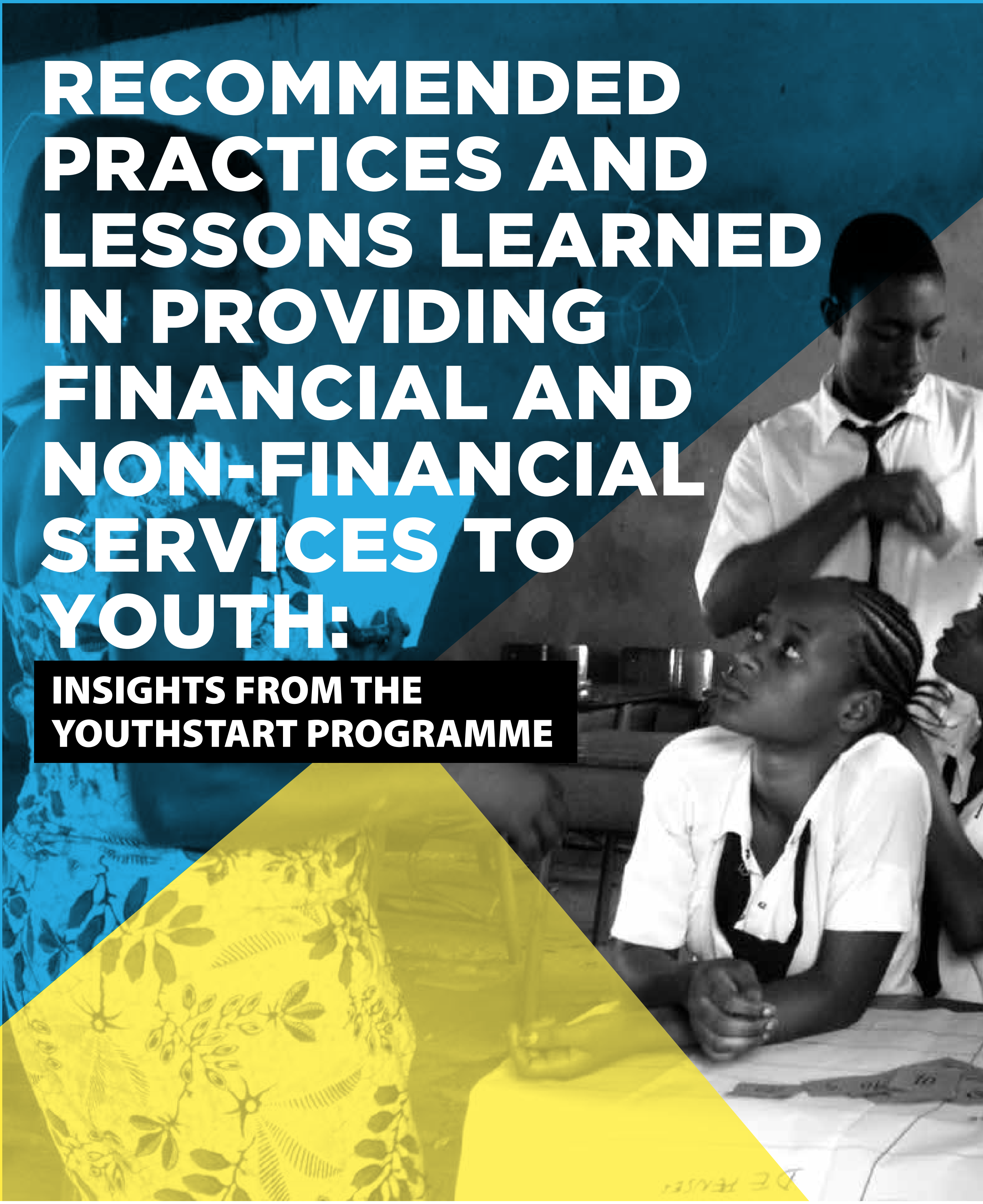
RECOMMENDED PRACTICES AND LESSONS LEARNED IN PROVIDING FINANCIAL AND NON-FINANCIAL SERVICES TO YOUTH:

INSIGHTS FROM THE YOUTHSTART PROGRAMME



The MasterCard Foundation

UN CDF

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The United Nations Capital Development Fund (UNCDF) is the UN's capital investment agency for the world's 48 Least Developed Countries (LDCs). UNCDF uses its capital mandate to help LDCs pursue inclusive growth. UNCDF *uses 'smart' Official Development Assistance to unlock and leverage public and private domestic resources; it promotes financial inclusion*, including through digital finance, as a key enabler of poverty reduction and inclusive growth; and it demonstrates how *localizing finance* outside the capital cities can accelerate growth in local economies, promote sustainable and climate resilient infrastructure development, and empower local communities. Using capital grants, loans, and credit enhancements, UNCDF tests financial models in *inclusive finance* and *local development finance*; 'de-risks' the local investment space; and proves concept, paving the way for larger and more risk-averse investors to come in and scale up. For more information, see http://www.uncdf.org/.

ABOUT YOUTHSTART

UNCDF in partnership with The MasterCard Foundation launched YouthStart in 2010, in response to the lack of economic opportunities for the growing population of young people around the world, especially in sub-Saharan Africa. For the past four years, YouthStart has supported 10 partner financial service providers (FSPs) in eight African countries to design, test and scale up sustainable services tailored to the needs of young people between the ages of 12 and 24. For more information, visit http://www.uncdf.org/YouthStart/.

ABOUT THE MASTERCARD FOUNDATION

The MasterCard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in sub-Saharan Africa. As one of the largest, independent foundations, its work is guided by its mission to advance learning and promote financial inclusion in order to alleviate poverty. Based in Toronto, Canada, its independence was established by MasterCard when the Foundation was created in 2006. For more information, please visit www.mastercardfdn.org or follow us on Twitter @MCFoundation.

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LIST OF ACRONYMS

ACSI Amhara Credit and Saving Institution (Ethiopia)

FCPB Fédération des Caisses Populaires du Burkina (Burkina Faso)

FSP financial service provider

FTB Finance Trust Bank (Uganda)

FUCEC Faîtière des Unités Coopératives d'Epargne et de Crédit (Togo)

NFS non-financial services

OIBM Opportunity International Bank Malawi (Malawi)

PAMECAS Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (Senegal)

PAR portfolio at risk

PEACE Poverty Eradication and Community Empowerment (Ethiopia)

SYSCOFOP Système de Collecte de Fonds sur Place

Umutanguha Umutanguha Finance Ltd. (Rwanda)

UNCDF United Nations Capital Development Fund

VSLA village savings and loans association

YRO youth relationship officer

YSO youth serving organization

EXECUTIVE SUMMARY

With close to 20 percent of its populace made up of youth, the African continent holds the largest population of youth in the world.[1] Although this vibrant group has much to offer the continent in terms of innovation, labour and enthusiasm, over 20 percent of African youth are unemployed.[2] This figure is further exacerbated by the lack of available jobs that target youth, insufficient training programmes that meet labour market demands (youth are 'under-skilled' or have outdated skills), and poor access to services that would help youth create their own opportunities. As an initiative established by the United Nations Capital Development Fund in partnership with The MasterCard Foundation, YouthStart provides solutions to the opportunity gap for youth by working with local financial institutions in sub-Saharan Africa for the purpose of increasing access to financial services for low-income youth, with an emphasis on savings and financial education. The impetus of YouthStart is the belief that providing youth with the right combination of financial and non-financial services not only gives them the right tools to make sound financial decisions, but it also helps youth build a strong asset base, create sustainable livelihoods, and be productive contributors to their families and communities (see figure I). The programme was launched in 2010 with an interest to address the most pressing questions for those focused on increasing access to finance for youth:

- Is there a demand for youth financial services?
- What is the savings capacity of youth?
- Can young people repay their loans?
- What are the effects of access to finance in helping youth to have a smoother transition from childhood to adulthood?
- Is there a business case to provide youth with financial services and products?

With these questions in mind, YouthStart had three main objectives:

1. Catalyse efforts by financial institutions to innovate financial services for at least 200,000 poor youth (at least half female);
2. Build capacity to offer youth sustainable, quality financial services; and
3. Share learning with a range of stakeholders to mainstream youth into financial sectors.

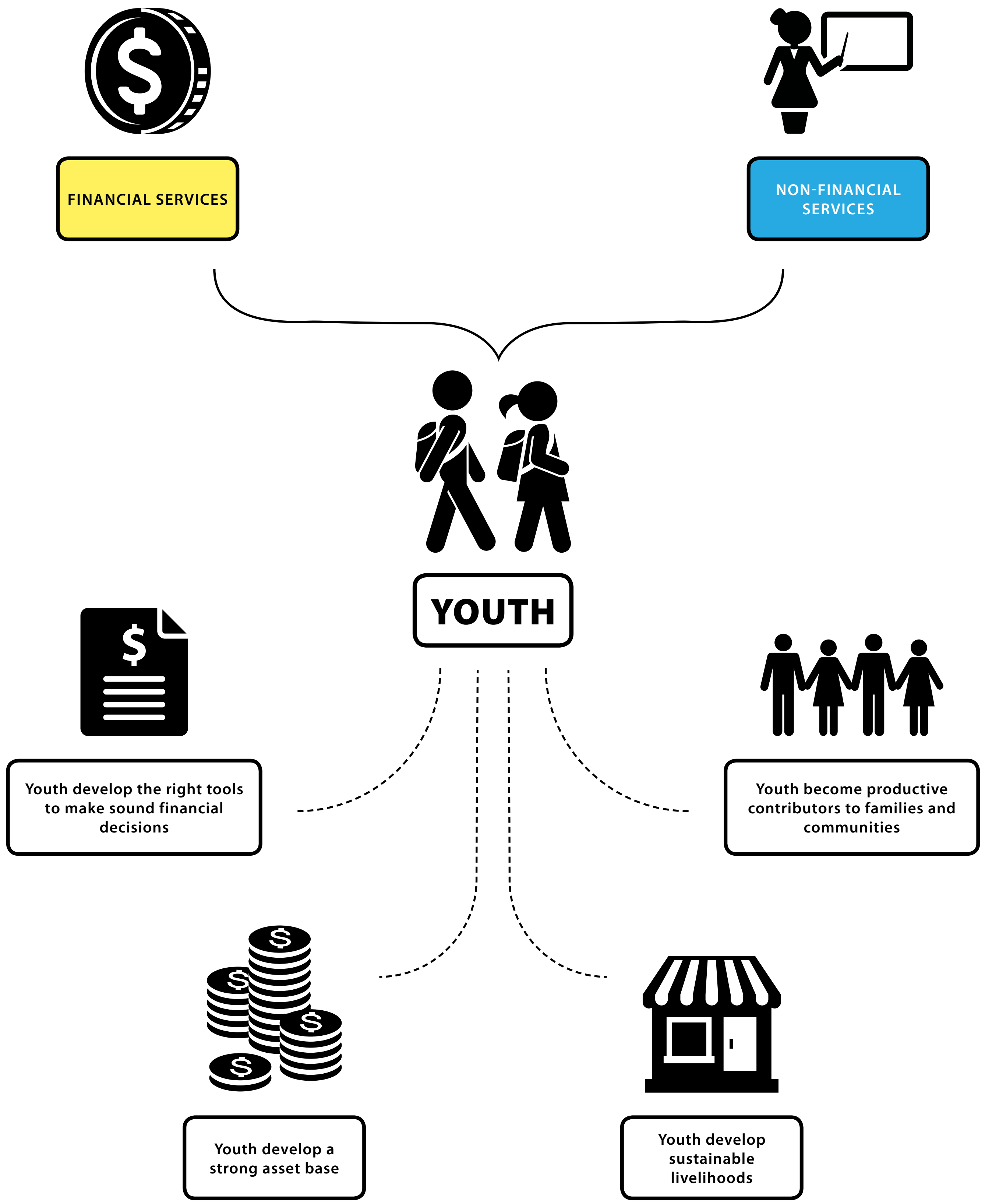
As such, the programme sought to support 10 financial service provider (FSP) partners in eight African countries to design, test and scale up sustainable financial and non-financial services tailored

[1] UNDESA, 'Regional Overview: Youth in Africa,' International Year of Youth Fact Sheets (New York, 2010). Available from http://social.un.org/youthyear/docs/Regional%20Overview%20Youth%20in%20Africa.pdf; and David E. Bloom, 'Africa's Daunting Challenges,' *New York Times*, 5 May 2011. Available from http://www.nytimes.com/roomfordebate/2011/05/04/can-the-planet-support-10-billion-people/africas-daunting-challenges

[2] African Economic Outlook, 'Youth Unemployment,' 28 May 2015. Available from http://www.africaneconomicoutlook.org/en/theme/developing-technical-vocational-skills-in-africa/tvsd-in-specific-contexts/youth-unemployment/

FIGURE I

The impetus of YouthStart



to the needs of young people between the ages of 12 and 24.[3] The programme had three main components: provide performance-based grants to FSP partners to develop, test and pilot financial services and products for youth; provide technical assistance to FSP partners to help them serve youth clients; and foster and disseminate knowledge on providing youth with relevant, affordable and accessible financial services.

This paper focuses on the third component of the programme to not only ensure knowledge is disseminated but to also provide insights and lessons learned to FSPs and other stakeholders keen to improve financial inclusion for youth. More specifically, it identifies recommended practices of FSP partners in the following areas:

- **Financial services**: Uptake and usage of savings accounts and loans, and inclusion of young women and girls; and
- **Non-financial services (NFS)**: Delivery models and partnerships with youth serving organizations (YSOs).

RECOMMENDED PRACTICES AND LESSONS LEARNED: FINANCIAL SERVICES

Uptake of accounts

Over the course of the YouthStart programme, FSP partners were able to achieve high uptake with their youth savings accounts. The following are some recommended practices based on strategies implemented by FSP partners that helped them achieve and/or exceed their targets in terms of account uptake:

1 Programme design and implementation: Recommended practices in this area included the following:

- Develop affordable, relevant and accessible financial products for youth
- Ensure stakeholders are engaged at all levels

2 Institutionalization/Institutional alignment: Recommended practices in this area included the following:

- Develop a clear organizational structure with clearly defined roles and responsibilities of all youth staff and promoters involved in the youth programme, and establish a system for effective internal communication
- Build the capacity of all staff and promoters involved in the youth programme on a continuous basis to ensure buy-in and provide the necessary support

3 Outreach: Recommended practices in this area included the following:

- Recruit, train and support youth promoters to reach youth
- Provide incentives for FSP staff and youth promoters to recruit youth

[3] The 10 FSP partners were Amhara Credit and Saving Institution (ACSI) in Ethiopia, Faîtière des Unités Coopératives d'Epargne et de Crédit (FUCEC) in Togo, Fédération des Caisses Populaires du Burkina (FCPB) in Burkina Faso, Finance Trust Bank (FTB) in Uganda, FINCA in the Democratic Republic of the Congo, FINCA in Uganda, Opportunity International Bank Malawi (OIBM) in Malawi, Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (PAMECAS) in Senegal, Poverty Eradication and Community Empowerment (PEACE) in Ethiopia, and Umutanguha Finance Ltd. (Umutanguha) in Rwanda.

Usage of accounts

Although providing youth clients access to an account is important, ensuring youth use the account is just as critical since dormancy can become rampant. Often there may be tension within FSPs between promoting uptake and ensuring usage, which causes efforts to increase usage to be neglected at the expense of efforts to improve outreach.
In order to address these challenges, FSP partners developed innovative strategies to increase account usage by focusing on going directly to where youth are located and thus increasing their proximity to youth clients.
To implement these strategies, some FSP partners took already existing services or systems and adapted them to the needs of their youth clients. These strategies included the following:

- Collect deposits from youth at home, in school or at place of employment
- Establish savings clubs at schools for in-school youth and other locations for out-of-school youth
- Provide savings/lock boxes to youth
- Use technology to serve as a nudge or a reminder (e.g., mobile banking, POS and SMS)
- Provide incentives to youth and staff to help motivate them

Loans to youth

FSP partners initially adopted a savings-led approach, offering loans to youth later in the programme. Although though there is still some apprehension in regards to providing loans to youth, FSP partners learned that youth are able to pay back their loans at a rate equivalent to or better than adult creditors.
FSP partners developed the following recommendations to provide loans to youth:

- Provide training on entrepreneurship and credit management
- Monitor youth savings behaviour to determine repayment capacity
- Gain strong understanding of market dynamics

Reaching young women and girls

Young women and girls are considered by most development programmes to be a very vulnerable group that is difficult to reach. This perception is especially true in regard to access to finance. FSPs seeking to serve more vulnerable youth need to make an extra effort to identify them and outline strategies that will allow the FSPs to reach these potential clients, including the following:

- Use female youth officers (e.g., savings, credit, training), youth promoters and/or youth ambassadors
- Develop girl-friendly marketing strategies (e.g., materials, promotional and educational events)
- Partner with female-focused village savings and loans associations and/or YSOs
- Target young women and girls where they live, work or frequent
- Provide incentives for other female clients, staff and promoters to recruit and train girls

RECOMMENDED PRACTICES AND LESSONS LEARNED: NON-FINANCIAL SERVICES

Models to deliver non-financial services

A key component in preparing youth for their financial future is providing them with financial literacy. YouthStart identified the following topics in basic financial literacy as the most relevant, since they are directly linked to youth financial products: building savings and managing credit. FSP partners also delivered, or partnered with YSOs that delivered, entrepreneurship and reproductive health training.

Based on FSP partners' experience in providing NFS to youth, they identified these recommended practices:

- Ensure a strong linkage between financial and non-financial services
- Adopt 'critical minimum' approach to financial education
- Select a delivery model for NFS that best reflects the context where the FSP operates and responds to the needs and availability of youth
- Integrate account management in financial education training

Partnering with youth serving organizations and schools

YouthStart greatly encouraged FSPs to partner with YSOs to deliver NFS since it observed that FSPs partnering with YSOs had measurable increases in their outreach to youth, particularly in reaching vulnerable groups such as young women and out-of-school youth, and reported positively on the collaborations. The following recommended practices helped ensure successful partnerships between FSPs and YSOs:

- Ensure alignment of roles, responsibilities, expectations, objectives and targets
- Ensure alignment of geographic scope and target group
- Take into account the seasonality of the school calendar when partnering with schools

GOING FORWARD

Based on the insights garnered from its FSP partners, YouthStart is better prepared to develop the next phase of the programme to ensure linkages between youth access to finance and youth economic opportunities. Along with the recommended practices outlined above, the following should be taken into consideration:

- Establish management buy-in, since it is crucial for youth products to flourish
- Be more aware of and engaged in the development of policies
- Ensure linkages from financial services for youth to economic opportunities
- Forge meaningful partnerships with YSOs

SUMMARY IN PICTURES

WHY?

YOUTH MAKE UP **20%** OF AFRICA'S POPULATION

HOWEVER, OVER **20%** OF AFRICAN YOUTH ARE **UNEMPLOYED**

IMPETUS OF YOUTHSTART

Youth develop the right tools to make sound financial decisions

Youth develop a strong asset base

Youth develop sustainable livelihoods

Youth become productive contributors to their families and communities

HOW?

1 Catalyse efforts by financial institutions to innovate financial services for at least 200,000 poor youth (at least half female)

2 Build capacity to offer youth sustainable, quality financial services

3 Share learning with a range of stakeholders to mainstream youth into financial sectors

FINANCIAL SERVICES

- Uptake of accounts
- Usage of accounts
- Loans to youth
- Reaching young women and girls

+

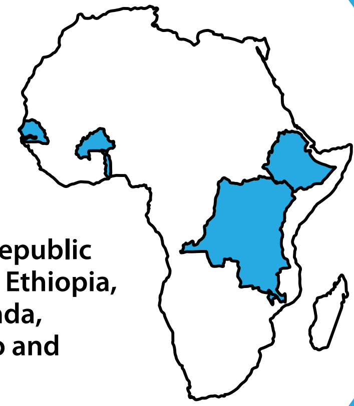
NON-FINANCIAL SERVICES

- Models to deliver non-financial services
- Partnering with youth serving organizations and schools

10 FSPs

These are found in:

Burkina Faso, Democratic Republic of the Congo, Ethiopia, Malawi, Rwanda, Senegal, Togo and Uganda



FOOD FOR THOUGHT

Along with the recommended practices, the following should be taken into consideration:

- Establish management buy-in, since it is crucial for youth products to flourish
- Be more aware of and engaged in the development of policies
- Ensure linkages from financial services for youth to economic opportunities
- Forge meaningful partnerships with YSOs

1 INTRODUCTION

As the leading United Nations agency on financial inclusion, the United Nations Capital Development Fund (UNCDF) in partnership with The MasterCard Foundation launched the YouthStart Regional Pilot Programme in response to the lack of economic opportunities for the growing population of young people around the world, especially in sub-Saharan Africa. When YouthStart began in 2010, the most pressing questions for those interested in increasing access to finance for youth included the following:

- Is there a demand for youth financial services?
- What is the savings capacity of youth?
- Can young people repay their loans?
- What are the effects of access to finance in helping youth to have a smoother transition from childhood to adulthood?
- Is there a business case to provide youth with financial services and products?[4]

The YouthStart Regional Pilot Programme was developed with these questions in mind and under the belief that, when accessing the right combination of financial and non-financial services, youth—young women and girls in particular—are better equipped i) to make more informed financial decisions and ii) to build financial (e.g., savings), social (e.g., social networks) and human assets (e.g., skills and knowledge) for their futures and create sustainable livelihoods. This belief was predicated on these assumptions:

1. Financial service providers (FSPs)—with the right technical and financial support—are willing and able to learn how to provide financial services and products to youth;
2. Youth do have a capacity to save and, like adult savers, will increase their average savings balance over time; and
3. The business case for providing financial services to youth can be developed so long as interventions use a market-based approach that will support the sustainability of a youth product.

As such, YouthStart sought to support 10 FSP partners in eight African countries to design, test and scale up sustainable financial and non-financial services tailored to the needs of young people between the ages of 12 and 24. The 10 FSP partners were Amhara Credit and Saving Institution (ACSI) in Ethiopia, Faîtière des Unités Coopératives d'Epargne et de Crédit (FUCEC) in Togo, Fédération des Caisses Populaires du Burkina (FCPB) in Burkina Faso, Finance Trust Bank (FTB) in Uganda, FINCA in the Democratic Republic of the Congo, FINCA in Uganda, Opportunity International Bank Malawi (OIBM) in Malawi, Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal (PAMECAS) in Senegal, Poverty Eradication and Community Empowerment (PEACE) in Ethiopia, and Umutanguha Finance Ltd. (Umutanguha) in Rwanda (see figure II). The programme had three main components; figure III shows these components as well as the roles of YouthStart and its FSP partners.

[4] See Laura Muñoz, Maria Perdomo and Danielle Hopkins, *Building the Business Case for Youth Services: Insights of the YouthStart Programme* (Dakar, Senegal, UNCDF, 2013). Available from http://www.uncdf.org/sites/default/files/Documents/yfs-bus-case.pdf

FIGURE II

YouthStart financial service provider partners

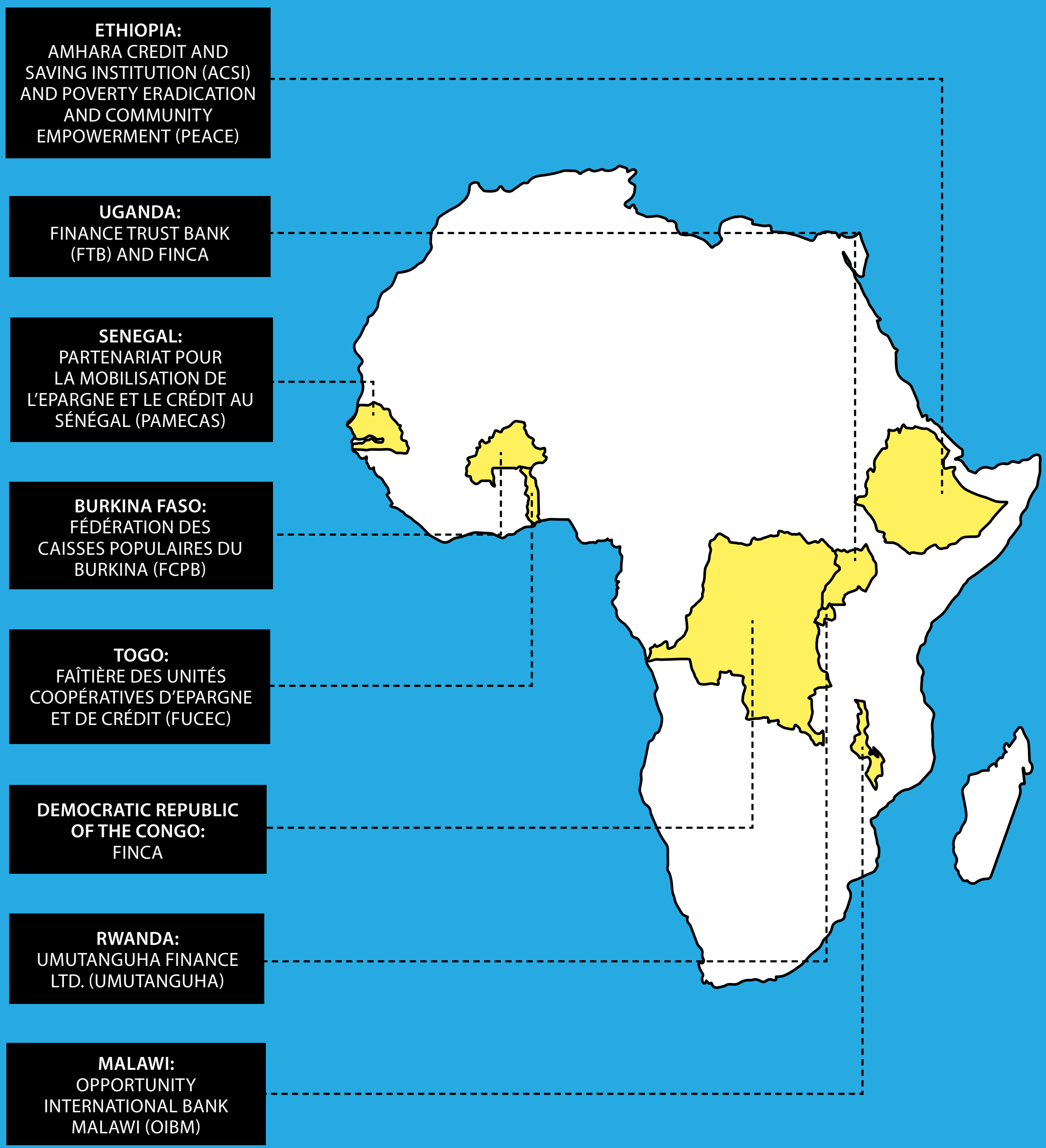
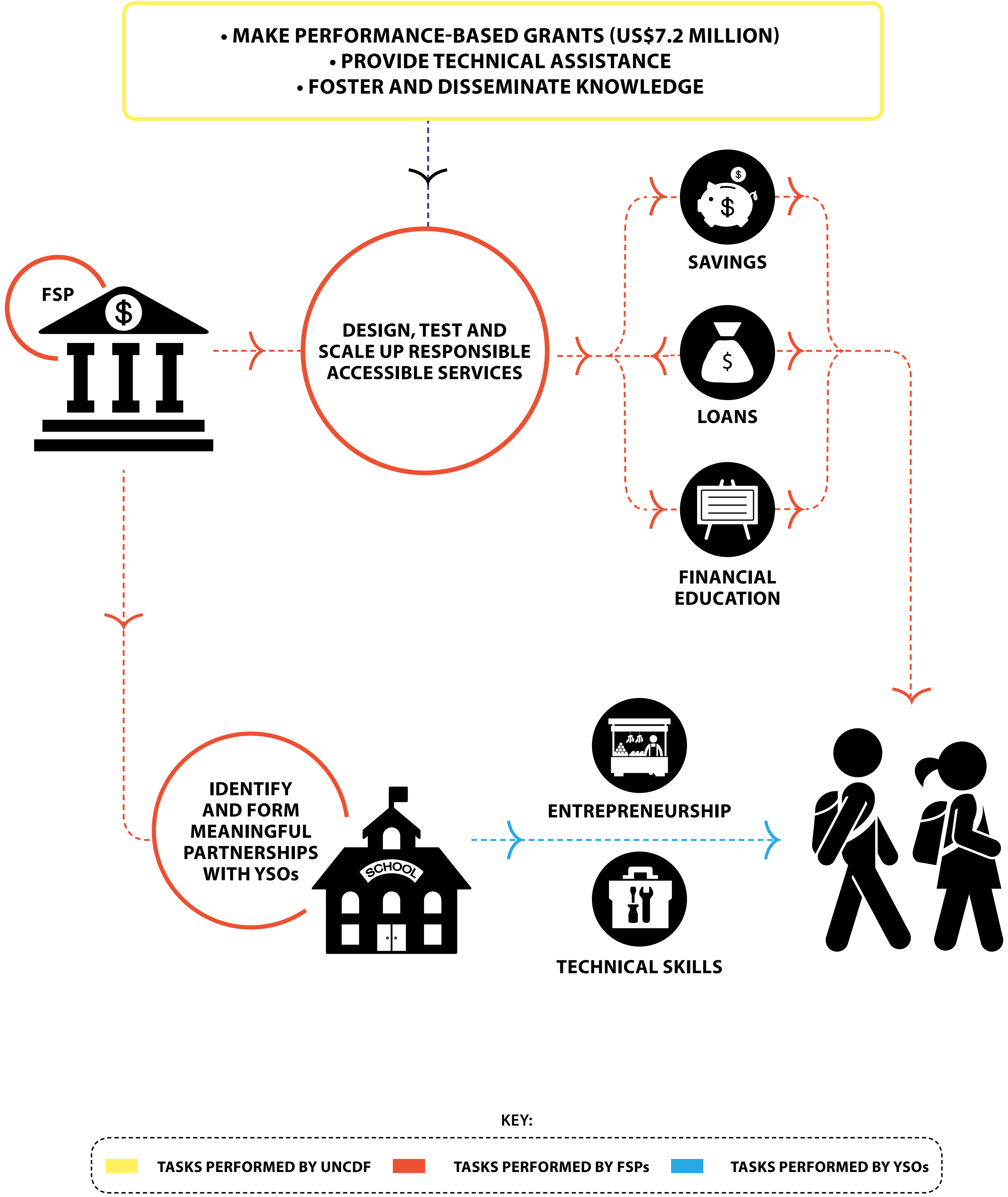


FIGURE III

YouthStart programme components



FINANCIAL SERVICES FOR YOUTH

Each of the 10 FSPs participating in YouthStart designed their youth products based on market research conducted over a six-month period,[5] and refined them after a six-month to a one-year pilot test. The results of the market research and pilot test not only confirmed the large demand for financial services from youth but also underlined the needs of youth for affordable, accessible and relevant financial services.[6] This initial process also allowed the FSPs to gain a deeper understanding of the regulatory constraints or opportunities in their respective country, and the supply of financial services currently available or lacking for youth in their market. All of the FSP partners started developing and testing savings products only. As they began to scale up savings services to youth, there was an increased understanding of the savings capacity of youth along with the demand from youth for loan products. Approximately two years after launching their savings products, seven FSP partners began developing, testing and offering loans to youth.[7]

NON-FINANCIAL SERVICES FOR YOUTH

YouthStart was designed with the notion that youth can be better prepared to make informed financial decisions given the right mix of financial and non-financial services. As a result, all 10 FSP partners coupled the delivery of the financial services described above with the delivery of financial education sessions, in particular on savings, money management and credit. These topics were identified during the market research conducted at the beginning of the programme as key topics for youth.

TECHNICAL ASSISTANCE TO PARTNERS

Although there are a number of FSPs interested in serving youth, particularly in regards to securing future clientele, few understand the nuanced needs of this group or are prepared to serve youth. In addition, some FSP staff have an unfortunate negative bias against youth as clients, while others assume mass-market products should be sufficient to meet youth needs. Concurrently, youth, being privy to this view of FSPs, develop feelings of contempt and mistrust of FSPs wanting their business. As such, a key component of YouthStart's partnership with FSPs was to provide them with technical assistance and training that enabled them to serve youth appropriately and to help dispel the myths regarding the ability of youth to use financial services and products. This support included training on programme design to help FSPs to design a specifically youth-oriented programme; training on pilot testing youth financial services to help FSPs to design and implement a pilot test of the youth financial services they would offer; training on integration of youth financial and non-financial services to help FSPs to integrate financial and non-financial services for youth and to monitor the quantity and quality of the non-financial services (NFS) being delivered by them and/or by partner organizations; training on client protection to help FSPs to apply The Smart Campaign's client protection principles and Child and Youth Finance International's certification criteria to their products for young people; training on monitoring to help FSPs to collect data to monitor and evaluate the roll-out of their youth programme; and training on Lot Quality Assurance Sampling —a simple and rapid method for collecting data—to help FSPs to monitor and evaluate the roll-out of their youth programme. Training and technical assistance also focused on strategies to help FSPs to gain the trust of youth, to develop strong open lines of communication and to assess the types of youth they reach through targeted client surveys and analyses.[8]

RESULTS TO DATE

While more research is needed to fully understand how to best increase access to finance in a sustainable and affordable manner for young people, YouthStart was sufficiently able to answer the initial questions developed at the start of the programme:

Is there a demand for youth financial services?
There is a demand for youth savings, as evidenced by FSP partners opening over 500,000 youth savings accounts.

What is the savings capacity of youth?
Youth do, in fact, have the capacity to save, as illustrated by FSP partners collecting US$14.2 million in youth savings.

Can young people repay their loans?
Youth can repay loans as reliably if not better than adults, as shown by over 71,000 youth accessing loans worth $7.3 million.

What are the effects of access to finance in helping youth to have a smoother transition from childhood to adulthood?
A study commissioned by UNCDF, which assessed the effects and behavioural changes of financial and non-financial services on youth, suggests access to financial services and products targeting youth encourages youth to plan for their future and thus smooths the transition from childhood to adulthood and builds financial capital.[9]

Is there a business case to provide youth with financial services and products?
There can be. Based on research conducted by UNCDF, the business case can be developed if youth financial services are integrated into the overall approach of the FSP and are not simply stand-alone offerings.[10]

Figure IV provides more detail on YouthStart results as of 31 December 2014.

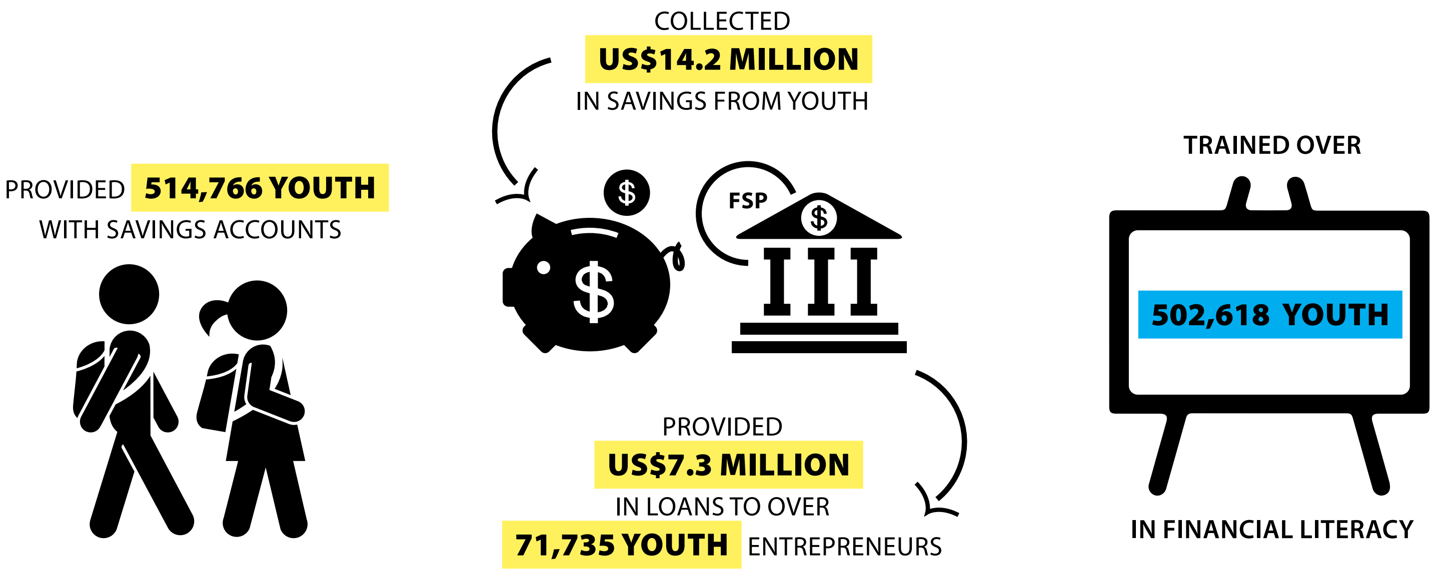
The goal of this paper is to share with others interested in increasing access to finance for youth the recommended practices and lessons learned that helped FSP partners achieve their results. This paper

[5] Danielle Hopkins and Maria Perdomo, *Listening to Youth: Market Research to Design Financial and Non-financial Services for Youth in Sub-Saharan Africa* (Dakar, Senegal, UNCDF, 2011). Available from http://www.uncdf.org/sites/default/files/Documents/youthstart_market_1.pdf
[6] Chris Linder and others, *Assessing New Youth-Focused Products: Pilot Testing Financial and Non-financial Services for Youth in Sub-Saharan Africa* (Dakar, Senegal, UNCDF, 2012). Available from http://uncdf.org/sites/default/files/Documents/youthstart_pilottest_0.pdf
[7] The seven partners were ACSI in Ethiopia, FCPB in Burkina Faso, FUCEC in Togo, OIBM in Malawi, PAMECAS in Senegal, PEACE in Ethiopia and Umutanguha in Rwanda.

[8] FSPs received yearly training on topics focused on providing services to youth, ranging from client protection to lot quality assurance sampling. For more information on the trainings provided by UNCDF, see the training guides provided at http://www.uncdf.org/en/youthstart/resources.
[9] This study is forthcoming.
[10] For more information on the business case for providing financial services to youth, see the UNCDF publication *Building the Business Case for Youth Services: Further Insights from the YouthStart Programme*, which is forthcoming.

FIGURE IV

Achievements of YouthStart programme



specifically looks at the approaches and strategies FSP partners used in providing financial and non-financial services to youth between the ages of 12 and 24, with a particular emphasis on reaching vulnerable youth—primarily young women and girls.[11] The recommended practices were identified based on the overarching challenges FSP partners experienced in providing financial services and products to youth and how they were able to effectively overcome them. More specifically, the recommended practices fall into the following areas:

1. **Financial services:** Uptake and usage of savings accounts and loans, and inclusion of young women; and
2. **Non-financial services:** Delivery models and partnerships with youth serving organizations (YSOs).

While these two areas are distinct, they are also closely related. FSP partners that achieved the most measurable success[12] in their youth programme have very strong linkages between their financial and non-financial services for youth.

It should be noted that the regulatory environment plays a key role in FSPs providing financial and non-financial services to youth. For example, lower age requirements to open and transact on an account (i.e., lower than 18) in addition to fewer ID requirements to open an account may lead to greater uptake and outreach. Countries with national financial education/literacy strategies or those that integrate financial education into the school system facilitate the delivery of NFS by FSPs to youth. However, this paper focuses more on the internal practices of FSPs rather than the external environment.[13]

Furthermore, this paper highlights key achievements and activities in the areas of financial and non-financial services that also provide insights into

i outreach strategies that are supported by quantifiable data,

ii attractive approaches that have produced positive results and

iii highly transferrable strategies that are clearly documented.

Examples of partner experiences highlight challenges faced by FSPs as well. Figure V outlines the research framework developed for this paper.

FIGURE V

YouthStart research framework for identifying recommended practices

MEASURABLE

The strategies used to target youth have goals that are clear, and progress towards them is quantifiable (i.e., number of youth reached, percentage of account usage) with at least two FSPs using the practice.

PARTICULARLY SUCCESSFUL

The strategies implemented not only see positive results but achieve more success towards objectives than most others with similar goals (i.e., strategies used achieve or surpass programme targets).

REPLICABLE

The strategies, methods or approaches are clearly structured and/or documented so that they can be replicated by other programmes, FSPs and/or countries.

11 Information for this paper was obtained from the following sources: quarterly narrative reports submitted by FSP partners; monitoring visits conducted by UNCDF staff and technical assistance providers; YouthStart events, workshops and webinars; semi-structured interviews with youth champions from each FSP partner (see annex 1); and studies conducted by the Frankfurt School of Finance & Management and *MicroSave*. The emphasis on young women and girls is based on the challenges FSP partners noted throughout the implementation of the programme and process of recruiting female clients.

12 For the purposes of this paper, 'success' is defined as strategies resulting in favourable outcomes that helped FSP partners achieve or surpass their programme targets.

13 For additional information on the policy and regulatory environment for youth financial and non-financial services, see Danielle Hopkins and others, *Policy Opportunities and Constraints to Access Youth Financial Services: Insights from UNCDF's YouthStart Programme* (Dakar, Senegal, UNCDF, 2012). Available from http://www.uncdf.org/sites/default/files/Download/AccesstoYFS_05_for_printing.pdf

2 RECOMMENDED PRACTICES AND LESSONS LEARNED

Chapters 2 and 3 examine how FSP partners were able to achieve high uptake of their youth savings accounts, ensure usage of these accounts by youth, provide youth with loans and reach vulnerable groups—particularly young women and girls.

FINANCIAL SERVICES

2.1 UPTAKE OF ACCOUNTS

Each FSP partner initially set uptake targets for the lifespan of the programme, from 2010 to 2014.[14] Table 1 and figure VI provide details on the uptake targets and results for each FSP. As the table demonstrates, all of the FSP partners achieved at least 110 percent of their target, ranging from 110 percent to 158 percent with the exception of ACSI and Umutanguha that achieved 236 percent and 252 percent respectively. Cumulatively, the FSP partners achieved 153 percent of their minimum targets. The reasons for this achievement are innovative strategies implemented by the FSP partners in the areas of programme design and implementation, institutionalization/institutional alignment and outreach to youth.

Identifying and recruiting youth clients can be an arduous task as youth are prone to move frequently for employment and for higher education opportunities and, as a result, can be difficult to locate. It is important to use innovative strategies to reach the youth segment during different stages of a youth programme. These strategies include the following:

1. **Programme design and implementation:** Develop affordable, relevant and accessible financial products for youth; ensure stakeholders are engaged at all levels
2. **Institutionalization/ Institutional alignment:** Develop a clear organizational structure with clearly defined roles and responsibilities of all youth staff and promoters involved in the youth programme, and establish a system for effective internal communication; build the capacity of all staff and promoters involved in the youth programme on a continuous basis to ensure buy-in and provide the necessary support
3. **Outreach:** Recruit, train and support youth promoters to reach youth; provide incentives for FSP staff and youth promoters to recruit youth

TABLE 1

Uptake targets of YouthStart partners, 2010–2014

Partner	Baseline[a]	Agreed minimum target	Achieved as of Q4 2014[b]	Percentage of target achieved (%)
ACSI	173,021	117,813	278,620	236
FCPB	98,995	15,494	19,045	123
FINCA DRC	322	15,649	19,925	127
FINCA Uganda	4,696	12,270	16,769	137
FTB	10,997	20,619	29,018	141
FUCEC[c]	21,256	34,950	41,704	119
OIBM[c]	29,000	24,902	31,877	128
PAMECAS	6,957	15,956	17,541	110
PEACE	6,300	18,230	28,871	158
Umutanguha	650	12,603	31,396	252
Cumulative average				153

a Baseline included clients 0 to 30 years old (and up to 35 years old in some countries). This variation was due to the fact that the definition of 'youth' differs from country to country. At the start of the programme, FSP partners considered all those aged 30 (or 35) and below as 'youth.' However, the definition used by YouthStart for 'youth' are those between the ages of 12 and 24.

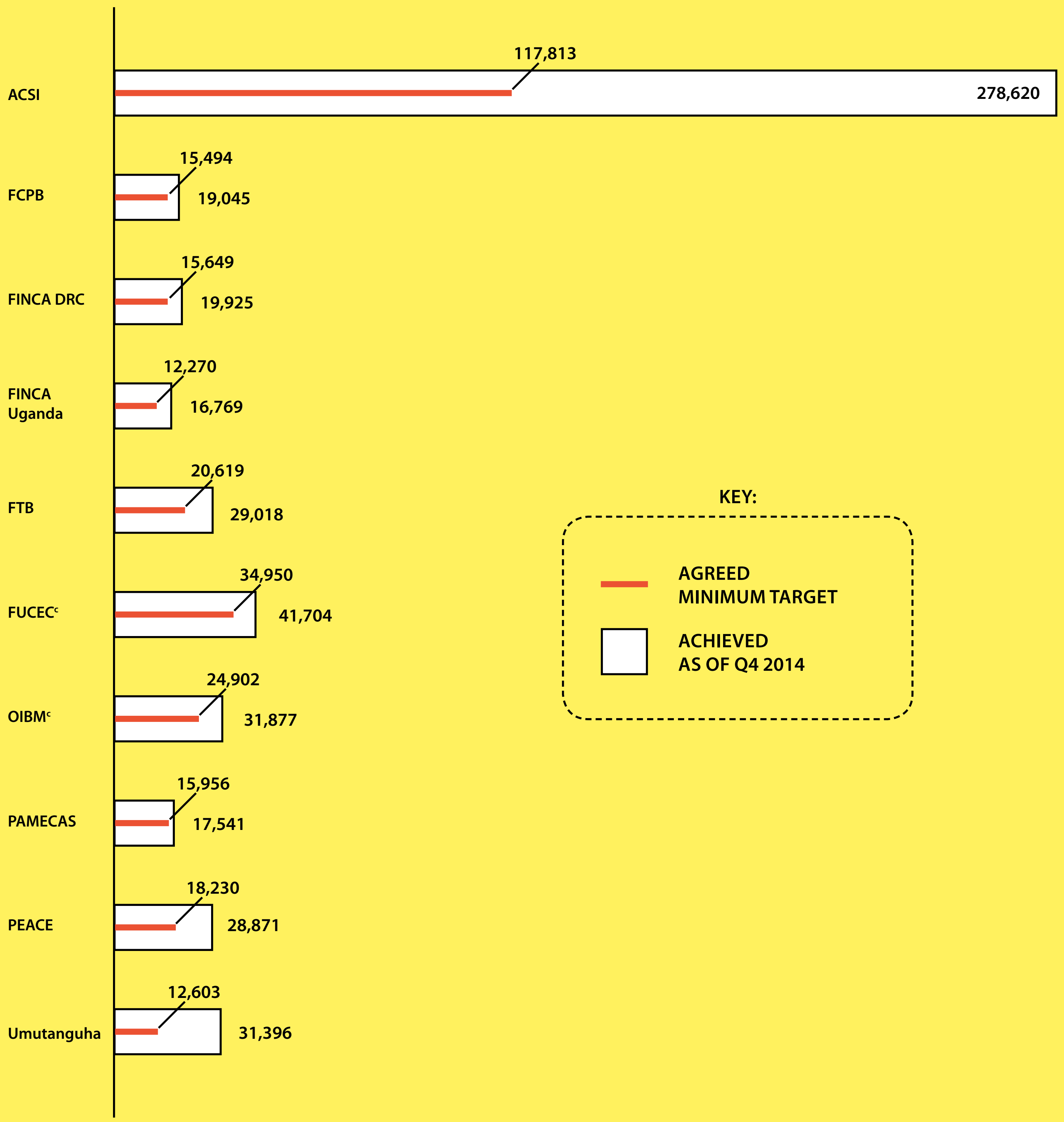
b Results as of December 2014

c These FSPs either started a year later or took a hiatus of one year.

[14] Uptake is measured by the number of youth savers.

FIGURE VI

Uptake targets of YouthStart partners, 2010–2014



PROGRAMME DESIGN AND IMPLEMENTATION

Recommended practice #1 for increasing account uptake: Develop affordable, relevant and accessible financial products for youth.

FSP partners conducted market research at the start of the programme to identify the needs and preferences of youth related to both financial and non-financial services.[15] The market research revealed that youth desire financial services that are affordable (e.g., they have no fees, low minimum balance), accessible (e.g., services that go where youth are and not the other way around) and relevant (e.g., they can make frequent deposits and withdrawals) and loans that are segment-tailored to their needs.

FSPs should offer products that are affordable enough to youth and provide an entry point for youth to the formal financial system but that are also appropriately priced so the FSPs can continue serving the youth market. There are various strategies FSPs can use to offer affordable youth financial products and achieve sustainability at the same time. It is important for FSPs to view youth financial services as a long-term strategy since direct revenues are limited in the short or even medium term in some cases (due to low balance requirements, little or no fees). FSPs may need to wait until youth clients become adult clients and earn/save more or access other products from them.[16]

Based on these considerations, FSP partners developed savings products with low account-opening fees, no minimum-balance requirements and no withdrawal penalties. The FSPs designed youth savings products that charged considerably lower opening-balance and maintenance fees than for adult savings products (e.g., FINCA Uganda, FTB and PEACE). In some cases, more affordable pricing was a reflection of the pricing structure that was already in place for adults (e.g., ACSI, FINCA DRC and OIBM). Other FSPs that were unable to significantly lower account-opening fees (e.g., PAMECAS) allowed youth to pay the credit union membership fee over the course of one year to help alleviate the high entry barrier. These product attributes are in line with the Smart Client Protection Principles,[17] which advocate for appropriate product design and responsible pricing for youth, and the Child and Youth-Friendly Banking Principles,[18] which advocate for availability and accessibility of banking products for children and youth. Figure VII provides an overview of each of the savings products designed for youth by the FSP partners, along with the respective account features.

It should be noted that credit union networks, such as PAMECAS in Senegal, had some challenges in waiving the membership fee for youth. This difficulty was due to the fact that all union members, be they youth or adults, were required to pay the fee or else the MIS would not recognize them as a full-fledged member. PAMECAS did, however, give youth a grace period to save the $20 necessary to become a member of the credit union. It is still very expensive and is considered to be a high entry barrier. The case of Umutanguha in Rwanda provides interesting insights in this regard. When the FSP started the programme, it was a credit union network that charged a membership fee for all new members (including youth). Over the course of the programme, the FSP transformed into a limited liability company, which allowed it to offer more affordable products to youth (e.g., by eliminating the required membership fee) and open more youth savings accounts.

It is evident from the number of youth accounts opened by FSP partners that offering products to youth that are relevant to their needs is a recommended practice. In order to follow this practice, FSPs need to understand the youth dynamic and the composition of this heterogeneous group, and to design their youth products with these things in mind. FSPs do so by segmenting the youth market. For example, Umutanguha segmented the youth market by age to first ensure services and products abide by local policies and regulations (i.e., age minimums for providing individuals with loans) and to second get a better sense of the services and products needed by the cohort. Umutanguha's ultimate goal is to instil in youth at a very early

[15] For additional information on market research and product design, see Hopkins and Perdomo, *Listening to Youth*.
[16] For additional information on the business case for youth financial services, see Muñoz, Perdomo and Hopkins, *Building the Business Case for Youth Services: Insights of the YouthStart Programme* and its follow-up *Building the Business Case for Youth Services: Further Insights from the YouthStart Programme*, which is forthcoming.
[17] The Smart Campaign is supported by Accion's Center for Financial Inclusion and the Consultative Group to Assist the Poor.
[18] The Child and Youth-Friendly Banking Principles were developed by Child and Youth Finance International as a consumer protection mechanism.

FIGURE VII

Features of youth savings products

PARTNER	ACCOUNT FEATURES	DELIVERY CHANNELS USED
ACSI	$0.15 account-opening fee, 5.5% interest rate, no maintenance fees, unlimited deposits and withdrawals	Branches, schools, *kebeles*,[a] technical schools using youth ambassadors
FCBP	$5.00 membership fee, 2% yearly interest rate, no maintenance fees	Branches, schools, markets
FINCA DRC	No fees, $1.00 deposit preferred but not required	Branches, schools, POS agents
FINCA UGANDA	$1.00 account-opening fee, no monthly fees, interest paid on balances of $18.00+	Branches, schools (NFS mainly delivered at schools)
FTB	$1.00 account-opening fee	Branches, youth group meetings, schools
FUCEC	$1.00 membership fee, 3% yearly interest rate, unlimited deposits, no minimum balance	Branches, schools, markets, door-to-door collection
OIBM	$0.30 account-opening fee	Branches, schools, partnerships with YSOs, POS agents
PAMECAS	$20.00 membership fee (Note: youth can save the membership fee over a year), no minimum balance, 5% interest paid on savings accounts	Branches, schools, markets
PEACE	$0.15 account-opening fee, no minimum balance, 6% interest rate	Branches, schools, markets, partnerships with YSOs to reach rural women
UMUTANGUHA	No account-opening fee	Branches, schools, markets, churches, partnerships with YSOs, referral incentives, testing POS

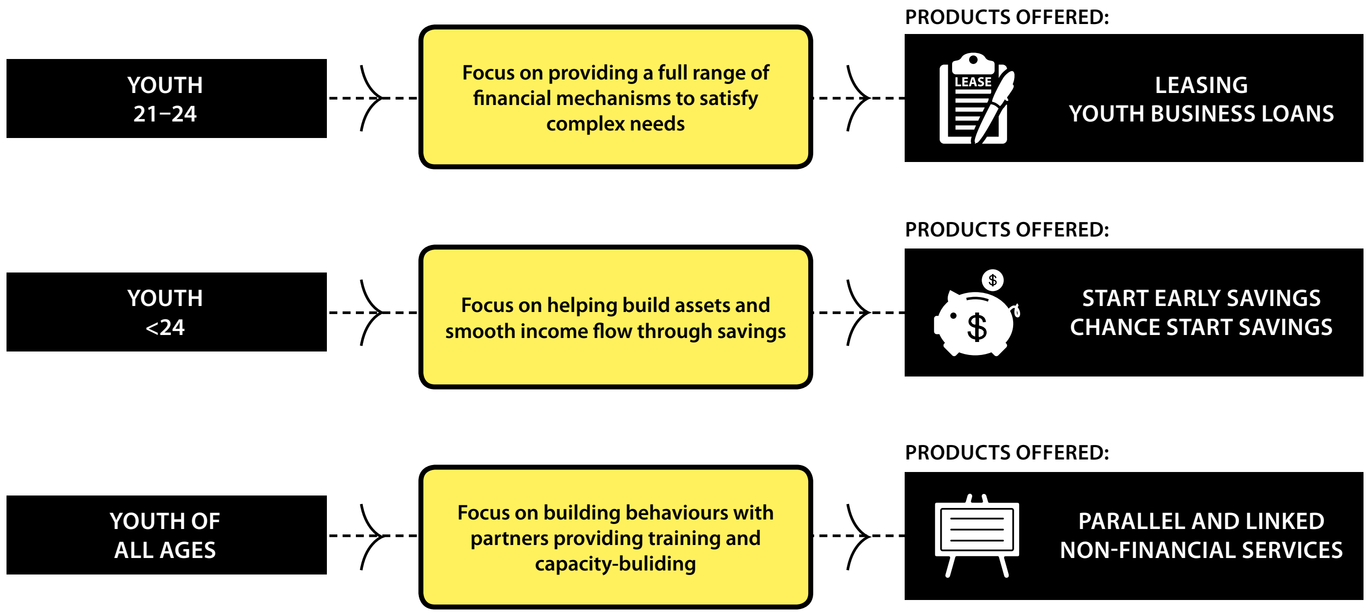
a *Kebeles* are the lowest government administrative unit in Ethiopia age a culture of savings and a fluency in finance so as to capture future adult clients. As such, the FSP targeted younger clients to provide training in financial literacy. Its approach for older youth was focused more on helping them build assets and learn the responsibilities of managing an account before applying for a loan. Figure VIII provides a snapshot of Umutanguha's segmentation of youth.[19]

Another key component in providing financial services to youth is accessibility—ensuring delivery channels are conducive to youth access to services and products, particularly through the use of technology. As youth are keen adopters of new technology, employing technology can promote usage and provide greater access to a more vulnerable and harder-to-reach group, particularly those located in rural areas. Technology can also reduce staff salary costs (e.g., decreasing time to mobilize and collect deposits),[20] potentially increase efficiency of the FSP, and reduce time and expenses of youth to travel to branches. For example, FINCA DRC introduced POS devices in 2011 when the FSP had just nine branches across the country. To date, the FSP counts over 300 points of service and shows an 82-percent increase in outreach, measured by number of active clients. The FSP also has close to 500,000 clients, of which approximately 10 percent are youth. In terms of reducing costs, the cost per client for FINCA DRC decreased from $78 in 2013 to $54 at the end of 2014 with the number of youth clients tripling in a span of just over six months.

In addition, the regulatory environment in which FSPs operate is critical. Considering that, on average, over 40 percent of the population in each country YouthStart is active is under the age of 15, access to financial services can be quite difficult. This difficulty is particularly true for youth between 15 and 17 years of age that are out of school and working. Rwanda is one country that has reduced the minimum age requirements. This characteristic of the Rwandan regulatory environment has greatly facilitated the uptake of financial services by youth at Umutanguha.

FIGURE VIII

Umutanguha youth segmentation

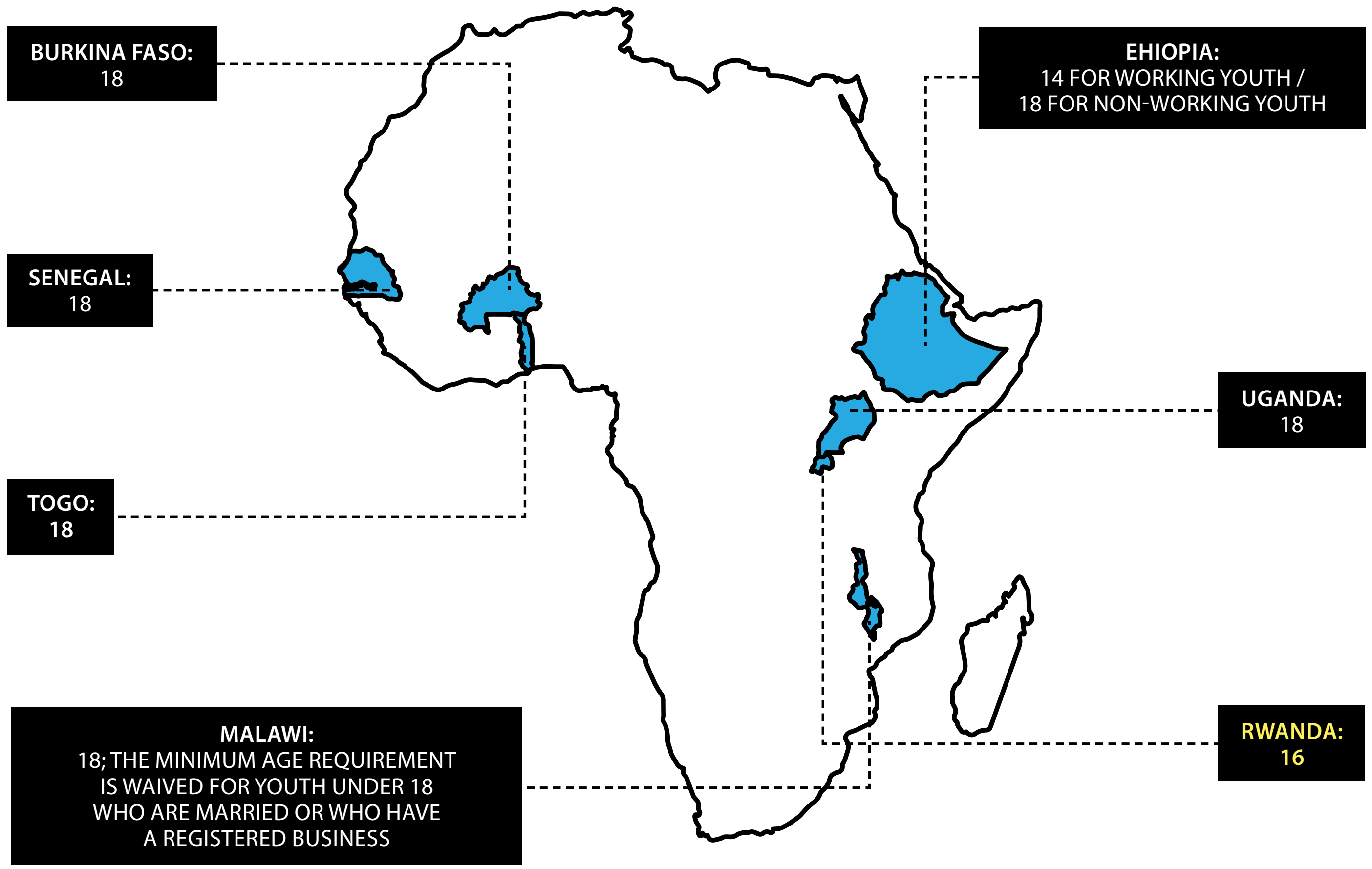


For those countries that have a higher age minimum, FSP partners had to develop procedures and systems to ensure compliance with their respective country's regulations regarding minimum age requirements to own a bank account. These efforts included requiring the presence of a parent/guardian (or trustworthy teacher or mentor in countries with more flexible interpretation of regulations) when youth want to make account withdrawals.[21] Figure IX provides a comparison of age requirements by country.

FSP partners were also faced with the challenge of identification requirements or 'know-your-customer' provisions: some youth do not have the necessary documentation (government-issued ID card, birth certificate, etc.) to open an account. As a result, FSPs had to find ways to be more accommodating to these youth. For example, FTB in Uganda accepted as a form of ID a recommendation letter from someone who knew the youth, such as an existing FTB client, local council authority, school head or other authority from churches,

FIGURE IX

Age that youth can independently open a savings account in different YouthStart countries



[19] For more information on Umutanguha's segmentation, see the UNCDF publication *Building the Business Case for Youth Services: Further Insights from the YouthStart Programme*, which is forthcoming.

[20] Labour costs of providing financial services are high, as demonstrated in Muñoz, Perdomo and Hopkins, *Building the Business Case for Youth Services: Insights of the YouthStart Programme*.

[21] For more information on the policy implications for providing financial services to youth, see Hopkins and others, *Policy Opportunities and Constraints to Access Youth Financial Services: Insights from UNCDF's YouthStart Programme*.

markets or YSOs. It also accepted a school ID for in-school youth, a village ID for out-of-school youth, a voter card or a driving permit/license for mentors or youth above the age of 18. For an account opened in the field, FTB staff could use a camera to take a picture of the youth. Similarly, OIBM in Malawi accepted a letter from the chief for youth without an ID.

Recommended practice #2 for increasing account uptake: Ensure stakeholders are engaged at all levels.

Engaging a range of stakeholders at all levels, from the FSP and YSO to community leaders, parents/guardians, teachers, youth promoters and youth themselves, helps create awareness, build support and community buy-in, and ensure everyone contributes to helping youth access financial services. When working with these different stakeholders, it is important to align expectations and allow for sufficient time to mobilize and learn the requirements and needs of the different stakeholders.[22] Together, the stakeholders will facilitate linkages to youth.

An important recommendation provided by FSP partners is to engage with FSP senior management and staff members to gain an understanding of their work, discuss where and how the youth programme fits in, and raise awareness of the benefits of the youth programme. Introducing YSOs to the components of successful youth programmes has been an effective first step in building their capacity to deliver financial education and other NFS. Organizing community- or school-based meetings with trusted associates such as community leaders, parents/guardians and teachers to discuss the content of the youth programme and the benefits for their children's future has been critical to enlist their support and to help overcome the scepticism and overprotective instinct they may have (especially for young women and girls). Providing youth promoters and youth ambassadors with a small incentive to recruit and train youth, along with systematic training to build their capacity and close monitoring and support, has helped to ensure the quality of the youth programme.[23]

"EXPERIENCES TO DATE HAVE CONFIRMED THE VALUE OF PROVIDING SOCIAL SUPPORT AND SAFE SPACES TO YOUTH, WHICH ENABLE THEM TO EXPRESS THEMSELVES FREELY ON MANY ISSUES RELEVANT TO THEIR NEEDS, SITUATIONS AND INTERESTS"

Experiences to date have confirmed the value of providing social support and safe spaces to youth, which enable them to express themselves freely on many issues relevant to their needs, situations and interests (e.g., finance, health, family relationships/dynamics). According to the Population Council's report on creating smart savings products for Kenyan and Ugandan vulnerable adolescent girls, girls 'valued the social support component (i.e., making friends and having a mentor) as much as, if not more than, the financial services they were receiving.' In fact, the report revealed that girls were less likely to practice good savings habits, even after participating in financial education classes, without support from family members—particularly mothers and friends.[24]

Parents/Guardians are a key stakeholder in any youth programme as they have the potential to do the following:

- Provide emotional, social and financial support to youth by encouraging them to save and making their own contributions to children's savings
- Help safeguard youth, especially minors, against risky behaviour when using financial products
- Become banked if the FSP 'cross-sells' to them and they were previously unbanked
- Become ambassadors of the programme by encouraging other youth and members of the community to try financial products of the FSP
- Improve positioning and visibility of the FSP in the community, and give the FSP a better opportunity to understand the financial service needs of youth and adults

When working with parents/guardians and teachers who are in direct contact with youth, it is important to build their financial capabilities and ensure their positive attitude towards FSPs. This effort is key particularly if their perception of FSPs is negative: parents/guardians will want to protect their children from banks/FSPs. Therefore, awareness-raising of parents/guardians, teachers and community leaders is critical throughout the programme. For example, FINCA Uganda addressed parental engagement by organizing youth campaigns in village savings and loans associations (VSLAs).[25] Additionally, the FSP provided incentives to parents/guardians, such as T-shirts and other types of paraphernalia, while offering services to them as well.

Other programmes such as YouthSave[26] Colombia observed that many teachers had a negative image of formal financial institutions and stated they rarely save. They also noted low levels of money-management skills as well as low levels of saving among parents. As a result, the programmes had to shift their focus to re-shaping the attitudes and knowledge of parents/guardians and teachers before considering them as the main channel for financial education.[27]

Measuring the success of stakeholder engagement can be quite difficult as it is based on the number of interactions an FSP has with the communities in which it works. Additionally, the engagements are held on a continuous basis and streamlined with the overarching activities of the FSP within its country. FTB in Uganda, however, was able to leverage its outreach to parents/guardians by tracking cross-sales from its youth product. The FSP engaged parents/guardians by organizing meetings to inform them of the progress of youth and promote other financial products available to adults. This strategy allowed FTB to increase its adult client base by nearly 1,000 adult relatives of youth who became clients of FTB nine months after the pilot test started.[28]

INSTITUTIONALIZATION/ INSTITUTIONAL ALIGNMENT

Recommended practice #3 for increasing account uptake: Develop a clear organizational structure with clearly defined roles and responsibilities of all youth staff and promoters involved in the youth programme,[29] and establish a system for effective internal communication.

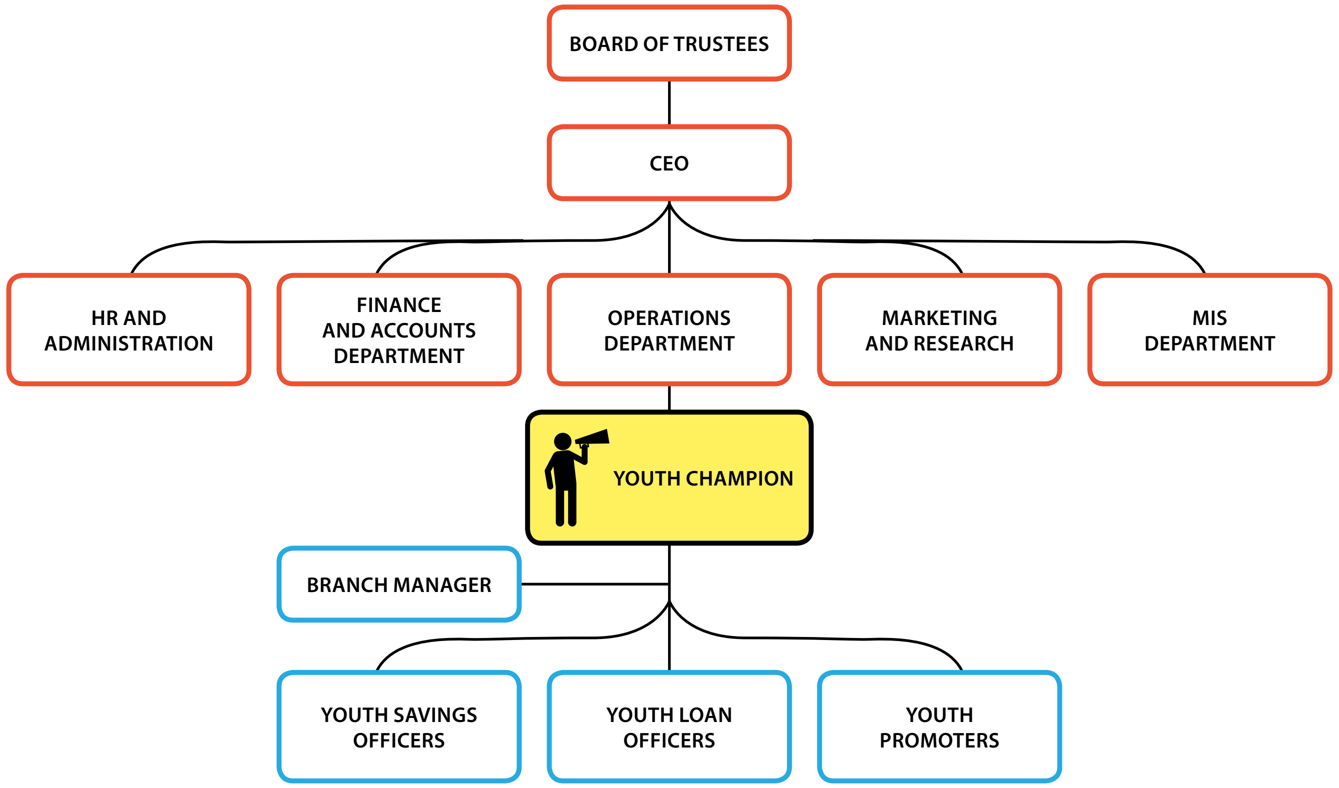
It is important to have a strong 'youth champion' who is housed at the FSP head office, is fully supported by the FSP top management team and assumes ownership of the programme, helping to institutionalize it and making the youth offerings part of the overall operations of the FSP. Figure X shows the position of the youth champion within the overall structure of a youth programme. A youth champion typically oversees operations at the branch level, liaising directly with branch managers and setting targets for each branch. A youth

[22] This topic will be discussed in greater detail in section 3.2, Partnering with youth serving organizations and schools.
[23] The roles and responsibilities of youth promoters will be discussed in the next section, Outreach.
[24] Karen Austrian and Eunice Muthengi, *Safe and Smart Savings Products for Vulnerable Adolescent Girls in Kenya and Uganda: Evaluation Report* (Nairobi, Kenya, Population Council, 2013). Available from http://www.popcouncil.org/uploads/pdfs/2013PGY_SafeSmartSavingsEvalReport.pdf

[25] VSLAs, as defined by SEEP Network, are a group of individuals who 'save together, lend their savings to each other with interest, and share the profits.' See SEEP Network, 'Savings-Led Financial Services Working Group.' Available from http://www.seepnetwork.org/savings-led-financial-services-pages-57.php
[26] YouthSave is a consortium project committed to developing, delivering and testing savings products accessible to low-income youth in Colombia, Ghana, Kenya and Nepal. See http://youthsave.org/
[27] Alejandra Montes and Catherine Rodriguez Orgales, 'Takeaways & Best Practices from the CYFI Regional Meeting for the Americas and the Caribbean,' 12 November 2012. Available from https://www.newamerica.org/youthsave/takeaways-best-practices-from-the-cyfi-regional-meeting-for-the-americas-and-the-caribbean/
[28] Muñoz, Perdomo and Hopkins, *Building the Business Case for Youth Services: Insights of the YouthStart Programme*, p. 39.
[29] Each FSP tends to develop its own terminology for key positions involved in its youth programme. For the purposes of this paper, the term 'youth champion' is used for the position that leads the day-to-day efforts of planning, executing and monitoring a pilot test of youth financial and non-financial services and subsequently with implementation and roll-out. Ideally, the champion should have previous experience working with youth. Another term for 'youth champion' used by FSPs is project manager. The term 'youth officer' is used in this paper for the position that is typically held by a staff person who is paid to work with youth on savings or loan products and/or non-financial services. Other terms for 'youth officer' used by FSPs include youth field officer, youth relationship officer and youth agent. The term 'youth promoter' is used in this paper for the position that is typically held by a youth who is paid to promote the services and products of the FSP to youth. Another term for 'youth promoter' used by FSPs is youth mobilizer. The term 'youth ambassador' is used in this paper for the position that is held by an adult or youth who volunteers to promote the services and products of the FSP to youth.

FIGURE X

Organizational structure of youth programme



SPOTLIGHT ON OIBM

YOUTH RELATIONSHIP OFFICERS (YROs)

OIBM hired and trained a team of 25 YRO staff to meet the growing interest of youth and to continue supporting youth after they open an account. The primary responsibilities of YROs included conducting financial education training, mobilizing youth by promoting trainings at loan-group and sensitization meetings and by contacting YSOs, and providing support to individual clients at the bank. They were assigned to 37 branches, representing all the regions of Malawi.

champion may spend most of his/her time visiting different schools to deliver financial education and meeting with school management (e.g., PEACE), or he/she may conduct field visits to all branches to discuss how youth products are being delivered and to address potential challenges (e.g., Umutanguha).

In addition to a youth champion, it is important to have staff and volunteers dedicated to serving youth (e.g., youth officers, youth promoters) and the backing of upper management at both the branch level (e.g., branch managers) and headquarter level from the very beginning of the programme. Most of the FSP partners had a similar organizational structure as the one depicted in figure X. However, some included a savings manager at the head office (alternatively, multiple area savings managers at the branch level, like at FINCA DRC), an education and youth service manager, trainers within the FSP training department, and youth relationship officers (YROs, like at OIBM). PEACE had a task force at the head office to oversee the youth programme and a youth champion at each branch.

At most FSPs, branch managers and the youth champion recruit, supervise and support youth officers (e.g., savings, loans) at the branch level and are held responsible for achieving monthly targets for account mobilization/uptake, account usage and delivery of financial education at each branch.[30] Some youth officers may also manage adult accounts while others focus solely on youth accounts. OIBM directed youth officers to exclusively serve the youth population, aged 18 to 24, and work mainly as youth loan officers—with three youth officers dedicated solely to youth deposit mobilization. In some cases, youth savings officers train and supervise youth promoters (e.g., Umutanguha). Typically, there is one youth promoter per branch. What is important is that these officers are well integrated into the day-to-day structure of the FSP and are not outliers managing a disjointed programme.

Within the organizational structure of an FSP, it is important to ensure open lines of communication between the head office and branches. This communication can help facilitate exchange of recommended practices and provide the necessary support at the branch level. For example, a periodic meeting (e.g., monthly) can be held at the head office with youth promoters and/or branch managers and the youth champion. FUCEC in Togo ensured lines of communication were fluid by holding weekly meetings between youth officers and branch management teams. In addition, quarterly meetings were held with youth officers and the youth champion to ensure any and all issues were addressed.

YouthSave found that targeted internal communication increased staff buy-in at the branch level, which ultimately led to an increase in savings account uptake during its pilot.[31] The enthusiasm and commitment of certain branch managers led to better performance. YouthSave partner Kenya Post Office Savings Bank provided intensified internal communications and training to pilot branch staff (e.g., follow-up training and fact-finding meeting with branch managers), resulting in a 42-percent increase in account uptake in less than one month. The product champion at YouthSave partner HFC Bank in Ghana conducted periodic conference calls with pilot branch managers, which increased the level of support at the branch level for the programme. In addition, bank management appointed head office marketing staff to support branch sales staff, increasing uptake while at the same time fostering a stronger relationship between headquarters and the branches.

Recommended practice #4 for increasing account uptake: Build the capacity of all staff and promoters involved in the youth programme on a continuous basis to ensure buy-in and provide the necessary support.

The institutionalization of savings and youth mobilization within an FSP, in addition to capacity-building of staff and promoters involved in the youth programme, keeps operations running smoothly when there is unexpected staff turnover at different levels. For instance, when the youth champion at FINCA DRC and Uganda left, they were able to make a smooth transition and did not encounter any disruptions in their youth mobilization activities due to the institutionalization of the youth savings programme. It is also important to have systems in place to effectively deal with these types of transitions and ensure performance targets are not jeopardized. For example, youth officers at FTB were transferring to the credit department and providing only one week's notice, due to larger incentives there that were linked more to performance. Yet, recruitment and orientation of replacement youth officers took two to three months. In addition, youth officers at FTB had short-term contracts that were renewed at the end of the year and were contingent on performance, creating challenges for the institutionalization of the programme. To deal with the situation, FTB put a system in place requiring

SPOTLIGHT ON FINCA DRC

TRAINING OF TRAINERS

A three-session training of trainers for FINCA DRC staff included the following topics:

- **Mobilization: Introduction of programme and institutions involved**
- **Basics of savings: Savings plan and where to save**
- **Basics of credit: Responsible lending**

[30] Youth officers deliver financial education in the unified model, at the majority of FSP partners. However, in some cases, an FSP may have its own training department (i.e., parallel model, like at OIBM) or contract a YSO to deliver financial education (i.e., linked model). For additional information on delivery models for non-financial services, see section 3.1.

[31] Corrinne Ngurukie with Rani Deshpande, *Testing the Waters: YouthSave Pilot Test Results from Three Markets* (Washington, DC, Save the Children, 2013). Available from https://www.newamerica.org/downloads/YouthSave_Testing_the_Waters.pdf

two months' notice from youth officers who request an internal transfer in order to give the FSP time to recruit replacement staff. The FSP also plans to increase the knowledge of branch staff regarding youth products and to build their capacity in providing services to youth in the absence of youth officers.

FSP partners also strongly recommend that staff training mirror the FSP organizational structure and follow a cascade approach. For example, YouthStart staff and technical consultants trained the youth champion at each FSP partner who then trained other staff such as branch managers on how to conduct the training for youth and evaluate youth officers. Branch managers in turn trained youth officers in the technical content and methodology required for both financial (e.g., terms and conditions of youth financial products) and non-financial services (in a unified and parallel model). During the first two-and-a-half days of a staff training at ACSI, youth officers learned the technical content, and during the last half-day, they developed an implementation plan, targets for each youth officer and discussed the supervision and monitoring system.

It is important to provide training to foster staff buy-in, since training helps staff understand programme objectives and activities and their role in recruiting youth and achieving programme targets, and to ensure that senior management will support staff in their goals. This support is especially helpful when there are internal staff changes, at any level. Project staff can follow up with branch staff to help ensure the branches meet their monthly targets.

Training should be provided to staff and youth promoters on a continuous basis throughout the programme. Umutanguha's approach was to conduct a refresher training with all trainers and three monitoring visits to get feedback from trainers. ACSI also conducted refresher training with field staff on financial education, performance challenges and lessons learned that 'helps to create sustainable attention and commitment to providing youth financial services by branches.'[32] ACSI organized the refresher training at the same time as its regular annual training programmes. PEACE provided staff training to branch managers on the following topics:[33]

- Recommended practices and lessons learned on the youth programme
- How to increase outreach to females
- How to identify causes of account dormancy and strategies to solve the problem
- How to market savings product through a referral system and cross-selling
- How to deliver quality financial education
- How to strengthen partnerships with YSOs

OUTREACH

Recommended practice #5 for increasing account uptake: Recruit, train and support youth promoters to reach youth.

FSP partners developed unconventional strategies for reaching youth and going where they are located. Given that many youth mistrust banks,[34] involving youth promoters in the FSP outreach strategy helps youth feel more comfortable while building youth promoters' capacity enables them to model savings habits to their peers along with other trusted community members such as leaders, teachers and parents/guardians.[35] Even taking into consideration the different country contexts across Africa, this practice is highly replicable since its primary requirement is to identify youth leaders who have the motivation and tenacity to recruit youth and serve as an example to their peers.

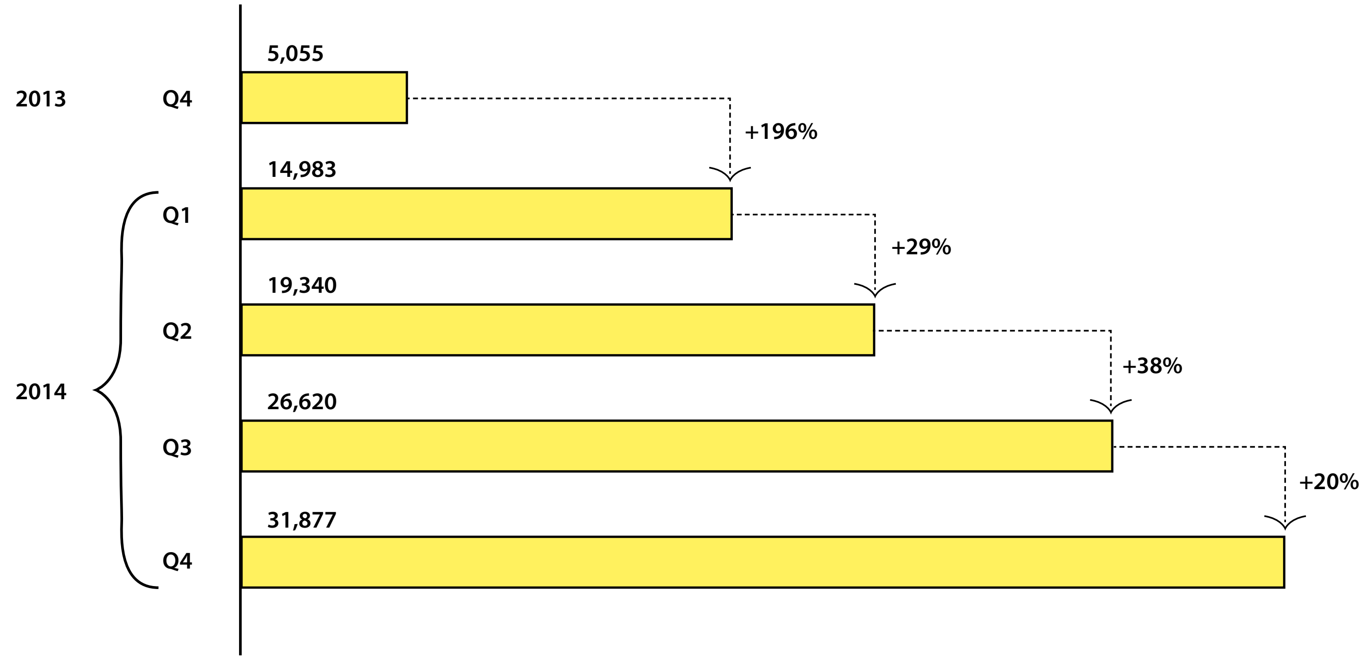
Youth ambassadors are typically young community leaders and clients of the FSP who are recruited to market financial products, encourage usage of savings accounts and conduct training in financial education. They are trusted within youth groups and by parents/guardians as they are trained at the branch level to raise awareness during community meetings, are able to speak and relate to youth on their level, and serve as strong examples of how an FSP can help youth save. They can also be students who volunteer their time to promote the services of the FSP to other students at their school. The replicability of this strategy is very strong, as demonstrated by the fact that all of the FSP partners engaged youth as ambassadors for their youth product. In addition, the success of the strategy has been lauded by government: Umutanguha's peer-to-peer model of using youth ambassadors to deliver financial education has been recognized and cited by the Government of Rwanda in its National Financial Education strategy as a best practice.

Youth promoters have a similar age and background as their target clients and must be knowledgeable of the specific branch community. Youth promoters are often identified as top-performing client savers. These youth are hired as full-time staff and are trained to recruit youth to adopt similar savings behaviours/techniques.

In the case of OIBM, the introduction of youth promoters allowed the FSP to increase its youth client base, which was important since the FSP had struggled to meet its programme targets. In addition, recruiting youth officers ensured communication with youth was delivered in a way that was familiar to young clients and garnered tangible results for the FSP. Figure XI highlights the increase in uptake OIBM achieved.

FIGURE XI

Increase in uptake at OIBM with youth officers



It should also be noted that the majority of OIBM youth officers were hired in early- to mid-2014. Although the number of youth clients helped increase OIBM youth outreach, it was not without costs to the FSP, including the following:

- **Salaries:** OIBM spent up to $5,000 per year for each youth officer
- **Travel:** Youth officers were expected to go to youth as opposed to waiting for youth to come to them; as such, travel (particularly in rural areas) presented an added cost, which averaged $24 per week per youth officer

OIBM also experienced hidden costs in providing services to youth, particularly with regards to the productivity of its systems. The FSP was able to recapture some of the costs of engaging youth officers from revenues, such as from loans, cross-sales and savings from youth. However, the institution has struggled with institutional and macroeconomic crises that have compromised the efficiency of the FSP.[36]

[32] ACSI narrative report, January–March 2014.
[33] This training was provided in Q3 2014.
[34] SEEP Network, Understanding Youth and their Financial Needs (Arlington, VA, 2013), p. 7. Available from http://www.seepnetwork.org/filebin/pdf/resources/Understanding_Youth_and_their_Financial_Needs_April_2013.pdf
[35] Rani Deshpande, *What Do Youth Savers Want? Results from Market Research in Four Countries: A Save the Children YouthSave Note* (Washington, DC, Save the Children, 2012), p.5. Available from https://www.newamerica.org/downloads/YouthSave-Market-Research-Report_FINAL.pdf

Recommended practice #6 for increasing account uptake: Provide incentives for FSP staff and youth promoters to recruit youth.

It is important to encourage and create competition among FSP staff, youth promoters, youth ambassadors and savings clubs by providing incentives and recognition for those that reach or exceed uptake targets. Youth ambassadors are often given a small stipend in addition to performance targets. For example, aside from base salary, OIBM paid its youth ambassadors MK250 ($0.55) per savings account opened and 2 percent of loan amount disbursed for clients they brought into the bank. OIBM also tried to set clear performance targets for its youth ambassadors.

FINCA Uganda provided small incentives for youth officers to help cover transportation costs in addition to shopping vouchers and CEO breakfast initiatives. It also implemented the 'one staff three accounts' policy that requires each staff member at each branch to bring in three savings accounts and that one of them must be a youth savings account.

Umutanguha set performance targets for each branch and each staff member, which were linked directly to programme performance targets.

FUCEC gave its youth officers allowances in the form of premiums and bonuses, including a monthly cash bonus of $10 and fuel allocation of 50 litres per month. Performance bonuses were also granted to promoters according to the following conditions:

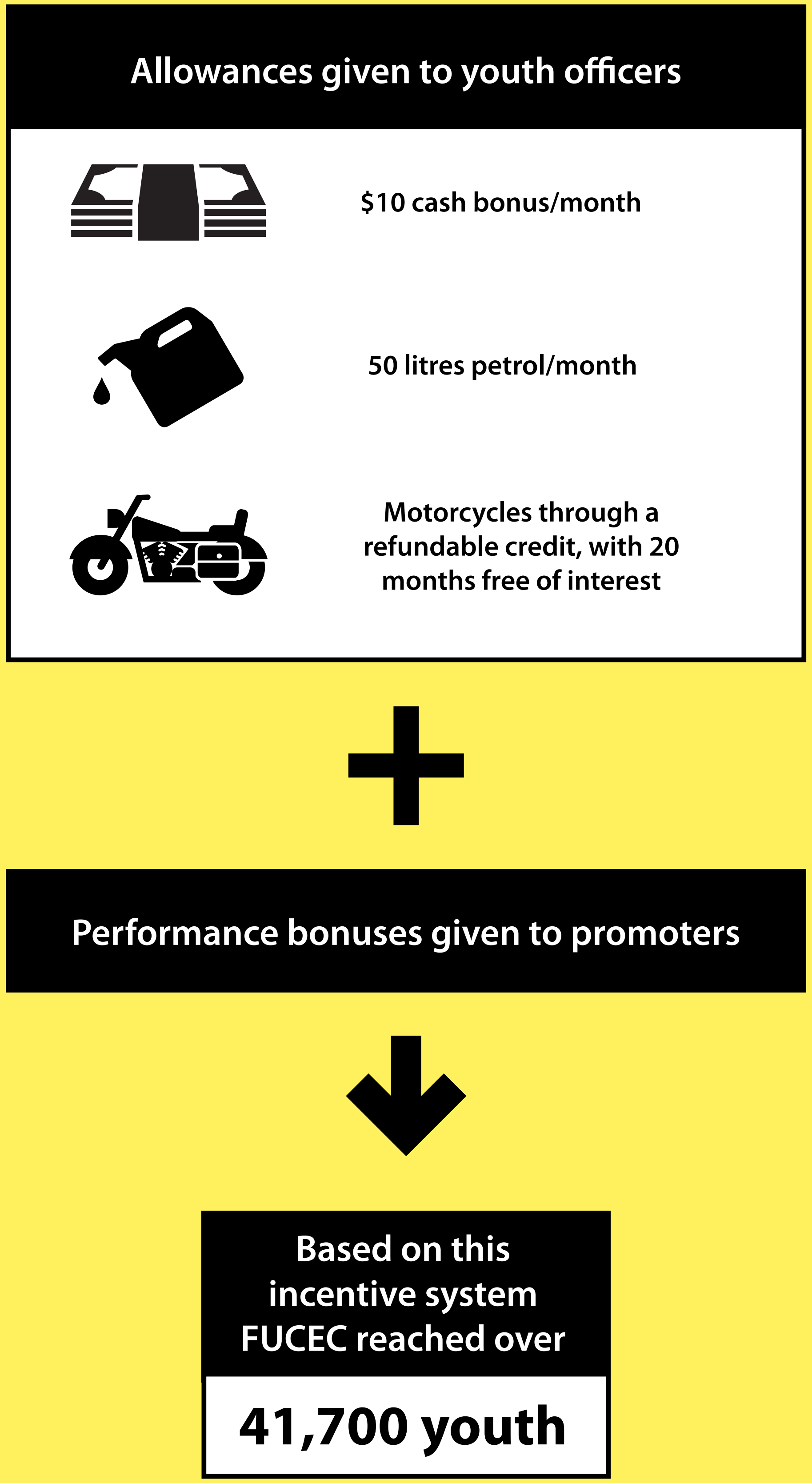
- A bonus of $10 when the number of young people who have benefited from the financial education is at least 200 for the month
- A bonus of $20 when the number of new clients for the month is between 100 and 150, or a bonus of $40 when the number is greater than 150

Additionally, seeing the distances youth officers needed to travel to reach youth, FUCEC made motorcycles available to youth officers through a refundable credit, with 20 months free of interest. Based on this incentive system, FUCEC was able to reach over 41,700 youth (see figure XII).

This recommended practice has been implemented in other FSPs that provide financial services and products to youth: YouthSave partner Banco Caja Social in Colombia provided incentives to staff for opening youth savings accounts that were comparable to those offered for other accounts.[37] YouthSave partner Bank of Kathmandu in Nepal also noticed that staff incentives produced a large impact on uptake of youth accounts, highlighting the importance of getting staff on-board especially if the product/process is new to them.[38]

FIGURE XII

Allowances and performance bonuses provided by FUCEC



[36] For more a more detailed breakdown of the costs associated with youth financial services, see the UNCDF publication *Building the Business Case for Youth Services: Further Insights from the YouthStart Programme*, which is forthcoming.

[37] Lissa Johnson and others, *Savings Patterns and Performances in Colombia, Ghana, Kenya, and Nepal: YouthSave Research Report*, CSD Publication 13-18 (St. Louis, MO, Center for Social Development, 2013). Available from https://www.newamerica.org/downloads/RR13-18.pdf

[38] YouthSave, 'Interview with Raju Shrestha, Senior Officer of Marketing and Corporate Communication, Bank of Kathmandu, and YouthSave Product Champion,' 13 May 2014. Available from https://www.newamerica.org/youthsave/an-interview-with-raju-shrestha-senior-officer-of-marketing-and-corporate-communication-bank-of-kathmandu-and-youthsave-product-champion/

2.2 USAGE OF ACCOUNTS

Although providing youth clients with access to an account is important, ensuring youth use the account is just as critical. Often there may be tension between promoting uptake and ensuring usage within FSPs, causing efforts to increase usage to be neglected at the expense of efforts to improve outreach. Initially, FSP partners did not prepare for encouraging use of accounts and maintenance of savings balances once the accounts were opened, as the general savings capacity of youth was unknown. However, as they experienced high dormancy rates with youth savings accounts over time, they began to develop strategies and targets to increase account usage.[39] Dormancy is often accelerated by the following factors:

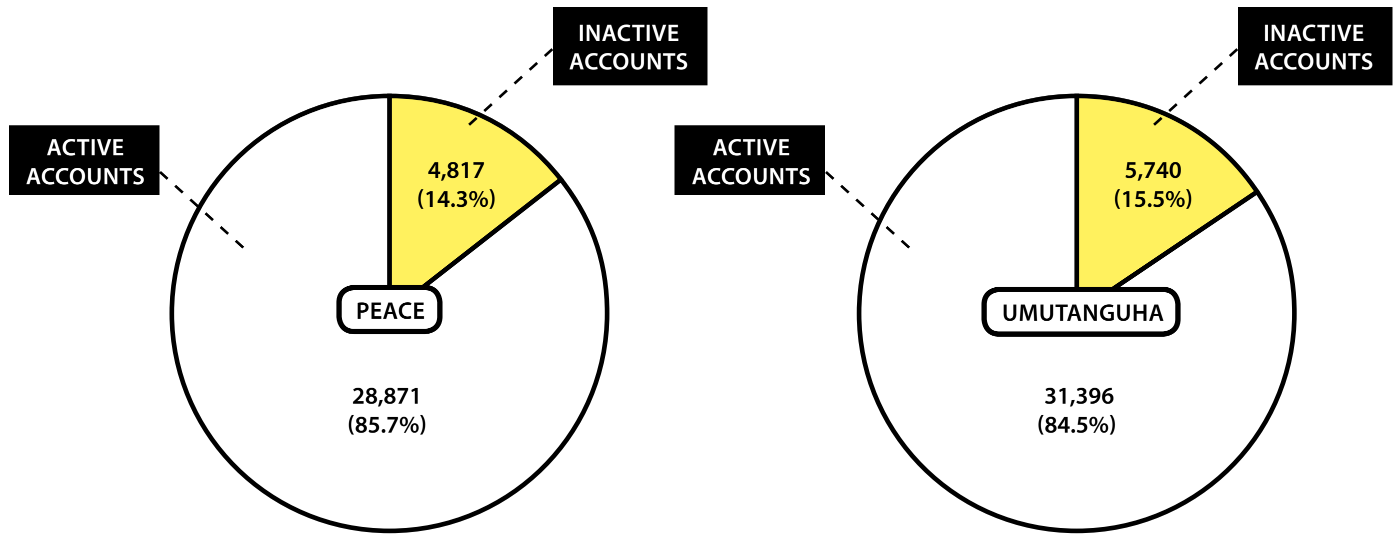
- Large amount of time required to visit branches to make deposits
- Long distance (especially in rural areas) between where youth live, study and work to branches
- Security and cultural issues affecting young women and girls (e.g., parents/guardians may fear allowing girls to travel long distance on their own to make deposits)
- Inability and/or lack of time and motivation of staff to follow up directly with youth
- Lack of motivation of youth
- High mobility of youth
- Seasonality of youth income
- Weak linkage between financial and non-financial services

Dormancy[40] is an issue with which all FSPs struggle. For example, PEACE and Umutanguha are distinctly different FSPs. Despite their strong institutional performance, PEACE and Umutanguha struggled more with dormant accounts than the other FSP partners. Figure XIII provides specifics on dormancy at the two FSPs. This struggle was due to their focus on rural youth (98 percent of their youth clients were in rural areas), yet the FSP delivery channels were not entirely effective for this cohort.

Another way to increase account usage is to have a targeted strategy that includes following up directly and indirectly with youth, which can also be quite a challenge. For example, FINCA Uganda used youth promoters to regularly visit schools and youth groups/activity clubs in order to follow up with youth who opened accounts. PEACE called clients to remind them of their savings goal and invited them to a centre meeting. PEACE also asked active members in rural areas to come to the branch with their savings box and share their experiences with youth who were not using their account. Savings and loan officers also visited those with a dormant account and reminded them of their initial savings plan.

FIGURE XIII

Dormancy levels of two YouthStart partners



[39] Usage can be measured by average number of deposits and average savings volume. This paper focuses on increase in average savings balance over a period of 12 months as the main indicator of usage.

[40] UNCDF defines dormancy as the total number of YouthStart accounts that have not had any transactions in the last 12 months.

"ALTHOUGH PROVIDING YOUTH CLIENTS WITH ACCESS TO AN ACCOUNT IS IMPORTANT, ENSURING YOUTH USE THE ACCOUNT IS JUST AS CRITICAL"

In order to address these various challenges, FSP partners developed innovative strategies to increase account usage by focusing on going directly to where the youth are located and thus increasing their proximity to youth clients. To implement these strategies, some FSP partners took already existing services or systems and adapted them to the needs of their youth clients. These strategies included the following:

- Collect deposits from youth at home, in school or at place of employment
- Establish savings clubs at schools for in-school youth and other locations for out-of-school youth
- Provide savings/lock boxes to youth
- Use technology to serve as a nudge or a reminder (e.g., mobile banking, POS and SMS)[41]
- Provide incentives to youth and staff to help motivate them

Recommended practice #1 for increasing account usage: Collect deposits from youth at home, in school or at place of employment.

To help minimize the distance and costs youth clients incur traveling to complete transactions at branches, FSPs can collect savings deposits from youth at home, in school or at place of employment. For example, youth staff from OIBM collected savings deposits from youth clients during community meetings and deposited them at a branch location on the clients' behalf. Staff from FINCA DRC visited schools every two weeks to collect savings. However, if FSPs collect deposits from youth in the field, it is important to have a strong system of checks and balances or safeguard mechanisms in place so as to avoid fraud or misplaced deposits. Cash collections are risky due to the high frequency of petty fraud that many FSPs experience. As such, FSPs try to mitigate this risk by placing a cap on the amount of cash collected in the field.

FUCEC adapted its adult door-to-door collection system called SYSCOFOP (Système de Collecte de Fonds sur Place)[42] to collect deposits from youth at markets, places of work, schools or other locations convenient for youth. As an integrated system within FUCEC, SYSCOFOP was able to be modified to fit the needs of youth within the geographic coverage of the FSP. These changes included the following:

- Recruiting primarily young women as staff, as they can reach both male and female clientele more easily compared to male staff;
- Collecting deposits primarily where youth are located, such as at schools, places of employment and markets; and
- Adapting incentive systems to ensure collectors are motivated to target youth, in recognition that youth have lower savings capacity than adults.

This system was highly successful for FUCEC and fine-tuned the institution's understanding of how to meet clients' needs in the field. These targeted modifications also allowed FUCEC to experience one of the lowest dormancy rates within the YouthStart programme. Figure XIV provides a snapshot of total youth clients vis-à-vis active youth clients at FUCEC.

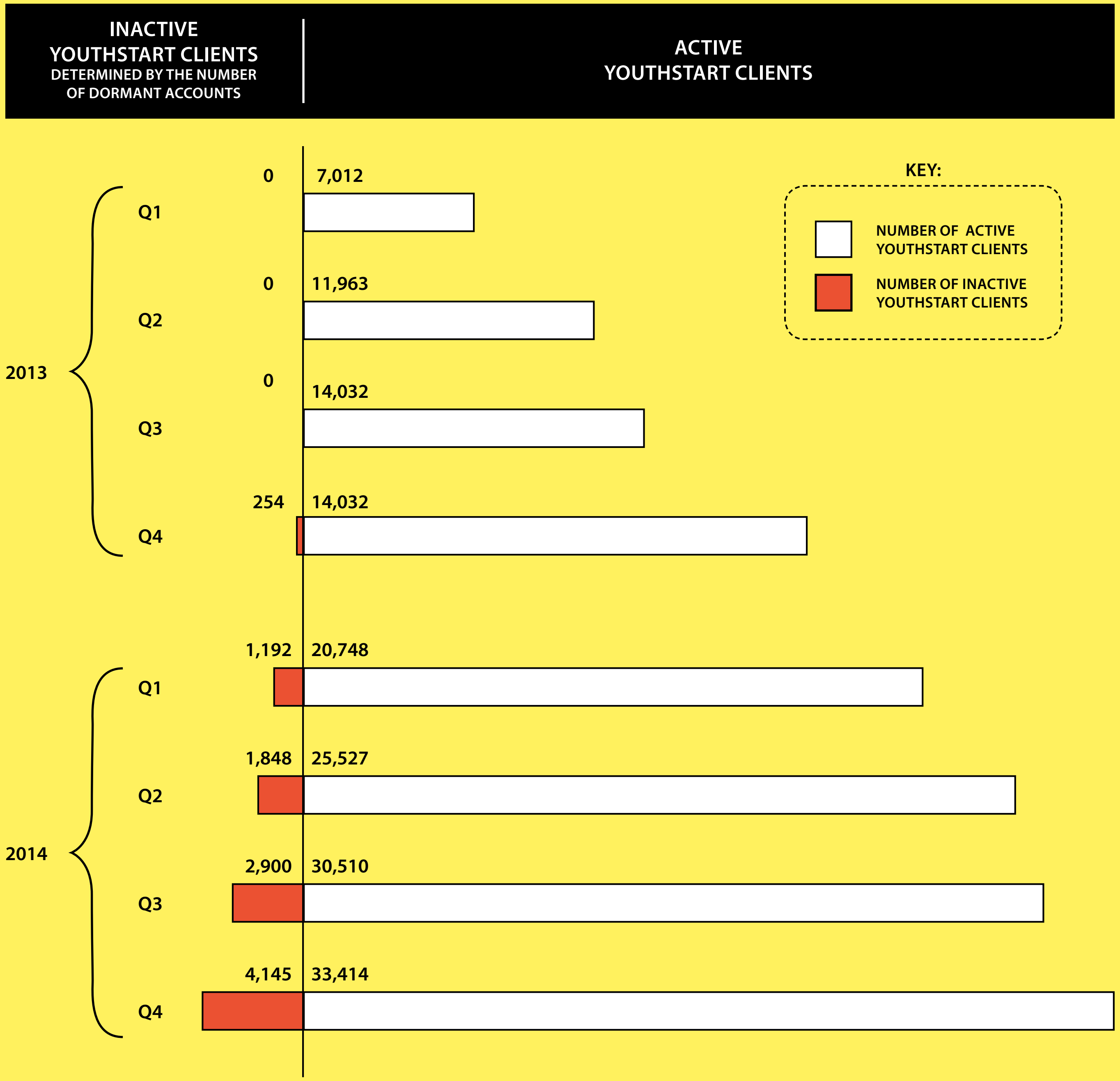
This approach by FUCEC to maintain a very high percentage of active accounts through a door-to-door system is replicable, particularly by FSPs that work in countries where door-to-door collection practices are embedded in the culture (e.g. *susu*

[41] 'Nudges' are mechanisms that can prompt specific decision-making. 'Reminders' serve as a reference point for certain behaviours such as saving and are more effective when connected with a pre-stated goal. See Payal Pathak, Jamie Holmes and Jamie Zimmerman, *Accelerating Financial Capability among Youth: Nudging New Thinking* (Washington, DC, New America Foundation, 2011). Available from https://www.newamerica.org/downloads/AcceleratingFinancialCapabilityamongYouth.pdf

[42] *Système de Collecte de Fonds sur Place* means onsite system for collections.

FIGURE XIV

FUCEC account usage data



> **ESTABLISHING SAVINGS CLUBS AT SCHOOLS OR OTHER LOCATIONS CAN HELP MINIMIZE COSTS AND TIME YOUTH SPEND TRAVELING TO THE BRANCH TO SET UP AND MANAGE A SAVINGS ACCOUNT**

collectors).[43] FSPs could develop a hybrid version of SYSCOFOP by using youth officers and youth promoters, provided there are safeguard mechanisms in place.

Although this type of approach has been effective, it is not without risk. Carrying large amounts of cash represents a large security risk for FSPs, particularly if they are active in regions with high security concerns. FCPB, for example, experienced a number of robberies in areas prone to security risk. FUCEC tried to mitigate the risk by setting maximum amounts of cash their officers are permitted to carry. This risk can be further mitigated through the use of technology: by partnering with a telecommunications company, FSPs can give youth the option of using their phone credit as a way to access their e-wallet. The use of POS devices can also reduce risks associated with fraud since, for example, they are equipped with biometric keypads and can limit the amount of cash transactions.

Recommend practice #2 for increasing account usage: Establish savings clubs at schools for in-school youth and other locations for out-of-school youth.

Establishing savings clubs at schools or other locations can help minimize costs and time youth spend traveling to the branch to set up and manage a savings account. It is important to note how critical segmentation is when using this particular strategy. Considering the fact that youth are quite a heterogeneous group, the services and products they need vary. For young youth (between 12 and 15 years of age), the objective of FSPs has been to help develop a culture of savings within the cohort. However, there is a keen understanding that this age group does not have a strong savings capacity. Therefore, FSPs focus on increasing savings volumes through developing savings clubs.

For example, ACSI worked with schools to target in-school youth and with *kebeles*[44] to target out-of-school youth, helping them form youth savings clubs. Youth could open a savings account through the club, eliminating the need to travel. Members of the clubs served on special committees or as youth ambassadors to recruit new youth clients. The clubs also allowed ACSI to provide NFS, cultural activities and entertainment.

FINCA Uganda formed savings clubs in secondary schools in Kampala. In the savings clubs, the students benefited from receiving financial literacy training and also from opening an individual savings account.

In each of these cases, the development of savings clubs helped to facilitate uptake of accounts but also ensured usage: the clubs met on a regularly scheduled basis (weekly, bi-weekly or bi-monthly), which helped the youth plan for savings and circumvent the burden of traveling to a branch.

Recommended practice #3 for increasing account usage: Provide savings/lock boxes to youth.

Some FSP partners used savings/lock boxes to encourage youth to save at home and then asked them to bring their boxes to branches to make deposits (e.g., PEACE kept keys for savings boxes at branches). Lock boxes were either kept at schools and opened when FSP staff visited the schools or were carried by the youth to branches when making deposits (e.g., FINCA DRC, FINCA Uganda and PEACE). However, in some cases, youth were not bringing the boxes back to the branches.

OIBM introduced the concept of 'piggy banking' to school staff visited during Global Money Week in March 2014.[45] Many schools reported to OIBM that most children are using the tins at home. OIBM plans to use piggy banking as an integral part of its youth savings clubs in 2015. ACSI also used piggy banks, keeping keys at branches.

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[43] *Susu* collectors are individual collectors who provide informal means for people to save and access credit.
[44] *Kebeles* are the lowest government administrative unit in Ethiopia.
[45] See http://www.globalmoneyweek.org/

FIGURE XV

Changes in account usage at FINCA DRC from use of technology

	BEFORE POS, 2013	AFTER POS, 2013	CHANGE
NUMBER OF TRANSACTIONS ON YOUTH ACCOUNTS	921	5,377	>480%
SAVINGS VOLUME	$129,750	$224,388	173%

Recommended practice #4 for increasing account usage: Use technology to serve as a nudge or a reminder.

FSPs can use technology to help facilitate transactions for youth and to also serve as a nudge or a reminder of their savings goals/plan. FINCA DRC reduced dormancy by positioning POS agents near schools or areas that had a high concentration of youth. The number of transactions on youth accounts at FINCA DRC increased from 921 to 5,377 in 2013—an increase of over 480 percent, mainly due to the use of POS agents. Furthermore, all of the youth accounts were active (i.e., youth conducted at least one transaction over the span of one year), and savings volume went from $129,750 to $224,388—an increase of 173 percent (see figure XV).[46]

When deciding where to place POS agents, it is recommended that FSPs look for two characteristics:

- High-traffic areas to allow the POS agent and the FSP to make a profit and recover the initial investment for the device (around $1,000 in the case of FINCA DRC); and
- Ideal locations to reach youth (e.g., near schools, markets, places for entertainment or gathering). FINCA DRC experienced problems placing POS within schools since some schools did not allow them. The FSP may instead need to target high population/density areas and convenient locations while at the same time factoring in the locations of schools.

As the market leader in the Democratic Republic of the Congo, particularly in urban Kinshasa, FINCA took the strategy as a bank to offer branchless banking services to its clients. These services—supported by the International Finance Corporation and The MasterCard Foundation—allowed FINCA to expand its kiosks and POS services at a rapid rate, which in turn allowed YouthStart clients to benefit from this institutional strategy.

In addition to FINCA DRC, other FSP partners found SMS to be an effective tool to nudge or remind youth to save in their account. For example, PAMECAS used SMS to deliver financial education messages encouraging savings behaviours to youth who had not used their account for two months.

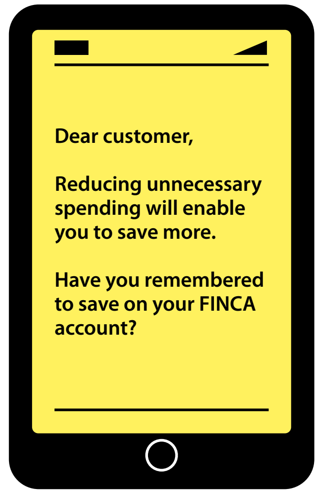
OIBM is currently piloting its SMS communication plan to stay in touch with youth and reach youth that migrate. Since Q3 2014, seven YROs have been using SMS, and the bank planned to roll out SMS to the remaining YROs in early 2015. OIBM also conducted a small pilot using SMS to increase participation in sensitization meetings, NFS trainings and community meetings. YROs that first piloted SMS worked in areas with higher numbers of youth who had a mobile phone and reliable cell reception. Overall, these YROs found SMS communication to be an effective tool to mobilize youth clients, especially during holiday breaks when schools are out of session, since 90 percent of the clients who received messages from their YRO attended the YouthStart project meetings. YROs also used SMS to inform youth loan clients of upcoming community visits to help them prepare for their loan payments and to encourage attendance. Based on the positive results of the pilot, OIBM plans to roll it out across its branches.

In addition to SMS communication, OIBM also uses technology for branchless banking as a low-cost delivery mechanism to reach clients with cash-deposit and withdrawal services. This mechanism is especially effective in reaching clients in rural areas and is also offered through its Banki M'manja programme that allows clients to check their account balances, transfer funds, pay bills or purchase airtime. Youth clients are able to access this service with their phone, which also facilitates payments on loans.

Another FSP partner that used technology to its advantage was FINCA Uganda. The FSP sent out quarterly follow-up messages and financial education tips using SMS to remind and encourage youth to save. Examples of these messages include the following:

- 'Dear customer, reducing unnecessary spending will enable you to save more. Have you remembered to save on your FINCA account?'
- 'Dear customer, have you continued to save? Remember to use a budget to manage your money and to track your spending habits.'
- 'Dear customer, keep saving regularly over a longer period of time. This is the only way your money will accumulate to achieve your savings goal. Thanks.'
- 'Dear customer, to manage your savings and achieve your goals, put in place a savings plan. Be smart, start now!'
- 'Dear customer, deposit on your FINCA savings account and be smart to achieve your goals in 2013. Happy New Year!'

"FSPs SHOULD PROVIDE INCENTIVES FOR STAFF, YOUTH PROMOTERS AND YOUTH AMBASSADORS TO NOT ONLY OPEN ACCOUNTS BUT ALSO TO ENCOURAGE FOLLOW-UP WITH YOUTH AND ACCOUNT USAGE"



While SMS is limited to those with a mobile phone, FINCA Uganda coupled SMS with youth events and promotions, such as its 'Save and Win' raffle, at schools and during holidays to ensure that youth visit the bank more often to make deposits (e.g., one weekly reminder for its raffle was 'Dear customer, have you participated in the ongoing FINCA Save and Win youth campaign? Open a Smart Start account or deposit money today. You could win prizes until March 31st 2014.'). It also sent reminders of its events and promotions via SMS.

Additionally, savings officers at FINCA Uganda delivered access cards (similar to ATM cards) to youth clients, which led account usage to increase from 29 percent to 38 percent from May to June 2014.[47] In-school youth aged 16 to 20 were attracted by access cards because they can access their savings using ATMs at different banks mainly affordable to the 'posh' class.

Recommended practice #5 for increasing account usage: Provide incentives to youth and staff to help motivate them.

It is important to incentivize youth in order to increase account usage. PEACE and Umutanguha started awarding 'Savers of the Month' with simple gifts and recognition. OIBM held raffles at the end of each quarter for clients that maintained a designated savings balance. In FINCA Uganda's Save and Win contest, 27 branches participated by delivering financial education and increasing awareness through

[46] Savings volume can be used as a proxy for usage.

[47] FINCA Uganda quarterly report.

regional schools and community youth groups. Raffle prizes included laptop computers, sports bicycles and cash prizes. PEACE provided awards for the three best depositors.

FSPs should provide incentives for staff, youth promoters and youth ambassadors to not only open accounts but also to encourage follow-up with youth and account usage. Youth promoters at FTB often preferred going to a new school to open accounts and deliver financial education for the first time than going back to a school to conduct refresher sessions or follow-up. PEACE provided one-month salary for the three best performing branches if they reduced account dormancy. ACSI provided certificates to savings ambassadors and club committee members that performed well.

Outside of YouthStart, YouthSave partner Bank of Kathmandu developed a cash incentive scheme aimed at those who had opened an account but weren't transacting, and they saw some great results. The bank plans to use a similar strategy to decrease the dormancy of other products within the bank.[48]

2.3 LOANS TO YOUTH

FSP partners initially adopted a savings-led approach to their youth programmes, an approach that not only supports youth to build assets from an early age but also enables the FSPs to better serve and understand youth needs. As the FSPs scaled up savings services to youth, they began to understand the savings capacity of youth, the front-line staff started to be more comfortable with this new market, and they started to develop and offer additional financial services such as loans to youth.

Initially, the FSP partners were uncertain about the ability of youth to manage and repay loans. For example, some group loan officers at FTB did not prioritize youth lending groups since they requested smaller amounts than adult groups, and they feared how the inability of youth to repay would affect their portfolio at risk (PAR). As a result, FTB trained youth promoters to handle loan processing and disbursement, and training of youth loan groups. This example shows the importance of staff buy-in as well as the importance of youth promoters who can cater directly to the needs of youth. Figure XVI provides a synopsis of the loan products of the FSP partners.

Even though there is still some apprehension in regards to providing loans to youth, FSP partners learned that youth are able to pay back their loans at a rate equivalent to or better than adult creditors, even when the quality of the loan portfolio for both youth and adults is low, as was the case for OIBM. Figure XVII highlights its struggle with PAR. The challenge OIBM faced recovering loans was due to low performance of its agriculture portfolio, a challenge present in both its adult and youth loan portfolio. In addition, OIBM faced challenges collecting or following up on youth loan payments when youth failed to pay, mostly due to the mobility of youth for employment or educational opportunities. This problem was exacerbated by the fact that youth migrate to South Africa to pursue better employment, having used their loan funds for travelling.

FSP partners with strong loan repayment from youth were able to minimize the risks associated with providing youth loans while at the same time responding to youth economic needs by implementing the following recommended practices:

- Provide training on entrepreneurship and credit management
- Monitor youth savings behaviour to determine repayment capacity
- Gain strong understanding of market dynamics

[48] YouthSave, 'Interview with Raju Shrestha.'

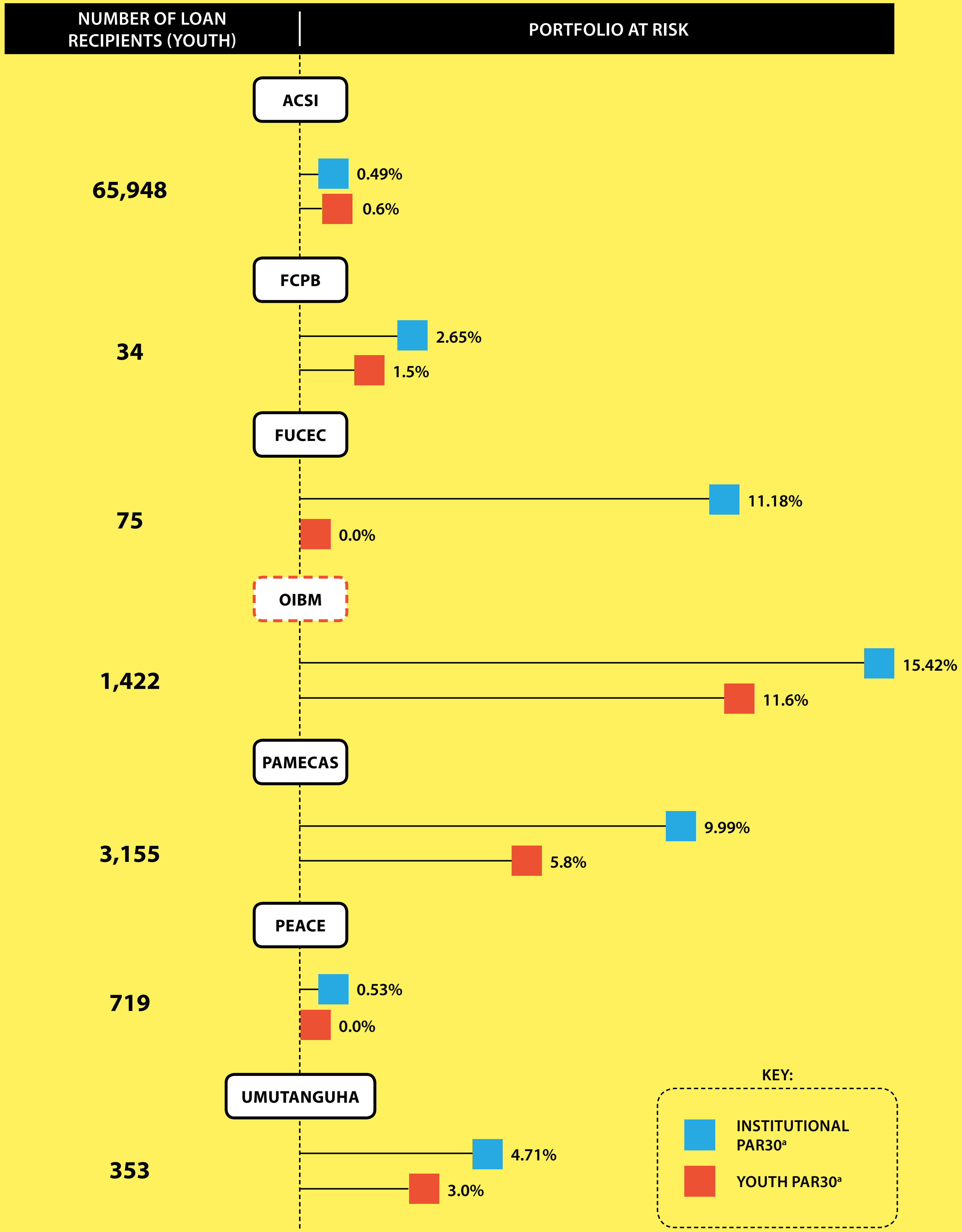
FIGURE XVI

Features of youth loan products

PARTNER	YOUTH LOAN PRODUCTS	COMPARISON TO ADULT LOAN PRODUCTS
ACSI	*Youth Loan* – 10%–18% interest rate per annum depending on amount; physical and monetary collateral accepted; available to youth 18 years and older	13%–18% interest rate, depending on loan amount
FCBP	*Crédit Jeune* – 12%–13% interest rate, based on prevailing rate minus 1%; maximum loan size of $700; must have a savings account for at least 3 months; YouthStart clients also eligible for Cred'Art Loan that promotes self-employment of young artisans	13%–14% interest rate
FUCEC	*Crédit Jeune* – interest rate of 1.5% per month or 18% per annum (based on sliding scale); available to youth 18 years and older with savings account of at least 3 months *Special Holiday Loan* – enables students to access loan of up to $100 for a period of 3 months maximum	Federation provides loans to each branch at 6%–8.5%, branch in turn charges 10%–18% digressive
OIBM	*Chiyambi Loan* – group loan for minimum of 5 and maximum of 10 youth per group; 3.67% interest rate; security deposit of 15% of the total loan required; available to youth 18 years and older	3.92% interest rate
PAMECAS	*Group Loan* – 3 to 5 per group; mandatory savings of 5% of capital to be repaid; maximum repayment duration of 12 months *Individual Loan* –1.67% interest rate per month; material collateral or guarantee from parents/ PAMECAS client; period of up to 12 months; available to youth 18 years and older	1.67%–2.5% per month, depending on loan amount
PEACE	*Youth Loan* – interest rate of 1.25% per month for non-agricultural loan and 1.5% per month for agricultural loan; individual and group loans (3–8 people co-guarantee each other; 9–14 people or 15–40 people for association group); requirements include letter from *kebele* and group collateral	15% annual interest rate, charged on flat interest rate calculation method, for non-agricultural loan in both group and individual lending; 18% annual Interest rate, charged on flat interest rate calculation method, for agricultural loan in both group and individual lending
UMUTANGUHA	*Micro-leasing* – for youth aged 21–24; loan amounts for up to four times amount of savings account; must have a savings account for at least 1 to 3 months with regular deposits *Nunguke Youth Business Loan* – for youth aged 21–24 with a business or activity and not in school; period of up to 36 months; declining interest rates	21%–24% on a declining balance

FIGURE XVII

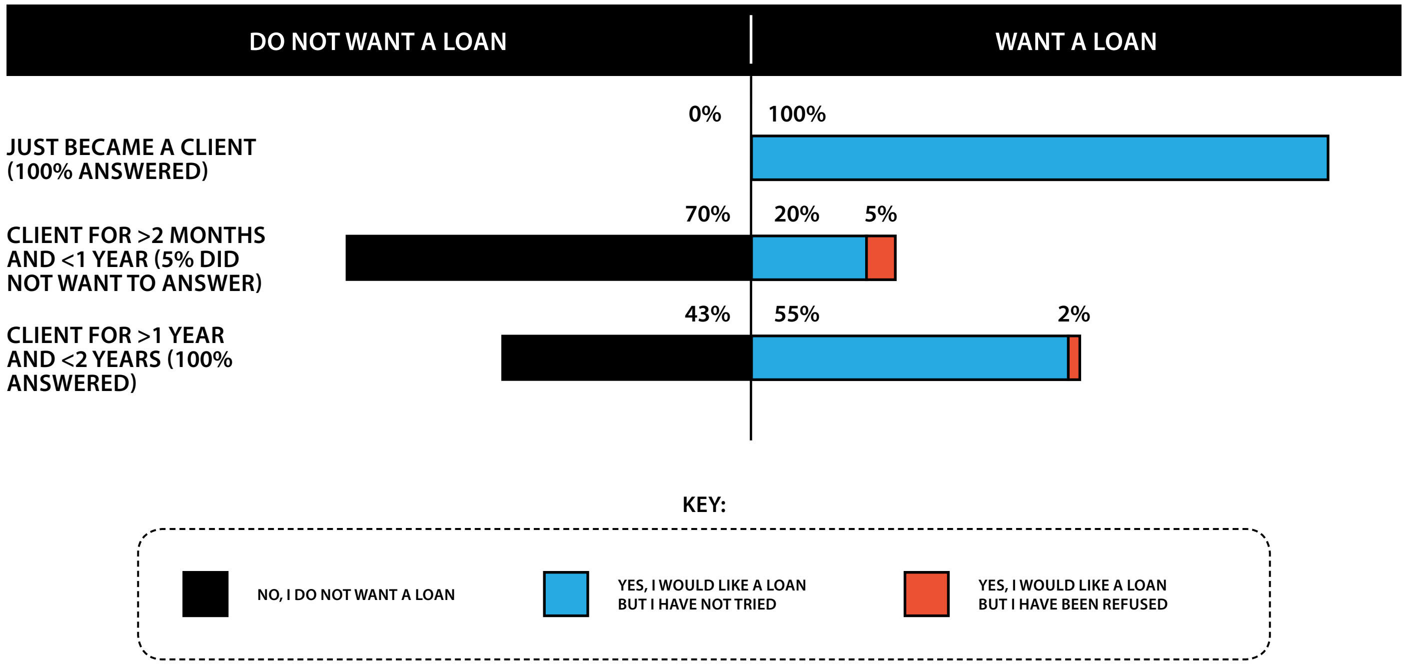
Institutional and youth portfolio at risk of YouthStart partners



a PAR30=portfolio at risk greater than 30 days; data as of December 2014 (It should be noted that at the end of December 2014, most youth loans were still in their first cycle.)

FIGURE XVIII

Interest of Togolese youth in loans over time



Recommended practice #1 for loans: Provide training on entrepreneurship and credit management.

According to FSP partners and a study commissioned by The MasterCard Foundation,[49] youth who received training on how to identify their projects or business ventures, how to calculate their financial needs and how to manage their finances were better prepared and equipped to manage and pay back their loans. Also, in most cases, youth who first open a savings account do so in order to access a loan. However, the loan needs of the youth tend to wane as their savings capacity increases over time.

This point was revealed in Togo during a UNCDF study assessing the effects and resulting behavioural changes from financial and non-financial services.[50] Youth in Togo who had recently joined FUCEC were more likely to want a loan than youth who joined earlier. Figure XVIII illustrates this finding. To a certain extent, the finding indicates that one of the reasons youth join the programme is to access loans and that, over time, that interest diminishes because they start believing more in their own savings capacity. More specifically, the youth are provided with training on how to better assess their actual monetary needs, and over time, they build confidence in their savings capacity and are better informed and prepared to manage and pay back a loan.

Another example can be seen at Umutanguha, which mostly targeted vocational training graduates with its loan products and its 'work readiness' curriculum in order to help youth better integrate into the workforce.[51] The curriculum built knowledge and skills in personal development, entrepreneurship, financial education and technical areas for youth to start their own business or obtain employment in the labour market (e.g., hair dressing, carpentry, welding and masonry).

[49] See the follow-up UNCDF publication *Building the Business Case for Youth Services: Further Insights from the YouthStart Programme*, based on a study conducted by the Frankfurt School of Finance & Management, which is forthcoming.
[50] This study is forthcoming.
[51] See the follow-up UNCDF publication *Building the Business Case for Youth Services: Further Insights from the YouthStart Programme*, which is forthcoming.

<u>Recommended practice #2 for loans:</u> Monitor youth savings behaviour to determine repayment capacity.

FSP partners that offered loans to youth monitored the frequency and amount of deposits in the savings accounts of loan applicants for at least three months. This monitoring allowed the FSPs to gauge saving and deposit habits of youth to best estimate the amount of money they could repay during a fixed period of time (i.e., repayment capacity).

An example can be seen at Umutanguha, which offered a savings account for youth to save for a specific purpose (e.g., starting a business). However, youth had to deposit a minimum amount in their account for six months before they could access a loan. When applying for a loan, youth could request an amount equal to four times the amount they saved plus interest. At ACSI, to qualify for the youth business loan, youth had to have a savings account open for one month and make a minimum of three deposits and up to eight withdrawals.

Although these strategies may seem time consuming, particularly for youth, it is an approach that allows FSPs to provide loans to youth without the need for upfront collateral.

<u>Recommended practice #3 for loans:</u> Gain strong understanding of market dynamics.

It is important for FSPs to possess a strong understanding of market dynamics—not just in terms of financial health of a loan portfolio but also in terms of market demands in their respective country, which in turn helps youth create their own economic opportunities. As FSPs try to build a youth client base, they need to understand that youth are likely to take out a loan to either pay for education or to start/expand a business venture. Therefore, FSPs must make a conscious effort to ensure these ventures respond to the needs of the market.

Umutanguha was able to identify market needs and youth endeavours and combine the two by offering 'micro-leasing' opportunities. Micro-leasing provides youth with financing for capital equipment that they need for a business. After completing the work readiness curriculum, youth receive a small start-up kit. For example, Umutanguha has had great success in leasing moto-taxis for youth to start their own moto-taxi business. Other types of equipment Umutanguha has leased to youth include welding machines, saw machines and sewing machines. Staff from Umutanguha purchase the equipment directly or the branch manager accompanies the client to purchase the equipment to avoid diversion of funds. The key aspect of micro-leasing is to ensure products are linked with growing markets and to avoid contributing to already saturated markets (e.g., beauty shops). To date, Umutanguha has provided six micro-leasing products to its youth clients with a portfolio equivalent of $4,000. As it is still very early in the pilot, scalability is yet to be determined. However, micro-leasing presumably offers a 'win-win' situation as it enables youth to start a business without the need for collateral while minimizing the risk to the FSP.

Although this strategy is considered to be a recommended practice that FSPs can replicate, Umutanguha has faced the following challenges with micro-leasing:

- It becomes difficult and expensive to monitor equipment that is taken to a remote area
- Some equipment is not insurable, or the insurance is expensive and clients may feel that burden
- Some equipment is difficult to register
- The secondary market is not well structured for some equipment, thus making it difficult to resell in case of default

2.4 REACHING YOUNG WOMEN AND GIRLS

Young women and girls are considered by most development programmes to be a very vulnerable group that is difficult to reach. This perception is especially true with regard to access to finance. FSPs seeking to serve more vulnerable youth need to make an extra effort to identify vulnerable youth and outline strategies that will allow them to reach these potential clients.

FSP partners were required to attain a minimum uptake of 50 percent female clients. Figure XIX provides a comparison of FSP partners' targets and achievements in terms of reaching young women and girls, and it shows the underperformance of the majority of the FSP partners in relation to this key programme indicator. This situation was due to the greater variety and number of barriers that young women and girls (in particular those underage) face to access financial services. These barriers/challenges may include the following:[52]

- Young women and girls often need more time than young men and boys to make independent social or financial decisions because they are often shy (especially in rural areas) and believe they are unworthy of participation
- They need permission from parents/guardians to participate in social events, as opposed to boys who can either decide for themselves or get permission much quicker; parents/guardians are often reluctant to give permission to girls for fear they might expose them to sexual harassment or stealing
- Their mobility is limited by security issues and concerns, leaving them to access services only in their immediate surroundings
- Their savings capabilities tend to be lower than boys' due to the fact that they are predominantly working at home instead of taking on small jobs, which would allow them to earn more money
- Opening a savings account is not seen as priority for young women and girls, although financial education topics are seen as relevant to them achieving a better future
- YSOs and communities prioritize other social needs for young women and girls, such as health, well-being, business development services and peer entertainment events
- Young women and girls are culturally more protected than boys, making it more difficult to reach them; as such, the time and process to recruit one girl is equivalent to recruiting 10 boys[53]

> **"FSPs SEEKING TO SERVE MORE VULNERABLE YOUTH NEED TO MAKE AN EXTRA EFFORT TO IDENTIFY VULNERABLE YOUTH AND OUTLINE STRATEGIES THAT WILL ALLOW THEM TO REACH THESE POTENTIAL CLIENTS"**

Despite these barriers, some FSPs showed better understanding of the challenges young women and girls face and implemented recommended practices in the areas of programming and marketing for successfully reaching young women and girls. These practices were developed with a clear understanding of the cultural norms within each context and included the following:

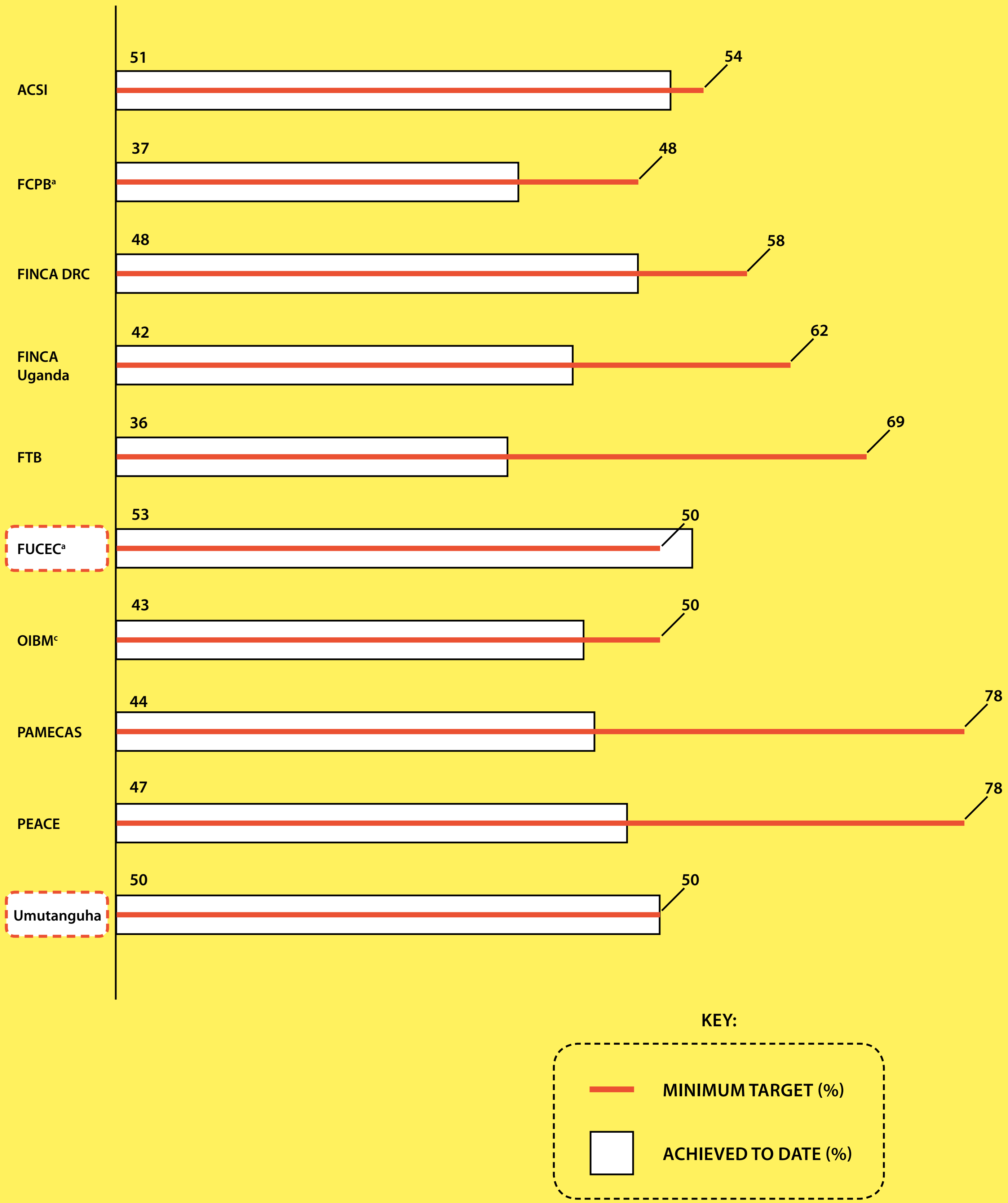
- Use female youth officers (e.g., savings, credit, training), youth promoters and/or youth ambassadors
- Develop girl-friendly marketing strategies (e.g., materials, promotional and educational events)
- Partner with female-focused VSLAs and/or YSOs
- Target young women and girls where they live, work or frequent
- Provide incentives for other female clients, staff and promoters to recruit and train girls

[52] UNCDF, 'UNCDF YouthStart Programme Likely to Exceed Outreach Target of 200,000 Young Savers,' 29 October 2013. Available from http://www.pressreleasepoint.com/uncdf-youthstart-programme-likely-exceed-outreach-target-200000-young-savers

[53] This particular figure was noted by at least five FSPs.

FIGURE XIX

Uptake targets for reaching young women and girls of YouthStart partners



a Minimum targets were set to encourage gender balance. In the case of FCPB, the percentage of adult female clients was below 30 percent; therefore, provisions were made to help the FSP increase this percentage gradually.

Recommended practice #1 for reaching young women and girls: Use female youth officers, youth promoters and/or youth ambassadors.

One way some FSP partners strove to reach more young women and girls was through female field staff. FUCEC, for example, was able to consistently meet its targets in this area by strategically using young women as youth officers responsible for its youth product. As reported by FUCEC, this approach was successful because of the following factors:

- Women tend to be more approachable than men; and
- In a country where young women and girls are restricted from conversations with men, women have a greater ability to access young women and girls without creating suspicion.

This approach allowed FUCEC to reach an uptake of 53 percent young women and girls (surpassing its minimum target of 50 percent). The approach is especially relevant for FSPs that are based in countries with cultural standards that prohibit their access to young women and girls.

FINCA Uganda encouraged its youth officers to make frequent follow-up visits with potential female clients to advise them and assist them in completing account-opening processes. These efforts helped to overcome the challenge of young women and girls taking a long time to make a decision and open an account.

This type of approach is also used by Women's World Banking, which encourages its FSP partners to recruit and train younger field staff who can be mentors and can relate to young women and girls at the community level.

Recommended practice #2 for reaching young women and girls: Develop girl-friendly marketing strategies.

Another recommended practice FSP partners used to target young women and girls for their youth programmes was developing girl-friendly marketing strategies. These strategies included developing marketing materials as well as holding promotional and educational events designed specifically for young women and girls (e.g., Girls' Days, Girls' Month, radio show). FSP partners developed marketing materials such as flyers, banners and posters that showcased a boy and a girl. However, FSPs like PEACE designed unique, gender-specific passbooks for both young men and boys as well as young women and girls. Figure XX shares an example from PEACE. These passbooks allow young women and girls to feel like important clients of the FSP. This small detail is an important marketing strategy that puts the female client first and reassures parents/guardians that their daughters are getting the same attention as boys.

ACSI realized it was not serving as many young women and girls as assumed, particularly those that were out of school, due to the geographical dispersal of the segment. As a result, ACSI is adapting its marketing materials specifically for this segment to improve outreach.

FIGURE XX

PEACE passbook for girls

FINCA Uganda held activities to promote its youth programme at medical camps offering free check-ups and medical services and also at market-cleaning events. These events attracted more women to financial education sessions as they are interested in health and are business owners in markets. The FSP planned other 'catchy' events for young women and girls such as music festivals, talent shows and other residential workshops.

Umutanguha partnered with Girl Hub Rwanda to develop radio shows targeting young women and girls from different branches. During the radio shows, young women and girls with an account at the FSP provided personal testimonies of their experience while at the same time encouraging those without an account to open one.

Other organizations providing services to youth such as Women's World Banking also encourage partners to develop marketing and outreach efforts that appeal to young women and girls. For example, marketing materials include images of young women in careers that young women and girls mentioned they aspire to during market research. YouthSave partner Bank of Kathmandu improved its outreach to young women and girls by emphasizing girls' participation in events and showcasing girls' perspectives on saving and benefits of saving in its marketing materials.[54]

Again, each FSP works in a particular context with specific cultural values and norms concerning vulnerable groups. FSP partners such as FUCEC and PEACE have clearly demonstrated that there are strategies available that can be successfully adapted to each country's specifications.

<u>Recommended practice #3 for reaching young women and girls:</u> Partner with female-focused VSLAs and/or YSOs.

Reaching vulnerable youth such as young women and girls requires working closely with female-focused VSLAs and/or YSOs. VSLAs have the ability to attract young people who have dropped out of school, live in rural areas, are out of work and/or have little to no education or training. Moreover, VLSAs are local associations made up of community members who already have an existing social bond with youth, making it easier and more convenient for youth to join. Youth members of VSLAs are able to save through the association, access information and receive mentoring, with the added advantage of accessing more credit funds through the partner FSP.

FSP partners like FINCA DRC and PAMECAS used VSLAs as one of their main channels to reach vulnerable groups, such as young women living in rural areas. PAMECAS opened individual accounts with youth members of VSLAs formed by Plan International. This linkage not only enabled PAMECAS to reach youth in an area of Senegal where it had limited penetration but also increased its number of female clients—something which it previously had difficulty achieving.

Partnerships with female-focused YSOs provide wider outreach to FSPs. PEACE had particular challenges increasing the number of young women and girls in its programme. Due to these challenges, management established new targets at each branch requiring that 70 percent of new youth clients be young women. Out of the 22 branches in its network, only one branch was able to reach the target. The branch's success was due mainly to its partnership with Population Council, a YSO that targets young women in the branch's area.[55] PEACE hired three female mentors from Population Council to work as youth officers. As Population Council formed groups of young women and trained them in reproductive health, PEACE provided savings products to support the economic independence of these young women. PEACE also offered savings products to groups of rural married or divorced young women who previously worked with Population Council.

Another example of this recommended practice comes from FINCA Uganda's partnership with Straight Talk Foundation, which has a wide network of youth aged 12 to 24. The Foundation trained youth savings officers at FINCA on sexual reproductive health and health programme linkages available to support youth. FINCA used this technical expertise to reach new potential clients, provide an additional service to existing clients and encourage targeted teenage girls and women to become savers.

<u>Recommended practice #4 for reaching young women and girls:</u> Target young women and girls where they live, work or frequent.

It is important for FSPs to identify locations where young women and girls live, work or frequent and to go to these locations to hold promotional and educational events. Some FSP partners faced challenges specifically targeting girls at schools since classes consist of girls and boys, both of whom may be interested in opening an account. To address this challenge, FINCA DRC and FINCA Uganda targeted female-only or female-focused schools, and OIBM partnered with women-focused universities such as teacher training colleges and all-girl groups at churches. Other FSP partners targeted informal places of work for young women and girls such as markets, salons and eateries.

<u>Recommended practice #5 for reaching young women and girls:</u> Provide incentives for other female clients, staff and promoters to recruit and train girls.

It is important for FSPs to provide incentives to encourage both male and female clients, staff and promoters to recruit young women and girls. PEACE implemented a referral system to incentivize recruitment, based on the number of young women and girls referred by word of mouth. For example, the following recruitment incentives were offered:

- For two young women or girls referred, the recruiter receives a small hand bag
- Three to six young women or girls, two school exercise books and a pen
- Seven to 10 young women or girls, three school exercise books and a pen
- Eleven to 15 young women or girls, two guide books
- Sixteen to 20 young women or girls, an Oxford dictionary
- More than 20 young women or girls, a dictionary and a bag

Teachers also received these incentives for referrals and placed the dictionaries they won in their school library. Young women and girls are motivated to join PEACE when they see the dictionary with a PEACE seal. In one quarter, 635 young women and girls opened savings accounts (3 percent of YouthStart total achievements) due to this referral system.[56] PEACE also provided awards for the top three recruiters of young women and girls and one-month salary for the three best performing branches if they achieved equal to or more than 75 percent female clients.

FINCA Uganda provided everyone from VSLAs or at community parents/leaders meetings who recruited three female clients aged 12 to 23 either a FINCA T-shirt or a zippered bag with savings messages.

ACSI, though its student scholarship programme, sponsored top performing female students from low-income families: the scholarship recipients open a savings account at the FSP and then promote the account to other students. One branch reported that 242 students opened savings accounts as a result of promotion by scholarship recipients.[57]

> **“IN ONE QUARTER, 635 YOUNG WOMEN AND GIRLS OPENED SAVINGS ACCOUNTS (3 PERCENT OF YOUTHSTART TOTAL ACHIEVEMENTS) DUE TO THIS REFERRAL SYSTEM”**

[54] YouthSave, '<u>Interview with Raju Shrestha</u>.'
[55] The Population Council recommends a 'go for the girls first' outreach programme, with a gradual inclusion of boys, in order to achieve a better gender balance in the long run.
[56] PEACE narrative report, Q1 2014.
[57] ACSI narrative report, Q2 2013.

3

RECOMMENDED PRACTICES AND LESSONS LEARNED

"A KEY COMPONENT IN PREPARING YOUTH FOR THEIR FINANCIAL FUTURE IS PROVIDING THEM WITH FINANCIAL LITERACY"

NON-FINANCIAL SERVICES

3.1 MODELS TO DELIVER NON-FINANCIAL SERVICES

There is a common belief that youth, similar to adults, are better prepared to make informed financial decisions given appropriate and targeted NFS—particularly financial education. However, the opinions on what types of NFS are the most appropriate and effective differ. As a result, the approach to NFS taken by UNCDF is to develop the evidence base while ensuring the spirit of 'do no harm' is followed; financial education can be a means to demonstrate how to protect youth from those who want to harm them. By sharing knowledge on how and where to access affordable financial services, how to manage money and how to plan for their financial future, FSPs are helping youth to make better and more informed financial decisions, which in the long run will allow them to access more sophisticated financial products.

A key component in preparing youth for their financial future is providing them with financial literacy. YouthStart identified the following topics in basic financial literacy as the most relevant, since they are directly linked to youth financial products: building savings and managing credit. FSP partners also delivered, or partnered with YSOs that delivered, entrepreneurship and reproductive health training.

Based on FSP partners' experience providing NFS to youth, they identified these recommended practices:

- Ensure a strong linkage between financial and non-financial services
- Adopt 'critical minimum' approach to financial education
- Select a delivery model for NFS that best reflects the context where the FSP operates and responds to the needs and availability of youth
- Integrate account management in financial education training

Recommended practice #1 for non-financial services: Ensure a strong linkage between financial and non-financial services.

It is important that the content of the financial education be directly linked to the youth financial products, since it makes the content relevant and provides an opportunity for youth to directly apply it and put it into practice. FSP partners delivered financial education in the following topics:[58]

- How to set a savings goal
- How to develop a savings plan
- How to evaluate alternatives in terms of where to save
- How to open a savings account
- How to manage a savings account (e.g., how to use ATM and passbook)
- How to use mobile banking and technology (e.g., POS)
- How to manage a loan

Ideally, the same youth receive both financial and non-financial services to strengthen the linkage between the two key components of a youth programme. However, this ideal can be difficult to achieve, particularly for FSPs that partner with YSOs to deliver NFS. In that model, it is imperative that there is strong coordination and communication between the FSP and YSO.[59] For example, the FSP can send staff to a financial literacy training conducted by the YSO to open youth savings accounts if the FSP is well informed of the time and location of the training. It is also important for staff and youth promoters to follow up directly with NFS participants to ensure high conversion rates.

Recommended practice #2 for non-financial services: Adopt 'critical minimum' approach to financial education.

NFS provided by FSPs should not merely focus on explaining the features of services and products to youth, which is in fact part of the FSP marketing strategy rather than training. Therefore, FSPs must have a clear distinction between product marketing and training—with the latter focused on targeted sessions and the critical minimum approach.

The critical minimum approach is a methodology designed by Reach Global[60] that is considered to be more effective, cost less to deliver and pose less opportunity cost to clients. It entails providing youth with three 30-minute targeted sessions that allow them to internalize content and effectively nudge them towards a culture of building financial capabilities.[61] The sessions can be given all at once or delivered over a few weeks, depending on the needs and availability of youth, facilitators and location. This method allows FSPs to train more youth together within a shorter amount of time, limits the costs associated with providing financial literacy and streamlines the key messages to be delivered in a simple yet effective manner. The following are the main components of this approach:

1. **Key messages and standardization:** The financial literacy modules focus only on key messages that are geared towards changing key behaviours. When working with youth, less means more.[62] Simpler messages are better understood and retained by youth. In addition, some of the key messages can be used for marketing materials, follow-up SMS or flyers to provide basic financial education tips or a practical guide to build a savings culture among youth. The sessions are also designed to be as standardized as possible (i.e., four steps, 30 minutes per session). Standardization facilitates the task of scheduling delivery of the education to youth and also eases the task of monitoring the quantity and the quality of the education that is being delivered. In addition, shorter, simplified and standardized education sessions are less costly for FSPs and easier for facilitators to deliver.

2. **Minimum materials:** The materials to deliver the education are kept to a critical minimum as well. Materials such as workbooks are expensive to reproduce and may put scale and sustainability of the programme at risk. If learning depends on having materials for the sessions, then the youth that are in remote areas—and therefore the most vulnerable—will be excluded from the education since facilitators are often deterred from transporting the materials needed to deliver the sessions (e.g., on a motorcycle in bad road conditions). Instead, conducting highly interactive sessions that employ games, group exercises and materials that are easy to find in any given context (e.g., tree leaves, stones) serves as a more appropriate and cost-effective approach.

3. **Simple facilitation techniques:** The education sessions must be designed in a manner that a facilitator with little experience but some basic training on facilitation techniques can easily pick them up and train others. This approach is particularly important if, for example, the goal is to have youth with very little training and support become facilitators of the education (e.g., youth promoters and youth ambassadors).

Recommended practice #3 for non-financial services: Select a delivery model for NFS that best reflects the context where the FSP operates and responds to the needs and availability of youth.

Identifying the most appropriate and cost-effective delivery model is dependent on the business mode of the FSP. FSP partners had the option of choosing from four different models to meet both their needs as well as the needs of youth. Figure XXI provides a synopsis of the various models.

Looking at the various experiences and results of its FSP partners, YouthStart found that the hybrid model has garnered better results in comparison to the others since it uses the same youth officers, promoters and/or ambassadors —who help youth open their accounts—to conduct the financial education sessions. Not only are these officers able to attract and train youth, but they are also able to decrease the costs of the FSP to run its youth programme. For example, FSPs that use the linked and/or hybrid model to deliver financial education do not incur indirect costs as they are integrated into the cost for providing financial products to youth.

FSPs using the hybrid model have shown large uptake and absorption of financial and non-financial services among young people, in addition

[58] Financial education provided by FSPs teaches youth how money works and money management. It is separate from marketing of financial products. For more details on how FSPs differentiate between the two, see Muñoz, Perdomo and Hopkins, *Building the Business Case for Youth Services: Insights of the YouthStart Programme*.
[59] This issue will be addressed in section 3.2, Partnering with youth serving organizations and schools.
[60] Reach Global is an international organization dedicated to delivering knowledge and skills to the world's most disadvantage groups. The organization was contracted by UNCDF to provide technical assistance to FSP partners to develop their non-financial services programmes. See http://www.reach-global.org/

[61] Financial capabilities are the combination of knowledge, skills, attitudes and behaviours necessary for wise financial management and often imply the ability to apply knowledge and put it into practice.
[62] Llorenc O'Prey and D. Shephard, 'Financial Education for Children and Youth: A Systematic Review and Meta-analysis,' Aflatoun Working Paper 2014.1C (Amsterdam, Aflatoun, 2014), p. 23. Available from http://www.aflatoun.org/docs/default-source/aflatoun-secretariat-evaluation/financial-education-for-children-and-youth---systematic-review-and-meta-analysis.pdf?sfvrsn=10

to increasing their chances for longer term institutional and financial sustainability. A hybrid model is an approach that most, if not all, FSPs can learn from and replicate.

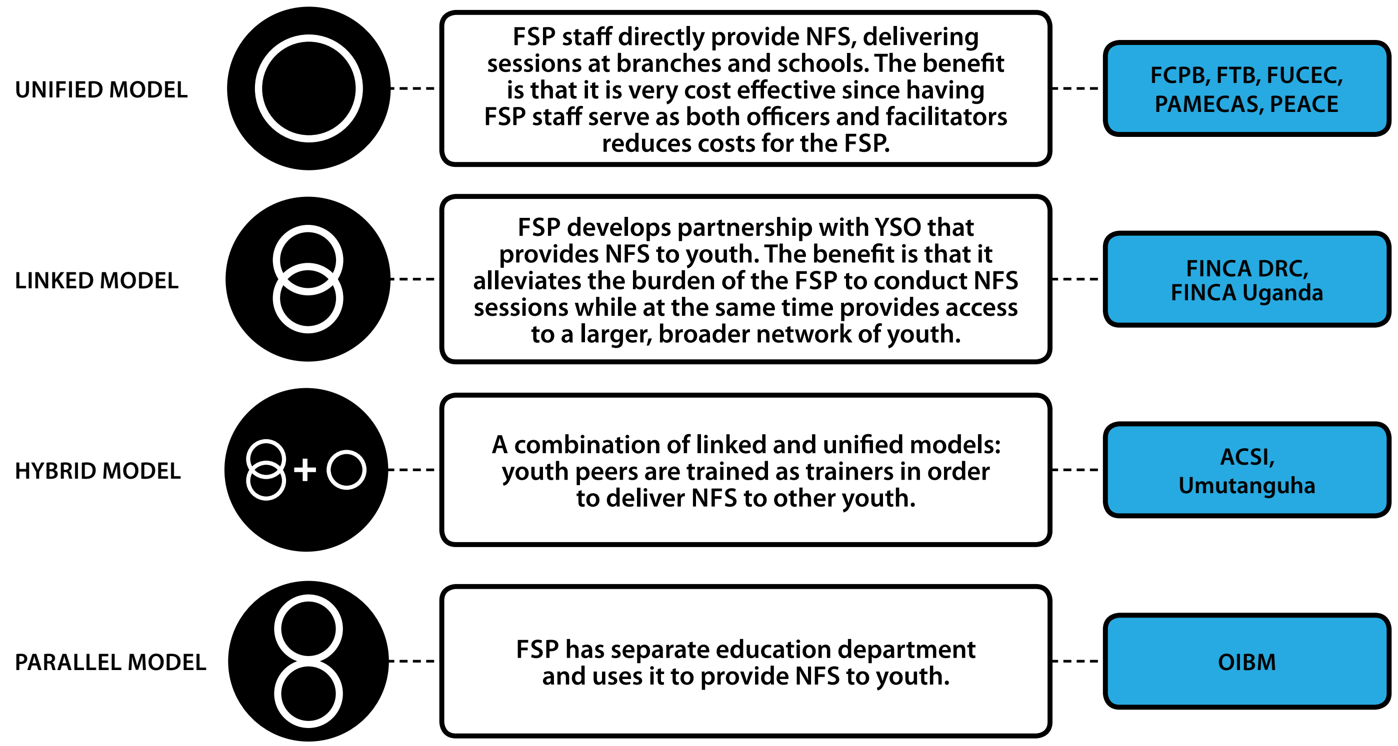
In addition to selecting the most appropriate delivery model, it is important for FSPs to consider the needs and availability of youth. Many FSP partners encountered challenges locating youth and scheduling NFS sessions during bank hours when many youth are in school, at work or just unavailable to attend sessions. Once the FSPs understood that they needed to work around the schedules of youth, providing NFS became a less arduous task. FSP partners began conducting sessions at schools, markets and community centres and using other delivery channels such as SMS to send youth reminders to save in their account.

Recommended practice #4 for non-financial services: Integrate account management in financial education training.

Financial education is often given to promote products and encourage account-opening, as a gateway to youth financial products, but it can also be provided after account-opening to serve as a refresher and to show youth how to use the products to encourage account usage. For example, after youth open an account at FINCA Uganda, they receive financial education from the youth officer during a second follow-up visit to the youth group. FINCA Uganda provided a financial education session on effective account usage and how to use the FINCA access card and PIN at ATMs. FINCA DRC offered financial education sessions on account-opening and management and provided information on the closest POS. ACSI provided financial education on what youth clients need to know about their savings account and the ACSI banking system, how to use a passbook, the benefits of using a savings account and where to find information about the savings account. Umutanguha expanded its NFS to include topics on technology (e.g., 'Digital Finance: Know Your Options').

FIGURE XXI

Models of providing financial education



3.2 PARTNERING WITH YOUTH SERVING ORGANIZATIONS AND SCHOOLS

YouthStart greatly encouraged FSPs to partner with YSOs to deliver NFS since it observed that FSPs partnering with YSOs had measurable increases in their outreach to youth, particularly to vulnerable groups such as young women and out-of-school youth, and reported positively on the collaborations.

During the development of the YouthStart programme, the primary focus was on building the capacity of FSP partners to develop and provide services to youth. Over time, it became evident that improving access to financial services for youth also required working with YSOs that, in many instances, have a larger and deeper connection with youth compared to FSPs. As such, FSP partners found it necessary to partner with YSOs not only to increase outreach to youth but also to deepen preparation of youth as entrepreneurs by providing them with financial services as they receive training from YSOs (see figure XXII). This partnership can help improve the ability of FSPs to target clients and to improve efficiency in terms of staff time, in addition to expanding their youth networks and outreach.

The following recommended practices helped ensure successful partnerships between FSPs and YSOs:

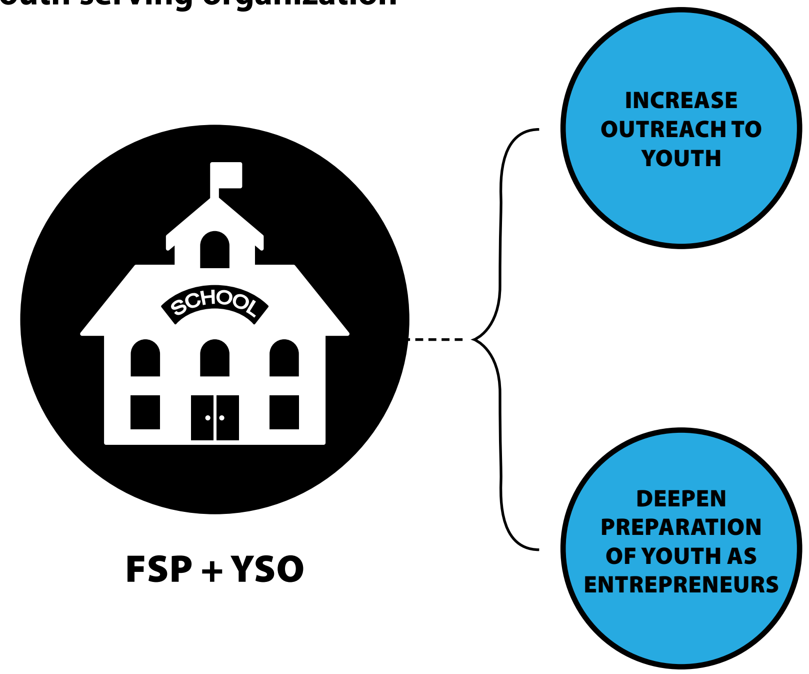
- Ensure alignment of roles, responsibilities, expectations, objectives and targets
- Ensure alignment of geographic scope and target group
- Take into account the seasonality of the school calendar when partnering with schools

Recommended practice #1 for partnerships: Ensure alignment of roles, responsibilities, expectations, objectives and targets.

FSPs and YSOs should spend time together at the beginning of a programme carefully outlining the roles, costs, obligations and expectations within the partnership (including compensation) in addition to the programme's objectives and targets for each organization. For example, in some cases within the YouthStart programme, YSOs expected youth to have immediate access to loans from the FSPs once the partnership agreement was made, regardless of their loan readiness. In addition, FSPs and YSOs need time for their partnership to grow and to strengthen based on

FIGURE XXII

Reasons for a financial service provider to partner with a youth serving organization



their understanding of each other's organizational missions, history and work—a process that could take up to two years.

FINCA Uganda experienced problems with one of its YSO partners because the YSO could not commit to achieving the set targets and objectives (e.g., increasing number of youth that open savings accounts) and had to sever the relationship. In looking for future YSO partners, FINCA was concerned with potential biases (i.e., the YSO would recommend that the youth open an account with an organization other than FINCA). Often, FSPs and YSOs do not have similar indicators for success or expectations. FSPs consider the number of accounts/savers as an indicator of success while YSOs 'believe account opening is behaviour change and could be a future choice. In most cases this is a delayed decision and requires continuous nurturing over time with follow up financial education sessions for the youth within the target group.'[63] In addition, FINCA Uganda wanted to protect its brand/image and operations within the community, as the organization can be affected by an estranged or poorly resolved partnership.

When working with schools, it is important for FSPs to ensure there is commitment by the schools and alignment of expectations through memorandums of understanding and approvals from line ministries. FINCA Uganda signed commitment letters with its partner schools in order to provide NFS to students. Alternatively, FUCEC sought approval from the Minister of Primary and Secondary Education and Literacy and the Minister of Technical Education and Professional Training, which allowed FUCEC to provide financial literacy training in schools where the FSP was active. The approval from the relevant ministries allowed FUCEC to cut through heavy protocol and freely partner with schools that were in its catchment areas.

<u>Recommended practice #2 for partnerships:</u> Ensure alignment of geographic scope and target group.

FSPs and YSOs must ensure that their catchment areas and target groups are similar to help ensure a successful partnership. It is important that they identify the initial areas to be covered and agree where and when expansion will occur in the future so that the youth are benefiting from both financial and non-financial services.

ACSI partnered with agricultural vocational schools and was able to provide youth with savings accounts as they went through the training to develop new skills. By the time youth graduated from vocational school, they had accumulated enough savings to start a business or apply for a loan with ACSI. The key factor that contributed to the success of this partnership was that the catchment area of ACSI corresponded to the catchment area of the government vocational school network.

“FSPs AND YSOs MUST ENSURE THAT THEIR CATCHMENT AREAS AND TARGET GROUPS ARE SIMILAR TO HELP ENSURE A SUCCESSFUL PARTNERSHIP”

Other examples of strong FSP-YSO partnerships with similar target groups included Umutanguha, which partnered with a YSO that provides market-relevant skills training and support to youth in Rwanda, and FTB, which developed a successful partnership with a YSO that seeks to involve youth in value chain businesses in the agricultural sector of Uganda.

<u>Recommended practice #3 for partnerships:</u> Take into account the seasonality of the school calendar when partnering with schools.

When working with schools to reach youth, FSPs must be aware of certain times during the school year when they should not plan promotional or educational events (e.g., school holidays, exam periods and periods of high employment). Most FSP partners experienced challenges reaching youth during the rainy season when income is low and when schools are closed (e.g., Christmas/holiday season, mid-holiday break) as youth often use this season to work and generate income. For example, PEACE encountered conflicts in scheduling financial education sessions during school examination periods.

FSPs must take these issues into account and make the necessary adjustments to their targets, timeline and strategies for reaching youth. OIBM was able to successfully adjust its training when schools closed for four to five weeks during the mid-holiday break by shifting its focus to working with YSOs and churches in addition to conducting road shows to reach youth. Other effective examples came from FINCA Uganda, which recruited more than 15 churches and NGOs during school exam season, and FINCA DRC, which planned out-of-school activities such as sales drives and worked with YSOs and youth groups in churches. Alternatively, FTB set higher performance targets for October and November knowing that the holiday season in December would result in lower productivity.

As with the other examples, replication of this practice requires it to be modified to fit the particular context and needs of the FSP.

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63 FINCA Uganda narrative report, Q4 2012.

4

CONCLUSIONS AND RECOMMENDATIONS

This paper has provided insights from over four years of the YouthStart programme, specifically as they relate to recommended practices for providing financial and non-financial services to youth. It can serve as a practical guide for FSPs developing a long-term strategy for serving youth. Additional areas that are important to this field but are not discussed in this paper include the following:

- How the policy and regulatory environment affects delivery of financial and non-financial services to youth
- Developing the business case for serving youth, including how market environments and the market share and niche of FSPs play a role in successfully serving youth
- Adapting the MIS, marketing and human resources functions of FSPs to include outreach and usage figures for their youth products

These areas are explored in greater depth through other papers already published or forthcoming by YouthStart.

The strategies presented in this paper should be taken as recommendations and practices that have helped certain FSP partners in achieving or surpassing their programmatic objectives. FSPs interested in developing services and products for youth should consider the financial impact the practices might have on their institution. Moreover, they should take into account market settings, such as market and institutional levers, to assess which practices could be useful for their particular institution.

The insights garnered from FSP partners and the YouthStart team have helped strengthen the programme as it moves forward, particularly in regards to expanding its purview from primarily improving youth access to finance to assisting youth create their own economic opportunities. As such, FSPs and others interested in providing financial services and products to youth should also note the following:

- ***Establish management buy-in, since it is crucial for youth products to flourish:*** The range of FSPs involved in the YouthStart Regional Pilot Programme encompassed large market leaders holding over 80 percent market share to small credit unions with a young, small staff. However, it was only those FSPs with a strong management staff, who supported the development of youth products, that experienced stronger results from their youth products. Management support entails FSP leadership, including the CEO, president and managers, fully supporting the development of youth products and being actively integrated into the development process. With management supporting youth products, the likelihood of these products being institutionalized is stronger compared to FSPs with little or no management buy-in. Additionally, management support ensures buy-in of youth products at the branch level, as branches are more inclined to abide by and internalize management direction intuitively as opposed to selectively.

“ NOT ONLY DO YSOs TEND TO HAVE DEEPER AND BROADER OUTREACH TO YOUTH, BUT THE SERVICES THEY PROVIDE CAN BE COMPLIMENTARY TO THE FINANCIAL SERVICES AND PRODUCTS OF FSPs ”

- ***Be more aware of and engaged in the development of policies:*** Regulation plays a key role in providing financial services to youth. Working in a country that has little to no regulatory framework that encourages youth financial inclusion can pose difficulties for FSPs. FSPs need to ensure they are proactively involved in the development of and/or discussions around policies targeting youth access to financial services. In most of the FSP partner countries, youth are only able to independently open and manage a savings account at the age of 18. Yet, work with FSP partners in Rwanda showed that decreasing the age to 16 years, for example, allows a larger cohort of youth to access much-needed financial services. By eliminating the need for parental consent for youth to transact with banks, the significant expenses involved with opening accounts are eased for Rwandan FSPs. In addition, countries like Rwanda that put an emphasis and act on access to finance for youth also put an emphasis on financial literacy, making it that much easier for youth to access financial education sessions.

- ***Ensure linkages from financial services for youth to economic opportunities:*** As FSPs try to build their client base around youth, they need to understand that youth are likely to access services, especially loans, to start or expand business ventures or to pay for their studies. As a result, FSPs must make a conscious effort to ensure these ventures respond to the needs of the market. This effort was seen at FSP partners such as Umutanguha, which was able to link market needs and youth endeavours by offering micro-leasing opportunities.

- ***Forge meaningful partnerships with YSOs:*** Although the YouthStart Regional Pilot Programme did not explicitly require FSPs to partner with YSOs, developing these partnerships became a key component of the programme. Not only do YSOs tend to have deeper and broader outreach to youth, but the services they provide can be complimentary to the financial services and products of FSPs. This advantage is particularly true for YSOs that target vulnerable youth, provide entrepreneurial and life-skills training and/or provide technical vocational training.

As YouthStart looks to expand its activities in increasing access to finance for youth, it is better equipped to identify strong, relevant partners that are not only efficient in working with youth but also have strong networks within their respective countries. Supporting FSPs over the last four years has shed light on the fact that improving access to finance for youth also requires partnering with and supporting pertinent YSOs that make a major contribution to youth empowerment. The recommended practices and lessons learned not only offer relevant strategies and early programmatic approaches for a potential next phase of the programme, they also provide a set of practices that can be used for future programme design for YouthStart.

As a United Nations agency dedicated to identifying and supporting linkages for financial inclusion and to solving challenges in the real economy, this exercise has also enabled us to reflect on those elements that will enable YouthStart and its FSP partners to go beyond financial inclusion and focus on creating opportunities for youth that can directly affect the employment spectrum of the future.

ANNEX 1

Interview guide for YouthStart partners[a]

1. **Below is a list of best practices that have been identified by FSP partners during their engagement in the YouthStart programme. Please note what specific strategies you would recommend or not recommend in each area listed.**

Topic	WHAT HAS WORKED IN THIS AREA? HOW? WHY?	WHAT HAS NOT WORKED IN THIS AREA? WHY?
Delivery channels for youth products		
Use of technology with youth		
Best approaches in loans for young people		
Increasing uptake and usage of savings products for youth		
Effective models for delivering financial education		
Effective partnerships with youth serving organizations		
Keys for moving towards profitability of youth products		
Reaching vulnerable youth including women and girls		
Institutionalization of youth products		

a One-on-one interviews were held with youth champions in preparation for the 2014 YouthStart Workshop on Knowledge Sharing and Best Practices.

2. **What has worked particularly well for your organization in the work you have done with YouthStart?**

    a. **What factors really contributed to that success?**
    b. **What are the three biggest challenges you have encountered?**

3. **If another service provider were to come visit you, to learn about how to do financial inclusion of youth very well, what would you be sure to show them?**

4. **What would you say are the biggest lessons you have learned from your involvement with YouthStart?**

5. **If you were going to start over again, knowing what you know now, what 1 or 2 things would you do differently?**

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