# Youth entrepreneurship

*A contexts framework*

*Maximising the impact of youth entrepreneurship support in different contexts: consultation findings*

In partnership with:

# Introduction

The current global youth population is the largest in history. Approximately 1.3 billion people are between the ages of 15 and 24, making up a quarter of the world's working population, but representing half of the world's unemployed. Just under half of these youth live on less than two dollars a day, as estimated by the UN.[1] The majority of young people in the developing world face little prospect of obtaining a job in the formal sector; for many, self-employment is the only option. As such, helping young people to earn a living through entrepreneurship can make a crucial contribution to poverty reduction.

Furthermore, future innovation and economic growth requires the nurturing of leaders with entrepreneurial skills and attitudes. Thus youth entrepreneurship is a key tool to develop the human capital necessary for the future, unleash the economic potential of youth, and promote sustainable growth.

Multiple initiatives exist to promote youth entrepreneurship, from the delivery of training to youth who want to start their own business, to the provision of venture capital funds to help promote these businesses. Yet there is little systematic impact evaluation, and a lack of robust evidence about what works best – and particularly what works best in different contexts.

## Why understanding contexts is important

*Understanding context is essential. The constraints facing young people differ enormously across countries, cultures, markets, and resources. The needs of a young entrepreneur in rural Sierra Leone are very different from those facing a young person in Freetown, the capital city, and even more different from a young person in Montevideo, Uruguay, or another middle-income country. What are the most important problems they face? Is it access to credit, or inputs, or product markets, or information? One organisation can't know all of this itself, but through working with local agencies and partners, we can better understand what we need to do to help young people achieve their goals.*

*Mr. Mattias Lundberg, Senior Economist,
Social Protection and Labor Unit,
Human Development Network, World Bank*

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1.  'State of the Urban Youth 2010/2011: Leveling the Playing Field',
    http://www.unhabitat.org/pmss/listItemDetails.aspx?publicationID=2928

It was this realisation that led Youth Business International (YBI), Restless Development, and War Child to conceive a study exploring how youth entrepreneurship support initiatives need to be prioritised and adapted in different contexts in order to maximise impact.

The Overseas Development Institute (ODI) were engaged to conduct the study, whose goal was to review a broad range of sector evidence and experience in order to produce a user-friendly youth entrepreneurship contexts framework to guide decision making. The framework, or toolkit, was intended to guide key audiences as follows:

**Policymakers and donors:** to be informed how to allocate resources to support youth entrepreneurship most effectively in different contexts;

**Programme decision makers:** to understand how to design and prioritise youth entrepreneurship interventions most effectively in different contexts;

**Programme implementers:** to understand how to adapt delivery of interventions most effectively in different contexts;

**Evaluation specialists:** to be informed how to compare impact results from one context against another.

During Phase I of the project, ODI developed an initial framework and toolkit for prioritising and adapting interventions by context. The recommendations developed were based on an analysis of the top priority binding constraints in different contexts and an assessment of how best to tackle those constraints, in order to develop recommendations for which youth entrepreneurship support initiatives should be prioritised by context.

The initial framework and toolkit required further validation by experts and practitioners in the field, both in terms of the analysis of the binding constraints by context and in relation to the interventions and adaptations that were recommended. Thus during Phase II of the project a sector wide consultation was conducted.

# The proposed approach

The approach presented in the consultation drew on four months of research and preparation work. The first report and subsequent consultation document are available at **www.yecontexts.org** and **www.youthbusiness.org/resources-and-media/publications**

Originally we wanted to base our framework on the result of rigorous studies of the impact of youth entrepreneurship initiatives across different contexts. However, sufficient evidence does not exist. Instead, the analysis underpinning this toolkit focuses on assessing how the determinants of and constraints to entrepreneurship (for which cross-country comparable data is available, as outlined in the section

on definitions below) vary in different contexts, in order to propose some conclusions about which entrepreneurship-promoting interventions are likely to be most effective in these different contexts. In other words, by identifying the most binding constraints in a particular context, (i.e. those factors which are the most likely to hamper entrepreneurship), and then identifying the types of interventions which will tackle those specific binding constraints, the toolkit aims to point to those interventions which are likely to have the biggest impact in that context.

The logic chain underpinning this approach is illustrated in Figure 1 below

**Figure 1: Logic chain for maximising impact of youth entrepreneurship interventions by context**



Context — Opportunities and constraints — Optimal intervention — Optimal intervention by target group — Impact
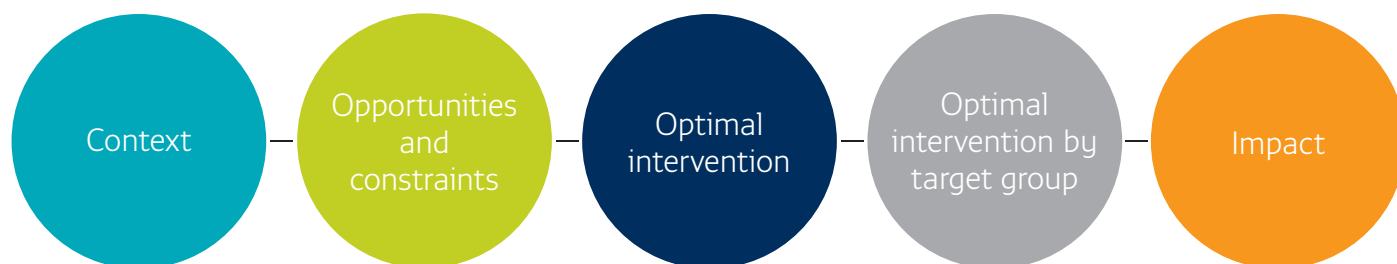
# Defining contexts

For the external environment, three different context types were identified as key for understanding appropriate prioritisation and adaptation of youth entrepreneurship support:

- factor, efficiency and innovation driven economies
- conflict-affected, post-conflict and peaceful
- rural and urban

**Factor, efficiency and innovation driven contexts:** we use the categorisation adopted by the World Economic Forum (WEF)'s Global Competitiveness Report (GCR)[2] and the Global Entrepreneurship Monitor (GEM)[3], based on GDP per capita and the share of exports comprising primary goods:

- **Factor driven economies** are dominated by subsistence agriculture and extraction businesses, which are heavily reliant on labour and natural resources;

- **Efficiency driven economies** are characterised by industrialisation and an increased reliance on economies of scale with capital-intensive large organisations gaining dominance; and

- **Innovation driven economies** are characterised by business being more knowledge intensive and an expanding service sector.

**Conflict affected, post-conflict affected and peaceful contexts:** we use War Child's definition of conflict and post-conflict context as

*"areas in which there is or recently was pervasive violence – including structural violence – affecting civil populations causing large scale displacement, migration and civilian casualties ... There is no indication of time-frame for entering or exiting a specific (post-) conflict zone, but there is consensus that five years after the end of the conflict can be classified as post conflict."*

**Urban and rural contexts:** we use the World Bank's World Development Indicators for rural and urban development, which provide a measure of the degree of urbanisation in a country. The World Bank's categorisation of the rural population is approximated as the difference between total population and the urban population, calculated using the urban share reported by the United Nations Population Division. The indicator 'urban population as a percentage of total population' is available from Trading Economics. However, whether an area is primarily urban or rural might be best defined at the local level, rather than the national level. This information can sometimes be obtained from the national statistical office of the country concerned.

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2.   http://www3.weforum.org/docs/WEF_GCR_Report_2011-12.pdf

3.   http://www.gemconsortium.org/docs/2409/gem-2011-global-report

Based on this approach, we developed a toolkit that enables users to categorise the context they are operating in using a decision tree (see Figure 2 below), which generates 18 different context scenarios. The context scenarios identified for the purpose of this analysis, therefore, range from **factor driven, conflict affected rural context** at one end of the spectrum to **innovation driven, peaceful, urban context** at the other.

**Figure 2: Decision matrix for context scenarios**



|  | Factor Driven | | Efficiency Driven | | Innovation Driven | |
|---|---|---|---|---|---|---|
| Conflict | #1 | #2 | #7 | #8 | #13 | #14 |
| Post-Conflict | #3 | #4 | #9 | #10 | #15 | #16 |
| Peaceful | #5 | #6 | #11 | #12 | #17 | #18 |
|  | Rural | Urban | Rural | Urban | Rural | Urban |

Context

Factor Driven — Conflict
Efficiency Driven — Post-Conflict
Innovation Driven — Peaceful
– – – Rural ——— Urban

The toolkit then provides analysis of the determinants of entrepreneurship, and guidance on appropriate interventions in that context, in the form of a short summary output sheet for each of the 18 context scenarios.

Each sheet contains:

1. some analysis of the entrepreneurial environment e.g. figures about youth employment and entrepreneurship, and the number of necessity versus opportunity and growth driven entrepreneurs that are observed in these kinds of contexts

2. a set of recommendations identifying the top priority interventions required to promote entrepreneurship in that context. Three sets of recommendations are provided, one for policymakers, one for programme decision makers, and one for programme implementers. The recommendations also distinguish to some extent between different target beneficiaries i.e. depending on whether they are necessity driven entrepreneurs, opportunity driven entrepreneurs, or growth oriented entrepreneurs.

The recommendations are based on an analysis of the different **drivers** (e.g. market opportunities, alternative livelihood opportunities, and cultural support for entrepreneurship), and **enablers** of entrepreneurship, and how they vary by context. As suggested by the World Economic Forum (WEF)'s Global Competitiveness Report and the Global Entrepreneurship Monitor (GEM), enablers include:

- the **basic requirements** for entrepreneurship (e.g. infrastructure, health and primary education, access to finance and the macro-economic environment);

- enablers that facilitate **efficiency** of entrepreneurship (e.g. higher education and training and technological readiness);

- those facilitating **innovation** among entrepreneurs (e.g. business sophistication and R&D transfer).

The existence of the various drivers and enablers differs considerably across contexts, and this determines the most appropriate interventions to adopt to promote entrepreneurship in each context.

The output sheets for one of the context scenarios are shown in Figures 3 and 4 on the following page, as an example.

**Table 3: Context scenario example 1**

## #1 CONTEXT 1: FACTOR DRIVEN, CONFLICT AFFECTED, RURAL ECONOMY

**Entrepreneurial Profile**

In factor driven economies 31% of entrepreneurs are **necessity driven** on average, higher than the overall average for all types of economies (where it is 27%). The average is also higher in conflict affected and urban economies than the overall average.

In factor driven economies an average of 41% of entrepreneurs are **opportunity driven** (compared with an average of 47% for all economies). The average for rural and conflict affected economies is also lower than the overall average.

In factor driven economies an average of 22% of entrepreneurs expect to **grow,** (compared with an average of 26% for all economies). The average for conflict affected economies is higher than the overall average but the average for rural economies is lower.

The **youth population** makes up around 36% of the total population on average in a factor driven economy, which is higher than the overall average (which is 33%). The size of the youth population is also larger in conflict affected and rural contexts than the overall average.

**Drivers and Enablers**

In factor driven economy the **market size** is likely to be smaller than the overall average for all types of economies. It is also smaller than the overall average in conflict and rural context. In terms of **market openness** to new entrants it is also on average less open to new entrants in factor driven economies than the overall average. The same holds for conflict affected and rural contexts, which are less open than the overall average.

Whilst factor driven contexts exhibit **cultural support** for entrepreneurship above the overall average for all economies, the average for conflict affected and rural contexts is below the overall average.

**Youth unemployment** also tends to be high in a factor driven economy, averaging 26% of the youth population, higher than average for all economies (21%). However in conflict countries youth employment is below the overall average whilst it is above the overall average in rural contexts.

Generally the **enablers for entrepreneurship** tend to be extremely low in these types of contexts.

**Binding Constraints**

The main constraints are likely to be **market size, infrastructure, investor protection, finance, government programmes, higher education and training, local availability of research and training services, technological readiness and R&D transfer.**

The context specific analysis draws on data from the Global Entrepreneurship Monitor, the World Economic Forum's Global Competitiveness Report and the World Bank's Development Indicators. The recommendations are based on a review of the existing literature, consultations with experts and practitioners in the sector as well as the Overseas Development Institute's own economic analysis.

## POLICYMAKERS

Capacity of policymakers is likely to be limited in this environment due to the on-going conflict, but priorities should include:

**Market size**
- Growth policies
- Investment climate reforms
- Trade promotion activities, e.g. trade fairs and exhibitions

**Infrastructure**
- Invest in infrastructure
- Cluster development policy

**Investor protection**
- Build legal and regulatory framework to enhance investor protection

**Finance**
- Financial sector development reforms
- Policies to promote access to finance
- mproving the regulatory environment for start-up finance, e.g.
  * transparent rating procedures and risk assessment
  * shortening and simplification of document procedures
  * improved cooperation and code of conduct,
  * verifying and differentiating of lending criteria
- Develop public capital markets

**Government programmes**
- Introduce or improve entrepreneurship support initiatives, engaging local service providers or NGOs operating on the ground as appropriate.

**Higher education and training**
- Invest in higher education and training programmes

**Local availability of research & training services**
- Fund research and training services or promote market for these.

**Technological readiness**
- Invest in internet infrastructure
- R&D transfer
- Improve and facilitate R&D policy, investment and networks

## PROGRAMME DECISION MAKERS

Capacity to intervene is likely to be limited by the on-going conflict but priorities should include:

**Market size**
- Market analysis
- Raising awareness of existing market opportunities, **especially for necessity driven entrepreneurs**
- Assistance in evaluating feasibility of business plans,
- Promotion of business integration and business linkages including opportunities in international supply chains, **especially for opportunity driven and growth oriented entrepreneurs**
- Trade fairs and exhibitions, **especially for opportunity driven and growth oriented entrepreneurs**

**Infrastructure**
- Cluster development programmes, unless preluded by widespread conflict
- Shared workspaces and start-up factories
- Investor protection
- Promote transparency and facilitate better investor protection by providing training on accountancy standards etc. **especially for growth oriented entrepreneurs.**

**Finance**
- Provide start-up and business capital, e.g.:
  * provision of grants and 'free money', **especially for necessity driven entrepreneurs**
  * facilitating debt financing for young people, **especially opportunity driven and growth oriented entrepreneurs**
  * provision of soft-, micro and guaranteed loans, e.g. microfinance, **especially for necessity driven entrepreneurs**
  * loan guarantee schemes, **especially for opportunity driven entrepreneurs**
  * risk venture capital for young enterprises, **especially for opportunity driven and growth oriented entrepreneurs**
  * fostering equity finance possibilities for youth, **especially for opportunity driven and growth oriented entrepreneurs**
  * angel investors and network, **especially for opportunity driven and growth oriented entrepreneurs**

**Government programmes**
- Assist government in developing policy
- Implement entrepreneurship surveys and share findings to inform policy development

**Higher education and training**
- Offer on the job training and workshops
- Facilitate apprenticeship schemes

**Local availability of research & training services**
- Provide research and training services in underserved areas, or help to develop the market for these services, **especially for growth oriented entrepreneurs**

**Technological readiness**
- Offer access to internet cafes, IT clinics and IT training courses
- R&D transfer
- Support development of R&D networks, **especially for opportunity driven and growth oriented entrepreneurs.**

## IMPLEMENTERS

Capacity to intervene and beneficiaries to access support is likely to be limited by the on-going conflict but considerations for implementation should include:

**Market opportunities**
- Focus on supporting young entrepreneurs in developing business ideas rather than limiting access to the programme to those potential entrepreneurs that already have business ideas, **especially for necessity driven entrepreneurs**
- Avoid supporting too many micro-entrepreneurs in the same sector to avoid risk of saturating the market
- Need to identify alternative lucrative war economy opportunities and livelihoods, other than for example armed combat, crime and poppy growing
- Need to place more emphasis on developing networks and institutions and trust, which have been broken down by conflict
- Need to include security issues when assessing market opportunities and cost and options for insurance
- Provide access to IT, e.g. IT labs where electrification is low

**Access to Finance**
- Avoid providing access to credit where market opportunities are limited
- Avoid getting entrepreneurs into unserviceable debt by ensuring realistic assessments of viability of proposed businesses and associated risks, **especially for necessity driven entrepreneurs**
- Consider offering grant finance as a subsidy to support entrepreneurial livelihoods, **especially for necessity driven entrepreneurs**
- Consider utilising social capital mechanisms, e.g. group based lending, as a form of credit security in absence of formal collateral and well-functioning asset registers, etc.
- Consider collaborating with banks to provide guarantees based on programme driven assessment of entrepreneur's credit worthiness, **especially for opportunity driven and growth oriented entrepreneurs**
- Consider relatively short investment horizon of young entrepreneurs
- Given relatively low levels of access to finance in rural areas consider offering more comprehensive finance or finance related services though only if these would not otherwise be available Given relatively low levels of access to finance in rural areas consider offering more comprehensive finance or finance related services though only if these would not otherwise be available
- Develop new models of delivery to reach remote areas, e.g. linked to semi-formal service providers or mobile solutions

**Training**
- Encourage realistic assessment by entrepreneurs of their perceived capabilities and identify specific areas of skills and enterprise development
- Invest in basic training, e.g. literacy and financial literacy, **especially for necessity driven entrepreneurs**
- Tailor training to relatively lower levels of education, **especially for opportunity driven and growth oriented entrepreneurs**
- Encourage cooperation between entrepreneurs in the absence of more formal cluster development policies and programmes
- Focus initially on building confidence of young entrepreneurs, which may have been undermined as a result of the on-going conflict
- Ensure conflict induced tensions are not exacerbated by preferential treatment of some groups by the programme
- Factor in relatively high drop-out rates of beneficiaries
- Beneficiaries may be prevented to travel to courses so consider flexible curricula and offering training services in close proximity to beneficiaries
- Address relatively high risk aversion to start a business in rural areas in programme curricula
- Offer courses timed appropriately around agricultural season, e.g. avoid harvest time
- Develop new models of delivery to reach remote areas

**Cooperation**
- Consider building cooperation with the local business community, government and private infrastructure developers and providers, government regulators, local banks and informal financial service providers, government entrepreneurship service providers, academic institutions and training colleges, private and public research and training institutions, IT service providers and larger local and international firms.

# Consultation process

The sector-wide consultation process ran from July to November 2012. The purpose was to enhance the framework and toolkit's design, credibility, applicability and uptake. The consultation was critical to ensure our approach to this fundamental challenge is developed as inclusively and robustly as possible.

The consultation focused on some strategic questions, grouped in four categories:

● Questions to validate and improve the **underlying approach** of the framework and toolkit;

● Questions to test and validate the **recommendations** put forward in the toolkit;

● Questions to improve the **practical applicability** and hence likely **usage** of the toolkit across the sector; and

● Questions to explore opportunities to develop and incorporate **impact assessment data** into the toolkit to provide an empirical basis for the recommendations put forward.

The process was designed to reach as wide an audience across the sector as possible over a period of five months – stakeholders consulted included policy makers, donors, practitioners, programme decision makers and young entrepreneurs (a list is provided at the end of this report).

Activities included:

● **Formation of an Advisory Group**: To receive high-level guidance on the toolkit and consultation process, increase sector-wide awareness of the toolkit and enhance overall recognition. The Group consisted of four high-profile individuals in the sector, from The MasterCard Foundation, World Bank, International Youth Foundation (IYF) and Global Entrepreneurship Monitor (GEM).

● **Online consultation activities**: a dedicated website – http://yecontexts.org – was created for the project, containing all relevant information about the consultation, including the consultation document and the draft version of the toolkit.

The website was publicised among participants of the consultation process as the space where they could learn more about the project and also provide their insights and feedback. Social media tools like Twitter were also used and several blogs[4,5] were published in order to promote the project across a wider audience.

● **Interviews**: To explore specific questions in detail, interviews were conducted with experts, policy makers, programme decision makers, programme implementers and young entrepreneurs themselves in the sector.

● **Presentation of the framework and toolkit in Washington D.C.**: A high profile consultation session was held at the Global Youth Economic Opportunities Conference in Washington D.C. in September 2012, to raise sector wide awareness of the toolkit and enhance engagement in the consultation process.

● A follow up half-day event was organised in Washington DC with carefully chosen participants to discuss strategic questions and specific issues about the framework and toolkit.

● **High-level roundtable discussions**: Virtual roundtables were held with leading multilateral institutions in the sector, including the International Labour Organisation (ILO), the Organisation for Economic Cooperation and Development (OECD) and the World Bank, as well as NGOs including the International Youth Foundation (IYF) and Plan International. A half-day in-person event was organised in Washington DC with carefully chosen participants to discuss strategic questions and specific issues about the framework and toolkit.

● **Youth consultation**: a youth consultation component was also added as part of the consultation process, taking into account the importance of hearing the voice of youth as part of the process. Focus group discussions and surveys were conducted with youth from across the world in order to get their input.

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4.   'Different Strokes for Different Folks: Why Young Entrepreneurs Need Customized Assistance', www.globalenvision.org/2012/08/07/different-strokes-different-folks-why-young-entrepreneurs-need-customized-assistance

5.   'Kickstarting Youth Entrepreneurship: an answer to youth unemployment?', http://community.businessfightspoverty.org/profiles/blogs/kickstarting-youth-entrepreneurship-an-answer-to-youth

# What we have learnt

During the multiple conversations with key stakeholders and some of the most experienced practitioners in the field of youth entrepreneurship that took place during the five month consultation period, we were able to collect extensive and detailed feedback about how to enhance the framework and toolkit's design, credibility, applicability and uptake.

Some of the main areas of feedback from the consultation process are summarised below:

**Questions to validate and improve the underlying approach of the framework and toolkit:**

*"Found the framework to be very interesting and solid"*

- Overall, the feedback indicates that the research is **on the right track**, aligned to the current priorities of larger organisations regarding the influence of context in the design and implementation of programmes. This is indicated by the latest reports published by the World Bank[6], the Inter-American Development Bank[7], and USAID[8] focusing on youth entrepreneurship:

- However, **definition of entrepreneur type** was found to be a weak element in the toolkit. Different types of entrepreneurs need different support systems and the toolkit should be able to reflect this by placing a stronger emphasis on the need to tailor interventions by entrepreneur type, with more dimensions considered.

*"What about gender?"*

- On this note, there was a strong consensus on the need to include **gender-oriented recommendations** as a crosscutting theme.

- **Entrepreneurial culture** was identified as another key dimension missing from the framework – as one consultation participant put it, the influence of culture "might become a make or break factor." Certain cultures – where failure

is considered part of the learning process – will more readily welcome a risk-taking approach. Wheras in cultures that perceive failure in a negative way, such as many Asian cultures, this can have a profound impact on how receptive young people are to entrepreneurship.

- Furthermore, many of the consultation participants highlighted the importance of defining context at the **local level**. While characterising economies at the national level can be helpful, it has become clear that contexts within a country can vary greatly, hence the need to be able to define context locally.

- In this vein, in addition to the need for tailoring interventions by entrepreneur type, it was suggested that it is also important to think about **organisational capacity** – in terms of factors such as geographical reach of operations, human resources, and budget available - when considering the feasibility of different options.

- Some participants suggested the toolkit should acknowledge current limitations in its ability to provide recommendations, and should rather provide a **set of guiding questions** that organisations should ask themselves when designing and implementing youth entrepreneurship programmes/projects.

*"There is some kind of balancing act to be done* [in terms] *of how do you go from something that is generic to something that is specific enough to apply to the work you do."*

- **Defining audience** also came out as an important issue, with most people that provided feedback agreeing about the importance of tailoring recommendations for practitioners, decision makers and policy makers. Overall the view seemed to be that providing guidance of relevance to all four of these audiences was useful, and that there was some benefit to be derived from each audience improving their understanding of the needs and motivations of others.

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6.   http://ieg.worldbankgroup.org/content/dam/ieg/ye/ye_eval.pdf

7.   'Give Youth A Chance: An Agenda For Action,' http://services.iadb.org/mifdoc/website/publications/3f5ccb9b-28e3-4604-a50f-ab1145cb1584.pdf

8.   'Youth in Development: Realizing the Demographic Opportunity,' http://transition.usaid.gov/our_work/policy_planning_and_learning/documents/Youth_in_Development_Policy.pdf

**Questions to test and validate the recommendations put forward in the toolkit:**

*"The recommendations now are not specific enough to be useful"*

- Perhaps the strongest sentiment expressed during the consultation was that the lack of an existing evidence base on the implications of context for youth entrepreneurship initiatives meant the recommendations included in the toolkit were **not sufficiently granular to be valuable**.

- When providing recommendations regarding **conflict/post-conflict affected contexts** practitioners need to consider the already existing best practices, guidelines and expertise that has been developed in the industry and look for ways to adapt them to youth entrepreneurship specific programmes/projects, *"especially regarding issues such as displacement or security, which are the two biggest factors in conflict contexts."*

- Given the current **lack of robust empirical evidence** to guide the development of recommendations, an alternative approach is to involve the wider sector in **developing, testing and refining the recommendations**, so that their own experience can be utilised to enrich the framework recommendations.

**Questions to improve the practical applicability and the likely usage of the toolkit across the sector:**

- Some suggested the most appropriate way to present the toolkit would be through a **website or application**, to enable practitioners, decision makers and policy makers to add case studies or project summaries, in order to build the evidence base and strengthen the recommendations. However, others said this would make it **inaccessible** to some in developing countries.

- **Language and terminology** might need to be adapted to make it familiar to the language different audiences use. Programme implementers and decision makers tend to use a technical language when designing and implementing projects related to youth entrepreneurship, a stark contrast from policy makers who need to have their message understood by their constituencies.

- Many participants suggested the need to keep the toolkit simple without simplifying the content in order to ensure it remained **easy to use**. A revision of format and delivery mechanism could help in this respect, making the toolkit more user friendly without necessarily cutting back on content.

**Questions to explore opportunities to develop and incorporate impact assessment data into the toolkit to provide an empirical basis for the recommendations put forward:**

- There is currently a **lack of statistical data** about youth entrepreneurship available that could be used to build empirical evidence and hence recommendations. This not only limits our understanding about the complexities of youth entrepreneurship, but could also result in the implementation of inappropriate policies and programmes.

- The consultation highlighted the need to **define the metrics** for the youth entrepreneurship field. There is currently no consensus on what indicators of impact should be collected to assess the success of different youth entrepreneurship interventions. If the industry could collectively agree on some indicators, so that comparable results using the same metrics are generated by different organisations and projects, these could then be synthesised to generate wider lessons about what works in different contexts.

When we embarked on this consultation process we were aware that the proposed toolkit was far from finalised and that it needed to be challenged and tested by the development community. The feedback received has been extremely useful, both to help consolidate some of our initial ideas, but also to help adjust, build on and expand our approach.

# A revised framework: the way forward

The consultation process has served to confirm the appetite for the contexts toolkit and validate the overall approach, but also to highlight areas for development. It has identified both 'missing dimensions' to the diagnostic aspect – such as gender and entrepreneurship culture - and the need to develop more granular recommendations.

As such, we propose a revised version of the 'diagnostic' aspect of the original framework, which incorporates these 'missing' dimensions and facilitates the increased granularity of analysis required by those consulted in order to use the framework effectively.
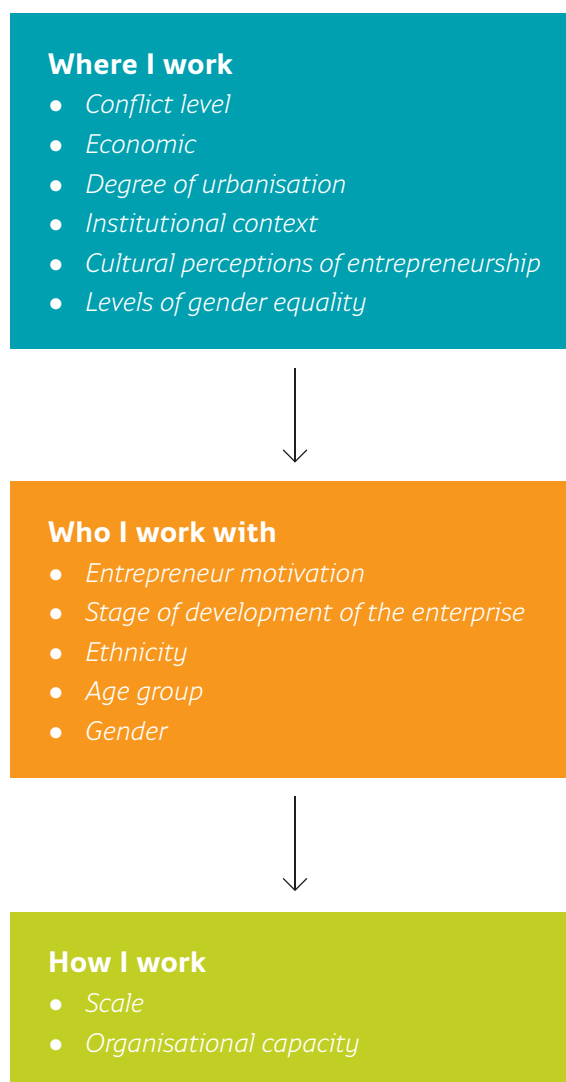
This revised diagnostic model consists of three parts, or 'modules':

1. **Diagnosing the external environment** – where I work

2. **Tailoring the intervention to the beneficiary** – who I work with

3. **Adapting the approach to organisational capacity** – how I work

*"As practitioners, it's time to get practical!"*

This model will provide the basis for a series of practitioner workshops, which will serve both to (i) 'test' the revised diagnostic approach, validating and enhancing its design and content; and (ii) develop and refine the granularity of the recommendations. This proposed way forward is outlined in more detail below.

**Figure 5: Revised Diagnostic Model**

**Where I work**
- *Conflict level*
- *Economic*
- *Degree of urbanisation*
- *Institutional context*
- *Cultural perceptions of entrepreneurship*
- *Levels of gender equality*

**Who I work with**
- *Entrepreneur motivation*
- *Stage of development of the enterprise*
- *Ethnicity*
- *Age group*
- *Gender*

**How I work**
- *Scale*
- *Organisational capacity*

# Part 1: External environment – diagnosis of where I work

The original formulation of the toolkit is useful in diagnosing the external environment in which organisations and people operate. The proposal of dividing contexts based on factor, efficiency and innovation driven economies; urban/rural settings; and conflict, post-conflict and peaceful settings has been confirmed as appropriate.

However, it is considered necessary to add **entrepreneurship culture** (i.e. attitudes towards and aspirations around entrepreneurship, and levels of entrepreneurial activity, as per the Global Entrepreneurship Monitor's categorisations) as a key dimension of the external environment in its own right, rather than framing it as a 'driver' of entrepreneurship as in the original framework.

In addition, **gender equality** is also added as a critical component of the external environment. This is seen as essential if the framework is to effectively incorporate gender – a key component of the context in which any entrepreneur operates – as a consideration.

Similarly, **institutional context** is also added as a core component of external environment.

## Figure 6: Dimensions of 'Where I work'

| DIMENSION | CATEGORIES |
|---|---|
| **Conflict Level** | • Conflict<br>• Post Conflict<br>• Peaceful |
| **Economic** | • Factor<br>• Transition from factor to efficiency<br>• Efficiency<br>• Transition from efficiency to innovation<br>• Innovation |
| **Degree of urbanisation** | • Rural<br>• Urban<br>• Peri-urban<br>• Rural access |
| **Institutional context** | • Economic management<br>• Structural policies<br>• Policies for social inclusion and equity around youth<br>• Public sector management and institutions<br>• Ease of doing business |
| **Entrepreneurship culture** | • Entrepreneurial activity<br>• Entrepreneurial aspirations<br>• Entrepreneurship attitudes |
| **Levels of gender equality** | • Economic participation of women (unemployment ratios, economic activity and remuneration levels)<br>• Women's political inclusion (numbers of females in leadership positions, share of seats in parliament)<br>• Policies for social inclusion and equity among gender<br>• Educational attainment<br>• Maternal health |

# Part 2: Tailoring the intervention to the beneficiary – who I work with

While the original formulation of the toolkit briefly touches on the profile of target beneficiaries, dividing them into 'necessity', 'opportunity' and 'growth' oriented entrepreneurs, feedback from the consultation made it clear that 'type of entrepreneurship' needs to be a much stronger consideration within the framework.

In particular, **gender** needs to be taken into account, but also other factors, as outlined below.

Thus, it is proposed that the second part of the revised diagnostic model focuses on the need to tailor interventions to entrepreneur type, as follows:

## Figure 7: Dimensions of 'Who I work with'

| DIMENSION | CATEGORIES |
|---|---|
| **Entrepreneur motivation** | • Necessit<br>• Opportunity<br>• Growth |
| **Gender** | • Male<br>• Female |
| **Ethnicity** | • As per context |
| **Age group** | • Below 15<br>• 15 – 20<br>• 20 –25<br>• 25 –35 |
| **Stage of development of the enterprise** | • Nascent<br>• New<br>• Established[9] |

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9. As per the Global Entrepreneurship Monitor's (GEM) categorisation

# Part 3: Adapting the approach to organisational capacity – how I work

To further improve the practical applicability of the framework, it is proposed that a third component be added to the diagnositc approach. This additional dimension will focus on the **capacity of the organisation(s)** involved in designing and implementing the youth entrepreneurship initiatives. The core aim of this component is to provide practical guiding questions and considerations for implementing organisations on-the-ground. Exact application of this new component of the model will be further considered and developed during the next phase of the project.

The dimensions below, which are divided into two overarching categories, are preliminary suggestions which will be further developed and disaggregated as part of the next phase of work:

**Figure 8: Dimensions of 'Who I work with'**

| DIMENSION | CATEGORIES |
|---|---|
| **SCALE** | |
| **Geographical scale** | • To be developed through the next phase of work |
| **Human resource scale** | • To be developed through the next phase of work |
| **Number of young entrepreneurs served** | • To be developed through the next phase of work |
| **Financial scale** | • To be developed through the next phase of work |
| **ORGANISATIONAL CAPACITY[10]** | |
| **Governance** | • To be developed through the next phase of work |
| **Human resources** | • To be developed through the next phase of work |
| **Financial management** | • To be developed through the next phase of work |
| **Programmes** | • To be developed through the next phase of work |
| **External relations and partnerships** | • To be developed through the next phase of work |
| **Sustainability** | • To be developed through the next phase of work |

For each dimension under the three parts of the revised diagnostic model, indicators and data sources will be provided to help participating organisations to categorise their activities. For example, the Table below shows the indicators that could be used to apply the first part of the model on 'where I work'.

However, it is important to note that data sources tend to be available at the national level, whereas organisations working on youth entrepreneurship are often operating at sub-national levels – for example, focusing their efforts on areas with particularly high levels of unemployment and deprivation among young people. As such, these secondary data sources will be drawn upon as a starting point, with the workshop approach outlined below used to **validate** and **'localise'** the data.

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10.  From PACT's Organisational Capacity Assessment Tool (OCAT) – see info.worldbank.org/etools/docs/library/164047/howdo/pactoat.xls

| DIMENSION | INDICATOR | SOURCE |
|---|---|---|
| Level of conflict | Armed Conflict Indicator | Center for Systemic Peace's State Fragility Index: www.systemicpeace.org/SFImatrix2011c.pdf |
| | Failed States Index | 'Foreign Policy' www.foreignpolicy.com/failed_states_index_2012_interactive |
| Level of economic development | Global Competitiveness Index | WEF's Global Competitiveness Report http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf |
| Degree of urbanisation | Urban population as a % of total national population | World Bank: http://data.worldbank.org/topic/urban-development |
| | Rural Access Index | World Bank: http://data.worldbank.org/data-catalog/rural-access-index |
| Institutional context | Country Policy and Institutional Assessment (CPIA) | The World Bank: http://data.worldbank.org/data-catalog/CPIA |
| | Ease of Doing Business Index | World Bank: http://www.doingbusiness.org/rankings |
| Entrepreneurship culture | Entrepreneurial activity Entrepreneurial aspirations Entrepreneurship attitudes | Global Entrepreneurship Monitor: http://www.gemconsortium.org/ |
| Gender | Gender Inequality Index | UNDP International Human Development Statistics – http://hdrstats.undp.org/en/indicators/68606.html |

As outlined briefly above, this revised diagnostic model will be utilised in a series of practitioner workshops, with the aim of 'testing' the approach and developing and refining the granularity of the recommendations, through generating lessons learned from organisations operating in different environments, working with different types of entrepreneurs, and with different scales and capacities.

YBI, Restless Development and War Child will lead this practical testing phase, which will commence with an initial workshop in India in autumn 2013, to pilot the approach. Following the pilot workshop, materials will be refined and circulated among the broader sectoral stakeholders who contributed to the consultation process, so they can get involved in the process. This will enable us to draw on the practical experience of a wider set of people and organisations within the industry, in order to develop a more comprehensive and widely-used tool.

The workshops will:
- Use the secondary sources above as a starting point for discussion, and bring key organisational staff and other stakeholders together to validate the data locally and collect more detailed information regarding the various dimensions under each part of the diagnostic model through a series of questions and exercises; and
- Utilise this more detailed diagnostic approach to build upon the existing recommendations in the toolkit: findings from each testing project will be aggregated and used to inform more detailed recommendations.

In parallel to this practical testing phase, is also envisaged that the following activities will be undertaken:
- a specific initiative focused at better understanding the needs of policymakers, and adapting the tool to their use; and
- a review of a number of existing guidelines that suggest how to tailor particular types of interventions to different contexts, which have been identified through the consultation process. While none of these are comprehensive in themselves, they can be aggregated to usefully feed into the process of framework enhancement.

# Annex: Consortium Partners

This framework for consultation was funded by the consortium of Youth Business International (YBI), War Child UK and Restless Development through their Programme Partnership Agreement (PPA) with the UK Department for International Development (DFID). The consultation is chaired by YBI, and the consortium commissioned Overseas Development Institute (ODI) to conduct research and to act as secretariat to the consultation.

All three consortium partners engage to varying degrees and at different levels in supporting youth entrepreneurship or livelihoods across different contexts.

## About YBI

Youth Business International is a global network of independent non-profit initiatives helping young people to start and grow their own business and create employment. HRH The Prince of Wales is President. YBI members assist under-served young entrepreneurs with a combination of training, access to capital, mentoring and other business development services. They adapt this common approach to their local context, working in partnership with governments, businesses and multilateral and civil society organisations.

## About ODI

ODI is Britain's leading independent think tank on international development and humanitarian issues. Their mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries.

ODI's Private Sector and Markets programme focuses on private sector development, and the role of business in promoting growth and poverty reduction.

## About Restless Development

Restless Development is the youth-led development agency. Restless Development works across three main areas: civic participation, sexual and reproductive health and livelihoods and employment. In this latter area, they are empowering young people with the skills, inspiration and resources to take up productive livelihoods and employment opportunities that contribute not only to their household income, but to the economies of their wider communities and countries.

## About War Child UK

War Child UK is an international NGO that provides life-changing support to children and families, whose lives have been torn apart by war. War Child's vision is "a world in which children's lives aren't torn apart by war". War Child works on the ground with local organisations in five countries to provide child protection, access to education, vocational and life-skills training and livelihood support to children and young people in conflict affected communities.

# Advisory Board Members

**Mr. Mattias Lundberg, Senior Economist, Social Protection and Labor Unit, Human Development Network, World Bank**

Mattias Lundberg's research includes addressing the knowledge gap in achieving positive labour market outcomes for youth, especially in conflict-affected and post-conflict contexts and following economic shocks. He was a lead author of the World Development Report 2007: Development and the Next Generation.

**Dr Mike Herrington, Executive Director, Global Entrepreneurship Monitor (GEM)**

Dr Mike Herrington is Director of the UCT Centre for Innovation and Entrepreneurship at the Graduate School of Business, University of Cape Town, South Africa and is Executive Director of the world's largest study of entrepreneurship, the Global Entrepreneurship Monitor (GEM). GEM recently signed a joint venture with YBI to conduct a dedicated global study of youth entrepreneurship.

**Bill Reese, President and Chief Executive Officer, International Youth Foundation (IYF)**

Bill Reese was appointed President and Chief Executive Officer of IYF in 2005, having joined IYF in May 1998 as its Chief Operating Officer. Prior, he was President and CEO of Partners of the Americas for twelve years and served with the Peace Corps for ten years. He holds numerous Board positions representing his commitment to supporting young people and promoting volunteerism.

**Deepali Khanna, Director, Youth Learning, The MasterCard Foundation**

Deepali Khanna joined The MasterCard Foundation in June 2010. She has more than 25 years of experience, 12 in international development. Her operational experience has largely been in the context of children and youth programming in South Asia, South East Asia and Eastern and Southern Africa. Prior to joining MasterCard Foundation, she was Regional Director of Plan International. She is a recipient of the prestigious Medal of Friendship.

# Organisations participating in the consultations process

- **World Bank**
- **Global Entrepreneurship Monitor**
- **The Mastercard Foundation**
- **International Youth Foundation**
- **Mennonite Economic Development Associates – MEDA**
- **DOT**
- **Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB)**
- **Education For Employment Foundation**
- **Mercy Corps**
- **Brookings Institution**
- **US State Department**
- **Education Development Center – EDC**
- **FHI360**
- **Education Development Center (EDC)**
- **SEEP Network**
- **Technoserve**
- **Aspen Network of Development Entrepreneurs – ANDE**
- **International Labour Organization – ILO**
- **Babson College**
- **Silatech**
- **Plan International**
- **Business Fights Poverty**
- **Productores Orgánicos de La Costa Grande**
- **LGT Venture Philanthropy**
- **Warisan Global**
- **RTI International**
- **Georgetown University**
- **USAID**
- **Fundacion Paraguaya**
- **International Migration Organization**
- **Technische Universität München**
- **International Finance Corporation**
- **YCare International**

**Youth Business International**
www.youthbusiness.org