EUROPEAN DIALOGUE
Youth Financial Inclusion:
Promising Examples For Achieving Youth Economic Empowerment
Al-Amal Microfinance Bank
Prepared by Myka Reinsch in collaboration with the e-MFP Youth Financial Inclusion Action Group
This is an extract from the:

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Youth Financial Inclusion Action Group
European Dialogue Number 5, October 2012
Background and Purpose

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

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

³ Population Dynamics in the Least Developed Countries: Challenges and Opportunities for Development and Poverty Reduction. UNFPA, May 2011.
⁴ The ILO holds events in more than 40 countries around the world and recently hosted a General Discussion on the Youth Employment Crisis during the International Labour Conference in June 2012 http://www.ilo.org/ilc/ILCSessions/101stSession/reports/reports-submitted/WCMS_175421/lang--en/index.htm
This unprecedented group of youth could offer a golden opportunity to build on the momentum of financial access, economic and social empowerment and poverty alleviation achieved over the past two decades. But unless the unique needs of youth are identified and creatively met, this group may also pose a critical threat to the progress achieved. As the UN Population Fund (UNFPA) states: “A large and growing share of young persons can support the economic and social development of countries, but can also pose considerable challenges, where countries do not have the capacity to ensure adequate investment, especially in their health and education, and where economies do not generate sufficient productive and remunerative employment for young people.”5 But as the UN World Youth Report 2011 points out, there is an alarming dearth of jobs for people under the age of 25.6 Furthermore, the current world economic environment exacerbates the challenges of youth poverty, underemployment and unemployment – making the need to focus on solutions all the more urgent.7

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

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

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

Over the past several years, an increase of donor funding directed towards the youth financial inclusion sub-sector has enabled FSPs, YSOs and the organizations that support them to not only listen to and understand the needs of youth populations but...
also make exciting advances in the development and testing of youth specific financial services and products. These products and services combined with more refined monitoring and evaluation techniques that measure initial outcomes and results, is gradually convincing stakeholders that youth can be successfully served. Furthermore, there is a growing recognition among these organizations that many of their existing clients are youth and that their needs differ from those of adults.

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

Figure 1: The Child and Youth Finance Movement’s Theory of Change
As the practice of youth microfinance evolves, the financial inclusion sector has begun to document important findings and challenges in serving youth. Publications such as *Savings Accounts for Young People in Developing Countries: Trends in Practice and Emerging Guidelines for Linking Youth to Financial Services*; UN Capital Development Fund’s *Policy Opportunities and Constraints to Access Youth Financial Services*; *Making Cents International’s State of the Field publication*; the YouthSave consortium’s blog and publications; *Youth Savings CGAP Microfinance Blog* and practical learning products developed by SEEP’s Practitioner Learning Program on Youth and Workforce Development are notable in this documentation process to date.

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

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

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8 Both published by Enterprise Development and Microfinance in December 2010; volume 21, no. 4. Available at: http://mastercardfdn.org/what-we-are-learning/publications/youth-financial-inclusion
9 Available at http://www.uncdf.org/sites/default/files/Download/UNCDF-Policy_Constraints_and_Opport_V2.pdf
11 Available at: http://youthsave.org/content/publications-and-updates
12 Available at: http://microfinance.cgap.org/2010/05/page/2/
13 Topics include business models, marketing, financial education and achieving scale. Available at: http://www.seepnetwork.org/innovations-in-youth-financial-services-practitioner-learning-program-pages-60.php
15 More information on the learning outcomes of the three core components of the Child and Youth Finance Education Learning Framework (financial, social and livelihoods education) can be found in, The Child and Youth Finance Education Guidebook online - http://childfinanceinternational.org/images/CYFI_Child_and_Youth_Finance_Education.pdf
have the right formula – in most cases the products and initiatives are too recent for conclusions to be drawn about their long-term sustainability and demonstrable impact on youth lives and livelihoods. But members of the e-MFP Financial Inclusion Action Group believe these cases offer valuable lessons learned and experiences to consider as the practice of youth financial inclusion expands and evolves.

About e-MFP and the Youth Financial Inclusion Action Group

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

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

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

<table>
<thead>
<tr>
<th>e-MFP Youth Financial Inclusion Action Group Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appui au Développement Autonome - ADA (Luxembourg)</td>
</tr>
<tr>
<td>Child and Youth Finance International (The Netherlands)</td>
</tr>
<tr>
<td>Frankfurt School of Finance &amp; Management (Germany)</td>
</tr>
<tr>
<td>International Labor Organization</td>
</tr>
<tr>
<td>KfW (Germany)</td>
</tr>
<tr>
<td>MEDA (Canada, Germany, Morocco)</td>
</tr>
<tr>
<td>Partner Microcredit Foundation (Bosnia and Herzegovina)</td>
</tr>
<tr>
<td>PlaNet Finance (France)</td>
</tr>
<tr>
<td>UN Capital Development Fund - Youth Start Programme</td>
</tr>
<tr>
<td>WSBI (Belgium)</td>
</tr>
<tr>
<td>Women’s World Banking (USA)</td>
</tr>
</tbody>
</table>
Overview of this Publication

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

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

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

Table 1: Case Studies Presented in This Paper

<table>
<thead>
<tr>
<th>Savings-Led</th>
<th>Credit-Led</th>
</tr>
</thead>
</table>
| 1. UNCDF YouthStart: Uganda Finance Trust – Uganda  
(loans, savings, financial education) |
| 2. Child and Youth Finance International: NATCCO-Aflatoun – Philippines  
(savings, financial education) | 7. ADA: RCPB CRED’ART – Burkina Faso  
(loans, financial and business training) |
INTRODUCTION
TO THE CASE STUDIES

Common Themes

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

**Segmentation of youth according to age and life cycle status**

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

**Role and training of FSP leadership and staff**

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

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

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

<table>
<thead>
<tr>
<th>Unified</th>
<th>Parallel</th>
<th>Linked</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDA Youth Invest – Morocco and Egypt</td>
<td>IRC VSLAs – Burundi</td>
<td>Aflatoun-NATCCO – Philippines</td>
</tr>
<tr>
<td>RCPB CRED’ART – Burkina Faso</td>
<td>KfW World Savings Day – DRC</td>
<td>Al-Amal – Yemen</td>
</tr>
<tr>
<td>Uganda Finance Trust – Uganda</td>
<td>WOYE – South Sudan</td>
<td>Partner – Bosnia &amp; Herzegovina</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sinapi Aba Trust YAP – Ghana</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WWB: BancoADOPEM and XacBank – DR Congo and Mongolia</td>
</tr>
</tbody>
</table>

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

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

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

**Regulatory challenges and constraints**

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

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

- **Length of training**: The vertical axis ranks the programs according to the centrality and duration of the financial literacy and related training provided to youth clients. Those programs that place a greater emphasis on the training component (for example requiring attendance at a long-standing, weekly or monthly education program as an integral component of a youth savings program or prerequisite for a youth loan) appear higher up on the chart, while programs that offer briefer and simpler training (for example, a one-time training for a few hours) appear lower on the chart. This classification is intended to be objective and does not indicate relative effectiveness of training programs or approaches.

- **Focus on savings or credit**: The horizontal axis displays the degree to which the youth programs are savings-led or credit-led. Those that offer only savings are found at the far left of the chart; those offering only credit are on the far right; and those that offer both are more central. For example, since MEDA Youth Invest has some FSP partners that connect their youth clients to a bank for deposits, as well as other savings mechanisms for youth, the program appears somewhat to the left of the credit-only programs.

- **Age bracket served**: The shapes appearing as program markers within the chart designate the age bracket accessing the program in question. The triangle represents a program serving only youth under the age of 18; squares represent programs that serve youth in both under-18 and over-18 age brackets, and a broad bracket that includes both younger and older youth; circles represent programs that exclusively serve older youth (over 18).

- **Delivery model applied**: Underlining of the implementer and program names indicates the delivery model being used to extend the non-financial service component of each program. Dashed underlining means that the program has ‘linked’ an FSP with a separate organization that provides the training; solid underlining indicates that the FSP is using the same staff to offer both the financial and the non-financial components to youth through the ‘unified’ model; and no underlining indicates that a ‘parallel’ approach is being used, where an organization employs different staff for the different components (note that the single example of this is difficult to classify, since the VSLAs are self-managing the financial component, while the technical assistance provider, IRC, offers the training).

This figure is intended as a reference to help the reader visualize the full gamut of programs included in this paper and how their characteristics align and contrast with one another.
### Figure 2: Overview of Case Studies in Terms of Youth Program Characteristics

**Overview of Youth Programs in the Case Studies:**
- **Length of Training, Focus on Savings or Credit, Age Bracket Served**

<table>
<thead>
<tr>
<th>Lengthier Education</th>
<th>Briefer Education</th>
<th>Savings</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Age Bracket Served</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▲ Targets youth &lt; 18</td>
<td>▼ Targets youth &gt; 18</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Credit</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Applies Unified Delivery Model</td>
<td>Applies Parallel Delivery Model</td>
</tr>
</tbody>
</table>

**Delivery Model for Nonfinancial Services**
- **Linked:** The program has ‘linked’ an FSP with a separate organization which provides non-financial services.
- **Unified:** The FSP uses the same staff to offer both the financial and the nonfinancial services to youth.
- **Parallel:** An organization employs different staff for the different financial and the non-financial services offered.

*Note: Since PlaNet Finance’s program in Morocco is not yet successfully linked with financial services, it has not been included in this figure. Due to insufficient information regarding the connection between WOYE’s financial and various non-financial services for youth, WOYE has also not been included in this figure.*
The second group of case studies discusses programs that focus on credit for youth. The youth unemployment situation is critical, 75 million youth worldwide are currently unemployed and more than 150 million young people are living on less than 1.25USD a day\textsuperscript{35}. As a result, there is an urgent need to create employment opportunities at all levels to begin addressing this gap.

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

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

\textsuperscript{36} Where is the micro-line-of-credit? by Timothy Ogden, July 12 2011, available at http://financialaccess.org/node/3769
\textsuperscript{37} ILO – Know about Business (insert link) – ILO training programme on youth entrepreneurship delivered by schools which helps young people decide which career path to chose – wage work or entrepreneurship
experience grows. Moreover some FSPs can be reluctant or financially unable to offer a “loss-leader” like youth savings and need instead to make the new product financially viable within a short time frame.

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

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

**Table 5: Credit-Led Case Studies and Key Points**

<table>
<thead>
<tr>
<th>Implementer/Program</th>
<th>Key points of case</th>
</tr>
</thead>
</table>
| 6. Child and Youth Finance International and Making Cents International: Al-Amal – Yemen (loans, savings, financial education) | • Achieving scale  
• Marketing to youth  
• Withstanding crisis with PAR intact |
| 7. ADA: RCPB CRED’ART – Burkina Faso (loans, financial/business training) | • Livelihood development focus  
• Insertion into artisan industry  
• Loan delinquency and monitoring challenges |
| 8. MEDA: YouthInvest – Morocco and Egypt (loans, financial education) | • Livelihood development focus  
• Short and finite education approach  
• Impacts on clients and families |
| 9. Partner Microcredit Foundation: Partner – Bosnia and Herzegovina (loans, business, financial education) | • Research results on outcomes, especially impact of financial education  
• Training costs and sustainability challenges |
| 10. Opportunity International: Sinapi Aba Trust Youth Apprenticeship Program – Ghana (trade education, loans) | • Livelihood development focus  
• Education/training/mentorship first  
• Tie-in with government goals and programs |
| 11. PlaNet Finance: L’Heure Joyeuse and Darna – Morocco (employment training, no financial services yet) | • Livelihood development for at-risk youth  
• YSO-led with potential for financial link |
| 12. Frankfurt School of Finance and Management: WOYE – South Sudan (loans, savings, financial and other education) | • Working in post-conflict setting  
• Parallel non-financial services on a wide range of topics |
Yemeni Microfinance Bank Significantly Expands Its Services to Youth
### Youth Program Summary

<table>
<thead>
<tr>
<th>Type of youth services</th>
<th>Loans, savings, financial education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age group served</td>
<td>0-30</td>
</tr>
<tr>
<td>Year youth program launched</td>
<td>2010</td>
</tr>
<tr>
<td>Number of participants*</td>
<td>16,018 loan clients (ages 18-30)</td>
</tr>
<tr>
<td></td>
<td>6,955 current accounts (ages 18-30)</td>
</tr>
<tr>
<td></td>
<td>8,925 savings accounts (&lt;18 years)</td>
</tr>
<tr>
<td>Youth Savings volume (ages 0-18)*</td>
<td>US$121,284 (92,000 Euros) (40% of deposit accounts; 20% of deposit volume)</td>
</tr>
<tr>
<td>Youth Loan volume (ages 18-30)*</td>
<td>US$3.47 (2.66 million Euros) (25% of loans disbursed; 22% of loan portfolio volume)</td>
</tr>
<tr>
<td>Nonfinancial services model</td>
<td>Linked</td>
</tr>
<tr>
<td>Partner organizations</td>
<td>Silatech, Making Cents International's Youth-Inclusive Financial Services Linkage Program (YFS-Link)</td>
</tr>
</tbody>
</table>

*Data as of December 2012

### Background

Yemen is one of the Arab world’s poorest countries. One third of the population suffers from chronic hunger and 40 percent of the population lives on less than US $2 (1.52 Euros) per day. The Yemeni government struggles to absorb the annually increasing number of workers (39 percent growth in just nine years) and to generate appropriate job opportunities for different social segments – especially young people below the age of 25. Today, with a similar unemployment rate, young people below the age of 25 comprise 75 percent of Yemen’s population and have an unemployment rate approximately twice as high as adults over 25. This lack of opportunity raises many fears of political and social instability.

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

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

**Rationale for Serving Youth**

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

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

Originally, Al-Amal aimed to reach 800 young people within the first year of the project. Less than a year later, however, Al-Amal had already disbursed 5,200 loans through the Youth Fund, 63 percent of which went to young women. By the end of 2012, Al-Amal had 16,018 youth loan borrowers (35 percent of Al-Amal’s total loan client base), with a youth loan portfolio of 2.66 million Euros.

Al-Amal also developed a voluntary Child Savers account for children under the age of 18. By the end of 2012, Al-Amal had mobilized over 123,000 Euros through 9,525 child saving accounts (40 percent of its total saving accounts). In addition, over 7,000 youth over the age of 18 had opted to open a savings account through the existing Al-Amal (adult) Savings product.

**Youth Program Description**

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

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

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

**Youth-Inclusiveness vs Adult Products**

**Credit**

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

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

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

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

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

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

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

Lower minimum balance: Child Savings accounts require a minimum balance of US$1.00 (.76 Euros), as compared to the Al-Amal (adult) Savings accounts, which require a minimum balance of US$2.50 (1.89 Euros). The lower minimum balance allows greater access to those under the age of 18.

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

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

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

**Insurance (Takaful)**

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

**Education Loans**

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

**Non-financial Services: Al-Amal’s Approach beyond Financing**

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

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

Challenges and Sustainability

Withstanding Crisis

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

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

Youth Fund Success and Sustainability

Despite these challenges and the increased perceived risk in lending to youth, Al-Amal reported a minimum 0.03 percent portfolio at risk greater than 30 days (PAR>30) for the youth portfolio in December 2010. The bank attributes this success to a few key factors such as tailoring financial services, including marketing and delivery mechanisms, according to the particularities of the youth market; and training staff in how to effectively serve younger clients and manage risk. Even during the most intense period of the Yemeni crisis, PAR>30 for the youth portfolio only increased to 2 percent (as of December 2011) and decreased again to less than 1% in 2012. Al-Amal attributes these sustained higher repayment rates to its flexible model, client loyalty, and the culture of timely payments that the bank has instilled in its youth clients.
By the end of 2012, Al-Amal’s Youth Fund had achieved 92 percent financial self-sufficiency (FSS). Al-Amal expects the program to be fully sustainable by the middle of 2013 and hopes to reach profitability shortly thereafter so as to deliver services to both rural and urban youth throughout the country on a sustainable basis. Al-Amal attributes this great success to a sound business structure, wherein the Youth Fund interest rate will ensure programmatic sustainability, while allowing for future growth and development of the youth market segment.

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

**Results**

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

**Table 1: Credit Performance**

<table>
<thead>
<tr>
<th>Al-Amal Microfinance Bank</th>
<th>December 2010</th>
<th>December 2011</th>
<th>December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(3,138,900 Euros)</td>
<td>(6,491,226 Euros)</td>
<td>(10.86 Euros)</td>
</tr>
<tr>
<td><strong>Total Number of Loans</strong></td>
<td>17,565</td>
<td>35,923</td>
<td>57,815</td>
</tr>
<tr>
<td><strong>Youth as% of Borrowers</strong></td>
<td>36%</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Youth has % of Loan Portfolio ($)</strong></td>
<td>33%</td>
<td>22%</td>
<td>24.5%</td>
</tr>
<tr>
<td><strong>Young Women as% of Borrowers</strong></td>
<td>18%</td>
<td>11%</td>
<td>17.6%</td>
</tr>
</tbody>
</table>
Table 2: Savings Performance

<table>
<thead>
<tr>
<th>Al-Amal Microfinance Bank</th>
<th>December 2010</th>
<th>December 2011</th>
<th>December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Savings Portfolio</td>
<td>US$604,544</td>
<td>US$1,194,000</td>
<td>US$4,28</td>
</tr>
<tr>
<td></td>
<td>(458,057 Euros)</td>
<td>(904,68 Euros)</td>
<td>(3,24 Euros)</td>
</tr>
<tr>
<td>Total Savings Accounts</td>
<td>18,517</td>
<td>33,047</td>
<td>44,725</td>
</tr>
<tr>
<td>Youth as % of Savers</td>
<td>44%</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>Youth as % of Savings Portfolio</td>
<td>15%</td>
<td>17%</td>
<td>16%</td>
</tr>
</tbody>
</table>

In 2011, the average Youth Fund loan was US$216 (166 Euros), just 11% less than the average non-youth loan (US$245 /186 Euros). These funds were primarily used by youth to purchase fixed assets and to increase working capital for a variety of businesses, including retail bookstores, mobile phone access points, transportation services, and small shops for selling fast food.

A larger difference is seen in the average savings account, with the average Child Saver accumulating a balance of US$16 (12.9 Euros) as of December 2012, as compared to US$20 (15 Euros) for the average Al-Amal (adult) saver. Adult Time Deposit and Certificate of Deposit account holders had significantly higher average balances, at US$554 (420 Euros) and US$2,071 (1,569 Euros), respectively.

Lessons Learned and Recommendations

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

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

**Staff Training**

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

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

**Next Steps for Al-Amal**

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

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

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

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

The establishment of Al-Amal Training Institute
Al-Amal Bank has won a grant from the Middle East Partnership Initiative (MEPI) for the establishment of Al-Amal Center for Labor Market Training with the aim of training and qualifying young people and developing their skills to meet demands of the labor market. The project also aims to encourage young people to establish their own Business and help them irrespective of their specializations or the certificates they hold.

Program Overview
Due to the increasing number of graduates from universities and institutions with specializations and skills that don’t match the needs of the labor market and the private and public sectors’ inability to accommodate this huge number of graduates, they have no choice but to establish new small enterprises to provide for themselves and build their future. Amid Microfinance Institutions (MFI’s) unwillingness to target the youth group due to high risk exposure, the youth will remain idle, and may consequently have negative impacts on their society and environment.

Targeted youth can be divided into three segments:
Youth who have the capital but lack the technical and managerial experience to run enterprises.

The proposed training center will develop training and skills development programs in management and marketing to help those young people gain the required experience for running their businesses. It will also encourage them to initiate enterprises with the capital they have.

Youth who have neither the required experience nor the capital.

The center will train this segment for some 6-12 months to help them acquire managerial and technical skills required for running enterprises as per specific technical criteria. Then AMB will give them funding under the guarantee of this training program and the certificates they will have obtained.

Youth who have the technical experience but lack the capital
AMB will offer loans to those young people, plus special training to improve their skills and help them gain new skills. Consequently, this will increase the likelihood of them having successful enterprises.

**Program Outreach**
The project will target young men and women aged 18 – 30 years in the capital Sana’ā, which contains a large portion of the jobless youth, and Taiz governorate, which comes second in terms of the number of unemployed youth. It will also target this age group in Aden, Hodeidah and Mukalla, and will expand gradually to cover all governorates. Training centers will be established in the governorates where AMB has branches.

The number of beneficiary over the next two years (2013 -2015) are expected to be more than 2000 youth men and women.