



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION

# Productive Work for Youth in Armenia – supporting young entrepreneurs





## Why youth entrepreneurship in Armenia?



- Young women and men are particularly affected by increasing unemployment & poverty levels due to economic crisis, limited absorptive capacity of public sector and formal labour market.
- SME support programmes exist, however, number of assisted SMEs and start-ups is rather limited, and none of the business support schemes has a special focus on youth.
- Major bottleneck to fighting youth unemployment: Insufficient access to funding for business start-up and expansion.
- **Entrepreneurship and self-sustainable businesses greatly contribute to economic growth, job creation, structural change and innovation.**

Armenia is a developing country with a high Human Development Index (HDI) of 0.716, and since 2002 it started to be classified as a lower middle income country. However, Armenia currently faces numerous negative trends as a result of the global financial crisis, alongside challenges caused by the

transformation of the Armenian economy to an open and more competitive market. Unemployment and poverty levels increased, particularly affecting young women and men. As in many countries worldwide, the unemployment rate of the youth (aged 15 to 24 years) in Armenia in 2012 was very high, with

48.2 per cent for young women, and 32.2 per cent for young men. Consequently, youth unemployment must be tackled, and is a priority of the Government.

Given the limited absorptive capacity of the public sector and of the formal labour market, and given that entrepreneurship and self-sustainable businesses greatly contribute to economic growth, job creation, structural change and innovation, entrepreneurship strategies for young women and men are of crucial importance for building and sustaining economic growth in Armenia. Therefore, in 2012, the Armenian Government requested UNIDO for assistance in the area of youth entrepreneurship.

UNIDO, in its role as neutral broker and with its experience in entrepreneurship development and MSME start-ups and upgrading, works with the *Productive work for youth* approach, as described below, in order to tackle the issue of youth unemployment in Armenia by showcasing that youth entrepreneurship is in fact a viable option for all parties involved – Government, financial institutions, business support structures, entrepreneurs – as a tool for sustainable economic development.

## Why UNIDO?

### Switch on your future – UNIDO programme for Productive Work for Youth

**Problem:** Youth unemployment and poverty due to **limited absorptive capacity** of the public sector and of the formal labour market.

**Entrepreneurship, incl. youth-led, and self-sustainable businesses create positive externalities:** they greatly contribute to economic growth, job creation, structural change and innovation.

**Youth entrepreneurship strategies as a solution,** addressing youth unemployment and **promoting domestic investment,** which serves as indicator to attract FDI:

UNIDO has successfully engaged in the creation of youth employment opportunities through supporting the creation and expansion of MSMEs in over 15 countries.

#### Results include:

- Strengthening of the entrepreneurial culture and promotion of youth entrepreneurship as a viable solution to create employment;
- Facilitated access to finance for MSMEs and start-ups through linkages with local financial institutions or the setting-up of dedicated funds to fill market gaps;
- Improved public and private business service providers, particularly when it comes to catering for young women and men;
- Creation of youth-led enterprises that outlive the start-up phase;
- Creation of long-term, productive employment opportunities for young men and women.

To achieve inclusive and sustainable industrial development (ISID) it is necessary to invest in a growth-oriented private sector, in business support structures, the civil society and ultimately in young women and men, who often push society's socio-economic development and innovation.

More information is available under <http://www.unido.org/en/what-we-do/poverty-reduction-through-productive-activities/business-investment-and-technology-services/investment-and-technology/productive-work-for-youth.html>

#### Did you know?

UNIDO is the 2014 Co-Chair of the Inter Agency Network on Youth and Development (IANYD), a UN system-wide network consisting of UN agencies that work on youth related issues

## The Project “Productive Work for Youth in Armenia – supporting young entrepreneurs”



**Objective:** support youth-led enterprise creation and expansion, thus promoting sound development of the local private sector. The project aims to demonstrate that youth are credit worthy and capable of turning loans into profitable businesses.

**Beneficiaries:** Youth start-up entrepreneurs aged 18 to 35 years with realistic business ideas, or with state registration up to 3 years – with special attention to young families and young women.

The project supports youth-led enterprise creation and expansion, thus promoting sound private sector development in Armenia, together with the Armenian counterpart institutions and with the financial support of the Government of Austria. The project follows a comprehensive approach providing non-financial and financial services with support during and beyond the start-up phase, and also promoting a more conducive environment particularly for youth-led businesses. The project focuses on innovative, growth-oriented business ideas to leverage on the positive externalities like job creation and innovation, which can be expected from local businesses. To this end, UNIDO partners with the Small- and Medium-sized Enterprises Development National Center (SME-DNC) for the provision of financial and non-financial services to young entrepreneurs aged 18 to 35 years, with special attention to young families and young women. The objective and beneficiaries of the project are:

### Expected impact of the project:

- Contribute to systemic change where public and private sector render more and better financial and non-financial support to youth-led enterprise creation and expansion.
- Demonstrate that funding schemes targeted towards youth create win-win situations for all involved.

### The targets of the project are:

- 300 potential & existing young entrepreneurs, 50% females, receive entrepreneurship training (25 rounds of training).

- 80 potential & existing young entrepreneurs receive access to funding via the youth business revolving fund and pay back their loans.
- 55 of them will continue to grow, thus creating additional jobs for young people.

The strategy of the project foresees the following **main activities**:

### • Support to young entrepreneurs

Young aspiring entrepreneurs receive direct assistance in creating/developing their own businesses through non-financial and financial services. They receive entrepreneurship training, counseling and coaching, and technical assistance. In addition, they have the possibility to access funding through the youth business revolving fund (€400,000), which is established through the project and hosted by the SME DNC. Institutional capacity building is rendered as and where necessary.

#### Financial services:

- revolving fund (EUR 400,000) providing loans for start-ups and existing young entrepreneurs

#### Non-financial services:

- Entrepreneurship training prior to start-up
- "Tailor-made" technical assistance to entrepreneurs in post-creation phase
- Coaching, counselling post-creation phase

• **Outreach and awareness raising**

Media campaigns on entrepreneurship raise awareness on youth entrepreneurship as a feasible option to create employment and will prevent the apparent caution particularly amongst women towards risk-taking and profit-making. The positive effects of entrepreneurship on individual, community and socio-economic development are underlined and in particular, successful women entrepreneurs are showcased to encourage young women to enter into business.

**Results so far**

Already in the first six months (October 2013 to March 2014) of the main phase of the project, 122 entrepreneurs had applied for the trainings, after a process of selection 45 participated in the training and 20 young entrepreneurs have received a loan to either start or expand their existing business, as described below:

*Results after 5 completed rounds of training and selection, April 2014:*

Call for proposals for training: 5 calls were held in provinces Shirak & Lori	Successfully graduated trainees that apply for funding (Selection Committee)	Loans granted
180 applicants, out of which 68 female (38%)	52 loan applications, out of which 21 female (40%)  Average age: 27,6	35 loans granted, out of which 11 female (31%)  Grand total of approved loans (23-04-2014): 153,652 EURO

A **regional sector analysis** has been undertaken, as requested by the Governors of the target areas Lori and Shirak, focusing on a thorough assessment of existing manufacturing activities, current industrial development trends and priorities, availability of domestic resources and potential markets.

- Lori, identified priority sectors: 1. tourism, 2. sheep breeding, and 3. milk processing.
- Shirak, identified priority sectors: 1.fish farming, 2. potato production and processing, 3. textile and apparel.

**Foreseen activities for the second phase of the project**

**Non-financial and financial services** continue: Remaining 20 entrepreneurship trainings and calls for proposals for the revolving fund will be carried out. Two additional regions were identified: Gegharqunik and Tavush.

**Technical assistance:** in the post-creation phase, the entrepreneurs will need technical trainings or different types of technical assistance, as per their sectoral needs, as well as company-specific issues and their financial situation.

**Institutionalization:** After the creation of the revolving fund and recruitment and training of the national support staff, project enterprise growth and institutionalization of the project approach is now required in the second phase, to ensure sustainability and demonstrate that young entrepreneurs are in fact credit worthy

and contribute to economic growth of the country. To that effect, media- and awareness raising campaigns are needed to ensure project visibility, advocacy for young entrepreneurs to ensure future financial services as well, to promote success stories and eventually contribute to a comprehensive national strategy or vision with regards to youth employment.

**Gender focus:** One of the priorities is to increase participation of female beneficiaries up to 50% of the total number of beneficiaries. Several initiatives are planned to achieve that goal, one of which is a wide media and outreach campaign on success stories of especially women beneficiaries of the project envisaged

to begin by the end of 2014 when the project witnesses the first positive results. Additionally, the project is joining efforts with the ADB Women Entrepreneurship Support project in several directions: identifying women intensive value chains in different communities of the country and implementing actions to foster the development of the value chains; increasing financial planning skills among women through the joint design and introduction of “Financial Literacy” training, possibly including the introduction of COMFAR Mini to the trainees; assessment of overall sentiment and needs of women to help them engage in entrepreneurial activities.

**Project cost (€)**

Activities	Donor	Total	Operational cost (€)	Support cost (€)
1 <sup>st</sup> year of implementation incl. project set up, outreach and media campaigns, and monitoring; Capital contribution to revolving fund (€200,000), entrepreneurship training, counselling& coaching for entire project.	Austria	500,000	442,478	57,522
Capital contribution to revolving fund.	Counterpart	200,000	200,000	n/a
Technical assistance for young entrepreneurs, Outreach and media campaigns with increased women focus, monitoring and evaluation for main phase.	To be identified	268,000	237,168	30,832
	<b>Totals</b>	<b>968,000</b>	<b>879,646</b>	<b>88,354</b>

## Why support this project?



Contributing to this project has benefits at two levels:

### 1. You as a donor and partner

As a donor or partner for this project, there is an enormous amount of positive visibility since the issue of youth unemployment is high on the international political agenda and is regularly covered in international media.

In addition, affiliating yourself with a UNIDO project at the time that UNIDO is Co-Chair of the Inter-Agency Network for Youth Development (IANYD) generates a lot of media attention

and positive visibility at many (high-level) events worldwide, where many stakeholders from the development sector and international press participate.

Moreover, in Armenia, UNIDO is currently also implementing a GEF project, and will start with several large-scale projects in the Country funded by the EU (value-chain development and metrology). This project will synergize on several topics with these projects, and, therefore, your contributing of an even relatively small amount would facilitate broader visibility

through the cooperation with large-scale EU-funded projects. This way, you, as a donor, are actively contributing to a holistic approach for economic development in Armenia.

Since the entrepreneurs will need technical assistance for their companies, there is an opportunity to operationalize knowledge sharing between your Country and Armenia, which could potentially also have positive spin off effects in terms of trade. At the same time, the expertise in your Country can be put to use by sending experts from your Country to support Armenian entrepreneurs, against payment, and within the UN framework that could in turn generate more international assignments for these experts.

### 2. Project potential in Armenia

As shown, the project has an enormous potential in terms of economic development because of the spillover effects these entrepreneurs can have by creating jobs, improving their living

standards and developing innovative products. At the same time, the enthusiasm and commitment of these entrepreneurs are not only shown by their high turnout rates during the calls for proposals, but also during the trainings and their presentations before the Selection Committee.

Investing in these young entrepreneurs has a potentially high success rate and low risk rate, as Armenia meets several basic criteria such as a good infrastructure, legal framework, constantly improving business environment and most importantly, traditionally a proud population with an incredible willingness to work, develop, achieve, do, learn, and improve. Contributing to this project will be satisfying as results are visible, entrepreneurs are committed and the Government, embodied by its Minister of Economy, is very keen towards ensuring a successful project.



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