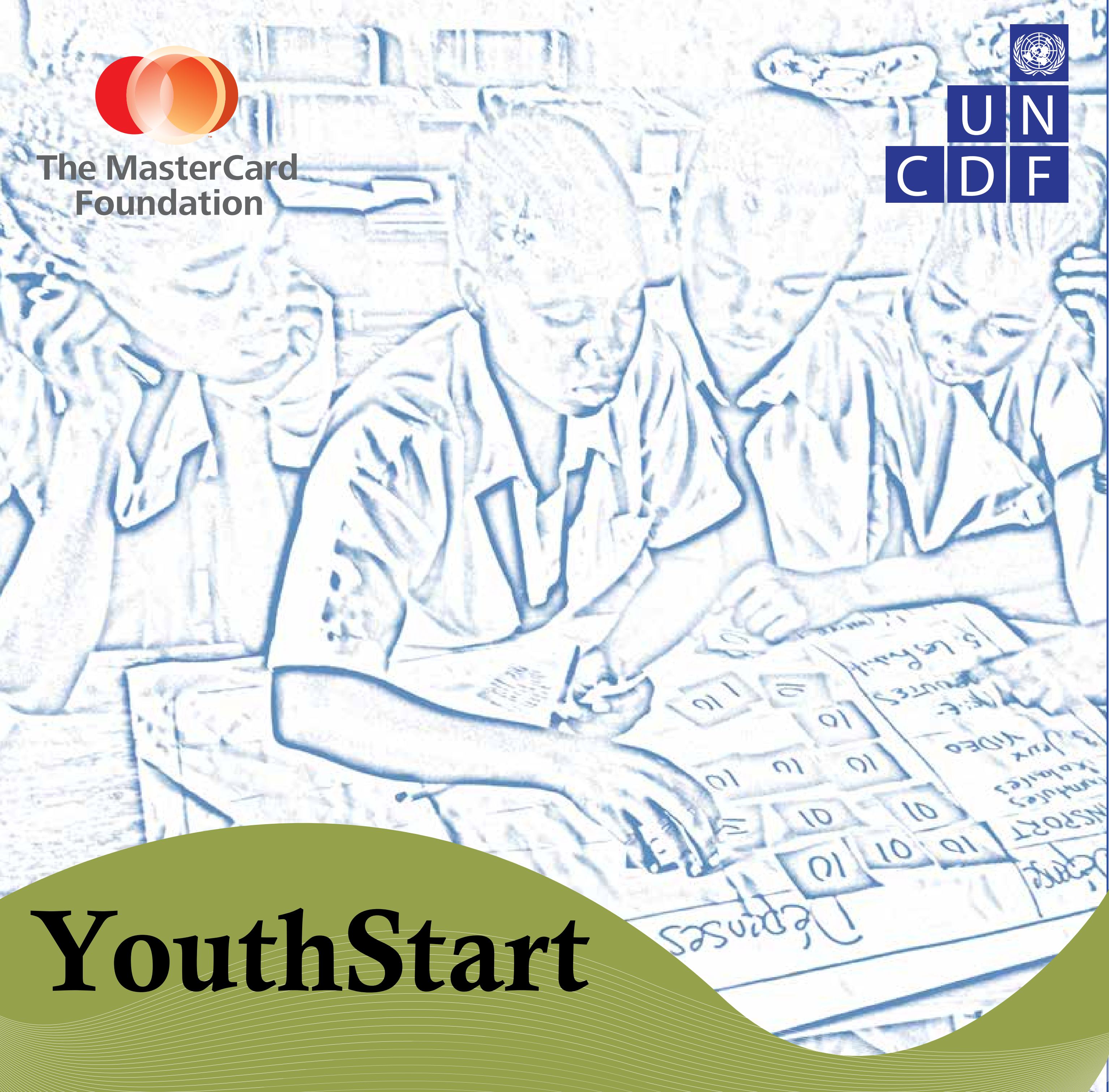
The MasterCard Foundation

UNCDF



YouthStart

THE CHALLENGE

Young people, regardless of their socioeconomic, demographic or geographical situations, face some degree of **difficulty or uncertainty** as they transition to adulthood. However, the situation that youth experiences in developing countries—some 87 percent of the global youth population—is one of the most difficult in many respects, and the picture is particularly grave for **adolescent girls and young women**. Youth are disproportionately affected by high **unemployment** rates. The **AIDS** epidemic in sub-Saharan Africa has already orphaned a generation of youth, and it is expected that 15 to 25 percent of children in a dozen sub-Saharan African countries will have been orphaned by AIDS by 2020.

This generation faces a very difficult transition from childhood to adulthood as they often become heads of household at a much younger age than other less vulnerable youth.

The demographic trends between developed and least developed countries are sharply divergent, with the most substantial **population growth** being projected for the LDCs. UNFPA predicts more than a 100 percent increase in population for most LDCs up to 2050, with estimations reaching up to 200% for countries like Malawi and Uganda. This unprecedented demographic growth presents a **fundamental challenge** for countries already struggling to provide basic services and create employment opportunities for their populations. The lack of support for young people in many LDCs and hence, their inability to acquire marketable skills or capabilities for lifelong learning, jeopardizes not only their individual chances to break a vicious cycle of **persistent and deepening poverty**, but as well any prospects of sound equitable economic growth of the countries. To counter this development, new approaches that support vulnerable youth to proactively **realize their full economic potential** are gaining attention.

Access to financial and social assets is a key contributing factor to help youth make their own economic decisions and escape poverty. Providing young people with financial services—whether a safe place to save or an appropriately structured loan for investment in an enterprise or education—can promote entrepreneurship and asset building, and emphasize **sustainable livelihoods**. The financial component is especially effective for youth when complemented with training in entrepreneurship and financial literacy, and mentorship opportunities.

What can asset ownership do for youth?

Asset ownership may not only help developing countries fill an important gap in terms of youth unemployment, but can also help them accelerate other development outcomes. For example, in Uganda, participants in a savings programme that restricts the use of the savings to education or self-employment and that is coupled with financial literacy or reproductive health education, were saving on average US$6.33 more than non participants (20% of Uganda GDP per capita). In comparison with its peers, participants improved educational outcomes, reported high self-esteem and goal setting, and positive changes in attitudes around sexual risk-taking.

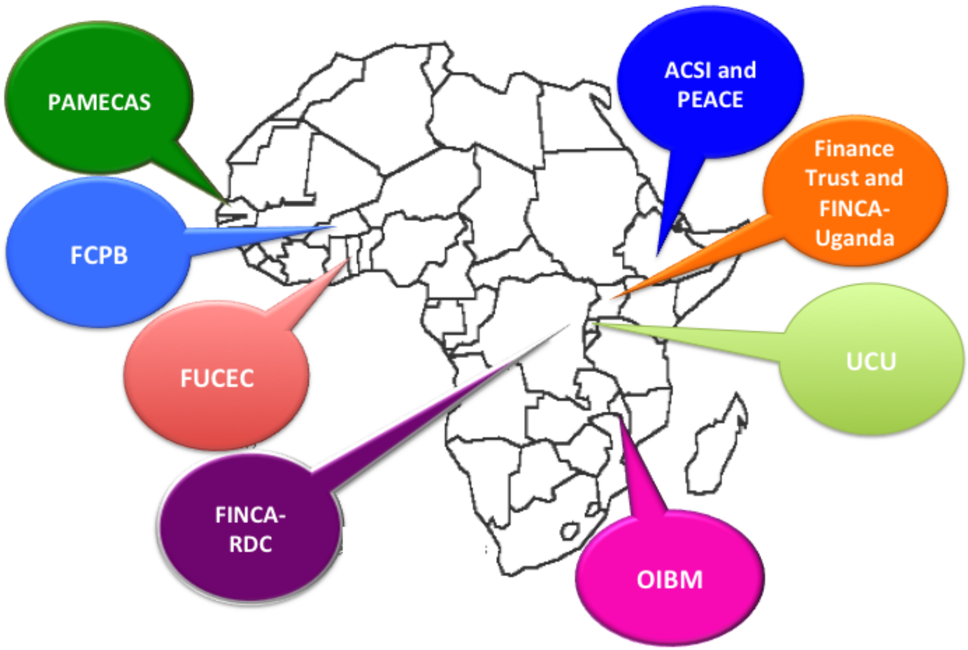
Despite these benefits, it is estimated that less than 5 percent of youth have a savings account as they face many **barriers** to access financial services. Few financial service providers (FSPs) such as banks, credit unions or microfinance institutions, understand and adequately serve the youth market, and regulatory frameworks are not designed to be youth inclusive or protective of youth rights.

UNCDF AND YOUTH FINANCIAL INCLUSION

The UN Capital Development Fund is addressing these challenges and supporting youth financial inclusion in a number of ways. As the lead agency on financial inclusion, the UN Capital Development Fund (UNCDF) -- UN's capital investment agency for the world's 48 least developed countries -- in 2010 launched, in partnership with The MasterCard Foundation, YouthStart, a $12.2 million programme aimed at increasing access to financial and non-financial services for low-income youth.

With a specific emphasis on savings, UNCDF-YouthStart is a performance-based programme that works with Financial Service Providers (FSPs) to pilot and roll out sustainable financial and non-financial services tailored to young people..

Youth Start in Africa: Supporting 188,710 youth through 11 FSPs in 8 countries



Why an emphasis on young women and girls?

- **75% of youth living with HIV in Africa are female, up from 62% in 2001**
- **Young women from the ages of 15 to 19 are five times more likely to be infected with HIV than young men in the same cohort**
- **Thirty-five percent of women aged 20 to 24 in developing countries were forced to marry as children**
- **Out of the world's 130 million young school drop outs, 70 percent are girls**
- **Unemployment rates of young females consistently exceeds those of young males**

PROGRESS TO DATE

YouthStart selected the 11 FSPs that currently participate in the programme based on a two-stage request-for-application process. Stage one enabled 18 FSPs from nine different countries in Sub-Saharan Africa to access a grant of US$20,000, on average, to research the needs of young people and design youth-led programmes. The publication **"Listening to Youth"** summarizes these findings and can be accessed at www.uncdf.org/youthstart

Stage two began in July 2011 with the awarding of US$7.2 million to the top ten FSP performers from Stage one, to design, test and scale up sustainable services for youth. In July 2012, UNCDF selected an additional FSP in West Africa to join the programme, increasing the grants awarded to US$7.2 million. Grants ranged from US$600,000 to US$800,000 per FSP.

As of September 2012, the majority of YouthStart partners had finished their pilot tests, and started scaling up the services for youth in the second half of 2012. **"Assessing new youth focused products"** summarizes the pilot test experiences of the partners. As of December 2013, YouthStart partners have opened savings accounts for 290,428 (of which 46% are young women), trained 304,856 youth in financial literacy, entrepreneurship or reproductive health, and have mobilized almost US$9.1 Million in savings.

In the countries where we are active, we have initiated a national dialogue to influence policy change to have youth friendlier regulatory frameworks. The policy case for these changes has been documented by YouthStart in the paper.

Reaching young women and girls

Young women and adolescent girls tend to be harder to reach than boys. Some parents consider that investing in a girl is less profitable than investing in a boy. Once the girl is married she will belong to her husband's family and is less likely to support her parents financially. Therefore, parents are more open to support their sons to open a savings account.

YouthStart partners are addressing this challenge in a number of ways:

- Partnering with youth-serving organizations that support only girls
- Raising the awareness of parents about the importance of opening savings accounts for girls
- Allowing under-age adolescent girls to open a savings account with the signature of a mentor instead of a parent
- Developing girl-focused and girl-sensitive marketing materials
- Hiring young women to deliver the financial literacy sessions and support the girls that open an account.

Policy opportunities and constraints to Access youth financial services

YouthStart has developed replicable **training modules** to build the capacity of FSPs interested in serving youth, in the following topics: pilot testing youth financial services, designing youth-centred programmes, integrating financial and non financial services; and youth client protection principles. The 11 FSPs participating in YouthStart have received training in those topics.

Most of the YouthStart partners have so far met or exceeded their performance based agreement targets. With their remarkable outreach they have already surpassed the goal set for the programme of 200,000 new youth clients.

THE WAY FORWARD

Access to financial and social assets is key to avoid that the future generation will get stuck in a poverty trap.

However, youth still faces many barriers in accessing financial services, including restrictions in the legal and regulatory environment, inappropriate and inaccessible products and services, and low financial capabilities. Overcoming these barriers and achieving successful financial inclusion requires a multi-stakeholder approach that engages government (including policymakers, regulators and line ministries), FSPs, youth serving organizations and other youth stakeholders. Youth, of course, need to be at the centre of this dialogue.

Following recommendations are set to help overcome different barriers

Inadequate legal and regulatory environment

Policymakers should develop legislation that is consistent with the principles of The Smart Campaign and the Child Friendly Banking Principles of Child and Youth Finance International (e.g. provide maximum control to youth within the legal and regulatory framework, minimize age and identity restrictions). These policies, which are both youth friendly and protective of youth rights, should be the outcome of a coordinated effort amongst different institutions line ministries, such as the Ministry of Finance, the Central Bank, the Ministry of Youth and the Ministry of Education. Multi-lateral and bi-lateral organizations should support such coordinated efforts.

Inappropriate and inaccessible products and services

Policymakers should develop legislation that facilitates the development of innovative, cost effective and convenient delivery channels to increase low-cost access of financial services for youth. The legislation should enable FSPs to bank through agents, mobile phones, schools, etc. Multi-lateral and bi-lateral organizations should invest in these innovations and support relevant policies or regulatory measures.

To help FSPs design and deliver appropriate financial services, policymakers should make it clear that building the capacity of FSPs that seek to enter the youth financial service market should be a priority area for donors. For example, one key area of capacity building is how to conduct market research to identify the socio-economic characteristics, needs and preferences of youth.

Insufficient financial capabilities

Financial capability is defined as 'The combination of knowledge, skills, attitudes and ultimately behaviors that translate into sound financial decisions and appropriate use of financial services.' To address the challenge of young people's low financial capabilities and to equip them with the confidence to make sound financial decisions, effectively manage financial services, and develop and work towards a tangible savings goal, policymakers should develop national financial-literacy strategies for youth, as well as entrepreneurship programmes that increase the financial capabilities of youth.

Governments and donors should support the development and implementation of such strategies, be they school based, community based, technology based or otherwise.

A multi-stakeholder approach to overcome these three barriers can bring increased attention to the opportunities of youth financial inclusion and capability, attract the resources to invest in those opportunities and share learning to increase the impact of these investments. The joint and coordinated effort will increase overall awareness to the economic and social potential of youth financial inclusion, perpetually attracting further resources to invest in related activities, which will support capacity building and knowledge sharing to increase in turn the impact of these investments.

YOUTH START, A UNCDF - MASTERCARD COOPERATION

The MasterCard Foundation is an independent, global organization based in Toronto, Canada, with more than $9 billion in assets. Through collaboration with partner organizations in 46 countries, it is creating opportunities for all people to learn and prosper. The Foundation's programs promote financial inclusion and advance youth learning, mostly in Africa. Established in 2006 through the generosity of MasterCard Worldwide when it became a public company, the Foundation is separate and independent entity. The policies, operations, and funding decisions of the foundation are determined by its own Board of Directors and President and CEO. To learn more about The MasterCard Foundation, please visit www.mastercardfdn.org/Projects/uncdf-youthstart

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their small businesses by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals. www.uncdf.org/en/youthStart.

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