

Youth and Microfinance

Groundbreaking Global Initiatives

Global Youth Enterprise Conference
September 2008



Facilitators from Mercy Corps:

Karen Doyle-Grossman

Annie Bertrand

Four panelists

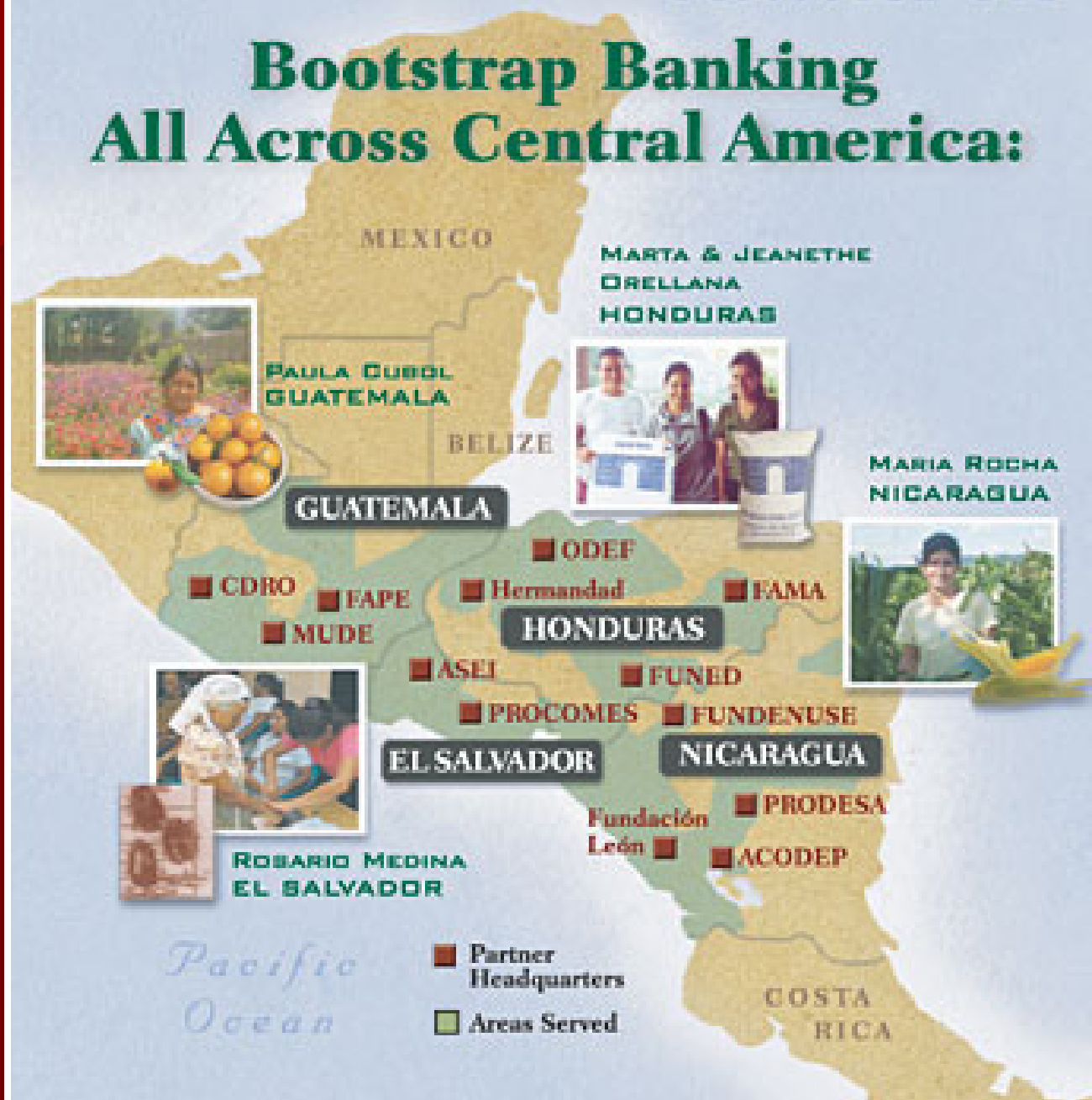
- Grant Ennis - Katalysis Network
- Selma Jahic - Partners
- Meaghan Murphy - Mercy Corps
Mongolia
- Lara Storm Swire - Pro Mujer
Bolivia



By: Grant Ennis
September 15th, 2008

Caribbean Sea

Bootstrap Banking All Across Central America:



Guatemala

MUDE



FAPE



REFICOM



ASDIR



El Salvador

ASEI



PROCOMES



Nicaragua

ACODEP



FUNDACIÓN
LEON 2000



FUNDACIÓN JOSÉ
NIEBOROWSKI



FUNDENUSE



PRODESA



CEPRODEL



Honduras

HERMANDAD DE
HONDURAS



FAMA



ODEF



FUNED



Banco Popular
Covelo



ADICH



PILARH



22 Member
Micro Finance
Institutions

280,000
Predominantly
Female Clients
in Four
Countries

Youth = Risk?

\$75,000 Youth Guarantee Fund = Managed Risk

- Funded by three foundations
 - Two from the U.S. (Peery and Cordes Foundations)
 - One from Honduras. (Fundacion Covelho)
 - \$25,000 Each in the form of a long term zero interest loan.

Terms of Guarantee Fund

- Loans only for youth programs which have met the Katalysis Network certified training standards.
- The participating MFI will make all efforts to ensure the success of the youth enterprise and repayment of the loan, including pre-loan training and post-loan technical assistance.
- In the event of six months or more unrecoverable loan delinquency, the MFI will notify Katalysis, indicating the name of the client, loan amount, loan history, and specifically identify the efforts that were made to collect the loan.
- This defaulted loan documentation will then be reviewed by the Network to determine qualification for 50% reimbursement.
- The full outstanding balance owed would then be forgiven by the issuing MFI.

Impact on Youth Entrepreneurs

- The number of loans to youth under age 30 will increase substantially due to the creation of this risk mitigation facility.
- The participating MFIs will gain more hands-on experience with the emerging new youth sector of microfinance and therefore, increase their market share and competitive advantage.

Other Katalysis Youth Projects

■ Completed

- August 2008

 - “Youth Entrepreneurship Microfinance Program Manual” By Grant Ennis

■ In Progress

- Katalysis/Inter-American Developmental Bank Project to create MFI oriented financial products for youth entrepreneurs in two regions of Honduras.

Mission:

We provide accessible financial services to micro entrepreneurs and population with a focus on rural areas.

We support the improvement in the standard of living and contribute to the employment rate increase throughout Bosnia and Herzegovina.

PARTNER MICROCREDIT FOUNDATION

Founded by Mercy Corps

General Data



Bosna i Hercegovina



Official name: **Bosnia and Herzegovina**
Located in the western part of the Balkans
Area: 51.209 m²
Climate: Mediterranean and Continental
Population (estimate): **cca 3.5 million**
Official currency: Convertable mark BAM
(1EUR = 1, 95 BAM)

Administrative and territory arrangement
Federation of Bosnia and Herzegovina
consist of 10 cantons, 84 municipalities
Republic of Srpska: 64 municipalities
Brčko District
Capital: Sarajevo

Average monthly salary – May 08,

EUR 386

GDP per capita (EUR) - 07 2888

Unemployment rate **39%**

Institutional Background

- Partner is a non profit, non deposit, multhiethnic, inter-entity NGO.
- Operations began in April 1997 as Economic Development Department of Mercy Corps.
- Local organization named PARTNER Microcredit Organization: began operations on January 2001.
- Partner was the first microcredit organization that registered its business in both entities.
- In June 2008, due to a change in the Law on Microcredit Organizations, Partner was transformed into Partner Microcredit Foundation.

All active vs. Youth clients

	All clients	Clients age 18 - 30	Percentage
Total number of active clients	62.182	14160	22,77%
Total gross portfolio in EUR:	+ 95 milion	+ 25 milion	26,13%
Average Loan Size in EUR	1566.31	1329.23	84,87%
Average Loan Term	26,82	24,7	92,09%
% women	42,27%	34,49%	
Repayment rate	99,98%	97,27%	
Total active urban clients	31,63%	32,02%	
Total active rural clients	68,37%	67,98%	

Youth in Bosnia and Herzegovina

- **58% youth unemployment rate** (4 X bigger than in EU)
- Passiveness
- **57% of the youth would leave B&H if they had a chance**
- 607.100 youth up to 15 years old (420.000 less than in 1991 before the war)
- Population age 15 – 29 dropped for 777.000 compared to 1991
- Total workforce (able to work) less for 500.000 than in 1991
- BH Gender component in education is at the EU level

Youth issues I

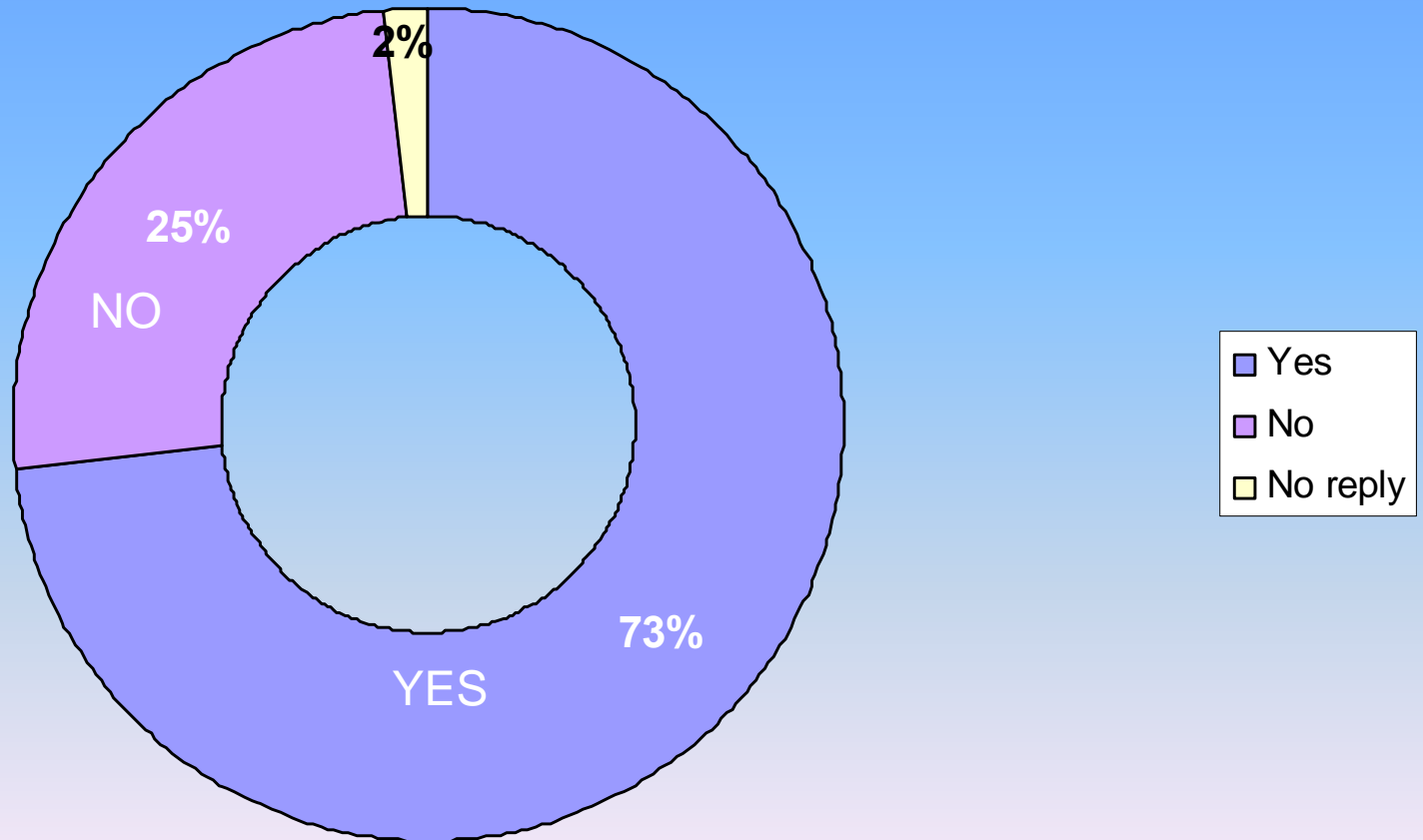
- High youth unemployment rate (58%)
- Poorly equipped educational institutions
- Inadequate vocational education
- Black labor market (every fifth young person work without a labor contact)
- Every fourth person works in professions differ from their education
- 11 months is the average between completion of education and the first employment
- 95% consider that the employment system is corrupted
- Only 1% of the youth took part in Governmental employment projects

Youth issues II

- 85% of youth live with their parents
- 10% of youth don't have any medical insurance
- ¼ of the youth live in households whose income is lower than 60% of the average income per household
- Monthly incomes are lower in rural areas
- 93% of young married couples (up to 30 years) don't have own house/apartment
- Three out of four surveyed are not interested in politics
- Only 2% of the youth are members of youth councils/organizations

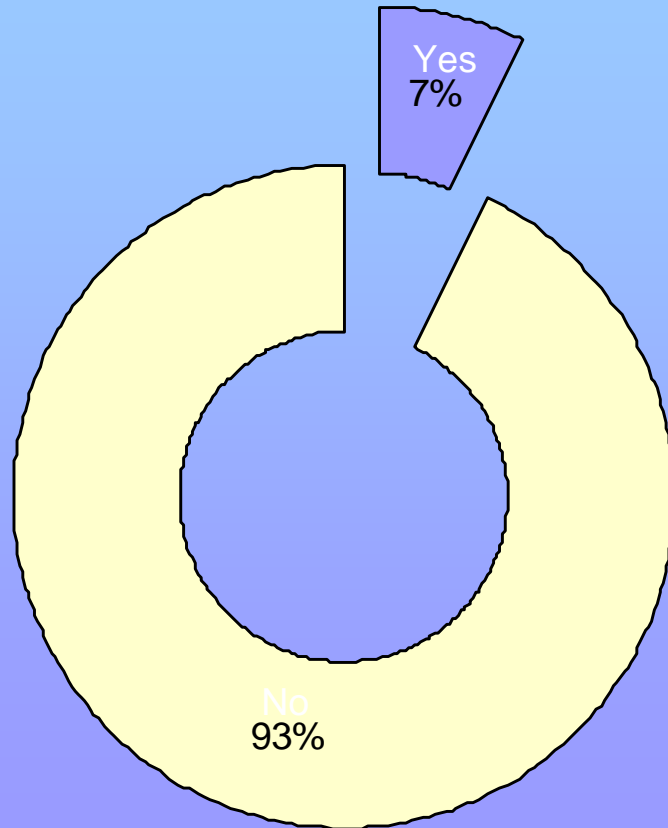
Partner survey

Have you ever thought about starting your own business?



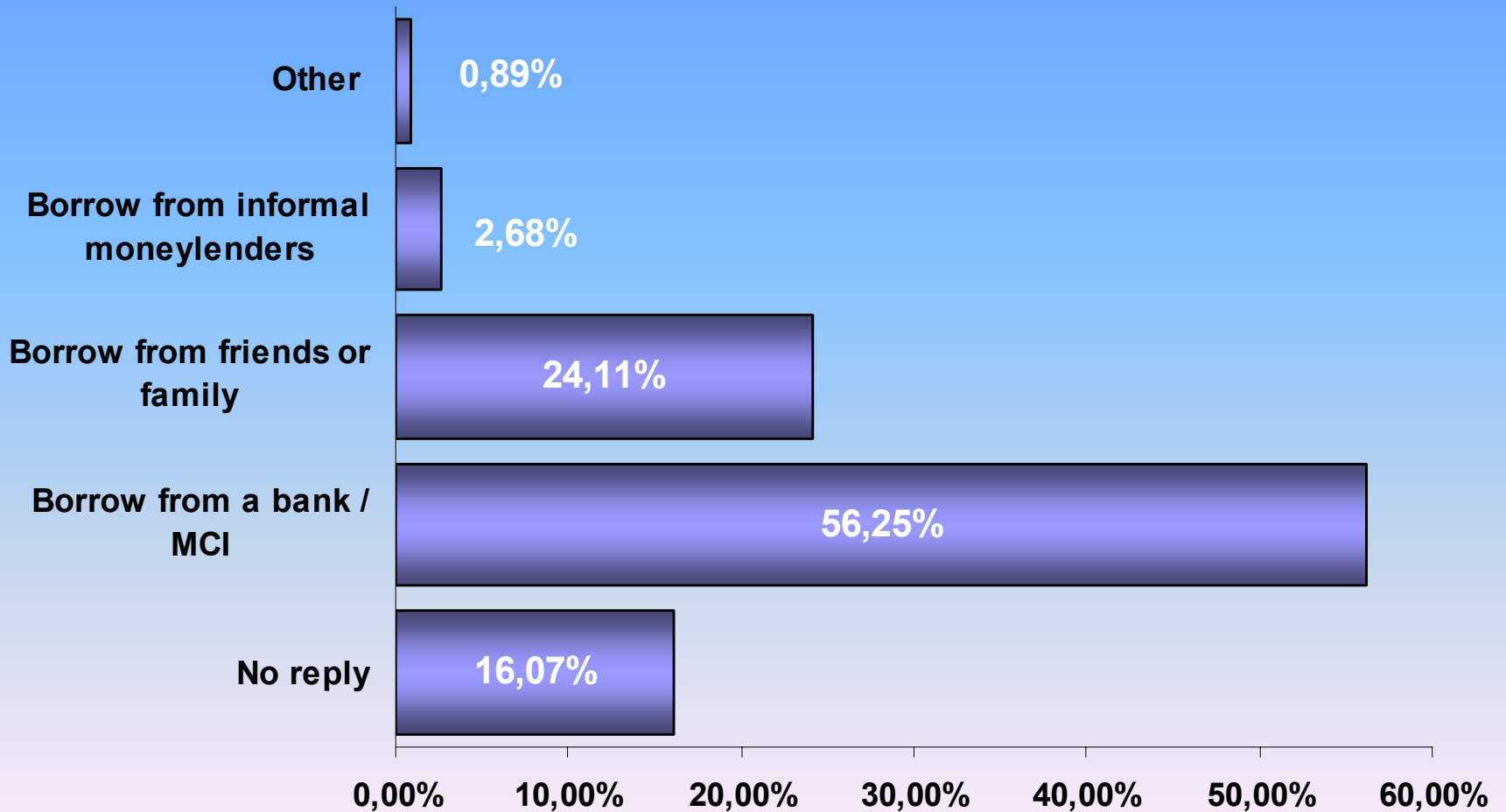
Partner's survey (age 17 - 29)

Do you currently run or operate your own business



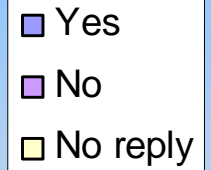
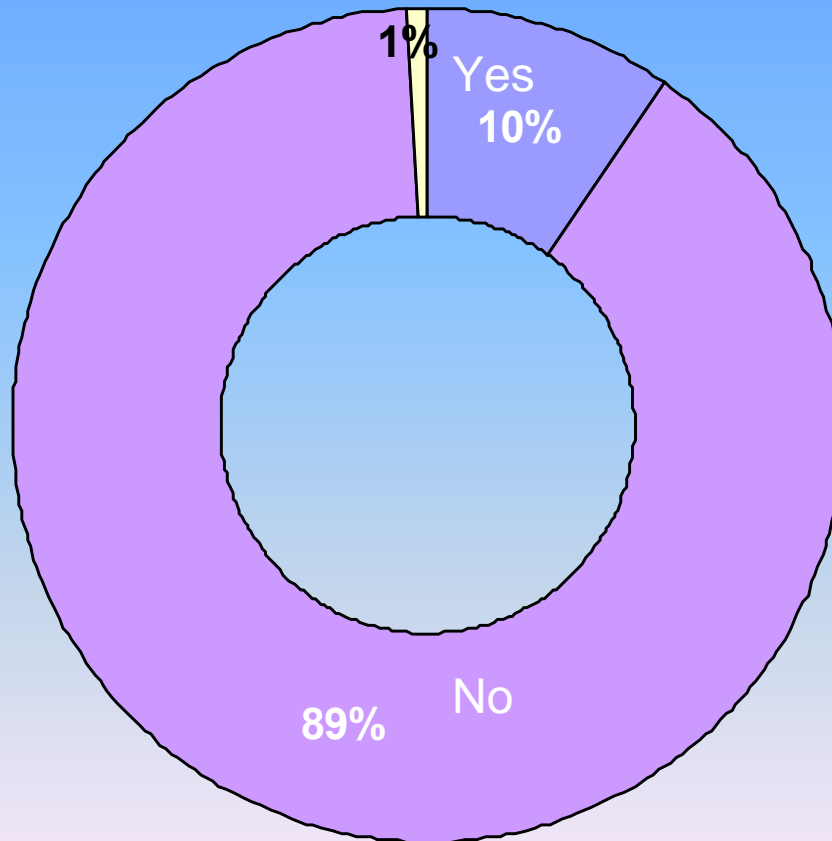
Partner survey

How would you get the money?



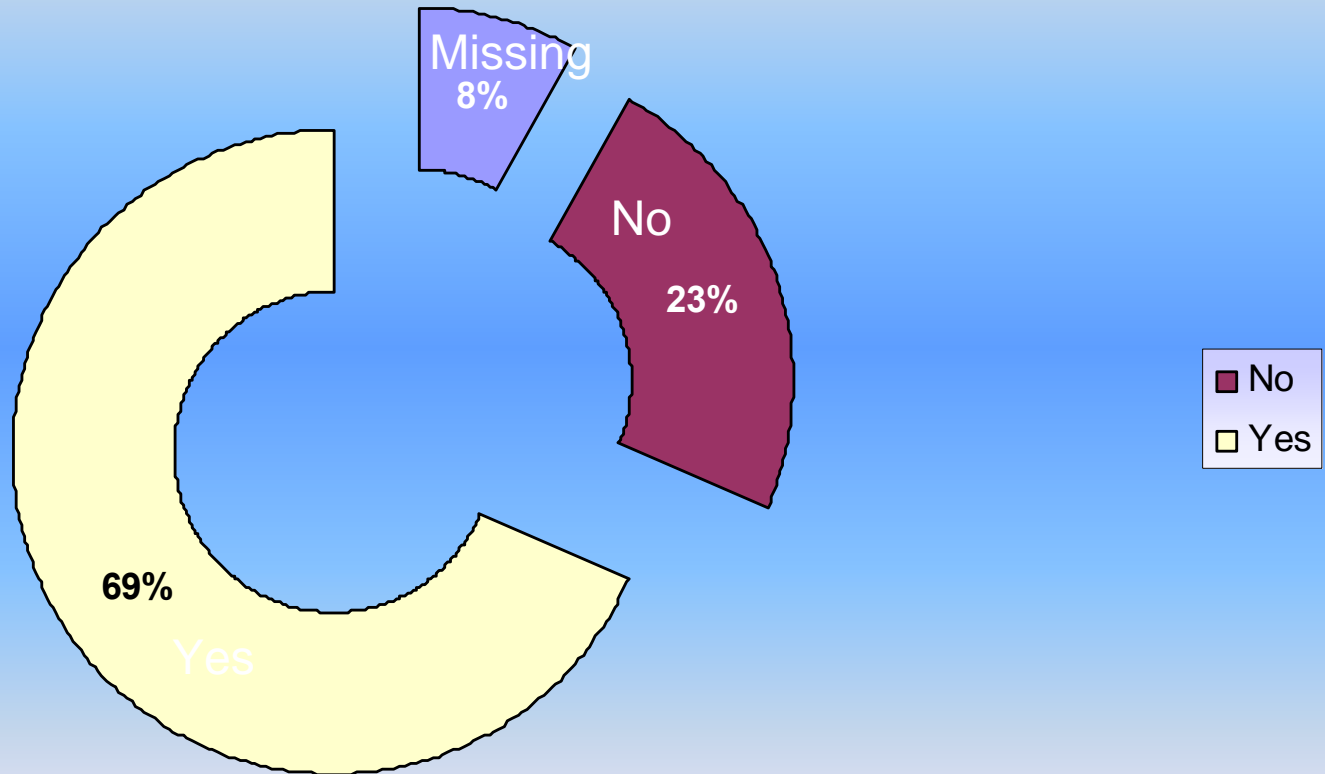
Partner survey

Have you ever attended any business training?



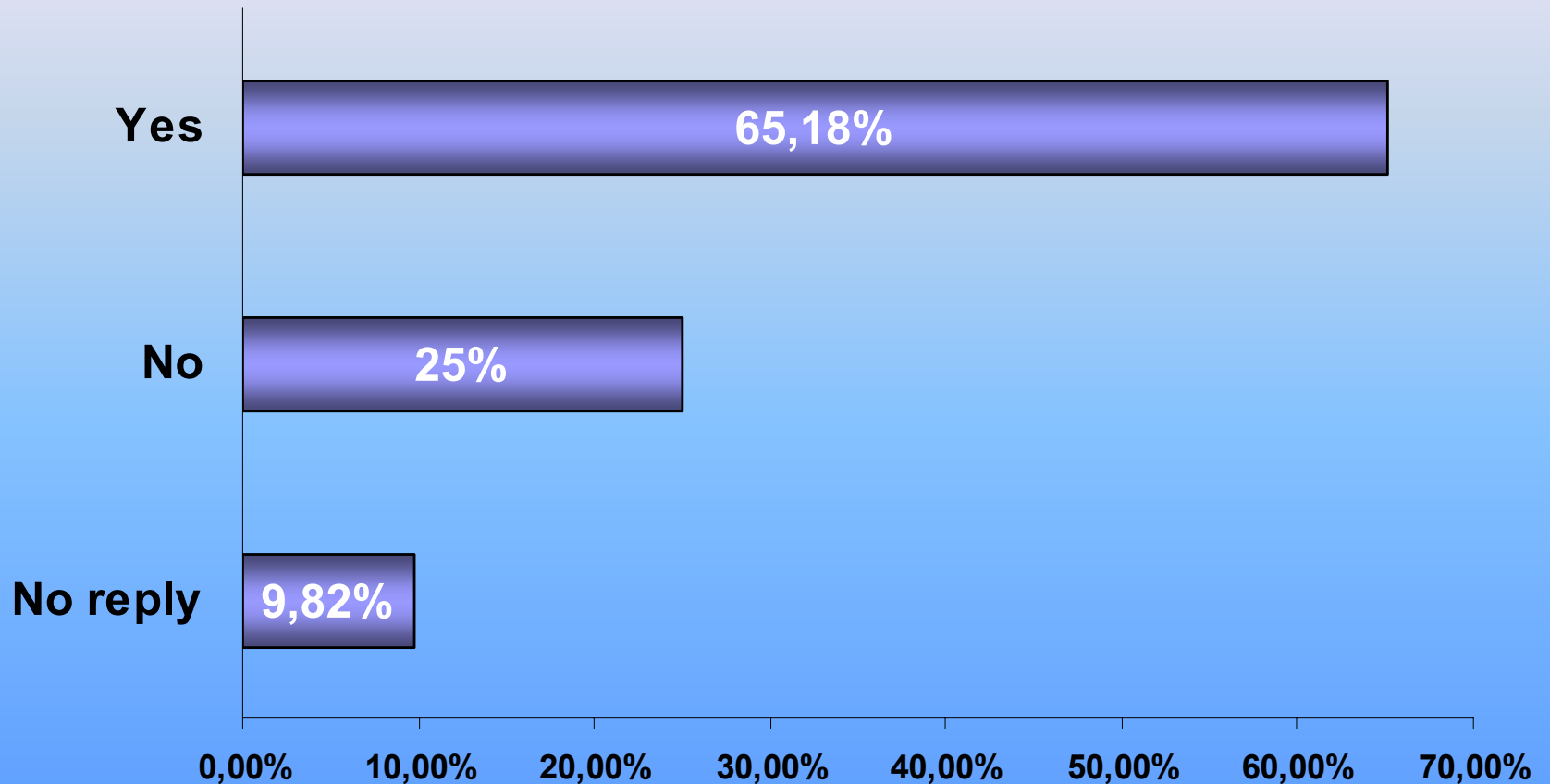
Partner survey

Would you attend business training if offered by a MFI?



Partner survey

Would you be interested in receiving a package: business training + loan?



Proposed experiment design

(Partner / The World Bank / The Seep Network)

- Added value: loan + business training + coaching
- Four groups (+ pure control group):
 1. Gets exactly the loan requested
 2. Have the option of extending the loan term to 48 months (without changing the loan amount)
 3. Have the option of extending the loan terms to 48 months AND of increasing the amount to up to 10,000 KM
 4. Receives free business training + coaching (and no loan-based incentive)

DRAFT YOUTH LOAN

- Target group: 18 – 29
- Purpose: The loan is designed for financing business activities in the scope of agriculture, stock-breeding, trade, services and production.
- Loan amount: 2,500 – 10,000 KM
- Loan term: 12 - 48 month
- Interest rate: 17,5% effective, annual
- Collateral: personal guarantee



Why Youth in Rural Economic Development in Mongolia?

Young Businessman Training Program



2007-2008

Rural Agribusiness Support Program (RASP)

Mercy Corps Mongolia

Young Businessman Training Program

- Client promotion, application, selection
 - Local tailored three part training sessions
 - Business Plan development
 - Linkages to financial services through RASP and the Loan Guarantee Mechanism
 - Grow and develop their business
-
- **62% of the 59 that developed business plans went on to access a commercial loan**

Rural Agribusiness Support Program (RASP)

- USDA Funded 2004-current
- Emphasizes business development through training, LGM, and market development activities
- 770 businesses have accessed over USD \$2million with USD \$1 collateral from RASP
- 40% of these loans were to start ups and approximately 55% were to first time loan takers



JovENES
emPRENDEDORES

Who are we serving?

- Young people ages 14-23
- Operate or desire to operate a business
- Studying in high school or college
- Live in the poorest sections of El Alto, Bolivia, <\$2/day
- Live with their parents

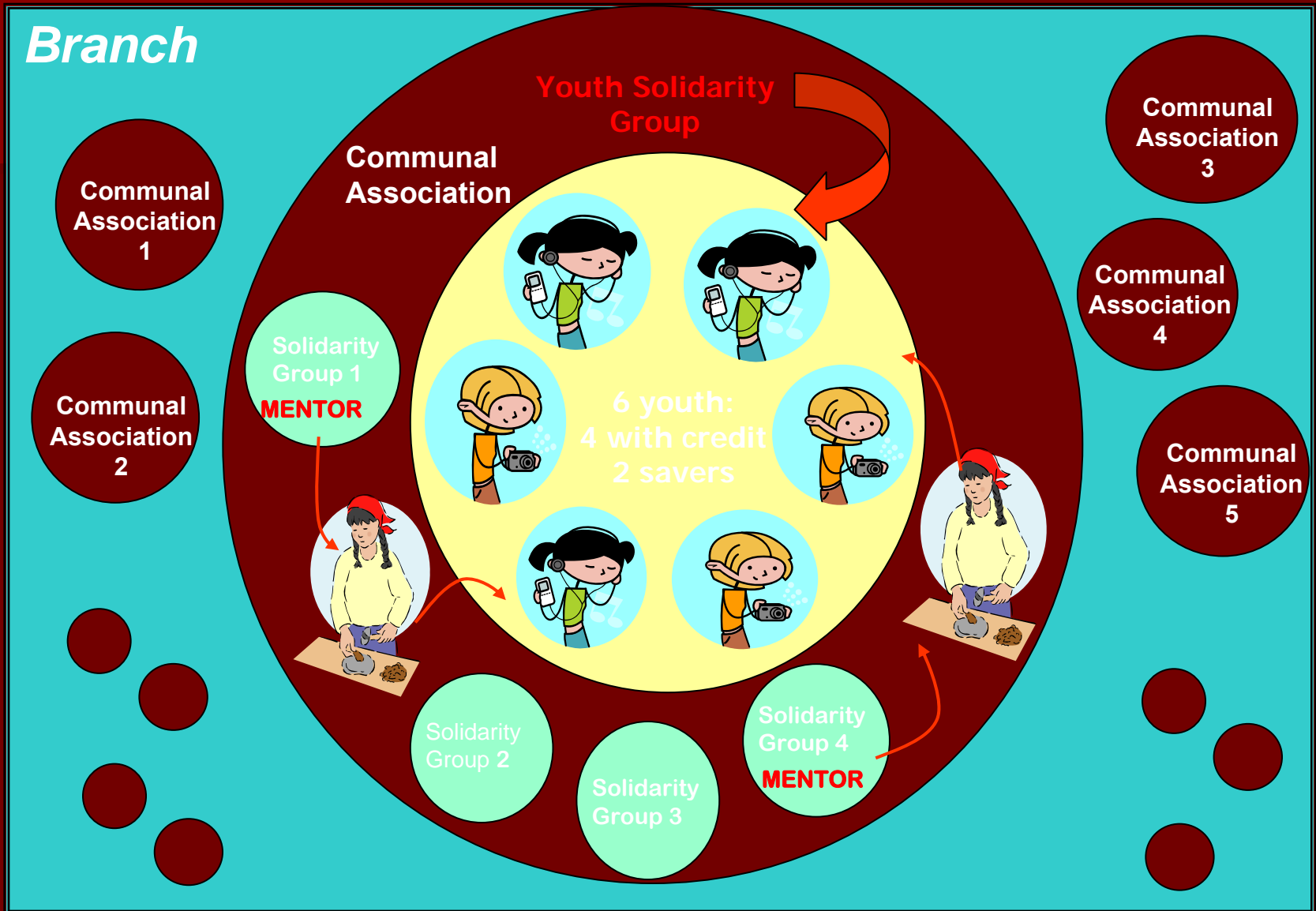
Youth Solidarity Groups - Bolivia

- Loans
- Savings
- Insurance
- Training
- Mentoring
- Health



Model

Branch



Requirements

- Pre Credit Training
 - Business plan
 - Practicum
 - Pro Mujer
- Parental Approval or Cosigner
- Solidarity Guarantee



Quotes from parents

- “My daughter doesn’t spend all day watching soap operas anymore, she’s now preoccupied with working on her business and her studies.”
- “My son organizes his money: he separates out the loan payment and what he will reinvest in his business and expenses.”

Quotes from parents continued



"My son has learned how difficult it is to earn a living"

"My daughter no longer asks me for bus fare, she has her own money and she helps her brother with some of his expenses."

Results

Results to date	July
# of Youth Solidarity Groups Formed	115
# Total number of youth clients	507
% Female clients	54%
% Male Clients	46%
Total portfolio in US\$	\$63,933
Portfolio at Risk	1,82%
Average loan size	\$149

Three rounds of discussion

1. How do we define success in youth microfinance?
2. What are the drivers of success and how do they differ for youth clients?
3. What are the implications or requirements to ensure effective implementation of these drivers of success