

FINANCING YOUNG ENTREPRENEURS THROUGH MICROFINANCE



ADA supports young entrepreneurs aged 18-35 in terms of job creation, economic development and resilience for their own development and for the benefit of local communities.

CONTEXT

According to the UN report on youth employment trends in 2020, one in five young people worldwide is unemployed and not in education or training, meaning that they are not gaining work experience, earning income from work or improving their level of education or skills. This further reduces future employment and income prospects, especially for young women, who are twice as likely to be affected than their male counterparts, according to the same report.

This global trend is especially apparent in developing countries. Africa is the continent with the youngest population in the world, with more than 400 million young people aged between 15 and 35. Most of them have a low level of education, are unemployed or have a precarious job that does not provide them with a stable and decent income. 30% are in extreme or moderate poverty, which means that they receive an income of less than 3.2 Dollars a day. The challenge for the continent is therefore to train these young people, create jobs and support them in the creation of their micro-enterprises. ADA seeks to support these young entrepreneurs through financial inclusion, specifically those with a financing need of less than 10 000 Euros. These young people face many challenges, including accessing the finance they need to start, manage and grow their businesses.

OBJECTIVE

The programme, which has been running since 2011, has two economic and social objectives:

- Reduce unemployment of young people through entrepreneurship by giving young people access to financial and non-financial products and services to help them start and/or grow their micro-enterprises with tailored follow-up.
- Improve the outreach and social performance of microfinance institutions (MFIs) by enabling them to better target young entrepreneurs with a tailored product offering.

PROGRAMME METHODOLOGY AND MILESTONES

ADA implemented a methodology aimed at supporting microfinance institutions (MFIs) in the diversification of financial products since the onset of the youth financing programme. Products for young entrepreneurs are set up after an analysis of young people's needs in terms of savings, credit, digital services or insurance products.

DURATION OF THE PROGRAMME

Ongoing since 2011

GEOGRAPHICAL AREA

Africa

BENEFICIARIES

Young entrepreneurs aged between 18 and 35

MFI PARTNERS

Ongoing projects:

- Fatière des Unités Coopératives d'Epargne et de Crédit (FUCEC) in Togo
- Union des Institutions Mutualistes Communautaires d'Epargne et de Crédit (U-IMCEC) in Senegal

Completed projects:

- ASUSU in Niger
- Réseau des Caisses Populaires du Burkina (RCPB) in Burkina Faso
- Umutanguha Finance Company (UFC) in Rwanda

DONORS AND PARTNERS

- Ministry of Foreign and European Affairs (MAEE Luxembourg)
- Rotary Luxembourg
- LuxDev

PROGRAMME RESULTS

- Financial products tailored to the needs of young people were developed by ADA and its partner IMF
- More than 15 000 young people opened a savings account
- More than 4 300 young people have access to credit
- Average credit of 500 Euros per young person
- Over 3 000 young people have access to non-financial support

The developed products are flexible and tailored to young entrepreneur profiles. They specifically take into account the sector of activity, the lack of guarantees and their inexistent banking history with financial institutions, etc.

Non-financial support for young people such as financial education and courses on entrepreneurship, business plan development, business management, credit management, etc. are another important component of the programme. This support increases the capacity and confidence of young people to implement their entrepreneurial plans and generates trust of financial institutions in their ability to manage their businesses.

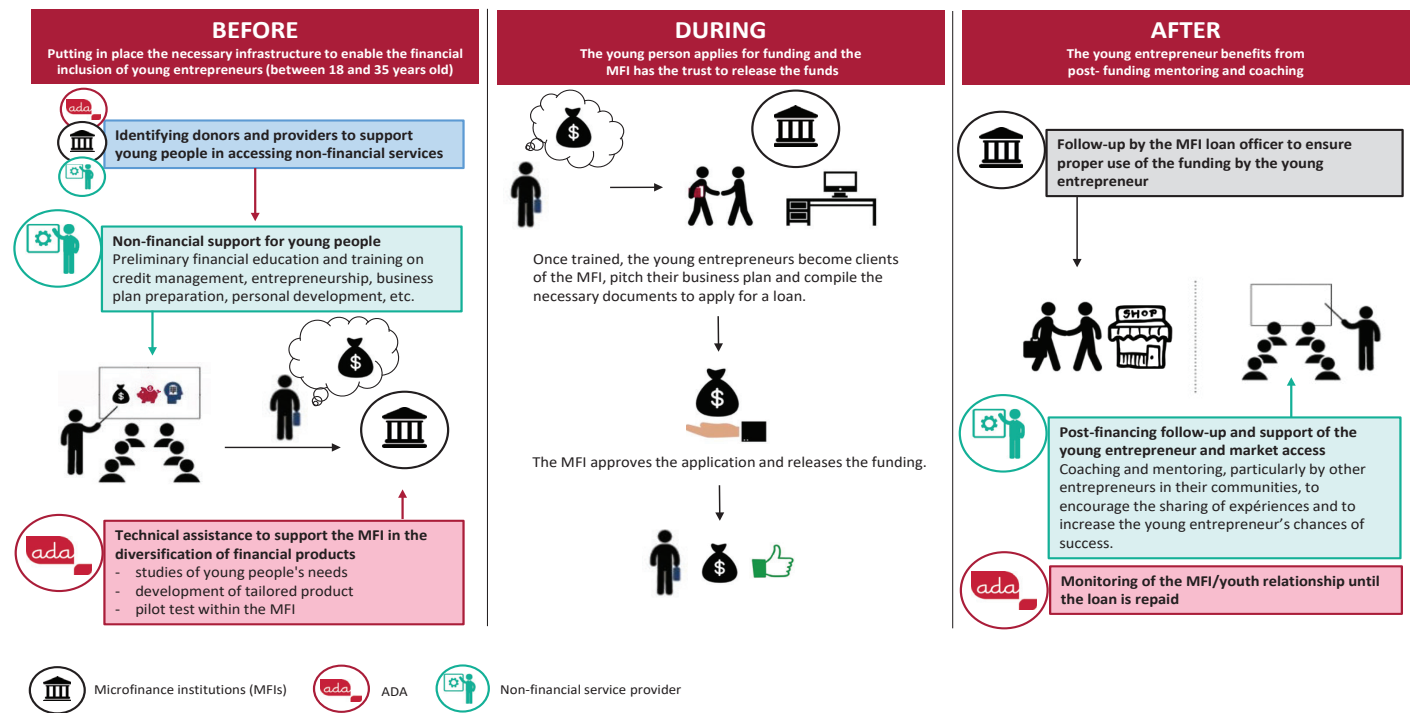
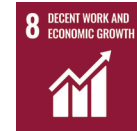
Non-financial support also includes post-financing follow-up such as coaching and mentoring of the young people by other entrepreneurs in their communities. These exchanges increase their chances of success.

CONTACT

Carla Palomares

Young entrepreneurs programmes
c.palomares@ada-microfinance.lu

EXPECTED CONTRIBUTION TOWARDS ACHIEVING THE SDGS



Non-financial support is essential for setting up new youth financing projects. ADA is looking for partners to help young people access non-financial services. These partners are essential for this kind of support that MFIs are unable to provide or finance due to a lack of technical and financial resources. In Senegal, for example, the local partner is an incubator (Jokkolabs) that helps to increase the technical knowledge and management skills of young people, to enable them to adequately define their business plans and to prepare their applications for loans from the partner MFI. The incubator's support continues after the loan has been obtained to ensure the sustainability of the young person's businesses, focusing on practical skills such as how to access the market, manage a loan and building their personal confidence.

THE YES FUNDING INITIATIVE SUPPORTS ENTREPRENEURS IN GROWING THEIR BUSINESS

In 2018, ADA launched an initiative to encourage the economic development of young entrepreneurs in collaboration with different types of partners specialised in entrepreneurship support such as incubators/accelerators, market catalysts and financial institutions. Their aim is to provide a combination of financial and non-financial support that meets the needs of the entrepreneurs.

The initiative led to the creation of a programme called Young Entrepreneurs Sustainable (YES) Funding Initiative. This programme supports young entrepreneurs with larger financing needs - between 5 000 and 50 000 Euros.

SUPPORTING FINANCIAL INCLUSION

ADA is a Luxembourgish NGO that plays a leading international role in inclusive finance. Since 1994, ADA has supported the development of microfinance services for populations excluded from traditional banking. It aims to strengthen the autonomy and skill of MFIs, professional associations and networks. ADA also assists governments in supporting and structuring their regional and national inclusive finance sectors.

www.ada-microfinance.org