenses. Loan Size: USD $300 - $500 Loan Term: 6 - 12 months
Damej Loan	This loan is provided to individuals with special needs with existing or start-up businesses; or to their parents on condition that the loan directly benefits the individual with special needs. "Damej" is the Arabic word for "inclusion". Loan Size: USD $300 - $20,000 Loan Term: 6 - 36 months
Bitakati discount card	A discount card valid in over 1,000 shops, doctor clinics, pharmacies, beauty salons, supermarkets, etc. and offered to new and existing female clients upon loan disbursement. "Bitakati" is the Arabic word for "my card". Discount range: 10% - 50% Validity: up to the client's loan maturity

Table 3: Overview of Al Majmoua Non-financial Services (*unless indicated, these services are provided to adults and youth unvaryingly)

Business Development Services	This service offers beneficiaries various types of training and tools for their business and personal use. 1. Business management trainings on topics including: entrepreneurship, market research, SWOT analysis, business planning, management, marketing, promotion and legal registration. 2. Financial education training to manage debt, create a personal budget and plan savings. 3. Vocational training which offers technical trainings to introduce beneficiaries to new types of income-generating activities. 4. Individual in-depth business diagnostics with co-development and implementation of short-term business action plans. 5. Youth entrepreneurship program which offers leadership, entrepreneurship and business creation coaching. 6. Support in preparing for the job market and securing gainful employment.
Product Quality Improvement and Marketing	1. This is a service for business owners to support product quality improvement and control through awareness sessions on food quality, hygiene and Hazard Analysis Critical Control Point (HACCP) – designed specifically for food and agri-business micro-entrepreneurs. 2. Additionally, the service includes group trips to wholesale suppliers allowing clients to purchase raw materials at discounted prices. 3. Finally, Al Majmoua provides marketing and commercialization support services including assistance in designing basic market research, product labelling and packaging and organization of fairs and exhibitions to provide direct sales channels and larger market outreach

Personal Development	1. Personal development training sessions aim to improve the community awareness of socio-economic issues and includes sessions on gender awareness, economic rights for women, communication, self-confidence, decision-making and household budget management. 2. Al Majmoua organizes awareness sessions on a broad range of topics including child rights, parent-child relations, domestic violence, and health prevention. 3. Networking events for female beneficiaries in regional forums enable them to exchange experiences and know-how, expand their network, and gain self-confidence and motivation to pursue their goals.
Provision of Toolkit and Equipment	Toolkits focus on post-conflict recovery and offer clients emergency toolkits, business toolkits and client-targeted solutions.

AL MAJMOUA'S YOUTH PROGRAM

Al Majmoua has always provided loans and non-financial services to youth (18 to 30 years old). At the end of 2014, 32 percent (15,518) of Al Majmoua's active borrowers and 38 percent (4,953) of its NFS beneficiaries were youth. However, the loans and NFS provided to the youth were not strictly designed for their needs. In the past, there was a specific program provided to the youth to improve their leadership, entrepreneurship and business development skills. In 2012, Al Majmoua formalized its social performance management framework and consequently, identified and defined its target clients to include youth. As part of the commitment to the Client Protection Principles, Al Majmoua is dedicated to designing products and services that are appropriate for clients and serve their specific needs.

In preparation of the program design, Al Majmoua conducted the necessary qualitative and quantitative research in regard to youth clients, in order to identify their needs and preferences, with respect to financial and non-financial services. Al Majmoua, with the help of PlaNet Finance, conducted a total of 228 surveys with youth clients in the five governorates of Beirut, Mount Lebanon, Bekaa, South Lebanon and Nabatieh. The respondents consisted of 30 female micro-entrepreneurs and 89 male micro-entrepreneurs and 48 female workers and 61 male workers. The questionnaire allowed for the retrieval of quantitative feedback from clients. Qualitative feedback was received from clients through four focus group discussions with entrepreneur clients (2 female and 2 male groups). The NFS trainings were designed and adapted based on the participants' profiles and levels of experience and knowledge.

In February 2013, Al Majmoua publicly launched Yalla Shabab, in collaboration with PlaNet Finance, which is the Arabic term for "Let's Go, Youth." This was done in the frame of the regional Youth Entrepreneurship Project (YEP) to reinforce the capacities of local institutions. YEP offers the youth population comprehensive microfinance services with preferential conditions, along with support and coaching services to create an enabling environment for investment in economic opportunities. Yalla Shabab is offered in five of Lebanon's governorates (Beirut, Mount Lebanon, Nabatieh, South Lebanon, and Bekaa) and is being piloted through 17 of the MFI's branches, excluding North Lebanon due to the tenuous security situation.

The Yalla Shabab program offers sustainable, adapted, and quality financial and non-financial services to 530 Lebanese and Palestinian youth, between the ages of 18 to 30 years, 50% of which are female. The objective of the program is to support young people in starting and/or strengthening business initiatives, with a focus on productive and sustainable strategies. In addition to targeting youth, PlaNet Finance and Al Majmoua identified four priority sectors for youth based on their existing participation in the sector or the potential for growth. These included trade, services, manufacturing, and small industries (typically referring to home-based activities, such as tailoring/sewing, catering, and production of handicrafts and accessories).

In order to provide targeted services, the youth clients were segmented according to the stages of their businesses: micro-entrepreneurs with existing businesses, workers wanting to establish their own businesses, and recent graduates. Following objectives were stated for each client category:

1. 240 micro-entrepreneurs with existing businesses (active and potential borrowers);
2. 100 workers wanting to establish their own businesses (active and potential borrowers);
3. 190 recent graduates (potential borrowers).

Objectives	Results as of October 2014
At least 240 existing youth micro-entrepreneurs will receive non-financial and financial services.	As of October 2014, 26 youth have benefited from financial services through Yalla Shabab.
At least 100 workers wanting to establish their own businesses will receive non-financial and financial services.	
At least 190 recent graduates will receive non-financial services and at least 15 are targeted to receive financial services.	As of October 2014, 89 youth have benefited from non-financial services through Yalla Shabab.
By the end of 2015 a total of 530 beneficiaries will receive non-financial services and a total of 355 beneficiaries will receive financial services.	

Al Majmoua recognizes the importance of systematically incorporating the youth program in its operations. As such, the institution made several adjustments to its products and services to meet the needs of its youth clientele. These changes include (a) modifications to loan products and lending procedures; (b) adaptation of specialized Business Development Services (BDS), including the "Start Your Own Business" training and financial education training modules; (c) updating its monitoring and evaluation (M&E) indicators; (d) development of pre and post-training evaluations; (e) streamlining the use of monitoring workbooks (set of indicators verified by visiting the clients to review their level of savings, bookkeeping/accounting, management attitude, etc.); and (f) updating its Management Information System (MIS) to correspond to the product's specifications.

YEP Tools

Monitoring workbook

After client trainings, MFIs are encouraged to conduct follow-up and support activities to help the beneficiaries of the training use the skills they obtained in their day-to-day life and ensure they are used with efficiency in order to better manage their income-generating activities. This activity is carried out by loan analysts specifically trained on the follow-up/support tools and strategies. Putting in place a monitoring system is essential to ensure the sustainability of the knowledge acquired during the training. If trainees do not practice the knowledge they have learned immediately after training, the project impact is heavily reduced.

At the time of follow-up, loan analysts/trainers meet beneficiaries at their workplaces in order to:

- Discuss relevant financial education topics
- Check the accounting workbook
- Analyze, evaluate and complete the use of the knowledge acquired during training
- Identify challenges and solve them on the spot through an exchange with the beneficiary

Accounting workbook

A majority of micro-entrepreneurs do not track their financial transactions. Due to their lack of accounting skills, it is often difficult for them to provide information about their income and expenses. Generally, they are not able to accurately assess the profitability of their business. Moreover, the lack of accounting data makes it difficult to manage relationships with customers, suppliers, employees, etc.

Micro-entrepreneurs do not usually need a complex system of accounting. An introduction to bookkeeping, and on how to produce and record relevant information, could enable them to attain a sufficient level of understanding and professionalism. After completion of the trainings they receive a simplified accounting manual. It details an introduction to accounting basics and provides simple tools. It does not aim to train clients to become accountants, but rather seeks to help micro-entrepreneurs assess the profitability of their operations.

The accounting workbook is designed in this context to assist micro-entrepreneurs who want to keep a simplified accounting system for the development of their activities. The accounting workbook is checked, analyzed and discussed with the loan analyst or trainer during each visit.

The preparation phase included identifying the staff involved in the project from the Research & Development, Operations and NFS departments, and setting up a project committee. There were approximately 30 loan officers, 4 senior managers and 14 non-financial services and training staff involved in Yalla Shabab. Also, preparation required developing materials and tools including a prototype identifying the client segment, the loan application procedure and requirements, marketing materials, financial and non-financial services' manual, etc.

The second phase of the project started in August 2014 with a Training of Trainers (TOT) for vocational school teachers. Two trainings were developed on "Start Your Own Business" and financial education. Al Majmoua previously worked with two of the selected vocational centers which were chosen based on their location, being gender-representative, diverse in educational sectors (technical schools), matching the four priority sectors identified (trade, services, manufacturing, small industries), and willingness to participate and contribute to the program. By October 2014, within the pilot phase, six teachers in one of the local partnering vocational schools were qualified for these trainings through the TOT, and further trainings at the other partner centers had been planned.

In September 2014, Al Majmoua and PlaNet Finance launched the pilot phase for the delivery of financial and non-financial services, which ran until January 2015. Within Yalla Shabab, financial services are provided with varying characteristics and conditions depending on the client's business status, needs and potential risks. The most important features in contrast to other products offered, are that the youth loans are offered with complimentary non-financial services and with a grace period, plus the provision of startup opportunities for young people who do not have previous experience. In order to promote entrepreneurship, Al Majmoua is especially targeting workers aiming to start their own businesses.

Table 4: Description of Yalla Shabab's Terms & Conditions Segregated by Beneficiary Categories

Beneficiary categories	MICRO-ENTREPRENEUR WITH EXISTING BUSINESS		EXPERIENCED WORKER OR MICRO-ENTREPRENEUR WITH START-UP BUSINESS		RECENT GRADUATES
Beneficiary type	Existing borrowers	Potential borrowers	Existing borrowers	Potential borrowers	Potential borrowers
Purpose of loan	Developing existing micro-business	Developing existing micro-business	Start-up of a new micro-business	Start-up of a new micro-business	Start-up of a new micro-business
Experience type	Owner of a micro-business wanting to develop it	Owner of a micro-business wanting to develop it	Technician wanting to start a business (at least 1 year work experience) Worker wanting to start a business	Technician wanting to start a business	Recent graduate with professional, vocational, or technical experience wanting to start a business
Requirements for existing clients	Existing borrower in at least his 2nd loan cycle with Al Majmoua with excellent repayment history (accepted overdue = 1 day on average)	N/A	Existing borrower in at least his 2nd loan cycle with Al Majmoua with excellent repayment history (accepted overdue = 1 day on average)	N/A	N/A
Start-up capital requirement	N/A	N/A	25% of the start-up capital	25% of the start-up capital	25% of the start-up capital

Guarantees	Same as the previous loan's guarantee Personal guarantor (employee, military/ member of national security forces)		Personal guarantor (employee, military/ member of national security forces)		Same as the previous loan's guarantee Personal guarantor (employee, military/member of national security forces)		Personal guarantor (employee, military/ member of national security forces)		Personal guarantor (employee, military/ member of national security forces)	
Required documents	Lebanese: ID card or personal registry or passport Palestinian: proof of nationality certificate or refugee ID or passport									
Other documents	Commitment to train start-up clients (accept startup clients as trainees in their business so they have access to on-the-job training)				Training attendance form Feasibility study for startup business				Training attendance form Feasibility study for startup business	
Use of loan	Fixed assets	Working capital	Fixed assets	Working capital	Fixed assets	Working capital	Fixed assets	Working capital	Fixed assets	Working capital
Loan term (months)	6 – 24	6 – 12	6 – 18	6 – 12	6 – 18	6 – 12	6 – 18	6 – 12	6 – 18	6 – 12
Loan amount (USD)	$700 – $5,000		$700 – $3,000		$700 – $3,000		$700 – $3,000		$700 – $3,000	
Repayment frequency	Monthly									
Grace period	1 month									
Non-Financial Services (NFS) provided	1- *Debt management & savings* 2- *Banking advantages & services*				1- *Bookkeeping + costing & pricing* 2- *Marketing & promotion* 3- *Operational plan /feasibility study*				1- *Youth entrepreneurship* 2- *Bookkeeping + costing & pricing* 3- *Marketing & promotion* 4- *Financial negotiation & selling skills* 5- *Operational plan / feasibility study*	
Description of non-financial services	Duration = 6 hours Topic (1) is given directly before disbursement while topic (2) is given during the loan				Duration = 16 hours Topics (1) & (3) are given before loan approval while topic (2) is given during the loan				Duration = 24 hours Given before loan approval	

Before giving out loans, Al Majmoua's loan officers conduct a thorough financial capacity analysis for every client, whereby the client's monthly expenses, income (as well as savings), and profits are analyzed in order to assess his ability to repay. For startups, Al Majmoua requires the startup client to have a clear feasibility study for his business. In the YEP project, Al Majmoua helps the youth client work on his/her feasibility study through its NFS training program.

In the first two months of the Yalla Shabab program until the end of October 2014, Al Majmoua has provided 26 micro-loans with a portfolio of USD $41,209 and a PAR of 0% (data retrieved from Al Majmoua MIS).

- 23 micro-entrepreneurs with existing businesses
- 3 micro-entrepreneurs with startups
- 5 females all of which were micro-entrepreneurs with existing businesses
- No workers or graduates yet at that date

In addition to adapted loan products, Yalla Shabab offers business development services including financial education and "Start Your Own Business" (SYOB) modules, which are necessary for strengthening existing businesses and/or starting new ones. The modules are taught at two levels: the advanced level for existing micro-entrepreneurs and the beginner level for start-ups (as detailed in the table above). In addition, Al Majmoua provides Training of Trainers (TOT) for vocational centre instructors and school teachers on the SYOB module, to enable them in providing entrepreneurship orientation to their students and youth vocational workers. The goal of the TOT approach is to build the capacities of the vocational training centres and to ensure sustainability after the end of the project through the increase of qualified trainers that are able to support and promote youth entrepreneurship. In the long term, the idea is to advocate within the Ministry of Education for the introduction of entrepreneurship training in all Lebanese vocational school curricula.

The partnerships with PlaNet Finance, as well as the indirect partnership with the EU, are very important for Al Majmoua. Apart from the financial support, they benefit from technical assistance and feedback on implementing the project in the most effective and efficient manner. Al Majmoua also gains from the opportunity to network and share knowledge across countries to enhance know-how through learning from other institutions' challenges and experiences. Another benefit is the valuable exposure to the European financial inclusion community when executing projects and programs through such partnerships.

SCALABILITY, SUSTAINABILITY AND REPLICABILITY

Since the project is still within the pilot phase, it is too early to analyze the outcome, however the design and program approach offer a high potential for scalability. Al Majmoua has vast experience in the development, management and delivery of financial services, with a dedicated Research and Development (R&D) Department responsible for product conception and design, and a specialized Non-Financial Services Department. In order to ensure institutional commitment, the program design tasks for Yalla Shabab were distributed among the relevant staff from these departments along with Operations Department staff. This includes the Operations Manager, Field Coordinator (overseeing multiple branches), and loan officers who have years of experience in the field interacting with clients from different age groups, nationalities and demographics. The program design was revised and finalized through project committee meetings, which involved representatives from the departments.

Financial education can benefit microfinance clients by equipping them with the skills and knowledge to better manage their money, more effectively use the financial services available to them, achieve financial goals and demand higher quality in the products and services they seek from financial institutions. More specifically, financial education enables clients to gain the capacity to fully understand their loan agreements and budget, and to save properly and adhere to their budgets so that they are better equipped to repay their loans on time. Additionally, microfinance institutions can achieve higher loan repayment rates and scale back on expenses related to loan collections. With a stronger loan portfolio and less collection expenses, microfinance partners (MFPs) can lower their operating costs, which may result in a lower cost for clients. As a result, MFPs can increase the depth of their social impact and the extent of their outreach. Furthermore, microfinance institutions that administer financial education programs could use them as marketing tools to attract more clients, build client loyalty and improve their products and services in the process.

With respect to financial services and lending (not restricted to YEP), Al Majmoua is a sustainable organization improving its efficiency over time that achieved sustainability in 2004. Since then the main source of finance is its private revolving fund, which also applies to the youth financial services. As to non-financial services (NFS), Al Majmoua has been providing these services free of charge and thus they are not a “productive” product for the institution. Therefore, the non-financial services are still dependent on outside funding and these services are project-based. However, Al Majmoua has been working on developing a strategy in order to continuously provide NFS independent of projects and grants. This started in 2013 when Al Majmoua started applying a target restriction of 3,000 NFS beneficiaries every year to be financed from Al Majmoua’s financial services revenues. With respect to NFS within the Yalla Shabab youth program, the services are being co-financed by the European Union and the PlaNet Finance Foundation through the YEP project.

ACHIEVEMENTS, CHALLENGES AND LESSONS LEARNED

ACHIEVEMENTS

Within the first year of the preparation phase and the first two months of the pilot phase, the Yalla Shabab program achievements include:

- *Provision of TOT for 15 Al Majmoua loan officers;*
- *Provision of TOT for 6 teachers at one of the partnering vocational schools;*
- *Loan product training for Al Majmoua loan officers who offer the youth product;*
- *Loan product development and piloting;*
- *Design and production of the youth loan's promotional brochures;*
- *Training summer camp on the SYOB curriculum for 89 recent graduates.*

CHALLENGES

The unstable security situation all over Lebanon has its repercussions and continues to create challenges for Al Majmoua. However, years of professional and personal experience handling the security situation means the staff are aware of safety procedures and how best to work with clients. Of course the security situation also affects the MFI procedures, but Al Majmoua has adapted appropriate procedures to mitigate risks and still serve clients in times of need.

The partnerships with public vocational schools were another challenge, which took more effort and time to finalize than initially planned due to the schools' low motivation to change their programs and add extracurricular activities. Additionally, vocational schools are restricted in their educational programs, which have to be delivered and completed within the educational year. Consequently, Al Majmoua adapted the youth training program to be delivered in 2 hours per week per school, over a longer duration.

Another challenge experienced was from the teachers themselves, particularly with regards to understanding and valuing the new learning approach proposed in the Training of Trainers (TOTs). This involved a dynamic, active learning methodology, which contrasted with the traditional academic class approach. In order to ensure that a maximum amount of schools and young people would participate in the program, Al Majmoua decided to widen its network of partners and therefore increase the number of schools that would adopt the training curriculum. Another method Al Majmoua employed was to increase the efforts in motivating vocational schools to allow the application of the youth program in their classes. This was done by offering extra trainings for their employees based on their needs and to boost teacher support for the training.

Finally, start-up loans are very risky as there are many variables which contribute to the success of a start-up business. In order to mitigate this problem, Al Majmoua identified the possible risks from the clients' and the institutions' perspective, and implemented risk management strategies including the non-financial services. Existing clients who request Yalla Shabab loans are able to take the loan with the same guarantee as their current loan. On the other hand, new Al Majmoua clients requesting a Yalla Shabab loan require a personal guarantor to decrease the risk of default. Loans for start-up businesses require the client to provide 25 per cent of the start-up business cost, a feasibility study so that Al Majmoua can evaluate the viability of the business before providing the loan and at least 1 year of business experience (whether working in their own business or employed). This restriction ensures the success of their start-up and reduces the risk of failure, which would be higher if they had no experience at all. From Al Majmoua's experience thus far, a proper risk management system is key to mitigating both the institutional and client's vulnerability, especially concerning the new loan products for startup businesses.

By the end of January 2015, the Yalla Shabab program has trained a total of 160 youth on Start Your Own Business and Financial Education. The program has disbursed 77 loans, amounting to USD $165,000 with a USD $2,136 average loan size. In addition, memorandums of understanding have been signed with three local vocational training institutions.

INSTITUTION CONTACT

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I AM SAVING - LESSONS LEARNED FROM IMPLEMENTATION OF INTEGRATED SAVINGS SERVICES AND FINANCIAL EDUCATION FOR TWO ECUADORIAN CREDIT UNIONS

Written by: Bobbi Gray[82], Amelia Kuklewicz, Christian Loupeda, Rocio Chavez

INTRODUCTION

Freedom from Hunger launched the *Advancing Integrated Microfinance for Youth (AIM Youth)* initiative in December 2009 to improve the ability of youth, living in poverty, to access and utilize financial services as a way of enhancing their future economic opportunities. To this end, Freedom from Hunger partnered with four credit unions in Ecuador (Cooperativa San José, Cooperativa San Miguel de los Bancos, Cooperativa Cooprogreso and Cooperativa Santa Ana) to test an approach for integrating financial services and education for young people aged 13 to 24 years old. This case study focuses on both Cooperativa San José and Cooperativa Cooprogreso due to the amount of available documentation, including client impact and costing data, which allows for a rich understanding of the benefits, costs and challenges of integrating financial and nonfinancial services for youth in Ecuador. This case study also draws heavily on several publications developed by Freedom from Hunger, which are highlighted in the references section.

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INSTITUTIONAL BACKGROUND

Cooperativa de Ahorro y Crédito Cooprogreso Ltda. (hereafter: Cooprogreso) and Cooperativa de Ahorro y Crédito San José (hereafter: San José) both have a long history of providing financial services in Ecuador. Cooprogreso, headquartered outside the national capital Quito in Pomasqui, has served the provinces of Guayas, Manabí, Pichincha and Santo Domingo de los Tsachilas for the past 50 years. San José, located in San José de Chimbo in the Province of Bolivar, has served the provinces of Bolivar, Los Rios and Pichincha for the past 47 years. Table 1 summarizes key institutional information for both credit unions.

Table 1. Institutional Data

	Cooprogreso	San José
Type of institution	Credit Union	Credit Union
Number of years in operation	50 years	47 years
Provinces served in Ecuador	Pichincha, Santo Domingo de los Tsachilas, Guayas, Manabí	Bolivar, Los Rios and Pichincha
Number of branches	23	7
Financial services offered	• Microcredit (both individual and group-based) o business, automobile , education, consumption, SME, home loans • Savings o Voluntary and compulsory o Fixed term deposits o Youth and other special savings • Insurance o Compulsory credit-life* o Voluntary life o Voluntary health • Other o Remittance and salary-processing services o Debit/credit cards o Mobile banking o Internet banking	• Microcredit (both individual and group-based): o business, agriculture, home, and consumption • Savings o Voluntary and compulsory o Fixed term deposits o Youth and other special savings • Insurance o Compulsory credit-life* o Voluntary life • Other o Remittance and salary-processing services o Debit/credit cards o Mobile banking

Nonfinancial services	• Business education • Financial education • Youth financial education • Health/nutrition education • Basic medical services • Leadership training for women • Credit union membership	• Business education • Financial education • Youth financial education • Women's rights education • Credit union membership
Number of active borrowers[83]	40,327	13,375
Number of active savers	86,834	35,650
Number of loans outstanding	43,020	14,003
Number of savings accounts	87,274	41,747
Gross loan portfolio	USD $199.7 million	USD $61.7 million
Average loan balance per borrower	USD $4,953	USD $4,617
Total deposits	USD $189.6 million	USD $62.0 million
Average deposit account balance	2,173	1,485
Operational self-sufficiency	105.73%	113.64%
Portfolio at risk (30 days)	4.61%	2.39%
Number of staff	476	115

**Credit-life is obligatory insurance that covers the client's remaining loan amount in case of his/her death.*

Cooprogreso, through its partnership with Freedom from Hunger, began offering integrated financial and nonfinancial education services to its members in 2003. In addition to their own financial service products, they began offering Credit with Education, which integrated village banking and business education. As time progressed, the program has grown to include financial, health and nutrition education as well. Through Credit with Education, the same field agent that facilitates the village banking methodology also provides the education sessions during regularly scheduled meetings. As of December 2013, 2,000 members of Cooprogreso were receiving Credit with Education. Health "brigades" are also organized, consisting of health events that offer clients basic health services and health education. Additionally, Cooprogreso is also currently testing a credit card that can be used to pay for healthcare expenses. Similarly, prior to the initiation of the AIM Youth program in 2009, San José began

83 The financial data provided is data reported for the period ending December 31, 2013 even though some newer data has been provided on the MIX Market. This data point was chosen because it corresponds with others that will be used in this report regarding the youth program. Please see http://www.mixmarket.org/es/mfi/cooprogreso and http://www.mixmarket.org/mfi/coac-san-jos%C3%A9/report.

offering nonfinancial services focusing on business education through its partnership with Freedom from Hunger. As of December 2013, 1,150 adult credit union members of San José were receiving Credit with Education. Both organizations also now offer youth financial education services, which will be further examined below.

YOUTH PROGRAM DESCRIPTION

Freedom from Hunger launched the AIM Youth program in December of 2009 with support from The MasterCard Foundation. The overarching goal of this program was to improve the socio-financial capability of youth between the ages of 13 and 24 years. Socio-financial capability for the program was assessed through such indicators as savings amounts, the existence of a savings goal, and having emergency savings. The short-term objectives of the program were to improve the ability of young people to deal with life-cycle events while enhancing their self-confidence, social capital, knowledge, attitudes and behaviours regarding money management, through the provision of financial services and financial education.

Cooprogreso and San José joined the AIM Youth program because of their long-standing commitment to their social missions of serving the poor and underserved populations. Both saw serving youth as a central part of their organizational missions. In addition, San José and Cooprogreso considered that serving youth was in line with their corporate social responsibility and also intended to pursue youth savings as part of a strategic decision to potentially drive up savings balances as a source of funds. Additionally, they saw this as a way to attract a youth clientele they could potentially serve throughout the different phases of their lives. Both credit unions had child savings accounts that were primarily promoted to parents of children under 18 years of age. Also, youth over the age of 18 were already technically being served by the full spectrum of "adult" financial services, which are outlined in Table 1.

Freedom from Hunger and its partners chose to prioritize savings and financial education as a starting point for young people. This was due to the fact that savings are accessible to all youth, in the targeted age range of 13 to 24 year olds, whereas credit is limited to youth that are 18 years old or more. Savings are also the easiest financial products that can be made accessible and are relevant to youth who were less likely to be engaged in livelihood generating activities that require credit because they are still in school. While a youth-focused loan was not entirely ruled out for eligible youth, there was insufficient time during the program to fully develop these products. Also, because of the program goal, it was seen as integrally important to develop a savings culture at a young age by giving youth the chance to practice saving with a product tailored specifically to their needs. The choice of financial education as the nonfinancial service to be integrated with the savings services was justified because they are both conceptually linked and mutually reinforcing. Financial education provides the building blocks that are necessary to help youth adopt the financial management behaviors that they must have in order to fully benefit from a savings product. While business education is mostly offered to older youth alongside financial services, financial education is appropriate for younger youth who are not yet engaged in starting and growing businesses. Because both credit unions were already serving men and women, they decided that any product design must also serve young girls and boys alike. Table 2 outlines the program descriptions and service details for both credit unions.

Table 2. Youth Program Descriptions

	Cooprogreso	San José
Name of youth program	Yo Soy or "I am"	Ahorrando Ando or "I am saving"
Launch year of youth services	2012	2011
Geographical location	Pichincha, Santo Domingo de los Tsáchilas, Guayas, Manabí	Bolívar, Los Ríos and Pichincha
Number of branches offering the services	23	7
Number of staff offering youth services	5	6
Percentage of staff time spent offering financial services to youth (by program end)	20%	20%

As it was one of the first organizations Freedom from Hunger approached for this program, San José had a one-year advantage for implementing their youth services. Cooprogreso started a year later in a second wave of AIM Youth partnerships. The institutions had similar strategies for launching their work with youth and mainstreaming youth services into their existing financial services for adults. San José initially deployed six staff and Cooprogreso deployed five staff to focus intensively on the youth services during the pilot. However, by the end of the project, these staff members reduced their time dedicated to youth-specific services to 20 percent, balancing their portfolio with a cross-section of all savings services offered by the credit union. As a result of this project, both Cooprogreso and San José have essentially developed "savings services teams" that offer all of the different savings products designed for children, youth and adults. Originally, the credit officers were also tasked with managing client savings accounts. Now, the savings services teams are tasked with the marketing and managing of all savings services while credit officers primarily focus primarily on credit services. In the future, any growth in the provision of savings services for youth will be supported by new hires in the savings services teams that offer youth and adult products alike.

YOUTH FINANCIAL SERVICES

Both Cooprogreso and San José chose to develop individual savings accounts (ISAs) for youth. These ISAs were designed for and promoted to youth—both girls and boys—between the ages of 13 and 24 years. It should be noted that youth under the age of 18 were required to be accompanied by an adult account holder in order to comply with national regulations. While youth under 18 could make deposits without adults, it was necessary for them to have an adult's assistance for making withdrawals. The credit unions were also required to classify youth account holders as non-voting clients of the credit union—as opposed to credit union members who have voting rights—enabling them to postpone the mandatory purchase of credit union membership until age 18. This distinction made the youth savings account more accessible for the younger cohort by lowering the minimum opening amount. However, for those aged 18 years and older, the membership requirement was maintained.

Table 3 summarizes key product design characteristics as well as product performance indicators as of September and December 2013. The credit unions required an initial deposit amount, but there were no maintenance fees and both earned interest on the savings between 2 and 4 percent annually. When data was collected in September 2013 for the client-level impact assessments, Cooprogreso and San José reported 1,828 and 2,788 youth, respectively, as holding ISAs. By December 2013, when a costing study was completed by both credit unions, the number of ISAs had decreased by 600 accounts for Cooprogreso and increased by almost 400 for San José. The decrease at Cooprogreso was due to the credit union a) closing down youth accounts that were initially opened but had never received the initial deposit of $5 and b) encouraging youth over the age of 18 to convert their youth account to a regular adult savings account so that they could become full members per several government regulations. This was done as opposed to encouraging the youth products, which would have kept them as youth "clients" under the AIM Youth program. On average, youth savings account balances averaged USD $178 and USD $142 for Cooprogreso and San José, respectively. The majority of these accounts where held by youth between the ages of 18 and 24 and equally represented by both sexes.

Table 3. Youth Individual Savings Account Characteristic and Project-End Performance

	Cooprogreso	San José
Terms and conditions	• Initial deposit of USD $5, subsequent deposits as small as USD $.01 • No maintenance fees or account closing fees • Interest rate of 2% annually earned • Benefits and prizes for opening an account and continuing to save	• Initial deposit of USD $11 for youth over age 18 and USD $2 for youth between ages 13 and 17 • No maintenance fees • Annual interest rate of 4% on savings • Additional benefit of life insurance provided by San José to all youth over the age of 18 with a savings account • Account converts to normal adult savings account once youth reach age of 25. • Benefits and prizes for opening an account and continuing to save
Performance Data as of September 2013		
Total number of savings account holders as of September 2013	1,828	2,788
Total number of youth receiving financial education	5,650	2,584
Percentage who are female	50%	57%
Percentage of account holders between the ages of 13 and 17	8%	10%
Percentage of account holders between the ages of 18 and 24	92%	90%
Performance Data as of December 2013		
Number of youth with savings account	1,210	3,124
Total balances in savings account	USD $216,155	USD $444,867
Average savings amount per youth	USD $178.64	USD $142.40

YOUTH NON-FINANCIAL SERVICES

Freedom from Hunger has been an advocate for integrating microfinance with nonfinancial services since the late 1980s and has pioneered various approaches to integrate adult- and dialogue-based education and health services. In 2007, Freedom from Hunger, in partnership with Reach India, designed and launched its first youth-focused education program in India called "Learning Games for Girls."[84] AIM Youth provided the opportunity to take the lessons from designing and implementing dialogue- and games-based education with young girls in India, to youth in Ecuador.

Freedom from Hunger's strategy for integrating financial and nonfinancial services typically starts with groups. Regular group meetings provide a platform for learning, mutual support and confidence building. Freedom from Hunger's dialogue-based training does not require members to be literate to participate and facilitates mutual learning within the group. Freedom from Hunger developed a now widely used and referenced framework to understand the options for integrated-service delivery (see Table 4).

Table 4. Options for Integrated Service Delivery

Type	Description
Unified	Financial and nonfinancial services are provided by the same staff of the same institution. For example, a field officer facilitates savings services as well as provides financial education.
Parallel	Distinct staff within the same institution provides different services. For example, a field officer facilitates the savings services and a trainer provides the financial education.
Linked	Two or more institutions provide different specialized services. For example, the credit union provides the financial services and a university team deploys students to provide the financial education.

While this framework is useful for considering options for providing integrated services, it is not rigid. Organizations can choose a hybrid model of these approaches depending on the products and services to be delivered, and potential organizations available for partnership. For the AIM Youth project, Freedom from Hunger, Cooprogreso and San José chose versions of the unified model to deliver both savings services and financial education. This was chosen to maximize the cost-effectiveness and sustainability of the youth services, and also because the synergy between financial education and financial services allows one staff person to handle both activities easily. As with any of models, there are trade-offs. While the unified model is the most cost-effective, a balance between various activities and staff time must be maintained. Staff

84 Freedom from Hunger, Learning Games for Girls in India: Research Brief, https://www.freedomfromhunger.org/sites/default/files/Learning_Games_for_Girls_in_India-_Research_Brief_Final.pdf.

should not become overloaded with responsibilities, and the model should be both sustainable and profitable at the same time. It is also necessary to monitor the quality of implementation, which can sometimes suffer because of the multi-tasking involved. One hybrid approach to delivering the education was tested by San José. San José partnered with the University of Bolívar where university students were trained and they in turn trained other students. While this provided San José with the opportunity to expand the delivery of education to youth between the ages of 18 and 24, the delivery of education by the university has not always been consistent since it relies on volunteerism of the student trainers.

To design the financial education curriculum for Ecuador, Freedom from Hunger drew from its experience in India and its experience developing a youth financial education module as part of the Global Financial Education Program. Freedom from Hunger tailored the content of financial education, with the support from market research conducted in Ecuador, and incorporated games and other interactive activities in order to engage youth on money management topics. This curriculum provided information on how to open and manage a savings account, distinguish between different places to save, and strategies for increasing one's savings. This model was later adjusted to include three new sessions on the mechanics of a savings account after a mid-term assessment revealed that youth needed to understand the basics of account opening, deposits and withdrawals.

Because both Cooprogreso and San José chose to develop ISAs, there was no natural group mechanism for the delivery of the financial education. Instead of manufacturing a group structure, both institutions chose to deliver the financial education through local middle and high schools, which had natural groupings of youth through existing classrooms. This effort required signed agreements, with all participating schools, to always provide space and time for the financial education.

Consequently, the youth that primarily participated in financial education were those between the ages of 13 and 17 years. Also, youth receiving financial education were not required to open a savings account; therefore, those who opened an account were not always those who had received the financial education. In fact, while financial education was primarily delivered to youth between ages 13 and 17 years, youth between ages 18 and 24 years were more likely to open a youth savings account. Youth between ages 13 and 17 years could open accounts with the support of a person over the age of 18, whereas youth 18 years and older could independently open an account.

As of September 2013, approximately 5,600 youth served by Cooprogreso had received financial education and 1,800 had opened savings accounts. At San José, approximately 2,600 had received financial education, and 2,800 had opened savings accounts.

MARKETING OF THE YOUTH PROGRAMS

Marketing costs represented more than 40 percent of the youth program costs for both credit unions. The marketing budget was quite substantial, but both credit unions found it necessary given the competitive environments in which they operated. Credit union staff offered information on how to open and manage a savings account as part of the financial education sessions facilitated through the schools. It was also during these financial education sessions that the youth could fulfill the requirements for opening an account and for making deposits. Apart from presenting financial education in the schools, the credit unions held some community-wide marketing campaigns. During special events, the credit unions gave promotional materials such as caps and t-shirts, and offered a variety of incentives to youth to open a savings account, including cell-phone airtime cards, flash drives, movie passes and discounts for local businesses and restaurants. There were also launch events with dancers and games and raffled savings accounts. The marketing for this program is continuous for school-aged youth and much more periodic for youth between the ages of 18 and 24.

PARTNERSHIPS

Partnership has played an important role in not only the expansion of integrated financial services, but also for learning. In addition to managing the project, Freedom from Hunger played a key technical role in the AIM Youth program. In its technical role, Freedom from Hunger led the market research process, including data-collection and analysis, and engaged partners in using the findings to inform the design of financial services and financial education. Freedom from Hunger developed the financial education module and trained partner field staff in facilitating the module. For the ISAs, Freedom from Hunger provided technical support for design and staff training. In addition, Freedom from Hunger led the research design, data-collection and analysis of the findings. Throughout project implementation, Freedom from Hunger engaged partners in a series of meetings to monitor and assess progress, identify lessons learned and discuss sustainability of the services.

Both credit unions also had to actively partner with various local middle and high schools in the provision of financial education. The schools were critical to the success of this project, as they helped coordinate the program delivery schedules and allowed for the facilitation of the savings services while youth were at school. In addition, San José's collaboration with the University of Bolivar helped expand the delivery of the financial education to older youth who were more likely to open their own savings accounts.

USE OF TECHNOLOGY

While the program did not intentionally set out to test or include technology, both credit unions adopted different technologies to facilitate the savings services and further promote the messages articulated in the financial education component. Cooprogreso was already providing ATM services to its adult clients. Its ATMs are available for youth over the age of 18 for a service fee of USD $0.50 per transaction. They also provide online access to one's account. Cooprogreso also tested SMS text messages on ways to encourage clients to increase their savings balances. These messages were sent to the youths' or their parents' phones. San José, like Cooprogreso, also had ATMs available for youth over the age of 18, but instead of text messages, they focused on facilitating the savings by equipping their field staff with PDAs to help youth make virtual deposits, either at the financial education sessions held at school, or while field staff were facilitating financial services with their parents.

SCALABILITY OF THE INTEGRATED YOUTH FINANCIAL SERVICES

Given that financial education and savings services were not always provided to the same youth, the scalability of the integrated youth financial services within this context is somewhat complicated. Cooprogreso had reached almost four times as many youth with financial education, compared to those who opened savings accounts, whereas San José had slightly more youth with accounts, than those who had received financial education.

When the program started, Freedom from Hunger set a goal of 15,000 accounts being opened by youth served by the four organizations in Ecuador (Cooperatives Cooprogreso, San José, San Miguel de los Bancos and Santa Ana) and it was assumed that all 15,000 would have received financial education. At the program end date, 6,441 accounts had been opened across all four organizations. Forty-six hundred (4,600) of those accounts were held by youth at Cooprogreso and San José, but not all youth with accounts had necessarily participated in the financial education component. Almost 13,000 youth across all four organizations had received financial education, which meant the target on financial education was almost met, but these youth did not always open a subsequent savings account. Ultimately, the target was not met by the program end date, which can be explained by the following:

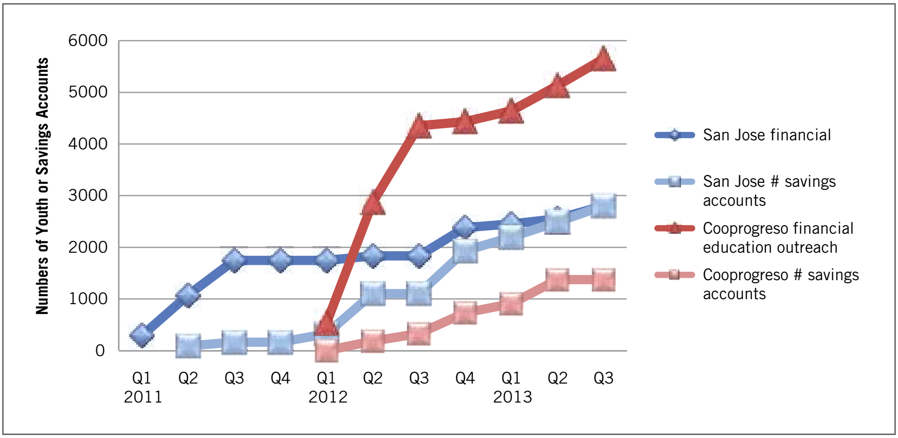
1. There was a time lag due to a revision in the initial partnership selection. Almost six months were lost due to straightening out this selection issue.
2. Initially, the financial education curriculum did not include logistical information on how to open and manage a savings account. Freedom from Hunger and the partners chose to de-link financial education that focused on general savings behaviors from

the product details, assuming the partners would market how to open and manage their specific savings account to the youth. It was quickly realized, however, that the curriculum needed to include the product details and how to open and manage each credit union's accounts in order to facilitate actual account take-up.

3. Financial education was delivered prior to offering the savings accounts, which also caused a time lag of about six months before certain youth could open an account.
4. Client outcomes research also suggested that youth needed more than financial education, such as a strong "trigger" or an immediate need, to encourage them to open an account. Youth with savings accounts by the end of the program period were most likely to share that they opened an account because they had received a scholarship, were saving for university costs, or had started work. This will be discussed further below.

A closer look at the growth trends for financial education versus savings account openings also offers some additional insights. Chart 1 shows growth in the number of youth who participated in the financial education sessions from March 2011 to September 2013, as well as growth in the number of savings accounts opened during that same period.

Chart 1. Growth in Financial Education Outreach and Youth Savings Accounts



A main trend to highlight from these charts is the strategy taken by San José. This credit union was one of the initial implementing partners that started offering services in early 2011. San José focused its efforts on facilitating the financial education component during the first year, but then slowed the amount of time devoted by field staff to the education. This shift allowed staff to focus on promoting the uptake and use of a savings account among the general population of the target communities. This strategy allowed them to significantly grow the uptake of their savings account. Similarly, Cooprogreso invested significant resources toward providing the education component, then shifted and began focusing on promoting the accounts.

Despite the lower than anticipated numbers, both credit unions hold fast to their commitment of providing these services over the long run based on three factors: 1) their commitment to their social mission, 2) they see youth as their future client base, and 3) because they actually saw the savings account balance as the most reliable measurement of scale. Both credit unions set a savings account target balance at a minimum USD $120 in order for them to see this as a viable product. At the end of the project, these average savings balances were actually between USD $140 and USD $170, making ISAs quite attractive. Also supporting the likelihood of scaling these products are the business models that have been chosen by both credit unions: using existing staff to provide both adult and youth products and partnering with schools to help as convening places for the provision of financial education.

SUSTAINABILITY OF THE YOUTH INTEGRATED FINANCIAL SERVICES

Ecuador has a mature and competitive microfinance market. Therefore, even very socially-oriented financial institutions must adopt business models based on increasing outreach and product diversification. While never expecting to reach full sustainability by the end of the project, and not expecting profitability of youth savings services alone, both credit unions were projected to at least breakeven in 2014 or 2015. There is also some emerging evidence of financial viability when an institution considers the profitability of the young account holders over the medium to long term (three to five years). Understanding the drivers for costs and revenues later helps explain the financial projects for profitability.

Costs

In terms of costs for delivering the youth services, the key categories include product development, salaries and benefits of the field agents, transportation, administration and marketing, investments in new technology (both hardware and software) and interest paid on youth savings accounts. In Ecuador, the largest expense was marketing of the services, which accounted for 40 percent of the overall cost.

Salary costs were marginal for both credit unions by the end of the program. Cooprogreso and San Jose originally hired new staff to focus solely on the youth services, but by the program end date, they had reduced the total amount of time spent only on youth, to 20 percent of their total time. Both relied on their partnerships with the schools to interact with youth for the delivery of the financial education component.

They also had relatively small interest expenses on the savings balances, which will become a significant amount of money as the number of accounts and the average savings balance continue to grow over time.

Revenues

There are no direct revenues on savings accounts; it is only through on-lending that credit unions earn revenue on the youth savings accounts. Both credit unions see the on-lending potential to other customers as well as through cross-selling to young depositors and their family members, resulting in eventual profits. The credit unions see on-lending as the fastest growing source for revenue. In fact, between 2012 and 2013, it is estimated that revenues doubled at Cooprogreso and multiplied six-fold at San José due to on-lending. It is, however, expected to grow at a relatively slower rate going forward. In addition to on-lending, cross-selling revenues derived from selling other financial products to youth and their relatives are expected to generate a fast-growing revenue stream through 2018 based on projections anticipated by the credit unions. By 2018, this revenue source is expected to reach 32 percent of the total revenue from youth products at Cooprogreso and 49 percent at San José.

Because of the on-lending and cross-selling revenues, the credit unions are expected to reach a break-even point for the offer of their youth savings account in 2014 or 2015. This has been a result of their delivery strategy, in which the staff members dedicate a fairly limited percentage of their time to financial education and a greater amount of time to promoting youth accounts as well as other products for adults. This is not necessarily a cross-selling strategy to reach adults through the youth (AIM Youth data suggests this might not be happening widely). Rather, it consists of allocating a greater portion of field staff time to products with better returns, which allows the financial institution to cross-subsidize its youth-related services in the short term. Please see Tables 5 and 6 for a summary of the profitability projections. The drop in profitability for Cooprogreso in 2017 is due to the management establishing an aggressive growth strategy for this year, which involves hiring additional staff and therefore incurring additional costs. Cooprogreso will certainly reconsider this strategy in light of the results' analysis.

Table 5. Cooprogreso's Youth Profitability Projections (USD)

	2012	2013	2014	2015	2016	2017	2018
Net Deficit/Surplus	($19,392)	($12,645)	$16,312	$27,427	$9,332	($6,971)	$2,072
Cumulative Deficit/ Surplus	($19,392)	($32,037)	($15,725)	$11,702	$21,034	$14,063	$16,135

Table 6. San José's Youth Profitability Projections (USD)

	2011	2012	2013	2014	2015	2016	2017	2018
Net Deficit/ Surplus	($29,243)	($17,176)	($8,100)	$36,159	$54,056	$65,883	$72,668	$76,099
Cumulative Deficit/ Surplus	($29,243)	($46,419)	($54,520)	($18,360)	$35,696	$101,579	$174,247	$250,347

Evidence from the client outcomes research shows that youth participating in the financial education sessions were saving 6.7 percent more than non-participants (USD $78 for participants vs. USD $73.10), a result that is statistically significant. Thus, an investment in financial education might contribute to greater savings accumulation and lead to more capable consumers of financial products now and in the future.

Combined, these elements contribute to the long-term viability of the services both in terms of financial feasibility and in meeting the long-term social objectives of the credit unions. The credit unions in Ecuador accept a lack of return on the investment in youth services in the short term because offering financial education has now become an integral part of their outreach strategy and part of their corporate social responsibility.

ACHIEVEMENTS, CHALLENGES AND LESSONS LEARNED

ACHIEVEMENTS

From a financial perspective alone, the projection that the credit unions would breakeven in three years after the initial offer of youth savings accounts, due to on-lending and cross-selling opportunities, is an achievement given that both launched this program without understanding whether a solid business case could be made to invest in youth-focused services.

From a social perspective, there were important achievements and changes in youth financial outcomes. The client outcomes research showed that youth who participated in the program, and received financial education with the option to open an ISA, reported improvements in: their total savings and emergency savings, satisfaction with their savings amounts and motivation to save.

Additionally, the credit unions have decided to keep the youth saving products even after the pilot with the financial education component ends. This is an important achievement that speaks to the organizational buy-in as well as the long-term potential that the organizations expect.

CHALLENGES

Original buy-in from Cooprogreso and San José was a challenge, despite the justification of the youth services primarily serving only their social mission. It was their commitment to their social mission that helped them stay the course through the pilot phase, allowing them to tolerate the long-term investment forecast that the provision of youth-focused products requires. However, as the final products and delivery processes were defined, and as the financial data began to support a clearer picture of the costs and possible revenue streams, both credit unions are now solidly committed to providing youth savings accounts and financial education. They are already exploring additional youth financial services and opportunities for cross-selling.

Cooprogreso and San José in the first phase of the project were very concerned about meeting the financial education delivery targets as defined by the program team, as this was the element that seemed the most challenging to achieve. As a result, there was a strong emphasis placed on facilitating the education component, and this focus had a slow-down effect on the ability of the financial institutions to open savings accounts. The credit unions were later able to rectify this approach, which did not seem sustainable, to achieve a better balance between the education component and the financial product.

While youth improved their financial knowledge and savings behaviors, not all youth who participated in the financial education component opened a savings account. Instead, many other youth from the community, those that did not receive financial education and whom were primarily over 18 years old, opened the youth savings accounts. The results suggest that financial education alone was likely successful in changing personal savings behaviors, attitudes, motivations and perceptions about one's financial situation, but not enough to overcome the challenges to accessing formal financial services or, indeed, motivating young people to open a formal savings account.

Even though the ISAs are affordable (low opening amounts, no fees) and accessible (accounts can be opened without visiting a branch), the accounts are not being accessed by younger youth (under legal age) possibly because young people wish to exclude their parents from being involved with their savings accounts. A regulatory environment that allows young people to open a savings account independent of their parents could result in greater account uptake. Also, as has already been mentioned, a clear need and demand for the savings account, for the purposes of saving income or saving for a specific need, such as for university costs, might also serve as a stronger trigger for opening the account.

Finally, while technology was never a key component of this project, finding ways to incorporate technology presented both challenges and opportunities. Unfortunately, there was not enough time in the program to fully explore the potential cost savings and the opportunities for delivering financial education messages and promoting the youth savings accounts through mobile technology. However, it was seen early on that the advantage of providing youth with the ability to make deposits without having to travel to an office offered tremendous opportunities for overcoming a key barrier to saving: the required cost of transportation and spent time on making deposits at a bank branch. This allowed some youth to form the habit of saving smaller amounts more frequently, whereas when youth did not have this service, they would wait to accumulate savings at home until they had a larger amount of savings that would justify the trip and time spent depositing at a branch.

LESSONS LEARNED

In summary, there are some important lessons to be learned from the experiences of the Cooprogreso and San José credit unions in Ecuador:

1. Financial education plays an important role in increasing motivation to save, which results in higher amounts of savings for youth, but it may not automatically lead to the opening of savings accounts.
2. Regulatory issues, such as the age at which young people can open and manage their own account, appear to play an important role in the scalability of youth financial services. Promoting access to savings accounts by younger youth might require changes to the regulatory environment that currently prevent youth under legal age from opening accounts autonomously.
3. Implementing a school-based strategy is labor and time intensive. The credit unions have had to negotiate individual agreements with each school. Even though Cooprogreso and San José have long and solid relationships in the communities where they work and have also previously invested in community-related events,

they were at times unable to reach an agreement. In areas with a highly competitive environment of financial institutions, as in Ecuador, a school director might feel uneasy favoring one financial institution over another. This must be considered when negotiating and managing partnerships with schools.

4. Technology offers some potential for greater and more efficient uptake of services. Technology appears to ease access to one's account and reduce costs for both the client and the institution. It can also serve to develop a "commitment," through savings reminders and serve as a marketing tool.
5. Marketing was costly but necessary since the credit unions chose to invest in collateral to be shared with youth, to promote the services as well as community-level promotional events. Cross-selling or bundling of services may be a more effective way to control marketing costs. For example, loans associated with savings (for youth older than 18) maybe be promoted and managed through the same field agent. Also, the credit unions might explore collaborating more with youth-support organizations and through existing youth networks.
6. Profitability of integrated services can take time to materialize and therefore requires commitment to a social mission and the willingness and financial capacity to take a long-term view.

In conclusion, the integration of savings services with financial education by Cooprogreso and San José resulted in improved knowledge, attitudes and savings behaviors among youth. The program also improved financial projections suggesting that on-lending and cross-selling potential for youth services will result not only in a break-even point in three years after the start of implementation, but also a profit in the following years. While Cooprogreso and San José have a commitment to their social mission and the willingness and financial capability to take a long-term view of promoting youth services, the client-level and institutional-level evidence provide a strong foundation for the future success of their integrated savings and financial education services for the youth of Ecuador.

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INVEST JEUNES - A FINANCIAL SOLUTION FOR YOUTH

Written by: Aissam ALAMINE

Hasna Arsalane, 25 years old who runs a hair salon

Aziz Afkirne, 23 years old who runs a diary shop

INTRODUCTION

Youth between the ages of 15 and 29 represent approximately 30 percent of the total population in Morocco and 44 percent of the working population.[85] This demographic suffers from a high unemployment rate, which often increases with the level of education obtained, indicating that the most educated are also the most likely to be unemployed.

As the result of a drive to target populations traditionally excluded from the financial system, 17 percent of INMAA's current loan portfolio is comprised of youth. It was initially thought that this age group would be riskier to engage than adults, but following analyses carried out in collaboration with MEDA[86], it was demonstrated that the Portfolio-at-Risk (PAR) rate for youth is almost identical to the PAR for adults in the portfolio.

INMAA INSTITUTIONAL INFORMATION

INMAA (Institution Marocaine d'Appui à la microentreprise) is a non-profit microcredit association (AMC- Association de Microcredit) specializing in microcredit. The institution

85 Harris School of Public Policy at the University of Chicago, "Youth Transition to the Labour Market in Morocco," May 2014, p. 8, http://harris.uchicago.edu/sites/default/files/2014%20Morocco%20IPP%20Paper_0.pdf

86 MEDA : Mennonite Economic Development Associates – an international economic development organisation whose mission is to create business solutions to poverty.

is governed by the Moroccan Law of Associations and the regulatory law 18-97 that regulates the microcredit sector. The organisation was founded in 1999 at the behest of AMSED (Association Marocaine de solidarité et de développement).

INMAA shares data with the MIX Market and is audited annually by a professional auditing company. The last financial and social rating of the institution was delivered in 2013.

INMAA operates across 7 regions in Morocco through a network of 25 offices. The institution's figures at the end of September 2013 are summarized in Table 1.

Table 1. INMAA Figures End September 2013

ORGANISATION	
Number of branches	25
Number of staff	73
Number of field staff (front office)	58
PORTFOLIO	**Sept-2014**
Gross loan portfolio	**26,528,745**
Gross youth loan portfolio (18-30)	3,452,583
Gross adult loan porfolio (>30)	23,076,162
Number of active clients	**6,998**
Number of active clients (youth)	1,114
Number of active clients (adults)	5,884
LOANS PROVIDED BETWEEN JANUARY AND SEPTEMBER 2014	
Total number of clients	**5,068**
Total number of youth clients	820
Total number of adult clients	4,248
Total loan volume	**31,717,000**
Youth loan volume	4,359,000
Adult loan volume	27,358,000
Average loan size (MAD)	**6,258**
Average loan size (youth)	5,316
Average loan size (adult)	6,440
OTHERS	
Operational Self Sufficiency (OSS) at 30-09-2014	114.3%

YOUTH PROGRAMME INFORMATION

The Invest Jeunes project was carried out in January 2014 thanks to the support of MEDA Morocco. The project was implemented in three phases:

1) The conducting of a market study.
2) Raising awareness among field staff in order to promote the importance of targeting youth
3) Developing a new financial strategy specifically targeting youth.

The objective of the project is to contribute to the financial inclusion of youth, between 18 and 30 years, through the delivery of adapted financial services. Therefore, the Invest Jeunes loan is an innovation developed by INMAA that will enable the institution to better serve young clients. It is important to note that the legal age for obtaining a loan in Morocco is 18 years old. As an AMC, INMAA cannot legally collect deposits, so no savings component was explored in the framework of this programme.

The product was conceived on the basis of a study conducted by MEDA Morocco on INMAA's existing youth loan portfolio. The outcome of this study was that the youth represent a viable client segment for INMAA. In order to improve their service offering, a new loan product would need to be developed to better respond to the needs of youth clients.

The interviews with INMAA's young clients highlighted the importance of adjusting the characteristics of the loan product (insufficient amounts, high interest rates, high administrative fees, and high collateral requirements) to better meet their capacity and needs. In addition to these financial product adjustments, youth requested non-financial services such as trainings, mentoring and coaching to support and advise them in the creation and development of their project.

Following the needs analysis of young clients, INMAA field officers benefited from a training conducted by MEDA Morocco, which focused on serving youth better with microfinance. This training was designed to raise awareness among field officers on the importance of targeting youth with appropriate financial products and on limiting the risk related to these products.

The design of a new financial solution targeting youth took shape on the basis of the market study's recommendations. The product is the cheapest within INMAA's portfolio, the most flexible in terms of the loan amount and repayment duration, and exclusively targets new young clients. Similarly to INMAA's adult loan products, there are no restrictions in terms of business sectors, but it is worth noting that 60% of the institution's overall portfolio is comprised of merchants or retailers.

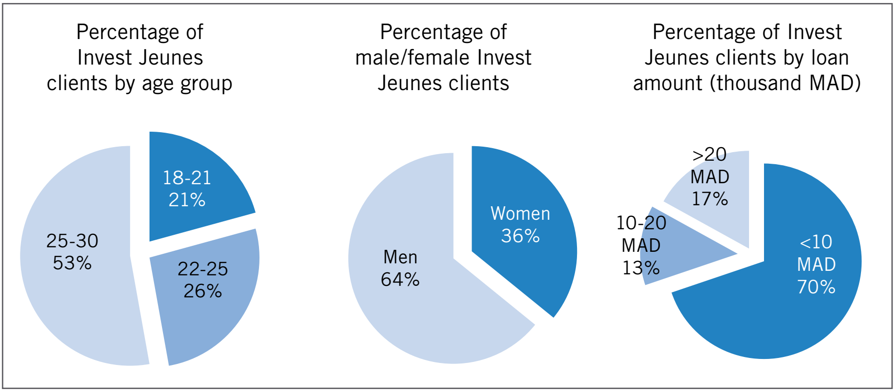
Table 2. Invest Jeunes Loan Product Description

Product Name	Invest Jeunes
Client profile	Male or female
	18-30 years old
	At least one year of experience in the activity to be financed or recently qualified
Loan conditions	National Identity Card or residence permit
	Opening a bank account (not compulsory)
	Participate in at least two financial education trainings (budget management, savings and debt management)
Loan type	Individual loan
Loan purpose	Investment
	Purchase of material or equipment for production
	Purchase of livestock (sheep, cattle, goats)
	Development of the production site (land, stables, workshops, garages, shops etc…)
Loan characteristics	Amount: 3 000 - 50 000 Moroccan dirhams (MAD) (Approx. USD $300-$5200)
	Interest rate: 1.7% monthly
	Administrative fees: 1% of the total loan amount
	Grace period: 12 months for 40% of the principal and 24 months for the remaining 60%
	Loan period: 6 to 24 months
Reimbursement processes	Monthly interest and principal
	Monthly interest and quarterly principal
	Monthly interest and principal half yearly
	Reimbursement of 40% of the principal half way through the loan period and 60% at the end of the loan period
Disbursement processes	Possibility of loan disbursement through two instalments
	Cash disbursement, by wire transfer, cheque or prepaid card
The credit committee is empowered to select the disbursement and/or reimbursement processes in relation to the operating cycle of the activity to be financed for approved loan applications	

All of the field staff received training on the product in addition to a training of trainers (TOT) on financial education. The pilot phase was opened to all loan officers and the final evaluation was planned for the end of 2014.

Table 3. Invest Jeunes Figures at End of September 2014

Number of loans	53
Average loan size (MAD)	8,585
Total loan volume (MAD)	455,005
Outstanding balance (MAD)	358,385
PAR 30	1.2%



- In 6 months, 53 Invest Jeunes loans were approved corresponding to a total amount of 455 005 MAD;
- The Invest Jeunes balance represents 1.35% of the overall outstanding balance and 10.38% of the overall balance for youth aged between 18 and 30;
- The average loan size is 8 585 MAD or 137% higher than the overall average loan size;
- 47% of Invest Jeunes clients are below 25 – of whom half are younger than 21;
- The majority of the clients are male (64%);
- 70% of the loans were for amounts inferior to 10 000 MAD; 20% of the clients received amounts superior to 20 000 MAD

NON-FINANCIAL SERVICES: FINANCIAL EDUCATION

INMAA integrated trainings on financial education in the Invest Jeunes product offering. These trainings were based around the following three modules developed by MEDA Morocco – budget management, savings and debt management. In terms of implementation, MEDA Morocco staff conducted trainings of trainers (3 days long) for all of INMAA's loan officers in order to ensure adequate knowledge transfer. The loan officers would then carry out trainings for groups of 6-10 youth on the training modules (0.5 days per module).

The trainings are delivered individually or in homogeneous groups of no more than 10 clients. In total, 53 Invest Jeunes clients went through the trainings. All Invest Jeunes clients have participated in the trainings as they are a pre-requisite for obtaining the loan.

INVEST JEUNES – ACHIEVEMENTS, CHALLENGES AND LESSONS LEARNED

- The main achievements of the programme have been decreasing the phobia surrounding the risk of insolvency of young clients among loan officers, increasing awareness on financial education among all personnel and recognising the possibility of delivering it to all clients.
- The most significant challenges have been related to the financing of start-ups and qualifying youth for loans with no practical experience.
- Additional challenges involve motivating staff to serve youth and finance youth trainings. In response to this later challenge, INMAA is looking to develop new partnerships to help them develop and finance a training unit that can take care of all client trainings.
- Participation in mandatory financial education sessions enables youth to improve project management. Training modules in budget management, planning and on adequate loan usage (e.g. for investment purposes) are all factors that have helped to manage risk.
- INMAA has learned that youth are capable of developing their projects. Credit analysis has, therefore, focused primarily on the capacity of the activity to absorb the loan amount, the capacity of the client to honour their financial engagements and the client's age – although this factor is only taken into consideration to assess professional experience.
- Marketing techniques have been adapted as youth do not have the same expectations or financial needs as adults.

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micro OPTIONS
Micro actions - Macro changes

YOUTH ECONOMIC EMPOWERMENT PROGRAM (YEEP)

Written by: Shazia Abbas, CEO Micro Options

CONTEXT OF THE YOUTH ECONOMIC EMPOWERMENT PROGRAM (YEEP)

Pakistani youth are confronted by a series of challenges including unemployment, lack of education, lack of technical skills and limited financial capacity that prevents them from fulfilling their potential and may even lead them astray. The Youth Economic Empowerment Program (YEEP) aims to provide young people with the ability and authority to implement change in their own lives and contribute positively towards society.

Micro Options (MO) operates in a country where youth represent 35 percent of the total population and the unemployment rate amounts to 5.7 percent. Energy crises, particularly electricity shortages, have negatively impacted the general economy and severely restricted youth employment opportunities. MO has been aware of the aforementioned facts ever since its creation and sees youth economic empowerment as an integral part of its mission to reach the unreached.

As a youth focused organization, MO has been funding and managing the Youth Economic Empowerment Program (YEEP). Partnerships were developed with the Institute of Rural Management (IRM) and Plan International in 2013 to extend the program for another two years. The program has been further linked with its regular microfinance facility, which has been funded through the Pakistan Poverty alleviation Fund (PPAF) for sustaining youth entrepreneurship. Finally, it is important to note that as a result of MO's youth focus, Plan International will soon support them in developing specific youth financial products, such as financial education and capital provision.

Implemented in 2009, YEEP operates in three tehsils across the Chakwal district in the province of Punjab. It aims to provide youth aged between 18 and 29 years, especially women, with adapted financial (loans) and non-financial services (including vocational and technical trainings, life skills and enterprise development training). Additional services related to education, food and nutrition, clothing and the environment (biogas plant installations, solar energy solutions etc.) are provided to the children of existing clients. Recently MO has established a community learning center (hunargah) under this program. It provides financial training, basic business accounting and record keeping, computer training, fashion, tailoring, cosmology and e-commerce training, even using the centre as a hub for exhibiting the community youth work.

INSTITUTIONAL INFORMATION

In early 2009, under the leadership of the charismatic CEO Ms. Shazia Abbas, an organization was established to provide social and economic development services to low income households, in pre-defined target areas, through a wide variety of development tools and practices. The idea finally took form in the shape of Micro Options (MO), which was officially registered under the Societies Registration Act in June 2009.

MO's operations were initially managed through members' contributions and volunteering. MO provided support to people in flood-affected areas, set up livelihood groups and implemented livelihood support to widows and women in low income households. The services provided included:

- Education for poor students in rural areas of Chakwal district to help them complete their university and college level studies;
- Health related support for people with chronic cancer, TB, and HIV/AIDS;
- Microcredit and entrepreneurship development for youth.

Vision

"To reach the unreached".

Mission

"Sustainable social and economic development whilst ensuring the best use of scarce resources".

Objectives

The organization has the following objectives:

a) To organize unprivileged communities, especially women, and to help them initiate development activities on a participatory basis.
b) To develop rural/urban areas and land resources through subsidies, programs, rural development plans, social welfare and modernization.
c) Build the human and institutional capacity for the poor in order to achieve sustainable development.
d) Implement development programs to reduce the incidence of poverty through the provision of financial and non-financial services including microfinance, social mobilization, social sector services (e.g. health & education, technical assistance and capacity building) to improve the living standards in poor communities.
e) Employ research, innovation, advocacy and technology as instruments for building a culture of pro-policy making.
f) To liaise with financial institutions and other donors, and act as a facilitator for low income generation groups.
g) To raise awareness within or outside government institutions, non-government organizations and other institutions working for poverty alleviation and enforcement of national productivity.

Core Values

MO achieves its vision and mission statements and objectives by adhering to a set of ethics and core values:

- Excellence in whatever they do, whether it's with clients, partners, associates, contributors or donors.
- Responsiveness to market needs with focused and forward looking approaches based on continuous performance reviews, reflections on improvements and finding the best solutions.
- Demonstrating a high level of integrity, sincerity, honesty, fairness and transparency.
- Serving with dignity, dedication and determination supported by hard work, creativity and initiative.
- Empowerment of our staff with responsibility, authority, teamwork and shared vision.

To achieve its objectives and operational targets, Micro Options has the following strategies:

- Research
- Marketing
- Mobilization
- Information technology
- Innovation and Diversification

Table 1. Institutional Data

Geographical Location	3 Tehsils (Chakwal, Kallarkahar, Choasaidan shah) of Chakwal District
Numbers of years in operation	6 years
Number of branches	3
Numbers of active borrowers and savers	3714
Number of current loans outstanding and saving accounts	3714
Institutional financial data	Gross Loan Portfolio: PKR 66.4 million (USD $645,000) Average Loan Size: PKR17,878 (USD $173) Operational Self Sufficiency: 100% Portfolio at Risk (30 days) : 1.9 %
Number of Staff	23

PRODUCTS & SERVICES

MO provides microcredit along with financial education and social sector development services (which includes livelihood support to vulnerable people i.e. widows, youth, transgender, disabled) with the assumption that the poor already understand which businesses they can launch and how best to employ working capital. Loans to the working poor and to students who are running small businesses are also provided.

MO started lending to youth (between 18 and 29 years old) since operations began, as the organization was in fact established by a group of enthusiastic young professionals who believed in providing economic opportunities to young people in order to help them contribute positively to the country's economy. As of now, 1223 clients, around 35 percent of the total client base, are from this age group. The loan products offered are shown in Table 2.

Table 2: Overview of Micro Option's Financial Services

PRODUCTS	PURPOSE	AMOUNT RANGE	LOAN TERM	INSTALLMENTS	YOUTH FOCUSED
Agriculture Loan	Harvesting, cropping, seed/fertilizer etc.	10,000-70,000 PKR (USD $100-725)	4-8 months	Lump sum payment	Agri farming
Commerce Loan	Enterprises, trading, housing Small Businesses	10,000-70,000 PKR (USD $100-725)	12 months	Monthly	Beauty parlors, mobile, internet marketing, movie making, skilled work-TVET, designing, tailoring, boutique embroidery, social media, etc.
Livestock Loan	Breading/milking/ trading, etc.	10,000-70,000 PKR (USD $100-725)	6-12 months	Semi-annually/ monthly/ lump sum	Fish farming, poultry
Biogas Loan	Biogas installation/ process	70,000 PKR (USD $725)	24 months	Semi-annually	Alternative energy solutions
Solar Energy Loan	Installation of Solar Energy System (at work place or at home)	70,000 PKR (USD $725)	24 months	Quarterly	Improving livelihood, energy substitution
Educational Loan	Access to Education/ Entrepreneurship Development	50,000-300,000 PKR (USD $485-3000)	12-24 months	Monthly	Academies, coaching classes, Baby nurseries, day cares, Innovative material at private schools i.e. LCDs, computers, internet, games, etc.
Enterprise Development Loan	Community Empowerment/ Social Enterprises, youth development and self-employment	50,000-300,000 PKR (USD $485-3000)	12-24	Semi-annually/ monthly/ lump sum	Boutiques, schools, etc.

YOUTH ECONOMIC EMPOWERMENT PROGRAM (YEEP)

PROJECT OBJECTIVES

- Youth have access to youth friendly microfinance schemes, quality and market driven vocational and technical training, life skills and enterprise development training in order to pursue economic opportunities, either through self-employment or as a salaried employee.
- Youth, particularly young women from the targeted areas, increase their level of productivity, in both traditional and non-traditional occupations.

MAIN ACTIVITIES

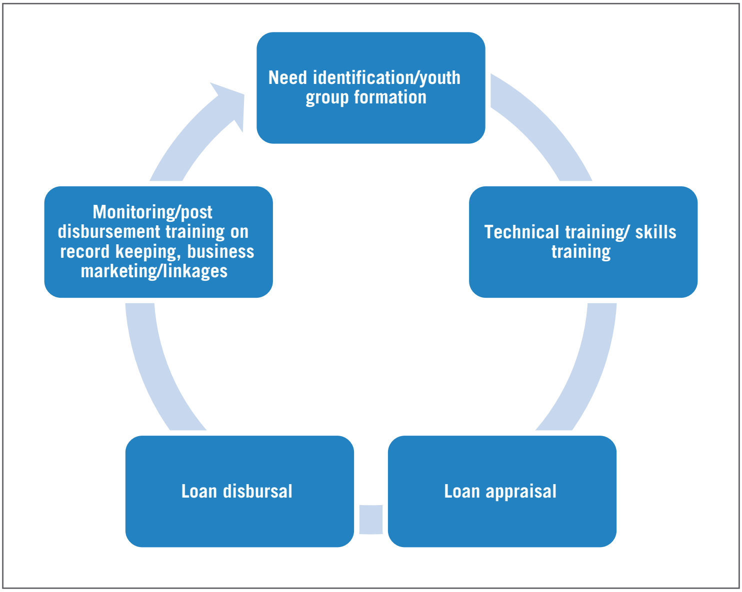
- Mainstreaming existing loan products (agriculture loan, livestock loan and enterprise development loan) for youth empowerment in the target areas.
- Providing support to trained youth for self-employment through microfinance loans.
- Inclusion of youth (especially girls) in all of the programs.
- Undertaking all of the required procedures against each loan, i.e. social appraisal, technical appraisal, credit case preparation, approval and delivery of cheques to the client.
- Designing new and innovative loan products, for aspiring young entrepreneurs, which cater to the needs of the youth in accordance with their newly acquired vocational training skills.
- Setting the framework for improving the livelihoods of trained youth.
- Periodic monitoring and evaluation of the program's achievements in relation to its objectives.
- MO and IRM will ensure strong productive linkages between each other.

FINANCIAL SERVICES

Access to appropriate financial products and services can play a critical role in enabling young people to navigate the challenges and opportunities they face regarding their educational or employment status.

MO provides small loans to youth ranging between PKR 10, 000 to 75,000 (USD $100-725) on easy installments. Two types of loans are provided: to those who already have skills and knowledge or have some small scale business, and to those who don't have any skills or knowledge yet, but are interested to learn and work. The latter group first receives technical and vocational training before accessing the loan. All types of loans are properly monitored and support is provided throughout the loan cycle.

Figure 1. Training and Loan Cycle



Some of the benefits of the above services are as follows:

- Sustained source of income
- Financial independence from local lenders
- Learning innovation
- Becoming a skilled worker
- Establishing small assets

Community services officers go to the field in order to mobilize people for economic empowerment. After receiving training, young women have been able to set up their own businesses in embroidery, handicrafts, stitching and beauty services. Young men on the other hand have taken out loans to set up grocery shops, auto rickshaws, water tanks, beauty salons, mobile shops as well as fruit and vegetable stalls.

INTEGRATION OF NON-FINANCIAL SERVICES

Awareness raising, social mobilization, training and skills (i.e. TVET), and linkages are provided as non-financial services. MO has an agreement with IRM to provide training and skill enhancement. Youth become bankable as MO encourages them to open up bank accounts and educates them on book keeping and managing financial records through various marketing tools such as demonstrations, documentations and publications.

Through these services, young people have benefited from:

- Advocacy in the field of employment;
- Financial literacy support services;
- Awareness of human rights;
- Social awareness;
- Advantages in health and education;
- MO is providing the loans and technical support for basic and higher education at rural and urban level to enhance human capital that leads to economic empowerment.

SCALABILITY & SUSTAINABILITY

The above services have scaled over time. YEEP was launched with MO's own funds but achieved scale through the partnership with IRM and the use of funds from the Pakistan Poverty Alleviation Fund (PPAF), which is the major donor providing credit lines to MO. The credit line started at NKR 5 million (USD $50,000) in 2011, and now stands at PKR 125 million (USD $1,2 million) per year. The availability of these funds enabled them to meet the requirements of youth loans and scale the initiative. The program started in a village, of one of the tehsils, of Chakwal district, but has since been replicated in 253 villages of 30 union councils in three tehsils of the district. Additional information on the MO youth loan product can be found below in Table 2.

As far as sustainability is concerned, the organization has been able to reach the level of 100% Operational Self Sufficiency (OSS). MO has been able to attract endowment fund of NKR 21 million (USD $200,000) from the donors, which can be invested in the youth program. The other source of revenue comes through service charge income and public donations.

MO's experience of working with youth, its highly trained staff, stable operational framework and financial base ensures the sustainability and scalability of the program.

Table 3. Quantitative Information on MO's Youth Loans

	Male	Female	Total
No of loans provided	550	673	1,223
Amount of loans disbursed (PKR)	9,350,000	12,095,000	21,445,000
Outstanding loan portfolio(PKR)	6,255,000	7,661,395	13,916,395
Portfolio at risk (30 days)	0.1%	0%	0.1%

ACHIEVEMENTS, CHALLENGES AND LESSON LEARNED

The biggest achievement of the program has been the recognition of youth as agents of change. The youth can serve as the best source for generating and employing innovative ideas. MO believes that through this project a capital base has been developed by youth, through which they are able to sustain themselves. They are now independent entrepreneurs instead of being dependent upon others. Through this change, their quality of life, and their contribution to the economy, has increased, leading to a reduction in unemployment, social problems, and poverty.

The challenges faced by MO included:

1. Tackling the youth identity crisis: Who am I? What can I do and what I should do?
2. Lack of self-confidence and low self-esteem amongst youth populations.
3. Confusion and ambiguity concerning moral issues in microfinance and economic activity for young men and women.
4. Early marriage.
5. Inequality in the education system.
6. Lack of initial donor interest and funding constraints.
7. Lack of skilled youth.
8. Lack of coordination among stakeholders.

Lessons learned are shared as below:

- Every young person has the potential to contribute positively and productively to their community and should be valued for their role in society. MO takes the responsibility to ensure that youth has access to the right prospects and are able to gain employment, so they can make positive choices and reach their full potential.

- MO is working for the youth across the District Chakwal to address the challenges which young people face. MO also acknowledges and respects the role that diverse communities and their concerns play in helping young people succeed, and must listen to and work in full and meaningful partnership with IRM and other partners to support the youth effectively.
- It is important to establish educational programs in order to discuss with the youth the importance of circulating ideas of social, economic, and political justice, human rights, and equality. Young people are among the most vulnerable sectors of the population and, as such, NGOs should fund them to support their entrance to adulthood, the workforce and to society at large.

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UNCDF YOUTHSTART

Written by: Ata Cisse and Maria Perdomo, UNCDF

INSTITUTIONAL INFORMATION

The United Nations Capital Development Fund (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 focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital—grants and loans—and technical support to help microfinance institutions reach poorer households and small businesses, and local governments finance the capital investments—water systems, feeder roads, schools, irrigation schemes—that will improve the lives of the poor. UNCDF programmes help to empower women, and are designed to catalyse larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals. For more information, visit www.uncdf.org.

YOUTH PROGRAM INFORMATION

UNCDF launched YouthStart in partnership with The MasterCard Foundation in 2010 in response to not only the approaching youth demographic wave, but also to the lack of economic opportunities for young people in sub-Saharan Africa. In an effort to help youth realize their full potential, YouthStart supports strong financial service providers

(FSPs) in developing, piloting and rolling out youth-focused financial products, especially savings, and non-financial services (NFS) such as financial literacy or reproductive health education for youth aged 12 – 24. Through YouthStart, UNCDF aims to demonstrate that:

i. When accessing the right combination of financial and non-financial services, youth -young women and girls in particular- are better equipped to make more informed financial decisions, and also build financial (e.g. savings), social (e.g. social networks) and human assets (e.g. skills and knowledge) for their futures and create sustainable livelihoods; and

ii. Youth financial services (YFS) contribute to increasing outreach and sustainability of FSPs over time.

YouthStart aimed to reach 200,000 new youth clients, with at least 50 percent of those being young women and girls, by the end of 2014.

Table 1. YouthStart Partners

FINANCIAL SERVICE PROVIDER	COUNTRY
Amhara Credit and Saving Institution (ACSI)	Ethiopia
Faîtière des Unités Coopératives d'Epargne et de Crédit (FUCEC)	Togo
Fédération des Caisses Populaires du Burkina (FCPB)	Burkina Faso
Finance Trust Bank (FTB)	Uganda
FINCA-DRC	DRC
FINCA-Uganda	Uganda
Opportunity Bank Malawi (OIBM)	Malawi
Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (PAMECAS)	Senegal
Poverty Eradication and Community Empowerment (PEACE)	Ethiopia
Umutanguha Finance Ltd. (UFT)	Rwanda

FINANCIAL SERVICES

The ten FSP YouthStart partners offer savings products to youth between 12 and 24 years of age and seven out of the ten also offer loans to youth between 18 and 24 years of age. Each of the ten FSPs participating in YouthStart designed their products based on market research[87] conducted over a six month period. The market research was followed by a pilot test[88] that allowed FSPs to refine and further adapt their youth products. This process helped FSPs to offer young people financial services that responded to the needs and realities of youth, the regulatory constraints or opportunities, the supply of financial services for youth in each market, and the institutional muscle of each FSP.

Savings

The results from the market research and pilot test confirmed that youth desire affordable (e.g., no or low fees, low minimum balance), accessible (e.g., services that go where youth are and not the other way around) and relevant financial services (e.g., ability to make frequent deposits and withdrawals). See Table 2 for account features and delivery channels used.

The most common regulatory barrier that YouthStart FSPs had to take into consideration, in the design of their products, was the one related to the minimum age requirement (generally either 16 or 18 years old). To adapt their savings products to the regulatory environment, the majority of the FSPs had to put in procedures and systems in place to ensure that they complied with the law. For example, some UNCDF-YouthStart grantees required that youth must be present and sign with a guardian for withdrawals. In some countries where more flexible interpretation of regulations exists, youth can choose to use trustworthy school teachers, mentors and other care givers as signatory to the youth account instead of parents or guardians.

87 UNCDF (2011) “Listening to Youth, Market Research to design financial and non-financial services for youth in sub-Saharan Africa,” http://www.uncdf.org/sites/default/files/download/youthstart_market.pdf.

88 UNCDF (2012) “Assessing new youth focused products: pilot testing financial and non-financial services for youth in sub-Saharan Africa," http://www.uncdf.org/sites/default/files/Documents/youthstart_pilottest_0.pdf.

Table 2. FSP Account Features and Delivery Channels (figures in USD)

FSP	PRODUCT NAME	ACCOUNT FEATURES	DELIVERY CHANNELS
ACSI	Raey (Amharic for 'vision')	USD $0.15 account opening fees, 5.5% interest rate, no maintenance fees, unlimited deposits and withdrawals	Branches, schools, Kebeles and technical schools using youth ambassadors
FCBP	Epargne Jeune	USD $5.00 membership fee; 2% interest yearly interest rate, no maintenance fees	Branches, schools, markets
FINCADRC	Compte Avenir	No fee; USD $1.00 deposit preferred but not required	Branches, schools, POS agents
FINCA-UGANDA	Smart Start	USD $1.00 account opening fee, no monthly fees, interest paid on balances of USD $18+	Branches, schools NFS mainly delivered at schools
FTB	Youth Progress	USD $1.00 account opening fee	Branches, community driven model; Youth groups meetings. Branches, schools.
FUCEC	YouthStart	USD $1.00 membership fee; 3% yearly interest, unlimited deposits, no minimum balance	Branches, schools, market, door to door collection
OIBM	Mesomphenya (Chichewa for 'vision')	USD $0.30 account opening fee	Branches, schools and partnership with youth organizations, POS agents
PAMECAS	Ndorté (Wolof for 'start')	USD $20.00 membership fee, no minimum balance, 5% interest paid on savings accounts. Please not that youth are given the possibility to save the membership fee over a year	Branches, schools, markets
PEACE	Lenege (Amharic for 'for tomorrow')	USD $0.15 account opening fee; no minimum balance; 6% interest rate	Branches, schools and markets. Partnerships with youth serving organizations to reach rural women
UFT	Tangira Kare (Kinyarwanda for 'start earlier')	No fee account opening fee	Branches, schools, market, churches, partnership with youth serving organizations, referral incentives, testing POS

The other big regulatory barrier that has consequences on the procedures of youth products, is the one related to identification requirement or "Know Your Customer" (KYC) provisions. However, depending on the flexibility of the regulators and interpretation of the legal framework, FSPs often can find ways to be more flexible in accepting various forms of IDs to open an account. For example, Finance Trust in Uganda, a UNCDF-YouthStart partner, accepts a recommendation letter as a type of ID from someone who knows the youth, such as an existing Finance Trust client, the local council authority, school head or other authorities from churches, markets or YSOs. It also accepts school IDs for in-school youth, village IDs for out-of-school youth, voter's card and driving permit/license for mentors or youth above the age of 18. If the account is opened in the field, staff from Finance Trust uses a camera to take a picture of the youth. Similarly, the UNCDF-YouthStart partner in Malawi, Opportunity Bank Malawi (OBM), accepts letters from the chief for youth without IDs who wish to open an account.

When the YouthStart programme began, the supply of financial services for youth was practically non-existent. However, for those FSPs operating in a highly competitive environment (i.e. Uganda), capturing clients at an early age made great sense. As a result, Finance Trust Bank and Finca Uganda proposed savings accounts for under age youth and made great efforts to use delivery channels like schools to reach the youth segment.

Institutional capacity and FSP infrastructure are other factors that influenced the design of the savings services offered by YouthStart partners. For example, those that were using technology, or that started using technology during the programme (i.e. Finca DRC and OIBM), were able to use it as a delivery channel to reach youth. It is important to underline that FSPs would have not made this investment to reach youth only. However, the use of technology has had a great impact in youth outreach and number of transactions of youth accounts. For example, in 2013 transactions on youth accounts at FINCA-DRC increased from 921 to 5,377—an increase of over 480 percent, mainly due to the use of POS agents. Furthermore, savings volume increased from USD $129,750 to USD $224,388 on youth accounts.

The YouthStart partner in Togo, FUCEC, is another example of how an FSP can leverage existing capacity and infrastructure to design better products for youth. FUCEC has worked across Togo with clients who have limited time and resources to make deposits on a consistent and meaningful basis. As such, the FSP developed a door-to-door collection system called SYSCOFOP (Système de Collecte de Fonds sur Place[89]), which was designed to collect client deposits at the market, places of business, or other locations convenient for the client. This system has been highly successful and

89 English translation: onsite system for collections.

FUCEC was able to make subtle changes so as to adapt to the needs of youth in other areas of operation. These finely-tuned changes included:

- Recruiting primarily young women as staff, as they can reach both male and female clientele more easily compared to male staff.
- Collecting deposits primarily where youth are located, such as at schools, places of business, and markets.
- Adapting incentive systems to ensure collectors are motivated to target youth, in recognition of the fact that youth have a lower savings capacity than adults.

Results

By the end of September 2014, YouthStart partners had opened over 457,000 youth accounts of which 49 percent are female clients. These youth clients have saved close to USD $13 million and have an average savings balance of USD $28 per youth. In addition, 51 percent of youth clients are based in rural zones, while 35 percent of clients are minors. Although YouthStart partners have opened around half a million youth accounts, over 14,600 of these accounts are inactive. Accounts are considered to be inactive after, there are no transactions conducted for 12 months. There a number of reasons why some accounts go dormant, including lack of time for youth to visit branches and the distance from where youth live, study or work to branches. For young women, account usage can be a bigger challenge than for young men because parents may fear, for security reasons, allowing them to travel to make deposits.

Table 3. YouthStart Partner Results to Date

Partner financial service provider	Number of Youth Savers[90]	Minimum agreed targets	Achieved as of Q4 2014[a]
ACSI	468,355	117,813	252,181
FCPB	120,880	15,494	17,283
FINCA-DRC	29,440	15,649	18,342
FINCA-Uganda	20,725	12,270	14,813
FTB	57,501	20,619	26,947
FUCEC[b]	72,462	34,950	47,966
OIBM[b]	51,483	24,902	26,620
PAMECAS	18,718	15,956	15,592
PEACE	31,396	18,230	21,273
UFT	29,371	12,603	28,536

a Results as of September 2014

b These FSPs either started a year later or took a hiatus of one year

90 YouthStart partners also have other youth-focused products. The figures in this column include both YouthStart client products and other youth-focused products.

Credit

When YouthStart was first launched most of the partners started with developing and piloting savings products only. As partner FSPs began to scale up savings services to youth, they began to better understand youths' savings capacity and the needs of this new market segment. As such, the front line staff started to be more comfortable with the youth segment and started to develop and offer loan products to young clients.

The seven partners[91] that are offering credit tried to find innovative ways to effectively respond to the financial needs of young entrepreneurs while mitigating their own operational risk. For example, Finance Trust Bank developed a loan for young entrepreneurs, using the savings of the youth clients as a form of collateral. PAMECAS in Senegal, partnered with Plan International to open savings accounts for the youth groups formed and trained by Plan staff. Once these youth joined PAMECAS, they had already accumulated assets within their group and some had already started their own business, either through a group loan or their accumulated savings. The value proposition of PAMECAS for youth was to offer them larger loans than those offered by the savings groups. Finally, UFT Finance in Rwanda developed a MicroLeasing product which may be considered as a win-win situation for both the youth and the FSP. Youth who are looking for capital to start up a business don't have collateral to guarantee the loan, while the FSP is looking for ways to minimize the risks associated with lending money to youth (please see Table 4 for details on loan products).

Table 4. FSP Loan Products

FSP	PRODUCT NAME	INTEREST RATE	LOAN PRODUCTS
ACSI	Youth Loan	10-18% interest rate per annum depending on amount	physical and monetary collateral accepted; loans available to youth 18 years and older
FCPB	Crédit Jeune	interest rate based on prevailing rate minus 1%	maximum loan size of USD $700; must have a savings account for at least 3 months; YouthStart clients also eligible for Cred'Art Loans which promotes self-employment of young artisans
FUCEC	Crédit Jeune	interest rate of 1.5% per month or 18% per annum (based on sliding scale)	youth 18 years and older with savings account of least 3 months Special holiday loans: Enables students to access loans of up to USD $100 for a period of 3 months maximum

91 The seven partners are ACSI in Ethiopia, FCPB in Burkina Faso, FUCEC in Togo, OIBM in Malawi, PAMECAS in Senegal, PEACE in Ethiopia, and UFT in Rwanda.

OIBM*	Chiyambi Loans	3.92% interest rate	group loans for minimum of 5 and maximum of 10 youth; Security deposit of 15% of the total loan required; loans available to youth 18 years and older
PAMECAS	Group loans	1.67% per month	3 to 5 per group; mandatory savings of 5% of capital to be repaid, maximum repayment duration of 12 months
	Individual loans	1.67% per month	available to youth 18 years and older; material collateral or guarantee from parents/PAMECAS client; loans up to 12 months
PEACE	Youth Loan	interest rate of 1.25% per month for non-agricultural loans and 1.5% per month for agricultural loan	individual and group loans (3-8 people co-guarantee each other; 9-14 people; 15-40 people for association group; requirements include letter from Kebele and group collateral
UFT	Microleasing	1.8% per month	for youth aged 21 – 24; loan amounts for up to four times amount of savings account; must have a savings account for at least 1 to 3 months with regular deposits for youth aged 21 – 24 with a business or activity and not in school; loans provided up to 36 months; declining interest rates
	Nunguke Youth Business Loan	1.8% per month	

The biggest regulatory constraint to provide loans to youth does not relate to age restrictions because none of our partners lend money to minors. However, partners like UFT in Rwanda, were able to develop innovative products for youth (like the MicroLeasing) thanks to an enabling regulatory environment. It is also important to mention that some government policies may have a negative effect on the loan market for the youth. This is the case in Uganda and Togo, where a subsidized loan guarantee fund programme for youth was put in place. These kinds of programme tend to distort the supply, because the FSPs participating in the guarantee scheme may not be motivated to actively collect the loan payments from the youth, as they are guaranteed by the government. In addition, because the youth know that the money is being given by the government they do not care so much about repaying the loan. FUCEC in Togo and Finance Trust in Uganda suffered the consequences of such loan credit guarantee scheme promoted by the government, and were not able to attract youth to their un-subsided loan products and/or had to delay the launch of their youth loan product.

Even though there is still some apprehension in regard to providing youth with loans, YouthStart is learning that youth are able to repay loans as much as adults (see Table 5). In the case of UFT, the quality of the youth portfolio is not only better than the quality of the adult portfolio, but the risk of the youth business loan is 1.87% better than the regular credit and 0.79% better than the Microcredit for adults.

Table 5. FSP Institutional and Youth PAR30 as of September 2014

FSP Partners	Number of youth loan recipients	Institutional PAR30	Youth PAR30
ACSI	55,209	1.3%	1%
FCPB	37	2.48%	0
FUCEC	63	13.94%	0
OIBM*	6,578	11.44%	23%
PAMECAS	2,115	9.99%	9%
PEACE	644	0.69%	0
UFT	318	4.63%	4%

**Note: OIBM high PAR is due to experienced challenges with loan collections*

As indicated in Table 5 above, youth are not only able to pay off loans, but they are also paying back at a rate equivalent to or better than adult creditors (with the exception of OIBM). This particular FSP experienced challenges in recovering loans due to the low performance of their agriculture portfolio and challenges at the institutional level. In addition, if the FSPs control systems are already suffering, then it does not matter if they are serving youth or adults. These characteristics of the adult portfolio are also present in the youth portfolio.

How the youth in the other FSPs have been able to successfully repay their loans can be attributed to two specifically good practices that FSPs partners have implemented:

- *Providing youth with training on acquiring and managing loans*: according to YS partners, youth who were provided with training on how to identify their projects or business ventures, calculate their financial needs, and manage their finances, were better prepared and equipped to manage and pay back their loans.

- *Monitoring youths' savings behaviour to determine their credit threshold*: All youth loan applicants, even those youth who haven't gone through the financial education training focused on credit, have their accounts monitored based on frequency of deposits and amounts, for a minimum of three months. This allows the FSP to gauge the youths' savings and deposits habits to best estimate the amount of money they could repay during a fixed amount of time.

YouthStart partner, ACSI, serves as a relevant example for these two practices. The FSP has partnered with a government supported TVET program focused on training youth in entrepreneurship, specifically in the agriculture sector. The partnership with this training centre allowed ACSI to provide savings accounts for students, along with financial education sessions including credit management, while they went through their technical training. At the completion of their technical training, youth from the TVET had enough savings to access loans in order to start or expand on their businesses.

Another successful practice that has been used around youth loans is micro-leasing, an innovative approach which allows youth to start a business without the need for collateral, while minimizing the risk for the FSP in lending to youth. UFT, in particular, has had great success in leasing motorbikes for youth, to help them start their own moto-taxi business. The key aspect of micro-leasing, however, is to ensure products are linked with growing markets and avoid adding to already oversaturated endeavours (i.e. sewing for young women).

These practices have been particularly successful due to their ability to minimize the risks associated with providing youth loans, while responding to the economic needs of the youth clients. Again, FSPs interested in providing youth with loans, particularly micro-leasing, can use these practices by conducting market research, so as to identify products which are relevant to their respective markets.

Results

By the end of September 2014, YouthStart partners had developed a loan portfolio worth close to USD $7 million. Over 64,000 youth were provided with credit averaging USD $105 per loan. Again, the loan programs of partners began much later in the project, as partners came to the realization that the youth are as 'bankable' as other clients. This was also coupled with a deeper understanding of market dynamics – not just in terms of the financial health of a loan portfolio, but also of market demands in their respective countries, which would in turn help the youth create their own economic opportunities. As FSPs try to build their client base around youth, they have begun to understand that the youth are likely to take out a loan to either pay for their studies or to start/expand their business venture. This effort is seen at FSPs such as UFT, which has been able to identify market needs and youth endeavours, and combine the two by offering products such as micro-leasing opportunities.

INTEGRATION OF NON-FINANCIAL SERVICES

YouthStart was designed with the belief that youth can be better prepared to make informed financial decisions if they are given the right mix of financial services and non-financial services (NFS). Based on this notion, YouthStart integrated NFS at the very start of the programme for each of its partners. NFS, in this case, are limited to basic financial literacy courses such as training on savings and debt management. These two topics were chosen during the market research conducted at the beginning of the programme and based on the fact that we knew that the FSPs had limited capacity to deliver non-financial services.

Although most of the YouthStart partners use the same content, the delivery models used to offer trainings vary. Partners use up to four different models including:

- **Unified model**: FSP staff directly provide NFS, delivering sessions to youth at branches and schools. The model is very cost –effective, as it reduces the costs for the FSP since staff serve as the ultimate field officers and facilitators.
- **Linked model**: FSPs develop partnerships with a youth serving organization (YSO) that provides NFS to the youth. The model relieves the FSP from conducting sessions and opens the FSP up to the greater breadth, knowledge and reach of the YSO.
- **Hybrid model**: A combination of linked and unified models: youth peers are trained as trainers in order to deliver NFS to other youth, a variation on the unified model.
- **Parallel model**: The FSP has a separate education department and uses the staff in this department to provide education to its clients.

The most popular model used by YouthStart partners is the unified model (five out of ten partners use this model) followed by the linked model. The most effective one, however, is a hybrid one, in which youth that have been trained by the FSP cascade the financial literacy training to their peers. This peer-to-peer model is particularly powerful, and has been used by YouthStart partners UFT in Rwanda and ACSI in Ethiopia.

Table 6. Delivery Models Used by FSPs

NFS DELIVERY MODEL USED	FSP	NUMBER OF YOUTH REACHED
Unified	FCBP	20,137
	FTB	19,145
	FUCEC	27,070
	PAMECAS	7,131
	PEACE	47,779
Linked	FINCA-DRC	19,719
	FINCA-UGANDA	31,499
Hybrid	ACSI	194,056
	UFT	27,551
Parallel	OIBM	43,487

Ensuring youth receive both financial and non-financial services is a goal for each YouthStart partner. This can be difficult to achieve, however, as some youth need to obtain permission from parents/guardians, may be indecisive about opening an account at the time of the training, or do not have the necessary requirements such as photo identification. As a result, in some FSPs, such as Finca DRC, the conversion rate of youth participating in financial education sessions into saving account holders, is lower than in other FSPs. Other FSPs suffer of the opposite problem, with more savers than participants in financial literacy programming. This happens because the FSP usually starts offering the financial services first and then adds the non-financial services component later. This has to do with staff training timing and preparation of the necessary systems to start delivering both services at the same time. This has been the case for partners like FUCEC, PAMECAS and ACSI.

FSPs have also used partnerships with various youth serving organizations (YSOs) to deliver other meaningful non-financial services to youth (i.e. entrepreneurship, reproductive health etc.). For example, ACSI partnered with agricultural vocational schools and was able to provide youth with savings accounts as they went through training to develop new skills. By the time the youth clients had graduated from the vocational school, they had accumulated enough savings to start up a business or apply for a loan with ACSI. Other examples from FSPs on partnerships with YSOs include:

1) UFT, who partnered with a YSO that provides market relevant skills training and support to youth in Rwanda.
2) Finance Trust Bank in Uganda who partnered with a YSO that seeks to involve youth in value chain businesses in the agriculture sector.
3) PEACE in Ethiopia partnered with Population Council to open savings accounts for adolescent girls in the Amhara region. Population Council formed groups of young women and trained them in reproductive health, and PEACE provided savings products coupled with financial literacy to support economic independence of these young women.

With regards to marketing of the youth products, this is done holistically by FSPs with a focus on both financial and nonfinancial services. YouthStart's aim has been to ensure youth products are eventually integrated into each FSPs product offerings throughout their entire network. As such, FSPs have sought to have their annual marketing plans explicitly include activities and a budget for promoting youth products and services. Marketing activities include the use of fliers, paraphernalia, banners, and posters, along with awareness raising campaigns conducted by staff at schools, community meetings, etc. FSPs have also used partnerships with various youth serving organizations (YSOs) to market their youth products and services.

SCALABILITY AND SUSTAINABILITY

SCALABILITY

The objective of YouthStart outlined in 2010 was to provide up to 200,000 youth with access to financial services. Against this objective, the results to date would indicate that YouthStart partners have achieved scale. This fact is even more evident when broken down by FSPs. In less than three years, partners have opened over 457,800 youth accounts and provided NFS to over 437,000 youth. As Table 7 demonstrates, at least half of the FSPs have either met or surpassed their minimum targets to date. Furthermore, ACSI and UFT in particular have not only exceeded their minimum targets but have also exceeded their proposed targets by 38 percent and 50 percent respectively.

Table 7. Targets of YouthStart Partners, 2010–2014

FSP Partner	Minimum targets	Achieved as of Q3 2014[a]
ACSI	117,813	252,181
FCPB	15,494	17,283
FINCA-DRC	15,649	18,342
FINCA-Uganda	12,270	14,813
FTB	20,619	26,947
FUCEC[b]	34,950	36,310
OIBM[b]	24,902	26,620
PAMECAS	15,956	15,592
PEACE	18,230	21,273
UFT	12,603	28,536
TOTAL		457,897

a Results as of September 2014

b These FSPs either started a year later or took a hiatus of one year

ACSI recruits youth ambassadors, who are young community leaders and clients of the FSP, to market the youth product and encourage usage of accounts. They are trusted within youth groups and by parents, as they are trained at the branch level to raise awareness during community meetings. They are able to speak to youth on their level and serve as strong examples as to how ACSI can help youth save. This strategy is coupled with the fact that ACSI is a leading microfinance institution in Ethiopia with over three million clients. As a large institution, it is endowed with the necessary institutional muscle to reach a large number of youth.

Umutanguha Finance Ltd. in Rwanda uses a similar model by recruiting youth peer mobilizers who have been instrumental in attracting youth to the FSP. UFT took this model one step further by empowering young people within groups to deliver financial education to their peers. This peer-to-peer approach has been so successful that the Government of Rwanda cited it as a best practice for financial education in Rwanda's National Financial Education Strategy.[92]

92 Government of Rwanda National Financial Education Strategy for Rwanda, p. A-18 : http://www.minecofin.gov.rw/fileadmin/templates/documents/National_Financial_Education_Strategy.pdf.

Youth promoters-be they ambassadors who serve as an example to youth or peer-to-peer mobilizers who communicate the FSP's products-have also been used by other YouthStart partners, including FTB and PEACE. Given that many youth mistrust banks,[93] involving youth in an FSP's approach helps them feel more comfortable, and enables them to learn savings habits from their peers, along with other trusted individuals.[94]

As YouthStart partners began to 'experiment' and test approaches for attracting youth to their branches, it became evident that strong partnerships with YSOs were also critical to the success of their programmes. For example, the partnerships between PEACE and Population Council or PAMECAS and Plan International, were not only key to increase the impact of our services for youth, but also key to helping the FSPs reach scale with their programmes.

In order to reach scale with non-financial services, YouthStart partners use the critical minimum approach. This methodology was designed by Reach Global[95] to provide youth with three 30-minute targeted sessions that allow them to internalize content and effectively nudge them towards a culture of building financial capabilities.[96] This method allows FSPs to train more youth within a shorter amount of time, limits the costs associated with providing financial literacy and streamlines the key messages to be delivered in a simple yet effective manner. The following are the main components of this approach:

- **Key messages:** The financial literacy modules focus only on key messages that are geared towards changing key behaviours. People sometimes believe that a longer curriculum will have greater impact. However, in terms of financial knowledge retention and behaviour change, sometimes less means more.[97] The reasons are that longer curricula are more expensive to deliver and facilitators may end up 'adapting' the content themselves to be able to deliver it in less

93 SEEP Network (2013), "Understanding Youth and their Financial Needs," http://www.seepnetwork.org/filebin/pdf/resources/Understanding_Youth_and_their_Financial_Needs_April_2013.pdf, p.7.

94 Rani Deshpande, Save the Children (2012), "What do Youth Savers Want? Results from Market Research in Four Countries," http://www.seepnetwork.org/filebin/pdf/resources/Understanding_Youth_and_their_Financial_Needs_April_2013.pdf

95 Reach Global is an international organization dedicated to delivering knowledge and skills to the world's most disadvantaged groups. http://www.reach-global.org/

96 The Center for Financial Inclusion (2013) defines financial capability as "Building financial capabilities is the combination of attitude, knowledge, skills, and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes, but is not limited to, access to appropriate financial services.' http://cfi-blog.org/2013/11/01/what-is-financial-capability/

97 O'Prey Llorenc and D. Shephard (2014), "Financial Education for Children and Youth: A Systematic Review and Meta-Analysis," Aflatoun Working Paper 2014.1C, http://www.aflatoun.org/docs/default-source/aflatoun-secretariat-evaluation/financial-education-for-children-and-youth---systematic-review-and-meta-analysis-2014.pdf?sfvrsn=12, p.23.

time. Since facilitators are not always experienced in curriculum development when ‘adapting’ the modules, they end up cutting important pieces in the education sessions that are critical to foster behaviour change in participants. They also tend to reduce participatory techniques causing the sessions to turn into ‘monologues’ with little chance to generate the desired changes in behaviour.

- **Minimum materials:** The materials to deliver educational programs are kept to a critical minimum as well. Materials such as workbooks are expensive to reproduce and may put scale and sustainability of the programme at risk. If learning depends on having materials for the sessions, then the youth that are in remote areas, and therefore the most vulnerable, will be excluded from the education component, since facilitators may be deterred to transport the materials needed to deliver the sessions (e.g., on a motorcycle in bad road conditions). Instead, conducting highly interactive sessions that employ games, group exercises and materials that are easy to find in any given context (e.g., tree leaves, stones) serves as a more appropriate and cost-effective approach.
- **Simple facilitation techniques:** The education sessions must be designed in a manner that a facilitator with little experience, but some critical minimum training on facilitation techniques, can easily pick up and train others. This is particularly important if the goal is to have youth with very little training and support become facilitators of the education. YouthStart partner UFT, for example, used a peer-to-peer model to successfully deliver financial education to youth clients.
- **Standardization:** The sessions are also designed to be as standardized as possible (i.e., four steps, 30 minutes per session). Standardization facilitates the task of the FSP to schedule the delivery of the education to the youth and also eases the task of monitoring the quantity and the quality of the education that is being delivered. Simpler standard sessions will also make delivery easier for facilitators.

SUSTAINABILITY

For financial institutions, the key challenges to serving youth are (a) the high per-transaction operating cost (in the case of savings accounts) (b) the perceived risk of lending to youth and (c) the cost associated with the delivery of non-financial services. Even though we are still gathering data on the profitability of youth financial services, particularly in relation to credit and non-financial services,[98] UNCDF published a paper in 2013 that uses a marginal cost approach to analyse the profitability and sustainability of providing savings to youth[99]. The paper highlights the following paths to sustainability of youth savings.

98 UNCDF (2013), Building the Business Case for Youth Services: Insights from the YouthStart Program,” http://www.uncdf.org/sites/default/files/Documents/yfs-bus-case.pdf

99 In 2015, UNCDF will publish a profitability analysis of a full range of youth services that will complement the paper published in 2013 that is mentioned above.

Optimizing costs

YouthStart partners are exploring ways to recover costs of providing financial and non-financial services to youth, for example using the critical minimum approach which helps minimize costs by using low cost materials and using facilitation technical which any person (staff, peer leaders, etc) with very little training can pick up the criteria and replicate the education. Other cost optimizing options include testing ways for a youth product to be a source of adequate income that does not jeopardize the sustainability of the FSP—both over the medium and long term. The strategies implemented by FSPs include reducing staffing costs, using below the line marketing strategies, and limiting expenses for nonfinancial services. Staff salaries are the main cost driver for FSPs as reaching the youth is quite labour intensive. Staff not only manage the youth accounts but also travel outside of their branches in order to effectively reach youth. To mitigate these costs, some FSPs have used technology. For example, FINCA-DRC uses point-of-sale (POS) agents near schools or areas that have a high concentration of youth. This strategy has not only allowed FINCA-DRC to decrease its staff expense, but it has also increased transactions on youth accounts by 480 percent. As for marketing, this cost varies from FSP to FSP. Partners use below the line marketing strategies to mitigate expenses including the use of fliers, brochures, banners, and posters. NFS costs are optimized by using the unified model where the services are integrated and consistently delivered by staff. In addition, NFS trainings are conducted at branches, community centres, or schools where there are no fees to utilize the facilities.

Increasing savings volume

Although partners have been able to open over 457,000 youth savings accounts, it is critical that these accounts are used so that funds can be lent out. Whereas the uptake of accounts is key, usage of these accounts are critical particularly as FSPs look to meet both social objectives and have a positive impact on their balance sheet. The dilemma, in effect, is threefold: ensuring the increase of uptake; ensuring the overall increase of volume of savings; and ensuring the increase of the average of savings per youth. To address this, FSP endeavour to include young adults in their youth portfolio as opposed to exclusively targeting minors. This is due mainly to the fact that older youth typically have higher average savings balances than minors; allowing the FSP to offset cross-subsidising services among younger clients who not only require more time to increase their savings capacity, but the regulatory constraints to open and independently transact on their accounts, result in higher costs for the institutions to reach them and to collect their savings.

An interesting aspect with regards to savings and youth clients is the diversity amongst them. The business model of each YouthStart partner reflects this diversity, particularly with regards to the types of youth they are targeting and their savings capacity. It is clear that the FSPs were, in fact, reaching different youth segments, causing savings volumes to be surprisingly higher in some FSPs as opposed to others. For example, FCPB in Burkina Faso and PAMECAS in Senegal had higher savings volumes than FSPs such as FUCEC and UFT which had a higher number of youth clients. Table 8 shows this phenomenon.

Table 8. Savings Volume Versus Number of Youth Clients at Some YouthStart Partners (figures in USD)

Financial service provider	Number of youth clients	Savings volume	Average savings	Percentage of youth clients that are rural
FCPB	17,283	$2,306,161	$133	0%
FUCEC	36,310	$785,510	$21	21%
PAMECAS	15,592	$1,268,021	$81	7%
UFT	28,536	$204,178	$7	98%

FCPB and PAMECAS have been able to achieve a higher savings volume than FUCEC and UFT because they were inadvertently targeting youth who had a higher savings capacity (older youth). Conversely, FUCEC and UFT made a proactive effort to reach more vulnerable youth, perhaps because reaching more vulnerable clients was already in the framework of these two FSPs. This is further supported by the fact that both FCPB and PAMECAS work primarily in urban areas, while FUCEC and UFT have a more rural client base. The trade-off here is that older youth appear to have a greater savings capacity than younger youth, while, likewise, urban youth appear to have a greater savings capacity than rural youth.

Understanding these various socioeconomic characteristics of youth clients is necessary as it provides FSPs with a deeper understanding of each youth cohort's needs, presenting opportunities to cross subsidize services to more vulnerable youth clients with the services they provide to less vulnerable youth. For example, in the case where older youth are targeted, these youth tend to hold a higher percentage of overall youth savings (up to 90 percent) compared to younger savers.[100] As such, FSPs are able to use the profits generated from older savers to subsidize transaction costs related to accounts with smaller balances.

Irrespective of the size or age of account holders, it is vital that youth clients consistently use their accounts and FSPs keep their youth clients happy. To do this, FSPs need to build trust with their young clients. Youth clients save not only with FSPs but also at home, with a trusted relative or employer, in savings clubs, and

100 UNCDF (2013), Building the Business Case for Youth Services: Insights from the YouthStart Program http://www.uncdf.org/sites/default/files/Documents/yfs-bus-case.pdf.

through other indigenous savings mechanisms. There is still some apprehension by youth with regards to banks; the belief that banks cannot be trusted or only want to make money are still held by many. Dispelling these beliefs among youth is critical in ensuring usage of accounts. It is imperative that FSPs build a long lasting relationship with both younger and older youth, ensuring these clients understand the beneficial relationship they can have with a financial institution.

Developing other revenue streams

Serving youth can offer opportunities to cross-sell financial services to adult relatives and other youth and generate revenues from additional products to help offset the costs of serving this segment. While these additional revenue streams present FSPs with an opportunity to increase profits garnered from youth clients, it must be noted that these revenues do take time to materialize as FSPs solidify their relationship with youth.

The benefit of cross-sales to parents and other older family members has allowed FSPs to increase its adult client base and presents an opportunity to charge higher fees on savings accounts to adult savers. This has been seen in the case of YouthStart partner FSP in Uganda, Finance Trust Bank, which saw an increase of 1,000 adult clients after nine months of launching their youth product. These adult clients were all recruited thanks to the youth who shared information about the FSP to their family members and friends. This promising result suggests that 17 percent of youth clients bring their relatives to UFT, and that these relatives may access more profitable products and services, thus increasing return for the FSP. Other partners such as PEACE in Ethiopia have experienced up to a 40 percent increase in account openings from all client types compared to previous years. This is due to marketing activities designed specifically for youth, but which also attracted adult clients to the FSP.

Providing savings accounts to youth can also result in cross-selling loans and other products and services to both adults and youth as they grow older and can access these products. For example, in 2012 UFT earned USD $13,300 from fees and interest for 152 loans granted to young adults. These revenues represented 15 percent of operating expenses for the year.

YouthStart partners have also noted that an additional advantage in providing services to youth has been the increased positive image and reputation in the communities they serve. This positive perception is an intangible benefit that is difficult to measure, yet offers greater potential for growth and loyalty in areas where FSPs are looking to expand their reach.

ACHIEVEMENTS, CHALLENGES AND LESSONS LEARNED

ACHIEVEMENTS

The most important achievement for YouthStart so far has been in providing access to financial services to almost half a million youth in less than four years. Each partner FSP was committed to providing services to youth to the best of their abilities and in an appropriate manner. Four years ago, there was no knowledge of youths' capacity to save, nor was there any concrete data on their ability or inability to handle loans. Yet in just this short amount of time, YouthStart partners have enabled their youth clients to save close to USD $13 million dollars and access over USD $6 million in loans.

Another achievement for the program has been the amount of experience and quantitative data collected and shared to support the case for providing services to youth. This is particularly important as the evidence base for providing financial and non-financial services to youth continues to be built. While YouthStart will continue to expand its program and develop knowledge products based on the experience it has garnered, the program has especially achieved a deeper understanding of how access to finance for youth is an important contributor to helping young people create their own economic opportunities.

Additionally, after working with ten FSPs across Africa, UNCDF has deepened its appreciation of the variables which have facilitated the ability of many partners to effectively provide youth with access to financial and non-financial services. Management buy-in; the affordability, accessibility, and relevance of youth products; and an enabling regulatory environment have been significant factors which have increased youths' access to financial services.

CHALLENGES

The most significant challenge for YouthStart has been in endeavoring to change the adverse perception of certain stakeholders towards providing financial services to youth. Many partner FSPs experienced resistance from staff, as there was a reluctance and aversion for serving youth clientele. Parents also were unwilling to allow their children, in particular girls, to open their own accounts, noting fear of their child taking money from them and managing their own accounts. In addition, many stakeholders were apprehensive about providing loans to youth as they felt youth were not capable or mature enough to handle such a responsibility. Each of these challenges were addressed through sensitization efforts and building awareness. FSPs devoted a great deal of time and effort in meeting with staff, parents, teachers, community leaders, youth groups, and other important stakeholders to discuss the benefits of savings. In addition, the piloting of youth products was developed to better understand, test, and demonstrate youths' capabilities in savings and managing credit. This test has proven quite successful considering the number of youth clients to date.

Another major challenge faced by partner FSPs is usage of accounts. Often there may be tension between promoting uptake and ensuring usage within an FSP causing efforts to increase usage to be neglected at the expense of outreach efforts. Initially YouthStart partners did not prepare for encouraging use of the accounts and maintenance of savings balances once the accounts were opened as the general savings capacity of youth was unknown. However with time, as they experienced high dormancy[101] rates with youth savings accounts they began to develop strategies and targets to increase account usage[102]. Dormancy is often accelerated by factors such as: large distance between where youth live, study and work to the branches; security and cultural issues affecting girls and young women (e.g. parents may fear allowing girls to travel large distances on their own to make deposits); inability and/or lack of time and motivation of staff to follow up directly with youth; and seasonality of youth income.

For UNCDF, it is imperative that the case for offering services to youth is substantiated with both quantitative and qualitative data.[103] The data amassed since the start of the programme has proven that the youth are not only demanding services but are willing and able to pay back loans sufficiently. At the same time, YouthStart understands the importance of sharing this data with the wider spectrum of stakeholders working in the ecosystem. As such, the knowledge and experiences garnered from the program are shared with internal and external partners through various platforms including local and international fora, webinars, and social media.

LESSONS LEARNED AND RECOMMENDATIONS

- **Affordable pricing**: FSPs that have either lowered or completely eliminated account opening fees have proven to reach a larger number of youth clients. Most of the YouthStart partners designed youth savings products that charged considerably lower opening balance and maintenance fees than for adult savings products (e.g., FINCA-Uganda, FTB and PEACE). In some cases, more affordable pricing was a reflection of the pricing structure that was already in place for adults (e.g., ACSI, FINCA-DRC and OIBM). When designing the right products for youth FSPs must ensure that they are not only affordable, but also accessible and relevant to the financial needs of young people.
- **Management buy-in**: Having a dedicated management team who support and endorse a youth client strategy has been an important factor. It also eases the integrating of youth products into the FSPs MIS, marketing strategies, and human resources functions. In addition, management buy-in not only ensured

101 UNCDF defines dormancy as 12 months with no account transactions.
102 Usage can be measured by average number of deposits and average savings volume. In this paper we focus on increase in average savings balance as the main indicator of usage
103 Qualitative data is captured during quarterly monitoring visits, reports, meetings with FSP partners, and focus group discussions with. Findings are disseminated via outlets such as YouthStart Newsletters.

buy-in at the branch level, but it has also increased the likelihood of youth products being institutionalized across the FSP's operational mandate.

- **Enabling regulatory environment**: Regulation plays a major role in providing financial services to youth. Working within a country that has little to no regulatory framework to encourage youth financial inclusion can pose difficulties for FSPs. In most YouthStart partner countries, youth are only able to independently open and manage a savings account at the age of 18. Yet, YouthStart's work in Rwanda has proven that decreasing the age to 16 years, for example, allows a larger cohort of youth to access much needed financial services and products. By eliminating the need for parental consent for youth to transact with banks, the significant expenses involved with opening accounts are eased. In addition, countries like Rwanda that emphasize and work towards access to finance for youth also tend to emphasize financial literacy, making it that much easier for youth to access financial literacy sessions.
- **Youth policies to support financial inclusion**: In many countries, there are little to no youth-friendly policies enacted which support access to finance for young people. These policies in essence define national financial education strategies which integrate financial literacy into countries' educational curricula. The lack of such strategies can impede on a FSP's goal of providing training to youth as they need support from line ministries in order to access schools and other training centres.
- **Forging partnerships to deliver more meaningful services**: Although forging partnerships can be ideal for FSPs, YouthStart learned that forging and maintaining these partnerships can be challenging. First of all, some of these partnerships take a very long time to formalize. Secondly, there can be a mismatch of expectations: the YSO assumes youth graduates of its programmes should receive loans even though they may not be ready for them and the FSP assumes it will be getting referrals for youth that are "loan ready." Third, the catchment area of the FSP is generally greater than that of the YSO. Therefore, during the pilot test of the youth programme, the partnership initially worked, but once the FSP scaled up the programme to other zones of the country, it had to identify new YSOs with whom to partner. The lesson found here is that FSPs need to devote time when considering program expansion to carefully outline the roles, expectations, and obligations of partners.
- **Youth Borrowers need more handholding**: A lesson learned from delivering loans to youth is the need to support youth clients in building assets from an early age. A savings led approach not only supports the development of youth, but also the ability of the FSP to better serve young clients. There was uncertainty as to youths' ability to manage and repay loans. Yet after starting offering savings

product to youth, YouthStart and its partners came to the realization that the youth are as “bankable” as other clients.

- **Youth loans need to respond to market opportunities**: Another lesson learned is that FSPs need to have a strong understanding of market dynamics; not just in terms of the financial health of a loan portfolio, but the market demands in their respective countries, which would in turn help youth create their own economic opportunities. As FSPs try to build a viable youth client base, they need to understand that youth are likely to take out a loan to either pay for their studies or start or expand their business ventures. As such, there needs to be a conscious effort made by FSPs to ensure these ventures respond to the needs of the market. This has been the case for FSPs such as UFT, who has been able to capitalize on market needs and youth endeavours by combining the two and offering micro-leasing opportunities to enhance economic opportunities for young clients.

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BANKING ON YOUTH: LESSONS FROM MÍA AT BANCO ADOPEM

Written by: Women's World Banking[104]

BANCO ADOPEM AND WOMEN'S WORLD BANKING INSTITUTIONAL INFORMATION

Banco de Ahorro y Crédito ADOPEM S.A. was established in 2004 as an initiative of the ADOPEM NGO and in that same year became part of the Women's World Banking network. Banco ADOPEM is a financial institution that serves micro, small and medium enterprises. Currently, the bank has 57 branches and 28 sub-agents all over the Dominican Republic. Banco ADOPEM is also a member of the BBVA Microfinance Foundation, a non-profit organization created in 2007 by the BBVA Group through their corporate social responsibility mandate.

Banco ADOPEM has more than 339,000 savings customers and 196,000 credit customers. Its current loan portfolio is RD$4.152 million (USD $92,000) and it has RD$2.097 million (USD $46,500) in deposits. It offers a wide range of products such as: microcredit loans, agricultural and livestock loans, small and medium enterprise loans, remodeling and expansion of housing loans, solidarity group loans, as well as savings accounts, children's savings accounts, programmed savings, financial certificates, micro insurance, and remittances.

104 Women's World Banking would like to thank Banco ADOPEM for generously providing their time, access to management and support throughout this engagement. We are also grateful to them for openly sharing their data, without which this study would not have been possible. Daniel Rozas (Independent Consultant) conducted the data analysis for this study in collaboration with Women's World Banking.

Women's World Banking is the global non-profit devoted to giving more low-income women access to the financial tools and resources essential to their security and prosperity. For more than 35 years, Women's World Banking has worked with financial institutions to show them the benefit of investing in women as clients, and as leaders. Women's World Banking equips these institutions to meet women's needs through authoritative market research, leadership training, sustainable financial products and consumer education.

INTRODUCTION

In 2011, when Stephani was just 11 years old, she opened her first bank account—a Mía account at Banco ADOPEM. She dreamt about becoming a doctor or teacher and continuing her studies in order to achieve those dreams. She would save at home until having a certain amount, and then ask her mom to take her to the branch to deposit. More than three years after opening her account, Stephani is still saving regularly in her Mía account. She has accumulated more than DOP 1,200 (USD $27) thanks to regular deposits ranging from USD $1 to USD $4 every couple of months. She does not plan to take the money out until she is 18 years old or in case of an emergency.

Youth under 25 years of age make up almost half of the world's population[105] and there is widespread consensus among government officials, development experts and financial services providers about the importance of building youth financial capability.

Though banks may identify a market opportunity for youth savings, understand the potential branding benefits, and the positive impacts such opportunities create for clients themselves[106]-many banks are slow to invest in youth savings products. Except for a few recent studies, the evidence base demonstrating the bottom line impact of youth savings programs is still limited.[107]

Four years after collaborating with Banco ADOPEM to develop its youth savings program, which was designed as a new product called the Mía account ("mine" in Spanish), Women's World Banking returned to the bank to evaluate the impact of the

105 People under age 25 make up 43 percent of the world's population. Source: UNFPA, State of the World Population 2011. http://foweb.unfpa.org/SWP2011/reports/EN-SWOP2011-FINAL.pdf Youth aged 10-24 make up 25 percent of total population (27 percent in less developed and 17 percent in more developed countries). Source: Population Reference Bureau, Youth Data Sheet 2013. <http://www.prb.org/pdf13/youth-data-sheet-2013.pdf>.

106 See "Creating the Business Case" (p. 16-23) in Banking on Youth: A Guide to Developing Innovative Youth Savings Programs, Women's World Banking 2012, 2014.

107 See Munoz, L., Perdomo, L. and Hopkins, D. "Building the Business Case for Youth Services", UNCDF, September 2013. See Loupeda, Christian. "Show Me the Money: Costs and Revenues of Youth Savings and Financial Education Services Offered by Credit Unions in Mali and Ecuador". Advancing Integrated Microfinance for Youth, Freedom from Hunger: Davis, CA. 53pp. (2014).

program on its operations and assess the lessons learned. With a grant from Barclays, Women's World Banking conducted an in-depth analysis of the impact of youth savings thus far on Banco ADOPEM (Dominican Republic), which launched its youth savings program, “Mía”, in 2010.[108]

Insights from this data analysis, in addition to Women's World Banking’s experience with youth savings in many countries throughout the world, enabled Women's World Banking to identify five emerging areas that are essential to building a successful business case for youth savings. Building a business case is a long-term proposition, so looking back just four years can only provide initial insights on the necessary elements. We also recognize that every financial institution is different, and no single approach can be implemented across the board. However, these emerging principles can be broadly applied for financial services providers as they plan to offer youth savings or enhance existing offerings.

WOMEN'S WORLD BANKING’S YOUTH SAVINGS WORK

Women's World Banking piloted its youth savings and financial education work with XacBank (Mongolia) and expanded to Banco ADOPEM (Dominican Republic), PEACE MFI S.CO (Ethiopia), SEWA Bank (India), and Diamond Bank (Nigeria). Based on this work, Women's World Banking developed *Banking on Youth: A Guide to Developing Innovative Youth Savings Programs*[109], an interactive publication for deposit-taking institutions to help guide youth savings program development at any stage. More than 260,000 accounts have been opened to-date worldwide. Women's World Banking’s strategy of researching, developing and piloting a product with one institution then adapting and expanding it to other markets has allowed us to develop best practices on how to reach unique youth markets.

YOUTH PROGRAM DESCRIPTION

In 2009, Women's World Banking, with support from the Nike Foundation’s Girl Effect, provided technical assistance to Banco ADOPEM in developing Mía, a youth-inclusive savings account coupled with financial education implemented in schools via its

108 The data for this report was drawn from comprehensive client data provided by Banco ADOPEM, which covered historical lending, savings, as well as remittance and insurance transactions for all clients from January 1, 2010 through April 1, 2014. In addition, Banco ADOPEM shared detailed financial data, including per-product costing and profitability, as well as the marketing and savings (Captaciones) department budgets. Financial reports to the Nike Foundation, which detailed the amount and use of the donor funds, were also consulted and the team conducted several qualitative industry, competitor, and staff interviews.

109 Women’s World Banking (2013), Banking on Youth – A Guide to Developing Innovative Youth Savings Programs, http://www.womensworldbanking.org/publications/publications_banking-youth-guide-developing-innovative-youth-savings-programs/.

affiliated nonprofit, ADOPEM NGO. Banco ADOPEM's mission is to serve low-income communities, especially women and girls. At that time, other financial institutions in the Dominican Republic had product offerings for youth through their parents, but Mía was the first to directly target youth to save for themselves. According to the bank's senior management, Mía was launched in order to instill a culture of savings in Dominican youth, promote "fidelización" or brand loyalty by introducing the next generation of clients to the bank, and, ultimately, advance financial inclusion for low-income Dominicans, especially girls.[110] Though originally intended for girls only, Mía was offered to boys as well to increase the client pool and the long-term sustainability of the product. It also helped make the product more attractive to parents and guardians who were interested in both their daughters and sons having access to the program.

Product preparation and design began in 2009, and the product was launched in 2010 and rolled out to all of Banco ADOPEM's branches by the end of 2011. Today, four years after product launch, Mía continues to be a key part of Banco ADOPEM's product offering and is one of its most visible products, due in large part to the success of marketing materials designed to attract youth.[111]

YOUTH PROGRAM SUMMARY

There are two types of Mía accounts, as indicated in the chart below. Mía-Menores, an account for youth under the age of 16 years which requires a guardian to open; and Mía-Mayores, for youth aged 16-24 years. The Mayores account can be opened either by the youth themselves (if they have an identification card or "cédula", which can be issued at the age of 16 years) or by their legal guardian. More information on the terms and conditions of Mía accounts can be found below in Table 1.

110 Interview with senior management conducted by Women's World Banking on June 27, 2014, Dominican Republic.

111 Competitor and industry interviews conducted by Women's World Banking, April and June 2014, Dominican Republic.

Table 1: Mia Product Details

Name of Youth Program	Mía-Menores "Younger"	Mía-Mayores "Older"
Type of youth services	Savings and financial education	
Year youth program launched	2010	
Age	0 - 15	16 - 24
Minimum balance to open[112]	DOP 100 (USD $2.25)	DOP 200 (USD $4.50)
Minimum on-going[113] balance	DOP 25 (USD $0.57)	DOP 25 (USD $0.57)
Term	None	None
Interest Rate	Same interest rate for all liquid savings accounts at Banco ADOPEM	
Fees	Dormancy fee of DOP 10/month after 6 consecutive months of inactivity (USD $0.23)	
Account opening requirements	Guardian with cédula (id card)	Cédula (id card); can be opened without guardian
Non-financial services model	Parallel (ADOPEM NGO) Linked (Banco ADOPEM staff)	

Mía Product Profile (as of April 1, 2014)

- 35,094 accounts opened
- 57 percent for girls
- 90 percent are " Mía Menores" accounts
- Median age of youth (parent-opened accounts): 8 years
- Median age of youth (youth-opened accounts): 21 years

Who is a Mía client?

- 26,231 clients, or 8 percent of all Banco ADOPEM clients (approximately 1.34 accounts opened per client, one parent may open an account for each of her children)
- 81 percent of Mía clients were existing clients
- 19 percent of Mía clients were new to the bank through Mía
- Guardians' median age is 31 vs 35 for Banco ADOPEM clients without Mía accounts
- Mostly women clients: 86 percent vs 69 percent for Banco ADOPEM clients without Mía accounts

112 Foreign exchange rates as of April 14, 2015, on www.oanda.com.
113 Ibid.

Terminology

From here onward, individuals called “Mía clients” are adults who, as the parent or guardian, have opened Menores or Mayores accounts for their children. Youth who have opened their own Mayores account (without a parent or guardian) are referred to as “Mía youth clients.” Individuals, either adult or youth, whose first introduction to Banco ADOPEM is through Mía are referred to as “Mía–first clients.”

YOUTH NON-FINANCIAL SERVICES

When Banco ADOPEM launched Mía in 2010, they chose to deliver non-financial services primarily through a parallel model, as its sister NGO, ADOPEM ONG, already had experience with financial education delivery, training, and capacity-building.

Through the end of 2011, ADOPEM ONG managed the financial education component of Mía and was responsible for training teachers at partner schools to deliver a two-session financial education curriculum, developed in partnership with Microfinance Opportunities (MFO), covering topics such as savings, goals, benefits of banking, and money management. ADOPEM ONG initially trained teachers at partner schools to deliver an eight-session financial education curriculum. However, the cost structure and operating model were more challenging than anticipated and the curriculum was reduced to two sessions. This training-of-trainers approach was phased out once the funds from the Nike Foundation were no longer available.

From 2012 to the present, ADOPEM ONG started providing shorter seminars (“charlas”) at schools in coordination with bank staff. Furthermore, since the launch of the product, Banco ADOPEM also implemented non-financial services through a linked model. Bank staff has organized branch-based events in branches and schools, in coordination with ADOPEM ONG, where financial messages are reinforced in addition to Mía marketing messages and product promotion.

MARKETING OF THE YOUTH PROGRAMS

There was significantly higher spending on marketing of the program, including allocated staff time, at the beginning of the project, which led to higher account opening and activity. Banco ADOPEM tested different incentive strategies, conducted several marketing campaigns, and focused on building the brand. Tracking return on investment on these efforts can help optimize future campaigns.

ACHIEVING SCALE AND SUSTAINABILITY

ACHIEVEMENTS

A Gateway Product

Youth-opened Mía accounts served as a gateway product to the bank. Of the 1,539 Mía accounts opened by youth themselves, 52 percent were new to the bank, as compared to only 13 percent of the accounts opened by parents or guardians. This trend demonstrates the appeal of the account to youth and its ability to bring new business from the youth segment into the bank. Strengthening outreach to encourage the opening of more youth-controlled accounts could bring a larger pipeline of long-term clients for Banco ADOPEM.

Having a bank account in one's own name gives young people the opportunity to build assets and financial capability at an early age. Nevertheless, realizing the promise of attracting the next generation of clients to the banks has a much longer-term time horizon.

Youth are Active

While 44 percent of parent-opened accounts lost all of their deposits through dormancy fees, only 13 percent of the youth-opened accounts lost all their deposits to dormancy fees. These accounts were more active than the parent-controlled accounts, indicating interest and desire to begin saving and transacting at a young age. Profitability for these accounts was primarily driven by on-lending revenue; and while almost half of these youth went on to borrow from the bank, they primarily engaged in the less profitable group lending product. Nevertheless, this cross-selling opportunity reinforces the long-term opportunity of youth as profitable clients.

Engaging Parents

Parent-controlled accounts represent 90 percent of accounts, and they often opened more than one account for their children.

Thirteen percent of the parent-controlled accounts were opened by guardians that were new to Banco ADOPEM, indicating that offering a youth savings account can bring new adult clients to a bank, in addition to new youth clients.

Though Mía was not specifically segmented to separately target parents as savers, the Menores account has become more of a parent-controlled account, given the very young median age of the youth. Over 85 percent of the accounts opened by parents were opened by existing adult clients.

Cross-sell Opportunities

The opportunity to cross-sell to parents makes them valuable revenue sources for a youth savings program, effectively subsidizing the costs of serving youth who are less profitable due to lower balances and higher transaction and marketing costs.

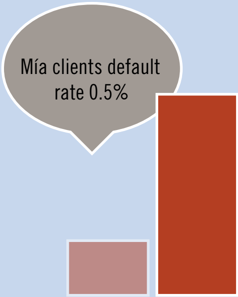
When attributing profitability to the Mía product, this study only considered the cross-selling revenues from “Mía-first” clients since it can be assumed that all of this cross-selling revenue can be attributed to the Mía account. These clients opened Mía first and subsequently took out loans from Banco ADOPEM at a later date, unlike existing clients who were already borrowers at the bank and then opened Mía. For existing clients, ascribing profit is more difficult, since causality and the influence of the Mía account on these clients’ other activities cannot be determined and may well be minimal.

Existing clients who open a Mía account are a stand-out category of clients: they are the most profitable clients for the bank overall as they generate the highest cross-sale profit and have better retention and default rates relative to Mía account holders as a whole, as well as the average Banco ADOPEM client. Though they borrow less than the average non-Mía client at the bank, they borrow in larger amounts and they have lower defaults when they do borrow. This performance is primarily attributed to the parents and guardians, not the youth themselves.

Thus, Banco ADOPEM has been able to cross-sell Mía to its best clients, which may further enhance their loyalty and deepen their relationship with the bank. While the profitability and retention value from these clients cannot be attributed only to Mía, the ability to retain these stand-out clients through Mía, among other factors, contributes to the overall profitability of the bank.

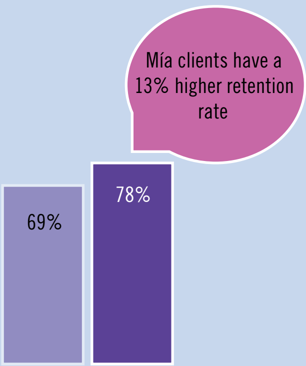
Mía clients save more, are better borrowers and remitters, and have higher retention rates

Mía clients as a whole save more than the average Banco ADOPEM saver: RD 1,966 (USD $43.88) vs RD 982 (USD $21.91).



Mía clients are better borrowers: they have 0.5 percent default rate vs 1.8 percent for the average Banco ADOPEM client.

Mía clients are more likely to use remittances with 3.2 percent of Mía clients having sent/ received at least one remittance compared to 1.1 percent for the average Banco ADOPEM client. The remittances Mía clients receive are substantially larger than the average Banco ADOPEM client: 82,000 DOP (USD $1,836.26) per remittance vs 56,000 DOP (USD $1,254.03).



Mía clients have a higher retention rate than the average Banco ADOPEM client. Of those who joined the bank in 2011, 78 percent still had an active loan or savings account whereas only 69 percent of the average Banco ADOPEM clients did.

CHALLENGES

Tracking Client Data

Investing in the systems and technology to adequately track client data is a foundational step in determining the success of financial products. It allows the institution to understand its relationship with the client and its evolution over time, as well as provide insights about groups of clients that may not be otherwise apparent. Tracking young clients' data longitudinally is critical because their profitability will not be evident until long after they graduate from their first youth account. Women's World Banking recommends their partner institutions invest in robust tracking systems and establish relevant key performance indicators (KPIs) for new product initiatives.[114]

Tracking enabled Banco ADOPEM to know that Mía clients are better-performing, more profitable clients: they have a lower default rate on loans, save more, and are more likely to stay with the institution than the average Banco ADOPEM client.

However, Banco ADOPEM did not have a system in place to track youth clients who transition into adult clients. In accordance with government regulation, Banco ADOPEM assigns a unique identification number to clients who have an identification card ("cédula"), which young people cannot obtain until they turn 16 years of age, though the majority does not obtain it until 18 years of age. Without the identification number, the bank cannot identify Mía youth once they take out loans or any other product with the bank. However, data from youth who are non-Mía clients show a promising picture. Though older by just one to two years than Mía youth clients, they take out more microenterprise loans (average of 1.11 compared to 0.51 for Mía youth), which make them more profitable for the bank. Automating and tracking these relationships with youth will give the bank data with which to understand their long-term relationship with the client and plan initiatives to further engage them with other services.

Furthermore, the bank and ADOPEM ONG invested heavily in financial education during the first two years of the project, which also contributed to uptake. However, they were not able to determine the impact of financial education on savings behavior and account performance because of data limitations. The financial education participant names were tracked manually and identifier information (such as a cédula or address) was either not tracked or unavailable. In the future, better tracking mechanisms that show the relationship between financial education and account performance can help financial institutions make decisions about how much to invest in financial education—no matter the delivery model selected.

114 See "Designing Key Performance Indicators" (p 59) in Banking on Youth.

Contribution of dormancy fees to revenue

Dormancy fees are the second largest profit driver for Mía, derived mainly from adult accounts. More than 50 percent of parent-opened accounts lose half or more of their deposits through dormancy fees. Including dormancy fees in product design forces a trade-off between short-term profitability and long-term sustainability along with client goodwill.

Nearly half of all Mía accounts have small balances and experience high transactional account activity, making on-lending a lower source of revenue than is ideal for a savings program, especially if dormancy fees are removed. Educating clients about the value of saving and growing balances can help increase the share of revenue from on-lending.

Women's World Banking conducted a sensitivity analysis and found that if Banco ADOPEM eliminates dormancy fees, breakeven would be delayed by at least one year, as profitability would be driven only by on-lending revenue and cross-sales. For example, balances would need to grow by more than 30 percent to offset the loss of dormancy fee income through on-lending. Nevertheless, Mía would still be profitable in the longer-term even without factoring in cross-sales revenue.

Investments in financial education and marketing

Funding from the Nike Foundation's Girl Effect initiative allowed Banco ADOPEM to break even two years earlier in terms of cumulative net income, even though revenue drivers were not ideal.

The Nike Foundation grant enabled Banco ADOPEM to have a strong launch with an expensive marketing push, which was eventually rolled back when the grant period ended. Banco ADOPEM limited marketing to back-to-school and holiday campaigns, as well as intermittent branch events.

The Nike Foundation grant had also funded the staff time dedicated to youth financial education through the end of 2011. Once the funds were phased out, however, the discrete youth financial education expenses were no longer covered and had not been absorbed into a broader budget; thus, financial education activities were reduced.

Sensitivity analysis indicated that, once the Nike grant was completed, if Banco ADOPEM had continued spending on financial education at the same levels as in the first few years of the program, when financial education was more comprehensive and intensive, the program would still have broken even in the same year, albeit with lower, but still positive, net and cumulative income levels. Building this kind of analysis into transition planning—in addition to analyzing the effectiveness of financial education investments—can ensure that important components of the youth savings program continue even after external funding ends.

LESSONS LEARNED

1. Offer a multi-generational proposition that addresses both youth and their parents

A financial institution's approach to youth savings should reflect the financial needs, preferences and behavior of youth, parents and guardians.

A complementary multi-generational youth proposition, which targets both youth and parents, balances the longer-term payoff of the youth-controlled account with the shorter-term profitability of the parent-controlled account, resulting in a more profitable value proposition as a whole. Still, a successful business case for youth savings requires a program that strikes a balance between a strict business objective of profitability and sustainability, with a social objective of financial inclusion.

Because of the dual proposition to parents and children, Women's World Banking takes a client relationship-based approach[115] that considers not just the direct product profitability of the youth savings account itself, but the overall profitability from the client's entire banking relationship with the institution. This includes the indirect profitability from cross-sales to the youth and their parents and guardians.

2. Optimize product design for on-lending

Youth savings accounts are often at risk of inactivity, given youth's irregular cash flows and interactions with the bank. Dormancy fees are a bank strategy to encourage account activation but also to generate income in the case of lapsed accounts. Youth-controlled accounts also typically have low balances, so the accounts that go dormant run the risk of losing most, if not all, of the balance to dormancy fees. These fees offer a short-term source of profitability for the bank, but in the long run can erode the product's deposit base. Encouraging the small balances to grow instead of losing them to fees can encourage more on-lending, a more stable source of income for the program.

3. Establish a migration plan

To realize the long-term profitability of serving youth clients, throughout their lifecycle, financial institutions must build in retention strategies and migration plans to ensure youth stay with the bank.

According to an analysis of European youth accounts, youth become more profitable as they age and they are less expensive to acquire when young because they deliver

115 Westley and Martín Palomas, CGAP (2010),"Is there a Business Case for Small Savers?" http://www.cgap.org/sites/default/files/CGAP-Brief-Is-There-a-Business-Case-for-Small-Savers-Jan-2011.pdf.

revenue to the institution over a longer lifetime.[116] However, if youth do not stay with the bank over the long term, the bank misses a valuable revenue generating opportunity.[117]

Thus, financial institutions must implement plans that ensure that the youth accounts migrate—ideally automatically if regulation permits, with appropriate notification and engagement—to an adult account and access to the full range of financial products at the bank as they transition to adulthood. Financial institutions should have a tracking mechanism, such as a client identification number assigned to the youth that is separate from their guardian's identification number, in order to appropriately serve youth throughout their lifecycle. Without a clear migration plan, the long-term profitability and retention potential of youth clients is at risk. Furthermore, if youth clients have a negative first experience with banks—in that they do not feel engaged, or their deposits are all lost to dormancy fees—the bank also risks losing this next generation of clients and tarnishing its brand.

4. Invest in marketing and financial education

Marketing and financial education support both the business and social objectives for offering youth savings. Marketing can encourage positive transaction behaviors such as higher deposit amounts and reduced withdrawals that will contribute to the program's profitability.[118] Efforts to build youth financial capability can increase youth confidence and comfort with using formal financial services and building assets; for the bank, financial education efforts can help build a more financially responsible and informed customer base. The format and content of any marketing campaign and financial education program must appropriately respond to client needs, as well as the capacity and resources of the financial institution.

5. Plan for sustainability beyond donor funding

Marketing, product design, financial education and upfront salary costs are the primary cost drivers in any new product introduction. For youth products, marketing and financial education costs can be even more significant. Donor funds that cover these high costs allow a bank to temper the perceived risk in investing in youth savings and secure institutional commitment. It allows institutions to test and evaluate marketing and financial education strategies that the institution might otherwise not have had the budget to explore. Furthermore, external funds allow an institution to shorten the breakeven timeline.

116 Child and Youth Finance International and MasterCard, "Banking a New Generation: Developing Responsible Retail Banking Products for Children and Youth", March 2014 (25). <http://www.childfinanceinternational.org/resources/publications/2014-banking-a-new-generation.pdf>

117 Kilara, Magnoni, and Zimmerman. CGAP. 2014 (2).

118 Women's World Banking (2013),"Can Financial Education be the Engine for Savings Growth?" http://www.womensworldbanking.org/wp-content/uploads/2013/06/WWB-001-SEWA-case-study_r7_single-pages_print_no_bleed.pdf.

Funders and recipients should develop cost-sharing models, when possible, to ensure program continuity and mitigate grant dependency. Also, institutions receiving donor funds should perform strategic business case analysis and planning before and during the transition away from donor funds in order to:

- understand impact of external funds;
- determine what costs the institution needs to absorb and to what extent;
- reach internal alignment about the program's future.

Donor funds must complement other resources and the funder and institution together should identify how to transition or adapt.

EVOLVING APPROACH TO YOUTH SAVINGS

Building a successful business case for youth savings requires a balance between the financial institution's business objective of sustainable profitability and the social objective of financial inclusion. When establishing a framework for analyzing a program's success, institutions must consider the right combination of profitability drivers and costs associated with efforts that promote financial inclusion and capability among youth.

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European Microfinance Platform (e-MFP)

The European Microfinance Platform (e-MFP), founded in 2006, is a growing network of over 120 organisations and individuals active in the area of microfinance. As a multi-stakeholder organisation it represents the European microfinance community. e-MFP members include banks, financial institutions, government agencies, NGOs, consultancy firms, researchers and universities.

e-MFP's aim is to promote co-operation amongst European microfinance bodies working in developing countries. e-MFP facilitates high level discussion, communication and exchange of information. e-MFP's vision is to become the microfinance focal point in Europe linking with the south through its members.

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